

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.),
Plaintiffs-Appellants,

v.

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

Defendants-Cross-Appellants.

**On Appeal from the United States District Court for the Northern District of
Illinois, Case No. 11-CV-8540
Hon. Richard A. Posner**

**BRIEF OF AMICUS CURIAE QUALCOMM INCORPORATED
IN SUPPORT OF REVERSAL**

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CERTIFICATE OF INTEREST

Pursuant to Circuit Rules 21(a)(2) and 47.4(a)(1), counsel for *amicus curiae* Qualcomm Incorporated certifies the following:

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

Qualcomm Incorporated
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

n/a
3. All parent corporations and any publicly held companies that own ten percent or more of the stock of the party represented by me are:

none
4. The names of all law firms and the partners or associates that appeared for the party now represented by me in the trial court or agency or are expected to appear in this Court are:

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Dated: March 20, 2013

By: /s/ Richard S. Taffet
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CORPORATE DISCLOSURE STATEMENT

Qualcomm Incorporated does not have any parent corporations, and no publicly held corporation owns 10% or more of its stock.

STATEMENT REQUIRED BY RULE 29(c)(5) OF THE FEDERAL RULES OF APPELLATE PROCEDURE

No party's counsel authored this brief in whole or in part. No party, a party's counsel, or other person (other than *amicus curiae* Qualcomm Incorporated) contributed money that was intended to fund preparation or submission of this brief.

INTEREST OF AMICUS CURIAE

Qualcomm Incorporated (“Qualcomm”) is a leading innovator in the field of wireless communications and other advanced technologies.¹ Soon after its founding in 1985, Qualcomm introduced the idea that a digital communications technique called Code Divisional Multiple Access (“CDMA”) could form the basis of a commercial cellular network and would achieve spectrum efficiencies superior to the alternative being standardized at that time. In the face of considerable industry skepticism, Qualcomm developed CDMA and effectively created a standard, IS-95, that was adopted and published by the Telecommunications Industry Association. IS-95 formed the basis for second generation, or 2G, CDMA networks in countries around the world, including the United States. CDMA later became the basis for the development of all 3G networks. Qualcomm also was one of the principal and early developers of the 4G technology that forms the basis for the Long Term Evolution (“LTE”) standard, now being widely deployed.

As the pioneer of CDMA, and as an early and extensive contributor to the development of LTE, Qualcomm has developed a significant portfolio of technologies that are protected by both essential and non-essential patents. Qualcomm has obtained approximately 36,000 patents worldwide, and it has about 50,000 patent applications pending. This portfolio represents decades of research

¹ All parties have consented to Qualcomm’s filing of this brief as *amicus curiae*.

and development and billions of dollars in investment; Qualcomm invests roughly 20 percent of its annual revenue in research and development (amounting last year to approximately \$3.9 billion). Qualcomm has the most widely licensed 3G and 4G portfolios in the wireless industry; it now has more than 225 3G licensees and more than 40 4G licensees. For these reasons, Qualcomm relies on a sound patent system that incentivizes research and development and enables a return on the extensive risks and costs associated with those efforts. Qualcomm thus has a strong interest in this Court's interpretation of patent law. Changes to the controlling interpretation of United States patent law can significantly affect the foundations of Qualcomm's businesses.

Qualcomm is also the world's leading supplier of chipsets for wireless devices. Qualcomm is known for its ability to enable and integrate every mode of cellular connectivity in a single chipset—the foundation for a cellphone that can operate anywhere in the world. Qualcomm regularly is first to market with these integrated chipsets, and also develops and supplies other technologies important to the cellular industry, including advanced computing and multimedia features, GPS, WiFi, and Bluetooth. As a large supplier of chipsets and other products, Qualcomm also licenses intellectual property from third parties for use in its products.

Because industry standards play an important role in the development and

production of communications products and infrastructure equipment, and given its long history of technology leadership, Qualcomm has long been an active participant in numerous standards-setting organizations (“SSOs”), including the European Telecommunications Standards Institute (“ETSI”), the Institute of Electrical and Electronics Engineers (“IEEE”), the Telecommunications Industry Association (“TIA”), the Alliance for Telecommunications Industry Solutions (“ATIS”), and others. Qualcomm has actively participated in the deliberations of SSO policies regarding fair, reasonable and non-discriminatory (“FRAND”) licensing commitments and the licensing of standard-essential patents (“SEPs”).

