

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

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

Plaintiffs,

v.

HUAWEI TECHNOLOGIES CO., LTD., a Chinese
corporation, FUTUREWEI TECHNOLOGIES,
INC. D/B/A HUAWEI TECHNOLOGIES (USA), a
Texas corporation, and HUAWEI DEVICE USA,
INC., a Texas corporation,

Defendants.

C.A. No. 1:13-cv-00008-RGA

JURY TRIAL DEMANDED

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

Plaintiffs,

v.

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

Defendants.

C.A. No. 1:13-cv-00009-RGA

JURY TRIAL DEMANDED

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

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TABLE OF EXHIBITS

Exhibit No.	Description
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	ZTE's Response in <i>Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof</i> , Investigation No. 337-TA-868 (without exhibits)
3	Huawei's Response in <i>Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof</i> , Investigation No. 337-TA-868 (without exhibits)
4	Complaint in <i>Certain Wireless Devices with 3G Capabilities and Components Thereof</i> , Investigation No. 337-TA-800 (without exhibits)
5	Complaint in <i>Huawei Tech. Co. v. InterDigital Tech. Corp.</i> , No. 6974-CS (Del. Ch.)
6	Excerpts of transcript from November 16, 2011 Hearing in <i>Huawei Tech. Co. v. InterDigital Tech. Corp.</i> , No. 6974-CS (Del. Ch. November 16, 2011)
7	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)
8	Order of Dismissal Without Prejudice in <i>Huawei Tech. Co. v. InterDigital Tech. Corp.</i> , No. 6974-CS (Del. Ch. June 12, 2012).
9	ZTE's and Huawei's Motion to Stay Investigation in <i>Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof</i> , Investigation No. 337-TA-868 (without exhibits).
10	ETSI's Intellectual Property Rights Policy, dated November 30, 2011.
11	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
12	Declaration of Laurent Aynès in <i>Nokia Corp. and Nokia, Inc. v. Qualcomm Inc.</i> (Del. Ch. September 29, 2006) (without exhibits).
13	"IIIrd Consultation Delivered to Nokia" by Professor Laurent Aynès that was publicly filed in <i>Nokia Corp. v. Qualcomm, Inc.</i> , Case No. 2330-CS (Del. Ch.).

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.)
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
InterDigital	Collectively, InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Holdings, Inc.
ZTE	ZTE (USA) Inc.
Huawei	Collectively, Huawei Technologies Co. Ltd., Futurewei Technologies, Inc. d/b/a Huawei Technologies (USA), and Huawei Device USA, Inc.
Rees Decl. Ex. __	Declaration of Maura L. Rees filed in support of InterDigital's Opening Brief and Exhibits 1-11 thereto
Rees Reply Decl. Ex. __	Declaration of Maura L. Rees filed in support of InterDigital's Reply Brief and Exhibits 12-13 thereto
Fages Decl.	Declaration of Professor Bertrand Fages filed in support of InterDigital's Opening Brief
Fages Reply Decl.	Declaration of Professor Bertrand Fages filed in support of InterDigital's Reply Brief
654 Action D.I. #__	Docket entries in the 654 Action
D.I. (13-00008) #__	Docket entries in Case No. 1:13-cv-00008-RGA
D.I. (13-00009) #__	Docket entries in Case No. 1:13-cv-00009-RGA
Huawei Countercl.	D.I. (13-00008) #35 (Huawei's Counterclaims)
ZTE Countercl.	D.I. (13-00009) #28 (ZTE's Counterclaims)

INTRODUCTION

Defendants Huawei and ZTE do not deny that their FRAND counterclaims are compulsory counterclaims in the prior 654 Action. Defendants requested that the 654 Action be stayed, and the Court further denied their motion to lift the stay. As compulsory counterclaims in a prior pending action, the FRAND counterclaims here should be dismissed, and Defendants can pursue those counterclaims when the 654 Action is unstayed following the conclusion of the 800 Investigation in the ITC. Defendants should not be permitted to avoid the order denying the lifting of the stay in the 654 Action by asserting the same counterclaims here.

