**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 and Counterclaim Defendants

v.

NOKIA CORPORATION, and NOKIA, INC.,

Defendants and Counterclaim Plaintiffs.

C.A. No. 13-10 RGA

**JURY TRIAL DEMANDED**

**DEFENDANTS-COUNTERCLAIM PLAINTIFFS' OPPOSITION TO INTERDIGITAL'S MOTION TO DISMISS FRAND COUNTERCLAIMS**

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## INTRODUCTION

Plaintiffs' and Counterclaim Defendants' (collectively "InterDigital") motion to dismiss lacks merit on all counts. First, InterDigital's compulsory counterclaim arguments are fatally flawed under Rule 13, which states that "[a] pleading must state as a counterclaim any claim that—*at the time of its service*—the pleader has against an opposing party." Nokia has not yet served responsive pleadings in the two prior cases InterDigital filed against Nokia. Moreover, because InterDigital did not even assert claims related to fourth generation ("4G") wireless standards in the prior cases, at least the 4G-based counterclaims in this case do not "arise[] out of the transaction or occurrence that is the subject matter of [InterDigital's infringement] claim[s]" in the prior two actions.

Second, Nokia's declaratory judgment FRAND counterclaims (Counts III and VIII) are ripe and should not be dismissed. Nokia and InterDigital have a real and immediate disagreement over what constitutes FRAND license terms for the relevant patents. The parties have been and are currently engaged in protracted negotiations that turn on what constitutes FRAND terms, and InterDigital is, at this very moment, seeking to block Nokia from practicing patents it has committed to license under FRAND terms. The declaratory judgment counts would be both conclusive and useful because an issue preclusive final judgment would impact directly the parties' legal options going forward: InterDigital would know whether the offers it made are FRAND, and Nokia would have the clear choice to agree to a license on FRAND terms set by the court or risk being blocked from practicing the relevant patents.

Third, InterDigital's attack on the breach of contract and estoppel counterclaims must fail because it is not based not on any failure of pleading or actual infirmity in the underlying agreement; rather, InterDigital quarrels over how the contract at issue should be interpreted. InterDigital is wrong on the merits of the contract interpretation issue, but that is not a question to be reached at the pleading stage. Also, contrary to InterDigital's claim, specific performance has been recognized by courts as an appropriate remedy for breach of FRAND licensing obligations.

Fourth, InterDigital's claim that Nokia's promissory estoppel and implied license claims do not exist under French law is beside the point; they are clearly recognized under U.S. law and are properly pled. And finally, Nokia's California 17200 claim pleads the requisite nexus to California, seeks relief specifically authorized by 17200, and is not preempted.

## NATURE AND STAGE OF PROCEEDINGS

InterDigital has filed six separate actions against Nokia involving patents related to 3G wireless technology – three in this Court and three complaints before the United States International Trade Commission ("ITC"). InterDigital filed its first action in this court in August 2007 (s*ee* C.A No. 11-489-SLR (the "489 Action")). In the 489 Action, InterDigital asserted four patents related to 3G wireless technology, and also pursued an ITC investigation involving the same four patents (*see Certain 3G Mobile Handsets and Components Thereof*, Inv. No. 337-TA-613 (the "613 Investigation")). On January 10, 2008, the 489 action was stayed under 28 U.S.C. § 1659, prior to the filing of any responsive pleading, and it remains stayed pending the final resolution of the 613 Investigation ("So Ordered" in response to D.I. 11).[1] InterDigital filed its second action in this Court in July 2011, asserting eight InterDigital patents related to 3G wireless technology (s*ee* C.A. No. 11-00654-RGA (the "654 Action")). Once again, InterDigital

[1] In the 613 Investigation, the ITC found that Nokia did not infringe any of the patents InterDigital asserted. *See In the Matter of Certain 3G Mobile Handsets and Components Thereof*, Inv. No. 337-TA-613, Notice of Commission Determination to Review in Part a Final Determination Finding No Violation on Section 337 and On Review to Affirm the Administrative Law Judge's Determination of No Violation; Termination of Investigation (ITC Aug. 14, 2009). InterDigital appealed that decision to the Federal Circuit with respect to two of the four patents and, on August 1, 2012, the Federal Circuit reversed the ITC's decision on certain claim construction issues. The case was remanded to the ITC for further proceedings.

pursued a companion ITC investigation involving the same eight patents (*Certain Wireless Devices with 3G Capabilities and Components Thereof*, Inv. No. 337-TA-800 (the "800 Investigation")). The eight patents asserted in the 654 action, however, were not at issue in the 489 Action or the 613 Investigation. On October 11, 2011, the 654 action was stayed prior to the filing of any responsive pleading, and it remains stayed pending the final resolution of the 800 Investigation (D.I. 24). A final determination in the 800 Investigation is expected by late October 2013, which could result in an exclusion order banning Nokia from importing certain 3G compatible products into the U.S.

