

NON-CONFIDENTIAL

Appeal Nos. 2012-1548, 2012-1549

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

APPLE INC. AND NEXT SOFTWARE, INC.
(formerly known as NeXT Computer Inc.),

Appellants,

v.

MOTOROLA INC. (now known as Motorola Solutions, Inc.) AND
MOTOROLA MOBILITY, INC.,

Appellees-Cross-Appellants,

Appeals from the United States District Court for the Northern District of Illinois
in case no. 11-CV-8540, Judge Richard A. Posner

**RESPONSIVE AND OPENING BRIEF OF APPELLEES-CROSS-
APPELLANTS MOTOROLA MOBILITY LLC AND
MOTOROLA SOLUTIONS, INC.**

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CERTIFICATE OF INTEREST

Counsel for Appellee-Cross-Appellants Motorola Mobility LLC and Motorola Solutions Inc. certifies the following:

1. The full name of every party or amicus represented by me is:

Motorola Mobility LLC, formerly known as Motorola Mobility, Inc. On June 22, 2012, Appellant Motorola Mobility, Inc. was converted into a Delaware limited liability company, changing its name to Motorola Mobility LLC.

Motorola Solutions, Inc., formerly known as Motorola, Inc., is incorporated under the laws of Delaware and has its principal place of business in Schaumburg, Illinois.

2. The name of the real parties in interest represented by me is:

None.

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

Motorola Mobility LLC is a wholly owned subsidiary of Google Inc., a publicly held company.

The stock of Motorola Solutions, Inc. is publicly traded. No publicly held entity owns 10 percent or more of the stock of Motorola Solutions, Inc. Motorola Solutions, Inc. has no parent corporation.

4. 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 the Addendum to Motorola's Certificate of Interest on the following page.

ADDENDUM TO MOTOROLA'S CERTIFICATE OF INTEREST

Counsel for Appellees-Cross-Appellants Motorola Mobility LLC and Motorola Solutions Inc. certifies the following:

The names of all law firms and partners or associates that appeared for the parties now represented by me in the agency or that are expected to appear in this court are:

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Material has been deleted from pages 9, 10, 21, 46 of the nonconfidential Brief of Defendants-Cross-Appellants Motorola Mobility LLC and Motorola Solutions, Inc. This material is deemed confidential information pursuant to the Protective Orders entered January 28, 2011 (A1-A26) and February 1, 2012 (A596). The material omitted from these pages contains confidential deposition testimony, confidential business information, confidential patent application information, and confidential licensing information.

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STATEMENT OF RELATED CASES

Prior to dismissal in November 2012, the Court was considering Apple's appeal of an ITC decision involving infringement by HTC Corp. of the '647 and '263 patents at issue here, *Apple Inc. v. ITC*, No. 2012-1125 (Fed. Cir. filed Dec. 29, 2011), and HTC's appeal from that same decision regarding the '647 patent, *HTC Corp. v. ITC*, No. 2012-1226 (Fed. Cir. filed Feb. 24, 2012). A December 2011 ITC exclusion order prohibited HTC from importing devices that infringe the '647 patent. *In re Certain Personal Data and Mobile Commc'ns Devices and Related Software*, Inv. No. 337-TA-710, USITC Pub. No. 4331 (Dec. 19, 2011) (Final). Also related to that case was *Apple Inc. v. HTC Corp.*, No. 1:10-cv-00166-GMS (D. Del. filed Mar. 2, 2010), which was stayed pending completion of the proceedings arising from the ITC. In November 2012, Apple and HTC dismissed all current lawsuits pursuant to a global settlement. This Court therefore dismissed the consolidated appeals. *HTC Corp. v. ITC*, No. 12-1226, Dkt. No. 43 (Fed. Cir. Nov. 15, 2012); *Apple Inc. v. ITC*, No. 12-1125, Dkt. No. 48 (Fed. Cir. Nov. 15, 2012).

The '647 patent is also at issue in *Apple Inc. v. Samsung Electronics Co., Ltd.*, No. 5:12-cv-00630-LHK (N.D. Cal. filed Feb. 8, 2012). This Court recently considered Samsung's appeal of the district court's grant of a preliminary

injunction, but that appeal was limited to a single patent not at issue here. *Apple Inc. v. Samsung Elecs. Co.*, No. 12-1507 (Fed. Cir. filed July. 6, 2012).

Apple has filed a complaint against Samsung in the ITC that involves the '949 patent. *In re Elec. Digital Media Devices*, Inv. No. 337-TA-796 (U.S.I.T.C. filed July 5, 2011). The ITC has not issued a final determination. The target date is currently set for August 1, 2013. Apple had also asserted the '263 patent against Nokia in the District of Delaware, but all claims and counterclaims were dismissed when the parties settled. *Nokia Corp. v. Apple Inc.*, No. 1:09-cv-00791-GMA (D. Del. filed Oct. 22, 2009).

PRELIMINARY STATEMENT

In the almost two decades preceding Apple's introduction of the iPhone, Motorola—together with others in the telecommunications industry—developed the mobile communication technology that we now take for granted. Contributing both its patented and non-patented research and development, Motorola worked with standards-development organizations (“SDOs”) to improve the ability of mobile devices to transmit, receive and process data by developing telecommunications and wireless standards that allow different devices to operate compatibly. Motorola and others developed large portfolios of standard-essential patents (“SEPs”)—technology that must be licensed in order to practice a particular standard. The system worked. Industry participants cross-licensed each other, creating ever more efficient networks and advantages to consumers.

Apple is a relative newcomer to cellular communications. In 2007, Apple released the iPhone, its first device that relies upon cellular communications technology. The product has generated billions of dollars in profits. Yet Apple has not paid one dollar for its use of Motorola's hundreds of fundamental patents.

The district court was correct to dismiss Apple's claims for infringement of three patents directed to user interface features. The district court also correctly dismissed Apple's claim for damages under the *Daubert* standard, finding its experts' damages theories unreliable, because they failed to use reliable

benchmarks and failed to consider reasonable design around costs. The district court also correctly dismissed Apple's claim for an injunction under the *eBay* factors, because Apple failed to show any nexus between any irreparable harm and infringement of its patents.

In its brief, Apple touts its user interface design as propelling Apple's "meteoric rise." Apple Opening Brief ("AOB") at 2. But Apple ignores that it sells a cellular phone, and that its phone uses technology developed by others. Apple's mobile applications and user interface design would mean nothing if Motorola and others had not invested in the development of fundamental communications standards.

Motorola's cross-appeal concerns three of its SEPs: the '559 patent (essential to 3G cellular standard), the '712 patent (essential to WiFi), and the '898 patent (essential to GPRS cellular standard). For the '559 and '712 patents, the district court erred in claim construction and used those incorrect constructions to find that the patents were not infringed. For the '898 patent, the district court's claim construction was correct, but the court nevertheless wrongly dismissed Motorola's claims, ruling that neither damages nor an injunction were available for Apple's infringement.

In rejecting Motorola's claim for damages for infringement of its SEPs, the district court failed to take into account that patents essential to a

telecommunication standard are extremely valuable. Technology incorporated into standards is voted upon by industry participants, and represents the industry's best available solution for standards that are adopted worldwide. Motorola owns a portfolio of SEPs and licenses them as a portfolio. Because of the nature of SEPs—which all cover a defined standard, meaning an implementer of the standard infringes all patents on that standard—has never licensed its SEPs on a patent-by-patent basis. The best available evidence of damages for Motorola's SEPs is therefore its portfolio rate. Motorola submitted expert testimony that different patents can have different contributions to the value of a standard, and that in practice, the first patent negotiated from a portfolio may command a disproportionate portion of the portfolio rate. The district court rejected that theory and ruled that Motorola's damages must be measured by valuing the patent in question at the time right before it is contributed to the standard—many years before Apple began infringement. This was error. The statute provides for a “reasonable royalty” that is based on a hypothetical negotiation occurring at the time of first infringement, not an *ex ante* valuation of the patent.

As to the denial of any injunctive relief to Motorola, the district court set forth a seemingly categorical rule against injunctions for infringement of essential patents whose holders commit to SDOs to offer licenses on fair, reasonable and non-discriminatory (“FRAND” or “RAND”) terms. Under this rule, the district

court declined to examine Apple's refusal to accept a license over years of infringing use. That ruling requires this Court's reversal, because the district court's automatic rule that injunctions are never available for SEPs is contrary to the Patent Act, which provides injunctions as a statutory remedy; to the equitable principles of *eBay*; and to Motorola's FRAND commitments to the SDOs at issue here, which did not waive its rights to injunctive relief. Subject to the terms of the FRAND commitments at issue, the same injunction rules should apply to SEPs as to all other patents, and while the traditional factors reaffirmed in *eBay* set a high bar, Motorola should be given the chance to surmount it.

The district court's rulings require this Court's vacatur or reversal because they devalue essential patents as a manner of protecting fundamental research and development, upset the settled expectations of contributors to industry standards, and create disincentives going forward for others to participate in standards development that have served consumers well for decades.

JURISDICTIONAL STATEMENT

Motorola agrees that this Court has jurisdiction over Apple's appeal. Motorola timely filed its Notice of Cross-Appeal from the final judgment. Fed. R. App. P. 4(a). The district court had jurisdiction pursuant to 28 U.S.C. §§1331 and 1338, and this Court has jurisdiction over the cross-appeal pursuant to 28 U.S.C. §1295(a)(1).

COUNTER-STATEMENT OF ISSUES PRESENTED

Issues on Appeal

1. Did the district court (a) rule correctly that the ‘949 patent’s claims are means-plus-function claims, and, in the alternative, (b) err in failing to rule that Apple’s ‘949 patent claims—directed to ambiguous software “heuristics” for accomplishing functions—are invalid as indefinite, because they rely on purely functional claiming?

2. Did the district court err in its claim construction of the term “realtime application program interface” from Apple’s ‘263 patent?

3. Did the district court correctly construe the disputed terms of Apple’s ‘647 patent?

4. Did the district court (a) properly exclude Apple’s damages expert for the ‘949, ‘263 and ‘647 patents for lacking foundation to rely on the costs of non-infringing alternatives, and (b) properly deny Apple a permanent injunction, because Apple failed to establish irreparable harm?

Issues on Cross-Appeal

1. Did the district court err in its construction of Motorola’s ‘559 patent?

2. Did the district court err in its construction of Motorola’s ‘712 patent?

3. Did the district court err in (a) granting summary judgment of no damages for infringement of Motorola’s ‘898 patent where factual issues existed

that should have been heard by the jury, and (b) excluding the reliable testimony of Motorola's damages experts?

4. Did the district court err in applying an automatic rule that injunctions are never available for patents declared essential to SDOs, and thus in declining to consider evidence that Apple was an unwilling licensee?

COUNTER-STATEMENT OF THE CASE

Apple released its first cell phone—the iPhone—in 2007. It did not seek a license from Motorola for any of Motorola's patents related to the cellular or wireless communication standards Motorola helped to develop, even though it is undisputed that the iPhone leverages these same standards. Consequently, Motorola approached Apple to initiate licensing discussions. But after years of refusal by Apple to negotiate in good faith for a license to Motorola's patents, and the launch of a lawsuit by Apple against HTC alleging infringement of a number of Apple patents by the same Android platform that Motorola used in its offerings, Motorola filed suit against Apple in both the district courts and the International Trade Commission. Shortly thereafter, Apple extended its action against the Android platform by suing Motorola in a number of venues.

This appeal arises from a complaint that Apple filed in the Western District of Wisconsin on October 29, 2010, alleging that Motorola's offerings infringed three Apple patents. Motorola filed a counterclaim alleging that Apple infringed

six patents. Apple then filed an amended complaint, adding twelve additional patents. The case was transferred to the Northern District of Illinois in December 2011, with Judge Posner, sitting by designation, presiding.

This appeal concerns a subset of the patents originally raised by the parties, namely:

- Apple’s Patent Nos. 7,479,949 (“‘949 patent”) [A194-551]; 6,343,263 (“‘263 patent”) [A178-193]; and 5,946,647 (“‘647 patent”) [A162-177].
- Motorola’s Patent Nos. 5,319,712 (“‘712 Patent”) [A100181-87]; 6,175,559 (“‘559 patent”) [A100209-215]; and 6,359,898 (“‘898 patent”) [A100216-221].

The district court issued a number of orders that are relevant to this appeal:

On October 13, 2011, the district court construed the phrase “transmit overflow sequence number” in Motorola’s ‘712 patent, holding that it cannot be transmitted to the receiver. A333-3341.

