

March 6, 2013

BY ELECTRONIC FILING

The Honorable Lisa R. Barton
Acting Secretary
U.S. INTERNATIONAL TRADE COMMISSION
500 E Street, SW, Room 112
Washington, DC 20436

**Re: *Certain Wireless Devices with 3G and/or 4G Capabilities and Components
Thereof***
Inv. No. 337-TA-868

Dear Acting Secretary Barton:

On behalf of Complainants InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Holdings, Inc., enclosed please find **Complainant InterDigital's Opposition to Motion to Stay Investigation (Nos. 868-002)**.

Respectfully submitted,

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

/s/ Michael B. Levin

Michael B. Levin

cc: Service List

UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

Before the Honorable Robert K. Rogers, Jr.
Administrative Law Judge

In the Matter of

CERTAIN WIRELESS DEVICES WITH
3G AND/OR 4G CAPABILITIES AND
COMPONENTS THEREOF

Investigation No. 337-TA-868

**COMPLAINANT INTERDIGITAL'S OPPOSITION TO
MOTION TO STAY INVESTIGATION (NO. 868-002)**

Pursuant to Commission Rule 210.15(c) and Ground Rule 3, Complainants InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc. and InterDigital Holdings, Inc. (collectively "InterDigital") respectfully oppose Respondents ZTE Corp., ZTE (USA), Inc. (collectively "ZTE"), Huawei Technologies Co., Ltd., Huawei Device USA, Inc., Futurewei Technologies, Inc. (collectively "Huawei"), Nokia Corp., and Nokia Inc.'s (collectively "Nokia") (all collectively the "Moving Respondents") Motion to Stay Investigation (Motion No. 868-002).¹

I. Introduction

The Commission's Investigation into the Respondents' unfair acts should proceed, unfettered, pursuant to the Commission's statutory authority. Nothing about the stage or scope of this Investigation, the preceding investigation in *Certain Wireless Devices with 3G*

¹ ZTE and Huawei moved to stay the Investigation on February 22, 2013. On February 28, 2013, Nokia filed a notice of joinder in the Motion.

Capabilities and Components Thereof, Inv. No. 337-TA-800 (hereinafter “the 800 Investigation”), nor the parallel district court proceedings justifies a stay of the this Investigation.

Moving Respondents’ arguments in favor of a stay are based on speculation upon speculation. Respondents speculate that their counterclaims would survive a motion to dismiss, though similar counterclaims have not. Respondents then speculate that the district court would grant the motion to bifurcate and expedite Huawei’s and ZTE’s counterclaims, though they have cited no authority for such bifurcation and expedition, and have already been denied such relief by the Delaware District Court and Delaware Court of Chancery in prior cases. Respondents then speculate that the district court would “set a FRAND rate,” and that this would occur with sufficient haste, although district court schedules are generally longer than those in the ITC. Finally, Respondents represent that such a “FRAND rate” would be binding on them, even though they reserve their right to appeal and their right to contest a royalty as to patents that are not valid, infringed, or essential— facts they contest as to all of the asserted patents. Moving Respondents’ arguments in favor of a stay are based on speculation as to what the Delaware District Court and the ALJ in the 800 Investigation might decide at some later date, and what the parties may do with such decisions, without real analysis as to the timing, scope, or effect of any such decisions on the issues in this Investigation.

This is the latest in a series of efforts by the Respondents to attempt to divest the Commission of its jurisdiction over their unfair acts.² The Moving Respondents engage in

² See 800 Investigation, Order No. 29 (May 31, 2012) (denying Nokia’s motion to terminate on the basis of purported FRAND obligations where Nokia argued that it “has repeatedly stated that it is willing to take a license from InterDigital, and that the only dispute remaining between the parties is over the FRAND terms and conditions of a license”; finding that extent of InterDigital’s obligations is disputed, Commission did not lack jurisdiction over investigation, and Nokia did not establish that the investigation was foreclosed due to FRAND obligations); 800 Investigation, Order No. 53 (Aug. 16, 2012) (denying motion to certify interlocutory review

extensive policy discussion and unsupported hyperbole regarding InterDigital's alleged "campaign of litigation," and purported "sea change" of authority which allegedly "has found InterDigital's chosen course of action to constitute unfair competition." The Moving Respondents, however, do very little to address the specific relevant facts and the relevant statutory and binding framework on the Commission in deciding on a motion to stay. None of the relevant factors the Commission analyzes when considering such motions weigh in favor of a stay.

