4-14-2022

A Statutory Anti-Anti-Suit Injunction for U.S. Patent Cases?

Jorge L. Contreras

An earlier version of this note appeared on Patently-O, Mar. 18, 2022,
https://patentlyo.com/patent/2022/03/contreras-statutory-injunction.html

A Statutory Anti-Anti-Suit Injunction for U.S. Patent Cases?

Jorge L. Contreras[1]

April 14, 2022

Abstract

Litigation relating to fair, reasonable and non-discriminatory (FRAND) licensing of patents essential to industry standards has recently seen a sharp increase in cross-jurisdictional competition fueled by the trend of courts in some jurisdictions (particularly China) to seek to establish FRAND royalty rates applicable around the world, and the increased use of anti-suit injunctions (ASIs) to prevent parties from pursuing parallel litigation in other jurisdictions. The proposed "Defending American Courts Act" (DACA), introduced to the U.S. Senate Judiciary Committee in March 2022, seeks to deter the use of foreign-issued ASIs in U.S. patent litigation. The DACA would effectively create a statutory national "anti-anti-suit injunction" (AASI) that would penalize parties seeking to enforce foreign ASIs by eliminating their ability to challenge asserted patents at the Patent Trial and Appeals Board (PTAB) and establishing presumptions of willfulness, for purposes of enhancing damages under Section 284 of the Patent Act, and exceptional status, for purposes of awarding attorney fees under Section 285. While cross-jurisdictional competition in FRAND cases has created numerous litigation inefficiencies and diplomatic issues, there may be other means to address the problem of foreign ASIs. As a result, further study of these questions, as suggested by DACA itself, may be warranted before legislation is enacted.

On March 8, 2022, five U.S. senators[2] introduced the "Defending American Courts Act"[3] (DACA) in the Senate Judiciary Committee. If enacted, DACA will penalize parties that assert foreign anti-suit injunctions (ASIs) in U.S. patent infringement proceedings, effectively creating

[1] Presidential Scholar and Professor of Law, University of Utah S.J. Quinney College of Law. The author thanks Victoria Carrington for assistance with this article.
[2] Thom Tillis (R-NC), Chris Coons (D-DE), Tom Cotton (R-AR), Mazie Hirono (D-HI), and Rick Scott (R-FL).
[3] S. 3772, 117th Cong. (2021), https://www.govinfo.gov/content/pkg/BILLS-117s3772is/html/BILLS-117s3772is.htm [hereinafter DACA].

a statutory "anti-anti-suit injunction" (AASI) applicable in all courts across the U.S. In this note, I briefly consider the reasons behind the DACA and its potential impact.

1. The Controversy over ASIs in FRAND Cases

The controversy over ASIs has been brewing for several years. As I have discussed at length elsewhere,[4] ASIs are *in personam* procedural remedies that have existed under the common law for centuries. Essentially, an ASI is issued by a first court to prevent a party from pursuing litigation in a second court when it would interfere with the proceedings in the first court. ASIs have been issued routinely by courts in the U.S. and UK, for example, to prevent a party from pursuing litigation over a matter that is subject to an arbitration agreement.

Beginning in 2012, however, ASIs emerged as litigation tools in suits involving the licensing of standards-essential patents (SEPs). Under the rules of several major standards-development organizations (SDOs), SDO participants that hold patents that are essential to products implementing the SDO's standards must license those patents to product manufacturers (implementers) on terms that are "fair, reasonable and nondiscriminatory" (FRAND). Because SDOs, as a rule, do not specify the level of FRAND royalties, SEP holders and implementers sometimes disagree over the amounts that should be paid. Litigation ensues, both as to the SEP holder's compliance with its FRAND commitment, and the implementer's infringement of the SEPs (given that it does not yet have a license). And because many of the markets for standardized products (*e.g.*, smartphones, laptops and gaming devices) are international, litigation is often prosecuted in several countries simultaneously.

[4] Jorge L. Contreras, *The New Extraterritoriality: FRAND Royalties, Anti-Suit Injunctions and the Global Race to the Bottom in Disputes Over Standards-Essential Patents*, 25 BOS. UNIV. J. SCI. & TECH. L. 251 (2019) [hereinafter Contreras, *The New Extraterritoriality*].

