

HONORABLE JAMES L. ROBERT

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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION, a
Washington corporation,

Plaintiff,

Case No. 2-10-cv-01823-JLR

AMENDED AND SUPPLEMENTAL
COMPLAINT

vs.

MOTOROLA, INC., MOTOROLA
MOBILITY, INC., and GENERAL
INSTRUMENT CORPORATION,

Defendants

Plaintiff Microsoft Corporation (“Microsoft”) alleges as follows for its Complaint
against Motorola, Inc., Motorola Mobility, Inc., and General Instrument Corporation
(collectively “Motorola” or “Defendants”):

NATURE OF THE ACTION

1. Microsoft brings this action for Motorola’s breach of its commitments to the
Institute of Electrical and Electronics Engineers Standards Association (“IEEE-SA”),
International Telecommunications Union (“ITU”), and their members and affiliates – including

1 Microsoft. Motorola broke its promises to offer licenses to its patents it asserts as “essential”
2 to wireless technologies known as “WLAN” and to video coding technologies generally known
3 as “H.264” under reasonable and non-discriminatory terms and conditions.

4 2. Participants in IEEE-SA standards setting efforts, including those directed to
5 WLAN technology, were subject to the IEEE-SA Standard Board Bylaws concerning the
6 submission of Letters of Assurance related to patent claims deemed “essential” by a submitting
7 party. Clause 6 of those Bylaws (which was revised slightly over the years) generally provides
8 in pertinent part:

9 A Letter of Assurance shall be either:

10 a) A general disclaimer to the effect that the submitter without conditions will
11 not enforce any present or future Essential Patent Claims against any person or
12 entity making, using, selling, offering to sell, importing, distributing, or
implementing a compliant implementation of the standard; or

13 b) A statement that a license for a compliant implementation of the standard
14 will be made available to an unrestricted number of applicants on a worldwide
15 basis without compensation or under reasonable rates, with reasonable terms
and conditions that are demonstrably free of any unfair discrimination.

16 3. Motorola openly and publicly submitted Letters of Assurance pursuant to
17 Clause 6 of the IEEE-SA Standards Board Bylaws that it would offer to license any of its
18 patents essential to the applicable WLAN standard(s) to any entity under reasonable rates on a
19 non-discriminatory basis. IEEE-SA and its participants and affiliates relied on Motorola’s
20 promises in developing, adopting and implementing IEEE-SA technical standards. These
21 standards are now implemented worldwide in a variety of electronic devices that have become
22 commonplace. Microsoft invested substantial resources in developing and marketing products
23 in compliance with these standards, relying on the assurances of participating patent holders –
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1 including Motorola – that any essential patents held by such patent holders would be available
2 for licensing by implementers of the standards on such terms.

3 4. Participants in ITU-T standards setting efforts, including those directed to
4 H.264 technology, were subject to the ITU-T Common Patent Policy concerning the
5 submission of Patent Statement and Licensing Declarations related to patents identified by a
6 submitting party. The ITU-T Common Patent Policy generally provides, in pertinent part, that
7 a patent holder’s statement may declare that:

8 (2.1) The patent holder is willing to negotiate licenses free of charge with other
9 parties on a non-discriminatory basis on reasonable terms and conditions.

10 (2.2) The patent holder is willing to negotiate licenses with other parties on a
11 non-discriminatory basis on reasonable terms and conditions.

12 5. Motorola openly and publicly submitted Patent Statement and Licensing
13 Declarations pursuant to the ITU-T’s Common Patent Policy that it would offer to license any
14 of its patents essential for the relevant H.264 Recommendation(s) to any entity under
15 reasonable rates on a non-discriminatory basis. The ITU-T and its participants and affiliates
16 relied on Motorola’s promises in developing, adopting and implementing the ITU-T H.264
17 Recommendations (or standards). These standards are now implemented worldwide in a
18 variety of electronic devices and software that have become commonplace. Microsoft invested
19 substantial resources in developing and marketing products in compliance with these standards,
20 relying on the assurances of participating patent holders – including Motorola – that any
21 “essential” patents held by such patent holders would be available for licensing by
22 implementers of the standards on such terms.

23 6. Motorola broke its promise to IEEE-SA and its members and affiliates by
24 refusing to offer to Microsoft a license that is consistent with Motorola’s Letter(s) of
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1 Assurance and Clause 6 of the IEEE-SA Standards Board Bylaws, instead demanding royalties
2 that are excessive and discriminatory. Motorola broke its promise to the ITU-T and its
3 members and affiliates by refusing to offer to Microsoft a license that is consistent with
4 Motorola's Patent Statement and Licensing Declaration(s) and the Common Patent Policy of
5 the ITU-T, instead demanding royalties that are excessive and discriminatory.

