TCL v Access Advance and the lingering risk of jurisdictional disputes for patent pools

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According to **press reports**, on 26 May 2024, the Supreme People's Court of China determined in *TCL v Access Advance* that the Shenzhen Intermediate People's Court has jurisdiction to hear arguments over global standard essential patent rates determined by patent pools. While the case has since reportedly **settled**, the jurisdictional determination by the Supreme People's Court of China marks a major move by China's top IP court, and is worth examining, especially against the backdrop of conflicting findings in other jurisdictions in global SEP disputes.

When patent pool disputes arise, more parties' interests are implicated than those involving a single patent or a portfolio of patents owned by a single party. In patent pool disputes, most if not all of the patent holders are not before the court—and thus have no opportunity to be heard in the judicial process. Further, the parties before the court may have no authority to modify the terms under which they are authorised to license the patents, and no authority to license the patents on terms other than those made available to all other prospective licensees of the pool.

This in turn would render any court decision very difficult to enforce: the administrator of the patent pool before the court has no power to bind its licensors, initiate or defend litigation on behalf of its licensors, or otherwise implement a judgment involving the patents of its licensors.

In *TCL v Access Advance*, TCL requested that the court set a global rate for a United States-based patent pool. This course of action would have disrupted the healthy status quo of SEP pools, which have always been premised on voluntary participation in individual licensing arrangements. A national court deciding the global rates of a patent pool licence would undermine the creation of patent pools: patent holders would be reluctant—or might simply refuse—to participate in pools if they perceived a substantial risk of a national court unilaterally acting to the detriment of their interests and without regard for the limitations of the pool by deciding the licensing fee for their valuable patents.

Without robust patent holder participation, pool administrators would not be able to justify devoting time and effort to negotiate terms that satisfy the wide range of parties involved, from patent holders to implementers globally. And without patent pools, companies would have no alternative but to engage in drawn out bilateral negotiations. Further, standardisation across new technologies would be significantly harder to achieve without patent pools.

In addition, TCL's position conflicts directly with the UK High Court's July 2024 decision in *Tesla v InterDigital* and is in tension with *GE (Access Advance) v Vestel*, decided by the Düsseldorf District Court in 2021. In *Tesla*, the UK court determined that it could not set a global royalty rate for a patent pool, effectively reducing the reach of the 2020 UK court

decision in *Unwired Planet*, where the UK Supreme Court found it had jurisdiction to determine the terms of a global SEP licence. However, even in *Unwired Planet*, the UK Supreme Court acknowledged that the trial judge had gone further than other national courts in determining the terms of a FRAND licence.

The *Tesla* court found that it could not set a global royalty rate for patent pools for two reasons: the lack of fairness to other patentees (other than InterDigital, which was before the court) in the pool and the lack of necessary information to make an adequate rate determination. Determining a global rate would be unfair to other patentees not party to the case and, the court held that, had it decided on a global rate, "other Patentees will not have had the opportunity to put their cases on whether a FRAND licence of the patents in suit, or of InterDigital's UK SEPs, would include a worldwide licence of all their 5G SEPs, or what rate is FRAND". Numerous patentees who would be affected by the rate would not be before the court and thus would be deprived of the opportunity to present their case.

Deciding on a global rate would also strip private parties of the opportunity to negotiate; national courts are not in a place to impose compromises that could have otherwise been made between parties during negotiations.

Indeed, the problem with extending jurisdiction over entire patent pools in a case involving only a single party to the pool was recognised in *GE (Access Advance) v Vestel*, decided by the Düsseldorf District Court.

In that case, the court found that Access Advance's licensing offer was not FRAND since royalties assessed by Access Advance covered patents already licensed through the MPEG LA pool, and thus Access Advance's offer might duplicate royalties paid to MPEG LA. Nevertheless, Access Advance's offer did not contain a fair and reasonable mechanism for the reimbursement of duplicate royalty payments.

Granting jurisdiction in *TCL v Access Advance* may have the same effect of granting royalties duplicative of those paid to other patent pools, or erroneously omitting royalties not covered by other pools. Without all parties to the pool represented in the present case and thus without knowing the impact of the FRAND rate on the entire pool, a court has no way to assess the fairness of its rulings.

Moreover, a court would need to review licence agreements and other necessary information of which part, if not all, will be considered confidential and would thus be inaccessible to a national court, especially when numerous patentees are not a party to the case.

For patent pools where numerous licensees have already taken an identical or near-identical licence, the acceptance by licensees of the same or essentially the same terms should end the inquiry, and the license should be found to be FRAND *per se*. Put another way, a licence that has been agreed upon by numerous licensors and licensees defines the essence of fair, reasonable, and non-discriminatory, and should be recognised as such by courts, regulators, and standard development organisations alike.

Apart from jurisdictional issues, *TCL v Access Advance* presented difficult issues regarding the standing of entities such as pools which have no rights to enter into litigation or defend litigation under both Chinese law and the applicable foreign laws of the country governing the rights and obligations of the pool, and which may primarily involve patent rights registered overseas.

As demonstrated above and as argued in an amicus-style **brief** to the Shenzhen Intermediate People's Court by the authors of this article, a court cannot weigh the fairness of a FRAND rate without knowing the impact of changing that rate on the entire patent pool—a new FRAND rate determined unilaterally by a single national court could jeopardise other pool members whose interests may be at odds with those of the parties in a particular case, as well as damage the entire patent pool system.

Most importantly, abstaining from deciding a worldwide royalty rate for a patent pool would benefit not only innovators, but also the billions of people around the world who rely on the accessibility of innovative technology.

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