On January 16, 2012, the district court provided initial claim constructions for Apple’s ‘949 patent in its summary judgment order, finding that the ‘949 patent claims “gesture towards” the step-by-step process required for means-plus-function claims. A45-47.

On January 25, 2012, the Court construed “realtime application program interface,” in Apple’s ‘263 patent to mean: “API that allows realtime interaction between two or more subsystems.” A66-68.

On March 19, 2012, the district court construed claim 5 of Motorola’s ‘559 patent, A85-86, and certain terms in the ‘647 patent, A76-79. The Court also held that the claims of the ‘949 patent were means-plus-function claims. A80-83.

On March 29, 2012, the Court provided a supplemental claim construction order for Apple’s ‘949 patent, where the Court determined the structure in the specification for each claim. A90-95. The district court denied Apple’s motion for reconsideration of the court’s claim construction for the ‘949 patent on March 30, 2012. A12688-90.

On April 27, 2012, the Court granted in part Motorola’s renewed motion for summary judgment of non-infringement of Apple’s ‘949 patent. A96-100.

On May 20, 2012, the district court construed an additional limitation in claim 5 of the ‘559 patent, holding that the “forming” steps in the patent must be performed in order. A140427-29.

On May 22, 2012, the Court struck the damages experts of both sides, ruling that neither party’s expert had presented sufficiently rigorous damages analyses. A101-122.

The Court granted Apple summary judgment of non-infringement for claim 5 of the '559 patent on June 5, 2012. A100146-49.

On June 22, 2012, the Court granted both sides summary judgment on the grounds that neither side was entitled to monetary or injunctive relief. A123-160. The court dismissed the cases in their entirety. *Id.*

COUNTER-STATEMENT OF THE FACTS

A. Motorola's Contributions To Cell Phone And Wireless Standards

Motorola has been a pioneer in phone and radio technology, and was responsible for the first-ever commercial portable cellular telephone in 1983. A118036-37. As part of that research and development, Motorola has participated in approximately 30 SDOs, including the European Technical Standards Institute ("ETSI"). A117796. Members of SDOs like Motorola work together to determine technical solutions enabling interoperability among manufacturers' products and then implement those solutions into standards. Sometimes, those standards use patented technology. A117793. When member companies declare their patents essential to a standard, often they agree to license those patents on FRAND/RAND terms. A117794, A117797-98.

Motorola has successfully negotiated and entered into cross licenses for its standards essential patents with [REDACTED]

[REDACTED]

Confidential Material Omitted
--

█ [REDACTED]

█ [REDACTED]

█ [REDACTED]

Motorola's portfolio has generated [REDACTED] in royalties and, through cross-licensing, additional value in the form of freedom of operation for Motorola to develop its own mobile devices. A118883.

B. Apple's Refusal To Pay FRAND Royalties On SEPs

Apple has not historically participated in SDOs and only recently joined ETSI. A117800. Utilizing the technology developed by Motorola and other companies, Apple entered into the cell phone market in 2007. A117800. Apple knew that Motorola owned essential patents, but released its phone without seeking a license. A117801.

Shortly after Apple released the first generation iPhone in the summer of 2007, Motorola reached out to Apple to initiate cross-license discussions. A117802. Motorola offered to license its standards essential portfolio to Apple in exchange for a 2.25% royalty on licensed sales, the same proposal Motorola has made to dozens of other companies. A118883-85. But Apple made plain at the parties' initial meeting that it had no intention of taking a license. A104856.

Motorola continued to seek to license its portfolio to Apple, but for years Apple resisted taking a license, rejected Motorola's proposals, and refused to provide any counter-offer. A118885-86. Up through the fall of 2010, when Motorola filed this lawsuit, Apple had still failed to make any reasonable licensing proposal.

C. Apple's '949 Patent

Apple's '949 patent claims "heuristics" for translating finger movements on a touchscreen device into computer commands. A194-555. Apple asserted claim 1 and dependent claims 2, 9 and 10. A4799. Claim 1 of the patent provides:

A computing device, comprising:

a touch screen display;

one or more processors; memory; and

one or more programs, wherein the one or more programs are stored in the memory and configured to be executed by the one or more processors, the one or more programs including:

instructions for detecting one or more finger contacts with the touch screen display;

instructions for applying one or more heuristics to the one or more finger contacts to determine a command for the device; and

instructions for processing the command;

wherein the one or more heuristics comprise:

a vertical screen scrolling ***heuristic for*** determining that the one or more finger contacts correspond to a one-dimensional vertical screen scrolling command rather

than a two-dimensional screen translation command based on an angle of initial movement of a finger contact with respect to the touch screen display;

a two-dimensional screen translation *heuristic for* determining that the one or more finger contacts correspond to the two-dimensional screen translation command rather than the one-dimensional vertical screen scrolling command based on the angle of initial movement of the finger contact with respect to the touch screen display; and

a next item *heuristic for* determining that the one or more finger contacts correspond to a command to transition from displaying a respective item in a set of items to displaying a next item in the set of items.

A549-50.

At claim construction, the district court adopted Apple's definition of heuristics as "one or more rules to be applied to data to assist in drawing inferences from that data." A45-47. But the court construed the '949 heuristic elements as means-plus-function claims, finding: "Apple's patent cannot cover every means of performing the function of translating user finger movements into common computer commands on a touch-screen device—that would be a patent on all touch-screen computers." A83.

Following the court's claim construction rulings, Motorola filed a renewed motion for summary judgment, A14713-49, which the court granted in large part.

A96-100. The remainder of the case concerning the ‘949 patent was dismissed due to Apple’s failure to prove any damages.¹ A123-61.

D. Apple’s ‘263 Patent

Apple’s ‘263 patent relates to a system to perform “realtime” services using a “realtime API” allowing the host processor to interact with the realtime subsystem. A178-93. Claim 1 of the patent provides:

1. A signal processing system for providing a plurality of realtime services to and from a number of independent client applications and devices, said system comprising:

a subsystem comprising a host central processing unit (CPU) operating in accordance with at least one application program and a device handler program, said subsystem further comprising an adapter subsystem interoperating with said host CPU and said device;

a realtime signal processing subsystem for performing a plurality of data transforms comprising a plurality of realtime signal processing operations; and

at least one *realtime application program interface (API)* coupled between the subsystem and the realtime signal processing subsystem to allow the subsystem to interoperate with said realtime services.

A190. The district court adopted Apple’s proposed construction for “realtime API,” A66-68, and denied Motorola’s motion for summary judgment of non-infringement, A14702-06.

¹ In December 2012, the USPTO issued an Ex Parte Reexamination Non-Final Office Action finding the ‘949 patent preliminarily invalid as anticipated and obvious. Reexam – Non-Final Action, United States Patent and Trademark Office, Dec. 3, 2012, available at <http://portal.uspto.gov/pair/view/BrowsePdfServlet?objectId=HA9NF0XHPXXIFW4&lang=DINO>.

E. Apple’s ‘647 Patent

Apple’s ‘647 patent is directed to a system that detects “structures” (e.g., phone numbers) in documents, links user actions to those structures, and provides users with the ability to select one of those actions. A162-77. Claim 1 provides:

A computer-based system for detecting structures in data and performing actions on detected structures, comprising:

an input device for receiving data;

an output device for presenting the data;

a memory storing information including program routines including

an *analyzer server* for detecting structures in the data, and for *linking actions to the detected structures*;

a user interface enabling the selection of a detected structure and a linked action; and

an action processor for performing the selected action linked to the selected structure; and

a processing unit coupled to the input device, the output device, and the memory for controlling the execution of the program routines.

A176.

The Court adopted Motorola’s proposed constructions for the term “analyzer server” and the phrase “linking actions to the detected structures.” A76-79.

F. Motorola’s ‘559 Patent

Motorola’s ‘559 patent covers important aspects of 3G technology, and allows mobile devices to initiate communications with cellular stations more

effectively. A118080. Claim 5 of the '559 patent is dependent on claim 1 and provides:

5. A method for generating preamble sequences in a CDMA system, the method comprising the steps of:

forming an outer code in a mobile station;

forming an inner code in the mobile station utilizing the following equation:

$$c_i(k) = \sum_{j=0}^{M-1} s_j(k - jP)$$

where s_j , $j=0,1, \dots, M-1$ are a set of orthogonal codewords of length P , where M and P are positive integers; and

multiplying the outer code by the inner code to generate a preamble sequence.

A100215. The Court adopted Apple's proposed constructions, A86, and then granted summary judgment of non-infringement, A14703, A100146.

G. Motorola's '712 Patent

Motorola's '712 patent covers certain WiFi technology. A108970-71.

Claim 17 of the '712 patent provides:

17. In a communication system having a physical layer, data link layer, and a network layer, a method for providing cryptographic protection of a data stream, comprising:

(a) assigning a packet sequence number to a packet derived from a data stream received from the network layer;

(b) updating a *transmit overflow sequence number* as a function of the packet sequence number; and

(c) encrypting, prior to communicating the packet and the packet sequence number on the physical layer, the packet as a function of the packet sequence number and the transmit overflow sequence number.

A100186. The Court adopted Apple's proposed construction, A3340-41, and then granted summary judgment to Apple of non-infringement. A40-42.

H. Motorola's 898 Patent

The '898 patent is directed to a method in which a mobile device informs a cellular station of when it can expect the mobile to be finished with a transmission. It provides greater advanced warning to the cellular station of the impending completion of a transmission than prior art methods did.

I. The District Court Decisions Excluding Damages Experts And Denying Injunctive Relief

The district court excluded Apple's damages expert Brian Napper from offering testimony regarding Apple's patents. A116-17, A119. The court found that Napper failed to exercise the same level of intellectual rigor as would be used in the field outside litigation. A111-119. The court also found that Apple could not prove irreparable harm, or that the balance of harms favored granting an injunction, because Apple's patents related to only minor features in the accused products. A155-57.

The district court also excluded Motorola's damages expert Carla Mulhern, and her testimony regarding damages for the '898 patent based on a portion of the established portfolio rate. A121. In addition, the court excluded portfolio

licensing expert Charles Donohoe's declaration. A138-39. As a result, the court granted Apple's motion for summary judgment of no damages for the '898 patent. A140. Finally, the court granted Apple's motion for summary judgment that Motorola could not obtain an injunction on the '898 patent, because it was a standard essential patent, without regard to the standard commitment Motorola had made or the evidence of Apple's refusal to negotiate in good faith. A140-143.

SUMMARY OF ARGUMENT

The '949 Patent: The asserted claims of the '949 patent do not contain sufficient structure (in this case a computer algorithm) to perform the functions specified in the claims. As a result, the district court correctly determined that the "heuristic" elements in these claims must be interpreted as means-plus-function claims. The district court erred in part, however, in its identification of the corresponding structure from the specification for performing the claimed function, because the specification did not provide sufficiently definite structure linked to the claimed functions.

The '263 Patent: The district court improperly construed the term "realtime API." The court should have found that a "realtime API" must itself have "realtime" functionality by placing specific time constraints on the execution of the API. Some of the claims of the patent recite a "realtime API" providing the interface between applications and the realtime subsystem, while others recite an

API without the modifier “realtime” providing the same interface. This dictates a distinction between “realtime” API’s and other API’s, which the district court’s construction eliminates.

The ‘647 Patent: The district court properly construed “analyzer server” in Apple’s ‘647 patent. Intrinsic evidence supports the court’s construction. The district court also properly construed “linking actions to the detected structures.”

Apple’s Damages and Injunction Claims: The district court properly excluded the expert opinions of Apple’s damages expert Brian Napper. Napper’s damages opinions failed the basic prerequisites to survive *Daubert*.

The district court also correctly found that Apple was not entitled to permanent injunctive relief. Apple’s patents relate to only minor features in the accused products, and there is no evidence in the record of any causal nexus to any irreparable harm from their infringement.

The ‘559 Patent: The district court improperly construed Motorola’s ‘559 patent, because it held incorrectly that the steps in the patent must be performed in specific sequence, and determined that the same codeword cannot be repeated, which excludes the preferred embodiment.

The ‘712 Patent: The district court erred in its construction of “transmit overflow sequence number” by ruling that it can never be transmitted by the

wireless device to the receiver, improperly relying on non-contemporaneous extrinsic evidence.

