

January 27, 2025

Mr. Daniel Lee  
Assistant U.S. Trade Representative for Innovation and Intellectual Property  
Office of the United States Trade Representative  
Executive Office of the President  
600 17th Street NW  
Washington, District of Columbia 20508

**RE: *Input of ACT | The App Association Regarding the U.S. Trade Representative's Request for Comments and Notice of Public Hearing Regarding the 2025 Special 301 Review [USTR-2024-0023]***

Dear Mr. Lee:

ACT | The App Association (App Association) writes in response to the Office of the United States Trade Representative's (USTR) request to identify countries that deny adequate and effective protection of intellectual property rights (IPR) or deny fair and equitable market access to U.S. persons who rely on IPR protections, to inform USTR's 2025 Special 301 Report.<sup>1</sup>

The App Association is a global policy trade association for the small business technology developer community. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. App developers like our members also play a critical role in developing entertainment products such as streaming video platforms, video games, and other content portals that rely on intellectual property protections. The value of the ecosystem the App Association represents—which we call the app ecosystem—is approximately \$1.8 trillion and is responsible for 6.1 million American jobs, while serving as a key driver of the \$8 trillion internet of things (IoT) revolution.<sup>2</sup>

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<sup>1</sup> 89 FR 97161.

<sup>2</sup> ACT | The App Association, State of the App Economy (2022), <https://actonline.org/wp-content/uploads/APP-Economy-Report-FINAL.pdf>.

## I. General Comments

The global digital economy holds great promise for small app development companies, but our members face a diverse array of trade barriers when entering new markets. These barriers may take the form of laws, regulations, policies, or practices that protect domestic goods and services from foreign competition, artificially stimulate exports of domestic goods and services, or fail to provide adequate and effective protection of IPR. While these barriers have different forms, they all have the same net effect: impeding U.S. exports and investment at the expense of American workers. Such trade barriers include:

- ***Intellectual Property Violations:*** The infringement and theft of IPR (copyrights, trademarks, patents, and trade secrets) present a major threat to our members and the billions of consumers who rely on their digital products and services. Strong but fair protection of intellectual property for copyrights, patents, trademarks, and trade secrets is essential to their businesses.
- ***Limiting Cross-Border Data Flows:*** Limiting cross-border data flows hurts all players in the digital economy. The seamless flow of data across economies and political borders is essential to the global economy. In particular, innovative small app development companies rely on unfettered data flows to access new markets and customers.
- ***Data Localization Policies:*** Companies expanding into new overseas markets often face regulations that force them to build and/or use local data infrastructure. These data localization requirements seriously hinder imports and exports, as well as jeopardize an economy's international competitiveness and undermine domestic economic diversification. Small app developers often do not have the resources to build or maintain infrastructure in every country in which they do business, which effectively excludes them from global commerce.
- ***Customs Duties on Digital Content:*** American app developers and technology companies take advantage of the internet's global nature to reach the 95 percent of customers who are outside the United States. However, the "tolling" of data across political borders with the intent of collecting customs duties directly contributes to the balkanization of the internet and prevents small business digital economy innovators from entering new markets.
- ***Requirements to Provide Source Code for Market Entry:*** Some governments have proposed or implemented policies that make legal market entry contingent upon the transfer of proprietary source code. For app developers and tech companies, intellectual property is the lifeblood of their business, and the transfer of source code presents an untenable risk of theft and piracy. These requirements present serious disincentives for international trade and are non-starters for the App Association's members.

- **Requirements for “Backdoors” in Encryption Techniques:** Global digital trade depends on technical data protection methods and strong encryption techniques to keep users safe from harms like identity theft. However, some governments and companies insist that “backdoors” be built into encryption for the purposes of government access. These policies would degrade the safety and security of data, as well as the trust of end users, by creating known vulnerabilities that unauthorized parties can exploit. From a security and privacy standpoint, the viability of app developers’ products depends on the trust of end users.
- **Ill-Advised Regulatory Interventions into Digital Platform Functions and Utilities:** Various regulators, including key trading partners, are currently considering or implementing policies that jeopardize the functionality of mobile operating systems and software distribution platforms that have enabled countless small businesses to grow. Since its inception, the app economy has successfully operated under an agency-sale relationship that has yielded lower overhead costs, greater consumer access, simplified market entry, and strengthened intellectual property protections for app developers with little-to-no government influence. Foreign governments regulating digital platforms will upend this harmonious relationship enjoyed by small-business app developers and mobile platforms, inhibit proven measures for the enforcement of IP, undermine consumer privacy, and ultimately serve as significant trade barriers.

The infringement and theft of IP online threatens consumer welfare by undermining the ability of creators of digital content to innovate, invest, and hire. App developers that drive the global economy are subject to an estimated loss of \$46.3 billion in revenue due to pirated apps.<sup>3</sup> Such a loss of revenue presents a major threat to the success of the App Association’s members, their consumers, and the workforce that supports the creation and growth of digital products and services. Each kind of IPR (copyrights, trademarks, patents, and trade secrets) represents distinct utilities upon which App Association members depend. IPR violations lead to customer data loss, interruption of service, revenue loss, and reputational damage – each alone is a potential “end-of-life” occurrence for a small app development company. Common IPR violation scenarios include:

- **Copying of an App:** An infringer will completely replicate an app but remove the digital rights management (DRM) component, enabling them to publish a copy of an app on illegitimate websites or legitimate app stores.
- **Extracting and Illegally Reusing App Content:** An infringer will steal content from an app—sounds, animations, characters, video, and the like—and repurpose it elsewhere or within their own app.
- **Disabling an App’s Locks or Advertising Keys:** An infringer will change advertising keys to redirect ad revenue from a legitimate business to theirs. In

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<sup>3</sup>See Revenera, *Software Piracy Statistics (October 18, 2024)*, [https://www.revenera.com/blog/software-monetization/software-piracy-stat-watch/#:~:text=Software%20Piracy%20in%20the%20United%20States%20\(and%20Western%20Europe\)&text=The%20BSA's%20most%20recent%20Global,software%20worldwide%20was%20\\$46.3%20billion.](https://www.revenera.com/blog/software-monetization/software-piracy-stat-watch/#:~:text=Software%20Piracy%20in%20the%20United%20States%20(and%20Western%20Europe)&text=The%20BSA's%20most%20recent%20Global,software%20worldwide%20was%20$46.3%20billion.)

other instances, they will remove locked functions like in-app purchases and security checks meant to prevent apps from running on devices with removed software restrictions (jailbroken devices).

- **“Brand-Jacking” of an App:** An infringer will inject malicious code into an app that collects users’ private information and republishes a copy of the app. The republished app looks and functions like the original—often using the same name, logo, or graphics—ultimately luring customers who trust the brand into downloading the counterfeit app and putting their sensitive information at risk. A survey of App Association members indicates that one-third of sampled members with trademarks have experienced brand-jacking.<sup>4</sup>
- **Sideloaded of an App:** Piracy has rapidly adapted to new technologies in the app ecosystem and, in some instances, has artificially capped customer beneficial use of digital platforms - with 80 percent of piracy attributable to illegal video streaming through devices and apps.<sup>5</sup> Apps themselves have become the conduit through which all other content is pirated. The reality is that apps providing access to pirated movies, music, and television are available on all platforms, although less so on mobile platforms thanks in large part to app store prohibitions on content piracy and measures to prevent sideloading (downloading software onto a smart device from outside the main app store). A report by the Digital Citizens Alliance on ad-supported piracy highlighted several examples of apps being used to provide free access to content. Apps like MyMuzik and YTSMovies are just two of hundreds of results from a simple search for “free streaming apps.” Some piracy apps, such as Cine Vision V5 and MegaFlix have outperformed legitimate applications by stealing their streaming content.<sup>6</sup> Piracy, like illegal streaming, is costing content owners billions each year.
- **Misappropriation of a Trademark to Intentionally Confuse Users:** Disregarding trademark rights, an infringer will seek to use an app’s name or trademarked brand to trick users into providing their information to the infringer for exploitation.
- **Illegal Use of Patented Technology:** An infringer will utilize patented technology in violation of the patent owner’s rights. Our members commonly experience such infringement in both utility patents and design patents (e.g., graphical user interfaces).
- **Government Mandated Transfer of IPR To Gain Market Entry:** A market regulator will impose joint venture requirements, foreign equity limitations, ambiguous regulations and/or regulatory approval processes, and other creative

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<sup>4</sup> Survey Says: IP is Essential to Innovation (June 21, 2022), <https://actonline.org/2022/06/21/survey-says-ip-is-essential-to-innovation/>.

<sup>5</sup> David Blackburn, PH.D. et. al., Impacts of Digital Video Piracy On The U.S. Economy (June 2019), <https://www.theglobalipcenter.com/wp-content/uploads/2019/06/Digital-Video-Piracy.pdf>.