Defendants' FRAND counterclaims should also be dismissed because the Court lacks Article III jurisdiction over the declaratory judgment counterclaims, and because Defendants have failed to show that they have stated valid causes of action under French law for the contract/estoppel counterclaims. This is plain from the complete dearth of citations of French law in their brief and expert declaration, as contrasted with the in-depth analysis (including lengthy discussion of French authorities) provided by InterDigital's expert. Defendants likewise cite no other compelling authority that their contract counterclaims are adequately pleaded.

Accordingly, Defendants' counterclaim Counts I-VI should be dismissed.

ARGUMENT

I. THE COUNTERCLAIMS ARE COMPULSORY IN ANOTHER ACTION

Defendants do not dispute that their FRAND counterclaims are compulsory counterclaims in the stayed 654 Action. Instead, they argue that their FRAND counterclaims are *also* compulsory counterclaims in this action, and that they should proceed because the 654 Action is stayed while this case is not. Neither argument is sound.

A. Defendants' FRAND Counterclaims Are Not Compulsory Here

Rule 13(a)(2)(A) of the Federal Rules of Civil Procedures governing compulsory counterclaims provides a clear exception to the rule that would normally require Defendants to raise these counterclaims in this action: “The pleader need not state the claim if: (A) when the action was commenced, *the claim was the subject of another pending action.*” *Id.* Accordingly, nothing requires that Defendants' FRAND counterclaims be included in this action because they are the subject of another pending action: they are compulsory counterclaims in the 654 Action.¹

Instead of citing any legal support for their argument, Defendants argue that because ZTE and Huawei are defendants in this action (rather than plaintiffs in a new lawsuit), they are in a different procedural position than the parties in the cases cited by InterDigital. *Opp.* at 5. While ZTE and Huawei are defendants, they are plaintiffs as well – counterclaim plaintiffs for their FRAND counterclaims. Further, none of the cases InterDigital relies on turned on whether the compulsory counterclaims in the first-filed action were brought as the plaintiff's claims in a new lawsuit. *See* Opening Br. at 6 (cases cited therein).

Defendants next argue that their counterclaims should not be dismissed for “equitable” reasons because InterDigital's “tactics” have somehow forced Defendants to bring their FRAND counterclaims in this action. *Opp.* at 5. Quite the contrary, it is Defendants' “tactics” that further justify dismissal. It was Defendants who chose to stay the 654 Action, and then attempted to partially lift the stay in order to assert only their counterclaims while the patent infringement claims remained stayed. After the Court rejected Defendants' procedural maneuver in the 654 Action, Defendants sought to skirt that stay by advancing here the same counterclaims

¹ Defendants did not actually file their proposed counterclaims due to the stay, but InterDigital offered to agree to temporarily lift the stay solely for that purpose. 654 Action D.I. #41 at 10-11.

that were effectively stayed in the 654 Action. Any equitable considerations favor InterDigital.

Defendants next argue that their counterclaims in the 654 Action involved only 3G technology, but are directed to both 3G and 4G technology in this action. That is contradicted by Defendants' pleadings. Defendants' proposed counterclaims in the 654 Action alleged that InterDigital failed to offer a FRAND license "with respect to potentially essential patents in its portfolio – including the Asserted Patents" and seek relief as to "purportedly essential IPR, including the Asserted Patents." *See, e.g.*, 654 D.I. #27-1 Countercl. at ¶¶ 38, 43, 50, 53, 66; 654 D.I. # 35-1 Countercl. at ¶¶ 40, 44-45, 48, 52, 55, 65-66. Defendants' counterclaims here are the same – they purport to cover "purportedly essential IPR" or "patents that have been declared essential." Huawei Countercl. at ¶¶ 49, 53, 60, 69-71, 75, 79; ZTE Countercl. at ¶¶ 49, 56, 59, 66, 68-70, 74, 78, 80. Thus, on their face, Defendants' proposed counterclaims in the 654 Action are not limited to 3G and are the same as the counterclaims pled here. When Defendants allege how InterDigital has purportedly breached its obligations, they make no distinction between 3G and 4G – the same conduct is alleged for both technologies. Huawei Countercl. at ¶¶ 44-46; ZTE Countercl. at ¶¶ 44-45. There is also no factual basis to distinguish between 3G and 4G for Defendants' FRAND counterclaims. The ETSI IPR Policy on which Defendants base their counterclaims applies equally to all generations of 3GPP standards, including 3G and 4G.

