

2021-1565

**United States Court of Appeals
for the Federal Circuit**

ERICSSON INC., TELEFONAKTIEBOLAGET LM ERICSSON,

Plaintiffs-Appellees,

— v. —

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS
AMERICA, INC., SAMSUNG RESEARCH AMERICA,

Defendants-Appellants.

*On Appeal from the United States District Court for the
Eastern District of Texas in No. 2:20-cv-00380-JRG
Honorable J. Rodney Gilstrap, Chief Judge*

**BRIEF FOR *AMICUS CURIAE* NEW YORK
INTELLECTUAL PROPERTY LAW ASSOCIATION**

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APRIL 9, 2021

FORM 9. Certificate of Interest

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July 2020

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF INTEREST

Case Number 2021-1565

Short Case Caption Ericsson, Inc. v. Samsung Electronics America, Inc.

Filing Party/Entity New York Intellectual Property Law Association

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I. INTEREST OF AMICUS CURIAE

The New York Intellectual Property Law Association (“NYIPLA”) respectfully submits this amicus curiae brief in support of Appellees.¹ The NYIPLA is a bar association of attorneys who practice in the area of patent, trademark, copyright and other intellectual property (“IP”) law. It is one of the largest regional IP bar associations in the United States. Its members include in-house counsel for businesses and their organizations, and attorneys in private practice who represent both IP owners and their adversaries (many of whom are also IP owners). Its members represent inventors, entrepreneurs, businesses, universities, and industry and trade associations.

Many of the NYIPLA’s member attorneys actively participate in patent prosecution, patent licensing, and patent litigation, representing patent applicants, challengers, licensors, licensees, owners, and accused infringers in the U.S. Patent and Trademark Office, the marketplace and the courts—including on the issue of fair, reasonable and non-discriminatory licensing terms for standard essential patents. The NYIPLA thus brings the informed and well-rounded perspective of

¹ Pursuant to Federal Rule of Appellate Procedure 29(a), all parties consented in writing to the filing of this brief.

stakeholders to patent issues. The NYIPLA, its members, and their respective clients share a strong interest in the particular patent issues presented in this case.

The arguments set forth in this amicus curiae brief were approved on April 3, 2021 by an absolute majority of the officers and members of the Board of Directors of the NYIPLA (including any officers or directors who did not vote for any reason, including recusal), but do not necessarily reflect the views of a majority of the members of the NYIPLA, or of the law or corporate firms with which those members are associated.

No party's counsel authored this brief in whole or in part. No party or party's counsel contributed money that was intended to fund preparing or submitting this brief. No person other than amicus curiae, its members, or its counsel contributed money that was intended to fund preparing or submitting this brief.

After reasonable investigation, the NYIPLA believes that no officer, director or member of the Committee on Amicus Briefs who voted in favor of filing this brief, nor any attorney associated with such officer, director or committee member in any law or corporate firm, represents a party in this litigation.

II. BACKGROUND

The United States policy of strong patent protection is rooted in our Constitution. Article I, Section 8, Clause 8 gives Congress the power “[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

The Office of the United States Trade Representative (“USTR”) has stressed the importance of protection of intellectual property rights to U.S. foreign policy:

A top trade priority for the Administration is to use all possible sources of leverage to encourage other countries to open their markets to U.S. exports of goods and services and to provide adequate and effective protection and enforcement of intellectual property (IP) rights. Toward this end, a key objective of the Administration’s trade policy is ensuring that U.S. owners of IP have a full and fair opportunity to use and profit from their IP around the globe.

Office of the U.S. Trade Representative, 2020 Special 301 Report at 4, *available at* https://ustr.gov/sites/default/files/2020_Special_301_Report.pdf. The incumbent USTR will continue making intellectual property protection a central point in trade talks with China. *See* <https://www.cnbc.com/2021/03/02/biden-administration-releases-report-on-trade-agenda-china-challenge.html>

“USTR continues to place China on the Priority Watch List” (*id.* at 5) which is a list of countries maintained by USTR with questionable respect for and

protection of intellectual property. In this regard, the USTR explains that “China’s placement on the Priority Watch List reflects U.S. concerns with China’s system of pressuring and coercing technology transfer, and the continued need for fundamental structural changes to strengthen IP protection and enforcement, including as to trade secret theft, obstacles to protecting trademarks, online piracy and counterfeiting, the high-volume manufacturing and export of counterfeit goods, and impediments to pharmaceutical innovation.” *Id.*

One area of intellectual property protection and enforcement where Chinese courts have lagged in particular is in their approach to litigation concerning standards essential patents (“SEPs”) subject to a requirement of “fair, reasonable and non-discriminatory” (“FRAND”) license terms under the auspices of a standards setting organization. The Chinese courts have set FRAND rates much lower than what has been otherwise accepted in the U.S. and Europe.

