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AIPPI Panel Session 10: Anti-suit & anti-anti-suit injunctions

Sophie Britton (Bristows) · Wednesday, October 27th, 2021

This short post reports on one of the Panel Sessions at this year's AIPPI Congress which took place virtually for the second year in a row.

The tenth panel session of the AIPPI Online World Congress 2021 addressed global FRAND determinations by national courts and out-of-jurisdiction judgments in the form of anti-suit and anti-anti-suit injunctions. The panel was chaired by Peter Damerell (Powell Gilbert), who was joined by Clemens-August Heusch (Head of Global Litigation and Disputes, Nokia) and Kevin Duan (Han Kun Law Offices). The panel started off by discussing the UK Supreme Court judgment in *Unwired Planet v Huawei*[1], noting that this decision is generally held responsible for the direction that national courts are taking in determining global FRAND terms. It was inevitable that other courts would follow suit and this is being seen in the Chinese courts in particular. In turn, these decisions have been a catalyst for anti-suit and anti-anti-suit injunctions over the past couple of years.

FRAND litigation

Owners of Standard Essential Patents (“SEPs”) must be willing to license these patents on fair, reasonable and non-discriminatory (“FRAND”) terms. In *Unwired Planet*, the UK Supreme Court said that the UK national courts can set FRAND terms without both parties’ consent. However, it did so in the context of remedies for patent infringement where an SEP had been found to be valid and infringed. Since this decision, the Chinese courts have also started looking at the issue of global licensing terms. Mr Duan considered that the Chinese courts are playing a more and more important role in this area as time goes on. The most interesting recent development is in the *Sharp v Oppo* case, where the Chinese courts confirmed for the first time that they do have jurisdiction to set global licensing terms. The rationale behind this was contract theory and the Chinese courts justified their jurisdiction because China is where the licence agreement was negotiated, as well as where Oppo, a Chinese company, is based.

Dr Heusch noted that it was very important for parties to negotiate in these situations; Nokia has a lot of licences in place and only a few are agreed as a result of litigation, proving it is possible for parties to agree on terms without going to court and both sides are usually willing to do so. He suggested that when litigation is necessary and the courts are required to decide on the FRAND terms, no court should have jurisdiction unless agreed by both parties, otherwise a dangerous environment is created. California, for example, has established itself as implementer-friendly court and if this pattern continues it is likely that there will be a race for everyone to go to these

more favourable courts rather than acting reasonably initially and negotiating the terms. If after a reasonable amount of time, there is no licence and no agreement to set the licence terms then the patent infringement case should be heard to determine whether an injunction is necessary. At the moment, the Chinese courts are looking to be pro-licensee and, arguably pro-Chinese companies – it will be interesting to see if the use of the Chinese system grows over time with increased transparency and use of guidelines.

We have now seen that the Californian and Chinese courts are willing to set global FRAND rates, as to a certain extent are the UK and German courts. However, the US and Chinese courts are willing to make an unlimited FRAND determination, whereas the UK and German courts so far will only do so implicitly to decide on whether there should be a national injunction and do not claim that this should be globally enforceable. Implementers have expressed support for Chinese courts setting global FRAND rates, as otherwise they will have to accept unfavourable rates set by the UK/German courts. However, Dr Heusch did not think this was a valid argument as ultimately they have the option to leave that market. Apple recently indicated they might leave the UK market. However this seems very unrealistic, and it looks as though we will find out soon either way following the decision in *Optis v Apple*[2] handed down by Mr Justice Meade last month. Emphasis on ‘willingness of licensee’ has also been considered in recent FRAND case law. The burden is very high, there should be no delay and resolutions must be reached quickly; there have been a number of cases where an injunction has been granted due to the defendant being unwilling, or too slow, whereas in reality patent owners would prefer to win at a later point, once the court has examined the FRAND offer. Companies seem to have taken note of this case law and are becoming more and more responsive.

