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The Federal Circuit Swings the Door to Anti-Suit Injunctions Back Open

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In the article, Another Implementer Hold Out Door Closes: The Death of the Anti-Suit Injunction? earlier this year, we suggested that a popular implementer patent hold out tactic may be off the table based on an order issued by Judge Terrence Boyle in the Eastern District of North Carolina (EDNC). In *Ericsson v. Lenovo*, the District Court denied Lenovo's motion requesting an anti-suit injunction ("ASI") seeking to prevent Ericsson from enforcing SEP injunctions obtained in foreign actions. Based on the District Court's order, it seemed that the door to ASIs was essentially closed. However, the Federal Circuit recently explained that this is not necessarily the case, and in fact, it appears that the door remains wide open.

District Court's Order

As we explained in our February blog, the District Court noted that, among other requirements, a party requesting an ASI must show that resolution of the case before the court will be dispositive of the foreign actions to be enjoined. The District Court found that the instant suit was not dispositive of the foreign action, and therefore denied the requested ASI without reaching the second and third parts of the analysis. It reasoned that, to be dispositive, the domestic suit would have to result in a global cross-license between the parties. The District Court explained that "the Court is not persuaded that resolving the underlying contract issues will force either Lenovo or Ericsson into a global licensing agreement that would resolve the patent infringement claims at the core of the Brazilian and Colombian actions" and, therefore, denied Lenovo's motion without reaching the rest of the ASI analysis.

The Federal Circuit's Decision

On appeal, the Federal Circuit vacated and remanded the District Court's denial of Lenovo's motion and remanded. Most notably, as explained below, the Federal Circuit clarified the "dispositive" standard for the ASI threshold inquiry.

After recounting the framework as articulated in *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872 (9th Cir. 2012), the Federal Circuit outlined the parties' positions and the District Court's reasoning on the "dispositive" requirement. Ultimately, the Federal Circuit determined that the District Court's analysis was erroneous. It explained that "Ericsson's and the district court's interpretation of what it takes to meet the 'dispositive' requirement rests on a misunderstanding of *Microsoft*." Contrary to Ericsson's and the District Court's positions, the Federal Circuit "see[s] nothing in the *Microsoft* district court opinion that treated as 'critical' the fact that the suit before it would result in a license." Thus, the Federal Circuit explained that "the district court legally erred when it reasoned that, to be dispositive, the domestic suit must necessarily result in a global cross-license" and concluded that "the 'dispositive' requirement can be met even though a foreign antisuit injunction would resolve only a foreign injunction (and not the *entire* foreign proceeding), and even though the relevant resolution depends on the *potential* that one party's view of the facts or law prevails in the domestic suit."

After clarifying the "dispositive" standard for the ASI threshold inquiry, the Federal Circuit turned back to the facts of the instant dispute, and ultimately concluded that the "dispositive" requirement was met. The Federal Circuit, exercising its discretion to reach the contract issue not addressed by the District Court, determined that "a party that has made an ETSI FRAND commitment must have complied with the commitment's obligation to negotiate in good faith over a license to its SEPs before it pursues injunctive relief based on those SEPs." This means that an SEP holder "cannot just spring injunctive actions against other standard implementers without having first complied with *some* standard of conduct. That standard of conduct, we conclude, must be—at a minimum—the very one imposed by the FRAND commitment's good-faith negotiating obligation.". Though the Federal Circuit premised this analysis on the Court's interpretation of the ETSI FRAND commitment, it acknowledged that "such a conclusion fits well within the general common-law principle, recognized in at least this country, that 'one seeking equitable relief [*e.g.*, an injunction] must do equity and come into court with clean hands.'"

Thus, the Federal Circuit concluded that the "dispositive" requirement was met here because: "(1) the ETSI FRAND commitment precludes Ericsson from pursuing SEP-based injunctive relief unless it has *first* complied with the commitment's obligation to negotiate in good faith over a license to those SEPs; and (2) whether Ericsson has complied with that obligation is an issue before the district court. Accordingly, if the court determines that Ericsson has not complied with that obligation, that determination will dictate the impropriety of Ericsson's pursuing its SEP-based injunctive relief."

Takeaway

The Federal Circuit's opinion seemingly swings the door to patent hold out through ASIs back open, while providing clarity on the "dispositive" requirement. This opinion has practical implications for all parties engaged in global FRAND/RAND disputes. It reminds implementers that ASIs are still on the table and appears to lower the bar for implementers to satisfy the "dispositive" requirement. Now, the appropriate inquiry is whether the party opposing an ASI complied with its FRAND/RAND obligations before seeking injunctive relief, not whether the US litigation resolves the *entire* foreign litigation. For SEP owners seeking to enforce foreign injunctions, it appears that in order to satisfy this inquiry, they may not only have to come to US courts with clean hands, but also with evidence of FRAND/RAND compliance.

The future of ASIs is uncertain. While the long-term implications of *Ericsson v. Lenovo* are unknown, for now, this is a setback for SEP owners looking to efficiently encourage potential licensees to minimize hold out conduct. Because the Federal Circuit remanded to the District Court, it is possible

that this setback is temporary, and the District Court will provide important guidance on whether an injunction is a credible risk in a US court for implementers looking to deploy hold out tactics in SEP negotiations. The Federal Circuit will likely have the final say, in the inevitable future appeal, as to whether the US is open for business to consider injunctions in SEP cases when there has been licensee hold out.

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