

**UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT**

---

**2013-1150, 13-1182**

---

APPLE INC.,

*Plaintiff-Appellee,*

v.

MOTOROLA MOBILITY, INC.

*Defendant-Cross Appellant*

---

Appeals from the United States District Court for the Western District of Wisconsin in case no. 11-CV-178, Senior Judge Barbara B. Crabb

---

**MOTOROLA MOBILITY LLC’S MOTION TO DISMISS  
FOR LACK OF JURISDICTION**

Pursuant to Federal Rule of Appellate Procedure 27 and Federal Circuit Rule 27(f), Defendant-Cross Appellant Motorola Mobility LLC (“Motorola”) respectfully moves to dismiss this case for lack of jurisdiction, and requests that Apple Inc.’s (“Apple”) appeal and Motorola’s cross-appeal be transferred pursuant to 28 U.S.C. § 1631 to the United States Court of Appeals for the Seventh Circuit. Apple’s complaint does not implicate this Court’s jurisdiction because it does not establish that federal patent law creates the cause of action or that Apple’s request

for relief necessarily depends on resolving a substantial question of federal patent law. Instead, the claims in Apple’s complaint sound in antitrust and contract law: they are directed to Motorola’s alleged violations of contractual commitments to disclose essential patents to standards developing organizations and to offer licenses for its standard essential patents on terms that that are fair, reasonable and non-discriminatory (“FRAND”).

### **BACKGROUND**

Apple’s original complaint was filed on March 11, 2011 in United States District Court for the Western District of Wisconsin, after being removed from the International Trade Commission pursuant to 19 U.S.C. § 1337(c).

Apple filed its amended complaint on October 10, 2011. Dkt. 110; Exh. A. Apple’s complaint invoked subject matter jurisdiction based upon diversity of citizenship, *see* Exh. A at ¶ 6, as well as section 4 of the Sherman Act, 15 U.S.C. § 4, and sections 4 and 16 of the Clayton Antitrust Act, 15 U.S.C. §§ 15, 26. *Id.* Tellingly, Apple's complaint did *not* invoke 28 U.S.C. § 1338 as a ground for district court jurisdiction.

Apple’s amended complaint asserted that Motorola—an owner of patents declared essential to various communication standards—had violated the antitrust laws and breached its contractual commitments to standards-developing organizations (i) by seeking portfolio royalties that Apple deemed to be

unreasonable and (ii) by seeking injunctions in district court and exclusion orders from the International Trade Commission against Apple products that allegedly infringed Motorola's patents that were declared essential. Exh. A. Apple alleged that Motorola engaged "in a pattern of deliberate, deceptive, and anticompetitive conduct, which allowed it to improperly influence standard-setting processes for telecommunication technology standards and to unlawfully acquire monopoly power in several markets." Exh. A at ¶ 11.

Apple's amended complaint sets forth 10 causes of action against Motorola: (1) equitable estoppel; (2) breach of contract—ETSI/3GPP; (3) breach of contract to which Apple is a third party beneficiary—ETSI/3GPP; (4) breach of contract to which Apple is a third-party beneficiary—IEEE; (5) violation of 15 U.S.C. § 2; (6) violation of Cal. Bus. Prof. Code § 17200; (7) declaratory judgment that Motorola's offers have not been on F/RAND terms; (8) declaratory judgment of no entitlement to injunctive relief; (9) declaratory judgment of patent misuse; and (10) tortious interference with contract. Apple's complaint sought injunctive, monetary, and declaratory relief. Exh. A at ¶ 1.

Both parties moved for summary judgment. On August 10, 2012, Judge Crabb granted Motorola partial summary judgment dismissing Apple's claims that Motorola violated Section 2 of the Sherman Act, 15 U.S.C. § 2 (count 5); violated

Cal. Bus. & Prof. Code § 17200 (count 6), and tortiously interfered with contracts (count 13). Dkt. 194; Exh. B.

Thus, Apple's remaining claims were for equitable estoppel (count 1); breach of contract (counts 2, 3, 4); and declaratory judgment (counts 7, 11, 12). Exh. B. Trial was scheduled to begin on November 5, 2012.

On November 5, 2012, Judge Crabb dismissed the remaining claims, obviating the need for a trial. Dkt. 500; Exh. C. On December 5, 2012, Judge Crabb entered a final judgment in favor of Motorola dismissing with prejudice Apple's claims that Motorola violated § 2 of the Sherman Act (count 5), violated Cal. Bus. & Prof. Code § 17200 (count 6), and tortiously interfered with contracts (count 13). Dkt. 510; Exh. D at ¶ 2. But the Court dismissed without prejudice Apple's remaining claims against Motorola, specifically for equitable estoppel (count 1), breach of contract (counts 2, 3 and 4), and declaratory judgment (counts 7, 11 and 12). Exh. D at ¶ 3.

On January 4, 2011, Apple filed a notice of appeal to this Court. On January 18, 2013, Motorola filed its notice of cross-appeal, noting that the instant submission would follow promptly. Motorola now respectfully seeks dismissal of this case or transfer to the Seventh Circuit because this Court lacks appellate jurisdiction under 28 U.S.C. § 1295(a)(1).

## ARGUMENT

### I. APPLE’S CLAIMS DO NOT FALL WITHIN THIS COURT’S JURISDICTION BECAUSE THEY DO NOT “ARISE UNDER” FEDERAL PATENT LAW

28 U.S.C. § 1295(a)(1) limits the exclusive jurisdiction of the Federal Circuit to patent cases "arising under" federal patent law. *See* 28 U.S.C. § 1295(a)(1):

United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction— (1) of an appeal from a final decision of a district court of the United States...in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection..."

*See also* 28 U.S.C. § 1338 (using same language in vesting federal district courts with exclusive original jurisdiction over patent claims). The Supreme Court has held, in interpreting the exclusive jurisdiction of the Federal Circuit over actions that “arise under” federal patent law, that jurisdiction extends “only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.” *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 808-09 (1988).

This case is not a patent case within the meaning of 28 U.S.C. § 1295(a)(1), as none of Apple’s claims is based on patent law, nor does Apple’s right to relief

depend on resolving a substantial question of patent law. Rather, this appeal presents *non*-patent causes of action for breach of contract, unlawful competition under § 2 of the Sherman Act and California Business and Professions Code § 17200, and tortious interference with contract, that do not require resolution of a related question of patent law.

In *Lab. Corp. of Am. Holdings v. Metabolite Laboratories, Inc.*, the District Court for the District of Colorado granted LabCorp's motion for summary judgment on its declaratory judgment claim that it did not breach a license agreement. *See Lab. Corp. of Am. Holdings v. Metabolite Laboratories, Inc.*, 599 F.3d 1277, 1279 (Fed. Cir. 2010). Metabolite appealed the decision to the Federal Circuit. *Id.* The Federal Circuit held that Metabolite's action did not "require resolution of a disputed question of patent law central to the disposition of the breach of contract claim," as the issue of infringement was already resolved, and that "the mere presence of a patent as relevant evidence to a claim d[id] not by itself present a substantial issue of patent law." *Id.* at 1283-84. Therefore, the Federal Circuit concluded that it did not have jurisdiction over the appeal and transferred the action to the United States Court of Appeals for the Tenth Circuit pursuant to the district court's diversity jurisdiction. *Id.* at 1285.

Here, there is no disputed question of patent law central to Apple's claims and resolution of Apple's claims do not require a determination of patent

infringement. In fact, Motorola's patent infringement claims against Apple are the subject of a separate case pending on appeal before this Court. *Apple Inc. v. Motorola, Inc.*, case no. 2012-1548. Furthermore, while Apple's claims relate to Motorola's conduct with respect to standard setting organizations and patent licensing commitments to those organizations, this Court has made clear that not all disputes relating to patent licensing require determination of a question of patent law. *See Lab. Corp. of America Holdings v. Metabolite Labs., Inc.*, 599 F.3d at 1284. In this particular case, this Court does not have jurisdiction over Apple's appeal because none of Apple's causes of action requires the resolution of a disputed question of patent law. To be sure, Apple's claims may allege external grievances (unfair competition, tortious interference, breach of contract) *surrounding* Motorola's patents, but that is quite different from calling for adjudication of Motorola's *actual patents themselves*.

Apart from the type of claims made within the complaint, this Court's appellate jurisdiction also depends on the type of relief demanded in the complaint. *See Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F.2d 1559, 1562 (Fed. Cir. 1985) (holding "a court must review and analyze the plaintiff's pleadings, with special attention directed to the relief requested by the plaintiff, in making the determination as to whether a cause of action arises under the patent laws, or is a cause of action based upon a licensing agreement.").

In *Bonzel v. Pfizer*, the Court held that the complaint did not arise under federal patent law, because it did not seek infringement damages from the defendants; rather, it charged the defendants with breach of contract and asked that they perform their contract obligations. *See Bonzel v. Pfizer, Inc.*, 439 F.3d 1358, 1363 (Fed. Cir. 2006) (holding “[t]he nature of this contract action does not change because the contract is a patent license and the assertedly failed contract obligation is the obligation to notify of patent infringement and share payment for infringement. These obligations do not ‘arise under’ the patent law, in terms of a well-pleaded complaint.”).

By this measure, too, Apple’s appeal does not belong before this Court. Below, Apple sought damages based on its legal costs incurred in litigating against Motorola, as well as declaratory and injunctive relief to the effect that Motorola had violated its contractual obligations to standards setting organizations and should be obliged to perform those contractual obligations. *See* Exh. A and Exh. B. Thus, this Court does not have jurisdiction over Apple’s appeal, because the type of relief requested by Apple does not “arise under” federal patent law, as opposed to contract law.

## II. APPLE'S CLAIMS THAT WERE DISMISSED WITHOUT PREJUDICE CANNOT TRIGGER THIS COURT'S JURISDICTION

Apple may argue that its request for a declaratory judgment of patent misuse claim “arises under” federal patent law. However, Apple's declaratory judgment claims, including the patent misuse claim, were dismissed *without* prejudice. Such a claim, once so dismissed, cannot bear upon any appellate court's jurisdiction so long as “[t]he parties were left in the same legal position with respect to all patent claims as if they had never been filed.” *See Chamberlain Group, Inc. v. Skylink Technologies, Inc.*, 381 F.3d 1178, 1189-90 (Fed. Cir. 2004) (citing *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515, 519 (Fed. Cir. 1987)); *see also ITOFCA, Inc. v. MegaTrans Logistics, Inc.*, 235 F.3d 360-366 (7th Cir. 2000) (holding that there is no appellate jurisdiction where dismissal of claim without prejudice permitted claim's re-filing at any time). Here, Judge Crabb's dismissal was *without* prejudice, and, as such, did not impact the legal status of Apple's claim of patent misuse. Therefore, even assuming *arguendo* that Apple's claim of patent misuse might otherwise “arise under” federal patent law, this Court still would not have jurisdiction over Apple's claim of patent misuse, as now presented on appeal, having been dismissed *without prejudice*.

## CONCLUSION

For the reasons stated above, Motorola respectfully submits that this Court lacks appellate jurisdiction over this case under 28 U.S.C. § 1295(a)(1), and thus should either dismiss Apple's appeal, or, in the alternative, transfer the appeal to the Seventh Circuit.

## FEDERAL CIRCUIT RULE 27(a)(5) STATEMENT

Counsel for Motorola has conferred with Apple regarding this Motion to Dismiss. Counsel for Apple has indicated that Apple is opposed to the relief requested herein and that Apple intends to file a response.

Respectfully submitted,

Dated: January 25, 2013

/s/ Stephen A. Swedlow

David A. Nelson  
Stephen A. Swedlow  
Quinn Emanuel Urquhart & Sullivan, LLP  
500 West Madison Street, Suite 2450  
Chicago, IL 60661  
Telephone: (312) 705-7400  
Facsimile: (312) 705-7401  
Email: davenelson@quinnemanuel.com  
stephenswedlow@quinnemanuel.com

Edward J. DeFranco  
Alexander Rudis  
51 Madison Avenue, 22nd Floor

New York, NY 10010  
Telephone: (212) 849-7000  
Facsimile: (312) 849-7100  
Email: eddefranco@quinnemanuel.com  
alexanderrudis@quinnemanuel.com

Brian C. Cannon  
555 Twin Dolphin Drive, 5th Floor  
Redwood Shores, CA 94065  
Telephone: (650) 801-5000  
Facsimile: (650) 801-5100  
Email: briancannon@quinnemanuel.com

## CERTIFICATE OF SERVICE

I hereby certify that on this 25<sup>th</sup> day of January, 2013, the foregoing Motion to Dismiss was filed with the court using CM/ECF which will automatically serve the following counsel who is registered for CM/ECF.

E. Joshua Rosenkranz  
Orrick, Herrington & Sutcliffe LLP  
51 West 52nd Street  
New York, NY 10019  
Direct: 212-506-5380  
Fax: 212-506-5151  
Email: jrosenkranz@orrick.com

Mark S. Davies  
Orrick, Herrington & Sutcliffe LLP  
Columbia Center  
1152 15th Street, N.W.  
Washington, DC 20005  
Direct: 202-339-8631  
Fax: 202-339-8500  
Email: mark.davies@orrick.com

Robert D. Fram  
Covington & Burling LLP  
35th Floor  
One Front Street  
San Francisco, CA 94111  
Direct: 415-591-7025  
Fax: 415-955-6525  
Email: rfram@cov.com

*Counsel for Plaintiff-Appellant Apple Inc.*

/s/ Stephen A. Swedlow  
Stephen A. Swedlow

Form 9

FORM 9. Certificate of Interest

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Apple, Inc. v. Motorola Mobility, Inc.

No. 13-1150, 13-\_\_

CERTIFICATE OF INTEREST

Counsel for the (petitioner) (appellant) (respondent) (appellee) (amicus) (name of party) Cross-Appellant certifies the following (use "None" if applicable; use extra sheets if necessary):

1. The full name of every party or amicus represented by me is: Motorola Mobility LLC (f/k/a Motorola Mobility, Inc.)

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: None.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: Google Inc.

4. [X] The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are: See Exhibit A.

1/23/2013 Date

Signature of counsel Stephen Swedlow Printed name of counsel

Please Note: All questions must be answered cc: \_\_\_\_\_

**EXHIBIT A**

Jennifer A Bauer  
Quinn Emanuel Urquhart & Sullivan LLP  
500 W. Madison St., Suite 2450  
Chicago, IL 60661  
(312) 705-7474  
Email: jenniferbauer@quinnemanuel.com

Meghan Bordonaro  
Quinn Emanuel Urquhart & Sullivan, LLP  
555 Twin Dolphin Drive  
5th Floor  
Redwood Shores, CA 94065  
650-801-5000  
Fax: 650-801-5100  
Email:  
meghanbordonaro@quinnemanuel.com

Linda J Brewer  
Quinn Emanuel Urquhart & Sullivan LLP  
50 California Street  
22nd Floor  
San Francisco, CA 94111  
415-875-6600x6403  
Fax: 415-875-6700  
Email: lindabrewer@quinnemanuel.com

Brian C. Cannon  
Quinn Emanuel Urquhart & Sullivan, LLP  
555 Twin Dolphin Drive  
5th Floor  
Redwood Shores, CA 94065  
650-801-5000x5055  
Fax: 650-801-5100  
Email: briancannon@quinnemanuel.com

Melissa N Chan  
Quinn Emanuel Urquhart & Sullivan, LLP  
555 Twin Dolphin Drive, 5th Floor  
Redwood Shores, CA 94065  
(650) 801-5004  
Email: melissachan@quinnemanuel.com

Peter John Chassman  
Winston & Strawn LLP  
1111 Louisiana St.  
25th floor  
Houston, TX 77002  
713-651-2623  
Fax: 713-651-2700  
Email: pchassman@winston.com

Thomas William Cushing  
Quinn Emanuel Urquhart & Sullivan, LLP  
500 West Madison Street  
Suite 2450  
Chicago, IL 60661  
312-705-7461  
Fax: 312-705-7401  
Email: thomascushing@quinnemanuel.com

Edward John DeFranco  
Quinn Emanuel Urquhart & Sullivan  
51 Madison Avenue  
New York, NY 10010  
(212) 849-7106  
Fax: (212) 849-7100  
Email: eddefranco@quinnemanuel.com

David M. Elihu  
Quinn Emanuel Urquhart & Sullivan, LLP  
51 Madison Avenue  
22nd Floor  
New York, NY 10010  
(212) 849-7285  
Email: davideliu@quinnemanuel.com

Richard W Erwine  
Quinn Emanuel Urquhart & Sullivan  
51 Madison Avenue  
New York, NY 10010  
(212) 849-7000  
Fax: (212) 849-7100  
Email: richarderwine@quinnemanuel.com

Rebecca Frihart-Kennedy  
Reinhart Boerner Van Deuren s.c.  
1000 North Water Street, Suite 2100  
Milwaukee, WI 53202  
414-298-8736  
Fax: 414-298-8097  
Email: rfrihart@reinhartlaw.com

Scott W. Hansen  
Reinhart Boerner Van Deuren S.C.  
P.O. Box 2965  
Milwaukee, WI 53201  
(414) 298-1000  
Fax: (424) 298-8097  
Email: shansen@reinhartlaw.com

Kevin Johnson  
Quinn Emanuel Urquhart & Sullivan, LLP  
555 Twin Dolphin Drive  
Suite 560  
Redwood Shores, CA 94065  
(650) 801-5000  
Fax: (650) 801-5100  
Email: kevinjohnson@quinnemanuel.com

Lisa Nester Kass  
Reinhart Boerner Van Deuren, s.c.  
1000 North Water Street  
Suite 1700  
Milwaukee, WI 53202  
(414) 298-1000  
Fax: (414) 298-8097  
Email: lkass@reinhartlaw.com

Michael Rex McCray  
Quinn Emanuel Urquhart & Sullivan LLP  
500 W. Madison Ave.  
Suite 2450  
Chicago, IL 60661  
312-705-7400 x7475  
Fax: 312-705-7401  
Email: michaelmccray@quinnemanuel.com

David A Nelson  
Quinn Emanuel Urquhart & Sullivan LLP  
500 W. Madison St., Suite 2450  
Chicago, IL 60661  
(312) 705-7400  
Email: davenelson@quinnemanuel.com

Shawna Marie Reeder  
Quinn Emanuel Urquhart Oliver & Hedges,  
LLP  
555 Twin Dolphin Drive, #560  
Suite 2450  
Redwood Shores, CA 94065  
650-801-5000  
Email:  
SHAWNAREEDER@QUINNEMANUEL.  
COM

Matthew Daniel Robson  
Quinn Emanuel Urquhart & Sullivan  
51 Madison Avenue  
New York, NY 10010  
212-849-7489  
Fax: 212-849-7100  
Email: matthewrobson@quinnemanuel.com

Carlos A Rodriguez  
Quinn Emanuel Urquhart & Sullivan  
51 Madison Avenue  
New York, NY 10010  
212-849-7161  
Email: carlosrodriguez@quinnemanuel.com

Alexander Rudis  
Quinn Emanuel Urquhart & Sullivan  
51 Madison Avenue  
New York, NY 10010  
(212) 849-7246  
Email: alexanderrudis@quinnemanuel.com

Derek Shaffer  
1299 Pennsylvania Ave. NW,  
Suite 825  
Washington, D.C. 20004  
202-538-8123  
Email: derekshaffer@quinnemanuel.com

David L. Shaul  
Quinn Emanuel Urquhart & Sullivan LLP  
50 California Street  
22nd Floor  
San Francisco, CA 94111  
415-875-6326  
Email: davidshaul@quinnemanuel.com

Lynn Marie Stathas  
Reinhart Boerner Van Deuren S.C.  
P.O. Box 2018  
Madison, WI 53701  
(608) 229-2200  
Fax: (608) 229-2100  
Email: lstathas@reinhartlaw.com

Robert William Stone  
Quinn Emanuel Urquhart & Sullivan, LLP  
555 Twin Dolphin Drive  
5th Floor  
Redwood Shores, CA 94065  
650-801-5000x5001  
Fax: 650-801-5100  
Email: robertstone@quinnemanuel.com

Kathleen Marie Sullivan  
Quinn Emanuel Urquhart & Sullivan, LLP  
51 Madison Avenue  
22nd Floor  
New York, NY 10010  
(212) 849-7327  
Fax: (212) 849-7100  
Email:  
kathleensullivan@quinnemanuel.com

Stephen Andrew Swedlow  
Quinn, Emanuel, Urquhart & Sullivan, LLP  
500 West Madison Street  
Suite 2450  
Chicago, IL 60661  
312-705-7488  
Fax: 312-705-7401  
Email:  
stephenswedlow@quinnemanuel.com

Charles K. Verhoeven  
Quinn Emanuel Urquhart & Sullivan LLP  
50 California Street, 22nd Floor  
San Francisco, CA 94111  
415-875-6301  
Email:  
charlesverhoeven@quinnemanuel.com

Thomas R. Watson  
Quinn Emanuel Urquhart & Sullivan, LLP  
555 Twin Dolphin Drive  
5th Floor  
Redwood Shores, CA 94065  
650-801-5000x5017  
Fax: 650-801-5100  
Email: tomwatson@quinnemanuel.com

Amanda Scott Williamson  
Quinn Emanuel Urquhart & Sullivan LLP  
500 W. Madison St., Suite 2450  
Chicago, IL 60661  
312-705-7477  
Email:  
amandawilliamson@quinnemanuel.com

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN**

APPLE INC.,

Plaintiff and Counterclaim-  
Defendant,

v.

MOTOROLA MOBILITY, INC.

Defendant and Counterclaim-  
Plaintiff.

Case No. 11-CV-178 (BBC)

**JURY TRIAL DEMANDED**

**FIRST AMENDED COMPLAINT**

Plaintiff and Counterclaim Defendant Apple Inc. (“Apple”), for its First Amended Complaint against Defendant and Counterclaim Plaintiff Motorola Mobility, Inc. (“Motorola”), alleges as follows:<sup>1</sup>

**THE PARTIES**

1. Apple is a California corporation having its principal place of business at 1 Infinite Loop, Cupertino, California, 95014.
2. Apple designs, manufactures and markets a range of personal computers, mobile communication and media devices, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content

---

<sup>1</sup>Apple’s claims originated as counterclaims in the International Trade Commission in Investigation No. 337-TA-745. Pursuant to 19 U.S.C. § 1337(c) and 19 C.F.R. § 210.14(e), the Counterclaims in that action were immediately removed to this Court.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

applications. Apple's products and services include Mac computers (including the Mac Pro, Mac mini, MacBook, Macbook Pro, Macbook Air, and iMac), iPhone, iPad, iPod, Apple TV, a portfolio of consumer and professional software applications, the Mac OS X and iOS operating systems, third-party digital content and applications through the iTunes Store, and a variety of accessory, service and support offerings. Apple sells and designs these products in the U.S. and markets and sells them worldwide.

3. Motorola Mobility, Inc. is a Delaware corporation having its principal place of business at 600 North U.S. Highway 45, Libertyville, Illinois, 60048. Motorola is a wholly-owned subsidiary of Motorola, Inc.

**JURISDICTION AND VENUE**

4. The filing of this lawsuit as Counterclaims in the U.S. International Trade Commission was authorized by 19 U.S.C. § 1337(c) and 19 C.F.R. § 210.14(e), with the condition that the respondent/counterclaimant "shall immediately file a notice of removal with a United States district court in which venue for any of the counterclaims raised by the respondent would exist under 28 U.S.C. 1391."

5. On March 11, 2011 Apple filed a notice of removal of these Counterclaims with this Court.

6. This Court has subject matter jurisdiction over Apple's claims pursuant to 19 U.S.C. § 1337(c) and 28 U.S.C. § 1332(a) because Apple and Motorola are citizens of different states and the amount in controversy exceeds the sum or value of \$75,000.00, exclusive of interest and costs; section 4 of the Sherman Act, 15 U.S.C. § 4; and sections 4 and 16 of the Clayton Antitrust Act, 15 U.S.C. §§ 15, 26.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

7. This Court also has pendent and supplemental jurisdiction over Apple's state law claims under 28 U.S.C. § 1367 because the state and federal claims arise from a common nucleus of operative facts.

8. This Court has personal jurisdiction over Motorola under Wis. Stats. § 801.05, including at least under § 801.05(1)(d), because Motorola is engaged in substantial and not isolated activities within Wisconsin and the Western District.

9. Motorola's continued course of deceptive and anticompetitive conduct while participating in standard-setting and standard-related organizations (collectively, "SSOs") has affected and is affecting interstate and foreign commerce, including commerce in the Western District of Wisconsin.

10. Venue is proper in this Court under 28 U.S.C. §§ 1391(a) and (c), and sections 4, 12, and 16 of the Clayton Antitrust Act, 15 U.S.C. §§ 15, 22, 26. Venue is proper in this District because Motorola maintains a regular and established place of business, has agents, and/or transacts business in this District, and has committed and continues to commit unlawful acts in this District. Further, Motorola's deceptive, unfair, and unlawful conduct with respect to its participation in the standard-setting process has had harmful and anticompetitive effects in this District.

**GENERAL ALLEGATIONS**

11. Apple asserts these Counterclaims against Motorola for engaging in a pattern of deliberate, deceptive, and anticompetitive conduct, which allowed it to improperly influence standard-setting processes for telecommunication technology standards and to unlawfully acquire monopoly power in several markets. Motorola manipulated the standard-setting process to ensure standards were adopted into the relevant technology standards that would allow it to claim that it owns intellectual property rights ("IPR") (patents and patent applications) that are

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

essential to practicing certain industry standards (“Essential IPR”). Motorola knew it would acquire monopoly power if these technologies were adopted into the relevant standards and that it could misuse this monopoly power to make license demands far in excess of what could be demanded without inclusion of its technology into adopted standards. This conduct runs counter to the commitments Motorola made to the SSOs during the standard-setting process that it would timely disclose allegedly Essential IPR and would grant licenses to any such allegedly Essential IPR on fair, reasonable, and non-discriminatory (“FRAND”) or reasonable and non-discriminatory (“RAND,” and collectively with FRAND, “F/RAND”) terms. Motorola is now using its power in an effort to exclude new entrants from the handset market and/or extort unreasonably high licensing fees from such entrants or competitors in an attempt to maintain its position in the market by asserting infringement of its patents based on the standards.

12. As explained in more detail below, Apple and consumers have been injured by Motorola’s conduct.

13. In October 2010, Motorola requested that the U.S. International Trade Commission (“ITC”) institute an investigation to determine, in part, whether certain Apple products infringe one or more Motorola patents. On November 3, 2010, the ITC granted Motorola’s request and instituted Investigation No. 337-TA-745 (the “745 Investigation”).

14. On October 29, 2010, Apple filed a Complaint for patent infringement naming Motorola as a defendant in the Western District of Wisconsin. Motorola answered and filed Counterclaims asserting certain standards-essential patents on November 9, 2010 (the “662 Action”).

15. Before the institution of the 745 Investigation and the 662 Action, Motorola participated in developing standards with various SSOs, including the European

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

Telecommunications Standards Institute and other wireless telecommunications standards bodies (collectively “ETSI”), the Institute of Electrical and Electronics Engineers Standards Association (“IEEE”), and the 3rd Generation Partnership Project (“3GPP”). Motorola has repeatedly violated in a number of ways the policies of these SSOs, including by failing to timely disclose IPR to ETSI and 3GPP. Motorola further made numerous representations to various SSOs that (1) certain of its IPR, including several patents at issue in the 745 Investigation and the 662 Action between Motorola and Apple, were essential to practicing certain industry standards (the “Declared-Essential Patents”)<sup>2</sup>; and (2) Motorola would offer licenses to its purportedly Essential IPR, including the Declared-Essential Patents, on F/RAND terms. The SSOs, their members, and those in the industry relied on Motorola’s F/RAND commitments when they adopted specific technologies into technical interoperability standards. Companies that invested billions of dollars in developing products designed to be compatible with the standards—including Apple—relied on SSO participants such as Motorola’s explicit and implicit commitments to license purportedly Essential IPR, including the Declared-Essential Patents, on F/RAND terms. However, Motorola has refused to offer Apple a license to certain purportedly Essential IPR, including the Declared-Essential Patents, on F/RAND terms.

16. The SSOs would have incorporated alternative technologies into the relevant standards had they known that Motorola would not honor its F/RAND commitments.<sup>3</sup> SSOs require F/RAND commitments to ensure the competitive dynamic that exists prior to the

---

<sup>2</sup> The Declared-Essential Patents include at least United States Patent Nos. 6,246,697, 5,636,223, 6,359,898, 5,490,230, 6,175,559, 5,319,712, and 5,572,193, 5,311,516.

<sup>3</sup> By making these allegations, Apple in no way admits that any Apple products practice any asserted claim of any Motorola patent at issue in the 745 Investigation or any other proceeding, and Apple affirmatively denies any allegations of infringement. Nor does Apple concede that the Motorola patents are, in fact, essential to the standards.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

adoption of the standard is preserved once the standard is adopted. The adoption of the standard by the SSOs and later the industry eliminates competitive alternatives to technologies that are essential to the standard. The Motorola technologies at issue in the 745 Investigation and 662 Action would be worthless but for the fact that they allegedly are incorporated into a standard adopted by the industry. The SSOs and the industry would not have incorporated Motorola's technologies into the standards had they known that Motorola would not honor its F/RAND commitments.

17. Motorola now seeks to exclude from the United States and enjoin certain of Apple's products that allegedly practice the very technologies to which Motorola—despite its explicit agreements—has refused to license on F/RAND terms. Apple brings these Counterclaims to remedy Motorola's unlawful monopolization, patent misuse, violation of its F/RAND commitments and other wrongful acts. Motorola has abused the standard-setting process crucial to bringing pro-competitive benefits to innovators, telecommunications equipment and network suppliers, and consumers alike. Motorola has abused its unlawfully obtained monopoly positions the standards conferred on its Declared-Essential Patents and breached its contractual F/RAND commitments by demanding exorbitant royalties and other unreasonable licensing terms and then suing Apple when Apple refused to accede to Motorola's unreasonable demands. Apple seeks to end Motorola's misconduct and prevent further harm to Apple, the mobile wireless communications industry, and consumers.

**A. The Importance of SSOs and F/RAND Commitments in the Wireless Community**

18. Mobile wireless carriers offer consumers access to their "networks" to enable consumers to, among other things, place and receive calls and access email, the Internet and a variety of services. Handsets sold by Apple include a chipset that enables the handset to

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

communicate with the carriers' networks. Most handset designers, including Apple, purchase these chipsets from third-party manufacturers, such as Qualcomm Incorporated ("Qualcomm").

19. Carriers, handset manufacturers, and chipset manufacturers, among others, participate in SSOs to develop standards facilitating interoperability among the cellular networks and various cellular mobile devices. Once standards are adopted, competing manufacturers and carriers can offer their own compliant products and services.

20. Standards play a critical role in the development of wireless data and telecommunications technologies, by facilitating product development and network creation. Often, product designers and manufacturers are willing to invest heavily in the research and development of handsets or component parts because, so long as their products are compliant with the published standards, those products will interoperate effectively within carrier networks and be compatible with other third-party products.

21. Standards development reduces costs for component suppliers, product manufacturers, and consumers. For suppliers, standardization often reduces the need to develop products to a particular manufacturer's specifications. Accordingly, because a single component or component line may be sold to multiple manufacturers and distributed more widely, manufacturing volumes increase and per-unit costs decrease. Manufacturers also benefit from increased price competition among suppliers. Because a number of suppliers produce standards-compliant products, switching suppliers typically does not require a substantial redesign of manufacturer's products or a substantial technical transfer to enable the new supplier to produce compatible components. The lower "switching cost" intensifies competition among suppliers, leading to lower prices for consumers.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

22. The standard-setting process moves the industry towards a common standard by eliminating alternatives in favor of mandatory implementations of essential features of the standard. The process can confer significant market power to an entity claiming ownership of a technology included in a standard. That is particularly true in the telecommunications markets. Although standards are the results of coordination and compromise among industry participants, certain aspects of standards may be—and often are—claimed by patents. Before standardization, the royalty a patentee could earn from a patent license for its technology is constrained in part by the availability of alternative technologies to perform that function. Once a standard requires employment of a patented technology (as a mandatory implementation of an essential feature) alternative technologies neither remain available nor constrain the patentee’s ability to demand excessive royalties otherwise not warranted by the intrinsic value of the technology.

