

No. 12-35352

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

MICROSOFT CORPORATION,

Plaintiff-Appellee,

v.

MOTOROLA, INC., MOTOROLA MOBILITY, INC., and
GENERAL INSTRUMENT CORPORATION,

Defendants-Appellants.

Appeal from the United States District Court for the Western District
of Washington in Case No. 2:10-cv-01823, Judge James L. Robart

BRIEF OF PLAINTIFF-APPELLEE

Arthur W. Harrigan, Jr.,
Christopher Wion
Shane P. Cramer
DANIELSON HARRIGAN
LEYH & TOLLEFSON LLP
999 Third Avenue
Suite 4400
Seattle, WA 98104
(206) 623-1700

David T. Pritikin
Constantine L. Trela, Jr.
Richard A. Cederoth
Robert N. Hochman
Nathaniel C. Love
SIDLEY AUSTIN LLP
One South Dearborn
Chicago, IL 60603
(312) 853-7000

Carter G. Phillips
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

T. Andrew Culbert
David E. Killough
MICROSOFT CORPORATION
1 Microsoft Way
Redmond, WA 98052
(425) 882-8080

Attorneys for Plaintiff-Appellee

RULE 26.1 CORPORATE DISCLOSURE STATEMENT

Pursuant to Fed. R. App. P. 26.1, Microsoft Corporation (“Microsoft”) certifies that Microsoft has no parent corporation and that no publicly held corporation owns 10% or more of Microsoft’s stock.

TABLE OF CONTENTS

RULE 26.1 CORPORATE DISCLOSURE STATEMENT	i
TABLE OF AUTHORITIES	v
PRELIMINARY STATEMENT	1
JURISDICTIONAL STATEMENT	2
ISSUES PRESENTED	3
STATEMENT OF THE CASE	3
STATEMENT OF FACTS	8
A. Motorola Committed To License Its Patents Worldwide On RAND Terms.	8
B. Motorola Demanded That Microsoft Pay More Than \$4 Billion In Annual Royalties For A Worldwide License For Standard-Essential Patents.	11
C. Motorola’s Later-Filed German Suit Seeks An Injunction On Motorola’s Standard-Essential Patents Inconsistent With Its RAND Commitments.	16
SUMMARY OF ARGUMENT	18
ARGUMENT	23
I. The Preliminary Injunction Fully Satisfies This Court’s Test For Anti-Suit Injunctions.	23
A. The U.S. Action Will Dispose Of The German Action Because It Will Result In A RAND License That Microsoft Has Agreed To Accept.....	24
1. Microsoft Seeks And Is Entitled To A Worldwide License To Motorola’s Standard-Essential Patents, Including Those Asserted In Germany.	26

2.	Because It Has Committed To License Its Standard-Essential Patents On RAND Terms, Motorola Cannot Obtain Injunctions On Those Patents, Including The Patents Identified In Its Demand Letters To Microsoft.....	31
B.	Motorola’s German Suit Sought To Frustrate The District Court’s Adjudication Of Microsoft’s Rights In Light Of Motorola’s RAND Commitments.....	34
1.	Motorola Conceded Its RAND License Commitments Are Enforceable Contracts And Microsoft Is A Third-Party Beneficiary.	35
2.	Motorola’s RAND License Commitments Are Worldwide And Its Demand Letters Explicitly Offered A Worldwide License To Its Standard-Essential Patents.....	36
3.	The District Court Did Not Abuse Its Discretion By Preserving Its Jurisdiction To Resolve The Issues Presented By Microsoft’s Complaint, Including Microsoft’s Entitlement To A RAND License To The Asserted German Patents.	38
C.	Comity Counsels In Favor Of Granting Relief.	42
1.	The Impact On Comity Is “Tolerable.”.....	42
2.	Any Comity Concerns Arise Only From Motorola’s Attempt To Frustrate The District Court’s Jurisdiction With A Later-Filed Foreign Suit.....	43
3.	The District Court’s Limited Preliminary Injunction Only Prevents Motorola From Enforcing A German Injunction And Does Not Otherwise Impede Its German Suit Or Interfere with German Courts.	47
II.	The District Court Properly Found That All Traditional Preliminary Injunction Factors Weigh In Favor of Granting Microsoft Relief.....	52

A.	Microsoft Faced Irreparable Harm From Motorola’s Enforcement of a German Injunction Inconsistent With RAND License Obligations.	54
1.	Standards-Adopters Should Not Be Forced To Negotiate RAND Terms Under Threat Of An Injunction.	55
2.	Standards-Adopters Should Not Be Forced To Accept License Terms At The Outer Limit Of Foreign Antitrust Law Where A Patentee Committed To License On RAND Terms.	56
3.	There Has Been No “Delay” that Undercuts The Finding Of Likely Irreparable Harm.	59
B.	The Balance of Equities Weighs Heavily In Microsoft’s Favor.	62
C.	The Public Interest Weighs Heavily In Favor Of Enforcement of RAND License Commitments.	63
1.	Motorola’s Balkanized License Scheme Would Undermine The Standards Process.	66
2.	Motorola’s Position That RAND License Commitments Are Unenforceable By Courts Would Wholly Undermine The Standards Process.	67
	CONCLUSION	70
	REQUEST FOR ORAL ARGUMENT.....	71
	STATEMENT OF RELATED CASES	72
	CERTIFICATE OF COMPLIANCE WITH FRAP 32(A)(7)(C) & CIRCUIT RULE 32-1	73
	CERTIFICATE OF SERVICE.....	74

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Allendale Mut. Ins. Co. v. Bull Data Sys., Inc.</i> , 10 F.3d 425 (7th Cir. 1993).....	42
<i>Alliance For The Wild Rockies v. Cottrell</i> , 632 F.3d 1127 (9th Cir. 2011).....	53
<i>Allied Tube & Conduit Corp. v. Indian Head, Inc.</i> , 486 U.S. 492 (1988).....	9, 10
<i>Apple, Inc. v. Motorola, Inc.</i> , No. 1:11-cv-08540, Opinion and Order (Dkt. No. 1038) (N.D. Ill. June 22, 2012)	32, 33, 65
<i>Apple, Inc. v. Pystar Corp.</i> , 673 F. Supp. 2d 943 (N.D. Cal. 2009).....	55
<i>Applied Medical Distribution Corp. v. Surgical Co., BV</i> , 587 F.3d 909 (9th Cir. 2009).....	23, 24, 25, 42, 43, 45, 53
<i>Arley v. United Pac. Ins. Co.</i> , 379 F.2d 183 (9th Cir. 1967).....	27
<i>Broadcom Corp. v. Qualcomm, Inc.</i> , 501 F.3d 297 (3d Cir. 2007)	10, 56, 64, 65
<i>Cape Flattery Ltd. v. Titan Maritime, LLC</i> , 647 F.3d 914 (9th Cir. 2011).....	50
<i>Certified Restoration Dry Cleaning Network, LLC v. Tenke Corp.</i> , 511 F.3d 535 (6th Cir. 2007).....	66
<i>Chalk v. District Court</i> , 840 F.2d 701 (9th Cir. 1988).....	52
<i>Chateau des Charmes Wines Ltd. v. Sabate USA Inc.</i> , 328 F.3d 528 (9th Cir. 2003).....	50

Conceptus, Inc. v. Hologic, Inc.,
 No. C 09–02280 WHA, 2012 WL 44064 (N.D. Cal. Jan. 9, 2012) 54

E. & J. Gallo Winery v. Andina Licores S.A.,
 446 F.3d 984 (9th Cir. 2006)..... 23, 24, 39, 42, 53

eBay Inc. v. MercExchange, LLC,
 547 U.S. 388 (2006) 62

Fortis Benefits v. Cantu,
 234 S.W.3d 642 (Tex. 2007) 34

Hedges v. Dixon County,
 150 U.S. 182 (1893) 34

Holt Civic Club v. City of Tuscaloosa,
 439 U.S. 60 (1978) 27

Kaepa, Inc. v. Achilles Corp.,
 76 F.3d 624 (5th Cir. 1996)..... 42

*Karaha Bodas Co., L.L.C. v. Perusahaan Pertambangan Minyak
 Dan Gas Bumi Negara*,
 500 F.3d 111 (2d Cir. 2007) 46

Laker Airways Ltd. v. Sabena Belgian World Airlines,
 731 F.2d 909 (D.C. Cir. 1984) 45, 46

Lucent Techs. Inc. v. Gateway, Inc.,
 580 F.3d 1301 (Fed. Cir. 2009) 13, 14

Marx v. Loral Corp.,
 87 F.3d 1049 (9th Cir. 1996)..... 30, 67

Medtronic, Inc. v. Catalyst Research Corp.,
 518 F. Supp. 946 (D. Minn. 1981) 46, 47, 51

Oberto Sausage Co. v. JBS S.A.,
 No. C 10–2033 RSL, 2011 WL 939615 (W.D. Wash. Mar. 11,
 2011) 54

<i>Prime Start Ltd. v. Maher Forest Products, Ltd.</i> , 442 F. Supp. 2d 1113 (W.D. Wash. 2006)	50
<i>Quaak v. Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren</i> , 361 F.3d 11 (1st Cir. 2004)	46
<i>Rent-a-Center, Inc. v. Canyon Television & Appliance Rental, Inc.</i> , 944 F.2d 597 (9th Cir. 1991).....	54
<i>Research in Motion Ltd. v. Motorola, Inc.</i> , 644 F. Supp. 2d 788 (N.D. Tex. 2008)	56, 65
<i>Rite-Hite Corp. v. Kelley Co.</i> , 56 F.3d 1538 (Fed. Cir. 1995)	13
<i>Small v. Avanti Health Systems, LLC</i> , 661 F.3d 1180 (9th Cir. 2011).....	59
<i>Stuhlberg Int’l Sales Co. v. John D. Brush & Co.</i> , 240 F.3d 832 (9th Cir. 2001).....	54
<i>Textile Unlimited, Inc. v. A. BMH and Co. Inc.</i> , 240 F.3d 781 (9th Cir. 2001).....	52
<i>Triton Container, Int’l Ltd. v. Di Gregorio Navagacao LTDA</i> , 440 F.3d 1137 (9th Cir. 2006).....	24
<i>Uniloc USA Inc. v. Microsoft Corp.</i> , 632 F.3d 1292 (Fed. Cir. 2011)	13
<i>Winter v. NRDC</i> , 555 U.S. 7 (2008)	52
STATUTES	
28 U.S.C. § 1292(a)(1).....	3
28 U.S.C. § 1332.....	2
OTHER AUTHORITIES	
Pomeroy, <i>Equity Jurisprudence</i> (4th ed. 1918)	34

PRELIMINARY STATEMENT

Motorola made binding contractual commitments to license its standard-essential patents on reasonable and nondiscriminatory (“RAND”) terms. It made those commitments to induce two international standard-setting bodies to include Motorola’s patented technology in worldwide technical standards. Microsoft, all agree, is a third-party beneficiary of those contractual commitments and is therefore entitled to such RAND licenses. Nevertheless, Motorola has steadfastly refused to provide those licenses, instead making outrageous demands, including seeking annual royalties of more than \$4 billion for worldwide licenses to two sets of Motorola standard-essential patents.

