

March 11, 2023

The Honorable Darrell Issa, Chairman  
Subcommittee on Courts, Intellectual Property, and the Internet  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Henry C. Johnson, Ranking Member  
Subcommittee on Courts, Intellectual Property, and the Internet  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, D.C. 20515

CC: Members of the Subcommittee on Courts, Intellectual Property, and the Internet of the House Judiciary Committee

RE: House Judiciary Committee's Subcommittee on Courts, Intellectual Property, and the Internet hearing, "Intellectual Property and Strategic Competition with China: Part I" (Mar. 8, 2023)

Dear Chairman Issa, Ranking Member Johnson, and Members of the Subcommittee:

I am the James T. Jensen Endowed Professor for Transactional Law at the University of Utah S.J. Quinney College of Law in Salt Lake City, and serve as the Director of the College's Program on Intellectual Property and Technology Law. I have spent more than thirty years observing, analyzing and engaging in international intellectual property matters. These include patent licensing agreements, transactions involving standards-essential patents, patent pools, offshore manufacturing arrangements, joint ventures and mergers and acquisitions. In addition to my faculty position at University of Utah, I regularly teach a course on international technology transactions at the East China University for Political Science and Law, and have interacted extensively with attorneys and scholars in China.

I write today to commend the Subcommittee for addressing the important topic of intellectual property and strategic competition with China and to offer for your consideration some of my work relating to these issues. Specifically, I attach for your review and inclusion in the record of the Subcommittee's hearing, Intellectual Property and Strategic Competition with China: Part I (Mar. 8, 2023), the following materials:

1. Jorge L. Contreras, "[National FRAND Rate-Setting Legislation: A Cure for International Jurisdictional Competition In Standards-Essential Patent Litigation?](#)" *CPI Antitrust Chronicle*, July 2022.

This short article explains the causes of competition among courts in the US, Europe and China over setting global licensing rates for standards-essential patents and analyzes two recent US legislative proposals developed to address those issues: the Defending American Courts Act (DACA) and the Standards Essential Royalties Act (SERA).

2. Jorge L. Contreras, "[A Statutory Anti-Anti-Suit Injunction for U.S. Patent Cases?](#)", Patently-O blog, Mar. 18, 2022 (updated ver. Apr. 19, 2022)

This piece discusses DACA in more detail, outlining some of its potential shortfalls in addressing US-China jurisdictional competition.

For a comprehensive analysis of the development of China's antisuit injunctions in the area of standards essential patents, I recommend my recent article co-authored with two experts on Chinese intellectual property law, Peter K. Yu, Jorge L. Contreras, Yu Yang, [Transplanting Anti-Suit Injunctions](#), 71 AM. U. L. REV. 1537-1618 (2022).

I hope that these materials are helpful to the Subcommittee. I would be happy to provide further information or to discuss these materials in greater detail and can be reached at [jorge.contreras@law.utah.edu](mailto:jorge.contreras@law.utah.edu).

Very truly yours,



Jorge L. Contreras

# CPI ANTITRUST CHRONICLE

## JULY 2022

### INTELLECTUAL PROPERTY AND TRANSACTIONAL CHOICE: RETHINKING THE IP/ANTITRUST DICHOTOMY

By Jonathan M. Barnett



### PROPOSED ANTITRUST REFORMS IN BIG TECH: WHAT DO THEY IMPLY FOR COMPETITION AND INNOVATION?

By Erik Hovenkamp



### BIG DATA, LITTLE CHANCE OF SUCCESS: WHY PRECEDENT DOESN'T SUPPORT ANTI-DATA THEORIES OF HARM

By Kristen O'Shaughnessy, D. Daniel Sokol, Jaclyn Phillips & Nathan



### FRIENDLY FIRE: HOW THE BIDEN ADMINISTRATION'S INNOVATION POLICY IS UNDERMINING U.S. NATIONAL SECURITY

By Kristen Osenga



### A WIDER-APERTURE LENS FOR COMPETITION POLICY: ANTITRUST IN THE CONTEXT OF SYSTEMIC COMPETITION FROM CHINA

By David J. Teece



### NATIONAL FRAND RATE-SETTING LEGISLATION: A CURE FOR INTERNATIONAL JURISDICTIONAL COMPETITION IN STANDARDS-ESSENTIAL PATENT LITIGATION?

By Jorge L. Contreras



### CONTINENTAL v. AVANCA: THE FIFTH CIRCUIT CONFIRMS THE FALLACY OF "COMPULSORY LICENSE-TO-ALL"

By Dina Kallay



### PATENT HOLDOUT EXPLAINS WHY PATENT HOLDUP IS STILL ON THE TABLE: IN MEMORIAM OF ALEXANDER GALETOVIC

By Jorge Padilla



## NATIONAL FRAND RATE-SETTING LEGISLATION: A CURE FOR INTERNATIONAL JURISDICTIONAL COMPETITION IN STANDARDS-ESSENTIAL PATENT LITIGATION?