23. Product designers and manufacturers, such as Apple, invest substantial resources into developing products that implement standards. Even if there were an alternative standard, the costs associated with post-hoc switching can be prohibitively expensive. A designer or manufacturer who implements a standard often is effectively “locked-in” to that standard. Left unconstrained, owners of Essential IPR covering certain features within the standard can take advantage of lock-in and demand exorbitant royalties from manufacturers who design using the feature, knowing that it would be less costly for the manufacturer to pay the excessive royalty than to incur the cost of switching. This is commonly referred to as a “patent hold-up.”

24. Most SSOs—including all those relevant to this action—have adopted intellectual property rights policies (“IPR Policies”) to address the problem of patent hold-up. IPR Policies generally contain requirements concerning: (a) the disclosure of IPR that may claim any portion of the specifications of the standard in development; and (b) whether and to what extent

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

patentees declaring such purported Essential IPR must commit to its licensing on F/RAND terms and conditions.

25. Timely disclosure of purported Essential IPR permits the participants in the standards-development process to evaluate competing technological proposals with the most complete understanding of the potential licensing costs designers may incur to develop standards-compliant products.

26. As set forth in greater detail below, the IPR Policies at issue in this case require participants claiming Essential IPR to commit to license that IPR to any implementer of the standard on F/RAND terms. Participants in standards development rely on these commitments to ensure, among other things, that those implementing the standard will not be held up by patentees seeking unreasonable royalties and terms after the industry is locked into the standard.

27. Making false F/RAND commitments, as Motorola has done here, undermines the safeguards put in place by SSOs and working groups to ensure that the competitive dynamics existing when the standard is adopted are preserved once the industry is locked into the standard. By seeking to capitalize on a patent's actual or purported incorporation into a standard, the patentee violates the very commitment that led to incorporation of that technology in the first place.

**B. The Relevant SSOs All Have IPR Policies Designed to Prevent Anticompetitive Hold Up**

28. Motorola is, and was at the relevant times, a member of, and has participated in, the promulgation of standards by SSOs relevant to this action: ETSI, 3GPP, and IEEE. Apple has been a member of ETSI since at least November 20, 2001. ETSI is an SSO responsible for the standardization of information and communication technologies for the benefit of its members and third parties. 3GPP is a collaborative activity through a group of recognized SSOs

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

(its “Organizational Partners”), including ETSI. 3GPP develops technical specifications subsequently presented to and adopted as standards by its Organizational Partners, such as ETSI. IEEE is an SSO responsible for the standardization of wireless information exchange among systems and networks. Like all SSOs, ETSI, 3GPP, and IEEE have developed IPR Policies designed to mitigate the risk of the anticompetitive hold-up by IPR owners inherent in any standard-setting process.

**(i) ETSI’s IPR Policy**

29. ETSI promulgated an IPR Policy that has been set forth in Annex 6 of its Rules of Procedure. At least as of 1997, clause 4 of the ETSI IPR Policy has governed disclosure of Essential IPR, requiring ETSI members to declare Essential IPR in a timely manner. The 1997 version of Section 4.1 stated in relevant part:

Each MEMBER shall use its reasonable endeavours to timely inform ETSI of ESSENTIAL IPRs it becomes aware of. In particular, a MEMBER submitting a technical proposal for a STANDARD shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted.

30. In 2005, the wording of Section 4.1 was changed to:

[E]ach MEMBER shall use its reasonable endeavours, in particular during the development of a STANDARD or TECHNICAL SPECIFICATION where it participates, to inform ETSI of ESSENTIAL IPRS in a timely fashion. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER’s IPR which might be ESSENTIAL if that proposal is adopted.

31. As of 1997, Clause 15 of ETSI’s IPR Policy has defined IPR to mean “any intellectual property right conferred by statute law including applications therefore other than trademarks.”

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

32. Clause 4.1 establishes a requirement that a Member submitting a technical proposal must disclose on a bona fide basis all of its own IPR vis-à-vis that submittal that might be essential before that proposal is adopted. The language of the section makes clear that such disclosure must take place before the standard is adopted. Therefore, ETSI members have a reasonable expectation that SSO participants submitting technical proposals will disclose all potentially essential IPR to the standard.

33. Since 1997, clause 6 of ETSI's IPR Policy has governed the availability of licenses to Essential IPR, requiring ETSI members to offer licenses to Essential IPR on F/RAND terms. In relevant part, Clause 6.1 states:

When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an undertaking in writing that it is prepared to grant irrevocable licenses on fair, reasonable and non-discriminatory [F/RAND] terms and conditions under such IPR to at least the following extent:

- MANUFACTURE, including the right to make or have made customized components and sub- systems to the licensee's own design for use in MANUFACTURE;
- sell, lease or otherwise dispose of EQUIPMENT so MANUFACTURED;
- repair, use, or operate EQUIPMENT; and
- use METHODS.

34. Clause 8 of the ETSI IPR Policy governs situations where an owner of an Essential IPR refuses to undertake a F/RAND commitment with respect to that IPR. In relevant part, as of 1997, Clause 8.1 has stated:

8.1.1 Where a MEMBER notifies ETSI that it is not prepared to license an IPR in respect of a STANDARD, the General Assembly shall review the requirement for that STANDARD and satisfy itself that a viable alternative technology is available for the STANDARD which:

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

- is not blocked by that IPR; and
- satisfies ETSI's requirements.

8.1.2 Where, in the opinion of the General Assembly, no such viable alternative technology exists, work on the STANDARD shall cease, and the Director-General of ETSI shall request that MEMBER to reconsider its position. If the MEMBER decides not to withdraw its refusal to license the IPR, it shall inform the Director-General of ETSI of its decision and provide a written explanation of its reasons for refusing to license that IPR, within three months of its receipt of the Director-General's request. The Director-General shall then send the MEMBER's explanation together with relevant extracts from the minutes of the General Assembly to the ETSI Counsellors for their consideration.

35. In 2006, the language of the policy was changed to:

8.1.1 Where prior to the publication of a STANDARD or a TECHNICAL SPECIFICATION an IPR owner informs ETSI that it is not prepared to license an IPR in respect of a STANDARD or TECHNICAL SPECIFICATION in accordance with Clause 6.1 above, the General Assembly shall review the requirement for that STANDARD or TECHNICAL SPECIFICATION and satisfy itself that a viable alternative technology is available for the STANDARD or TECHNICAL SPECIFICATION which:

- is not blocked by that IPR; and
- satisfies ETSI's requirements.

8.1.2. Where, in the opinion of the General Assembly, no such viable alternative technology exists, work on the STANDARD or TECHNICAL SPECIFICATION shall cease, and the Director-General of ETSI shall observe the following procedure:

- a) If the IPR owner is a MEMBER,
  - i) the Director-General of ETSI shall request that MEMBER to reconsider its position.
  - ii) If that MEMBER however decides not to withdraw its refusal to license the IPR, it shall then inform the Director-General of ETSI of its decision and provide a written explanation of its reasons for refusing to license that IPR, within three months of its receipt of the Director-General's request.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

- iii) The Director-General of ETSI shall then send the MEMBER's explanation together with relevant extracts from the minutes of the General Assembly to the ETSI Counsellors [sic] for their consideration.

Thus, if an ETSI member refuses to agree to F/RAND licensing of an Essential IPR, ETSI will select an alternative technology into the standard or stop work on the standard entirely if no alternative is available.

36. At all relevant times, ETSI's IPR Policy was designed to benefit all ETSI members, as well as other parties implementing ETSI standards. The explicitly stated objective of the policy, described in Clause 3.1 since at least 1997, is to "reduce the risk" to those implementing the standards or other technical specifications "that investment in the preparation, adoption and application of STANDARDS could be wasted as a result of an ESSENTIAL IPR for a STANDARD or TECHNICAL SPECIFICATION being unavailable."

37. Once a Declaration is submitted to ETSI, there is an agreement between the submitter, ETSI, the participants, and any manufacturers that implement the standard in their products that licenses for the patents described in the submitted Declaration will be offered on FRAND terms. The obligation to provide FRAND terms arises at the time the Declaration is submitted based on the submitter's assertion that the patent is essential.

**(ii) 3GPP's IPR Policy**

38. As a collaborative activity among its Organizational Partners (including ETSI), 3GPP requires its members to abide by the IPR Policies of those Organizational Partners. Article 8 of the 3GPP Working Procedures requires that, to be a member in 3GPP, an entity must first be a member of one of 3GPP's Organizational Partners. Article 8 of 3GPP's Working Procedures states, in relevant part: "[m]embership in an Organizational Partner is a pre-requisite for Individual Membership of 3GPP."

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

39. 3GPP's IPR Policies are set forth in Article 55 of 3GPP's Working Procedures.

Article 55 of the 3GPP Working Procedures states, in relevant part:

Individual Members shall be bound by the IPR Policy of their respective Organizational Partner.

Individual Members should declare at the earliest opportunity, any IPRs which they believe to be essential, or potentially essential, to any work ongoing within 3GPP. Declarations should be made by Individual Members to their respective Organizational Partners.

Organizational Partners should encourage their respective members to grant licences [sic] on fair, reasonable terms and conditions and on a non-discriminatory basis [F/RAND].

Thus, 3GPP members are required to declare and offer licenses to Essential IPR on F/RAND terms, as well as to otherwise abide by the IPR Policies of their respective Organizational Partner.

**(iii) IEEE's IPR Policies**

40. Under IEEE's policies, when participants learn of IPR that may be essential to standards, the IPR owners are to submit a "Letter of Assurance" to IEEE with the owners' commitment to, among other things, license the Essential IPR on F/RAND terms.

41. IEEE requires owners of potentially Essential IPR to submit a Letter of Assurance prior to the adoption of the standard that the owner will commit to license that IPR on F/RAND terms.

42. As of 1995, Section 5 of IEEE-Standards Association's ("IEEE-SA's") Standards Board Bylaws stated:

IEEE standards may include the known use of patents including patent applications if there is technical justification in the opinion of the standards-developing committee and provided the IEEE receives assurance from the patent holder that it will license applicants under reasonable terms and conditions for the purpose

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

of implementing the standard. This assurance shall be provided without coercion and prior to approval of the standard or reaffirmation when patent becomes known after initial approval of the standard. This assurance shall be a letter that is in the form of either

a) A general disclaimer to the effect that the patentee will not enforce any of its present or future patent(s) whose use would be required to implement the proposed IEEE standard against any person or entity using the patent(s) to comply with the standard or

b) A statement that a license will be made available to all applicants without compensation or under reasonable rates with reasonable terms and conditions that are demonstrably free of any unfair discrimination.

In 2001, the section read:

IEEE standards may include the known use of patents including patent applications if there is technical justification in the opinion of the standards-developing committee and provided the IEEE receives assurance from the patent holder that it will license applicants under reasonable terms and conditions for the purpose of implementing the standard. This assurance shall be provided without coercion and prior to approval of the standard or reaffirmation when patent becomes known after initial approval of the standard. This assurance shall be letter that is in the form of either

a) A general disclaimer to the effect that the patentee will not enforce any of its present or future patent(s) whose use would be required to implement the proposed IEEE standard against any person or entity using the patents to comply with the standard or

b) A statement that license will be made available to all applicants without compensation or under reasonable rates with reasonable terms and conditions that are demonstrably free of any unfair discrimination

Slight changes were made to the wording of the Bylaws in 2005. The 2005-2006 patent policy read as follows:

(a) A general disclaimer to the effect that the patentee will not enforce any of its present or future patent(s) whose use would be required to implement either mandatory or optional portions of the proposed IEEE standard against any person or entity complying with the standard or

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

(b) A statement that license for such implementation will be made available without compensation or under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination

This assurance shall apply, at minimum, from the date of the standard's approval to the date of the standard's withdrawal and is irrevocable during that period.

As of 2011, Section 6 reads:

IEEE standards may be drafted in terms that include the use of Essential Patent Claims. If the IEEE receives notice that a [Proposed] [sic] IEEE Standard may require the use of a potential Essential Patent Claim, the IEEE shall request licensing assurance, on the IEEE Standards Board approved Letter of Assurance form, from the patent holder or patent applicant. The IEEE shall request this assurance without coercion.

The Submitter of the Letter of Assurance may, after Reasonable and Good Faith Inquiry, indicate it is not aware of any Patent Claims that the Submitter may own, control, or have the ability to license that might be or become Essential Patent Claims. If the patent holder or patent applicant provides an assurance, it should do so as soon as reasonably feasible in the standards development process once the PAR is approved by the IEEE-SA Standards Board. This assurance shall be provided prior to the Standards Board's approval of the standard. This assurance shall be provided prior to a reaffirmation/stabilization if the IEEE receives notice of a potential Essential Patent Claim after the standard's approval or a prior reaffirmation/stabilization. An asserted potential Essential Patent Claim for which an assurance cannot be obtained (e.g., a Letter of Assurance is not provided or the Letter of Assurance indicates that assurance is not being provided) shall be referred to the Patent Committee.

Section 6.1 of IEEE's IPR Policy defines "Essential Patent Claim" to include "one or more claims in issued patent(s) or pending patent application(s)." Section 6.2 of IEEE-SA's Standards Board Bylaws further provides that the Letter of Assurance shall be either:

A general disclaimer to the effect that the Submitter without conditions will not enforce any present or future Essential Patent Claims against any person or entity making, using, selling, offering to sell, importing, distributing, or implementing a compliant implementation of the standard; or

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

A statement that a license for a compliant implementation of the standard will be made available to an unrestricted number of applicants on a worldwide basis without compensation or under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination. At its sole option, the Submitter may provide with its assurance any of the following: (i) a not-to-exceed license fee or rate commitment, (ii) a sample license agreement, or (iii) one or more material licensing terms.

43. IEEE's policies also provide that letters of assurance, once submitted, are irrevocable and shall be in force at least until the standard is withdrawn. Additionally, any subsequent assignee and transferee of the patents must agree to abide by any existing assurances submitted by the original patent holder. IEEE's IPR Policy was designed to benefit all parties that implement an IEEE standard.

44. Thus, the requirement contained in part (b) to grant licenses "with reasonable terms and conditions that are demonstrably free of unfair discrimination" is common to all the patent policies in effect from 1995 through 2006.

45. Accordingly, at all relevant times, Motorola's Letters of Assurance and the IEEE policies obligated Motorola to provide licenses on F/RAND terms.

**C. Apple's Contractual Relationship with Qualcomm**

46. On December 16, 2009, Apple and Qualcomm entered into a contract whereby Apple would purchase IS-95 (2G) and CDMA2000 (3G) compliant chipsets from Qualcomm.

47. Apple made substantial investments in the research, design, manufacture, and marketing of wireless communication handsets, and most recently announced its intention to sell a CDMA2000-compliant version of its iPhone 4, which will utilize Qualcomm components.

48. Qualcomm has a licensing agreement with Motorola for the cellular components of the Declared-Essential Patents. Motorola was aware of the existence of the contract between Apple and Qualcomm, and on January 11, 2011, the same day that Apple announced the Verizon

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

CDMA2000-compliant iPhone 4, Motorola sent a letter to Qualcomm, copying Qualcomm's customer, Apple, stating Motorola's intent to terminate any and all license covenant rights with respect to Apple, effective February 10, 2011.

49. Motorola had no basis under its agreements with Qualcomm or otherwise for this selective, partial termination.

50. Motorola's unjustified selective, partial termination will prevent performance of Qualcomm's contract with Apple and will cause harm to Apple's business and/or property as well as consumers. Motorola's wrongful conduct is also evidence of its discriminatory conduct towards Apple and will disadvantage Apple in relation to other customers of Qualcomm who are Apple's competitors and are unaffected and can continue to receive their bargained for products.

51. Based on the royalty rate that Motorola has sought from Apple, applied, for example to the Verizon iPhone 4, the licensing burden for one iPhone under Motorola's unreasonable license offer (discussed below) is roughly equivalent to the publicly-estimated list price of the entire Qualcomm chip, only a fraction of which can account for Qualcomm's licensing fee to Motorola.

**D. Apple's Relationship with Chi Mei**

52. Motorola and Chi Mei were parties to an October 27, 2003 agreement. In this agreement, Motorola licensed its Essential Patents to Chi Mei, including patents essential to GSM, GSM/GRPS, IS-136, IS-95, WCDMA and CDMA2000 standards. The products covered by the license included subscriber terminals, subscriber modules, chip-sets, and infrastructure equipment. Under the terms of this license, Chi Mei was authorized to sell licensed components.

53. Apple engaged Chi Mei to supply wireless modules to Apple on September 26, 2006. Apple and Chi Mei agreed that the "Module License Fee" that Apple would pay to Chi

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

Mei would equal the fee Chi Mei owed to its module licensor. According to Schedule E of the Finished Goods Agreement, Chi Mei's two module licensors were Motorola and Siemens.

54. On August 4, 2007, Kirk Dailey, Senior Director of Intellectual Property and Licensing at Motorola, sent a letter to the president of Chi Mei and suspended Motorola and Chi Mei's October 27, 2003 agreement. According to the letter, "[a]fter such time [sixty days from the date of the letter], CMCS [Chi Mei Communications Systems] and its Affiliates are not licensed to directly or indirectly supply to any third party or otherwise Field such Subscriber Modules unless and until the licenses are reinstated by Motorola as contemplated by the Agreement." Chi Mei's sales to Apple were at least a factor in Motorola's decision to terminate the Chi Mei license.

55. In effect, by terminating the Chi Mei agreement, Motorola rejected Apple's royalty payment (through Chi Mei) under an existing license that covered Motorola's Essential Patents and within days approached Apple with respect to taking a license to the same patents.

**E. Motorola Has Engaged in a Course of Conduct in Violation of SSO IPR Policies, Resulting in an Anticompetitive Hold Up**

56. During all times relevant to these allegations, Motorola was a member of ETSI and 3GPP. Motorola participated in ETSI's and 3GPP's development of mobile communications standards for Global System for Mobile Communications ("GSM"), General Packet Radio Service ("GPRS"), Enhanced Data Rates for GPRM Evolution ("EDGE"), and Universal Mobile Telecommunications System ("UMTS").

57. During all times relevant to these allegations, Motorola participated in the IEEE's development of wireless communications standards, in particular the 802.11 standards.

58. As a result of its membership and participation in the SSOs, Motorola was and is bound by their policies and procedures, including IPR Policies. Motorola, however, has engaged

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

in a continued course of conduct that repeatedly violated the very policies put in place by these SSOs to prevent the anticompetitive patent hold up from which Motorola now seeks to profit. More specifically, Motorola not only has failed to disclose allegedly Essential IPR until long after such disclosure was required under the relevant IPR Policies, it also has breached F/RAND commitments made to the SSOs, on which the standard-setting process relies, and is specifically discriminating against Apple by selectively terminating Motorola's licenses with third parties to the extent that the benefits of those licenses extend to Apple.

**1. Motorola Has Failed to Disclose Essential IPR in a Timely Fashion**

59. As laid out fully above, from 1997 to 2004 Clause 4.1 of ETSI's IPR Policy provided that "Each MEMBER shall use its reasonable endeavours to timely inform ETSI of ESSENTIAL IPRs it becomes aware of. In particular, a MEMBER submitting a technical proposal for a STANDARD shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted."

60. From 2005 to the present, Section 4.1 provided, "[E]ach MEMBER shall use its reasonable endeavours, in particular during the development of a STANDARD or TECHNICAL SPECIFICATION where it participates, to inform ETSI of ESSENTIAL IPRS in a timely fashion. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's IPR which might be ESSENTIAL if that proposal is adopted."

61. Additionally, Clause 15 of ETSI's IPR Policy defines IPR to mean "any intellectual property right conferred by statute law including applications therefore other than trademarks." Accordingly, throughout the relevant time period, ETSI's policy required members submitting technical proposals for a standard to disclose IPR that might be essential to the standard prior to the adoption of the technical proposal.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

62. As a result of its membership and participation in ETSI and 3GPP, Motorola was and is bound by ETSI's Rules of Procedure, including the ETSI IPR Policy, and by 3GPP's Working Procedures. In violation of these binding obligations to ETSI and 3GPP, their members, and designers and sellers of products implementing ETSI/3GPP technical specifications and standards (including Apple), by way of example, Motorola has on at least three occasions failed to disclose in a timely fashion IPR it believed essential to practice certain standards.

**(a) Motorola failed to timely disclose United States Patent No. 6,359,898**

63. Motorola claims to be the owner by assignment of the entire right, title and interest of United States Patent No. 6,359,898 ("the '898 Patent"). The '898 Patent, which claims priority to a provisional application filed on September 2, 1997, issued on March 19, 2002. Motorola has asserted claims 1-3 and 5-7 of the '898 Patent against Apple in patent infringement proceedings pending in the Western District of Wisconsin. These claims issued in the form originally filed by Motorola on September 2, 1997 without amendment. Motorola declared the '898 Patent essential to practice the GPRS functionality of the GSM standard on April 8, 2003. Motorola was involved in developing the GSM standard and submitted a change request proposal with relevant subject matter in November 1997. The portion of the GSM standard to which Motorola asserts the '898 Patent is essential was adopted by ETSI in June 1999.

64. Motorola, as a member of ETSI and 3GPP and a participant in the development of the standard, was required to disclose its pending '898 Patent application during the development of the 3GPP TS 44.060 technical specification. Motorola also had an obligation to disclose the application for the '898 Patent during ETSI's and 3GPP's development of the standard, but

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

failed to do so until more than three years after the technical specification was adopted and more than four years after it filed the patent application. But Motorola intentionally did not disclose the '898 patent until April 2003.

65. Motorola disclosed the substance of the '898 patent to ETSI by submitting a contribution that disclosed the subject matter of the patent, yet Motorola withheld from ETSI the fact that it had filed a patent application describing the very same subject matter. In fact, Motorola did not disclose the '898 patent to ETSI until more than a year after the patent issued, two years after the release of V.4.1.0 of TS 144 060, and more than four years after submitting a contribution proposing the incorporation of the described subject matter into the GPRS standard.

66. On September 2, 1997, Motorola filed a provisional, unpublished U.S. patent application with the United States Patent and Trademark Office containing the claims that ultimately issued in the '898 patent. No later than November 14, 1997, Motorola submitted contribution A330 to an ETSI working group. Contribution A330 disclosed the same technology as was contained in the provisional application. Moreover, portions of the written description language of the '898 patent are identical to the corresponding language in contribution A330. Dominic Tolli, named inventor of the '898 patent, was a contributing author of contribution A330. Jeffrey Smolinske, named inventor of the '898 patent, edited the contribution A330.

67. Inventors Dominic Tolli and Jeffrey Smolinske participated in the ETSI working group assigned to developing Technical Specification 144 060, including attending several working group meetings during the relevant time period.

68. On August 28, 1998, Motorola filed a non-provisional, unpublished U.S. patent application with the United States Patent and Trademark Office containing the claims that ultimately issued as the '898 patent.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

69. On March 11, 1999, Motorola's PCT Application corresponding to its September 2, 1997 non-provisional U.S. application published as WO 99/12392, containing the claims that ultimately issued in the '898 patent.

70. In April 2001, ETSI released Technical Specification TS 144 060 v. 4.1.0.

71. On March 19, 2002, the '898 patent issued.

72. On April 8, 2003, Motorola disclosed the '898 patent to ETSI as an essential patent to the ETSI standard.

73. Motorola contends that the '898 patent is essential to practicing the GPRS standard, which includes Technical Specification TS 144 060 v. 4.1.0.

74. Motorola, therefore, failed to disclose the '898 patent to ETSI until more than a year after the patent issued, two years after the release of V.4.1.0 of TS 144 060, and more than five years after submitting a contribution proposing the incorporation of the subject matter that Motorola alleges is covered by the claims into the GPRS standard.

75. In view of the applicable policies and the alternative technologies considered, if Motorola had declared the '898 Patent essential to the GPRS function of the GSM standard and disclosed the patent application during the development of the standard and its intent to enforce the resulting patent, SSO members would have chosen other viable alternative technologies or even declined to incorporate the aspects of the technical specifications or standards purportedly covered by Motorola's patents.

**(b) Motorola failed to timely disclose United States Patent No. 5,490,230**

76. Motorola claims to be the owner by assignment of the entire right, title and interest of United States Patent No. 5,490,230 ("the '230 Patent"). The earliest application leading to the '230 Patent was filed October 17, 1989, and the '230 Patent issued on February 6,

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

1996. The '230 Patent was pending while the relevant GSM standards were being developed. Motorola has asserted claims 6-8 of the '230 Patent against Apple in patent infringement proceedings pending in the Western District of Wisconsin. Motorola declared the '230 Patent essential to practice the UMTS standard on April 8, 2003 and on September 21, 2009. The portions of the UMTS standard to which Motorola asserts the '230 Patent is essential were adopted by ETSI at least as early as January 2000.

77. Motorola, as a member of ETSI and 3GPP, was obligated to disclose the existence of the '230 Patent during the development of the standard, but failed to do so until, at the earliest, three years after the relevant portion of the standard was adopted, and did not make its supplemental declaration until more than nine years after the standard was adopted.

78. In view of the applicable policies, if Motorola had declared the '230 Patent essential to the UMTS standard and disclosed the patent during the development of the technical specifications and its intent to enforce the resulting patent, SSO members would have chosen other viable alternative technologies to perform functions included in the technical specifications and/or subsequently adopted standards or declined to even incorporate in either the functions purportedly covered by Motorola's patents.

**(c) Motorola failed to timely disclose United States Patent No.  
6,246,697**

79. Motorola claims to be the owner by assignment of the entire right, title and interest of United States Patent No. 6,246,697 ("the '697 Patent"). Motorola filed the application that led to the '697 Patent on January 24, 1998, and the '697 Patent was issued on June 12, 2001. Claims 1-4 of the patent issued as originally filed without amendment. Motorola declared the '697 Patent essential to practice the UMTS standard on December 20, 2002. Motorola asserts that anyone who practices the UMTS standard, in particular 3GPP TS 25.213 sections 4.1 and

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

4.3.2.2, is infringing on the ‘697 Patent. These portions of the UMTS standard were adopted at least as early as January 2000.

80. Motorola, as a member of ETSI and 3GPP, was obligated to disclose its filed application for the ‘697 Patent, which was pending during the specifications development. Motorola, however, intentionally did not declare the ‘697 Patent essential to practice the UMTS standard until almost three years after the standard was adopted and five years after the patent application that included the now-asserted claims was filed.

81. If Motorola had declared the ‘697 Patent essential to the UMTS standards and disclosed the patent application during the development of the technical specification, SSO members may have chosen other viable alternative technologies to perform functions included in the technical specification and/or subsequently adopted standards or even declined to incorporate the functions purportedly covered by Motorola’s patents into either the specification or standard.

**(d) Motorola failed to timely disclose United States Patent No. 6,175,559**

82. Motorola claims to be the owner by assignment of the entire right, title and interest of United States Patent No. 6,175,559 (“the ‘559 Patent”). Motorola filed the application that led to the ‘559 Patent on July 7, 1999 and the ‘559 Patent issued on January 16, 2001. Asserted claims 2-5 of the ‘559 Patent issued as originally filed on July 7, 1999, and asserted claim 1 of the ‘559 Patent was amended to its current form on August 30, 2000. Motorola has asserted claims 1-5 of the ‘559 Patent against Apple in a patent infringement proceeding pending in the Western District of Wisconsin. Motorola declared the ‘559 Patent essential to the UMTS standard on December 20, 2002. The portion of the UMTS standard that Motorola asserts the ‘559 Patent is essential to was adopted by ETSI in January 2000.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

83. Motorola, as a member of ETSI and 3GPP, was obligated to disclose its filed '559 Patent application, which was pending during the development of the relevant standards. Motorola, however, intentionally did not disclose the application or the issued patent until almost three years after the relevant part of the standard was adopted and over three years after Motorola filed the '559 Patent claims that it now asserts against Apple.

84. Motorola disclosed the substance of the '559 Patent to 3GPP by submitting a contribution that Motorola argues disclosed the subject matter of the patent, yet Motorola withheld from 3GPP the fact that it had filed a patent application describing the very same subject matter. In fact, Motorola did not disclose the '559 Patent to 3GPP until nearly two years after the patent issued, nearly three years after Section 4.3.3 of TS 25.213 was finalized, and more than three-and-a-half years after submitting two contributions proposing the incorporation of the claimed subject matter into the standard.

85. On or about June 1-4, 1999, Motorola submitted a proposal TSGR1 #5(99)670 to the TSG-RAN Working Group 1, the working group at 3GPP that was developing Technical Specification 25.213. Tyler Brown, the inventor of the '559 Patent, prepared at least portions of contribution 670. On information and belief, Motorola alleges that contribution 670 discloses the same subject matter that is claimed in the '559 Patent.

86. On July 7, 1999, Motorola filed a non-provisional, unpublished U.S. patent application with the United States Patent and Trademark Office that ultimately issued into the '559 Patent.

87. On or about July 13-16, 1999, Motorola and Texas Instruments jointly submitted another proposal for the specification, TSGR1 #6(99)893 to TSG-RAN Working Group 1. Contribution 893 disclosed the same technology that Motorola argues is covered by the '559

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

patent. Tyler Brown, the inventor of the '559 Patent, prepared at least portions of contribution 893.

88. Tyler Brown, the inventor of the '559 Patent, attended the July 13-16, 1999, August 30-September 3, 1999 and October 4-5, 1999, meetings of TSG-RAN Working Group 1 and participated in the development of Technical Specification 25.213.

89. Motorola claims that the '559 Patent is essential to practice Section 4.3.3 of the 3GPP TS 25.213 specification, which has been adopted by ETSI as TS 125 213.

90. Section 4.3.3 of the TS 25.213 Specification, which contains concepts Motorola claims are incorporated into the '559 Patent, was finalized no later than March, 2000.

91. The '559 Patent issued on January 16, 2001.

92. Motorola failed to disclose the '559 Patent to ETSI as essential until September 20, 2002.

93. Motorola, therefore, failed to disclose the '559 Patent to ETSI until nearly two years after the patent issued, nearly three years after Section 4.3.3 of TS 25.213 was finalized, and more than three-and-a-half years after submitting two contributions proposing the incorporation of the subject matter that Motorola alleges is covered by the claims into the standard

94. In view of the applicable policies and the alternative technologies considered, if Motorola had disclosed the pending patent applications for the '559 Patent during the development of the relevant portions of the standard and its intent to enforce the resulting patent, SSO members would have chosen other viable alternative technologies to perform functions included in the technical specification and/or subsequently adopted standards or even declined to

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

incorporate into either the technical specification and adopted standards the functions purportedly covered by Motorola's patents.

**2. Motorola Has Failed to Honor Its F/RAND Obligations**

95. As laid out fully above, the IPR Policies of ETSI, 3GPP and IEEE require owners of declared Essential IPR to give assurances that they will license those IPR on F/RAND terms. As a result of its membership, participation in, and declarations to ETSI, 3GPP, and IEEE, Motorola was and is bound by the IPR Policies of those SSOs and has committed to offer licenses to its purported Essential IPR, including the Declared-Essential Patents, on F/RAND terms. Motorola has breached its binding obligation to offer Apple a license to its Declared-Essential IPR on F/RAND terms.

**(a) Motorola's False F/RAND Commitments to ETSI and 3GPP**

96. During the course of its participation in developing standards for ETSI and 3GPP, Motorola has declared various of its IPR essential to the implementation of certain standards. For example, on December 20, 2002, Motorola declared the '697 Patent to ETSI as essential for the GSM, the UMTS, and 3GPP standards ("the '697 Declaration"). In the '697 Declaration, Motorola stated that it would "grant irrevocable licences [sic] under the IPRs on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy."

97. Motorola also declared the '898 Patent essential to practice the GPRS functionality of the GSM standard on April 8, 2003 ("the '898 Declaration"). In the '898 Declaration, Motorola stated that it would "grant irrevocable licences [sic] under the IPRs on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy."

98. Motorola also declared the '230 Patent essential to practice the GSM standard. In particular, Motorola declared the '230 Patent essential to practice the ETSI TS 126 190 standard (3GPP TS 26.190) on April 8, 2003 and the ETSI TS 126 090 standard (3GPP TS 26.090) on

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

September 21, 2009 (“the ‘230 Declarations”). In the ‘230 Declarations, Motorola stated that it would “grant irrevocable licences [sic] under the IPRs on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy.”

