

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

INTERDIGITAL COMMUNICATIONS,	:	
INC., a Delaware corporation,	:	
INTERDIGITAL TECHNOLOGY	:	
CORPORATION, a Delaware corporation,	:	
IPR LICENSING, INC., a Delaware	:	
corporation, and INTERDIGITAL	:	C.A. No. 1:13-cv-00010-RGA
HOLDINGS, INC., a Delaware corporation,	:	
	:	
Plaintiffs,	:	
	:	
v.	:	JURY TRIAL DEMANDED
	:	
NOKIA CORPORATION, a Finnish	:	
corporation, and NOKIA INC., a Delaware	:	
corporation,	:	
	:	
Defendants.	:	

**PLAINTIFFS' OPENING BRIEF IN SUPPORT OF ITS
MOTION TO DISMISS FRAND COUNTERCLAIMS**

PROCTOR HEYMAN LLP
Neal C. Belgam (#2721)
E-mail: nbelgam@proctorheyman.com
Melissa N. Donimirski (#4701)
E-mail: mdonimirski@proctorheyman.com
300 Delaware Avenue, Suite 200
Wilmington, Delaware 19801
(302) 472-7300

Counsel for Plaintiffs InterDigital Communications,
Inc., InterDigital Technology Corporation, IPR
Licensing, Inc., and InterDigital Holdings, Inc.

OF COUNSEL:

LATHAM & WATKINS LLP
Ron E. Shulman
E-mail: Ron.Shulman@lw.com
Michael A. Ladra
E-mail: Mike.Ladra@lw.com
140 Scott Drive
Menlo Park, CA 94025
(650) 328-4600

LATHAM & WATKINS LLP
Maximilian A. Grant
E-mail: Max.Grant@lw.com
Bert C. Reiser
E-mail: Bert.Reiser@lw.com
555 Eleventh Street, N.W., Ste. 1000
Washington, DC 20004
(202) 637-2200

WILSON SONSINI
GOODRICH & ROSATI
David S. Steuer
E-mail: dsteu@wsgr.com
Michael B. Levin
E-mail: mlevin@wsgr.com
Maura L. Rees
E-mail: mre@wsgr.com
650 Page Mill Road
Palo Alto, CA 94304
(650) 493-9300

WILSON SONSINI
GOODRICH & ROSATI
Larry L. Shatzer
E-mail: lshatzer@wsgr.com
1700 K Street, N.W., Fifth Floor
Washington, D.C. 20006
(202) 973-8800

Dated: April 22, 2013

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1	Complaint in <i>Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof</i> , Investigation No. 337-TA-868 (without exhibits)
2	Nokia's Public Response in <i>Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof</i> , Investigation No. 337-TA-868 (without exhibits)
3	February 28, 2013 Order No. 6: Setting Procedural Schedule in <i>Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof</i> , Investigation No. 337-TA-868
4	Complaint in <i>Certain Wireless Devices with 3G Capabilities and Components Thereof</i> , Investigation No. 337-TA-800 (without exhibits)
5	Nokia's Public Response in <i>Certain Wireless Devices with 3G Capabilities and Components Thereof</i> , Investigation No. 337-TA-800 (without exhibits)
6	Excerpts of transcript from June 11, 2012 Hearing in <i>Huawei Tech. Co. v. InterDigital Tech. Corp.</i> , No. 6974-CS (Del. Ch. June 11, 2012)
7	ETSI's Intellectual Property Rights Policy, dated November 30, 2011.
8	Nokia's Public Response in <i>Certain 3G Mobile Handsets and Components Thereof</i> , Investigation No. 337-TA-613 (without exhibits)

TABLE OF ABBREVIATIONS

Abbreviation	Full Name
654 Action	<i>InterDigital Communications, LLC v. Huawei Tech. Co., Ltd., et al.</i> , Case No. 11-654-RGA (D. Del.)
489 Action	<i>InterDigital Communications, LLC v. Nokia Corp., et al.</i> , Case No. 07-00489-SLR
800 Investigation	<i>Certain Wireless Devices with 3G Capabilities and Components Thereof</i> , Investigation No. 337-TA-800
868 Investigation	<i>Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof</i> , Investigation No. 337-TA-868
613 Investigation	<i>Certain 3G Mobile Handsets and Components Thereof</i> , Investigation No. 337-TA-613
InterDigital	Collectively, InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Holdings, Inc.
Nokia	Collectively, Nokia Corporation and Nokia Inc.
ZTE	Collectively, ZTE Corporation and ZTE (USA) Inc.
Huawei	Collectively, Huawei Technologies Co. Ltd., Futurewei Technologies, Inc. d/b/a Huawei Technologies (USA), and Huawei Device USA, Inc.
Samsung	Collectively, Samsung Electronics Cor., Ltd., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC
Rees Decl. Ex. __	Declaration of Maura L. Rees filed in support of this motion and Exhibits thereto
Fages Decl.	Declaration of Professor Bertrand Fages filed in support of this motion
654 Action D.I. #__	Docket entries in the 654 Action
489 Action D.I. #__	Docket entries in the 489 Action
ALJ	Administrative Law Judge
Countercl. ¶ __	Paragraphs of Nokia's counterclaims, D.I. #18
Answer ¶ __	Paragraphs of Nokia's Answer, D.I. #18

