IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

INTERDIGITAL COMMUNICATIONS, INC., a Delaware corporation, INTERDIGITAL TECHNOLOGY CORPORATION, a Delaware corporation, IPR LICENSING, INC., a Delaware corporation, and INTERDIGITAL HOLDINGS, INC., a Delaware corporation,

Plaintiffs

v.

ZTE CORPORATION, a Chinese corporation, and ZTE (USA) INC., a New Jersey corporation,

Defendants.

C.A. No. 13-009-RGA

OPENING BRIEF IN SUPPORT OF
MOTION TO EXPEDITE PROCEEDINGS FOR THE
DECLARATION OF FRAND LICENSE TERMS

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Pursuant to Federal Rule of Civil Procedure 1 and16 and District of Delaware Local Rule 16.1, Defendant, ZTE (USA) Inc. ("ZTE (USA)") has moved the Court for entry of an Order expediting proceedings related to ZTE (USA)'s Counterclaims against Plaintiffs InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Holdings, Inc., (collectively "InterDigital" or "the Plaintiffs"). These claims ask this Court for a declaratory judgment setting an appropriate Fair, Reasonable, And Non-Discriminatory ("FRAND") royalty for a license to InterDigital's United States patents, including the Asserted Patents, that have been declared essential to 2G, 3G and/or 4G/LTE cellular standards, as well as specific performance of InterDigital's contractual obligations to grant a license to ZTE (USA) on FRAND terms. This is ZTE (USA)'s Opening Brief in Support of its Motion to Expedite Proceedings.

INTRODUCTION

In the last eighteen months, InterDigital has filed four actions for patent infringement against ZTE (USA). A first pair of parallel actions (one in the International Trade Commission ("ITC"), and one in this Court) was filed in July 2011. Although the previous case in this Court (C.A. No. 11-654) initially was stayed in favor of the ITC investigation, as the Court will recall, ZTE (USA) attempted to lift the stay to have this Court set FRAND terms for a license between the parties. InterDigital fought ZTE (USA)'s efforts to procure a license on FRAND terms, preferring to litigate in the ITC where the only remedy is exclusion of ZTE (USA)'s products from the United States. The motion to lift the stay was denied, and first ITC investigation is pending with an evidentiary hearing scheduled for February 12-22, 2013.[1]

[1] This Court's prior Order was a ruling on a motion to lift a stay to which ZTE (USA) had previously voluntarily agreed. Accordingly, the Court was not presented with and did not consider the precise relief now being sought by ZTE (USA).

Now the parties are before this Court once again. On January 2, 2013, InterDigital filed another pair of parallel actions, suing ZTE, once again, in both the ITC and the District of Delaware, even while the first ITC investigation was on the eve of hearing. In the new parallel cases, just as before, InterDigital seeks to enjoin ZTE (USA) from using technology that InterDigital has contractually agreed to license to all standards implementers such as ZTE (USA) on FRAND terms and conditions. Specifically, InterDigital is obligated to license all asserted patents on FRAND terms through its commitments to the Standard Setting Organizations ("SSOs") and ZTE (USA) is fully committed to accepting a license on court-established FRAND terms. Despite this contractual obligation, InterDigital continues to use the ITC and the threat of exclusionary relief to leverage a license rate exorbitantly greater than the FRAND terms that it is bound to accept.

As a result of InterDigital's filing of this second set of actions, ZTE (USA) seeks relief from this Court. ZTE (USA) filed Counterclaims on January 31, 2013, seeking, among other things, enforcement of those agreements made between InterDigital and several SSOs and to have the Court establish FRAND terms for a license of InterDigital's U.S. patents that have been declared essential to 2G, 3G and/or 4G/LTE cellular standards. InterDigital continues to resist any effort to have this Court set the FRAND rate ZTE (USA) could pay for its license.

Importantly, however, since the Court's ruling last year, the legal landscape surrounding the effect of FRAND obligations on patent holders has changed dramatically. Recent case law and administrative pronouncements have significantly contributed to the body of law regarding the enforcement of declared-essential patents. Courts and regulatory agencies have pronounced that using FRAND-encumbered patents to seek injunctive or exclusionary relief against willing licensees is an anticompetitive act, causing harm to prospective licensees and to the public.

Courts have found exclusionary relief provides holders of declared essential patents leverage that is incompatible with the patent holder's FRAND commitment. As a result, courts have denied injunctive relief to owners of standards essential patents on that ground and have agreed to establish licenses on FRAND terms.

Similarly, the Federal Trade Commission ("FTC") recently entered a proposed Consent Order against Google, prohibiting Google (and Motorola Mobility) from using declared essential patents to seek injunctive or exclusionary relief against willing licensees and requiring Google to dismiss any pending ITC cases. The Department of Justice ("DOJ") and the U.S. Patent and Trademark Office ("USPTO") likewise recently issued a policy statement regarding the use of FRAND-committed patents in which they confirmed the dangers of allowing declared-essential patent holders to pursue exclusion orders at the ITC rather than abide by their FRAND obligations. Yet, despite this jurisprudence, the ITC has forged onward with its first investigation against ZTE (USA). At the same time, a recent decision by an ITC Administrative Law Judge in an unrelated investigation suggests that ITC *will* issue exclusion orders regarding declared-essential patents despite the existence of an obligation to grant a license on FRAND terms if the parties had not executed an actual license agreement.[2]

Consequently, ZTE (USA) now seeks to have its Counterclaims for determination of FRAND license terms and specific performance expedited in order to efficiently resolve the controversies between the parties and to avoid the irreparable harm caused by InterDigital's efforts to enjoin and exclude ZTE (USA) from utilizing standardized technologies. A judicial

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[2] While the parties have asserted, and the ITC may consider, certain FRAND-based defenses, the remedies available to the ITC are limited to injunctive or exclusionary relief. 19 U.S.C. § 1337(d),(f). Moreover, Section 337 requests that any counterclaims filed at the ITC be removed to district court. 19 U.S.C. § 1337(c). This Court is the forum in which ZTE can obtain a license on FRAND terms and conditions.

declaration of FRAND license terms and an order requiring specific performance of InterDigital's contractual obligations to grant a license on FRAND terms will prevent these harms, but only if the determination occurs before InterDigital would be able to enforce an exclusion order from the ITC – as early as December 28, 2013, if InterDigital should prevail in the first ITC Investigation. This determination and relief from harm is only available from this Court.

A declaratory judgment setting appropriate FRAND license terms to InterDigital's United States declared essential patents and an order requiring specific performance of InterDigital's contractual obligations to grant a license on FRAND terms are the lynchpins in this case, as well as every other case between the parties, and expedited resolution of it would profoundly save judicial, administrative and party resources. Once the Court sets the appropriate FRAND terms for a license, the parties can consummate the license, resolving the cases.

The Court should therefore expedite proceedings related to the declaration of FRAND license terms and an order requiring specific performance of InterDigital's contractual obligations to grant a license on FRAND terms. Additionally, ZTE respectfully requests that the Court set a date for trial on ZTE USA's FRAND-related Counterclaims no later than November 2013 and enter an Order requiring the parties to jointly submit an interim schedule.

FACTUAL BACKGROUND

A. Procedural Posture

InterDigital brought the present action against ZTE (USA) on January 2, 2013 alleging infringement of three patents related to 3G and/or 4G wireless communications.[3] (D.I. 1, Compl. at 4-10.) On January 31, 2013, ZTE (USA) filed its Answer to the Complaint as well as Counterclaims for declaratory judgment, injunctive relief and specific performance arising from InterDigital's breaches of binding commitments to grant FRAND licenses. (D.I. 7, at 9-27.) The Counterclaims allege that InterDigital has contractually agreed to license the asserted patents, as well as other InterDigital patents asserted in related cases described below, to ZTE (USA) on FRAND terms. (*Id.* at 10-20). The Counterclaims further allege that InterDigital's contractual obligations bar it from seeking to enjoin ZTE (USA) from making use of the technology covered by those patents. (*Id.* at *e.g.*, 15-19.) Rather, InterDigital's sole remedy for the use of such technology is a license on FRAND terms. (*Id.*)