Respondents' Motion turns judicial efficiency and economy on its head, in attempting to have the district court "set a FRAND rate" without adjudicating Respondents' challenges to patent infringement, validity, and essentiality -- all while Respondents maintain their ability to withdraw their request, and refuse to pay, in the event their other defenses are successful. Indeed, at the outset of the 800 Investigation, the Delaware District Court and the Delaware Court of Chancery previously rejected Huawei and ZTE's argument that counterclaims seeking the setting of a "FRAND rate" should go forward on an expedited track and before the issues of patent infringement and validity are decided.³

of Order No. 29 and stating "It is found that completion of this investigation will be materially advanced if the Commission is presented with respondents' full FRAND defenses, and a relevant evidentiary record"); Order No. 95 (Jan. 24, 2013) (denying Huawei's motion for summary determination on FRAND license where issues remained concerning at least whether InterDigital had made discriminatory demands as alleged). Additionally, upon the filing of the Complaint in this Investigation, Huawei formally requested that the Commission delay or decline institution due to the FRAND issues Huawei now raises. The ITC did not grant Huawei's request and this Investigation was duly instituted.

³ *InterDigital v. Huawei*, Case No. 11-cv-654-RGA, Hr'g Tr. At 17-18, 100 (D. Del. Mar. 2, 2012) (rejecting Huawei's approach to seek a FRAND rate before the ITC and this Court ruled on the issues of patent infringement, validity and essentiality); *Huawei Technologies v. InterDigital Technology Corp.*, C.A. No. 6974-CS, Order of Dismissal (Del. Jun. 6, 2012) (denying renewed motion for expedited proceedings).

II. Background

The Commission instituted the 800 Investigation on August 31, 2011, based on InterDigital's complaint against ZTE, Huawei, and Nokia, which alleged a violation as to certain wireless devices with 3G capabilities and components thereof by reason of infringement of seven patents.⁴ An evidentiary hearing was held from February 12-21, 2013. The Initial Determination on Violation is due on June 28, 2013.

On January 2, 2013, on the same day it filed the Complaint in this Investigation, InterDigital filed four actions for patent infringement in Delaware District Court against Huawei (C.A. No. 13-00008-RGA), ZTE (C.A. No. 13-cv-00009-RGA), Nokia (C.A. No. 1:13-cv-00010-RGA); and Samsung (C.A. No. 1:13-cv-00011-RGA). The district court cases against Huawei and ZTE assert infringement of three patents related to 3G and 4G wireless communication technology. These patents have not previously been asserted against the same respondents. In addition, 4G functionality has not previously been accused. The case against Nokia asserts one of the three patents asserted against Huawei and ZTE. The case against Samsung asserts the same three patents asserted against Huawei and ZTE, along with four additional patents that were previously asserted against Huawei and ZTE in the 800 Investigation. Huawei filed its Answer and Counterclaims on January 24, 2013 (D.I. #8). ZTE filed its Answer and Counterclaims on January 31, 2013 (D.I. #7). Nokia filed its Answer and Counterclaims on February 28, 2013. Samsung has an extension of time to answer until April 24, 2013.

In the district court, Huawei and ZTE each pled six counterclaims relating to their assertions about alleged FRAND commitments made by InterDigital, and Nokia asserted nine

⁴ One patent was terminated from the investigation and another was added, making the final number of asserted patents seven.

such counterclaims. Although FRAND obligations are applicable only to “essential patents” that are *necessarily infringed* by a manufacturer of standardized products, these defendants also have asserted defenses and counterclaims seeking to have the patents in suit declared *not infringed*, as well as invalid and unenforceable. Further, in its counterclaims, Nokia states that “Nokia has informed InterDigital that it is ready and willing to agree to FRAND license terms for the Combined Asserted Patents and InterDigital’s other FRAND-encumbered U.S. patents *to the extent that Nokia actually requires a license to such patents (i.e., to the extent they are valid, essential, and actually practiced by Nokia in relevant products).*” D.I. # 8 at 13. Respondents have also denied infringement, validity, and enforceability of the patents asserted in this Investigation. Consequently, Respondents’ own positions show that they do not consider any standards-essential patents to be at issue in this Investigation and that they stand willing to accept FRAND terms only for patents found to be “valid, essential, and actually practiced,” all facts they contest here and in district court.