INTRODUCTION

InterDigital brought four related patent infringement actions against Huawei, Nokia, ZTE, and Samsung for their infringement of patents related to wireless communications technology. Defendant Nokia has asserted counterclaims based on allegations that InterDigital has failed to comply with commitments to license patents that are alleged to be essential to implement certain wireless communications standards on “fair, reasonable, and non-discriminatory” (“FRAND”) terms. In 2007, in a similar patent infringement action in the District of Delaware between Nokia and InterDigital, Nokia requested, and the Court granted, a mandatory stay of that case, Case No. 07-489-SLR (“489 Action”). That case remains stayed. In 2011, Nokia likewise sought and obtained a mandatory stay of a second patent infringement case filed by InterDigital that is pending in this Court, Case No. 11-654-RGA (“654 Action”). In both of those cases, Nokia chose to obtain the stay before asserting any counterclaims. However, Nokia’s FRAND counterclaims in this action were compulsory counterclaims in the 489 Action, and therefore cannot proceed here. InterDigital further moves to dismiss Counts I-VI and VIII-X because: (1) the Court lacks Article III jurisdiction over the declaratory judgment counterclaims; (2) the breach of contract, equitable estoppel, promissory estoppel, and implied license counterclaims fail to state a claim as a matter of law; and (3) the California unfair competition counterclaim does not state a claim because California law does not apply, it does not seek any available remedies, and it is preempted due to federal conflict preemption.

NATURE AND STAGE OF THE PROCEEDINGS AND FACTUAL BACKGROUND

I. THE PRIOR, RELATED ITC AND DISTRICT OF DELAWARE ACTIONS

In August 2007, InterDigital filed two patent infringement actions against Nokia: a complaint in the ITC (the “613 Investigation”) and the parallel 489 Action in this Court, assigned to Judge Robinson. 489 Action D.I. # 1. The case ultimately included a total of four InterDigital

patents asserted against Nokia products with 3G wireless capabilities. After the ITC instituted an investigation, Nokia requested, and the Court granted, a stay of the 489 Action under 28 U.S.C. § 1659 pending resolution of the ITC investigation. 489 Action D.I. # 11. Nokia obtained the stay before asserting any counterclaims.

In the 613 Investigation, Nokia's response initially asserted multiple defenses based on alleged violation of FRAND commitments by InterDigital, including equitable estoppel, breach of contract, and express and implied license. Rees Decl., Ex. 8. Trial in the 613 Investigation was completed in 2009. While the ITC found no violation of Section 337 due to noninfringement, the Federal Circuit recently reversed the Commission's determination and remanded the matter to the ITC for further proceedings. *InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 690 F.3d 1318, 1320 (Fed. Cir. 2012) *on reh'g*, 707 F.3d 1295 (Fed. Cir. 2013) (petition for rehearing denied). The parallel 489 Action remains stayed.

In July 2011, InterDigital filed two patent infringement actions against ZTE, Huawei, and Nokia: a complaint in the ITC (the "800 Investigation") and the 654 Action in this Court. 654 Action D.I. #1. InterDigital ultimately alleged infringement of a total of eight InterDigital patents by Nokia products with 3G wireless capabilities. After the ITC instituted the investigation, Nokia requested, and this Court granted, a stay of the 654 Action under 28 U.S.C. § 1659 pending resolution of the ITC investigation. 654 Action D.I. #19, 26. At the ITC, Nokia again asserted multiple FRAND-based defenses, including breach of contract, equitable estoppel, and express and implied license. Rees Decl., Ex. 5.

The trial in the 800 Investigation (including the FRAND defenses raised by ZTE, Huawei, and Nokia) was held in February 2013. The ALJ's initial determination is expected by June 28, 2013. The ITC's "target date" for completing the investigation is October 28, 2013.

II. THE CURRENT ITC AND PARALLEL DELAWARE COURT ACTIONS

On January 2, 2013, InterDigital filed a complaint with the ITC (the “868 Investigation”) (Rees Decl., Ex. 1) and four related actions for patent infringement in this Court against Huawei (C.A. No. 13-00008-RGA), ZTE (C.A. No. 13-00009-RGA), Nokia (C.A. No. 13-00010-RGA), and Samsung (C.A. No. 13-00011-RGA). InterDigital asserts that Nokia infringes two patents related to 3G and 4G wireless communication technology.¹ Nokia has responded to the ITC complaint and again asserted the same affirmative defenses that it asserted in the prior 613 and 800 Investigations, among others. Rees Decl., Ex. 2 at 41-46, 71. Discovery in the ITC is underway with trial set for December 2013. *Id.*, Ex. 3. The ALJ is scheduled to issue his Initial Determination on all issues on February 4, 2014 – in less than ten months. *Id.* The target date for completion, including Commission review, is June 4, 2014. *Id.*

InterDigital filed an amended complaint on March 13, 2013, and Nokia filed its answer on April 1, 2013. D.I. # 15, 18. Although InterDigital asserted only two patents, Nokia’s counterclaims cover all “declared-essential” InterDigital U.S. patents, including fourteen specific patents – the two patents asserted in this case, the eight patents asserted in the 654 Action, and the four patents asserted in the 489 Action. Countercl. ¶¶ 9, 41, 47, 51, 56, 58, 60, 71, 95, 99 (seeking relief on “declared-essential patents” or “InterDigital’s portfolio of United States patents that InterDigital has declared to ETSI and/or ITU as essential,” and “the Combined Asserted Patents”). In fact, the FRAND issues raised in Nokia’s counterclaims almost entirely overlap with the FRAND defenses it raised in the 613 and 800 Investigations.

¹ The instant case against Nokia asserts two of the four patents asserted in the Huawei and ZTE actions. The other two patents asserted against Huawei and ZTE were previously asserted against Nokia in the 489 action.

ARGUMENT

III. NOKIA’S FRAND COUNTERCLAIMS SHOULD BE DISMISSED

Nokia’s FRAND counterclaims, Counts I-VI and VIII-X, should be dismissed under Rule 12(b)(1) for lack of subject matter jurisdiction, and under Rule 12(b)(6) for failure to state a claim. In deciding a Rule 12(b)(6) motion, the Court must accept as true well-pleaded factual allegations. *Hayes v. Gross*, 982 F.2d 104, 105-106 (3d Cir. 1992). The Court is not, however, required to accept as true conclusory assertions. *James v. City of Wilkes-Barre*, 700 F.3d 675, 679 (3d Cir. 2012) (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 678-79 (2009); *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555–57 (2007)). The Court need only accept reasonable inferences that logically flow from the face of the pleading, and not every strained interpretation of the allegations. *Mullin v. Sussex County*, 861 F. Supp. 2d 411, 418 (D. Del. 2012).

In deciding a Rule 12(b)(1) motion attacking the factual basis for jurisdiction, no presumptive truthfulness attaches to the allegations. *Gould Elecs. Inc. v. U.S.*, 220 F.3d 169, 176 (3d Cir. 2000). The party bringing the claim has the burden of proving that jurisdiction exists. *Id.* In addition, the court may consider evidence outside the pleadings and has “substantial authority” to “weigh the evidence and satisfy itself as to the existence of its power to hear the case.” *Astrazeneca Pharm. LP v. Apotex Corp.*, Civ. No. 10-338 RBK/KW, 2010 WL 5376310, at *8 (D. Del. Dec. 22, 2010) *aff’d*, 669 F.3d 1370 (Fed. Cir. 2012).

A. The FRAND Counterclaims Are Compulsory Counterclaims in Another Case

Nokia’s FRAND counterclaims should be dismissed because they are compulsory counterclaims in the 489 Action. Fed. R. Civ. P. 13(a). These compulsory counterclaims should have been brought, if at all, in the 489 Action.

A counterclaim is compulsory where it bears a “logical relationship” to the affirmative

claims. *Rohm & Haas Co. v. Brotech Corp.*, 770 F. Supp. 928, 930-31 (D. Del. 1991) (finding that antitrust, RICO and common law fraud claims were compulsory counterclaims to patent infringement suit).² Claims that ought to be brought as counterclaims in a pending action should generally be dismissed or stayed when those claims are raised in a second, separate action. *See, e.g., Nokia Corp. v. InterDigital, Inc.*, No. 08 Civ. 1507 (DAB), 2009 WL 585848, at *2-3 (S.D.N.Y. Mar. 5, 2009); *Avante Int'l Tech., Inc. v. Hart Intercivic, Inc.*, Civ. No. 08-832-GPM, 2009 WL 2431993, at *4-6 (S.D. Ill. Jul. 31, 2009) (dismissing declaratory judgment claim that was more properly raised as counterclaim in previously-filed infringement suit).

This is not the first time Nokia has tried to assert a claim that is a compulsory counterclaim in the 489 Action. Shortly after the 489 Action was stayed, Nokia filed suit in the Southern District of New York seeking a declaratory judgment that Nokia and its affiliates are licensed to certain InterDigital patents, among other claims. *Nokia Corp.*, 2009 WL 585848, at *2-3. The court found that Nokia's claim was a compulsory counterclaim in the 489 Action:

[T]here is a "logical relationship" between Plaintiff's claim that it was licensed to use InterDigital's patents and InterDigital's claim that Plaintiff infringed upon those patents, and that the facts of the claims are "so logically connected" that judicial economy and fairness warrant their resolution in one lawsuit.

Id. The Court granted InterDigital's motion to dismiss Nokia's declaratory judgment claim. Here, Nokia's counterclaims similarly bear a "logical relationship" to the affirmative claims asserted in the 489 Action because they involve many of the same factual and legal issues raised by InterDigital's patent infringement claims. For example, a key issue to both infringement and the FRAND counterclaims is whether practicing the standards at issue necessarily infringes the asserted patents – *i.e.*, whether the patents are "essential" to practice the standards at issue.

In addition, Nokia's counterclaims seek judgments relating to the patents at issue in the

² All internal citations are omitted and all emphasis has been added unless otherwise noted.

stayed 489 Action. Nokia defines the “Combined Asserted Patents” to include *the same patents* asserted in the 489 Action. Thus, four of the patents enumerated in Nokia’s counterclaims here are the same four patents asserted in the prior 489 Action. The fact that Nokia’s definition of “Combined Asserted Patents” also includes additional patents does not alter the conclusion that the counterclaims raised here were compulsory in the 489 Action. This was the very situation in *Rohm & Haas Co.*, where the court found that antitrust, RICO and fraud claims on ten patents brought in a second action were compulsory counterclaims in another patent infringement suit on only four of those patents. 770 F. Supp. at 934. Because all of the patents concerned similar technologies, and the same pattern of fraud was alleged for all patents, the claims on all ten patents bore a logical relationship to the patent infringement case on four of those patents. *Id.* Here too, patents in both cases relate to CDMA2000 or 3GPP-standardized cellular phone technology, and Nokia alleges the same FRAND obligations and alleged failure to meet those obligations for all fourteen patents and, even more broadly, all U.S. “essential” patents. Accordingly, the FRAND counterclaims are compulsory counterclaims in the 489 Action, and should be dismissed.³

B. The Declaratory Judgment Counterclaims Should Be Dismissed for Lack of Jurisdiction

1. **Declaratory Judgment Counterclaims Counts III & VIII Are Not Ripe and the Court Lacks Article III Jurisdiction Over Them**

A claim should be dismissed for lack of jurisdiction on ripeness grounds where it pleads facts that have not yet matured to a point where judicial action is appropriate. *Phila. Fed’n of Teachers v. Ridge*, 150 F.3d 319, 323 (3d Cir. 1998) (the “function of the ripeness doctrine is to

³ These counterclaims also raise significant statute of limitation and laches issues, as the claims accrued at least as of 2007 yet Nokia is only now asserting them.

