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The TRIPS Agreement in the Face of IP Judicial
Fragmentation

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Abstract: This piece delves into the global surge of antitrust litigation involving intellectual property-related "antisuit injunctions" ("ASIs"), a judicial remedy with extraterritorial impact aimed at curtailing patent holders from enforcing their rights protecting technologies essential for the implementation of technical standards (standard essential patents). Litigants are racing to secure their preferred legal venue for establishing worldwide licensing rates, while also attempting to prevent patent holders from initiating patent infringement proceedings elsewhere using ASIs. This phenomenon poses an inherent risk of exacerbating the current trade fragmentation trend across geopolitical blocks and has already led to an on-going dispute at the WTO between the EU and China. This paper argues that the TRIPS Agreement offers a readily available solution to counter the perils of antitrust protectionism by prohibiting barriers to legitimate trade that do not include safeguards against abuse of enforcement procedures (i.e. ASIs with an overly broad scope).

1. Introduction. The rise of anti-suit injunctions in the global ICT industry

Technical standards ensure the rapid spread of interoperability and new technologies. Standards are among the most important, yet at the same time fragile, pillars of the modern global tech-economy. They facilitate the creation and integration of markets, foster positive network externalities, reduce uncertainty in the marketplace, and lower costs and prices for downstream products. For instance, the widespread adoption throughout different industries of 3G, 4G or 5G standards demonstrate their importance in enabling digital integration. A vast number of manufacturers and follow-on developers have to comply with these standards. At the same time, the standards are constantly exposed to moral hazard, agency costs and legal uncertainty, which can undermine their functioning and jeopardise innovation. The Internet of Things is set to leverage such potential by enabling a large number of products and devices manufactured by different entities to interact and communicate seamlessly.

At the same time, patents cover many of the technical features and properties enshrined in standards. "Standard Essential Patents" ("SEP") means those patents covering technologies that are required for complying with a specific standard. It follows that the value of a patent *ex post* - namely, after its inclusion in a standard - is substantially higher than it is *ex ante*. Accordingly, if a SEP holder makes a licensing commitment before its technology is adopted in a standard, the patent holder could - by

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seeking an injunction at a later stage against prospective licensees that are locked-in to the standard - threaten them in order to earn supra-competitive royalties. In view of such an outcome, manufacturers may refrain from implementing the standard in the first place, thereby foregoing business and innovation opportunities. This issue is commonly known as a holdup problem.¹ Since the holder of a patent included in a standard benefits from a significant increase in value of its legal title, subject to the successful adoption of the standard, firms may be incentivised to behave opportunistically in order to influence the design of a standard and to maximise their *ex post* benefits. Here, the term holdup refers to the difference between patent holders' pricing incentives *ex ante* (i.e. before the standard is set) and their pricing incentives *ex post*.²

Technical standards are usually designed under the umbrella of Standards Developing Organisations (“SDO”) under which numerous manufacturers (i.e. implementers) and R&D companies contribute their patented technologies. Striking a balance between the competing interests of standard implementers and SEP holders is a difficult task. SDO often attempt to address this issue by requiring SEP owners to abide by IPR policies dictating either no-royalty or Fair, Reasonable, and Non-Discriminatory (“FRAND”) conditions.

According to several authorities³, courts⁴ and commentators⁵, the primary purpose of FRAND commitments is to avoid patent holdup, preventing SEPs holders from demanding excessively high royalties when implementers are already locked into a standard. Indeed, once a standard is adopted, implementers invest significant resources to ensure their production processes comply with the standard. Due to this investment, switching to alternative technologies can be prohibitively expensive. This situation creates an opportunity for SEP holders to obtain substantial leverage and demand royalties far beyond the fair value of their contribution to the standard.

¹ Josh Lerner, Jean Tirole, *Standard-Essential Patents* (2015) 123 JOURNAL OF POLITICAL ECONOMY 547, 551-552 (showing that while the SSO has full flexibility in shaping the standard, implementers are bound to accept it once established, rendering the technology “putty-clay”—malleable before the standard is set and rigid thereafter).

² Charles River Associates, *Transparency, Predictability, and Efficiency of SSO-based Standardization and SEP Licensing*, Report for the European Commission (2016), 11, <<https://ec.europa.eu/docsroom/documents/20506/attachments/1/translations/en/renditions/native>>.

³ See e.g. Canadian Competition Bureau, *Intellectual Property Enforcement Guidelines* (2019), para. 199, <<https://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/04421.html>>; Government of India, Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, *Discussion Paper on Standard Essential Patents and Their Availability on FRAND Terms* (2016), <https://dipp.gov.in/sites/default/files/standardEssentialPaper_01March2016_0.pdf>; U.S. Federal Trade Commission *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* (2011), 22, <<https://www.ftc.gov/reports/evolving-ip-marketplace-aligning-patent-notice-remedies-competition>>; U.S. Department of Justice and Federal Trade Commission, *Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition*, 37-38, <<https://www.justice.gov/atr/antitrust-enforcement-and-intellectual-property-rights-promoting-innovation-and-competition>>.

⁴ See e.g. *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1031 (9th Cir. 2015); *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1209 (Fed. Cir. 2014); *In re Innovatio IP Ventures, LLC Patent Litigation*, 921 F. Supp. 2d 903 (N.D. Ill. 2013).

⁵ Carl Shapiro, Mark Lemley, *The Role of Antitrust in Preventing Patent Hold-up* (2020) 168 UNIVERSITY OF PENNSYLVANIA LAW REVIEW: 1–43; Daniel Melamed, Carl Shapiro, *How Antitrust Can Make FRAND Commitments More Effective* (2018) 127(7) THE YALE LAW JOURNAL: 2210–2141; Joseph Farrell, John Hayes, Carl Shapiro and Theresa Sullivan, *Standard Setting, Patents, and Hold-Up* (2007), 74 ANTITRUST LAW JOURNAL 603.

It is no surprise that the vague nature of these concepts has led to endless litigation.⁶ While, in many instances, implementers and SEP holders manage to negotiate their way to a licence agreement, any disagreements that arise often do end up in litigation.⁷ For instance, SEP holders sue implementers for patent infringement while manufacturers resort to court action for setting a FRAND licence. The national (i.e. territorial) nature of patent rights mean that litigants may have to address a number of disputes in the numerous jurisdictions where the patents are registered, particularly those most relevant for the production and marketing of standard-compliant goods, namely Germany, the UK, China, and the US. Accordingly, empirical evidence demonstrates that SEP are usually litigated in two (or more) jurisdictions.⁸

Courts dealing with litigation over SEP have traditionally been mindful of the territorial nature of patent rights and thus reluctant to exceed the scope of their jurisdiction. However, in recent times, this trend has altered. In particular, the UK courts, when dealing with a national patent infringement case (*Unwired Planet v Huawei*⁹), decided to set the terms of a global licence covering non-UK patents, which had to be respected by the implementer at the risk of facing a judicial injunction.¹⁰ Until then, the courts had dictated licence conditions only within their own territorial jurisdiction. This has had a polarising effect, sparking debates about whether national courts should have the authority to set such global terms.

The repercussions of the *Unwired Planet* case have triggered far-reaching effects across the global landscape. More specifically, the UK judiciary's actions appear to have ignited a widespread competitive tussle between legal jurisdictions, akin to a so-called global race to the bottom.¹¹ This race consists of a jurisdictional effort aimed at attracting litigants through the enticing prospect of establishing universal FRAND rates.

⁶ For a deep-dive involving statistical trends in court litigation concerning SEPs in Europe, see Jorge L. Contreras, Fabian Gaessler, Christian Helmers, Brian J. Love, *Litigation on Standard-Essential Patents in Europe: a Comparative Analysis* (2018) 32 BERKELEY TECHNOLOGY LAW JOURNAL: 1457.

⁷ SEP holders are driven by a compelling incentive to optimize their royalty gains. In contrast, implementers, occupying a distinct role, primarily cultivate their revenue streams in the downstream market by vending standard-compliant goods (such as smartphones). Consequently, their strategic focus orbits around the minimization of the royalties they are compelled to remunerate.

⁸ Justus Baron, Tim Pohlmann, Pere Arque-Castells, Amandine Leonard, *Empirical Assessment of Potential Challenges in SEP Licensing* (2023), p. 103. Study commissioned by the European Commission. The text of the study is available at: <<https://www.lexisnexisip.com/wp-content/uploads/2023/09/Empirical-Assessment-of-Potential-Challenges-in-SEP-Licensing.pdf>>.

⁹ UK Supreme Court, *Unwired Planet International Ltd and another (Respondents) v. Huawei Technologies (UK) Co Ltd and another (Appellants)*, 26 August 2020. [2020] UKSC 37, on appeals from: Court of Appeal of England and Wales, *Unwired Planet v. Huawei*, 23 October 2018. Case No. A3/2017/1784, [2018] EWCA Civ 2344. Unwired Planet, a patent assertion entity (PAE), acquired essential telecoms patents from Ericsson in 2013. In 2014, it sought an injunction against Huawei, Samsung, and Google based on UK patents from Ericsson's portfolio. Huawei, having previously licensed these patents from Ericsson, continued use after the license expired in 2012. The trial centered on determining if the latest licensing offers were FRAND. The judge set global licensing terms, deeming a UK-only license inadequate given a willing licensor's global portfolio and a willing licensee's almost global sales. An injunction was imposed if Huawei rejected these terms. Huawei appealed, failing in the Court of Appeal except for recognizing that a FRAND royalty rate can be a range, not a single percentage. Subsequently, Huawei appealed to the UK Supreme Court.

¹⁰ The UK Supreme Court held that an English court can (a) enjoin infringement of a UK SEP where the infringer is willing to take a UK license, but refuses to take a worldwide licence on “fair, reasonable and non-discriminatory” terms, and (b) set the royalty rates and terms of such a license. Admittedly, the judgment strengthened SEP holders’ position, but the necessary corollary that any nation’s courts can set worldwide FRAND rates is expected to lead to forum shopping, inconsistent outcomes, and anti-suit injunctions.

¹¹ Jorge L. Contreras, *The New Extraterritoriality: FRAND Royalties, Anti-Suit Injunctions and the Global Race To The Bottom In Disputes Over Standards-Essential Patents* (2019) 25 THE BOSTON UNIVERSITY JOURNAL OF SCIENCE & TECHNOLOGY LAW 251.

While much of the existing literature on competition policy and intellectual property has focused on field-specific solutions, proposing either light-touch approaches or new international legal frameworks with limited implementation potential, little attention has been given to the role of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) as a safeguard against the abusive use of anti-suit injunctions (“ASIs”). With the European Union's recent complaint against China at the World Trade Organization (WTO) dispute settlement mechanism, this issue has gained new urgency. This article seeks to fill that gap by providing a thorough legal examination of the TRIPS Agreement’s potential and limitations in addressing the global race to the bottom that threatens international comity and patent protection in the ICT sector.

Given this background, the article briefly sets the stage by introducing the antitrust treatment of SEPs around the world (Section II). Afterwards, it considers the evolution of ASI (Section III) and illustrates the Chinese SEP disputes that led the European Union to trigger the dispute settlement mechanism at the WTO (Section VI). After evaluating the most relevant proposals that have emerged in the literature (Section V), the paper recommends adherence to the TRIPS Agreement as a readily achievable way forward to tackle judicial fragmentation in the field of SEPs (Section VI). Finally, the paper concludes by advancing some policy recommendations and exploring avenues for further research (Section VII).

2. The antitrust treatment of SEPs licensing

The different positions about the risks of holdup and royalty stacking have significant legal implications for the standard setting scenario. Indeed, they imply different approaches to competition enforcement, namely on whether the licensing of SEPs under FRAND terms is a competition issue. Therefore, the antitrust relevance of the FRAND commitments is strictly connected to the schism between holdup and holdout theories and reflects the debate over which concerns shall get priority from a policy perspective.

In the context of licensing strategies, it is widely acknowledged that a company’s breach of a FRAND commitment constitutes a violation of contract law.¹² Indeed, the prevailing view is that the principal objective of FRAND obligations is to mitigate the risk of SEP holdup, thereby facilitating access for entities wishing to manufacture, use, or sell products compliant with the relevant standard, contingent upon the payment of reasonable royalties for the associated SEPs. The central inquiry, therefore, is whether such a breach also triggers antitrust law, given its potential to inflict competitive harm to implementers.

Prominent scholars argue that antitrust still has an important role to play when contract law and anti-fraud laws fail to fully address the patent holdup problem.¹³ For this reason, the governance of SSOs should be subject to antitrust scrutiny and compliance with FRAND commitments should be ensured also through antitrust enforcement.

¹² See, e.g., *Unwired Planet International Ltd. v. Huawei Technologies Ltd.* [2017] EWHC 1304 (Pat); *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872 (9th Cir. 2012).

¹³ Herbert Hovenkamp, *FRAND and Antitrust* (2020) CORNELL LAW REVIEW; Stacey L. Dogan and Mark A. Lemley, *Antitrust Law and Regulatory Gaming* (2009) 87 TEXAS LAW REVIEW 685; Farrell, Hayes, Shapiro, and Sullivan *supra* note 5.

Instead, according to those who are not convinced by the reliance on competition law to tackle holdup problems in the context of standards, the problems concerning the licensing of SEPs should be addressed exclusively by contract law¹⁴ and to be balanced with the symmetric issue of patent hold-out. Patent holdup would refer merely to the impact on the bargaining power of implementers' having already made sunk investments in the standard, thus it is just a scenario where an inventor obtains royalties higher than it would have got otherwise through arms-length negotiation before the standard adoption. This conduct is not a problem born of the competitive process, but reflects incomplete contracting at the time of standardization.¹⁵ Hence, a breach of a FRAND commitment should not be considered an antitrust violation, but rather a form of contractual opportunism that increases price but does not harm competition by strengthening market power. On the other hand, antitrust enforcement interventions aimed at mandating licensing on FRAND terms would unduly favor technology implementers to the detriment of innovators. The latter would inevitably be on the losing hand of the negotiation *vis-à-vis* implementers who would, in turn, fully benefit from holdout. Arguably, developers would react by investing less in R&D thereby undermining their innovative potential.

