

No. 12-35352

IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

MICROSOFT CORPORATION, a Washington Corporation

Plaintiff-Appellee,

v.

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

Defendants-Appellants.

*On Appeal From The United States District Court
For The Western District Of Washington At Seattle*

REPLY BRIEF OF DEFENDANTS-APPELLANTS

Derek L. Shaffer
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
1299 Pennsylvania Avenue, NW
Suite 825
Washington, DC 20004
(202) 538-8000

Kathleen M. Sullivan
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
51 Madison Avenue
22nd Floor
New York, NY 10010
(212) 849-7000

continued on following page

Ralph H. Palumbo
Philip S. McCune
Lynn M. Engel
SUMMIT LAW GROUP PLLC
315 Fifth Avenue South
Suite 1000
Seattle, WA 98104-2682
(206) 676-7000 (Telephone)
(206) 676-7001 (Facsimile)

Steven Pepe
Jesse J. Jenner
Stuart W. Yothers
ROPES & GRAY LLP
1211 Avenue of the Americas
New York, NY 10036-8704
(212) 596-9046 (Telephone)

July 16, 2012

K. McNeill Taylor, Jr.
MOTOROLA MOBILITY, INC.
600 North U.S. Highway 45
Libertyville, IL 60048-1286
(858) 404-3580 (Telephone)
(847) 523-0727 (Facsimile)

Douglas Hallward-Driemeier
Paul M. Schoenhard
Kevin J. Post
ROPES & GRAY LLP
One Metro Center
700 12th Street NW, Suite 900
Washington, DC 20005-3948
(202) 508-4693 (Telephone)

Attorneys for Defendants-Appellants

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES	ii
PRELIMINARY STATEMENT	1
ARGUMENT	3
I. MICROSOFT FAILS TO PROVIDE THE EXTRAORDINARY JUSTIFICATION REQUIRED FOR AN ANTI-SUIT INJUNCTION AGAINST A FOREIGN PATENT ACTION.....	3
II. THE ANTI-SUIT INJUNCTION IS UNNECESSARY TO PRESERVE THE DISTRICT COURT’S JURISDICTION.....	6
III. THE ANTI-SUIT INJUNCTION IS UNNECESSARY TO PREVENT SUPPOSED RAND ABUSE BY MOTOROLA	8
IV. MICROSOFT CANNOT SHOW THAT THE ANTI-SUIT INJUNCTION HERE MEETS THIS COURT’S TEST	12
A. The Issues In The Two Proceedings Fundamentally Differ	12
B. There Is No Special U.S. Interest.....	15
C. The District Court’s Injunction Intolerably Harms Comity.....	17
V. THE TRADITIONAL FACTORS LIKEWISE WEIGH AGAINST THIS INJUNCTION.....	20
A. Microsoft Has Failed To Show Irreparable Harm	21
B. The Balance Of Equities Weighs In Motorola’s Favor.....	22
C. The Public Interest Weighs Against This Injunction	24
CONCLUSION.....	27

TABLE OF AUTHORITIES

<u>Cases</u>	<u>Page</u>
<i>Apple, Inc. v. Motorola, Inc.</i> , No. 1:11-cv-08540, 2012 WL 2376664 (N.D. Ill. June 22, 2012)	14
<i>Applied Med. Distrib. Corp. v. Surgical Co. BV</i> , 587 F.3d 909 (9th Cir. 2009)	12, 15
<i>Berkshire Furniture Co. v. Glattstein</i> , 921 F. Supp. 1559 (W.D. Ky. 1995).....	7
<i>Black & Decker Corp. v. Sanyei Am. Corp.</i> , 650 F. Supp. 406 (N.D. Ill. 1986)	4
<i>Cal. Pharm. Ass'n v. Maxwell-Jolly</i> , 563 F.3d 847 (9th Cir. 2009)	23
<i>Canadian Filters (Harwich) Ltd. v. Lear-Siegler, Inc.</i> , 412 F.2d 577 (1st Cir. 1969).....	18
<i>Computer Assocs. Int'l, Inc. v. Altai, Inc.</i> , 126 F.3d 365 (2d Cir. 1997)	4, 5
<i>Deepsouth Packing Co. v. Laitram Corp.</i> , 406 U.S. 518 (1972).....	24, 25
<i>Douglas v. Indep. Living Ctr. of S. Cal., Inc.</i> , 132 S. Ct. 1204 (Feb. 22, 2012).....	23
<i>E. & J. Gallo Winery v. Andina Licores S.A.</i> , 446 F.3d 984 (9th Cir. 2006)	15, 17
<i>Facebook, Inc. v. Pac. Nw. Software, Inc.</i> , 640 F.3d 1034 (9th Cir. 2011)	10
<i>Gau Shan Co., Ltd. v. Bankers Trust Co.</i> , 956 F.2d 1349 (6th Cir. 1992)	7
<i>Golden State Transit Corp. v. City of L.A.</i> , 475 U.S. 608 (1986).....	11
<i>Keystone Land & Dev. Co. v. Xerox Corp.</i> , 152 Wash. 2d 171 (Wash. 2004)	10
<i>Laker Airways Ltd. v. Sabena, Belgian World Airlines</i> , 731 F.2d 909 (D.C. Cir. 1984);	6, 25
<i>Mars, Inc. v. Kabushiki-Kaisha Nippon Conlux</i> , 24 F.3d 1368 (Fed. Cir. 1994)	8

Medtronic, Inc. v. Catalyst Research Corp.,
518 F. Supp. 946 (D. Minn. 1981), *aff'd* 664 F.2d 660 (8th Cir. 1981).....5, 6

Microsoft Corp. v. AT&T Corp.,
550 U.S. 437 (2007).....24

Microsoft Corp. v. Lindows.com, Inc.,
319 F. Supp. 2d 1219 (W.D. Wash. 2004)4

Nelson v. Adams USA, Inc.,
529 U.S. 460 (2000).....18

Rauland-Borg Corp. v. TCS Mgmt. Group, Inc.,
No. 93 C 6096, 1995 WL 31569 (N.D. Ill. Jan. 26, 1995)4, 5