6 7. Microsoft does not accept Motorola's representation that any of its patents that
7 it has identified as "essential" are, in fact, necessary to the implementation of compliant
8 implementations of WLAN or H.264 technologies; nor does Microsoft concede that the
9 particular implementations of such technologies in its products practice any Motorola patents,
10 including those identified by Motorola in relation to these technologies. Nonetheless,
11 Microsoft has relied upon Motorola's, and other similarly-situated patent holders',
12 representations.
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14 8. Because Motorola asserts that its patents are "essential" and promised that it
15 would license any such patents on reasonable and non-discriminatory terms, companies that
16 rely on those commitments are entitled to receive the benefit of an offer of a reasonable and
17 non-discriminatory license.

18 9. Accordingly, Microsoft seeks: i) a judicial declaration that Motorola's promises
19 to IEEE-SA, the ITU, and their respective members and affiliates constitute contractual
20 obligations that are binding and enforceable by Microsoft; ii) a judicial declaration that
21 Motorola has breached these obligations by demanding excessive and discriminatory royalties
22 from Microsoft; iii) a judicial accounting of what constitutes a royalty rate in all respects
23 consistent with Motorola's promises for WLAN patents identified as "essential" by Motorola
24 and for H.264 patents identified by Motorola; and iv) a judicial determination of and
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1 compensation for Motorola's breach.

2 **PARTIES**

3 10. Plaintiff Microsoft is a Washington corporation having its principal place of
4 business at One Microsoft Way, Redmond, Washington 98052.

5 11. Founded in 1975, Microsoft is a worldwide leader in computer software,
6 services, and solutions for businesses and consumers. Since 1979, Microsoft has been
7 headquartered in the Redmond, Washington area. Microsoft currently employs nearly 40,000
8 people in the Puget Sound region and occupies nearly 8 million square feet of facilities at its
9 Redmond campus.

10 12. Microsoft has a long history of technical innovation in the software and
11 hardware products it develops and distributes.

12 13. Microsoft's products include Xbox video game consoles, various versions of
13 which have been sold to consumers since 2001. Xbox has grown in popularity over the years
14 and is now one of the most widely-sold video game consoles on the market.

15 14. Over the years that Xbox has been sold, some versions have had wireless
16 Internet connectivity ("WLAN") built-in and some versions have had optional WLAN
17 connectivity. All versions of Xbox that include hardware and software that allows for WLAN
18 connectivity also offer an alternative, wired connection to the Internet. Xbox video game
19 consoles function as video game consoles, regardless of their ability to connect to the Internet.

20 15. Microsoft relies upon third-party suppliers to provide an interface to WLAN
21 connections. The WLAN interface provided by these third-parties is one of many components
22 that underlie the operation and functionality of the Xbox consoles. The WLAN interface does
23 not enable any of Xbox's core video gaming functionality. Instead, it simply enables WLAN
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connectivity for those consumers who choose to use that functionality.

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2 16. Microsoft hardware and software products that provide users with H.264
3 technologies further provide substantial other features and functions. By way of non-limiting
4 example, personal computers in various configurations offer the end-user myriad features and
5 functionality. H.264 technologies provided through Microsoft software supplied to computer
6 and other equipment makers represent but a fraction of the end price for such products. By
7 way of further non-limiting example, Microsoft's Xbox video game console provides video
8 game play without reliance upon any H.264 technologies that may be made available to users
9 through other features and functions.

10 17. Microsoft also relies upon third-party suppliers in at least some instances for
11 H.264 technologies.

12 18. Upon information and belief, Defendant Motorola, Inc. is a corporation
13 organized under the laws of Delaware with its principal place of business at 1303 East
14 Algonquin Road, Schaumburg, Illinois 60196. On information and belief, Defendant Motorola
15 Mobility, Inc. is a wholly-owned subsidiary of Motorola, Inc. and is organized under the laws
16 of Delaware having a principal place of business at 600 North U.S. Highway 45, Libertyville,
17 Illinois 60048. On information and belief, Defendant General Instrument Corporation is a
18 wholly-owned subsidiary of Motorola Mobility, Inc. and is organized under the laws of
19 Delaware having a principal place of business at 101 Tournament Drive, Horsham,
20 Pennsylvania 19044. Motorola, Inc., Motorola Mobility, Inc., and General Instrument
21 Corporation will be referred to collectively herein as "Motorola" or "Defendants".
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24 **JURISDICTION AND VENUE**

25 19. This Court has jurisdiction over the subject matter of this dispute pursuant to 28

1 U.S.C. § 1332, because this is an action between citizens of different states and because the
2 value of declaratory and injunctive relief sought, the value of Microsoft's rights this action will
3 protect and enforce, Microsoft's damages, and the extent of the injury to be prevented exceed
4 the amount of \$75,000, exclusive of interest and costs.

5 20. On information and belief, Defendants are subject to this Court's personal
6 jurisdiction, consistent with the principles of due process and the Washington Long Arm
7 Statute, at least because Defendants maintain offices and/or facilities in the Western District of
8 Washington, offer their products for sale in the Western District of Washington, and/or have
9 transacted business in this District.

10 21. Venue is proper in this district pursuant to 28 U.S.C. §§ 1391(a), 1391(c), and
11 1391(d).