Anti-suit injunctions

As time goes on, it would seem parties are looking to forum shop, that is go to the court which will give them the most favourable outcome. Coupled with this, parties are also requesting anti-suit injunctions from their jurisdiction of choice, to avoid being overtaken by parallel proceedings in other less favourable jurisdictions. Anti-suit injunctions have been raising significant concerns. They have been granted by Chinese courts, preventing patent infringement actions in other national courts. In turn, the other national courts have retaliated by granted anti-anti-suit injunctions to prevent enforcement of the original anti-suit injunctions and in some cases it has spiralled into a vicious circle leading us to almost lose count of the a’s!

This is leading to conflicting orders being given by different national courts due to their differing views. Dr Heusch considered that the entire development of these anti-suit and anti-anti-suit injunctions is concerning and there should be clearer rules on jurisdiction to avoid such injunctions. The German courts have taken a dislike to anti-suit injunctions, considering that it should be within their competence to decide whether a German patent is infringed in Germany, without interference from other courts. Now, the threat of an anti-suit injunction from a defendant is enough to allow the proactive request of an anti-anti-suit injunction from the German courts. The German courts also consider that this ties into ‘willingness’, and that requesting anti-suit injunctions abroad is an indication of unwillingness. Anti-suit injunctions therefore cannot be justified; protecting the jurisdiction of the court in which the defendant chooses to set the FRAND terms is tantamount to one party being able unilaterally to determine the jurisdiction. Mr Duan noted that the reason for the injunctions and forum shopping is primarily economic and when facing conflicting orders from national courts, it would be common sense for the companies to choose the forum least harmful to the company in terms of economics. Anti-suit injunctions have a

long history in the UK courts. However, they have only been granted in order to prevent actions started in other jurisdictions getting in the way of UK proceedings. Unlike the anti-suit injunctions we are seeing now, the English courts have not issued any anti-suit injunctions to prevent infringement actions going forwards elsewhere.

Mr Damerell asked Dr Heusch to consider whether anti-anti-injunction battles may be encouraging parties to negotiate, as there have been settlements shortly afterwards in some cases. Dr Heusch noted that there were also settlements before the idea of these anti-anti-suit injunctions, whether they came quickly or after 5/6/7 months of litigation. Anti-suit injunctions are merely another incentive for parties to settle due to the increased costs they bring and it would be better for parties to come to a favourable solution more quickly. If anti-suit injunctions accelerate settlements then this could be seen as a positive side effect, but still is not the preferable path to take.

The panel concluded by discussing the future of such anti-suit injunctions. Mr Duan considered that there is still a lot of uncertainty and it is hard to say which country will take the initial step to stop issuing them. It may fall to politicians to prevent these injunctions being abused in FRAND litigation. However, before this, we will likely see more anti-suit injunctions granted in China and other countries. Dr Heusch noted that the situation may be similar to the Italian torpedo technique (bringing a case before a court in a state which suffers from major delays in judicial proceedings), which popped up and was seen in France and Switzerland but subsequently disappeared, and it is possible the same will happen with anti-suits and anti-anti-suits. Mr Duan agreed and noted that the anti-suit injunctions are also hardly enforceable, and merely act to put companies into uncertainty and dilemma with the national courts – there are few cases where they have actually been enforced.

[1] *Unwired Planet International Ltd v Huawei Technologies Co Ltd and others* [2020] UKSC 37

[2] *Optis Cellular Technology, LLC, et al. v. Apple Retail UK Limited, et al.* [2021] EWHC 2564 (Pat)

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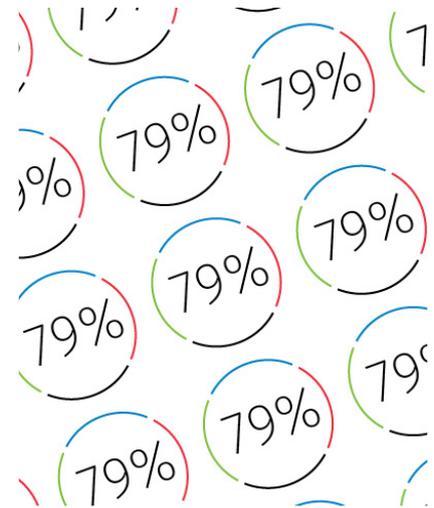
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