Faced with Motorola’s decidedly non-RAND demands, Microsoft filed suit in the district court to obtain the worldwide RAND licenses Motorola is contractually committed to provide. Months after Microsoft sought that relief, Motorola selected two of the dozens of patents that were the subject of its demands and filed suit in Germany seeking to block Microsoft from offering standard-compliant products there. The district court entered a preliminary injunction limited to barring Motorola from enforcing any injunction on those patents in Germany.

The district court properly preserved its jurisdiction to interpret and apply Motorola's worldwide license commitments, as squarely presented by Microsoft's complaint. The district court's order, which is fully consistent with this Court's precedents, should be affirmed.

JURISDICTIONAL STATEMENT

The district court has jurisdiction over this action under 28 U.S.C. § 1332, because the amount in controversy exceeds \$75,000 and the plaintiff and defendants are citizens of different states; plaintiff Microsoft Corporation is a Washington corporation with its principal place of business in Washington, and defendants Motorola, Inc., Motorola Mobility, Inc., and General Instrument Corporation (collectively, "Motorola") are Delaware corporations with their principal places of business in Illinois, Illinois, and Pennsylvania, respectively. The district court entered a temporary restraining order on April 12, 2012. On May 2, 2012, Motorola filed a notice of appeal characterizing the temporary restraining order as a preliminary injunction. On May 14, 2012, the district court converted its temporary restraining order into a preliminary injunction. Motorola filed an amended notice of appeal on May 16, 2012. Therefore, whether or not Motorola's

characterization of the district court's April 12, 2012 order is correct, this Court has jurisdiction under 28 U.S.C. § 1292(a)(1).

ISSUES PRESENTED

1. Did the district court act within its discretion by granting a limited, targeted, "anti-suit" injunction to preserve its jurisdiction to decide the case before it?
2. Did the district court act within its discretion in finding that the likelihood of irreparable harm, the balance of hardships, and the public interest weigh in favor of preliminary injunctive relief?

STATEMENT OF THE CASE

In October 2010, Motorola sent two letters to Microsoft, demanding more than \$4 billion in annual royalties for two sets of patents Motorola claimed were essential to two industry standards: 802.11 (a wireless networking standard used by, for example, laptop computers) and H.264 (a standard for encoding and decoding certain types of streaming video). Excerpts of Record ("ER") 375–96, 398–421; Supplemental Excerpts of Record ("SER") 21–22. Motorola had participated in the creation of these industry standards, and as part of that process, had committed to license its standard-essential patents on reasonable and non-discriminatory (RAND) terms. ER 4–6.

On November 9, 2010, Microsoft filed suit against Motorola in the Western District of Washington. ER 7, 471–93. Microsoft’s complaint alleged that Motorola had breached its contractual commitments to license its standard-essential patents on RAND terms. ER 471–72. The complaint sought a declaration that Microsoft was entitled to a license on RAND terms, asked the district court to determine the RAND terms for such a license, and requested an injunction barring Motorola from engaging in further conduct inconsistent with its RAND license obligations.¹ ER 474–75, 492.

Eight months later, on July 6 and 7, 2011, Motorola filed patent infringement suits in Germany asserting two of the approximately 50 standard-essential patents that had been included in its October 2010 letters and were subject to Motorola’s worldwide RAND license commitments. ER 9, 335. Motorola sought an injunction that would exclude Microsoft products (including the Windows operating system and the Xbox video game console) from the German market. *Id.*

¹ Microsoft amended its complaint on February 23, 2011. ER 434–61. Microsoft’s amended complaint made clear that conduct inconsistent with Motorola’s RAND license obligations included Motorola seeking injunctions on standard-essential patents. ER 457–58.

Although Motorola asserts that Microsoft waited too long before challenging Motorola's pursuit of injunctive relief in Germany (Opening Brief of Defendants-Appellants ("Br.") 9), Microsoft in fact brought the German suit to the district court's attention in its motion for summary judgment filed on August 18, 2011, only a month after Motorola filed the German action. SER 232. In that motion, Microsoft urged the district court to rule promptly and prevent Motorola from using the German suit to circumvent the RAND license obligations Microsoft had asked the district court to enforce. *Id.*

As the German case progressed, the district court still had under consideration Microsoft's motions for summary judgment of breach of contract and summary judgment that Motorola was not entitled to injunctive relief in light of its RAND license commitments and demand letters. ER 15; *see* ER 546 (Dkt. No. 237); ER 535 (Dkt. No. 141).

Although the district court issued a partial ruling on Microsoft's summary judgment motion on February 27, 2012, ruling that Motorola's RAND license commitments are binding contracts, and that Microsoft is a third-party beneficiary entitled to enforce them, SER 215, the questions of Motorola's breach and entitlement to injunctions remained

unresolved. Microsoft therefore sought assurances that Motorola would not seek to enforce any injunction it obtained in Germany until the district court had resolved the disputes before it; Microsoft also offered to post a \$300 million bond in the district court to ensure that Motorola would be able to recover any RAND royalty damages found to be due. SER 195. Motorola flatly refused, SER 197–98, leaving Microsoft with no choice but to seek preliminary injunctive relief from the district court.

Following full briefing and oral argument, on April 12, 2012, the district court granted a temporary restraining order barring Motorola from taking action to enforce any injunction it might receive in Germany; the order was set to expire with the court's resolution of Microsoft's motion for partial summary judgment of breach of contract. ER 42–43. On May 2, 2012, the German court issued a ruling giving Motorola the option to enforce an injunction against Microsoft's standards-compliant products in Germany. ER 18, 235–71. On that same day, Motorola filed a notice of appeal from the district court's April 12 Order. ER 272–73.

On May 7, 2012, the district court heard argument on Microsoft’s second motion for summary judgment of breach of contract, its motion that Motorola was not entitled to injunctive relief on its RAND-committed patents, and Motorola’s motion seeking summary judgment that Microsoft had “repudiated” its rights to a RAND license by filing suit to enforce the RAND contract. ER 50–156. On May 14, 2012, the district court converted its temporary restraining order into a preliminary injunction barring Motorola from enforcing its German injunction, until the district court determines “whether injunctive relief is an appropriate remedy for Motorola to seek with respect to Microsoft’s alleged infringement of Motorola’s standard essential patents.” ER 25. On May 16, 2012, Motorola filed an amended notice of appeal. ER 45–49.

Subsequently, the district court issued an additional summary judgment order rejecting Motorola’s argument that Microsoft had “repudiated” its rights to a RAND license—the only argument Motorola has advanced as to why Microsoft is not entitled to a worldwide RAND

license. SER 16–21.² The district court also denied Microsoft summary judgment on its breach of contract claim, finding that issues of fact remain concerning whether Motorola’s demand letters were sent in bad faith. SER 27–28. A trial is scheduled for November 13, 2012, at which time the district court will determine the RAND royalty for a worldwide license Motorola must provide Microsoft for Motorola’s 802.11 and H.264 standard-essential patents. SER 20, 277 (Dkt. No. 346).

STATEMENT OF FACTS

A. Motorola Committed To License Its Patents Worldwide On RAND Terms.

For many years, Motorola has been an active participant in various standard-setting organizations (“SSOs”). ER 2. Motorola convinced many of those SSOs to include in their standards technical approaches covered by Motorola patents. ER 3. By doing so, Motorola secured wide adoption of its technology and reduced the risk that its technology would, like much technology in this area, quickly become obsolete. At the same time, Motorola effectively bound those who

² The district court interpreted the contracts under Washington law, SER 11, 17, which Motorola agreed should apply, ER 69, 83–84.

wished to implement the industry standards to use—and thereby infringe—Motorola’s standard-essential patents.

Standardization of technology provides enormous benefits to consumers and competitive markets, but “private standard-setting associations have traditionally been objects of antitrust scrutiny,” because at root, standardization typically comprises both horizontal and vertical agreements to fix the technology that is available to consumers. *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 500 (1988). That necessarily excludes alternatives that would exist the absence of the standard, but the value to consumers of standardized technology and the resulting interoperability is deemed to outweigh these evils. *Id.* at 500–01. Standardization also creates a risk that owners of standard-essential patents will “hold up” or extort companies that invest in implementing the standard, extracting royalties far in excess of the value of their patents. SER 4, 201.

To avoid this danger and antitrust scrutiny, SSOs require participants in the standard-setting process, like Motorola, to follow specific licensing policies. Those licensing policies typically require participants to agree that any standard-essential patents they own will

be made available on reasonable and nondiscriminatory terms to all those who use the standard in their products. ER 4–5. “[M]eaningful safeguards” against abuse, including RAND commitments, are the basis for the antitrust exemptions under which SSO standard-setting processes operate. *Broadcom Corp. v. Qualcomm, Inc.*, 501 F.3d 297, 309–10, 313–14 (3d Cir. 2007) (violation of RAND license commitment “is actionable anticompetitive conduct”); *see Allied Tube*, 486 U.S. at 501 (“When, however, private associations promulgate [standards] . . . through procedures that prevent the standard-setting process from being biased by members with economic interests in stifling product competition, those private standards can have significant procompetitive advantages.”) (citation omitted).

Motorola agreed to RAND licensing policies for the standard-essential patents at issue here, and, as the district court held, Motorola thereby undertook “binding contractual commitments to license its essential patents on RAND terms.” SER 208; *see* ER 6. Motorola has conceded that Microsoft is a third-party beneficiary of these binding contracts. SER 68–69, 208. Motorola also has conceded that a demand

for “blatantly unreasonable” licensing terms breaches its contractual commitments. SER 213.

B. Motorola Demanded That Microsoft Pay More Than \$4 Billion In Annual Royalties For A Worldwide License For Standard-Essential Patents.

In October 2010, Microsoft filed a complaint against Motorola in the International Trade Commission alleging infringement of nine Microsoft patents. SER 44. None of the asserted Microsoft patents has anything to do with the video coding or radio transmission technology covered by the H.264 or 802.11 standards at issue here. Nevertheless, in retaliation, Motorola later that month sent Microsoft two demand letters alleging that Microsoft products were infringing two groups of standard-essential Motorola patents—one directed to a standardized method of playing video (the “H.264” video standard) and the other directed to a standard for wireless communications (the “802.11” WiFi standard). ER 375–96, 398–421.³ The letters identified both U.S. and foreign patents, and offered (as Motorola concedes) a single worldwide license. *Id.*

³ Motorola’s patents represent only a small portion of the patents essential to the two standards. For example, more than 2,300 patents are declared essential to the H.264 standard, and Motorola owns only approximately 50 of them. SER 97–188; ER 398–421.