12
13 **BACKGROUND**
14 **Introduction to Standards**

15 22. New wireless and video coding technologies typically are only broadly
16 commercialized after service providers and device manufacturers agree on compatible
17 technology specifications for related products or services. For virtually all successful wireless
18 and video coding technologies, that process has involved inclusive, multi-participant standards
19 development efforts conducted under the auspices of leading standards development
20 organizations.

21 23. Standards play a critical role in the development of wireless and video coding
22 technologies. Standards facilitate the adoption and advancement of technology as well as the
23 development of products that can interoperate with one another. Companies that produce
24 products compatible with a standard can design products by referencing only the standard
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1 documentation, without the need to communicate separately with every other company with
2 which their products may need to interoperate. Companies producing products that implement
3 and are tested to a standard facilitate interoperability among different products, and consumers
4 of those products can be confident that products from multiple vendors will work together as
5 intended under the standard.

6 24. As a practical matter, the technologies that are used to allow a consumer
7 electronics device to connect wirelessly to the Internet must be described in standards adopted
8 by a recognized SDO (standard development organization), and thereby accepted by key
9 industry members, in order to be commercially successful. For example, Microsoft could not
10 purchase third-party goods that enable its Xbox devices to connect wirelessly to the Internet
11 unless those goods were compatible with standards described by an SDO.

12 25. Correspondingly, video technologies that are used to allow a consumer
13 electronics device to display video encoded pursuant to any particular coding protocol must be
14 described in standards adopted by a recognized SDO, and thereby accepted by key industry
15 members, in order to be commercially successful. For example, Microsoft and computer
16 makers could not purchase third-party products or software that provide reliable video
17 decoding and image generation unless those products or software were compatible with
18 standards described by an SDO.

19 26. In order to reduce the likelihood that implementers of their standards will be
20 subject to abusive practices by patent holders, SDOs have adopted rules, policies and
21 procedures that address the disclosure and licensing of patents that SDO participants may
22 assert in relation to the practice of the standard under consideration. These rules, policies
23 and/or procedures are set out in the intellectual property rights policies ("IPR policies") of the
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1 SDOs.

2 27. Many IPR policies – including those at issue in this litigation – encourage or
3 require participants to disclose on a timely basis the IPR, such as patents or patent applications,
4 that they believe are sufficiently relevant to standards under consideration. Sometimes the
5 policy in question permits the patent holder to instead disclose that it likely holds such IPR
6 without identifying specific patents. These disclosures permit the SDOs and their members to
7 evaluate technologies with full knowledge of relevant patent holders and disclosed IPR that
8 may affect the costs of implementing the standard.

9 28. Unless the patent holder specifically discloses that it is not willing to provide
10 licenses under reasonable and non-discriminatory terms and conditions, IPR policies –
11 including those at issue in this litigation – require participants claiming to own “essential”
12 patents to offer licenses for those patents to any implementer of the standard on reasonable and
13 non-discriminatory terms and conditions. As their inclusion in the IPR policies of various
14 standards development organizations suggests, such commitments are crucial to the standards
15 development process. They enable participants in standards development to craft technology
16 standards with the expectation that an owner of any patented technology will be prevented
17 from demanding unfair, unreasonable, or discriminatory licensing terms and thereby be
18 prevented from imposing undue costs or burdens on them on parties seeking to implement the
19 standard.
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21 Wireless LAN Standards

22 29. Motorola’s unlawful licensing demands pertain in part to patents that it claims
23 are “essential” to a widely practiced standard for wireless Internet connectivity known as
24 “WLAN,” “Wi-Fi,” and/or “802.11.”
25

1 30. WLAN enables an electronic device to access the Internet wirelessly at high
2 speeds over short distances. WLAN networks typically consist of one or more access points
3 that are connected to an Ethernet local area network, each of which communicates by radio
4 signals with devices such as notebook computers and other electronics devices.

5 31. The use of WLAN technology has grown in the United States since its
6 introduction in the 1990s. Manufacturers now offer WLAN connectivity in various devices for
7 various reasons.

8 32. WLAN is based on the 802.11 wireless networking standard developed by the
9 Institute of Electrical and Electronics Engineers ("IEEE") beginning in the early 1990s. The
10 initial 802.11 protocol ("legacy 802.11") was released in 1997. Since then, there have been a
11 number of amendments issued, the most important of which are 802.11a (1999), 802.11b
12 (1999), 802.11g (2003), and 802.11n (2009).

13 H.264 Standards

14 33. Motorola's unlawful licensing demands pertain in part to patents that it has
15 identified to Microsoft in relation to H.264 technologies.

16 34. H.264 technologies provide video decoding in such applications as DVD
17 players, videos available for downloading or replay on the Internet, web software, broadcast
18 services, direct-broadcast satellite television services, cable television services, and real-time
19 videoconferencing.
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21 35. The use of H.264 technology has grown in the United States since its
22 introduction. Manufacturers now offer H.264 connectivity in various software and devices for
23 various reasons.
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25 36. H.264 technology was developed as a standard set of technologies at least in

1 part through the auspices of the International Telecommunications Union ("ITU").