prevent federal courts, ‘through avoidance of premature adjudication, from entangling themselves in abstract disagreements.’ . . . ‘[w]e presume that federal courts lack jurisdiction unless the contrary appears affirmatively from the record.’”). *See also Peachlum v. City of York*, 333 F.3d 429, 433-34 (3d Cir. 2003). Declaratory judgment claims in particular must be scrutinized for ripeness. *Pic-A-State Pa., Inc. v. Reno*, 76 F.3d 1294, 1298 (3d Cir. 1996). The Third Circuit has developed a three-part test for analyzing whether an asserted claim is ripe. *Armstrong World Indus., Inc. v. Adams*, 961 F.2d 405, 411 (3d Cir. 1992). The court must examine the “‘adversity of interest’ between the parties, the ‘conclusivity’ that a declaratory judgment would have on the legal relationship between the parties, and the ‘practical help, or utility,’ of a declaratory judgment.” *Id.* Declaratory judgments may not be used to elicit advisory opinions. *Ashcroft v. Mattis*, 431 U.S. 171, 172 (1977). Nokia’s Counts III and VIII seek an advisory opinion and are unripe under all three parts of the Third Circuit’s test.

a) The Counterclaims Do Not Satisfy the First Prong

Under the first prong of the test, the claimant must “demonstrate that the probability of that future event occurring is real and substantial, ‘of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.’” *Armstrong*, 961 F.2d at 412. *See also Step-Saver Data Sys., Inc. v. Wyse Tech.*, 912 F.2d 643, 648 (3d Cir. 1990). “Where the plaintiff’s action is based on a contingency, it is unlikely that the parties’ interests will be sufficiently adverse to give rise to a case or controversy.” *Armstrong*, 961 F.2d at 411-412. Here, Nokia seeks a declaratory judgment “setting” “FRAND terms” (Count III) and, alternatively, a declaratory judgment that InterDigital has not offered “FRAND license terms” (Count VIII). Both counterclaims are highly contingent for several reasons.

With respect to Count III, asking the Court to determine terms of a FRAND license, Nokia has averred that it is “willing to agree to FRAND license terms *for any patents that are*

valid, essential, and actually practiced by Nokia in its products.” Countercl. ¶ 57. *See also id.* ¶ 6. Thus, Nokia’s willingness to accept FRAND license terms determined by the Court is expressly limited only to those of InterDigital’s patents that are valid, infringed, and essential. Determinations of validity, infringement, and essentiality would thus have to be made as to each patent on which Nokia seeks a “FRAND license.” Moreover, Nokia’s Count VIII is expressly contingent: *if* the Court does not order specific performance requiring InterDigital to offer a license on “FRAND terms” as determined by the Court, and *if* the Court does not impose damages, *then* Nokia requests a determination on whether InterDigital offered FRAND terms. *Id.* at Countercl. ¶ 87. This cause of action is contingent on other contingencies, and is therefore not ripe.

Other courts facing similar claims have been stymied by parties who change their position during the course of the litigation about whether, and under what conditions, they would agree to “pay a FRAND rate” for a license. *See Rembrandt Techs., L.P. v. Harris Corp.*, Civ. No. 07C-09-059-JRS, 2009 WL 1509103 (Del. Super. May 22, 2009); *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2012 WL 5416931 (W.D. Wis. Nov. 2, 2012). To date, Nokia has been quite clear that it reserves the right to pursue claims of invalidity, noninfringement, and nonessentiality if it does not like the FRAND terms it has asked the Court to determine. However, even if Nokia were to assert that it would accept any FRAND license terms set by the Court, there is a real danger that, if the Court entertained Nokia’s counterclaims and undertook a complex and time-consuming rate-setting proceeding, Nokia would at the end of the process deny the applicability of any judgment unless and until each patent is adjudicated to be valid and infringed.

Second, Nokia tries to evade the contingency of patent essentiality by saying that it seeks

“FRAND terms” for only “declared-essential” patents and seeks a declaration that InterDigital has not offered FRAND terms for “purported essential U.S. patents,” as though this would do away with the necessity of determining whether each patent is essential. But InterDigital has not “declared as essential” any patents to ETSI. The relevant ETSI rules instead provide for members to disclose patents that “might be essential,” and InterDigital’s disclosures follow the policy and list patents that “may be, or may become essential.” *See Rees Decl.*, Ex. 7 at § 4. The ETSI policy expressly does not include or require any representation by IPR owners that disclosed patents *are* essential. The policy documents cited in Nokia’s counterclaims⁴ demonstrate that FRAND licensing obligations are only applicable to patents “to the extent they are or become, and remain” essential. *Id.* at Annex 6, Appx. A & § 6.1. Therefore, Nokia cannot state a claim based on the existence of FRAND licensing obligations except to the extent that the patents in question are, in fact, essential, under the plain language of the ETSI policy and the licensing undertakings. The Court will necessarily have to adjudicate essentiality in order to determine whether FRAND obligations exist in the first instance. Nokia’s Counts III and VIII are thus contingent on such a determination. Because the counterclaims are based on a number of contingencies, they are not sufficiently real and substantial to warrant the issuance of a declaratory judgment.

b) The Counterclaims Do Not Satisfy the Second Prong

Under the second prong of the test, the declaratory judgment must be “sufficiently conclusive to define and clarify the legal rights or relations of the parties.” *Step-Saver*, 912 F.2d at 648 (because declaratory judgment decree would be based on contingency, “the legal rights ...

⁴ These documents are not outside the pleadings because the Counterclaims rely on them as the source of the alleged contractual obligations.

[and] status of the parties would not change” and judgment would be “exercise of futility”). The judgments Nokia seeks would be far from conclusive. Nokia seeks declaratory judgments of “FRAND terms” that would hypothetically be applicable to a license, should it choose to accept it, and, alternatively, that InterDigital has not offered such “FRAND terms” to date. Although Nokia implies that this would simply involve setting a royalty rate, there are many other terms involved in a patent license. It would be far more difficult than Nokia suggests to conclusively adjudicate such a claim. And, as averred in its counterclaims, Nokia may prefer instead to challenge infringement, validity, or essentiality rather than accept the “FRAND terms.”