In January 2013, InterDigital filed this case, asserting two patents and accusing certain 3G and 4G Nokia products. Once again, InterDigital pursued a companion ITC investigation involving one of the two patents asserted in this case, and InterDigital has moved to add the second patent in this case to the pending ITC case (*Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof*, Inv. No. 337-TA-868 (Jan. 2, 2013) (the "868 Investigation")). As is evident from the title of the 868 Investigation, this most recent case also involves 4G devices using the "Fourth Generation" LTE standard, which is not involved in the 489 Action or the 654 Action. The two patents asserted in this case are also not at issue in the 489 Action or the 654 Action. Unlike the 489 Action and the 654 Action, however, this case was not stayed under 28 U.S.C. § 1659, and Nokia has filed its Answer and Counterclaims. Ten of those counterclaims relate to InterDigital's obligations to license its declared essential patents on FRAND terms—Counts I-X. Nokia is entitled to licenses on FRAND terms for the patents asserted in these lawsuits, but Nokia has been unable to agree with InterDigital on what the FRAND terms are, given InterDigital's unreasonable and discriminatory demands (D.I. No. 18 at ¶¶ 34-38). Accordingly, in Counts I and III, Nokia asks this Court to order InterDigital to cease any further pursuit of ITC exclusion orders in the 613, 800, and 868 Investigations and accept a license offer Nokia made to InterDigital in January 2013 or, in the alternative, make a binding offer to Nokia that is capable of acceptance for a license on FRAND terms and conditions for all of the patents asserted in the 613, 800, and 868 Investigations (the "Combined Asserted Patents") (*id*. at ¶¶ 44-47). Nokia also asks the Court, in the alternative, to set the FRAND terms for a license to those patents or, alternatively, InterDigital's 3G and 4G declared essential U.S. patents (*id*. at ¶¶ 56-57). Nokia has stated that it will take a license on FRAND terms to any of the Combined Asserted Patents or InterDigital's declared essential 3G or 4G patents, that are valid, essential, and actually practiced in Nokia's products (*id*. at ¶¶ 57).

InterDigital now seeks to dismiss Nokia's FRAND counterclaims and proceed to judgment on the questions of infringement, validity, enforceability, and reasonable royalty damages without any resolution of the FRAND dispute.

## ARGUMENT

### I. There is No Basis Under Rule 13 to Dismiss Nokia's FRAND Counterclaims.

InterDigital seeks to dismiss all of Nokia's FRAND counterclaims on the grounds that they are compulsory counterclaims in the 489 Action and the 654 Action pursuant to Federal Rule of Civil Procedure 13. InterDigital cites Rule 13 but ignores the plaint text of that rule, which states that "*[a] pleading* must state as a counterclaim any claim that—*at the time of its service*—the pleader has against an opposing party" (emphasis added). It is undisputed that both the 489 Action and the 654 Action were stayed before Nokia was required to serve its responsive pleadings. Therefore, as of this date, there are no compulsory counterclaims in those two proceedings. *See, e.g.*, *Deer Valley Resort Co. v. Christy Sports, LLC*, 2:07-CV-00904DAK, 2007 WL 4570664, at *5 (D. Utah Dec. 21, 2007) (counterclaims not compulsory where a responsive pleading in the prior action was never filed); *National Union Fire Ins. Co. of*

*Pittsburgh, Pa. v. Jett*, 118 F.R.D. 336, 337-38 (S.D.N.Y. 1988); *Moore's Federal Practice* § 13.15 ("[a] claim that should have been pleaded as a compulsory counterclaim in the first suit will only be barred in a subsequent action if a responsive pleading, such as an answer, was required to be or was served in the earlier action.").[2] Nokia has properly filed its counterclaims in this case – the only action in which Nokia has filed a responsive pleading.

### A. The Counterclaims Should Not Be Dismissed Because, Under InterDigital's Approach, They Are Compulsory in this Action

In addition to ignoring the plain language of Rule 13, InterDigital also ignores the fact that the FRAND counterclaims in this case are, under InterDigital's formulation of Rule 13, compulsory here.[3] InterDigital argues that the FRAND counterclaims are compulsory because "they involve many of the same factual and legal issues raised by InterDigital's patent infringement claims" (D.I. No. 22 at 5). InterDigital goes on to argue that "patents in both cases [489 and 654] 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 [i.e., the patents in 489, 654, and this case] and even more broadly, all U.S. 'essential patents'" (*id*. at 6). This same logic applies to InterDigital's infringement claims in this case, however, which likewise involve "CDMA2000 or 3GPP-standardized cellular phone

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[2] InterDigital cites an order in litigation between Nokia and InterDigital in the Southern District of New York dismissing claims brought there by Nokia (unrelated to FRAND) on the grounds that they would be compulsory counterclaims in the 489 Action. InterDigital fails to point out that Nokia did not oppose dismissal of those claims in that Southern District of New York action because they were, at the time, being resolved in arbitration. Thus, they were never filed in the 489 Action.

[3] Under InterDigital's view of Rule 13, Nokia would be *obligated* to bring its FRAND counterclaims in this action, or risk that, after the stays in the 489 Action and the 654 Action are later lifted, res judicata might bar Nokia from filing those counterclaims in those actions. *See Xerox Corp v. SCM Corp.*,576 F. 2d 1057, 1059 (3d Cir. 1978) ("[T]he doctrine of res judicata compels the counterclaimant to assert his claim in the same suit for it would be barred if asserted separately, subsequently").

technology."