By Jorge L. Contreras

The willingness of national courts to set global FRAND royalty rates for patents that are essential to key industry standards has led to international jurisdictional conflicts, competing anti-suit injunctions and a global race to the courthouse. This essay supports the adoption of legislation that repudiates global FRAND rates set unilaterally by courts in other countries and instead mandates the adjudication of FRAND royalty rates for national patents through a multi-party proceeding. It is hoped that such a system will eventually lead to a consolidated, international mechanism for global FRAND rate determination.

Visit [www.competitionpolicyinternational.com](http://www.competitionpolicyinternational.com) for access to these articles and more!

CPI Antitrust Chronicle July 2022

[www.competitionpolicyinternational.com](http://www.competitionpolicyinternational.com)  
Competition Policy International, Inc. 2022© Copying, reprinting, or distributing this article is forbidden by anyone other than the publisher or author.

## Scan to Stay Connected!

Scan or click here to sign up for CPI's FREE daily newsletter.



Courts have increasingly been asked to adjudicate disputes over the level of fair, reasonable and nondiscriminatory (“FRAND”) royalty rates that holders of standards-essential patents (“SEPs”) are permitted to charge manufacturers of standardized products. Courts making these determinations may assess FRAND rates only as to SEPs issued in their own countries (the “national FRAND approach”) or as to all SEPs worldwide that would be included in a license had it been negotiated by the parties (the “global FRAND approach”). These competing approaches are discussed below, along with some of the international jurisdictional issues that they have raised and potential legislative solutions that could address these issues.

## I. NATIONAL FRAND APPROACH

Patents are instruments of national law and, as such, have legal effect only in the issuing jurisdiction. A court may thus adjudicate infringement, and remedies for infringement, solely as to patents within its jurisdiction. As one U.S. district court has explained, though “the dominant practice in the industry is to license [SEPs] on the basis of worldwide sales . . . the court may not impose a royalty on such a basis because the court’s powers do not extend beyond the United States.”<sup>2</sup> Thus, in *Ericsson v. D-Link*, which involved a dispute over three SEPs allegedly covering Wi-Fi standards, a jury in the Eastern District of Texas determined damages in the form of a royalty payable only with respect to those three U.S. patents.<sup>3</sup> And in *Optis v. Huawei*, the same district court dismissed a SEP holder’s demand for a determination that it complied with its FRAND obligation with respect to non-U.S. patents.<sup>4</sup>

The national FRAND approach has also been followed by courts outside of the U.S. For example, in *Huawei v. Conversant*, the Nanjing Intermediate People’s Court in China established a FRAND royalty for the three Chinese SEPs asserted by Conversant,<sup>5</sup> and in *Samsung v. Apple Japan*, the Intellectual Property High Court of Japan assessed FRAND royalties only for Samsung’s Japanese SEPs.<sup>6</sup>

## II. GLOBAL FRAND APPROACH

The parties to FRAND disputes are often multinational corporations with operations around the world, and many privately negotiated SEP licensing agreements have a worldwide scope. Even though a national court typically lacks the authority to adjudicate damages with respect to the *infringement* of foreign patents, the fact that a FRAND commitment is often a contractual undertaking gives the court jurisdiction to determine, as a contractual matter, a rate for all of the SEPs that would be licensed.<sup>7</sup>

The global FRAND approach was first adopted five years ago by the UK High Court (Patents) in *Unwired Planet v. Huawei*,<sup>8</sup> which determined the terms of a FRAND license covering not only two UK SEPs at issue, but also foreign patents. The court ruled that if Huawei did not accept a license on these terms, it would be enjoined from selling infringing products in the UK.<sup>9</sup> Courts in France are also reported to have indicated a willingness to set global FRAND royalty rates in this manner.<sup>10</sup>

<sup>2</sup> *Hynix Semiconductor Inc. v. Rambus Inc.*, 609 F. Supp. 2d 951, 987, n.30 (N.D. Cal. 2009).

<sup>3</sup> *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1225–29 (Fed. Cir. 2014). See also *Microsoft v. Motorola*, 2013 U.S. Dist. LEXIS 60233 (W.D. Wash., 2013), *aff’d* 795 F.3d 1024 (9th Cir. 2015) (recognizing the existence of non-US patents, but focusing its analysis only on US patents), *In re. Innovatio IP Ventures LLC*, 2013 U.S. DIST. Lexis 144061 (N.D. Ill. 2013).

<sup>4</sup> *Optis Wireless Tech., LLC v. Huawei Device USA, Inc.*, No. 2:17-cv-123-JRG-RSP, Findings of Fact and Conclusions of Law, 2019 U.S. Dist. LEXIS 43489 \*20 (E.D. Tex., Mar. 18, 2019).