In 2012, Microsoft and Motorola were engaged in such a dispute.[5] Microsoft sued Motorola for violation of its FRAND commitments to two SDOs in a U.S. district court.[6] Motorola brought an infringement action against Microsoft in Germany.[7] Fearing that the German court, if it found infringement, would issue an injunction against Microsoft's infringing activity in Germany, Microsoft sought an ASI from the district court to prevent Motorola from enforcing any German injunction that it might obtain.[8] The district court granted the ASI on the basis that the parties were the same, the resolution of the U.S. matter would dispose of the German matter, and the continuation of the foreign litigation would frustrate U.S. policies against avoiding inconsistent judgments, forum shopping, and engaging in duplicative and vexatious litigation.[9]

2. ASIs and FRAND Litigation in China

In 2017, the UK High Court (Patents) established a global FRAND royalty rate in *Unwired Planet v. Huawei*,[10] a case involving the infringement of a handful of UK SEPs. Courts in China soon followed suit, assessing FRAND rates applicable around the world.[11] In response, parties litigating FRAND cases in the U.S. sought ASIs to enjoin their counterparties from pursuing those actions in China, at least until U.S. courts could make their own FRAND

[5] Microsoft Corp. v. Motorola, Inc., 871 F. Supp. 2d 1089 (W.D. Wash. 2012), aff'd 696 F.3d 872 (9th Cir.).
[6] *Id.* at 1093.
[7] *Id.* at 1096.
[8] *Id.*
[9] *Id.* at 1098–100.
[10] [2017] EWHC 711 (Pat).
[11] *See* Peter K. Yu, Jorge L. Contreras & Yang Yu, *Transplanting Anti-suit Injunctions*, 71 AM. UNIV. L. REV. (forthcoming 2022).

determinations. In at least two of these cases, *TCL v. Ericsson*[12] and *Huawei v. Samsung*,[13] U.S. courts issued ASIs prohibiting actions in China.[14]

Then, beginning in 2020, Chinese courts began to issue ASIs of their own, this time prohibiting competing actions in the U.S., Europe, India and elsewhere. During the course of 2020, Chinese courts, including the Supreme People's Court, issued an unprecedented five ASIs to prevent parties from pursuing foreign actions that could interfere with their own proceedings.[15]

In response to this move, courts in the U.S., Germany, France, and India began to issue anti-anti-suit injunctions (AASIs), prohibiting the parties before them from seeking ASIs.[16] Not surprisingly, some courts, including those in China, then issued anti-anti-anti-suit injunctions (AAASIs) to prevent parties from seeking AASIs – a procedural spiral that I have referred to as "anti-suit injunctions all the way down".[17]

3. Political Responses to Chinese ASIs

The increasing use of ASIs by Chinese courts has led to political responses in the U.S. and Europe. In February, the European Union filed a complaint in the World Trade Organization[18] over China's lack of transparency in issuing ASIs against European parties. And

[12] 2015 U.S. Dist. LEXIS 191512 (C.D. Cal., June 29, 2015).
[13] 2018 U.S. Dist. LEXIS 63052 (N.D. Cal., Apr. 13, 2018).
[14] *See* Yu, et al, *supra* note 11.
[15] *See id.*
[16] *See* Contreras, *The New Extraterritoriality*, *supra* note 4; Jorge L. Contreras, *It's Anti-Suit Injunctions All the Way Down – The Strange New Realities of International Litigation Over Standards-Essential Patents*, (2020), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3647587 [hereinafter Contreras, *It's Anti-Suit Injunctions All the Way Down*]; Yu, Contreras & Yu, *supra* note 11.
[17] Contreras, *It's Anti-Suit Injunctions All the Way Down*, *supra* note 16.
[18] Request for Consultations by the European Union, *Enforcement of Intellectual Property Rights*, WTO Doc. WT/DS611/1 (Feb. 22, 2022).

in April 2021, the U.S. Trade Representative described China's increasing use of ASIs as "worrying" in her Special 301 Report.[19]

The DACA also seeks to address this situation. Senator Thom Tillis, in introducing the bill, stated "The Chinese Communist Party's attempt to make Chinese courts the world arbiter of intellectual property must be stopped."[20] The bill's sponsors explain that its purpose is "to prevent China from stealing intellectual property from American companies through their corrupt court system."[21] Thus, while the text of DACA speaks to all "foreign" ASIs, the bill seems targeted directly at Chinese proceedings.