InterDigital has cited no authority holding that a defendant being sued in multiple lawsuits can raise counterclaims that would be compulsory only in one case. Instead, InterDigital cites non-binding precedent from cases with different facts and procedural postures. Both of the cases InterDigital cites (*Nokia Corp. v. InterDigital, Inc.*, No. 08 Civ. 1507 (DAB), 2009 WL 585848 (S.D.N.Y. Mar. 5, 2009), and *Avante Int'l Tech., Inc. v. Hart Intercivic, Inc.*, No. 08-832-GPM, 2009 WL 2431993 (S.D. Ill. July 31, 2009)), involved new district court cases initiated not by the plaintiff but by the defendants in pending actions. Here, Nokia simply seeks to assert counterclaims in one of the three actions filed by InterDigital against it relating to 3G wireless technologies – the only action that has reached the responsive pleading stage and is not stayed. It would stand the purpose behind Rule 13 – efficient and timely adjudication of claims in a single action – on its head if InterDigital's 3G wireless technology infringement claims were allowed to proceed in this action and Nokia's FRAND counterclaims were shelved and relegated to cases with the same characteristics as this one except for the critical distinction that they are not proceeding and will not be for the foreseeable future.

In an effort to mask the inefficiency of the route it proposes, InterDigital turns to the "first-to-file" principle, which holds that, "[i]n all cases of concurrent jurisdiction, the court which first has possession of the subject must decide it." *Crosley Corp. v. Hazeltine Corp.*, 122 F. 2d 925, 929 (3d Cir. 1941) (internal quotation marks omitted). But the "letter and spirit of the [first-to-file] rule are grounded on equitable principles," and the bases for departing from the rule are "grounded in what is right and equitable under the circumstances and the law." *Honeywell Int'l Inc. v. Int'l Union, United Auto.*, No. 11-4557, 2012 WL 5278623, at *3 (3d Cir. Oct. 26, 2012) (quoting *EEOC v. Univ. of Pa.*, 850 F. 2d 969, 971-72 (3d Cir. 1988)) (internal quotation marks omitted). It is InterDigital that chose to split its patent infringement claims, not only into three separate ITC cases, but also into three separate District Court lawsuits, and the FRAND counterclaims related to InterDigital's U.S. 3G portfolio are, according to InterDigital's formulation, compulsory in all three lawsuits. Nokia should not suffer adverse consequences as a result of InterDigital's tactics by being prevented from asserting its counterclaims in this proceeding. In addition, Nokia's FRAND counterclaims here also relate to 4G technologies that are not even at issue in the earlier lawsuits.

### B. Judicial Efficiency and Other Factors Militate Against Dismissal of the Counterclaims in the Present Case, Where the Earlier Case Is Stayed

Moreover, the first-to-file principle "is not a mandate directing wooden application of the rule[;] . . .[d]istrict courts have always had discretion to retain jurisdiction given appropriate circumstances . . . ." *EEOC*, 850 F. 2d at 971-72. Aside from the mere sequence of filing, other factors govern the exercise of such discretion: bad faith, forum shopping, or the fact that "the second-filed action has developed further than the initial suit." *Cellectis S.A. v. Precision Biosciences, Inc.*, 858 F. Supp. 2d 376, 381 (D. Del. 2012) (citing *EEOC*, 850 F. 2d at 972, 976) (internal quotation marks omitted). Ultimately, "judicial economy, as well as financial economy . . . are the underpinnings of the first to file rule." *Nature's Benefit, Inc. v. NFI*, No. 06-4836 (GEB), 2007 WL 2462625, at *9 (D.N.J. Aug. 27, 2007). Furthermore, "'[e]xceptions to the first-filed rule are no [] [longer] rare and are made when justice or expediency requires.'" *Samuel T. Freeman & Co. v. Hiam*, No. 12-1387, 2012 WL 2120474, at *6 (E.D. Pa. June 11, 2012) (alterations in original) (quoting *FMC Corp. v. AMVAC Chem. Corp.*, 379 F. Supp. 2d 733, 744 (E.D. Pa. 2005).

Under the *Cellectis* factors, InterDigital's motion should be denied. First, the forum shopping concern simply does not apply here. Nokia is asserting the present counterclaims before the very same Court where the 489 Action and 654 Action are pending. Second, the FRAND counterclaims here, which encompass both 4G and 3G technologies, subsume and are broader than the FRAND counterclaims that would be brought in the 489 Action and 654 Action at some indeterminate future time when the stays in those cases are lifted. Thus, resolution of the counterclaims in this case would actually eliminate the need to consider those counterclaims in the 489 Actions and 654 Actions, whereas resolution in the 489 Action or 654 Action would leave the 4G issues in this case unaddressed.[4] Third, this case has progressed substantially beyond the 489 Action and the 654 Action. A Rule 16 conference has been set for June 10 and discovery should be commencing imminently. In the 489 Action and 654 Action, by contrast, an answer has not even been filed, and the cases are stayed until the 613 Investigation and 800 Investigation are concluded, including all appeals. Thus, the circumstances of this case favor retaining the counterclaims.