<sup>6</sup> Ernesto Van der Sar, ‘Pirate’ Streaming Apps Beat Netflix and Disney in Brazil’s Play Store (June 16, 2022), <https://torrentfreak.com/pirate-streaming-apps-beat-netflix-and-disney-in-brazils-play-store-220616/>.

means (such as source code “escrowing”) that force U.S. companies to transfer IPR to others in order to access their market.

- **Government Failure to Protect Trade Secrets:** An infringer will intentionally steal a trade secret and subsequently benefit from particular countries’ lack of legal protections and/or rule of law. The victim of the theft will be unable to protect their rights through the legal system.

Many stakeholders, including the App Association community, are deeply concerned with USTR’s October 25, 2023, announcement of its withdrawal of support for foundational digital trade policies, including those that enable cross-border data flows, avoid forced data localization mandates, protect source code, and ensure that digital products are not unduly discriminated against.<sup>7</sup> The USTR’s position significantly impacts U.S. leadership across various global industries and platforms, enabling countries like China to secure their position in and dictate matters on global trade. We are concerned that stepping back on crucial digital trade priorities that support U.S. businesses will set a harmful precedent for other U.S. trade interests. We urge the USTR to reinstate their position for crucial digital trade priorities that allow small and large businesses alike to reliably operate and strengthen the United States as a global powerhouse for important and emerging trade objectives. To this point, we are disheartened by the lack of effective steps taken by the U.S. government to position itself as a leader in the global economy and dismantle visible trade barriers. We continue to offer our perspective, voice, and assistance to USTR to support U.S. trade goals.

In addition, the App Association notes a continued concern with third-party litigation funding (TPLF) used as a mechanism to abuse patent processes in the United States and internationally against U.S. companies. While this issue is faced globally, we focus on its impact to the U.S. market. Non-practicing entities (NPEs) initiate a majority of the abusive and frivolous patent infringement suits in the United States,<sup>8</sup> and many NPE suits are financially backed by unnamed investors hidden through shell corporations or wealth funds that may have a real interest in the outcome of litigation.<sup>9</sup> TPLF has affected critical U.S. technology industries, including telecommunication, automotives, and semiconductors. Funders may be individual entities seeking economic gain or competing countries strategically undermining essential U.S. industries and U.S. national security. The serious harms to the U.S. market evidenced by TPLF will

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<sup>7</sup> See Letter to President Joseph R. Biden, *The Imperative for U.S. Government Support of Startups, Small Businesses, and Entrepreneurs in the Global Digital Economy* (November 3, 2023), <https://actonline.org/wp-content/uploads/Small-Business-Ltr-re-USTR-Digital-Trade-3-Nov-2023-w-cosigners-1.pdf> .

<sup>8</sup> Love, Brian J. and Lefouili, Yassine and Helmers, Christian, *Do Standard-Essential Patent Owners Behave Opportunistically? Evidence from U.S. District Court Dockets* (November 8, 2020), 17, [https://www.tse-fr.eu/sites/default/files/TSE/documents/doc/wp/2020/wp\\_tse\\_1160.pdf/](https://www.tse-fr.eu/sites/default/files/TSE/documents/doc/wp/2020/wp_tse_1160.pdf/).

<sup>9</sup> See *In re Nimitz Technologies LLC*, No. 23-103 (Fed. Cir. 2022); see also <https://www.unifiedpatents.com/insights/2023/2/21/litigation-investment-entities-the-investors-behind-the-curtain>.

undermine equity for U.S. businesses, workers, and consumers. We urge the USTR to consider all potential motivations of TPLF and how to address its abusive presence in the U.S. IP system and in IP systems around the world that are utilized by U.S. companies. The availability of anonymous investment sources enables bad actors to flood adjudicating bodies with potentially illegitimate claims. The inception of the Unified Patent Court (UPC) in Europe has escalated this issue by allowing abusers to engage in multi-jurisdictional litigation and collect significant damages from European and U.S. companies that allegedly infringe on European patents. USTR should lead the U.S. government (USG) in examining the motivations of individual entities and competing economies to use TPLF and adopting strong disclosure requirements in all relevant U.S. venues, including the U.S. International Trade Commission (USITC), the U.S. Patent and Trademark Office (USPTO), and the U.S. federal courts. The USTR should similarly encourage affected foreign jurisdictions to adopt the same or similar requirements to ensure full transparency in global IP litigation proceedings.

Section 182 of the Trade Act requires USTR to identify countries that deny adequate and effective IPR protections.<sup>10</sup> The Trade Act also requires USTR to identify which countries, if any, are Priority Foreign Countries that demonstrate subpar IPR protections for U.S. companies and citizens.<sup>11</sup> Pursuant to the relevant provisions of the Trade Act,<sup>12</sup> the App Association is pleased to provide its recommendations to this year's Priority Watch List and Watch List. We support efforts by the U.S. government to protect American small businesses that rely on IPR to innovate and need certainty in the protection of their IPR abroad. We commit to partnership efforts with USTR to create responsible IPR protections across the globe to help our members enter new markets and create more U.S. jobs.

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<sup>10</sup> 19 U.S.C. § 2242.

<sup>11</sup> *See Id.*

<sup>12</sup> 19 U.S.C. § 2411-2415.

## II. Countries that Should Be on, or Remain on, USTR's Priority Watch List

### A. Australia

In 2020, the Australian Competition and Consumer Commission (ACCC) launched its Digital Platform Services Inquiry at the behest of the Australian government.<sup>13</sup> ACCC provided the Australian government's Treasurer with an interim report on the inquiry on September 30, 2020,<sup>14</sup> and is required to provide further interim reports every six months until the inquiry concludes with a final report, to be provided to the Treasurer by March 31, 2025. Most recently, the Australian Treasury has officially proposed a new digital competition regulatory intervention, with comments due February 14, 2025.<sup>15</sup> The App Association provided detailed views on digital platforms and competition, as well as reactions and feedback on specific conclusions raised by ACCC in its September 2022 interim report<sup>16</sup> and participated in a stakeholder hearing that took place in June 2022. The App Association has significant concerns with ACCC's apparent positioning of the Australian government to interject itself into the digital economy without an evidence base to support such an intervention, which would jeopardize the functionality of mobile operating systems and software distribution platforms that have enabled countless American small businesses to grow, including with respect to intellectual property enforcement at the platform level. We therefore request that the ACCC's digital platform regulatory efforts, and the risks they pose to American small business innovators that rely on software distribution platforms for intellectual property rights protections, be captured in the 2025 Special 301 report, and that the U.S. government work with Australia to mitigate the risks such an intervention would pose while supporting U.S. small business digital economy trade and leadership.

### B. Brazil

Brazil has begun presenting IPR and competition challenges for App Association members. The country is seeing an influx of SEP disputes, in which injunctions are being rapidly awarded without serious competition consideration. This trend of injunctive relief is in part because Brazilian IP law does not require previous licensing negotiations or notice prior to seeking an injunction. In adjudicating these cases, Brazilian courts do not delineate their treatment of SEP cases and cases regarding regular patents as opposed to the U.S. courts that make this distinction through a proportionality test that determines when an injunction is appropriate and within the public interest.<sup>17</sup> Instead, Brazilian courts apply either preliminary or final injunctions that do not adequately consider SEP holders'

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<sup>13</sup> <https://www.accc.gov.au/focus-areas/inquiries-ongoing/digital-platform-services-inquiry-2020-25>.

<sup>14</sup> <https://www.accc.gov.au/focus-areas/inquiries-ongoing/digital-platform-services-inquiry-2020-25/september-2020-interim-report>.

<sup>15</sup> <https://treasury.gov.au/consultation/c2024-547447>.

<sup>16</sup> <https://www.accc.gov.au/focus-areas/inquiries-ongoing/digital-platform-services-inquiry-2020-25/september-2022-interim-report>.

<sup>17</sup> *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

voluntary FRAND commitments. For example, while preliminary injunctions in Brazil are assessed based on the impact on the defendant's business and public interest as mandated by Article 300(3) of the Civil Procedure Code, final injunctions are issued almost automatically upon a finding of infringement. This places SEP holders in a unique position to control who can use a standard by virtue of their patent's necessity.

The Brazilian patent system contributes to the enabling (and emboldening) of foreign SEP holders to systematically abuse their dominant market position as a gatekeeper to the use of the standard to attain supra-FRAND terms (a practice known as hold-up<sup>18</sup>) from U.S. businesses. For example, Swedish company Ericsson is a well-known SEP holder that uses courts in key jurisdictions to support hold-up tactics. Most recently, Ericsson sought injunctions in Brazilian and Colombian courts after filing a suit in the United States for the same alleged infringement but before a U.S. court could determine FRAND compliance. While the lower court denied the defendant's plea for an anti-suit injunction against Ericsson to stop interference of U.S. jurisdiction over the case, the United States Court of Appeals for the Federal Circuit reversed and remanded this decision.