Ruling of No Available Damages for the ‘898 Patent: The district court improperly rejected Motorola’s claim for damages. The district court improperly required Motorola to value its patent *ex ante*—at the time right before the standard was adopted, years before Apple’s infringement. This Court’s precedent requires that a reasonable royalty be determined as of the time of first infringement—at which point Motorola’s FRAND commitments and cross-licensing considerations would be taken into account—but the district court failed to apply this standard.

Availability of Injunctions for Standards-Essential Patents: The district court improperly held that Motorola could not obtain an injunction on the ‘898 patent, which is essential to the GPRS standard and subject to FRAND commitments carefully defined by ETSI. Without referencing the actual terms of the ETSI commitments (which include no prohibition on seeking injunctions), the court ruled that the holder of SEPs is categorically unable to obtain injunctive relief against willful infringers. The traditional *eBay* factors should apply to SEPs, just as is the case with any other patent.

ARGUMENT – ISSUES ON APPEAL

I. THE DISTRICT COURT PROPERLY FOUND THAT THE ‘949 PATENT’S CLAIMS ARE MEANS-PLUS-FUNCTION CLAIMS BECAUSE THE CLAIMS RECITE INSUFFICIENT STRUCTURE TO PERFORM THE CLAIMED COMPUTER FUNCTIONS.

Apple’s appeal on the ‘949 patent should be rejected because the district court correctly found the heuristic elements of claim 1 should be interpreted as means-plus-function, A80-83, and because there is no structure or algorithm recited in the claims by which the claimed computer system could perform the claimed heuristic functions. 35 U.S.C. §112, ¶6. Pure functional claiming of computer functions without recitation of an algorithm would render the claim indefinite. *Aristocrat Technologies Australia PTY Ltd. v. Int’l Game Technology*, 521 F.3d 1328, 1333 (Fed. Cir. 2008).

A. The Term “Heuristics” Connotes No Definite Structure Or Algorithm

Claim 1 of the ‘949 patent claims “instructions for applying” three “heuristics for determining” how to perform certain functions—vertical screen scrolling versus two-dimensional screen translation, and moving to the next item. A549-50. Nowhere in the patent is the term “heuristic” defined. A194-555. In its brief, Apple deems heuristics “*engineer-speak* for rules applied to data . . . to assist in drawing inferences . . . from that data.” AOB 7 (emphasis added). Apple’s vague reference to “engineer-speak” is telling. Claims are written for those of ordinary skill in the art, *i.e.*, software engineers in this instance. But none of the

named engineer inventors could define what “heuristics” meant. When asked to define heuristics at his deposition, inventor Paul Marcos said [REDACTED] [REDACTED] A5054 at 15:23-24. Named inventor Scott Herz answered that [REDACTED] [REDACTED] A5046 at 95:20-96:16.

“Heuristics” is an imprecise concept that does nothing to delineate a particular structure or algorithm to perform the recited function. Therefore, unless the term is interpreted in means-plus-function fashion, claim 1 does not cover a specific invention but merely refers to an idea for an invention. This is improper functional claiming. *See, e.g., Mark Lemley, Software Patents and the Return of Functional Claiming* (July 25, 2012), Stanford Public Law Working Paper No. 2117302, *available at* <http://ssrn.com/abstract=2117302> (last visited March 12, 2013). Such functional claiming fails to put the public on notice of what is covered by each patent, which stifles innovation.²

B. Claim 1 Of The ‘949 Patent Is A Means-Plus-Function Claim, As Found By The District Court

If a claim limitation does not use the words “means” or “means for,” there is a rebuttable presumption against construing the limitation as means-plus-function.

² The USPTO has recently sought comments on how to address the issue of functional claiming in software-related patents under 35 U.S.C. §112. Request for Comments and Notice of Roundtable Events for Partnership for Enhancement of Quality of Software-Related Patents, 78 Fed. Reg. 292-02 (Jan. 3, 2013).

Mass. Inst. Of Tech. v. Abacus Software, 462 F.3d 1344, 1353 (Fed. Cir. 2006).

This presumption can be overcome if a claim “fails to recite sufficiently definite structure or else recites function without reciting sufficient structure for performing that function.” *Id.* (internal quotations and citations omitted).

For example, in *Welker Bearing Co. v. PHD, Inc.*, this Court determined that the claim limitation at issue should be construed as means-plus-function, even though the limitation did not use the word “means.” 550 F.3d 1090, 1095-1097 (Fed. Cir. 2008). This Court noted that “the generic terms mechanism, means, element, and device, typically do not connote sufficiently definite structure [to avoid means-plus-function treatment] . . . The term mechanism standing alone connotes no more structure than the term means.” *Id.* at 1096 (internal quotations omitted) (emphasis removed).

The term “heuristic” is similarly generic; it encompasses any and all rules for accomplishing the function set forth in the claims. *See, e.g., Storer v. Hayes Microcomputer Products, Inc.*, 960 F. Supp. 498, 502-503, n. 5 (D. Mass. 1997) (equating a “heuristic” to an “algorithm,” “method,” or “means.”) The law is well-settled that, when a generic function of a general purpose computer is recited in the claims without sufficient structure claimed to perform the function, the claim must be interpreted to incorporate the specific algorithm recited in the specification linked to the claimed function. *In re Katz Interactive Call Processing Patent Lit.*,

639 F.3d 1303, 1314-15 (Fed. Cir. 2011). *See also ePlus, Inc. v. Lawson Software, Inc.*, 700 F.3d 509, 518-19 (Fed. Cir. 2012); *WMS Gaming, Inc. v. Int'l Game Technology*, 184 F.3d 1339, 1348 (Fed. Cir. 1999).

Apple attempts to find structure in the claim by pointing out the other generic limitations, which include a “computing device” with a touchscreen, processors, memory and unspecified programs. AOB 26. A “computing device” is insufficient structure within the claim, as every software patent requires some type of computing device. A generic computer alone does not describe the structure needed to carry out the described function. *Aristocrat Technologies*, 521 F.3d at 1333 (Fed. Cir. 2008). Claim 1 of the ‘949 patent therefore should be analyzed as a means-plus-function claim, looking to the specification to determine whether sufficient structure exists for the claim to survive.

C. Claim 1 Is Invalid As Indefinite Because There Is Insufficient Structure Recited In The Specification

The district court was correct that the heuristic elements of claim 1 should be construed as means-plus-function claims. However, as alternative grounds for affirmance of judgment in favor of Motorola on the ‘949 patent, this Court should hold that the district court was incorrect in finding that there was sufficient structure in the specification linked to each of the claimed functions.

“If the specification is not clear as to the structure that the patentee intends to correspond to the claimed function, then the patentee has not paid the price but

is attempting to claim in functional terms unbounded by any reference to structure in the specification.” *Aristocrat Technologies*, 521 F.3d at 1333 (citation omitted). “That ordinarily skilled artisans could carry out the recited function in a variety of ways is precisely why claims written in ‘means-plus-function’ form must disclose the particular structure that is used to perform the recited function.” *Blackboard, Inc. v. Desire2Learn Inc.*, 574 F.3d 1371, 1385 (Fed. Cir. 2009). Without claiming a definite structure, a patentee is attempting “to capture any possible means for achieving that end.” *Id.*

In *Aristocrat*, this Court was unable to find structure for the function “pay[ing] a prize when a predetermined combination of symbols is displayed in a predetermined arrangement of symbol positions selected by a player[.]” 521 F.3d at 1334. Figure 1 and Table 1 in the patent provided examples of how player selections could translate to possible winning combinations, but that was not sufficient. They were “at most, pictorial and mathematical ways of describing the claimed function of the game control means. That is not enough to transform the disclosure of a general-purpose microprocessor into the disclosure of sufficient structure to satisfy section 112 paragraph 6.” *Id.* at 1335. Therefore, this Court found that the claims were invalid.

The description of the way to perform the claimed heuristic functions in the specification of the ‘949 patent is similarly deficient. The structure identified by

the district court for the vertical screen scrolling and two-dimensional translation heuristics, Figure 39C, contains only one dotted arrow with the notation “<27°” and another dotted arrow with the notation “>27°.”

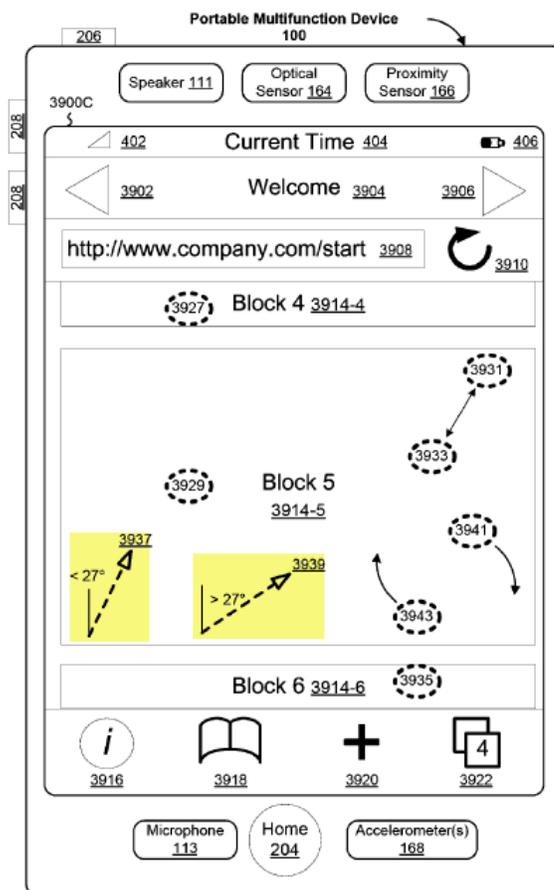


Figure 39C

A345. Nowhere in the figure or elsewhere in the specification does the patent outline any of the rules or parameters that must be considered to implement these functions, (such as speed, acceleration or distance traveled by the measured input), nor does it explain how to determine the “angle of initial movement.” See A194-555. The same is true for the alleged structure of the next item heuristic, Figure 16A, which contains merely a dotted arrow (1616) and a dotted circle (1620).

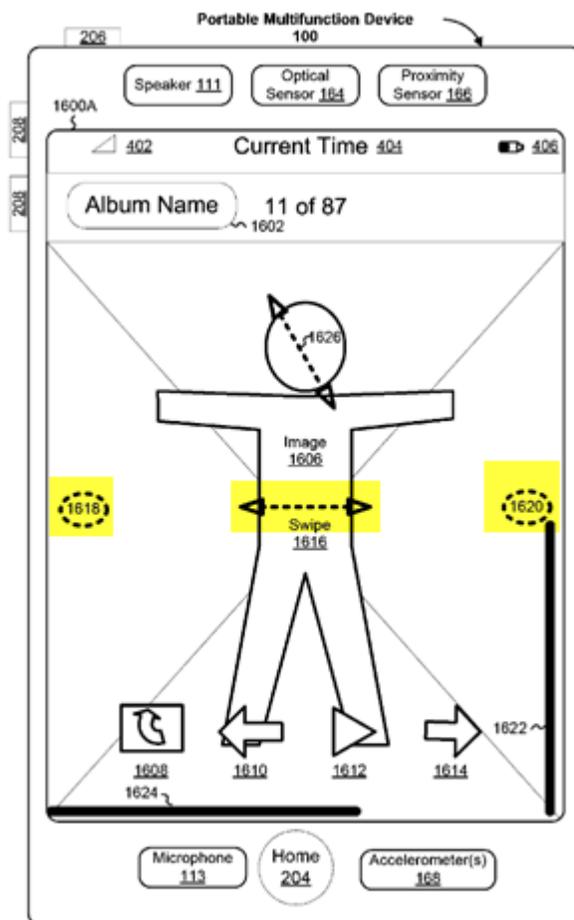


Figure 16A

A229. The specification notes myriad variables that may be analyzed to interpret the characteristics of finger gestures (e.g., speed, acceleration), but does not disclose an algorithm that uses these variables to interpret a finger gesture as a next item command. A496 col. 15:10-13. Claim 1 is therefore invalid as indefinite.

D. To The Extent Sufficient Structure Is Disclosed, The District Court Properly Limited The Next Item Heuristic To A Right Tap

To the extent there is sufficient structure disclosed in the specification corresponding to any of the claimed heuristic functions, the district court properly held that the next item heuristic must be limited to a tap on the right side of the

screen, rather than a “swipe” from right to left. An algorithm corresponding to the next item heuristic must be able to determine whether a particular gesture is intended to be a next item command. A necessary corollary to this is that the algorithm must be able to determine that a given gesture corresponds to one command (*e.g.*, a next item command) rather than a different command (*e.g.*, a horizontal screen scrolling command).

