

The Honorable James L. Robart

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UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION, a Washington
corporation,

Plaintiff,

v.

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

Defendants.

MOTOROLA MOBILITY, INC., and
GENERAL INSTRUMENT CORPORATION,

Plaintiffs/Counterclaim Defendant,

v.

MICROSOFT CORPORATION,

Defendant/Counterclaim Plaintiff.

CASE NO. C10-1823-JLR

DEFENDANTS' ANSWER, DEFENSES,
AND COUNTERCLAIMS TO
PLAINTIFF'S AMENDED AND
SUPPLEMENTAL COMPLAINT

Defendants Motorola Mobility, Inc., Motorola Solutions, Inc. (formerly, Motorola, Inc.)
and General Instrument Corporation ("General Instrument") (collectively or separately,
"Defendants" or "Motorola"), hereby answer Plaintiff Microsoft Corporation's ("Microsoft")
Amended and Supplemental Complaint, as follows:

NATURE OF THE ACTION

1
2 1. Defendants admit that Microsoft brings its complaint as alleged, deny that
3 Defendants have breached any enforceable commitment to IEEE or ITU or their members or
4 affiliates, state that they remain willing to license their WLAN and H.264 patents to applicants on
5 RAND terms which can only be determined through negotiation between the relevant parties but
6 that Microsoft, by its actions, has repudiated any right to apply for such a license, and deny the
7 remaining allegations of Paragraph 1.

8 2. Defendants admit that participants in IEEE standards setting efforts are subject to
9 IEEE bylaws regarding Letters of Assurance, state that they have at all times complied with IEEE
10 bylaws, admit that Microsoft has quoted a portion of a version of Clause 6 of the bylaws, deny that
11 the quoted provisions are complete, and deny the remaining allegations of Paragraph 2.

12 3. Defendants admit that they submitted certain Letters of Assurance to the IEEE-SA
13 Standards Board Patent Committee stating that they would, “with respect to any patent(s) and/or
14 patent applications(s) that it may hold or control” “which would be essential to” the WLAN
15 standards, “grant a license under reasonable rates to an unrestricted number of applicants on a
16 worldwide, non-discriminatory basis with reasonable terms and conditions,” deny that such Letters
17 of Assurance can form the basis of any claim for relief that Microsoft can make, state that
18 Defendants have in fact granted such licenses to entities who, unlike Microsoft, have engaged in
19 negotiations with Motorola for such licenses, admit that the WLAN standards are now
20 implemented worldwide in a variety of electronic devices that have become commonplace,
21 including devices imported, made, used, sold, or offered for sale by Microsoft, state that they are
22 without knowledge or information sufficient to form a belief as to the truth of the allegations
23 contained in the second and fourth sentences of Paragraph 3 and therefore deny them, and deny
24 each and every remaining allegation of Paragraph 3.

25 4. Defendants admit that participants in ITU-T standards setting efforts are subject to
26 ITU-T’s Common Patent Policy regarding Patent Statement and Licensing Declarations, state that

1 they have at all times complied with ITU-T's Common Patent Policy, admit that Microsoft has
2 quoted a portion of a version of the Common Patent Policy, deny that the quoted provisions are
3 complete, and deny the remaining allegations of Paragraph 4.

4 5. Defendants admit that they submitted certain Patent Statement and Licensing
5 Declarations pursuant to the ITU's Common Patent Policy regarding the licensing of essential
6 patents, which Declarations speak for themselves, deny that such Declarations can form the basis
7 of any claim for relief that Microsoft can make, state that Defendants have in fact granted such
8 licenses to entities who, unlike Microsoft, have engaged in negotiations with Motorola for such
9 licenses, admit that the H.264 technical standards are now implemented worldwide in a variety of
10 electronic devices and software that have become commonplace, including those imported, made,
11 used, sold, or offered for sale by Microsoft, state that they are without knowledge or information
12 sufficient to form a belief as to the truth of the allegations contained in the second and fourth
13 sentences of Paragraph 5, and therefore deny them, and deny each and every remaining allegation
14 of Paragraph 5.

15 6. Defendants state that they have not broken any enforceable promise to IEEE-SA or
16 to ITU-T, or their members or affiliates regarding licensing of standards essential patents and that
17 they remain willing to license such patents to applicants who, unlike Microsoft, fulfill their
18 obligations as applicants for such licenses, and deny each and every remaining allegation of
19 Paragraph 6.

20 7. Defendants state that the first sentence of Paragraph 7 is argumentative and does
21 not allege facts, and therefore deny the allegations of the first sentence, and further state that they
22 are without knowledge or information sufficient to form a belief as to the truth of the allegations
23 contained in the second sentence of Paragraph 7 and therefore deny them.

24 8. Defendants state that Paragraph 8 purports to assert legal conclusions to which
25 Defendants are not obligated to respond and therefore deny the allegations, and further state that
26

1 Defendants remain willing to license essential patents on RAND terms to those who, unlike
2 Microsoft, apply for a license.

3 9. Defendants admit that Microsoft purports to seek certain judicial declarations and
4 accountings related to the Defendants' WLAN and H.264 video coding patent and technology
5 portfolios, deny that Microsoft is entitled to any such declarations or accountings, state that
6 Microsoft has never applied for a license under Motorola essential patents, refused to negotiate the
7 terms of a license when Motorola offered a license, and further forfeited any right to a RAND
8 license by suing Motorola instead of requesting a RAND license and negotiating terms with
9 Motorola, and deny each and every remaining allegation of Paragraph 9

10 10. Defendants admit the allegations of Paragraph 10.

11 11. Defendants admit that Microsoft was founded in 1975, that it provides computer
12 software, services and solutions, is headquartered in Redmond, Washington, are without
13 knowledge or information sufficient to form a belief as to the number of Microsoft employees or
14 square footage of Microsoft facilities and therefore deny those allegations, and deny each and
15 every remaining allegation of Paragraph 11.

16 12. Defendants are without knowledge or information sufficient to form a belief as to
17 the truth of the allegations of Paragraph 12 and therefore deny them.

18 13. Defendants admit the allegations contained in the first sentence of Paragraph 13,
19 and state that they are without knowledge or information sufficient to form a belief as to the truth
20 of the allegations contained in the second sentence of Paragraph 13 and therefore deny them.

21 14. Defendants admit the allegations contained in the first and third sentences of
22 Paragraph 14, and state that they are without knowledge or information sufficient to form a belief
23 as to the truth of the allegations contained in the second sentence of Paragraph 14 and therefore
24 deny them.

25 15. Defendants state that they are without sufficient knowledge or information to form
26 a belief regarding the truth of the allegations of Paragraph 15 and therefore deny them.

1 16. Defendants admit that Microsoft hardware and software products, and personal
2 computers sold by others, provide features including H.264 functionality, and state that they are
3 without sufficient knowledge or information to form a belief regarding the truth of the remaining
4 allegations of Paragraph 16 and therefore deny them.

5 17. The Defendants are without knowledge or information sufficient to form a belief as
6 to the truth of the allegations contained in Paragraph 17, and therefore deny them.

7 18. Defendants admit the allegations of Paragraph 18.

8 19. Defendants admit that Defendants and Microsoft are citizens of different states, and
9 that Microsoft purports to seek in excess of \$75,000 through its Amended and Supplemental
10 Complaint, deny that Microsoft has been damaged or is entitled to judgment or relief against
11 Defendants of any kind, whether monetary or otherwise, deny that this court has jurisdiction to
12 adjudicate Microsoft's claims to the extent that they relate to Defendants' foreign patents or
13 technologies, state that Counts I-IV of the Amended and Supplemental Complaint fail to state a
14 claim upon which relief can be granted and are not ripe for adjudication, and deny each and every
15 remaining allegation of Paragraph 19.

16 20. Defendants admit the allegations of Paragraph 20.

17 21. Defendants admit the allegations of Paragraph 21.