Seattle Totems Hockey Club, Inc. v. Nat’l Hockey League,
652 F.2d 852 (9th Cir. 1981)6, 7

Sperry Rand Corp. v. Sunbeam Corp.,
285 F.2d 542 (7th Cir. 1960)5, 16

Subafilms, Ltd. v. MGM-Pathe Commc’ns Co.,
24 F.3d 1088 (9th Cir. 1994)12, 13

United States v. Manchester Farming P’ship,
315 F.3d 1176 (9th Cir. 2003)16

Wharf Rest., Inc. v. Port of Seattle,
605 P.2d 334 (Wash. App. 1979)11

Zimnicki v. Neo-Neon Int’l, Ltd.,
No. CV:06-4879, 2009 WL 2392065 (N.D. Ill. July 30, 2009)4

Zynga, Inc. v. Vostu USA, Inc.,
816 F. Supp. 2d 824 (N.D. Cal. 2011).....3, 4

Statutes

28 U.S.C. § 1332.....11

Miscellaneous

Google/Motorola Mobility, Commission merger decision
pursuant to Article 6(1)(b) of Council Regulation No 139/2004,
Case No. COMP/M.6381(Euro. Comm’n Feb. 13, 2012)14

Daniel Tan, *Anti-Suit Injunctions and the Vexing Problem of Comity*,
45 VA. J. INT’L L. 283, 337 (2005)4, 17

George A. Bermann, *The Use of Anti-Suit Injunctions in International
Litigation*, 28 COLUM. J. TRANSNAT’L L. 589, 626 (1990).....13

Br. for Pet. Microsoft Corp., 2006 WL 3693463,
Microsoft Corp. v. AT&T Corp., No. 05–1056 (U.S. Dec. 15, 2006)19, 20, 25

Br. for United States as Amicus Curiae, 2006 WL 3693464,
Microsoft Corp. v. AT&T Corp., No. 05–1056 (U.S. Dec. 15, 2006)24

PRELIMINARY STATEMENT

Plaintiff-Appellee Microsoft Corporation (“Microsoft”) takes the remarkable position that, by filing a contract enforcement action under Washington state law concerning Motorola’s standard-essential patents, it can preempt any and all patent actions Motorola might bring to enforce those patents anywhere in the world for the duration of the U.S. lawsuit, regardless of the magnitude of Microsoft’s infringement. In accepting this argument and issuing the anti-suit injunction below, the district court asserted that a single federal district court judge and “six good citizens of the Pacific Northwest” (ER 88) hold unprecedented global patent authority. Nothing in this Court’s decisions concerning anti-suit injunctions supports this extraordinary assertion of power to override a duly issued patent-infringement decision by a German court.

To begin with, Microsoft assumes its own victory on the merits, asserting that the district court has authority to set a worldwide RAND rate as a remedy for Motorola’s supposed breach of a binding RAND contract with standard-setting organizations. But that premise remains controversial, to say the least. To Motorola’s knowledge, no U.S. judge has ever set a judicially determined RAND rate for a global patent portfolio. Motorola and Microsoft will vigorously contest in the underlying contract action whether a declaration that a patent is essential to a standard is a mere commitment to negotiate in good faith for a RAND license (as Motorola contends) or a binding contract with an ambiguous price term (as Microsoft contends); whether any

such commitment has been breached by Motorola's opening letter, which offered a RAND license but which Microsoft answered with a lawsuit rather than a counteroffer; whether the remedy for any such breach is to send the parties back to the bargaining table rather than to impose a judicially calculated, non-negotiated rate; and, if so, at what point any such order of specific performance might be justified by a breakdown in the parties' own negotiations. Microsoft's pervasive presumption of victory on these questions is unwarranted and should not distort the analysis of the erroneous anti-suit injunction entered here.

Moreover, Microsoft fails to address the numerous ways in which this case differs from the extraordinary and very different cases in which this Court has permitted anti-suit injunctions. This injunction, unlike those injunctions, is unnecessary to preserve the district court's jurisdiction and unnecessary to preserve Microsoft's claimed rights, which involve a breach-of-contract action quite different from the patent enforcement at issue in Germany. And this injunction, unlike those injunctions, disrespects the duly issued judgment of a foreign court under foreign law, posing an intolerable conflict with international comity. The district court's order permits Microsoft to flout well-established German judicial procedures specifically designed to balance enforcement of German patent law with protection against anticompetitive abuse of standard-essential patents—the supposed harm of which Microsoft complains. Such an affront to the dignity of a foreign sovereign should not

be permitted to stand based on the mere *possibility* that the district court might resolve the issues before it in a way that differs from the German court. And the availability of the *Orange Book* procedure in Germany forecloses any plausible basis for Microsoft to claim that it will be irreparably harmed absent the injunction. The district court's preliminary injunction should be vacated.

ARGUMENT

I. MICROSOFT FAILS TO PROVIDE THE EXTRAORDINARY JUSTIFICATION REQUIRED FOR AN ANTI-SUIT INJUNCTION AGAINST A FOREIGN PATENT ACTION

Microsoft agrees with Motorola's premise that anti-suit injunctions should be used "sparingly" (Motorola Br. 16, 21 & n.2), but argues that the record here supplies such rare justification. That is incorrect. Far from being the exceptional case in which an anti-suit injunction should issue, this case presents an exceptionally strong reason why one should *not* issue. Patent law is determined nation by nation, and does not extend extraterritorially. And the injunctive relief Motorola has been enjoined from pursuing in Germany concerns German patents, issued under German law, as practiced within Germany. For similar reasons, "federal courts around the country have considered anti-suit injunctions of parallel proceedings in a variety [of] intellectual property contexts and have uniformly concluded that such injunctions are improper." *Zynga, Inc. v. Vostu USA, Inc.*, 816 F. Supp. 2d 824, 829 (N.D. Cal. 2011).