<sup>5</sup> *Huawei Technologies Ltd v Conversant Wireless Licensing SarL*, Nanjing Intermediate People’s Court of Jiangsu Province, Judgment dated 16 September 2019 in actions raised by Huawei ((2018) Su 01 Min Chu No 232, 233 and 234). See Jacob Schindler, *Nanjing Judge Sets Chinese SEP Rate in Dispute Between Conversant and Huawei*, INTELL. ASSET MGMT. (Sept. 23, 2019), <https://www.iam-media.com/frandseps/nanjing-judge-sets-chinese-sep-rate-in-dispute-between-conversant-and-huawei>.

<sup>6</sup> *Samsung Electronics Co Ltd v Apple Japan Godo Kaisha* (Case No 2013 (Ne) 10043) (16 May 2014).

<sup>7</sup> For a discussion of the differences between adjudication of patent damages and FRAND royalty rates, see Jorge L. Contreras, et al., *The Effect of FRAND Commitments on Patent Remedies*, in *PATENT REMEDIES AND COMPLEX PRODUCTS: TOWARD A GLOBAL CONSENSUS*, 160, 161-63 (C. Bradford Biddle et al., eds., 2019) [hereinafter INPRECOMP].

<sup>8</sup> *Unwired Planet Intl. Ltd. v. Huawei Techs. Co. Ltd.* [2017] EWHC (Pat) 711 (Eng.), *aff’d* [2020] UKSC 37.

<sup>9</sup> *Unwired Planet Intl. Ltd. v. Huawei Techs. Co. Ltd.* [2017] EWHC 1304 (Pat), *aff’d Unwired Planet Intl. Ltd. v. Huawei Techs. Co. Ltd.* [2020] UKSC 37. See also *Optis Cellular Tech. LLC v. Apple, Inc.* [2021] EWHC 2564 (Pat.) ¶¶ 86, 89 (adopting similar reasoning).

<sup>10</sup> See Matthieu Dhenne, *Overview of FRAND litigation in France: is a new era coming?* KLUWER PATENT BLOG, Nov. 19, 2020, [http://patentblog.kluweriplaw.com/2020/11/19/overview-of-frand-litigation-in-france-is-a-new-era-coming/#\\_ftn3](http://patentblog.kluweriplaw.com/2020/11/19/overview-of-frand-litigation-in-france-is-a-new-era-coming/#_ftn3) (discussing *TCL v Philips and ETSI*), and Matthieu Dhenne, *XIAOMI Case: Paris, the “New World” of FRAND*, KLUWER PATENT BLOG, Dec. 27, 2021 (discussing *Xiaomi v. Philips*).

U.S. courts have set global FRAND rates, but only when both parties have requested that they do so.<sup>11</sup> Thus, in 2012, the court in *Motorola v. Microsoft* determined a FRAND rate for Motorola’s global portfolios of SEPs covering two standards based on worldwide licensing evidence introduced by both parties.<sup>12</sup> And in *TCL v. Ericsson*, a district court determined global FRAND rates for Ericsson’s SEP portfolio after the parties requested that the court make a global rate determination.<sup>13</sup>

But the country that has attracted the most recent attention for setting global FRAND rates is China. In June 2020, smartphone manufacturer Xiaomi asked the Intermediate People’s Court in Wuhan to establish a global FRAND rate for InterDigital’s SEPs covering the 3G and 4G standards.<sup>14</sup> The Wuhan court indicated its willingness to declare a global FRAND rate when it issued an anti-suit injunction ordering InterDigital to withdraw a parallel suit in India.<sup>15</sup> A similar request was made to the Shenzhen Intermediate People’s Court in *OPPO v. Sharp*, which indicated that its determination of a global FRAND rate could improve efficiency by avoiding litigation in multiple jurisdictions.<sup>16</sup> Then in December 2020, Samsung petitioned the Wuhan court to establish a global FRAND rate for SEPs held by Ericsson, resulting in the Wuhan court’s issuance of an anti-suit injunction against Ericsson.<sup>17</sup> At least three other recent complaints have sought the determination of global FRAND rates by Chinese courts.<sup>18</sup>

### III. JURISDICTIONAL RACES

As these cases demonstrate, a court in any country adjudicating a FRAND dispute can seek to claim jurisdictional authority to determine a global FRAND rate.<sup>19</sup> And a manufacturer will effectively be forced to accept a court’s global FRAND rate in any country where it has significant assets or market share, because refusing to sign a license on those terms could result in an injunction prohibiting sales in that country. This ability of one national court to determine FRAND rates for patents around the world can lead to two forms of legal “race.”