III. SUMMARY OF THE ARGUMENT

Here, the Chinese Court in Wuhan claimed the authority to set a global FRAND rate between Appellant and Appellee and purported to preclude all other litigation between the parties throughout the world concerning the 4G and 5G

SEPs at issue in Wuhan,² despite the United States being the major market for both Appellee and Appellant's products. *Ericsson Inc. v. Samsung Elecs. Co.*, 2021 WL 89980 at *2–5 (E.D. Tex. Jan. 11, 2021). It also purported to enjoin any action by Appellee outside of China, including the instant case, subjecting Appellee to hefty fines for violations of its injunction. *Id.* In his opinion, Judge Gilstrap of the Eastern District of Texas rejected the injunction granted by the Chinese Court and decided that the case before him should proceed, Appellant should take no actions to enforce the Chinese Court's injunction, and Appellant should indemnify Appellee for any fines imposed by the Chinese Court. *Id.*

Although the NYIPLA does not advocate a position on the exact scope and content of Judge Gilstrap's order, it believes that this appeal raises critical issues affecting the protection of U.S. intellectual property rights and submits this brief to highlight them. The U.S. has a strong policy interest in allowing U.S. patent rights to be adjudicated in U.S. courts. Allowing China to exercise exclusive dominion over U.S. patent rights and royalty rates and to preclude enforcement of U.S. patent rights within the U.S. would cause a severe reduction of the value of U.S. patents

² Judge Gilstrap did not take issue with the Chinese court's authority to set a global FRAND rate, but instead focused on the anti-suit injunction precluding U.S. litigation. As such, whether the Chinese court has the authority to set a global FRAND rate is not at issue on this appeal.

and jeopardize the very underpinnings of the U.S. patent system. Under these circumstances, deference to Chinese courts of the scope implicated in this case is neither required nor appropriate.

IV. ARGUMENT

A. Strong Protection of U.S. Patents is Paramount to U.S. Policy Interests

Not all countries share our revered history of protecting intellectual property. Right now, the USTR has ten countries, including China, on its intellectual property Priority Watch List and twenty-three countries on its Watch List. 2020 Special 301 Report at 39-88.

The U.S. has championed the policy of promoting greater protection of intellectual property throughout the world. Peter K. Yu, *From Pirates to Partners: Protecting Intellectual Property in China in the Twenty-First Century*, 50 Am. U. L. Rev. 131 (2000). The U.S. has long made this a center of its trade policy and trade deals, including with China. *Id.*; Office of the U.S. Trade Representative, 2020 Special 301 Report at 4, *available at* https://ustr.gov/sites/default/files/2020_Special_301_Report.pdf.

The U.S. has a long history of ensuring domestic protection for patent rights. This very Court was created by the Federal Court Improvement Act of 1982 to “to improve the administration of the patent law by centralizing appeals in patent

cases.” S. REP. NO. 275, 97th Cong., 2d Sess. 1 (1978), *as reprinted* in 1982 U.S.C.C.A.N. 11, note 2 at 12. The Federal Circuit has “long acknowledged the importance of the patent system in encouraging innovation.” *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006). This Court has said that, without exclusionary right given by U.S. patents, “the express purpose of the Constitution and Congress, to promote the progress of the useful arts, would be seriously undermined.” *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 600 (Fed. Cir. 1985). As such, the interests of the United States in ensuring the efficacy of enforcement and value of U.S. patents require the utmost scrutiny of a foreign court’s attempt to limit the rights of U.S. patent holders.

B. Chinese Courts Have Set Drastically Lower FRAND Rates

The U.S. Constitution is the bedrock for protection of intellectual property and promotion of innovation. U.S. courts, created by the same document, have hundreds of years of experience in applying and interpreting the laws Congress deemed necessary to adequately protect these Constitutionally enshrined intellectual property rights. Most importantly, U.S. courts over the years have ensured that innovators’ intellectual property is appropriately valued through application of sound economic analysis, subject to judicial gate-keeping scrutiny and cross-examination, which can lead to significant verdicts when appropriate.

