

The Fed. Circ. In October: Anti-Suit Injunctions And SEPs

By **Jeremiah Helm and Sean Murray** (December 3, 2024)

This article is part of a monthly column that highlights an important patent appeal. In this installment, we examine the Federal Circuit's ruling in Telefonaktiebolaget LM Ericsson v. Lenovo (United States) Inc.

Typically, a patent case involves a few patents asserted against a few products produced by a few companies. But what happens when an entire industry is premised on the need to use hundreds or thousands of patents from many different companies? That is exactly the situation for the cellular telephone industry, which requires interoperability.

To address that interoperability requirement, the industry developed the 5G wireless communication standard. But a company that owns a patent essential to practicing a standard would have an outsized ability to negotiate a license.

Thus, the standard-setting body requires standard-essential patent, or SEP, holders to commit to offering irrevocable licenses on fair, reasonable and nondiscriminatory terms — a FRAND commitment.

On Oct. 24, the U.S. Court of Appeals for the Federal Circuit decided Telefonaktiebolaget LM Ericsson v. Lenovo (United States) Inc., a case that involved a dispute over FRAND licensing terms for 5G SEPs.

Ericsson involved the unusual situation where the Federal Circuit interpreted and applied law from the U.S. Court of Appeals for the Ninth Circuit to litigation filed in the Fourth Circuit. But that detailed legal analysis underscores the complexities of parties licensing SEPs within the background threat of global patent litigation.

Case Background

Ericsson and Lenovo had engaged in a long-term attempt to agree on a global-cross license for SEPs. But they could not come to an agreement and instead took their dispute to court.

After making a final offer, Ericsson sued Lenovo in the U.S., alleging in the U.S. District Court for the Eastern District of North Carolina that Lenovo infringed four of Ericsson's SEPs.

Ericsson also sought a declaration that it had complied with its FRAND requirements and negotiated in good faith with Lenovo. If the court decided Ericsson's offer to Lenovo had not met its FRAND commitments, Ericsson requested that the district court determine a FRAND rate.

This started a global patent litigation between the parties. Lenovo sued Ericsson in the U.K., asking that court to determine FRAND terms for a global cross-license between the parties and later requesting an injunction for infringement of a Lenovo SEP.

Ericsson sued Lenovo in Colombia and Brazil and obtained injunctions against Lenovo in



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both countries.

Lenovo eventually answered the initial Ericsson complaint and asserted counterclaims, including infringement of Lenovo's 5G SEPs, breach of Ericsson's FRAND commitment, and a declaration setting FRAND terms for a global cross-license.

After filing its counterclaims, Lenovo moved for an anti-suit injunction to prohibit Ericsson from enforcing the injunctions issued in Colombia and Brazil. An anti-suit injunction can, in certain circumstances, prevent foreign proceedings due to overlap with domestic litigation.

The widely used anti-suit test from the Ninth Circuit's 2012 decision in *Microsoft Corp. v. Motorola Inc.* applies a three-part analysis: (1) determining whether the parties and issues are the same in the foreign and domestic actions, and that the domestic action is dispositive of the foreign action; (2) weighing factors including whether the foreign litigation would frustrate the policy of the forum issuing the anti-suit injunction; and (3) assessing the anti-suit injunction's impact on comity, which is the consideration and respect paid to the decisions rendered by other courts.

An anti-suit injunction would have been a powerful way for Lenovo to delay legal consequences for the foreign injunctions while also making the U.S. court the arbiter of the FRAND licensing rates. But the district court found that the allegations and cross-allegations seeking a global-cross license would not resolve the parties' dispute.

As a result, the district court determined that the domestic suit was not dispositive of the foreign action, and therefore denied the anti-suit injunction.

The Federal Circuit's Analysis

Lenovo appealed, and the Federal Circuit vacated the district court's denial and remanded for further proceedings.

The Federal Circuit initially confirmed that the three-step test from *Microsoft* would govern the analysis. Though the Fourth Circuit, from which the case originated, had not expressly adopted the *Microsoft* analysis, the Federal Circuit determined any difference between *Microsoft* and other anti-suit analyses would be immaterial for the purpose of the appeal.

And because the district court only reached the first prong of the *Microsoft* analysis, the Federal Circuit likewise restricted its review to just the issue of whether the domestic proceeding would be dispositive of the foreign action.

The court then framed the key dispute on appeal as whether the domestic suit would be dispositive of the enjoined Colombian and Brazilian actions.

The Federal Circuit reviewed the factual circumstances in *Microsoft* and concluded that in *Microsoft* the dispositive requirement was met if the district court's determination could resolve the foreign claims. And the Federal Circuit noted that the anti-suit injunction in *Microsoft* resolved less than all the issues in the foreign dispute from that litigation because *Microsoft* left the patentee free to seek damages in foreign courts.

Turning to the Ericsson case, the Federal Circuit explained that the district court's interpretation of the dispositive requirement was too narrow.

While the district court applied the dispositive prong to require, effectively, complete

overlap that would resolve the entire foreign proceeding, the Federal Circuit explained that resolving fewer than all issues in the case, i.e., only injunctive relief, could still suffice.

The Federal Circuit also explained that the district court's analysis applied a too-high standard with respect to the resolution of the foreign issues because it required certainty that the decision would resolve the foreign issues.

The Federal Circuit, however, explained that Microsoft's dispositive prong would still be met as long as the potential resolution of the case in Lenovo's favor could resolve the foreign issues.

The Federal Circuit's holding thus applies a broad view of the first step in the Microsoft analysis because an anti-suit injunction only requires the potential to resolve a portion of the foreign litigation, namely the injunctive relief issued for SEPs.

The Ruling's Implications

Since all patent cases are appealed to the Federal Circuit, the court's interpretation of Microsoft will likely have broad consequences for practitioners.

One such consequence is that the first step in the Microsoft analysis will be less of an impediment to obtaining an anti-suit injunction.

Accordingly, practitioners should not hesitate to seek anti-suit injunctions even if the domestic litigation will resolve fewer than all issues, and even if that resolution is speculative. Adequate pleading should make meeting the dispositive prong of Microsoft achievable in most cases.

Another consequence of the Federal Circuit's interpretation of Microsoft is that it shifts the anti-suit dispute to the remaining factors, which relate to policy and comity. Such policy inquiries may be relatively fact-specific. Therefore, practitioners need to be prepared to point out evidence supporting specific policy concerns that might justify or undermine the anti-suit injunction.

Additionally, practitioners seeking to defend against an anti-suit injunction need to be prepared to wrestle with the complicated issue of comity early in the case instead of relying on the dispositive prong to resolve the issue.

Ericsson illustrates the complexity associated with global litigation involving SEPs. Intricate contractual obligations and the potential for parallel foreign judgments mean that a court must assess policy issues and determine the deference due to foreign courts.

After Ericsson, courts can no longer sidestep these difficult policy issues by denying an anti-suit injunction on the dispositive prong.

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