Unless Nokia should choose not to contest infringement, validity, and essentiality, the “FRAND terms” it seeks would remain a hypothetical, advisory opinion. Nokia has not framed its counterclaims to declare the rights of parties in a bilateral, mutual contract, pursuant to which Nokia has payment obligations to InterDigital. Rather, Nokia claims InterDigital has a “one-way” obligation to offer Nokia a license on FRAND terms, that Nokia can either accept or reject as it sees fit. As further set forth below, this is not a proper contract claim in the first instance, but, in any event, it would not lead to a conclusive determination sufficient for declaratory judgment jurisdiction. *See Apple*, 2012 WL 5416931, at *1 (dismissing claims to set FRAND rate, as it is not “appropriate for a court to undertake the complex task of determining a FRAND rate if the end result would be simply a suggestion that could be used later as a bargaining chip between the parties.”). When parties cannot agree on a fundamental term of a proposed contract, it is not the function of courts to step in and tell the parties what they ought to agree to.

Courts have dismissed or stayed claims like Nokia’s Count III precisely because they will not resolve anything in a definitive manner. *See Rembrandt*, 2009 WL 1509103, at *1 (staying claims to set a FRAND rate when party continually changed position about whether it would pay

such royalties and not seek recoupment); *Apple*, 2012 WL 5416931 (dismissing Apple claims for FRAND rate determination where Apple reserved right not to pay determined rate and argued instead that Motorola was simply required to offer a FRAND rate that Apple could decline). The declaratory judgments sought by Nokia would not conclusively resolve the parties' dispute, and therefore fail the second prong for ripeness.

c) The Counterclaims Do Not Satisfy the Third Prong

Under the third prong, the declaratory judgment must have utility – meaning “the court is convinced that [by its action] a useful purpose will be served.” *Step-Saver*, 912 F.2d at 649. As described above, judgments here will not usefully clarify the legal relationship between the parties. Even if the Court attempts to determine FRAND terms as Nokia requests, it is not clear on what basis such a judgment of a “FRAND rate” could be enforced against it to require payment. Nokia does not allege that it has any contractual obligations to InterDigital, and does not concede that it infringes any InterDigital patents.⁵ Even if Nokia claims it will voluntarily commit to abide by “FRAND license terms” if the Court determines them, such “commitment” would not be based on any legal obligation to pay them and could be withdrawn at will.⁶ The court in *Apple v. Motorola*, faced with similar claims to “set a FRAND rate,” dismissed the claims for declaratory relief, because Apple “was only volunteering to pay the rate,” such that if Apple did not pay, it would “leav[e] Motorola without a mechanism for obtaining compensation from Apple for the use of its patents except by filing infringement suits.” *Apple v. Motorola*, No.

⁵ In fact, Nokia denies infringement, as it also asserts counterclaims for declaratory judgments of noninfringement, invalidity, and unenforceability in this and the prior actions and investigations.

⁶ While the Court could theoretically order Nokia to abide by such a commitment, it is again unclear what the basis of such an order would be. Ordinarily, courts adjudicate disputes and issue judgments based on pre-existing legal obligations. They do not create legal obligations in order to have a dispute to adjudicate.

11-178-bcc, Slip Op. at 5-6 (W.D. Wis. Nov. 8, 2012).

Thus, a decision will not clarify the parties' relationship. The only "utility" of the judgments Nokia seeks would be to give Nokia a "bargaining chip" in later negotiations – which is not a proper subject of the court's exercise of its jurisdiction. *See Apple*, 2012 WL 5416931, at *1. Accordingly, the counterclaims fail to meet the third prong as well.

2. The Court Should Decline to Exercise Declaratory Judgment Jurisdiction as a Discretionary Matter

Even if the Court found that the counterclaims at issue met the requirements for ripeness, it should decline to exercise declaratory judgment jurisdiction as a discretionary matter. A court's exercise of declaratory judgment jurisdiction is not mandatory. *See* 28 U.S.C. § 2201(a) (court "*may* declare the rights" of the parties). Thus, "[e]ven when declaratory actions are ripe, the Act only gives a court the *power* to make a declaration . . .; it does not *require* that the court exercise that power." *Step-Saver*, 912 F.3d at 646-47. Courts generally consider two criteria in determining whether to exercise their discretionary powers: "(1) whether the judgment will serve a useful purpose in clarifying and settling the legal relations in issue; and (2) whether the judgment will terminate and afford relief from uncertainty, insecurity and controversy giving rise to the proceeding." *Akzona Inc. v. E.I. du Pont de Nemours & Co.*, 662 F. Supp. 603, 617 (D. Del. 1987). "If the Court is of the opinion that the action will not serve a useful purpose, or that it is otherwise undesirable, then it should refuse to proceed." *Id.* (quoting 6A J. Moore, *Federal Practice*, ¶ 57.20 (2d ed. 1979)).

Here, as explained above, the requested declaratory judgments are based on an illusory premise and/or would serve no useful purpose. Moreover, the same allegations concerning FRAND licensing obligations form the basis of affirmative defenses raised by Nokia both in this action and in the pending ITC investigations. Nokia has had, and will have, every opportunity to

raise these defenses against InterDigital's patent infringement claims. There is no reason for the Court to also adjudicate counterclaims for declaratory relief that will not result in a conclusive decision. *See Apple Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2012 WL 5943791, at *2 (W.D. Wis. Nov. 28, 2012) (court "dismissed Apple's claims for declaratory relief because the decision whether to grant declaratory relief is discretionary . . . and it is inappropriate to issue declaratory judgment if 'such a judgment would have no practical effect.'").