Contrary to Microsoft’s suggestion (Microsoft Br. 25), it is not “beside the point” that the action below concerns alleged contract enforcement whereas the German action concerns enforcement of German patents under German law. To the contrary, the fact that the German action involves patent infringement counsels *against* the use of anti-suit injunction: “[I]n some categories of cases it will usually be legitimate to commence foreign proceedings, even if parallel proceedings are on foot in domestic courts. In such cases, the United States courts should be slow to issue anti-suit injunctions to enjoin foreign proceedings.” Daniel Tan, *Anti-Suit Injunctions and the Vexing Problem of Comity*, 45 VA. J. INT’L L. 283, 337 (2005) (discussing patent and trademark cases). The decision below departs from the judicial restraint that U.S. courts have heretofore exercised within this realm.¹

¹ See *Zynga, Inc.*, 816 F. Supp. 2d at 829 (“Vostu does not cite—and this Court has not found—any decision of a U.S. district court enjoining a party from pursuing copyright litigation abroad.”); *Zimnicki v. Neo-Neon Int’l, Ltd.*, No. CV:06-4879, 2009 WL 2392065, at *3 (N.D. Ill. July 30, 2009) (“Zimnicki has not presented the Court with evidence that the Chinese intellectual property laws applicable to Neo-Neon’s declaratory judgment action are the same or similar to the provisions of the Copyright Act, . . . and the Lanham Act, . . . implicated by Zimnicki’s Complaint.”); *Microsoft Corp. v. Lindows.com, Inc.*, 319 F. Supp. 2d 1219, 1223 (W.D. Wash. 2004) (“Faced with an absence of precedent for an order enjoining foreign trademark litigation, the Court finds no reason to interfere with the judicial proceedings of other sovereign nations. Lindows.com’s request for an anti-suit injunction must be denied.”); *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 126 F.3d 365, 372 (2d Cir. 1997) (“While Altai may experience as vexatious Computer Associate’s decision to pursue its rights in France, the French action would in no way affect the decision rendered by a court of the United States. In short, the action in this country involved violations of Computer Associates’s United States copyright, and the French action involves

The lone case Microsoft cites in support of an anti-suit injunction in the intellectual-property realm is a decision issued 30 years ago that in fact supports Motorola's argument. See Microsoft Br. 46-47 (citing *Medtronic, Inc. v. Catalyst Research Corp.*, 518 F. Supp. 946, 955 (D. Minn. 1981), *aff'd* 664 F.2d 660 (8th Cir. 1981)). In *Medtronic*, the parties had already executed a licensing agreement and had brought dueling contract claims before different tribunals; no separate claim of *foreign patent infringement* was to be decided by the foreign tribunal. Tellingly, *Medtronic* distinguished cases where enforcement of a foreign patent is being litigated abroad: “[T]his case does not present the common problem which befalls other similar actions; Medtronic is not seeking to enjoin a foreign court on the basis of a patent validity or infringement finding by a United States court. Foreign patents, despite covering

violations of Computer Associates's French copyright.”); *Rauland-Borg Corp. v. TCS Mgmt. Grp., Inc.*, No. 93 C 6096, 1995 WL 31569, at *4 (N.D. Ill. Jan. 26, 1995) (“[E]ven though there is some identity between the parties, the trademarks and the issues in the two actions, an injunction preventing Rauland Borg and Rauland Borg Canada from pursuing the Canadian action would not be appropriate in light of the fact that resolution of the U.S. action would not be dispositive of the Canadian action. Each action implicates a different set of laws Thus, this Court concludes that enjoining the Canadian action and restricting the Canadian court from protecting the rights of its citizens would violate principles of international comity.”); *Black & Decker Corp. v. Sanyei Am. Corp.*, 650 F. Supp. 406, 410 (N.D. Ill. 1986) (“In a contract action, rights arise from the language of the agreement; in an intellectual property matter, substantive rights derive directly from the state rather than the parties themselves. Given this source of sponsorship, the interests of each state in articulating and enforcing its own laws should be respected.”); *Sperry Rand Corp. v. Sunbeam Corp.*, 285 F.2d 542, 545 (7th Cir. 1960) (“It does not appear that the institution of these separate law suits for trademark infringement in other foreign countries would duplicate the action now pending in the District Court.”).

precisely the same product as an American patent, present separate and independent rights Where patents are the issue, the subject matter is not the same.” *Medtronic*, 518 F. Supp. at 955. *Medtronic* also found it important that, unlike here, “there ha[d] not yet been a judgment entered” by the foreign court, in reciting the reasons why it overcame “extreme[] war[iness] about interfering in even an indirect manner with the jurisdiction of a foreign sovereign.” *Id.* at 955-56.

II. THE ANTI-SUIT INJUNCTION IS UNNECESSARY TO PRESERVE THE DISTRICT COURT’S JURISDICTION

Microsoft contends repeatedly that the district court properly issued the anti-suit injunction in order to preserve its own “jurisdiction to resolve the worldwide license issues presented by Microsoft’s complaint.” Microsoft Br. 20; *see id.* at 21, 35, 47-48, 66-67. This argument too is meritless. To begin with, the district court’s assertion of authority assumes the conclusion of the lawsuit—whether the court’s authority extends to “resolving” a worldwide license is the very matter in dispute. In any event, enforcing the German judgment within Germany would not “threaten[] to paralyze the jurisdiction of the court” below, *Laker Airways Ltd. v. Sabena, Belgian World Airlines*, 731 F.2d 909, 927 (D.C. Cir. 1984); to the contrary, the district court’s jurisdiction would remain intact even if Motorola enforces the infringement injunction in Germany.