Defendants have until March 6, 2013, the date of this Opposition, to elect to invoke the mandatory stay of those actions under 28 U.S.C. § 1659, an election they all made in the previous action between the parties. As of the filing of this Opposition, none of the Respondents have sought to invoke a stay under 28 U.S.C. § 1659.

On January 20, 2013, Huawei submitted a letter to Judge Andrews in the District of Delaware requesting the setting of an early Rule 16 conference. Judge Andrews denied that request via oral order, stating that the Court “will conduct the Rule 16 Conference when the three related cases to this one (13cv09-RGA, 12cv-10-RGA, and 13cv-RGA) are prepared to go forward with a scheduling conference.” On February 11, 2013, ZTE and Huawei filed their motions “to Expedite Proceedings for the Declaration of FRAND License Terms.” D.I. #9, 10,

16, 17. InterDigital filed its opposition to the motions to expedite on February 28, 2013, and Huawei and ZTE's Reply is due March 11, 2013.

III. Argument

A. Legal Standard

“Congress[] [has] mandate[d] that section 337 investigations be expeditiously adjudicated.” *Certain Semiconductor Chips with Minimized Chip Package Size and Products Containing the Same*, Inv. No. 337-TA-605 (May 27, 2008) (“*Semiconductor Chips with Minimized Chip Package Size*”); 19 U.S.C. § 1337(b)(1). Thus, it is “Commission policy that, to the extent practicable and consistent with requirements of law, investigations be conducted expeditiously to avoid delay.” *Id.* (citing 19 C.F.R. § 210.2; *Certain Organizer Racks*, Inv. No. 337-TA-466, Comm’n Op. at 3-4 (Feb. 8, 2002); *Certain High-Brightness Light Emitting Diodes*, Inv. No. 337-TA-556, Comm’n Op. at 18-19 (Sep. 11, 2007); *Certain EPROM, EEPROM, Flash Memory, and Flash Microcontroller Semiconductor Devices*, Inv. No. 337-TA-395, Comm’n Op. at 90 (Dec. 11, 2000)).

Specifically,

It is the policy of the Commission that, to the extent practicable and consistent with requirements of law, ***all investigations and related proceedings under this part shall be conducted expeditiously***. The parties, their attorneys or other representatives, and the presiding administrative law judge shall make ***every effort*** at each stage of the investigation or related proceeding ***to avoid delay***.

19 C.F.R. § 210.2; *see also* 19 U.S.C. § 1337(b)(1) (mandating that the Commission “shall ... promote expeditious adjudication”) (emphasis added). The legislative history of the 1994 amendments to Section 337, which eliminated the statutory twelve month requirement for completion of most investigations, underscored that by “expeditious adjudication,” Congress expected no slowdown in the speed with which Section 337 investigations would be completed. *See* S. Rep. No. 412, 103d Cong., 2 Sess. 119 (1994) (“Although the fixed deadlines for the

completion of section 337 investigations have been eliminated, the Committee expects that, given its experience in administering the law under the deadlines in current law, the ITC will nonetheless normally complete its investigations in approximately the same amount of time as is currently the practice.”). “As the Commission should complete an investigation in an expedient manner, a stay or suspension should only be granted when there is good cause.” *Certain Integrated Circuits, Chipsets, and Products Containing Same*, Inv. No. 337-TA-709, Order No. 13 (July 28, 2010).

The Administrative Law Judge has the authority pursuant to Commission Rule 210.15(a)(1) to stay an investigation pending resolution of a related litigation or administrative proceeding. In deciding whether to stay an investigation, five factors are typically considered:

- (1) the state of discovery and the hearing date;
- (2) whether a stay will simplify the issues and hearing of the case;
- (3) the undue prejudice or clear tactical disadvantage to any party;
- (4) the stage of the parallel proceedings; and
- (5) the efficient use of Commission resources.

See Semiconductor Chips with Minimized Chip Package Size, Comm’n Op. at 3.

B. