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UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

In the Matter of

CERTAIN WIRELESS COMMUNICATIONS
BASE STATIONS AND COMPONENTS
THEREOF

Inv. No. 337-TA-871

**ORDER NO. 11: DENYING ERICSSON'S MOTION TO AMEND ITS RESPONSE
TO THE COMPLAINT**

(July 5, 2013)

On May 23, 2013, respondents Telefonaktiebolaget LM Ericsson and Ericsson Inc. ("Ericsson") moved for leave to file an amended response to the complaint to include an affirmative defense of "Breach of FRAND Obligations (breach of contract, estoppel, patent misuse, and unclean hands)." (Motion Docket No. 871-010.) On June 3, 2013, complainant Adaptix, Inc. ("Adaptix") filed its opposition to the motion. On June 5, 2013, the Commission Investigative Staff ("Staff") filed a response opposing the motion.

Commission Rule § 210.14(b)(2) states:

If disposition of the issues in an investigation on the merits will be facilitated, or for other good cause shown, the presiding administrative law judge may allow appropriate amendments to pleadings other than complaints upon such conditions as are necessary to avoid prejudicing the public interest and the rights of the parties to the investigation.

(19 C.F.R. § 210.14(b)(2).)

Ericsson seeks to add a defense to its response to the complaint alleging, *inter alia*, that:

(1) Samsung, an Adaptix licensee, participates in standard setting organizations including the European Telecommunications Standards Institute ("ETSI") (Ericsson Br. Confidential Ex. 1:

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Proposed Amendment ¶ 36); (2) Samsung [REDACTED]
[REDACTED] knew Adaptix was indicating that a license under the asserted patent was required to practice the LTE (an ETSI “4G” wireless communications standard), and thus had the obligation to declare the asserted patent as a standard essential patent (*Id.* at ¶¶ 37-39); (3) Samsung’s failure to disclose the asserted patent “constitutes a breach of [its ETSI agreement], which Ericsson has standing to assert as a third party beneficiary” (*Id.* at ¶¶ 40-41); (4) [REDACTED]
[REDACTED] and (5) “Samsung’s failure to comply with its FRAND commitments [REDACTED] [REDACTED] estops Adaptix from here enforcing the ’808 patent against Ericsson,” as well as constitutes patent misuse and unclean hands (*Id.* at ¶ 43).

Ericsson argues its motion should be granted for several reasons. First, Ericsson argues that this amendment will facilitate the investigation by allowing Ericsson to obtain the discovery it needs to prove the defense. (Ericsson Br. at 7.) Second, Ericsson asserts that good cause exists for the amendment because Ericsson only learned of the defense through discovery. (*Id.*) Specifically, Ericsson argues that it relied on Adaptix’s assertion that the asserted patent was not subject to a FRAND obligation when Ericsson filed its original response and thus, did not include a FRAND defense. (*Id.*) Ericsson argues that “[a]lthough Adaptix’s initial statements in its Complaint misled and effectively precluded Ericsson from alleging a FRAND based defense, Adaptix’s subsequent document production and admissions regarding the Samsung license agreement led Ericsson to further scrutinize that license agreement.” (*Id.* at 7-8.) Ericsson

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asserts that good cause exists when the amendment to the response to the complaint is based on subsequent discovery. (*Id.* at 8.) Ericsson further asserts that “good cause exists here where Adaptix made affirmative representations in its Complaint and during the Preliminary Conference that, in light of [REDACTED] were apparently intended to leading Ericsson away from a FRAND based defense and raising a procedural bar to the assertion of that defense until after discovery was obtained.” (*Id.*) Third, Ericsson argues that its FRAND defense would not prejudice the rights of any party to the investigation or the public. (*Id.* at 11.) Ericsson contends that Adaptix has been on notice of its FRAND defenses and the burden on Adaptix is minimal because most of the information would come from Samsung. (*Id.* at 11-12.) Ericsson also argues that it would suffer prejudice if it is not allowed to assert this defense. (*Id.* at 12.)

Adaptix opposes the motion. Adaptix raises three main arguments. First, Adpatix argues that Ericsson has failed to show good cause for the amendment because the amendment is based entirely on information that was known to Ericsson before it filed its response to the complaint and it has not demonstrated any new information that would justify an amendment. Second, Adapatix argues that this amendment would not facilitate the investigation or streamline the issues because it is based on a novel theory of imputing a third party’s FRAND obligations onto Adapatix. Such a theory, Adaptix contends would involve extensive and burdensome third party discovery. Finally, Adaptix argues that adding the defense now—nearly at the close of fact discovery—would prejudice Adaptix by preventing Adaptix from taking discovery on other pending issues.