Apple argues, AOB 31, that the district court erred in its premise that claim 1 requires that “a horizontal finger swipe should be interpreted as a command to shift the screen horizontally.” A93. In Apple’s view, claim 1 instead covers a “‘two-dimensional’ (diagonal) swipe,” which it argues is different than a horizontal swipe. AOB 31-32. This argument has no support in the patent. On the contrary, Figure 39C shows that a vertical screen scrolling command will be implemented if the user’s angle of initial finger movement is less than 27° , and that *all movements at an angle greater than 27°* will implement a two-dimensional screen translation command. A345. By definition, a horizontal 90° swipe would fall within this threshold and would trigger a two-dimensional translation command.

Apple is also incorrect that the district court “appears to have confused claim 1 with dependent claim 10, which does cover a situation where a horizontal swipe may lead to a ‘one-dimensional horizontal screen scrolling command.’” AOB 32. Apple made this argument in its motion for reconsideration of the district court’s

order, and the district court rejected it, stating “[a]t page 4 of my opinion I compare the next item heuristic not to claim 10’s horizontal screen scrolling function, but to claim 1’s diagonal translation function.” A12689. The district court found the “inconsiderate sloppiness” of Apple’s “flagrant misreadings” of the district court’s order to be “unprofessional and unacceptable,” yet Apple attempts to advance the same arguments again here. A12689-90.

Apple has also waived its argument that “the patent does not describe a device where ‘the same user finger movement is understood to communicate two separate commands’ *at the same time*,” AOB 32. While Apple argues that “the district court misunderstood the invention,” AOB 22, in fact, Apple did not raise this argument until its motion for reconsideration of the district court’s claim construction regarding the next item heuristic; at that time, the district court “decline[d] to consider the merits” of the argument, because “Apple failed to advance [the waived argument] anywhere in its briefing of the construction of the ‘949 patent prior to this motion to reconsider,” and Apple therefore forfeited it. A12690.

II. THE DISTRICT COURT MISCONSTRUED THE ‘263 TERM “REALTIME API.”

The district court construed the term “realtime API,” as recited in claims 1 and 2 of Apple’s ‘263 patent to mean: “API that allows realtime interaction between two or more subsystems.” A68. To the extent this Court reverses the

district court's rulings relating to damages and injunctive relief on the '263 patent, it should reverse its construction of "realtime API", because it reads the "realtime" limitation on the API itself out of the claim.

The '263 patent claims recite at least two API types that interoperate with realtime devices. The first type, recited in claim 1 and at issue here, is a realtime API: "at least one **realtime application program interface (API)** coupled between the subsystem and the realtime signal processing subsystem to allow the subsystem to interoperate with said realtime services." A190 col. 11:39-42. The other type, recited in independent claim 31, is an API without any realtime requirement: "at least one **application programming interface** for receiving the requests generated by said device handler program and issuing commands to said realtime engine to perform the requested data transformations." A191 col. 14:40-43 (emphasis added).

The APIs of both claims 1 and 31 allow for realtime operations of other components by providing an interface to the realtime subsystem, per the express language of the claims. But the realtime API of claim 1 also must *itself* be realtime.³

³ Indeed, the '263 inventors chose to identify several components in claim 1 as realtime, but did not require that *every* element within the system be "realtime." For example, the "realtime signal processing subsystem" and "realtime API" are explicitly recited to be "realtime," while other components in claim 1

The inventors' deliberate use of the "realtime" modifier within the claim confirms that "realtime" elements must have realtime functionality. *See Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (use of the word "steel" in the term "steel baffles" of the claim "strongly implies" a difference between steel baffles and other, non-steel baffles).

The district court's construction requires the "realtime API" to "allow[] *realtime* interaction between two subsystems," A68, which facially might suggest that the "realtime" modifier for the API is addressed by the construction. But a closer look reveals otherwise. Claim 1 *independently* requires the claimed realtime API "to allow the subsystem to interoperate with said realtime services," meaning that the "realtime" modifier of the API in the claim must provide an additional limitation. Indeed, this Court rejects constructions where they would "ascribe[] no meaning to the term . . . not already implicit in the rest of the claim." *Mangosoft, Inc. v. Oracle Corp.*, 525 F. 3d 1327, 1330-31 (Fed. Cir. 2008).

Motorola proposed two constructions for this term:

- "an API that itself has defined upper bounded time limits"⁴
- "API facilitating constant bit rate data handling"

A6351-68.

(*e.g.*, adapter subsystem, application program, device handler program, etc.) are not. *See* A190 col. 11:28-43.

⁴ The district court did not consider this construction and deemed it "untimely." A6352.

The International Trade Commission, in the dispute between Apple and HTC involving the ‘263 patent, adopted the following construction: “an API that operates in realtime, i.e., as an API that operates with a defined upper bonded time limit.” All of these constructions address the notion that the API itself must be “realtime,” and for that reason, any are acceptable.

III. THE DISTRICT COURT CORRECTLY CONSTRUED THE TERMS FROM THE ‘647 PATENT.

The district court construed two terms from Apple’s ‘647 patent: “analyzer server” and “linking actions to the detected structures.” A76-79.

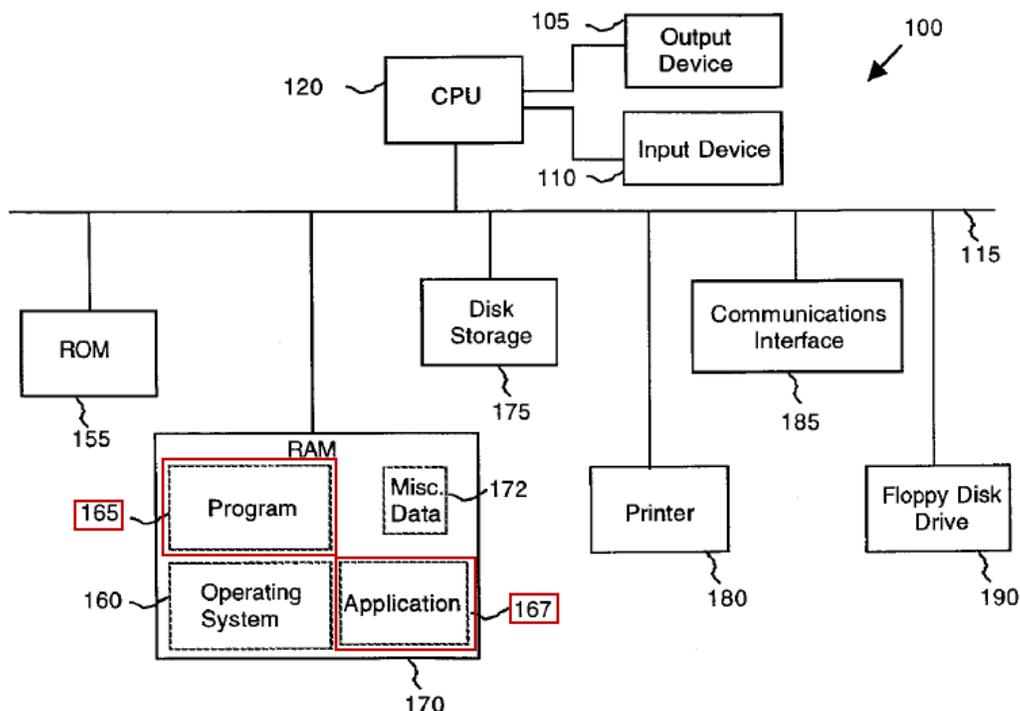
A. The District Court Correctly Construed The Term “Analyzer Server”

The district court adopted Motorola’s proposed construction for the term “analyzer server,” construing it as “a server routine separate from a client that receives data having structures from the client.” A78.

In adopting Motorola’s construction, the district court relied on the claim language—particularly the meaning of “server” to one of ordinary skill in the art⁵—and the only embodiment described in the specification. A77-78. The ‘647 patent describes “the program **165** of the present invention,” which contains the

⁵ See, e.g., A10682-92; A10932-40; A10973; and A11963-70. The commonly-held understanding of “server” is also evident from the arguments the ‘647 applicants made regarding the claimed invention during prosecution. See A10700-871.

analyzer server, as being depicted in Figure 1 (A174 col. 3:37-44) separate from the “[a]pplication 167”:



A163.

On appeal, Apple presents no conflicting evidence about the meaning of the term “server” or the description of the “analyzer server” in the intrinsic evidence. Indeed, Apple acknowledges that the preferred (and only) embodiment in the patent shows that the analyzer server is separate from the client applications, AOB 35, consistent with a “client-server” model. Instead, Apple claims that the ITC and district court have “issued conflicting constructions.” AOB at 33-34. That is incorrect. In the ITC case in question—which involved HTC, not Motorola—the

parties agreed to a construction of “analyzer server.”⁶ That construction was not evaluated by either the ALJ or the Commission. Regardless, any ITC decision would not be binding here, and thus Apple did not even raise the ITC proceedings with the district court.

Apple’s claim differentiation argument also fails. Apple argues that, under the district court’s construction, dependent claims 3 and 10 improperly cover the same subject matter of claim 1. AOB 35. But Apple is wrong.

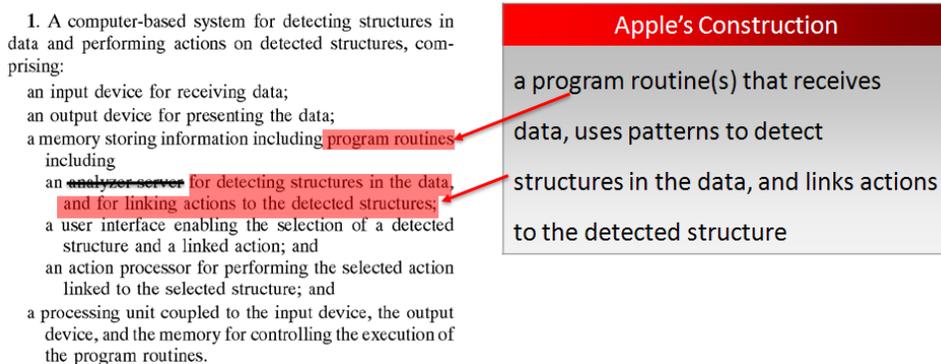
Claim 3 recites that “the input device receives the data from an application *running concurrently*.” A176 col. 7:27-28. Moreover, claim 3 recites that the “program routines stored in memory *further comprise an application program interface* for communicating with the application.” *Id.* at 7:29-31. Claim 10 recites a different application that “causes the output device to present the data received by the input device,” and “an application program interface that provides interrupts and communicates with the application.” *Id.* at 7:58-61.

The system of claim 1 is broader than dependent claim 3, because its input device can receive data from an application running concurrently or not concurrently, and it can work with or without an application program interface. The system of claim 1 is similarly broader than dependent claim 10, because it can

⁶ The citation in Apple’s own brief makes this clear. AOB 34 (citing the Initial Determination at 28-29, which notes that the parties agreed to the construction of “analyzer server.”). *See also* A10785-86.

work with or without the recited application and application program interface of claim 10. In light of these distinctions, any claim differentiation argument fails. *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1369-71 (Fed. Cir. 2007) (rejecting claim differentiation arguments where there were differences in scope between the claims in question).

Finally, Apple proposes its own construction—one that would eliminate the “server” concept entirely and swap it out in favor of the broader, generic term “program routine”:



If claim 1 was not intended to require a server, the patentees could have drafted the claims to recite a “program routine” for performing the various “detecting,” “linking,” “enabling,” and “performing” steps without further clarification. Indeed, they did so in claims 13, 14, and 15. A176 col. 8:1-33. They included the term “server” in claim 1 because it has a specific meaning—a separate component that serves various clients. “A claim construction that gives meaning to

all the terms of the claim is preferred over one that does not do so.” *Merck & Co., Inc. v. Teva Pharm. USA, Inc.*, 395 F.3d 1364, 1372 (Fed. Cir. 2005).

B. The District Court Correctly Construed The Phrase “Linking Actions To The Detected Structures”

The district court adopted Motorola’s proposed construction for the phrase “linking actions to the detected structures,” construing the phrase as “creating a specified connection between each detected structure and at least one computer subroutine that causes the CPU to perform a sequence of operations on that detected structure.” A78-79.

Apple complains that the district court’s construction—and in particular the “specified connection” language—is improperly based on the ‘647 specification’s reference to “pointers,” which Apple claims is a preferred embodiment. AOB 37. Apple instead proposes a construction that substitutes the word “associating” for “linking.” AOB 36. But Apple’s purposely-vague proposal conflicts with the intrinsic evidence.

