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## China's Supreme People's Court Affirms Right to Set Royalty Rates Worldwide in OPPO/Sharp Standard Essential Patent Case

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Sunday, September 5, 2021

In what some might consider a breach of several countries' sovereignty, on August 19, 2021, the **Intellectual Property Tribunal of the Supreme People's Court** affirmed a lower court ruling setting global licensing rates for standard essential patents (SEPs) including in the U.S., Germany and Japan. The Supreme People's Court ruled in Sharp Corporation v. OPPO et al. in (2020) 最高法知民辖终517号 that in SEP licensing disputes, Chinese courts can adjudicate royalty rates worldwide based on 1. whether the parties are willing to reach a worldwide license and



have negotiated this; and 2. there is a close nexus to China.



On July 10, 2018, Sharp sent a licensing letter to OPPO listing SEPs for 3G, 4G, WiFi, and HEVC standards and in February 2019 held licensing talks in Shenzhen, China with OPPO seeking to license OPPO worldwide. Then, from January through April 2020, Sharp filed patent infringement lawsuits against OPPO entities in Japan, Germany, and Taiwan Island for infringing WiFi and LTE technology patents. On March 25, 2020, OPPO filed a lawsuit seeking a ruling that 1. Sharp violated Fair and Reasonable Non-Discriminatory (FRAND) licensing obligations; 2. the Court should set a global royalty rate for the SEPs; and 3. Sharp should pay compensation of 30 million RMB due to violation of FRAND obligations. The Court of First Instance ruled in favor of OPPO and set worldwide licensing rates for the SEPs.

**On Appeal, the Supreme People's Court considered the following factors:**

1. The scope of the parties' willingness when negotiating the licensing of the SEPs involved.

During the negotiation of the standard-essential patent license involved in this case, the overall preferred structure of the license proposed by Sharp Co., Ltd. is a 5-year license for 3G, 4G, WiFi and HEVC SEPs, and the scope of the license is a *global* non-exclusive license.

2. The country and distribution ratio of the standard-essential patent rights involved in the licensing negotiation.

According to the preliminary evidence provided by the parties, there are many standard-essential patents involved in this case, most of which are Chinese patents, but there are also patents from the United States, Japan and other countries.

3. The main place of implementation or source of revenue for the SEPs.

The main place of business of OPPO Company and OPPO Shenzhen Company is in China, and the manufacturing place and main sales area of the smart terminal products involved in the case are in China. As of December 31, 2019, OPPO's sales in China accounted for 71.08% of total sales, sales in Europe accounted for 0.21%, and sales in Japan accounted for 0.07%. Based on the analysis of the above data, the proportion of sales of OPPO's smart terminal products in China is much higher than that of other countries such as Germany and Japan.

4. The place of negotiation for patent license of the parties.

OPPO and Sharp have conducted license negotiations in Shenzhen, Guangdong Province, where the OPPO Shenzhen company is located.

5. The location of the property that is available for seizure or enforcement by the parties.

OPPO Company and OPPO Shenzhen Company, which are the parties requesting the patent license, have assets available for seizure or enforcement in China.

The Supreme People's Court reasoned

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Based on the above facts, it can be seen that, first of all, the parties in this case have the willingness to reach a global license for the standard essential patents involved, and have conducted licensing negotiations on this.... Secondly, the standard-essential patent licensing dispute in this case is obviously more closely related to China. The specific manifestations are as follows: In this case, most of the standard-essential patents involved in the licensing negotiations of the parties are Chinese patents; China is the main place of implementation, main place of business or main source of revenue for the implementers of the involved standard-essential patents; China is the party's patent licensing negotiation place; China is also the location of where property that can be seized or enforced by the requesting party is located.

A full copy of the ruling (Chinese only) is available here [\(2020\) 最高法知民辖终517号](#) courtesy of 知识产权进行时.

This decision follows prior Chinese rulings awarding anti-suit injunctions preventing the enforcement of foreign rulings against Chinese companies, such as the Huawei – Conversant patent litigation in Germany. As summarized by the Supreme People's Court in their [Top 10 IP Cases of 2020 Release](#):

## 2. Wireless communication standard-essential patent “injunction” case:

Huawei Technologies Co., Ltd., Huawei Terminal Co., Ltd., Huawei Software Technology Co., Ltd. and Conversant Wireless Licensing Co., Ltd. confirmed non-infringement of patent rights and standard-essential patent licensing disputes (最高人民法院 (2019) 最高法知民终732、733、734号之一民事裁定书)

[Summary of the case] In January 2018, Huawei Technologies Co., Ltd., Huawei Terminal Co., Ltd., and Huawei Software Technology Co., Ltd. (hereinafter collectively referred to as Huawei) filed a lawsuit in this case with the Nanjing Intermediate People's Court of Jiangsu Province, requesting confirmation that they did not infringe Conversant's three Chinese patent rights and requested confirmation of the licensing rate of standard essential patents in China. In April 2018, in order to counteract Huawei's lawsuit in this case, Conversant filed a patent infringement lawsuit in the court of Düsseldorf, Germany, requesting an order for Huawei to stop the infringement and compensate for the losses. On September 16, 2019, the court of first instance decided to determine the license fee rate for the standard essential patents involved for Huawei, its Chinese affiliates, and Conversant. Conversant refused to accept the judgment of the first instance and appealed to the Supreme People's Court. During the second instance consideration of the Supreme People's Court, on August 27, 2020, the German court made a first-instance verdict that Huawei and its German affiliates infringed Conversant's European patents, and ordered Huawei and its German affiliates to cease infringement, destroy and recall infringing products, etc. The judgment can be temporarily enforced after Conversant provides a guarantee of 2.4 million euros. The judgment found that Conversant's offer of standard essential patent license rates to Huawei did not violate the principle of fairness, reasonableness, and non-discrimination (FRAND). The standard-essential patent license rate of the multi-mode 2G/3G/4G mobile terminal products in the aforementioned offer of Conversant is approximately 18.3 times of the Chinese standard-essential patent license rate determined in the first-instance judgment. On the same day, Huawei filed an application for an injunction to the Supreme People's Court, requesting that Conversant be prohibited from applying for enforcement of the German court's judgment before the Supreme People's Court makes its final judgment. The Supreme People's Court issued an injunction on the basis of requiring Huawei to provide guarantees, that is, Conversant shall not apply for the execution of the above-mentioned German judgment before the final judgment of the Supreme People's Court. In case of violation of this ruling, a daily fine of RMB 1 million shall be imposed from the date of violation, cumulatively on a daily basis. The

[Typical Significance] This case is the first injunction ruling with the nature of an “anti-suit order” in an intellectual property lawsuit in China. It clarifies the necessity, degree of damage, adaptability, and suitability that should be considered when adopting injunctions that prohibit applications for enforcement of judgments of extraterritorial courts. Public interest and international comity factors, etc., and for the first time explored as well as the daily fines system, and initially established the judicial practice path of China’s “anti-suit injunction”. The ruling in this case led the parties to finally reach a global settlement agreement, ended parallel litigation in many countries around the world, and achieved good legal and social effects.

It is important to note though that China’s courts aren’t the only ones setting worldwide rates. In 2020, the UK Supreme Court ruled that their courts had the power to set worldwide royalty rates for SEPs in [Unwired Planet v. Huawei](#), a point OPPO raised in the appeal.

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National Law Review, Volume XI, Number 24,8

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