99. Motorola also declared the ‘559 Patent essential to the GSM and UMTS standard on December 20, 2002 (“the ‘559 Declaration”). In the ‘559 Declaration, Motorola stated that it would “grant irrevocable licences [sic] under the IPRs on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy.”

100. As a result of its membership and participation in ETSI and 3GPP, and its declarations of Essential IPR, including the ‘697 Declaration, the ‘898 Declaration, the ‘230 Declarations, and the ‘559 Declaration, Motorola was and is bound by the ETSI Rules of Procedure, including the ETSI IPR Policy, and by 3GPP’s Working Procedures.

101. Through its declarations of Essential IPR, including the ‘697 Declaration, the ‘898 Declaration, the ‘230 Declarations, and the ‘559 Declaration, Motorola represented to ETSI and 3GPP, ETSI and 3GPP members, and third parties that it would be prepared to grant irrevocable licenses to Essential IPR on F/RAND terms. These declarations are binding contractual commitments made to ETSI and 3GPP, ETSI and 3GPP members, and designers and sellers of products implementing ETSI and 3GPP standards (including Apple), for the benefit of ETSI and 3GPP, ETSI and 3GPP members, and any entity that implements GSM, UMTS, or 3GPP. Motorola is therefore bound by Clause 6.1 of ETSI’s IPR Policy and Article 55 of 3GPP’s Working Procedures to offer F/RAND licenses to Apple.

102. Before ETSI and 3GPP adopted the relevant mobile communications standards at issue, there were viable alternatives to practicing the essential aspects of those standards, technologies competing with the technology Motorola contends it owns. But once the ETSI and

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

3GPP participants selected technologies as mandatory features essential to the standards—technologies Motorola now claims are covered by its patents—alternative technological solutions for those functions were excluded from the mobile communications markets because they were no longer standards-compliant. Motorola’s false F/RAND commitments and deceptive acts regarding its purported Essential IPR, including the ‘697 Patent, the ‘898 Patent, the ‘230 Patent, and the ‘559 Patent—not the inherent attributes of its purportedly essential technologies or any superior product, business acumen or historic accident—conferred monopoly power on Motorola by enabling it to assert infringement based upon the standards.

103. Motorola’s false representations that it would license its purported Essential IPR, including the ‘697 Patent, the ‘898 Patent, the ‘230 Patent, and the ‘559 Patent, on F/RAND terms enabled Motorola to obtain the monopoly power it now is seeking to use to exclude new entrants in the handset markets. In view of the applicable policies and the alternative technologies considered, if Motorola had disclosed that it would assert that its patents covered the standards, but that it would not offer F/RAND licenses to all implementers of those standards, SSO members would have chosen other viable alternative technologies or declined to incorporate into the standards the functions purportedly covered by Motorola’s patents. Motorola’s efforts to extract non-F/RAND royalties violate the condition on which Motorola obtained its hold-up power and are unfair and anticompetitive.

104. Motorola knew or should have reasonably known that other industry participants and new entrants, such as Apple, were planning to design and sell wireless communication handsets to meet the requirements of existing mobile communications standards promulgated by ETSI, due, at least, to the fact that Motorola and Apple each have engaged in the development of wireless communications technology and/or products.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

105. Apple made substantial investments in the research, design, manufacture, and marketing of wireless communication handsets designed to be compatible with applicable standards relying on Motorola's and other participants' representations that any purportedly Essential IPR, such as the '697 Patent, the '898 Patent, the '230 Patent, and the '559 Patent, would be freely available on F/RAND terms. In short, Apple relied on the fact that Motorola would comply with ETSI policies and uphold its F/RAND commitments.

106. However, Motorola has not offered Apple a license to the '697 Patent, the '898 Patent, the '230 Patent, and the '559 Patent, or other declared Essential IPR on F/RAND terms or negotiated in good faith with Apple to offer a F/RAND license. Instead, in violation of its binding commitments to offer licenses to purportedly Essential IPR (including the '697 Patent, the '898 Patent, the '230 Patent, and the '559 Patent), Motorola has attempted to extract from Apple grossly disproportionate royalties for the use of the Declared-Essential Patents far in excess of what Motorola has offered to others. Motorola further has sought to include as a condition of license to the Declared-Essential Patents, cross-licenses from Apple for unrelated, non-declared essential Apple patents.

107. In September 2007, representatives of Apple met with representatives of Motorola to discuss the terms on which Motorola would license the Declared-Essential Patents. At this meeting, Motorola demanded excessive royalty rates based on the total revenue base of certain Apple products (such as the iPhone). Motorola's demand was unreasonable and discriminatory in violation of F/RAND.

108. For example, the iPhone and other Apple products contain substantial software and hardware components that perform a variety of functions, only a fraction of which even assertedly pertain to the Declared-Essential Patents. Consequently, Motorola's royalty demand

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

was unreasonable and disproportionate to the value and contribution of the Declared-Essential Patents to the revenue received by Apple for sales of the products at issue. Moreover, Motorola also unreasonably demanded cross-licenses of greater and greater value from Apple for certain Apple non-declared essential patents as a condition of reducing its unreasonable and discriminatory demand. Further, Motorola's licenses with its licensees comparable to Apple in terms of size, device complexity and value of patents offered as part of a cross-license are not at the exorbitant rate—or anything like it—Motorola demanded of Apple, demonstrating Motorola's discrimination and unreasonableness. Motorola also demanded far more from Apple than Apple had been paying to Chi Mei before Motorola unreasonably terminated Chi Mei's license. Finally, Motorola's demand implies an unreasonable cumulative royalty rate, further demonstrating its unreasonableness.

109. Over more than three years of licensing discussions between Apple and Motorola, Motorola has continued to demand its unreasonable and discriminatory royalties from Apple.

110. Furthermore, on January 11, 2011, Motorola sent a letter to Qualcomm notifying Qualcomm and its customer, Apple, of Motorola's intent to terminate any and all license covenant rights with respect to Apple, effective February 10, 2011. Such behavior is in direct violation of Motorola's F/RAND obligations and deprives Apple of the benefits of licenses previously extended to others. This unjustified, selective termination in and of itself shows Motorola's attempts to discriminate against Apple in its licensing practices. By terminating solely as to Apple, Motorola has unreasonably discriminated against Apple relative to other Qualcomm customers and potential customers—companies who are Apple's competitors. Motorola's purported termination subjects Apple to demands for royalties far exceeding a reasonable royalty.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

111. In addition, Motorola's selective termination of the Qualcomm license violates its F/RAND obligations in that it is calculated to deny Apple, as a customer of Qualcomm, the F/RAND license terms that Motorola offered to Qualcomm. Based on the full retail price of the CDMA2000-compliant iPhone 4, the royalty rate that Motorola has demanded from Apple would yield a licensing fee per phone that is roughly equivalent to the publicly-estimated list price of the entire Qualcomm chip, only a fraction of which can account for Qualcomm's licensing fee to Motorola.

112. Apple made substantial investments in the research, design, manufacture, and marketing of wireless communication handsets, including the iPhone 3G, iPhone 3GS, and iPhone 4, expecting that Motorola would honor its obligations and promises. Motorola has failed to do so and should be estopped from bringing claims against Apple for alleged infringement of any purportedly Essential IPR, including the '697 Patent, the '898 Patent, the '230 Patent, and the '559 Patent.

**(b) Motorola's Failure to Honor Its F/RAND Commitments to IEEE**

113. Motorola claims to be the owner by assignment of the entire right, title, and interest in United States Patent No. 5,636,223, titled "Methods of Adaptive Channel Access Attempts," which issued on June 3, 1997, naming Karl Reardon and Bud Fraser as inventors ("the '223 Patent"). Motorola alleges in its ITC complaint that the '223 Patent is an essential patent for the 802.11 standard on wireless local area networks.

114. Motorola claims to be the owner by assignment of the entire right, title, and interest in United States Patent No. 5,311,516, titled "Paging System Using Message Fragmentation to Redistribute Traffic" which issued on May 10, 1994, naming William Kuznicki

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

David Willard as inventors (“the ‘516 Patent”). Motorola alleges that the ‘516 patent necessarily is infringed by the unlicensed practice of the 802.11 standard.

115. Motorola claims to be the owner by assignment of the entire right, title, and interest in United States Patent No. 5,319,712 (the ‘712 Patent”). Motorola alleges that the ‘712 Patent necessarily is infringed by the unlicensed practice of the 802.11 standard.

116. Motorola claims to be the owner by assignment of the entire right, title, and interest in United States Patent No. 5,572,193 (“the ‘193 Patent”). Motorola alleges that the ‘193 Patent necessarily is infringed by the unlicensed practice of the 802.11 standard.

117. Motorola submitted, on March 1, 1994, an Intellectual Property Statement on the Motorola Proposals to the IEEE stating that Motorola was prepared to grant licenses to an unrestricted number of applicants worldwide on F/RAND terms for each of its patents purportedly essential to the IEEE 802.11 standard and certain amendments thereto. If Motorola now asserts that any patent, including the ‘223, ‘712, ‘193 and ‘516 Patents are essential to the IEEE 802.11 standard and the certain amendments thereto identified in its letters of assurance, it is obligated to license those patents on F/RAND terms.

118. If Motorola had informed the IEEE that it would refuse to license on F/RAND terms purportedly Essential IPR that it owns, the IEEE working group either would have revised the 802.11 standard and amendments thereto so that compliance could be achieved without the purported Essential IPR, or discontinued work on the standards altogether. Through its Intellectual Property Statement to the IEEE, however, Motorola assured others in the industry, including Apple, that Motorola would make licenses to patents it claims are essential to practice the 802.11 standard and amendments thereto on F/RAND terms.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

119. Apple made substantial investments in products that practice the IEEE 802.11 standards, including the iPhone 3G, iPhone 3GS, iPhone 4, iPad, iPad 3G, iPod Touch, AppleTV, MacBook, MacBook Pro, MacBook Air, iMac, Mac Mini, and Mac Pro. Apple made these investments with the understanding that Motorola would honor its F/RAND obligations made to the IEEE, its members and other industry participants.

120. Motorola, however, has refused to honor its F/RAND commitments and instead now seeks to exclude Apple's products from the United States. In breach of the binding commitments it made to offer the relevant licenses on F/RAND terms, Motorola demanded grossly disproportionate royalties from Apple for the use of the Declared-Essential Patents that are far in excess of what Motorola has offered to others and has attempted to force the inclusion of cross-licenses from Apple for Apple non-declared essential patents as a condition of licensing the Declared-Essential Patents.

121. In September 2007, representatives of Apple met with representatives of Motorola to discuss the terms on which Motorola would license its essential patent portfolio. At this meeting, Motorola demanded excessive royalty rates based on the total revenue base of certain Apple products (such as the iPhone). Motorola's demands were unreasonable and discriminatory in violation of F/RAND.

122. For example, the iPhone and other Apple products contain substantial software and hardware components that perform a variety of functions, only a fraction of which even assertedly pertain to the Declared-Essential Patents. Consequently, Motorola's royalty demand was unreasonable and disproportionate to the value and contribution of the Declared-Essential Patents to the revenue received by Apple for sales of the products at issue. Moreover, Motorola also unreasonably demanded cross-licenses of greater and greater value from Apple for certain

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

Apple patents as a condition of licensing its essential patent portfolio at a rate consistent with Motorola's F/RAND obligations. Further, Motorola's licenses with its licensees comparable to Apple are not at the exorbitant rate—or anything like it—Motorola demanded of Apple, demonstrating Motorola's discrimination and unreasonableness. Motorola also demanded far more from Apple than Apple had been paying to Chi Mei before Motorola unreasonably terminated Chi Mei's license. Finally, Motorola's demand implies an unreasonable cumulative royalty rate, further demonstrating its unreasonableness.

123. Over more than three years of licensing discussions between Apple and Motorola, Motorola has continued to make unreasonable and discriminatory royalty demands on Apple.

124. Apple made substantial investments in the research, design, manufacture, and marketing of wireless communication handsets, including the iPhone 3G, iPhone 3GS, and iPhone 4, expecting that Motorola would honor its obligations and promises. Motorola has failed to do so and should be estopped from bringing claims against Apple for alleged infringement of any purportedly Essential IPR, including the '223 Patent, '712 Patent, the '516 Patent and '193 Patent.

**F. The Relevant Technology Markets**

125. Motorola claims that the Declared-Essential Patents are essential to the GSM, UMTS, 3GPP, and IEEE 802.11 standards.

126. As described above, SSOs and their members evaluate alternative competing technologies, or even the need for a standard, before selecting certain, specified technologies for adoption into the relevant standards. Once an SSO adopts a specific technology as essential to practicing the standard, otherwise interchangeable or substitute technologies are no longer viable alternatives. Companies cannot market or sell standards compliant products without access to

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

the standard essential technologies. Among the technologies selected for the standards at issue here are those to which Motorola claims its Declared-Essential Patents are essential.

127. The relevant markets in which to assess the anticompetitive effects of Motorola's conduct, therefore, are the various markets for technologies that before the standards were implemented were competing to perform each of the various functions covered by each of Motorola's purported Essential Patents for the GSM, UMTS, 3GPP, and IEEE 802.11 standards (collectively, the relevant "Wireless Technology Markets"). Each functionality, therefore, comprises its own relevant market for antitrust purposes. Prior to standardization, the sellers in these Wireless Technology Markets were the companies producing technologies capable of performing each of the functions incorporated in the standard, and the buyers were device manufacturers that either acquired these technology inputs or developed them themselves

128. GSM, UMTS, 3GPP, and IEEE 802.11 technologies are employed throughout the world. Accordingly, the geographic scope of each of the relevant Wireless Technology Markets described above is worldwide.

129. Once the relevant mobile and wireless communications standards at issue were adopted, and technology providers developed products in compliance with those standards, Motorola's alleged Declared-Essential Patents provide Motorola with a monopoly in each of the Wireless Technology Markets. Consequently, Motorola possesses and has obtained market power in each of the relevant Wireless Technology Markets. By virtue of its dominant position and market power (obtained via its breach of F/RAND commitments and/or failure to disclose its purported Essential IPR in a timely manner), Motorola can demand higher than competitive prices and other terms and conditions for access to technologies it claims to own. As a result, Apple and other technology providers are placed in a severe competitive disadvantage in the

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

production and sale of standard-compliant products. Motorola's conduct further harms consumers, who are left with fewer choices, higher prices, and lower-quality products. Motorola obtained its monopoly power in each of the relevant Wireless Technology Markets not by any superior product, business acumen or historic accident but by making false and deceptive F/RAND commitments and/or failing to disclose its purportedly Essential IPR in a timely manner.

130. High barriers to entry protect Motorola's market power and monopoly position in each of the relevant Wireless Technology Markets. These barriers to entry were created as soon as Motorola asserted its technologies had been incorporated into the relevant standards. Because implementation of a standard requires using specified technologies to comply with the standard, each specified technology is effectively "locked in" as the only method of providing functionality to that standard. Consequently, entry is not possible to unseat Motorola's dominant position in the relevant Wireless Technology Markets.

**G. Anticompetitive Effects of Motorola's Conduct Have Injured Apple, Competition, and Consumers**

131. The foregoing conduct by Motorola has caused, will continue to cause, and threatens to cause substantial harm to Apple, competition, and consumers in each of the relevant Wireless Technology Markets.

132. By making false F/RAND commitments or failing to disclose purportedly Essential IPR in a timely manner to SSOs, Motorola has unlawfully monopolized and foreclosed competition in each of the relevant Wireless Technology Markets. Now that worldwide standards have been established, competing alternative technologies to the functions necessary to practice these standards no longer are viable. Further, Motorola's conduct significantly threatens to further increase the costs associated with the manufacture and sale of standards compliant

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

downstream products. Motorola's conduct injures competition and consumers who face fewer choices, higher prices and lower-quality products.

133. The above-described harm to Apple, competition, and consumers will continue unless and until the Court issues appropriate relief as requested below.

**COUNT I**  
**EQUITABLE ESTOPPEL**

134. Apple incorporates herein by reference the allegations set forth in paragraphs 1-133, above.

135. Motorola made clear and definite promises to potential licensees through its commitments to the various SSOs that it would disclose purported Essential IPR, and would license its purportedly Essential IPR, including the Declared-Essential patents, on F/RAND terms.

136. The intended purpose of Motorola's promises was to induce reliance. Motorola knew or should have reasonably expected that this promise would induce sellers of mobile wireless devices, like Apple, to develop products compliant with the relevant standards.

137. Motorola's failure timely to disclose its patents to ETSI constituted misleading silence in the face of a duty to communicate. Motorola voluntarily assumed the duty to communicate by participating in ETSI with its policy of disclosure. Motorola's failure to comply with this policy was misleading and intended to induce reliance.

138. In reliance on SSO members', including Motorola's, promises timely to disclose essential patents and to license such patents on F/RAND terms, Apple invested billions of dollars in the applicable technology and developed and marketed its products and services in reliance on Motorola's (and others') promises, as described above, including designing its products and services to be compliant with adopted standards.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

139. Motorola is estopped from renegeing on these promises under the doctrine of promissory estoppel.

140. Apple has been irreparably harmed and continues to be threatened with irreparable harm as a result of its reasonable reliance on Motorola's promises and the unlawful conduct of Motorola. Apple has been forced to expend resources resolving this licensing dispute, and is threatened by the loss of profits, loss of customers and potential customers, loss of goodwill and product image, uncertainty in business planning, and uncertainty among customers and potential customers.

141. Apple lacks an adequate remedy at law.

**COUNT II**  
**BREACH OF CONTRACT- ETSI/3GPP**

142. Apple incorporates herein by reference the allegations set forth in paragraphs 1-141, above.

143. The conduct of Motorola as alleged above constitutes breach of contract.

144. As set forth above, Motorola entered into express or implied contracts with ETSI and 3GPP, their members, and designers and sellers of products designed to be compliant with ETSI standards, including Apple, to disclose purported Essential IPR, and to grant licenses to its purportedly Essential IPR on F/RAND terms.

145. Motorola breached these contracts by failing to timely disclose purportedly Essential IPR and by refusing to license purportedly Essential IPR, including the Declared-Essential Patents, on F/RAND terms.

146. As a result of these multiple contractual breaches, Apple has been injured, including in its business or property. Apple has been forced to expend resources resolving this licensing dispute, and is threatened, in particular, by loss of profits, loss of customers and

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

potential customers, loss of goodwill and product image, and uncertainty among customers and potential customers.

**COUNT III**  
**BREACH OF CONTRACT TO WHICH APPLE**  
**IS A THIRD PARTY BENEFICIARY- ETSI/3GPP**

147. Apple incorporates herein by reference the allegations set forth in paragraphs 1-146, above.

148. As set forth above, Motorola entered into express or implied contracts with ETSI and 3GPP to disclose purported Essential IPR, and to grant licenses to its purportedly Essential IPR on F/RAND terms.

149. Motorola's contracts with ETSI and 3GPP—and in particular Motorola's commitments in those contracts to grant applicants licenses to its purportedly Essential IPR on F/RAND terms—evince a clear intent that the contracts benefit Apple and other third parties who would require a license to the Declared-Essential Patents.

150. These same contractual commitments create a duty on behalf of Motorola to license its Declared-Essential Patents on fair, reasonable, and non-discriminatory terms.

151. It is only by Motorola's fulfilling its promise to license on F/RAND terms that Apple will receive the intended benefit of being able to practice the implicated standards free from unreasonably high and discriminatory licensing demands.

152. Motorola has breached its contracts with ETSI and 3GPP by refusing to license its purportedly Essential IPR, including the Declared-Essential Patents, to the contracts' third-party beneficiary, Apple, on F/RAND terms.

153. As a result of these multiple contractual breaches, Apple has been injured, including in its business or property. Apple has been forced to expend resources resolving this licensing dispute, and is threatened, in particular, by loss of profits, loss of customers and

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

potential customers, loss of goodwill and product image, and uncertainty among customers and potential customers.

**COUNT IV**  
**BREACH OF CONTRACT TO WHICH APPLE**  
**IS A THIRD-PARTY BENEFICIARY- IEEE**

154. Apple incorporates herein by reference the allegations set forth in paragraphs 1-153, above.

155. As set forth above, by committing to license its purportedly Essential IPR, including the Declared-Essential Patents, on F/RAND terms, Motorola entered into express or implied contracts with the IEEE to be compliant with IEEE standards.

156. Motorola's contracts with the IEEE—and in particular Motorola's commitments in those contracts to grant applicants licenses to its purportedly Essential IPR on F/RAND terms—evinced a clear intent that the contracts benefit Apple and other third parties who would require a license to the Declared-Essential Patents.

157. These same contractual commitments create a duty on behalf of Motorola to license its Declared-Essential Patents on reasonable and non-discriminatory terms.

158. It is only by Motorola's fulfilling its promise to license on F/RAND terms that Apple will receive the intended benefit of being able to practice the implicated standards free from unreasonably high and discriminatory licensing demands.

159. Motorola breached its contracts with the IEEE by refusing to license its purportedly Essential IPR, including the Declared-Essential Patents, to the contracts' third-party beneficiary, Apple, on F/RAND terms.

160. As a result of these multiple contractual breaches, Apple has been injured, including in its business or property. Apple has been forced to expend resources resolving this licensing dispute, and is threatened, in particular, by loss of profits, loss of customers and

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

potential customers, loss of goodwill and product image and, uncertainty among customers and potential customers.

**COUNT V**  
**FALSE F/RAND COMMITMENTS AND DECEPTIVE ACTS IN**  
**VIOLATION OF SECTION 2 OF THE SHERMAN ACT**

161. Apple incorporates herein by reference the allegations set forth in paragraphs 1-160, above.

162. Motorola has unlawfully monopolized each of the Wireless Technology Markets in violation of § 2 of the Sherman Act, 15 U.S.C. § 2, by intentionally making false and deceptive F/RAND commitments or intentionally failing to disclose Declared-Essential Patents in a timely manner in violation of the IPR Policies of ETSI, 3GPP, and IEEE. These acts were designed to induce the SSOs into incorporating into standards technology purportedly owned by Motorola. Motorola's F/RAND commitments were false because it represented to the SSOs that it would license its purportedly Essential IPR on F/RAND terms. The SSOs and SSO members relied on Motorola's false F/RAND commitments in adopting the relevant standards in favor of different standards based on alternative competing technologies or omitting the feature, thereby conferring monopoly market power on Motorola. Likewise, if Motorola had made a timely disclosure of certain purportedly Essential IPR (i.e., before the standard was adopted), the relevant SSO would have either required a F/RAND commitment from Motorola, or if Motorola had disclosed its unwillingness to license on F/RAND terms, the SSO would have adopted a different standard based on alternative competing technologies, or not established the standard at all.

163. Through its unlawful conduct, Motorola has acquired a monopoly in the relevant Wireless Technology Markets. With the adopted standards effectively locking Apple and the rest of the wireless technology industry into using technologies Motorola claims to be covered by its patents, Motorola obtained, through deception, monopoly power over the Wireless

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

Technology Markets—monopoly power that was conditioned on its F/RAND commitments or obtained based on its deceptive failure to disclose in violation of IPR Policies. Motorola has unlawfully exercised monopoly power in the relevant Wireless Technology Markets by engaging in deceptive conduct and breaching the commitments that enabled it to obtain its conditional monopoly power.

164. Motorola's monopoly power in the Wireless Technology Markets has not been achieved as a result of business growth or developed as a consequence of superior technology, business acumen, or historic accident. Instead, Motorola has obtained and maintained its monopoly power through anticompetitive conduct.

165. Motorola's conduct has foreclosed competition in each of the relevant Wireless Technology Markets and harmed consumers in the form of fewer choices, higher prices, lower-quality products, and other competitive harms relating to products that rely on the standards.

166. Motorola's deceptive and exclusionary practices have allowed it to willfully and unlawfully wield its monopoly power in the Wireless Technology Markets. Competitors and other customers for these technologies have been injured. Apple is unable to obtain—on fair, reasonable and non-discriminatory terms as was committed to by Motorola—licenses to practice technologies Motorola claims are necessary to the continued manufacture and sale of many of Apple's products. Thus, as a direct and proximate result of Motorola's illegal and anticompetitive conduct and continuing violation of Section 2 of the Sherman Act, 15 U.S.C. §2, Apple has suffered injury to its business and property and is threatened by the imminent loss of profits, loss of customers and potential customers, and loss of goodwill and product image. Apple and others have been deprived of the benefit of an above-board competitive process in the establishment of standards applicable to the Wireless Technology Markets. Consumers also

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

have been harmed in the form of fewer choices, higher prices, lower-quality products, and other competitive harms relating to products that rely on the standards.

167. Apple will suffer irreparable injury until and unless the Court enjoins such acts, practices, and conduct.

**COUNT VI**  
**UNFAIR COMPETITION AND UNLAWFUL BUSINESS PRACTICES**  
**IN VIOLATION OF CAL. BUS. & PROF. CODE § 17200, ET SEQ.**

168. Apple incorporates herein by reference the allegations set forth in paragraphs 1-167, above.

169. The Unfair Competition Law, Business & Professions Code § 17200, et seq. (“UCL”) defines unfair competition to include any unfair, unlawful, or fraudulent business act or practice. Unlawful business acts are those that violate federal, state, county, or municipal statutes or codes, common law, or federal and state regulations.

170. Motorola’s business acts and practices as alleged above are unlawful and violate the laws and statutes alleged herein, including § 2 of the Sherman Act, breach of Motorola’s contractual obligations to Apple, and tortious interference with a business contract between Qualcomm and Apple.

171. Motorola’s business acts and practices are unfair in violation of the UCL, because, among other things, the injury to Apple is and has been substantial and greatly outweighs any alleged countervailing benefit to consumers or competition under all circumstances (which in this case is nonexistent). By intentionally making false and deceptive F/RAND commitments and/or failing to disclose Declared-Essential Patents in a timely manner in violation of the IPR Policies of ETSI, 3GPP, and the IEEE, Motorola obtained monopoly power in the Wireless Technology Markets. Following its achievement of monopoly power, Motorola has wielded such power willfully: Motorola has refused and continues to refuse to

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

license the Declared-Essential Patents on F/RAND terms, thereby injuring or threatening to injure Apple, competition, and consumers. Motorola's unlawful exercise of monopoly power threatens to deprive customers of the most popular wireless technology devices currently on the market, while protecting its own market position from such competition. Competitors and consumer welfare will suffer as a result if Motorola's conduct is not corrected.

172. In addition, Motorola committed unfair business acts and practices by impermissibly and unlawfully interfering with a business contract between Qualcomm and its customer, Apple, when Motorola unilaterally notified Qualcomm and Apple of its intent to terminate any and all license covenant rights with respect to Apple, effective February 10, 2011. Such conduct is in direct violation of Motorola's F/RAND commitments and deprives Apple of the benefits of licenses previously extended to others. Moreover, Motorola's decision to interfere and attempt to terminate Apple's rights under its contract with Qualcomm is evidence of discriminatory behavior towards Apple. Each of these acts and practices is unfair when the effect of the act or practice on Apple is balanced against Motorola's reasons, justifications, and motives for its conduct.

173. Motorola's business acts and practices also are unfair because Apple justifiably relied upon Motorola's professed F/RAND commitments during the standard-setting process and could not have avoided the willful conduct imposed by Motorola once it acquired a monopoly in the relevant Wireless Technology Markets. With the adopted essential features and mandatory implementations of the standards effectively locking Apple and the rest of the wireless technology industry into using technologies Motorola claims to be covered by its patents, there are no reasonably available alternatives to Apple to avoid Motorola's unfair conduct.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

174. Motorola's business acts and practices also are fraudulent and deceptive, given its false F/RAND commitments and/or failure to disclose Declared-Essential Patents in a timely manner in violation of the IPR Policies of ETSI, 3GPP, and IEEE standards. Motorola's fraudulent and deceptive conduct enabled it to achieve monopoly power unlawfully and anticompetitively in the Wireless Technology Markets. Motorola's subsequent refusal to license the Declared-Essential Patents on F/RAND terms constitutes the willful exercise of such unlawfully obtained monopoly power, which violates and threatens to violate the policy of the antitrust laws and has caused or threatens to cause substantial injury to Apple, competition, and consumers.

175. As a direct, proximate, and foreseeable result of Motorola's wrongful conduct, as alleged above, Apple has suffered substantial harm in California (and elsewhere), including the unavailability of a license to the Declared-Essential Patents on F/RAND terms despite Motorola's F/RAND commitments, being forced to expend resources to defend a suit for patent infringement, and being threatened, in particular, by loss of profits, loss of customers and potential customers, loss of goodwill and product image, uncertainty in business planning, and uncertainty among customers and potential customers.

176. As a direct, proximate, and foreseeable result of Motorola's wrongful conduct, as alleged above, competition has been substantially injured in the Wireless Technology Markets, and there is a significant threat of substantial injury in downstream markets for mobile wireless communication devices, thereby causing injury to consumers in California and elsewhere, including the inevitable passing on to consumers of excessive and disproportionate royalties demanded by Motorola.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

**COUNT VII**  
**DECLARATORY JUDGMENT THAT MOTOROLA'S**  
**OFFERS HAVE NOT BEEN ON F/RAND TERMS**

177. Apple incorporates herein by reference the allegations set forth in paragraphs 1-176, above.

178. There is a dispute between the parties concerning whether the terms on which Motorola has offered to license its purported essential patents to Apple are fair, reasonable, and nondiscriminatory.

179. The dispute is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

180. Apple is entitled to a declaratory judgment that Motorola has not to date offered it a license on F/RAND terms.

**COUNT XI**  
**DECLARATORY JUDGMENT OF NO ENTITLEMENT TO INJUNCTIVE RELIEF**

181. Apple incorporates herein by reference the allegations set forth in paragraphs 1-180, above.

182. There is a dispute between the parties whether Motorola is entitled to injunctive relief in the event that it prevails on any of its patent infringement claims. Apple contends that Motorola's sole remedy in this case is to seek payment of royalties on F/RAND terms.

183. The dispute is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

184. Apple is entitled to a declaratory judgment that Motorola is not entitled to injunctive relief even if it proves patent infringement.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

**COUNT XII**  
**DECLARATORY JUDGMENT OF PATENT MISUSE**

185. Apple incorporates herein by reference the allegations set forth in paragraphs 1-184 above.

186. Motorola has sued Apple for patent infringement, and the parties dispute whether Motorola's asserted patents are enforceable. The dispute is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

187. Motorola deliberately and deceptively failed to disclose certain IPR during the standard-setting process and then disclosed those patents only after the technology Motorola claims is covered by its patents had been incorporated into the relevant standard. Motorola's representations to SSOs that it would license the patents it declared essential, including the Declared-Essential Patents, on F/RAND terms were both untimely and false. Motorola breached those commitments by refusing to offer F/RAND licensing terms for IPR it claims are standards-essential and then sued Apple for patent infringement when Apple refused to accede to Motorola's unreasonable demand even though Apple had a license as a matter of law. This course of misconduct enabled Motorola to obtain monopoly power in each of the relevant Wireless Technology Markets, and Motorola's assertion of its wrongfully obtained monopoly power against Apple in an effort to extract non-F/RAND royalties constitutes patent misuse.

188. The anticompetitive effects of Motorola's patent misuse include injury to competition to the relevant Wireless Technology Markets, threatened injury to competition in downstream markets for mobile wireless communication devices and threatened injury to consumers as a result of the inevitable passing on to consumers of improper royalties demanded by Motorola.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

189. Apple is entitled to declaratory judgment that Motorola's course of misconduct in connection with the standard-setting process described above constitutes misuse of Motorola's purported standards-essential patents (including the Declared-Essential Patents) rendering them unenforceable.

**COUNT XIII INTERFERENCE WITH CONTRACT**

190. Apple incorporates herein by reference the allegations set forth in paragraphs 1-189, above.

191. As set forth above, there was a contract between Apple and Qualcomm for "CDMA compliant products."

192. As is apparent from the letter from Motorola to Qualcomm copying Apple, Motorola knew of the contract between Motorola and Apple and intended to interfere with the performance of this contract when it provided written notice to Qualcomm of its intent to terminate any and all license and covenant rights with respect to Apple.

193. Motorola's unjustified selective, partial termination was intended to and is likely to prevent performance of this contract and Apple will be harmed including in its business or property.

194. Motorola was not justified or privileged to interfere with Apple and Qualcomm's contract. Motorola's wrongful conduct is also evidence of its discriminatory conduct towards Apple.

195. Motorola's conduct and decision to terminate is a substantial factor in causing Apple's harm.

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

**DEMAND FOR JURY TRIAL**

196. Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Apple demands a trial by jury of this action.

**PRAYER FOR RELIEF**

197. WHEREFORE, Apple respectfully prays for relief as follows:

- a. A judgment that Motorola is equitably estopped from seeking any relief from the U.S. International Trade Commission or in any other forum for Apple's alleged infringement of Motorola's purported Essential IPR, including the Declared-Essential Patents;
- b. A judgment that Motorola has breached its agreement with Apple through its failure to offer Apple a license to its purported Essential IPR on F/RAND terms;
- c. A judgment awarding Apple all damages to compensate Apple for Motorola's breach of contract and inequitable conduct;
- d. A judgment that Motorola's deceptive and anticompetitive conduct is and has been in violation of § 2 of the Sherman Act, 15 U.S.C. § 2;
- e. A judgment awarding Apple treble the amount of its damages, as well as the cost of this action and reasonable attorney's fees, pursuant to § 4 of the Clayton Act, 15 U.S.C. § 15;
- f. An order permanently enjoining and restraining Motorola from making false statements, engaging in deceptive conduct, or otherwise carrying out unfair methods of competition in connection with its participation in SSOs, pursuant to § 16 of the Clayton Act, 15 U.S.C. § 26;
- g. An order permanently enjoining Motorola from licensing or attempting to license its purported Essential IPR, including the Declared-Essential Patents, on non-F/RAND terms, pursuant to § 16 of the Clayton Act, 15 U.S.C. § 26;

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

- h. An order ordering Motorola to specifically perform its contractual commitment to license its essential patents on F/RAND terms;
- i. A judgment that Motorola's conduct is and has been in violation of Cal. Bus. & Prof. Code § 17200;
- j. A judgment awarding Apple all available damages, injunctive relief, and attorney's fees and litigation expenses under Cal. Bus. & Prof. Code § 17200;
- k. A judgment declaring that the terms offered by Motorola to Apple to license patents it claims are essential to implement the GSM, GPRS, EDGE, UMTS, and WLAN standards, including the patents at issue in the Complaint, are not F/RAND terms;
- l. A judgment declaring that Motorola is not entitled under any circumstances to seek injunctive relief preventing Apple from practicing the GSM, GPRS, EDGE, UMTS, and WLAN standards;
- m. A judgment declaring that Motorola's purported essential patents, including the Declared-Essential Patents, are unenforceable by virtue of Motorola's patent misuse; and
- n. Such other relief as the Court may deem just and equitable.

Dated: October 6, 2011

Respectfully submitted.

/s/ Samuel F. Ernst

Robert T. Haslam (CA Bar No. 71134)

rhaslam@cov.com

COVINGTON & BURLING LLP

333 Twin Dolphin Drive, Suite 700

Redwood Shores, CA 94065-1418

Telephone: (650) 632-4700

Facsimile: (650) 632-4800

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

Robert D. Fram (CA Bar No. 126750)  
rfram@cov.com  
Christine Saunders Haskett (CA Bar No. 188053)  
chaskett@cov.com  
Samuel F. Ernst (CA Bar No. 223963)  
sernst@cov.com  
Nathan E. Shafroth (CA Bar No. 232505)  
nshafroth@cov.com  
COVINGTON & BURLING LLP  
One Front Street  
San Francisco, CA 94111-5356  
Telephone: (415) 591-6000  
Facsimile: (415) 591-6091

Matthew D. Powers  
Matthew.Powers@tensegritylawgroup.com  
Steven Cherensky  
Steven.Cherensky@tensegritylawgroup.com  
Tensegrity Law Group LLP  
201 Redwood Shores Parkway  
Redwood Shores, CA 94065  
Telephone: 650-802-6000  
Facsimile: 650-802-6001

Mark G. Davis  
mark.davis@weil.com  
WEIL, GOTSHAL & MANGES LLP  
1300 Eye Street, N.W., Suite 900  
Washington, DC 20005  
Telephone: (202) 682-7000  
Facsimile: (202) 857-0940

Elizabeth Stotland Weiswasser  
elizabeth.weiswasser@weil.com  
WEIL, GOTSHAL & MANGES LLP  
767 Fifth Avenue  
New York, NY 10153  
Telephone: (212) 310-8000  
Facsimile: (212) 310-8007

Catherine Cetrangolo  
Boardman Law Firm LLP  
One South Pinckney Street -- 4th Fl.  
Madison, WI 53703  
[ccetrangolo@boardmanlawfirm.com](mailto:ccetrangolo@boardmanlawfirm.com)  
Tel: 608-283-1703

**CONFIDENTIAL BUSINESS INFORMATION SUBJECT TO PROTECTIVE ORDER  
FILED UNDER SEAL**

Fax: 608-283-1709

*Attorneys for Plaintiff Apple Inc.*

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

-----  
APPLE, INC.,

Plaintiff,

v.

MOTOROLA MOBILITY, INC.,

Defendant.

-----

OPINION and ORDER

11-cv-178-bbc

This case originated in the International Trade Commission, where defendant Motorola Mobility, Inc. filed an infringement action against plaintiff Apple, Inc., seeking an exclusion order that would have prevented Apple from selling its allegedly infringing products in the United States. After the case had been pending for a few months in the Commission, Apple filed several counterclaims against Motorola and removed the counterclaims to this court under 19 U.S.C. § 1337(c). In its counterclaims, Apple alleges that Motorola has engaged in a pattern of unfair, deceptive and anticompetitive conduct by failing to timely disclose ownership of patents that it now declares are essential to technological standards adopted by the industry and by failing to offer Apple licenses to those patents on fair, reasonable and nondiscriminatory terms.

Now before the court are the parties' cross motions for summary judgment. Motorola has moved for summary judgment on all of Apple's claims on a variety of grounds. Dkt.

#150. Motorola contends that Apple's claims are barred by the doctrine of claim preclusion because Apple could have pursued them as defenses in the International Trade Commission. Motorola also contends that Apple's antitrust claims are barred by the applicable statute of limitations and by the Noerr-Pennington doctrine, which provides immunity from antitrust claims that are filed in response to nonfrivolous lawsuits. Finally, Motorola contends that Apple cannot prove the necessary elements of its tortious interference claim or its claims of unfair competition under California law and cannot prove that it suffered any damages compensable as contractual damages.

Apple has moved for partial summary judgment on specific issues relevant to its claims. Dkt. #143. In particular, Apple seeks determinations from the court that (1) Motorola's commitments to standards-setting organizations are contractually binding; (2) Apple has the right to enforce those contracts as a third-party beneficiary; (3) Motorola was required under the policies of the European Telecommunications Standards Institute (ETSI) to disclose its patents and patent applications before ETSI adopted technical standards incorporating technology covered by the patents or applications; and (4) Motorola did not disclose certain patents or applications until after ETSI adopted the standards incorporating technology from those patents.

After reviewing the parties' arguments and the facts in the record, I conclude that Motorola's motion must be granted in part and denied in part, and Apple's motion must be granted in full. With respect to Motorola's motion, I conclude that Apple's claims are not barred by the doctrine of claim preclusion, but that the Noerr-Pennington doctrine provides

Motorola immunity from Apple's antitrust and unfair competition claims premised on Motorola's patent infringement litigation and from Apple's claims for declaratory judgment, to the extent that those claims are premised on a theory of antitrust or unfair competition. Because I conclude that Noerr-Pennington immunity applies, I need not consider Motorola's statute of limitations argument.

Additionally, I conclude that Motorola is entitled to summary judgment on Apple's claim that Motorola tortiously interfered with its contract with Qualcomm, as well as Apple's claim under Cal. Bus. & Prof. Code § 17200 based on the same theory, because Apple has failed to adduce any evidence showing that it suffered damages from Motorola's actions.

However, I conclude that Motorola has failed to show that Apple's breach of contract or estoppel claims should be dismissed for Apple's failure to prove that it suffered any compensable damages. Therefore, I will deny Motorola's motion as to that issue.

With respect to Apple's motion, I conclude that Motorola has failed to show that there is any genuine dispute of material fact regarding the existence of contracts between Motorola and standards-setting organizations; Apple's status as a third-party beneficiary of those contracts; Motorola's obligations to disclose its intellectual property rights in a timely manner; and Motorola's failure to disclose its patents and applications before the adoption of standards incorporating its patents. Therefore, I am granting Apple's motion for summary judgment in full.

From the parties' proposed findings of fact and the record, I find the following facts to be material and undisputed.

## UNDISPUTED FACTS

### A. Wireless Communication Industry

Plaintiff Apple, Inc. and defendant Motorola Mobility, Inc. are competitors in the wireless communication industry. Motorola has been a player in the industry for longer than Apple and, since at least 1990, has been a member of numerous international standards-setting organizations devoted to the development of telecommunications and wireless standards. Through the standards-setting organizations, companies agree on common technological standards so that all compliant products will work together. Standards lower costs by increasing product manufacturing volume and increase price competition by eliminating the costs for consumers to switch between products manufactured by different firms.

Some technological standards incorporate patented technology. If a patent claims technology selected by a standards-setting organization, the patent is called an “essential patent.” Many standards-setting organizations have adopted rules related to the disclosure and licensing of essential patents. The policies often require or encourage members of the organization to identify patents that are essential to a proposed standard and to agree to license their essential patents on fair, reasonable and nondiscriminatory terms to anyone who requests a license. (These terms are often referred to by the acronyms FRAND or RAND.) Such rules help to insure that standards do not allow the owners of essential patents to abuse their market power to extort competitors or prevent them from entering the marketplace.

Two standards-setting organizations are relevant to the motions before the court: The European Telecommunications Standards Institute, known as ETSI; and the Institute of Electrical and Electronics Engineers, known as IEEE. At all relevant times, Motorola has been a member of these standards-setting organizations and has participated in developing technological standards for the wireless communication industry. Both organizations have intellectual property rights policies that address disclosure and licensing of patents that are essential to standards being considered or being adopted by the organizations. Additionally, Motorola has participated in the 3rd Generation Partnership Project, known as the 3G Project, which requires its members to abide by the intellectual property rights policies of ETSI and other standards-setting organizations.

1. European Telecommunications Standards Institute (ETSI)

ETSI is a standards-setting organization located in France that creates technological standards for the telecommunications industry. It has an intellectual property rights policy set forth in Annex 6 of its Rules of Procedure to govern the disclosure of intellectual property rights that are essential to standards being considered by ETSI. Dkt. #148-22. The policy defines “intellectual property right” as “any intellectual property right conferred by statute law including applications therefor. . . [but not] rights relating to . . . confidential information, trade secrets or the like.” Id. § 15- 7. Since 1997, ETSI's policy has required members to disclose intellectual property that may be essential to standards. With minor variations, it has stated:

[E]ach MEMBER shall use its reasonable endeavours, in particular during the

development of a STANDARD or TECHNICAL SPECIFICATION where it participates, to inform ETSI of ESSENTIAL [intellectual property rights] in a timely fashion. In particular, a MEMBER submitting a technical proposal for a STANDARD or TECHNICAL SPECIFICATION shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's [intellectual property rights] which might be ESSENTIAL if that proposal is adopted.

Id. § 4.1. The policy does not define “reasonable endeavours” or “bona fide basis.”

However, it is generally understood that members of ETSI should disclose intellectual property rights that they know are relevant to potential standards while the standard is being discussed and before the standard is adopted. Generally, the engineers working on the standards in working groups or technical meetings do not formally disclose intellectual property rights at those meetings. Whinnett Dep., dkt. #142, at 101; Brown Dep., dkt. #136 at 291; Smolinske Dep., dkt. #140, at 72-73. Rather, the owner of the intellectual property right files a formal disclosure with ETSI.

ETSI's intellectual property rights policy also addresses the availability of licenses to essential intellectual property rights. The policy requires the Director-General of ETSI to ask owners of essential patents to agree to “grant irrevocable licences on fair, reasonable and non-discriminatory terms and conditions.” Id. § 6.1. Under ETSI's “Guide on Intellectual Property Rights,” the owner of the intellectual property right should notify ETSI of its willingness to license by submitting an information and licensing declaration that identifies specific patents or pending applications that may be essential. Guide, dkt. #149-23, § 2.1.2. An owner may also use a general licensing declaration to notify ETSI that it is willing to grant licenses for any of its intellectual property rights that become essential to a standard. However, use of the general licensing declaration “does not take away the obligation for

members to declare essential patents to ETSI.” Id. Owners are not required to disclose any specific licensing terms and ETSI’s policies provide that “[s]pecific licensing terms and negotiations are commercial issues between the companies and shall not be addressed within ETSI.” Id. § 4.1.

If a patent owner tells ETSI that it is not prepared to license one of its patents that is relevant to a standard, ETSI’s General Assembly reviews the requirements for that standard to determine whether “a viable alternative technology is available for the standard or technical specification” that is “not blocked by that [patent].” Dkt. #148-22, § 8.1.1. If the General Assembly concludes that no such viable alternative technology exists, ETSI “shall cease” work on the standard. Id. § 8.1.2. If the owner who is refusing to grant a licensee is a member of ETSI, the Director-General of ETSI asks the member to reconsider its position or provide a written explanation of its reasons for refusing to license its patents. Id. The Director-General forwards the written explanation to “ETSI Counselors for their consideration.” Id.

The objective of ETSI’s intellectual property rights policy is to

reduce the risk to ETSI, MEMBERS, and others applying ETSI STANDARDS and TECHNICAL SPECIFICATIONS, that investment in the preparation, adoption and application of STANDARDS could be wasted as a result of an ESSENTIAL [intellectual property right] for a STANDARD or TECHNICAL SPECIFICATION being unavailable. In achieving this objective, the ETSI [intellectual property rights policy] seeks a balance between the needs of standardization for public use in the field of telecommunications and the rights of the owners of [intellectual property rights].

Id. § 3.1. The policy goes on to state that ETSI “shall take reasonable measures to ensure, as far as possible,” that standards and technical specifications will “be available to potential

users.” Id. § 3.3.

ETSI’s bylaws provide that any violation of the policy by an ETSI member “shall be deemed to be a breach, by that MEMBER, of its obligations to ETSI. The ETSI General Assembly shall have the authority to decide the action to be taken, if any, against the MEMBER in breach, in accordance with ETSI Statutes.” Id. § 14.

## 2. The Institute of Electrical and Electronics Engineers (IEEE)

IEEE is a standards-setting organization responsible for the standardization of wireless information exchange among systems and networks. IEEE’s bylaws in place from December 1993 through December 1995 provided that “IEEE standards may include patented technology if there is no equivalent noninfringing way of achieving the objectives of the standard, if it is justified for technical reasons, and if the patent holder agrees to nondiscriminatory licensing at reasonable rates.” Dkt. #148-23, § 5.

Between 1996 and 2005, IEEE requested owners of intellectual property rights that are essential to declared standards to submit a letter of assurance that was either a general disclaimer of their right to enforce patent claims against anyone practicing the standards or an agreement to license patent rights “without compensation or under reasonable rates, with reasonable terms and conditions that are demonstrably free of any unfair discrimination.” Dkt. #148-26, § 6.

The policies that were approved in February 2011 state that “[n]o license is implied by the submission of a Letter of Assurance,” dkt. #7-12, § 6.2, and that IEEE is “not

responsible for identifying Essential Patent Claims for which a license may be required, for conducting inquiries into the legal validity or scope of those Patent Claims, or for determining whether any licensing terms or conditions provided in connection with submission of a Letter of Assurance, if any, or in any licensing agreements are reasonable or non-discriminatory.” Id.

B. Motorola’s Disclosure of Essential Patents and Commitments to License

Motorola has declared that its United States Patent Nos. 5,636,223 (the ‘223 patent), 5,311,516 (the ‘516 patent), 5,572,193 (the ‘193 patent), and the 5,319,712 (the ‘712 patent) are essential to the practice of the 802.11 wireless communication standard adopted by IEEE. In 1994, Motorola submitted a declaration to IEEE, stating that Motorola agreed to license any patents essential to the 802.11 standard “on a non-discriminatory basis offering fair and commercially reasonable terms.” Dkt. #148-28.

In 2002, Motorola submitted declarations to ETSI and the 3G Project that its 6,175,559 (the ‘559 patent), 6,246,697 (the ‘697 patent) and 6,359,898 patents (the ‘898 patent) are essential or potentially essential to standards adopted by ETSI and the 3G Project. As to the ‘559 and ‘697 patents, Motorola declared in a December 20, 2002 letter to ETSI that it “is prepared to grant irrevocable licenses on fair, reasonable and nondiscriminatory terms and conditions under such [patents], to the extent that the [patents] remain essential.” Dkt. #148-6. As to the ‘898 patent, Motorola declared to ETSI in 2003 that it was “prepared to grant irrevocable licenses under the [patents] on terms and

conditions which are in accordance with Clause 6.1 of the ETSI [intellectual property rights] Policy, in respect of the STANDARD, to the extent that the [patents] remain ESSENTIAL.”  
Dkt. #148-3.

### C. Timeliness of Motorola’s Disclosures

#### 1. ‘697 patent

Motorola filed the application that led to the ‘697 patent on January 24, 1998. In March 1998, Motorola submitted a proposal using the ‘697 patent’s technology to SMG2, the working group developing a portion of the 3GPP standard for the 3G Project. One of the inventors of the ‘697 patent, Motorola employee Nicolas Whinnett, participated in SMG2 meetings at that time. Motorola did not disclose the ‘697 patent or application to ETSI, a partner in the 3G Project, or to the SMG2 working group.

In July 1999, the ‘697 patent inventors wrote an article discussing the technology of the ‘697 patent. They filed applications for foreign counterparts of the ‘697 patent that were published on July 29, 1999 and November 22, 2000.

The 3GPP standard, including technology covered by the ‘697 patent, was adopted by the 3G Project in December 1999. The ‘697 patent issued on June 12, 2001. Motorola disclosed the ‘697 patent to ETSI on September 20, 2002.

#### 2. ‘559 patent

Motorola filed the application that led to the ‘559 patent on July 7, 1999. On July

13-16, 1999 at an ETSI meeting in Finland, Tyler Brown, a representative of Motorola and the sole inventor of the '559 patent, proposed including technology covered by the '599 patent in a portion of ETSI's Universal Mobile Telecommunications System standard (known as the UMTS standard). Motorola did not disclose the '559 application. In March 2000, the relevant section of the standard was finalized and adopted. The '559 patent issued on January 16, 2001. Motorola disclosed the '559 patent as essential to the standard in September 2002.

### 3. '898 patent

Motorola filed a provisional, unpublished application that led to the '898 patent on September 2, 1997. At a meeting in Sophia Antipolis, France, in November 1997, Motorola submitted "Contribution A330" to the ETSI working group developing a portion of the GPRS Technical Specification. Motorola's Contribution A330 was created, in part, by two inventors of the '898 patent and it disclosed in nearly verbatim form the same technology that was described in a portion of the specification of the September 1997 patent application. On March 11, 1999, Motorola's application that resulted in the '898 patent was published when Motorola applied for foreign counterparts to the application. In April 2001, ETSI published the portion of the GPRS standard that incorporated the ideas from Motorola's Contribution A330.

The '898 patent issued on March 19, 2002. Motorola disclosed the '898 patent to ETSI on April 8, 2003.

#### D. Negotiations for Licensing between Apple and Motorola

In 2005, Apple began developing the iPhone. No later than mid-2006, Apple became aware that Motorola had declared patents essential to cellular standards. Apple released its iPhone in 2007 without seeking a patent license from Motorola.

In August 2007, Motorola offered Apple a license to its essential patents. At the initial meeting between the companies, Motorola presented information to Apple concerning its licensing program and stated that its standard royalty rate was 2.25% for a worldwide license to its portfolio of standards-essential patents. Apple rejected the 2.25% rate. Motorola continued to engage in license negotiations with Apple for approximately three years, but Apple refused to accept a license on any terms offered by Motorola.

#### E. Motorola's Termination of the Qualcomm License

Apple entered into a "Strategic Terms Agreement" with Qualcomm on December 16, 2009. Dkt. #153-40. The agreement set terms on which "certain Apple authorized purchasers may purchase certain components from time to time from" a Qualcomm affiliate "for use and incorporation in Apple products." Id. at 1. Among these components are chipsets that allow mobile devices to communicate via cellular networks, including the baseband processor incorporated into the iPhone 4S. The chipsets incorporated technology that Qualcomm had licensed from Motorola since 1990. The Strategic Terms Agreement did not require Apple or any of its affiliates to actually purchase chipsets and also did not guarantee that the chipsets or any other components supplied by Qualcomm would be

licensed under Motorola's or any other patent holder's patents.

On January 11, 2011, the day Apple announced the Verizon iPhone 4, Motorola sent a letter to Qualcomm, with a copy to Apple, stating that Motorola was terminating any and all license and covenant rights with respect to Qualcomm's business with Apple, effective February 10, 2011.

## PROCEDURAL HISTORY

### A. Related Cases

This particular dispute is related to three other proceedings. First, there is the investigation pending in the International Trade Commission that defendant Motorola initiated on October 6, 2010. In the Matter of Certain Wireless Communication Devices, Portable Music and Data Processing Devices, Computers and Components Thereof, ITC Investigation No. 337-TA-745. In that case, Motorola sought an exclusion order and a permanent cease and desist order as a result of plaintiff Apple's alleged infringement of several of Motorola's United States patents, including the '697 and '223 patents.

As part of its original defenses in the International Trade Commission action, Apple argued that Motorola should be barred from enforcing its patents because it had unclean hands and had failed to offer licenses on fair, reasonable and nondiscriminatory terms. In July 20, 2011, Apple notified the commission that it would "not be pursuing as part of the 745 investigation any affirmative defenses based on Motorola's failure to make a [fair reasonable and nondiscriminatory] Offer," but that it was "specifically reserv[ing] the right

. . . to pursue any of these defenses . . . and claims related to them in other actions, including for example, the 661, 662, and 178 actions pending in Wisconsin.” Dkt. #153-35.

On April 24, 2012, the administrative law judge issued a preliminary ruling in the International Trade Commission action, finding Motorola’s ‘697 patent valid and infringed by Apple. Dkt. #153-34. (Before this determination, Motorola abandoned its infringement claims as to some of its patents.) The administrative law judge rejected Apple’s unclean hands defense, noting that Apple had no “proof that any act of Motorola actually caused any harm (to anyone).” Id. at 151.

Second (and third), the parties are litigating their disputes in two other patent infringement cases filed in this court. Plaintiff Apple filed case number 10-cv-661-bbc on October 29, 2010, asserting patent infringement claims against Motorola. On November 9, 2010, Motorola filed counterclaims in the ‘661 action alleging infringement of the same patents at issue in the International Trade Commission’s 337-TA-745 investigation. On December 2, 2010, this court granted the parties’ joint motion to stay the ‘661 case in favor of the proceedings in the commission. The case remains stayed.

Also on October 29, 2010, plaintiff Apple filed case number 10-cv-662-bbc in this court, asserting patent infringement claims against Motorola. On November 9, 2010, Motorola filed counterclaims against Apple for infringement of several of its United States patents, including the ‘516, ‘712, ‘230, ‘193, ‘559 and ‘898 patents, all of which Motorola has declared essential to certain standards adopted in the wireless communications industry. The 10-cv-662 case was transferred to the Northern District of Illinois in December 2011.,

where the case was dismissed with prejudice on June 22, 2012. The court found that Motorola's patents were either invalid, not infringed by Apple or that Motorola could not prove the amount of damages to which it was entitled. Apple, Inc. v. Motorola, Inc., 2012 WL 2376664 (N.D. Ill. June 22, 2012).

#### B. The Case at Issue (11-cv-178-bbc)

Shortly after Apple removed this case to federal court, it moved for preliminary injunctive relief, seeking an order that would have enjoined Motorola from (1) proceeding as a party in the 337-TA-745 investigation in the International Trade Commission with respect to the '223 and '697 patents; (2) proceeding with its counterclaims filed in case number 10-cv-662-bbc in this court with respect to the '712, '230, '193, '559 and '898 patents; and (3) selectively terminating its patent license agreement with Qualcomm as to Apple. A hearing was held on the motion on April 26, 2011. At the conclusion of the hearing, I denied Apple's motion for a preliminary injunction.

Motorola filed a motion to dismiss Apple's claims, which I granted only with respect to Apple's claim of waiver. Apple has the following 10 claims remaining in the case:

- Equitable estoppel (Count 1)
- Breach of contract with ETSI/3GPP (Count 2)
- Breach of contract with ETSI/3GPP to which Apple is a third party beneficiary (Count 3)
- Breach of contract with IEEE to which Apple is a third party beneficiary (Count 4)
- False commitments to license on fair, reasonable and nondiscriminatory terms and

deceptive acts in violation of § 2 of the Sherman Act (Count 5)

- Unfair competition and unlawful business practices in violation of Cal. Bus. & Prof. Code § 17200 (Count 6)
- Declaratory judgment that Motorola's offers have not been on fair, reasonable and nondiscriminatory terms (Count 7)
- Declaratory judgment on no entitlement to injunctive relief (Count 11)
- Declaratory judgment of patent misuse (Count 12)
- Interference with contract (Count 13)

Apple's Am. Cpt., dkt. #110.

## OPINION

### A. Motorola's Motion for Summary Judgment

#### 1. Claim preclusion

Motorola contends that all of Apple's claims are barred by the doctrine of "res judicata" because Apple could have raised them in the International Trade Commission as defenses to Motorola's infringement claims, or did raise them there and they were rejected. Specifically, in the International Trade Commission action, Apple abandoned its argument that Motorola's patents were unenforceable because Motorola refused to license its patents on reasonable and nondiscriminatory terms. Apple did argue that Motorola's '697 patent was unenforceable under the doctrine of "unclean hands," but the administrative law judge rejected the argument and found that the '697 patent was valid and had been infringed by Apple.

Res judicata is the traditional term for the doctrine of claim preclusion, but is sometimes used generally to refer to both claim and issue preclusion. Hayes v. City of Chicago, 670 F.3d 810, 814 n.1 (7th Cir. 2012). Motorola does not identify whether it is intending to invoke claim or issue preclusion, but the majority of cases it cites concern claim preclusion. Thus, I am assuming that Motorola is arguing for the application of claim preclusion.

Claim preclusion “prohibits litigants from relitigating claims that were or could have been litigated during an earlier proceeding.” Id. at 813. The case on which Motorola relies primarily is Martino v. McDonald’s System, Inc., 598 F.2d 1079 (7th Cir. 1979), in which the court of appeals held that the plaintiff was barred from bringing an antitrust claim that would have undermined a previous consent judgment issued by a federal district court against the plaintiff. Id. at 1083. The court explained that “res judicata . . . treats a judgment on the merits as an absolute bar to relitigation between the parties . . . of every matter offered and received to sustain or defeat the claim or demand and to every matter which might have been received for that purpose.” Id.

This case is distinguishable from Martino and the other cases cited by Motorola. In Martino, the plaintiff was attempting to attack a judgment issued by a federal court; in this case, Apple is asserting counterclaims that have the potential to undermine the International Trade Commission’s decision regarding Apple’s infringement of Motorola’s patents. It is well established law that decisions of the International Trade Commission on issues of patent validity and enforceability are not entitled to preclusive effect. E.g., Powertech

Technology Inc. v. Tessera, Inc., 660 F.3d 1301, 1308 (Fed. Cir. 2011) (“resolution of the ITC action will not have preclusive effect” on district court action); Bio-Technology General Corp. v. Genentech, Inc., 80 F.3d 1553, 1564 (Fed. Cir. 1996); Texas Instruments Inc. v. Cypress Semiconductor Corp., 90 F.3d 1558, 1569 (Fed. Cir. 1996); Texas Instruments Inc. v. International Trade Commission, 851 F.2d 342, 344 (Fed. Cir. 1988).

Motorola argues that the general rule against granting preclusive effect to International Trade Commission determinations does not apply here because there is no rule barring a district court from giving preclusive effect to the commission’s decisions on “non-patent” issues, such as Apple’s antitrust, estoppel and contract claims. Motorola cites three cases that it believes support its position. In the first two cases, Aunyx Corp. v. Canon U.S.A., Inc., 978 F.2d 3, 7 (1st Cir. 1992) and Baltimore Luggage Co. v. Samsonite Corp., 1992 WL 296368, \*4 (4th Cir. 1992), the courts held that it was appropriate to give preclusive effect to commission decisions concerning antitrust and unfair competition. However, neither of those cases is particularly useful because neither involved decisions from the commission arising out of patent disputes.

The third case cited by Motorola, Telectronics Proprietary, Ltd. v. Medtronic, Inc., 687 F. Supp. 832 (S.D.N.Y. 1988), is more helpful to its position. In Telectronics, the district court concluded that it was appropriate to apply issue preclusion to the commission’s determination regarding a license defense to a patent dispute. The court distinguished between different types of defenses to patent infringement, stating that “[u]nlike invalidity and unenforceability, noninfringement is not a defense based on the validity of a patent.

Rather, it is a defense based on a contractual right to use the patent, or on defendant's lack of use of the patent." Id. at 846, n.40. The court concluded that "the ITC's determination as regards the existence of a license under a patent . . . was not one of the validity of a patent but of the existence of a contract" and should be "accorded preclusive effect." Id. at 845-46.

However, unlike the district court in Telectronics, the Court of Appeals for the Federal Circuit has not distinguished between types of defenses to patent infringement when discussing the preclusive effect of International Trade Commission decisions. As the court of appeals explained in Texas Instruments, 90 F.3d at 1569, "once we accept . . . that ITC decisions are not binding on district courts in subsequent cases brought before them, it necessarily follows that accused infringers can raise *whatever defenses they believe are justified*, regardless whether they previously raised them and lost in the ITC." (Emphasis added). See also Epistar Corp. v. Philips Lumileds Lighting Co., 2008 WL 3930030, \*2-4 (N.D. Cal. Aug. 26, 2008) (patent defendant not precluded from raising defenses of license and covenant not to sue in district court patent infringement action even though it had waived those defenses in International Trade Commission).

In Texas Instruments, the court of appeals recognized that any defense an alleged infringer raises is properly treated as a "patent issue" for purposes of determining whether preclusion principles should apply. In this case, it is clear from Motorola's arguments that it is seeking to give preclusive effect to the International Trade Commission's decision on "patent issues." By seeking to bar Apple from presenting any claim that would undermine the commission's determination of validity and infringement, in effect, Motorola is asking

the court to give preclusive affect to the commission's conclusions regarding the enforceability of Motorola's patents. Motorola admits as much in its brief, stating that the defenses that Apple abandoned in the commission challenged whether "the patents are unenforceable." Motorola's Br., dkt. #151, at 5.

Motorola attempts to avoid the rule of Texas Instruments by arguing that the rule against giving preclusive affect to commission decisions applies only when an alleged patent infringer is facing parallel infringement claims before the commission and district court. Motorola contends that this case is different because Apple has not challenged Motorola's patent disclosures and licensing offers as defenses to an infringement claim, but as affirmative claims that constitute a direct attack on the commission's decisions. However, Motorola cites no cases suggesting that a commission decision should be given preclusive effect in some types of district court cases and not others.

Moreover, Motorola's claim preclusion argument fails for another reason. The claims Apple is pursuing in this case originated as "counterclaims" in the International Trade Commission that were subject to mandatory removal. 19 U.S.C. § 1337(c); 19 C.F.R. § 210.14(e). Thus, the commission never had jurisdiction to hear Apple's counterclaims or to grant the type of relief that Apple is seeking in this case. The doctrine of claim preclusion does not bar a party from asserting claims that could not have been raised in a previous proceeding. Carver v. Nall, 172 F.3d 513, 516 (7th Cir. 1999) ("Claim preclusion does not operate so harshly as to bar whichever set of claims the chosen forum could not hear."). See also Bio-Technology, 80 F.3d at 1563 ("[T]he bar against later claims based on the same

transactional facts is ‘subject to certain limitations, one of which is that it will not be applied if the initial forum did not have the power to award the full measure of relief sought in the later litigation.’”) (citation omitted). Accordingly, Motorola is not entitled to summary judgment on the basis of claim preclusion.

## 2. Noerr-Pennington doctrine

Next, Motorola contends that all of Apple’s claims are barred by the First Amendment under the Noerr-Pennington doctrine. The First Amendment protects “the right of the people . . . to petition the Government for a redress of grievances.” U.S. Const. amend. I. Under the Noerr-Pennington doctrine, a party that exercises its First Amendment right to petition the government for redress generally is immune from antitrust liability premised on the petition. Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc., 365 U.S. 127, 136 (1961); United Mine Workers of America v. Pennington, 381 U.S. 657, 670 (1965)). This includes a party who brings a legitimate dispute to the courts for judicial resolution. Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc., 508 U.S. 49, 56 (1993); California Motor Transportation Co. v. Trucking Unlimited, 404 U.S. 508, 510 (1972). However, petitioning conduct is not immune if it is a “mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationship of a competitor.” Noerr, 365 U.S. at 144. Motorola contends that Apple’s claims in this case are based solely on Motorola’s patent litigation in the International Trade Commission and district court, and that because its patent litigation is protected petitioning

activity, Motorola is immune from liability on Apple's claims.

Apple does not deny that initiating and prosecuting a patent infringement action is the type of petitioning activity protected by the Noerr-Pennington doctrine, and several courts have reached the same conclusion. See, e.g., ERBE Elektromedizin GmbH v. Canady Technology LLC, 629 F.3d 1278, 1292 (Fed. Cir. 2010); Monolithic Power Systems, Inc. v. O2 Micro International Ltd., 2007 WL 801886, \*6 (N.D. Cal. Mar. 14, 2007); Hyniz Semiconductor Inc. v. Rambus, Inc., 2006 WL 1883353, \*1-2 (N.D. Cal. July 7, 2006); In re Relafen Antitrust Litigation, 360 F. Supp. 2d 166, 177-78 (D. Mass. 2005). However, Apple contends that the immunity does not apply to any of its claims because they are not based on Motorola's petitioning activity.

a. Apple's antitrust claim

Apple contends that its claim under § 2 of the Sherman Act arises out of Motorola's "abuse of the standard-setting process" and "Motorola's deceptive conduct and failure to offer a [fair, reasonable and nondiscriminatory] license." Apple's Br., dkt. #167, at 6. In support of its argument, Apple cites ERBE Elektromedizin, 629 F.3d at 1292, in which the Court of Appeals for the Federal Circuit explained that a party's assertion of non-sham claims for "patent infringement, trademark, and trade dress" was protected by Noerr-Pennington from antitrust liability, but that other conduct, including "interfering with and inhibiting the development and marketing of [disputed products], and interfering with . . . contracts and business expectations," could be a basis for antitrust liability. Id. at 1292-93.

See also Hyniz Semiconductor, 2006 WL 1883353, at \*2 (holding that Noerr-Pennington immunity applies only to protected litigation-related activities, but would not immunize defendant from antitrust claims premised on broader unlawful course of anticompetitive conduct).

The problem for Apple is that its allegations and arguments make clear that its antitrust claim is necessarily based on Motorola's patent litigation. In its brief, Apple contends that its antitrust claim arose sometime in 2007, when Motorola offered it a license with exorbitant royalty rates. Apple's Br., dkt. #167, at 13 (Apple's injury "could not have arisen until, at the very earliest, Motorola made its first royalty demand in September 2007"). However, Apple has presented no evidence that it suffered any antitrust injury as a result of Motorola's license demand. It is well established law that a party can sustain an antitrust claim only if it has suffered an antitrust injury. In re Copper Antitrust Litigation, 436 F.3d 782, 789 (7th Cir. 2006) ("[A]n antitrust cause of action accrues and the statute begins to run when a defendant commits an act that injures a plaintiff's business.") (citation omitted); Warren General Hospital v. Amgen Inc., 643 F.3d 77, 92 (3d Cir. 2011) ("It is a basic tenet of antitrust law that a cause of action will not lie if the plaintiff has not been harmed.").

In this case, it is undisputed that Apple refused to pay the 2.25% royalty rate that Motorola demanded and continued to manufacture and market its products despite Motorola's demands. Apple has produced no evidence or argument suggesting that Motorola's licensing demand caused Apple to change its product, delay the release of the

iPhone, suffer from increased costs or lose any customers or market share. Instead, the only injury Apple suffered as a result of Motorola's alleged antitrust violation was the attorney fees and costs that it has incurred responding to the patent litigation initiated by Motorola. Apple's damages expert identifies no other damages except litigation fees and expenses. Thus, Apple's antitrust claim is premised on Motorola's attempt to enforce its patents. Because Motorola's enforcement of its patents is privileged conduct protected by the First Amendment, the Noerr-Pennington doctrine applies. Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc., 944 F.2d 1525, 1529 (9th Cir. 1991) (holding that defendant was immune from antitrust liability under Noerr-Pennington because all of plaintiff's claimed antitrust injuries were caused by defendant's enforcement of copyrights, not by defendant's refusal to license its copyrighted work).

Apple devotes one paragraph in its brief to the argument that Motorola may not be entitled to Noerr-Pennington immunity because its patent infringement claims may fall under the "sham" exception to the doctrine. Apple's Br., dkt. #167, at 9. As the party asserting the sham exception, Apple has the burden of showing that it should apply. IGEN International, Inc. v. Roche Diagnostics GmbH, 335 F.3d 303, 312 (4th Cir. 2003); USS-POSCO Industries v. Contra Costa County Building & Construction Trades Council, AFL-CIO, 31 F.3d 800, 811 (9th Cir. 1994). A petition or lawsuit may be considered a "sham" if it is (1) "objectively baseless"; and (2) subjectively motivated by a desire to impose anticompetitive harm from the judicial process rather than obtain judicial relief. Professional Real Estate Investors, 508 U.S. at 61, 65. Apple makes no real attempt to satisfy either

prong, stating only that Motorola has dropped two of its patent infringement claims and three others were found to be invalid or not infringed. However, the fact that some or even all of Motorola's patent infringement claims were unsuccessful is not sufficient on its own to show that Motorola's claims are "objectively baseless," particularly in light of the preliminary finding of the International Trade Commission that Apple infringed one of Motorola's patents. Simply stating, without factual support, that Motorola's patent litigation may be a sham is not sufficient to raise a genuine issue of material fact regarding the sham exception. Accordingly, I find that Motorola is immune from Apple's antitrust claim.

b. Apple's claims under Cal. Bus. & Prof. Code § 17200

Apple has two theories to support its claim of unfair competition and unlawful business practices in violation of Cal. Bus. & Prof. Code § 17200 (count 6). First, Apple contends that Motorola engaged in unlawful business practices when it interfered with Motorola's contract with Qualcomm. The Noerr-Pennington doctrine is not applicable to that theory because Motorola's actions toward Qualcomm are separate and distinct from Motorola's protected activity of patent litigation. However, Apple's second theory of liability in count 6 is premised on the same allegations as its antitrust claim under § 2 of the Sherman Act. In particular, Apple contends that Motorola engaged in unfair competition when it promised standards-setting organizations that it would disclose essential patents and license those patents on reasonable and nondiscriminatory terms, and later failed to disclose

the patents in a timely manner, refused to offer Apple a reasonable and nondiscriminatory license and sued Apple for patent infringement.

As with Apple's antitrust claim, a violation of Cal. Bus. & Prof. Code § 17200, requires showing that the unfair practice caused the plaintiff an economic injury. Kwikset Corp. v. Superior Ct., 246 P.3d 877, 884-85 (holding that party asserting unfair competition or unlawful business practices claim must "establish a loss or deprivation of money or property sufficient to qualify as injury in fact, i.e., economic injury . . . and show that that economic injury was the result of, i.e., caused by, the unfair business practice . . . that is the gravamen of the claim"). The only economic injury Apple suffered is the cost of defending itself from Motorola's infringement claims. Thus, Motorola is immune from Apple's unfair competition claim that is premised on the same theory as Apple's antitrust claim. Monolithic Power Systems, 2007 WL 801886, at \*6 (holding that Noerr-Pennington can provide immunity against California unfair competition claims).

#### c. Apple's other claims

Motorola contends that the Noerr-Pennington doctrine provides immunity not just to Apple's statutory antitrust and unfair competition claims, but to Apple's contract and tort claims also. As Motorola points out, courts have applied the Noerr-Pennington doctrine outside the antitrust context. Theme Promotions, Inc. v. News America Marketing FSI, 546 F.3d 991, 1006-1007 (9th Cir. 2008) (applying doctrine to claim for tortious interference with prospective economic advantage under California law); International Brotherhood of

Teamsters v. Philip Morris Inc., 196 F.3d 818, 826 (7th Cir. 1999) (applying Noerr-Pennington immunity to protect petitioning activity from liability for RICO suits); Tarpley v. Keistler, 188 F.3d 788, 794 (7th Cir. 1999) (applying doctrine to § 1983 claims); Video International Production, Inc. v. Warner-Amex Cable Communications, Inc., 858 F.2d 1075, 1084 (5th Cir. 1988) (applying doctrine to state law claim for tortious interference with contract). Courts have reasoned that because the Noerr-Pennington doctrine derives from the First Amendment, it should be applied broadly to protect the right to petition the government. New West, L.P. v. City of Joliet, 491 F.3d 717, 722 (7th Cir. 2007) (“Noerr-Pennington has been extended beyond the antitrust laws, where it originated, and is today understood as an application of the first amendment’s speech and petitioning clauses.”); White v. Lee, 227 F.3d 1214, 1231 (9th Cir. 2000) (explaining that because “Noerr-Pennington is a label for a form of First Amendment protection . . . to say that one does not have Noerr-Pennington immunity is to conclude that one’s petitioning activity is unprotected by the First Amendment”); Kottle v. Northwest Kidney Centers, 146 F.3d 1056, 1059 (9th Cir. 1998) (“the doctrine is a direct application of the Petition Clause”).

However, Motorola has cited no authority for the proposition that the Noerr-Pennington doctrine should apply to Apple’s breach of contract claims (counts 2, 3, and 4), and I conclude that applying immunity to Motorola from Apple’s breach of contract claims is not appropriate. Although the First Amendment protects Motorola’s right to petition the courts to enforce its patents, Apple’s breach of contract claims are based on the theory that Motorola agreed by contract that it would not enforce its patent rights until it offered a

license to Apple on fair, reasonable and nondiscriminatory terms. In other words, Apple contends that Motorola waived some of its petitioning rights through contract. It would be improper to use the Noerr-Pennington doctrine to bar Apple from enforcing that contract. Powertech Technology, Inc. v. Tessera, Inc., — F. Supp. 2d —, 2012 WL 1835699, \*5 (N.D. Cal. May 21, 2012) (concluding that Noerr-Pennington does not provide immunity against breach of contract claims).

Similarly, Motorola has failed to cite any authority or develop any argument for applying Noerr-Pennington to Apple's equitable estoppel claim (count 1), which appears to be an alternative claim to its breach of contract claims. Because Motorola failed to develop any argument about why it should be immune from the equitable estoppel claim or why the estoppel claim should be treated differently from the contract claim, I will not apply Noerr-Pennington to the equitable estoppel claim. Cf. Garg v. Potter, 521 F.3d 731, 736 (7th Cir. 2008) (explaining that undeveloped arguments are waived).

As to Apple's tortious interference with contract claim (count 13), it is clear that this claim is not premised on Motorola's patent litigation. Rather, it is premised on Motorola's actions in relation to Qualcomm. Therefore, the Noerr-Pennington doctrine does not apply to that claim.

Finally, I note that Apple asserts three claims for declaratory judgment in its amended complaint. Apple seeks declarations that the terms of the license offered by Motorola to Apple were not fair, reasonable and nondiscriminatory (count 7); Motorola is not entitled to injunctive relief on its patent infringement claims (count 11); and Motorola misused its

patents by promising to offer fair licenses and then failing to do so (count 12). It is not clear from Apple's complaint whether its claims for declaratory judgment are based on a contract theory or an antitrust theory. To the extent that they are based on an antitrust theory, Motorola is immune under the Noerr-Pennington doctrine. To the extent that they are based on Apple's breach of contract theory or estoppel theory, they may proceed.

In sum, I am granting Motorola's motion for summary judgment on Apple's antitrust claim (count 5), its claim for unfair competition in violation of Cal. Bus. & Prof. Code § 17200 (count 6) as related to Motorola's licensing and disclosure obligations, and its claims for declaratory relief (counts 7, 11 and 12) to the extent they are based on antitrust or unfair competition theories of liability. Motorola is immune from liability for these claims under the Noerr-Pennington doctrine. I am denying Motorola's motion under the Noerr-Pennington doctrine with respect to Apple's remaining claims.

Because I am dismissing Apple's antitrust claim, I need not consider Motorola's argument that the antitrust claim is barred by the statute of limitations.

### 3. Apple's tortious interference with contract claim

Motorola has moved for summary judgment on Apple's claim that Motorola tortiously and unlawfully interfered with the Strategic Terms Agreement that Apple had entered into with Qualcomm in December 2009. Apple's Am. Cpt., dkt. #110, ¶¶ 190-195 (count 13). Under that agreement, Apple and Qualcomm agreed to terms under which Apple could purchase chipsets that would be used in Apple's products. The chipsets

incorporated Motorola's patented technology, and Motorola and Qualcomm had entered into a separate licensing agreement regarding the chipsets. Apple contends that Motorola committed the tort of interference with contract by terminating license and covenant rights with respect to Apple.

Apple and Qualcomm are both headquartered in California and both Apple and Motorola assume California law applies to Apple's tortious interference claim. Thus, I will apply California law. Auto-Owners Insurance Co. v. Websolv Computing, Inc., 580 F.3d 543, 547 (7th Cir. 2009) ("Courts do not worry about conflict of laws unless the parties disagree on which state's law applies.") (citation omitted). To establish the tort of intentional interference with contract under California law, a plaintiff must show:

- (1) a valid contract between plaintiff and a third party;
- (2) defendant's knowledge of this contract;
- (3) defendant's intentional acts designed to induce a breach or disruption of the contractual relationship;
- (4) actual breach or disruption of the contractual relationship;
- and (5) resulting damage.

Pacific Gas & Electric Co. v. Bear Stearns & Co., 50 Cal. 3d 1118, 1126, 270 Cal. Rptr. 1 (Cal. 1990).

Motorola contends it is entitled to summary judgment on Apple's tortious interference claim because Apple cannot establish the last two elements of its claim. Specifically, Motorola contends that Apple has not shown that either it or Qualcomm breached the Strategic Terms Agreement or that the agreement was otherwise disrupted and that Apple cannot show that it has suffered any injury as a result of Motorola's terminating its license and covenant rights with respect to Apple.

I agree with Motorola. Apple concedes that Motorola's decision to terminate license

rights with respect to Apple did not cause Apple or Qualcomm to breach the Strategic Terms Agreement. Motorola's actions did not affect the terms of the agreement itself, because the agreement never purported to guarantee that Qualcomm's chipsets were covered by licenses to third-party patents. Additionally, Apple admits that it has continued to purchase chipsets from Qualcomm under the agreement. Apple's Br., dkt. #167, at 30. Apple does not contend that Motorola's actions have made the chipsets more expensive, that it has been forced to seek chipsets from a different manufacturer or that it has incurred additional licensing fees in response to Motorola's decision to terminate any license and covenant rights Apple may have enjoyed under Motorola's agreement with Qualcomm. In fact, Apple does not even submit evidence about what benefits it would have enjoyed under the licensing agreement and whether it would have paid Qualcomm or Motorola any licensing fees on top of what it paid Qualcomm for chipsets, if Motorola had not terminated license and covenant rights with respect to Apple. Apple implies that the chipsets would have been covered under the Qualcomm's licensing agreement with Motorola, but submits no evidence on the issue.

Apple contends that even though Motorola's actions have not interrupted performance of the contract between Apple and Qualcomm, Motorola's actions constituted tortious interference because they have made performance of the contract "more expensive and burdensome." Pacific Gas & Electric, 50 Cal. 3d at 1127 ("interference which makes enjoyment of a contract more expensive or burdensome may be actionable"). However, Apple has adduced no factual support to show that Motorola has caused its contractual relationship with Qualcomm to be more expensive or burdensome. In its brief, Apple relies

solely on the allegation that Motorola's actions caused Apple to file a lawsuit in a district court in California to clarify its rights to use chipsets manufactured by Qualcomm without threat of patent infringement litigation from Motorola. Apple v. Motorola Mobility, Inc., Case No. 12-cv-355 (S.D. Cal.). Apple argues that the cost of the California litigation qualifies as "damages" arising out of Motorola's tortious interference.

Apple's theory of damages arising out of the California litigation was not pleaded in its complaint. This makes sense because Apple filed the amended complaint in this case in October 2011 and did not commence the California lawsuit until February 2012. Even if it were appropriate to consider this new theory of damages, Apple has included no facts about the California lawsuit or its costs in its proposed findings of fact or responses to Motorola's proposed facts. Apple cannot create a genuine factual dispute sufficient to defeat summary judgment simply by making a factual assertion in its brief. Moreover, even if I considered Apple's assertions about the California lawsuit, Apple fails to connect its litigation costs to the contract between itself and Qualcomm. Apple argues that it was forced to litigate to protect its contractual rights. Apple's Br., dkt. #167, at 31. However, according to Apple's own description of its litigation, it is not suing to protect its rights under its agreement with Qualcomm. Rather, it is suing Motorola in an attempt to enforce the terms of *Motorola's* contract with Qualcomm. Apple's own agreement with Qualcomm did not promise any of the benefits of which Apple now seeks to take advantage.

In sum, Apple has adduced no evidence that Motorola's decision to terminate license and covenant rights with respect to Apple interfered with Apple's rights or benefits under

its agreement with Qualcomm or made Apple's contract with Qualcomm more expensive or burdensome. Therefore, Motorola is entitled to summary judgment on Apple's claim of tortious interference with contract.

4. Apple's claim under Cal. Bus. & Prof. Code § 17200

As discussed above, Apple's claim under Cal. Bus. & Prof. Code § 17200 can be divided into two separate theories: (1) Motorola violated the law by initiating patent litigation against Apple after failing to offer Apple a license on fair, reasonable and nondiscriminatory terms; and (2) Motorola violated the law by suspending its contract with Qualcomm as it related to Apple.

Motorola has moved for summary judgment on Apple's claim under the first theory, contending that it is barred by California Civil Code § 47(b), which provides that the filing of a lawsuit is privileged activity immune from tort liability. Because I concluded above that the Noerr-Pennington immunity doctrine applies to this claim, I need not address whether the claim would be barred by the California litigation privilege.

With respect to Apple's second theory of liability, Motorola contends that Apple has not proven that it suffered an economic injury, as required under Cal. Bus. & Prof. Code § 17200. Kwikset, 246 P.3d at 884-85. I agree. To defeat Motorola's motion for summary judgment, Apple was required to adduce specific evidence showing that it lost money or property as a result of Motorola's termination of any license and covenant rights that flowed to Apple through Qualcomm. As explained in the discussion of Apple's tortious interference

claim, Apple has failed to adduce any specific facts on this issue. Therefore, Motorola is entitled to summary judgment on this claim.

5. Apple's breach of contract claims

Motorola has moved for partial summary judgment on Apple's breach of contract claims, seeking a determination from the court that Apple has not suffered any damages from the alleged breaches. (Motorola did not move for summary judgment on Apple's request for specific performance of Motorola's contractual obligations.) The only damages Apple seeks to recover through its contract claims are litigation costs. According to Apple's expert's report, Apple believes it is entitled to a minimum of \$31,948,128.31 in damages based on "litigation costs, including attorneys' fees, Apple has incurred to date in (1) having to defend the ITC 745 Investigation; (2) having to defend the District Court Case; and (3) prosecuting the [present case] to establish Motorola's violation of its obligations to ETSI and IEEE." Napper Rep., dkt. #153-36 at 6. Motorola contends that litigation costs cannot be recovered as damages from a breach of contract claim.

The first question is what forum's law applies to Apple's contract claims. Apple (a California company) is suing Motorola (an Illinois company) for violation of commitments to ETSI (based in France) and IEEE (based in New York). Both parties agree that ETSI's bylaws are governed by the laws of France, so I will apply French law to Apple's claims involving ETSI. (Under Fed. R. Civ. P. 44.1, courts determining foreign law "may consider any relevant material or source, including testimony, whether or not submitted by a party

or admissible under the Federal Rules of Evidence.” Apple submitted an expert report from Philippe Delebecque regarding French contract law. Dkt. #159. Motorola submitted an excerpt regarding French law on damages from an English language treatise. Barry Nicholas, The French Law of Contract (2d ed. 1992), dkt. #176-1.)

Neither party undertakes an adequate choice of law analysis with respect to claims concerning IEEE, and both sides cite variously to Wisconsin, New York and Illinois law in support of their respective positions. However, it does not appear that there is a conflict among Wisconsin, New York or Illinois law relevant to the issues in this case. Thus, I will apply Wisconsin law to Apple’s claims concerning IEEE. Danielson v. Gasper, 2001 WI App 12, ¶ 5, 240 Wis. 2d 633, 623 N.W.2d 182 (under Wisconsin’s choice of law principles, if there is no genuine conflict between Wisconsin law and law of other possible state, court applies Wisconsin law); Tanner v. Jupiter Realty Corp., 433 F.3d 913, 915 (7th Cir. 2006) (federal court applies choice of law principles of forum state to determine which state’s substantive law governs contract claim).

Motorola contends that under the laws of Wisconsin, France or any other jurisdiction, Apple cannot recover attorney fees as damages for a breach of contract action. However, Motorola does not cite any cases establishing such a bright-line rule. Motorola cites In re Guardianship & Protective Placement of Evelyn O., 214 N.W.2d 434, 571 N.W.2d 700 (1997), and Computer Docking Station Corp. v. Dell, Inc., 547 F. Supp. 2d 948, 951 (W.D. Wis. 2007), for the general “American rule” that a prevailing party may not recover attorneys fees unless authorized by statute or contract. However, Apple is not seeking an

award of attorney fees to a prevailing party. It is seeking attorney fees as damages incurred because of Motorola's alleged breach of contract.

As Motorola concedes in its reply brief, Wisconsin law allows recovery of attorneys fees as contractual damages in some situations. Motorola's Br., dkt. #173, at 7 (citing Repinski v. Clintonville Federal Savings & Loan Association, 49 Wis. 2d 53, 58, 181 N.W.2d 351, 354 (1970) ("An award of damages for breach of contract should compensate the injured party for losses necessarily flowing from the breach. . . .When litigation is a natural and proximate result of the breach, recovery may be had as damages for attorney's fees necessarily incurred in that litigation.") (dictum). Additionally, Motorola concedes that French law allows recovery for damages that are the "immediate and direct and foreseeable result of breach." Id. However, Motorola contends that the litigation costs that Apple incurred are not compensable because many specific costs that Apple's expert included in his damages calculations, such as the costs of attorneys' meals and laundry, have too tenuous a relationship to Motorola's alleged breach.

Motorola has not shown that it is entitled to summary judgment on this issue. Its legal analysis is incomplete; it cited no cases discussing whether a party can recover as contract damages the costs it incurred in previous litigation with the same defendant, let alone any cases actually holding that a party may not recover such costs. Further, Motorola raised several new arguments in its reply brief regarding whether Apple's litigation costs were the direct and foreseeable result of Motorola's alleged breach. Therefore, I am denying Motorola's motion for summary judgment on this issue. If Motorola wishes to make further

arguments regarding whether certain costs identified by Apple's expert should be excluded, it may file a motion in limine on the subject.

### B. Apple's Motion for Partial Summary Judgment

Apple has moved for partial summary judgment, seeking to establish certain elements of its claims. Because I have concluded that Motorola is entitled to summary judgment on all of Apple's claims with the exception of Apple's contract and estoppel claims, I will consider Apple's arguments only as they relate to those claims. In particular, Apple requests a determination that:

- Motorola entered into binding contractual obligations with ETSI and IEEE to license its declared-essential patents on fair, reasonable and nondiscriminatory terms.
- Apple is a third-party beneficiary of Motorola's contractual obligations to ETSI and IEEE.
- In submitting technical proposals to ETSI for inclusion of Motorola technology in ETSI standards, Motorola was obligated by ETSI policy to make a bona fide effort to identify essential intellectual property rights that might be required by the technical proposal before the adoption of the technical proposal into the standard.
- Motorola was obligated to make a bona fide effort to disclose the applications leading to the issuance of the '898, '559 and '697 patents to ETSI before the adoption of Motorola's technical proposals, even when those patent applications were unpublished.
- Motorola disclosed the patent applications issuing as the '898, '559 and '697 patents after the adoption of the standards to which Motorola contends those patents are essential.

Notably, Apple does not seek a determination that Motorola's failure to disclose its

intellectual property rights was intentional, that Motorola failed to comply with the disclosure requirements of ETSI and IEEE policies or that Motorola breached its contractual obligations by demanding unreasonable licensing fees for its patents from Apple.

#### 1. Motorola's contracts with ETSI and IEEE

As discussed above, I am applying Wisconsin law to Apple's breach of contract claims related to IEEE and French law to the claims related to ETSI.

To form a valid contract under Wisconsin law, there must be evidence of an offer, acceptance and consideration, Kamikawa v. Keskinen, 44 Wis. 2d 705, 710, 172 N.W.2d 24, 26 (1969), and an understanding between the parties regarding the essential terms of the contract. Metropolitan Ventures, LLC v. GEA Associates, 2006 WI 71, ¶ 24, 291 Wis. 2d 393, 717 N.W.2d 58. Apple's expert states that French law requires the same general elements, which Motorola has not disputed. Delebecque Rep., dkt. #146, ¶ 31 ("French law considers that the contractual agreement is reached . . . as of the moment the parties have reached an agreement on the essential elements of the contract.").

In this case, the combination of the policies and bylaws of the standards-setting organizations, Motorola's membership in those organizations and Motorola's assurances that it would license its essential patents on fair, reasonable and nondiscriminatory terms constitute contractual agreements. The intellectual property rights policies of ETSI and IEEE constituted offers to Motorola for membership in the organization in exchange for Motorola's ability to participate in developing technical standards. The "offers" set out the

essential terms of the contract, namely, that members must abide by intellectual property rights policies. Under IEEE's policy, members must submit letters of assurance including a commitment to license essential patents under reasonable and nondiscriminatory terms. Similarly, ETSI's policy states that its members shall use "reasonable endeavors" to inform the organization of essential patents "in a timely fashion." All members are asked to grant licenses to essential patents on fair, reasonable and nondiscriminatory terms; if they refuse, they must explain their reasons in writing.

Motorola accepted the offers and agreed to be bound by these policies when it joined ETSI and IEEE. Later, Motorola confirmed that it was bound by the organizations' policies when it submitted declarations and letters of assurance stating that it would license its patents on fair, reasonable and nondiscriminatory terms. In particular, Motorola sent declarations to ETSI regarding the '697, '898, '230 and '559 patents, and sent letters of assurance to IEEE regarding the '516, '193, '223 and '712 patents.

Both Motorola and the organizations benefited from this arrangement and thus, the element of consideration is satisfied. Motorola received the benefit of participating in the standards development process and influencing the choice of technology for the standards. The organizations benefited from Motorola's commitments by knowing that their technical standards would be available for use by third parties.

Several courts have reached similar conclusions. Microsoft Corp. v. Motorola, Inc., 2012 WL 2030098, \*5-6 (W.D. Wash. June 6, 2012) (holding that contract was formed through Motorola's commitments to IEEE to license patents essential to 802.11 standard

on reasonable and nondiscriminatory terms); Research In Motion Ltd. v. Motorola, Inc., 644 F. Supp. 2d 788, 797 (N.D. Tex. 2008) (holding at motion to dismiss stage that plaintiff had stated breach of contract claim based on defendant’s failure to offer FRAND terms as it had agreed to ETSI and IEEE); ESS Technology, Inc. v. PC-Tel., Inc., 1999 WL 33520483, \*4 (N.D. Cal. Nov. 4, 1999) (holding that, as third-party beneficiary of contract between standards-setting organization and defendant-essential-patent holder, software manufacturer had properly stated claim for specific performance of agreement requiring defendant to license patents on nondiscriminatory and reasonable terms).

In its opposition brief, Motorola states that it “does not dispute that it made commitments to the industry groups,” and “does not dispute that obligations flow from those commitments.” Motorola’s Br., dkt. #164, at 1. However, Motorola argues that its commitments are not binding contracts and that neither the industry groups nor Apple can enforce those commitments. In other words, Motorola argues that although it made promises, the promises are largely meaningless because they cannot be enforced by either the organizations or third parties.

Motorola relies largely on language from ETSI’s and IEEE’s policies to argue that the organizations do not intend to enforce their intellectual property rights policies. IEEE’s policy states that “[n]o license is implied by the submission of a Letter of Assurance,” and that “IEEE is not responsible for determining whether any licensing terms or conditions provided in connection with submission of a Letter of Assurance . . . are reasonable and non-discriminatory.” ETSI’s policy states that “[s]pecific licensing terms and negotiations are

commercial issues between the companies and shall not be addressed within ETSI.”

These provisions do not say that the organizations will not enforce their policies. Rather, the provisions make clear that organizations will not be responsible for deciding what terms constitute a fair, reasonable and nondiscriminatory license. They will not resolve licensing disputes. However, ETSI and IEEE still require members to offer reasonable and nondiscriminatory licenses to their essential patents in order to comply with the conditions of membership and their declarations. ETSI’s policies state explicitly that “[a]ny violation of the POLICY by a MEMBER shall be deemed to be a breach, by that MEMBER, of its obligations to ETSI.” Similarly, in its commitment to IEEE, Motorola agreed that it would “license those patents on a non-discriminatory basis offering fair and commercially reasonable terms.”

Motorola has several arguments about whether it complied with the terms of ETSI’s and IEEE’s policies by making reasonable efforts to disclose its patents and by offering to negotiate a licensing agreement with Apple. However, these arguments relate to whether Motorola breached the contracts, not whether contractual obligations exist. Neither Apple nor Motorola moved for summary judgment on the element of breach.

In sum, I am granting Apple’s motion for summary judgment with respect to the existence of contracts between Motorola and the standards-setting organizations.

## 2. Apple’s status as a third-party beneficiary

The next question is whether Apple has a right to enforce the contracts as a third

party beneficiary. Becker v. Crispell-Snyder, Inc., 2009 WI App 24, ¶ 9, 316 Wis. 2d 359, 763 N.W.2d 192 (party wishing to enforce contract must either be party to contract or third-party beneficiary). Under Wisconsin law, a third-party beneficiary is one whom the contracting parties intended to “directly and primarily” benefit. Id. at ¶ 11 (citing Winnebago Homes, Inc. v. Sheldon, 29 Wis. 2d 692, 699, 139 N.W.2d 606 (1966)). The benefit proven must be direct; an indirect benefit incidental to the primary contractual purpose is insufficient. Id. French law is consistent with Wisconsin law on this issue. Delebecque Rep., dkt. #159, ¶ 25.

Motorola advances several arguments in support of its contentions that its commitments to ETSI and IEEE were not intended primarily to benefit potential users of the standards. However, none of its arguments are persuasive. The primary purpose of the ETSI and IEEE intellectual property rights policies and Motorola’s licensing commitments is to protect companies that need to obtain licences in order to practice the standards adopted by the organizations. This is clear from the language of the policies. For example, ETSI’s policy states that an “objective” of the policy is to “reduce the risk” of an essential patent’s becoming “unavailable.” The entities that care the most about the availability of a license are those entities such as Apple, who will incorporate the standards into their own products.

As a potential user of the standards at issue and a prospective licensee of essential patents, Apple is a third party beneficiary of the agreements between Motorola and IEEE and Motorola and ETSI. See also Microsoft, 2012 WL 2030098, at \*5-6 (holding that

Microsoft was third-party beneficiary of Motorola's agreements with standard setting organization because the "commitments are clearly designed to benefit potential licensees of Motorola's standard essential patent by ensuring that such patents are readily accessible to everybody at reasonable rates").

### 3. Scope of contractual obligations to ETSI

Apple also seeks summary judgment on issues related to the scope of Motorola's contractual obligations to ETSI. In particular, Apple seeks a determination that (1) the ETSI intellectual property rights policy required Motorola to make a "bona fide" effort to identify its intellectual property rights that might be essential to a technical standard *before* the technical proposal was adopted into the standard; and (2) that Motorola was required to include its unpublished patent applications as part of those disclosures.

With respect to the first issue, the ETSI intellectual property rights policy is clear.

It states that members

submitting a technical proposal for a STANDARD shall, on a bona fide basis, draw the attention of ETSI to any of that MEMBER's [intellectual property rights] which *might* be ESSENTIAL *if that proposal is adopted*.

By using the terms "might" and "if," the policy clearly requires members to make efforts to disclose intellectual property rights *before* a standard is adopted.

Motorola has two arguments in opposition, neither of which is persuasive. First, it says it was not required to disclose patents or patent applications at the time a technical proposal is made or during work meetings relating to the technical development of standards.

This argument is not responsive to Apple's motion. Apple has not argued that Motorola was required to disclose its intellectual property rights during work meetings or when it submitted technical proposals. Apple has argued only that Motorola was required to disclose its patents and patent applications at some point before a technical proposal is adopted into a standard.

Second, Motorola argues that it was relieved of its obligation to disclose specific patents by submitting a general declaration to ETSI, in which it agreed to license any of its essential patents on fair, reasonable, and nondiscriminatory terms. However, the ETSI policies make clear that the submission of a general declaration does not relieve a member of its duty to make a timely declaration of specific patents and applications that it believes may be essential to an ETSI standard. The ETSI Guide on Intellectual Property Rights states that use of a general licensing declaration "does not take away the obligation for members to declare essential patents to ETSI. . . ."

As to the issue of Motorola's obligation to disclose unpublished patent applications, ETSI's policy makes clear that members are required to disclose patents and "applications therefor." The policy exempts "confidential information." Apple asserts several reasons in its brief about why Motorola's patent applications issuing as the '898, '559 and '697 patents do not qualify as "confidential." Apple's Br., dkt. #144, at 22-23. For example, Apple contends that Motorola waived any confidentiality privilege that might have applied by publicly disclosing the relevant language in those applications through its technical proposals to the relevant working groups and through foreign patent applications.

Motorola's only response is to assert that ETSI members are not required to disclose confidential information and that patent applications may qualify as confidential. This is nonresponsive to Apple's arguments. By failing to respond to Apple's contention that the specific patent applications at issue in this case were not confidential, Motorola has waived any arguments in opposition and has failed to meet its burden at summary judgment of showing the existence of material facts in dispute regarding this issue of the scope of its contractual obligations to ETSI. Wojtas v. Capital Guardian Trust Co., 477 F.3d 924, 926 (7th Cir. 2007) ("A failure to oppose an argument permits an inference of acquiescence and 'acquiescence operates as a waiver.'") (quoting Cincinnati Insurance Co. v. East Atlantic Insurance Co., 260 F.3d 742,747 (7th Cir. 2001)).

#### 4. Timing of Motorola's disclosure

Finally, Apple seeks a determination that Motorola disclosed the patent applications issuing as the '898, '559 and '697 patents after Motorola made technical proposals using technology from those patents and after ETSI adopted standards to which Motorola contends those patents are essential. I am granting Apple's motion on this issue because it is uncontested.

#### C. Issues Remaining for Trial

I am dismissing all of Apple's claims with the exception of its breach of contract and equitable estoppel claims and its declaratory judgment claims premised on a breach of

contract or estoppel theory.

With respect to the breach of contract claims, Apple has shown that Motorola's membership in ETSI and IEEE and the intellectual property declarations it made established a contractual relationship that required Motorola to license its essential patents to third parties on fair, reasonable and nondiscriminatory terms. Additionally, Apple has shown that it is a third-party beneficiary of those contracts and has a right to enforce them. Apple has proven that Motorola's membership in ETSI required Motorola to make reasonable efforts to disclose any intellectual property rights that might have become essential to standards being considered by ETSI before those standards were adopted, including Motorola's unpublished patent applications that became the '898, '559 and '697 patents. Finally, Apple has shown that Motorola disclosed its '898, '559 and '697 patents to ETSI after Motorola made technical proposals using technology from those patents and after ETSI adopted standards to which Motorola contends those patents are essential.

However, there are still several unresolved issues related to Apple's breach of contract claims. To succeed on its claims, Apple must prove that Motorola breached a contract by failing to make bona fide efforts to disclose its patents to ETSI in a timely manner and by failing to offer a license to its essential patents to Apple on fair, reasonable and nondiscriminatory terms. As to the licensing offer, Apple must prove that Motorola's initial offer of a 2.25% royalty rate and attempts to negotiate were unfair, unreasonable or discriminatory and violated Motorola's commitments to ETSI and IEEE.

Additionally, Apple must prove that it suffered damages that are clearly connected to

Motorola's breach. At this point, it is not clear how Apple intends to prove that it was damaged by Motorola's failure to disclose patents to ETSI in a timely manner. Additionally, Apple must prove that any litigation damages it seeks to recover are directly attributable to Motorola's breach.

## ORDER

IT IS ORDERED that

1. Defendant Motorola Mobility, Inc.'s motion for partial summary judgment, dkt. #150, is GRANTED IN PART and DENIED IN PART.

The motion is GRANTED with respect to plaintiff Apple Inc.'s claims that Motorola violated § 2 of the Sherman Act (count 5), that it violated Cal. Bus. & Prof. Code § 17200 (count 6), and that it tortiously interfered with contract (count 13), and with respect to Apple's requests for declaratory relief in conjunction with these claims.

The motion is DENIED in all other respects.

2. Plaintiff Apple Inc.'s motion for partial summary judgment, dkt. #143, is GRANTED. The court finds as a matter of law that

- a. Motorola entered into binding contractual obligations with ETSI and IEEE to license its declared essential patents on fair, reasonable and nondiscriminatory terms.
- b. Apple is a third-party beneficiary of Motorola's contractual obligations to ETSI and IEEE.
- c. In submitting technical proposals to ETSI for inclusion of Motorola technology in ETSI standards, Motorola was obligated by ETSI policy to make a bona fide effort to identify essential intellectual property rights that might be required by the technical proposal before the adoption of the technical proposal into the standard.

d. Motorola was obligated to make a bona fide effort to disclose the applications leading to the issuance of its United States patents 6,175,559, 6,359,898 and 6,246,697 to ETSI before the adoption of Motorola's technical proposals, even when those patent applications were unpublished.

e. Motorola disclosed the patent applications issuing as the '898, '559 and '697 patents after the adoption of the standards to which Motorola contends those patents are essential.

Entered this 10th day of August, 2012.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge

UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF WISCONSIN

\* \* \* \* \*

APPLE, INC.,

Plaintiff,

-vs-

Case No. 11-CV-178-BBC

MOTOROLA MOBILITY, INC.,

Madison, Wisconsin

November 5, 2012

Defendant.

9:00 a.m.

\* \* \* \* \*

STENOGRAPHIC TRANSCRIPT OF FIRST DAY OF COURT TRIAL  
HELD BEFORE DISTRICT JUDGE BARBARA B. CRABB,

APPEARANCES:

For the Plaintiff: Tensegrity Law Group LLC  
BY: MATTHEW POWERS  
555 Twin Dolphin Drive, Ste. 360  
Redwood Shores, California 94065

Covington & Burling LLP  
BY: ROBERT FRAM  
One Front Street 35th Floor  
San Francisco, California 94111

Covington & Burling LLP  
BY: JASON RAOFIELD  
1201 Pennsylvania Avenue NW  
Washington, DC 20004-2401

For the Defendant: Quinn Emanuel Urquhart & Sullivan  
BY: STEPHEN SWEDLOW  
500 West Madison Street, Ste. 2450  
Chicago, Illinois 60661

Lynette Swenson RMR, CRR, CBC  
Federal Court Reporter  
U.S. District Court 120 N. Henry St., Rm. 520  
Madison, WI 53703 (608) 255-3821

1 Appearances continued:

2  
3 For the Defendant: Quinn Emanuel Urquhart & Sullivan  
4 BY: EDWARD DEFRANCO  
5 51 Madison Avenue, 22nd Floor  
6 New York, New York 10010

7  
8 Quinn Emanuel Urquhart & Sullivan  
9 BY: BRIAN CANNON  
10 555 Twin Dolphin Drive, 5th Floor  
11 Redwood Shores, California 94065

12  
13 Reinhart Boerner Van Deuren, S.C.  
14 BY: LYNN STATHAS  
15 P.O. Box 2018  
16 Madison, Wisconsin 53701

17 Also appearing: David Melaugh, Apple representative  
18 Chester Day, Motorola representative

19 \* \* \* \* \*

20 THE CLERK: Case Number 11-CV-178-BBC. *Apple*  
21 *v. Motorola Mobility* is called for a hearing and first  
22 day of court trial. May we have the appearances,  
23 please.

24 MR. POWERS: Good morning, Your Honor. Matt  
25 Powers, Rob Fram, Jason Raofield for Apple. David  
Melaugh from Apple.

THE COURT: Thank you.

MR. SWEDLOW: Morning, Your Honor. Stephen  
Swedlow, Ed DeFranco, Lynn Stathas and Brian Cannon,  
along with Chester Day from Motorola.

THE COURT: Thank you. We had a new proposal  
yesterday afternoon from Apple that had two options.

1 One, Apple suggested that we would start the trial today  
2 on the understanding that the Court will set a FRAND  
3 rate according to a method that both parties will agree  
4 to be bound by. I'd like to get some understanding of  
5 what method Apple thinks both parties would agree to be  
6 bound by.

7 And I'd like to also ask why is this new proposal  
8 to include the value of Apple's patents not totally  
9 outside the pleadings; in other words, how is it  
10 connected to the breach of contract claim that you've  
11 been pleading all along?

12 MR. POWERS: Two questions -- I guess there's  
13 three questions involved in that, Your Honor. First,  
14 what methodology -- as you could tell from the trial  
15 briefs, there are different ways presented by the  
16 parties for assessing what a FRAND rate might be. And  
17 the point of the first proposal was that Your Honor may  
18 choose, after you've heard the evidence, one of those  
19 methodologies over others. And the point of the first  
20 proposal was that you wouldn't be hearing evidence about  
21 Apple's patents per se, but you would be adopting a  
22 methodology that could be applied to Apple's patents.  
23 Just as an example, if Your Honor chose a methodology  
24 which said as of 2012, I'm going to use a party's  
25 percentage of declared essential patents to the

1 particular standard and apply that to the base of X,  
2 base defined however you decide it ought to be defined,  
3 that's a methodology. That's a methodology which could  
4 be applied to both Motorola and to Apple.

5 The numbers that one would plug into that formula  
6 are not -- they actually are in the record here, but  
7 it's certainly not been the focus here. But my point  
8 was not that at the end of your order there would be a  
9 statement of what the rate would be for each side, but  
10 there would be a methodology that you would order, which  
11 both sides would agree to be bound by, which would then  
12 end the question because your methodology would decide  
13 the rate for Motorola's patents and would decide the  
14 rate for Apple's patents.

15 THE COURT: So in other words, you would have  
16 experts telling me how they thought I should construct  
17 this method that I would announce at the end of the  
18 trial.

19 MR. POWERS: Yes. The expert reports at least  
20 on Apple's side do so. The expert reports obviously on  
21 Motorola's side, because they do not, as Your Honor  
22 noted in your motions in limine rulings, they do not  
23 render an opinion as to what the proper FRAND rate is.  
24 So you would take the evidence on the record in this  
25 case as it exists and you would reach a decision about

1 what the FRAND methodology is, and as to Motorola's  
2 patents, what that rate is because you have all of that  
3 data, and that same methodology would then be applied to  
4 Apple's patents in a way that I think would not be  
5 controversial, depending on what methodology you chose,  
6 and that would accomplish the twin objectives that Your  
7 Honor stated in your November 2 ruling. One was that it  
8 would be binding, and the second -- because it would be  
9 agreed to be binding by both sides. And the second is  
10 it would actually -- one of the concerns that Your Honor  
11 raised was that you were concerned that a ruling as the  
12 trial had been conceived by Apple, which was that you  
13 would be ordering specific performance in the form of an  
14 order which told Motorola to make a FRAND offer, which  
15 it had not made, one concern you expressed was that if  
16 Apple did not accept that offer, it would not end these  
17 disputes and not be effective.

18 This both solves that and goes further because not  
19 only would it end that dispute, it would end the dispute  
20 about what Motorola has to pay for Apple's patents,  
21 which is the mirror image of the same dispute. And  
22 you're correct that claim is not in this case because  
23 Motorola chose not to bring it. But if the goal is to  
24 make this an effective proceeding and if Motorola is  
25 taken at its word in the first paragraph of its

1 submission to you on Sunday which is that it wants a  
2 license agreement and wants a process to get there,  
3 option one is just such a process, as is option two.

4 THE COURT: So you would agree to be bound by  
5 the rate.

6 MR. POWERS: Yes.

7 THE COURT: The framework. That, of course,  
8 doesn't say anything about whether you would be -- agree  
9 to be bound by the -- all the other aspects of the  
10 licensing agreement such as how long it would last, who  
11 would do the oversight, where the disputes would be  
12 determined, the geographic scope, all of those other  
13 things. How would that be done?

14 MR. POWERS: None of those things has been  
15 discussed other than geographic scope, in which case we  
16 raised the question of worldwide and said it must be  
17 worldwide and explained why. If you had a normal  
18 license agreement, you're right, there would be a number  
19 of terms ranging from boiler plate to not so boiler  
20 plate. But you would have defined the essential term.  
21 And I don't think either side has asked you to write the  
22 agreement.

23 THE COURT: So when you say "according to a  
24 method that both parties will agree to be bound by,"  
25 you're talking about a method that the Court will decide

1 after hearing all of the evidence.

2 MR. POWERS: Exactly. A method of computing  
3 FRAND.

4 THE COURT: Mr. Swedlow, will you be  
5 responding?

6 MR. SWEDLOW: Yes. Motorola would like some  
7 process to end the disputes between the parties, but the  
8 entire dispute isn't before the Court in the form of  
9 Motorola as a defendant in a breach of contract action.  
10 The assertion that Motorola should have somehow placed  
11 at issue Apple's portfolio in this case is turning it on  
12 its head. We can't sue Apple for a breach if Apple has  
13 not sued Motorola on standards-essential patents and  
14 failed to offer a FRAND rate. So we can't file that  
15 lawsuit because it doesn't exist yet. And because it  
16 doesn't exist in this case or anywhere yet, what Apple  
17 is essentially asking this Court to do is determine a  
18 methodology that would apply to a group of assets,  
19 Apple's patents, that we don't know anything about. The  
20 methodology that Apple would like would be based upon  
21 Apple's arguments about Motorola's portfolio. But as  
22 was made clear to me after looking at Apple's 166-slide  
23 opening statement, there are many different ways you  
24 could calculate and can calculate a FRAND rate.  
25 Percentage of the portfolio, just take that example --

1 percentage of the standard, which is what Mr. Powers  
2 just referred to, that may be relevant depending on what  
3 your patents are and how you count them. But you could  
4 be a company that has one patent that is so foundational  
5 to the standard that you can't simply say you have one,  
6 but there are 10,000, because other companies have  
7 declared essential many, many thousands of patents that  
8 are of a different value or of a different type. And  
9 what we don't have in this case from either party is any  
10 -- you will not be able to know what any of the hundreds  
11 of other Motorola patents even relate to within the  
12 standard because no expert is going to tell you, from  
13 either side, Motorola has these hundreds of patents and  
14 these are the numbers and this is what they relate to.

15 The way this process works in the real world, so to  
16 speak, is that Motorola, which is what actually  
17 happened, goes to Apple and says here are some of our  
18 patents. Here are 40 where we've charted the actual  
19 invention against what your product does. And then the  
20 parties engage in technical discussions to determine  
21 whether there is infringement, whether the patent is  
22 essential, what value that patent would have to a  
23 particular product. And in the context of negotiation,  
24 there may be a counting, meaning you have X hundreds of  
25 patents and so the company has X hundreds, but that's

1 not a methodology that not knowing what Apple's  
2 portfolio looks like we could even argue against. You  
3 would be deciding a methodology for basically for all  
4 companies. So Qualcomm and everyone else who owns  
5 standards-essential patents, there would now be a  
6 judicial opinion where only one portfolio was even being  
7 discussed, and in that context, it wasn't even being  
8 discussed on a technical or invention standpoint, just  
9 on counting the patents or whatever methodology Apple  
10 proposes.

11 So even though Motorola does truly want to get  
12 Apple to pay, it can't follow a structure whereas a  
13 defendant in a lawsuit and a methodology is agreed to in  
14 advance without knowing what Apple's portfolio is or  
15 what arguments we might possibly make about that value.  
16 So the methodology would be decided without knowing what  
17 it is the methodology is being applied to except as it  
18 relates to Motorola's patents.

19 THE COURT: So is this -- clearly this is an  
20 argument for why Apple's patents should not be included  
21 in this discussion, but is it also an argument for  
22 saying that the determination of the method that  
23 Mr. Powers is talking about is not an appropriate way to  
24 reach a resolution of the case?

25 MR. SWEDLOW: The appropriate method for

1 valuing a standards-essential portfolio depends on the  
2 portfolio. There is no one method to value different  
3 assets. We own whatever we own in terms of patents.  
4 Apple owns whatever it owns. Qualcomm owns -- there are  
5 other companies that own.

6 What Apple wants this Court to do is to say the way  
7 you would value a standards-essential portfolio in this  
8 case, Motorola -- if Motorola ever tries to engage in  
9 cross-licensing with Apple, you have to accept that  
10 methodology without knowing what the patents are or how  
11 they impact the standard or, for example, when Apple got  
12 the patents. We know Apple had basically no patents  
13 that were standards essential in 2007. Apple has now  
14 acquired standards-essential patents over the years  
15 through acquisitions of companies and just purchases of  
16 patents.

17 So when would you determine what Apple's count is?  
18 I know that Mr. Powers said as of 2012, because I just  
19 know from reading the popular press, Apple got a bunch  
20 of patents from a big Nortel portfolio because they  
21 bought them. But that doesn't have anything to do with  
22 what Apple should pay in terms of a net license fee in  
23 2007. So you can't -- it's not that you can't -- one  
24 cannot determine a methodology to value an asset without  
25 knowing what the asset is. And just because these are

1 patents, that's not good enough to know what Apple's  
2 portfolio is or how you would value it. We can't agree  
3 to a methodology without having the evidence about what  
4 their portfolio is and when they got it.

5 THE COURT: Mr. Powers.

6 MR. POWERS: Yes, Your Honor. I think there's  
7 three points built into that. I'd like to respond  
8 briefly to all three, if I may. The first is a comment  
9 that they don't know what Apple's patents are, and I  
10 think in fairness that's just not true. The parties  
11 have had discussions over the years where both sides  
12 have made presentations to each other about patents;  
13 where both sides have exchanged charts; have exchanged  
14 lists of patents; have gone back and forth about what  
15 those patents cover; have made extensive presentations  
16 about the scope and breadth of patents in both  
17 directions. So the statement that Motorola is ignorant  
18 about what Apple's patents are I believe will be  
19 demonstrably untrue.

20 The second is that the level that Mr. Swedlow was  
21 commenting, it's also not relevant to the way the  
22 parties have set this case up for trial. Neither side,  
23 neither Motorola nor Apple, has suggested that you have  
24 to do a patent-by-patent subject matter analysis of all  
25 of the patents that Motorola has declared to be

1 essential or all of the patents that Apple has declared  
2 to be essential.

3 As Your Honor noted in the motion in limine ruling,  
4 that's probably not even possible. What the parties  
5 have done, for example, one of our experts admitted and  
6 their expert has I think admitted that's an appropriate  
7 methodology is to use the percentage of IPR method.  
8 It's common sensical. Basically it says if there's a  
9 total number of, say, a thousand patents that are  
10 declared essential to a standard and one party has a  
11 thousand of them or 10%, then that party should be able  
12 to charge 10% of whatever the total amount of royalty  
13 burden you're willing to put on that standard. And the  
14 other holders of the other 9,000 get their percent of  
15 shares. If they're all truly essential, they're all of  
16 essentially equal value. Each one is essential. That's  
17 the whole point of --

18 THE COURT: Who decides which ones are  
19 essential?

20 MR. POWERS: You use what the parties have  
21 declared to be essential. And some of those may not be  
22 as truly essential as Motorola has found when it  
23 asserted its eight essential patents that it picked for  
24 its proud list against Apple. Most of those were found  
25 not, in fact, to be essential because they were found to

1 not infringe or invalid. But for this purpose, we agree  
2 with the pragmatic point that Your Honor made in the  
3 motion in limine ruling which is you can't go through  
4 potentially thousands of patents to do that sort of  
5 analysis, so you take on face value the parties'  
6 declared essential patents and apply that percentage.  
7 And our experts have done that. It's a straightforward  
8 calculation. The percentages of IPR really aren't in  
9 dispute. There's a list. And then the only question is  
10 to which base you apply it. And that is in dispute.  
11 And Your Honor would, after hearing the evidence, make a  
12 decision about which base that percentage should be  
13 applied to --

14 THE COURT: And what base are you talking  
15 about? The rate or something else?

16 MR. POWERS: Something else. So, the way one  
17 would compute the overall royalty amount would be to  
18 take a percentage, and this percentage of IPR says that  
19 you apply a percentage based on -- if you're applying a  
20 percentage based on the smallest saleable unit; in other  
21 words, the functionality here relates to a cellphone,  
22 and if you open up a cellphone, there are lots of chips  
23 and components inside that cellphone. One of those  
24 chips provides all of that cellular functionality. So  
25 that one of the debates before you in this trial will be

1 what is the base amount that that rate is applied to.

2 So, Motorola has argued you apply it to the entire  
3 full, fully-loaded sales price of an iPhone, which is  
4 now on the order of I think \$700. Another option is to  
5 go down, as the case law suggests, the *Laser Dynamics*  
6 case, for example, this is all related to patent law  
7 damages because it's how much your patents are worth.  
8 You go to what *Laser Dynamics* -- those that called Laser  
9 Dynamics last month the lowest saleable unit which  
10 embodies the patented functionality, and that's the one  
11 chip inside the phone that provides all of that cellular  
12 functionality. The price of that chip is about \$15.

13 So, if one were to apply a percentage to that \$15,  
14 you come up with a dollar number per phone. And one of  
15 the things that you would see in the evidence is that  
16 various people in the industry have done licenses on  
17 various terms. Some have done it on that lowest  
18 saleable unit basis that I just described. Some have  
19 done it all the way at the other extreme on the full  
20 price of a phone. But when they do it on the full price  
21 of the phone, they don't apply the full percentage  
22 because by definition the entire value of that phone  
23 with all those other chips and all that other  
24 functionality is not all driven by that one cell check.  
25 So they apply a much lower percentage and come up with a

1 much lower number.

2 And there are ways of doing it in between. That  
3 chip can appear on a board with other chips. That board  
4 costs about \$35. Sometimes out of convenience people  
5 apply a percentage rate to the board, in which case  
6 again the rate comes down. So the point of this is that  
7 the goal in licensing and determining a FRAND rate is in  
8 many ways exactly the same goal as a traditional damages  
9 analysis Your Honor is used to performing all the time,  
10 which is determining the value contributed by that  
11 patent.

12 Now, in this case, you have one complicating factor  
13 which is that patent relates to a body of functionality,  
14 a standard, a cellphone standard, where there are  
15 thousands of other patents that also contribute to that  
16 value. So you can't give each owner of one patent 5% of  
17 the value by definition. So this percentage of IPR  
18 methodology is one way that the industry has looked to  
19 to say here's how we're going to take care of that  
20 problem.

21 THE COURT: And what cases do you know of in  
22 which that has been done?

23 MR. POWERS: Well, cases as in law cases or  
24 cases as in licenses?

25 THE COURT: Law.

1 MR. POWERS: As Your Honor noted on Thursday,  
2 we are in fairly novel uncharted territory on this  
3 question with regard to setting a FRAND rate. I'm not  
4 aware of a case that has set a FRAND rate on any  
5 methodology. And I believe neither party has cited one  
6 to you. It is an important topic being discussed  
7 currently in many fora, including regulatory fora,  
8 including legislative fora, and judicial fora. And the  
9 fact that there is no case which has adopted a  
10 particular methodology obviously gives the Court less  
11 judicial guidance, but there is still economic and  
12 licensing guidance available to the Court to help with  
13 that exercise. And the concept that I just laid out of  
14 one methodology, a percentage of IP ownership, is  
15 conceptually I think fairly straightforward. It's not  
16 difficult to understand at all.

17 There are other ways of looking at the problem.  
18 For example, another way of looking at the problem is to  
19 step back and say let's look at the licensor's other  
20 patents or the licensee's, the putative licensee's other  
21 licenses for the same standard as a way of getting a  
22 sense for what other companies out there are either  
23 paying or charging for their standards-essential  
24 patents.

25 Now if you're looking at the licensor's licensing

1 history, you have the benefit that it's the same body of  
2 patents. So that variable stays constant. A variable  
3 that changes is they're licensing another party and that  
4 other party may have a different number of patents to  
5 give back in a cross-license or that a particular  
6 structure of that license might be different because of  
7 idiosyncrasies of that particular negotiation. So  
8 sorting through the impact of those idiosyncratic  
9 variances from the licensor's other patents is a  
10 complication, but a complication of the type that judges  
11 deal with often. The point being if one can decide from  
12 the licensor's own licensing history what the actual  
13 effective rate is that they get; not the original rate  
14 they asked for, but the actual rate they get in real  
15 life, if you can get to a point where you have a sense  
16 of that, that is also something that gives you a sense  
17 of what the actual FRAND rate should be.

18 So hypothetically, without revealing any  
19 confidential information in a crowded courtroom, if  
20 Motorola had licensed to eight other parties at rates  
21 which once analyzed properly ended up at a dollar a  
22 phone or less, that would be persuasive evidence that  
23 the rate that Apple seeks, about a dollar a phone or  
24 less, is an appropriate FRAND rate on two independent  
25 grounds. One, the reasonableness ground, and we believe

1 that the evidence will lead to this place, but I'm not,  
2 again, revealing actual confidential information. Both  
3 on the reasonableness ground because it's evidence of  
4 what that -- those patents are commanding in the real  
5 world as opposed to an initial demand, but also on the  
6 nondiscriminatory aspect of FRAND, which is the "n-d" of  
7 FRAND of course, because if others in the industry  
8 reasonably similarly-situated are paying only about a  
9 dollar a phone or less, than Apple should not be asked  
10 to pay \$12.35 a phone or currently over \$14 a phone,  
11 because not only would that be unreasonable, it would be  
12 discriminatory. So that's the second path. Our view is  
13 that each of these paths, when you examine the evidence,  
14 goes to the same place.

15 A third way of looking at it, and this is a way  
16 that we've looked at it which I believe is public, is  
17 that Motorola licensed a company called *Chi Mei*. Chi  
18 Mei makes the cellular module, the set of chips that  
19 performs the cellular functionality that relates to all  
20 their patents on cellular, and Apple bought that module  
21 from Chi Mei for the original iPhone and Apple paid Chi  
22 Mei a specific royalty rate designed for Motorola  
23 explicitly. Chi Mei said here is the amount you're  
24 going to pay to us on top of the cost of the module and  
25 that is the amount that we will pay to Motorola under

1 our license agreement for all of their patents, their  
2 standards-essential patents.

3 So Apple went out and specifically ensured that it  
4 was licensed to Motorola's patents and paid a fee. And  
5 Motorola accepted that fee for a very brief period of  
6 time before it figured out that it wanted to stop Apple,  
7 and then it purported to suspend that Chi Mei license  
8 because it wanted to come after Apple for more than the  
9 amount it was getting from Apple via Chi Mei. That  
10 amount was also less than a dollar a phone.

11 So when you analyze -- and then when you analyze  
12 the rates that Apple is paying to other licensors of  
13 their essential patents, now here you have a variable  
14 that those other licensors have different numbers of  
15 patents than does Motorola; in some cases, many many  
16 more declared essential patents, in some cases fewer.  
17 But again, if you do an analysis to try and determine  
18 from those other licenses which Apple has obtained for  
19 standards-essential patents for the same standard and  
20 decide from that what an effective rate, an equivalent  
21 rate for Motorola would be. So again, hypothetically  
22 without disclosing confidential business information,  
23 Apple may negotiate a rate with company X where it pays  
24 X amount per phone. But company X, say, has five times  
25 the number of essential patents that Motorola does.

1 Under this methodology, Motorola should not be able to  
2 command the same rate per phone of a company that has  
3 five times the number of essential patents Motorola has.  
4 So you do an analysis, which we've done, which says all  
5 right, we take these licenses that Apple got from our  
6 licensors and we make them equivalent, apples to apples,  
7 if you will, based on the number of patents Motorola has  
8 and that will produce a rate that's equivalent to these  
9 various licensors. Those rates are all below a dollar a  
10 phone.

11 So our view is that once you see the evidence, you  
12 will see that all roads lead to a number that is below a  
13 dollar a phone; whether it's Chi Mei, whether it's  
14 Motorola's other licenses to other companies properly  
15 analyzed, whether it's Apple's other licenses from other  
16 companies properly analyzed, all of those lead to a  
17 number that's below a dollar a phone. And that I think  
18 is the answer to how you would -- how once you hear the  
19 evidence --

20 THE COURT: I understand how that might lead me  
21 to a number for Apple, but how does that lead me to  
22 something that I could apply to Motorola?

23 MR. POWERS: As an example, if you chose a  
24 methodology which said I'm going to take the percentage  
25 of IPR ownership and apply it to the chip price that

1 performs the functionality, which is exactly what *Laser*  
2 *Dynamics* as a case instructs to be done in this context,  
3 that would take Apple's percentage of its essential  
4 patents, which is a known number, apply it to the price  
5 of the chip that Motorola puts in its phones, which is a  
6 known number, and multiply it. It would at that point  
7 be no more complicated than that if that's the method  
8 Your Honor chose.

9 THE COURT: But in terms of evaluating the  
10 patents that Motorola would be cross-licensing from  
11 Apple.

12 MR. POWERS: That's what I was referring to --

13 THE COURT: And nothing but the number of  
14 patents that are declared to be standards essential?

15 MR. POWERS: Exactly. Which is really --  
16 that's what that methodology is. It says you take that  
17 percentage and you apply it to the lowest saleable unit,  
18 as *Laser Dynamics* instructs. And those are both known  
19 numbers.

20 THE COURT: All right. Mr. Swedlow.

21 MR. SWEDLOW: Your Honor, we just heard about  
22 what was characterized as idiosyncratic variances in  
23 negotiations and all of the factors that Apple believes  
24 weigh in its favor to arrive at the same number we were  
25 at a week ago, which is less than a dollar, and if it's

1 less than a dollar and you would apply that to something  
2 not in the case, then Apple would say okay. Those  
3 idiosyncratic variances are exactly why there is not one  
4 methodology for valuing a patent portfolio, even if it's  
5 standards essential. You don't simply count -- the  
6 parties don't, all the negotiating parties, don't simply  
7 count the number of patents, because if you did, then  
8 all that would lead to is parties declaring as essential  
9 a higher number of patents without looking at what is  
10 claimed within the patented technology. It isn't --  
11 patent counting is something that can be done as is  
12 comparison of relevant cross-licenses which would,  
13 without revealing confidential information, they aren't  
14 a dollar. They're much, much more significant than a  
15 dollar when you look at what people have paid for  
16 Motorola's portfolio, which is what we're talking about  
17 here.

18 So we can't agree to a methodology for something  
19 that although Apple says we might know about it as a  
20 company, in this litigation when Apple was asked what is  
21 the monetary value of your portfolio, Apple's attorneys  
22 say "I'll instruct you not to answer to the extent doing  
23 so would reveal attorney/client communication." And  
24 then the witness said "the only way I know that is from  
25 talking to attorneys."

1           So although it may exist in the world that we know  
2 some of their patents, in this case there will be no  
3 evidence of what Apple's portfolio is, what it's worth,  
4 what the patents cover, because Apple -- Motorola was  
5 denied discovery of that.

6           So we can't agree in advance to determine a  
7 methodology for an asset that's not in this case in  
8 order to make Apple pay if you set a rate. I guess I  
9 should take one more step back. There is no rate set if  
10 we didn't breach. So if we're not in breach, there  
11 won't be a rate set. Part of determining whether we  
12 breached is to determine whether or not the requirement  
13 of reciprocal licensing or some aspect of that has been  
14 satisfied by Apple as well.

15           So turning to the question I thought we were going  
16 to address here today is can this Court proceed with a  
17 trial where the discretionary declaratory relief would  
18 actually do something, meaning it would resolve any  
19 dispute between the parties, and simply by counter  
20 proposing that if Motorola accepts a methodology for  
21 some patents that aren't in the case as applied to  
22 theirs, and we just heard a large part of Mr. Powers'  
23 opening statement, we don't agree on the methodology.  
24 We don't agree that the way you would prove the  
25 methodology to the Court is even the same.