18 22. Defendants admit that technology providers in some instances cooperate in
19 standards development organizations to create standards for the implementation of certain
20 technologies, and state that they are without knowledge or information sufficient to form a belief
21 as to the truth of the remaining allegations of Paragraph 22 and therefore deny them.

22 23. Defendants admit the allegations of Paragraph 23.

23 24. Defendants admit the allegations of Paragraph 24.

24 25. Defendants admit the allegations of Paragraph 25.

25 26. Defendants admit that SDOs have adopted rules, policies and procedures that
26 address the disclosure and licensing of patents that SDO participants may assert in relation to the

1 practice of the standard under consideration, and that these rules, policies and/or procedures are set
2 out in the intellectual property rights policies (“IPR policies”) of the SDOs, and deny the
3 remaining allegations of Paragraph 26.

4 27. Defendants admit that many IPR policies relate to patents and patent applications,
5 and that these policies speak for themselves, and deny the remaining allegations of Paragraph 27.

6 28. Defendants admit that many IPR policies relate to patents and patent applications,
7 and that these policies speak for themselves, and deny the remaining allegations of Paragraph 28.

8 29. Defendants deny the allegations of Paragraph 29.

9 30. Defendants admit the allegations of Paragraph 30.

10 31. Defendants admit the allegations of Paragraph 31.

11 32. Defendants admit the allegations of the first and second sentences of Paragraph 32
12 and admit that there has been a number of amendments issued to the 802.11 protocol, and deny the
13 remaining allegations of Paragraph 32.

14 33. Defendants deny the allegations of Paragraph 33.

15 34. Defendants admit the allegations of Paragraph 34.

16 35. Defendants admit the allegations of Paragraph 35.

17 36. Defendants admit the allegations of Paragraph 36.

18 37. Defendants admit the allegations of Paragraph 37.

19 38. Defendants admit the allegations of Paragraph 38.

20 39. Defendants admit that certain IEEE-SA Letters of Assurance provide that “This
21 assurance applies from the date of the standard’s approval to the date of the standard’s withdrawal
22 and is irrevocable upon acceptance by the IEEE-SA Standards Board Patent Committee”, and
23 deny the remaining allegations of Paragraph 39.

24 40. Defendants are without knowledge or information sufficient to form a belief as to
25 the truth of the allegations of Paragraph 40 and therefore deny them.

1 41. Defendants admit that, in a letter sent from Motorola Inc. to Microsoft's Horatio
2 Gutierrez on October 21, 2010, Motorola, Inc. stated that it owns rights in a number of patents and
3 pending applications that are or may become "essential" to comply with one or more amendments
4 to the 802.11 standard, deny that Appendix A of Microsoft's Answer and Amended and
5 Supplemental Complaint contains the full list of patents that Motorola, Inc. stated are or may
6 become "essential" to comply with one or more amendments to the 802.11 standard, further state
7 that the Annex to the October 21, 2010 letter from Motorola, Inc. to Microsoft's Horatio Gutierrez
8 listed 47 U.S. and 179 foreign patents, and 5 U.S. and 26 foreign applications, that are or may
9 become "essential" to one or more amendments to the 802.11 standard, further state that the
10 allegations of the last sentence of Paragraph 41 do not contain facts and are argumentative and
11 therefore deny them, and deny the remaining allegations of Paragraph 41.

12 42. Defendants admit that Motorola, Inc. obtained rights to certain of the patents listed
13 in the October 21, 2010 letter through its acquisition of Symbol Technologies, Inc. ("Symbol"),
14 and deny the remaining allegations of Paragraph 42.

15 43. Defendants admit that Motorola and Symbol submitted certain Letters of Assurance
16 to the IEEE Standards Board Patent Committee, state that the Letters of Assurance speak for
17 themselves, and deny the remaining allegations of Paragraph 43.

18 44. Defendants are without knowledge or information sufficient to form a belief as to
19 the truth of the allegations of Paragraph 44 and therefore deny them.

20 45. Defendants state that Paragraph 45 purports to assert legal conclusions to which
21 Defendants are not obligated to respond and therefore deny the allegations of Paragraph 45.

22 46. Defendants state that Paragraph 46 purports to assert legal conclusions to which
23 Defendants are not obligated to respond and therefore deny the allegations of Paragraph 46

24 47. On information and belief, Defendants admit the allegations of Paragraph 47.

25 48. Defendants admit the allegations of Paragraph 48.

26 49. Defendants deny the allegations of Paragraph 49.

1 50. Defendants are without knowledge or information sufficient to form a belief as to
2 the truth of the allegations of Paragraph 50 and therefore deny them.

3 51. Defendants admit that they have stated to Microsoft and/or others that Defendants
4 own rights in patents or pending applications that are or may become essential to the H.264 video
5 standard and that Microsoft does not concede that such patents are essential or practiced by
6 Microsoft, and deny the remaining allegations of Paragraph 51.

7 52. Defendants admit that they submitted certain Patent Statement and Licensing
8 Declarations to the ITU-T, state that the Declarations speak for themselves, and deny the
9 remaining allegations of Paragraph 52.

10 53. Defendants are without knowledge or information sufficient to form a belief as to
11 the truth of the allegations of Paragraph 53 and therefore deny them.

12 54. Defendants state that Paragraph 54 purports to assert legal conclusions to which
13 Defendants are not obligated to respond and therefore deny the allegations of Paragraph 54.

14 55. On information and belief, Defendants admit the allegations of Paragraph 55.

15 56. Defendants are without knowledge or information sufficient to form a belief as to
16 the truth of the allegations of Paragraph 56 and therefore deny them.

17 57. Defendants are without knowledge or information sufficient to form a belief as to
18 the truth of the allegations of Paragraph 57 and therefore deny them.

19 58. Defendants deny the allegations of Paragraph 58.

20 59. On information and belief, Defendants admit the allegations of Paragraph 59.

21 60. Defendants are without knowledge or information sufficient to form a belief as to
22 the truth of the allegations of Paragraph 60 and therefore deny them.

23 61. Defendants are without knowledge or information sufficient to form a belief as to
24 the truth of the allegations of Paragraph 61 and therefore deny them.

25 62. Defendants are without knowledge or information sufficient to form a belief as to
26 the truth of the allegations of Paragraph 62 and therefore deny them.

1 63. Defendants deny the allegations of Paragraph 63.

2 64. Defendants deny the allegations of Paragraph 64.

3 65. Defendants deny the allegations of Paragraph 65.

4 66. Defendants admit that Microsoft imports, makes, uses, sells, or offers for sale Xbox
5 360 consoles, Xbox 360 Wireless Adapters, and other products allowing users to connect to the
6 Internet using WLAN technology, that such products include software and computer chips and
7 modules that perform various functions, and that one function allows consumers to connect an
8 Xbox to the Internet using a WLAN connection, and deny the remaining allegations of Paragraph
9 66.

10 67. Defendants admit that Microsoft's Xbox 360 consoles feature Ethernet connectivity
11 which provides the consoles with a wired method to connect to the Internet, state that they are
12 without knowledge or information sufficient to form a belief as to the truth of the allegations of
13 the first and third sentences of Paragraph 67 and therefore deny them, and deny the remaining
14 allegations of Paragraph 67.

15 68. Defendants admit that personal computers running the Windows 7 operating
16 system include software and computer chips and modules that are capable of performing various
17 functions, and state that they are without knowledge or information sufficient to form a belief as to
18 the truth of the remaining allegations of Paragraph 68 and therefore deny them.

19 69. Defendants admit that smartphones running the Windows Phone 7 operating
20 system include software and computer chips and modules that are capable of performing various
21 functions, and state that they are without knowledge or information sufficient to form a belief as to
22 the truth of the remaining allegations of the Paragraph 69 and therefore deny them.

23 70. Defendants admit that on October 21, 2010, Motorola, Inc. sent a letter to Microsoft
24 Corporation which speaks for itself, and deny the remaining allegations of Paragraph 70.