The ‘647 specification teaches that the analyzer server first “receives data having recognizable patterns from a document. . . .” A174 col. 3:57-58. “Upon detection of a structure, [the] analyzer server [] *links* actions *associated* with the responsible pattern to the detected structure, using conventional pointers.” *Id.* 3:65-67 (emphasis added). The specification therefore draws a distinction between associating and linking – a distinction Apple’s proposed construction eliminates.

Dependent claims 4 and 5 provide additional support. Claim 4 recites that “the analyzer server includes grammars and a parser for detecting structures in the data.” A176 col. 7:33-35. Claim 5 depends on claim 4 and further recites that “the analyzer server includes actions *associated* with each of the grammars, and wherein the analyzer server *links* to a detected structure the actions *associated* with the grammar which detects that structure.” *Id.* at 7:36-40 (emphasis added). These dependent claims use the verbs “linking” and “associating,” but in different contexts, confirming that they should not be used interchangeably as Apple’s construction suggests.

Apple also argues that claim 1 requires linking multiple actions to each detected structure. AOB 37. Apple is wrong. The plain language of the phrase “linking actions to the detected structures” does not require multiple actions for each detected structure. Indeed, a system that detects two structures, each with a single linked action, would fall within the scope of this phrase (two detected structures, two linked actions). Figure 4 of the ‘647 specification confirms this point, A166, illustrating a date grammar for detecting a date structure that includes only one associated action:

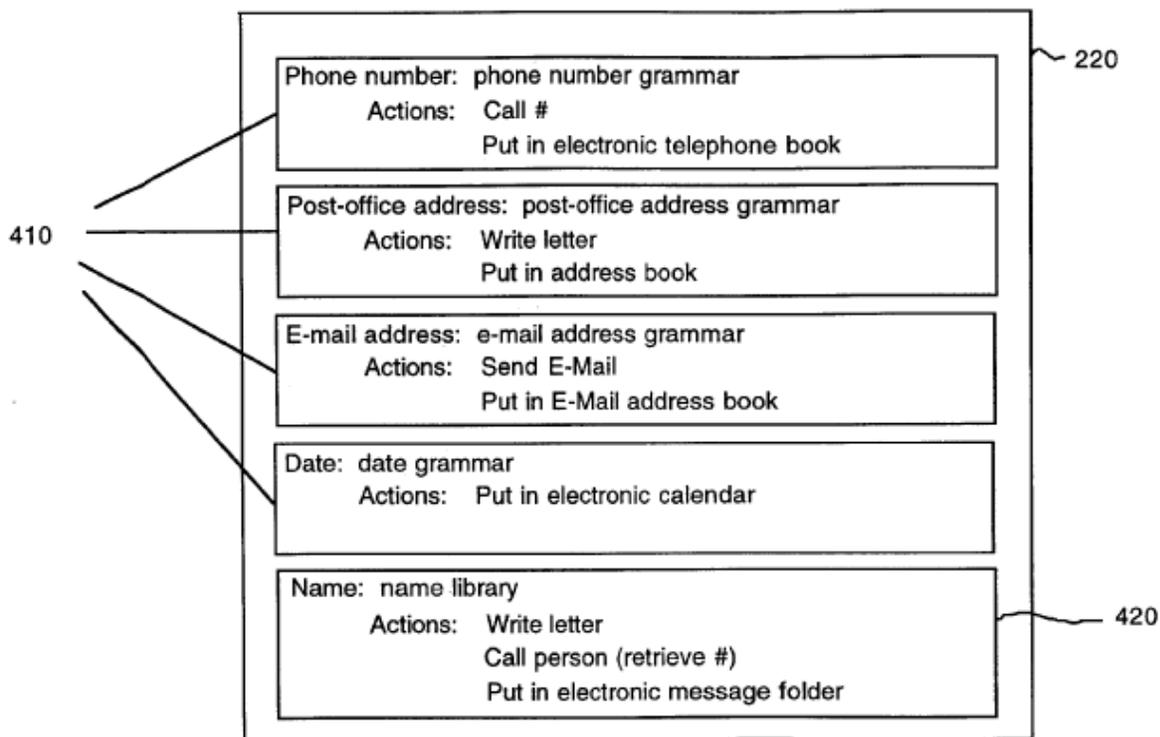


FIG. 4

IV. THE DISTRICT COURT CORRECTLY GRANTED SUMMARY JUDGMENT DENYING RELIEF ON APPLE’S PATENTS.

The district court properly excluded the testimony of Apple’s damages expert (Napper) under *Daubert*, and then granted Motorola’s motion for summary judgment that Apple could not establish damages for infringement of its ‘949, ‘263 or ‘647 patents. A116-17, A119. Napper failed to offer any opinions that anyone outside of litigation would rely upon. Thus, none of the affirmative damages methodologies or theories could be presented to a jury.

A. The Court Properly Excluded Apple’s Damages Expert For The ‘949, ‘263 and ‘647 Patents And Granted Summary Judgment Denying Damages

Under Rule 702, an expert may provide opinion testimony only if the testimony “is the product of reliable principles and methods” and “the expert has reliably applied the principles and methods to the facts of the case.” Fed. R. Evid. 702. The district court is the gatekeeper that ensures such expert testimony meets the requirements of Rule 702. *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 589-90 (1993). The proponent of the expert testimony must demonstrate that the opinion is both reliable and relevant for purposes of assisting the “trier of fact to understand the evidence or determine a fact at issue in a case.” *Lewis v. CITGO Petroleum Corp.*, 561 F.3d 698, 705 (7th Cir. 2009) (citations omitted). Napper did not reliably apply his theories to the facts of this case and would not have assisted the jury.⁷

1. Napper Failed To Measure The Value Of The Patented Features Of The ‘949 Patent

Napper utilized a comparison for the asserted claims of the ‘949 Patent to a product that possessed none of the patented features. He based his analysis on

⁷ Should Apple prevail on its arguments relating to Napper, this Court should also overturn the district court’s exclusion of Motorola’s rebuttal damages expert - Michael Wagner - on *Daubert* grounds. Contrary to the district court’s ruling, Mr. Wagner did more than act as a conduit for fact testimony: Mr. Wagner opined that based on fact testimony relating to availability of alternatives, a reasonable royalty would be a lump sum. *See* A111-12. The Court did not find Wagner otherwise unqualified to offer expert testimony on patent licensing.

Apple's Magic Trackpad, which, like a mouse, "operates by the user's moving his finger on the pad and then clicking; it is that movement that moves the cursor on the computer screen." A112. Napper reasoned that if Apple priced the Trackpad at \$69.99, and a mouse was priced at \$49.99, that would mean consumers are willing to pay \$20 for the touch gestures of a Trackpad not present with a mouse. *Id.* Napper then reduced this to \$2, because he decided the Trackpad provided more features than those claimed by the '949 patent. Notwithstanding the arbitrary nature of this "calculation," the fatal flaw in Napper's "analysis" is that the Trackpad *contains none of the function asserted from the '949 patent.* A22722-28 at 312:9-318:3; A22732-33 at 322:19-323:9. Apple cannot, as a matter of law, seek damages under the guise of the '949 for all touch gestures or vertical scrolling, A549-50 at 122:37-123:2.

2. Napper Had No Reliable Evidence To Identify Design-Around Alternatives To The '263 Patent

The district court struck Napper's analysis of '263 patent damages in part because Apple asserted that Motorola would agree to pay a royalty equal to the cost of design-around, but failed to consider any objective evidence of that cost to Motorola. A116-17. Napper's sole reliance on a biased source—Apple's own technical expert, Dr. Polish—was unreliable, because Apple's retained expert was likely to inflate the cost of design-around for Motorola rather than identify the lowest viable non-infringing alternative technology. *Id.* The district court

suggested that Napper should have looked to other, impartial sources, to determine whether an alternative technology existed, and, if it did, what the cost to Motorola would have been to implement that technology. *Id.* The district court's exclusion of this testimony should be affirmed because Apple, as the party affirmatively offering the cost of design-around as its damages measure, bears the burden of establishing the reasonableness of its claim.

With respect to the design-around Napper chose, he also failed to demonstrate that the set-top box chip (and associated price) he referenced - which has never been used in a cell phone and has nothing to do with cell phones - is even an appropriate design-around for the '263 patent. Napper admitted at his deposition that he did not do any investigation to determine if anyone ever bought the chip at any price in 2005 (or ever), nor did he even look to see if the chip was for sale at the relevant time. A22606-11 at 196:20-201:7; A22618-19 at 208:25-209:22. He had no basis (reliable or otherwise) for his assertion that the set-top box chip, and a fictional chip that would be inserted in a Motorola phone, were related. A22599 at 189:1-14; A22606-08 at 196:20-198:5.

3. Napper Improperly Valued The '647 Patent Based On Facts Unrelated To This Case

For the '647 patent, Napper based his damage measurement on an estimate of design-around costs based on a litigation scenario of another smartphone manufacturer not involved in this action—HTC. AOB 49. HTC was required to

design around the '647 patent because of an ITC exclusion order, which gave HTC a four-month period to implement a design-around. *Id.*

The district court properly excluded Napper's damage theory, because it had nothing to do with Motorola or Motorola's cost of design-around (which Napper was attempting to insert as the royalty payment Motorola would pay to Apple to avoid this cost). A129-30, A140. For example, the ITC in the HTC litigation construed the claims differently than the district court here (*In re Certain Personal Data and Mobile Commc'ns Devices and Related Software*, Inv. No. 337-TA-710, 2011 ITC LEXIS 2874, at *34, 42 (Dec. 29, 2011)), so the implementation and cost of a design-around could be different. The four-month period Napper used for time to design-around was also arbitrary, as it was taken from the HTC period provided by the ITC for that exclusion order; there was no evidence offered concerning the time it would take Motorola to implement a design-around, or even what that design-around would be.⁸ Apple argues that these differences (as well as the arbitrary nature of the design-around calculation) should go only to weight and not to admissibility. AOB 50-51. However, the role of the district court as a gatekeeper is to prevent the jury from hearing unreliable and arbitrary damage theories based upon unrelated evidence.

⁸ Napper's opinion also was not based upon any evidence about HTC, HTC's accused products, or the engineering resources that HTC invested to modify its products in response to the exclusion order. A130; A21058-60, 21258.

B. The District Court Correctly Denied Apple Injunctive Relief

The “decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court” and “injunctive relief ‘may’ issue only ‘in accordance with the principles of equity[.]’” *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (citing 35 U.S.C. §283). An injunction should not issue “to restrain an act the injurious consequences of which are merely trifling.” *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 311-12 (1982) (internal quotation and citation omitted). A plaintiff seeking a permanent injunction must show (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction. *eBay*, 547 U.S. at 391. The district court properly analyzed these factors and determined that Apple was not entitled to seek injunctive relief.

Apple argues that the district court “substitute[d] its own predictions for the rigors of fact-finding.” AOB 54. Apple ignores the fact that the district court requested briefing specifically on this issue and that Apple submitted all of its “evidence” in its 44-page brief, along with its exhibits and deposition testimony. A29025-81. Fact and expert discovery had closed, A157, so if Apple did not cite

sufficient evidence in its briefing, it did not have sufficient evidence to warrant a trial.

1. Apple Failed to Show Any Causal Nexus To Irreparable Harm

To show irreparable harm, Apple must establish *both* that “absent an injunction, it will suffer irreparable harm” *and* “that a sufficiently strong causal nexus relates the alleged harm to the alleged infringement.” *Apple Inc. v. Samsung Elecs. Co., Ltd.*, 695 F.3d 1370, 1374 (Fed. Cir. 2012) (hereinafter “*Apple II*”) (*rehearing en banc denied* Jan. 30, 2013). Apple cannot establish this causal nexus for any of its patents at issue. *See Apple Inc. v. Samsung Elecs. Co., Ltd.*, 678 F.3d 1314, 1323-33 (Fed. Cir. 2012) (hereinafter “*Apple I*”) (considering causal nexus for each patent).

