

Comments by Christoph Jaeckel

on a decision by Düsseldorf Appeal Court revoking an anti-anti-suit injunction

Anti-suit injunctions (ASI) and anti-anti-suit injunctions (AASI) have become contentious issues in cross-border litigation over standard essential patents (SEP). A 7 February 2022 decision by the Düsseldorf Appeal Court in Germany rejecting an AASI shows how plaintiffs and defendants are trying to use ASI and AASI to their own advantages.¹

What are Anti-Suit Injunctions?

Anti-suit injunctions are established litigation tools in common law jurisdictions. The basic idea is that a court in one jurisdiction prohibits a plaintiff from litigation in another jurisdiction.² When it comes to litigation over the infringement of standard essential patents (SEP), anti-suit injunctions revolve around the question whether the SEP holder (plaintiff) and the patent implementer (potential patent infringer) complied with their respective FRAND (fair, reasonable and non-discriminatory) licensing commitments. A Standard Essential Patent (SEP) is a patent that protects an invention essential to the implementation of a particular technology standard.³

Typically, the SEP holder brings a patent infringement suit in a jurisdiction deemed favorable by the SEP holder after licensing negotiations with the potential licensee, who implemented the patented technology, broke down. After the court has confirmed patent infringement and issued an injunction to stop infringement against the patent implementer (or in some cases even before

¹ This article was last updated 22 November 2022.

² The Anti-Suit Injunction - A Transnational Remedy for Multi-Jurisdictional SEP Litigation (May 10, 2017). Cambridge Handbook of Technical Standardization Law - Patent, Antitrust and Competition Law (Jorge L. Contreras, ed., 2017).

³ Link to definition of SEP by World Intellectual Property Organization (WIPO) at:
<https://www.wipo.int/en/web/patents/topics/sep>

the infringement lawsuit is filed), the patent implementer brings an anti-suit injunction motion in another court in a foreign jurisdiction deemed favorable by the patent implementer in order to prohibit the SEP holder from obtaining or enforcing the injunction for patent infringement against the patent implementer in the first jurisdiction until the FRAND licensing terms have been decided by the court issuing the anti-suit injunction in the second jurisdiction. Used in this way, anti-suit injunctions can be powerful tools for patent implementers and potential licensees to push the SEP holder into unfavorable FRAND licensing agreements. The potential for abuse of anti-suit injunctions is highlighted by the fact that the European Union filed on 18 February 2022 a dispute settlement case against China at the World Trade Organization for restricting EU companies from using and enforcing their patent rights.⁴

The Decision by Düsseldorf Regional Court granting an AASI

On 7 February 2022, the Düsseldorf Appeal Court⁵ revoked an anti-anti-suit injunction granted by the Düsseldorf Regional Court⁶ as court of first instance to the plaintiff and patent holder.⁷

The Düsseldorf Regional Court is one of, if not the go-to-court for patent litigation in Germany. The plaintiff claimed the two patents in suit were essential for the standard H.265/MPEG-H High Efficiency Video Coding (HEVC). Initially, the court of first instance had granted the anti-anti-suit injunction prohibiting the defendants from initiating or continuing litigation in China that was aimed at stopping the plaintiff (1) from enforcing their patent rights in patent infringement litigation already filed with the Düsseldorf Regional Court and (2) from enforcing such infringement judgments against the defendants, unless it was guaranteed that the plaintiff (and patent holder) is being heard during court proceedings in China before a decision is made by the Chinese court.

⁴ Search for status of case WT/DS611 - China – Enforcement of intellectual property rights on: https://commission.europa.eu/index_en

⁵ Düsseldorf Appeal Court case ref. I-2 U 27/21.

⁶ Düsseldorf Regional Court case ref. 4c O 73/20.

⁷ English translation of the second instance decision is available here:

https://www.katheraugenstein.com/app/uploads/2022-02-07-I-2-U-27_21-EN-pdf.pdf

The Decision by Düsseldorf Appeal Court revoking the AASI

The court of second instance finds that anti-suit injunctions are a prohibition to litigate imposed on the patent holder and are inadmissible under German and European Law. But the court also acknowledges that they are established litigation tools in other jurisdictions. The court further emphasizes that litigation before a court of law is privileged. Thus, defending against claims raised by the plaintiff must be performed by the defendant within the pending litigation proceedings. During these proceedings, the rule of law principle safeguards the interests of the defendant. An anti-suit injunction, however, prevents the patent holder from exercising their patent rights in Germany because the foreign anti-suit injunction will, in particular due to daily fines, force the patent holder to refrain from initiating patent infringement litigation in Germany or to give it up after filing. This means an anti-suit injunction imposes on the patent holder a prohibition to litigate. An anti-suit injunction further means that a foreign court granting an anti-suit injunction is violating the property rights of the patent holder which are protected by Article 14 German Basic Law and Article 47 EU-Charter of Basic Rights. The Düsseldorf Appeal Court concludes that such violation constitutes a tort and entitles the patent holder to file a court action to obtain an anti-anti-suit injunction.