As a technology licensor and a supplier of chipsets for use in equipment that implements standardized technologies, Qualcomm’s business success depends both on access to others’ patents and on the ability to monetize its patented inventions. Qualcomm likewise depends on its ability, if necessary, to enforce its own patents—including SEPs—and the terms of its licenses. Qualcomm is therefore particularly interested in the issues before the Court, and their impact on SSOs, patentees, and implementers.

Finally, Qualcomm has specific interests in many of the cases and proceedings in the ongoing “cellphone litigation” matters. These disputes often involve parties that are Qualcomm chipset customers, Qualcomm licensees, or both. Indeed, Qualcomm notes that both parties to this appeal are commercial

partners and customers of Qualcomm. In this case, Qualcomm's understanding is that the Apple cellular products at issue, which Motorola alleges infringe upon its essential patents, do not contain Qualcomm chipsets.² Qualcomm thus provides the court with its arguments here solely regarding the proper legal standards that govern injunctive relief, and the related errors the District Court made below.

SUMMARY OF ARGUMENT

The District Court failed to apply the proper legal standard for determining whether to grant injunctive relief for SEPs subject to FRAND commitments. To the extent it adopted a categorical rule that precludes a patent holder from obtaining injunctive relief against an infringer whenever the patent holder has agreed to offer licenses on FRAND terms, the District Court's conclusion directly conflicts with the Supreme Court's holding in *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006). In *eBay*, the Court made clear that traditional equitable principles govern the availability of injunctive relief in patent cases and preclude courts from imposing "expansive principles suggesting that injunctive relief could not issue in a broad swath of cases." *Id.* at 393. The lower court's discussion of the *eBay* factors is also incomplete as a result of its express refusal to consider

² See Second Amended Complaint, ¶ 50, Doc. # 69, *Apple, Inc. v. Motorola Mobility, LLC*, No. 3:12-cv-00355-BEN-BLM (S.D. Cal.) (filed Aug. 3, 2012) (confirming that Motorola did not allege infringement by Apple in this case based on Apple's use of Qualcomm's MDM 6610 baseband chip or other Qualcomm components).

whether the accused infringer was unwilling to negotiate a FRAND license.

This brief does not address whether injunctive relief is proper under the traditional *eBay* factors in the context of this case. In this regard, as commented, Qualcomm maintains a commercial relationship with both parties to this case. However, based upon Qualcomm's interest in ensuring that the proper legal standard is applied to requests for injunctive relief in patent infringement cases, this brief does ask the Court to reject the type of categorical rule against injunctive relief in the context of FRAND-encumbered patents that the District Court apparently adopted. Nothing inherent in FRAND commitments or the standards-setting process supports making injunctive relief *per se* unavailable in this context. Holders of FRAND-encumbered patents therefore should be entitled to seek and obtain injunctive relief under the same standards, applied on a case-by-case basis, as holders of any other patent.

ARGUMENT

I. A PATENT HOLDER'S FRAND COMMITMENT DOES NOT CATEGORICALLY PRECLUDE INJUNCTIVE RELIEF.

A. The District Court's Decision Suggests that a FRAND Commitment Categorically Precludes an Injunction Against Infringement.

The District Court's decision, at a minimum, suggests that the existence of a FRAND commitment categorically precludes a patent holder from obtaining injunctive relief against an infringer. Specifically, the District Court stated that

“[b]y committing to license its patents on FRAND terms, Motorola committed to license [its patent] to anyone willing to pay a FRAND royalty and thus implicitly acknowledged that a royalty is adequate compensation for a license to use that patent.” *Apple, Inc. v. Motorola, Inc.*, 869 F. Supp. 2d 901, 914 (N.D. Ill. 2012). In support of this categorical approach, the court noted that “[t]he Federal Trade Commission recently issued a policy statement which implies that injunctive relief is indeed unavailable for infringement of a patent governed by FRAND,” and that “its logic embraces any claim to enjoin the sale of an infringing product.” *Id.* (emphasis added).

Despite these statements, the District Court purported to leave open the possibility that an injunction may be proper if the infringing party “refuses to pay a royalty that meets the FRAND requirement.” *Id.* at 913-14. But the District Court quickly shut this door by declining to decide whether any such refusal had occurred below. *See id.* at 914 (declaring it “unnecessary . . . to resolve” that issue). The District Court thus effectively imposed a categorical rule prohibiting injunctive relief for any FRAND-encumbered patent, regardless of the licensee’s willingness to negotiate and accept a license on FRAND terms.