First is a “race to the bottom” among jurisdictions — a documented phenomenon in which jurisdictions intentionally adapt their rules, procedures, and doctrines to attract litigants.<sup>20</sup> Second, differences among jurisdictions encourage parties to initiate litigation in a favorable jurisdiction as quickly as possible, often to foreclose a later suit in a less favorable jurisdiction. This situation is referred to as a “race to judgment” or a “race to the courthouse,” and it may prematurely drive parties to litigation rather than negotiation or settlement.<sup>21</sup> As one UK court recently observed, “if SEP owners have unfettered freedom to select the jurisdiction in which to bring an action for infringement, it means that potentially they get to select the jurisdiction likely to settle FRAND terms most favourable to them. ... This cuts both ways. If implementers have unfettered freedom to bring a claim in any jurisdiction for the settlement of FRAND terms, they will select the country most favourable to them. A race to the bottom is no more attractive than a race to the top.”<sup>22</sup>

11 The unilateral determination of global FRAND rates had been requested by parties in U.S. cases, but the courts in those cases did not ultimately make such determinations. See e.g. *Lenovo (United States) Inc. v. ICom GmbH & Co. KG*, No. 5:19-cv-01389-EJD, 2019 WL 6771784 (N.D. Cal. Dec. 12, 2019) (Lenovo brought an action claiming that ICom breached its FRAND obligations and asking the court to determine a global FRAND royalty rate, but the case was resolved prior to a substantive ruling on the matter).

12 *Microsoft Corp. v. Motorola, Inc.*, 871 F. Supp. 2d 1089, 1097 (W.D. Wash. 2012), aff’d, 696 F.3d 872 (9th Cir. 2012).

13 *TCL Commun. Tech. Holdings Ltd. v. Telefonaktiebolaget LM Ericsson*, Case 8:14-cv-00341-JVS-DFM, Memorandum of Findings of Fact and Conclusions of Law at \*44 (C.D. Cal., Dec. 21, 2017), rev’d on other grounds 943 F.3d 1360 (Fed. Cir. 2019) (“the parties have requested a global adjudication”).

14 *Xiaomi Commc’n Tech. Co. v. InterDigital Tech. Corp.*, (2020) E 01 Zhi Min Chu No. 169-1 (Wuhan Intern. People’s Ct., Sept. 23, 2020), translated at <https://patentlyo.com/media/2020/10/Xiaomi-v.-InterDigital-decision-trans-10-17-2020.pdf>.

15 *Xiaomi v. InterDigital*, *supra* note 4.

16 See also Guangdong *OPPO Mobile Telecommunications Co. Ltd v. Sharp Corp. OPPO*, CHINA JUST. OBSERVER (Oct. 16, 2020), <https://www.chinajusticeobserver.com/law/xi-guangdong-oppo-mobile-telecommunications-v-sharp-corp-20201016>.

17 See *Ericsson Inc. v. Samsung Elecs. Co.*, No. 20-CV-00380, 2021 WL 89980 (E.D. Tex. Jan. 11, 2021).

18 See Bing Zhao, *Coolpad files Chinese FRAND litigation against Pantech*, Intell. Asset Mgt., 22 Mar. 2022, <https://www.iam-media.com/frand/coolpad-files-chinese-frand-litigation-against-pantech> (discussing *Coolpad v. Pantech*, *Nokia v. Oppo* and *Nokia v. Vivo*).

19 To date, the principal countries involved in these disputes include the U.S., UK, France, Germany, Netherlands, Japan, China, Taiwan, South Korea, Brazil, Indonesia, and India.

20 See 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 B.U. J. Sci. TECH. L. 251, 280-83 (2019).

21 See *id.* at 283-86.

22 *Nokia Technologies OY v. Oneplus Technology (Shenzhen) Co., Ltd.*, [2021] EWHC 2952 ¶¶ 117-18.

Yet while the UK Supreme Court, in confirming the jurisdiction of UK courts to set global FRAND rates, expressly acknowledged that a single court's authority to set rates across the globe could result in forum shopping, it largely dismissed this concern, reasoning that it is up to SDOs and parties, rather than courts, to adopt policies to avoid this result.<sup>23</sup> Thus, despite calls that they do so,<sup>24</sup> courts, at least in the UK, seem disinclined to refrain from determining global FRAND rates.

## IV. ANTI-SUIT AND ANTI-ANTI-SUIT INJUNCTIONS IN FRAND CASES

To complicate matters further, in several of the cases noted above, one or both parties sought anti-suit injunctions ("ASI") or similar procedural orders to prohibit the other party from initiating or continuing litigation in another jurisdiction. The first such ASI in a FRAND case was granted by a U.S. district court in *Microsoft v. Motorola*,<sup>25</sup> which prohibited the SEP holder, Motorola, from enforcing an injunction that it had obtained in Germany during the pendency of a FRAND rate determination in the U.S. Other ASI requests followed in a half-dozen U.S. cases over the next several years.<sup>26</sup>

By 2018, international courts began to resist the imposition of ASIs in the U.S. with anti-anti-suit injunctions (AASIs). For example, in *IPCom v. Lenovo*,<sup>27</sup> after a U.S. district court granted Lenovo an ASI prohibiting IPCom from pursuing parallel SEP litigation outside the U.S., French and UK courts each issued AASIs prohibiting Lenovo from enforcing those ASIs in their jurisdictions.<sup>28</sup> A German court responded similarly in *Continental v. Avanci*, issuing an AASI to prevent the enforcement of a U.S. ASI that would have prevented several SEP holders from pursuing litigation in Germany.<sup>29</sup>