Therefore, the FRAND commitment can only be raised as an affirmative defense to a patent infringement suit. We expect Brazil's jurisprudence to have a significant impact on the global SEP licensing landscape. We encourage USTR to work with Brazil to improve their approach to patents and SEPs.

### **C. Canada**

The App Association remains concerned with the Canada's approach to IP enforcement. The Canadian government's notice and notice requirement under Canada's Copyright Act is an ineffective step to ensure that internet services providers (ISPs) take reasonable steps to prevent piracy on their platforms. This process does not prevent infringers from engaging in illicit acts, such as the common IPR violations provided above that affect App Association members. Stronger enforcement mechanisms, such as a notice-and-takedown procedures provided by the U.S. Digital Millennium Copyright Act (DMCA) are more effective steps that should be encouraged to the Canadian government to protect businesses, including App Association members, that interact with their economy.

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<sup>18</sup> Lemley, Mark A. and Shapiro, Carl, Patent Holdup and Royalty Stacking. 85 Texas Law Review 1991 (2007).



## **D. China**

Theft and infringement, which increasingly originates in China, puts our members' businesses and the jobs they create at serious risk. In many cases, a single IPR violation can represent an "end-of-life" scenario for small businesses and innovators. Numerous Chinese government laws and policies have a negative impact on our members, who have experienced IPR infringement in the Chinese market in each of the common scenarios described above. Overall, our members view the business environment in China as a continued challenge, largely driven by a lack of confidence in IPR protections.

Notable examples include the Chinese government's application of the controversial "essential facilities" doctrine to IPR in the State Administration for Industry and Commerce's (SAIC)<sup>19</sup> Rules on Prohibition of Abusing Intellectual Property Rights to Eliminate or Restrict Competition (IP Abuse Rules), which took effect on August 1, 2015. Article 7 of SAIC's IP Abuse Rules states:

Undertakings with dominant market position shall not, without justification, refuse other undertakings to license under reasonable terms their IPR, which constitutes an essential facility for business operation, to eliminate or restrict competition. Determination of the aforesaid conduct shall consider the following factors:

- (i) whether the concerned IPR can't be reasonably substituted in the relevant market, which is necessary for other undertakings to compete in the relevant market;
- (ii) whether a refusal to license the IPR will adversely affect the competition or innovation of the relevant market, to the detriment of consumers' interest or public interests;
- (iii) whether the licensing of the IPR will not cause unreasonable damage to the licensing undertaking.

The App Association does not support the notion that competitors should have access to "essential" patents (outside of the standardization context, as discussed below) because they allegedly cannot compete without such access, even in the rare cases where there is little damage to the IP holder, or consumer interests are allegedly harmed by lack of competition. This provision seriously undermines the fundamental right to exclude others from using one's intellectual property, and thus affects incentives to innovate in the long term. Under this provision, U.S. innovators, particularly those with operations in China, are left vulnerable because SAIC uses significant discretion to balance the necessary factors to determine the issuance of a compulsory license.

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<sup>19</sup> While its functions (along with a number of further Chinese agencies) have since been consolidated under the State Administration for Market Regulation, the SAIC rules have not yet been replaced by SAMR.

The App Association notes the critical differences between regular patents and standard-essential patents (SEPs), which must be considered separately. Generally, seamless interconnectivity is made possible by technological standards, such as Wi-Fi, LTE, and Bluetooth. Companies often collaborate to develop these standards by contributing their patented technologies. These technological standards, which are built through an open and consensus-based process, bring immense value to consumers by promoting interoperability while enabling healthy competition between innovators.

When a patent holder lends its patented technology to a standard, it can result in a clear path to royalties in a market that likely would not have existed without the wide adoption of the standard. To balance this growth potential with the need to access the patents that support the standard, many standard development organizations (SDOs) require patent holders of standardized technologies to license their patents on fair, reasonable, and non-discriminatory (FRAND) terms. FRAND commitments prevent the owners of SEPs, the patents needed to implement a standard, from exploiting the market power that results from the broad adoption of a standard. Once patented technologies are incorporated into a standard, manufacturers are compelled to use them to maintain product compatibility. In exchange for making a voluntary FRAND commitment with an SDO, SEP holders can obtain reasonable royalties from manufacturers that produce products compliant with the standard, which may not have existed absent the standard. Without a FRAND commitment, SEP holders would have the same power as a monopolist that faces no competition. In line with our members' core interests in this area, the App Association makes it our mission to assist policymakers, including USTR, in understanding SEP FRAND issues and developments; the App Association has further adopted and advocates for several key consensus principles defining FRAND to prevent patent "hold-up" and anti-competitive conduct. These principles include that:

- **The FRAND Commitment Means All Can License** – A holder of a FRAND-committed SEP must license that SEP to all companies, organizations, and individuals who use or wish to use the standard on FRAND terms.
- **Prohibitive Orders on FRAND-Committed SEPs Should Only Be Allowed in Rare Circumstances** – Prohibitive orders (federal district court injunctions and U.S. International Trade Commission exclusion orders) should not be sought by SEP holders or allowed for FRAND-committed SEPs except in rare circumstances where monetary remedies are not available.
- **FRAND Royalties** – A reasonable rate for a valid, infringed, and enforceable FRAND-committed SEP should be based on the value of the actual patented invention itself, which is separate from purported value due to its inclusion in the standard, hypothetical uses downstream from the smallest saleable patent practicing unit, or other factors unrelated to invention's value.
- **FRAND-committed SEPs Should Respect Patent Territoriality** – Patents are creatures of domestic law, and national courts should respect the jurisdiction of foreign patent laws to avoid overreach with respect to SEP remedies. Absent

agreement by both parties, no court should impose global licensing terms on pain of a national injunction.

- **The FRAND Commitment Prohibits Harmful Tying Practices** – While some licensees may wish to get broader licenses, a SEP holder that has made a FRAND commitment cannot require licensees to take or grant licenses to other patents not essential to the standard, invalid, unenforceable, and/or not infringed.
- **The FRAND Commitment Follows the Transfer of a SEP** – As many jurisdictions have recognized, if a FRAND-committed SEP is transferred, the FRAND commitments follow the SEP in that and all subsequent transfers.

Specific to China and SEPs, the App Association acknowledges that certain entities like the Standardization Administration of China have attempted to publish policies that would have instructed Chinese-backed standardization bodies to lower or undermine royalty payments for patents, without differentiating between FRAND-encumbered SEPs and other patents. With assistance from the international community, such efforts have been thwarted. Today, SAIC's IPR Rules appropriately recognize that it may be an abuse of dominance for SEP holders to eliminate or restrict competition, "such as by refusing to license, tying or imposing other unreasonable trading terms, in violation of fair, reasonable, and non-discriminatory principle." In contrast to its policies on patents generally, SAIC's treatment of FRAND-encumbered SEPs is consistent with an established consensus (reflected in the above principles) on how to deal with serious breaches of FRAND commitments. We strongly urge USTR to ensure that it does not conflate general patent licensing issues with the unique set of issues and global competition law consensus specific to SEPs. In 2020, China's State Administration for Market Regulation (SAMR) released four new Guidelines as part of a book of Chinese antitrust regulations and guidelines and related legal and regulatory documents, one of which is *Guidelines on Anti-monopoly in the Field of Intellectual Property* (国务院反垄断委员会关于知识产权领域的反垄断指南). Notably Article 27 addresses "Special Issues in SEPs," and though no official English translation is available, this Article appears to align with the global norms for SEP law and policy that the App Association identifies elsewhere in this comment. In 2023, SAMR released draft *Anti-Monopoly Guidelines for Standard Essential Patents*. In addition to providing detailed comments to these guidelines, at the request of the USTR, we met with parts of the Administration (USPTO, USTR, DOJ, etc.) to discuss our concerns with the guideline text to share our concerns regarding where the guidelines did not align with consensus-based FRAND principles mentioned above. The final guidelines that were released on November 8, 2024, reflected a relatively balanced position; this is inconsistent with the practice of Chinese courts.

Relatedly, the USTR should consider its position on anti-suit injunctions (ASIs), particularly as it relates to the European Union's (EU's) ongoing dispute at the World Trade Organization (WTO) against the People's Republic of China (China). A blanket condemnation of ASIs would be detrimental to U.S. companies, U.S. consumers, and

ultimately U.S. interests more broadly. ASIs are properly exercised as an essential instrument to preserve jurisdiction by prohibiting a party in litigation from pursuing foreign parallel proceedings on the same dispute. The use of ASIs in litigation has been a long-standing practice of U.S. courts in many areas of the law, including in cases involving SEPs.<sup>20</sup> U.S. case law demonstrates that ASIs are appropriate on a case-by-case basis and under a carefully balanced legal test.<sup>21</sup> For example, in *Microsoft v. Motorola*, a federal district court issued an ASI to prevent Motorola from pursuing injunctive relief against Microsoft in Germany after Microsoft filed a breach of contract claim case against Motorola in the United States and agreed to pay a FRAND royalty determined by the court for Motorola's portfolio.<sup>22</sup> In a recent case between technology companies Ericsson and Lenovo, the Federal Circuit found that Ericsson's seeking of foreign injunctions while a FRAND determination was underway in the United States was inconsistent with the FRAND commitment.<sup>23</sup> The court stated that Ericsson's 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 that meeting such an obligation is dispositive with respect to whether an ASI will be permitted. Therefore, the issuance of an ASI by the court of any one country is not evidence of the country's unwillingness to provide adequate and effective protection of intellectual property rights.