When it comes to remedies, the divergence between holdup and holdout theories is striking. Whereas patent holders may in principle exercise their right to seek an injunction against the sale of infringing goods, courts and antitrust authorities around the world agree on limiting injunctive reliefs in favor of FRAND-encumbered SEPs holders. This approach is usually justified with the need to avoid holdup problems.

This reasoning has been firstly followed by US authorities. In particular, the Federal Trade Commission (FTC) urged the courts to carefully consider the consequences of issuing an injunction that prohibits the use of a patented invention incorporated into an industry standard if the patent owner agreed to abide by FRAND commitment.¹⁶ According to the FTC, a prior FRAND commitment can provide strong evidence that the denial of the injunction and ongoing royalties will not irreparably harm the patentee.¹⁷ Moreover, in 2013 the Department of Justice (DoJ) and the Patent and Trademark Office (USPTO) released a policy statement recommending caution in granting injunctions or exclusion orders based on infringement of voluntarily F/RAND-encumbered SEPs.¹⁸ Namely, according to the mentioned authorities, “[i]n some circumstances, the remedy of an injunction or exclusion order may be inconsistent with the public interest. This concern is particularly acute in cases where an exclusion order based on a F/RAND-encumbered patent appears to be incompatible with the terms of a patent holder’s existing F/RAND licensing commitment to an SDO. A decision maker could conclude that the holder of a F/RAND-encumbered, standards-essential patent had attempted to use an exclusion order to pressure an implementer of a standard to accept more onerous licensing terms than the patent holder would be entitled to receive consistent with the F/RAND

¹⁴ Richard A. Epstein and Kayvan B. Noroozi, *Why Incentives for "Patent Holdout" Threaten to Dismantle FRAND, and Why It Matters* (2017) 32 BERKELEY TECHNOLOGY LAW JOURNAL 1381; Urska Petrovcic, *Patent Hold-Up and the Limits of Competition Law* (2013) 50 COMMON MARKET LAW REVIEW: 1363–1386.

¹⁵ Maureen K. Ohlhausen (2017) *The Elusive Role of Competition in the Standard-Setting Antitrust Debate*, 20 STANFORD TECHNOLOGY LAW REVIEW 93.

¹⁶ U.S. Federal Trade Commission (2011) *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, 28 < <https://www.ftc.gov/reports/evolving-ip-marketplace-aligning-patent-notice-remedies-competition> >.

¹⁷ U.S. Federal Trade Commission (2011), 235.

¹⁸ U.S. Department of Justice and U.S. Patent and Trademark Office (2013) *Policy Statement on Remedies for Standard-Essential Patents Subject to Voluntary F/RAND Commitments*, < <https://www.justice.gov/atr/page/file/1118381/download> >.

commitment—in essence concluding that the patent holder had sought to reclaim some of its enhanced market power over firms that relied on the assurance that F/RAND-encumbered patents included in the standard would be available on reasonable licensing terms under the SDO’s policy. Such an order may harm competition and consumers by degrading one of the tools SDOs employ to mitigate the threat of such opportunistic actions by the holders of F/RAND-encumbered patents that are essential to their standards.”¹⁹

The DoJ later withdrew the 2013 Remedies Statement to avoid alleged misunderstandings about the existence of a special regime for SEPs licensing. Thus, the Antitrust Division issued a new Policy Statement on Remedies for Standard-Essential Patents Subject to F/RAND Commitments in 2019, developed in collaboration with the USPTO and the National Institute of Standards and Technology (NIST).²⁰ The 2019 Remedies Statement clarified that SEPs and non-standard-essential patents are subject to the same remedies, including injunctions, in line with the Federal Circuit’s ruling in *Apple v. Motorola*. It asserted that all national law remedies, including injunctive relief and adequate damages, should be available for F/RAND-committed SEPs when warranted by the case facts. Furthermore, it discussed the dynamics of holdout and holdup in negotiations, ultimately entrusting courts and neutral decision-makers with the authority to determine remedies for SEP infringement.

On the European side, in *Huawei*²¹ the CJEU has stated that the balance between antitrust concerns and IPRs protection requires the definition of a new set of “exceptional circumstances” compared to those traditionally applied into the essential facility doctrine (EFD) context.²²

As a matter of fact, the EFD represents in the EU a peculiar tool for overcoming intellectual property protection. The *Magill* decision took the lead in defining the requirements for the antitrust analysis of the lawfulness of a refusal to deal involving IPRs.²³ The exceptional circumstances according to which the exercise of an exclusive right may involve abusive conduct are: i) the lack of actual or potential substitutes; ii) the lack of justification for a refusal to share; iii) the possibility for the IPR owner through its conduct to reserve for itself a secondary market; and iv) the possibility of such a refusal preventing the appearance of a new product which the IPR owner does not offer and for which there is a potential consumer demand. The latter two requirements are of particular relevance. The third requirement is a clear example of an exclusionary abuse. The legal monopoly granted to IPRs owners is related to a specific field, but it may be used to affect a downstream market. Whereas the impossibility of accessing an input covered by a patent prevents potential downstream competitors from entering the market, a vertically integrated incumbent can leverage its legal upstream power to achieve the same monopolistic outcome downstream. Instead, the fourth requirement involves an

¹⁹ U.S. Department of Justice and U.S. Patent and Trademark Office (2013), 6. See also Shapiro and Lemley *supra* note 5.

²⁰ Press Release, US Patent & Trademark Off., *Policy Statement on Standards-Essential Patents Subject to Voluntary F/RAND Commitments* (Dec. 19, 2019) < www.uspto.gov/about-us/news-updates/us-patent-and-trademark-office-releasespolicy-statement-standards-essential#:~:text=Today's%20joint%20statement%20seeks%20to,diminish%20the%20value%20of%20SEPs >.

²¹ CJEU (2015), Case C-170/13, *Huawei Technologies Ltd. v. ZTE Corp.*.

²² Marco Botta, Nondiscrimination in standard essential patents (2021) *JOURNAL OF COMPETITION LAW & ECONOMICS*, 17(4), 947–977; Giuseppe Colangelo and Roberto Pardolesi, *Intellectual property, standards, and antitrust: a new life for the essential facilities doctrine? Some insights from the Chinese regulation* (2017) in *KRIKA: ESSAYS ON INTELLECTUAL PROPERTY* (Drahos P., Ghidini G., Ullrich H., eds.), Edward Elgar, 70.

²³ CJEU (1995) Joined Cases C-241/91 P and 242/91 P, *RTE and ITP v. Commission*.

exploitative abuse. The refusal to license is opposed to one who needs that patent to produce something new. Such a refusal may harm both competition and innovation, preventing consumers from enjoying new products.

Since *Magill*, the exceptional circumstances and their exact definitions have become the battlefield and the magic formula to measure the equilibrium of interests between antitrust and intellectual property in Europe. The subsequent case law – *Bronner* being the landmark decision, even though it does not involve IPRs²⁴ – is formally consistent with *Magill*, though progressively undermining the depth and breath of the aforementioned requirements. This implies a substantial shift of the equilibrium. Indeed, in *IMS* the CJEU considered the secondary market requirement met even if that market is just potential or hypothetical.²⁵ It is sufficient to demonstrate the existence of two interconnected markets rather than proving the effective commercialization of the essential inputs. On this ground, a duty to share imposed on the essential facility owner means allowing rivals to sell the same good without facing any risk of monopolistic leverage. Without a downstream market, the duty to share is actually reduced to a mere aid to rivals.

Moreover, a few years later, *Microsoft* dismantled also the new product requirement.²⁶ The European Commission declared itself not to be bound with respect to the legal test laid down in *Magill* and *IMS*, whose automatic application would have been troublesome in the case at issue. The Commission detected an abusive refusal without providing evidence that the practice prevented the emergence of a new product. According to its reasoning, interoperability achievable through Microsoft data was necessary to rivals for developing “improved products with added value.” Thus, after *Microsoft*, the new product requirement includes the emergence of either a new product for which there is a potential separate demand or follow-on innovation. This outcome is clearly far from the early definition of the requirement.

In case of standards, the exceptional circumstances rely on the fact that patents at issue are essential to standards established by SSOs and they obtained SEP status only in return for the owner’s irrevocable commitment to license on FRAND terms. In those circumstances, having also regard to the legitimate expectations created on third parties that the SEP holder will agree to FRAND terms in order to prevent an action for a prohibitory injunction from being considered abusive, the SEP holder must comply with conditions which seek to ensure a fair balance between the interests concerned.

On these premises, a ‘willing licensee test’ was put forward in *Huawei* by the CJEU. While the alleged infringer cannot simply manifest a mere willingness to negotiate, the SEP holder is burdened with the first move and the corresponding behavioral duties. It is for the SEP holder to alert the infringer of the violation complained about by designating that patent and specifying the way in which it has been transgressed. Secondly, it is for the SEP holder to present a specific and written offer for a licence on FRAND terms, specifying the amount of the royalty and the way in which it is to be calculated. By contrast, it is for the alleged infringer to diligently respond to that offer, in accordance with well-established commercial practices and in good faith, which implies no delaying tactics.

²⁴ CJEU (1998) Case C-7/97, *Oscar Bronner GmbH & Co. KG v. Mediaprint Zeitungs- und Zeitschriftenverlag GmbH & Co. KG, Mediaprint Zeitungsvertriebsgesellschaft mbH & Co. KG and Mediaprint Anzeigengesellschaft mbH & Co. KG*.

²⁵ CJEU (2004) Case C-418/01, *IMS Health v. NDC Health*.

²⁶ General Court (2007) Case T-201/04, *Microsoft v. Commission*.

However, the alleged infringer cannot be criticised either for challenging, in parallel to the negotiations, the validity of the patents and their essential nature, or for reserving the right to do so in the future. Should the alleged infringer not accept the offer, it may rely on the abusive nature of an action for a prohibitory injunction only if it has submitted to the SEP holder, promptly and in writing, a specific counter-offer compliant with FRAND conditions. Furthermore, where the alleged infringer is using the SEP before a licensing agreement has been concluded, it is for that infringer to provide appropriate monetary guarantee, for example by means of a bank escrow or by placing the amounts necessary on deposit. Where no agreement is reached on the details of the FRAND terms, the parties may, by common agreement, request that the amount of the royalty be determined by an independent third party.

On a related note, a landmark decision was issued by the UK High Court in *Unwired Planet*.²⁷ Acknowledging that one of the real problems with FRAND and SEPs is that all sorts of relevant circumstances change (old patents expire, new ones are granted, and standards themselves change),²⁸ Justice Birss introduced a FRAND injunction as a workable and flexible tool which allows for these changing circumstances and permits parties to return to court at the expiry of the FRAND licence²⁹: “A FRAND injunction in this form reflects the finding that what the patentee is entitled to today, bearing in mind its FRAND undertaking, is a licence on FRAND terms but if the defendant has the ability to take the licence and does not do so, then an injunction is appropriate for as long as the defendant does not enter into that licence.”³⁰ If the patentee has failed to start a process of FRAND negotiation well in advance of the expiry of the current FRAND licence or if it has dragged its feet in the negotiation, the court will be “unsympathetic” to the patentee.³¹

It is worth recalling that the US approach towards the EFD is significantly different from the European one. In *Trinko* the Supreme Court clearly denied the EFD, adding that, to safeguard the incentive to innovate, the possession of monopoly power is an important element of the free-market system.³² In this light the mere possession of monopolistic power will not be found unlawful unless it is accompanied by an element of anticompetitive conduct. According to the holding of *Aspen Skiing*, these requirements are fulfilled only when the termination of a voluntary agreement suggests a willingness to forsake short-term profits to achieve an anticompetitive end.³³

Even if *Trinko* does not deal with intellectual property, the underlying principles regarding refusal to deal are especially relevant for IPRs. The reference is mainly to the part of the judgement where the Supreme Court recognizes that firms may acquire monopoly power by establishing an infrastructure that renders them uniquely suited to serve their customers. On the other hand, the Court states that compelling such firms to share the source of their advantage is in some tension with the purpose of

²⁷ *Unwired Planet International Ltd. v. Huawei Technologies Ltd.* [2017] EWHC 1304 (Pat).

²⁸ *Unwired Planet* [2017] EWHC 1304 (Pat), para. 15.

²⁹ *Unwired Planet* [2017] EWHC 1304 (Pat), para. 20: “A FRAND injunction should be in normal form to restrain infringement of the relevant patent(s) but ought to include a proviso that it will cease to have effect if the defendant enters into that FRAND licence. If as in this case, the FRAND licence is for a limited time, shorter than the lifetime of the relevant patents then the injunction should also be subject to an express liberty to either party to return to court in future to address the position at the end of the term of the FRAND licence. In any case the FRAND injunction should also be subject to an express liberty to apply in the event the FRAND licence ceases to have effect for any other reason.”

³⁰ *Unwired Planet* [2017] EWHC 1304 (Pat), para. 21.

³¹ *Unwired Planet* [2017] EWHC 1304 (Pat), para. 22.

³² *Verizon Communications v. Law Offices of Curtis V. Trinko*, 540 U.S. 398 (2004).

³³ *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585 (1985).

antitrust law, since it may lessen the incentive to innovate for the monopolist, the rival, or both to invest in those economically beneficial facilities. The Supreme Court makes it clear that courts should be very cautious in recognizing exceptions to the general rule that even monopolists may choose those with whom they wish to deal. Compulsory licensing, if improperly designed, stifles innovation and requires antitrust courts to play a role for which they are ill-suited, i.e. to act as central planners, identifying the proper price, quantity, and other terms of dealing.