Though Chinese judicial actions have been the targets of ASI orders since at least 2015, it was not until 2020 that Chinese courts began to issue ASIs of their own. Then, during the course of that year, Chinese courts issued ASIs in four major FRAND cases, a development that has attracted significant international attention.<sup>30</sup>

## V. RESPONSES BY POLICY MAKERS

The increasing use of ASIs and AASIs in global FRAND disputes and the resulting jurisdictional competition have prompted policy makers around the world to take action. For example, in February 2022 the European Union lodged a complaint with the World Trade Organization ("WTO") alleging that China's use of ASIs impermissibly restricts SEP holders from exercising their rights and creates barriers to trade.<sup>31</sup> The United States, Canada and Japan have made requests to join the EU's case.<sup>32</sup>

Chinese ASI activity also prompted U.S. Senator Thom Tillis, in March 2022, to announce that "[t]he Chinese Communist Party's attempt to make Chinese courts the world arbiter of intellectual property must be stopped."<sup>33</sup> In doing so, he and four other senators introduced draft

---

23 *Unwired Planet Intl. Ltd. v. Huawei Techs. Co. Ltd.* [2020] UKSC 37 ¶ 90.

24 See Jorge L. Contreras, *Anti-Suit Injunctions and Jurisdictional Competition in Global FRAND Litigation: The Case for Judicial Restraint*, 11(2) NYU J. IP & Ent L. 171 (2021) (urging courts voluntarily to refrain from setting global FRAND rates until a global solution is developed).

25 *Microsoft Corp. v. Motorola, Inc.*, 871 F. Supp. 2d 1089, 1097 (W.D. Wash. 2012), aff'd, 696 F.3d 872 (9th Cir. 2012).

26 For a summary and analysis of these cases, see Contreras, *Extraterritoriality*, *supra* note 20, at 265-78.

27 *Lenovo (United States) Inc. & Motorola Mobility, LLC v. IPCom GmbH & Co.*, No. 19-1389 (N.D. Cal., filed Mar. 19, 2019).

28 Tribunal de Grande Instance de Paris, Case No RG 19/59311, 8 November 2019, aff'd *IPCom v. Lenovo*, Court of Appeal of Paris – RG 19/21426, 3 March 2020 - Case No. 14/2020 (English trans. at <http://caselaw.4ipcouncil.com/french-court-decisions/ipcom-v-lenovo-court-appeal-paris-rg-1921426>), *IPCom v. Lenovo*, [2019] EWHC 3030 (Pat).

29 Landgericht München I, docket nos. 21 O 9333/19 and 21 O 9512/19.

30 For a detailed analysis of the issuance of ASIs by Chinese courts, see Peter K. Yu, Jorge L. Contreras, Yu Yang, *Transplanting Anti-Suit Injunctions*, 71 Am. U. L. Rev. 1537 (2022).

31 Request for Consultations by the European Union, China—Enforcement of Intellectual Property Rights, WTO Doc. WT/DS611/1 (Feb. 22, 2022).

32 See Mark Cohen, Three Countries Seek to Join the EU SEP Case, China IPR, Apr. 22, 2022, <https://chinaipr.com/2022/04/22/three-countries-seek-to-join-the-eu-sep-case/>.

33 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>.

legislation (the “Defending American Courts Act” or “DACA”) that would impose penalties on parties seeking to enforce foreign ASIs in U.S. patent suits.<sup>34</sup>

## VI. CONSISTENCY, TRANSPARENCY, AND COMPREHENSIVENESS IN FRAND RATE-SETTING

As I have previously observed, judicial FRAND rate determinations today suffer from a lack of *consistency* (as different courts are not bound to apply consistent methodologies in establishing FRAND rates, even for the same patents covering the same standards), *transparency* (as confidential licensing agreements are not open to review by parties in other cases or outside the litigation arena), and *comprehensiveness* (as bilateral litigation rarely takes into consideration the value of SEPs held by non-parties to the litigation).<sup>35</sup> These problems are exacerbated by international judicial competition, as there are few, if any, common procedures or methodologies for FRAND rate determination that are recognized across borders.<sup>36</sup> The combination of these factors places even greater pressure on parties to race to the jurisdiction that they deem most favorable to their own positions.

The clear solution to these issues lies in the determination of FRAND rates for all SEPs covering a given standard in a single, consolidated proceeding, whether judicial<sup>37</sup> or arbitral.<sup>38</sup> Yet despite various calls for reform,<sup>39</sup> neither courts, SDOs nor parties have taken concrete steps toward such a solution. As a result, more targeted governmental intervention may be required.