B. Related Cases

On the same day that InterDigital filed its Complaint in this case, InterDigital also filed a complaint against ZTE (USA) at the ITC alleging infringement of the same three patents, resulting in Investigation No. 337-TA-868 (the "868 Investigation"). (Ex. A, 868 Compl.) This investigation is still in its infancy and ZTE (USA) has yet to respond to the complaint. As stated earlier, InterDigital previously filed a pair of twin complaints in the District of Delaware and the ITC against ZTE (USA) on July 26, 2011 alleging infringement of eight other patents related to 3G wireless communications. C.A. No. 11-654-RGA (the "654 Case"); ITC Inv. No. 337-TA-

[3] On the same day, InterDigital brought similar actions alleging infringement of the same patents against Huawei, Nokia, and Samsung. (*See* 1:13-cv-8-RGA (Huawei); 1:13-cv-10-RGA (Nokia); 1:13-cv-11 (Samsung).)

800 (the "800 Investigation").) The 800 Investigation is set for hearing starting this week, and the 654 Case is currently stayed pending the outcome of the 800 ITC Investigation. (C.A. No. 11-654-RGA, D.I. 24, 71.) In all of these other actions, like the current case, InterDigital seeks injunctive or exclusionary relief to prevent ZTE (USA) from making use of the patented technology.

In the 654 case, ZTE (USA) and co-defendants Huawei and Futurewei moved to partially lift the stay in order to file counterclaims for specific performance and a declaration of FRAND license terms. (*Id.*, D.I. 26, 35.) InterDigital opposed the motion, demanding instead to proceed solely with its effort to seek an exclusion order in the 800 Investigation. The Court denied the motion on the grounds that (1) the ITC would not issue an exclusion order in the parallel investigation if the ITC determined that InterDigital did not abide by its FRAND obligations; and (2) InterDigital's leverage from an exclusion order did not outweigh other considerations.

C. InterDigital's Declared-Essential Patents and FRAND Obligations

ZTE (USA)'s Counterclaims are based on InterDigital's breach of contracts arising from commitments that InterDigital has made to standards setting organizations including the European Telecommunications Standard Institute ("ETSI"), the Third Generation Partnership Project ("3GPP") and the International Telecommunications Union ("ITU"). (*See* Answer at 10-20.) InterDigital has participated with these SSOs to create standards by which 2G, 3G and 4G wireless communications devices are to function. (*See Id.* at 16-20.)

In connection with its participation with these SSOs, InterDigital has declared that its patented technology has been adopted in the framework of the standards. In other words, InterDigital has declared that its patents are "essential" to several 2G, 3G and 4G standards. (*See e.g.*, Ex. B, Excerpt from InterDigital's Sept. 14, 2009 Decl. of U.S. Patent Nos. 7,190,966 and 7,285,847 to ETSI, at 12; Ex. C, Excerpt from InterDigital's Sept. 16, 2010 Decl. of U.S. Patent

No. 7,941,151 (App. No. 11/709,970) to ETSI, at 63.) The SSOs, however, have adopted intellectual property rights policies ("IPR Policies") pursuant to which patent holders, like InterDigital, have agreed to license declared-essential patents to standards implementers, including ZTE (USA), on FRAND terms. If the patent holder does not agree to license patents on FRAND terms, the SSO will change the standard to avoid the patent holder's patents. (*See* Answer at 16-20.) It is a quid pro quo; the patent owner obtains a broad licensing base as market participants are required to adhere to these standards and, in return for this benefit, commits to license the technology on FRAND terms. But InterDigital has breached these agreements by refusing to grant a license on FRAND terms to ZTE (USA), instead seeking to enjoin and/or exclude ZTE (USA) from practicing the declared-essential patented technology with its many ITC and District Court complaints.