Motorola's letters were not bona fide offers, but ultimatums designed to set the stage for Motorola to file infringement lawsuits against Microsoft on standard-essential patents that Motorola was contractually obligated to license on RAND terms. SER 59–61 (“[T]he evidence supports Microsoft’s conclusion that Motorola was not interested in good faith negotiations.”). The letters accordingly made blatantly unreasonable demands that Microsoft could not possibly accept. Motorola demanded royalties of 2.25% of the price of end-user products (Xbox electronic gaming consoles and computers running Windows) that incorporate the standard technologies. ER 375, 398. But Motorola’s patents have nothing to do with the entire value of these products. The Xbox console is used to play video games, and a single chip provides the option of 802.11 WiFi capability for playing some games online; Motorola’s patents have nothing to do with video games and concern only a fraction of the capabilities of that chip—not its hardware, and certainly not the *entire* industry standard it uses. And Motorola’s H.264 patents cover only a portion of the H.264 video standard, a capability that is but one tiny aspect of Windows software

which, in turn, is but one component of the wide variety of computers upon which Motorola sought to base its unvarying percentage royalty.

Motorola’s demand that its royalty should be based on the prices of end-products—where its technological contribution is so attenuated and where the prices of end-products vary for scores of reasons unrelated to any such contribution—contradicts fundamental principles that govern the determination of a “reasonable” royalty in patent law. In the litigation context, the Court of Appeals for the Federal Circuit has explained that a patentee may “assess damages based on the entire market value of the accused product only where the patented feature creates the ‘basis for customer demand’ or ‘substantially create[s] the value of the component parts.’” *Uniloc USA Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1318 (Fed. Cir. 2011), quoting *Lucent Techs. Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336 (Fed. Cir. 2009), and *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1549–50 (Fed. Cir. 1995). The purpose of this “entire market value rule” is to prevent a patentee—even a patentee who, unlike Motorola, has actually proven infringement and established that its patent is valid—from capturing as a royalty the value of unpatented features in a multi-faceted product that incorporates some patented

technology, *unless* that patented technology is actually the basis for customer demand for the entire product. *See Lucent*, 580 F.3d at 1337 (rejecting use of the sale price of software as a royalty base where the patented feature was “a very small component of a much larger software program” and “[t]he vast majority of the features, when used, [did] not infringe”).

Even ignoring the fact that Motorola had committed to license its patents on RAND terms, Motorola made a royalty demand that it knew, as a matter of established patent law, vastly exceeded what it ever could have obtained by suing for patent infringement and winning. Motorola knew that H.264 capabilities (especially those capabilities claimed by Motorola’s patents) were a very small component of Windows and Xbox. But Motorola went even further as to Windows, demanding a royalty untethered not only to the features of H.264 covered by the patents, to H.264 as a whole, or even to Windows itself, but based on the *entire value of the computers on which Windows would run*. Likewise, Motorola’s royalty demand for its 802.11 standard-essential patents, even when applied to the least-expensive Xbox, was more than the market price of the entire 802.11 chip used in the Xbox.

See SER 55, 60, 225. Thus, even if the entire chip were regarded as a legally-plausible royalty base, Motorola demanded a royalty of more than 100%.

In total, for its H.264 and 802.11 patents Motorola demanded royalty payments from Microsoft of more than \$4 billion per year, SER 21–22, an amount that dwarfs the annual royalties Motorola receives from *all* other licensees for *all* of its patents—not just those at issue here. SER 291. Moreover, Motorola also demanded that Microsoft “grant back” to Motorola a royalty-free license to all of Microsoft’s own standard-essential patents. ER 375, 398. Motorola demanded that Microsoft accept or reject the “offers” within 20 days. *Id.*

Motorola’s demands were so outlandish that no rational company could have accepted them or even viewed them as legitimate offers. SER 59. For its 50 designated H.264 patents, for example, Motorola sought \$4 billion in annual royalties from Microsoft, while the 29 companies with 2,339 standard-essential patents in the H.264 patent pool, as a group, would receive only \$6.5 million based on the same unit sales of Microsoft Windows and Xbox. SER 97–188, 190–93; ER 398–421. This was not a mere negotiating tactic: Motorola expected and

wanted Microsoft to reject its demands, so that Motorola would have a pretext to sue Microsoft, notwithstanding Motorola's contractual obligation to license. SER 59–61.⁴

Faced with these illusory offers and the threat of an infringement suit, Microsoft filed this breach of contract action in the Western District of Washington to enforce Motorola's RAND license commitments and to obtain the worldwide RAND license that Motorola had contracted to provide. As has been repeatedly confirmed to the district court, Microsoft's complaint seeks, and Microsoft is committed to taking, a RAND license on terms determined by the court. ER 16; SER 19–20.

C. Motorola's Later-Filed German Suit Seeks An Injunction On Motorola's Standard-Essential Patents Inconsistent With Its RAND Commitments.

Having failed to provide a RAND license, Motorola then sought to use Microsoft's lack of a license to obtain injunctions against Windows

⁴ Motorola characterizes its October 2010 demand letters as having offered "standard terms," but in fact Motorola's 2.25% royalty demand was the offer it directed to makers of cell phone handsets and cellular base stations for access to Motorola patents essential to cell phone standards. *See* SER 58–59. Motorola's letters to Microsoft sought this rate on products for which the standard technology concerns an insignificant feature inessential to the basic operation of the product.

and Xbox as leverage to force Microsoft to accept a license on terms that are decidedly *not* RAND. To implement its strategy, despite the fact that this lawsuit was already pending, Motorola launched parallel proceedings to circumvent Microsoft's right to a RAND license and to undermine the district court's authority to enforce that right.

Motorola first filed a complaint in the International Trade Commission on November 22, 2010, seeking an exclusion order directed to Microsoft's Xbox game console, even though Motorola does not participate in the electronic game console market. SER 37–39, 45.

That proceeding, however, would produce an exclusion order, if at all, no earlier than Fall 2012 so, eight months later, Motorola filed actions in Germany seeking to exclude both Xbox and Microsoft's Windows operating system from the German market based on two of the standard-essential H.264 patents at issue in this case. ER 9, 335.

Motorola brought these cases as an end-run around the district court proceedings specifically to obtain the leverage of an order excluding Microsoft products from major markets before the district court could decide this case and grant the relief—a worldwide license on RAND terms—Microsoft is seeking in this case.

SUMMARY OF ARGUMENT

The district court entered a preliminary injunction narrowly tailored to preserve its ability to decide a case properly within its jurisdiction. The district court has already held that Microsoft is entitled to a worldwide license to Motorola's standard-essential patents—including the two patents at issue in Germany—on RAND terms. What those RAND terms should be is a question squarely presented in this case, and its resolution at the scheduled trial in November 2012 will result in Microsoft having a worldwide license. The injunction Motorola seeks to enforce in Germany is fundamentally inconsistent with the binding contractual commitments at issue here and, as the district court recognized, it would undermine the court's ability to grant appropriate relief by forcing Microsoft to abandon its right to a RAND license in the face of the threat of exclusion of key products from a vital market. The district court's order prevents this, and it does so by awarding the minimum relief necessary to preserve the court's ability to meaningfully decide this case while neither interfering with the operations of a foreign court nor restricting Motorola's pursuit of other relief in Germany or in other jurisdictions.

The district court's decision was comfortably within its discretion, whether viewed as an "anti-suit" injunction or a traditional preliminary injunction. The district court found that this case will dispose of Motorola's later-filed German action (but limited its injunction to the injunctive relief component of that action), that Motorola's pursuit of injunctive relief in Germany frustrates policies of this jurisdiction and raises concerns of vexatious litigation and inconsistent judgments, and that any impact on comity is certainly "tolerable." The district court further found that Microsoft made a strong showing of irreparable harm, and that both the balance of hardships and the public interest favor granting preliminary relief. The preliminary injunction should be affirmed.

This suit will dispose of Motorola's end-run German action for two clear and independent reasons. First, Microsoft has committed to take, and is entitled to, a worldwide license to Motorola's standard-essential patents, including those asserted in Germany. The district court's ruling in the November trial will entirely dispose of any issue of infringement in Germany—indeed, anywhere in the world—by establishing terms for the worldwide RAND license that Motorola must

offer and that Microsoft will accept. Second, because Motorola committed to license its standard-essential patents worldwide on RAND terms to all who adopt those standards, Motorola cannot obtain injunctions on those patents, and certainly not against parties like Microsoft who seek and are committed to accepting a RAND license.

From its inception, Motorola's German suit sought to frustrate the district court's ability to determine the consequences of Motorola's RAND license commitments. Motorola has conceded that its RAND commitments are enforceable contracts to which Microsoft is a third-party beneficiary. Motorola's RAND commitments are worldwide in scope, and its demand letters to Microsoft explicitly offered a worldwide license. In light of the scope of the contracts and conduct before it, the district court clearly did not abuse its discretion by preserving its jurisdiction to resolve the worldwide license issues presented by Microsoft's complaint, including Microsoft's entitlement to a RAND license that includes the asserted German patents and to injunctive relief barring Motorola from further action inconsistent with its contractual obligations.

As carefully limited by the district court, the preliminary injunction has no adverse impact on comity—in fact, comity counsels in favor of the injunction. As the district court recognized, any comity concerns arise only because Motorola attempted to undermine the district court’s jurisdiction with a later-filed foreign suit. Moreover, the district court’s preliminary injunction prevents Motorola only from enforcing its injunction in Germany but does not otherwise impede its German suit or interfere in any way with the actions or proceedings of the German court.

The district court also properly found that all traditional preliminary injunction factors weigh in favor of the preliminary injunction. Microsoft faced irreparable harm if Motorola were permitted to enforce an injunction in Germany inconsistent with its RAND license obligations. The district court recognized that a party in Microsoft’s position should not be forced to negotiate under threat of an injunction, nor be forced to accept license terms at the outer limit of foreign antitrust law. The district court found the balance of equities tilted decidedly in Microsoft’s favor, with no appreciable threat of harm

to Motorola whatsoever, especially in light of the \$100 million bond the district court ordered Microsoft to post.

Finally, the district court recognized that the public interest weighs heavily in favor of meaningful enforcement of RAND license commitments. Motorola's proposed balkanized RAND scheme—where Motorola is free to sue jurisdiction-by-jurisdiction, patent-by-patent, obtaining whatever relief it can in each jurisdiction, with no one jurisdiction having the authority to hold Motorola accountable on its contractual commitment to provide worldwide RAND licenses—would wholly undermine the standard-setting process. Motorola's approach would allow it to use each standard-essential patent and each jurisdiction as a separate opportunity to hold up standards-adopters with the threat of an injunction—where only one such suit needs to succeed for Motorola to extract monopoly value. Motorola's newly-concocted theory that RAND commitments essentially are unenforceable by courts would effectively negate the licensing policies that lie at the heart of the standards process—depriving consumers of the substantial benefits provided by standard-compliant products, and leaving Motorola free to extort monopoly royalties from producers that

have incorporated standardized technologies into their products on the understanding that they are protected by the fundamental RAND licensing commitment.