Jurisdictional concerns warrant anti-suit injunctions only in limited circumstances. *See Seattle Totems Hockey Club, Inc. v. Nat’l Hockey League*, 652

F.2d 852, 855 (9th Cir. 1981) (listing “threat[to] the issuing court’s in rem or quasi in rem jurisdiction” among factors to consider before issuance of an anti-suit injunction); *Berkshire Furniture Co. v. Glattstein*, 921 F. Supp. 1559, 1561 (W.D. Ky. 1995) (“[O]nly two scenarios have been held to threaten a court’s jurisdiction: 1) where the U.S. court’s jurisdiction is based on the presence of property within the court’s jurisdictional boundaries, and a concurrent proceeding in a foreign jurisdiction poses the danger that the foreign court will order the transfer of the property out of the jurisdictional boundaries of the U.S. court; and 2) where a foreign court is attempting to carve out exclusive jurisdiction over the action.”) (citing *Gau Shan Co., Ltd. v. Bankers Trust Co.*, 956 F.2d 1349, 1356 (6th Cir. 1992)). Such limited circumstances are not present here. “An intellectual property right such as a [patent] cannot be moved from the court’s jurisdictional boundaries and deprive this court of jurisdiction. And there is no evidence that a [German] court would attempt to carve out exclusive jurisdiction over the action.” *Berkshire Furniture Co.*, 921 F. Supp. at 1561.

Rather, the district court here, because it contemplates bestowing a global RAND license upon Microsoft, seeks in the meantime to protect Microsoft against any injunction Microsoft might otherwise face abroad for infringing Motorola’s foreign patents before it acquires a license. But even if the district court and Microsoft were correct (as Motorola disputes) that the terms of a worldwide license will ultimately be set in this case, nothing in this scenario suggests that the district court stands to lose

jurisdiction absent the anti-suit injunction. As Motorola has noted without refutation (Motorola Br. 28-29), its German infringement claim can be brought *only* in Germany. *See Mars, Inc. v. Kabushiki–Kaisha Nippon Conlux*, 24 F.3d 1368, 1372-75 (Fed. Cir. 1994) (holding that U.S. courts do not have jurisdiction to litigate foreign patents). The district court’s injunction therefore prevents Motorola from enforcing its right to relief in the only place where its claim could be brought. Thus, the only court whose jurisdiction has been imperiled is the German court, not the district court below. Allowing Motorola to enforce the German judgment would not deprive the district court of jurisdiction over Microsoft’s claim. By contrast, the district court’s anti-suit injunction bars Motorola from enforcing, as a matter of course, the injunction the German court adjudged appropriate to remedy Microsoft’s continuing infringement.

III. THE ANTI-SUIT INJUNCTION IS UNNECESSARY TO PREVENT SUPPOSED RAND ABUSE BY MOTOROLA

Microsoft is no more persuasive in asserting that its district court action was necessitated by Motorola’s “steadfast” refusal to comply with its RAND obligations, as evidenced by Motorola’s supposedly “non-RAND demand” letters to Microsoft (Microsoft Br. 1), which it depicts as “ultimatums designed to set the stage for Motorola to file infringement lawsuits against Microsoft” (*id.* at 12; *see also id.* at 15). As Microsoft would have it, Microsoft offered to pay a fair licensing fee for its use of Motorola’s essential patents, only to be rebuffed and bullied with potential suit.

The record belies this fiction. For years, Microsoft manufactured and sold products that infringe Motorola's standard-essential patents without paying Motorola a cent for them or even seeking a license. In October 2010, *Motorola* sought to remedy that situation by itself reaching out to Microsoft to initiate bilateral negotiation of a RAND license. Motorola's opening letters to Microsoft were couched in terms of neither demand nor litigation threat; they simply offered to license Motorola's 802.11 and H.264 patent portfolios on standard terms and requested prompt response. *See* ER 375-96, ER 398-421 ("Motorola offers to license the patents on a non-discriminatory basis on reasonable terms and conditions ('RAND'), including a reasonable royalty of 2.25% per unit for each H.264 compliant product, subject to a grant back license under the H.264 patents of Microsoft.").² In response to this offer, Microsoft failed to submit a counteroffer or otherwise engage in good-faith negotiations, but instead *immediately* filed the lawsuit below.

Notwithstanding the complete absence of (1) any effort by Microsoft to fulfill its obligations to license Motorola's patents; (2) any record of bilateral negotiations between the parties as to RAND terms; or (3) any judicial order finding breach or requiring that the parties engage in good-faith negotiations, the district court has

² While purporting to question whether it in fact received Motorola's "standard" offer (Microsoft Br. 16 n.4), Microsoft effectively acknowledges that the offer was standard, instead arguing that Motorola's standard rate should not apply to the particular Microsoft products in question.

asserted the authority to determine and impose the terms of a RAND license as to Motorola's global patent portfolio spanning 30 countries. *See* ER 16, ER 76. The approach of the court below preempts the standard RAND process, under which rates and terms are presumptively to be determined by the market and arms-length negotiations between the parties. *See* ER 351 (“The detailed arrangements arising from patents (licensing, royalties, etc.) are left to the parties concerned, as these arrangements might differ from case to case.”); ER 366 (RAND negotiations depend upon variable facts, including “other business dealings between the parties, such as distribution agreements, co-branding agreements, [and] cross-licenses involving other technologies.”).³

The district court's approach also foregoes all proper judicial restraint about setting contractual terms that remain subject to negotiation. *See Facebook, Inc. v. Pac. Nw. Software, Inc.*, 640 F.3d 1034, 1038-39 (9th Cir. 2011) (applying California law and declaring that failure to agree upon necessary terms would “render the contract a nullity”); *Keystone Land & Dev. Co. v. Xerox Corp.*, 152 Wash. 2d 171,

³ It again bears noting that enforcement of the German judgment would not enable Motorola to extract an above-RAND royalty from Microsoft. Microsoft has the opportunity, under the *Orange Book* doctrine applied by the German courts, unilaterally to eliminate the risk of an injunction in Germany by lodging an *Orange Book*-compliant RAND licensing offer, including one under which the RAND royalty rate could be reviewed and determined by the German court. Microsoft therefore need not fear having to pay above-RAND royalties in Germany pending the outcome in the court below.