ARGUMENT

The Court may expedite proceedings with respect to ZTE (USA)'s Counterclaims for a declaration of FRAND license terms and specific performance pursuant to the Court's broad authority to schedule and manage its cases. *See* Fed. R. Civ. P. 16; *see also* D. Del. L.R. 16.1 ("[w]hen, *in its discretion*, the Court directs counsel for the parties and any unrepresented parties to participate in a Fed. R. Civ. P. 16(b) scheduling conference . . ."). The District of Delaware has previously held that motions to expedite are governed by a "reasonableness" standard, under which it is appropriate for the Court to authorize expedited proceedings upon a showing of good cause. *Kone Corp. v. Thyssenkrupp USA, Inc.*, No. 11-465-LPS, 2011 U.S. Dist. LEXIS 109518, *13 (D. Del. Sept. 26, 2011) (finding good cause to expedite limited discovery). Under very similar circumstances, this Court has in the past proceeded to schedule a trial within six months on a potentially dispositive issue that bore on a pending ITC case. *Advanced Micro Devices, Inc. v. S3 Graphics Co.*, No. 11-965-LPS, 2011 WL 5402667, at *2 (D. Del. Nov. 8, 2011) (expediting trial on patent ownership issue). Good cause exists in this case to set an expedited schedule prioritizing discovery, hearing, and a ruling on a license on FRAND terms ahead of the parties' other liability claims and defenses, because such a schedule best serves judicial economy and is necessary to avoid irreparable harm.

I. GOOD CAUSE EXISTS BECAUSE EXPEDITING SERVES JUDICIAL EFFICIENCY.

A sequenced schedule prioritizing adjudication of FRAND terms serves judicial efficiency because a license of InterDigital's declared-essential U.S. patents to ZTE (USA) should dispose of all claims brought by InterDigital in all of its cases against ZTE (USA). *See e.g., Carborundum Co. v. Molten Metal Equip. Innovations, Inc.*, 72 F.3d 878 (Fed. Cir. 1995) (license is defense to patent infringement). InterDigital is contractually obligated to grant a license on FRAND terms. ZTE (USA) confirms that it will be bound by the Court's decision and assures the Court that it will agree to a license on FRAND terms established by the Court, just as ZTE (USA) unambiguously committed to do previously. (*See, e.g.*, C.A. No. 11-654-RGA, D.I. 72, Tr. at 41:12, 23-25; 88:12-17.)

Given InterDigital's obligations to license on FRAND terms, and ZTE (USA)'s willingness to accept a license on FRAND terms, the last piece of the puzzle is to have the Court issue an order setting the FRAND terms for that license as requested in ZTE (USA)'s Counterclaims. To be clear, given InterDigital's intransigence with respect to offering FRAND terms to the parties it claims are using its "essential" technology, this Court is the only forum that can provide ZTE (USA) relief. The ITC cannot issue a judgment setting the FRAND rates; it can only grant or deny exclusion orders and cease and desist orders. 19 U.S.C. §§ 1337(d), (e), (f); *see also Tessera, Inc. v. Int'l Trade Comm'n*, 646 F.3d 1357, 1371 (Fed. Cir. 2011) ("[T]he ITC has a limited statutory mandate and can only issue an exclusion order barring future conduct.").

In fact, an Administrative Law Judge recently held that the ITC can issue exclusion orders even for FRAND-commitment encumbered patents. Initial Determination, ITC Inv. No. 337-TA-794, 2012 WL 4752221, *248 (Sept. 14, 2012) ("The Administrative Law Judge concludes that ETSI and its FRAND provisions do not preclude the imposition of Section 337 remedies in investigations in which the Commission determines that the authorizing statute is violated by reason of the importation into the United States of articles that infringe a valid and enforceable United States patent."). Thus far, the ITC has viewed its statutory authority as not permitting it to decline to impose exclusionary relief based on a patent holder's FRAND obligations even though those obligations, if enforced, would result in a license that would be recognized as a complete defense by the ITC.

Therefore, ZTE (USA) respectfully asks this Court to act to prevent InterDigital's abuse, because the ITC cannot and will not grant the relief necessary to stop InterDigital's practices. By setting FRAND terms, this Court can effectively put to rest multi-pronged litigation campaign being waged by InterDigital.

II. GOOD CAUSE EXISTS BECAUSE EXPEDITING WILL AVOID IRREPARABLE HARM TO ZTE (USA).

An expedited schedule for resolution of FRAND terms also serves to avoid irreparable harm to ZTE (USA) stemming from a potential exclusion order issued by the ITC. Precluding ZTE (USA) from importing and selling its products in a highly competitive and rapidly evolving market would cost ZTE (USA) competitive position from loss of goodwill, customer relations and market share. *See Kos Pharms. Inc. v. Andrx Corp.*, 369 F.3d 700, 726 (3d Cir. 2004) (losses of control of reputation, trade and good will constitute irreparable injury). Further, even if monetary damages could compensate ZTE (USA), and they cannot, in any event the damages resulting from losses of customers, market share and goodwill from being shut out of the United

States market would be difficult if not impossible to calculate. *See, e.g.*, *Tanimura & Antle, Inc. v. Packed Fresh Produce, Inc.*, 222 F.3d 132, 141 (3d Cir. 2000) (irreparable harm exists when monetary damages are difficult to ascertain or are inadequate). In short, the proper approach to avoid irreparable harm is to have this Court establish a license on FRAND terms that would moot out InterDigital's improper attempts to destroy ZTE (USA's) business in the United States, not to have an exclusion order potentially destroy that business and then have this Court seek to put back together the pieces.

This Court previously recognized the "bargaining leverage" InterDigital clearly seeks by proceeding in the ITC. (C.A. No. 11-654, D.I. 71 at n. 1). InterDigital continues to use that bargaining leverage to threaten ZTE (USA) with an exclusion order that would prevent the importation and sale of certain-identified products in the United States. The only protection ZTE (USA) has from InterDigital's improper leveraging and the resulting irreparable harm is for this Court to set a FRAND rate, which ZTE (USA) has committed to pay.

III. GOOD CAUSE EXISTS BECAUSE NEW AUTHORITY INSTRUCTS THAT FRAND-COMMITTED PATENTS SHOULD NOT BE THE BASIS FOR INJUNCTIVE OR EXCLUSIONARY RELIEF.

During the past year, courts, administrative agencies, and judicial bodies around the world have decried the efforts of declared-essential patent holders to obtain injunctive relief and/or exclusion orders against alleged infringers in lieu of FRAND licenses. For example, when presented with FRAND commitments identical to the commitments InterDigital has made to SSOs in this case, Judge Posner, sitting by designation as the District Court judge, explained:

> I don't see how, given FRAND, I would be justified in enjoining Apple from infringing the 898 [patent] unless Apple refuses to pay a royalty that meets the FRAND requirement. By committing to license its patents on FRAND terms, Motorola committed to license the 898 [patent] to anyone willing to pay a FRAND royalty and thus implicitly acknowledged that a royalty is adequate compensation for a license to use that patent. How could it do otherwise? How could it be permitted to enjoin Apple from using an invention that it contends

> Apple *must* use if it wants to make a cell phone with UMTS telecommunications capability – without which it would not be a cell *phone*. . . . A FRAND royalty would provide all the relief to which Motorola would be entitled if it proved infringement of the '898 patent, and thus it is not entitled to an injunction.

Apple, Inc. v. Motorola, Inc., 869 F. Supp. 2d 901, 913-14, 915 (N.D. Ill. 2012).

The Western District of Washington recently dismissed a patent holder's claims for injunctive relief based on the use of its declared-essential patents for similar reasons, finding that the patent holder could not show irreparable harm nor the inadequacy of other remedies because the patent holder had committed to grant a FRAND license to the alleged infringer and that license would constitute its remedy. *See Microsoft Corp. v. Motorola Mobility, Inc.*, No. C10-1823JLR, 2012 U.S. Dist. LEXIS 170587 at *26-28 (W.D. Wash. Nov. 30, 2012). Reviewing another order in the same dispute, the Ninth Circuit echoed these opinions, holding that:

> The district court's conclusions that Motorola's [F]RAND declarations to the ITU created a contract enforceable by Microsoft as a third-party beneficiary (which Motorola concedes), and that this contract governs in some way what actions Motorola may take to enforce its ITU standard-essential patents (including the patents at issue in the German suit), were not legally erroneous. Motorola, in its declarations to the ITU, promised to 'grant a license to an unrestricted number of applicants on a worldwide, non-discriminatory basis and on reasonable terms and conditions to use the patented material necessary' to practice the ITU standards...Implicit in such a sweeping promise is, at least arguably, a guarantee that the patent-holder will not take steps to keep would-be users from using the patented material, such as seeking an injunction, but will instead proffer licenses consistent with the commitment made.