While the global community has expressed a strong concern about Chinese courts' use of ASIs to obstruct a transparent and fair judicial process,<sup>24</sup> we strongly encourage USTR to distinguish this procedural posture as a country-specific possibility separate from the determination to issue ASIs *per se*. The recent issuance of ASIs by Chinese courts can be explained as a symptom of courts in the EU and the UK that attempt to assert jurisdiction over disputes involving Chinese patents. In fact, many countries have begun to use ASIs in the SEP context in order to prevent courts from asserting jurisdiction outside their purview – in many cases without any assessment whether the requested rates and terms are FRAND or whether the jurisdiction to assess the essentiality, validity, or value of foreign patents exists.<sup>25</sup> U.S. courts have similarly granted ASIs to enjoin SEP holders from enforcing their patent rights in Member States

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<sup>20</sup> Peter K. Yu, George L. Contreras, and Yu Yang, *Transplanting Anti-suit Injunctions*, 71 AM. U.L. REV. 1537, 21 n. 121 (2022), <https://aulexreview.org/blog/transplanting-anti-suit-injunctions/>.

<sup>21</sup> See *Microsoft v. Motorola*, 696 F.3d 872 (9th Cir. 2012).

<sup>22</sup> *Id.*

<sup>23</sup> *Telefonaktiebolaget LM Ericsson v. Lenovo (U.S.), Inc.*, No. 24-1515 (Fed. Cir. 2024).

<sup>24</sup> OFF. OF THE U.S. TRADE REPRESENTATIVE 2021 SPECIAL 301 REPORT 47 (2021) (“[r]ight holders have...expressed strong concerns about the emerging practice in Chinese courts of issuing [ASIs] in [SEP] disputes, reportedly without notice or opportunity to participate in the injunction proceedings for all parties.”)

<sup>25</sup> See e.g., the dispute between Sharp, a Japanese patent-holder, and Oppo, a Chinese handset manufacturer to which the EU's complaint refers.

of the European Union.<sup>26</sup> A prime example of this overreaching jurisprudence is *Unwired Planet International Ltd v. Huawei Technologies Co. Ltd* (SCUK 2020), where the UK Supreme Court approved the issuance of injunctions barring defendants from participating in the UK market unless they agreed to court-determined *global* portfolio SEP licenses, which included foreign patents outside the jurisdiction of the UK courts.<sup>27</sup> German courts, too, have issued injunctions against defendants in disputes involving global portfolio SEP licenses;<sup>28</sup> they have also issued “anti-anti-suit” injunctions prohibiting litigants from petitioning U.S. courts for ASIs.<sup>29</sup> The increase in ASIs in China and elsewhere is a direct response to these developments.

Chinese courts have issued ASIs in a small number of licensing disputes between handset manufacturers and SEP holders. These disputes all concerned the licensing of SEPs for cellular standards, such as 3G and 4G standards in which the negotiating parties could not agree upon the terms of a license. In all of these cases, the handset manufacturer was of the opinion that the respective SEP holder had refused a license on FRAND<sup>30</sup> terms and had thus breached its contractual FRAND undertaking. Similar to the U.S. case of *Motorola v. Microsoft*, the respective handset manufacturer thus initiated national court proceedings to have the court adjudicate (F)RAND terms of such license (in the following “rate-setting proceedings”). In all of the five cases listed in the EU’s complaint at the WTO, the ASI granted by a Chinese court sought to allow the pending rate-setting proceedings before the respective Chinese court to be conducted without external impairment by foreign patent infringement proceedings. Thus, the foreign patent infringement proceedings had to be halted for the Chinese court to conclude the pending rate-setting proceedings. Here, the issuance of an ASI by a Chinese court is also comparable to the case of *Motorola v. Microsoft*, where the court found that “a judicially- determined FRAND license encompassing all of Motorola’s H.264 essential patents would necessarily dispose of Motorola’s request for an injunction in Germany” as the “issues before it in this litigation were dispositive” of the German patent infringement action, and enjoined Motorola from enforcing the injunction.<sup>31</sup> Chinese courts have modeled their practice of granting ASIs after the well-established U.S. practice and legal framework for ASIs. Chinese courts have therefore

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<sup>26</sup> *Microsoft Corp v Motorola Inc*, 871 F. Supp. 2d 1089 (W.D. Washington 2012); *Huawei Technologies Co Ltd v Samsung Elecs Co Ltd*, Case No 3:16-cv-02787 (N.D. California 2018); *TCL Comm Tech Holdings Ltd v Telefonaktiebolaget LM Ericsson*, Case No 8:14-cv-00341 (C.D. California 2017).

<sup>27</sup> *Unwired Planet International Ltd v. Huawei Technologies Co. Ltd* (SCUK 2020).

<sup>28</sup> See *Huawei Technologies Co. v. ZTE Deutschland GmbH* (CJEU 2015); see *Sisvel International S.A. v. Haier Deutschland GmbH* (FCJ 2020).

<sup>29</sup> See Munich H. Regional Ct., *Continental Automotive Systems, Inc. v. Avanci LLC*, Case Nos. 21 O 9333/19.

<sup>30</sup> Policies of some SSOs require an undertaking to grant licenses on fair, reasonable and non-discriminatory terms, and some policies omit the criteria of “fair”. For the purpose of this paper, the terms “FRAND” and “RAND” are used interchangeably.

<sup>31</sup> *Microsoft v. Motorola*, 854 F.Supp.2d 993 (United States District Court for the Western District of Washington, February 27, 2012), affirmed by *Microsoft v. Motorola*, 696 F.3d 872 (United States Court of Appeals for the Ninth Circuit 2012).

ultimately picked up and adopted this “response” that U.S. courts had already developed previously,<sup>32</sup> and that even a court in the European Union itself found to be legitimate in certain, narrow circumstances.<sup>33</sup>

The EU has recently requested a second dispute consultation at the WTO against China regarding Chinese law, which enables the country’s courts to assess royalty rates to global SEP portfolios that include both Chinese and non-Chinese patents without the consent of the parties in controversy.<sup>34</sup> China’s practice of setting global FRAND rates is re-forced by its ASI practice and contributes to the global trend of foreign courts that are enabling SEP holders to forum shop in order to receive guaranteed injunctions. We encourage the USTR to develop a position through stakeholder input if this case is initiated and upon the opportunity for third-party intervention.

In addition, small app businesses depend on customer trust to grow and create more jobs, an endeavor that can only be maintained using the strongest technical protection mechanisms (TPM) available, including encryption. In cross-sector and sector-specific contexts, the Chinese government continues to threaten the ability to utilize TPMs, primarily encryption. Not only do these requirements jeopardize our members’ ability to protect their IPR, but they also threaten the integrity and security of the digital economy.

More broadly, numerous policies in place today or proposed in China create significant market access issues for App Association members who all rely on IPR. Such measures include restrictions on cross-border data flows and data localization requirements effected through China’s Cybersecurity Law (CSL); vague restrictions and requirements placed on “network providers” with further issues created through standards and measures developed by the Cybersecurity Administration of China pursuant to the CSL; source code disclosure mandates; and foreign direct investment restrictions.

China’s encryption rules and cybersecurity laws should be monitored by the USTR and included in the report. On May 11, 2020, China issued the Commercial Encryption Product Certification Catalogue and the Commercial Encryption Certification Measures. Manufacturers of products listed on the catalogue will not be subject to mandatory approval requirements before launching products into the market. The certification is voluntary, but its goal is to serve as an assurance to customers that the commercial

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<sup>32</sup> *Yu/Contreras/Yu*, Transplanting Anti-suit Injunctions (available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3937716](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3937716)).

<sup>33</sup> *Ericsson v. Apple*, KG ZA 21-914, ¶¶ 4.44 (District Court of The Hague, December 16, 2021) with regard to so-called “performance ASIs” for cases in which a party has already a priori restricted its fundamental right to enforce its patent in court, e.g., under a covenant not to sue.

<sup>34</sup> European Commission, EU challenges China at WTO on royalties for EU high-tech sector (January 19, 2025), [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_25\\_293](https://ec.europa.eu/commission/presscorner/detail/en/ip_25_293).

encryption products conform to Chinese standards.<sup>35</sup> If effective, App Association members may be able to successfully get their products to customers in China. The certifications remain valid for a five-year period but are subject to further review if the product or entity producing the product undergoes any changes.