## II. Jurisdiction Exists over the Declaratory Judgment Counterclaims (Counts III and VIII), and the Court Should Exercise Its Jurisdiction.

### A. The Declaratory Judgment Counterclaims Are Ripe for Adjudication.

Nokia's declaratory judgment counterclaims are ripe for adjudication. The parties have engaged in protracted license negotiations for years. The parties dispute hotly whether

4 InterDigital cites *Rohm and Haas v. Brotech Corp.*, 770 F. Supp. 928 (D. Del. 1991) for its contention that the Court should ignore the fact that the FRAND counterclaims brought here are broader than the FRAND counterclaims that could be raised in the 489 Action and 654 Action (D.I. No. 22 at 5). That case is not instructive. Rohm first sued Brotech in Delaware for infringement of four patents. Brotech then sued Rohm in Pennsylvania, alleging that Rohm had engaged in anticompetitive behavior in the prosecution and enforcement of ten patents, including the four patents at issue in Delaware. The *Rohm* Court found that the six non-overlapping patents in the Pennsylvania litigation either stemmed from the same parent application or involved identical technology as the four patents at issue in Delaware. *Rohm* at 934. Moreover, Brotech's antitrust allegations were based *solely* on Rohm's actions in obtaining and enforcing the four patents in Delaware. *Id*. In the present case, there is no indication that the 4G and 3G issues or patents are similarly related.

InterDigital has offered FRAND terms – the very issues that are to be resolved though Counts III and VIII. In addition, InterDigital is currently seeking to keep Nokia from practicing the patents identified in the FRAND counterclaims. Once the Court sets FRAND terms for these patents, the parties would be able to evaluate InterDigital's compliance with its FRAND obligations and Nokia would have the clear choice to agree to a license on those terms or risk being prevented from practicing the relevant patents. In short, these declaratory relief claims are ripe, and jurisdiction exists, under all three prongs of the inquiry of *Armstrong World Indus., Inc. v. Adams*, 961 F.2d 405 (3d Cir. 1992) and *Step-Saver Data Sys., Inc. v. Wyse Tech.*, 912 F.2d 643 (3d Cir. 1990).

**1. There Is an Immediate and Non-Contingent Adversity of Interest**

**a. The counterclaims are not "contingent"**

InterDigital claims that Counts III and VIII are somehow contingent because Nokia's willingness to accept FRAND license terms is limited to "patents that are valid, infringed, and essential" and "[d]eterminations of validity, infringement and essentiality would thus have to be made" (D.I. No. 22 at 8). These characterizations of Nokia's claims in Count III and Count VIII, however, do not render them unripe under Article III. First, the extent to which the patents being licensed are valid and actually practiced by the potential licensee are factors that can be considered in setting the "fair" and "reasonable" royalty rate and other license terms. It would obviously not be "fair" or "reasonable" to require a licensee to pay royalties for a patent that is invalid or not practiced by the licensee. In fact, in a recent decision setting FRAND royalties in a licensing dispute between Microsoft and Motorola, the United States District Court for the Western District of Washington expressly identified uncertainty over whether a given patent covered a standard as a factor to be considered in determining FRAND license terms. *See Microsoft Corp. v. Motorola, Inc.*, No. C10-1823JLR, 2013 U.S. Dist. LEXIS 60233 at *63-64

(W.D. Wash. Apr. 25, 2013). Thus, saying Counts III and VIII are contingent because there may some cause to look at the validity, essentiality, and use of the underlying patents is equivalent to arguing that a declaratory judgment over contractual obligations is somehow "contingent" because the court may have to look at the underlying contract and its context.

Second, InterDigital contends that for Counts III and VIII to be ripe, the declaratory judgment must resolve every potential dispute between the parties and result in a binding obligation for Nokia to pay royalties to InterDigital. This argument is contrary to precedent making clear that declaratory judgment claims are proper even where the declaratory judgment will *not* resolve all issues between the parties. *See, e.g. Mendelsen v. Delaware River & Bay Auth.*, 112 F. Supp. 2d 386, 396 (D. Del. 2000) (citing *Hoechst Celanese Corp. v. National Union Fire Ins. Co.*, 623 A.2d 1133, 1137 (Del. Super. Ct.1992)); *see also Pittsburgh Mack Sales & Service, Inc., v. Int'l Union Of Operating Eng'rs.*, 580 F.3d 185, 191-92 (3d Cir. 2009) (a request for declaratory relief on the scope of agreement is ripe even where underlying liability issue is undecided). And this Court has, in the past, expressly endorsed declaratory judgment claims, like Counts III and VIII, that will facilitate potential settlement of the parties' dispute. *Mendelsen v. Delaware River & Bay Auth.*, 112 F. Supp. 2d 386, 396 (D. Del. 2000) ("In fact, because 'delay for the sake of more concrete development ... prevent[s] the litigants from shaping a settlement strategy and thereby avoiding unnecessary costs,' the Third Circuit has generally held that claims for declaratory relief are ripe when a ruling would enable a party which is not certain of its rights to avoid the accrual of further damages.) (citing *ACandS, Inc. v. Aetna Cas. & Surety Co.*, 666 F.2d 819, 823 (3d Cir.1981)). That is exactly the case here. A ruling setting FRAND license terms will enable InterDigital and Nokia, who are not currently certain of their rights, to determine if InterDigital must offer new license terms and give Nokia the choice of taking a license on FRAND terms or risk being barred from practicing the patents at issue.

The only precedent InterDigital cites is from outside the Third Circuit and does not support dismissal of Counts III and VIII. In *Rembrandt Techs., L.P. v. Harris Corp.*, Civ. No. 07C-09-059-JRS, 2009 WL 1509103 (Del. Super. May 22, 2009), the Delaware Superior Court did not dismiss the plaintiff's FRAND claims. The *Rembrandt* court simply stayed the case after Plaintiff said it may seek to undo the court's ruling based on a ruling from a federal court in another case. And in *Apple, Inc. v. Motorola*, the District of Wisconsin court exercised its discretion to dismiss a claim on the eve of trial where the plaintiff put constraints on what results from the trial it was willing to accept. Here, Nokia seeks a judicial determination of FRAND license terms for the Combined Asserted Patents or InterDigital's declared essential US 3G and 4G patents and Nokia will be bound as a matter of issue preclusion by the Court's final judgment.

**b. InterDigital's obligation is not contingent on a court finding of essentiality or infringement**

InterDigital is also wrong in arguing that its FRAND commitment is contingent on a finding of essentiality (D.I. No. 22 at 9). Every court that has considered the issue agrees that "claims based on fair, reasonable and non-discriminatory licensing obligations are not contingent upon the results of patent infringement suits regarding the same patents" and that such claims are therefore ripe when declared-essential patents have been sued on:

> The policies of the standards setting organizations become far less useful or effective if a company who has declared its patents as essential, thereby encouraging the organization to adopt the standard, can then refuse a fair, reasonable and non-discriminatory license until essentiality is proven, either through patent infringement litigation or otherwise.

*Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2011 WL 7324582, at *6 (W.D. Wis.

June 7, 2011). Thus, for adjudication of the FRAND obligation, it is not necessary "to determine whether the patents at issue are in fact 'essential' because [Motorola] has already voluntarily declared them essential." *Id.* (quoting *Nokia Corp. v. Qualcomm, Inc.*, No. 06-509, 2006 WL 2521328, *1-2 (D. Del. Aug. 29, 2006), and citing *Ericsson Inc. v. Samsung Elecs. Co., Ltd.*, No. 2:06-CV-63, 2007 WL 1202728, *2–3 (E.D. Tex. Apr. 20, 2007); *see also Rembrandt Techs., L.P. v. Harris Corp.*, No. 07C-09-059, 2009 WL 1509103 (Del. Super. May 22, 2009). The court in *Apple v. Motorola* (June 2011) was aware of "no cases in which the court concluded that contractual or antitrust claims related to licensing obligations cannot be resolved before resolution of related patent infringement suits." 2011 WL 7324582, at *6. InterDigital's claims of "contingency" as to its licensing obligations are therefore misplaced.

**c. The Judgments Sought By Counts III and VIII Would Be Conclusive**

InterDigital's argument on whether the declaratory judgment would be conclusive is in substance, a repetition of its argument that the dispute is contingent. Those arguments should be rejected for the same reasons set out above.

**d. The Court's Declaratory Judgment on Counts III and VIII Will Be Useful Because It Will Resolve The Parties' Litigations**

InterDigital likewise offers no authority for its argument that Nokia's declaratory judgment claims fail the third prong of the *Armstrong* test – that the court's actions serve some useful purpose. Again, InterDigital focuses on whether a declaratory judgment under Counts III and VIII would resolve all potential disputes between the parties and result in a binding obligation on Nokia's part to pay royalties to InterDigital. As explained above, that is simply not the test for ripeness in this Circuit. Moreover, as the court found in *Microsoft Corp. v. Motorola, Inc.*, 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." *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823JLR, 2012 WL 4827743, at *6 (W.D. Wash. Oct. 10, 2012).

### B. The Court Should Exercise Its Declaratory Judgment Jurisdiction

For the reasons described above, the Court's judgment on the FRAND counterclaims in this case will help resolve a crucial dispute between the parties and define their legal rights, allowing them to proceed accordingly. As a result, the court should exercise its declaratory judgment jurisdiction.

## III. Nokia's Breach of Contract and Estoppel Counterclaims (Counts I, II, IV, V and X) State Valid Causes of Action

### A. Nokia's Breach of Contract and Equitable Estoppel Claims are Well-Pleaded

Nokia's Counts I, II, IV, V, and X are sufficiently pleaded because they put InterDigital on notice of the claims asserted against it. Pleadings need only allege sufficient facts to plausibly support a claim for relief, which Nokia has done with Counterclaims I, II, IV, V, and X. *Ashcroft v. Iqbal,* 556 U.S. 662, 664 (2009); *Bell Atlantic Corp. v. Twombly,* 550 U.S. 544, 547 (2007); *Jam Transp. v. Harleysville Mutual Ins. Co.*, No. 11-253-LPS, 2013 WL 1442585 (D. Del. Apr. 9, 2013). At the pleading stage, Nokia is not required to satisfy its ultimate burden of proof and must only provide "a short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. (8)(a)(2).