Microsoft Corp. v. Motorola, Inc., 696 F.3d 872, 884 (9th Cir. 2012).

To expedite the determination of a FRAND license in that case, Judge Robart ordered a "mini-trial" on FRAND issues to be considered separately from Motorola's patent infringement claims. *Microsoft v. Motorola, Inc.*, 854 F. Supp. 2d at 1002-03 ("to move the adjudication process forward with respect to the [F]RAND-based issues in this case, the court intends to schedule a mini-trial on any unresolved [F]RAND-based issues"). That is precisely the approach ZTE (USA) seeks to have the Court adopt here.

In another Motorola case, the court denied Motorola's motion to preclude Apple's claim for specific performance of Motorola's contractual obligations to a SSO, stating:

> I conclude that specific performance may be an appropriate remedy under the circumstances of this case. In fact, it may be the only appropriate remedy. . . . Unless and until Motorola gives Apple a fair license to its declared-essential patents, Apple will continue to face the threat of patent infringement litigation from Motorola. . . . Instead, it makes sense to allow Apple to sue for specific performance of Motorola's contractual obligations and for the court to determine license terms, if necessary. In fact, in situations such as this in which the parties cannot agree on the terms of a fair, reasonable and nondiscriminatory license, the court may be the only forum to determine license terms.

Apple, Inc. v. Motorola Mobility, Inc., No. 11-cv-178, 2012 U.S. Dist. LEXIS 181854, *11-13 (W.D. Wis. Oct. 29, 2012). The court also stated that injunctions and exclusion orders in cases dealing with declared-essential patents would normally be improper when viewed as a matter of economics:

> [F]rom a policy and economic standpoint, it makes sense that in most situations owners of declared-essential patents that have made licensing commitments to standards-setting organizations should be precluded from obtaining an injunction or exclusionary order that would bar a company from practicing the patents.

Id. at *42.[4]

Courts are not alone in viewing the tactics being used by InterDigital as improper. As stated above, the DOJ and the USPTO recently issued a policy statement regarding the use of FRAND-committed patents in which these agencies confirmed the dangers of allowing declared-essential patent holders to pursue exclusion orders at the ITC rather than abide by their FRAND obligations. (Ex. D, January 8, 2013 DOJ USPTO Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/Rand Commitments.) Specifically, they warn:

[4] Apple, the alleged infringer in the case, subsequently had its claims for specific performance dismissed because it refused to be bound by the court's ruling on the FRAND rate. *See Apple, Inc. v. Motorola Mobility*, No. 11-cv-178, 2012 U.S. Dist. LEXIS 157525 (W.D. Wis., Nov. 2, 2012). However, this result is inapposite to the current situation, because as stated *supra*, ZTE (USA) agrees to be bound by the FRAND rate set by the Court.

> A patent owner's voluntary F/RAND commitments may also affect the appropriate choice of remedy for infringement of a valid and enforceable standards-essential patent. In some circumstances, the remedy of an injunction or exclusion order may be inconsistent with the public interest. This concern is particularly acute in cases where an exclusion order based on a F/RAND-encumbered patent appears to be incompatible with the terms of a patent holder's existing F/RAND licensing commitment to an SDO. A decision maker could conclude that the holder of a F/RAND-encumbered, standards-essential patent had attempted to use an exclusion order to pressure an implementer of a standard to accept more onerous licensing terms than the patent holder would be entitled to receive consistent with the F/RAND commitment—in essence concluding that the patent holder had sought to reclaim some of its enhanced market power over firms that relied on the assurance that F/RAND-encumbered patents included in the standard would be available on reasonable licensing terms under the SDO's policy.

Id. at 6. Specifically, the DOJ and the USPTO admonishes the ITC that money damages, not exclusionary relief, is warranted in cases concerning FRAND committed patents such as in this case:

> In an era where competition and consumer welfare thrive on interconnected, interoperable network platforms, the DOJ and USPTO urge the USITC to consider whether a patent holder has acknowledged voluntarily through a commitment to license its patents on F/RAND terms that money damages, rather than injunctive or exclusionary relief, is the appropriate remedy for infringement.