A number of *amici* adopt this reading of the decision below and urge this Court to affirm the District Court’s categorical approach and broadly deny injunctive relief for infringement of patents with FRAND commitments. *See, e.g.,*

Brief of *Amici Verizon, et al.*, at 3 (arguing that “Judge Posner correctly concluded that injunctive relief should be unavailable when the patent in suit is RAND-encumbered”); *see also* Brief of *Amicus American Antitrust Institute*, at 2 (urging this Court to hold that “[a]s a matter of law, and consistent with Judge Posner’s decision below, injunctive relief should not be an available infringement remedy with respect to a standard-essential patent that is subject to an ex ante FRAND commitment made to the applicable SSO”).

Instead, this Court should reject this categorical approach and, consistent with *eBay*, hold that a request for injunctive relief from the owner of a FRAND-encumbered patent must be measured, case-by-case, under the same equitable principles as any other request for injunctive relief.

B. The District Court’s Categorical Approach Is Contrary to the Controlling Supreme Court Authority Governing the Availability of Patent Injunctions.

Fundamentally, the District Court’s attempt to categorically preclude injunctive relief for the infringement of any FRAND-encumbered patent must fail in light of the Supreme Court’s unanimous decision in *eBay*. The Court held in *eBay* that Congress intended the “well-established principles of equity” to apply to the courts’ authority to grant injunctions under the Patent Act’s remedy provision. *See eBay*, 547 U.S. at 391-92 (citing 35 U.S.C. § 283). The Court thus held that an

injunction under the Patent Act should not issue unless the party seeking the injunction could satisfy the traditional four-factor test for equitable relief:

(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 the defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id. at 391.

The Supreme Court went on to criticize the district court’s attempt to apply this test in *eBay* by using “expansive principles suggesting that injunctive relief could not issue in a broad swath of cases.” *Id.* at 393. The Court was clear: “[T]raditional equitable principles do not permit such broad classifications.” *Id.* (emphasis added). As a result, the Court held that imposing any “categorical rule” precluding injunctive relief in patent cases was inconsistent “with the principles of equity adopted by Congress” and “in tension” with the Court’s long-standing precedent protecting courts’ discretion in issuing patent injunctions.³ *Id.* (citing *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 422-30 (1908)); *see also id.* at 395 (Kennedy, J., concurring) (“The Court is correct, in my view, to hold that courts should apply the well-established, four-factor test—without resort to

³ The Supreme Court likewise rejected this Court’s decision favoring injunctions in patent cases where infringement and validity have been adjudged, reiterating that the “categorical grant of such relief” was improper and that the four-factor test must be applied to the facts of each case. *eBay*, 547 U.S. at 394.

categorical rules—in deciding whether to grant injunctive relief in patent cases.”) (emphasis added).

The categorical approach taken by the District Court cannot stand in light of *eBay*'s plain holding. As in that case, the court below adopted “expansive principles” to prohibit injunctive relief in a “broad swath of cases”—those involving patents with a FRAND commitment. By failing to undertake any individualized analysis of the specific facts and provisions of the FRAND commitment at issue here, the District Court failed to “determin[e] whether the facts of [the] situation require it to issue an injunction.” *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865 (Fed. Cir. 1984), *superseded on other grounds*, 316 F.3d 1348 (Fed. Cir. 2003); *see also Monsanto Co. v. Geertson Seed Farms*, 130 S. Ct. 2743, 2757 (U.S. 2010) (in applying the “traditional four-factor test[,]” courts should not put a “thumb on the scales” one way or the other); *Perfect 10, Inc. v. Google, Inc.*, 653 F.3d 976, 980 (9th Cir. 2011) (requests for injunctive relief “must be evaluated on a case-by-case basis in accord with traditional equitable principles and without the aid of presumptions”).

Nor is it sufficient simply to invoke *eBay* but contend that its analysis will invariably produce the same result in any case involving a FRAND commitment. *See, e.g., Apple*, 869 F. Supp. 2d at 915 (citing *eBay* but holding that the availability of a FRAND royalty precludes injunctive relief); *see also* Brief of

monetary conditions of FRAND licenses can prevent opportunistic conduct, protect the expectations of market participants who negotiate FRAND terms, and promote a strong patent system and patent holders' incentives to contribute their inventions to the standards-setting process and thereby facilitate the broad availability of the patented technology. *See infra*, at § II.B.