The district court acted well within its discretion to enter a narrow preliminary injunction that temporarily preserves the status quo between Microsoft and Motorola, allowing the district court to adjudicate the issues properly presented in this case. The preliminary injunction should be affirmed.

ARGUMENT

I. The Preliminary Injunction Fully Satisfies This Court's Test For Anti-Suit Injunctions.

The district court's decision to enter a preliminary injunction barring Motorola from enforcing a German injunction carefully followed this Court's precedents concerning "anti-suit" injunctions.⁵ *See Applied Medical Distribution Corp. v. Surgical Co., BV*, 587 F.3d 909 (9th Cir. 2009); *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984 (9th Cir. 2006). The district court correctly applied the anti-suit injunction

⁵ Because the district court was uncertain concerning the role of the traditional preliminary injunction factors in analyzing the relief Microsoft sought, ER 12, the court also assessed the traditional preliminary injunction factors and found that they likewise weigh in favor of preliminary relief. ER 21–25; *see* Section II, *infra*.

standard, and acted well within its discretion in finding that it could restrain Motorola from proceeding with enforcement of its German injunction because (1) the action below can (indeed, will) dispose of the issues in Germany; (2) equitable factors—including the frustration of policies of the forum and concerns with vexatious litigation and inconsistent judgments—weigh in favor of relief; and (3) the impact on comity is certainly tolerable. ER 12; *see Applied Medical*, 587 F.3d at 915; *Gallo*, 446 F.3d at 990. Where, as here, these conditions are satisfied, this Court has repeatedly held that injunctive relief is required and certainly warranted. *See Applied Medical*, 587 F.3d at 921; *Gallo*, 446 F.3d at 996; *Triton Container, Int’l Ltd. v. Di Gregorio Navagacao LTDA*, 440 F.3d 1137 (9th Cir. 2006).

A. The U.S. Action Will Dispose Of The German Action Because It Will Result In A RAND License That Microsoft Has Agreed To Accept.

Motorola does not seriously dispute, and indeed effectively concedes, that if Microsoft obtains a worldwide RAND license to Motorola's standard-essential patents in this action, that relief will dispose of the German action. *See, e.g.*, Br. 30 (“Unless and until Microsoft does so [seeks a RAND license in this action], there is no

prospect that the proceedings below can resolve the ongoing infringement at issue in Germany.”). Motorola therefore argues that Microsoft does not seek that relief here. As the district court found, that is plainly incorrect.

This suit will produce a worldwide RAND license to Microsoft and bar injunctive relief for Motorola—both are outcomes that completely dispose of Motorola’s German injunction. The district court properly found that both “the question of a determination of the worldwide RAND . . . rate for Motorola’s standard essential patents,” ER 38, and the “[i]ssuance of injunctive relief with respect to the European Patents,” ER 17, are properly before it. While it is certainly true that this case and Motorola’s German suits have some differences, those are beside the point. *See Applied Medical*, 587 F.3d at 915 (reversing district court’s denial of anti-suit injunction where “the district court focused too narrowly on the fact that ‘not all of the issues are *identical*’”). What matters is that this action will dispose of the German action, because this action concerns whether Motorola can obtain an injunction on *any* of its H.264 and 802.11 RAND-committed patents,

and Motorola seeks to enforce an injunction in Germany based on *two* of those H.264 RAND-committed patents.

Motorola's RAND license commitments and its demands of Microsoft establish that Motorola is not entitled to injunctive relief on the patents that are the subject of those demands, including the German patents. And, more broadly, Microsoft's entitlement to a worldwide RAND license—a license that it has committed to accept—completely disposes of Motorola's assertion of its standard-essential patents anywhere, including in Germany, because Microsoft's products will, at the conclusion of this action, be licensed.

1. Microsoft Seeks And Is Entitled To A Worldwide License To Motorola's Standard-Essential Patents, Including Those Asserted In Germany.

Microsoft's complaint unequivocally seeks to enforce Motorola's contractual RAND license commitments and to vindicate Microsoft's right to a worldwide license on RAND terms and right to be free from Motorola's attempts to enforce standard-essential patents in breach of its contract. Microsoft's complaint seeks a “[d]ecree that Microsoft is entitled to license from” Motorola its standard-essential patents “on a non-discriminatory basis on reasonable terms and conditions.” ER 458,

492. And the complaint seeks “a judicial accounting of what constitutes a royalty rate in all respects consistent with Motorola’s promises.” ER 437, 474–75. Microsoft has, from the outset, sought a license, not merely retrospective relief, as Motorola baselessly argues. *See* Br. 30.

Moreover, the district court recognized that Microsoft has repeatedly made clear that it seeks a RAND license from Motorola and will pay for one on terms established in this suit. ER 16 n. 12; *see* SER 90. The trial that the district court has scheduled to determine RAND terms, ER 16, is entirely appropriate in view of Microsoft’s complaint and the course of the litigation. *See Arley v. United Pac. Ins. Co.*, 379 F.2d 183, 187 (9th Cir. 1967) (citing Fed. R. Civ. P. 54(c) and holding that any limitation in relief prayed for in a complaint “did not impair the [district] court’s power, indeed its duty, to render such judgment as on the entire record the law required to finally determine the litigation”). *See also Holt Civic Club v. City of Tuscaloosa*, 439 U.S. 60, 66 (1978) (“[A] meritorious claim will not be rejected for want of a prayer for appropriate relief.”).⁶ The district court has made clear it

⁶ Motorola’s suggestion that Microsoft amend its complaint (Br. 30) is both wrong and revealing. It is wrong because no amendment is necessary in light of the complaint’s content, including the prayer for

intends to hold Microsoft to its commitment to take a license—meaning that once the RAND royalty is determined at trial, Motorola will be obligated to provide a license at the RAND royalty set by the court, and Microsoft, which has committed to take such a license, will be obligated to do so. ER 16; SER 20.

Further, both prior to the hearing on the preliminary injunction⁷ and at the hearing itself, Motorola conceded that the district court has jurisdiction to determine worldwide RAND license terms. Motorola affirmed that, in its view, the district court has jurisdiction to adjudicate the worldwide scope of the terms of Motorola’s RAND commitments:

[THE COURT:] It seems to me that those facts strongly imply that I have jurisdiction to adjudicate the terms of the

relief, and the course of the litigation. It is revealing because it shows that Motorola cannot claim to be surprised about the relief Microsoft is seeking. Any amendment would be *pro forma* because all parties and the district court are crystal clear concerning the issues to be tried.

⁷ In response to Motorola’s suggestion that a trial determining a RAND royalty would be inappropriate, the district court stated: “You aren’t getting any traction on the, ‘I haven’t been asked to set a RAND rate.’ I mean, you stood at that very podium and told me that you needed to do more discovery to set the RAND rate, and because you wanted to put in all these contracts you had gotten in for RAND rates. So that argument is just not going to make it, so know that.” ER 299.

ITU agreement on a worldwide basis. And you've just said, quite passionately, "Judge, no, that's just not right."

MR. JENNER: I'm saying Your Honor does have jurisdiction to deal with that.

ER 316. Motorola specifically confirmed that the district court's jurisdiction extended to the determination of worldwide RAND terms for a license from Motorola to Microsoft—explicitly including Germany:

And to the extent Your Honor finds something different from Germany that you don't agree with, Your Honor will have the opportunity, should you deem it appropriate, simply to tell Motorola to pay back the difference in Germany. That's not an encroachment on your jurisdiction. I guess that goes to the comity part as well. That's not an encroachment on your jurisdiction. You will simply find that the court didn't determine a RAND rate in Germany. You did determine a RAND rate in Germany, to the extent that Motorola ought to pay some German money back to Microsoft.

ER 304. *See also* ER 308 (stating that the district court would have the authority to later reject a German royalty rate "as not being RAND"), SER 247.

In light of its clear representations to the district court that the court could properly adjudicate RAND license terms that would apply to the German patents, Motorola's arguments to the contrary here (Br. 29–32) cannot be taken seriously. Specifically, Motorola's request that this Court "rule" on whether the district court has the authority to

determine the terms of a worldwide RAND license (Br. 29) is entirely misplaced. To support its argument that the preliminary injunction should not issue, Motorola told the district court it *did* have such authority, ER 302–04, but now argues to this Court that the injunction should be overturned because that “premise is unjustified” (Br. 29). Not only does the argument lack merit (for the reasons outlined above concerning the substance of Microsoft’s complaint, and for reasons of public interest related to meaningful enforcement of RAND commitments, *see* Section II.C, *infra*), it is procedurally barred. *See Marx v. Loral Corp.*, 87 F.3d 1049, 1056 (9th Cir. 1996) (stating that appellants “should be barred from asserting [a] theory on appeal” that directly contradicted their position in the district court).

The November 2012 trial will determine the terms of a worldwide RAND license for Motorola’s 802.11 and H.264 standard-essential patents. ER 16; SER 20. Because Microsoft has committed to accept that license, this case is not merely capable of disposing of the German action, but is certain to do so. With its worldwide license in hand, Microsoft cannot be liable for any infringement of Motorola’s patents in Germany.

2. Because It Has Committed To License Its Standard-Essential Patents On RAND Terms, Motorola Cannot Obtain Injunctions On Those Patents, Including The Patents Identified In Its Demand Letters To Microsoft.

The district court properly found that Motorola's RAND commitments and its licensing offer to Microsoft strongly suggest that Motorola is not entitled to injunctive relief on the patents that were the subject of its demand letters, including the German patents. ER 18. Microsoft's complaint plainly sought such relief, asking the district court to

[p]reliminarily and permanently enjoin [Motorola] from further demanding excessive royalties from Microsoft that are not consistent with [Motorola's] obligations, and from enforcing, or seeking to enforce, patent infringement claims in the Motorola Patent Actions (or elsewhere) in breach of [its] RAND obligations as alleged above[.]

ER 457–58.

Microsoft is entitled to such relief because of Motorola's SSO participation, its voluntary RAND license commitments, and its letters to Microsoft demanding particular terms for a worldwide license. Motorola participated in the formation of the 802.11 and H.264 standards, ER 2–5, knowing the intended outcome—that the standards would be broadly adopted by entire industries. As required by the rules

of the two SSOs, Motorola *voluntarily* committed to license its standard-essential patents on RAND terms to any standards-adopter. ER 5. Motorola's success at ensuring industry-wide practice of its patents, combined with its voluntary commitment to license those patents on RAND terms, means that it relinquished any right to exclude willing potential licensees from practicing these patents.

Motorola's attempts to obtain injunctions on its standard-essential patents have been rejected elsewhere on precisely these grounds. In *Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540 (N.D. Ill.), Motorola asserted that Apple infringed standard-essential patents and sought injunctive relief. Judge Richard Posner (sitting by designation as a district judge) squarely rejected that claim, ruling that Motorola could not establish any right to injunctive relief because it had voluntarily committed to license its standard-essential patents on RAND terms. *See Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540, Opinion and Order (Dkt. No. 1038) (N.D. Ill. June 22, 2012). That commitment, Judge Posner held, barred Motorola from attempting to exclude others from using the patent:

By committing to license its patents on [RAND] terms,
Motorola committed to license the [patent] to anyone willing

to pay a [RAND] royalty and thus implicitly acknowledged that a royalty is adequate compensation for a license to use that patent. How could it do otherwise? How could it be permitted to enjoin Apple from using an invention that it contends Apple *must* use if it wants to make a cell phone with UMTS telecommunications capability—without which it would not be a cell *phone*.

Id. at 18–19; *see id.* at 21 (“A [RAND] royalty would provide all the relief to which Motorola would be entitled if it proved infringement of the [standard-essential] patent.”).

Even further, as to Microsoft specifically, Motorola’s October 2010 demand letters offered a worldwide license (albeit on blatantly unreasonable terms), expressly acknowledging that monetary compensation is adequate to compensate Motorola for any use by Microsoft of Motorola’s standard-essential patents anywhere in the world. In arguing that Microsoft may not be entitled to worldwide RAND license, Motorola has advanced a single argument: Microsoft repudiated that right by filing this lawsuit. That argument has no merit—it makes no sense to treat a lawsuit seeking enforcement of a contract as a repudiation of that contract. And after entering the preliminary injunction, the district court rejected this lone Motorola defense. SER 21. Microsoft’s entitlement to a worldwide license is now clear; there is no longer even an argument to the contrary.

Because Microsoft is entitled to a license, Motorola cannot in equity obtain an injunction: “[W]herever the rights or the situation of parties are clearly defined and established by law, equity has no power to change or unsettle those rights or that situation.” *Hedges v. Dixon County*, 150 U.S. 182, 192 (1893); *Fortis Benefits v. Cantu*, 234 S.W.3d 642, 648–49 (Tex. 2007) (“Where a valid contract prescribes particular remedies or imposes particular obligations, equity generally must yield unless the contract violates positive law or offends public policy.”); Pomeroy, *Equity Jurisprudence* § 425 (4th ed. 1918) (“Equity follows the law, in the sense of obeying it, conforming to its general rules and policy”). Motorola’s obligation to license on RAND terms bars injunctive relief, and its enforcement of its German injunction would contravene this basic equitable principle.

B. Motorola’s German Suit Sought To Frustrate The District Court’s Adjudication Of Microsoft’s Rights In Light Of Motorola’s RAND Commitments.

Microsoft’s November 2010 complaint placed the question of the proper interpretation of Motorola’s worldwide RAND license commitments and the consequences and rights that flow from those commitments squarely before the district court. ER 18. Motorola’s

subsequent July 2011 German action was a direct challenge to the district court's authority to decide those issues and to issue the worldwide relief Microsoft sought. ER 19 ("Motorola's actions have frustrated this court's ability to adjudicate issues properly before it."). As the district court recognized, Motorola sought a German injunction before the district court "could adjudicate [the] precise issue" whether Motorola's contractual commitments precluded such relief. *Id.* By enjoining Motorola from enforcing its German injunction, the district court acted well within its discretion to preserve its jurisdiction to decide Microsoft's claims based on Motorola's worldwide RAND commitments, because Motorola's action would frustrate policies of the forum, including concerns over inconsistent judgments, forum shopping, and duplicative and vexatious litigation. ER 17–18. *See Applied Medical*, 587 F.3d at 918.

- 1. Motorola Conceded Its RAND License Commitments Are Enforceable Contracts And Microsoft Is A Third-Party Beneficiary.**

The district court ruled that Motorola has a contractual obligation to license its standard-essential patents on a worldwide basis on RAND terms, and that Microsoft is a third-party beneficiary of that contract.

ER 6; SER 215. Motorola has repeatedly conceded both points. SER 68–69, 208. As a consequence, the scope of those RAND commitments—in particular, whether they bar Motorola from pursuing injunctions against Microsoft—is properly before the district court.

2. Motorola’s RAND License Commitments Are Worldwide And Its Demand Letters Explicitly Offered A Worldwide License To Its Standard-Essential Patents.

Motorola made RAND license commitments that by their express terms are worldwide, ER 5, covering any Motorola patent deemed essential to the 802.11 and H.264 standards no matter what nation issued the patent. For example, a typical Motorola declaration concerning its H.264 patents states:

[Motorola] will grant a license to an unrestricted number of applicants on a worldwide, non-discriminatory basis and on reasonable terms and conditions to use the patented material necessary in order to manufacture, use, and/or sell implementations of the above . . . [s]tandard.

SER 6. Further, Motorola’s October 2010 demand letters explicitly offered Microsoft a worldwide license to Motorola’s standard-essential patents. ER 6–7. That is, long before Motorola adopted its litigation strategy of arguing for a balkanized approach to its RAND license obligations, Motorola understood that its RAND commitments and the

relationship between patentees and standards implementers are international in scope. As the district court properly recognized, Motorola's suggestion that a U.S. court should decline to rule on whether Motorola's contractual commitments constrain its actions in other forums cannot be reconciled either with those commitments or with its specific demands to Microsoft: "[I]f Motorola did not want its foreign patent[s] subject to this court's jurisdiction, then it would not have provided them as part of the offer letter to Microsoft." ER 38–39.

Motorola's worldwide license commitments and demand letters plainly put Motorola's actions in foreign jurisdictions within the scope of Microsoft's suit and within the purview of the district court. The district court properly rejected as senseless Motorola's vision of piecemeal, jurisdiction-by-jurisdiction infringement suits, potentially leading to Microsoft's standard-compliant products being licensed in some countries, but enjoined in others.

3. The District Court Did Not Abuse Its Discretion By Preserving Its Jurisdiction To Resolve The Issues Presented By Microsoft's Complaint, Including Microsoft's Entitlement To A RAND License To The Asserted German Patents.

Motorola sought injunctive relief in Germany on German patents *after* Microsoft filed suit in Seattle to enforce Motorola's international RAND license obligations, which include the obligation to license those German patents. That conduct, as the district court found, "raises concerns of forum shopping and duplicative and vexatious litigation."

ER 18. The district court recognized that through its action in Germany, Motorola seeks the massive leverage of injunctive relief, ER 24, and that suing on standard-essential patents in Germany gave Motorola the best hope of undermining the district court's ultimate determination that Motorola must comply with its contractual obligations and grant Microsoft a worldwide license on RAND terms.⁸

ER 18–19. Motorola's refusal to agree to temporarily delay its efforts to

⁸ Motorola suggests that the district court should have taken "account of the fact" (Br. 14) that in litigation entirely unrelated to any issues in this case, Microsoft has sued Motorola in Germany for patent infringement. The argument is waived, because Motorola never even suggested that the district court should consider it, and is also irrelevant: the Microsoft patents asserted in Germany are *not standard-essential patents subject to contractual RAND license commitments*.

exclude Microsoft's products from Germany despite Microsoft's offer of a \$300 million bond, SER 198, 195–96, confirms that its purpose was to frustrate the district court's resolution of the license issues presented in this case so that it could secure a royalty reflecting the power of the standard, not the value of its technology, through the leverage of an injunction. *See Gallo*, 446 F.3d at 993 (continuation of foreign proceedings in breach of a contractual arbitration clause was vexatious and oppressive).

Motorola's claim that its German suit could not be vexatious because it prevailed in that suit (Br. 34) is absurd. Motorola alleged in Germany that Microsoft's standard-compliant products infringed standard-essential patents—if the patents were indeed essential to the standard, as Motorola claims, infringement by standards-adopters like Microsoft would be not only a foregone conclusion, but *exactly* the use SSOs contemplated would be authorized by the contractually-required RAND license. Motorola's German suit is vexatious, as the district court recognized, because when it filed that suit, Motorola knew that the district court was already in the process of deciding Microsoft's

entitlement to a license to those German patents—*a complete defense to infringement in Germany*:

The court’s concerns over forum shopping and duplicative and vexatious litigation are heightened by the fact that Motorola’s commitments to the ITU involved approximately 100 Motorola-owned patents, yet Motorola invoked the German Action implicating only two (the European Patents) of these patents and sought injunctive relief in Germany before this court could adjudicate that precise issue.

ER 18–19.

Contrary to Motorola’s argument (Br. 34), Microsoft’s supposed “delay” in seeking a preliminary injunction does not undermine the district court’s conclusion that Motorola’s German suits were vexatious. Microsoft brought the German suits to the district court’s attention immediately after Motorola filed them and urged that the court rule promptly that Motorola had breached its contractual RAND commitments, and that Microsoft was entitled to a RAND license, to prevent Motorola from implementing its evident strategy of using the German suits to undermine this proceeding. When it became clear that the district court would not be able to rule before Motorola acted to obtain an injunction in Germany in defiance of its contractual commitments, and after Motorola refused to delay enforcement action despite the protection of a \$300 million bond, SER 197–98, Microsoft

then sought a preliminary injunction. Until there was both a risk that a German injunction would issue, and confirmation from Motorola that it would not abstain from taking the necessary enforcement steps despite the fact that this suit was pending (*see* ER 339–40), a preliminary injunction motion would likely have been premature.

It is also irrelevant that the German court expended time and resources on the matter and entered a judgment. *See* Br. 19, 38. First, as the district court found, it was Motorola that improperly invoked the jurisdiction of the German courts over an issue already before the district court, ER 18–19, 40, and any resulting judicial inefficiency therefore is entirely of Motorola’s creation. Second, as the district court also noted, the preliminary injunction does not interfere in any way with the German court’s resolution of issues of infringement and damages. ER 39–40. Although both issues will be mooted by the RAND license that will be determined by this case, that again is a result of Motorola’s attempt to circumvent these proceedings, not any improper overreaching by the district court.