1 We will bring in individuals who have negotiated  
2 these complicated licenses for 20 years and they'll  
3 explain to you what parties actually do when they're in  
4 negotiation and what are the actual terms, which we  
5 can't say in open court, of the license agreements that  
6 Motorola has entered into for these exact same patents.  
7 And that number of patents and quality of patents and  
8 what standard is being practiced, that always changes.  
9 So these contracts don't last forever. You would have  
10 to identify what term, now looking back and looking  
11 forward, would we apply to a particular license  
12 agreement that the Court would fashion. But unless the  
13 Court fashions the entire license agreement, there isn't  
14 an effective declaratory remedy that the Court would be  
15 giving to the parties because Apple has to pay on a  
16 license agreement. If Apple says we'll only agree if  
17 you accept the methodology that the Court puts in place  
18 and you don't have to decide the rest of the terms, then  
19 what happens? Where do we go after that? We don't get  
20 any money. So the specific performance of make Motorola  
21 take an amount of money and license us wasn't actually  
22 granted, and we're in the same spot that we were a week  
23 ago.

24 THE COURT: Because there are so many other  
25 issues that have to be decided, is that it?

1 MR. SWEDLOW: Yes. Because the rest of the  
2 license agreement would have to be established in order  
3 to actually make Apple pay. And Apple won't pay if it  
4 doesn't think a product needs to be paid upon, meaning  
5 maybe there's something about a particular model of the  
6 iPhone -- I know Apple will take this position -- that  
7 means Apple shouldn't have to pay or we haven't decided  
8 that -- this patent infringement concept of lowest  
9 saleable unit is a patent infringement concept -- case  
10 law. It's not how do you license a gigantic portfolio.

11 So if we were using that, we'd have to look at each  
12 patent. You can't use patent infringement law to  
13 determine how you would negotiate a fair reasonable and  
14 nondiscriminatory license unless you were using patent  
15 law completely.

16 So that methodology, you can't just adopt a  
17 methodology from some case law in another context and  
18 say that that will be the only way you could do it here.  
19 But in order to get to a declaratory relief, which is in  
20 your discretion, that means something. The entire  
21 agreement has to be established so that Apple will pay.  
22 Otherwise it will be back in some courtroom somewhere to  
23 make Apple pay, both from 2007 to today and then going  
24 forward.

25 MR. POWERS: May I respond briefly, Your Honor?

1 THE COURT: You may.

2 MR. POWERS: Motorola is beginning to sound  
3 like a party that just won't take yes for an answer.

4 THE COURT: Actually it struck me that it has  
5 some very good points.

6 MR. POWERS: Well, where we started is they  
7 wanted Apple to be bound by Your Honor's decision, and  
8 Apple originally said yes, but with caveats. And now  
9 Apple is saying all right, we'll remove most of those  
10 caveats as long as Motorola agrees to be bound because  
11 the Court's desire was to have a process that's  
12 effective in resolving the parties' disputes, and I  
13 think the proposal that we made is more effective. And  
14 Your Honor will be aware that we proposed two  
15 alternatives. One was that if Your Honor is going to  
16 set a methodology that determines what Apple has to pay,  
17 if Motorola agrees to be bound by that same methodology,  
18 we're done. Now Motorola is saying you have to fashion  
19 the entire license agreement down to choice of governing  
20 law terms and dispute resolution. That's a new argument  
21 as of this morning.

22 THE COURT: Well, there are two ways of looking  
23 at that: One is that Motorola is asking for an entire  
24 agreement to be fashioned. I'm not going to do that.  
25 The second is that the nature of a negotiation like this

1 and the nature of an agreement that's going to be  
2 reached is so complex and so detailed that it is not  
3 something that the Court can do or should do, and that  
4 we're back in this position where it would be simply an  
5 advisory opinion by the Court that oh, by the way, by  
6 the time you work out all of these other issues, the  
7 rate should be calculated in this manner.

8 MR. POWERS: I hear the point, but with respect  
9 to I think the gorilla in the room, the issue that needs  
10 to get resolved is the amount both sides pay. Governing  
11 law, those sorts of things, the other provisions are not  
12 holding up these agreements. What's holding up these  
13 agreements is exactly what we've asked you to decide,  
14 the amount that should be paid. And once that's set, I  
15 am -- can I guarantee it? Because I can't speak for  
16 both sides. But common sense tells us that's what  
17 drives this deal.

18 If Your Honor says for the entire  
19 standards-essential portfolio Apple has to pay "X" and  
20 Motorola has to pay according to "Y" formula, this deal  
21 will be done. We're not asking you to fashion --

22 THE COURT: There's another gorilla in the room  
23 and that is what would Apple's patents be worth.

24 MR. POWERS: That's the second half of what I  
25 just said. It --

1 THE COURT: But --

2 MR. POWERS: That Motorola has to pay for  
3 Apple's patents according to the formula and the formula  
4 would be the same formula. All we're saying is --

5 THE COURT: But I'm not sure from what you've  
6 described that I would be able to determine the value of  
7 Apple's patents -- you know, your idea is that this is a  
8 great way to do it. You just count the number of  
9 patents that are declared standards-essential and then  
10 you do a few calculations and you have the answer. I'm  
11 not sure that that is an appropriate way to do this.

12 MR. POWERS: I understand, Your Honor, and  
13 that's why we proposed the second alternative as a  
14 response to that concern. I mean the express reason for  
15 the second alternative was that if Motorola were  
16 unwilling to accept this methodology that you adopt for  
17 their patents to apply equally to Apple's patents, if  
18 they were unwilling to do that, either because they  
19 haven't had a chance to put in evidence that they would  
20 like to put in on that or if more to the point you are  
21 uncomfortable that you're not sure you can fashion a  
22 methodology in this case that should apply in your view  
23 to the Apple patents, if either of those were true,  
24 that's the explicit reason for the second alternative  
25 which says all right, let's solve both of those by

1 deferring this trial for a short period to allow the  
2 parties to put in exactly what that evidence is. And  
3 you'll have then one proceeding which addresses both at  
4 the same time.

5 The second alternative was put in exactly to  
6 address the concern that you're raising and exactly the  
7 concern that Motorola is raising. We put the first  
8 proposal in because it too has attractive features: The  
9 first attractive feature being we're all here and ready  
10 to start a trial; the second feature is one could easily  
11 see a path whereby whatever methodology you chose to  
12 apply to Motorola's patents could then be applied to  
13 Apple's. But we recognized in advance the concerns that  
14 Motorola has raised here. We recognized in advance the  
15 concerns that Your Honor has expressed, and for that  
16 reason set out what we think is a sensible way to  
17 address both of those concerns and to do what at least  
18 Motorola said it wants to do in the first paragraph of  
19 its November 4 brief to you which is have a process that  
20 resolves the parties' disputes and gets to an agreement.

21 And if in six months we could have a hearing before  
22 Your Honor which does that for both sets of patents,  
23 that would be, in my mind, the most efficient way of  
24 resolving the concerns that have been raised and doing  
25 what at least Motorola says it wants.

1 THE COURT: If we proceeded today and I let you  
2 try to prove that this percentage of IPR process would  
3 produce a FRAND rate --

4 MR. POWERS: Yes.

5 THE COURT: -- for anybody --

6 MR. POWERS: Yes.

7 THE COURT: -- Apple, Qualcomm, Samsung,  
8 whoever. And let's say that Motorola showed that you  
9 hadn't met your burden of proving that it did, where  
10 would we be?

11 MR. POWERS: Your Honor would have -- obviously  
12 you haven't heard the evidence yet. I've only briefly  
13 sketched out what that evidence could be.

14 THE COURT: This is a hypothetical. I'm not  
15 judging your evidence at this point. I'm just saying  
16 what would be -- where would we have gotten.

17 MR. POWERS: Understood. My point was that the  
18 evidence isn't limited. The evidence in this trial, if  
19 we started to, would not be limited to that percentage  
20 of IPR. It would be -- it would include the other  
21 information that I went through about ten minutes ago,  
22 which is an analysis of the parties' licenses, both  
23 Motorola's licenses under its patents and Apple's  
24 licenses of standards-essential patents from other  
25 parties on the same standard. So you would have

1 additional evidence from which to formulate a decision  
2 as to what the appropriate FRAND rate might be.

3 THE COURT: So you would identify each of the  
4 standards-essential patents owned by Motorola and Apple  
5 and give me a sense of what each patent covers? Is that  
6 what you're saying?

7 MR. POWERS: That's not at all what I'm saying.

8 THE COURT: Good.

9 MR. POWERS: No.

10 THE COURT: What are you saying?

11 MR. POWERS: None of the evidence really goes  
12 to that, put forth by either party. What I'm saying is  
13 there are multiple ways one could try to figure out what  
14 an appropriate FRAND rate is for a body, a corpus of  
15 patents that relates to a standard. In this case, the  
16 appropriate standard we're talking about is a cellphone  
17 standard, that little chip that provides that cellular  
18 functionality.

19 One way is Chi Mei. You could just decide  
20 theoretically that because Motorola gave a patent  
21 license on exactly the same patents we're talking about  
22 here, the entire body, so we don't need to analyze them  
23 one-by-one, it's the same group, on the same technology  
24 to the same products to the same party for a rate that  
25 was below a dollar a phone, you could say after hearing

1 all the evidence that's the rate for Motorola's patents.

2 THE COURT: But that doesn't help me decide  
3 what Apple's patents are worth.

4 MR. POWERS: I agree. That's why I was calling  
5 that out first as an exception. That is, in this case,  
6 fairly unique for purposes of FRAND and that's one of  
7 the reasons we suggested the second alternative.  
8 Because that is an argument Apple is making that when  
9 Motorola chose to license all of its standards-essential  
10 patents and licensed it at this module level for less  
11 than a dollar a phone and accepted Apple's payments for  
12 the iPhone, the same product, for the same patents and  
13 the same parties, that tells you what FRAND is. It's  
14 negotiated. It's done. It's real world. It's not two  
15 economists debating each other. It's a real world  
16 license.

17 Now that evidence is unique to Motorola because you  
18 rarely find same patent, same products, same parties, et  
19 cetera in a FRAND context. So that might mean if you  
20 chose that as a methodology, it would not be  
21 particularly useful for deciding what Apple's patents  
22 were worth. But you will also hear evidence about all  
23 of Motorola's licenses to other parties on the same  
24 Motorola patents, on the same standard, and Apple's  
25 licenses from other parties on the same standard but

1 with a different set of patents; in other words, those  
2 companies' patents. There is obviously some work to be  
3 done to try to get to an apples-to-apples comparison.  
4 That's why economists and accountants and damage experts  
5 do what they do, is to look at the consideration flowing  
6 back and forth in those license agreements and say here  
7 is the effective rate.

8 I'll give you an example. Without doing any  
9 details, several of Motorola's licensing agreements use  
10 a lump sum approach. So it doesn't just say here's a  
11 percent per phone or a percent per module or whatever,  
12 it says pay us "X." And then if you sell two phones,  
13 you still pay us "X." If you sell a billion phones, you  
14 still pay us "X." The effective rate per phone  
15 obviously is different whether they sell two phones or a  
16 billion phones.

17 So one of the things you have to do is an analysis  
18 that says how many phones have they sold and then how  
19 many phones, even assuming no growth, are they likely to  
20 sell. You take that total number of phones, divide it  
21 by the lump sum, and then you can come up with an actual  
22 amount per unit. That amount per unit in many, many  
23 instances comes out below a dollar a phone.

24 And so that's one way of saying that's an amount  
25 which the parties have -- which the world has started to

1 say is a FRAND rate. Because if you look at agreement  
2 after agreement after agreement and you see a trend, a  
3 pattern, a consistent valuation, even though those  
4 agreements may be structured differently, but at the end  
5 of the day if you see a consistent valuation, that's one  
6 way Your Honor could come to a FRAND methodology which  
7 could apply to Apple's patents or Motorola's patents.

8 THE COURT: Mr. Swedlow, any comments?

9 MR. SWEDLOW: Yes. You've heard a lot of  
10 discussion about alternative methodologies and  
11 information you could consider that are -- some are  
12 unique to the Motorola circumstance, some are not, and  
13 all of which you could consider. Motorola cannot agree  
14 that based on the unique and not unique circumstances of  
15 this case that whatever methodology you would determine  
16 would apply to Apple's portfolio because we don't have  
17 any evidence of the unique circumstances relating to the  
18 Apple portfolio or how Apple has licensed it or how --  
19 we don't know any of that. You won't be able to know  
20 any of that. We can't agree in advance in one trial  
21 where that's not at issue to have that apply to the next  
22 trial.

23 The problem with each of the ways you could compare  
24 a license that have been described to you is that you  
25 have to look at that circumstance. So if Motorola has a

1 lump sum payment license with a company, they enter it  
2 on -- let's say they enter it on the first day of 2010.  
3 Neither party knows how many phones they're going to  
4 sell for the next five years, because if you knew that,  
5 then business would be a lot easier and you could just  
6 trade stocks rather than do anything else for a living.  
7 So both parties have to project or guess. So that lump  
8 sum was based upon what Motorola thought the other  
9 company would sell and it would sell itself, and the  
10 other company had thoughts about what Motorola would  
11 sell and it would sell itself because these net  
12 payments, when you cross-license -- so if -- I'll just  
13 say company "X" so I don't isolate any company. Company  
14 "X" who sells phones and Motorola who sells phones.  
15 Motorola may have thought that it would be the market  
16 leader and sell 40% of the phones and have 75 billion  
17 dollars a year in revenue. The other company may not  
18 have believed the same thing or thought it might sell  
19 more or less, and you only pay on the cross-revenue with  
20 respect to the value of each license.

21 So a prediction has to be made. What Apple is  
22 saying is that you would go back and you would -- you  
23 would go back in time and say what both parties  
24 predicted. Let's assume they were both right and they  
25 knew exactly what both parties were going to do in terms

1 of sales. Then we'll figure out what was actually paid.  
2 But that's not what happened when the agreement was  
3 entered into. Both parties used the lump sum or some  
4 other contract mechanism because they had to enter into  
5 a contract that was going to apply for a period of years  
6 without knowing what was going to happen during those  
7 period of years, including new patents become declared  
8 essential, companies that participate in the standards  
9 participate in the standards and increase their  
10 contribution so even the portfolios change over time.  
11 And without knowing the other asset that we're valuing,  
12 we will not agree to a methodology that would apply to  
13 that asset.

14 It's like saying there's a beautiful orb on the  
15 table, but we're not going to look at it. We're going  
16 to try to value it by looking at other stuff. But  
17 whatever we decide over there is going to apply to this  
18 thing that we won't have any evidence about.

19 I'd like to communicate to you why there's a very  
20 low chance that the Chi Mei module agreement is going to  
21 apply as a surrogate for Motorola's FRAND rate, but  
22 those terms are confidential. It's a bilateral  
23 agreement where we can't reveal it without Chi Mei's  
24 written agreement. I do believe that Apple knows that  
25 term, but they shouldn't, meaning Apple the company,

1 because it was confidential.

2 Apple is saying that agreement should be -- one  
3 part of the agreement, which is the wrong part, should  
4 be the surrogate. It's not the right part of the  
5 agreement. But I can't tell you the terms unless we  
6 clear the courtroom because we owe that right to Chi Mei  
7 and we have that right ourselves. I don't think Apple,  
8 the company, should have known that contract at the time  
9 or today.

10 THE COURT: Apple, is it clear that you aren't  
11 interested in going into this unless you have some sort  
12 of determination of what your patents are worth?

13 MR. POWERS: I would say the following: We are  
14 prepared to go forward starting today under the original  
15 conception that we proposed, which is that Your Honor  
16 will declare a breach of FRAND; declare a breach of  
17 their nondisclosure agreement; declare whatever you  
18 decide appropriate after you've heard the evidence,  
19 because obviously you haven't heard the evidence yet,  
20 and that might include specific performance, it may  
21 include merely a declaration of what the FRAND rate  
22 ought to be, it might be whatever you decide is  
23 appropriate after hearing the evidence. That's option  
24 one.

25 THE COURT: In that case, you would not agree

1 to be bound.

2 MR. POWERS: Correct.

3 THE COURT: So we're back to --

4 MR. POWERS: That's option one.

5 THE COURT: We're back to Friday.

6 MR. POWERS: Option one would be back to

7 Friday.

8 THE COURT: All right.

9 MR. POWERS: And we believe for the reasons we  
10 expressed on Thursday, that that's entirely appropriate.  
11 The point -- if I may just slightly on that point, there  
12 is a completed contract that we're trying to accomplish.  
13 The point is not that we're trying to do half of a  
14 contract between Motorola and Apple, we're trying to  
15 complete the contract between Motorola and its  
16 standards-essential bodies. That's the contract we're  
17 asking for specific performance of. And Motorola has  
18 repeatedly tried to shift it as if we're trying to put  
19 in half of an agreement between Apple and Motorola that  
20 gives us the option. That's not what this case is about  
21 or ever has been. The contract which was breached was a  
22 contract between Motorola and the standard-setting  
23 bodies. Motorola has already received the consideration  
24 from those standard-setting bodies. Motorola's patented  
25 technologies are included in the standards at Motorola's

1 request.

2       The *quid pro quo* is that once Motorola has already  
3 received that consideration -- and that's considerable  
4 consideration because that's what allows Motorola then  
5 to go out and say pay us license fees. So Motorola has  
6 already gotten its half of the bargain. What we're  
7 saying is complete that bargain. Make Motorola do what  
8 it said it would do in exchange for that consideration,  
9 which is offer a FRAND license. So it's not advisory,  
10 it's not inchoate, it's not a gotcha, it's completing an  
11 agreement which Motorola has already received its  
12 consideration from. That's what we're asking specific  
13 performance for.

14       It's similar to an options contract where if I pay  
15 Mr. Swedlow \$50 for the option of buying something later  
16 and then he refuses to give me the option to buy it,  
17 he's already gotten my \$50 and he has -- the  
18 consideration for that is he has to give me the option  
19 to buy the piece of property.

20               THE COURT: But that's a very specific thing.

21               MR. POWERS: So is this. It's more complicated  
22 to compute, but that's the Court's job. That's what we  
23 do in patent damages analysis every day is decide what  
24 patents are worth.

25               THE COURT: But he doesn't get to come back to

1 you and say well, you know, that's the price. But I  
2 don't think I'll be bound by that.

3 MR. POWERS: The fact that it's more  
4 complicated is different. What we're saying is that in  
5 the options contract, Mr. Swedlow has to give me the  
6 option. That's what I paid my \$50 for. The option  
7 contract doesn't require me to buy it.

8 Now in most cases there you would, and in many  
9 cases here we would. If you do it at a dollar a phone  
10 or in that zip code, I can, without having the authority  
11 to bind Apple in any way, common sense tells you what in  
12 fact would happen.

13 THE COURT: But you could bargain it down a  
14 little more.

15 MR. POWERS: If you say that the FRAND rate is  
16 a dollar, I doubt we'll be able to bargain it down below  
17 that as a FRAND rate for Motorola's patents. That will  
18 govern that agreement. That was my point on Thursday,  
19 which is what's held up this negotiation for three years  
20 is Motorola's insistence on rates that are not FRAND.

21 THE COURT: This is like getting me to be  
22 deciding whether the option that Mr. Swedlow may sell  
23 you should -- he should sell it for \$20 or \$22 or \$23,  
24 that you're going to bargain it away. This is what  
25 really bothers me is that you want me to give you a

1 bargaining chip. You've got this great rate maybe. I  
2 mean if it's below a dollar, I assume from everything  
3 you've said you would consider that a great rate. So  
4 then you can bargain all the other things that are part  
5 of this final agreement for a license and you've got the  
6 power because you've got the bargaining chip that the  
7 Court gave you. And that just -- I just have a lot of  
8 trouble accepting that as something that courts should  
9 be involved in doing.

10 MR. POWERS: I hear you and I understand, I  
11 think well, the Court's concern. But another way of  
12 looking at it, which I think is at least equally valid,  
13 is that the Court is merely forcing Motorola to do what  
14 its commitment to the standards body said it would do.  
15 Let me just say hypothetically, let's say -- let's take  
16 out the negotiation of the uncertainty. Let's assume  
17 that the standard-setting body said a FRAND rate is \$1 a  
18 phone. You have to make that offer. Everything else is  
19 the same. Motorola comes to us and says we want \$12 a  
20 phone, and we say that's not a FRAND offer. And they  
21 say well, we think that's what we're worth. And we come  
22 to you and say -- and that's holding up the negotiations  
23 and we have -- we're unable to negotiate based on that.  
24 And we come to you and say please make them do what  
25 their contract ordered them to do.

1 Here the contract is clear. It must be \$1 a phone.  
2 At that point, if Your Honor ordered them to make that  
3 agreement, yes, you would be influencing that  
4 negotiation. Yes, you would be doing -- having all the  
5 same effects. The only difference is the discomfort you  
6 have in setting the dollar. And that's based on  
7 evidence you haven't heard. Once you hear the evidence,  
8 obviously Motorola disagrees. You might disagree. Our  
9 view is all roads lead to a dollar or less, and when you  
10 analyze that evidence, that's where the evidence will  
11 be.

12 I think that hypothetical addresses the concern  
13 that Your Honor is making because if you strip out the  
14 perceived difficulty in getting to the number, which is  
15 based on not having heard the evidence yet, if you strip  
16 that away, I don't think Your Honor would have the same  
17 discomfort ordering them to offer a dollar because it's  
18 exactly what they said they would do. It's merely  
19 completing the contract. And in that case, yes, that  
20 would give us finally an ability to negotiate a sensible  
21 agreement because we would have "the power" to negotiate  
22 from the point of them only being able to charge a  
23 dollar. But that hypothetical really isn't any  
24 different at all from the set of facts we have here  
25 other than there's nothing that says in advance it's a

1 dollar.

2 But that level of complication --

3 THE COURT: But that would be something that  
4 Motorola would have known when it went into that  
5 contract with ETSI or IEEE.

6 MR. POWERS: Motorola knew that it was getting  
7 less than a dollar from us through Chi Mei. It knew  
8 that when they came and demanded \$12.35. The timing is  
9 square.

10 THE COURT: But they're a third party -- you  
11 are a third-party beneficiary of this contract between  
12 ETSI and Motorola.

13 MR. POWERS: True.

14 THE COURT: Motorola and ETSI did not agree on  
15 a 93 cent, 97 cent, 98 cent, one dollar --

16 MR. POWERS: True.

17 THE COURT: -- rate. So coming in to enforce  
18 that contract price is a lot different from asking --  
19 and I don't think that determining a rate is all that  
20 difficult. I mean it will take some time, and you  
21 certainly might not agree with what I determined, but I  
22 don't think it's -- I don't think it's very difficult.  
23 I just wonder, as you can tell from this whole  
24 discussion, whether that is something that a court  
25 should be doing in this situation.

1 MR. SWEDLOW: Your Honor --

2 MR. POWERS: And in our view, Your Honor, in  
3 our view there's no other, as Judge Robart in Washington  
4 observed, there's no other place to get it resolved.  
5 ETSI didn't say what the FRAND rate should be.  
6 Obviously a licensor can't decide it unilaterally.  
7 That's apparent, I think, to everyone. And if you have  
8 a licensor, a putative licensor who says -- who uses a  
9 demand for putative competitive purposes, which is what  
10 we think is happening here -- I mean the whole purpose  
11 of a standard-setting body is that anyone who wants to  
12 produce a cellphone can, and what Motorola is doing, in  
13 our view, is adopting a deliberately unreasonable  
14 licensing approach, as to Apple, because it is uniquely  
15 concerned about Apple's competition in the smartphone  
16 space and it would rather try to keep an injunctive  
17 threat from its patents as a way of trying to compete  
18 with Apple in exactly the way the standard-setting body  
19 is designed to preclude. That's exactly what the  
20 standard-setting body was trying to prevent. Everybody  
21 gets to produce a cellphone. That's the whole point of  
22 it. But if you have one party that has a lot of patents  
23 that unilaterally says all right, we're willing to do a  
24 deal with all of these other competitors because we've  
25 been able to compete effectively with them, but all of a

1 sudden our lunch is getting eaten by Apple and we can't  
2 compete. So instead of licensing Apple on terms that  
3 are as reasonable as what we've done with others, we're  
4 not going to license Apple. We're not going to change  
5 our terms the way we did with everybody else. We're not  
6 going to discount heavily the way we did with everybody  
7 else. We're going to stand on our -- basically our  
8 original number, and at that point we know a deal won't  
9 get done and then we're going to use our patents.  
10 That's exactly what the standards bodies are designed to  
11 prevent. And nobody, nobody can stop that other than a  
12 court.

13 This claim is brought before you. You acknowledge  
14 it's a contract. You've held it's a contract to which  
15 we're a third-party beneficiary. All that's left is to  
16 say make them perform the second half of that contract.  
17 And all that's left from that is the evaluation of what  
18 their FRAND rate is, which as Your Honor said, takes  
19 time and effort, but is doable. That is all we're  
20 asking. That is option one.

21 At this point, this was sort of a long-winded  
22 answer to Your Honor's question which is at this point  
23 where are we and the answer is there's three options in  
24 our mind. That was option one. We believe that option  
25 is still right. You have the power to order specific

1 performance of them. You have the power to do that  
2 because it's completing the contract, not just advisory.  
3 But option two is the first option that we discussed at  
4 some length this morning where we continue to have the  
5 trial, but both sides agree to be bound by the  
6 methodology you choose because it ought to be equal  
7 playing fields.

8 The third approach, which I haven't heard Motorola  
9 respond to, is the one where we said all right, defer  
10 the trial for a short period. Let Motorola provide the  
11 evidence it's now said three or four times it wants to  
12 provide about Apple's patents, whatever that is, and  
13 have one proceeding in front of Your Honor where you  
14 have both sides of the equation and you decide what  
15 FRAND rate Apple should pay Motorola, what FRAND rate  
16 Motorola should pay Apple, and both are bound by that.

17 So I think we've responded to Your Honor's concerns  
18 about having a procedure that's effective. We've  
19 proposed three. We've heard no response from Motorola  
20 really as to the third, which seems to address each  
21 concern it raises. On any of those three we're prepared  
22 to go forward because the first -- and one of the points  
23 that Your Honor made as to the first proposal, which was  
24 the original one, is that it doesn't accomplish  
25 everything. And that's true. But the fact that a

1 decision in a case doesn't accomplish everything doesn't  
2 mean that it accomplishes nothing.

3 By setting the FRAND rate that Apple should pay to  
4 Motorola for its patents would break the logjam. Apple  
5 has been very transparent, by the way, to Motorola. We  
6 have sent Motorola a letter saying here is how we would  
7 compute FRAND for our patents to you. We're willing to  
8 live by the same standard back and forth. Here is the  
9 standard that everybody ought to adopt. We have been  
10 very transparent and upfront about that. So the idea  
11 that they have no idea what ours is worth, we sent that  
12 to them long ago.

13 So all of that is available. Any of those three  
14 options in our view is appropriate jurisdictionally. It  
15 solves varying degrees of the problem, and each one has  
16 different strengths and weaknesses. So the shorter  
17 answer to Your Honor's question is we believe all three  
18 of those options are viable. We believe the third  
19 addresses everybody's concern, and we've not yet heard a  
20 response to that.

21 The second, we believe, addresses clearly Your  
22 Honor's concern about whether you're doing something  
23 that's effective. It will be effective. Both sides  
24 will agree to be bound by it. If Motorola does not  
25 agree to be bound, then obviously we can't force them to

1 be bound, but I think it starts to make clear what their  
2 real motivations are. They want it one way.

3 THE COURT: Thank you.

4 MR. SWEDLOW: Can I briefly respond?

5 THE COURT: Um-hmm.

6 MR. SWEDLOW: The problem -- let me start with  
7 the third and come up to the first. Like we have said,  
8 Motorola is interested in resolving this dispute  
9 completely. If that would be in the form of binding  
10 arbitration with a mutually selected arbitrator or panel  
11 of arbitrators who have licensing experience that may be  
12 relevant to that and both portfolios are placed at issue  
13 and that arbitration leads to a cross-license with both  
14 parties being bound to either pay or collect and the  
15 geography is defined and all the terms are in there so  
16 that somebody will pay somebody, we would love that.

17 The problem is where we are now before you on this  
18 breach of contract claim is not the hypothetical where  
19 ETSI said it's a dollar. Because if ETSI said --  
20 obviously Apple would accept a dollar because it's  
21 ridiculously low. But let's say they said it was \$10 or  
22 let's say they said it was 2.25% in value or whatever  
23 ETSI had said to set a rate, you know from your orders  
24 that ETSI has said that is a -- the rate is a commercial  
25 term to be negotiated between the parties and we're not

1 setting any rates. That's what the ETSI entity as a  
2 party to this contract has said.

3 If the rate was \$10 and that was our contract with  
4 ETSI, we get \$10, and Apple came into this court and  
5 sued you to get specific performance for \$10, then they  
6 would have to pay when they win the case. They'd have  
7 to give us \$10. And Apple doesn't want to be bound to  
8 pay unless we agree to something else or the rate is a  
9 dollar, and then of course they would pay because that's  
10 so low they'd be a fool not to pay.

11 So option one is where we were on Friday -- it  
12 seems like a long time ago -- but where we were on  
13 Friday where if Apple won't agree to pay, then specific  
14 performance isn't a discretionary remedy that leads to a  
15 resolution.

16 Option two. We don't have -- we can't and won't  
17 agree to a methodology without Apple's patents being  
18 part of the process for deciding that methodology. You  
19 heard a lot about a lot of different kinds of  
20 methodologies that could be used to both value and pay  
21 on the portfolio: Lump sum; patent counting; looking at  
22 the actual technology; looking at comparable licenses  
23 for Motorola's portfolios; looking at licenses that two  
24 parties have with each other that somehow relate to  
25 Motorola's portfolio. If the methodologies consider

1 everything you could possibly consider, we'll agree to  
2 that. But that's not a methodology, that's just  
3 deciding what a portfolio is worth.

4 So if what we're really talking about is option  
5 three, then we would agree to -- this Court on the  
6 current complaint doesn't have before it the right  
7 posture to set a cross-license for patents that aren't  
8 at issue and patents that are only at issue in a breach  
9 of contract context. But we would be willing to go  
10 somewhere and have it be binding that all of Motorola's  
11 standards-essential patents and all of Apple's  
12 standards-essential patents would be cross-licensed and  
13 a net payment would be determined. We would love that.

14 THE COURT: When you say you would be willing  
15 to go somewhere, what are you talking about? Going to  
16 binding arbitration or trying this case in six months?

17 MR. SWEDLOW: Either. You don't have that case  
18 before you so we have to construct something that  
19 becomes that case and putting it before you.

20 THE COURT: And that's definitely a problem in  
21 my mind. Apple had -- has had 20 months to construct a  
22 case and here we are gathered for trial and it's trying  
23 to expand that case.

24 MR. SWEDLOW: The complaint you have now is a  
25 breach of contract claim, and if we didn't breach that

1 contract, then there's no breach and there wouldn't have  
2 to be a remedy of specific performance with a  
3 cross-license and all the other stuff. So the current  
4 complaint that you have is not the right complaint to do  
5 that. The question would be if we're going to do that  
6 in binding arbitration, which we would agree to, or  
7 before Your Honor, we have to place what it is, option  
8 three is that Apple has described before you. There  
9 were three conditions with respect to that which we can  
10 address. I think we can probably figure out how to  
11 solve those conditions so we could agree, but that's not  
12 -- that's not this case. That would be a different case  
13 that you could resolve.

14 THE COURT: That's exactly --

15 MR. POWERS: May I respond briefly, Your Honor?

16 THE COURT: Um-hmm.

17 MR. POWERS: It sounds as if we've finally  
18 gotten Motorola to agree it would agree to option three.  
19 And then the only question --

20 THE COURT: But not necessarily in this case.

21 MR. POWERS: Well, that's what I was just about  
22 to address. I think that's the simplest thing we have  
23 before us. That would just involve a motion to amend by  
24 both sides the claims before you slightly to add that  
25 half of the equation to it. That mechanically is quite

1 simple.

2 THE COURT: And what about the proposal for  
3 binding arbitration?

4 MR. POWERS: That hasn't been raised before, at  
5 least with me. We'd obviously have to talk about it.  
6 Our suggestion is that we follow option three, if that  
7 is, in fact, the option that Motorola will agree to and  
8 if Your Honor would agree to it. As I say, mechanically  
9 that's a simple amendment to the complaint and  
10 counterclaim.