Because of the practical disruption of *Magill's* founding pillars, the concerns regarding the EFD, already highlighted by Justice Scalia in *Trinko*, raise exponentially with regard to its application to IPRs: the result might appear counterintuitive, i.e. the more innovative an invention, the more it will be essential to rivals and therefore likely to be caught by the application of EFD. The unintended consequences consist in weakening incentives to innovate and compete in highly innovative industrial sectors, providing rivals a shortcut to fill potential competitive gaps. Therefore, it is easy to understand why the European version of the EFD has been labeled a 'convenient' facility doctrine.³⁴

However, when it comes to standards, the ghost of the EFD seems back on the stage also in the U.S.. Indeed, the FTC's anti-injunction rule for FRAND-encumbered SEPs is clearly a byproduct of the doctrine of (standard) essential facility, as well as the willing licensees test. The no-injunction rule is just a compulsory licence based on the SEP holder willingness to grant licenses on FRAND terms.

The legal issues involving FRAND commitments have attracted attention from Asian jurisdictions as well. Namely, the last years have witnessed an increasing cross-border convergence as to how parties should behave when licensing SEPs.³⁵ In Japan, the Patent Office took as a reference the case law of the CJEU and various other.³⁶ The *Samsung v. Apple* judgements³⁷ and the amendments to the 'Guidelines for the use of intellectual property under the Antimonopoly Act' acknowledged that refusals to license or claims for injunction by a FRAND-encumbered SEP holder against a willing licensee may constitute exclusionary abuses.³⁸ The evaluation of the willing licensee status will be made on a case-by-case basis. Anyway, a party, which shows its intention to determine the license conditions by relying on courts or arbitration procedures, is deemed to be a willing licensee. Even if a party seeking a licence challenges either the infringement, the essentiality or the validity of an

³⁴ Derek Ridyard, *Compulsory Access Under EC Competition Law – A New Doctrine of “Convenient Facilities” and the Case for Price Regulation* (2004) 25 EUROPEAN COMPETITION LAW REVIEW 66.

³⁵ Colangelo and Pardolesi *supra* note 22. See Canadian Competition Bureau (2019) INTELLECTUAL PROPERTY ENFORCEMENT GUIDELINES < <https://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/04421.html> >, paras. 204 and 205, stating that the agency would take into account both the risks of holdup and holdout by looking also for evidence to determine whether the potential licensee was willing to enter into negotiations and pay a FRAND rate. The Bureau recognizes that, in certain circumstances, it may be appropriate for a firm that has made a FRAND licensing commitment to seek an injunction against an infringing party, such as (para. 231): i) when a prospective licensee refuses to pay a royalty that is determined to be FRAND by a court or arbitrator; ii) when a prospective licensee refuses to engage in licensing negotiations; iii) when a prospective licensee constructively refuses to negotiate (for example, by insisting on terms clearly outside the bounds of what could be considered to be FRAND terms) or iv) when a prospective licensee has no ability to pay damages (for example, a firm that is in bankruptcy).

³⁶ Japan Patent Office (2018) GUIDE TO LICENSING NEGOTIATIONS INVOLVING STANDARD ESSENTIAL PATENTS, 7 < <https://www.meti.go.jp/press/2018/06/20180605003/20180605003-2.pdf> >.

³⁷ Intellectual Property High Court (2014), Cases 2013 (ra) nn. 10007, 10008 and 10043.

³⁸ Japan Fair Trade Commission (2016) GUIDELINES FOR THE USE OF INTELLECTUAL PROPERTY UNDER THE ANTIMONOPOLY ACT < https://www.jftc.go.jp/en/legislation_gls/imonopoly_guidelines_files/IPGL_Frand.pdf >.

essential patent, such action should not of itself as a justification to exclude that the party is a willing licensee.

In the same way, Korea's FTC issued amended guidelines according to which a FRAND-encumbered SEP holder has the duty to negotiate in good faith, while seeking injunctive relief against a potential willing licensee may constitute an antitrust violation.³⁹ In determining whether a SEP holder has fulfilled its obligation, the following factors will be considered: (i) whether the SEP holder has formally proposed a negotiation to the potential licensee; (ii) whether the negotiation period with the potential licensee was reasonable; (iii) whether the license terms proposed to the potential licensee were reasonable and non-discriminatory; and (iv) whether it was accepted that, upon failure to agree on licensing terms, the matter be submitted to a court or an arbitral institution. The Korean guidelines take also into account the risk of reverse holdup, considering fair the request of an injunctive relief whether the licensee refuses to accept FRAND terms defined by a court or an arbitral institution or, due to its critical financial situation, it is difficult to expect that it would pay royalties. However, the licensee does not have to deposit royalties in advance to be qualified as a willing licensee.⁴⁰

Similarly, in the Indian scenario, even without a specific regulation for antitrust analysis of technology transfer agreements and IPRs abuses, the recent case law confirms the relevance of the willing licensee parameter.⁴¹ On 28 March 2024, the Delhi High Court issued its final ruling in the cross-suits involving Ericsson and Lava. The court applied the willing licensee test to evaluate the essentiality of Ericsson's patent portfolio, referencing cases like *Huawei* and *Unwired Planet*. It noted that Lava did not provide sufficient evidence to substantiate claims of royalty stacking and hold-up against Ericsson. Consequently, the court deemed Lava an "unwilling licensee" and found it had engaged in a hold-out strategy.⁴²

Finally, the Chinese courts have recently endorsed a fault-based conduct evaluation for SEP holders and implementers, following the CJEU's etiquette. Namely, in 2017 and 2018 the Beijing Higher Court and the Guangdong High People's Court have respectively released guidance for SEP dispute defining main factors to be considered to decide the faults of the parties during the negotiation process and a non-exhaustive list of actions with which SEP holders and implementers must comply in order to respect their FRAND licensing duty.⁴³ These sets of guidelines follow the first SEP injunction

³⁹ Korea Fair Trade Commission (2016) Guidelines on Unfair Exercise of Intellectual Property Rights < http://www.ftc.go.kr/solution/skin/doc.html?fn=d9bdb40caec1ba67c4f1070fc2849ad02db9e5fe2a8ee233bb6bb517ab275e3f&rs=/fileupload/data/result/BBSMSTR_00000002411/ >. See also the Seoul Central District Court decision in *Samsung Electronics Co. Ltd. v. Apple Korea Ltd.* (2012), stating that, after pledging FRAND commitments to offer license to potential SEP licensees on fair, reasonable, and non-discriminatory terms, a SEP holder bears the obligation to engage in good-faith negotiations with those who request to obtain a license for the SEPs.

⁴⁰ *Samsung Electronics Co. Ltd. v. Apple Korea Ltd.* (2012).

⁴¹ High Court of Delhi (2018), Case S-24/2016, *Koninklijke Philips Electronics N.V. v Rajesh Bansal and Bhagirathi Electronics*; High Court of Delhi (2015), Case S-1045/2014, *Telefonaktiebolaget LM Ericsson v. Intex Techs.*; High Court of Delhi (2014), Case S-442/2013, *Telefonaktiebolaget LM Ericsson v. Mercury Elecs. & Another*. See Sidak (2015b).

⁴² High Court of Delhi (2024), Case S-65/2016, *Telefonaktiebolaget Lm Ericsson(Publ) vs Lava International Ltd.*

⁴³ Notably, the guidelines consider as relevant general factors the time, the manner and the content of the negotiation between the parties, and the reasons for interruption or deadlock of the negotiation. With regards to specific circumstances which represent a violation of FRAND commitments, SEP holders will be found liable if they i) fail to issue a negotiation notice or to notify the scope of patents to be licensed; ii) fail to provide the patent list or claim charts; iii) fail to make a specific offer or provide unreasonable license conditions which result in failure to reach a license agreement; iv) fail to make a response within a reasonable period; or v) obstruct or interrupt the negotiation without due cause; implementers will be found in fault if they i) refuse to negotiate or to submit a clear response within a reasonable period of time; ii) refuse to conclude a nondisclosure agreement without due cause; iii) refuse to make substantive responses to the patent

decisions released by the Beijing Intermediate People's Court in *IWNComm v. Sony*⁴⁴ and the Shenzhen Intermediate People's Court in *Huawei v. Samsung*.⁴⁵

The approach adopted by the State Administration of Industry and Commerce in its 'Regulation on the Prohibition of Conduct Eliminating or Restricting Competition by Abusing Intellectual Property Rights' is more straightforward.⁴⁶ The explicit application of the EFD to IPRs and the broad definition of essential patents may lead to the imposition of FRAND obligations on various types of patents, including *de facto* SEPs. Furthermore, it is stated that there is a general duty to comply with FRAND terms even in the absence of any SEP owner's voluntary commitment.

Therefore, antitrust developments in the international landscape restrict heavily SEP owners' freedom to pursue their patent rights⁴⁷: if there are FRAND-encumbered SEPs and alleged infringers are willing licensees, then a no-injunction rule applies. This is a quasi-*per se* rule against the deployment of injunctive relief.⁴⁸ Arguably, such kinds of no-injunction rules can be regarded as a *de facto* form of compulsory licensing scheme stemming from the SEP holder acceptance to license on FRAND terms.⁴⁹

3. A global race to the bottom

As a consequence of the *Unwired Planet* case in the UK, the Chinese courts have also asserted their authority in determining global FRAND rates. It is conceivable that other legal domains will soon follow suit, as they endeavour to keep pace with their international counterparts. In response, litigants are actively engaged in a race to secure their preferred legal venue, depending on whether they are acting as an implementer (in which case they would choose a jurisdiction more favourable to manufacturers' interests, such as China) or a patent holder (whereby they would opt for a jurisdiction

list and claim charts as provided by the SEP holder within a reasonable period of time; iv) refuse to make substantive responses after receiving license conditions from the SEP holder within a reasonable period of time; v) propose unreasonable license conditions which result in failure to reach a license agreement, or vi) deploy delay tactics.

⁴⁴ Beijing IPC (2017). Although the Beijing HPC (2018) upheld the decision, the courts differed about the standard of conduct required to SEP holders: whereas the lower court suggested a subjective good faith standard, the higher recommended an objective good faith standard.

⁴⁵ Shenzhen IPC (2018).

⁴⁶ State Administration of Industry and Commerce of the People's Republic of China (2015).

⁴⁷ J. Gregory Sidak, *The Meaning of FRAND, Part II: Injunctions* (2015) 11 *JOURNAL OF COMPETITION LAW & ECONOMICS* 201, 239 (arguing that the current statements of enforcement policy of antitrust agencies in Europe and the United States are vague, if not hostile to SEP holders. Under the current system, the antitrust agencies are more solicitous about an unwilling implementer who infringes a SEP than a willing licensor who seeks an injunction).

⁴⁸ Maureen K. Ohlhausen, *Antitrust Oversight of Standard-Essential Patents: The Role of Injunctions* (2015) REMARKS AT THE IP AND ANTITRUST FORUM, China Intellectual Property Law Association, < <https://www.ftc.gov/public-statements/2015/09/antitrust-oversight-standard-essential-patents-role-injunctions> >.

⁴⁹ Makan Delrahim, *Remarks at the USC Gould School of Law's Center for Transnational Law and Business Conference* (2017) < <https://www.justice.gov/opa/speech/assistant-attorney-general-makan-delrahim-delivers-remarks-usc-gould-school-laws-center> >. Differently, Academic and Former Regulator Letter to AAG Delrahim (2018), < <https://cip2.gmu.edu/wp-content/uploads/sites/31/2018/02/Letter-to-DOJ-Supporting-Evidence-Based-Approach-to-Antitrust-Enforcement-of-IP.pdf> >; and Industry Letter to DoJ Regarding Standards, Innovation and Licensing (2018), < https://actonline.org/wp-content/uploads/05302018_Multi-Assn_DOJ-SEP-White-Paper_FINAL.pdf > (arguing that the enforcement of a voluntary FRAND commitment is not compulsory licensing, since SEP licensors that voluntarily agree to participate in standards development and to commit their patents to FRAND licensing are aware that their decision has consequences, positive and negative, for their ability to enforce their patents).

more favourable to innovators' interests, such as Germany). They do so by employing pre-emptive measures to thwart their adversaries from initiating proceedings in less favourable jurisdictions.

This strategic approach often involves the use of ASIs, a legal remedy historically prevalent in common law systems, but increasingly adopted by civil law systems, including China. ASI essentially impede SEP holders from relying on patent infringement lawsuits in all those jurisdictions where the patents are registered to block manufacturers and marketers from acting in those countries. For instance, if a patent holder has been involved in litigation against a manufacturer in country A for licensing terms and the court in country A grants an ASI, the patent holder would face heavy fines if it decided to sue the manufacturer for implementing the technology covered by the litigated patent in country B, provided that it had also registered the patent in this country.

However, the story does not end with the issuance of ASI. SEP holders now frequently pursue countermeasures in the form of "anti-anti-suit injunctions" (AASIs), which in turn trigger new "anti-anti-anti-suit injunctions" (AAASIs).⁵⁰ These complex legal manoeuvres, often sought urgently and temporarily, take the form of preliminary injunctions and they tend to undermine international "comity". This term refers to the recognition granted by one nation within its borders to the legislative, executive, or judicial actions of another nation, taking into consideration international obligations, practical considerations, and the rights of its citizens and individuals under its legal safeguarding regime.

This convoluted game of jurisdictional back-and-forth represents a disconcerting pattern. It squanders judicial resources, erodes confidence in the judicial system, and favours those companies that can act swiftly or possess substantial financial means. This trend raises legitimate concerns of judicial fragmentation in the realm of IPR-intensive industries, such as electric vehicles, personalised medicines, smart devices and the IoT in the broader sense.