C. Comity Counsels In Favor Of Granting Relief.

1. The Impact On Comity Is “Tolerable.”

Where, as here, temporary injunctive relief is otherwise warranted, the fact that an order would direct a party to take or withhold action in connection with foreign litigation does not limit a district court’s power to issue the order. This Court has clearly articulated the standard: where the relevant factors weigh in favor of enjoining a litigant’s foreign activities, an injunction should issue so long as “the impact on comity is tolerable.” *Gallo*, 446 F.3d at 991 (remanding for injunction of Ecuadorian suit). *See Applied Medical*, 587 F.3d at 919–21 (reversing denial of injunction of later-filed Belgian action because the injunction “would not have an intolerable impact on comity.”). *See also Kaepa, Inc. v. Achilles Corp.*, 76 F.3d 624, 627 (5th Cir. 1996) (“We decline, however, to require a district court to genuflect before a vague and omnipotent notion of comity every time that it must decide whether to enjoin a foreign action.”); *Allendale Mut. Ins. Co. v. Bull Data Sys., Inc.*, 10 F.3d 425, 432–33 (7th Cir. 1993) (“The injunction merely prevents a French company from seeking to revive a dormant proceeding before an arbitral tribunal in France. The only concern with international comity is a purely theoretical one that ought

not trump a concrete and persuasive demonstration of harm to the applicant for the injunction, if it is denied, not offset by any harm to the opponent if it is granted.”). Motorola does not even try to argue that the impact on comity here is “intolerable.”

2. Any Comity Concerns Arise Only From Motorola’s Attempt To Frustrate The District Court’s Jurisdiction With A Later-Filed Foreign Suit.

Where one party seeks an injunction directed toward a later-filed foreign action, the impact on comity is not only “tolerable,” but the interests of comity weigh *in favor of granting relief*. In *Applied Medical*, this Court reversed and remanded for entry of an injunction against a litigant’s later-filed Belgian action, specifically disagreeing with the district court’s conclusion that such an injunction “would undermine the doctrine of comity.” 587 F.3d at 919. This Court noted that the defendant’s later-filed Belgian action, like Motorola’s German suits, “raises the concern that [the defendant] is attempting to evade the rightful authority of the district court,” and that the defendant was pursuing in Belgium relief that the district court had already ruled it was not entitled to in the U.S. proceeding. *Id.* at 921. That is precisely the finding of the district court:

Importantly, the court finds the concerns of comity alleviated because, here, *a foreign court has been belatedly asked by Motorola to decide an issue already placed before this court.* As stated, Microsoft initiated the action in this court in November 2010 placing directly at issue whether it is entitled to a license for Motorola's standard essential patents, including the European Patents. Then, over six months later, Motorola seeks to litigate that precise issue with respect to the European Patents in the German Action denying this court the opportunity to administer the prior filed action.

ER 19–20 (emphasis added). Motorola ignores the district court's plain recognition that any claimed comity concern is of Motorola's own creation, because Motorola made foreign patents the subject of its demand letters (which were sent in the U.S. by one U.S. company to another), and then, after Microsoft filed suit, Motorola selected two of those patents for litigation in Germany.

As the district court recognized, Microsoft's suit seeks to establish a right to a worldwide license to Motorola's H.264 standard-essential patents, and Motorola's action to exclude Microsoft's H.264-compliant products from Germany would be inconsistent with a ruling in Microsoft's favor. *See* ER 18 (“[T]his court may find that Motorola may not seek injunctive relief against Microsoft with respect to its standard essential patents, which include the European Patents; whereas to the contrary, the German court may grant Motorola the injunctive relief it

seeks in the German Action with respect to the same European Patents.”). As in *Applied Medical*, “allowing foreign suits to proceed in such circumstances would seriously *harm* international comity” by undermining the first-filed U.S. action directed to enforcement of Motorola’s worldwide contractual RAND license obligations. 587 F.3d at 921.

Where litigants attempt to use foreign litigation to make an end-run around U.S. courts, as Motorola has here, other Circuits have reached the same result. For example, in *Laker Airways Ltd. v. Sabena Belgian World Airlines*, 731 F.2d 909 (D.C. Cir. 1984), defendants in a U.S. antitrust case filed suit in the United Kingdom in an attempt to interfere with the U.S. action; the district court granted an injunction barring the defendants from proceeding in the U.K., and the D.C. Circuit affirmed, squarely addressing comity concerns:

When the foreign act is inherently inconsistent with the policies underlying comity, domestic recognition could tend either to legitimize the aberration or to encourage retaliation, undercutting the realization of the goals served by comity. No nation is under an unremitting obligation to enforce foreign interests which are fundamentally prejudicial to those of the domestic forum. Thus, from the earliest times, authorities have recognized that the obligation of comity expires when the strong public policies of the forum are vitiated by the foreign act.

731 F.2d at 937.⁹ See also *Karaha Bodas Co., L.L.C. v. Perusahaan Pertambangan Minyak Dan Gas Bumi Negara*, 500 F.3d 111, 127 (2d Cir. 2007) (“[O]rders of foreign courts are not entitled to comity if the litigants who procure them have deliberately courted legal impediments to the enforcement of a federal court’s orders.”) (quotation marks and citations omitted); *Quaak v. Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren*, 361 F.3d 11, 22–23 (1st Cir. 2004) (“Where, as here, a party institutes a foreign action in a blatant attempt to evade the rightful authority of the forum court, the need for an antisuit injunction crests.”).

In *Medtronic, Inc. v. Catalyst Research Corp.*, 518 F. Supp. 946 (D. Minn. 1981), *aff’d*, 664 F.2d 660 (8th Cir. 1982), the court enjoined a patentee’s pursuit of injunctive relief in a German patent infringement action pending the adjudication of a U.S. licensing dispute. See 518 F.

⁹ The anti-suit injunction affirmed in *Laker* directed two parties to cease all participation in the inconsistent foreign proceeding. 731 F.2d at 915. *Laker* confirms that a U.S. court’s power to protect its jurisdiction from evasive efforts of litigants like Motorola is broad—and the narrow, targeted relief the district court entered here (directed only to Motorola’s actions that would frustrate the resolution of the license issues properly before the district court) is well within the scope of that power.

Supp. at 955 (“[I]f the Agreement is found to bar CRC from seeking injunctive relief, CRC’s foreign requests for injunctive relief are improper and they can be enjoined.”). The *Medtronic* court found as to “the principle of comity” that “the injunction will in no way interfere with the patent infringement and validity actions in the foreign courts, nor will it interfere with any damage awards. It merely affects any injunctive relief which CRC may seek.” *Id.* at 956–57. As in *Medtronic*, the preliminary injunction here merely prevents Motorola from enforcing the German injunction, and preserves the district court’s jurisdiction ultimately to determine the RAND royalty for the license to Motorola’s standard-essential patents that Microsoft is contractually entitled to receive.

3. The District Court’s Limited Preliminary Injunction Only Prevents Motorola From Enforcing A German Injunction And Does Not Otherwise Impede Its German Suit Or Interfere with German Courts.

The district court’s preliminary injunction is properly “limited to the issue directly before it—whether injunctive relief [is] permissible” in light of Motorola’s worldwide RAND license commitments. ER 17. The district court narrowly tailored the preliminary injunction to address an

immediate threat to its jurisdiction and to preserve the status quo until it is able to rule on the case before it. The injunction restrains Motorola only from enforcing the German injunction, not from pursuing for now all other remedies and taking other procedural steps in Germany.

Because the German court's infringement finding and the parties' appeals therefrom are entirely undisturbed by the preliminary injunction, Motorola's observation that "Germany has the primary interest in enforcing its own patents, on its own soil, according to its law, through its own courts" (Br. 37) is simply irrelevant. Motorola, an owner of German patents, chose to participate in international SSOs and made license commitments that applied to those patents—and then included those patents in the demand letters it sent in the U.S. that precipitated this suit. Motorola concluded that the benefits of international standardization of its technology outweighed the costs of subjecting any of its patents that covered that technology (including its German patents) to license commitments of corresponding international scope. It cannot now invoke national interest as a shield to enable patentees to evade international contractual commitments they freely undertook.

Motorola has conceded that it is bound by contractual commitments enforceable by Microsoft in U.S. courts, SER 68–69, 208, and Motorola—in opposing entry of the preliminary injunction—told the district court that the court not only had the authority to adjudicate RAND license terms that would apply in Germany, but that if any license were already entered in Germany, the district court could determine its own terms for that license and order Motorola to pay back any difference. ER 304; *see* Section I.A.1, *supra*. Put simply, Motorola told the district court it had the authority to enter orders that would affect Motorola’s enforcement of its German patent rights.

Motorola now protests that the district court “effectively claim[ed] exclusive jurisdiction to set licensing terms for Motorola’s patents around the world.” Br. 37. But the district court only “claimed” the authority Motorola agreed that it had. Motorola concedes anti-suit relief may issue as a “means of preserving fidelity to the parties’ express selection of a U.S. forum,” Br. 36, and given Motorola’s actions and arguments confirming that the district court has jurisdiction to resolve the worldwide license issues before it, ER 302–04, that principle

disposes of any comity concerns here and strongly counsels in favor of the preliminary injunction.

Moreover, Motorola exaggerates the scope of authority that the district court is exercising pursuant to Motorola's RAND license commitments. The preliminary relief here does not "disabl[e] other countries' courts from . . . enforcing their own countries' patents" (Br. 37); it only disables Motorola from taking action inconsistent with its voluntary, enforceable, contractual worldwide license commitments. Motorola's own commitments, and its acceptance of the benefits that followed from making those commitments—not any action of Microsoft, and certainly not any action by the district court—are what limit its ability to enforce its standard-essential patents in other forums. There is nothing remarkable whatsoever in a U.S. court recognizing that contractual commitments enforceable in the United States may obligate a party to take or abstain from certain actions in foreign jurisdictions. *E.g., Cape Flattery Ltd. v. Titan Maritime, LLC*, 647 F.3d 914, 918 (9th Cir. 2011) (agreement to arbitrate disputes in Japan); *Chateau des Charmes Wines Ltd. v. Sabate USA Inc.*, 328 F.3d 528, 531 (9th Cir. 2003) (contract to deliver corks to France); *Prime Start Ltd. v. Maher*

Forest Products, Ltd., 442 F. Supp. 2d 1113, 1121 (W.D. Wash. 2006) (contract to deliver wooden siding to Russia); *Medtronic*, 518 F. Supp. at 955 (agreement that may bar seeking injunctions in foreign jurisdictions).

Motorola suggests that U.S. courts should show *greater* respect for foreign litigation that has progressed beyond the initial stages. Br. 37. But it makes no sense to suggest that the validity of the district court's preliminary injunction turns on how quickly a foreign tribunal can advance ahead of the district court. The ability of the district court to defend its jurisdiction to decide issues pending before it from vexatious litigation in a foreign tribunal cannot depend on the speed with which the vexatious litigation proceeds. To avoid unnecessarily imposing on the district court, Microsoft waited to seek injunctive relief until it was clear that Motorola was determined to undermine the district court's jurisdiction by seeking exclusion of Microsoft's products from Germany. SER 195, 197–98. The preliminary injunction does not interrupt the German proceedings, and does not prevent Motorola from litigating the German case on appeal. *See* ER 27.