Patent Holder's Legitimate Interest in Legal Action

The Düsseldorf Appeal Court points out that such an anti-anti-suit injunction requires that the patent holder has legitimate interest in legal action (“Rechtsschutzbedürfnis”) which is the case if the foreign anti-suit injunction against the patent holder was granted in violation of the rule of law principle. An anti-anti-suit injunction itself must comply with the principle of proportionality: the anti-anti-suit injunction (to prevent the patent implementer from obtaining / using an anti-suit-injunction) is admissible only where, only when and only as far as objectively required to provide effective legal protection for the patent holder. The overall appraisal of all relevant facts of the case must conclude that the patent holder is facing the imminent risk that a foreign court is granting an anti-suit injunction which is going to affect the patent infringement litigation in Germany. Mere speculations by the patent holder, for example that the defendant is about to request an anti-suit injunction in China are not sufficient to obtain an anti-anti-suit injunction in Germany.

Düsseldorf Appeal Court revokes AASI because Patent Holder faces no imminent Risk of ASI in China

After evaluation of the facts of the case, the Düsseldorf Appeal Court concludes that the patent holder was facing no imminent risk of an anti-suit injunction in China and that therefore an anti-anti-suit injunction in Germany was not objectively required to protect the patent holder. As a matter of fact, the defendants had not filed a request for an anti-suit injunction in China nor had they expressed the intention / threat to do so. Also, no FRAND licensing action was filed by them before a court in China. The Düsseldorf Appeal Court finds that an anti-suit injunction obtained in China from the Wuhan Intermediate People's Court by other companies of the defendants' Chinese parent company does not imply that the defendants of the infringement case pending before the Düsseldorf Court would also file a motion for an anti-suit injunction in China. In that other Chinese case, a FRAND-licensing action was already pending before the Wuhan Court and the patent holder had requested permanent and preliminary patent infringement injunctions by a court in New-Delhi, India.

The Düsseldorf Appeal Court also rejects references made by the plaintiff to patent litigation among other parties in China where the patent implementers had obtained anti-suit-injunctions from Intermediate People's Courts of Wuhan and Shenzhen, respectively. The Court points out that in those cases lawsuits were already filed in China.

The Plaintiff's Request

Considering that the plaintiff and patent holder does not have legitimate interest in legal action to support the claim for an anti-anti-suit injunction, the Düsseldorf Appeal Court briefly examines whether to reject the plaintiff's request for an anti-anti-suit injunction also because the request filed by the patent holder is considered as inadmissible by the Court. As mentioned above, the patent holder asked the court in Düsseldorf to prevent the defendants from requesting an anti-suit injunction in China unless it is guaranteed that the plaintiff (and patent holder) is being heard before a decision is made by the court in China. The Düsseldorf Appeal Court assumes that such a request is beyond the influence of the defendants and rather within the Chinese court's discretion. Therefore, the Düsseldorf Appeal Court holds that the patent holder

should have asked the court to order the defendants to inform the patent holder in writing prior to filing a request for anti-suit injunction in China.

The Patent Holder's Conundrum

The Düsseldorf Appeal Court acknowledges that without preemptive anti-anti-suit injunction (issued by the German court in favor of the patent holder prior to an anti-suit injunction issued by a Chinese court in favor of the defendants), the patent holder must rely on filing a request for a subsequent anti-anti-suit injunction to be able to continue patent infringement litigation in Germany. But the Düsseldorf Appeal Court argues that implementation of a subsequent anti-anti-suit injunction would also constitute a violation of the enforcement conditions of a Chinese anti-suit injunction and thus trigger the same fine for the patent holder in China. As a result, economic pressure could force the patent holder to end patent infringement litigation in Germany. Considering the view of the Düsseldorf Appeal Court, the patent holder would face the same consequences in China regardless of whether the anti-anti-suit injunction in Germany is of preemptive or subsequent nature.

Taking this into account, the German patent holder might be in a difficult conundrum: either continuing patent infringement litigation in Germany and facing the risk of having to pay a daily fine of up to 1 million RMB to the patent implementer due to an anti-suit injunction in China or giving in to the anti-suit injunction in China by abandoning patent infringement litigation in Germany until FRAND licensing terms have been decided by the Chinese court. To make matters worse for the patent holder, Chinese courts tend to award relatively low FRAND license fees to SEP holders. In this situation, a preemptive AASI could improve the patent holder's bargaining power to negotiate more favorable FRAND licensing terms with the patent implementer.

Request for ASI means Patent Implementer is unwilling licensee

The Düsseldorf Appeal Court argues that a patent holder must wait until the risk is imminent that a foreign court is granting an anti-suit injunction that could affect patent infringement litigation in Germany. However, holders of standard essential patents will welcome that the Court emphasizes that the implementer of a standard essential patent who obtains an anti-suit

injunction to stop patent infringement litigation must be considered as an obviously unwilling licensee who should be ordered to stop patent infringement.

Summary of the Decision by Düsseldorf Appeal Court

- When a patent holder applies for anti-suit injunction while the defendant has not yet filed an anti-suit injunction request, this is not a case of risk of repeat infringement.
- The patent holder has no legitimate interest in legal action when no imminent risk of anti-suit injunction request in China.
- Patent implementers filing an anti-suit injunction request are considered unwilling licensees.

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