The results of a proper, case-by-case *eBay* analysis is thus not a foregone conclusion merely because there is a FRAND commitment. The District Court's failure to recognize this fact results in the kind of categorical rule expressly rejected by the Supreme Court in *eBay*.

C. The District Court's Categorical Approach Goes Further than Applicable Federal Guidance.

The District Court's categorical rule is also inconsistent with prior federal guidance on the availability of injunctive relief. The Department of Justice and U.S. Patent and Trademark Office, for example, have recently acknowledged that "exclusion order[s] for infringement of F/RAND encumbered patents" in the context of an International Trade Commission proceeding "may be appropriate in some circumstances" and inappropriate in others. DOJ/USPTO Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND

Commitments, at 9 (Jan. 8, 2013) (“DOJ/USPTO Policy Statement”).⁴ The agencies also recognized “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.” *Id.* at 7 n.15.

Likewise, the FTC recognizes that “where an infringer is unable or unwilling to pay an ongoing royalty, the harm to the patentee presumably cannot be compensated with damages.” Brief of *Amicus* FTC, at 9 n.8.⁵ This is consistent with the FTC’s prior advice to the International Trade Commission that it refrain from issuing only those exclusion orders that “conflict with the public interest.” Third Party FTC Statement on the Public Interest, *In the Matter of Certain Gaming & Entertainment Consoles, Related Software, & Components Thereof*, ITC Inv. No. 337-TA-752, at 4 (June 6, 2012).

⁴ Although directed to the International Trade Commission’s ability to grant exclusion orders in the context of FRAND-encumbered SEPs, the same principles apply to the availability of injunctive relief in a district court proceeding. *See Apple*, 869 F. Supp. 2d at 914.

⁵ The FTC attempts to gloss over the categorical nature of the District Court’s ruling by arguing that “the district court apparently determined that Apple is not an unwilling licensee that waived its right to a FRAND license.” Brief of *Amicus* FTC, at 9 & n.8. The District Court made no such finding; to the contrary, it expressly disclaimed the need to do so, and thus rendered hollow its initial acknowledgment that the failure to pay a FRAND royalty would justify an injunction. *See* 869 F. Supp. 2d at 914.

of Timothy Simcoe) (admitting that he “can’t nail down any particular license from any company as an example of hold-up”); *id.*, Hr’g Tr. at 135:25-136:1 (Nov. 16, 2012) (Testimony of Matthew Lynde) (admitting he has “no basis from economic evidence to conclude whether or not patent hold-up is a real problem”). Indeed, no one has identified a single instance in which the adoption or implementation of a standard has been defeated or delayed as a result of a patent reading on the standard. Moreover, SSOs have on many occasions told the FTC that there is no “hold up” problem. Roger G. Brooks, *Patent “Hold-Up,” Standards-Setting Organizations & the FTC’s Campaign Against Innovators*, 39 AIPLA Q.J. 435, 446-49 (Fall 2011) (collecting comments from SSOs, commentators, and frequent patent litigators). Absent any empirical evidence of an actual “hold up” problem, there exists little, if any, basis to impose sweeping changes to the availability of relief for patent infringement—especially in light of the Supreme Court’s express warning in *eBay* that courts are not to employ “expansive principles suggesting that injunctive relief could not issue in a broad swath of cases.” 547 U.S. at 393.

Second, the categorical exclusion of injunctive relief is not necessary to prevent patent hold-up (if it actually occurred). Courts conducting the fact-intensive, case-by-case equitable analysis required by *eBay* are well positioned to identify and weigh any such strategic behavior. The traditional *eBay* analysis thus already provides sufficient safeguards against any concern that prospective

licensees will be coerced into agreeing to non-FRAND terms. Indeed, the contrary effect is more likely; the elimination of any possibility for injunctive relief would only serve to empower recalcitrant licensees, *see infra*, at § II.A, and threaten innovation, *see infra*, at § II.B.

II. THE DISTRICT COURT FAILED TO ENGAGE IN THE ANALYSIS REQUIRED BY *eBAY*.

The District Court erred not only in its categorical approach, but also in its attempt to justify its denial of injunctive relief as consistent with an application of the traditional factors set forth in *eBay*. *See Apple*, 869 F. Supp. 2d at 915. A proper application of the *eBay* principles would recognize and take seriously the circumstances under which an injunction may be appropriate and a FRAND royalty would not adequately compensate a patent holder. It also would appreciate the private contractual nature of FRAND obligations and the expectations and commitments of the stakeholders who are bound by and benefit from these agreements. The failure to respect these parties' settled expectations could upset the existing balance, which has promoted competition and benefited consumers, and discourage participation in standards development. Although Qualcomm takes no position on the outcome of a proper *eBay* analysis in this case, it asks this Court to make clear that the following considerations should be weighed when

determining whether an injunction should issue for infringement of a FRAND-committed patent.