2 **Motorola's Involvement in Development of the WLAN Standards**

3 37. The standard setting arm of IEEE, the IEEE Standards Association ("IEEE-
4 SA"), promulgates technical standards in a variety of fields, including telecommunications.
5 IEEE-SA had an IPR policy at the time it was drafting the 802.11 (WLAN) protocols. Under
6 the IPR policy, when individuals participating in IEEE standards development came to believe
7 that a company, university, or other patent holder owned patents or patent applications that
8 might be "essential" to implement an IEEE standard under development, IEEE-SA would
9 request Letters of Assurance from those entities.

10 38. The requirements for the Letters of Assurance sought by IEEE are set forth in
11 Clause 6 of the IEEE-SA Standards Board Bylaws.

12 39. According to IEEE's IPR policy, Letters of Assurance, once provided, are
13 irrevocable and shall be in force at least until the standard's withdrawal.

14 40. If the Letters of Assurance were not provided for patents asserted to be
15 "essential" by participants, the IEEE working group either would revise the standard so that
16 compliance could be achieved without facing any potential issues related to such patent(s),
17 discontinue work on the standard altogether, or otherwise proceed in a manner consistent with
18 the non-disclosure and lack of Letters of Assurance in order to seek to minimize the risk that
19 participating and relying entities would be exposed to discriminatory patent assertions and/or
20 unreasonable licensing terms.
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22 41. Motorola has represented to Microsoft that it owns rights in a number of patents
23 and pending applications that it asserts are or may become "essential" to comply with one or
24 more amendments to the 802.11 standard. By way of example, Motorola has represented to
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1 Microsoft that the following patents, among others, are or may become "essential" to comply
2 with one or more amendments to the 802.11 standard: U.S. Patent Nos. 5,319,712; 5,311,516;
3 5,572,193; 5,311,516; and 5,636,223. The full list of patents is provided in Appendix A.
4 Microsoft does not concede that such listed patents are either "essential" to the 802.11
5 standards or that such patents are practiced in the implementation of such standards in any
6 Microsoft products.

7 42. On information and belief, Motorola obtained rights to several of the WLAN
8 patents it has represented as "essential" through its recent acquisition of Symbol Technologies,
9 Inc. ("Symbol").

10 43. Prior to the releases of the 802.11 protocols, Motorola and Symbol submitted
11 Letters of Assurance to the IEEE pursuant to Clause 6 of the IEEE-SA Standards Board
12 Bylaws with respect to those protocols, guaranteeing that any "essential" patents would be
13 licensed under reasonable and non-discriminatory terms and conditions. Both Motorola's and
14 Symbol's Letters of Assurance apply to any "essential" patents they then held as well as any
15 other "essential" patents they subsequently obtained.

16 44. In reliance on these letters of assurance, IEEE released the 802.11 standard and
17 various amendments to that standard which Motorola asserts incorporated Motorola's and
18 Symbol's patented technology. On information and belief, once Motorola and Symbol
19 disclosed that they likely held essential patents, absent a licensing commitment from them to
20 the effect that they would offer licenses to "essential" patents on reasonable and non-
21 discriminatory terms and conditions, the relevant IEEE working groups would have either
22 revised the standards, employing alternative technologies instead, stopped working on the
23 protocols or taken other actions.
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1 45. In submitting its Letter of Assurance pursuant to the applicable IEEE IPR
2 policy, Motorola entered into an actual or implied contract with IEEE, for the benefit of IEEE
3 members and any entity that implements the 802.11 standard. Motorola is bound by its
4 agreements to offer licenses consistent with the referenced IEEE bylaws.

5 46. Similarly, Symbol, in submitting its Letter of Assurance pursuant to the
6 applicable IEEE IPR policy, entered into an actual or implied contract with IEEE, for the
7 benefit of IEEE members and any other entity that implements the 802.11 standard, and
8 Motorola is bound by that commitment.

9 **Motorola's Involvement in Development of the H.264 Standards**

10 47. The ITU is the leading United Nations agency for information and
11 communication technology issues, and the global focal point for governments and the private
12 sector in developing networks and services. The ITU historically has coordinated the shared
13 global use of the radio spectrum, promoted international cooperation in assigning satellite
14 orbits, worked to improve telecommunication infrastructure in the developing world,
15 established the worldwide standards that foster seamless interconnection of a vast range of
16 communications systems and addressed the global challenges of our times, such as
17 strengthening cybersecurity.
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19 48. In conjunction with its efforts to provide standards in support of its stated goals,
20 the ITU-T requires that its members and participants adhere to the Common Patent Policy
21 stated above.

22 49. According to ITU-T's IPR policy, Patent Statement and Licensing Declarations,
23 once provided, are irrevocable and shall be in force at least until the standard's withdrawal.
24

25 50. If the Patent Statement and Licensing Declarations were not provided for

1 relevant patents from participants following disclosures relating to essential patents, the ITU-T
2 either would revise the standard so that compliance could be achieved without facing any
3 potential issues related to such patent(s), discontinue work on the standard altogether, or
4 otherwise proceed in a manner consistent with the non-disclosure and lack of Patent Statement
5 and Licensing Declarations in order to seek to minimize the risk that participating and relying
6 entities would be exposed to discriminatory patent assertions and/or unreasonable licensing
7 terms.