See, e.g., <https://www.statista.com/statistics/632034/top-ten-us-patent-cases-damages-awarded/>

Many industry standards require SEPs owners to offer patent licenses on fair, reasonable, and non-discriminatory terms. To regularize this common practice, some courts in the U.S. have adapted a standard test for determining a reasonable royalty for FRAND obligations. *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1042 (9th Cir. 2015). Nevertheless, consistent with the promotion of innovation in standardized industries, U.S. courts generally determine that FRAND-encumbered patents are still entitled to significant protection and reasonable royalty damages upon infringement. *Id.*; See, e.g., *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1230 (Fed. Cir. 2014) (analyzing royalties for an SEP).

The Department of Justice, U.S. Patent and Trademark Office, and National Institute of Standards and Technology jointly recognized that “[t]he patent system promotes innovation and economic growth by providing incentives to inventors to apply their knowledge, take risks, and make investments in research and development.” *Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments* at 2 (Dec. 19, 2019), available at <https://www.justice.gov/atr/page/file/1228016/download>. The judicial FRAND mechanisms have ensured that innovators continue to bring their inventions to the

table, resulting in creation of entire industries and billions of dollars in value. *Cf.* Economics & Statistics Administration & U.S. Patent and Trademark Office, Intellectual Property and the U.S. Economy: 2016 Update, *available at* <https://www.uspto.gov/sites/default/files/documents/IPandtheUSEconomySept2016.pdf>.

In contrast to this history and experience, China is still at the early stages of opening up its markets and providing legal mechanisms for enforcing intellectual property rights. It is notoriously tough to conduct licensing in China. As commentators have put it, “[w]hile IP licensing practice is well developed in the United States, China remains a mysterious frontier for many IP owners. Even for large corporations that have developed successful licensing programs in China, changes in China’s legal and political landscape may catch them off guard.” Lei Me, *Licensing Intellectual Property in China*, 10 E. Asia L. Rev. 37, 37–38 (2015). For example, Qualcomm was reportedly forced to license Chinese companies at a discount after being pressured by the Chinese antitrust authority. *Id.* Further, “damage awards from Chinese courts are typically very low.” *Id.* at 43. “[R]egarding the Chinese patent law, the major obstacle, from a patent licensing perspective, is that damages for patent infringement are simply too low and/or too difficult to prove.” *Id.* at 45. “[D]amages are low in China not only due to historical reasons, but also because of the proportionally increasing filing fees, the

courts’ underestimation of patent value, and the lack of a jury system in China.”

Yieyie Yang, *A Patent Problem: Can the Chinese Courts Compare with the U.S. in Providing Patent Holders Adequate Monetary Damages*, 96 J. Pat. & Trademark Off. Soc’y 140, 148–49 (2014). The low royalty rates are heavily influenced by Chinese government policies. *Id.* at 153.

Because they lack the institutional experience of judicially protecting intellectual property rights, the Chinese courts also have a fundamentally different approach to setting FRAND royalty rates, resulting in what can be characterized as systemic undervaluing of innovation. Jie Gao, *Development of FRAND Jurisprudence in China*, 21 Colum. Sci. & Tech. L. Rev. 446, 477 (2020) (“Chinese courts have traditionally set royalty rates lower than other countries, especially the United States and Europe.”); *see also*, Garry A. Gabison, *Worldwide FRAND Licensing Standard*, 8 Am. U. Bus. L. Rev. 139, 153-54 (2019) (“China has a different approach to FRAND licensing....China took a more limited approach and distinguished itself from the rest of the world about FRAND worldwide licenses.”). For example, the Chinese Courts acted as an outlier by applying Chinese law to patent policies that were made by a French standards-setting organization, and by using “Chinese law beyond the subject matter being Chinese patents....” King Fung Tsang and Jyh-An Lee, *Unfriendly Choice of Law*

in *FRAND*, 59 Va. J. Int'l L. 223, 286–89 (2019). To the dismay of commentators, Chinese Courts also have avoided applying foreign law to FRAND disputes:

These selective applications [of the law] are both contradictory and confusing. ***While this might not be the intention of the court, it does give the impression that the court attempted to avoid applying French law at all costs.*** This seems consistent with the Chinese courts' general reluctance to apply foreign law. For example, in a separate study conducted by one of the authors, ***no case was found to have applied U.S. law in intellectual properties disputes by Chinese courts.*** Additionally, the application of Chinese law certainly gives Chinese courts more room to shape FRAND to their liking.

Id. at 293 (emphasis added).