II. The District Court Properly Found That All Traditional Preliminary Injunction Factors Weigh In Favor of Granting Microsoft Relief.

Beyond finding that the preliminary injunction was proper under this Court’s “anti-suit” injunction standard, the district court also analyzed the traditional preliminary injunction factors of irreparable harm, balance of equities, and the public interest. ER 21–25, 33–35. The district court found that each of these factors weighs in favor of a preliminary injunction preserving the status quo so that the court can adjudicate Microsoft’s claim for relief while protecting against irreparable harm. *See Textile Unlimited, Inc. v. A. BMH and Co. Inc.*, 240 F.3d 781, 786 (9th Cir. 2001) (“A preliminary injunction is . . . a device for preserving the status quo and preventing the irreparable loss of rights before judgment.”); *Chalk v. District Court*, 840 F.2d 701, 704 (9th Cir. 1988) (same).

A party seeking a traditional preliminary injunction “must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.” *Winter v. NRDC*, 555 U.S. 7, 20 (2008). The *Winter*

factors are balanced against one another, such that a strong showing of irreparable harm may overcome a lesser showing of likelihood of success, and likewise a strong showing on the merits justifies preserving the status quo even in cases with less substantial irreparable harm. *See Alliance For The Wild Rockies v. Cottrell*, 632 F.3d 1127, 1134-35 (9th Cir. 2011) (“We join the Seventh and the Second Circuits in concluding that the ‘serious questions’ version of the sliding scale test for preliminary injunctions remains viable after the Supreme Court’s decision in *Winter*. . . . A preliminary injunction is appropriate when a plaintiff demonstrates . . . that serious questions going to the merits were raised and the balance of hardships tips sharply in the plaintiff’s favor.”). When, as here, the request is for an “anti-suit” injunction, the “anti-suit” factors displace the inquiry into the likelihood of success on the merits. *See Gallo*, 446 F.3d at 991.¹⁰

¹⁰ As noted above, *supra* p. 23, n. 4, the district court was uncertain as to whether the “anti-suit” factors displace all of the traditional preliminary injunction factors. ER 12; *see generally Applied Medical Distribution*, 587 F.3d at 913–21 (following *Gallo* but not discussing preliminary injunction factors). The court therefore assessed the traditional factors as well as the anti-suit factors. ER 21–25, 33–35. Though it did not expressly discuss Microsoft’s likelihood of success on the merits, because *Gallo* makes clear that the anti-suit factors displace it, the district court’s summary judgment orders establish that

A. Microsoft Faced Irreparable Harm From Motorola's Enforcement of a German Injunction Inconsistent With RAND License Obligations.

The district court properly found that Motorola's enforcement of a German injunction would cause irreparable harm, ER 21–23, based on “convincing” and un rebutted record evidence, ER 22. The district court's findings that Motorola's actions would cause Microsoft to lose sales and market share, would diminish brand loyalty and brand affinity, and would disrupt Microsoft's customer relationships are well supported by this Court's precedents. *See Stuhlberg Int'l Sales Co. v. John D. Brush & Co.*, 240 F.3d 832, 841 (9th Cir. 2001) (“Evidence of threatened loss of prospective customers or goodwill certainly supports a finding of the possibility of irreparable harm”); *Rent-a-Center, Inc. v. Canyon Television & Appliance Rental, Inc.*, 944 F.2d 597, 603 (9th Cir. 1991) (damage to reputation or goodwill is irreparable harm); *see also Conceptus, Inc. v. Hologic, Inc.*, No. C 09–02280 WHA, 2012 WL 44064, at *2 (N.D. Cal. Jan. 9, 2012) (loss of market share, customers and access to potential customers is irreparable harm); *Oberto Sausage Co. v. JBS S.A.*, No. C 10–2033 RSL, 2011 WL 939615, at *6 (W.D. Wash.

Microsoft has a right to a worldwide RAND license, which it has not repudiated. *See* SER 215, 16–21.

Mar. 11, 2011) (“loss of market share growth” is irreparable harm); *Apple, Inc. v. Pystar Corp.*, 673 F. Supp. 2d 943, 949 (N.D. Cal. 2009) (diminishment of a product’s competitive position and market share is irreparable harm).

1. Standards-Adopters Should Not Be Forced To Negotiate RAND Terms Under Threat Of An Injunction.

Microsoft, like other product makers the world over, incorporates industry standards like 802.11 and H.264 into its standard-compliant products. Having done so, unless Motorola’s license commitments are subject to meaningful enforcement, Microsoft is at Motorola’s mercy: with the power to exclude Windows and Xbox from Germany based on their compliance with the H.264 standard, Motorola can demand consideration from Microsoft far in excess of the value of Motorola’s technology. Motorola’s conduct is exactly the type of “patent hold-up” that RAND license commitments are designed to prevent:

An [SSO] may complete its lengthy process of evaluating technologies and adopting a new standard, only to discover that certain technologies essential to implementing the standard are patented. When this occurs, the patent holder is in a position to “hold up” industry participants from implementing the standard. Industry participants who have invested significant resources developing products and technologies that conform to the standard will find it prohibitively expensive to abandon their investment and

switch to another standard. They will have become “locked in” to the standard. In this unique position of bargaining power, the patent holder may be able to extract supracompetitive royalties from the industry participants.

Broadcom, 501 F.3d at 310; *see also id.* at 312 (explaining that standards-adopters “rely on structural protections . . . to facilitate competition and constrain the exercise of monopoly power”); *Research in Motion Ltd. v. Motorola, Inc.*, 644 F. Supp. 2d 788, 791, 794 (N.D. Tex. 2008) (SSOs adopt policies that require RAND license commitments “to reduce the likelihood that owners of essential patents will abuse their market power,” including refusing to license except “at exorbitant rates”); SER 3–4, 201.

2. Standards-Adopters Should Not Be Forced To Accept License Terms At The Outer Limit Of Foreign Antitrust Law Where A Patentee Committed To License On RAND Terms.

The district court considered, and properly rejected, Motorola’s argument (Br. 40–41) that procedures Motorola claimed were available in German courts weigh against a finding of irreparable harm to Microsoft. ER 24, 34–35. As Motorola describes it, the “Orange Book” antitrust defense might allow Microsoft to escape the threat of Motorola’s improper exclusion efforts in Germany in two ways. First, Microsoft might avoid exclusion if Motorola refused to accept an

unconditional offer from Microsoft to pay royalties (including all past royalties immediately) at a rate that is the absolute highest Motorola could seek without committing a “blatant” or “obvious” antitrust violation. ER 225, 259. Second, Microsoft might avoid exclusion if Microsoft allowed Motorola to pick its own royalty, subject to review by the German court only to determine whether the royalty is so high that it would be a blatant antitrust violation. ER 332, 225, 259. Under either option, the “Orange Book” antitrust defense does not require that Motorola comply with its contractual commitments to enter into a license on RAND terms, only that Motorola accept a license at the outermost limit of legality under German antitrust law.¹¹ Motorola’s contract, however, requires that it grant worldwide licenses on RAND terms, not merely that it abstain from antitrust violations in one country.

¹¹ Motorola’s claim that the “Orange Book” result is a royalty “at the high end of a fair and reasonable range” (Br. 8) is unsupported by the record and flatly contradicted by the German court’s opinion, which clearly states that Motorola would be free to reject any royalty proposed by Microsoft unless doing so would result in an “obvious” or “blatant” antitrust violation. ER 225, 259.

In short, unless Microsoft agreed to license Motorola's patents on terms so favorable to Motorola that they amount to something just short of an obvious antitrust violation, Microsoft would face an injunction. The district court found that even accepting Motorola's description of the "Orange Book" procedure,

it would place Microsoft at the position of a negotiation in Germany with the threat of an immediate injunction hanging over its head. And that's something that seems to me to be a matter of some substantial harm.

ER 34; *see also* ER 24.

Further, the district court found correctly that the terms of an "Orange Book" licensing agreement forced through a one-sided negotiation under threat of injunction "may not easily be undone," ER 24, and rejected Motorola's absurd proposal (*see* ER 302–04) that Microsoft should simply sue to recover damages for the difference between the coerced royalty in Germany and the worldwide RAND royalty later determined by the district court, ER 34. Motorola cannot meet its license obligations by forcing Microsoft to "negotiate" through the procedures available in Motorola's later-filed German litigation.

Motorola's argument that Microsoft should be forced to face a German injunction as a "consequence[] of its continued noncompliance"

with German patent law (Br. 41) makes a mockery of both the purposes of SSOs and Motorola's contractual RAND license commitments. The entire purpose of establishing an industry standard is to ensure widespread adoption, *see* Section I.A.2, meaning that SSO participants like Motorola who hold standard-essential patents both expect and intend worldwide use of those patents by standards-adopters like Microsoft. Such use is not an affront to patent law in Germany or anywhere else, nor does it offend patent law that the patentee should receive royalties pursuant to a RAND license for such expected and intended use. That is all Microsoft seeks in this suit. ER 7, 16.

3. There Has Been No “Delay” that Undercuts The Finding Of Likely Irreparable Harm.

Motorola also argues that delay “count[s] against any finding of irreparable harm.” Br. 41. That argument is both logically unfounded and rests on a mischaracterization of the record. First, the cases that hold that delay in seeking injunctive relief counsels against a finding of irreparable harm involve harm that was already occurring during the period of delay—not irreparable harm that has yet to arise and that preliminary injunctive relief would prevent. *See Small v. Avanti Health Systems, LLC*, 661 F.3d 1180, 1195 n.20 (9th Cir. 2011) (“[D]elay is only

significant if the harm has occurred and the parties cannot be returned to the status quo.”), quoting *McDermott v. Ampersand Pub., LLC*, 593 F.3d 950, 965 (9th Cir. 2010).

Second, Motorola mischaracterizes the nature of this suit from the outset when it says that

[o]nly when the prospect of suffering an adverse judgment in Germany became clear did Microsoft suggest for the first time in oral argument to the court below that it would submit to imposition of a global RAND license so as to occasion the injunction at issue.

Br. 41. Microsoft’s complaint has always sought an injunction barring Motorola from “further demanding excessive royalties from Microsoft that are not consistent with Motorola’s obligations.” ER 492. That request for relief provides ample grounds to constrain Motorola’s enforcement of a German injunction it obtained in an effort to force Microsoft to negotiate “with the threat of an injunction looming,” ER 24. Moreover, Microsoft did not “suggest for the first time” that it would accept a global RAND license only after it become clear that Motorola would prevail in Germany in April 2012. To the contrary, Microsoft’s complaint sought “a judicial accounting of what constitutes a royalty rate” for Motorola’s standard-essential patents, ER 474–75, and

Microsoft unequivocally stated its willingness to accept a license on RAND terms in September 2011, SER 220 (“Microsoft is seeking, and remains ready and willing to take, a license to Motorola’s H.264 and 802.11 declared-essential patents on RAND terms.”).