Apple cannot establish irreparable harm if the patented feature itself “does not drive the demand for the product, [because] sales would be lost even if the offending feature were absent from the accused product.” *Apple I*, 678 F.3d at 1324. This Court has held that the causal nexus inquiry is crucial to the calculus, as it informs whether the patentee “seeks to leverage its patent for competitive gain beyond that which the inventive contribution and value of the patent warrant.” *Apple II*, 695 F.3d at 1375. *See also eBay*, 547 U.S. at 396-97 (Kennedy, J., concurring). The district court correctly found that Apple, rather than demonstrating any facts establishing causal nexus between the specific patents at

issue and the alleged harm, instead attempted to “turn the case into an Apple versus Motorola popularity contest.” A152. The district court held that Apple’s “‘feel good’ theory does not indicate that infringement of *these* claims (if they were infringed) reduced Apple’s sales or market share, or impaired consumer goodwill toward Apple products.” *Id.* Apple was unable to show that consumers buy any of Motorola’s accused products because of the specific functionalities in the asserted claims of the ‘949, ‘263 or ‘647 patents.

Apple asserts that the ‘949 patent covers “touchscreen gestures” and that “having a superior touchscreen interface” drives consumer demand for smartphones. AOB 62, 65. But the ‘949 patent does not cover *all* touchscreen gestures, nor does it cover “scrolling, panning, or pinch to zoom” or the general ability to “scroll vertically, horizontally and in two dimensions on a touchscreen.” Instead, the ‘949 patent claims only a particular way: (1) to lock into a vertical scroll rather than move in two dimensions, and (2) to tap on the right side of the screen to move to the next item. A549-50 at 122:37-123:2. Apple failed to show that consumers buy the Motorola accused products because of the claimed invention of the ‘949 patent as opposed to the ability to scroll or gesture generally on a touchscreen. *See Apple II*, 695 F.3d at 1376. **None** of the evidence that Apple cites describes the specific invention of the ‘949 patent as driving consumer demand. In any event, the type of evidence Apple cites—testimony of Motorola

executives about what consumers may “expect”—is precisely the type of evidence that this Court previously has rejected in this regard. AOB 65-66. *See Apple I*, 678 F.3d at 1327-28 (rejecting evidence of “infringer’s subjective beliefs as to why it gained them (or would be likely to gain them)[]”).

For the ‘263 patent, Apple cites to studies and surveys that claim that iPad and iPhone users enjoy streaming video and audio and watching YouTube. AOB 8. Apple cites to no similar studies for consumers of *Motorola’s* products, which is the only relevant inquiry to determine whether that is the reason that Apple lost sales to Motorola. Apple’s only other citations involve Motorola’s subjective beliefs as to why it might gain sales and are not relevant for this inquiry. AOB 67-68; *Apple I*, 678 F.3d at 1327-28.

For the ‘647 patent, Apple once again cites to *Motorola* identifying the feature as a “differentiating” feature. AOB 68. A citation to the *Orlando Sentinel* about a “cool” feature also does not constitute evidence sufficient to show that the features of the ‘647 patent drive consumer demand for Motorola products. *Id.* (citing A29893).

2. Apple Failed To Show That Monetary Damages Are Inadequate

Apple failed to demonstrate that monetary damages would be inadequate or Motorola would be unable to satisfy a monetary judgment. “Precedent illustrates the variety of equitable considerations, and responsive equitable remed[ies] in

patent cases” such as “the grant of a royalty-bearing license instead of imposing an injunction in situations where the patentee would experience no competitive injury” or “where there is an overriding public interest in continued provision of the infringing product.” *Edwards Lifesciences AG v. Corevalve, Inc.*, 699 F.3d 1305, 1315 (Fed. Cir. 2012) (internal citations omitted).

Although Apple contends that it “has a general policy against licensing its inventions, particularly to competitors,” [REDACTED]

[REDACTED]

AOB 55, 57. In fact, Apple originally submitted an expert report from Napper calculating a reasonable royalty for all the remaining patents at issue. A20959-21074. It was not until after the district court struck Napper’s report as unreliable and granted Motorola’s summary judgment motion for no damages that Apple began to argue that monetary damages were inadequate, and that its losses “defy attempts at valuation.” A29067. The district court struck Apple’s damages theories not because monetary damages are inadequate, but because Apple’s theories were unreliable. As the district court noted, a patentee should not be able to “base a claim to an injunction on a self-inflicted wound, such as sponsoring a damages expert who prepares a demonstrably inadequate report.” A151.

3. The Balance Of Hardships Favors Motorola, And An Injunction Would Not Be In The Public Interest

The district court properly found that an injunction would impose costs on Motorola that are “disproportionate both to the benefits to it of having infringed and to the harm to [Apple] and would thus be a windfall to the patentee and a form of punitive rather than compensatory damages imposed on the infringer.” A147. The district court was correct in recognizing that “[a]n injunction that imposes greater costs on the defendant than it confers benefits on the plaintiff reduces net social welfare.” A155-56.

The district court also properly found that the public interest would not be served by an injunction. A154-55. The harm to consumers who can no longer buy the products they prefer, and the cost to the judiciary and the parties of administering an injunction, far outweigh the alleged harm to Apple. A154. Apple’s contention that harm to consumers occurs every time an injunction is granted, AOB 72, ignores the fact that the alleged inventions are small aspects of extremely complex devices where (as discussed by Justice Kennedy) an injunction would not serve the public interest. *eBay*, 547 U.S. at 396-97.

ARGUMENT – ISSUES ON CROSS-APPEAL

I. THE DISTRICT COURT ERRED IN ITS CLAIM CONSTRUCTION OF THE ‘559 PATENT.

A. The Court Erroneously Required That The Steps Of Claim 5 Must Be Performed In Sequential Order

In its May 20, 2012 claim construction order, the district court construed claim 5 of the ‘559 patent, such that each of the steps of the method claim must be performed in sequential order.⁹ A140429. The district court reached this result by misreading the ‘559 patent’s specification and ignoring a critical portion of the specification.

The steps of a method claim need not be performed in the order written unless sequential performance is required by logic, grammar, or the specification. *See Cybersettle, Inc. v. Nat’l Arbitration Forum, Inc.*, 243 Fed. Appx. 603, 609 (Fed. Cir. 2007); *Altiris, Inc. v. Symantec Corp.*, 318 F.3d 1363, 1369-72 (Fed. Cir. 2003); *Interactive Gift Express, Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1342 (Fed. Cir. 2001) (citation omitted).

⁹ The district court’s construction resulted in summary judgment of non-infringement on claim 5, since Apple’s accused products practiced claim 5 out of order. A100146-48.

1. Claim 5 Does Not Impose Any Storage Or Temporal Requirement On The “Forming” Steps

The grammatical structure of claim 5 does not require the “forming” steps to be completed prior to multiplication. Claim 5 refers to “forming,” not “completely forming” or “fully forming.” A100215 col. 5:22-24. Likewise, the “multiplying” step includes the phrase “multiplying the outer code by the inner code,” not “multiplying the completely formed outer code by the completely formed inner code.” *See id.* at 5:34-35.

The plain language of the claims merely require that (1) the inner code is formed as part of the method, (2) the outer code is formed as part of the method, and (3) that outer code is multiplied by the inner code. Although those steps could be conducted one after another, they could also be performed at the same time and still satisfy the claim language and the purpose of the claimed invention. The district court never found (and Apple never argued) the contrary. The district court in fact acknowledged that “it’s possible for the multiplication step to begin while the inner and outer codes are still forming.” A140428.

Indeed, logic suggests that it would be better to perform the steps of claim 5 out of order. The ‘559 patent teaches, by Apple’s own admission, multiplying the inner code by the outer code *bit by bit*, meaning each component of the inner code is multiplied, component-wise, by the corresponding bit of the outer code. 100636-37; A100214 at 3:32-39; A102282-83.

Thus it is in fact more efficient to begin multiplication of the inner and outer code bits before the last bits of the inner and outer code are formed. A140438-41; A140455-58. Because the preamble sequence bits are transmitted over the air as they are generated, forming and multiplying on the fly also avoids having to store the entire inner or outer codes at any one point of time. *Id.*

2. Nothing In The Specification Directly Or Implicitly Requires Claim 5 To Be Performed In Strict Order

The specification of the ‘559 Patent likewise imposes no requirement on whether the multiplication of the inner and outer code can begin before all of the bits of the inner and outer code have been formed. *See* A100209-15. To the contrary, the ‘559 patent specification contemplates practicing the invention in a variety of hardware, where in the case of custom and programmable hardware it would be preferable to practice the claim 5 not in strict sequential order. A100214 col. 4:15-17 (“The preamble generator of the present invention can be implemented in custom hardware, programmable hardware, or software in a microprocessor.”); *see also* A140438-41; 140455-58.

The district court’s error stemmed from its undue reliance on column 2, lines 52-57 of the specification, which uses the phrase “present invention.” A100213. The district court held that “[the patentee’s] reference to the ‘invention’ in [that section]—in contrast to his repeated reference to preferred embodiments elsewhere—indicates that he intended this description to be coextensive with the

‘559 method.’ A140428-29. This was incorrect. The portion of the specification describing the types of hardware that would practice the invention also uses the phrase “present invention.” A100214 at 4:15-17. As this Court has explained, “use of the phrase ‘present invention’ or ‘this invention’ is not always so limiting, such as where the references to a certain limitation as being the ‘invention’ are not uniform, or where other portions of the intrinsic evidence do not support applying the limitation to the entire patent.” *Absolute Software, Inc. v. Stealth Signal, Inc.*, 659 F.3d 1121, 1136 (Fed. Cir. 2011).

B. The Court Read The Preferred Embodiment Out of Claim 5

The district court erred in another construction relating to claim 5 by excluding from the inner code an orthogonal codeword that is repeated – in other words, an inner code where the orthogonal code words are not unique. *See* A85-86. Motorola’s construction of the disputed phrase “wherein s_j , $J=0,1, \dots m-1$ are a set of orthogonal codewords . . .” in claim 5 was simple: “wherein s_j , $J=0,1, \dots m-1$ are taken from a set of orthogonal codewords . . .” A123032. Motorola’s clarifying construction is consistent with the ‘559 patent specification, as shown by the patent’s repeated use of the phrases “taken from” and “derived from.” A100214 col. 3:66-67 (“These codewords are preferably taken from a set of Hadamard codewords of length P.”), 4:4-5 (“the codewords are taken from a set of orthogonal Gold codes.”), 4:5-6 (“The codewords may also be derived from a set

of orthogonal codewords by upsampling.”). It is also consistent with unambiguous language describing the preferred embodiment, where the inner code can be made up of the same orthogonal codeword repeated, or from different codewords, as long as they are from the same orthogonal set. *Id.* col. 3:57. The district court’s construction on the other hand found no support in the specification and excluded the preferred embodiment.

It is well established that “a claim interpretation that excludes a preferred embodiment from the scope of the claim is ‘rarely, if ever correct.’” *On-Line Techs., Inc. v. Bodenseewerk Perkin-Elmer GmbH*, 386 F.3d 1133, 1138 (Fed. Cir. 2004) (citations omitted). The preferred embodiment describing the inner code appears in the specification beginning at column 4, line 46. A100214. The patent describes the preferred embodiment for the inner code and includes the *same equation* that appears in the claim element at issue. At column 3, line 57, in the sentence immediately following the same equation as appears in claim 5, the specification states: “It is not-required that the orthogonal code words [that form the inner code] are unique.” *Id.* col. 3:57. Thus, the specification expressly discloses two configurations of the preferred embodiment: (1) the same code word chosen from a set of orthogonal codewords is repeated over and over again to form an inner code (the code words in the set are not unique), and (2) an inner code can

include different codewords, as long as those code words are taken from the same set of orthogonal codewords.

II. THE DISTRICT COURT ERRONEOUSLY CONSTRUED THE ‘712 PATENT.

Summary judgment of non-infringement of the ‘712 patent was granted on January 17, 2012 based on a claim construction that the “transmit overflow sequence number” (“TOSN”) patent is never transmitted to the receiver. A40-42. Without support in the claim language or the specification, the district court improperly read a negative limitation into the claim based on a statement made nine years after the patent issued during the prosecution of a foreign counterpart in Japan. A3340-41.

Claim 17 of the ‘712 patent recites steps for encrypting a packet of data. A101588 at 8:65-9:12. It is silent on what occurs after encryption. The transmission of the packet sequence number and the encrypted packet are not steps in the method, and their transmission is not required by the claim. *See id.* In fact, whether the encrypted packet or any other element claimed is ultimately transmitted is irrelevant to the encryption method of claim 17.

The patent specification never discusses any purported benefits of keeping the TOSN private to the transmitter. A101583-89. Instead, the patent states the invention was intended to address the problems prior art encryption techniques

had with reassembling packets that arrive at different times at their destination.