The royalty rates set in the few FRAND decisions by Chinese Courts are so low as to create suspicion whether there may be a bias for China-based litigants:

The main criticism of the Huawei decisions is that the courts did not develop detailed reasoning for the estimated FRAND rate of 0.019 percent of the actual sales prices of Huawei's wireless devices, especially compared to similar cases decided by the US courts. Some commentators believe that the FRAND rate of 0.019 percent is actually much lower than the comparable royalty rate in the global market. ***Some even suspect that this rate was set low enough to meet the industrial policy that aimed to promote Huawei's competitiveness in the global telecommunications industry.***

Jyh-An Lee, *Implementing the FRAND Standard in China*, 19 Vand. J. Ent. & Tech. L. 37, 78–79 (2016) (emphasis added). The FRAND rate given by the

Chinese court in the Huawei case is 18.3 times lower than the rate set by a court in Germany for the same portfolio of patents. Sophia Tang, *Anti-Suit Injunction Issued in China: Comity, Pragmatism and Rule of Law*, Conflicts of Laws (Sept. 27, 2020), available at <https://conflictoflaws.net/2020/anti-suit-injunction-issued-in-china-comity-pragmatism-and-rule-of-law/>. These specific examples demonstrate that “[a]lthough [the Chinese court system has] identified most key factors to determine the FRAND rate, its approach to rate calculation is less developed compared to that of its counterparts in the United States.” Jyh-An Lee, *supra*, at 85.

C. Comity Does Not Require U.S. Courts to Cede Litigation of U.S. Patents to Foreign Courts

“[C]omity, as many courts have recognized, is ‘a complex and elusive concept.’”³ *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 886 (9th Cir. 2012) (quoting *Laker Airways Ltd. v. Sabena, Belgian World Airlines*, 731 F.2d 909, 937 (D.C. Cir. 1984)). Three factors have been used to judge whether comity should be applied to preserve the decision of a foreign tribunal, namely, “[1] the strength of

³ Both German and Indian courts have refused to honor broad anti-suit injunctions from Chinese courts. See <https://www.juve-patent.com/news-and-stories/cases/munich-court-confirms-aaaasi-in-sep-battle-between-interdigital-and-xiaomi/> and <https://spicyip.com/2020/10/delhi-high-court-issues-anti-anti-suit-injunction-in-interdigital-v-xiaomi.html>.

the United States’ interest in using a foreign forum, [2] the strength of the foreign governments’ interests, and [3] the adequacy of the alternative forum.” *Mujica v. AirScan Inc.*, 771 F.3d 580, 603 (9th Cir. 2014). Here, the U.S. interests in adjudicating disputes involving U.S. patents and setting appropriate royalty rates for use of such patents are stronger than the Chinese government’s interest to assert dominion over other countries’ patents. Moreover, as discussed above, because China has been on the U.S. Priority Watch list for intellectual property issues and its courts have comparatively undervalued patents, Chinese courts are not acceptable as a forum for determining the validity, use and value of U.S. intellectual property within the United States and its territories and possessions.

Further, the Supreme Court has long cautioned against the extraterritoriality of patent rights. In 1890, the Supreme Court opined: “The sale of articles in the United States under a United States patent cannot be controlled by foreign laws.” *Boesch v. Graff*, 133 U.S. 697, 703, 10 S.Ct. 378 (1890). This is the flip side of the U.S. restraining extraterritoriality of its own patent law:

Our patent system makes no claim to extraterritorial effect; “these acts of Congress do not, and were not intended to, operate beyond the limits of the United States,” and ***we correspondingly reject the claims of others to such control over our markets.***

Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518, 531 (1972) (quoting *Brown v. Duchesne*, 19 How. 183, 195, 15 L.Ed. 595 (1857)) (emphasis added; overruled, in part, by 35 U.S.C. § 271(g)). As a general principle, our patent system, as well as the patent systems of other countries, should be restrained by our presumption against extritoriality. *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 454 (2007). In other words, patents should be limited to “metes and bounds of the jurisdictional territory that granted the right to exclude.” *Voda v. Cordis Corp.*, 476 F.3d 887, 901 (Fed. Cir. 2007).

If a foreign court were able to block all U.S. litigation on patents arguably subject to a global FRAND license, as the Wuhan Court sought to do here, that would materially undermine the “strong federal policy favoring free competition in ideas which do not merit patent protection,”—as competitors normally would have the greatest incentive to invalidate weak patents to the benefit of the public interest. *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969) (rejecting licensee estoppel as frustrating federal policy).