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Staff opposes the motion. Staff submits that Ericsson has failed to satisfy the good cause standard for three reasons: (1) the lack of new evidence supporting the proposed defense; (2) the lack of clear notice provided by Ericsson's proposed amendment; and (3) the likely prejudice resulting from the amendment. (Staff Br. at 2-3.) First, Staff argues that the allegations Ericsson makes its proposed amendment are all based on the Samsung/Adaptix license agreement (with amendments) that was included as an exhibit to the original complaint. (Staff Br. at 3.) Staff asserts that Ericsson's allegations that it was misled don't really seem to hold water because Ericsson's defense is based on its interpretation of the Samsung/Adaptix agreement, not Adaptix's own FRAND obligations that were at issue in the complaint. (Staff Br. at 3-4.) Moreover, Staff argues that the discovery that Ericsson contends was necessary to plead the defense (Ericsson Br. at 9-10) do not appear to add significant information enabling Ericsson to plead its new proposed defense. (Staff Br. at 4.) Second, Staff asserts that there was no clear notice regarding Ericsson's proposed defense. (Staff Br. at 4.) Staff argues that Ericsson cites no law for its assertion that Samsung's actions and alleged legal obligations constitute a defense against Adaptix's assertion of the asserted patent in this investigation. (Staff Br. at 4.) Moreover, Staff contends that Ericsson does not cite the elements of its proposed defenses or show how its factual assertions fit these elements. (Staff Br. at 4-5.) Thus, Staff submits Ericsson has not provided adequate notice. (Staff Br. at 5.) Finally, Staff argues that given the remaining time in the discovery process and the lack of clear notice regarding the basis for Ericsson's proposed defense, permitting the amendment of Ericsson's response would likely prejudice the other parties. (Staff Br. at 5.) Staff contends that there is only a limited time left before discovery closes (mid-July) and FRAND defenses require wide-ranging discovery into

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foreign law, causation, and harm. (*Id.*) Thus, Staff submits adding a FRAND defense at this late stage would be prejudicial.

The ALJ DENIES Ericsson's motion. The ALJ agrees with Adaptix and Staff that Ericsson has failed to show: (1) good cause for its proposed amendment; (2) that the amendment will facilitate the investigation; and (3) that the amendment will not prejudice the other parties. First, the ALJ finds that despite Ericsson's arguments, Ericsson has failed to show good cause for its amendments. As Adaptix and Staff point out, Ericsson's proposed amendment is based almost entirely on the Samsung/Adaptix license agreement. This agreement was provided to Ericsson as an exhibit to the complaint. Moreover, the ALJ does not find credible Ericsson's contention that it was misled by Adaptix regarding Adaptix's FRAND obligations. Ericsson's proposed amended response does not point to a single fact that Adaptix misrepresented or how Adaptix's position that it lacks FRAND obligations on the asserted patent is so unreasonable. *See Certain Wireless Devices with 3G Capabilities and Components Thereof*, Inv. No. 337-TA-800, Order No. 59, at 3 (September 7, 2012) (denying a motion to amend where the respondent "has not identified material facts . . . that were unavailable earlier").

The ALJ further finds that Ericsson's motion does not establish good cause because it does not even demonstrate that there is any legal support for its defense. The proposed amendment appears to contend that Adaptix's claims are barred by "breach of contract, estoppel, patent misuse, unclean hands." Without any authority or explanation, the ALJ cannot even determine if there is good cause for these amendments. For example, patent misuse requires that patentee "the patentee has impermissibly broadened the physical or temporal scope of the patent grant and has done so in a manner that has anticompetitive effects." *Princo Corp. v. Int'l Trade*

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Comm'n, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (en banc). Ericsson provides no explanation how Adaptix broadened the physical or temporal scope of the patent. The ALJ similar finds that the same holds true for Ericsson's allegations of "breach of contract," "unclean hands," and "estoppel."

Second, the ALJ further finds that this amendment will not facilitate the investigation. At this late stage of discovery, the proposed amendments will substantially disrupt the investigation. They will require extensive fact and expert discovery. Moreover, much of this discovery will likely be from non-parties located abroad. Without greater explanation and legal support and at the late point in discovery this motion was made (early-May), the ALJ finds that Ericsson's belief that these amendments will help it obtain third party discovery is not sufficient to justify these amendments.

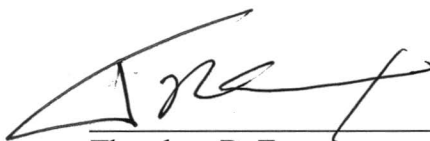
Finally, the ALJ further finds that these proposed amendments will prejudice Adaptix and Staff. As Staff cogently explains, while Ericsson has bandied about the word FRAND in this investigation, it has not provided any notice of this theory that Adaptix's license with Samsung created FRAND obligations. In such a circumstance, the ALJ cannot say that Adaptix had any notice of this new defense. Moreover, adding this complex and novel defense at this late stage of the investigation, will substantially prejudice the parties. Accordingly, Motion Docket No. 871-010 is DENIED.

Within seven days of the date of this document, each party shall submit to the Office of the Administrative Law Judges a statement as to whether or not it seeks to have any portion of this document deleted from the public version. Any party seeking to have any portion of this document deleted from the public version thereof shall also submit to this office a copy of this

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document with red brackets indicating any portion asserted to contain confidential business information. The parties' submissions may be made by facsimile and/or hard copy by the aforementioned date. The parties' submissions concerning the public version of this document need not be filed with the Commission Secretary.

SO ORDERED.

A handwritten signature in black ink, appearing to read 'T. Essex', is written over a horizontal line.

Theodore R. Essex
Administrative Law Judge

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **ORDER NO. 11** has been served by hand upon the Commission Investigative Attorney, Monica Bhattacharyya, Esq., and the following parties as indicated on July 16, 2013.



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