See A100213 col. 2:3-14, 17-20.

The lower court did not disagree. Even by the district court's own account, the intrinsic evidence imposes no restriction on whether the TOSN can be transferred:

[N]either the claim language nor the specification *prohibits* transmission of the overflow sequence number or gives any clear indication of what happens to the number. There is simply silence on the issue. . . . Thus, the question whether the overflow sequence number may be transmitted is not answered in the claim language or specification.

A3334-35 (emphasis in original).

The district court should have stopped there, but it did not. Given claim 17's use of the word "comprising," transmission of the TOSN is clearly within the scope of the claim, since it is not otherwise prohibited by the specification. *Genentech, Inc. v. Chiron Corp.*, 112 F.3d 495, 501 (Fed. Cir. 1997). The district court, however, construed the TOSN term to include a negative limitation that prevented its transmission to the receiver. A3341. In so doing, the district court relied exclusively on statements made in a corresponding Japanese application more than 9 years after the '712 Patent issued and on inventor testimony more than 15 years after the '712 Patent issued. A3335-40.

At bottom, the court erred by giving statements made in the related foreign prosecution the weight of compelling intrinsic evidence. The prosecution history

of a related, *foreign* patent that post-dates the issuance of the '712 patent by nine, 10, and 11 years, however, is not intrinsic evidence and is irrelevant. *See* A3340-41 (acknowledging that statements made during the Japanese prosecution are extrinsic evidence); *see also AIA Eng'g Ltd. v. Magotteaux Int'l S/A*, 657 F.3d 1264, 1279 (Fed. Cir. 2011) (“[O]ur precedent cautions against indiscriminate reliance on the prosecution of corresponding foreign applications in the claim construction analysis.”).

Finally, for claim construction, the intrinsic evidence should not be overruled by extrinsic evidence created after the patent has issued. To hold otherwise would violate the policy of providing public notice of the breadth of patent claims. There is no dispute as to how the TOSN would have been construed during the first nine years of the life of the '712 patent. Claim terms should not take on one unambiguous construction for well over half a decade, and then take on an opposite construction due to statements made in another country under a different set of patent laws. *See Phillips v. AWH Corp.*, 415 F. 3d 1303, 1318-19 (Fed. Cir. 2005) (“[U]ndue reliance on extrinsic evidence poses the risk that it will be used to change the meaning of claims in derogation of the indisputable public records consisting of the claims, the specification and the prosecution history, thereby undermining the public notice function of patents.”).

III. THE DISTRICT COURT ERRED IN GRANTING SUMMARY JUDGMENT OF NO DAMAGES FOR THE '898 PATENT.

Motorola sought damages on its '898 patent based on a share of the value previously paid in comparable licenses for Motorola's portfolio of patents essential to cellular standards. Motorola would have demonstrated at trial that it has previously received its 2.25% standard royalty rate in the form of royalty payments and cross licenses (and combinations thereof). Motorola, through its experts and through factual testimony in support of these expert opinions, demonstrated that the most relevant and accurate measure of the reasonable royalty for a SEP that is licensed as part of a portfolio is a share of the license that has been paid previously under comparable patent licenses. This comparable license analysis accurately reflects the hypothetical negotiation if such negotiations had led to a license at the time of first infringement by Apple.

Motorola's expert determined reasonable royalty damages consistent with *Daubert* and this Court's precedent. While Apple would be free to argue at trial that both the rate and base should be different, Motorola established a reliable methodology for determining the royalty base associated with the 2.25% rate (*i.e.*, historical and current comparable license analysis where the licensing marketplace has recognized that this rate applied to the selling price of the device itself). A20046-20328. The comparable licenses include some provisions unique to each individual negotiation (*e.g.*, royalty base caps, cross revenue payments and cross-

licenses) but all of these licenses demonstrate that the proper royalty base for the 2.25% royalty is the selling price of the device. A20091-99. In the circumstance where that royalty base is reduced, Motorola's royalty rate would necessarily increase.

Further, the share of the portfolio royalty rate in this instance attributable to the patent at issue would be non-linear (*i.e.*, not just a proportional fraction based upon the number of patents in prior licenses) because in a hypothetical negotiation under this Court's precedent Motorola's SEPs at issue are presumed valid and infringed. A20124. Not all patents within a standards-essential portfolio have the same value: each patent covers different technology and inventions and has a different relative technological contribution to the standard. A20099-20101. Motorola, for its part, would have offered technical expert testimony regarding the value of the '898 patent as an invention and as a relative contribution to the standard. *See* A20100. In addition, Motorola presented expert testimony that in this market the first patents negotiated within this unique type of patent portfolio command a disproportionate share of the royalty paid for the SEP portfolio. A20101-04. Neither party disputes that Apple would not seek and Motorola would not offer a license to a single cellular standards-essential patent because Apple would only be able to utilize this patent if it had a license to the rest of Motorola's cellular standards-essential patents as well.

As a cross-check on the reasonableness of the royalty, Motorola's expert compared the iPod Touch and iPhone, which are functionally the same device except for the iPhone's ability to communicate on the wireless cellular network. A20107-09. She determined that \$216 reflects the price of the iPhone directly associated with cellular technology. A20109. She then determined that the consumer demand for an iPhone driven by cellular functionality far exceeds this \$216 premium because she also analyzed the significant increased market demand for an iPhone over an iPod Touch. A20093.

The district court rejected Motorola's theory, ruling that reasonable royalty damages for infringement of standards-essential patents must be measured based on the value of such patents before the standard is adopted, on a "patent qua patent" basis:

The proper method of computing a FRAND royalty starts with what the cost to the licensee would have been of obtaining, just before the patented invention was declared essential to compliance with the industry standard, a license for the function performed by the patent. That cost would be a measure of the value of the patent qua patent. But once a patent becomes essential to a standard, the patentee's bargaining power surges because a prospective licensee has no alternative to licensing the patent; he is at the patentee's mercy.

A140. As set forth below, Motorola's damages theory is consistent with the current law for damages established by this Court, and the district court erred in prematurely rejecting it.

A. Motorola’s Damages Theory Is Valid And Supported By The Evidence

The Patent Act ties the amount of damages to the infringing acts: “the court shall award the claimant damages adequate to compensate for the infringement[.]” 35 U.S.C. §284. This Court has consistently held that in the context of damages a reasonable royalty is to be determined based on a hypothetical negotiation as of the date infringement began. *See, e.g., Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 435 F.3d 1356, 1363-64 (Fed. Cir. 2006) (“[T]he hypothetical negotiation relates to the date of first infringement.”); *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 884 F.2d 1573, 1580 (Fed. Cir. 1989) (“The determination of a reasonable royalty...[is based] on what a willing licensor and licensee would bargain for at hypothetical negotiations on the date infringement started.”).

Motorola disclosed sufficient evidence to present a triable issue on its damages theory. Mulhern considered evidence showing Motorola’s history of licensing the asserted patents as part of its portfolio of cellular standards-essential patents and evidence showing how Motorola’s portfolio rate would be apportioned in a hypothetical negotiation as of 2007—the date of Apple’s first infringement—involving only one patent or a small number of patents. A20046-328.

The *ex ante* analysis required by the district court may be a relevant data point, but it cannot be the beginning and end of the damages analysis because it would value the patent years before infringement and would set the value before

the technology had been tested in the market-place. If the patented technology (incorporated into the standard) is not successful, the technology is replaced or improved or the standard is abandoned. Evaluating the patent only before the standard is released pegs the patent's value years before the hypothetical negotiation, when it may have been worth considerably less than it became after the standard was implemented.

In 2007, Motorola and Apple discussed a portfolio license. A118884-85. Mulhern used 2007 as the date of the hypothetical negotiation. A20089. Mulhern further properly analyzed relevant factors including the market and consumer demand for cellular standards technology in the iPhone as compared to the iPod touch, Motorola's existing license agreements relating to its cellular standards-essential patents, and, as described below, facts and expert opinions concerning how to apportion Motorola's portfolio rate for individual patents.

In contrast, the district court properly excluded the opinions of Apple's damages expert Napper, who pointed to the cost of switching to non-infringing alternatives as the bases for his opinions but failed to establish adequate foundation for relying on those alternatives: Napper relied primarily on statements from Apple witnesses and consultants, and did not investigate impartial sources to evaluate what non-infringing alternatives were available to Motorola or the cost of those alternatives. A115-17. The burden of proving availability of alternatives

rests on the party who seeks to offer such evidence. *Grain Processing Corp. v. Am. Maize-Prods. Co.*, 185 F.3d 1341, 1349, 1353 (Fed. Cir. 1999); *SSL Servs., LLC v. Citrix Sys., Inc.*, No. 2:08-cv-158-JRG, 2012 WL 1995514, at *3 (E.D. Tex. June 4, 2012) (slip op.) (where noninfringing alternatives were actually “on the market,” damages expert need not rely on foundation showing those alternatives were available; in contrast to cases where alleged alternatives were not on the market and “the burden shifted to the offering party’s expert to reliably demonstrate that non-infringing alternatives would have been ‘available.’”) (emphasis added). While Apple’s expert Napper employed a fundamentally flawed methodology and was properly excluded, whether Mulhern ought to have considered additional facts is a credibility question that should have been left to the jury; her opinions should not have been excluded on *Daubert* grounds. See *Lapsley v. Xtek, Inc.*, 689 F.3d 802, 805 (7th Cir. 2012) (“A *Daubert* inquiry is not designed to have the district judge take the place of the jury to decide ultimate issues of credibility and accuracy. If the proposed expert testimony meets the *Daubert* threshold of relevance and reliability, the accuracy of the actual evidence is to be tested before the jury with the familiar tools of ‘vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof.’”) (quoting *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 596 (1993)).

B. The District Court Improperly Discounted The Opinions Of Motorola's Expert Charles Donohoe

Motorola and Mulhern further properly apportioned Motorola's portfolio rate to value the '898 patent individually. In order to apportion the value of Motorola's portfolio and determine a reasonable royalty for a single patent, Mulhern considered the opinions of Charles Donohoe, a patent licensing expert, who opined that in practice a single patent within a standards-essential patent portfolio, presumed valid and infringed, would command "a disproportionate share of the overall portfolio rate," "40 to 50 percent of the overall rate." A20101-02; A20330-38. Mulhern also consulted Motorola's Director of Outbound Licensing, Brian Blasius, who stated that in his experience a single patent or a small number of patents within Motorola's standards-essential portfolio would command "at least 50 percent" of the portfolio rate. A20102. Mulhern further considered published evidence of patent licensing practices generally, and specifically relating to cellular standards, as well as her own knowledge and experience as an expert economist, in determining how to apportion Motorola's portfolio rate for individual patents. *See* 20103-04.

The district court initially agreed Donohoe was qualified as an expert on standards-essential patent licensing, A137-38, but nevertheless determined that Donohoe's opinions could not support any damages award because Donohoe's opinions related to patent licensing generally. A137-39.

First, Donohoe's opinions were not improper under Rule 702 and *Daubert*: expert testimony regarding general principles is appropriate and admissible. *See* Advisory Committee Notes on the 2000 Amendments to Fed. R. Evid. 702 (“it might . . . be important in some cases for an expert to educate the factfinder about general principles, without ever attempting to apply these principles to the specific facts of the case. . . . The amendment does not alter the venerable practice of using expert testimony to educate the factfinder on general principles.”).

Second, to the extent Donohoe's deposition testimony was inconsistent with his opinions set forth in his report regarding the value commanded by a single patent or small set of patents within a portfolio, the jury, not the court, should have resolved that credibility issue. *See* A138-39.

Third, the testimony of Donohoe was not the only evidence Motorola proffered on its royalty rates. Motorola intended to offer fact testimony from witnesses including Dailey and Blasius discussed above. *See, e.g.*, A118882-84, A20102 at ¶131. Motorola should have been permitted to present this testimony to the jury.

IV. THE DISTRICT COURT ERRED IN CATEGORICALLY BARRING INJUNCTIVE RELIEF FOR INFRINGEMENT OF STANDARDS-ESSENTIAL PATENTS.

The district court dismissed Motorola's claim for injunctive relief because it concluded, as a matter of law, that injunctive relief is “unavailable for infringement

of a patent governed by FRAND.” A141. The district court did include a qualification that an injunction would be justified if “Apple refuse[d] to pay a royalty that meets the FRAND requirement,” but refused to consider the actual facts of this case. *See* A140, 142 (stating, with respect to “Apple’s refusal to negotiate for a license,” that it was “unnecessary for [the court] to resolve. . . why negotiations broke down”).