25 71. Defendants admit that on October 29, 2010, Motorola, Inc. sent a letter to Microsoft
26 Corporation which speaks for itself, and deny the remaining allegations of Paragraph 71.

1 72. Defendants admit that they possess patents that are or may be essential to the
2 802.11 or H.264 standards and that, for patents and technologies that are or may become essential
3 to the 802.11 or H.264 standards, Defendants have submitted certain letters of Assurance to the
4 IEEE, and certain Patent Statement and Licensing Declarations to the ITU-T, state that they have
5 offered and continue to offer to provide RAND licenses to applicants who, unlike Microsoft, apply
6 for such a license, and deny the remaining allegations of Paragraph 72.

7 73. Defendants admit the allegations of Paragraph 73.

8 74. Defendants admit the allegations of Paragraph 74.

9 75. Defendants admit the allegations of Paragraph 75 .

10 76. Defendants admit the allegations of Paragraph 76.

11 77. Defendants admit the allegations of the first and third sentences of Paragraph 77,
12 and deny the allegations of the second sentence of Paragraph 77.

13 78. Defendants admit that Microsoft purports to define “Motorola Patent Actions” and
14 “SDO Patents in Suit”, deny that Microsoft has accurately correlated essential patents with “SDO
15 Patents in Suit”, and deny the remaining allegations of Paragraph 78.

16 79. Defendants state that Microsoft has never applied for a license under Motorola
17 essential patents prior to implementing the 802.11 and H.264 standards in Microsoft’s products,
18 further state that Microsoft has never responded to Motorola’s October 21 and October 29 Letters
19 inviting Microsoft to negotiate a license to Motorola’s 802.11 and H.264 portfolios, respectively,
20 and has never attempted to negotiate license terms with Motorola but instead improperly filed the
21 present action, and deny the remaining allegations of Paragraph 79.

22 FIRST CAUSE OF ACTION
23 (Breach of Contract)

24 80. Defendants incorporate by reference their responses to Paragraphs 1 to 79 as if
25 fully set forth herein.

26 81. Defendants state that Paragraph 81 purports to assert legal conclusions to which
Defendants are not obligated to respond and therefore deny the allegations of Paragraph 81.

1 82. Defendants state that Paragraph 82 purports to assert legal conclusions to which
2 Defendants are not obligated to respond and therefore deny the allegations of Paragraph 82.

3 83. Defendants state that Paragraph 83 purports to assert legal conclusions to which
4 Defendants are not obligated to respond and therefore deny the allegations of Paragraph 83.

5 84. Defendants state that they have not breached any enforceable obligation to IEEE or
6 ITU, and that Microsoft breached its duty to apply for a license and negotiate the terms of a
7 RAND license and failed to satisfy the conditions precedent to any obligations that it was owed as
8 an alleged third party beneficiary, and deny the allegations of Paragraph 84.

9 85. Defendants state that Motorola, Inc. filed the Motorola Patent Actions after
10 Microsoft repudiated and rejected the benefits of any RAND statements made by Motorola, Inc.,
11 admit that the Motorola Patent Actions seek to enjoin Microsoft's implementation of the
12 technology of the SDO Patents in Suit and to exclude Microsoft from importing or selling
13 products that implement the technology of the SDO Patents in Suit because of Microsoft's refusal
14 to apply for and negotiate the terms of a RAND license for such patents, and deny the remaining
15 allegations of Paragraph 85.

16 86. Defendants deny the allegations of Paragraph 86.

17 87. Defendants deny the allegations of Paragraph 87.

18 SECOND CAUSE OF ACTION
19 (Promissory Estoppel)

20 88. Defendants incorporate by reference their responses to Paragraphs 1 to 79 as if
21 fully set forth herein.

22 89. Defendants state that Paragraph 89 purports to assert legal conclusions to which
23 Defendants are not obligated to respond and therefore deny the allegations of Paragraph 89.

24 90. Defendants deny the allegations of Paragraph 90.

25 91. Defendants are without knowledge or information sufficient to form a belief as to
26 the truth of the allegations of Paragraph 91 and therefore deny them.

1 92. Defendants state that Paragraph 92 purports to assert legal conclusions to which
2 Defendants are not obligated to respond and therefore deny the allegations of Paragraph 92.

3 93. Defendants deny the allegations of Paragraph 93.

4 94. Defendants deny the allegations of Paragraph 94.

5 THIRD CAUSE OF ACTION
6 (Waiver)

7 95. No response to Paragraph 95 is required, because the Third Cause of Action
8 (Waiver) has been dismissed.

9 96. No response to Paragraph 96 is required, because the Third Cause of Action
10 (Waiver) has been dismissed.

11 97. No response to Paragraph 97 is required, because the Third Cause of Action
12 (Waiver) has been dismissed.

13 98. No response to Paragraph 98 is required, because the Third Cause of Action
14 (Waiver) has been dismissed.

15 FOURTH CAUSE OF ACTION
16 (Declaratory Judgment That Motorola's Offers Do Not Comply With Its Obligations)

17 99. No response to Paragraph 99 is required, because the Fourth Cause of Action
18 (Declaratory Judgment) has been dismissed.

19 100. No response to Paragraph 100 is required, because the Fourth Cause of Action
20 (Declaratory Judgment) has been dismissed.

21 101. No response to Paragraph 101 is required, because the Fourth Cause of Action
22 (Declaratory Judgment) has been dismissed.

23 102. No response to Paragraph 101 is required, because the Fourth Cause of Action
24 (Declaratory Judgment) has been dismissed.

1 MICROSOFT'S PRAYER FOR RELIEF

2 Defendants deny that Microsoft is entitled to any of the relief requested in its Prayer for
3 Relief or any relief whatsoever. Defendants deny all allegations of the Amended and
4 Supplemental Complaint not specifically admitted above.

5 AFFIRMATIVE DEFENSES TO PLAINTIFF'S AMENDED AND
6 SUPPLEMENTAL COMPLAINT

7 Defendants assert the following affirmative and other defenses set forth below, and in
8 making such defenses do not concede that they bear the burden of proof as to any of them.
9 Discovery is at a very early stage in this matter, and therefore Defendants have not yet fully
10 collected and reviewed all of the information and materials that may be relevant to the matters and
11 issues raised herein. Accordingly, Defendants reserve the right to amend, modify, or expand these
12 defenses and to take further positions as discovery proceeds in this matter.

13 FIRST AFFIRMATIVE DEFENSE
14 (Lack of Irreparable Harm)

15 1. Microsoft's demand to enjoin Defendants is barred, as Microsoft has suffered
16 neither harm nor irreparable harm from Defendants' actions.

17 SECOND AFFIRMATIVE DEFENSE
18 (Failure to State a Claim)

19 2. Microsoft's First and Second Causes of Action fail to state a claim upon which
20 relief can be granted.

21 THIRD AFFIRMATIVE DEFENSE
22 (Ripeness)

23 3. There is no subject matter jurisdiction for Microsoft's First and Second Causes of
24 Action because they were not ripe for adjudication when filed.

25 FOURTH AFFIRMATIVE DEFENSE
26 (Forfeiture/Repudiation)

4. Microsoft's First and Second Causes of Action are barred because, by failing to
apply for a RAND license and to negotiate the terms of a RAND license and instead filing the

1 present action, Microsoft breached the contract to which it claims to be a third party beneficiary,
2 and failed to satisfy the conditions precedent to any obligations that it was owed as an alleged
3 third party beneficiary, and thereby forfeited all benefits of any purported RAND statement made
4 by the Defendants.

5 **FIFTH AFFIRMATIVE DEFENSE**
6 (Waiver)

7 5. Microsoft's First and Second Causes of Action are barred by the doctrine of
8 waiver.

9 **SIXTH AFFIRMATIVE DEFENSE**
10 (Judicial Estoppel)

11 6. Microsoft's First and Second Causes of Action are barred by the doctrine of
12 judicial estoppel.