Instead of arguing that the pleadings insufficiently plead breach of contract, InterDigital argues about the proper scope of the relevant contract under French law. InterDigital concedes that a contractual obligation exists, but argues that its obligation does not extend as far as Defendants allege or that certain remedies may not be available under InterDigital's version of French law (D.I. No. 22 at 17-20). But whoever is correct (*i.e.*, whether the obligation is merely an agreement to negotiate in good faith or an obligation to grant a license on FRAND terms), for purposes of this motion there is no dispute that Defendants have plead proper claims for breach of contract and equitable estoppel. InterDigital's arguments touch issues of contract interpretation that should be adjudicated only at a later stage in the case and after sufficient legal and factual development. Accordingly, Defendants' Counts I–III should not be dismissed.

### 1. As Pleaded by Defendants, InterDigital is Obligated to Offer and Grant Licenses on FRAND Terms

By submitting declarations pursuant to clause 6.1 of the ETSI IPR Policy, InterDigital contractually committed to ETSI and its members to offer and grant licenses on fair, reasonable, and non-discriminatory terms and conditions (Nokia Counterclaims, D.I. No. 18 at ¶¶ 5, 11-12). InterDigital does not contest that it has contractual obligations under the ETSI IPR Policy or that third parties like Nokia are beneficiaries to those obligations. InterDigital's arguments instead go to the scope of these obligations. InterDigital wrongly characterizes its obligation as an "*accord de principe*" under French law, or alternatively as an unenforceable "agreement to agree" (D.I. No. 22 at 14).

InterDigital's characterization of the FRAND obligation as an empty promise has been expressly rejected by every court to address the issue. *Apple Inc. v. Samsung Elecs. Co., Ltd.*, No. 11-cv-1846, 2012 WL 1672493, at *11-12 (N.D. Cal. May 14, 2012) (denying motion to dismiss breach of contract claims based on obligation to license on FRAND terms patents declared to ETSI as essential); *Apple Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2011 WL 7324582, at *9 (W.D. Wis. June 7, 2011) (denying motion to dismiss and finding that "[t]he combination of the policies and Motorola's assurances to the Institute that it would grant fair, reasonable, and non-discriminatory licenses . . . constitute a contractual agreement between Motorola and [ETSI]."); *Research in Motion Ltd. v. Motorola, Inc.*, 644 F. Supp. 2d 788, 791, 797 (N.D. Tex. 2008) ("Both ETSI and IEEE require all patent owners to promise that they will license any patents incorporated into their standard on FRAND terms. . . ."); *Ericsson Inc. v. Samsung Elecs. Co., Ltd.*, No. 06-cv-63, 2007 WL 1202728, at *1 (E.D. Tex. Apr. 20, 2007); *Microsoft Corp. v. Motorola, Inc.*, No. 10-1823, Dkt. No. 66 (W.D. Wash. June 1, 2011) (denying motion to dismiss breach of contract claims based on Motorola's obligation to license patents on FRAND terms); *Microsoft*, 2012 WL 4827743, at *7 ("[T]he court has already twice rejected Motorola's contention that Motorola's agreements with the ITU and IEEE only require it to negotiate toward a RAND license.");[5] *Realtek Semiconductor Corp. v. LSI Corp.*, No. 12-3451, 2012 WL 4845628, at *4-5 (N.D. Cal. Oct. 10, 2012); *ESS Tech., Inc. v. PC-Tel, Inc.*, No. C-99-20292-RMW, 1999 WL 33520483, at *3-4 (N.D. Cal. Nov. 4, 1999) (denying motion to dismiss claim for specific performance of contractual obligation to license patents on FRAND terms based on agreement with ITU); *In re Innovatio IP Ventures, LLC Patent Litig.*, No. 2303, 2013 WL 427167, at *16, n.18 (N.D. Ill. Feb. 4, 2013) .

*Apple v. Samsung* is particularly significant. There, Apple brought a breach of contract counterclaim based on Samsung's failure to license standard-essential patents on FRAND terms in contravention of its ETSI commitment. 2012 WL 1672493, at *1-2. Samsung moved to dismiss the claim, arguing, with the support of a French law expert, that its obligation should be construed as an unenforceable "agreement to agree." *Id.* at *12. The court rejected this argument, stating:

> Even adopting [Samsung's French law expert]'s declaration of the governing French law, it is not clear that Apple is not entitled to FRAND licenses pursuant to ETSI IPR Policy 6.1 and Samsung's FRAND declarations. Samsung arguably

[5] InterDigital attempts to distinguish *Microsoft* based on Motorola's purported stipulation of the existence of an obligation to license (D.I. No. 22 at 14). Motorola backtracked from that concession, however, at a later hearing. *Microsoft Corp. v. Motorola, Inc.*, 864 F. Supp. 2d 1023, 1031 (W.D. Wash. 2012). The court reaffirmed its previous ruling after hearing this new argument, but did not rely on Motorola's earlier agreement in its analysis. *Id.* at 1031-33.