Defendants' attempt to distinguish *Rohm & Haas Co. v. Brotech Corp.*, 770 F. Supp. 928, 930-31 (D. Del. 1991) is unavailing. They argue that *Rohm & Haas* is inapposite because the patents were related or because the patents "involved identical technology." *Opp.* at 7 n.5. Defendants ignore that the court also relied on the fact that the alleged fraud involved the same subject and the same pattern of fraud was alleged as to all patents. Here, all the patents relate to standardized wireless technology; Defendants' counterclaims are based on the same sections of

the ETSI IPR policy for all patents; and Defendants allege exactly the same conduct underlying their counterclaims. Indeed, Defendants make no distinction at all among the various patents in their counterclaims or between the Asserted Patents and the broader so-called “declared-essential patents” for which Defendants seek relief.

B. The First-To-File Rule Further Supports Dismissal

Defendants fail to cite any case where the first-to-file rule did not result in the dismissal or stay of claims that were compulsory counterclaims in an earlier-filed action. In fact, the “recommended course is for the court in which the compulsory counterclaim is pending to stay proceedings or to dismiss the counterclaim” *Avante Int’l Tech., Inc. v. Hart Intercivic, Inc.*, No. 08-832-GPM, 2009 WL 2431993, at *5 (S.D. Ill. Jul. 31, 2009).

Defendants refer to three factors used in determining whether to apply the first-to-file rule: forum shopping, judicial economy, and the relative progress of the cases. Opp. at 6. Even assuming, as Defendants assert, that the first factor is neutral, the others weigh in favor of dismissal. Judicial economy would be served by dismissing the counterclaims from this action. Because the 654 Action is stayed pending the outcome of the parallel 800 Investigation, the resolution of Defendants’ FRAND affirmative defenses in the ITC investigation may resolve some or all of Defendants’ counterclaims, which was a primary reason for denying Defendants’ motion to lift the stay in the 654 Action. As for the progress of this case versus the 654 Action, the only reason this case is further along is because Defendants voluntarily chose to stay the 654 Action. The fact that the first-filed action was stayed at the request of the claimant, while the second-filed action has been proceeding apace, does not overcome the deference that is usually accorded the first-filed action. *See Nokia Corp. v. InterDigital, Inc.*, No. 08 Civ. 1507 (DAB), 2009 WL 585848, at *2-3 (S.D.N.Y. Mar. 5, 2009) (dismissing Nokia claim as compulsory counterclaim in prior stayed District of Delaware action, although second action had proceeded

through preliminary injunction and its appeal).

II. THERE IS NO ARTICLE III JURISDICTION OVER DECLARATORY JUDGMENT COUNTS IV, V, AND VI

A. The Declaratory Judgment Counterclaims are Not Ripe

Defendants argue that their declaratory judgment (“DJ”) counterclaims are ripe simply because the parties have been unable to agree on license terms. But the fact that there is a dispute between the parties regarding what constitutes FRAND licensing terms does not mean that there is a ripe controversy for this Court to adjudicate. Courts routinely dismiss DJ claims for lack of ripeness even where there is a clearly disputed issue. *See Phila. Fed’n of Teachers v. Ridge*, 150 F.3d 319, 323 (3d Cir. 1998) (dismissing DJ challenge to compensation statute for lack of ripeness). *See also Step-Saver Data Sys., Inc. v. Wyse Tech.*, 912 F.2d 643, 647 (3d Cir. 1990) (dismissing claim seeking DJ that defendants are liable if certain collateral actions establish defects in products sold to defendants). Because Defendants’ DJ counterclaims fail all three prongs of the Third Circuit’s test for ripeness, Counts IV - VI should be dismissed.