13 **SEVENTH AFFIRMATIVE DEFENSE**
14 (Unclean Hands)

15 7. Microsoft's First and Second Causes of Action are barred by the doctrine of
16 unclean hands.

17 **EIGHTH AFFIRMATIVE DEFENSE**
18 (Failure to Mitigate)

19 8. Microsoft's First and Second Causes of Action are barred by its failure to mitigate
20 its claimed damages.

21 **NINTH AFFIRMATIVE DEFENSE**
22 (Failure to Satisfy a Condition Precedent)

23 9. Microsoft's First and Second Causes of Action are barred because Microsoft failed
24 to satisfy a condition precedent.

25 **TENTH AFFIRMATIVE DEFENSE**
26 (Duplicative Causes of Action)

10. Microsoft's First and Second Causes of Action are barred because they are
duplicative of Microsoft's Counterclaims (Third Count) originally filed in Civil Action 3:10-cv-
699 (W.D. Wis.), and now consolidated in this action.

1 DEFENDANTS' COUNTERCLAIMS

2 Defendants Motorola Mobility, Inc., Motorola Solutions, Inc., and General Instrument
3 Corporation ("General Instrument") (collectively or separately, "Motorola" or "Defendants"),
4 counterclaim against Defendant and Counterclaim Plaintiff Microsoft Corporation's ("Microsoft")
5 as follows:

6 PARTIES

7 1. Motorola Solutions, Inc. (f/k/a Motorola, Inc.) is a corporation organized and
8 existing under the laws of the State of Delaware, having a principal place of business at 1303 East
9 Algonquin Road, Schaumburg, Illinois 60196.

10 2. Motorola Mobility is a corporation organized and existing under the laws of the
11 State of Delaware, having a principal place of business at 600 North U.S. Highway 45,
12 Libertyville, Illinois 60048. Motorola Mobility is a wholly owned subsidiary of Motorola
13 Mobility Holdings, Inc.

14 3. General Instrument Corporation is a corporation organized and existing under the
15 laws of the State of Delaware, having a principal place of business at 101 Tournament Drive,
16 Horsham, Pennsylvania 19044. General Instrument is a wholly-owned subsidiary of Motorola
17 Mobility Holdings, Inc.

18 4. Microsoft is a corporation organized and existing under the laws of the State of
19 Washington having its principal place of business at One Microsoft Way, Redmond, Washington
20 98052.

21 JURISDICTION AND VENUE

22 5. This Court has jurisdiction over the subject matter of this dispute pursuant to 28
23 U.S.C. § 1332, because this is an action between citizens of different states and because the value
24 of declaratory relief sought, the value of Motorola's rights these Counterclaims will protect and
25 enforce, Motorola's damages, and the extent of the injury to be prevented exceed the amount of
26 \$75,000, exclusive of interest and costs. This Court also has jurisdiction over the subject matter of

1 this dispute pursuant to 28 U.S.C. § 1367 because Motorola’s claims are so related to claims in
2 Microsoft’s action within such original jurisdiction that they form part of the same case or
3 controversy This Court has subject matter jurisdiction over these counterclaims for declaratory
4 relief under the Declaratory Judgments Act, 28 U.S.C. §§ 2201 and 2202, under the laws of the
5 United States concerning actions relating to patents, 28 U.S.C. § 1338(a), and under 28 U.S.C.
6 § 1331.

7 6. Personal jurisdiction is proper in this Judicial District at least because Microsoft is
8 a resident of this Judicial District, and has consented to jurisdiction in this Judicial District by
9 filing suit against Motorola in this Court, filing a Joint Status Report in this action, and engaging
10 in preliminary discovery against Defendants and third parties in this action.

11 Standards Development Organizations and RAND

12 7. To facilitate interoperability among electronic devices including desktops, laptops,
13 smartphones, televisions, and tablets, companies such as Microsoft and Motorola participate in
14 standard development organization (“SDOs”) that develop and establish technical standards for
15 the industry.

16 8. For example, a standards-compliant laptop can wirelessly connect to the Internet
17 whether it is at the user’s home, office, hotel room, at the local coffee shop, or even on an airplane.
18 A consumer with a standards-compliant laptop thus has confidence that wireless access points are
19 likely to utilize the same standard. Likewise, devices and software that are compliant with video
20 coding standards ensure that the creators and consumers of video content can enjoy the content
21 without having to worry whether the video is being encoded or decoded in the proper format.

22 9. Standards thus play a role in the development of wireless networking and video
23 coding technologies. Standards facilitate the adoption and advancement of technology as well as
24 the development of products that can interoperate with one another. Companies that produce
25 products compatible with a standard or specification can design products by referencing only the
26 standard or specification’s documentation, without the need to communicate separately with every

1 other company with which their products may need to operate. Companies producing products
2 that implement and are tested to a standard facilitate interoperability among different products, and
3 consumers of those products can be confident that products from multiple vendors will work
4 together as intended under the standard.

5 10. As a practical matter, the technologies that are used to allow a consumer electronics
6 device to operate within a wireless network, or encode or decode video, must be described in
7 standards adopted by a recognized SDO, and thereby accepted by industry members, in order to be
8 commercially successful.

9 11. Because implementation of a standard can require practicing patent rights that
10 cover various aspects of the standard, SDOs often grant licenses to or require members to license
11 these “essential patent claims” to other entities seeking to implement the standard. SDOs have
12 adopted practices that address disclosure and licensing of essential patent claims that cover various
13 aspects of the standard and will be implicated by implementation of the standard. These practices
14 include cross-licensing agreements, establishment of intellectual property (“IP”) policies setting
15 out licensing obligations for owners of patents covering essential patent claims, disclosure
16 requirements for essential patent claims, and procedures for proposing and adopting changes to the
17 standard.

18 12. SDOs often request or require that their members under certain circumstances agree
19 to provide or negotiate licenses to the essential patent claims on reasonable and non-
20 discriminatory (“RAND”) terms. There is no common understanding of what constitutes a RAND
21 license or RAND royalty rate, and the particular RAND rate for a given patent or portfolio for a
22 particular licensee will depend on a number of varying factors and considerations.

23 13. While there is no common understanding or definition of a RAND license or a
24 RAND royalty rate, as a matter of practice, typical licenses covering essential patent claims have
25 several common features. First and most importantly, the licenses and the royalty rates contained
26 therein are negotiated on a bilateral basis. While the terms of the RAND license are negotiated,

1 there are several licensing terms that typically appear in a license between sophisticated parties,
2 and compensation is just one of them. Besides compensation, grant backs, field of use (or scope
3 of use), sublicensability, reciprocity, defensive suspension, and choice of law are some of the
4 negotiated terms typically included in a RAND license. How each of these terms is articulated can
5 vary extensively. Microsoft's own General Manager of Standards Strategy, Amy Marasco, has
6 acknowledged the need for negotiations and the variability of license terms in RAND agreements
7 in presentations she has made to the public. E.g., "Fair, Reasonable, and Non-Discriminatory:
8 Some Practical Thoughts About FRAND Licensing Commitments" (Mar. 26, 2009), presentation
9 given at Tilberg University, Tilburg Law and Economics Center, Conference on Patent Reforms,
10 *available at* [http://www.tilburguniversity.edu/research/institutes-and-research-groups/tilec/org/
11 patent/amymarasco.pdf](http://www.tilburguniversity.edu/research/institutes-and-research-groups/tilec/org/patent/amymarasco.pdf) (last visited June 13, 2011).

12 14. In the case of compensation, for example, sophisticated parties routinely enter into
13 license agreements that base the value of the patented inventions as a percentage of the
14 commercial products' sales price. There are numerous reasons why sophisticated parties use the
15 end product as the royalty base when negotiating and entering into licenses. First, it simplifies the
16 negotiations process, and allows the parties to potentially use one blended royalty rate for the
17 various implementations of the declared essential patent claims. Second, once the parties have
18 entered into the license, the commercial sales price is the most easily verifiable metric for
19 calculating the compensation owed by the licensee to the licensor. Using the commercial sales
20 price as the royalty base avoids the practical difficulties of verifying and tracking component
21 price.

