

Who's in Charge Here? Federal Circuit Says An Arbitrator, not District Court, Should Decide Arbitrability

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The Federal Circuit recently held that an arbitrator, not a federal district court, should decide whether a dispute arising from a technology license is subject to mandatory arbitration. See [ROHM Semiconductor USA, LLC v. MaxPower Semiconductor, Inc.](#) Agreeing with a long line of decisions from other circuits, the Federal Circuit found that where an agreement incorporates by reference rules allowing an arbitrator to determine arbitrability, those rules should be given effect and an arbitrator, not a court, should decide whether the dispute is subject to arbitration.

The dispute at issue in the *ROHM* case arose from a technology licensing agreement (“TLA”) between MaxPower and ROHM Japan and its subsidiaries (“ROHM”) whereby MaxPower licensed certain power-related technology to ROHM in exchange for the payment of royalties. The agreement included a provision requiring the parties to arbitrate “[a]ny dispute, controversy or claim arising out of or in relation to this Agreement or at law, or the breach, termination, or validity thereof.” The agreement also stated that any arbitration should be conducted “in accordance with the provisions of the California Code of Civil Procedure” (“CCCP”).

In 2019, a dispute arose between ROHM and MaxPower over whether the TLA covers certain ROHM products, and MaxPower informed ROHM Japan of its intent to initiate arbitration in September 2020. Soon thereafter, ROHM USA filed a complaint in the Northern District of California for declaratory judgment of noninfringement of four MaxPower patents and also filed four petitions for inter partes review concerning those same patents. MaxPower responded by filing a motion to compel arbitration in the district court, arguing that by incorporating the CCCP, the TLA “unmistakably delegated the question of arbitrability to the arbitrator.” The district court agreed and dismissed the case without prejudice.

On appeal, the Federal Circuit agreed that an arbitrator must determine the arbitrability of the dispute between ROHM and MaxPower and affirmed the district court’s decision. Applying Ninth Circuit law, the court noted that while “[c]ourts should not assume that the parties agreed to arbitrate arbitrability unless there is ‘clear and unmistakable’ evidence that they did so,” the parties had done so by incorporating the CCCP into their agreement. The CCCP includes a provision stating that an arbitrator “may rule on its own jurisdiction” in international commercial arbitration. The Federal Circuit found that the dispute between ROHM and MaxPower qualified as an international commercial arbitration because the district court case was just one chapter of a sprawling international dispute

between the parties.

In rejecting ROHM's counterarguments, the Federal Circuit noted that "[v]irtually all courts to consider the question, including this court, have concluded that, in contracts between sophisticated parties, incorporation of rules with a provision on the subject is normally sufficient "clear and unmistakable" evidence of the parties' intent to delegate arbitrability to an arbitrator." The court seemed to take this case as an opportunity to affirm this well-established principle and close the door on the alternative interpretation that ROHM offered.

Although the ROHM decision turned on the application of Ninth Circuit law and various provisions in the CCCP, this decision is important because the Federal Circuit sent a strong signal that where agreements incorporate rules that require an arbitrator, not a court, to determine arbitrability (as agreements often do), the Federal Circuit will typically enforce those rules. This case is also important because it is yet another example of the growing role of international [arbitration](#) in the resolution of global patent disputes.

Oliver Ennis also contributed to this article.

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