1. The Counterclaims are “Contingent.”

For the first prong, Defendants argue that their DJ counterclaims are not contingent because they have made an “unqualified commitment to pay the FRAND rate set by the Court.” Opp. at 8. However, Defendants fail to address the fact that this “commitment” is entirely voluntary. Defendants point to no contractual, statutory, intellectual property-based, tort-based, or other legal obligation that requires them to pay royalties to InterDigital that could be enforced by this Court. Even if Defendants should volunteer to be “ordered” by the Court to accept and pay any royalty to be determined, there is no basis in law for the Court do so. Defendants cannot artificially create jurisdiction by simply volunteering to pay FRAND royalties and asking the Court to undertake the task of determining what the royalties should be. Other courts facing

similar claims have been given similar “promises” to pay a “FRAND rate” only to find that those parties later changed or qualified their prior promises. See *Rembrandt Techs., L.P. v. Harris Corp.*, 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). Defendants’ effort to distinguish those cases by claiming that there was no “commitment” given by those parties to pay a FRAND rate is simply wrong. See *Rembrandt*, 2009 WL 1509103, at *2 n.12 (“Give us the terms of the license. Your Honor, and we will comply with them”). Defendants’ “commitment” here can be withdrawn at any time if they are dissatisfied with the direction the litigation is taking, just like in *Rembrandt* and *Apple*.

Next, Defendants argue that Counts IV - VI are not contingent on a finding of infringement or essentiality. First, as to essentiality, Defendants wrongly claim that “IDC has unambiguously claimed essentiality for its patents.” Opp. at 10 n.7. As explained in InterDigital’s Opening Brief, InterDigital has never declared any patents “essential.” Opening Br. at 10-11. Defendants ignore this and instead point to InterDigital’s claim charts attached to its complaint in the 868 Investigation where InterDigital cites to certain standards. Opp. at 10, n.7. But citing to standards in a patent claim chart demonstrates only that, at the pleading stage, there is a basis to believe that individual elements of the patent are met by Defendants’ accused product through the practice of a standard. That is not equivalent to a finding of actual essentiality. Indeed, in some claim charts, InterDigital cites to multiple standards. If individual claim elements are met by different standards, one could not say that the claim is essential to any one of the standards.

Moreover, essentiality is key to determining the scope of the license that Defendants request. In order to determine what terms make up a FRAND license, one must determine what

is being licensed (*i.e.*, a patent portfolio or select patents, the number of patents, etc.). This requires determining what is subject to a FRAND obligation. Only those patents that are actually essential are subject to the FRAND commitment. The same is true for infringement and validity: Defendants pleaded *in their counterclaims* that they seek a license only to valid and infringed patents. Huawei Countercl. at ¶ 2; ZTE Countercl. at ¶ 2. The scope of the requested license could change significantly after infringement, validity, and essentiality are determined, which could significantly impact the terms of the license.

Defendants' need for the requested relief also does not become real and immediate until infringement, validity, and essentiality are decided. None of the cases Defendants rely upon hold otherwise. For example, Defendants rely on a June 11, 2011 order in *Apple, Inc. v. Motorola Mobility, Inc.*, which found that the claim to set a FRAND rate should go forward without the need to determine essentiality. Opp. at 10. Subsequently, however, the Court reversed its prior decision on the propriety of entertaining such a claim because determining a FRAND rate "may not resolve the parties' licensing or infringement disputes" and that the "end result would be simply a suggestion that could be used later as a bargaining chip between the parties." 2012 WL 5416931, at *1. None of the other cases Defendants rely upon actually considered ripeness.²