4. The Defending American Courts Act

If enacted, DACA would impose two types of penalties on a party that seeks to restrict an action for patent infringement before a U.S. court or the International Trade Commission (ITC) through the assertion of a foreign anti-suit injunction. First, the party is prohibited from challenging the asserted patent at the Patent Trial and Appeals Board (PTAB).[22] Second, if the party is found to infringe the patent, the infringement will be presumed to be "willful" for purposes of enhancing damages under Section 284 of the Patent Act,[23] and the action will be deemed "exceptional" when determining whether to award attorney fees under Section 285.[24]

---

[19] OFF. U.S. TRADE REP., 2021 SPECIAL 301 REPORT at 40, https://ustr.gov/sites/default/files/files/reports/2021/2021%20Special%20301%20Report%20(final).pdf.
[20] *Tillis, Coons, Cotton, Hirono, and Scott Introduce Bipartisan Bill to Prevent the Chinese Communist Party from Stealing American Intellectual Property*, (Mar. 10, 2022), https://www.tillis.senate.gov/2022/3/tillis-coons-cotton-hirono-and-scott-introduce-bipartisan-bill-to-prevent-the-chinese-communist-party-from-stealing-american-intellectual-property.
[21] *Id.*
[22] DACA, *supra* note 3, § 2(c).
[23] 35 U.S.C. § 284.
[24] DACA, *supra* note 3, § 2(b); 35 U.S.C. § 285.

The text of DACA is not particularly detailed, leaving open many questions regarding the proceedings, both foreign and U.S., that would be affected (*e.g.*, Does DACA affect PTAB actions initiated prior to the assertion of a foreign ASI? If so, is there any effect on preclusion of district court invalidity challenges under the recent *CalTech v. Broadcom*[25] case? Is an action still deemed "exceptional" for awards of attorneys' fees even if the asserted patents are eventually invalidated?) Hopefully some of these gaps will be filled if and when the bill moves through committee.

To this end, DACA also calls for the USPTO to conduct a study of "the harms resulting from anti-suit injunctions"[26] within one year of the enactment of the Act. Perhaps it would make sense for this study to be conducted before legislation like DACA is adopted, to determine what harm, if any, should be addressed, and what the most appropriate response might be.

5. DACA as a Legislative AASI?

Despite the rhetoric accompanying its introduction, the measures that would be imposed by DACA are relatively modest. While one could conceptualize DACA as a legislative version of the AASI, it does not actually prohibit parties from seeking or asserting foreign anti-suit injunctions in U.S. tribunals, nor would it direct U.S. courts to issue AASIs or take other actions in response to the assertion of foreign ASIs.

In fact, the AASIs already issued by courts in the U.S., Europe and India in response to Chinese ASIs are generally more punitive than the contingent measures that would be imposed under DACA. For example, in *Ericsson v. Samsung*[27] a U.S. district court responded to an ASI

[25] No. 2:16-CV-03714-GW-AGR (Fed. Cir. Feb. 4, 2022).
[26] DACA, *supra* note 3, § 3(a)(2).
[27] No. 2:20-CV-00380-JRG (E.D. Tex. Jan. 11, 2021).

issued to Samsung by a court in China by prohibiting Samsung from enforcing the ASI against Ericsson (under penalty of contempt) and ordering Samsung to indemnify Ericsson against any monetary penalties imposed by the Chinese court.

Thus, while the penalties imposed by DACA are meaningful and may, indeed, dissuade some litigants in U.S. matters from seeking foreign ASIs, it is not clear that they offer greater deterrents than the AASIs that U.S. courts are already empowered to issue.