22 Motorola's Participation in the IEEE

23 15. The 802.11 wireless networking protocol, originally released in 1997 and amended
24 several times since, was developed under the patronage of the Institute of Electrical and
25 Electronics Engineers ("IEEE"). Founded in 1963, the IEEE is a New York non-profit
26

1 professional association dedicated to advancing technological innovation related to electricity.
2 Microsoft and Motorola are both members of IEEE.

3 16. IEEE is one of the leading SDOs in the world. The standards development and
4 maintenance functions of the IEEE are done through the IEEE Standards Association (“IEEE-
5 SA”). The IEEE-SA contains a Standards Board, which is responsible, among other things, for
6 encouraging and coordinating the development of IEEE standards.

7 17. IEEE brings important market participants in the electronics wireless
8 communications sector together. Within the context of the IEEE-SA, members such as Motorola
9 and Microsoft can help develop technical standards, which often lead to an industry standard.

10 18. Many IEEE members, including Motorola, are engaged in research and
11 development of wireless technologies, and own intellectual property rights relating to different
12 elements of such technologies. Accordingly, when IEEE adopts technical standards, it must take
13 into account that many elements of the standards are likely to be covered by such intellectual
14 property rights. Therefore, others wishing to exploit the standard may need licenses to use the
15 essential intellectual property rights.

16 19. IEEE has therefore adopted policies and procedures to describe the manner in
17 which IEEE will take account of such intellectual property rights in the process leading to the
18 adoption of IEEE standards. Likewise, IEEE has adopted policies and procedures to describe the
19 different circumstances and conditions whereby a prospective implementer of the technical
20 standard may obtain a license to such intellectual property rights.

21 20. In addition to the IEEE’s policies and procedures, members often submit Letters of
22 Assurance that set forth the terms and conditions under which they are willing to grant licenses to
23 intellectual property assets relating to different portions of the relevant technical standards.

24 21. The IEEE-SA has created and updates the IEEE-SA Standards Board Bylaws,
25 which provide specific policies that relate to the management and creation of approved IEEE
26 standards.

1 22. Clause 6 of the IEEE-SA Standards Board Bylaws describes the circumstances
2 under which a holder of an essential patent claim discloses such technology to the IEEE and
3 licenses third parties to these claims.

4 23. While the IEEE requests that parties with essential patent claims submit licensing
5 assurances, the Standards Board Bylaws state that these assurances are to be provided “without
6 coercion.”

7 24. A party with essential patent claims can submit a Letter of Assurance to the IEEE
8 that generally falls in one of two categories. Under the first category, the submitter of the Letter of
9 Assurance can state that it will not enforce any present or future patent claims against any person
10 using the patents to comply with the standard.

11 25. The second type of Letter of Assurance dictated by the IEEE-SA Standards Board
12 Bylaws is what is commonly known as the “RAND assurance.” While the Bylaws have changed
13 slightly over the years, they generally describe this second type of Letter of Assurance as “[a]
14 statement that a license for a compliant implementation of the standard will be made available to
15 an unrestricted number of applicants on a worldwide basis without compensation or under
16 reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair
17 discrimination.”

18 26. The IEEE-SA Standards Board Bylaws further state that “[n]o license is implied by
19 the submission of a Letter of Assurance,” and that “[t]he IEEE is not responsible for . . .
20 determining whether any licensing terms or conditions provided in connection with submission of
21 a Letter of Assurance, if any, or in any licensing agreements are reasonable or non-
22 discriminatory.” In other words, it is widely understood that the responsibility of determining
23 RAND terms and conditions is delegated to essential patent claim holders and prospective
24 implementers, both of whom are expected to negotiate a RAND rate through bilateral negotiations.
25 This has been recognized by Microsoft’s own General Manager for Standards Strategy, Amy
26 Marasco, in presentations she has made to the public., *e.g.*, “Standards-Setting, IPR Policies and

1 Stakeholder Considerations” (Dec. 9, 2009), presentation given at the Japanese Industrial
2 Standards Committee, Symposium on Standardization and International Intellectual Property: The
3 Functioning of Patent Policies and Pools in the Implementation of Standards, and How to Handle
4 the Hold-Up Problem, *available at* [http://www.jisc.go.jp/policy/kenkyuukai/ipr/pdf/S3-](http://www.jisc.go.jp/policy/kenkyuukai/ipr/pdf/S3-3_Marasco.pdf)
5 [3_Marasco.pdf](http://www.jisc.go.jp/policy/kenkyuukai/ipr/pdf/S3-3_Marasco.pdf) (last visited June 13, 2011). This has also been acknowledged by the American
6 Bar Association’s Committee on Technical Standardization, Section of Science & Technology
7 Law in its *Standards Development Patent Policy Manual* 48-50 (2007).

8 27. Separate from the IEEE-SA Standards Board Bylaws, the IEEE-SA Board of
9 Governors created and amends the IEEE Standards Association Operations Manual, which
10 “provides specific objectives and policies that relate to standards activities in the IEEE.” The
11 purpose of the Operations Manual is “to provide specific policies that relate to the management
12 and creation of approved IEEE standards.” In terms of precedence, the IEEE-SA Standards Board
13 Bylaws dictate that the “Bylaws shall conform to the policies of the IEEE Standards Association
14 Operations Manual.”

15 28. Clause 6.3.1 (Public Notice) of the IEEE-SA Operations Manual explains that
16 RAND licensing assurances only extend to parties that apply for such licenses, and that parties
17 that implement IEEE standards such as the 802.11 wireless protocol without a license do so at
18 their own risk (emphasis added):

19 The following notice shall appear when the IEEE receives assurance
20 from a claimed patent holder or patent applicant prior to the time of
21 publication that a license will be made available *to all applicants*
22 either without compensation or under reasonable rates, with
reasonable terms and conditions that are demonstrably free of any
unfair discrimination.

23 Attention is called to the possibility that implementation of this
24 standard may require use of subject matter covered by patent rights.
25 By publication of this standard, no position is taken with respect to
26 the existence or validity of any patent rights in connection therewith.
A patent holder or patent applicant has filed a statement of assurance
that it will grant licenses under these rights without compensation or
under reasonable rates, with reasonable terms and conditions that are

1 demonstrably free of any unfair discrimination *to applicants*
2 *desiring to obtain such licenses*. Other Essential Patent Claims may
3 exist for which a statement of assurance has not been received. The
4 IEEE is not responsible for identifying Essential Patent Claims for
5 which a license may be required, for conducting inquiries into the
6 legal validity or scope of Patents Claims, or determining whether
7 any licensing terms or conditions provided in connection with
8 submission of a Letter of Assurance, if any, or in any licensing
9 agreements are reasonable or non-discriminatory. *Users of this*
10 *standard are expressly advised that determination of the validity of*
11 *any patent rights, and the risk of infringement of such rights, is*
12 *entirely their own responsibility*. Further information may be
13 obtained from the IEEE Standards Association.

14 29. Over the years, Motorola has submitted Letters of Assurance stating that it will be
15 willing to grant to interested applicants a license on reasonable and non-discriminatory terms to
16 patents that are essential to a specified 802.11 wireless standard or amendment.

17 Motorola's Participation in the ITU-T

18 30. The ITU-T Rec. H.264 - ISO/IEC 14496-10 Advanced Video Coding (AVC)
19 ("ITU-T Rec. H.264"), released in 2003 and since amended, was jointly developed by the
20 International Telecommunication Union ("ITU-T") and the International Organization for
21 Standardization/International Electrotechnical Commission ("ISO/IEC").