² The *Nokia Corp v. Qualcomm, Inc.* opinion remanded FRAND claims brought in state court after the Court decided that such claims did not present a substantial question of federal patent law. No. 06-529-JJF, 2006 WL 2521328 (D. Del. Aug. 29, 2006). The court was not directly addressing the scope of a FRAND obligation under the ETSI IPR Policy or ripeness. In *Ericsson Inc. v. Samsung Elecs. Co.*, No. 2:06-CV-63, 2007 WL 1202728 (E.D. Tex. Apr. 20, 2007), the court granted a separate trial on the parties' breach of contract claims - not a declaratory judgment claim. In *Rembrandt*, the court stayed the state court action while the patent case proceeded because a ruling that the patent was not essential "would be inconsistent with a decision of this Court in which it presumed that the [patent-at-issue] is essential to the ATSC standard, granted Harris a license to the [patent-at-issue] on RAND terms, and ordered Harris to pay royalties on their products." 2009 WL 1509103, at *5. Thus, the court recognized that essentiality should be determined first. *Id.* Finally, Defendants rely upon a proposed Consent Order between Google/Motorola and the Federal Trade Commission. Opp. at 11 n.8. This proposed consent

2. The Judgments Sought Would Not Be “Conclusive.”

Defendants raise no new arguments for the second prong of the ripeness test. Defendants argue that their counterclaims are conclusive because they “committed” to pay the rate set by the Court” and later determinations will not “negate” this. Opp. at 11. Defendants again offer nothing but their voluntary promise. Defendants cite no authority holding that a party’s voluntary promise to do something that it is not contractually or otherwise obligated to do is enforceable. Indeed, it was for precisely that reason that the *Apple v. Motorola* court dismissed the request to “set a FRAND rate”; the Court found that it should not exercise DJ jurisdiction in that circumstance. 2012 WL 5416931, at *1. If any of InterDigital’s patents were determined to be not infringed, invalid, or not essential, that would simply invite further disputes as to how such determinations impact or change any determinations of this Court on FRAND license terms.

3. The Judgments Sought Would Not Be “Useful.”

Defendants argue that their DJ counterclaims are useful because Defendants will obtain a license (through ordered specific performance) on FRAND terms. Opp. at 12. However, Defendants conflate the relief requested by their DJ counterclaims – none of which seek (or could seek) specific performance – with their other counterclaims. Even if the Court set a “FRAND royalty rate” as requested in Count VI, a determined rate alone does not create a license. To the extent Defendants seek to argue usefulness by combining their DJ claims with their separate contract-based claims for specific performance, this argument should be rejected because the applicable standard requires the declaratory judgment itself to be useful. Moreover, as set forth below, under applicable law, specific performance is not available in any event.

order says nothing about ripeness, is an agreement between third parties, and is not precedential.

Defendants further seek to rely on a case from the Western District of Washington in which the Court undertook a FRAND rate-setting proceeding with respect to patents not governed by the ETSI IPR policy. Defendants cite the court's decision as holding that "it is an inescapable conclusion that a forum must exist to resolve honest disputes between patent holder and implementer as to what in fact constitutes a RAND license agreement," and that "the courthouse may be the only such forum." Opp. at 12-13, citing *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823JLR, 2012 WL 4827743, at *6 (W.D. Wash. Oct. 10, 2012). In the Third Circuit, however, it is clearly not the case that an Article III forum "must exist" for every dispute. Rather, the ripeness doctrine serves precisely to determine *which* disputes are appropriate for adjudication. The declaratory judgments requested by Defendants do not qualify.

B. The Court Should Decline To Exercise DJ Jurisdiction

Defendants offer no additional reasons why the Court in its discretion should exercise DJ jurisdiction. A declaratory judgment "determining an appropriate FRAND royalty rate (or rates)" (*see* Count VI) in the circumstances presented here is simply an effort to obtain a bargaining chip in the parties' private licensing negotiations. The Court would be well within its discretion to decline to allow scarce public resources to be expended in this manner.

III. THE BREACH OF CONTRACT AND ESTOPPEL COUNTERCLAIMS FAIL TO STATE A CLAIM

A. Counts I - III Fail to Adequately Allege the Existence or Breach of a Contract or Promise Under French Law³

Defendants argue that InterDigital's motion improperly addresses "how the facts of the dispute should be applied under its interpretation of French law." Opp. at 15. There is no factual

³ These arguments apply equally to Defendants' two breach of contract counterclaims and their equitable estoppel counterclaim. In addition, equitable estoppel is not recognized at all under French law. Fages Reply Decl. at ¶¶ 13-16.

dispute that the ETSI IPR Policy refers to an obligation to be “prepared to grant” licenses on FRAND terms. Opp. at 19. The issue is one of law, which is proper on a motion to dismiss.