DACA, of course, offers an *ex ante* deterrent, imposing a penalty before a foreign ASI is sought or asserted in the U.S. However, courts in Germany have recently begun to issue preemptive AASIs ordering parties who have not yet initiated any actions in China not to do so, given the "prevalent trend of Chinese companies filing ASIs,"[28] and a Dutch court has also indicated that it might consider doing so.[29]

6. What Goes Around Comes Around

Despite the explicit anti-China tenor of the comments accompanying DACA's introduction, it is worth remembering that ASIs are not Chinese creations. They are products of the common law and were first used in FRAND cases by U.S. courts against actions in China. As my co-authors and I have argued elsewhere,[30] the Chinese courts effectively "transplanted" ASIs to China from the U.S. and UK.

---

[28] Mathieu Klos, *Munich Regional Court Upholds AASI Application Against Huawei*, JUVE PAT. (June 30, 2021), https://www.juve-patent.com/news-and-stories/cases/munich-regional-court-upholds-aasi-application-against-huawei/; Amy Sandys, *Düsseldorf on New Ground with Partial AASI Against Xiaomi*, JUVE PAT. (July 20, 2021), https://www.juve-patent.com/news-and-stories/cases/dusseldorf-on-new-ground-with-partial-aasi-against-xiaomi/.
[29] Florian Mueller, *Dutch Court Rejects Ericsson Motion for Anti-Antisuit Injunction, but Apple May Still be Enjoined if Need Be: Another Jurisdiction Adopts Munich Approach*, FOSS PATS. (Oct. 26, 2021), http://www.fosspatents.com/2021/10/dutch-court-rejects-ericsson-motion-for.html.
[30] Yu, Contreras & Yu, *supra* note 11.

Like ASIs themselves, it is not unlikely that the enactment of DACA or a similar statute in the U.S. will trigger foreign responses in kind. What would happen if China, Germany and other countries adopted legislation similar to DACA, preventing U.S. companies in foreign courts from enforcing ASIs issued by U.S. courts? As a procedural mechanism in U.S. and foreign proceedings, the ASI has many legitimate uses. Yet legislative deterrents imposed by other countries could limit the use of ASIs by U.S. parties when appropriate. One risk of unilateral measures such as DACA is that they could trigger reciprocal actions by other countries that could cause more harm than good to U.S. companies and markets.

7. A Different Deterrent?

The stated goal of DACA is to dissuade litigants in global FRAND disputes from attempting to sidestep U.S. litigation by seeking and enforcing foreign ASIs. But there are other, possibly better, ways to achieve this goal. In a recent essay, I urge courts around the world to "stand down" when asked by parties to determine global FRAND rates and to focus instead on FRAND royalties for patents within their own jurisdictions.[31] If courts did not race to set rates in countries beyond their borders, one of the principal reasons that parties seek ASIs could be eliminated. Elsewhere, I have proposed that SDOs support the determination of global FRAND rates by non-governmental arbitral tribunals,[32] or that courts utilize the interpleader procedural mechanism to collect all relevant parties in a single proceeding to determine such rates.[33]

---

[31] Jorge L. Contreras, *Anti-Suit Injunctions and Jurisdictional Competition In Global FRAND Litigation: The Case For Judicial Restraint*, 11 NYU J. INTELL. PROP. & ENT. L. 171 (2021).
[32] Jorge L. Contreras, *Global Rate-Setting: A Solution for Standards Essential Patents?*, 94 WASH. L. REV. 701–757 (2019).
[33] Jason R. Bartlett & Jorge L. Contreras, *Rationalizing FRAND Royalties: Can Interpleader Save the Internet of Things?*, 36 REV. LITIG. 285 (2017).

If there is a desire for national legislation to address the issue of foreign ASIs, then instead of limiting a party's ability to petition the PTAB or escalating the prospect of enhanced damages, such a statute could require that the FRAND royalty rate payable with respect to U.S. patents (when FRAND royalties are called for by an SDO commitment), must be set by a U.S. tribunal or other approved arbitral body. Such a provision could override any conflicting rate set in a foreign court's global FRAND proceeding, at least as to the U.S., and would thus limit the usefulness of foreign ASIs as to U.S. proceedings. If other countries followed suit, then the problem of cross-border ASIs in FRAND cases could disappear.

Conclusion

For all of the above reasons, it is important that policy makers consider fully the potential benefits of DACA, as well as its potential costs, and consider alternatives that might serve the same ends. As noted above, the study called for under Section 3(a)(2) of DACA might be useful to conclude prior to the enactment of legislation of this nature.