Additionally, October 26, 2019, China enacted an Encryption Law, which took effect on January 1, 2020. The new encryption law greatly impacts the regulatory landscape for foreign-made commercial encryption products and leaves unanswered questions surrounding “commercial encryption.” For example, the import licensing and export control framework provides an exemption for “commercial encryption” used in “products for consumption by the general population.” However, because the law does not sufficiently define either of these terms, businesses are left to speculate on how to apply the law. As a result, app developers will experience legal uncertainty, and App Association members will suffer due to their inability to maintain customers’ trust regarding the security of their information. Furthermore, the lack of clear regulations will also prevent American businesses’ ability to succeed in China’s large consumer market.

China’s Cybersecurity Law imposes tough regulations, introduces serious uncertainties, and unreasonably prevents market access for American companies seeking to do business in China. This law is particularly difficult for App Association small business members seeking access to digital markets and consumers in China. The law includes onerous data localization requirements and uses overly vague language when outlining important provisions (such as when Chinese law enforcement bodies can access a business’s data or servers or how frequently a business must perform demanding safety assessments). Legal certainty is vital to app developers’ operations and their ability to maintain their customers’ trust in the protection of their data. In addition to creating obligations that are often infeasible for our members, the Cybersecurity Law’s vague language leaves businesses without clear guidelines about how the law will be applied and jeopardizes American businesses’ potential to succeed in China’s important market. The law requires Critical Information Infrastructure operators to predict the potential national security risks that are associated with their products and services. It includes restrictive review requirements and will most likely cause supply disruptions.<sup>36</sup>

The App Association continues to advocate on behalf of innovative American app developers who actively, or look to, conduct business in China. We have opposed data localization requirements in written comments and have identified numerous areas where China’s law uses overly prescriptive and technically and/or economically infeasible mandates to address public safety goals.

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<sup>35</sup> Yan Luo and Zhijing Yu, *China Issued the Commercial Encryption Product Certification Catalogue and Certification*, INSIDE PRIVACY, May 15, 2020, available at <https://www.insideprivacy.com/data-security/china-issued-the-commercial-encryption-product-certification-catalogue-and-certification/>.

<sup>36</sup> Yan Luo and Zhijing Yu, *China Issued the Commercial Encryption Product Certification Catalogue and Certification*, INSIDE PRIVACY, May 15, 2020, <https://www.insideprivacy.com/international/china/china-issues-new-measures-on-cybersecurity-review-of-network-products-and-services/>.

Finally, the App Association acknowledges that the Chinese judicial system has made some positive steps that lend to increased certainty in IPR protection (e.g., the establishment of specialized IPR courts in Beijing, Guangzhou, and Shanghai; and the standing up of various IP tribunals). The National People's Congress (NPC) made changes to the China Patent Law in 2020 which became effective June 1, 2021.<sup>37</sup> USTR should continue to monitor the impact of these changes, including significant changes to damages calculations in IPR litigation.<sup>38</sup> Additionally, existing agreements between the United States and Chinese governments include commitments to improve IPR enforcement in China.<sup>39</sup> However, across patent, copyright, trademark, and trade secrets, enforcement is often poor and usually unreliable. Due to the continued high amount of infringement originating from China, as well as numerous policies and laws that enable IPR infringement or are selectively enforced, we strongly recommend China remain on the Priority Watch List.

### **E. Colombia**

We note that Colombia's patent system is similar to that of Germany and Brazil in that the system bifurcates infringement and validity proceedings, so that an injunction may be awarded even if the validity of the patent has not been examined in complete misalignment with the U.S. approach under *eBay*, denying adequate protection to U.S. small businesses that rely on a fair and transparent SEP licensing ecosystem to engage in standards-driven markets. Colombia's system has led Swedish company Ericsson to use this court system to leverage their bargaining position in SEP licensing negotiations, much like German courts are abused for the same purpose. Unless addressed by the United States, we expect that Colombia will continue to be a venue for SEP licensing abuse and have a significant impact on the global SEP licensing landscape and American small businesses in particular. We therefore request Colombia's harmful practice of unduly awarding patent injunctions be included in the 2025 Special 301 report and encourage USTR to work with Colombia to improve their approach to patents and SEPs.

### **F. European Union**

The App Association supports the EU's Digital Single Market (DSM) strategy's goals of opening digital opportunities for businesses and enhancing Europe's position in the digital economy. While the DSM benefits European businesses by facilitating business across the EU through e-commerce, it should also bring Europe into the global digital market.

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<sup>37</sup> Aaron Wininger, *China's National People's Congress Releases Translation of the Amended Patent Law*, NAT'L L. R. (Sept. 17, 2021), <https://www.natlawreview.com/article/china-s-national-people-s-congress-releases-translation-amended-patent-law>.

<sup>38</sup> Aaron Wininger, *Top 5 Changes in China's Newly Amended Patent Law*, CHINA IP L. UPDATE (Oct. 19, 2020), <https://www.chinaiplawupdate.com/2020/10/top-5-changes-in-chinas-newly-amended-patent-law/>.

<sup>39</sup> <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/december/united-states-and-china-reach>



The App Association has advocated for the success of the DSM through measures such as requirements to store data locally or mandates to diminish the use of strong encryption.

We encourage USTR to remain engaged on this sweeping strategy. The European Commission has already carried forward numerous regulations, directives, consultations, and proposals under the DSM that raise significant concerns for the App Association, including:

- A range of competition-themed activities and policies focused on the EU’s “digital sovereignty” that stand to cause damage to the digital economy and American small businesses’ ability to operate in the EU, such as the regulation of online platforms, via the Digital Markets Act (DMA),<sup>40</sup> intending to address contractual clauses and trading practices in relationships between platforms and businesses, poses significant risks to U.S. small business engagement in the global digital economy.<sup>41</sup> Although they may not qualify as gatekeepers, small app developers will suffer significant consequences from the new obligations introduced in the DMA. SMEs are particularly vulnerable if those obligations threaten the tangible advantages currently provided to them by digital platforms. Specifically, the DMA, through mandating sideloading, will prevent digital platforms from taking measures to protect IPR in the digital economy. With the DMA now in place and implementation underway, its impact on IP enforcement in the digital economy represents a significant trade barrier in the context of the 301 Special Report and should be included in the Special 301 Report to Congress as such.
- Attempts to regulate the free flow of information online through measures such as the EU’s Digital Services Act which centers around tackling illegal hate speech with the goal, moving forward, of removing illegal content from the internet.
- Various provisions of the GDPR, which impose additional requirements on non-European firms (due to its extraterritorial reach) that increase the cost and risk associated with handling data pertaining to EU citizens. For example, Article 27 of the law requires firms to physically place a representative in the EU.<sup>42</sup> Such provisions can be an insurmountable hurdle to our small business members seeking to enter the EU market. Anything that can be done throughout the GDPR implementation process to ease the burden for small and medium-sized companies could have tremendously positive economic implications.
- The EU’s enactment of sweeping regulations on the use of artificial intelligence (AI)<sup>43</sup> raises concerns for the App Association about regulation pre-empting new and innovative uses of AI and related IPR issues. On August 1, 2024, the EU AI Act went into force, which include both positive and uncertain approaches to

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<sup>40</sup> European Commission, *Online Platforms*, available at <https://ec.europa.eu/digital-single-market/en/policies/online-platforms>.

<sup>41</sup> <https://actonline.org/wp-content/uploads/ACT-The-App-Association-DMA-Position-Paper-March-.pdf>.

<sup>42</sup> See <https://www.privacy-regulation.eu/en/27.htm>.

<sup>43</sup> Digital Single Market: Artificial Intelligence, European Commission, last updated September 27, 2021. <https://ec.europa.eu/digital-single-market/en/artificial-intelligence>.

regulating AI. The regulation includes provisions for SME support, while also including a risk-based approach that categorizes AI systems into different levels to risk. We believe that these approaches are flexible and balanced. We are most concerned with the cost of complying with minimum requirements for transparency and safety standards for SMEs and startups.

The above noted developments of concern, among others, contain regulatory proposals for nascent economic segments and services that are solutions in search of a problem and should not move forward. Demonstrated harms should form the basis for activities under the DSM, rather than hypotheticals and edge use cases.

The established Unified Patent Court (UPC) has posed significant concerns for American companies that operate within the EU economy. The UPC enables holders of IP issued in one of the 18 Member States that joined the court to seek an injunction that would be applied across all 18 jurisdictions. The court has become an attractive venue for SEP holders who use the court to leverage their dominant market position against potential licensees. In a 2024 case between Chinese company Huawei and American entity NETGEAR, the Munich Local Division refused to follow the important holding from the Court of Justice of the European Union (CJEU) in *Huawei Technologies Co. v. ZTE Deutschland GmbH*, which provided steps that SEP holders must take in order to enforce an injunction against an alleged infringer.<sup>44</sup> We suspect that the UPC will continue to be a venue ripe for abuse of SEP and other IP rights against American companies.