1. Counts I – III Fail As a Matter of French Law

Defendants’ argument that their contract causes of action are “well-pleaded” is wrong. “Where a complaint pleads facts that are ‘merely consistent with’ a defendant’s liability, it ‘stops short of the line between possibility and plausibility of ‘entitlement to relief.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 557 (2007)). Here, the facts pleaded by Defendants fail to demonstrate a plausible entitlement to relief; indeed, they are not even consistent with the ETSI IPR Policy on which they purport to base their claims. Defendants cannot base a cause of action on an allegation that the Policy includes an obligation “to grant” a license (*see* Huawei Countercl. at ¶¶ 49, 54, 60; ZTE Countercl. at ¶¶ 48, 53, 59), when the undisputed policy language is actually “prepared to grant.”

Defendants claim that InterDigital’s correct, verbatim statement of the ETSI IPR Policy’s language somehow does not “comport with the language and purpose of the ETSI IPR Policies.” Opp. at 16. Defendants then cite a string of cases that, far from examining the “language and purpose of the ETSI IPR policy,” are about different standard-setting organizations whose policies are not governed by French law,⁴ or do not address the “prepared to grant” language.⁵

Only the *Apple v. Samsung* case even addressed French law, and Defendants do not

⁴ *In re Innovatio IP Ventures, LLC Patent Litig.*, No. 2303, 2013 WL 427167, at *8 (N.D. Ill. Feb. 4, 2013); *ESS Tech., Inc. v. PC-Tel, Inc.*, No. C-99-20292-RMW, 1999 WL 33520483 (N.D. Cal. Nov. 4, 1999); *Realtek Semiconductor Corp. v. LSI Corp.*, No. C-12-3451 RMW, 2012 WL 4845628, at *4-5 (N.D. Cal. Oct. 10, 2012); *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823JLR, Dkt. No. 66 (W.D. Wash. June 1, 2011).

⁵ *Ericsson*, 2007 WL 1202728, at *1; *Research in Motion Ltd. v. Motorola, Inc.*, 644 F. Supp. 2d 788, 791, 797 (N.D. Tex. 2008); *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2011 WL 7324582, at *9 (W.D. Wis. June 7, 2011).

correctly state its holdings. There, the court's primary ruling was to dismiss Apple's claim that the ETSI IPR undertaking creates an actual patent license contract. No. 11-cv-1846, 2012 WL 1672493, at *12-13 (N.D. Cal. May 14, 2012). This theory, the court explained, was "the central dispute between the parties" on the breach of contract issue to which most of the briefing and oral argument was devoted. *Id.* at 11 n.2. It should be noted that the "actual license" theory that was thoroughly rejected in *Samsung* is one that Defendants' French law expert, Professor Aynès, has strongly advocated. *See* Rees Reply Decl., Ex. 12 at 7 ("I conclude that a declaration in accordance with Article 6.1 of the ETSI IPR Policy . . . **is a license agreement**, not merely an agreement to negotiate a license.") (emphasis added). The court in *Samsung* allowed the breach of contract claim to proceed on the theory that the declarations to ETSI "created a duty to negotiate in good faith." *Samsung*, 2012 WL 1672493, at *12. Under French law, to the extent contractual obligations arise from the "prepared to grant" language, they could at most be characterized as a duty to negotiate in good faith. Opening Br. at 16-18.

In their Opposition, Defendants argue that "irrespective of the extent of IDC's contractual obligation—whether it is merely an agreement to negotiate in good faith or an obligation to grant a license on FRAND terms—there is no dispute that Defendants have sufficiently pleaded claims for breach of contract and equitable estoppel." *Opp.* at 16. Not so. Defendants here have nowhere pled in their counterclaims that they seek to enforce an obligation to negotiate in good faith (unlike in the *Apple v. Samsung* case, where this claim was pled). Having deliberately omitted such a theory from their counterclaims, Defendants cannot be deemed to have so pleaded, and they cannot save their deficiently pled counterclaims on this basis.