22 31. Founded in 1865, the ITU is the oldest international organization in the United
23 Nations family, and is the leading United Nations agency for information and communication
24 technology issues. The ITU is the global focal point for governments and the private sector in
25 developing networks and services.

26 32. The ITU Telecommunication Standardization Sector ("ITU-T") is one of the three
divisions of the ITU, and coordinates standards for the telecommunications sector. Headquartered
in Geneva, Switzerland, the ITU-T is responsible for development and maintenance of thousands
of technical standards, the ITU-T Recommendation H.264 being just one. Microsoft and Motorola
are both members of ITU-T.

1 33. ISO and IEC, along with the ITU, are three global sister organizations that develop
2 international standards for the world. The ISO is the world's largest developer of and publisher of
3 international standards. IEC is the world's leading organization that prepares and publishes
4 international standards for all electrical, electronic and related technologies.

5 34. When appropriate, ITU, ISO, and IEC cooperate to develop and publish standards.

6 35. The ITU/ISO/IEC members that jointly developed and published ITU-T Rec.
7 H.264 - ISO/IEC 14496-10 Advanced Video Coding (AVC) are known as the Joint Video Team
8 ("JVT").

9 36. ITU/ISO/IEC bring important market participants in video coding technology
10 together. Within the context of the ITU/ISO/IEC, members such as Motorola and Microsoft can
11 help develop technical recommendations, which often lead to an industry recommendation.

12 37. Many ITU/ISO/IEC members, including Motorola, are engaged in research and
13 development of video coding technology, and own intellectual property rights relating to different
14 elements of such technologies. Accordingly, when the ITU/ISO/IEC adopt technical
15 recommendations, they must take into account that elements of the standards are likely to be
16 covered by such intellectual property rights. Therefore, others wishing to exploit the standard may
17 need a license to use the essential intellectual property rights.

18 38. ITU/ISO/IEC have adopted guidelines to describe the manner in which
19 ITU/ISO/IEC will take account of such intellectual property rights in the process leading to the
20 adoption of standards. Likewise, ITU/ISO/IEC have adopted guidelines to describe the different
21 circumstances and conditions whereby a prospective implementer of the technical standard may
22 obtain a license to such intellectual property rights.

23 39. In addition to the ITU/ISO/IEC policies and procedures, members often submit
24 Patent Statement and Licensing Declaration Forms, and/or General Patent and Licensing
25 Declaration Forms, that set forth the terms and conditions under which they are willing to grant
26

1 licenses to intellectual property assets relating to different portions of the relevant technical
2 standards.

3 40. The ITU, ISO, and IEC publish the “Common Patent Policy for ITU-T/ITU-
4 R/ISO/IEC”, “a ‘code of practice’ regarding patents covering, in varying degrees, the subject
5 matters of ITU-T Recommendation. . . .” The Common Patent Policy is incorporated as Annex 1
6 into the Guidelines for Implementation of the Common Patent Policy for ITU-T/ITU-R/ISO/IEC
7 (“ITU Guidelines”). While the Common Patent Policy helps guide the relationship between
8 essential patent holders and prospective implementers, “[t]he detailed arrangements arising from
9 patents (licensing, royalties, etc.) are left to the parties concerned, as these arrangements might
10 differ from case to case.”

11 41. Under the Common Patent Policy, once a standard Recommendation is developed,
12 three situations may arise: (1) the patent holder is willing to negotiate royalty-free RAND licenses;
13 (2) the patent holder is willing to negotiate royalty-bearing RAND licenses; and (3) the patent
14 holder is not willing to negotiate RAND licenses. The Common Patent Policy then states that
15 regardless of whatever situation applies, the patent holder should submit a Patent Statement and
16 Licensing Declaration Form that is consistent with the sample form provided in Annex 2 of the
17 ITU Guidelines.

18 42. The sample Patent Statement and Licensing Declaration Form expands on the three
19 situations described in the Common Patent Policy, and states in relevant part (as check box #2)
20 (emphasis added):

21 The Patent Holder is prepared to grant a license *to an unrestricted*
22 *number of applicants* on a worldwide, non-discriminatory basis and
23 on reasonable terms and conditions to make, use, and sell
implementations of the above document.

24 *Negotiations are left to the parties* concerned and are performed
outside the ITU-T, ITU-R, ISO, or IEC.

25 Also mark here _____ if the Patent Holder’s willingness to license is
26 conditioned on reciprocity for the above document.

1 Over the years, Motorola and its predecessors have submitted Patent Statement and Licensing
2 Declaration Forms in relation to ITU-T Rec. H.264. Every one of these submissions selected
3 check box #2, i.e., that: (1) Motorola was willing to provide royalty-bearing RAND licenses to its
4 H.264 patents, but only to those who first apply for such licenses; (2) the determination of the
5 terms for such RAND license was to be negotiated outside the ITU-T, ISO, and IEC, on a bilateral
6 basis; (3) Motorola's willingness to license was conditioned on the prospective applicant also
7 agreeing to license its own essential patent claims.

8 Microsoft's Implementation of the 802.11 Wireless Networking Standard in Its Products

9 43. Microsoft introduced the Xbox video game console worldwide beginning in
10 November 2001. The original Xbox console featured an integrated Ethernet port for network
11 connectivity.

12 44. As a follow-up to its Xbox video game console, Microsoft announced the Xbox
13 360 console in November 2005. One of the two models released at launch in the United States
14 was Xbox 360 Core, which retailed for \$299. At or near launch, Microsoft released the Xbox 360
15 Wireless Adapter in the United States, retailing at \$99. According to Microsoft, this product is
16 compliant with the a, b, and g amendments to the IEEE 802.11 specification. The Wireless
17 Adapter was designed to add wireless networking functionality to existing Xbox 360 consoles by
18 allowing them to connect to 802.11 a/b/g networks.

19 45. On November 9, 2009, Microsoft announced the Xbox 360 Wireless N Adapter in
20 the United States, retailing at \$99. According to Microsoft, this product is complaint with the a, b,
21 g, and n amendments to the IEEE 802.11 specification. The Wireless N Adapter was designed to
22 add wireless networking functionality to existing Xbox 360 consoles by allowing them to connect
23 to 802.11 a/b/g/n networks. At the time the Wireless N Adapter went on sale, Microsoft quoted a
24 \$199 retail price for its Xbox 360 Arcade console, which lacked 802.11 wireless functionality.

25 46. On June 14, 2010, Microsoft announced an update to its Xbox 360 consoles. These
26 new consoles were known as the Xbox 360 S line of consoles. While there were several changes

1 made to the new consoles over the previous generation, by most accounts and even according to
2 Microsoft, integrated Wi-Fi technology was the most significant. For example, the Xbox 360 4GB
3 Console product page has the integrated Wi-Fi technology as the first feature listed on both the
4 Overview and What You Get webpages. At debut, the Xbox 360 GB Console retailed at \$199.99,
5 and currently retails at this same price.

6 47. As consumers' use of the Xbox 360 console becomes increasingly tied to
7 connecting to the Internet—e.g., to play games, watch Netflix movies, and chat with friends—Wi-
8 Fi functionality has become an increasingly important feature of the Xbox 360 platform.

9 Microsoft's Implementation of the ITU-T H.264 Recommendation in Its Products

10 48. Microsoft sells products and software that includes encoders and decoders that are
11 advertised as being compliant with H.264, including Windows 7, Windows Phone 7, and Xbox
12 gaming consoles.