We note that while the EU advances policies and proposals, including the proposed regulation on standard-essential patents, to input proportionality tests into injunction determinations, many prominent courts are not adhering to those policies. We urge the USTR to work with the EU to find effective solutions to improve judicial process that is inconsistent with established policy goals.

## **G. Germany**

German courts have historically been a favorable venue for patent holders to enforce their patents. Courts in Germany have been known to award injunctive relief to patent holders based on the court's determination of infringement before that validity of the patent has properly been assessed by the German Federal Patent Court. Germany's practice to award injunctions so readily has created international conflicts where their decisions extend to patents issues in another jurisdiction.

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<sup>44</sup> *Huawei Technologies Co. v. ZTE Deutschland GmbH* (CJEU 2015) (The court provided steps that a SEP licensor must take to enforce an injunction against an infringer: 1) The SEP holder must notify a party of infringement before bringing an action; 2) If the party is a willing licensee, the SEP holder must provide a written licensing offer in coordination with the FRAND commitment; 3) If the licensee continues infringement or does not provide a proper response (ex. counteroffer on FRAND terms), the SEP holder may seek an injunction).

For example, in *Microsoft v. Motorola*,<sup>45</sup> a U.S. district court issued an anti-suit injunction to prevent Motorola from pursuing injunctive relief against Microsoft in Germany after Microsoft filed a breach of contract claim case against Motorola in the United States and agreed to pay a court-determined FRAND royalty for Motorola's portfolio. Motorola sought an injunction in Germany again in 2014 for Apple's alleged infringement of SEPs, but the European Commission found this action to be an abuse of the SEP holder's dominant position in the market, stating that the ability to seek injunctive relief against a willing licensee of a FRAND-encumbered SEP could limit products from the market and lead licensees to accept anticompetitive licensing terms that they would have not accepted absent the use or threat of an injunction.<sup>46</sup>

In the following years, German courts have continued their practice of awarding injunctions to SEP holders against licensees without first considering the validity of the patents, and on the basis that the licensee did not sufficiently express its willingness to take a license from the SEP holder.<sup>47</sup> The burden that German courts have imposed on licensees to show their "willingness" to accept a SEP holder's offered license on seemingly FRAND terms distorts an important holding from *Huawei Technologies Co. v. ZTE Deutschland GmbH*. German legislators have gone so far as to amend the German Patent Act to only exclude "under the special circumstances of a singular case and considering the principle of good faith, its enforcement would result in disproportionate hardship on the infringer or third parties beyond what is justified by the exclusionary right."<sup>48</sup> The European Commission's growing concern about German courts' interpretation of *Huawei Technologies Co. v. ZTE Deutschland GmbH* led to their amicus brief filed in the SEP dispute, *VoiceAgeEVS v. HMD*, before the Munich Higher Regional Court. The brief clarifies that CJEU decision and its importance to curb anticompetitive practices. While it remains to be seen if the Munich court will refer to the CJEU, the Commission's action underscores the ongoing concern about the practices of German courts enabling SEP licensing abuse.

Germany's approach to SEP injunctions has caused immense disruptions to supply chains across several industries and has resulted in various companies ceasing operation in the country because of the inability to reliably use standards (due to an imbalanced approach to SEP injunctions), fraying the international norm for limited injunctions on FRAND-committed SEPs and undermining international standards.

Due to Germany's excessive awarding of injunctions at the cost good faith innovation, the App Association believes Germany should be placed on the Priority Watch list

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<sup>45</sup> 696 F.3d 872 (9<sup>th</sup> Cir. 2012).

<sup>46</sup> See [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_14\\_490](https://ec.europa.eu/commission/presscorner/detail/en/IP_14_490).

<sup>47</sup> See *Nokia v Daimler*, District Court (Landgericht) of Mannheim, judgment dated 18 August 2020, Case-No. 2 O 34/19; see *Sisvel v Haier*, Federal Court of Justice, judgment dated 5 May 2020, Case No. KZR 36/17.

<sup>48</sup> Section 139 (1) of the German Patent Act.

## H. India

India represents an immense opportunity for American small business tech and software development companies. India's technology industry is becoming a global leader, employing over 5.4 million workers with revenues expected to rise by \$245 billion at the end of 2023.<sup>49</sup> However, App Association members continue to experience a wide range of IPR infringement and lack of legal redress, despite ongoing (incomplete) efforts across Indian ministries and courts that appear to lend themselves to a more consistent and reliable IPR regime in the country. Ongoing problems in this key market include but are not limited to:

- A marked lack of copyright protections and enforcement;
- A failure to provide consistent protection for trade secrets across India; and
- Data storage and processing localization requirements imposed on small businesses that can require unfettered access to data (including IP), a non-starter for App Association members.

Certain steps indicate the Indian government's willingness to adequately protect IPR. For example, the Indian government undertook efforts to further its commitment to formally establish a copyright royalty board and appoint a functional IP Appellate Property Board. Under the Finance Act of 2017, the informal Copyright Board merged with the Intellectual Property Appellate Board. As a result, applications for copyrights increased by 78 percent from 2016-2017, compared to 2015-2016.<sup>50</sup> As of May 20, 2016, the Indian government established additional commercial courts, advancing the 2015 Commercial Courts Act,<sup>51</sup> which the App Association perceives as further evidence of India's commitment to enhance its IPR procedures. Furthermore, India acceded to the WIPO Internet Treaties in July 2018 (namely the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty). The Indian government also appears committed to the IPR Task Force announced by the Maharashtra government. As of January 24, 2018, Cell for IPR Promotion and Management (CIPAM) and Federation of Indian Chambers of Commerce & Industry (FICCI) have made an IPR Enforcement Toolkit for Police, and there have been 26 programs dedicated to training police officers on IP enforcement. Despite this positive movement, App Association members experience weak and ineffective enforcement in India.

Moreover, numerous hurdles to market access, either in place today or proposed, restrict market access for App Association members that rely on IPR, including but not limited to data localization requirements and in-country cybersecurity testing mandates. For

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<sup>49</sup> See <https://nasscom.in/sites/default/files/sr-2023-press-release.pdf>.

<sup>50</sup> See <https://spicyip.com/wp-content/uploads/2018/01/IPR-Regime-In-India-Government-Initiatives.pdf>.

<sup>51</sup> See <https://timesofindia.indiatimes.com/city/delhi/Commercial-courts-begin-functioning-in-Delhi-Mumbai/articleshow/52488068.cms>.

example, on November 18, 2022, the Digital Personal Data Protection Bill<sup>52</sup> replaced the Personal Data Protection Bill, withdrawn on August 4, 2022. The new bill was proposed by the Ministry of Electronics and Information Technology to provide a legal framework for the liabilities and protections associated with the collection and processing of personal digital data. One issue of note with India's Digital Personal Data Protection Bill is that the bill give's India's central government the power to exempt any agency from the bill's requirements on grounds related to national security, national sovereignty, and public order. If passed, the Digital Personal Data Protection Bill has the potential to create technical issues that raise small businesses' compliance costs. For the small business innovators, the App Association represents, the imposition of this new law presents the possibility of damaging the use case for market entry.

App Association members continue to experience IP infringement originating from India, and face challenges in enforcement through the Indian system. India has not yet implemented its obligations under the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty; furthermore, Indian patent law is inconsistent with the TRIPS Agreement. Another troubling development is the Indian government's proposal decriminalizes provisions in the Patent Act and the Copyright Act.<sup>53</sup> This proposal threatens copyright protections that aim to protect small businesses and innovators alike.

India has become a new venue for SEP abuse, impeding over 3,000 SMEs and startups from bringing deep-tech solutions to critical global markets.<sup>54</sup> In 2023, the Delhi High Court held that SEP holders are not prohibited from seeking an injunction from the court at an interim or final stage.<sup>55</sup> Importantly, the court cited the UK Supreme Court 2020 decision in *Unwired Planet v. Huawei*<sup>56</sup> to support the notion that a SEP holder may require a license for a global portfolio of FRAND-encumbered SEPs, or alternatively receive an award of injunctive relief upon a *prima facie* showing that one patent in the portfolio is infringed.

This case was decided in parallel with an investigation by the Competition Commission of India (CCI) into multiple complaints, including by Intex, regarding Ericsson's alleged abuse of its dominant position in India in the context of SEP licensing. The Delhi High Court ultimately dismissed these proceedings on grounds that Indian patent law preempts competition law on patent-related issues, however the allegation in the CCI investigation, if proven true, would have revealed significant findings that Ericsson conducted anti-

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<sup>52</sup> See

[https://www.meity.gov.in/writereaddata/files/The%20Digital%20Personal%20Data%20Potection%20Bill%2C%202022\\_0.pdf](https://www.meity.gov.in/writereaddata/files/The%20Digital%20Personal%20Data%20Potection%20Bill%2C%202022_0.pdf).

<sup>53</sup> Surojit Gupta, *Govt Moves to Decriminalise Minor Offences to Woo Investors*, June 12, 2020, <https://timesofindia.indiatimes.com/india/govt-moves-to-decriminalise-minor-offences-to-woo-investors/articleshow/76331374.cms>.