C. The Breach of Contract and Estoppel Counterclaims Fail to State a Claim

In addition to declaratory judgments, Nokia asserts counterclaims for breach of contract and equitable and promissory estoppel (Counts I, II, IV, V and X). These claims should be dismissed because they do not adequately allege the existence or breach of a contract or promise, and because they seek relief that is unavailable as a matter of law.

1. Counts I, II, IV, V and X Fail to Adequately Allege the Existence or Breach of a Contract or Promise

Nokia alleges that the ETSI IPR policy is governed by French law. Countercl. ¶¶ 28-29, 40, 50; *see also* Rees Decl., Ex. 7 at § 12; *id.* Appx. A ("The construction, validity and performance of this IPR information statement and licensing declaration shall be governed by the laws of France."). Therefore, Nokia's allegations with respect to counterclaims under the ETSI IPR policy must be sufficient to show breach of contract or promise under French law.⁷

Nokia asserts that the licensing undertakings that InterDigital submitted to standard-setting organizations created "*stipulations pour autrui* – binding and enforceable agreements between InterDigital and ETSI in favor of ETSI members, including Nokia," a "commitment that the patent holder will grant a license to its declared-essential patent on FRAND terms." *See*,

⁷ Nokia does not specify what law it asserts is applicable under the ITU policy.

e.g., Countercl. ¶¶ 23, 30-31, 40-41, 50-51. But the actual SSO policies do not, in fact, impose any obligation or make any promise “to grant” licenses. Rather, as Nokia admits in its counterclaims, the ETSI IPR policy says that a holder of essential patents shall provide an undertaking that it is “prepared to grant” licenses on FRAND terms and conditions, and the ITU IPR policy says that patent holder shall be “willing to negotiate” licenses on FRAND terms. *Id.* at ¶¶ 23, 25. The licensing undertakings nowhere set forth an obligation “to grant” licenses.⁸

Under French law, to the extent any contractual obligation exists, this type of obligation is best described as an “*accord de principe*” (agreement in principle). Fages Decl. at ¶¶ 5-10. This imposes on the negotiating parties a duty to negotiate in good faith. *Id.* However, it does not impose an obligation to actually conclude a contract, and is not an obligation “to grant” a license. *Id.* In this regard, French law is consistent with U.S. contract law, under which a generalized “agreement to agree” is unenforceable, but parties may enter into agreements to negotiate. *See, e.g., LG Elecs., Inc. v. ASKO Appliances, Inc.*, Civ. No. 08-828-RGA, 2012 WL 2365901, at *3 (D. Del. June 21, 2012) (proposed patent license in settlement of lawsuit was unenforceable “agreement to agree”); *Int’l Equity Capital Growth Fund, L.P. v. Clegg*, No. Civ. A. 14995, 1997 WL 208955, at *9 (Del. Ch. Apr. 22, 1997); *Copeland v. Baskin Robbins U.S.A.*,

⁸ In its counterclaims (¶ 5), Nokia relies on a case in the Western District of Washington, where the court held a trial to set a “FRAND rate” on the basis that undertakings to ITU and IEEE (but not ETSI, which was not at issue in that case) constituted a commitment by Motorola “to license its essential patents on RAND terms.” *Microsoft Corp. v. Motorola Inc.*, 864 F. Supp. 2d 1023 (W.D. Wash. 2012). As ETSI was not at issue, the court did not consider French law. Moreover, Motorola had *stipulated* that its licensing commitments to standard-setting organizations constituted a commitment to grant a license. There was no occasion for the court to make a determination on the nature of the commitment, as both parties agreed upon that interpretation. *See Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 878 & n.6 (9th Cir. 2012) (“Motorola stated on the record that it did not dispute that it entered into the aforementioned binding contractual commitments with the IEEE and the ITU and that Microsoft is a third-party beneficiary of these commitments.”). Here, the issue is disputed, and a case in which the court proceeded on a stipulated interpretation is not helpful or persuasive in endeavoring to reach the correct legal interpretation on a disputed issue. Certainly, Motorola’s stipulation is not binding on InterDigital or any other party.

96 Cal. App.4th 1251, 1256-59 (2002).

It is for good reason that the policies of ETSI and the ITU use language such as “prepared to grant” licenses and “willing to negotiate licenses,” rather than “shall grant licenses”: obviously, it is not possible for a patent owner to unilaterally confer a royalty-bearing license upon a licensee who will not agree to pay that royalty. Because FRAND licenses contemplate mutual obligations (*i.e.*, a license in return for FRAND compensation, among other terms), any license agreement must be bilaterally negotiated and agreed upon. The counterclaims asserting that an IPR owner is under an obligation to actually agree upon and conclude a license with licensees must be rejected, because that would be an unenforceable “agreement to agree.” Fages Decl., ¶¶ 5-10. *See also Heritage Homes of De La Warr, Inc. v. Alexander*, No. Civ. A. 1399-K, 2005 WL 2173992, at *3 (Del. Ch. Sept. 1, 2005) (it is a “well-settled principle” of Delaware law that agreements to agree are unenforceable), *aff’d*, 900 A.2d 100 (Del. 2006). Such an obligation to actually conclude an agreement with another party cannot be enforceable because it is “‘absurd’ and a ‘contradiction in terms,’” “[s]ince either party by the very terms of the promise may refuse to agree to anything to which the other party will agree.” *Copeland*, 96 Cal. App.4th at 1257 & n.10. *See also* Fages Decl., ¶¶ 9-10. In other words, under the interpretation of the policy that Nokia advocates, InterDigital would “breach” the agreement to grant licenses if Nokia simply refused to enter into a license agreement. That would make no sense. Courts therefore reject the notion that parties can enter into enforceable “agreements to agree.”