176 (Wash. 2004) (“Agreements to agree are unenforceable in Washington.”); *Wharf Rest., Inc. v. Port of Seattle*, 605 P.2d 334, 339 (Wash. App. 1979) (rejecting promissory estoppel claim because “[a]n agreement to negotiate a contract in the future is nothing more than negotiations”); *cf. Golden State Transit Corp. v. City of L.A.*, 475 U.S. 608, 616-17 (1986) (“The NLRA requires an employer and a union to bargain in good faith, but it does not require them to reach agreement.”).

Microsoft and the court below lack any authority from any court to support their startling proposition that a single, opening offer letter, without more, is enough to trigger judicial adjudication and imposition of global RAND terms.⁴ The parties agree

⁴ Citing the transcript from the April 11, 2012 hearing on Microsoft’s motion for temporary restraining order and preliminary injunction, Microsoft claims that Motorola conceded the district court should be imposing global RAND terms in this case. *See* Microsoft Br. 28-30. To the contrary, Motorola repeatedly asserted during that hearing that the issue of a global RAND rate was not properly before the district court. *See* ER 295 (“there is no request in the prayer for relief that the court set a RAND rate, it’s just not there”). When the district court made clear that it disagreed with Motorola’s position (*see* ER 299), Motorola’s counsel still argued that allowing the German court action to proceed would not impede the district court’s assertion of authority to set RAND terms, and that an anti-suit injunction would therefore be improper, regardless what the court below ultimately decided with respect to RAND. *See* ER 302-17. By no fair reading of the excerpts quoted by Microsoft was Motorola’s counsel somehow conceding, after pressing arguments to the effect that there was no RAND breach and no occasion to impose a RAND license, that RAND terms should nonetheless be set in this case. Nor does Motorola’s acknowledgement of the lower court’s *jurisdiction* to adjudicate a dispute over the proper RAND rate (*see* ER 316)—an acknowledgement that persists here (*see* Motorola Br. 1 (“The district court had jurisdiction under 28 U.S.C. § 1332”))—amount to a concession that the court *should* impose a RAND rate under the facts and circumstances of this case.

that this premise is now presented for resolution by this Court. *See* Microsoft Br. 24-34; Motorola Br. 29-30. In vacating the preliminary injunction here, this Court should clarify that the district court’s assertion of authority to set RAND rates is premature and unwarranted.

IV. MICROSOFT CANNOT SHOW THAT THE ANTI-SUIT INJUNCTION HERE MEETS THIS COURT’S TEST

Turning to the special standard whereby this Court ensures that anti-suit injunctions indeed are used “sparingly,” Microsoft’s arguments again fail.

A. The Issues In The Two Proceedings Fundamentally Differ

The anti-suit injunction here fails the threshold requirement that the issues in the two actions must be the same, such that the U.S. action is “capable of disposing of *all the issues* in the foreign action.” *Applied Med. Distrib. Corp. v. Surgical Co. BV*, 587 F.3d 909, 915 (9th Cir. 2009) (emphasis added). By Microsoft’s own admission, “this case and Motorola’s German suits have some differences.” Microsoft Br. 25. The German action concerns *current, ongoing* infringement of German patents in Germany, as to which neither licensing nor payment is in place; by contrast, the current action addresses the nature of Motorola’s obligation under its SSO commitments and might or might not result in *ensuing* imposition of a license.

Motorola’s suit to enforce its German patents in Germany is not only distinct from the action below, but wholly unavailable before a U.S. court—a point Microsoft does not dispute. *See* Motorola Br. 26-27; *Subafilms, Ltd. v. MGM-Pathe Commc’ns*

Co., 24 F.3d 1088, 1093-94 (9th Cir. 1994) (en banc) (acknowledging that intellectual property laws are not extraterritorial). The district court is not properly positioned to speak to the law governing German patents, much less to deprive Motorola of its sole remedy for enforcing those patents. *See* Motorola Br. 28-29; George A. Bermann, *The Use of Anti-Suit Injunctions in International Litigation*, 28 COLUM. J. TRANSNAT'L L. 589, 626 (1990) (“[A]n anti-suit injunction ought not issue if it would result in depriving the plaintiff of his or her only remedy.... American courts have not yet been tempted to interfere with foreign litigation in situations where the cause of action could not possibly be brought anywhere else.”).

Microsoft’s only retort is its repeated insistence that “[t]his suit will produce a worldwide RAND license to Microsoft and bar injunctive relief for Motorola” (Microsoft Br. 25; *see id.* at 33-34), an assertion also made by the district court (ER 39 (“[W]ere the German court to issue an injunction, it would sharply usurp the ability of this court to determine whether or not an injunction is appropriate.”)). Microsoft fails to acknowledge its complaint’s omission of any request that the court set a license on RAND terms. *See* ER 16 n.12 (“an express statement that Microsoft seeks a license for Motorola’s essential patents is missing from its complaint”). A court should not take the extraordinary step of issuing an anti-suit injunction for the sake of adjudicating an issue that has not even been pled before it.

Moreover, Microsoft ignores the fact that U.S. law does not govern patent enforcement in other nations. Whatever rules might govern injunctions against continuing infringement of U.S. patents, those rules do not govern *German* courts considering injunctions against continuing infringement of *German* patents under *German* law. See *Motorola* Br. 28-29 n.5. And while Microsoft relies upon Judge Posner's recent ruling in *Apple, Inc. v. Motorola, Inc.*, No. 1:11-cv-08540, 2012 WL 237664 (N.D. Ill. June 22, 2012) (Posner, J., sitting by designation), for the proposition that an injunction may not issue to enforce a standard-essential patent (see *Microsoft* Br. 32-33), that ruling did not speak to the *German* law of patent enforcement, and in any event does not set forth the general rule. To the contrary, RAND commitments do *not* prevent holders of standard-essential patents from pursuing enforcement actions, including injunctions, against unwilling licensees. Microsoft itself has previously recognized as much. See Letter from Microsoft Corp. to Federal Trade Commission, ECF No. 230-5 (June 14, 2011). So has the European Commission. See *Google/Motorola Mobility*, Commission merger decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004, Case No. COMP/M.6381, ¶ 126 (Euro. Comm'n Feb. 13, 2012) (“[T]he seeking or enforcement of injunctions on the basis of SEPs is also not, of itself, anti-competitive. In particular, and depending on the circumstances, it may be legitimate for the holder of SEPs to seek an

injunction against a potential licensee which is not willing to negotiate in good faith on FRAND terms.”).⁵