13 49. Upon information and belief, the ability to encode and decode H.264 video streams
14 is an important feature of Microsoft's product offerings. For example, Microsoft advertises to
15 "use your Xbox360 console to watch movies and DVDs," and states that the Xbox360 supports
16 H.264 main and high video profiles. See, e.g., [http://support.xbox.com/en-us/pages/xbox-](http://support.xbox.com/en-us/pages/xbox-360/how-to/watch-dvds-movies.aspx)
17 [360/how-to/watch-dvds-movies.aspx](http://support.xbox.com/en-us/pages/xbox-360/how-to/watch-dvds-movies.aspx). Microsoft also produces instructional materials (available
18 at, e.g., <http://windows.microsoft.com/en-US/windows/explore>, <http://technet.microsoft.com>,
19 <http://support.microsoft.com>, and <http://msdn.microsoft.com>) that promote the use of Windows 7
20 to encode and decode video, and states that "in Windows 7, Media Foundation includes the
21 following new codecs: . . . H.264 video decoder, H.264 video encoder"
22 ([http://msdn.microsoft.com/enus/library/bb970511\(VS.85\).aspx](http://msdn.microsoft.com/enus/library/bb970511(VS.85).aspx)). Microsoft also features
23 Windows Phone 7 video coding capability ([http://www.microsoft.com/windowsphone/en-](http://www.microsoft.com/windowsphone/en-us/features/default.aspx)
24 [us/features/default.aspx](http://www.microsoft.com/windowsphone/en-us/features/default.aspx)), and states that Windows Phone supports the H.264 codec
25 ([http://msdn.microsoft.com/en-us/library/ff462087\(v=vs.92\).aspx](http://msdn.microsoft.com/en-us/library/ff462087(v=vs.92).aspx)).
26

1 Microsoft's Repudiation and Rejection of Any RAND Benefit and Motorola's
2 Conformance With Its RAND Obligations

3 50. Microsoft acknowledges that it had knowledge of Motorola's participation in the
4 802.11 standards setting process, and that it had actual or constructive notice of Motorola's Letters
5 of Assurance to the IEEE. (Amended and Supplemental Complaint, ¶¶ 3, 7, 56-58, 91). Microsoft
6 alleges that it developed and marketed its products and services, including making its products and
7 services compliant with 802.11 standards and technologies, in reliance on Motorola's participation
8 in the standards setting process and Motorola's Letters of Assurance. (Amended And
9 Supplemental Complaint, ¶¶ 7, 56-58, 91). However, prior to implementing the 802.11 standard
10 in its products, Microsoft never applied to Motorola for a license to Motorola's patents that are or
11 may be essential to the 802.11 standard. In fact, as of the date of these Counterclaims, after
12 having imported, made, used, sold, or offered for sale 802.11-compliant products for at least five
13 years, Microsoft still has not applied for a license to Motorola's patents that are or may be
14 essential to the 802.11 standard.

15 51. Because Microsoft implemented its 802.11-compliant products without first
16 applying for and negotiating the terms of a license and subsequently instituted this action for
17 breach of contract, Microsoft has rejected and repudiated any right to a RAND license to
18 Motorola's essential patent claims, and failed to satisfy the conditions precedent to any such right.
19 As a result, Motorola was entitled to sue Microsoft for patent infringement and seek all available
20 remedies.

21 52. Notwithstanding Microsoft's failure to have applied for a license under Motorola's
22 802.11 patents, on October 21, 2010, Motorola sent a letter to Microsoft offering a license on
23 RAND terms to Motorola's patents and patent applications that are or may be essential to the
24 IEEE 802.11 standard. In the letter, Motorola expressed a willingness to negotiate and ultimately
25 provide a license to Motorola's 802.11 patents and patent applications on RAND terms. The letter
26 proposed one of the several licensing terms that would eventually need to be negotiated if
Microsoft was willing to negotiate a RAND license—a 2.25% royalty rate to be applied to

1 Microsoft products that implement the 802.11 standard. The letter requested that Microsoft be
2 willing to grant back to Motorola a license on RAND terms under Microsoft's own 802.11 patents
3 and patent applications. Finally, the letter stated that if Microsoft was only interested in a license
4 for a portion of Motorola's patents and patent applications related to the 802.11 standard,
5 Motorola was willing to negotiate and provide a license to such patents and applications, also on
6 RAND terms. Motorola did not propose any of the terms that would potentially be included in a
7 license to a portion of Microsoft's portfolio.

8 53. On November 9, 2011, Microsoft sued Motorola in the present action without
9 responding to the October 21, 2010 letter. Microsoft's refusal to negotiate the terms of a RAND
10 license in response to this letter independently constituted a rejection and repudiation of a right to
11 a RAND license under Motorola's 802.11 patents and patent applications. Microsoft's filing of
12 this lawsuit independently constitutes a further rejection and repudiation of a right to a RAND
13 license under Motorola's 802.11 patents and patent applications.

14 54. To this day, Microsoft continues to implement the 802.11 standard in its products
15 and thereby infringe Motorola's patents without a license. Microsoft has not paid Motorola for
16 Microsoft's past and continuing infringement, has not agreed that it needs to pay RAND
17 compensation to Motorola, and refuses to agree to be bound by a RAND license, even one
18 determined by this Court.

19 55. Microsoft acknowledges that it had knowledge of Motorola's participation in the
20 H.264 standards setting process, and that it had actual or constructive notice of Motorola's Patent
21 Statements and Licensing Declarations to the ITU. (Amended and Supplemental Complaint, ¶¶ 7,
22 60-63, 91) Microsoft alleges that it developed and marketed its products and services, including
23 making its products and services compliant with the H.264 Recommendation, in reliance on
24 Motorola's participation in the standards setting process and Motorola's Declarations (Amended
25 and Supplemental Complaint, ¶¶ 7, 60-63, 91). However, prior to implementing the H.264
26 Recommendation in its products, Microsoft never applied for a license to Motorola's patents that

1 are or may be essential to the H.264 Recommendation. In fact, as of the date of these
2 Counterclaims, after having imported, made, used, sold, or offered for sale H.264-compliant
3 products for at least four years, Microsoft still has not applied for a license to Motorola's patents
4 that are or may be essential to the H.264 Recommendation.

5 56. Because Microsoft implemented H.264-compliant products without first applying
6 for a license and subsequently instituted this action for breach of contract, Microsoft has rejected
7 and repudiated any right to a RAND license under Motorola's essential patent claims, and failed to
8 satisfy the conditions precedent to any such right. As a result, Motorola was entitled to sue
9 Microsoft for patent infringement and seek all available remedies.

10 57. Notwithstanding Microsoft's failure to have applied for a license under Motorola's
11 H.264 patents, on October 29, 2010, Motorola sent a letter to Microsoft offering a license on
12 RAND terms under Motorola's patents and patent applications that are or may be essential to the
13 ITU H.264 Recommendation. In the letter, Motorola expressed a willingness to negotiate and
14 ultimately provide a license on RAND terms to Motorola's H.264 patents and patent applications.
15 The letter proposed one of the several licensing terms that would eventually need to be negotiated
16 if Microsoft was willing to negotiate a RAND license—a 2.25% royalty rate to be applied to
17 Microsoft products that implement the H.264 standard. The letter required that Microsoft be
18 willing to grant back to Motorola a license on RAND terms under Microsoft's own H.264 patents
19 and patent applications. Finally, the letter stated that if Microsoft was only interested in a license
20 for a portion of Motorola's patents and patent applications related to the H.264 Recommendation,
21 Motorola was willing to negotiate and provide a license under such patents and applications, also
22 on RAND terms. Motorola did not propose any of the terms that would potentially be included in
23 a license to a portion of Microsoft's portfolio.

24 58. On November 9, 2011, Microsoft sued Motorola in the present action without
25 responding to the October 29, 2010 letter. Microsoft's refusal to negotiate a license in response to
26 this letter independently constituted a rejection and repudiation of a right to a RAND license under

1 Motorola's H.264 patents and patent applications. Microsoft's filing of this lawsuit independently
2 constitutes a further rejection and repudiation of a right to a RAND license under Motorola's
3 H.264 patents and patent applications.

4 59. To this day, Microsoft continues to implement the H.264 Recommendation in its
5 products and infringe Motorola's patents without a license. Microsoft has not paid Motorola for
6 its past and continuing infringement, has not agreed that it needs to pay RAND compensation to
7 Motorola, and refuses to agree to be bound by a RAND license, even one determined by this
8 Court.