Id. at 9.

Both the FTC and the European Commission's Directorate General of Competition ("DG Comp") have recently determined that it is an unlawful and anticompetitive practice for a patent holder to seek, as InterDigital does here, exclusionary remedies against willing licensees using patents that are subject to FRAND commitments.

For example, the FTC recently entered into a Consent Order with Google contending that Google/Motorola Mobility engaged in unfair competition in violation of Section 5 of the Federal Trade Commission Act ("FTC Act") by doing exactly what InterDigital has done against ZTE (USA) – seeking exclusion and cease and desist orders from the ITC through the use of patents that it had committed to license on FRAND terms and conditions. (*See* Ex. E, *In the Matter of*

Motorola Mobility LLC & Google Inc., FTC File No. 121-0120, Complaint at ¶¶ 25-27 (Jan. 3, 2013).) The FTC specifically found in its Order that Google was able to use "threats of exclusion orders and injunctions to enhance its bargaining leverage against willing licensees and demand licensing terms that tended to exceed the FRAND range." *Id.* at ¶ 25. For this reason, the FTC's Proposed Consent Order would require Google/Motorola Mobility to provide licensees every opportunity to receive a judicial determination of a FRAND rate prior to seeking injunctive relief:

> Under this Order, before seeking an injunction on FRAND-encumbered SEPs, Google must: (1) provide a potential licensee with a written offer containing all of the material license terms necessary to license its SEPs, and (2) provide a potential licensee with an offer of binding arbitration to determine the terms of a license that are not agreed upon. Furthermore, if a potential licensee seeks judicial relief for a FRAND determination, Google must not seek an injunction during the pendency of the proceeding, including appeals.

See Ex. F, *In the Matter of Motorola Mobility LLC and Google Inc.*, FTC File No. 121- 0120, Analysis of Proposed Consent Order to Aid Public Comment at 6.

Similarly, in the *Bosch* case, the FTC found that Bosch had also violated Section 5 of the FTC Act by seeking injunctions on FRAND-committed patents through a recently acquired affiliate. In a statement accompanying the consent order, the FTC wrote that:

> [T]here is increasing judicial recognition, coinciding with the view of the Commission, of the tension between offering a FRAND commitment and seeking injunctive relief. Patent holders that seek injunctive relief against willing licensees of their FRAND-encumbered SEPs should understand that in appropriate cases the Commission can and will challenge this conduct as an unfair method of competition under Section 5 of the FTC Act.

(Ex. G, *In the Matter of Robert Bosch GmbH*, FTC File No. 121-0081, Statement of the Federal Trade Commission at 2 (Nov. 26, 2012).)

Likewise, the European Commission issued a Statement of Objections against Samsung on December 21, 2012, based on its violation of its FRAND commitment by seeking injunctive relief against willing licensees. In the related Q&A document, the European Commission stated:

> the Commission takes the preliminary view that the seeking of an injunction for SEPs can constitute an abuse of a dominant position in the exceptional circumstances of this case - where the holder of a SEP has given a commitment to license these patents on FRAND terms and where the company against which an injunction is sought is willing to negotiate a FRAND licence.

(Ex. H, Press Release, European Commission, "Samsung – Enforcement of ETSI standards essential patents (SEPs)," MEMO/12/1021, at 1 (Dec. 21, 2012).)

This sampling of recent case law and administrative policy statements illustrates the importance of addressing the FRAND issues of this case on an expedited basis before InterDigital can pursue exclusionary remedies in the ITC. As InterDigital's ITC investigations progress and the threat of an exclusion order grows, ZTE (USA), as well as consumers and the entire economic system surrounding 3G and 4G wireless communications, will be irreparably harmed by InterDigital's attempt to leverage its standards essential patents to extract exorbitant royalties on non-FRAND terms.

CONCLUSION

For the foregoing reasons, ZTE (USA)'s Counterclaims for a declaration of FRAND license terms warrant expedited treatment and prioritization ahead of the parties' other liability claims and defenses. As such, ZTE (USA) moves this Court for an Order setting a trial on ZTE USA's FRAND-related Counterclaims no later than November 2013 and an Order requiring the parties to jointly submit an interim schedule.

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