B. There Is No Special U.S. Interest

Nor can Microsoft show that the German action threatens any special U.S. interest, as would be necessary to justify an anti-suit injunction. *See* Microsoft Br. 33-35. The injunction is not necessary to preserve the district court’s jurisdiction. *See supra* at 6-8. Nor does the injunction vindicate any preexisting agreement between the parties, who have not elected a U.S. tribunal via a forum-selection clause. *See* Motorola Br. 24-25, 33-35. Microsoft and the court below err in seizing upon Motorola’s initial offer letter to Microsoft as if it agreed that “six good citizens of the Pacific Northwest” (Microsoft Br. 36-37; ER 38-39, 88) should thereafter have exclusive say over the terms on which Motorola’s global patent portfolio would be licensed to Microsoft. This Court has never identified a special U.S. interest that justifies an anti-suit injunction based on such a letter, but has instead relied only upon

⁵ *Amicus Curiae* Intel Corporation likewise acknowledges that “[o]f course, if an accused infringer were judgment-proof and refused to pay a RAND royalty, the SEP holder might indeed suffer irreparable harm absent an injunction, making injunctive relief appropriate.” Intel Br. 30. The error pervading Intel’s brief is that Intel assumes Motorola “has failed even to offer RAND terms” (*id.* at 26)—an issue that has yet to be determined—while ignoring the fact that a RAND license remains readily available to Microsoft in Germany via the *Orange Book* procedure. As for Intel’s views on the precise methodology whereby a RAND rate should supposedly be set (*see id.* at 18-25), they venture far beyond what is before this Court—and, indeed, beyond anything yet essayed by the court below.

contracted-for forum-selection clauses executed by the parties. *See, e.g., Applied Med.*, 587 F.3d at 916; *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984, 992 (9th Cir. 2006).

Finally, contrary to Microsoft's submission (Microsoft Br. 38-39), Motorola's German litigation was not "vexatious." *See, e.g., United States v. Manchester Farming P'ship*, 315 F.3d 1176, 1182 (9th Cir. 2003) (defining "vexatious" to require a showing both of subjective "ill intent" and that "objectively, the suit must be deficient or without merit"). Motorola brought the German suit in the face of undisputed infringement, as the German court found in reaching judgment for Motorola. Moreover, Motorola could not have brought its patent infringement claim under German law anywhere else. *See* Motorola Br. 28-29; *see also Sperry Rand Corp.*, 285 F.2d at 545 (vacating preliminary injunction and finding that threat to file separate actions in foreign countries to vindicate foreign trademarks was not vexatious or harassing). And while the outcome of the proceeding in the district court remains uncertain, the German suit is the only secure path to securing recompense for Microsoft's continuing infringement in Germany. If this litigation does *not* finally result, including after all appeals, in a licensing rate that Microsoft must pay Motorola retrospectively, then Motorola will be left without any remedy for Microsoft's ongoing infringement in Germany. If, by contrast, the district court ultimately imposes a global RAND license in this case (contrary to Motorola's argument that it

lacks authority to do so) that includes a rate different from any RAND rate determined by German *Orange Book* procedure as to Motorola's German patents, Microsoft could seek recovery of the difference in the U.S. action to the extent comity toward the German courts permits. There is no special U.S. interest, however, in shielding Microsoft's infringement in Germany in the meantime, pending conclusion of this lawsuit and all appeals.

C. The District Court's Injunction Intolerably Harms Comity

Microsoft contends that the effect on comity here is tolerable because Motorola supposedly attempted to thwart the district court's jurisdiction with a later-filed German action. Yet this Court has already held such sequencing to be beside the point. *See Gallo*, 446 F.3d at 994; *Motorola Br. 35*. And the German action does not threaten the district court's jurisdiction. *See supra* at 6-8. To reiterate (*see Motorola Br. 33-34*), overlapping actions proceed in parallel all the time, particularly within the realm of intellectual property, without offending one or the other nation's court. Microsoft cites no authority or precedent for a court to reach out and preempt a foreign court's patent-infringement judgment after it has issued. To the contrary, "the policy of preserving comity make[s] it difficult to think of any circumstances under which the courts should issue an anti-suit injunction to restrain foreign patent and trademark proceedings." *Tan, supra*, at 338.

The anti-suit injunction here is all the more offensive to comity because Microsoft did not bother to alert the German courts to the pendency of this proceeding until the eleventh hour and never sought a stay in the German courts, as Microsoft tacitly acknowledges but does not attempt to explain. Microsoft Br. 61.⁶ Although Microsoft claims (Microsoft Br. 5) that it pointed to the need for the court below to reach judgment before the German court did, its actual briefing said something quite different: in seeking *partial* summary judgment, Microsoft expressly acknowledged that the German court would reach its judgment before the scheduled trial in this case; at no time then or prior to this past March did Microsoft suggest any need for a stay. SER 232. Such an “end run around” the German court is unjustifiable where Microsoft did not request any stay from the foreign court whose proceedings are to be enjoined. *See Canadian Filters (Harwich) Ltd. v. Lear-Siegler, Inc.*, 412 F.2d 577,

⁶ Instead, Microsoft shifts the focus to Motorola’s supposed failure to make this point in the district court below. Microsoft Br. 61. In fact, Motorola did make this point in arguing that Microsoft could appeal the German court’s ruling and request a stay pending appeal. *See* Defs.’ Opp. to Mot. for Temporary Restraining Order and Prelim. Inj., ECF No. 244, at 8 (Apr. 6, 2012) (“Microsoft can request that the judgment be stayed pending an appeal with the appellate court, and such a motion would be granted if Microsoft is likely to prevail on appeal and if enforcement pending appeal would cause significant harm to Microsoft.”). In any event, this point simply elaborates on Motorola’s comity argument, as presented and decided below; such elaboration is not only permitted but expected as parties develop the issues presented on appeal. *See Nelson v. Adams USA, Inc.*, 529 U.S. 460, 469 (2000) (“It is indeed the general rule that issues must be raised in lower courts in order to be preserved as potential grounds of decision in higher courts. But this principle does not demand the incantation of particular words; rather, it requires that the lower court be fairly put on notice as to the substance of the issue.”).