## VII. LEGISLATIVE REPUDIATION OF FOREIGN GLOBAL FRAND RATES

As noted above, a group of U.S. senators recently proposed legislation (DACA) that would penalize parties that enforce foreign ASIs in U.S. patent suits. While DACA-type legislation addresses one symptom of the global race to set FRAND rates, it is not likely to be effective in addressing the root problem. Specifically, the penalties that it imposes will become moot as soon as a foreign court establishes a global FRAND rate that is incorporated into a SEP licensing agreement, as that agreement will render the U.S. litigation in which those penalties would have been imposed moot (i.e. an infringement suit cannot be maintained against a licensee).<sup>40</sup> Thus, even if legislation like DACA were enacted, parties to FRAND disputes will continue to race to favorable jurisdictions and national courts will respond accordingly.

A more effective legislative solution would instead reject the recognition of global FRAND rates that have unilaterally (i.e. without the consent of both parties) been set by foreign courts. For example, the U.S. Congress could enact a statute to repudiate FRAND royalty rates with respect to U.S. patents that have been set unilaterally by foreign courts.<sup>41</sup> Importantly, this repudiation would apply even to foreign FRAND rates that purport to be “global” and even those that are incorporated into licensing agreements that have been signed under threat of a foreign injunction.

---

34 S. 3772, 117th Cong. § 2 (penalties include a presumption of willfulness, if infringement is found, a presumption of extraordinary circumstances, in connection with cost recovery claims, and the inability to challenge the litigated patents at the Patent Trial and Appeals Board (“PTAB”).

35 Jorge L. Contreras, *Global Rate-Setting: A Solution for Standards Essential Patents?*, 94 WASH. L. REV. 701 (2019).

36 See Thomas J. Cotter, *Is Global FRAND Litigation Spinning Out of Control?*, 2021 PATENTLY-O PATENT L.J. 1, 24 (2021) (suggesting that national governments seek to develop consensus, or at least best practices, around certain contentious FRAND calculation issues).

37 Jason R. Bartlett & Jorge L. Contreras, *Rationalizing FRAND Royalties: Can Interpleader Save the Internet of Things?*, 36 REV. LITIG. 285 (2017).

38 See Contreras, *Global Rate-Setting*, *supra* note 35 (proposing non-governmental, multilateral global rate-setting). This multilateral proposal differs from prior proposals for *bilateral* arbitration of FRAND disputes, which would facilitate the resolution of rate disputes between the parties, but would not establish FRAND rates applicable for all market participants. See Richard Arnold, *SEPs, FRAND and Mandatory Global Arbitration*, 2/2021 GRUR 123 (2021) (proposing global bilateral arbitration); Jorge L. Contreras & David Newman, *Developing a Framework for Arbitrating Standards-Essential Patent Disputes*, 2014 J. DISPUTE RESOL. 23 (2014) (considerations for bilateral FRAND arbitration); Mark A. Lemley & Carl Shapiro, *A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents*, 28 BERKELEY TECH. L.J. 1135 (2013) (proposing bilateral “best offer” arbitration).

39 See e.g. Group of Experts on Licensing and Valuation of Standard Essential Patents (E03600), *Contribution to the Debate on SEPs* (2021), Lemley & Shapiro, *supra* note 38; King Fung Tsang & Jyh-An Lee, *The Ping-Pong Olympics in Antisuit Injunction in FRAND*, Chinese University of Hong Kong Faculty Of Law Research Paper No. 2021-68 (28 Mich. Tech. L. Rev. forthcoming, 2022); Eli Greenbaum, *No Forum to Rule them All: Comity and Conflict in Transnational FRAND Disputes*, 94 WASH. L. REV. 1085 (2019); and various articles by the author cited throughout this essay.

40 See Jorge L. Contreras, *A Statutory Anti-Anti-Suit Injunction for U.S. Patent Cases?*, PATENTLY-O (Mar. 18, 2022), <https://patentlyo.com/patent/2022/03/contreras-statutory-injunction.html>.

41 A draft legislative proposal titled the “Standard Essential Royalty Act” (SERA) has been brought to the author’s attention. It embodies some of the recommendations contained in this essay.

With such a statute in place, parties operating in the U.S. would no longer be beholden to the rapid adjudication of U.S. FRAND rates in foreign courts, thereby reducing the need for a race to the courthouse. And if other countries enacted statutes repudiating foreign FRAND rates with respect to their own national patents, then the ability of courts in the UK, China, or any other country to dictate global FRAND rates would effectively vanish.

## VIII. AGGREGATED JUDICIAL RATE-SETTING

A statute that repudiates global FRAND rates that have unilaterally been set by a foreign court should also offer an alternative method for determining FRAND rates within the country in question. This function could simply be left to national courts without further elaboration. Yet such an approach would solve only half of the problem: while it would eliminate the international jurisdictional competition described above, it would not fully achieve the goals of consistency, transparency or comprehensiveness that are also needed for effective FRAND rate determinations around the world.