8 51. Motorola has represented to Microsoft and others that it owns rights in a
9 number of patents and pending applications that are or may be embodied fully or partly within
10 H.264 technologies as endorsed by the ITU-T and has identified these patents to Microsoft.
11 Microsoft does not concede that such listed patents are either "essential" to the H.264 standard
12 or are practiced in the implementation of such standard in any Microsoft products.

13 52. Motorola submitted Patent Statement and Licensing Declarations to the ITU
14 pursuant to its Common Patent Policy with respect to those protocols, guaranteeing that
15 Motorola's identified patents would be licensed under reasonable and non-discriminatory terms
16 and conditions.

17 53. In reliance on these Patent Statement and Licensing Declarations, the ITU-T
18 proceeded with the H.264 standard and various amendments to that standard which Motorola
19 asserts incorporated Motorola's patented technology. On information and belief, absent the
20 Patent Statement and Licensing Declarations following such disclosures, the ITU-T would
21 have either revised the standards, employing alternative technologies instead, stopped working
22 on the protocols or taken other actions.

23 54. In submitting its Patent Statement and Licensing Declarations pursuant to the
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1 applicable ITU-T policy. Motorola entered into an actual or implied contract with the ITU-T,
2 for the benefit of ITU-T members and any entity that implements the H.264 technologies.
3 Motorola is bound by its agreements to offer licenses consistent with the referenced ITU-T
4 Common Patent Policy.

5 **Microsoft's Reliance on Commitments with Respect to WLAN and H.264 Technologies**

6 55. Microsoft has participated in the development of the IEEE WLAN standards.

7 56. Microsoft and other companies participating in the development of WLAN in
8 IEEE relied on Motorola's commitments to ensure that the royalties Motorola would seek
9 would conform to the promises made by Motorola.

10 57. In reliance on the integrity of the SDO process and the commitments made by
11 Motorola and others regarding WLAN patents they deem "essential," Microsoft began
12 providing its Xbox video game consoles with WLAN connectivity. By way of example,
13 Microsoft purchased and incorporated into its Xbox 360 video game consoles third-party-
14 manufactured interfaces that provide Xbox 360 devices with WLAN connectivity. Microsoft
15 made its decision to provide its Xbox video game consoles with WLAN connectivity in
16 reliance on, and under the assumption that, it and/or any third party supplier could avoid patent
17 litigation and take a license to "essential" patents that Motorola, or any other company
18 submitting a Letter of Assurance, holds with regard to the WLAN standard under IEEE's well
19 publicized IPR policy.
20

21 58. Microsoft and other manufacturers of WLAN-compliant devices necessarily
22 relied on the assurances of participating patent holders – including Motorola – that any
23 "essential" patents held by such patent holders would be available for licensing by
24 implementers of the standards on such terms.
25

1 59. Microsoft has participated in the development of the H.264 technologies.

2 60. Microsoft and other companies participating in the development of H.264 under
3 the auspices of the ITU relied on Motorola's commitments to ensure that the royalties
4 Motorola would seek for "essential" patents would conform to the promises made by Motorola.

5 61. Correspondingly, in reliance on the integrity of the SDO process and
6 specifically the commitments made by Motorola and others regarding patents related to H.264
7 technologies, Microsoft began providing its H.264 technology capability in its Xbox video
8 game consoles. Microsoft made its decision to provide its Xbox video game consoles with
9 H.264 technology in reliance on, and under the assumption that, it and/or any third party
10 supplier could avoid patent litigation and take a license to any "essential" patents held by
11 Motorola, or any other company submitting a Patent Statement and Licensing Declaration,
12 under the ITU-T's well-publicized IPR policy.

13 62. Microsoft made similar investments in other fields, including Windows 7 and
14 Windows Phone 7, based upon Motorola's representations in relation to the H.264 technology
15 standards.

16 63. Microsoft and other manufacturers and suppliers of H.264 compliant technology
17 necessarily relied on the commitments of Motorola and others to license their "essential"
18 patents under these terms.

19
20 **Motorola's Breach of Its Contractual Obligation to License Its Identified Patents on The**
21 **Promised Terms**

22 64. In willful disregard of the commitments it made to IEEE and the ITU-T,
23 Motorola has refused to extend to Microsoft a license consistent with Motorola's promises for
24 any of Motorola's "essential" patents.

1 65. Instead, Motorola is demanding royalty payments that are wholly
2 disproportionate to the royalty rate that its patents should command under any reasonable
3 calculus. Motorola has discriminatorily chosen Microsoft's Xbox product line and other multi-
4 function, many-featured products and software, such as Windows 7 and Windows Phone 7 and
5 products incorporating Microsoft software, for the purpose of extracting unreasonable royalties
6 from Microsoft.