579 (1st Cir. 1969) (“Filters sought the wrong relief. Rather than, in effect, attempt to strong-arm the Canadian court, it should have asked that court, if it thought it was so entitled, to postpone its proceedings until the United States court had taken action.”).

As Microsoft itself has recognized on a previous occasion, “[t]he presumption against the extraterritorial application of U.S. law is especially strong in the patent context because the application of U.S. patent law to foreign commercial activity intrudes upon other nations’ intellectual property law systems and thereby creates a significant risk of international discord.” Br. for Pet. Microsoft Corp., 2006 WL 3693463, at *31, *Microsoft Corp. v. AT&T Corp.*, No. 05–1056 (U.S. Dec. 15, 2006). Quite right. And such intrusion and risk of discord here are especially pronounced given that this injunction (1) extends to German patents as practiced on German soil in the face of continuing infringement without any extant licensing (Motorola Br. 37-38); (2) interferes with a German court’s judgment already reached following extensive proceedings (*id.* at 38-39); and (3) specifically expresses disdain for Germany’s *Orange Book* doctrine as an appropriate procedure for implementing RAND (ER 21-23 (equating standard *Orange Book* operation with irreparable harm); ER 88). Motorola is aware of no case in which an anti-suit injunction has similarly disregarded comity toward a foreign legal system and been sustained.

Although Microsoft argues (Microsoft Br. 57) as though the *Orange Book* procedure takes no account of RAND, the *Orange Book* procedure is designed to

ensure licensing of German patents on RAND terms policed by the German courts. *See* ER 330-37 (Redacted Declaration of Dr. Marcus Grosch, ECF No. 245, at ¶¶ 4-12 (Apr. 6, 2012) (“Grosch Decl.”)); ER 259. Indeed, Microsoft has elsewhere agreed that such procedures deserve deference when applied to foreign patents as practiced on foreign soil. *Br. for Pet. Microsoft Corp.*, 2006 WL 3693463, at *31. That Motorola filed the German patent action after Microsoft initiated the contract suit below should make no difference to the comity equation. In fact, Motorola filed its German complaint *before* Microsoft first asked for judicially imposed license terms in September 2011. If any aspects of the sequencing engender concern, they are that Microsoft waited to see which way the German court would be deciding before first taking issue with the parallel proceedings (Motorola *Br.* 34-35, 37-38), and that Microsoft never requested a stay of the German injunction by the German courts, preferring its home venue of the Western District of Washington instead (Motorola *Br.* 38, 41).

V. THE TRADITIONAL FACTORS LIKEWISE WEIGH AGAINST THIS INJUNCTION

Microsoft does not dispute that the traditional equitable factors (other than likelihood of success on the merits) must be satisfied before an anti-suit injunction can issue. *See* Motorola *Br.* 39-40; Microsoft *Br.* 52-53. Proper application of those factors affords a separate and independent ground for reversal.

A. Microsoft Has Failed To Show Irreparable Harm

Microsoft contends that it faces irreparable harm absent an anti-suit injunction because “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.” Microsoft Br. 54. But that forecast is within Microsoft’s own power to avoid in Germany. Microsoft even today could arrive at licensing terms, whether through private negotiations or through the *Orange Book* procedure that remains available through German courts. *See* ER 340 (Grosch Decl. ¶ 28).

Without disputing that the *Orange Book* procedure remains available to it, Microsoft denigrates the *Orange Book* process itself, largely echoing the district court in complaining that the idea that “Microsoft should be forced to face a German injunction as a ‘consequence[] of its continued noncompliance’ with German patent law makes a mockery of both the purposes of SSOs and Motorola’s contractual RAND license commitments.” Microsoft Br. 58-59 (citation omitted). Notably, the supposed “mockery” that draws Microsoft’s ire is an established feature of German patent law. And Microsoft neglects to mention that it has not only eschewed this procedure, but has to date never paid a penny for infringing Motorola’s standard-essential patents, never attempted before filing its complaint to negotiate a license for those patents, and resorted to this litigation immediately upon receipt of Motorola’s opening offer to license those patents. Motorola’s RAND commitments did not

relieve Microsoft of its obligation to comply with the law of the German forum that it voluntarily avails itself of to market and sell its products (as well as to file its own patent infringement suits, enforced by threat of corresponding injunctions not available in the U.S.).

Microsoft fares no better in complaining that *Orange Book* negotiations could result in a German royalty rate that exceeds the licensing rate that the court below may ultimately set. First, as explained *supra* at 9-12, the argument rests on a false premise, for the district court lacks authority to impose a global RAND rate in the present circumstances. Second, even assuming *arguendo* the premise were correct, and that the U.S. court were not required by comity to respect any RAND rate set by the German *Orange Book* procedure as to Motorola's German patents, any difference between that rate and any global RAND rate set by the district court could be pursued by Microsoft later as a compensable recovery.

B. The Balance Of Equities Weighs In Motorola's Favor

Microsoft cannot refute that the balance of equities tips in Motorola's favor. *See* Motorola Br. 41-43. Microsoft suffers no cognizable harm from allowing Motorola to enforce its German patent rights in Germany and can always protect itself against the German injunction it fears through the *Orange Book* procedure. By contrast, the anti-suit injunction denies Motorola any means of securing adequate recompense for Microsoft's continuing infringement. Microsoft has refused to agree

to any satisfactory licensing terms, or even to negotiate in good faith over them, and has disabled (by way of the anti-suit injunction at issue) the German injunction that would otherwise obtain in this circumstance to protect Motorola against Microsoft's continuing infringement.