Thus, in order to rationalize FRAND rate determinations for multiple SEPs across the same standard and to ensure that all SEP holders are treated in a consistent and fair manner, FRAND rates should be set in multilateral proceedings that include all holders of SEPs applicable to a given standard. Moreover, in order to take into account evidence regarding the benefits and relative value of particular patented and non-patented technologies that are included in standardized products, the manufacturers of standardized products should also be permitted to participate in such proceedings. These proceedings would then determine, in an economically sound manner, both the aggregate royalty rate to be paid for all SEPs covering a standard, as well as the allocation of royalties among individual SEP holders.<sup>42</sup>

Such FRAND proceedings would resemble rate-setting hearings that are currently conducted with respect to utility rates and various forms of copyright licensing.<sup>43</sup> It could be structured as a judicial proceeding using existing interpleader mechanisms, a new judicial procedure created by statute, or a designated arbitral proceeding. In the end, the form and venue of the proceeding are less important than ensuring that they establish a single FRAND rate for all SEPs covering a particular standard. To promote fairness, audit and verification mechanisms could be implemented to ensure that over-declaration of SEPs does not distort the allocation of compensation among SEP holders.<sup>44</sup> And in addition to the rate determination body, a neutral agent could be designated to collect FRAND royalties from manufacturers and distribute royalty shares to SEP holders.<sup>45</sup>

The efficiency gains from such a consolidated proceeding are many and have been discussed at length elsewhere.<sup>46</sup> Most importantly, it would eliminate dozens of different adversarial proceedings pertaining to SEPs covering the same standards, result in consistent and transparent results, and enable all interested parties to have a voice in these critical rate determinations.

## IX. NATIONAL RATE-SETTING AS A PATHWAY TO GLOBAL RATES

The legislative solution described above would, by definition, be effective only in the country in which it was enacted. In that vein, both courts and commentators have worried that judicial determinations of FRAND rates that are limited to national patents could result in an inefficient multiplicity of judicial proceedings – one per country.<sup>47</sup> Yet even if this were the case, such country-by-country adjudication would only be conducted once for each standard, rather than multiple times for each SEP holder–implementer pair, as it is today. As such, significant efficiency gains would be achieved.

---

42 This approach has sometimes been referred to as a “top down” approach to royalty determination. It is distinguished from a “bottom up” approach, in which the “value” of individual patents is assessed in an uncoordinated fashion. See Bartlett & Contreras, *supra* note 37, at 293-309.

43 See Contreras, *Global Rate Setting*, *supra* note 35, at 733-37.

44 See e.g. Jorge L. Contreras, *Fixing FRAND: A Pseudo-Pool Approach to Standards-Based Patent Licensing*, 79 ANTITRUST L.J. 47, 82-83 (2013) (proposing an “over-declaration penalty” when aggregated royalties are allocated among SEP holders).

45 This agent could operate in a manner similar to the “nonprofit collective” authorized under the U.S. Copyright Act to assess and collect royalties for certain digital sound recording transmissions. See 17 U.S.C. § 114(g).

46 See e.g. Contreras, *Global Rate Setting*, *supra* note 35; Bartlett & Contreras, *supra* note 37.

47 See e.g. Tsang & Lee, *supra* note 39, at 59 (noting inefficiencies of country-by-country adjudication). But see Eli Greenbaum, *No Forum to Rule them All: Comity and Conflict in Transnational FRAND Disputes*, 94 WASH. L. REV. 1085, 1124 (2019) (collecting, then rejecting, arguments against country-by-country adjudication).



But more importantly, country-by-country rate adjudication need not be the end game for global FRAND rate setting. Ultimately, a single global tribunal (but not a self-appointed national court) would produce the most efficient and fair adjudication of FRAND rates. This much has been acknowledged by the UK courts, one of which recently acknowledged that a potential solution to “[t]he current unevolved framework for the settlement of a global licence between owners of SEPs and implementers . . . would be the establishment of an internationally recognised tribunal to which patentees and implementers must refer their disputes.”<sup>48</sup>

Admittedly, a single tribunal, judicial or arbitral, for the determination of global FRAND rates could emerge organically through the voluntary efforts of SDOs and industry participants, or through some form of top-down international agreement. Yet this has not yet occurred, and few expect that it will.

The national legislation described above, however, could encourage countries to increase cooperation in making FRAND determinations. Thus, if a first country establishes a legitimate and respected forum for FRAND rate determinations, other countries could look to the determinations of that forum as informative in their own proceedings. Private parties could also benchmark negotiated FRAND royalty rates in other countries against the rates set by that forum. Better still, other countries could be permitted to join the adjudicative process established by the first country under appropriate conditions (e.g. some form of representation on, or input to, the adjudicatory body).

Given the inherent inefficiency of country-by-country rate determinations, it is hoped that parties and institutions will gravitate toward more consolidated decision-making structures, yet do so in way that is fair, procedurally sound, and not dependent on the outcome of a jurisdictional race to the bottom.