7 66. By way of non-limiting example, each Xbox device includes substantial
8 software and many computer chips and modules that perform various functions, including
9 enabling Xbox's core functionality as a video gaming machine. Of those, the Xbox console
10 includes one – an interface provided to Microsoft by third-parties – that allows consumers
11 optionally to connect an Xbox to the Internet using a WLAN connection.
12

13 67. The third-party WLAN interface does not enable any of Xbox's core video
14 gaming functionality. In addition, Microsoft allows consumers an alternative, wired method to
15 connect to the Internet. This alternative method does not require use of any WLAN
16 technology.

17 68. By way of further non-limiting example, each personal computer running
18 Windows 7 includes substantial software and many computer chips and modules that perform
19 various functions, including those related to the general operation of a computing device. Of
20 those, each personal computer includes just a portion directed to H.264 technologies.

21 69. By way of further non-limiting example, each smartphone running Windows
22 Phone 7 includes substantial software and many computer chips and modules that perform
23 various functions, including those related to the general and particularized operation of a
24 smartphone independent of H.264 technology. Of those, each smartphone includes just a
25

1 portion directed to H.264 technologies.

2 70. By letter to Microsoft, dated October 21, 2010, Kirk Dailey, Motorola's
3 Corporate Vice President Intellectual Property, stated that a royalty for a license to its
4 purported "essential" patents must be based on "the price of the end product (e.g., each Xbox
5 360 product) and not on component software." The cost of the chips and associated
6 components that provide wireless connectivity for Xbox 360 consoles is a small fraction of the
7 overall cost of the device. Motorola thus seeks a royalty on components of Xbox 360 which
8 are disproportionate to the value and contribution of its purportedly "essential" patents and has
9 declined to offer a license to its purported "essential" patents unless it receives exorbitant and
10 discriminatory royalty payments to which it is not entitled. On information and belief,
11 Motorola has not previously entered into a license agreement for its purported "essential"
12 patents that is comparable to the demand made of Microsoft. Motorola has thereby refused to
13 offer to license the patents at a reasonable rate, with reasonable terms, under conditions that are
14 demonstrably free of any unfair discrimination.

15 71. By letter to Microsoft, dated October 29, 2010, Kirk Dailey, Motorola's
16 Corporate Vice President Intellectual Property, stated that a royalty for a license to its
17 identified patents must be based on "the price of the end product (e.g., each Xbox 360 product,
18 each PC/laptop, each smartphone, etc.) and not on component software (e.g., Xbox 360 system
19 software, Windows 7 software, Windows Phone 7 software, etc.)." The cost of such
20 component software and any inter-related hardware is a small fraction of the overall cost of the
21 listed devices. Motorola thus seeks a royalty on software and hardware components of Xbox
22 360 and other devices that are unrelated to its identified patents and has declined to offer a
23 license unless it receives exorbitant royalty payments to which it is not entitled. On
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1 information and belief, Motorola has not previously entered into a license agreement for its
2 identified patents that is comparable to the demand made of Microsoft. Motorola has thereby
3 refused to offer to license the patents at a reasonable rate, with reasonable terms, on a non-
4 discriminatory basis.

5 72. Motorola has represented that it possesses patents "essential" to such
6 implementations. On that basis, Motorola is required to tender to implementers of the standard
7 an offer to license its "essential" patents in all respects consistent with its binding assurances to
8 the IEEE, the ITU, and their participating members. Motorola's demands constitute a breach
9 of its WLAN and H.264 commitments.

10
11 **The Motorola Affiliates file Several Patent Infringement Actions**
12 **in Violation of their Contractual Commitments**

13 73. On November 10, 2010, Motorola Mobility and General Instrument
14 (collectively, the "Motorola Affiliates") filed two complaints for patent infringement against
15 Microsoft in the Federal District Court for the Western District of Wisconsin, Case No. 3:10-
16 CV-699 (the "699 Action") and Case No. 3:10-CV-700 (the "700 Action").

17 74. The 699 Action involves the following three patents: U.S. Patent Nos.
18 7,310,374; 7,310,375; and 7,310,376. These three patents are among those Defendants claim
19 are necessary or essential to practice the H.264 standard. In the 699 Action, the Motorola
20 Affiliates are seeking – among other forms of relief – to permanently enjoin Microsoft from
21 practicing these patents.

22 75. The 700 Action involves seven other patents: U.S. Patent Nos. 6,980,596;
23 7,162,094; 5,319,712; 5,357,571; 6,069,896; 5,311,516; and 6,686,931. At least six of these
24 patents are among those that Defendants claim are necessary or essential to practice the WLAN
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1 or H.264 standard. In the 700 Action, the Motorola Affiliates are seeking – among other forms
2 of relief – to permanently enjoin Microsoft from practicing these patents.

3 76. On November 22, 2010, the Motorola Affiliates filed a complaint for patent
4 infringement against Microsoft with the International Trade Commission (“ITC”) captioned *In*
5 *the Matter of Certain Gaming and Entertainment Consoles, Related Software, and*
6 *Components Thereof* (ITC Case No. 337-TA-752) (the “ITC Action”).