As different national courts issue conflicting ASIs, each asserting their own jurisdiction, a state of legal inconsistency and uncertainty can arise. In addition to complicating the resolution of SEP disputes, this scenario fosters an environment where conflicting injunctions might lead to contradictory outcomes for the same patent-related issue. Indeed, disparate judicial decisions across different jurisdictions are likely to hamper the development of consistent legal standards while escalating the ongoing international commercial tensions between China, the US, and the EU, which has led the International Monetary Fund and the World Trade Organization to warn against the risk of trade fragmentation.⁵¹ As ASIs proliferate and trigger a jurisdictional "race to the courthouse"⁵², the risk of exacerbating this judicial fragmentation becomes more pronounced, necessitating careful consideration of potential non-compliance with the international legal framework currently in force and coordination between courts in order to avoid the situation deteriorating further.

⁵⁰ Jorge L. Contreras, *Anti-Suit Injunctions and Jurisdictional Competition in Global FRAND Litigation: The Case for Judicial Restraint* (2021) 11 NYU JOURNAL OF INTELLECTUAL PROPERTY & ENTERTAINMENT LAW 171.

⁵¹ Felix K Hess, *US Anti-Suit Injunctions and German Anti-Anti-Suit Injunctions in SEP Disputes* (2022) 25 JWIP 536; Giuseppe Colangelo and Valerio Torti, *Anti-Suit Injunctions and Geopolitics in Transnational SEPs Litigation* (2022) EUROPEAN JOURNAL OF LEGAL STUDIES <<https://doi.org/10.2924/EJLS.2022.019>>; Hubei Province—Wuhan Intermediate People's Court, Case E 01 Zhi Min Chu No 169 (2020), *Xiaomi Communication Technology Co Ltd v Inter Digital Inc.*

⁵² Yang Yu and Jorge L. Contreras, *Will China's New Anti-Suit Injunctions Shift the Balance of Global FRAND Litigation?* (2020) UNIVERSITY OF UTAH COLLEGE OF LAW RESEARCH PAPER No. 403 <<https://dc.law.utah.edu/cgi/viewcontent.cgi?article=1245&context=scholarship>>.

3.1. China's ambition as global IP rule-maker

This work delves into the realm of SEP-related ASIs, examining their implications for global SEP litigation and the ensuing dispute between the EU and China at the WTO. The Chinese courts have recently wielded ASI in high-profile cases revolving around 3G, 4G, and 5G technologies, including *Xiaomi v InterDigital*⁵³, *Huawei v Conversant*⁵⁴, *OPPO v Sharp*⁵⁵, and *Ericsson v Samsung*⁵⁶. The issuance of four ASI in rapid succession, with three favouring Chinese entities, has positioned China as a key jurisdiction for SEP litigation, thereby intensifying competition with other nations such as the US, Germany, the UK (following the *Unwired Planet* ruling), and other countries. This approach to ASI by the Chinese courts stems from the discernible aspiration to establish itself as the paramount venue for determining global FRAND licensing rates amidst perceived analogous actions taken by its US and European counterparts.⁵⁷

The Chinese courts have notably exhibited a penchant for establishing FRAND royalty rates that tend to be lower than those adjudicated by courts in other jurisdictions. This peculiarity has made China an appealing legal landscape, particularly for SEP implementers. Articles 103 and 104 of the Civil Procedure Law allow for mid-trial act and pre-trial act preservation injunctions when failure to act would result in “irreparable damage to the applicant’s legitimate rights and interests or render the enforcement of judgment difficult to enforce, etc”.⁵⁸ In 2020, the Supreme People’s Court confirmed that, in general, the Chinese courts have the legitimate power to issue worldwide, prospective anti-suit injunctions, including a prohibition on initiating any patent infringement case before any non-Chinese jurisdiction, and a prohibition on requesting an injunction or similar relief measure, with any breach incurring the daily penalty of RMB 1 million (equal to EUR 127,000.00), irrespective of the specific circumstances of the five cases in which the Chinese courts imposed ASI.

As a result, foreign courts are beginning to see Chinese ASIs not only as potential threats to their own jurisdictional authority but also as being biased in favour of manufacturers' interests. The European Union (EU) has expressed heightened apprehension, with the European Commission voicing concerns over the far-reaching nature of these extraterritorial ASIs and their potential to undermine European patent holders' competitiveness within the global ICT market.⁵⁹ The United States Government has also raised concerns, together with the US-China Economic and Security Review

⁵³ World Trade Organization, *World Trade Report 2023*, 56-57, 68-71 < https://www.wto.org/english/res_e/booksp_e/wtr23_e/wtr23_e.pdf >; International Monetary Fund, *World Economic Outlook* (2023) 71-90, < <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023> >.

⁵⁴ Supreme People's Court of the People's Republic of China, Case Zui Gao Fa Zhi Min Zhong No 732, 733, 734 (2020), *Huawei Technologies Co Ltd and another v Conversant Wireless Licensing*.

⁵⁵ Xiapu Zhushi Huishe Yu OPPO Guangdong Yidong Tongxin Youxian Gongsi Biaozhun Biyao Zhuanli Xuke Jiufen An [Sharp Corp. v. OPPO Guangdong Mobile].

Telecomms. Co.], (2020) Zuigao Fa Zhi Min Xia Zhong No. 517 (2020) (Sup. People's Ct. Aug. 19, 2021).

⁵⁶ Sanxing Dianzi Zhushi Huishe [Samsung Elecs. Co., v. Telefonaktiebolaget LM Ericsson], E 01 Zhi Min Chu No. 743 (Wuhan Intern. People's Ct. Dec. 25, 2020) (China).

⁵⁷ Igor Nikolic, *Global standard essential patent litigation: anti-suit and anti-anti-suit injunctions* (2022) 30 GEORGE MASON LAW REVIEW 427.

⁵⁸ Article 7 of the Supreme People’s Court Provisions on Act Preservation in IP Disputes.

⁵⁹ Making the Most of the EU's Innovative Potential: An Intellectual Property Action Plan to Support the EU's Recovery and Resilience, at 17, COM (2020) 760 final (Nov. 25, 2020).

Commission, with reference to China's escalating reliance on ASIs.⁶⁰ This trajectory has raised general fears that ASIs may have evolved into tools of competition deployed by China to devalue foreign patents, shape lower FRAND rates, and safeguard its telecommunications firms and broader economic interests.

3.2. Anti-suit injunctions and jurisdiction outreach

ASIs are temporary court orders that restrain a party from engaging in foreign legal proceedings.⁶¹ Essentially, they are procedural tools aimed at managing litigation across different jurisdictions. By stipulating that disputes should be resolved in a specific jurisdiction before being pursued elsewhere, ASI serve not only to manage litigation costs but also to mitigate the risk of contradictory legal outcomes.⁶² ASI are *in personam* remedies, meaning they target the claimant involved in foreign proceedings, not the foreign court itself. Strictly speaking, ASI do not extend their effects beyond territorial boundaries as they establish fines for entities within the jurisdiction at stake. However, due to their potential to lead indirectly to penalties for non-compliance, ASI hold significant influence in cross-border litigation. Notably, both the English and the US courts acknowledge that ASI can affect matters of comity, entailing indirect interference with the jurisdiction of foreign courts.⁶³

ASI are not a novel concept as they have existed for some time, particularly in common law jurisdictions. These equitable remedies have their origins at least in the 14th century in England. The Court of the King's Bench and the Court of Chancery initially issued writs of prohibition, which can be considered the earliest ASI. These writs were aimed at halting legal proceedings in royal courts while ecclesiastical court cases were still ongoing.⁶⁴ The objective was clearly to define and uphold the jurisdictional boundaries between these two types of courts. This became necessary due to the ecclesiastical courts' tendency to interpret their authority broadly, which occasionally diverged from that of the royal courts.

More recently, ASI have been employed to safeguard the jurisdictional authority of the English courts under Section 37 of the UK Supreme Court Act. This section grants the court extensive power to issue injunctions in reasonable and convenient circumstances. ASIs have also been invoked to protect arbitration agreements, whether for temporary or permanent relief. The precedent set by Lord Hoffmann in *The Front Comor* case highlights how the English courts have regularly exercised this authority to prevent parties bound by arbitration agreements from initiating or continuing legal actions in foreign courts.⁶⁵ Over time, the application of this injunction has expanded to include proceedings

⁶⁰ 2022 Annual Report to Congress of the U.S.-China Economic and Security Review Commission, < <https://www.uscc.gov/> >.

⁶¹ Damien Geradin and Dimitrios Katsifis, *The Use and Abuse of Anti-Suit Injunctions in SEP Litigation: Is There a Way Forward?* (2022) 71(7) GRUR INTERNATIONAL 603.

⁶² Enrico Bonadio and Nicola Lucchi, *Antisuit injunctions in SEP disputes and the recent EU's WTO/TRIPS case against China* (2023) THE JOURNAL OF WORLD INTELLECTUAL PROPERTY.

⁶³ Comity means the recognition granted by one nation within its borders to the legislative, executive, or judicial actions of another nation, taking into consideration international obligations, practical considerations, and the rights of its citizens and individuals under its legal safeguard. See *Hilton v. Guyot*, 159 U.S. 113, 164, 16 S.Ct. 139, 40 L.Ed. 95 (1895).

⁶⁴ Raphael Thomas, THE ANTI-SUIT INJUNCTION (2d ed Oxford University Press 2019), at 151–53; Strong SI, *Anti-Suit Injunctions in Judicial and Arbitral Procedures in the United States* (2018) 66 THE AMERICAN JOURNAL OF COMPARATIVE LAW 153.

⁶⁵ *West Tankers Inc v Ras Riunione Adriatica di Sicurta Spa (The “Front Comor”)* [2007] 1 LLR 391 at 393 (HL), paragraph 10.

before foreign judicial authorities. The traditional "ordinary" ASI was later abolished by Article 24 (5) of the Judicature Act of 1873.⁶⁶ Subsequently, this remedy was restricted to blocking judicial proceedings initiated abroad.

The broad use of ASIs in the context of standard essential patents (SEP) litigation comes as no surprise since patents enjoy national protection while the value chain implementing SEP is typically international, covering jurisdictions such as China, the US, the UK, Germany, and India.

ASIs are often sought by implementers to avoid imbalances arising from SEP holders' forum-shopping and to prevent jurisdictional conflicts. In the context of FRAND licensing obligations, ASI become significant for implementers. If a court has to evaluate whether an SEP holder has adhered to the FRAND licensing commitments, it may issue an injunction to halt the patent owner from pursuing foreign infringement actions (including injunctions against the sale of infringing products) until the FRAND dispute has been settled in the jurisdiction granting the ASI. It is worth noting that ASIs are most commonly employed in common law jurisdictions. The US courts have used ASIs in SEP disputes, with the *Microsoft v. Motorola* case being a prominent example.⁶⁷ Conversely, judges in civil law countries are somewhat sceptical of ASI, viewing them as foreign court interferences. Consequently, courts in countries such as Germany and France, when handling SEP disputes, have countered ASIs with what are known as anti-antisuit injunctions (AASI) in order to neutralise the impact of ASIs.⁶⁸ In fact, the German courts have granted four AASI specifically to protect SEP holders affected by Chinese ASIs.⁶⁹

Furthermore, between the Member States of the European Union, ASIs are prohibited by the Brussels Regulation, which governs jurisdiction, recognition, and enforcement of judgments in civil and commercial matters.⁷⁰ As determined by the Court of Justice of the European Union in the 2004 *Turner* case, these injunctions generally breach the Brussels Regulation by interfering with the jurisdiction of foreign courts.⁷¹ Some have even argued that the Brussels Regulation (Article 24) could mandate judges to issue AASI if an ASI from another country deprives them of their exclusive jurisdiction.⁷²

⁶⁶ Supreme Court of Judicature Act, 1873 (U.K.), 36 and 37 Vict., c. 66.

⁶⁷ *Microsoft Corp. v. Motorola Inc.*, 696 F.3d 872 (9th Cir. 2012) (US Federal Court)

⁶⁸ RC Munich, Beck RS 2019, 25536 (Nokia v Daimler/Continental); Cour d'appel de Paris, 3 Mars 2020, RG 19/21426 (Lenovo v IPCOM). It is worth noting that on July 11, 2019, the Munich District Court issued the first ASI within a patent dispute, effectively restraining automobile manufacturer Daimler from pursuing legal actions in the United States. This landmark event transpired in the context of the Nokia v Daimler/Continental case. Moreover, the Munich Regional Court took an even bolder stance by suggesting that a SEP implementer seeking an ASI could potentially be construed as an unwilling licensee. This notion is akin to the initiative seen in the Defending American Courts Bill, introduced to the US Congress in March 2022. This bill establishes a presumption that patent infringement is wilful when considering the escalation of damages in litigation against any party that has invoked an anti-suit injunction in any US tribunal to curtail claims of patent infringement.

⁶⁹ RC Düsseldorf, BeckRS 2021, 36218 (HEVC Advance v Xiaomi), vacated on appeal, cf. HRC Düsseldorf, GRUR 2022, 318; RC Munich, GRUR-RS 2021, 17662 (IP Bridge v Huawei); RC Munich, GRUR-RS 2021, 3995 (InterDigital v Xiaomi). The fourth ASI was issued by the Regional Court of Munich in Sharp v Oppo, but eventually it was not enforced (Hess 2022: 544)

⁷⁰ Regulation 1215/2015. In particular, Article 27 of this regulation states that once a procedure has been triggered in a court of any EU Member State, all other EU courts must not commence parallel actions.

⁷¹ Case C-159/02.

⁷² Felix K Hess, *US Anti-Suit Injunctions and German Anti-Anti-Suit Injunctions in SEP Disputes* (2022) 25 THE JOURNAL OF WORLD INTELLECTUAL PROPERTY 536.