A. There Are Circumstances When Injunctive Relief Is Necessary to Protect Holders of FRAND-Encumbered Patents.

The District Court failed to recognize circumstances in which the existence of a FRAND commitment does not provide an adequate remedy or otherwise preclude injunctive relief under the traditional four-factor test.

Consider, for example, the scenario that the District Court itself initially acknowledged, but then ignored: a potential FRAND licensee refuses to negotiate for a reasonable royalty (or simply outright refuses to pay any royalty). Under such circumstances, the commitment to license on FRAND terms provides no remedy for infringement. The FTC concedes as much. *See* Brief of *Amicus* FTC, at 9 n.8 (citing *New York City v. Pine*, 185 U.S. 93, 108 (1902) (court may order that injunction will issue if the defendant fails to pay damages)). The District Court's failure to decide this very question confirms the deficiency of its purported *eBay* analysis.

Likewise, if a licensee agrees to pay a reasonable royalty but refuses to accept or abide by other reasonable terms or conditions of the FRAND license offer, the royalty would not provide effective relief to the patentee. The ETSI IPR policy, for example, provides that a FRAND commitment "may be made subject to

the condition that those who seek licenses agree to reciprocate.” See ETSI Intellectual Property Rights Policy § 6.1, *available at* http://www.etsi.org/images/etsi_ipr-policy.pdf (“ETSI IPR Policy”). As a result, the District Court and some *amici* are wrong to contend that the fact “that a standard-essential patent is RAND-encumbered is clear evidence that damages at law will be adequate to compensate for any injury.” Brief of *Amici Verizon, et al.*, at 6-7 (citing *Apple*, 869 F. Supp. 2d at 914).

A proper *eBay* analysis would recognize that a royalty is not an “adequate remedy” in certain circumstances, for example, where the prospective licensee either expressly or by its actions declines to accept a license on FRAND terms, and instead serially infringes (so-called “reverse holdup”). Injunctive relief may in such circumstances be appropriate to avoid the inefficiencies and ineffectiveness of the patent owner pursuing continual infringement actions against the serial infringer. In such circumstances, the infringer would be ill-placed to argue hardship from an injunction based on an inability to simply continue its infringing conduct rather than engage in good faith negotiations for a FRAND-compliant license. And, public interest in a robust patent environment and competition on the merits (and not based on unauthorized infringing conduct) would benefit from injunctive relief in such circumstances.

Indeed, the Supreme Court itself in *eBay* recognized that a party's willingness to license its patent was not a sufficient basis to prohibit injunctive relief. *See eBay*, 547 U.S. at 393 (rejecting the district court's conclusion "that a plaintiff's willingness to license its patents . . . would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue") (quotation marks omitted); *see also Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1328 (Fed. Cir. 2008) (holding that "the weight accorded to the prior licenses falls squarely within the discretion of the court"). For the reasons described above, there is no reason to apply a different standard to preclude injunctive relief when the patentee's willingness to license comes in the form of a FRAND commitment.

B. Courts Should Recognize the Contractual Nature of FRAND Obligations When Considering Injunctive Relief.

Any proper *eBay* analysis also should recognize that FRAND commitments arise from freely-negotiated and carefully calibrated private agreements. This process has provided significant benefits for technology-industry participants and consumers, and this Court should be careful not to upset the expectations underlying those negotiations by limiting the relief available to those who make FRAND commitments.

1. FRAND obligations are undertaken as voluntary contracts between sophisticated entities.

No statute or regulation imposes FRAND obligations upon SEP holders.

Rather, as part of a SSO's standards-setting activities, patentees may voluntarily undertake FRAND obligations, pursuant to the SSO's membership policies. *See, e.g.*, ETSI IPR Policy § 6.1. Accordingly, "a contract is formed through . . . any essential patent holder's[] commitment to the [SSO] to license patents on [F]RAND terms." *Microsoft Corp. v. Motorola, Inc.*, 864 F. Supp. 2d 1023, 1031 (W.D. Wash. 2012); *accord Ericsson Inc. v. Samsung Elecs. Co.*, No. 2:06-CV-63, 2007 WL 1202728, at *1 (E.D. Tex. Apr. 20, 2007) ("[T]he parties agree that the FRAND obligation is contractual and binds all of the [SSO] members.").