7 77. The Motorola Affiliates’ ITC Action involves five patents: U.S. Patent Nos.
8 6,980,596; 7,162,094; 5,319,712; 5,357,571; and 6,069,896. All of these patents are among
9 those that Defendants claim are necessary or essential to practice the WLAN or H.264
10 standard. In the ITC case, the Motorola Affiliates are seeking – among other forms of relief –
11 to exclude Microsoft from importing, marketing, advertising, distributing, offering for sale,
12 selling, or transferring any products that practice these patents.

13 78. The 699 Action, 700 Action, and the ITC Action are collectively referred to as
14 the “Motorola Patent Actions.” The patents that are the subject of the Motorola Patent Actions
15 and that are also included among those patents that Defendants claim are necessary or essential
16 to practice the WLAN or H.264 standard are hereafter referred to collectively as the “SDO
17 Patents in Suit.”

18 79. With respect to each of the SDO Patents in Suit, Defendants have refused to
19 offer Microsoft a license consistent with their contractual undertakings to the IEEE-SA, ITU,
20 and their participating members. Instead, Defendants have demanded royalty payments that
21 are wholly disproportionate to the royalty rate that its patents should command under any
22 reasonable calculus.
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CLAIMS FOR RELIEF
FIRST CAUSE OF ACTION

(Breach Of Contract)

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4 80. Microsoft realleges and incorporates by reference the allegations set forth in
5 paragraphs 1-79 above.

6 81. Defendants entered into express or implied contractual commitments with
7 IEEE-SA, the ITU-T, and their respective members and affiliates relating to the WLAN
8 standard and H.264 technologies.

9 82. Each third party that would potentially implement WLAN and H.264
10 technologies was an intended beneficiary of those contracts.

11 83. Defendants were contractually obligated to offer a license to any essential
12 patents consistent with the applicable licensing commitments and the patent policy of the
13 IEEE-SA Standards Board Bylaws and the ITU-T, respectively.

14 84. Defendants breached these contracts by refusing to offer licenses to any
15 essential patents (including the SDO Patents in Suit) under reasonable rates, with reasonable
16 terms, and on a non-discriminatory basis.

17 85. The Motorola Affiliates further breached these contracts by filing the Motorola
18 Patent Actions, which seek to enjoin Microsoft's implementation of the technology of the SDO
19 Patents in Suit and to exclude Microsoft from, among other things, importing or selling
20 products that implement the technology of the SDO Patents in Suit. To the extent this
21 technology is actually necessary to implementation of the relevant standards (as Defendants
22 have asserted), Defendants were obligated to offer licenses to Microsoft on RAND terms.
23 Because of its SDO contractual duties and the benefits Defendants receive from inclusion of
24
25

1 their technology in SDO standards, and because Defendants have breached their licensing
2 commitments by failing to offer licenses to Microsoft on RAND terms. Defendants are not
3 entitled to enjoin or exclude Microsoft from implementing the technology of the SDO
4 Litigated Patents. Defendants have failed and refused to offer the SDO Patents in Suit on
5 RAND terms, and the Motorola Affiliates initiated the Motorola Patent Actions seeking
6 improperly to enjoin or exclude Microsoft from using the technology of the SDO Patents in
7 Suit.

8 86. As a result of these contractual breaches, Microsoft has been injured in its
9 business or property, including damages associated with the cost of defending the improperly
10 filed Motorola Patent Actions, and is otherwise threatened by imminent loss of profits, loss of
11 customers and potential customers, and loss of goodwill and product image.

12 87. Microsoft has suffered damages and irreparable harm, and will suffer further
13 damage and irreparable harm, by reason of each and all of the acts, practices, breaches and
14 conduct of Defendants alleged above until and unless the Court enjoins such acts, practices,
15 and conduct.

16
17 **SECOND CAUSE OF ACTION**

18 **(Promissory Estoppel)**

19 88. Microsoft realleges and incorporates by reference the allegations set forth in
20 paragraphs 1-79.

21 89. Defendants made a clear and definite promise to potential licensees through
22 their commitments to IEEE and the ITU that they would license any essential patents under
23 reasonable rates, with reasonable terms, and on a non-discriminatory basis.

24 90. The intended purpose of Defendants' promises was to induce reliance.
25

1 Defendants knew or should have reasonably expected that this promise would induce
2 companies producing products in wireless networking and H.264 technologies, like Microsoft,
3 to develop products compliant with the relevant standards.

4 91. Microsoft developed and marketed its products and services in reliance on
5 Defendants' promises, as described above, including making their products and services
6 compliant with WLAN technical standards and including H.264 technologies in various
7 Microsoft product offerings.

8 92. Defendants are estopped from renegeing on these promises to the IEEE and the
9 ITU-T under the doctrine of promissory estoppel.

10 93. Microsoft has been harmed as a result of its reasonable reliance on Defendants'
11 promises and is threatened by the imminent loss of profits, loss of customers and potential
12 customers, and loss of goodwill and product image.

13 94. Microsoft will suffer irreparable injury by reason of the acts and conduct of
14 Defendants alleged above until and unless the court enjoins such acts, practices and conduct.