Injunctions are a statutory remedy provided for by Congress, and patent owners have a fundamental right to pursue such remedies. *See, e.g., ERBE Elektromedizin GmbH v. Canady Technology LLC*, 629 F.3d 1278, 1292 (Fed. Cir. 2010) (applying *Noerr-Pennington* doctrine); *Apple Inc. v. Motorola Mobility, Inc.*, 886 F. Supp. 2d 1061, 1075-1077 (W.D. Wis. 2012) (same). The district court failed to apply the four-factor *eBay* test to evaluate Motorola’s claim for injunctive relief. Instead, the district court improperly enacted a bright-line rule permitting continued infringement not only of Motorola’s ‘898 patent, but all FRAND-committed patents in Motorola’s portfolio irrespective of the terms of those commitments, and even by parties that have consistently refused to take a FRAND license.

Motorola offered considerable evidence showing that, unlike every other major cellular handset manufacturer, Apple has been an unwilling licensee vis-à-vis Motorola’s standards-essential patent portfolio. Apple’s refusal to negotiate in

good faith has forced Motorola to pursue litigation patent-by-patent, in the district courts and elsewhere, at significant cost to Motorola, the courts, and the public, to try to obtain fair compensation for Apple's use of Motorola's patented inventions. The district court disregarded this evidence and failed to properly conduct the fact-specific inquiry required under *eBay*.

A. Injunctions Are A Remedy Authorized By Congress For All Patents

Injunctions are a remedy for patent infringement authorized by Congress. The FRAND commitments at issue in this case do not waive the right to seek injunctions and thus should not deprive Motorola of that remedy. The Constitution provides that Congress shall have power to secure exclusive rights for authors and inventors for a limited time period. U.S. Const. art. I, §8. Congress enacted the Patent Act, which provides that every patent shall contain “a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States, or importing the invention into the United States. . . .” 35 U.S.C. §154(a). The Patent Act further provides that “[t]he several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” 35 U.S.C. §283.

This Court should decline to adopt a categorical rule barring injunctions for all FRAND-committed patents because that would deprive the district courts of their discretion to fashion appropriate remedies on a case-by-case basis. Indeed, this Court has repeatedly recognized that under *eBay*, the decision to grant or deny injunctive relief rests within the discretion of the district courts. *See Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1314-15 (Fed. Cir. 2012) (quoting *eBay*, 547 U.S. at 394) (“equitable aspects should always be considered” when deciding “whether to grant or deny injunctive relief”); *see also TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 890 n.9 (Fed. Cir. 2011) (en banc) (“[D]istrict courts are in the best position to fashion an injunction tailored to prevent or remedy infringement.”).

The Supreme Court in *eBay* also specifically noted that the district court in that case erred in creating a categorical rule to determine that “injunctive relief could not issue in a broad swath of cases.” 547 U.S. at 393. Adopting such a categorical rule “cannot be squared with the principles of equity adopted by Congress.” *Id.* This Court has also found that “the fact that a patentee has previously chosen to license the patent . . . is but one factor for the district court to consider.” *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1328 (Fed. Cir. 2008). An automatic rule prohibiting injunctions for all standards-essential patents is

inconsistent with the equitable principles of *eBay* and would divest the district courts of their discretion.

B. FRAND Commitments Do Not Waive The Right To Injunctive Relief

The district court held that patent owners agree to license standards-essential patents on FRAND terms “as a *quid pro quo* for their being declared essential to the standard.” A142. This “*quid pro quo*” analysis derives from Apple’s contention that a FRAND commitment is a contract. But if FRAND commitments are to be analyzed as contracts, principles of contract interpretation must apply. Any contract (or commitment) that purports to deprive a patent owner of the statutory remedies provided by Congress must clearly do so and the ETSI policy does not.

The district court’s conclusion regarding the “*quid pro quo*” was incorrect. The record shows that although ETSI’s policy at one time restricted standards-essential patent owners from seeking injunctions in certain circumstances, that restriction was withdrawn in 1994—years before Motorola’s patented technology was incorporated into an ETSI standard (and over a decade before this case). A138490, A138557-A138558. Since 1994, the ETSI policy has contained no rule or restriction on the availability of injunctions. A138490, A138572-A138581. Therefore, it is incorrect to conclude that Motorola surrendered its right to seek injunctive relief for infringement of the patent at issue.

In a related case pending between the parties, the district court for the Western District of Wisconsin recently held as follows:

There is no language in either the ETSI or IEEE contracts suggesting that Motorola and the standards-setting organizations intended or agreed to prohibit Motorola from seeking injunctive relief. In fact, both policies are silent on the question of injunctive relief. Moreover, in light of the fact that patent owners generally have the right to seek injunctive relief both in district courts, 35 U.S.C. §283, and in the International Trade Commission, 19 U.S.C. § 1337(d), I conclude that any contract purportedly depriving a patent owner of that right should clearly do so. The contracts at issue are not clear.

Apple Inc. v. Motorola Mobility, Inc., No. 3:11-cv-00178-BBC, 2012 WL 5416941, at *15 (W.D. Wis. Oct. 29, 2012). The Wisconsin district court therefore held that as a matter of law, nothing in the ETSI policy expressly precludes Motorola or any patent owner from pursuing an injunction or other relief as a remedy for infringement. *Id.*

C. Imposing An Automatic Rule Barring Injunctions For Standards-Essential Patents Upsets The Balance Between Patent Owners And The Public

Standards-setting has undisputed pro-competitive benefits and has substantially advanced the state of the art—and the distribution of the benefits of that innovation to consumers—in numerous industries, including cellular communications. A18772. SDOs, in turn, have evolved a variety of means for preventing “patent hold up,” including requirements that participants disclose

potentially essential patents in advance so that the SDO can consider alternatives and that participants commit to license their patents on FRAND terms to would-be implementers of the standard. A18771-A18774. In developing those rules, SDOs must balance the interests of all their members, including both innovator-licensors and implementer-licensees, in an effort to maximize the quality and adoption of the resulting standards.

The Department of Justice and USPTO both recently recognized that there should be no categorical rule preventing injunctions, and that the public interest dictates that injunctions should be available in some cases, including at least in the case of unwilling licensees. *See* U.S. Dept. of Justice and U.S. Patent & Trademark Office, Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments, January 8, 2013, at 7 (“An exclusion order may still be an appropriate remedy in some circumstances, such as where the putative licensee is unable or refuses to take a F/RAND license and is acting outside the scope of the patent holder’s commitment to license on F/RAND terms.”) The district court focused on “hold up” considerations, A140-41, but failed to consider the issue here, described by the Department of Justice and PTO as “hold outs.” An essential patent owner who has no ability to exclude an unwilling licensee will face barriers to obtaining the full value for its portfolio because it will be forced to litigate potentially hundreds of patents in order to

obtain (at most) the royalties to which it is entitled for its standards-essential patent portfolio. *See id.* at 7 n. 15 (“We recognize that the risk of a refusal to license decreases where the putative licensee perceives a cost associated with delay and increases where the putative licensee believes its worst-case outcome after litigation is to pay the same amount it would have paid earlier for a license.”). In the absence of the possibility of injunction, infringers have less incentive to engage in license negotiations.

In another context, this Court has recognized that the district courts may tailor remedies so that they are “adequate to compensate for the infringement,” because otherwise infringers would have no incentive to resolve patent disputes in the marketplace. *See Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983) (“[T]he trial court may award an amount of damages greater than a reasonable royalty so that the award is ‘adequate to compensate for the infringement,’” because otherwise, “the infringer would have nothing to lose, and everything to gain if he could count on paying only the normal, routine royalty non-infringers might have paid. As said by this court in another context, the infringer would be in a ‘heads-I-win, tails-you-lose’ position.”).

The result of a per se rule against injunctions for FRAND patents is likely to be reduced innovation and interoperability, as consumers both lose the benefit of the technical improvement that comes from collaborative standard-setting and

implementers lose the guarantee of access to the technology on FRAND terms. The cost of innovators moving away from SDOs will be borne by consumers and implementers at large, even though the collaborative standard-setting and FRAND licensing systems had worked for decades until Apple recently adopted its hold-out and SEP-devaluation strategy.

Even as recently as November of 2012, Apple refused to pay (or even be bound by) a court-determined FRAND rate for Motorola's cellular essential patents. *Apple Inc. v. Motorola Mobility, Inc.*, No. 3:11-cv-178-BBC, 2012 WL 5943791, at *2 (W.D. Wis. Nov. 28, 2012) ("Apple was requesting that the court declare that Motorola breached its contracts and 'declare' a FRAND rate for Motorola's patents, but Apple had refused to be bound by the rate chosen by the court."). In this "hold out" situation, the patentee should be permitted to seek an injunction.

D. Motorola Should Be Allowed To Make Its Case For Injunctive Relief At Trial

This Court should remand and direct the district court and determine Motorola's right to an injunction under *eBay*.

1. The District Court Failed To Apply The *eBay* Factors

Unlike in its analysis of Apple's patents, the district court did not apply the *eBay* factors to Motorola's request for injunctive relief, or undertake any fact-specific inquiry in evaluating Motorola's claim. A140-43. Instead of applying

eBay, the district court based its opinion on an interim Federal Trade Commission (“FTC”) statement in response to a request by the International Trade Commission (“ITC”) for statements on the public interest relating to the availability of exclusion orders in section 1337 investigations. A141. As a threshold consideration, the interim FTC statement is not binding on the courts, and cannot replace the district court’s required analysis of the *eBay* factors. Further, an FTC statement issued the same day as the one cited by the district court makes clear that the FTC does not advocate a per se rule against injunctions on RAND-encumbered patents. Instead, it provided that “[in] cases that address RAND-encumbered SEPs, the FTC urges the ITC to follow the requirements of Sections 337(d)(1) and (f)(1) and consider the impact of patent hold-up on competitive conditions and United States consumers.” FTC Statement on the Public Interest, Inv. No. 337-TA-752 (U.S.I.T.C.), at 5 (June 6, 2012), *available at* <http://www.ftc.gov/os/2012/06/1206ftcgamingconsole.pdf>.

2. Material Fact Disputes Should Have Precluded The District Court’s Ruling That Motorola Could Not Obtain An Injunction

Motorola ought to have been given the opportunity to present its facts that it suffered irreparable harm from Apple being an unwilling licensee. Apple has for years profited from its use of Motorola’s patented technology, while refusing to negotiate a license or suggest any terms under which it would accept a license.

Motorola, for its part, has ongoing licenses with other manufacturers as well as FRAND commitments to others to license all parties on non-discriminatory terms. The telecommunications standard-setting process has fostered tremendous innovation through a series of ever-improving generations of mobile technology, but that is the result of equally tremendous amounts of investment by innovative companies that invent, share and license their research and development. This system relies on the expectation that both licensors and licensees, will act in good faith, but it is ultimately founded upon the belief that licensing is necessary for implementers to market their products.¹⁰ Motorola's ability to license its portfolio to future new entrants in the market and to negotiate renewed agreements with its existing licensees—as it is required to do under its FRAND commitments—will continue to be undermined if the courts permit non-licensees like Apple to continue to infringe with no risk whatsoever of injunction.

ETSI's reciprocity requirement further demonstrates that a FRAND royalty is an inadequate remedy and that Motorola may suffer irreparable harm: ESTI's policy expressly states that FRAND licenses may be offered "subject to reciprocity," A138915, and thus contemplates that SEP owners like Motorola may condition a license to their portfolios on receiving a cross-license under others

¹⁰ Other industries might operate differently. SEPs in the Internet sector, for example, are generally licensed on a royalty-free basis and both innovators and implementers base their business strategies around that expectation. The district court's decision, however, was not based on an examination of the evidence.

SEP. The district court's categorical rule wrongly deprives SEP owners of remedies expressly contemplated by ETSI.¹¹

CONCLUSION

The district court's exclusion of Apple's damages expert and its finding that Apple is not entitled to damages or an injunction should be upheld, as should its construction of the '647 patent. The '949 patent should be found invalid as indefinite. The constructions of the '559, '712 and '263 patents should be overturned. The case should be remanded to trial for the factual issues relating to damages and the availability of an injunction for the '898 patent.

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Respectfully submitted,

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¹¹ While there is some dispute as to the extent of the reciprocity requirement, the Court does not need to resolve that in this case. The key point is that the district court's categorical elimination of injunctive relief for an entire category of patents would preclude *any* condition of reciprocity.