Empirical evidence shows that the number of litigation cases worldwide involving ASI and AASI has consistently increased since 2011. Baron et al. found 46 decisions delivered between 2011 and 2021 in which an ASI had been requested by a party and 7 decisions in which an AASI had been requested.⁷³

In their analysis of 53 decisions, Baron et al. narrowed their focus to 25 cases (15 ASI and 10 AASI) occurring between 2012 and 2021 and specifically involving requests for ASI and/or AASI in the context of SEP-related disputes. The majority of ASI requests were observed in the US (9 instances), followed by China (4 instances). By contrast, Germany saw the highest number of AASI requests (5 instances). These findings highlight the trend of ASIs requests primarily originating from non-EU countries, while EU courts often respond with AASI to restore their jurisdiction. While the overall number of cases might seem minimal, it is important to keep in mind that the firms involved in these kinds of litigation cases enjoy large market shares and are crucial to the ICT global industry. The market players Samsung, Xiaomi, Huawei and OPPO are respectively the first, third, fourth and sixth largest manufacturers of smartphones in the world.⁷⁴

4. Towards the WTO litigation between the EU and China over ASI

Within a three-year timeframe, the Chinese courts, including the Supreme People's Court (SPC), have issued four ASI. Furthermore, these courts have amplified the magnitude of the associated penalties, frequently aligning them with the upper limits prescribed by China's Civil Procedure Law. This section briefly describes each of these litigation cases and finally focuses on the WTO case initiated by the EU.

4.1. *InterDigital v. Xiaomi (Wuhan Intermediate People's Court)*⁷⁵

On 3 June 2020, Xiaomi, the third largest manufacturer of smartphones at global level, initiated legal proceedings at the Wuhan Intermediate Court. The objective was to set the FRAND royalty rates for a selection of 3G and 4G SEP owned by the US firm InterDigital. In response, InterDigital brought legal action against Xiaomi on 29 July 2020 at the Delhi High Court⁷⁶, alleging infringement of its Indian patents related to 3G, 4G, and H.265/HEVC video compression standards.⁷⁷ In essence,

⁷³ Baron et al. *supra* note 8, p. 103.

⁷⁴ According to the latest Canalys' data, in the third quarter of 2023 within Samsung held onto the leading position with a 20% share of the global smartphone market, while Apple claimed second place with a 17% market share. Xiaomi took the third position with a 14% market share, with unit shipments recovering both annually and sequentially. OPPO (including OnePlus) captured the fourth spot with a 9% market share, owing to its strong position in Asia Pacific. Huawei is the sixth largest producer with a 4% market share. See: Canalys estimates (sell-in shipments), Smartphone Analysis, October 2023 < <https://canalys.com/newsroom/global-smartphone-market-q3-2023> >.

⁷⁵ *Interdigital Technology Corp v Xiaomi Corp and others* (I.A. 8772/2020 in CS(COMM) 295/2020).

⁷⁶ Rajiv Choudhry, Chinese Court Issues Anti-Suit Injunction Re Pending DHC Case by InterDigital against Xiaomi; Rajiv Choudhry, Delhi HC Becomes the Go to Venue for Adjudicating SEP Disputes in India <https://spicyip.com/2020/08/delhi-hc-becomes-the-go-to-venue-for-adjudicating-sep-disputes-in-india.html>

⁷⁷ Nos. 262910; 295912; 298719; 313036; 320182; 242248; 299448; and 308108

InterDigital sought to prevent any further infringement of the patents in question within the Indian jurisdiction unless Xiaomi consented to take a licence on terms determined to be FRAND.⁷⁸

During this period, specifically on 23 September 2020, the Wuhan Court issued an ASI against InterDigital. This remedy essentially prohibited the US company from pursuing an injunction against Xiaomi in India. In the event of non-compliance, InterDigital would incur a penalty of up to one million yuan (approximately €125,000) per day. The Wuhan Court's decision acknowledged that InterDigital had initiated proceedings in India with the intention of impeding the ongoing case in China. Thus, the Wuhan Court stated that the injunction was deemed necessary to safeguard Xiaomi's interests, as parallel judicial outcomes in Delhi and China might prove irreconcilable. Further, the Chinese judges considered that the imposition of the injunction would not adversely affect InterDigital's interests.

Barely a week later, on 29 September 2020, InterDigital reacted to the Chinese order by submitting an application for an Anti-Anti-Suit Injunction (AASI) before the Delhi Court. This prompted the Delhi Court to grant the AASI on 9 October 2020, effectively restraining the defendants from enforcing the Wuhan anti-suit order until the Delhi proceedings had concluded. The court's decision rested on the premise that "public policy trumps the comity principle", meaning that when fundamental legal principles or domestic interests are at stake, they may take precedence over international reciprocity in legal matters.⁷⁹ Conversely, the Wuhan Court perceived this action to be a violation of its order. InterDigital's lawsuit in India garnered criticism, being seen as a "deliberate attempt by InterDigital to scuttle or at least severely dilute the matter before the Chinese courts".⁸⁰

4.2. *Conversant v. Huawei and ZTE*⁸¹ (Supreme People's Court)

Huawei, a leading player in the global smartphone industry in terms of market share, took the initiative to bring legal proceedings against Conversant, a US company, in the Nanjing Intermediate Court on 25 January 2018.⁸² In this Nanjing litigation, Huawei sought a determination by the Chinese Court of FRAND royalty rates concerning an array of SEP encompassing 2G, 3G, and 4G technologies, owned by Conversant. Subsequently, on 20 April 2018, Conversant launched a separate legal action in the Düsseldorf Regional Court, alleging infringement of its German patents by Huawei.

⁷⁸ See U.S. Securities & Exchange Comm'n, Form 10-Q, Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended June 30, 2020, Commission File Number 1-33579 Interdigital, INC., at 15 < <https://www.sec.gov/ix?doc=/Archives/edgar/data/1405495/000140549520000046/idcc-q263020.htm> >.

⁷⁹ See Rajiv Choudhry, Delhi High Court Issues Anti Anti-Suit Injunction in InterDigital v. Xiaomi Patent Infringement Dispute < <https://spicyip.com/2020/10/delhi-high-court-issues-anti-anti-suit-injunction-in-interdigital-v-xiaomi.html> >.

⁸⁰ Rajiv Choudhry, Chinese Court Issues Anti-Suit Injunction Re Pending Delhi HC Case by InterDigital against Xiaomi < <https://spicyip.com/2020/10/chinese-court-issues-anti-suit-injunction-re-pending-dhc-case-by-interdigital-against-xiaomi.html> >.

⁸¹ Decision by the Supreme People's Court of the People's Republic of China, Civil Ruling, of August 28, 2020 in Cases No. 732, No. 733 and No. 734, between Huawei Technology Co. LTD and Conversant Wireless Licensing.

⁸² Sally Gao and Andrew White, Chinese court judgement on SEP royalty dispute between Huawei and Conversant, < <https://www.mathys-squire.com/insights-and-events/news/chinese-court-judgment-on-sep-royalty-dispute-between-huawei-and-conversant/> >.

Prior to the German Court rendering its verdict, on 16 September 2019, the Nanjing Court established relatively modest royalty rates. This decision prompted Conversant to appeal the case before China's Supreme People's Court (SPC).⁸³

Thereafter, on 27 August 2020, the Düsseldorf Court ruled in favour of Conversant, finding that Huawei had infringed Conversant's patent EP1797659, which the latter had acquired from Nokia in 2014. Significantly, the Düsseldorf Court not only prohibited Huawei's activities within the nation's borders but also sanctioned the sale of UMTS-enabled devices (Universal Mobile Telecommunications Systems). Additionally, the Düsseldorf Court endorsed the FRAND terms initially proposed by Conversant, which were nearly twentyfold higher than those originally set by the Nanjing Court.⁸⁴ In response, Huawei promptly submitted an application for an ASI to the Supreme People's Court, which was approved, effectively stopping Conversant from enforcing the German verdict until the SPC rendered its own judgment in the ongoing Chinese proceedings. Similarly to the *Xiaomi v. InterDigital* case, the SPC imposed a daily fine of one million yuan for non-compliance with the injunction. Notably, the rationale behind the SPC's decision bore resemblance to the justifications presented by the Wuhan Court.

The SPC outlined, among other things, that enforcement of the German decision would negatively impact the ongoing Chinese proceedings. Thus, the injunction was considered imperative in order to avert irreparable harm to Huawei since the Chinese case had been initiated before its German counterpart.

4.3. *OPPO v. Sharp*⁸⁵ (Shenzhen Intermediate People's Court)

ScienBiziP, the Chinese arm of Japan's Sharp Corporation, engaged in negotiations with Chinese handset manufacturer OPPO to secure a licence for Sharp's SEP within China. During the subsequent course of events, Sharp took legal action against OPPO in 2020 by filing a patent infringement injunction in both Japan and Germany. This action was based on Sharp's Japanese and German patents covering intelligent terminal products, particularly pertaining to Wi-Fi, 3G, and 4G technologies.

In response, in March 2020, OPPO and its subsidiary, OPPO Shenzhen Corporation, initiated legal proceedings by lodging a lawsuit at the Shenzhen Intermediate People's Court. The lawsuit argued that Sharp Corporation and its Chinese subsidiary had violated their licensing commitments under FRAND terms during the negotiation process.⁸⁶ Sharp challenged the jurisdiction of the Chinese court on the grounds that similar cases were already underway in Japan and Germany. However, the Court ultimately dismissed this argument, asserting its jurisdiction over the case. The Supreme People's

⁸³ Sophia Tang, *Anti-Suit Injunction Issued in China: Comity, Pragmatism and Rule of Law*, < <https://conflictoflaws.net/2020/anti-suit-injunction-issued-in-china-comity-pragmatism-and-rule-of-law/> >.

⁸⁴ Mathieu Klos, *The global SEP race*, < <https://www.juve-patent.com/people-and-business/the-global-sep-race/> >.

⁸⁵ Xiapu Zhushi Huishe, Sai'enbeiji Riben Zhushi Huishe Su OPPO Guangdong Yidong Tongxin Youxian Gongsi, OPPO Guangdong Yidong Tongxin Youxian Gongsi Shenzhen Fen Gongsi [Sharp Corp. and ScienBiziP Japan Corp. v. OPPO Guangdong Mobile Telecommunications Co. Ltd. and Shenzhen Branch of OPPO Guangdong Mobile Telecommunications Co. Ltd.], Zhi Min Xia Zhong No. 517 (2020) (Sup. People's Court 19 August 2021).

⁸⁶ Deng Fei and others, *The Current State of SEP Litigation in China* (2021) 35 Spring ANTITRUST 95; Seiya S Takeuchi, *Teleological interpretation of Article 63 TRIPS based on the Vienna Convention on the Law of Treaties and customary international law—analysis of the EU's request for information on China's SEP cases* (2022) 17 JIPLP 674

Court subsequently rejected Sharp Corporation's appeal against the ruling of the Shenzhen Intermediate People's Court.⁸⁷

Thereafter, on 16 October 2020, the Shenzhen Intermediate People's Court issued an ASI that restrained Sharp from initiating patent litigation cases or seeking injunctions against OPPO and its affiliated subsidiaries based on Sharp's Wi-Fi, 3G, and 4G SEP. This injunction was reinforced with daily penalties.

4.4. Samsung v. Ericsson⁸⁸ (Wuhan Intermediate People's Court)

The dispute between Swedish company Ericsson and Samsung revolves around SEP encompassing 4G and 5G technologies, with Ericsson holding ownership of these patents.⁸⁹ In a prior instance, in 2014, the two parties engaged in SEP cross-licensing. However, this licence was set to expire by the end of 2020 and attempts to renegotiate the terms had proved unsuccessful.

On 7 December 2020, Samsung initiated a civil complaint in Wuhan, seeking a determination of FRAND conditions for a new global licence.⁹⁰ Notably, Ericsson was not legally notified about these proceedings in Wuhan. This lack of notification prompted Ericsson to bring a lawsuit against Samsung in the District Court for the Eastern District of Texas, citing the latter's failure to negotiate in good faith.

In a retaliatory move, Samsung presented a petition before the Wuhan Intermediate People's Court, requesting an ASI against Ericsson's lawsuit in the United States.⁹¹ Subsequently, the Intermediate People's Court in Wuhan granted Samsung the ASI, primarily to circumvent jurisdictional conflicts arising from competing national authorities. The ASI, as issued by the Wuhan court, additionally prohibited Ericsson from seeking a FRAND judgment from another Chinese court and from pursuing an Anti-ASI to challenge the Wuhan court's decision. Ultimately, the two corporations reached a resolution to settle their global disputes.

4.5. The EU's WTO complaint against China

The evolving practice of granting ASIs in Chinese courts has raised concerns within the EU due to a perceived intensifying protectionist trend towards Chinese manufacturers. The EU asserts that China's approach hampers European companies that possess vital technology - including 3G, 4G, and 5G - from safeguarding their patents against unauthorised exploitation or inadequate compensation. The

⁸⁷ Guangdong Oppo Mobile Telecommunications Corp., Ltd (Oppo), Newsroom, IP, 'The Supreme People's Court Confirmed China's Jurisdiction Over SEP Global Rate Setting in the OPPO and Sharp Case' (2 September 2021) <<https://www.oppo.com/en/newsroom/ip/jurisdiction-over-sep-global-rate-setting/>>.

⁸⁸ Sanxing Dianzi Zhushihuishe Yu Ailixin Gongsi Biaozhun Biyao Zhuanli Xukefei Jiufen An [Samsung Elecs. Co. v. Telefonaktienbolaget LM Ericsson], (2020) E 01 Zhi Min Chu No. 743 (2020)鄂01知民初743号) (Wuhan Intern. People's Ct. Dec. 25, 2020)

⁸⁹ *Ericsson, Inc. v. Samsung Elecs. Co.*, No. 2:20-CV-00380-JRG, 2021 WL 89980 (E.D. Tex. Jan. 11, 2021).

⁹⁰ Arguably, Samsung opted to start the litigation in China because Chinese courts are generally more sensitive to implementers' interests than patent holders' ones. In the case at stake Samsung was acting as implementer (and not as patent holder).