2. Counts I, II, V and X Seek Relief That Is Unavailable as a Matter of Law

Claims that seek relief that is unavailable as a matter of law should be dismissed. *Schweiker v. Chilicky*, 487 U.S. 412, 429 (1988); *Owens v. Connections Cmty. Support Programs, Inc.*, 840 F. Supp. 2d 791, 800 (D. Del. 2012). Here, the relief Nokia seeks – specific

performance, expectation damages based on a hypothetical future agreement, and attorneys' fees – is not available. Accordingly, Counts I, II, V and X should be dismissed.

Under French law, the remedies available for breaching an obligation to negotiate consist only of damages incurred in negotiating the contract; there is no specific performance available, and there is no remedy consisting of “the forced conclusion of a contract.” Fages Decl. at ¶¶ 11-13. Under U.S. law, the result would be the same. Breach of an agreement to negotiate may subject the breaching party to damages in certain circumstances, but does not allow the court to decide what the agreement would have been, had it been negotiated. *Copeland*, 96 Cal. App.4th at 1263, 1257-58 (“[t]he court may not imply what the parties will agree upon.”). This conclusion is compelled by the general rule that specific performance is only available for contracts with terms that are sufficiently certain to allow for an appropriate order. Restatement (Second) of Contracts, § 362. Accordingly, specific performance is not an available remedy: the Court cannot create a contract that was not agreed to by the parties. *N.Y. Johnson Motor Co. v. Johnson Motor Co.*, 15 Del. Ch. 356 (1927) (denying injunction for alleged contract with “particulars upon which the parties never agreed and which this court is asked to define . . . [T]here can be no justification for the court’s undertaking to make the contract for the parties.”).

In addition, specific performance is a form of injunctive relief that may only be granted if the claimant can prove the four factors under *eBay, Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (2006). For example, Nokia would have to prove “irreparable injury.” Yet its counterclaims allege no irreparable harm that it is in danger of suffering. If an exclusion order is issued in the ITC against products sold by Nokia, that will happen only if the ITC considers and rejects these same FRAND defenses. The Court of Chancery previously rejected Huawei’s argument that the threat of an ITC exclusion order (the only “harm” Nokia alleges) can constitute irreparable harm.

Rees Decl., Ex. 6 at 27:8-9, 28:10-15. A party seeking to “set a FRAND rate” cannot show entitlement to the extraordinary relief of specific performance. *See Apple*, 2012 WL 5416931 (dismissing claim for specific performance for failure to meet four-factor *eBay* test).

Nokia also seeks damages for lost sales and lost profits, customers, and goodwill it speculates that it would have gained if the parties had ultimately come to an agreement. Countercl. ¶¶ 54, 72, 103. However, under French law, the measure of damages for breach of an agreement to negotiate is limited to losses incurred as part of the negotiation. Fages Decl. at ¶¶ 14-15. Likewise, under U.S. contract law, damages for breach of an agreement to negotiate are limited to injury suffered in reliance on the other party’s agreement to negotiate in good faith, such as out-of-pocket costs in conducting the negotiations. *Copeland*, 96 Cal. App.4th at 1262-63. Nokia has not alleged any such damages; it alleges lost expectation damages from a breach of a hypothetical contract, which is not an available remedy.⁹

D. The Promissory Estoppel and Implied License Counterclaims Fail to State a Claim Under French Law

Nokia asserts counterclaims for promissory estoppel and implied license (Counts IV and IX). To the extent these counterclaims are based on commitments Nokia alleges that InterDigital made under the ETSI IPR policy, which Nokia asserts is governed by French law (Countercl. at ¶¶ 28-29, 40, 50), whether they state a claim depends on whether French law recognizes such claims. Promissory estoppel is not recognized under French law. Fages Decl. at ¶¶ 29-32. Similarly, French law does not recognize an “implied license” when the conditions necessary for formation of a patent license have not been satisfied, such as the requirement of a writing, and

⁹ Nokia’s “attorney’s fees and costs spent in participating in the ITC Investigations,” Countercl. ¶ 54, are not also recoverable. This is an item of damages that Nokia claims it suffered because the license contract was not ultimately concluded, and therefore it is not available under French law. Fages Decl. at ¶¶ 14-15.

agreement on the elements of a contract. Fages Decl. at ¶¶ 21-28. Accordingly, these counterclaims fail to state a claim and should be dismissed.

E. The California Unfair Competition Counterclaim Should Be Dismissed

1. The California UCL Does Not Apply to This Dispute

There is no basis to apply California's Unfair Competition Law ("UCL") to the dispute between Nokia and InterDigital. *Allstate Ins. Co. v. Hague*, 449 U.S. 302, 310-11 (1981) (law of state cannot be applied when it has only insignificant relation to claim). Nokia Corp. is not a California resident; rather, it is a Finnish corporation with its principal place of business in Finland. D.I. # 15, Answer at ¶ 5. The InterDigital entities are Delaware corporations with principal places of business *outside* of California. *Id.* at ¶¶ 1-4. The only "conduct" Nokia alleges in Count VI is: (a) InterDigital's filing of ITC complaints in Washington D.C., and (b) license negotiations, which Nokia does not allege to have occurred in California.