The contract formed by the patentee's FRAND commitment is enforceable between the SSO and the patentee. *See Apple, Inc. v. Motorola Mobility, Inc.*, 886 F. Supp. 2d 1061, 1087 (W.D. Wis. 2012) ("Motorola's membership in ETSI and IEEE and the intellectual property declarations it made established a contractual relationship that required Motorola to license its essential patents to third parties on fair, reasonable and nondiscriminatory terms."). The specific terms of the commitment, therefore, depend upon the relevant SSO's IPR policy, and depending on the SSO, those terms often vary. Further, implementers of the standard who are willing to accept a license to the patent on FRAND terms may be third-party beneficiaries to that contract. *See Microsoft*, 864 F. Supp. 2d at 1032 ("Microsoft, as a potential user of the 802.11 Standard and the H.264 Standard, is a third-party beneficiary to the agreements between Motorola and the [relevant

SSOs].”). The contractual nature of FRAND commitments, the terms of the specific FRAND commitment at issue, and the expectations of the parties who make and benefit from those agreements, should all be considered in shaping the remedies for infringement of the underlying patent, including whether injunctive relief is available in a particular case. The District Court’s failure to consider these factors provides an additional reason to vacate its decision denying injunctive relief.

2. The SSO contract at issue here contains no blanket waiver of the patent holder’s right to enjoin infringement.

The District Court did not even mention (much less analyze) the relevant contract in this case—the ETSI IPR Policy.⁶ Had the District Court done so, it could not have concluded, as it did, that Motorola bargained away its right to seek injunctive relief for infringement of its patents “to anyone willing to pay a FRAND royalty.” *See Apple*, 869 F. Supp. 2d at 914. Indeed, the relevant policy contains

⁶ The ETSI IPR Policy states, in pertinent part:

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

ETSI IPR Policy § 6.1.

no explicit or implicit waiver of injunctive relief, and sets forth other obligations for which a royalty would not constitute adequate compensation.

“It is a fundamental precept of common law that the intention of the parties to a contract controls its interpretation.” *Tri-Star Elecs. Int’l, Inc. v. Preci-Dip Durtal, SA*, 619 F.3d 1364, 1367 (Fed. Cir. 2010) (internal quotation marks and citation omitted). Similarly, it is “hornbook” law “that in contract disputes, the plain language of the agreement is the best evidence of the parties’ intent.” *Henkel Corp. v. Hartford Accident & Indem. Co.*, 399 F. Supp. 2d. 607, 613 (E.D. Pa. 2005), *aff’d* 271 Fed. App’x 161 (3d Cir. 2008); *accord Pac. Gas & Elec. Co. v. United States*, 536 F.3d 1282, 1287 (Fed. Cir. 2008) (“This court interprets a contract in accordance with its language.”). The language of the ETSI IPR Policy does not evidence any waiver of a SEP holder’s right to enjoin infringement where it would otherwise be appropriate. *See Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2012 WL 5416941, at *15 (W.D. Wis. Oct. 29, 2012).

The contract nowhere reflects an express waiver. “There is no language in the ETSI . . . contract[] suggesting that Motorola and the standards-setting organization[] intended or agreed to prohibit Motorola from seeking injunctive relief.” *Id.* “In fact,” the ETSI IPR policy is “silent on the question of injunctive relief.” *Id.*; *see* ETSI IPR Policy. Indeed, ETSI debated including, and ultimately rejected, a waiver of the right to injunctive relief in the IPR policy. *See* Roger G.

Brooks & Damien Geradin, *Taking Contracts Seriously: The Meaning of the Voluntary Commitment to License Essential Patents on “Fair and Reasonable” Terms*, Intellectual Property & Competition Law: New Frontiers, 389, 406-07 (2011). The 1993 version of ETSI’s IPR policy did include language waiving the SEP holder’s right to seek an injunction. *See id.* However, when ETSI adopted its current policy in 1994, it affirmatively opted to remove the injunction waiver. *Id.*; accord A138490, A138557-558.