The anti-suit injunction order by the Chinese Court raises its own concerns as it is extremely broad and unbalanced. Both global conglomerate parties involved here have the U.S. as their major market. *Ericsson*, 2021 WL 89980 at *5. Notwithstanding this critical fact, the Chinese anti-suit injunction enjoins Appellant from seeking redress by way of injunction or damages in any other

court. *Id.* at *2-3. It prevents Appellant from taking any step that would interfere with the Chinese Court's exclusive jurisdiction over the matter. *Id.* It even prevents Appellant from utilizing U.S. courts, the International Trade Commission, or the Patent Trial and Appeal Board for any U.S. patent issues related to the dispute. *Id.* Further, it prevents Appellant from seeking countermeasures from any foreign court to limit or otherwise relieve it from the Chinese Court's order. *Id.* The injunction also is unfairly one-sided as Appellant remains free to take steps that Appellee is enjoined from taking. Indeed, Appellant already has sought an injunction at the International Trade Commission against Appellee. *Id.* at *7. Appellant has also recently filed for *Inter Partes* Review of Appellee's patents. IPR Nos. 2021-00729-732.

It is also alarming that the Chinese government, through Chinese courts staffed by political appointees, may seek to block foreign courts from asserting control of global FRAND issues. This attempt is one-sided given that China's Ministry of Commerce has enacted rules to limit the reach of U.S. court decisions on Chinese companies. See <http://www.zhonglun.com/Content/2021/01-12/1324530843.html>. Apparently, what is good for the goose is not good for the gander.

As found by Judge Gilstrap, the *ex parte* procedures followed by the Chinese court were without notice or opportunity to oppose by Appellee. The anti-suit

injunction was requested by Appellant on December 14, 2021, and issued by the court on December 25, 2025 without any prior notice to Appellee. *Ericsson*, 2021 WL 89980 at *2-3. The lack of procedural opportunity for Appellee to oppose the anti-suit injunction raises disturbing due process concerns given its purported scope and impact on Appellee.

U.S. Courts do not and should not yield to abstract notions of comity when, as here, there is a strong U.S. interest to protect. Protection of U.S. patent rights has been recognized as a sufficient reason to depart from comity by a U.S. Court of Appeals. *See, e.g., Jaffe v. Samsung Elec. Co.*, 737 F.3d 14 (4th Cir. 2013). In *Jaffe*, Samsung sought to confirm its license to U.S. patents under section 365(n) of the Bankruptcy Code, which preserves preexisting licenses. Jaffe, the foreign representative of a German insolvency action, sought to enforce the order of a German court that freed the worldwide intellectual property of the debtor in the German proceedings, Qimonda AG, from all pre-existing licenses, including that of Samsung. The district court disagreed with Jaffe and affirmed Samsung's license after balancing comity with other interests, including the protection of U.S. patents. On appeal, the Fourth Circuit affirmed. It rejected Jaffe's argument that "the 'German Proceedings ... be granted comity and [be] given full force and effect' in the United States." *Id.* at 19. It held that honoring the German decision would create "dangerous degree of uncertainty to a licensing system that plays a

critically important role in the semiconductor industry, as well as other high-tech sectors of the global economy.” *Id.* at 31.

Allowing a Chinese Court to take dominion over setting a global FRAND rate and to preclude U.S. courts from determining disputes related to U.S. patents under U.S. patent law, including FRAND rates, would be devastating to U.S. patent owners. It would also be an affront to our constitutionally created patent system. Thus, the Association respectfully submits that the Federal Circuit should prioritize preservation of the right of U.S. patent owners to seek adjudication of their U.S. patents in the United States, including matters that might affect a FRAND rate determination. If Chinese courts routinely take control of global FRAND disputes, and enjoin all other impactful litigation in the world, this extraterritorial overreach within the United States could kill the value of U.S. patents and be contrary to the U.S. interest in having a strong and independent patent system. If such broad overreach were allowed, there would be no determination of whether the U.S. patents are valid, infringed, and valuable under our highly developed statutory and case law whenever the Chinese courts decide to take over. Litigants would even be precluded from challenging the validity of others’ patents, which violates the fundamental public interest of invalidating patents that block the use of technologies that should be in the public domain.

V. CONCLUSION

For the foregoing reasons, the Association requests that the Federal Circuit balance the U.S. interests, law and policy to circumscribe comity to the order of the Chinese court restricting U.S. litigation over U.S. patents.

Dated: April 9, 2021

By: /s/ Charles R. Macedo

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FORM 19. Certificate of Compliance with Type-Volume Limitations

Form 19
July 2020

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATIONS

Case Number: 2021-1565

Short Case Caption: Ericsson, Inc. v. Samsung Electronics America, Inc.

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Signature: /s/Charles R. Macedo

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