Moreover, the UCL does not have extraterritorial effect. *Sullivan v. Oracle Corp.*, 51 Cal.4th 1191, 1207 (Cal. 2011) ("the presumption against extraterritoriality applies to the UCL in full force"). *See also Sullivan v. Oracle Corp.*, 547 F.3d 1177, 1187 (9th Cir. 2008). Thus, the UCL cannot redress "injuries suffered by non-California residents, caused by conduct occurring outside of California's borders, by defendants whose headquarters and principal places of operations are outside of California." *Norwest Mortg., Inc. v. Superior Court*, 72 Cal. App.4th 214, 225 (1999). Even when the party asserting the UCL claim is a California resident, the proper inquiry focuses on *where the conduct and injury occurred*, and UCL claims do not reach conduct or injury occurring outside of California. *See Sajfr v. BBG Commc'ns, Inc.*, Civ. No. 10-cv-2341 AJB (NLS), 2012 WL 398991, at *4 (S.D. Cal. Jan 10, 2012) (California residents' UCL claims barred even though telephone calls at issue were routed and billed through San Diego because alleged wrongful conduct was in Germany). Nokia appears to base its argument

for the application of California law on the fact that Nokia Corp.'s U.S. subsidiary, Nokia, Inc., which is a Delaware corporation, recently moved its principal place of business from New York to California.¹⁰ Answer at ¶ 6; Countercl. at ¶ 77. Yet Nokia Inc. alleges no other facts that would demonstrate the appropriateness of applying California law. Nokia Inc. fails to allege that any of the alleged conduct at any time occurred in California. As for Nokia Inc.'s conclusory allegation that the "effects" of the alleged conduct are "felt within" California, this lacks the necessary factual basis to meet pleading requirements. "[A] plaintiff's obligation to provide the 'grounds' of his 'entitle[ment] to relief' requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." *Twombly*, 550 U.S. at 555; *see also MONEC Holding AG v. Motorola Mobility, Inc.*, Civ. No. 11-798-LPS-SRF, 2012 WL 4340653, at *10 (D. Del. Sep. 20, 2012).

2. The UCL Claim Is Unavailable as a Matter of Law

Under the UCL, a claimant's remedies are limited to either restitution or an injunction; damages are not provided for in the statute. Cal. Bus. & Prof. Code § 17200 *et seq.*; *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal.4th 1134, 1144 (2003). In Count VI, Nokia appears to request two forms of relief: (1) its attorneys' fees and costs expended in the three ITC investigations,¹¹ and (2) an injunction barring InterDigital from enforcing patents in the ITC. Neither form of relief is available. The attorneys' fee claim fails under the UCL because it is not

¹⁰ As of September 27, 2011, Nokia Inc. admitted in a verified answer that its principal place of business was in New York. Rees Decl., Ex. 4 at ¶ 3.4; *id.* at Ex. 5 at ¶ 3.4.

¹¹ Nokia's request for attorneys' fees also demonstrates that Nokia's UCL claim is premised on the fact that InterDigital has sued Nokia for patent infringement. But petitioning activity is privileged, and cannot form the basis for a tort claim. This is the case under both the *Noerr-Pennington* doctrine (*see BE & K Const. Co. v. NLRB*, 536 U.S. 516, 525 (2002); *Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 56, 66 (1993); *Glass Equip. Dev., Inc. v. Besten, Inc.*, 174 F.3d 1337, 1343-44 (Fed. Cir. 1999)) and California's statutory litigation privilege (Cal. Civ. Code § 47(b)) (*see Rusheen v. Cohen*, 37 Cal.4th 1048, 1057 (2006); *Rubin v. Green*, 4 Cal.4th 1187, 1195 (1993)).

restitution. Nokia is not seeking to recover from InterDigital something that InterDigital took from Nokia. *See Korea Supply*, 29 Cal.4th at 1149 (“Any award that plaintiff would recover from defendants would not be restitutionary as it would not replace any money or property that defendants took directly from plaintiff”).

In addition, to the extent Nokia seeks to impose liability under the UCL on InterDigital for enforcing its federally-issued patents (such as by enjoining InterDigital from proceeding in the ITC), its claim is also preempted by federal patent law. “[S]tate law that conflicts with federal law is without effect” and is preempted under the doctrine of conflict preemption. *Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1377 (Fed. Cir. 2005); *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1335 (Fed. Cir. 1998), *overruled in part on other grounds by Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999). Further, “federal patent law preempts state-law tort liability for a patentholder’s good faith conduct in communications asserting infringement of its patent.” *Serio-US Indus., Inc. v. Plastic Recovery Techs. Corp.*, 459 F.3d 1311, 1320 (Fed. Cir. 2006). *See also Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1374 (Fed. Cir. 2004). Nokia may not use a state-law statute to enjoin a federal patent enforcement proceeding or otherwise impose liability on InterDigital for its patent enforcement conduct.

CONCLUSION

For the foregoing reasons, InterDigital respectfully requests that the Court dismiss Counts I-VI and VIII-X of Nokia’s counterclaims.

PROCTOR HEYMAN LLP

/s/ Neal C. Belgam

Neal C. Belgam (#2721)

E-mail: nbelgam@proctorheyman.com

Melissa N. Donimirski (#4701)

E-mail: mdonimirski@proctorheyman.com
300 Delaware Avenue, Suite 200
Wilmington, DE 19801
(302) 472-7300

Counsel for Plaintiffs InterDigital Communications,
Inc., InterDigital Technology Corporation, IPR
Licensing, Inc., and InterDigital Holdings, Inc.

OF COUNSEL:

LATHAM & WATKINS LLP
Ron E. Shulman
E-mail: Ron.Shulman@lw.com
Michael A. Ladra
E-mail: Mike.Ladra@lw.com
140 Scott Drive
Menlo Park, CA 94025
(650) 328-4600

LATHAM & WATKINS LLP
Maximilian A. Grant
E-mail: Max.Grant@lw.com
Bert C. Reiser
E-mail: Bert.Reiser@lw.com
555 Eleventh Street, N.W., Ste. 1000
Washington, DC 20004
(202) 637-2200

WILSON SONSINI
GOODRICH & ROSATI
David S. Steuer
E-mail: dsteuer@wsgr.com
Michael B. Levin
E-mail: mlevin@wsgr.com
Maura L. Rees
E-mail: mrees@wsgr.com
650 Page Mill Road
Palo Alto, CA 94304
(650) 493-9300

Dated: April 22, 2013