## X. CONCLUSION

The willingness of national courts to determine global FRAND royalty rates and the resulting proliferation of international jurisdictional conflicts has motivated both private races to the courthouse and jurisdictional races to the bottom. This situation has raised legitimate concerns among policy makers and fueled international tension. Prior legislative proposals fail to address the root of this problem: the inherent inconsistency, non-transparency, and non-comprehensiveness of current judicial and arbitral FRAND rate determinations. A better solution could be effected through the adoption of national legislation that repudiates global FRAND rates set unilaterally by courts in other countries and instead mandates the adjudication of FRAND royalty rates for national patents through a multi-party domestic proceeding. Eventually, such a system could lead to the ideal resolution: a consolidated, international mechanism for global FRAND rate determinations.

---

<sup>48</sup> *Nokia Technologies OY v. Oneplus Technology (Shenzhen) Co., Ltd.*, [2021] EWHC 2952 ¶ 116 (citing *Unwired Planet Intl. Ltd. v. Huawei Techs. Co. Ltd.*, [2020] UKSC 37 ¶ 90).



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<sup>1</sup>

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<sup>2</sup> introduced the “Defending American Courts Act”<sup>3</sup> (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

---

<sup>1</sup> 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.

<sup>2</sup> Thom Tillis (R-NC), Chris Coons (D-DE), Tom Cotton (R-AR), Mazie Hirono (D-HI), and Rick Scott (R-FL).

<sup>3</sup> 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,<sup>4</sup> 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.

---

<sup>4</sup> 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.<sup>5</sup> Microsoft sued Motorola for violation of its FRAND commitments to two SDOs in a U.S. district court.<sup>6</sup> Motorola brought an infringement action against Microsoft in Germany.<sup>7</sup> 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.<sup>8</sup> 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.<sup>9</sup>

## ***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*,<sup>10</sup> a case involving the infringement of a handful of UK SEPs. Courts in China soon followed suit, assessing FRAND rates applicable around the world.<sup>11</sup> 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

---

<sup>5</sup> Microsoft Corp. v. Motorola, Inc., 871 F. Supp. 2d 1089 (W.D. Wash. 2012), aff'd 696 F.3d 872 (9th Cir.).

<sup>6</sup> *Id.* at 1093.

<sup>7</sup> *Id.* at 1096.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 1098–100.

<sup>10</sup> [2017] EWHC 711 (Pat).

<sup>11</sup> 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*<sup>12</sup> and *Huawei v. Samsung*,<sup>13</sup> U.S. courts issued ASIs prohibiting actions in China.<sup>14</sup>

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.<sup>15</sup>

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.<sup>16</sup> 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”.<sup>17</sup>

### ***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<sup>18</sup> over China’s lack of transparency in issuing ASIs against European parties. And

---

<sup>12</sup> 2015 U.S. Dist. LEXIS 191512 (C.D. Cal., June 29, 2015).

<sup>13</sup> 2018 U.S. Dist. LEXIS 63052 (N.D. Cal., Apr. 13, 2018).

<sup>14</sup> See Yu, et al, *supra* note 11.

<sup>15</sup> See *id.*

<sup>16</sup> 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](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.

<sup>17</sup> Contreras, *It’s Anti-Suit Injunctions All the Way Down*, *supra* note 16.

<sup>18</sup> 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.<sup>19</sup>

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.”<sup>20</sup> The bill’s sponsors explain that its purpose is “to prevent China from stealing intellectual property from American companies through their corrupt court system.”<sup>21</sup> 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).<sup>22</sup> 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,<sup>23</sup> and the action will be deemed “exceptional” when determining whether to award attorney fees under Section 285.<sup>24</sup>

---

<sup>19</sup> 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](https://ustr.gov/sites/default/files/files/reports/2021/2021%20Special%20301%20Report%20(final).pdf).

<sup>20</sup> 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>.

<sup>21</sup> *Id.*

<sup>22</sup> DACA, *supra* note 3, § 2(c).

<sup>23</sup> 35 U.S.C. § 284.

<sup>24</sup> 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*<sup>25</sup> 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”<sup>26</sup> 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*<sup>27</sup> a U.S. district court responded to an ASI

---

<sup>25</sup> No. 2:16-CV-03714-GW-AGR (Fed. Cir. Feb. 4, 2022).

<sup>26</sup> DACA, *supra* note 3, § 3(a)(2).

<sup>27</sup> 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,”<sup>28</sup> and a Dutch court has also indicated that it might consider doing so.<sup>29</sup>

## **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,<sup>30</sup> the Chinese courts effectively “transplanted” ASIs to China from the U.S. and UK.

---

<sup>28</sup> 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/>.

<sup>29</sup> 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>.

<sup>30</sup> 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.<sup>31</sup> 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,<sup>32</sup> or that courts utilize the interpleader procedural mechanism to collect all relevant parties in a single proceeding to determine such rates.<sup>33</sup>

---

<sup>31</sup> 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).

<sup>32</sup> Jorge L. Contreras, *Global Rate-Setting: A Solution for Standards Essential Patents?*, 94 WASH. L. REV. 701–757 (2019).

<sup>33</sup> 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.