Nor is there any evidence of an implied waiver in this context. An implied waiver “of substantial rights . . . must be clear, decisive, and unequivocal of a purpose to waive the legal rights involved. Otherwise there is no waiver.” *Grover v. Prickett*, 420 F.2d 1119, 1125-26 (9th Cir. 1970). The right to seek injunctive relief for patent infringement is undoubtedly “substantial” as it is guaranteed by federal law. *See* 35 U.S.C. § 283 (permitting injunctive relief for patent infringement); *see also* 19 U.S.C. § 1337(d) (describing the circumstances under which the International Trade Commission may grant exclusion orders). For that reason, “any contract purportedly depriving a patent owner of that right should clearly do so.” *Apple*, 2012 WL 5416941, at *15. The ETSI IPR Policy does not clearly deprive a FRAND-committed patentee the right to enjoin infringement, and thus no general waiver may be implied. *See id.*

Because the ETSI IPR Policy neither expressly nor implicitly deprives the owner of a FRAND-committed patent the ability to seek all available remedies provided by law, basic principles of contract law favor the preservation of injunctive relief where otherwise appropriate.

3. Expanding the FRAND obligation to include an automatic or presumed waiver of injunctive relief for infringement could inhibit innovation.

Strong policy reasons further support the application of contract principles in defining the nature and scope of FRAND commitments and avoiding expansive interpretations. The beneficial aspects of standardization could be undermined by unnecessary and arbitrary interpretations of FRAND.

The voluntary, contractual nature of the FRAND obligation ensures that SSOs can attract a large number of participants, representing different, and at times conflicting, interests when developing a standard. These participants include owners of patented technologies that may be incorporated into a standard, implementers of the standard who will have the opportunity to obtain FRAND licenses to practice those technologies, and even representatives of the consumers who will use the standardized products and services based upon the patented technologies. Especially with respect to the type of technology and standards involved in this case, the development of SEPs is both inevitable and highly beneficial.

would risk upsetting the delicate balance of diverse interests FRAND commitments are designed to protect. Specifically, imposing obstacles to injunctive relief (beyond the rigorous showing already required by *eBay*) may remove incentives for licensees to negotiate in good faith and reduce patent holders' incentives to participate in the standardization process—a result that would deprive consumers of optimal standardized products and services.

One commenter has explained the advantage of allowing district courts discretion to award injunctive relief in a particular case in order to incentivize good faith license negotiations between parties. *See* James M. Fischer, *The “Right” to Injunctive Relief for Patent Infringement*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 1, 22-23 (2007) (“Giving the district court discretionary control over the remedy for patent infringement permits the court to use injunctive relief, or at least the threat of the remedy, as a Damoclean sword to encourage good faith bargaining by the infringer over licensing rights.”). In other words, absent the threat of injunctive relief where warranted under *eBay*, a licensee may have little incentive to negotiate in good faith. This could increase litigation and drive up the cost of licenses across the board, as patentees account for the risk of future infringement and/or delays in collecting royalties.

More ominously, the additional cost and uncertainty created by an environment where licensees have little or no incentive to negotiate licenses in

good faith (consistent with the contractual nature of FRAND) could diminish the availability of patented technologies for standardization. If patent holders cannot reasonably expect a return on their investment through licensing and other opportunities, they may be less inclined to invest in innovation or contribute their patented technologies to standardization. Such a result would depress innovation of technologies likely to be contributed to industry standards and preclude implementers from practicing potentially superior technologies, to the obvious detriment of consumers.

C. A Proper Application of the *eBay* Analysis Provides Courts with Flexibility to Craft Appropriate Remedies.

As the Supreme Court made clear in *eBay*, district courts are well-equipped to determine whether injunctive relief is warranted based on the equitable considerations presented by the specific factual circumstances. *See eBay*, 547 U.S. at 394 (“[T]he decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and . . . such discretion must be exercised consistent with traditional principles of equity.”). In the analogous context of determining whether to issue exclusion orders, the International Trade Commission may similarly consider “the effect of such exclusion . . . upon competitive conditions in the United States economy.” 19 U.S.C. § 1337(d)(1). Thus, as the FTC recently acknowledged, the “district courts have the tools to address th[e]

issue [of patent hold-up] by balancing equitable factors,” and the ITC “likewise has the authority . . . to address this concern and limit the potential for hold-up.” FTC, Prepared Statement before U.S. Comm. on the Judiciary, at 1-2 (July 11, 2012), *available at* <http://www.ftc.gov/os/testimony/120711standardpatents.pdf>.