Motorola’s vague suggestions that Microsoft was obligated to “bring up” this case with the German court at some earlier date, or that it should have “asked the German court to stay the German action” (Br. 41), are not only retreads of Motorola’s meritless position that both Microsoft and the district court should acquiesce to Motorola’s later-filed German suit (*see* Section I.C.2, *supra*), but have been waived because Motorola never made those arguments to the district court. Moreover, Motorola provides no evidence of what “bringing up” this action with the German court could have accomplished, or whether the German court would have even contemplated a stay. Finally, because the German injunction is not self-executing (Motorola would need to take necessary enforcement steps, ER 339–40, and it is these steps that the preliminary injunction bars, ER 27), the ability to “stay” the isolated issue of the German injunction is, and always has been, entirely in Motorola’s control.

B. The Balance of Equities Weighs Heavily In Microsoft's Favor.

The district court properly found that the balance of equities weighs in Microsoft's favor. ER 23–24, 34–35. As noted above, the district court found “that Microsoft faces significant harm without the issuance of an anti-suit injunction.” ER 24; *see* Section II.A, *supra*. Further, the court found that delaying Motorola's improper exclusion activity to address the license issues properly before the district court carries at most a risk of only marginal economic harm to Motorola, and certainly no irreparable injury. ER 24.

Motorola's license commitments and its licensing demand of Microsoft demonstrate that any infringement in Germany can be compensated by a monetary award, specifically by RAND royalties. *See* ER 24 (“Motorola implicitly admits that it may be made whole through monetary damages.”). Nor will there be any competitive injury to Motorola if it is temporarily delayed in seeking exclusion of Microsoft products from Germany, because Motorola does not compete with Microsoft in the markets for the targeted products (computer operating systems and video game systems). *Cf. eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) (noting that, in the

hands of a non-competitor, “an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent . . . [even where] the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations”).

Accordingly, any injury to Motorola in Germany while this action is pending can be rectified by an award of royalties. Although Motorola makes the disingenuous and misleading claim that “Motorola has no current assurance of adequate recompense for Microsoft’s continuing infringement” (Br. 43), it ignores that the district court required, and Microsoft posted, a \$100 million bond. ER 27, 42–43; SER 94–95. No one can seriously doubt that Microsoft would fully compensate Motorola for any losses that the district court determined Motorola had sustained.

C. The Public Interest Weighs Heavily In Favor Of Enforcement of RAND License Commitments.

Permitting Motorola to exclude Microsoft products from Germany, notwithstanding Microsoft’s contractual right to a RAND license, would

harm the public interest by undermining the integrity of the SSO process and directly damaging those companies that have invested in standard-compliant implementations in reliance on the RAND commitments surrounding the standard. ER 25, 35.¹² As the district court noted, SER 200, when the SSO framework functions properly, and participants play by the rules, SSOs facilitate interoperability and encourage healthy competition, including price competition by reducing switching costs for consumers. *See Broadcom*, 501 F.3d at 308–14 (explaining how industry standard-setting can enhance consumer welfare by increasing competition, preventing patent hold-up, and reducing costs).

In accordance with SSO policies, Motorola agreed to make worldwide licenses to its standard-essential patents available on RAND terms, and Microsoft and other companies relied on the integrity of the SSO process and Motorola's promises in developing and marketing products compliant with the standards. SER 201. The preliminary

¹² The district court also properly recognized that both Motorola's frustration of a U.S. court's proper jurisdiction, and significant disruption to Microsoft's customers that would be occasioned by Motorola's enforcement of an injunction, would disserve the public interest. ER 25, 35.

injunction properly prevents Motorola from engaging in the patent “hold-up” that SSO policies were designed to eliminate. If the benefits of standardization are to be realized by the public, patentees must grant the promised licenses and on terms that do not seize for the patentee the economic benefit of standardization itself as opposed to the intrinsic value of its patents.

In rejecting the “hold-up” tactics that Motorola attempted to use against Apple, Judge Posner explicitly adopted the position taken by the Federal Trade Commission that injunctions on standard-essential patents disserve the public interest. *See Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540, Opinion and Order at 18–19 (N.D. Ill. June 22, 2012). Observing that “the threat of an exclusion order may allow the holder of a RAND-encumbered SEP [standard-essential patent] to realize royalty rates that reflect patent hold-up, rather than the value of the patent relative to alternatives,” *id.* at 19 (quoting FTC Statement), Judge Posner concluded that in light of this public interest concern, “injunctive relief is indeed unavailable for infringement of a patent governed by” RAND license commitments. *Id.* *See Broadcom*, 501 F.3d at 310, 312; *Research in Motion*, 644 F. Supp. 2d at 791, 794;

Section II.A.1, *supra*. See also *Certified Restoration Dry Cleaning Network, LLC v. Tenke Corp.*, 511 F.3d 535, 551 (6th Cir. 2007) (granting injunction in part based on the “general public interest in the enforcement of voluntarily assumed contract obligations”).

1. Motorola’s Balkanized License Scheme Would Undermine The Standards Process.

The district court will provide an orderly adjudication of Motorola’s worldwide license commitments, the result of which—a worldwide license on RAND terms—will be commensurate with the scope of Motorola’s worldwide license commitment. Motorola now denies that the district court can or should even try to hold Motorola to a worldwide commitment. It urges an unknowable patchwork of actions, in Germany and elsewhere, to resolve RAND license issues locally (Br. 37)—without regard for the fact that Motorola made worldwide commitments to international SSOs and offered a single license on a worldwide basis on common terms in its October 2010 demand letters. ER 375–96, 398–421. Motorola’s balkanized view of RAND license enforcement is not only grossly impractical, but, more importantly for present purposes, is a direct attack on the district

court's jurisdiction and ability to provide the worldwide relief to which Microsoft is entitled.

Again, Motorola's position in this Court is flatly contradicted by the arguments it made below, where it repeatedly told the district court that it had jurisdiction to determine worldwide RAND license terms, and that those terms may be uniform or country-specific:

I submit Your Honor is going to have to look at factors like that [different patents in different countries] in order to decide whether or not there should, in fact, be one uniform rate, or there should be differences in different places.

ER 311. Regardless of whether the RAND terms for German patents are precisely identical to the RAND terms for U.S. patents, having told the district court it could determine those terms in either instance, Motorola cannot now argue that this Court should vacate the district court's order based on exactly the opposite theory. *See Marx*, 87 F.3d at 1056.

2. Motorola's Position That RAND License Commitments Are Unenforceable By Courts Would Wholly Undermine The Standards Process.

Motorola's suggestion that its RAND license commitments are not enforceable contracts (Br. 31–32) is made for the first time in its appellate brief and is flatly contradicted by its concessions and

arguments below, *see* SER 207–08; Section I.A.1, *supra*. Even leaving Motorola’s waiver aside, the proposition that RAND license commitments are effectively meaningless is shocking. If accepted, it would have far-reaching consequences, nullifying commitments made to dozens of SSOs by hundreds of companies that were able to get their patents incorporated into standards. It would disrupt settled expectations of all companies that rely on RAND license commitments when designing their products to comply with standards.

Allowing Motorola to avoid its contractual obligations would completely undermine the SSO framework and the value that it provides to manufacturers, product developers, and ultimately consumers. If RAND license commitments are unenforceable, those, like Microsoft, who practice standards and do so in reliance on RAND license commitments, are left entirely exposed to Motorola’s extortionate demands. Permitting Motorola to flout its license obligations not only would directly damage the standards at issue here, but also would inhibit the development of new standards by SSOs, and the resulting benefit to the public, in the future. The public interest in ensuring the accessibility of standards far outweighs Motorola’s

illegitimate interest in demanding outrageous royalties inconsistent with its contractual commitments.

Motorola itself admits that a court *can* determine the license terms for its standard-essential patents, by insisting that the district court and Microsoft should acquiesce to the German “Orange Book” procedure. In particular, Motorola claims Microsoft should have simply allowed Motorola to set a royalty that then would be reviewed by the German court for antitrust compliance—and if the German court found that Motorola’s royalty was a blatant antitrust violation, the court would then “set the appropriate rate.” Br. 8–9, 38; ER 225, 259. In other words, Motorola is content to have a court of its own choosing determine the terms of a license, but it does not want the court first vested with jurisdiction over this dispute—the Western District of Washington—to make that determination, or to hold Motorola to the actual contract it made: to license its standard-essential patents on *reasonable* and nondiscriminatory terms.

CONCLUSION

For the forgoing reasons, the district court's entry of a preliminary injunction should be affirmed.

DATED: Washington, DC
June 27, 2012.

SIDLEY AUSTIN LLP

By: s/ Carter G. Phillips
Carter G. Phillips
SIDLEY AUSTIN LLP
1501 K Street, N.W.
Washington, D.C. 20005
202-736-8000

T. Andrew Culbert
David E. Killough
MICROSOFT CORPORATION
1 Microsoft Way
Redmond, WA 98052
(425) 882-8080

David T. Pritikin
Constantine L. Trela, Jr.
Richard A. Cederoth
Robert N. Hochman
Nathaniel C. Love
SIDLEY AUSTIN LLP
One South Dearborn
Chicago, IL 60603
(312) 853-7000

Arthur W. Harrigan, Jr.
Christopher Wion
Shane P. Cramer
DANIELSON HARRIGAN LEYH
& TOLLEFSON LLP
999 Third Avenue
Suite 4400
Seattle, Washington 98104
(206) 623-1700

REQUEST FOR ORAL ARGUMENT

Plaintiff-Appellee respectfully requests that this Court hear oral argument in this case.

STATEMENT OF RELATED CASES

Pursuant to Circuit Rule 28-2.6, Plaintiff-Appellee states that it is not aware of any related cases pending in this Court.

**CERTIFICATE OF COMPLIANCE WITH
FRAP 32(A)(7)(C) & CIRCUIT RULE 32-1**

Pursuant to Fed. R. App. P. 32(a)(7)(C) and Circuit Rule 32-1, the attached answering brief is proportionally spaced, has a typeface of 14 points or more, and contains 13,585 words.

s/ Carter G. Phillips

Attorney for Plaintiff-Appellee

June 27, 2012

CERTIFICATE OF SERVICE

I, Carter G. Phillips, a member of the Bar of this Court, hereby certify that on June 27, 2012, I electronically filed the foregoing “Brief Of Plaintiff-Appellee” with the Clerk of Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

I further certify that I caused one copy of Plaintiff-Appellee’s Supplemental Excerpts of Record to be served by third-party carrier Federal Express by overnight delivery to the following counsel for Defendants-Appellants:

Kathleen M. Sullivan
Derek L. Shaffer
Ralph H. Palumbo
Steven Pepe

s/ Carter G. Phillips