Defendants rely upon the declaration of Professor Laurent Aynès in an effort to support their French law interpretation. But the Aynès declaration includes almost no analysis of, or

citation to, French law, and rather relies on his own conclusory interpretation of the ETSI IPR Policy and Guide. In contrast, Professor Fages relied upon and provided with his declaration multiple legal references consisting of French law, French judicial decisions, and treatises on French law. Fages Decl. at ¶¶4-15. Professor Aynès failed to address any of these authorities. As can be seen from Professor Fages' Declaration, French law on this point is not ambiguous.⁶

Defendants' argument that an *accord de principe* is "fundamentally inconsistent with the provisions of the ETSI IPR Policy" is illogical and unsupported by law. Opp. at 19. InterDigital already identified the problems with Defendants' argument that InterDigital is obligated "to grant" a license – one cannot impose a unilateral duty on a licensor to "grant" a bilateral license that the licensee need not accept. Opening Br. at 17-18. Furthermore, the theory of Prof. Aynès that a *stipulation pour autrui* results from the ETSI IPR declaration does not answer the fundamental question of what contractual obligations (if any) are imposed by French law. *Stipulation pour autrui* describes a mechanism for forming contracts (like "third party beneficiary" in U.S. law) but it does not illuminate the question of what the IPR owner has promised to do. In the past, Prof. Aynès has maintained that the *stipulation pour autrui* creates a patent license between the IPR owner and standards implementers. Rees Reply Decl., Ex. 12 at 7. Now, he appears to maintain that it creates something less (such as an agreement to grant a patent license in the future), but his declaration is too vague and obfuscatory to discern what his

⁶ Defendants argue the court cannot choose between "differing reasonable interpretations of an arguably ambiguous provision of foreign law." Opp. at 21 (citing *VLIW Tech., LLC v. Hewlett-Packard Co.*, 840 A.2d 606, 615 (Del. 2003)). This misrepresents *VLIW Tech.* which said that courts cannot choose between differing interpretations of "*ambiguous provisions*," but said nothing about *foreign law*. *Id.* Even if Defendants had provided a supported alternate interpretation of French law, the court can decide issues of foreign law on a motion to dismiss. *Mobile Marine Sales v. M/V Prodromos*, 776 F.2d 85, 89 (3d Cir. 1985); Fed. R. Civ. P. 44.1.

theory is. Thus, Prof. Aynès' declaration should not be given any credence.

B. Counts I - III Seek Relief That Is Unavailable as a Matter of French Law

Defendants do not dispute that under French law, specific performance is not available. Prof. Aynès offers no opinion contradicting Prof. Fages on the point that French law does not recognize specific performance requiring parties to enter into a contract. Indeed, in the past, he has agreed with this analysis. Rees Reply Decl., Ex. 13 at Q.16. Thus, the claims for specific performance should be dismissed.

In addition, Defendants' argument that "courts have previously endorsed specific performance claims regarding FRAND obligations" is based on misapprehensions of the cited cases. For example, Defendants claim that the court in *Apple v Motorola* allowed a specific performance claim to go forward at the pleading stage, and only rejected the specific performance claim later at the pretrial stage based on the facts that had been developed during the litigation. Opp. at 23. In fact, the order allowing a specific performance claim and stating that it "may be the only remedy," and the order reversing course and dismissing specific performance as unavailable, were only four days apart. *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2012 WL 5416941, at *4 (W.D. Wis. Oct. 29, 2012) (allowing specific performance); *Apple*, 2012 WL 5416931 (rejecting specific performance). In *Microsoft v. Motorola*, the court did not perform an analysis as to whether specific performance was an available remedy under applicable precedent (and in any event, that case raises no issues of French law, which Defendants admit is applicable here). 2012 WL 4827743, at *9. Defendants cannot show that their claims for specific performance here are adequate to state a claim.

CONCLUSION

InterDigital respectfully requests dismissal of Counts I-VI of Defendants' counterclaims.

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