> consented to enter into FRAND licenses by submitting its FRAND declaration in order to have its patents adopted by the standard setting organization. Samsung certainly had the right to refuse to license its patents, but arguably relinquished that right when it submitted its FRAND declaration. At least at this stage, the Court is not willing to say that Apple's theory fails under French law.

*Id.* InterDigital's argument is identical here and should likewise be rejected.

Furthermore, contrary to InterDigital's argument, InterDigital's commitment to ETSI does not constitute an "*accord de principe*" under French law, as that concept is fundamentally inconsistent with the provisions of the ETSI IPR Policy. The purpose of obtaining FRAND licensing commitments from patent owners is to enable standards to be accessible to potential implementers by making licenses "available" (D.I. No. 18 at ¶ 21; Ex. 7 to Rees Decl. in Support of InterDigital Mot. (D.I. No. 23), Article 3.3, Article 6 ("Availability of Licenses"); Aynes Decl., ¶¶ 5-12). InterDigital's "*accord de principe*" interpretation of the ETSI Policy runs directly counter to that purpose by denying standards implementers any assurance that they will actually be granted a license on FRAND terms (Aynes Decl. ¶ 15).

As set forth in the attached declaration of Nokia's French law expert, Professor Laurent Aynes, InterDigital's *accord de principe* analysis is also flawed for other reasons under French contract law and InterDigital's FRAND licensing commitments are more properly characterized as a *stipulation pour autrui* that can be enforced under French law through specific performance (Aynes Decl., ¶¶ 13-14, 19-27).

### 2. Defendants' Counterclaims also Allege Breach Through InterDigital's Failure to Negotiate in Good Faith

As stated above, InterDigital's contractual commitments require InterDigital not only to negotiate in good faith but also to grant a license to willing licensees. Nonetheless, even if the Court were to hold that InterDigital's commitment only encompasses the obligation to negotiate in good faith, as InterDigital argues, Defendants' counterclaims still properly state a claim for which relief can be granted. Defendants adequately pled that InterDigital did not negotiate in good faith (D.I. No. 18 at ¶¶ 36, 42, 52).

### B. Ambiguity as to the Extent of InterDigital's Obligations or the Extent of Available Damages is an Improper Basis for Dismissal

InterDigital rests its motion on arguments as to the interpretation of its ETSI obligations. But in deciding a motion to dismiss, it is improper for the court to choose between two differing reasonable interpretations of an arguably ambiguous provision. *VLIW Tech., LLC v. Hewlett-Packard Co.*, 840 A.2d 606, 615 (Del. 2003). Instead, dismissal is proper only if the movant's interpretation of the provision is the only reasonable construction as a matter of law. *Id.* Ambiguity exists when the provision is reasonably or fairly susceptible of different interpretations. *Id.* Because the meaning of the provisions must be construed in the light most favorable to the nonmoving party, the courts should not dismiss a claim unless it appears with reasonable certainty that the movant cannot prevail on any set of facts that might be proven to support the allegations in the complaint. *Id.*

### C. Defendants Have Sufficiently Alleged Appropriate Relief

InterDigital repeats its unsound arguments about the limited nature of its contractual obligations by contending that a plaintiff's sole remedy under French law for breach of an accord de principe is recovery of negotiation costs. As demonstrated above, however, InterDigital's reliance on accord de principe is flawed and provides no basis for dismissing Nokia's claims or requested remedies. InterDigital also argues that "specific performance is only available for contracts with terms that are sufficiently certain to allow for an appropriate order" (D.I. No. 22 at 16). This issue has been resolved in Nokia's favor by courts that have previously endorsed specific performance claims regarding FRAND obligations under circumstances similar to this case. *See Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2012 WL 5416941, *4 (W.D.

Wis. Oct. 29, 2012) (denying motion to preclude specific performance, stating that "specific performance may be an appropriate remedy under the circumstances of this case. In fact, it may be the only remedy."); *ESS Tech*, 1999 WL 33520483, at *3-4 (denying motion to dismiss claim for specific performance where no terms of the license are expressly agreed upon); *Microsoft*, 2012 WL 4827743, at *5-7 (declining to dismiss possible remedy of creating license agreement with FRAND terms for the parties); *see also Great-West Investors LP v. Thomas H. Lee Partners, LP*, No. 5508-VCN, 2011 WL 284992, at *9 (Del. Ch. Jan. 14, 2011) (denying motion to dismiss claim for specific performance of agreement to negotiate in good faith).