⁹¹ Sanxing Dianzi Zhushi Huishe [Samsung Elecs. Co., v. Telefonaktiebolaget LM Ericsson], E 01 Zhi Min Chu No. 743 (Wuhan Intern. People's Ct. Dec. 25, 2020) (China).

fear that Chinese mobile phone manufacturers could gain access to European technology at a reduced cost is of particular concern. The EU claims that the Chinese courts have issued these ASI without providing prior notice or an opportunity for all parties involved to participate in the legal proceedings. Consequently, in order to avoid incurring substantial penalties in China, European patent holders could essentially be compelled to settle these disputes in China, by agreeing to lower than market value royalties. This situation, in turn, could limit the competitive ability of European tech companies and entail broader adverse repercussions on the overall ecosystem of European innovation.

Scholars have also criticised China's use of ASIs.⁹² It has been observed that these injunctions, particularly evident in cases such as *InterDigital v. Xiaomi* and *Ericsson v. Samsung*, possess excessive geographic scope. These ASIs hinder SEP owners from making decisions on licensing matters and from enforcing existing injunctions globally. This perspective, in general, claims that ASIs present a challenge from the standpoint of maintaining the rule of law.⁹³ Such perspectives align with recent determinations by the national courts in Germany⁹⁴ and France⁹⁵, where, as mentioned earlier, SEP owners were granted AASI to counteract the impacts of ASI. This measure is ostensibly designed to protect public order, property rights, and ensure equitable legal proceedings.

In July 2021, in response to the issuance of ASIs by the Chinese courts, the European Union took formal action by making a request to China under Article 63(3) of the TRIPS Agreement.⁹⁶ This request sought information about recent cases in which ASIs had been granted, as well as the legal basis for determining comprehensive licensing rates and granting such injunctions. However, the Chinese authorities rejected their responsibility to furnish the requested information, citing the TRIPS Agreement and asserting that no obligation exists for China to respond to the EU's information inquiry.

Consequently, in February 2022, the EU initiated the consultation phase of the WTO's dispute settlement procedure, alleging violations of TRIPS Articles 63(1) and 63(3).⁹⁷ Importantly, the EU's consultation request claimed that China's recent jurisprudence on ASI constitutes a policy that contravenes several provisions of the TRIPS Agreement. This includes Articles 28, as China's policy

⁹² Nikolic *supra* note 57.

⁹³ Haris Tsilikas, *Anti-Suit Injunctions For Standard-essential Patents: The Emerging Gap in International Patent Enforcement* (2021) 16(7) *JIPPL* 729

⁹⁴ *Nokia v Continental*, *Higher District Court of Munich*, decision dated 12 December 2019, Case-No. 6 U 5042/19. Yet, it should be reminded that on 11 July 2019, the Munich District Court issued the first ever ASI in in German a patent dispute, preventing carmaker Daimler from pursuing proceedings in the United States.

⁹⁵ Paris Court of Appeal, March 3, 2020, Case no 19/21426.

⁹⁶ Council for Trade-Related Aspects of Intell. Prop. Rts., Request for Information Pursuant to Article 63.3 of the TRIPS Agreement: Communication from the European Union to China, WTO Doc. IP/C/W/682 (July 6, 2021). As is known the TRIPS Agreement is a WTO treaty which sets minimum standards for the protection of IP rights including patents, trademarks and copyright.

⁹⁷ Request for Consultations by the European Union, China—Enforcement of Intellectual Property Rights, WTO Doc. WT/DS611/1 (Feb. 22, 2022). Article 63(1) TRIPS provides that 'Laws and regulations, and final judicial decisions and administrative rulings of general application, made effective by a Member pertaining to the subject matter of this Agreement (the availability, scope, acquisition, enforcement and prevention of the abuse of intellectual property rights) shall be published, or where such publication is not practicable made publicly available, in a national language, in such a manner as to enable governments and right holders to become acquainted with them. [...]'. And Article 63(3) TRIPS states that 'Each Member shall be prepared to supply, in response to a written request from another Member, information of the sort referred to in paragraph 1. A Member, having reason to believe that a specific judicial decision or administrative ruling or bilateral agreement in the area of intellectual property rights affects its rights under this Agreement, may also request in writing to be given access to or be informed in sufficient detail of such specific judicial decisions or administrative rulings or bilateral agreements'.

creates barriers to legitimate trade by restricting the competitive opportunities for patented goods and does not establish safeguards against the misuse of enforcement processes. Moreover, as the EU argues, the Chinese policy is said to breach Article 64 since it obstructs or attempts to obstruct the judicial authorities of other WTO member states from ordering a party to cease infringement in China. This dispute has attracted the interest of other prominent countries hosting ICT-intensive industries, such as the United States, Canada, and Japan, all of which have expressed their intention to participate in the consultation. This highlights the global significance of the case and the international attention it commands.

However, the consultation phase did not yield positive outcomes, leading the EU to ask the WTO's Dispute Settlement Body in December 2022 to establish a panel to resolve the dispute. The panel composition was finalised on 28 March 2023. On 8 June the EU presented its first written submission to the Panel, detailing its claim against China.⁹⁸ Subsequently, on 4 July 2023, both the EU and China informed the Dispute Settlement Body of their agreement on formal procedures for Arbitration under Article 25 of the DSU. This arbitration framework aims to address potential appeals by China or the EU against any final panel report issued in this dispute. The measure was necessary to establish a framework for delivering final decisions on appeals, as the WTO's Appellate Body is currently unable to function given its ongoing vacancies.⁹⁹

5. An assessment of the academic debate

In the academic debate surrounding the use of SEP-related ASI, there are numerous different viewpoints. Nikolic argues that ASI should be used sparingly and with caution, particularly in a manner that does not compromise international comity.¹⁰⁰ This entails a comprehensive assessment of the comity ramifications before ASI are granted, with a view to mitigating the potential for jurisdictional conflicts. Critics argue that ASI in SEP disputes are a waste of judicial resources, they erode trust in the legal system, and they introduce risks to global trade relationships.¹⁰¹ The ASI issued by Chinese courts, subsequently contested by the EU at the WTO, encapsulate these negative implications associated with a jurisdictional measure that has encountered widespread scepticism.

Indeed, it is true that the ASI granted by Chinese courts have a broad reach, which is particularly evident in cases such as *InterDigital v Xiaomi* and *Ericsson v Samsung*; this attribute is not easily matched by ASI in other jurisdictions. Nevertheless, certain parallels exist with the ASI issued by the US courts. In *Conversant v Huawei*, for instance, the Supreme People's Court (SPC) considered factors akin to those deliberated upon by certain US courts, as exemplified by the case of *Microsoft v Motorola*. In other words, the legal basis of Chinese ASI as mechanisms for preserving rights closely mirrors the rationale employed by the US courts when issuing their own ASI.

⁹⁸ European Union, First Written Submission by the European Union (DS611), 8 June 2023.

⁹⁹ Lorenzo Bencivelli and Filippo Vergara Caffarelli, *The challenges to the multilateral rules-based trading system in THE EU'S OPEN STRATEGIC AUTONOMY FROM A CENTRAL BANKING PERSPECTIVE* (European Central Bank, International Relations Committee, 2023) (discussing the paralysis of the WTO's Dispute Settlement Mechanism).

¹⁰⁰ Nikolic *supra* note 57.

¹⁰¹ Geradin and Katsifis *supra* note 61.

Conversely, Arnold and Bonadio highlight that Chinese judges had to deal in the first place with ASI granted by foreign courts.¹⁰² In this context, the issuance of Chinese ASI can be seen as a reciprocal response to actions taken by other nations (so-called legal transplant). This perspective claims that the power to exercise such measures is not confined to a specific nation, such as the US or the UK; any judicial entity is able to apply them.¹⁰³ This notion is substantiated by instances such as the UK's initiation of ASI against Chinese enterprises, particularly evident in cases such as *Conversant v Huawei and ZTE*.¹⁰⁴ Additionally, if the UK courts assert their authority to determine global FRAND licences, thereby attracting SEP disputes, it follows that the Chinese courts might adopt a similar approach to stimulate SEP-related litigation cases within their own jurisdiction.¹⁰⁵

At present, there is no international forum that has been given the task of solving this problem. Yu, Contreras, and Yang have persuasively argued that Chinese ASI serve as a legal tool adopted by the domestic judges from foreign jurisdictions, particularly the US, which they have adapted to the Chinese legal framework.¹⁰⁶ This "legal transplant" empowers China to influence the evolution of global SEP standards. A recent statement by the influential English judge Richard Arnold resonates with this perspective, noting the inconsistency inherent in ASI being accepted from Western countries, while their validity is questioned when they are issued by the Chinese courts.¹⁰⁷ This sentiment aligns with China's stance at the WTO, asserting that China is not the primary proponent of anti-suit injunctions. Yu, Contreras, and Yang also raise the point that Chinese ASIs are a mechanism used to safeguard jurisdiction and judicial sovereignty.¹⁰⁸ The SPC's report on *Conversant v Huawei* builds on this argument, highlighting the importance of ASIs in preventing the misuse of parallel litigation and in upholding national judicial sovereignty.

From this perspective, ASIs could be perceived as instruments allowing the Chinese courts to establish reciprocal arrangements that enhance international comity without undermining it. Moreover, when foreign courts adhere to legally sanctioned Chinese ASIs and refrain from issuing "neutralising" AASI, this in turn fosters international comity and judicial alignment. Even if ASIs are acknowledged to have a negative impact on comity, their transient nature makes this interference tolerable.

The discourse surrounding SEP-related ASIs, particularly those originating from the Chinese courts, and their implications for global jurisdictional harmony, is undoubtedly contentious. One perspective tends to view them as encroachments upon the jurisdictional sovereignty of other nations, while the opposing view regards them as guardians of the judicial autonomy of the issuing nation - China, in

¹⁰² Richard Arnold, *The EU's WTO complaint against China can only be resolved by establishing legally enforceable global arbitration of SEP disputes* (2022) JIPLP 329 349. The Author outlines that the decision in *Conversant v. Huawei and ZTE* is a 'response to the practice of the courts of a number of Western countries of granting anti-suit (and anti-anti- suit) injunctions in jurisdictional battles over SEPs and FRAND terms, including a decision by the late Henry Carr J that he would have granted an antisuit injunction against Huawei in the *Conversant v Huawei* litigation if Huawei had not agreed to withdraw the relevant part of its parallel claim in the Chinese courts'. Similarly, Bonadio and Lucchi *supra* note 62.

¹⁰³ Peter K. Yu, Jorge L. Contreras, Yu Yang, *Transplanting Anti-Suit Injunctions* (2022) 71 AULR 1537.

¹⁰⁴ *Conversant Wireless Licensing v Huawei Technologies Co Ltd and ZTE Corp* [2018] EWHC 2549 (Ch), [2018] Costs LR 1049.

¹⁰⁵ Geradin and Katsifis *supra* note 61.

¹⁰⁶ Yu and Contreras *supra* note 52.

¹⁰⁷ Richard Arnold, *Arbitration of FRAND Disputes* in Picht, Cotter and Habich (eds), *FRAND: GERMAN CASE LAW AND GLOBAL PERSPECTIVES* (Edward Elgar, forthcoming 2023).

¹⁰⁸ Yu, Contreras, Yang *supra* note 103.

this context. Given that countries such as the US have leveraged ASIs in SEP scenarios, the possibility remains that a WTO Panel could interpret them as being compatible with TRIPS.

It is clear that in recent years we have witnessed a surge in jurisdictional clashes, marked by an array of ASI, AASI, and AAASI.¹⁰⁹ This phenomenon poses risks to the broader ICT global market and could potentially spiral out of control. To counter this, several proposals promoting greater jurisdictional collaboration have been put forward. An intriguing idea proposed by Jorge Contreras suggests the establishment of a non-governmental tribunal for determining FRAND rates for SEP.¹¹⁰ This concept, also endorsed by other scholars, is mentioned in the UK Supreme Court's *Unwired Planet* decision.¹¹¹

While the establishment of an international rate-setting tribunal might face practical challenges, more informal mechanisms and 'soft law' approaches, such as consensus-building on FRAND calculations, could prove to be more feasible. Additionally, suggestions have been made to establish 'best practices' for SEP licensing disputes and FRAND methodologies, potentially leading to an international treaty that sets binding rules and minimises the risk of jurisdictional conflicts.¹¹² However, given the complex economic and geopolitical interests involved, achieving consensus between governments during treaty negotiations remains a formidable task. The lack of consensus, as demonstrated within the EU, underscores the challenges involved in addressing these contentious SEP issues on a global scale.¹¹³ The inability to reach a consensus in such matters further emphasises the need for innovative solutions to navigate the intricate landscape of SEP-related disputes.¹¹⁴

6. An Escape from the ASIs Race to the Bottom: WTO Law as a Safety Net

In this context, a viable approach to address the global race to the bottom regarding the legal treatment of SEPs is to leverage the existing international legal framework established by the TRIPS Agreement. As discussed in the previous section, the solutions proposed in academic literature are often either too ambitious to implement given the current international dynamics or so light-touch that they lack binding authority on national courts. Conversely, the current framework of international trade law, hinged on the WTO, could provide a mechanism to mitigate some of the most egregious applications of ASIs that threaten to undermine global value chains in the ICT sector. This section aims to contextualize the positive interplay between international trade law, competition policy, and IP by exploring the potential and limitations of TRIPS as a disciplining tool for national courts issuing ASIs. This analysis is particularly relevant in light of the ongoing WTO dispute between the EU and China.

6.1. The TRIPS Agreement legal framework

¹⁰⁹ Thomas F. Cotter, *Is Global FRAND Litigation Spinning Out of Control?* (2021) *PATENTLY-O PATENT LAW JOURNAL* 1.

¹¹⁰ Jorge L. Contreras, *Anti-Suit Injunctions and Jurisdictional Competition in Global FRAND Litigation: The Case for Judicial Restraint* (2021) 11 *NYU JIPEL* 171.

¹¹¹ *Unwired Planet v Huawei*, [2020] UKSC 37, 26 August 2020, Par. 90, pag. 32.

¹¹² Geradin and Katsifis *supra* note 61.

¹¹³ Baron et al. *supra* note 73.