11 THE COURT: Well, it is, but I have some real  
12 reluctance to let you amend a complaint at this point.  
13 You've had a chance to make a case on the claims that  
14 you raised and that you amended and I don't think that  
15 you've made that case.

16 MR. POWERS: Well, with respect, Your Honor, I  
17 believe we've made the case in spades with regard to  
18 whether there's a breach, and I think the dispute that  
19 came up on Thursday -- Wednesday was what scope of  
20 relief would be permitted, and that was an issue raised  
21 for the very first time by Motorola at that time.

22 THE COURT: I assume you mean that you have --  
23 you have at least alleged a case for breach of contract.

24 MR. POWERS: Certainly.

25 THE COURT: You certainly haven't made the

1 case; right?

2 MR. POWERS: We've stated what the case would  
3 be in the trial brief, for example. We've obviously not  
4 put in any evidence. Of course you're correct. But I  
5 believe the case as laid out in the trial brief and in  
6 the expert reports and as has been prepared and ready  
7 for trial, would, when you heard the evidence, make the  
8 case in spades. And what's been debated for the last  
9 three days is not that, but what scope of relief  
10 ultimately should be given. And where all this arose  
11 was not a last minute request from Apple, but a last  
12 minute change from Motorola where it was asking for  
13 affirmative relief that it had not pled. It was asking  
14 that on a claim where Apple was saying make specific  
15 performance to order them to make an offer, which was  
16 completing their contract with ETSI, Motorola then asked  
17 for an order from the Court affirmatively ordering Apple  
18 to accept that order, which is outside the pleadings and  
19 outside the contract.

20 THE COURT: And I explained why I didn't think  
21 that that -- as I now understand the request, that that  
22 was something that a court should do. And I'm thinking  
23 about that a lot, and perhaps thinking about it in the  
24 sense that I could say yes, this offer was within FRAND  
25 terms; no, it wasn't, and just leave it at that. But

1 what offer would I be considering? There's the initial  
2 offer in two thousand whenever that Motorola refused to  
3 accept. But if there's ongoing negotiation and there  
4 are offers made along the way, that would be within  
5 FRAND terms.

6 MR. POWERS: Those are all things that Your  
7 Honor would have to consider, but --

8 THE COURT: So you're not -- all right.

9 MR. POWERS: If I may.

10 THE COURT: Yes.

11 MR. POWERS: From our point of view where we  
12 are is as follows: The debate hasn't been on whether  
13 there's a breach -- there would be a debate at trial of  
14 course. But as to the debate in the last three days has  
15 been the extent of remedy Your Honor would order if a  
16 breach were found. In our view, undeniably if a breach  
17 were found, we would be entitled to a declaration that  
18 there's breach, and a finding that there's breach.

19 Now whether Your Honor would order specific  
20 performance, that goes into the issues we've been  
21 debating back and forth. Our view is you can order  
22 specific performance of an option contract without that  
23 affirmatively requiring that person to take it because  
24 that's not part of the contract. And that's not  
25 advisory, that is completing the circle of the agreement

1 that the option contract created. That is exactly  
2 what's happening here.

3 But in our view, the issue isn't whether Apple has  
4 changed the claim, the claim is the same. We're asking  
5 for this relief we're asking for. There's been a debate  
6 about whether the ultimate relief that we've asked for  
7 would be given by Your Honor. In our view, you really  
8 can't decide that until you've heard the evidence. But  
9 at a minimum --

10 THE COURT: You're saying the ultimate relief  
11 would be a declaration that the rate offered by Motorola  
12 was outside the bounds.

13 MR. POWERS: The ultimate relief would either  
14 be specific performance of an offer at a rate that you  
15 decided was FRAND or a declaration that the rate would  
16 be FRAND. Lesser-included relief would be a declaration  
17 that their -- a finding of breach because their rate  
18 wasn't FRAND or a finding, a declaration that their rate  
19 wasn't FRAND. Those are all lesser-included findings  
20 that would be appropriate from a finding of breach.

21 All this other -- we talking about the  
22 nondisclosure portion, which is entirely separate from  
23 this and a separate claim which also should be tried.

24 THE COURT: No, that will not be tried. I will  
25 not change my mind from the Friday order.

1 MR. POWERS: Then let's stay with the FRAND  
2 point.

3 THE COURT: All right.

4 MR. POWERS: On the FRAND point, with respect,  
5 I don't think it's fair to say that Apple hasn't made  
6 its case. We haven't had a chance yet to make our case.  
7 But we will establish breach, and we should, under  
8 normal rules of procedure, be entitled to findings  
9 resulting from that. Whether we're entitled to all of  
10 the relief we seek or only some of it is something that  
11 you can and presumably would decide after you've heard  
12 all the evidence and decided what relief is appropriate.  
13 But the fact that that relief would not accomplish  
14 everything the Court may wish to try to accomplish  
15 doesn't mean that that relief is inappropriate. That's  
16 our view as to where we are here.

17 Now, we're long past that at some level because  
18 Your Honor's order has invited a broader discussion, and  
19 our proposal made some -- yesterday at noon was an  
20 attempt to respond both to the broader discussion that  
21 Your Honor raised about trying to solve the whole  
22 problem and to some of the concerns that Motorola had  
23 raised. And what I'm now hearing is that Motorola would  
24 agree to option three, which does address completely, I  
25 think, the issues that Your Honor raised about whether

1 you would be doing something useful. This would even be  
2 more useful than what had been proposed and it solves  
3 Motorola's concerns, as Motorola has agreed, to allow it  
4 to put in the record about Apple's patents and for Your  
5 Honor to hear a balanced even side from both sides. And  
6 if all it requires is a simple amendment to the  
7 pleadings and we move on and schedule a trial on your  
8 court's calendar at an appropriate time, that seems like  
9 the appropriate resolution of everyone's concerns.

10 THE COURT: And what is your response to the  
11 offer to enter binding arbitration that Motorola has  
12 just made?

13 MR. POWERS: I would need to discuss it with my  
14 client and consider it.

15 MR. SWEDLOW: Your Honor --

16 THE COURT: I would ask that -- then we'll take  
17 a break.

18 MR. SWEDLOW: The problem with simple amendment  
19 to the complaint is we didn't breach. And so when you  
20 find there is no breach, then we can't get paid because  
21 this complaint doesn't have a mechanism where when we're  
22 not in breach, Apple still has to pay. So it's not that  
23 you have or don't have jurisdiction. We have to give  
24 you a new case, just like we would be giving to an  
25 arbitrator and say even if 2.25% in net value, which is

1 what Motorola actually gets, is what we offered them and  
2 we gave them all of these other options which you will  
3 see, if we ever do a trial on this, we never breached.  
4 They never paid. We want to get paid now and they want  
5 to cross-license. We have to be found to have breached  
6 in order for you to say as a breach, I'm going to order  
7 specific performance and this is the number or rate or  
8 whatever term that I'm going to enforce against both  
9 parties.

10 But if we look back at what this complaint was,  
11 this was a complaint for a breach and damages, and Apple  
12 dropped its claim -- first changed and then dropped its  
13 claim for damages and sought nominal damages. But Judge  
14 Posner, I'm going to call it a *related case*, the other  
15 case related to some patents at issue here, said, and  
16 I'm quoting from our brief: "You can't go into federal  
17 court and say you had an contract with 'X' and 'X' broke  
18 it and you're really annoyed, even though you sustained  
19 no injury of any sort. So please give me a judgment for  
20 one dollar that I can pin on my wall."

21 You can't do that. And when they dropped their  
22 claim for damages, they aren't entitled under Article  
23 III or the practical means of this court to say you  
24 still can declare that they breached even if there's no  
25 remedy that actually resolves the dispute. They're

1 not -- Apple is not entitled to that once it drops its  
2 claim for damages. If Apple was seeking damages, then  
3 there would be some justiciable issue if we breached.  
4 But if we breached, and all you can do is say you  
5 breached, as you pointed out in your order, that doesn't  
6 resolve anything. That says we breached.

7 But if you set a rate, as if ETSI had set a rate,  
8 then that is the rate that has to be paid. That's the  
9 entire dispute, is your discretionary grant of  
10 declaratory relief should mean something or it's a  
11 useless thing because there are no damages at issue in  
12 the case other than nominal -- so if you insert \$20 for  
13 \$1, in this context, it's the same. Apple reduced its  
14 claim from damages to no damages. If all that's left is  
15 your discretionary relief and it doesn't mean anything,  
16 then there's nothing for the Court to do.

17 THE COURT: Would your argument apply if I set  
18 a rate -- if I said it was going to be \$3.10?

19 MR. SWEDLOW: Frankly, you'll see that that's  
20 too low also. Let's -- if you set a rate that we liked,  
21 we can't collect, because what's our mechanism to  
22 collect? If we breached and you set a rate, Apple is  
23 not going to pay it. So you just set a rate. That's  
24 all that happened. It doesn't do anything. Where do we  
25 go to get that money?

1 We have to go file 500 patent infringement patent  
2 lawsuits to collect on all 500 patents? Because in a  
3 patent infringement case, the current law is you can't  
4 collect on patents that aren't actually in the case. So  
5 we have to put all our patents into a case. Apple has  
6 said if you set a rate of, let's say, \$10, we're not  
7 going to pay. But if you set a rate at \$1, you still  
8 can't make us pay, but we'll voluntary pay. That's why  
9 we wound up here. Because Apple dropped its claim for  
10 damages. Any number you would select is an option, as  
11 they said, but that isn't -- in your discretion for  
12 declaratory relief giving Apple an option to take or  
13 leave a rate, even if it's \$1, they only said they would  
14 voluntary do it. They're not actually agreeing to be  
15 bound.

16 It isn't before you. So if we amend the complaint,  
17 it would have to be something totally new where the  
18 parties say Judge Crabb is going to be able to decide a  
19 rate, whether or not Apple -- whether or not Motorola  
20 breached, and we're going to show you all of Apple's  
21 patents and figure out what the net value of the two  
22 portfolios would be, and whatever number you determine  
23 and however we're supposed to pay it, whoever pays it  
24 has to pay it. That's not an amendment of the  
25 complaint. It's for sure something we would like to do

1 in binding arbitration or here, but it isn't the context  
2 of just changing the complaint so this complaint adds  
3 another claim.

4 THE COURT: Okay. We'll take 15 minutes.

5 (Recess 10:30-11:10 a.m.)

6 THE CLERK: This Honorable Court is again in  
7 session. Please be seated and come to order.

8 THE COURT: Now I've said several times that I  
9 really can't figure out any way that Apple has been  
10 injured that could be redressed by the request that  
11 Apple has made for relief in this case.

12 Mr. Powers, we've gone over this a lot, but just  
13 how would an order declaring that Motorola breached its  
14 contract with ETSI by its initial FRAND offer help you?  
15 What specific help would it give you other than a  
16 bargaining chip or an affirmative defense against  
17 infringement cases?

18 MR. POWERS: I guess I would have two answers,  
19 Your Honor. First is that it would be appropriate  
20 relief for the claim that's been brought. And I would  
21 reiterate --

22 THE COURT: What's the injury and what would be  
23 the redress?

24 MR. POWERS: Well, okay. Injury is a separate  
25 question. The injury that we've suffered is that we've

1 been subjected to litigations all over the world and  
2 threats of additional litigations all over the world  
3 that we should not have been subjected to, if, in fact,  
4 they had made a FRAND offer back in 2007 or 2010. And  
5 if we had accepted that offer, we would have been  
6 licensed. All of those litigations and all of those  
7 threats of litigations would not have occurred. The  
8 fact that we have decided not to seek damages for that  
9 does not mean that we haven't been injured. So those,  
10 you obviously have to keep those as separate categories.

11 And the injuries I think have been clear. We've  
12 been subjected to litigation and threats of litigation  
13 that are improper. They are improper because a party to  
14 a standard-setting body agrees to make an offer that is  
15 FRAND so that anyone practicing the standard can  
16 practice without fear of litigation or exclusion. That  
17 is the whole purpose of a standard-setting body. And if  
18 we're right about breach, then in our view your  
19 declaration of what is FRAND, if that's the only relief  
20 you grant -- obviously if you order a specific  
21 performance or if you go further as the way we've asked,  
22 your relief is then more effective. But if all that you  
23 do is to declare that their breach was FRAND and if you  
24 don't declare what FRAND is, then that is obviously less  
25 effective than declaring what FRAND is. But the measure

1 of whether a case should go forward, in our view, isn't  
2 determined in how effective that relief is in resolving  
3 various geopolitical disputes. If you want to be  
4 completely effective, you adopt option two or three.  
5 The relief we've sought is, as we explained on Thursday,  
6 effective in the sense that it will change -- it will  
7 preclude Motorola from being able to do what it has done  
8 to date which has precluded, in our view, an agreement.

9 Now Your Honor asked me on Thursday whether I could  
10 guarantee that an agreement would result should you  
11 grant us the relief we've sought, and obviously I can't.  
12 But that doesn't mean that the relief you would be  
13 granting would be ineffective. It merely means it's  
14 uncertain as to that particular forward course.

15 But the idea that -- and Motorola has attempted to  
16 position this that the Court is merely being used as a  
17 pawn in a negotiation strategy. That's not it at all.  
18 What's happening is we are asking the Court's assistance  
19 to have the negotiation proceed according to rules that  
20 ETSI set. That's all.

21 THE COURT: And how does the inability to get  
22 the offer injure you in any real way if you're not  
23 prepared to accept it?

24 MR. POWERS: We have not said we're not  
25 prepared to accept it. We've said that we are prepared

1 to accept many offers. We just aren't going to write a  
2 blank check for an unknown offer. And ETSI rules don't  
3 require that.

4 So in terms of the specific relief sought by the  
5 specific claims in the case, which merely asks the Court  
6 to complete the ETSI contract, not to complete a  
7 contract between Apple and Motorola that is a license  
8 agreement, that's not the agreement that's being  
9 breached here yet. We're asking you to complete the  
10 contract between ETSI and Motorola under which, as I  
11 said earlier, Motorola has already received its  
12 consideration and yet has failed to live up to its half  
13 of the bargain which is making the offer. That's all we  
14 want. And if they make that offer, and if that offer is  
15 in the range that we said we think it would be, we've  
16 told the Court we'll accept it.

17 What we can't do is do a blank check for accepting  
18 the result of a methodology here that might produce a  
19 number that we think is wrong unless that same  
20 methodology, and that was option two that we proposed,  
21 is applied bilaterally. And that again, I think,  
22 addresses both your concern and Motorola's concern.  
23 Motorola is not willing to do that.

24 If the same methodology is applied to both sides,  
25 then I've said we're willing to accept that in a binding

1 way.

2 THE COURT: If I were to just decide whether  
3 Motorola had breached its contract with ETSI, that would  
4 mean that I would be deciding first of all was the  
5 initial offer within the FRAND guidelines as an initial  
6 offer. And then if I decide that it was, then I'd have  
7 to look at what else happened. It's pretty hard to say  
8 that any one offer would have to comply with FRAND  
9 guidelines if there's an ongoing negotiating posture.

10 MR. POWERS: Our view on that, Your Honor, is  
11 that the decision on FRAND, as we said before on  
12 Thursday and elsewhere, the decision on FRAND is not  
13 driven by whether their initial offer was or was not  
14 FRAND. We don't think it was. But that's not what  
15 decides the question of breach.

16 And we think that Your Honor put it well in your  
17 motion in limine ruling where you said the question at  
18 that point is really whether -- what the state of  
19 negotiation was at the time they filed suit in late  
20 2010. Because at that point, we're past the initial  
21 offer; the parties have had numerous back and forths;  
22 and there is a clear offer on the table at that point,  
23 at the point at which they initiated suit. And the  
24 reason that's a good line is because of exactly the  
25 reason that Your Honor put in the motion in limine order

1 which is, well, if at that point Apple had done what it  
2 was supposed to do, which is offer a cross-license of  
3 its essential standard patents which it had, and if at  
4 that point Motorola's demand was still two-and-a-quarter  
5 percent of the full ASP, which it was, then that -- then  
6 at that point you can measure whether they had complied  
7 with FRAND before they did something that is  
8 inconsistent with FRAND, which is suing.

9 So I don't think either side says you have to make  
10 26 FRAND determinations based on what the parties said  
11 on September 10 versus September 15.

12 THE COURT: So it would just be that last one.  
13 I did want to explain a couple of things. One is I  
14 can't accept the argument that Apple made that the trial  
15 should proceed on a breach of contract claim because  
16 it's entitled to nominal damages. I haven't found any  
17 case in which a court allowed that to happen. There  
18 certainly are plenty of cases in which courts have said  
19 after the party was unable to prove its damages or it  
20 came up short or the calculation was just so complicated  
21 that it couldn't be decided by a court or jury. But the  
22 idea that anyone starts out in the beginning by asking  
23 for nominal damages and then wants to proceed, it seems  
24 to me, and particularly in this case, this is just  
25 another way of asking for declaratory relief.

1           Also, you had asked for reconsideration of the  
2 October 29th order on the ground that the Court did not  
3 consider the implied covenant of good faith and fair  
4 dealing, but you never raised that. You mentioned it in  
5 one footnote, but you didn't develop any argument on it.

6           And then finally, on the claim for declaratory  
7 relief on the '898 patent, I can't find any persuasive  
8 reasons for granting Apple that kind of relief. First  
9 of all, there's no likelihood that Motorola can or will  
10 sue Apple on the '898 patent because Judge Posner  
11 dismissed Motorola's claims of prejudice after it was  
12 unable to prove damages. And yes, the ruling could be  
13 overturned on appeal, but until then, Motorola cannot  
14 maintain a suit against Apple on the '898 patent. And  
15 if the ruling is overturned and the issue is remanded to  
16 the court in Illinois, then that issue can be litigated  
17 there.

18           Also, I haven't found any case and Apple has not  
19 identified anyone that would support an order of  
20 exclusion if Motorola were found to have breached its  
21 obligation to disclose patents to ETSI when it failed to  
22 disclose the '898 patent. And even if it were, the  
23 remedy that Apple is seeking is so far out of proportion  
24 to any harm that Apple has suffered or is likely to  
25 suffer that I would not impose such an order.

1           So that -- in any event, if we went forward, it  
2 would only be on the issue of this alleged breach of  
3 contract as to the failure to set -- to offer a FRAND  
4 rate.

5           And Mr. Swedlow, anything further on that matter?

6           MR. SWEDLOW: Yes, Your Honor. You didn't hold  
7 in your motion in limine ruling that the critical  
8 question is the day before we filed the lawsuit. But  
9 even if you had, the question is whether or not the  
10 negotiations leading up to that moment and at that  
11 moment were consistent with FRAND. The determination  
12 that Apple -- the determination that Motorola breached  
13 its FRAND obligation doesn't lead to any resolution and  
14 it's within the Court's discretion as to whether or not  
15 to grant declaratory relief.

16           The posting on the wall that Motorola has breached  
17 is not considered -- it's generally not considered  
18 something the Court should do in terms of specific  
19 performance. And if a number is set, I haven't heard  
20 and don't know of any argument why -- we're not saying  
21 the Court is a pawn, but what the Court has done is  
22 established at least a ceiling with what Apple might pay  
23 with no way for the dispute to actually be resolved. So  
24 the result of that would have to be that Motorola --  
25 unless Apple wins and gets the number it wants and then

1 voluntarily pays, if Apple wins that we breached but  
2 doesn't win the number they want, then Motorola is left  
3 with having to file some number, I'm saying 500, not  
4 that it would be 500 lawsuits, but some number of patent  
5 infringement lawsuits to collect a ceiling of whatever  
6 this number you set was.

7 So it won't resolve anything. We won't agree to  
8 the establishing of a methodology for Apple's patents  
9 when they're not in the case.

10 With respect to whether or not we could present to  
11 you the entirety of a cross-license with everyone's  
12 patents included and you could determine the rate,  
13 there's no complaint we can give you other than to just  
14 give you that case that would constitute that as an  
15 outcome. Because, for example, if we win on the current  
16 breach of contract claim, we don't get paid. So you  
17 haven't set a license or a cross-license. We don't have  
18 any way to sue Apple on this counterclaim they say we  
19 should file; and if Apple won that, there's no way for  
20 Apple to make us pay them on the cross-license for their  
21 patents.

22 So it isn't -- it can't be pled in the form of a  
23 complaint, but it could be resolved in the context of  
24 binding arbitration. You could be the arbitrator, but  
25 we can't make a complaint that gives this court the

1 ability to set a rate no matter what, breach or no; and  
2 set a rate for Apple' patents, no matter what, breach or  
3 no. Because you have to bring a claim that can be pled  
4 and we don't have a claim to plead against Apple that  
5 would require them to license their patents to us at a  
6 rate that we would then have to pay.

7 MR. POWERS: May I respond very briefly, Your  
8 Honor?

9 THE COURT: Did you want to say one more thing?

10 MR. SWEDLOW: I guess I did. That's the reason  
11 that we proposed binding arbitration, because the courts  
12 can present, in the context of arbitration, this is the  
13 dispute that we're going to allow whoever that  
14 decision-maker is, an arbitrator to decide. We both  
15 have portfolios. We both want a license. We both  
16 believe ours are valuable and the other side's aren't  
17 valuable. So set a rate for us and both parties will  
18 agree to pay it and be bound by the geography or caps or  
19 lump sums or whatever other term the arbitrator or that  
20 decision-maker feels is the correct decision. But that  
21 doesn't make it part of this case. It just makes it  
22 something we're willing to do and it appears Apple is  
23 willing to do, but only if it was somehow an amendment  
24 to this complaint.

25 THE COURT: Thank you. Mr. Powers.

1 MR. POWERS: Thank you. I think there's two  
2 points there that need to be addressed. The first is  
3 the comment that the Court has jurisdiction or the  
4 ability to decline to exercise declaratory judgment  
5 jurisdiction. And while technically that's true of  
6 course, the law on that is typically that one would  
7 decline to exercise declaratory jurisdiction at the  
8 beginning of the case out of reasons of judicial  
9 economy. And if you read all of the cases about  
10 declining the exercise of declaratory judgment  
11 jurisdiction, all the ones I'm familiar with are at the  
12 beginning of that process. I am not aware of one, and  
13 certainly one has not been cited, where the Court is  
14 asked to decline to exercise declaratory jurisdiction  
15 the day the trial is supposed to start. That obviously  
16 is not very judicially economical.

17 THE COURT: No. It definitely is not.

18 MR. POWERS: And so our view is that law not  
19 only does not support the decision -- a decision to  
20 decline to exercise it now, but it goes the other way.  
21 That's the first point. I think it's quite clear we've  
22 pled declaratory relief for all of these claims and that  
23 declaratory relief is appropriate and concerns about  
24 whether declaratory relief would accomplish everything  
25 everyone might possibly wish to be accomplished isn't

1 really the point. If it would accomplish something, and  
2 it's within the scope of the pleadings, it should be  
3 decided is our view, particularly now that we're at the  
4 first day of trial.

5 The second point I wanted to respond to is the  
6 argument made that there's nothing in the complaint that  
7 could be possibly be used to order payment. Well, that  
8 argument would have been equally true on last Wednesday  
9 when -- and Thursday when Motorola asked for an order  
10 basically saying Apple has to pay whatever you order.  
11 And while some may wish that to have been a condition of  
12 what we're discussing to make the process more  
13 effective, there was not a pleading that remotely  
14 supported that request. Remotely. So Motorola's  
15 concern about the effectiveness of the pleading that  
16 would order the parties to pay is not one that's being  
17 made consistently.

18 The reality is the parties could construct a  
19 pleading that would result in exactly what I've outlined  
20 as option three. It would not be the current pleading,  
21 but it would be a pleading that would say the Court  
22 would set a rate for both and each would pay it, and the  
23 parties would agree to it and we could move forward.

24 So the niceties of what that amendment looks like I  
25 don't think is the problem. I think that's an

1 accomplishable solvable question.

2 THE COURT: And Mr. Powers, I certainly agree  
3 with you that it would have been nice to make this  
4 decision at the outset. But this is an area that none  
5 of us has been in before, and you can just look at the  
6 evolving nature of the briefs, both sides; orders from  
7 the Court trying to find the path through this swamp of  
8 not knowing what's out there; what we're talking about.  
9 None of us could have realized that we would be getting  
10 to the point where we'd be saying wait a minute.  
11 There's nothing here. This is a situation in which one  
12 side wants what will be nothing more than a bargaining  
13 chip.

14 I certainly don't criticize the lawyers on either  
15 side. I think you've done a magnificent job of trying  
16 to help the Court get to a position of understanding  
17 what's involved. But I reach the point where I say this  
18 is not what courts should be doing. They should not be  
19 in a situation in which they're saying you don't have to  
20 offer more than such and such, and you can bargain your  
21 way down from that.

22 I would much prefer, not because I don't want to  
23 hear the evidence, but because I don't think hearing the  
24 evidence is going to make any difference to the outcome  
25 of the case, I would much prefer to have you go to

1 binding arbitration because that is a remedy. The  
2 arbitrator, the panel of arbitrators, whatever you get,  
3 that is a remedy that can be expanded to fit the issues  
4 that are involved in this case. You don't have to have  
5 a perfect pleading. If you want to get credit for  
6 Apple's patents in the discussion of the rate that  
7 you're going to pay for licensing, that can all be  
8 included.

9 The arbitrator can talk about rates, but he can do  
10 it in a way that isn't just picking one out of the air  
11 and just saying okay, this is where -- this is it. You  
12 want six, you want five, let's go five fifty. All of  
13 that is possible for an arbitrator and it's just not  
14 possible for the Court. The Court is in a position  
15 where it has to say yes, no. Binary kinds of decisions.  
16 And in this case I don't think a binary decision is  
17 appropriate because it's not going to move this case,  
18 this dispute to resolution.

19 MR. POWERS: May I offer one more comment on  
20 that, if I may?

21 THE COURT: Um-hmm.

22 MR. POWERS: Let me modify my option  
23 hypothetical which in a way that I think will, at least  
24 for me, help on this point. If Mr. Swedlow and I had an  
25 options contract where I paid him \$50 for the option

1 over the course of a year to buy his old iPhone that he  
2 had to give up when he took this case and the agreement  
3 said that he had to sell it to me at fair market value  
4 at the time -- because I can exercise it over the course  
5 of a year and we both understood that that fair market  
6 value might change. That's the agreement. I give him  
7 my \$50. I then go to him and say "Hi, I'd like to buy  
8 your iPhone," and he says "The price is \$1,000 because I  
9 think it's that special. I think that's the fair market  
10 value for a Swedlow cellphone." And I say "Wow, that  
11 sounds a little steep. I don't think that's fair market  
12 value. I don't think you've complied with your  
13 obligation for which I've paid to offer me your iPhone  
14 at fair market value."

15 So I sue here, assuming jurisdiction is complied  
16 with, and I say make him offer me his iPhone. Make him  
17 do what I paid him for. Now that requires the Court to  
18 decide the fair market value of the iPhone at the time  
19 that I asked for it and there would be evidence on that.  
20 There would be eBay evidence put before you. There  
21 would be various arguments about what that iPhone was  
22 worth. Both sides would put in their evidence. You  
23 would then decide that the price, the fair market value  
24 of the iPhone at the time I asked for it was \$150.

25 THE COURT: The great thing is there would be

1 no jurisdiction for that case.

2 MR. POWERS: I specifically assumed  
3 jurisdiction, but yes, I understand.

4 MR. SWEDLOW: I just want to point out I have  
5 an Android phone, not an iPhone.

6 MR. POWERS: At that point, if you decided that  
7 the fair market value of that phone was \$150, that  
8 doesn't -- that's not a bargaining chip. That's the  
9 offer I get. I accept it or I don't. If I thought the  
10 fair market value of that was \$50 and it's not worth  
11 \$150, I don't buy it. But you have done what the law,  
12 in my view, would require, which is to force Mr. Swedlow  
13 to make an offer at an amount and then I accept or not.  
14 That's completing the contract. I then --

15 THE COURT: You're not going to walk away from  
16 this, Mr. Powers. If I tell you that the amount is  
17 \$10.12, you're not going to accept it, but you're not  
18 going to walk away. That's not the end of the matter.  
19 You still want a licensing agreement with Motorola, and  
20 you've got all kinds of reasons for that. It's just one  
21 step.

22 If I tell you that your option is your telephone or  
23 your option or whatever is \$150, that's the end. Yes,  
24 you walk away. You pay it. Whichever. But that's not  
25 what we're talking about here. We're talking about

1 something that is still very fluid, very much in  
2 dispute. It's going to go on and on and on.

3 My giving you one number out of a whole mass of  
4 other things that have to be decided is not going to get  
5 you -- that's not going to resolve this case.

6 MR. POWERS: None of us knows that for sure.  
7 Your Honor is clearly correct that there are a number of  
8 factors at issue. But it is our view, the reason we  
9 brought this case -- we didn't bring this case because  
10 none of us had anything else to do. We brought this  
11 case because we believed setting that number would do  
12 something meaningful to resolve the dispute.

13 THE COURT: And --

14 MR. POWERS: That's why we did it.

15 THE COURT: -- I disagree with you. I am going  
16 to dismiss it. Now the Court of Appeals may have an  
17 entirely different view of it, and that's fine.

18 MR. POWERS: I assume it's dismissed without  
19 prejudice.

20 THE COURT: Oh, no. It's dismissed with  
21 prejudice.

22 MR. POWERS: We have a bench memo to give you  
23 on that subject because the law, particularly --

24 THE COURT: I'll certainly -- and I will issue  
25 a written opinion and then if you want to make motions

1 for reconsideration of any aspect of it, if you want to,  
2 I will look at your bench memo on prejudice or no  
3 prejudice.

4 MR. POWERS: May I approach?

5 THE COURT: Certainly. Thank you. This is not  
6 the resolution that I would have thought we would --  
7 where we would be months ago when this case was under --  
8 was being developed and when I decided the motion for  
9 summary judgment and all the others, but I simply cannot  
10 see my way to spending court resources to reach the  
11 result that Apple wants. I still have not been  
12 convinced that there is any injury that will be  
13 redressed by the request that Apple has made for relief.

14 So I will get a written opinion out promptly. Of  
15 course you can always file motions for reconsideration.  
16 And of course you may take an appeal. Thank you all.

17 (Proceedings concluded at 11:36 a.m.)

18  
19 \* \* \* \* \*  
20  
21  
22  
23  
24  
25

1 I, LYNETTE SWENSON, Certified Realtime and Merit  
2 Reporter in and for the State of Wisconsin, certify that  
3 the foregoing is a true and accurate record of the  
4 proceedings held on the 5th day of November 2012 before  
5 the Honorable Barbara B. Crabb, District Judge for the  
6 Western District of Wisconsin, in my presence and  
7 reduced to writing in accordance with my stenographic  
8 notes made at said time and place.

9 Dated this 6th day of November 2012.

10  
11  
12  
13 /s/ \_\_\_\_\_

14 Lynette Swenson, RMR, CRR, CBC  
15 Federal Court Reporter  
16  
17  
18  
19  
20

21 The foregoing certification of this transcript does not  
22 apply to any reproduction of the same by any means  
23 unless under the direct control and/or direction of the  
24 certifying reporter.  
25

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF WISCONSIN

---

APPLE INC.,

Plaintiff,

v.

MOTOROLA MOBILITY, INC.,

Defendant.

JUDGMENT IN A CIVIL CASE

Case No. 11-cv-178-bbc

---

This action came for consideration before the court with District Judge Barbara B. Crabb presiding. The issues have been considered and a decision has been rendered.

---

IT IS ORDERED AND ADJUDGED that judgment is entered in favor of defendant Motorola Mobility, Inc. and against plaintiff Apple Inc. as follows:

1. Granting defendant's motion to dismiss plaintiff's claim of waiver for failure to state a claim upon which relief may be granted;
2. Granting defendant's motion for partial summary judgment and dismissing with prejudice plaintiff's claims that defendant violated § 2 of the Sherman Act (count 5), violated Cal. Bus. & Prof. Code § 17200 (count 6), and tortiously interfered with contracts (count 13); and
3. Dismissing without prejudice plaintiff's claims against defendant for equitable estoppel (count 1), breach of contract (counts 2, 3 and 4), and declaratory judgment (counts 7, 11 and 12).

  
Peter Oppeneer, Clerk of Court

  
Date