InterDigital also cites a district court case from the Seventh Circuit for the proposition that Nokia must plead all the elements required for an injunction in its claim for specific performance. The *Apple* decision cited by InterDigital, however, did not deal with pleading requirements or a motion to dismiss and no such pleading standard is imposed under Third Circuit law. *See, e.g., GF Princeton, L.L.C., v. Herring Land Group, L.L.C.*, 2013 WL 704106, at *3 (3d Cir. Feb. 27, 2013); *see also Saber v. FinanceAmerica Credit Corp.*, 843 F.2d 697, 702-03 (3d Cir. 1987) (identifying differences between injunctive relief and specific performance). In fact, in the decision InterDigital cites, Judge Crabb stated that "'specific performance may be an appropriate remedy under the circumstances of this case'" and "[i]t may have been appropriate to order exceptional relief in this case if it would have prevented continued patent infringement litigation or protracted negotiations." That is the case here.[6]

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[6] The *Apple* decision can also be distinguished for one important reason that is absent here. Apple failed to prove that damages would be an insufficient remedy because Motorola was unsuccessful in in obtaining an injunction. *Apple, Inc. v. Motorola Mobility, Inc.*, 2012 WL 5416931, at *3 (W.D. Wis. Nov. 2, 2012). Here, the threat of an injunction remains a looming possibility because the three InterDigital-initiated ITC cases (Investigation Nos. 613, 800 and 868) are pending.

## IV. Nokia's Promissory Estoppel and Implied License Counterclaims State Valid Causes of Action.

InterDigital seeks to dismiss Nokia's promissory estoppel (Count IV) and implied license (Count IX) counterclaims on the grounds that such claims do not exist under French law. As an initial matter, the declaration of InterDigital's expert, Professor Bertrand Fages, simply sets out the required contractual elements for a patent license agreement under French law but never states that an implied license does not exist under French patent law. More importantly, however, InterDigital offers no explanation why French law would apply to extra-contractual claims like Nokia's promissory estoppel and implied license, which undoubtedly exist under U.S. law, especially with respect to United States patents. The Third Circuit has held that extra-contractual claims are not necessarily governed by the same law chosen by the parties in the underlying contract. *See, e.g., Underhill Inv. Corp. v. Fixed Income Discount Advisory Co.*, 319 Fed. Appx. 137, 141 (3d Cir. 2009) (choice of law provision stating that claims "arising from '[t]his Agreement'" do not encompass quasi contract claims, such as promissory estoppel). Thus, there is no basis for dismissing Nokia's Counts IV and IX on the basis of French law or the insufficient declaration of Professor Fages.

## V. Nokia's 17200 Claim States a Valid Cause of Action

As InterDigital concedes in its Motion to Dismiss, Nokia Inc. properly alleged that its principal place of business is located in California and that California's Unfair Competition Law ("17200") reaches conduct or injury occurring in California (D.I. No. 22 at 18-19). The conduct and injury that Nokia specifically seeks to redress through its 17200 claim is InterDigital's attempts to impose through an ITC proceeding a nationwide import ban on the import and sale by Nokia Inc., a California resident for these purposes, of 3G wireless devices in California and elsewhere. In seeking to block Nokia Inc.'s import of products through all US borders and ports, including borders and ports in California, and effectively reduce a California resident's sales of 3G wireless devices in California and elsewhere to zero, InterDigital is plainly engaged in conduct and causing injury in California.

InterDigital also concedes in its motion to dismiss that injunctions are an appropriate remedy under 17200 and that Nokia seeks just such relief. InterDigital contends, however, that 17200 is preempted by federal patent law. As the case InterDigital quotes points out, however, bad faith conduct in connection with a patent is not preempted. *Serio-US Indus. v. Plastic Recovery Techs. Corp.*, 459 F.3d 1311, 1321 (Fed. Cir. 2006); *Bylin Heating Sys., Inc. v. M&M Gutters, LLC*, No. 2:07-CV-00505-FCD-KJM, 2008 WL 744706, at *2 (E.D. Cal. Mar. 18, 2008). The very conduct challenged by Nokia here under 17200 – obtaining an ITC exclusion order against a willing licensee – was found by the Federal Trade Commission to constitute a wrongful act - unfair competition under the federal analog to 17200, Section 5 of the Federal Trade Commission Act. *In the Matter of Motorola Mobility LLC & Google Inc.*, FTC File No. 121-0120, Complaint at ¶¶ 25-27, 31 (Jan. 3, 2013). InterDigital's acts of unfair competition are not preempted. *See TruePosition Inc. v. Andrew Corp.*, 507 F. Supp.2d 447, 461 (D. Del. 2007) (federal patent laws do not preempt Section 17200 claims where the defendant's counterclaims alleged that the breached its obligations to standards bodies).

## CONCLUSION

Nokia's FRAND counterclaims are properly pled and should proceed to discovery. They are not compulsory counterclaims to the prior litigation in which Nokia never filed an answer; they are ripe and this Court is in the best position – indeed, perhaps the only position – to resolve the questions presented by the counterclaims. The Court should join the many other district courts that have recognized the importance of enforcing the FRAND obligation, and should address them in this case.

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May 9, 2013

**CERTIFICATE OF SERVICE**

I hereby certify that on May 9, 2013, I caused the foregoing to be electronically filed with the Clerk of the Court using CM/ECF, which will send notification of such filing to all registered participants.

I further certify that I caused copies of the foregoing document to be served on May 9, 2013, upon the following in the manner indicated:

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