¹¹⁴ Bonadio and Lucchi *supra* note 62.

The conclusion and subsequent entry into force of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in 1995 marked a significant milestone in the international codification of the relationship between intellectual property and competition policy.¹¹⁵ This Agreement, signed by 166 countries (including China, US, EU, UK, India and all major jurisdictions involved in SEPs licensing), enshrines broad principles designed to establish a welfare-enhancing balance of rights and obligations, outlining the framework for adequate protection of IP rights and their enforcement by WTO member countries.¹¹⁶ Substantively, the TRIPS Agreement delineates the subject matter to be protected, sets forth obligations for Members, defines conferred rights, specifies permissible exceptions, and establishes minimum durations of protection. By formulating these protection standards, the TRIPS Agreement integrates key substantive obligations from the Paris Convention and the Berne Convention, along with specific provisions from the Treaty on Intellectual Property in Respect of Integrated Circuits and the Rome Convention.

The TRIPS Agreement establishes the procedures and remedies that must be available to right holders for the effective enforcement of their intellectual property rights. It outlines not only general principles governing civil and administrative procedures but also provides for provisional measures and specific requirements related to cross-border enforcement.¹¹⁷ Of particular relevance to ASIs, the TRIPS Agreement contains provisions concerning domestic procedures and remedies for patent enforcement. Article 27.1 mandates that patents be made available and that patent rights be enjoyed without discrimination based on the place of invention, the field of technology, or whether products are imported or locally produced.

Part III of the TRIPS Agreement outlines detailed rules for the enforcement of patent rights, potentially offering a legal safeguard against excessively broad ASIs. Article 41.1 requires that Members ensure enforcement procedures are available to permit effective action against patent infringements, including providing expeditious remedies to prevent further violations and deterrents to future infringements. Additionally, Article 41 mandates that enforcement procedures must be fair, equitable, and not unnecessarily complicated, costly, or subject to unreasonable time limits or delays. These procedures must also be implemented in a way that avoids creating barriers to legitimate trade and includes safeguards to prevent abuse.

One distinguishing feature of the TRIPS Agreement, compared to other routes for addressing issues related to ASIs, is its provision for a permanent dispute settlement and its positive comity mechanism, which requires international harmonization in the implementation of remedies.¹¹⁸ The TRIPS Agreement thus could play a dual role in managing cross-border issues related to ASIs. First, it establishes a legal framework that defines the boundaries within which patent rights can be enforced among WTO members. Second, this framework benefits from a robust dispute settlement mechanism

¹¹⁵ Robert D. Anderson, Anna Caroline Muller and Antony Scott Taubman, *The WTO TRIPS Agreement as a Platform for Application of Competition Policy to the Contemporary Knowledge Economy* in *COMPETITION POLICY AND INTELLECTUAL PROPERTY IN TODAY'S GLOBAL ECONOMY*, edited by Robert D. Anderson, Nuno Pires de Carvalho, Antony Taubman (Cambridge University Press, 2021).

¹¹⁶ Simon Lester, Bryan Mercurio, Arwel Davies, *WORLD TRADE LAW* (Bloomsbury, 2022), part 17.

¹¹⁷ Peter Van den Bossche, Werner Zdouc, *THE LAW AND POLICY OF THE WORLD TRADE ORGANIZATION* (Cambridge University Press, 2021), pp. 1082-1151.

¹¹⁸ Robert D. Anderson, Nuno Pires de Carvalho, Elena Cima and Antony Scott Taubman, *Towards a Fresh Contribution to a Critical Policy Dialogue in Competition Policy and Intellectual Property* in *COMPETITION POLICY AND INTELLECTUAL PROPERTY IN TODAY'S GLOBAL ECONOMY*, edited by Robert D. Anderson, Nuno Pires de Carvalho, Antony Taubman (Cambridge University Press, 2021).

to which all WTO members are committed. A detailed examination of these rules and their interpretation is essential to fully understand the potential and limitations of the TRIPS Agreement as a legal safeguard against a race to the bottom in the use of ASIs.

6.2. Chinese ASIs as an Illicit Restriction on Patent Rights?

To assess whether the TRIPS Agreement can effectively regulate the widespread use of ASIs, a thorough legal analysis is necessary. This section provides an in-depth examination of both the WTO Appellate Body's jurisprudence and the TRIPS Agreement, offering insights in anticipation of the upcoming WTO Panel decision in the ongoing dispute between the European Union and China. Given the absence of explicit provisions on ASIs, it is critical to establish the existence and precise legal nature of the systemic use of ASIs in SEP litigation as an unwritten legal measure aimed at undermining patent rights under WTO law. In essence, it is essential to determine the conditions under which ASIs issued in SEP disputes may constitute measures that violate WTO members' obligations not to unjustly restrict the enforcement of patent rights.

To begin with, WTO Panel Report jurisprudence provides a clear legal standard for establishing the existence of an unwritten measure.¹¹⁹ This standard requires evidence demonstrating three critical elements: (a) that the measure is attributable to the respondent; (b) that the precise content of the measure is defined, including how its components function together as a cohesive whole, distinct from their individual parts; and (c) that the specific nature of the measure is clarified, particularly whether it is of general and prospective application or of another kind. Additionally, the Appellate Body has stressed that the evidentiary burden for proving the existence of an unwritten measure is exceptionally high.¹²⁰

Unlike written measures, unwritten ones cannot be established by merely presenting a legal text to the panel. Instead, circumstantial evidence and arguments are required to demonstrate both their existence and content.¹²¹ The nature and characterization of the specific measure being challenged influence the type of evidence needed from the complainant and the elements that must be proven to establish the measure's existence. A complainant must not only show that the measure is attributable to a Member but also clearly define its precise content, along with any other necessary elements to substantiate the claim.

When challenging a measure composed of multiple instruments, a complainant must typically provide evidence demonstrating how these components function together as part of a unified whole, distinct from their individual parts. If the measure is characterized as "ongoing conduct" the complainant must further demonstrate its repeated application and the likelihood of its continuation.¹²² In *Argentina – Import Measures*, the complainants challenged a measure consisting of several trade-related requirements, each serving distinct policy objectives.¹²³ Thus, the panel determined whether the measure was comprised of the five individual requirements identified by the complainants and

¹¹⁹ Panel Report, *Indonesia – Chicken*, para. 7.656.

¹²⁰ Appellate Body Report, *US – Zeroing (EC)*, para. 198.

¹²¹ Appellate Body Report, *Russia – Railway Equipment*, para. 5.236

¹²² Appellate Body Reports, *Argentina – Import Measures*, paras. 5.108.

¹²³ Appellate Body Reports, *Argentina – Import Measures*, paras. 5.124-5.126

whether these components collectively operated as part of a broader "managed trade" policy aimed at import substitution and reducing trade deficits.

In the context of ASIs in SEP-related cases issued repeatedly within a specific jurisdiction, it is reasonable to attribute this practice to the State where it has been issued. With reference to the Chinese case, the court rulings in question are judicial acts directly attributable to China and are further supported by the Supreme People's Court (SPC)¹²⁴, the National People's Congress (NPC)¹²⁵, and other regional authorities¹²⁶. Regarding the existence and precise content of China's ASI policy as an unwritten measure, several legal instruments govern act preservation measures under Chinese law, including Articles 100 (now 103) and 101 (now 104) of the Civil Procedure Code, along with the Supreme People's Court Provisions on Act Preservation in IP Disputes. Notably, there is no legislation in China that prohibits a party involved in SEP litigation from seeking enforcement of non-Chinese court judgments within the territories of other WTO Members or from pursuing judicial relief outside the jurisdiction of Chinese courts.

In addressing the third requirement for determining the existence of an unwritten measure, the Appellate Body in *US-Zeroing (EC)* established a test to identify it.¹²⁷ When challenging such a "rule or norm" the complainant must clearly demonstrate, with supporting arguments and evidence, that the alleged rule or norm is attributable to the responding Member, that its precise content is identified, and that it possesses general and prospective application. A panel can only consider the rule or norm as subject to challenge if this high threshold is met with sufficient evidence for each element. Such evidence may include proof of the systematic application of the measure. Panels must exercise particular rigor when assessing the existence of a rule or norm that is not documented in writing, carefully examining the concrete evidence that substantiates its existence

The five Chinese court decisions imposing ASIs between August 28 and December 25, 2020, bolstered by the SPC and the Standing Committee of the NPC, clearly establish the precise content of China's anti-suit injunction policy. These rulings effectively prevent parties involved in SEP litigation in China from enforcing non-Chinese court judgments within the territories of other WTO Members. Furthermore, each decision prohibits patent holders from initiating, continuing, or enforcing legal proceedings in non-Chinese courts, accompanied by the threat of cumulative daily penalties for non-compliance.

Under the TRIPS Agreement, a complainant must persuade the WTO Panel that the court decisions imposing ASIs, along with other legal instruments, function collectively as a unified measure that systematically enforces broad ASIs, distinguishing this measure from its individual components. In

¹²⁴ Supreme People's Court, Report on the Implementation of the Decision of the Standing Committee of the National People's Congress on Several Issues concerning Litigation Procedures in Patent and Other Intellectual Property Cases, 27-02-2022

¹²⁵ Several judicial reports and Opinions from the Standing Committee of the NPC have outlined the objectives of the anti-suit injunction policy. See: National People's Congress Standing Committee, Opinions and Suggestions on the Report on IP Dispute Trials of People's Courts, 18-11-2021

¹²⁶ Following the Supreme People's Court (SPC) decision in *Huawei v. Conversant*, four lower courts swiftly issued rulings imposing anti-suit injunctions with a broad scope. These injunctions prohibited defendants from initiating, continuing, or enforcing the outcomes of legal proceedings before non-Chinese courts. Although each case involved different parties, standard essential patents, and unique circumstances, the courts consistently granted the anti-suit injunctions requested by the applicants, relying on reasoning similar to that in *Huawei v. Conversant*.

¹²⁷ Appellate Body Report, *US – Zeroing (EC)*, para. 198.

the case of China, following the Supreme People's Court's decision in *Huawei v. Conversant*, four lower courts swiftly issued rulings imposing extensive ASIs. These decisions prohibited defendants from initiating, continuing, or enforcing legal proceedings in non-Chinese courts.

A measure may be deemed to have general and prospective application if it reflects a deliberate policy that extends beyond the mere repetition of its application in specific instances.¹²⁸ The Appellate Body has held that a rule or norm possesses "general application" to the extent that it impacts an unspecified number of economic operators.¹²⁹ Conversely, a rule or norm has "prospective application" in that it is intended to apply in the future.¹³⁰

Thus, China's policy on ASIs could be considered as a singular non written measure, distinct from its individual components. While each of the five court rulings evaluated the merits of specific ASI requests, the evidence presented demonstrates that the policy of systematically imposing broad ASIs in SEP litigation operates independently from its constituent parts. The factors outlined above highlight the prospective nature of China's anti-suit injunction policy in SEP litigation. Several court decisions imposing ASIs have been designated as "typical cases" indicating their role in shaping future judicial outcomes. Additionally, the ongoing support from the SPC and the NPC's Standing Committee, along with their directive to "continue active exploration, make full use of it, and resolutely safeguard China's sovereignty, security, and development interests" further solidifies the forward-looking application of this policy.

Concerning the legal standard for establishing the existence of a measure characterized as ongoing conduct, the Appellate Body has clarified that the distinction between "as such" and "as applied" challenges does not define the measures subject to WTO dispute settlement, nor does it comprehensively determine what can be contested. Rather, this distinction functions as an analytical tool to enhance the understanding of the measure in question. A measure need not fit neatly into either category to be subject to challenge. For instance, in *US–Continued Zeroing*, the Appellate Body recognized the measure as "ongoing conduct" referring to the persistent application of the zeroing methodology in successive administrative reviews, which consistently upheld duties in each of the 18 identified cases.¹³¹

The Appellate Body has clarified that to establish the existence of an "ongoing conduct" measure, a complainant must demonstrate that the alleged measure is attributable to the responding Member, articulate its precise content, provide evidence of its repeated application, and show that it is likely to persist in the future. The panel in *US–Orange Juice (Brazil)* defined ongoing conduct as "conduct that is currently taking place and is likely to continue in the future".¹³²

In the case of China, the ongoing application of anti-suit injunctions with a broad scope is reinforced by resolutions made at the highest levels of judicial and political authority. It is important to note that

¹²⁸ Panel Report, *US – Shrimp II (Viet Nam)*, para. 7.34.

¹²⁹ Appellate Body Report, *US – Anti-Dumping Methodologies (China)*, para. 5.130

¹³⁰ Appellate Body Reports, *US – Oil Country Tubular Goods Sunset Reviews*, paras.172 and 187; *US – Corrosion-Resistant Steel Sunset Review*, para. 82.

¹³¹ Appellate Body Reports, *US– Anti-Dumping Methodologies (China)*, paras. 5.124-5.125

¹³² Panel Report, *US–Orange Juice (Brazil)*, paras. 7.175-7.176

WTO case law has acknowledged that a decision to continue the application of a specific conduct can be sufficient to demonstrate that this conduct is likely to persist in the future.¹³³

Turning to the substantive obligations under the TRIPS Agreement for WTO members, attention centres on the first sentence of Article 1.1, which introduces Part I of the TRIPS Agreement and delineates its General Provisions and Basic Principles. While the third sentence mandates that WTO members integrate the provisions of the TRIPS Agreement into their legal systems and practices, the first sentence establishes a broader obligation to ensure the effective implementation of these provisions. Specifically, it requires members to guarantee the enforcement of all provisions within the Agreement, including Article 28.1.

This article is located in Section 5: Patents of Part II of the TRIPS Agreement, which outlines standards related to the availability, scope, and use of intellectual property rights. The plain language of Article 28.1 signifies that the essence of the exclusive rights conferred upon a patent owner lies in the ability to prevent third parties, without the owner's consent, from making, using, offering for sale, selling, or importing the product covered by the patent or derived directly from a patented process.