<sup>54</sup> *Id.*

<sup>55</sup> *Intex Technologies (India) Ltd. V. Telefonaktiebolaget L M Ericsson* [2023 SCC OnLine Del 1845].

<sup>56</sup> *Unwired Planet International Ltd v. Huawei Technologies Co. Ltd* (SCUK 2020).

competitive SEP licensing practices that are antithetical to the FRAND commitment.<sup>57</sup> Complainants alleged that Ericsson engaged in discriminatory practices across similarly situated licensees, required restrictive nondisclosure agreements (NDAs), and licensing fees that reflected value unrelated to the patent technology being licensed.<sup>58</sup> The complainant, Micromax, stated that Ericsson demanded acceptance of licensing terms within 25 days of receiving those terms or else Micromax would have been considered unwilling to take the license and therefore infringing on Ericsson's SEPs.<sup>59</sup>

The Delhi High Court's decision to ignore complaints alleged in the CCI investigation and contribute bad case law formed across key jurisdictions aids opportunistic SEP holders in controlling markets by squeezing SME innovators, of their limited resources through exorbitant fees and supra-FRAND terms by threatening or seeking to threaten national injunctions across the world. While we are encouraged by the court's clarification regarding the importance of adhering to FRAND principles in recent cases, we are concerned with the court's decision in *Intex v. Ericsson*, which makes it easier for SEP holders to receive preliminary injunctions.<sup>60</sup> In particular, the Delhi High Court made it easier for SEP holders to seek injunctive relief for global SEP portfolios by stating that there is no embargo on a SEP holder seeking an injunction from the court at an interim or final stage. The court also distorted their reliance on global precedent that reached a final determination, including cases from the United States, UK, and EU. For example, the decision allows the court to set FRAND rates and terms on global SEP portfolios based on likelihood, relying on *Unwired Planet v. Huawei*. The decision avoids important Indian precedent at the interim stage - *Nokia v. Oppo*, which laid out a four-factor test for the court to determine whether it could require royalty payments from an alleged infringer. Instead, Ericsson only had to establish a "prima facie" that it would prevail at end of case on the issues of whether the patents in suit were essential, valid, and infringed and that the royalty sought was FRAND. As a result, many cases have been decided at the preliminary stage and parties are unable to provide sufficient facts to prove their positions (ex. computation for FRAND rates).

Small inventors, including App Association members, rely on the FRAND construct to develop cutting-edge technology around the globe, which is defeated by the ability for some SEP holders to hold international technical standards hostage. We address this issue in detail in our piece, "A Call to Action: Guiding a Fair Standard-Essential Patent Licensing Process for a Thriving Indian Economy,"<sup>61</sup> a comprehensive paper recommending a pro-competitive standards and SEP framework for India that will protect and augment its Indian innovation as well as India's global leadership.

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<sup>57</sup> *Telefonaktiebolaget LM Ericsson (PUBL) v. Competition Commission of India & ANR.*, 2023 SCC OnLine Del 4078, decided on 13-07-2023.

<sup>58</sup> *Id.* at para 4, 7.

<sup>59</sup> *Id.*

<sup>60</sup> See *Intex Technologies (India) Ltd. V. Telefonaktiebolaget L M Ericsson* [2023 SCC OnLine Del 1845].

<sup>61</sup> See [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4536835](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4536835).

The App Association believes it is necessary that India remain on the Priority Watch list because of its need to further develop an adequate IPR system and to demonstrate consistent enforcement.

### **I. Indonesia**

While the Indonesian government has taken steps to improve IPR enforcement, Indonesia continues to present challenges with respect to IPR protections and enforcement mechanisms that translate into a barrier to entry for U.S. small business innovators in the Indonesian market. For example, its revision of Indonesian trademark law in November 2016 demonstrates a positive step forward to advance the rights of trademark holders through shorter examination times and better criteria for protected marks. In addition, Indonesia joined the Madrid Protocol in January 2018.

However, there are still ongoing concerns with whether the recent provisions will be adequately enforced and there has been minimal progress in integrating USTR's suggested reforms in its 2018 review. For example, Indonesia has apparently not yet created a specialized IPR unit within its National Police to enforce against Indonesian criminal syndicates that create counterfeit and pirated marks and works. Indonesia's 2016 revisions to its Patent Law continue to raise concern. Indonesia's revised Patent Law included localization rules that require foreign patentees to transfer proprietary technologies to local companies, which, in effect, forces American companies with products in Indonesia to protect their rights. Certainty in enforcement is lacking and continues to present challenges.

Furthermore, numerous hurdles to market access, either in place today or proposed, restrict market access for App Association members that rely on IPR, including but not limited to various local presence requirements; data localization requirements for public sector data; and—of highest concern to the App Association—amendments to Indonesia's Harmonized Tariff Schedule to categorize "software and other digital products transmitted electronically," setting the stage for subjecting e-commerce to customs duties. We also continue to monitor Indonesia's new E-Commerce Regulation, issued in November 2019, that may impose restrictions on the flow of data

Based on the above, the App Association recommends Indonesia remain on USTR's Priority Watch List.

### **J. Japan**

Japan has enacted a new law, the Act on Promotion of Competition Related to Specified Software Used on Smartphones (known as the SSCPA), which is currently in its initial implementation stages. The SSCPA effects ill-advised regulations for digital platforms that would unduly restrict the ability of platforms to curate apps and content, including with respect to enforcing IPR, as the law contains no exception for compliance for appropriate protection of IPR. Most recently, the Japan Fair Trade Commission has sought comment on the scoping of this law, which the App Association has provided

written comments on.<sup>62</sup> The App Association has engaged extensively with relevant Japanese government actors for years, including the Ministry of Internal Affairs and Communications, the Headquarters for Digital Market Competition, and the Japan Fair Trade Commission to emphasize the need for protecting IPR on platforms, and has also raised concerns with the law's conflicts with obligations in both Article 16 of the General Agreement on Trade in Services and other trade agreement obligations. Because the SSCPA stands to inhibit some core platform functions, including those that will protect IPR in the digital economy, we urge USTR to track this development, recommend that be reflected in the Special 301 Report as, unless altered, a means of denying adequate and effective protection of IPR (as the SSCPA contains no exception to compliance for protecting IPR), as well as a denial fair and equitable market access to U.S. small businesses who rely on IPR protections.

#### **K. Mexico**

Intellectual property laws in Mexico have made significant improvements but lag behind the rest of the world on protection and enforcement. Mexico accession to the U.S.–Mexico–Canada Agreement (USMCA), the WIPO Internet Treaties (WIPO Copyright Treaty [WCT] and the WIPO Performances and Phonograms Treaty [WPPT]) has strengthened both their Federal Copyright Law and Federal Criminal Code. This significant progress is subject to constitutional challenges that are prevent further IP and copyright reform and rendering questioned law unusable to Mexican courts. We urge the USTR to encourage the Mexican government to reject arguments that strong international IP laws that have been implemented across jurisdictions, like the United States, that uphold strong First Amendment protections is a violation of Mexican constitutional rights. If these laws are overturned, Mexico will be a jurisdiction for significant IP abuse.

The App Association therefore encourages USTR place Mexico on its Priority Watch List.

#### **L. Poland**

Poland's treatment of enforcement against online piracy is concerning to App Association members, particularly due to the nation continuing not to implement significant provisions of EU directives, including Article 8(3) of the EU Copyright Directive (2001/29/EC) requiring Member States to ensure injunctive relief is available "against intermediaries whose services are used by a third party to infringe a copyright or related right."

#### **M. Republic of Korea**

The Republic of Korea's (ROK) continues to propose ill-advised regulations for digital platforms that would unduly restrict the ability of platforms to curate apps and content, including with respect to enforcing IPR. Most recently, the ROK's legislature is considering amendments to its Monopoly Regulation and Fair Trade Act (MRFTA) which

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<sup>62</sup> See <https://actonline.org/wp-content/uploads/App-Assn-Comment-re-JFTC-SSCPA-Scaling-RFI-EN.pdf>.



would inhibit the protection of IPR on platforms subject to Korean law. The App Association has engaged extensively with the ROK to emphasize the need for protecting IPR on platforms, and has also raised concerns with the law's conflicts with obligations in both Article 16 of the General Agreement on Trade in Services and the U.S.-Korea Free Trade Agreement in chapters addressing investment and electronic commerce.<sup>63</sup> Because ROK proposals for platform regulation would inhibit some core platform functions, including those that will protect IPR in the digital economy, we urge USTR to track this development, recommending that it be reflected in the Special 301 Report as, unless altered, a means of denying adequate and effective protection of IPR, as well as a denial fair and equitable market access to U.S. small businesses who rely on IPR protections.