Contrary to the claims of some *amici*, *see* Brief of *Amici Verizon, et al.*, at 8, courts are capable of considering whether a patentee is engaging in hold-up in a particular case and whether the injunction’s effect can be reasonably limited to the offending party. Courts also can balance the ultimate public interest in ensuring a strong patent system and the protection of intellectual property rights. *See Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 702 F.3d 1351, 1363 (Fed. Cir. 2012) (“While a patentee is not entitled to an injunction in every case, it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude.”) (citation omitted); *see also Robert Bosch LLC v. Pylong Mfg. Corp.*, 659 F.3d 1142, 1149 (Fed Cir. 2011) (explaining that “the nature of patent rights” must factor into a court’s “equitable analysis” under *eBay*). There is thus no need to depart from *eBay* by imposing a categorical rule or presumption against injunctions in the FRAND context.

III. THE COURT SHOULD NOT ADDRESS THE PROPER CALCULATION OF VALUE FOR A STANDARDS-ESSENTIAL PATENT.

Amici Altera Corporation, *et al.*, urge this Court to go beyond the disputed

amended on other grounds by 557 F.3d 1337 (Fed. Cir. 2009), this Court held the notion that “reasonable royalty damages are capped at the cost of implementing the cheapest available, acceptable, noninfringing alternative” was “wrong as a matter of law.” Id. at 1373. “To the contrary, an infringer may be liable for damages, including reasonable royalty damages, that exceed the amount that the infringer could have paid to avoid infringement.” Id.⁷

Moreover, the incremental value test is an unworkable rule that, if adopted, threatens to discourage innovation. This Court has “long acknowledged the importance of the patent system in encouraging innovation” and that “the encouragement of investment-based risk is a fundamental purpose of the patent.” *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006) (internal quotation marks and citation omitted). “[I]t is the inventor and the innovator, those whose ingenuity and ambition create new things while taking the risk of loss, who provide the basis of industrial advance and economic growth.” *Johnson &*

⁷ Additionally, the reference point for determining a reasonable royalty under the incremental value test—“that value should be measured, and the hypothetical negotiation must be focused, on the time of design,” Brief of *Amici Altera, et al.*, at 10—is inconsistent with the well-established approach to calculating damages set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970), under which reasonable royalty damages must be calculated based upon market factors that would affect a hypothetical negotiation “at the time the infringement began.” *Id.* at 1120; accord *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1312 (Fed. Cir. 2011) (emphasis added); see also *Microsoft Corp. v. Motorola, Inc.*, --- F. Supp. 2d ---, 2012 WL 5248439, at *6 (W.D. Wash. Oct. 22, 2012) (finding it appropriate to apply the *Georgia-Pacific* methodology in the FRAND context).

Johnson Assocs. v. R.E. Serv. Co., 285 F.3d 1046, 1071 (Fed. Cir. 2002). The DOJ and USPTO recently affirmed that “the United States continues to encourage systems that support voluntary F/RAND licensing . . . rather than the imposition of one-size-fits-all mandates for royalty-free or below-market licensing, which would undermine the effectiveness of the standardization process and incentives for innovation.” DOJ/USPTO Policy Statement at 5-6. Yet, “awarding a patent holder only the . . . incremental value of its invention would expropriate from it the full value of its invention—rendering pointless the investment of capital in risky research and development.” Richard S. Taffet, *The Federal Trade Commission’s Evolving IP Marketplace Report’s Challenge to Inventiveness, Innovation, & Competitiveness*, THE ANTITRUST SOURCE, at 7 (Feb. 2012). Such a result is contrary to the fundamental goal of the patent system and ought to be avoided.

CONCLUSION

For the reasons stated above, Qualcomm respectfully requests that this Court reject a categorical rule prohibiting injunctive relief for infringement of a patent with a FRAND commitment and require a proper *eBay* analysis in this case and reject requests to adopt the incremental value test as a method for determining reasonable royalties in patent infringement cases.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on March 20, 2013, I electronically filed a copy of the Brief of *Amicus Curiae* Qualcomm Incorporated with the Clerk of the Court using the Court’s CM/ECF system, which will automatically send email notification of such filing to the following counsel of record:

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CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rules of Appellate Procedure 29(c)(7) and 32(a)(7)(C), I hereby certify:

1. this brief complies with the type-volume limitation set forth in Rule 32(a)(7)(B) of the Federal Rules of Appellate procedure in that this brief contains 6,937 words, excluding those parts of the brief exempted from the type-volume calculation by Federal Rule 32(a)(7)(B)(iii) and Circuit Rule 32(b); and
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