9 60. In light of Microsoft's refusal to apply for a RAND license to Motorola's 802.11
10 and H.264-related patents and patent applications, refusal to negotiate a RAND license to
11 Motorola's 802.11 and H.264-related patents and patent applications, and bad faith filing of suit in
12 the present action, Motorola instituted patent infringement actions in the Western District of
13 Wisconsin and the United States International Trade Commission on patents related to the 802.11
14 and H.264 standards (the "Patent Actions"). The Patent Actions are *Motorola Mobility, Inc. v.*
15 *Microsoft Corp.*, No. 10-cv-699 (W.D. Wis.) (now included in No. C10-1823 (W.D. Wash.);
16 *Motorola Mobility, Inc. v. Microsoft Corp.*, NO. 10-cv-0700 (W.D. Wis.) (stayed by agreement in
17 view of ITC Investigation No. 337-TA-752); and *In re Certain Gaming and Entm't Consoles,*
18 *Related Software, and Components Thereof*, Inv. No. 337-TA-752 (U.S.I.T.C.). The Motorola
19 patents asserted in these Patent Actions are the "Motorola Patents."

20 **FIRST COUNTERCLAIM**
21 (Declaratory Judgment That Motorola Has Not Breached Any RAND Obligations)

22 61. Defendants incorporate by reference as if fully set forth herein the averments
23 contained within Paragraphs 1-60 of these Counterclaims.

24 62. Consistent with the provisions of the IP Policies, Motorola submitted Letters of
25 Assurance to the IEEE concerning patents that are or may become essential to the 802.11 standard
26 and submitted Patent Statement and Licensing Declaration Forms to the ITU concerning patents
that cover the subject matter of the H.264 standard.

1 63. Prior to the present action, Motorola sent letters to Microsoft on October 21, 2010
2 and October 29, 2010 offering to license on RAND terms Motorola patents that are or may
3 become essential to the 802.11 and H.264 Standards. In the letters, Motorola stated its standard
4 terms for a license under its essential patents, stated that any license must include a grant back
5 license to Motorola under Microsoft's essential patents, and offered to negotiate a license for less
6 than its entire portfolio if Microsoft did not want the entire portfolio.

7 64. Motorola has met and fully discharged any RAND obligations that it owed to
8 Microsoft, through, among other things, its offers to negotiate a RAND license contained in the
9 letters sent by Motorola to Microsoft, even though Microsoft never applied for a license, as
10 required by both SDOs.

11 65. Motorola seeks a declaration that it has fully complied with and discharged any
12 RAND obligation that it owed to Microsoft.

13 66. This Court's equitable powers are hereby invoked by this Counterclaim, and
14 Motorola accordingly requests that the Court consider such other relief, equitable or otherwise, as
15 it may find appropriate at the time for entry of judgment in this case in favor of Motorola.

16 **SECOND COUNTERCLAIM**
17 (Declaratory Judgment That Microsoft Has Repudiated and/or Rejected the Benefits of
18 Motorola's RAND Statements)

19 67. Defendants incorporate by reference as if fully set forth herein the averments
20 contained within Paragraphs 1-60 of these Counterclaims.

21 68. As a result of Motorola's declaration of its essential patents and/or submission of
22 letters of assurance to the IEEE and/or ITU and submission of undertakings to negotiate licenses
23 on RAND terms to interested applicants, prospective implementers of the 802.11 and H.264
24 standards must request and negotiate a license under each of such patents on a bilateral basis as a
25 condition precedent to obtaining such a license.

26 69. Motorola has fully complied with RAND procedures by, among other things,
sending letters to Microsoft on October 21, 2010 and October 29, 2010 offering to license on

1 RAND terms Motorola patents that are or may become essential to the 802.11 and H.264
2 Standards, even though Microsoft did not fulfill its obligation or satisfy the condition first to have
3 applied for such a license. In the letters, Motorola provided its standard terms, stated that any
4 license must include a grant back license to Motorola under Microsoft's essential patents, and
5 offered to negotiate a license for less than its entire portfolio if Microsoft did not want the entire
6 portfolio.

7 70. Microsoft has repudiated and/or rejected any rights under Motorola's RAND
8 undertakings by, among other things:

- 9 (a) Failing to apply for a RAND license to Motorola's 802.11 and H.264
10 portfolios once it had decided to implement the 802.11 and H.264 standards
11 in its products;
- 12 (b) Failing to accept Motorola's offers to negotiate a RAND license to its
13 802.11 and H.264 portfolios, on entirely open and undefined terms;
- 14 (c) Failing to accept Motorola's offers to negotiate a RAND license to its
15 802.11 and H.264 portfolio, with every term in the license undefined except
16 for the initial offer of a proposed royalty rate;
- 17 (d) Failing to engage in good faith negotiations for a RAND license to
18 Motorola's 802.11 and H.264 portfolios;
- 19 (e) Failing to commit to pay RAND compensation and/or pay into escrow what
20 Microsoft believes in good faith to be RAND compensation;
- 21 (f) Failing to agree to be bound by a RAND license and pay any RAND royalty
22 determination (even when that RAND license and/or royalty rate is
23 reviewed by a Court).

24 71. Microsoft further repudiated and/or rejected any rights under Motorola's RAND
25 undertakings by suing Motorola in the present action in response to Motorola's letters.

1 72. Microsoft's conduct is a repudiation and/or rejection by Microsoft to be bound by
2 its obligation to compensate Motorola for its use of patents that are essential to the 802.11 or
3 H.264 standards. Microsoft's conduct also constitutes a breach of any contract it has with
4 Motorola, directly or indirectly through the SDOs as an alleged third-party beneficiary, for a right
5 to receive a license on RAND terms under Motorola's essential patents, and also a failure to
6 satisfy the conditions precedent to any obligations that it was owed with respect to any such right
7 to a RAND license.

8 73. Motorola seeks a declaration that by claiming the benefit of Motorola's RAND
9 statements while refusing to undertake any of the obligations, Microsoft is an unwilling licensee
10 that has, based on the facts of this case, repudiated and/or rejected any rights associated with
11 Motorola's RAND statements, breached Microsoft's alleged contract with Motorola and/or the
12 SSOs, and failed to satisfy the conditions precedent to any obligations that it was owed with
13 respect to any such right to a RAND license.

14 74. Motorola seeks a declaration that if the Motorola Patents in the Patent Actions are
15 found by this Court or by the International Trade Commission to comply with the respective
16 Standards, and the patents are valid and enforceable, that Motorola is entitled to seek an injunction
17 enjoining Microsoft from importing, making, using, selling, or offering for sale products and
18 services embodying the claimed inventions of the Motorola Patents.

19 75. This Court's equitable powers are hereby invoked by this Counterclaim, and
20 Motorola accordingly requests that the Court consider such other relief, equitable or otherwise, as
21 it may find appropriate at the time for entry of judgment in this case.

22 COUNTERCLAIM-PLAINTIFFS' PRAYER FOR RELIEF

23 WHEREFORE, Motorola Mobility, Inc., Motorola Solutions, Inc. and General Instrument,
24 Corp. respectfully request that the Court enter a judgment:

1 A. That Motorola has complied with any and all obligations to Microsoft with respect
2 to statements it made to IEEE relating to the 802.11 standard, and to ITU relating to the H.264
3 Recommendation;

4 B. That Microsoft has repudiated and/or rejected any right to a RAND license under
5 Motorola's 802.11 and H.264 essential patents and, therefore, under the present circumstances
6 Motorola has the right to seek an injunction for Microsoft's infringement of the Motorola Patents;

7 C. Awarding to Motorola all costs of suit; and

8 D. Awarding to Motorola Mobility, Inc., Motorola Solutions, Inc. and General
9 Instrument, Corp. such other and further relief as this Court deems just and proper.

10 DATED this 15th day of June, 2011.

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12
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