Microsoft's response is that "any infringement in Germany can be compensated by a monetary award, specifically by RAND royalties." Microsoft Br. 62. Its premise is that the imposition of a RAND royalty at the conclusion of this case is a certainty, but it is not. As Microsoft has recognized, "[t]he district court [] 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." Microsoft Br. 8. Thus, to obtain a court-imposed RAND license, Microsoft must first convince the court or jury that Motorola's initial offers violated Motorola's RAND commitments—even though they offered standard terms as a starting point for good-faith negotiations. Microsoft must also make new law affording the district court unprecedented authority to judicially set a RAND rate itself rather than merely to order the parties to undertake good-faith negotiations. And these decisions, if they ultimately materialize, must survive appeal. Microsoft's continuing infringement for the duration of this lengthy, uncertain process poses the risk of irreparable harm to Motorola. *Cf. Cal. Pharm. Ass'n v. Maxwell-Jolly*, 563 F.3d 847, 852 (9th Cir. 2009) ("[B]ecause the Hospital Plaintiffs and their members will be unable to recover damages against the

Department even if they are successful on the merits of their case, they will suffer irreparable harm [absent] the requested injunction.”), *vacated on other grounds sub nom. Douglas v. Indep. Living Ctr. of S. Cal., Inc.*, 132 S. Ct. 1204 (Feb. 22, 2012).

C. The Public Interest Weighs Against This Injunction

Finally, this injunction is contrary to the public interest. *See* Motorola Br. 43-46. To argue the opposite, Microsoft characterizes Motorola’s position as threatening a “balkanized RAND scheme” whereby RAND licensing terms may be determined from country to country. Microsoft Br. 22; *see id.* at 66. Such “Balkanization,” however, amounts to nothing more than respect for an international regime that accommodates different sovereigns along with the intellectual property rights and legal frameworks over which they preside.

If Motorola’s position in fact entails Balkanization, then it is Balkanization our courts have long respected and embraced. Motorola Br. 26-27; *see also* Br. for United States as Amicus Curiae, 2006 WL 3693464, at *28, *Microsoft Corp. v. AT&T Corp.*, No. 05–1056 (U.S. Dec. 15, 2006) (“Foreign conduct is traditionally the domain of foreign law,” and foreign patent law “may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions.”). Indeed, the Supreme Court commends drawing such divisions at national borders and patents. *See Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 455 (2007) (citing *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972) (““Our patent

system makes no claim to extraterritorial effect’; our legislation ‘do[es] not, and [was] not intended to, operate beyond the limits of the United States, and we correspondingly reject the claims of others to such control over our markets.’”)). There is no occasion here to revisit or question the propriety of such line-drawing.

The greater danger is that lack of respect for another sovereign, its patents, and its courts will engender “international discord” of a kind Microsoft has previously warned against. *Br. for Pet. Microsoft Corp.*, 2006 WL 3693463, at *31. If a U.S. court claims exclusive say under Washington law over global RAND licensing terms, even to the point of ousting foreign courts from enforcing their own patents within their own borders, then it should come as no surprise when sister courts push back—and when they claim like authority to subordinate U.S. patents and U.S. judicial proceedings. *Cf. Laker Airways*, 731 F.2d at 941 (“If we are guided by the ethical imperative that everyone should act as if his actions were universalized, then the actions of the British Executive in this particular matter scarcely meet the standard of Kant. For, if the United States and a few other countries with major airlines enacted and enforced legislation like the Protection of Trading Interests Act, the result would be unfettered chaos brought about by unresolvable conflicts of jurisdiction the world over.”). Our existing, cooperative international framework for vindicating intellectual property rights requires respect for the distinctive role played by foreign sovereigns

and their respective courts. Against this backdrop, the injunction under appeal stands out as an unfortunate aberration. The public interest counsels in favor of reversal.

CONCLUSION

For the foregoing reasons, this Court should reverse and vacate the district court's anti-suit injunction.

DATED: New York, New York
July 16, 2012

QUINN EMANUEL URQUHART &
SULLIVAN, LLP

By: s/ Kathleen M. Sullivan

KATHLEEN M. SULLIVAN
QUINN EMANUEL URQUHART &
SULLIVAN, LLP
51 Madison Avenue, 22nd Floor
New York, NY 10010-1601
(212) 849-7000

DEREK L. SHAFFER
QUINN EMANUEL URQUHART &
SULLIVAN, LLP
1299 Pennsylvania Avenue, NW
Suite 825
Washington, DC 20004
(202) 538-8000

Ralph H. Palumbo
Philip S. McCune
Lynn M. Engel
SUMMIT LAW GROUP PLLC
315 Fifth Avenue South
Suite 1000
Seattle, WA 98104-2682
(206) 676-7000 (Telephone)
(206) 676-7001 (Facsimile)

Steven Pepe
Jesse J. Jenner
Stuart W. Yothers
ROPES & GRAY LLP
1211 Avenue of the Americas
New York, NY 10036-8704
(212) 596-9046 (Telephone)

K. McNeill Taylor, Jr.
MOTOROLA MOBILITY, INC.
600 North U.S. Highway 45
Libertyville, IL 60048-1286
(858) 404-3580 (Telephone)
(847) 523-0727 (Facsimile)

Douglas Hallward-Driemeier
Paul M. Schoenhard
Kevin J. Post
ROPES & GRAY LLP
One Metro Center
700 12th Street NW, Suite 900
Washington, DC 20005-3948
(202) 508-4693 (Telephone)

**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 opening brief is proportionately spaced, has a typeface of 14 points or more and contains 6,635 words.

s/ Kathleen M. Sullivan

Attorney for Defendants-Appellants

July 16, 2012

CERTIFICATE OF SERVICE

I, Kathleen M. Sullivan, a member of the Bar of this Court, hereby certify that on July 16, 2012, I electronically filed the foregoing “Reply Brief of Defendants-Appellants” with the Clerk of the 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.

s/ Kathleen M. Sullivan