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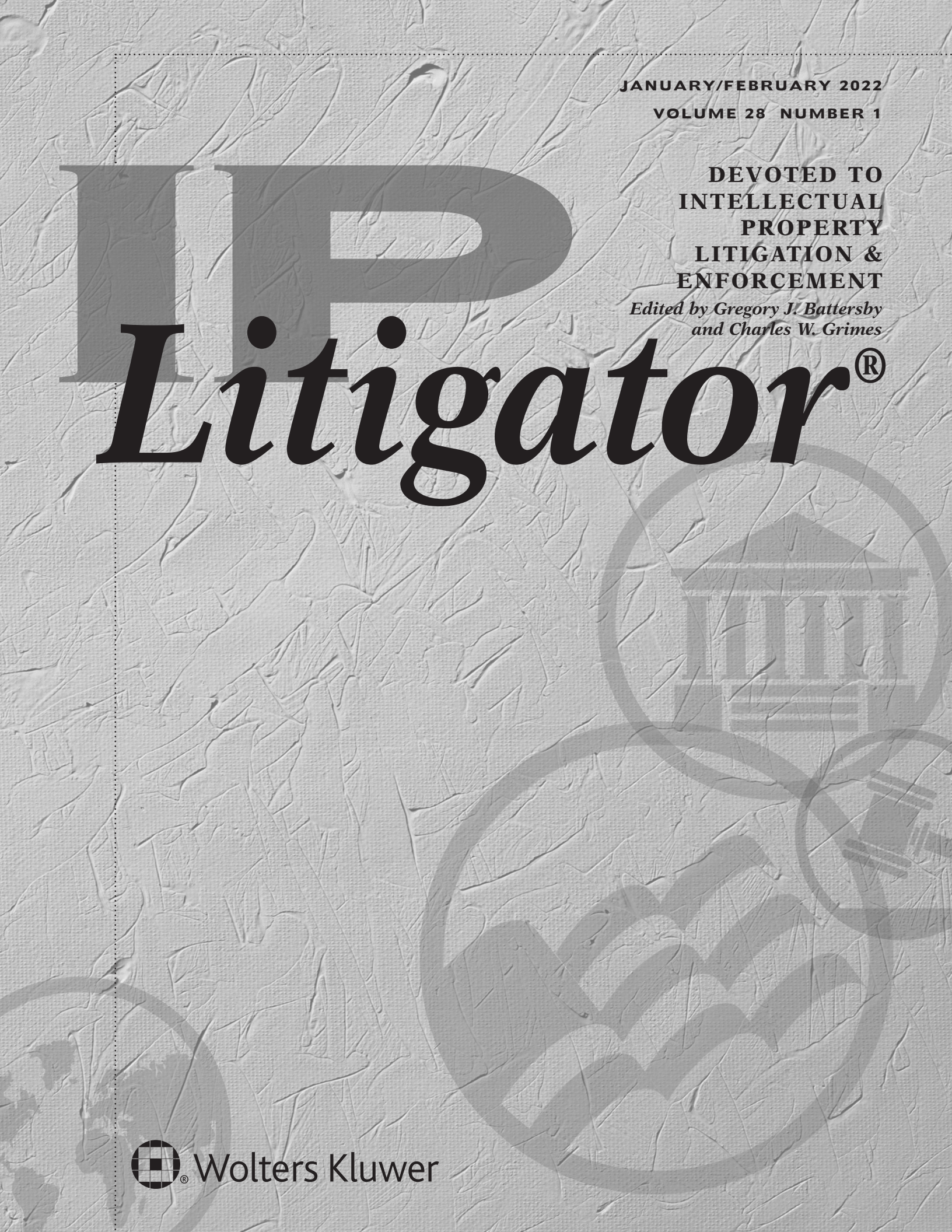

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Technology Litigation

Ralph E. Gaskins, MD

Dispute on Arbitrability Needs an Arbitrator

The U.S. Court of Appeals for the Federal Circuit found that a license agreement between two parties required an arbitrator to determine whether a dispute between the parties had to be heard by an arbitrator. *ROHM Semiconductor USA, LLC v. MaxPower Semiconductor, Inc.*, Case No. 21-1709 (Fed. Cir. Nov. 12, 2021) (O'Malley, J.)

Background of the Dispute

MaxPower owns patents directed to silicon transistor technology and licensed said patents to ROHM Japan in a technology license agreement (TLA) that contained an arbitration clause applicable to any disputes arising from or related to the TLA, including disputes regarding patent validity. A dispute arose between the parties regarding whether the patents covered certain ROHM Japan products. After MaxPower notified ROHM USA that it was initiating arbitration under the TLA, ROHM USA filed a complaint for declaratory judgment of non-infringement of four MaxPower patents in a California district court. After MaxPower filed a motion to compel arbitration, the district court granted the motion and dismissed the district court action, finding that the TLA "unmistakably delegate[s] the question of arbitrability to the arbitrator." ROHM USA appealed.

The issue on appeal rested on legal determinations concerning whether the parties agreed to arbitrate arbitrability. The Federal Circuit noted that "courts should not assume that the parties agreed to arbitrate arbitrability unless there is 'clear and unmistakable' evidence that they did so." ROHM USA argued that its TLA with MaxPower lacked clear and unmistakable evidence of an agreement to arbitrate arbitrability, and that two provisions of the California Code of Civil Procedure (CCCP) were ambiguous regarding arbitrability. The Court noted that the CCCP sections cited by ROHM were explicitly superseded by another provision of the CCCP for international commercial arbitration.

ROHM USA then challenged the international nature of the case. ROHM USA attempted to position the matter as a dispute between two domestic corporations and stated that ROHM USA was not a signatory to the TLA at issue. The Federal Circuit concluded that ROHM USA clearly was covered by, and obligated under, the TLA, because the TLA explicitly applied to all subsidiaries of ROHM Japan. The Court also noted that the present case was "merely one aspect of a sprawling international dispute" involving MaxPower, ROHM Japan and ROHM USA.

ROHM USA also argued that the meaning of "may" in the CCCP's statement that "[t]he arbitral tribunal *may* rule on its own jurisdiction" was ambiguous, but the Federal Circuit found that MaxPower's interpretation of "may" as permissive (i.e., "may, if arbitrability is disputed") made sense in the context of the TLA.

Takeaways for Tech Partnerships

In this case, the Court concluded:

> In contracts between sophisticated parties, it is fair to hold the parties to all provisions of their contract, including those incorporated by reference. To hold otherwise would deprive sophisticated parties of a powerful tool commonly used to simplify their contract negotiations—adoption of provisions established by neutral third parties. And to refuse to give effect to the plain language of the contract, both its incorporation of the CCCP and the CCCP's delegation of arbitrability to an arbitrator, would ignore a basic premise of contract law—that contracts are written legal instruments and their words are not to be ignored.

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