#### **N. Russia**

The Russian market continues to present massive challenges to App Association members. Unfortunately, Russia has continued to foster an environment that permits extensive software piracy. The Russian government does not appear to be committed to making any systemic changes to protect IPR and has actively encouraged the infringement of patented technologies.<sup>64</sup>

The App Association therefore urges USTR to keep Russia on the Priority Watch List.

#### **O. South Africa**

IP laws in South Africa do not adequately address protection and enforcement of inventive and creative works in the digital age. Due to insufficient IP protections, inventive technologies and creative works are easily accessed and impact overall innovation and creation in Sub-Saharan Africa. The App Association shares concerns with proposed changes to South Africa's copyright framework, though such changes have not advanced to become final policy.

We further urge USTR to consider the Competition Commission of South Africa's (CCSA) market inquiry into online intermediation platforms as a potential means of denying adequate and effective protection of IPR, as well as a denial fair and equitable market access to U.S. small businesses who rely on IPR protections. CCSA mandates for digital platform operations must preserve the ability for those platforms to provide IPR-related curations that countless developers operating in South Africa rely on.

The App Association therefore encourages USTR to place South Africa on its Priority Watch List.

#### **P. Switzerland**

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<sup>63</sup> See <https://actonline.org/2025/01/24/act-the-app-associations-letter-to-the-republic-of-koreas-government-regarding-online-platform-regulation-legislation/>.

<sup>64</sup> See <https://www.economist.com/business/2022/06/02/has-russia-legalised-intellectual-property-theft>.

Switzerland continues hold inadequate IP enforcement and consumer protection laws, justifying its previous position on an international watch list for many years. While the Swiss Unfair Competition Law in 2022 is a positive step for Switzerland's enforcement against competition threats implicating IP rights, many right holders for online works have a difficult time enforcing their rights when they are being infringed, particularly considering infringers operating outside of the country.

#### **Q. Thailand**

Per a Thai Royal Decree, Thailand's Electronic Transactions Development Agency (EDTA) has commenced a policy development process for digital platform regulation.<sup>65</sup> The App Association has engaged with EDTA and others in the Thai government to emphasize the need for protecting IPR on platforms.<sup>66</sup> Because regulatory interventions into digital platforms markets by the EDTA stand to inhibit some core platform functions, including those that will protect IPR in the digital economy, we urge USTR to track this development and recommend that it be reflected in the Special 301 Report as a potential means of denying adequate and effective protection of IPR, as well as a denial fair and equitable market access to U.S. small businesses who rely on IPR protections.

#### **R. Turkey**

The Law of the Protection of Competition, No. 4054, in Turkey was amended to include a new online platforms regulatory framework that aligns with concepts outlined in the EU's DMA. The regulation, however, imposes additional requires for designated companies intended to enable the interoperability of core platforms services and/or ancillary services, but stands to inhibit the ability of curated online marketplaces to enforce IPRs, which, as explained above, is a vital function small businesses in the digital economy rely upon. Because regulatory interventions into digital platforms markets by Turkey stand to inhibit some core platform functions, including those that will protect IPR in the digital economy, we urge USTR to track this development and recommend that it be reflected in the Special 301 Report as a potential means of denying adequate and effective protection of IPR, as well as a denial fair and equitable market access to U.S. small businesses who rely on IPR protections.

#### **S. United Kingdom**

In the case *Unwired Planet v. Huawei*,<sup>67</sup> the United Kingdom Supreme Court upheld an injunction prohibiting the sale of wireless telecommunications products in Britain due to a party's failure to enter a patent license for Unwired Planet's worldwide portfolio of SEPs, even though the party was willing to enter into a license for UK SEPs. The ruling also

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<sup>65</sup> See <https://www.trade.gov/market-intelligence/thailand-information-technology-digital-platforms>.

<sup>66</sup> See <https://actonline.org/wp-content/uploads/ACT-Positions-on-Digital-Platforms-and-Competition-for-Thailand-EDTA-EN.pdf>.

<sup>67</sup> See <https://www.supremecourt.uk/cases/docs/uksc-2018-0214-judgment.pdf>.

states that the plaintiff did not violate EU competition law by seeking an injunction for infringement of its UK SEPs, even though those SEPs were subject to a commitment to license on FRAND terms. Controversially, the ruling rejects antitrust liability in concluding that a SEP holder's insistence on only agreeing to a worldwide license is consistent with its FRAND obligation. If a single patent in a single jurisdiction can be used to obtain an injunction unless the alleged infringer enters a worldwide license, SEP owners will be highly incited to engage in global forum shopping, depressing the ability for American innovators like App Association members to compete abroad.

The *Unwired Planet* decision continues to present grave risks to those who rely on standards to innovate and threatens U.S. sovereignty by holding that a UK court can preempt U.S. law in mandating worldwide FRAND licensing, presenting a major barrier to trade for American small businesses in the digital economy and IoT that rely on standards to innovate and compete. The App Association strongly encourages the U.S. government to address this harmful development by including it in the Special 301 Report, within the ongoing U.S.-UK Free Trade Agreement negotiation, and through other avenues.

Additionally, in the past year, the UK courts have experienced many developments in their SEP landscape. The ongoing dispute between InterDigital and Lenovo has shed light on significant anticompetitive SEP licensing practices, where InterDigital licensed their SEPs to small entities at a supra-FRAND rate and applied volume discounts for larger entities. Since then, the dispute was appealed by Lenovo to the UK Supreme Court, challenging the Court of Appeal's decision that limitation periods do not apply in FRAND cases. The App Association submitted an amicus brief in support of this case being heard. Although the parties ultimately settled, leaving the Court of Appeal's decision as established law for now, this case remains an important reference point in UK SEP jurisprudence. This case sets harmful precedent to remove a statute of limitations period of FRAND cases.

The UK Court of Appeal also heard the dispute in *Panasonic v. Xiaomi*, where Xiaomi successfully appealed the High Court's decision not to grant an interim license to Panasonic's SEP portfolio. The Court of Appeal's judgment is noteworthy not just for its impact on the licensing dispute, but because it strongly criticized Panasonic's conduct in seeking injunctions in Germany and the UPC. The Court found that such actions were out of compliance with the ETSI IPR Policy, making this case an important reference in the ongoing debate over SEP injunctions. This decision is contrasted by *Ericsson v. Lenovo* and *Amazon v. Nokia*, where the UK High Court denied an interim license in both cases. This trend of court decisions shows a new practice by UK courts, which is likely to continue developing for SEP disputes.

The Court is also set to make a judgement in the SEP dispute between Tesla and patent pool Avanci to determine if Tesla, as the licensee, can request the court to set a rate on a SEP holder's FRAND-encumbered license. Avanci maintains its position that it does not have any liability under the FRAND commitment. This represents an ongoing claim that Avanci holds to shield its members, who have voluntarily committed to

licensing their SEPs on FRAND terms, from adhering to those obligations. The App Association, along with academic Michael Carrier, detail important admissions from Avanci that pose serious anticompetitive concerns in the piece “Avanci's Admissions Cast Doubt on Pool's Procompetitive Effects.”<sup>68</sup>

The UK Intellectual Property Office (UK IPO) separately released their report on SEPs, which includes important objectives, including addressing SME concerns within the SEP licensing landscape. What this report expressly does not include is an inquiry into injunctions as they relate to SEPs. We find this concerning since injunctions are often improperly used in this context and have a direct impact on UK SMEs. The House of Lords has discussed their concern about the IPO's decision.

In addition, the UK's Competition and Markets Authority (CMA) continues to take steps towards competition-themed mandates for digital platforms that would inhibit some core platform functions, including those that will protect IPR in the digital economy. We therefore urge USTR to track this development, recommend that it be reflected in the Special 301 Report as a potential means of denying adequate and effective protection of IPR, as well as a denial of fair and equitable market access to U.S. small businesses who rely on IPR protections.

Given the impact of the above-described developments in the UK, we strongly recommend that the Special 301 Report accurately capture and characterize the above as means of denying adequate and effective protection of IPR, as well as a denial of fair and equitable market access to U.S. small businesses who rely on IPR protections.

#### **T. Vietnam**

Vietnam continues to present challenges to App Association members with respect to IPR policies and enforcement, where inadequate frameworks and inconsistent enforcement undermine confidence. With respect to market access, Vietnam has enacted rules that impose data localization requirements and restrictions on encryption. Even more recently, Vietnam's new Cybersecurity Law, containing many of the same requirements as China's Cybersecurity Law discussed above, went into effect, further disincentivizing market entry.

The App Association therefore encourages USTR to keep Vietnam on its Priority Watch List.

### **III. Conclusion**

The App Association appreciates the opportunity to submit these comments to USTR and welcomes the opportunity to assist the Administration further.

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<sup>68</sup> See [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4945572](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4945572).

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Scarpelli', with a stylized flourish at the end.

Brian Scarpelli  
Senior Global Policy Counsel

Priya Nair  
Senior Intellectual Property Policy Counsel

ACT | The App Association  
1401 K St NW (Ste 501)  
Washington, DC 20005