In light of these objectives, the obligation of WTO members to give effect to Article 28.1 of the TRIPS Agreement extends beyond merely ensuring that patent owners enjoy the exclusive rights conferred by that provision within their own territories. Members are also required to refrain from adopting or applying measures that restrict, or aim to restrict, the exercise of patent owners' exclusive rights in the territories of other members, particularly when such measures disrupt the carefully balanced system of patent protection and enforcement established by the TRIPS Agreement.

This obligation is underscored by the language of the first sentence of Article 1.1 and Article 28.1, which do not confine members' responsibilities to the implementation of the Agreement's provisions solely within their own jurisdictions. The specific nature of China's policy, as reflected in the five decisions from Chinese courts imposing ASIs and further detailed in various policy statements endorsing those decisions, serves to prohibit patent owners engaged in SEP litigation in China from seeking enforcement of their exclusive rights in courts of other jurisdictions.

As previously noted, the portfolios of SEP owners comprise multiple patents that are national in nature and independent of patents granted by other countries for the same invention. Patent owners can enforce their exclusive rights only against infringers within the territories of the countries where they hold patents. This necessity frequently results in parallel proceedings across different jurisdictions.¹³⁴ This necessity often leads to parallel proceedings across different jurisdictions.

In this case, China's anti-suit policy in SEP litigation is likely to prevent SEP owners from seeking enforcement of their exclusive rights in the courts of other WTO Members, as outlined in Article 28.1 of the TRIPS Agreement. Moreover, this policy incorporates specific features that, when combined, impose significant restrictions on the exercise of the exclusive rights conferred by Article 28 of the TRIPS Agreement.

First, the scope of anti-suit injunctions issued by Chinese courts can be exceptionally broad, depending on the requests made by the implementers. Chinese courts have issued worldwide anti-suit

¹³³ Appellate Body Report, *US – Supercalendered Paper*, paras. 5.44 and 5.47

¹³⁴ Article 4bis of the Paris Convention (1967), incorporated in the TRIPS Agreement through its Article 2.1.

injunctions that prohibit SEP owners from commencing, continuing, or enforcing patent enforcement proceedings or FRAND determination proceedings in any jurisdiction outside of China, whenever such broad injunctions have been requested.

Second, compliance with these anti-suit injunctions is enforced through the imposition of fines or penalties that exceed what is typically seen in other types of act preservation measures in intellectual property disputes in China. Violating an anti-suit injunction can result in substantial daily fines, which may reach the maximum amount permitted under the Chinese Civil Procedure Law. These fines have varied between RMB 600,000 and RMB 1,000,000 per day, and the penalties accumulate on a daily basis.¹³⁵

The issuance of anti-suit injunctions by Chinese courts, incorporating the aforementioned aspects, has been characterized in policy statements as “an anti-suit injunction system with Chinese characteristics”.¹³⁶ This approach creatively applies act preservation measures to protect “China’s judicial sovereignty and its development interests, as well as to ensure a fair playing field for China’s enterprises in international markets.”¹³⁷ The decisions imposing anti-suit injunctions on SEP owners are promoted within the Chinese judiciary as “typical” “model” or “top” cases, and they receive support and encouragement from various policy statements issued by Chinese judicial and political bodies.

The application of this unwritten measure, whether viewed as a norm of general and prospective application or as ongoing conduct, serves to restrict, or attempt to restrict, the exercise by SEP owners of the exclusive rights conferred by Article 28.1 of the TRIPS Agreement in the territories of other WTO Members. Under this policy, anti-suit injunctions are issued by Chinese courts at the request of implementers of the relevant standards, prohibiting SEP owners from initiating or pursuing proceedings in courts outside of China. Given that the essence of a patent owner’s exclusive rights is the ability to prevent third parties, without consent, from engaging in the activities listed in Article 28.1, the ability of SEP owners to exercise their rights is inherently limited if they are barred from enforcing those rights in the courts of the countries that granted the patents in question.

While a targeted anti-suit injunction can effectively address the challenges of parallel litigation between SEP owners and implementers, China’s anti-suit injunction policy in SEP cases appears to exceed this objective. It seeks to prevent SEP owners from exercising their patent rights in courts outside of China, effectively depriving them of the rights they have lawfully obtained in other jurisdictions.

Importantly, China’s measure is not intended to implement the protection of patents or other intellectual property rights as required under the TRIPS Agreement. Instead, it seeks to position Chinese courts as the preferred forum for implementers aiming to secure more favourable terms and conditions for global FRAND licenses. This intention is underscored in the report presented on 27 February 2022 by the president of the Supreme People’s Court to the National People’s Congress, in

¹³⁵ The Supreme People’s Court decision in *Huawei v Conversant* puts in place the anti-suit injunctions policy in SEP litigation, Section 3.3. The Supreme People’s Court broadened the application of the Civil Procedure Law; and Section 3.4 Anti-suit injunctions issued by the Intermediate courts.

¹³⁶ Supreme People’s Court, *Report on the Implementation of the Decision of the Standing Committee of the National People’s Congress on Several Issues concerning Litigation Procedures in Patent and Other Intellectual Property Cases* (27 February 2022).

¹³⁷ *Ibid*, page 9

which he highlighted that the “intellectual property strategy was further strengthened” and celebrated the establishment of an “anti-suit injunction system” with Chinese characteristics, emphasizing the maintenance of judicial sovereignty over foreign-related intellectual property rights.¹³⁸

Even if China’s policy could be interpreted as a measure to organize or streamline SEP litigation within its courts, the right to adopt or maintain such a policy must be enforced reasonably and not systematically broadly, especially when it affects the domain covered by Article 28.1 of the TRIPS Agreement.¹³⁹ The characteristics of China’s measure indicate that it is not designed to address exceptional issues arising from parallel litigation but rather aims to prevent parallel litigation from continuing or emerging altogether in other WTO Members. Arguably, this approach is likely to constitute an abuse of ASIs within the context of SEP litigation and undermines the carefully balanced system of protection and enforcement of patents established by the TRIPS Agreement.

Thus, it is reasonable to conclude that an unwritten measure restricting the exercise of the rights granted to patent owners by Article 28.1 of the TRIPS Agreement is inconsistent with China’s obligations under Article 1.1 in conjunction with Article 28.1 of the TRIPS Agreement.

6.3. Beyond the Chinese case

Indeed, whenever an ASI prevents the enforcement of patents in the territories of other member states, it creates barriers to legitimate trade pursuant to Article 41(1).¹⁴⁰ Nothing in the WTO jurisprudence indicates that trade in intangible goods (patent licences) and tangible goods (patented or licensed) by patent owners or licence holders does not constitute “legitimate trade”. Thus, the prohibition on patent holders enforcing their rights in other member countries has a significant impact on their ability to license their technology and diminishes the competitive opportunities for patented products, often to the advantage of infringing goods. For instance, patent holders encounter challenges when trying to license or export their patented products to countries where infringing goods are readily available. Furthermore, unlicensed goods producers evade the payment of licensing fees, thereby reducing their costs through illegal, infringing activities. This puts patented goods at a distinct competitive disadvantage.

Regardless of the jurisdictions that issue the ASI, it is apparent that these measures breach the WTO framework if they do not provide for safeguards against the abuse of enforcement procedures. As argued by the European Union in the WTO dispute against China, ASI are legitimate so long as they have ascertained – with a sufficient degree of certainty - that the applicant’s interests have been violated or that such violation is imminent and they are contain adequate assurance against potential abusive purposes.¹⁴¹ In brief, ASI should be considered admissible as long as they are narrowly defined and do not amount to a surreptitious tool for a specific country to secure global IP rulemaking.

¹³⁸ *Ibid.*

¹³⁹ Appellate Body Report, *US – Shrimp*, WT/DS58/AB/R, paras. 158 to 160.

¹⁴⁰ TRIPS Agreement, Article 41.1 provides that “Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”

¹⁴¹ European Union, First Written Submission by the European Union (DS611), 8 June 2023, par. 429-438.

As this interpretation involves the prohibition on any type of ASI having an excessively broad scope, it is clear that the courts – and not only those of China - may be required to change their current approach. ASI issued by other countries, in particular the US and the UK, would face the same burden in order to avoid being prohibited under the TRIPS Agreement. Contrary to other solutions advanced in the literature, this proposal would not require new consensus to be found at the international stage, as it is based on international law already in force and is backed by an already available enforcement mechanism (the WTO dispute settlement process).

Even though the WTO Appellate Body is currently unable to review appeals, given its ongoing vacancies, members can rely on the arbitration procedure, as the EU and China did with reference to the current litigation.¹⁴² At the same time, there would be nothing to prevent the parallel use of soft law remedies to achieve global coordination and to iron out the problem, such as an expedited adjustment of SDO licensing policies which would require the parties to submit the matter to an arbitration panel rather than taking the case to a national court.¹⁴³

As such, the proposal put forward in this article does not operate in a vacuum. A comprehensive solution to SEP disputes should involve both a reliance on TRIPS to address blatant restrictions on patent rights and the establishment of a supranational procedure for resolving these disputes that is acceptable to all parties. One viable option for such a procedure is legally enforceable global arbitration of SEP disputes, which offers several advantages over national court litigation.¹⁴⁴

First, arbitration allows the core issue—determining FRAND license terms—to be addressed without the need for complex and costly preliminary litigation over patent infringement, essentiality, and validity. Second, global arbitration eliminates the need for parallel litigation in multiple jurisdictions. Third, a single tribunal can determine FRAND terms for global use, reducing the risk of inconsistent decisions. Fourth, it avoids the rush to court for jurisdictional advantages or applications for anti-suit injunctions. Finally, arbitration allows for the use of multinational tribunals with specialized expertise, offering confidence to both patentees and implementers and making it acceptable to both Western and non-Western countries. Finally, arbitral awards can be enforced under the New York Convention, providing an effective and globally recognized enforcement mechanism. However, despite the potential benefits, various challenges still hinder the broad adoption of global arbitration, making it worthy of deeper exploration.¹⁴⁵

7. Conclusion

The discourse surrounding ASIs in the context of SEP is undoubtedly contentious, as evidenced by the circumstances and complexities described in this study. Looking ahead, it will be intriguing to observe the trajectory of ASI case law, encompassing not only ASIs but also AASIs and AAASIs, particularly within the jurisdictions of the primary ICT superpowers, including India.

¹⁴² On 7 July 2023, pursuant to Article 25.2 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* (DSU), the European Union and China notified the WTO Dispute Settlement Body that they have agreed to the Procedures for Arbitration under Article 25 of the DSU in the *China – Enforcement of intellectual property rights* (DS611) dispute.

¹⁴³ Colangelo and Torti *supra* note 51.

¹⁴⁴ Richard Arnold, *SEPs, FRAND and Mandatory Global Arbitration* (2021) 70 GRUR INTERNATIONAL 123.

¹⁴⁵ Arnold *supra* note 102.

Presently, it is clear that China has emerged as a key player in the ongoing global contest for supremacy in the realm of the international ICT markets, notably concerning pivotal technologies such as WiFi, 4G, 5G, and potentially the forthcoming 6G. China's strategy has involved showcasing its willingness to oversee SEP disputes by issuing far-reaching ASIs, a strategic move that has prompted the EU to engage in a confrontation with China within the framework of the WTO.

By preventing patent holders from enforcing their rights, ASIs risk raising new trade barriers and weakening the potential of global supply chains in the ICT sector. In particular, technology developers would face higher costs for recovering their R&D investments, as they would no longer be able to rely on the global markets for their technology. Allowing wide-ranging ASI means that courts in any jurisdiction could feel empowered to set artificially the world price of highly relevant technologies, thereby undermining the market economy and hampering incentives for innovation. Since a court's effective ability to enforce ASI is to hold up patent holders within its jurisdiction, innovators would be pushed to leave the country in question for production or marketing purposes. It is also true that small economies stand to lose more from this process than larger countries with sufficiently large markets (such as China and the EU) as firms might only consider access to the latter as indispensable. On a larger scale, this process could reinforce the process of friend shoring that we are witnessing in highly sensitive sectors, such as microchips.

Nevertheless, it is worth noting that China is not the sole participant in this arena. The United States, the United Kingdom, and other nations are set to be active contenders, aiming to wield similar legal instruments as China, including the use of injunctions of varying degrees of scope and intensity to gain a leading judicial dominance in worldwide SEP litigation. The ultimate outcome of the WTO dispute initiated by the EU remains uncertain at present, making it challenging to produce accurate predictions.

Taking a different approach compared to existing literature on the topic, this article argued that the most viable solution to counter ASI with an overly broad scope is enshrined within the TRIPS Agreement as it prohibits barriers to legitimate trade that fail to include safeguards against the abuse of enforcement procedures. Of course, under this proposal, not only Chinese ASI could face prohibition, but also those issued by any other member country, such as the US and the UK. In this regard, the outcome of the WTO case initiated by the EU offers a tremendous opportunity to test the solution put forward in this article.

Finally, a natural complement to the legal analysis provided in this article lies in future research avenues, particularly on the empirical side. A quantitative assessment of the impact of ASIs on technology transfer and licensing agreements between countries with SEP holders and those with more implementers would offer valuable insights to assess the economic significance of the matter. Such research could help gauge the urgency of addressing the global race to the bottom between jurisdictions involving ASIs. From a policy perspective, the reform of the WTO, particularly the revitalization of the Appellate Body, also warrants attention.¹⁴⁶ Strengthening this mechanism would enhance the enforcement of the TRIPS Agreement, including its application to prevent the abusive use of ASIs.

¹⁴⁶ Ana Peres, *Transience of (In)Formality: The Role of the Joint Initiatives in Reforming the WTO Negotiations* (2024) 23:3 WORLD TRADE REVIEW 385; Alice Tipping, *Reforming the World Trade Organization* (2024) International Institute for Sustainable Development < <https://www.iisd.org/articles/policy-analysis/reforming-world-trade-organization> >.