15
16 **THIRD CAUSE OF ACTION**

17 **(Waiver)**

18 95. Microsoft realleges and incorporates by reference the allegations set forth in
19 paragraphs 1-79.

20 96. Defendants expressly stated in their declarations to IEEE and the ITU that they
21 would license any essential patents under reasonable rates and non-discriminatory terms.

22 97. Through this express statement, Defendants voluntarily and intentionally
23 waived their rights to obtain compensation for any essential patents for the WLAN and H.264
24
25

standards other than at reasonable rates and on non-discriminatory terms.

98. Microsoft will suffer irreparable injury by reason of the acts and conduct of Defendants alleged above until and unless the court enjoins such acts, practices, and conduct.

FOURTH CAUSE OF ACTION

(Declaratory Judgment That Defendants' Offers Do Not Comply with Their Obligations)

99. Microsoft realleges and incorporates by reference the allegations set forth in paragraphs 1-79.

100. There is a dispute between the parties concerning whether Defendants have offered to license to Microsoft patents consistent with Defendants' declarations and the referenced policy of the IEEE-SA Standards Board and the ITU-T.

101. The dispute is of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.

102. Microsoft is entitled to a declaratory judgment that Defendants have not offered license terms to Microsoft conforming to applicable legal requirements.

PRAYER FOR RELIEF

WHEREFORE, Microsoft prays for relief as follows:

- A. Adjudge and decree that Defendants are liable for breach of contract;
- B. Adjudge and decree that Defendants are liable for promissory estoppel;
- C. Enter judgment against Defendants for the amount of damages that Microsoft proves at trial;
- D. Enter a judgment awarding Microsoft its expenses, costs, and attorneys fees in accordance with Rule 54(d) of the Federal Rules of Civil Procedure;
- E. Preliminarily and permanently enjoin Defendants from further demanding excessive royalties from Microsoft that are not consistent with Defendants' obligations, and

1 from enforcing, or seeking to enforce, patent infringement claims in the Motorola Patent
2 Actions (or elsewhere) in breach of their RAND obligations as alleged above;

3 F. Decree that Defendants have not offered royalties to Microsoft under reasonable
4 rates, with reasonable terms and conditions that are demonstrably free of any unfair
5 discrimination;

6 G. Decree that Microsoft is entitled to license from Defendants any and all patents
7 that fall within Defendants' commitments to the IEEE in relation to WLAN technology on a
8 non-discriminatory basis on reasonable terms and conditions;

9 H. Decree that Microsoft is entitled to license from Defendants any and all patents
10 that fall within Defendants' commitments to the ITU-T in relation to H.264 technology on a
11 non-discriminatory basis on reasonable terms and conditions; and

12 I. For such other and further relief as the Court deems just and proper.

DATED this 23rd day of February, 2011.

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CERTIFICATE OF SERVICE

I hereby certify that on February 23, 2011, I electronically filed the foregoing document with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following: Philip S. McCune and Lynn M. Engel at Summit Law Group, PLLC.

/s/ Linda Bledsoe
Linda Bledsoe

APPENDIX A

PATENT NO.	TITLE
4,860,003	Communication System Having a Packet Structure Field
5,142,533	Method for Controlling the Scheduling of Multiple Access to Communication Resources
5,164,986	Formation of Rekey Messages in a Communication System
5,239,294	Method for Authentication and Protection of Subscribers in Telecommunication Systems
5,572,193	Method for Authentication and Protection of Subscribers in Telecommunications Systems
5,272,724	Wideband Signal Synchronization
5,319,712	Method and Apparatus for Providing Cryptographic Protection of a Data Stream in a Communication System
5,329,547	Method and Apparatus for Coherent Communication in a Spread-Spectrum Communication System
5,467,398	A Method of Messaging in a Communication System
5,560,021	A Power Management and Packet Delivery Method for Use in a Wireless Local Area
5,636,223	Methods of Adaptive Channel Access Attempts
5,689,563	Method and Apparatus for Efficient Real-Time Authentication and Encryption in a Communication System
5,822,359	A Coherent Random Access Channel in a Spread-Spectrum Communications System and Method
5,311,516	Paging System Using Message Fragmentation to Redistribute Traffic
6,069,896	Capability Addressable Network and Method Therefor
6,331,972	Personal Data Storage and Transaction Device System and Method
5,495,482	Voice and Data Packet Communication Method and Apparatus
5,357,571	A Method for Point-to-Point Communications within Secure Communication Systems
5,412,722	Encryption Key Management
5,029,183	Packet Data Communication System
5,479,441	Packet Data Communication System
5,519,730	Communication Signal Having a Time Domain Pilot Component
6,236,674	Transceiver Control with Sleep Mode Operation
6,404,772	Voice and Data Wireless Communications Network and Method
6,473,449	High-Data-Rate Wireless Local Area Network
7,143,333	Method and Apparatus for Encoding and Decoding Data
7,493,548	Method and Apparatus for Encoding and Decoding Data
7,165,205	Method and Apparatus for Encoding and Decoding Data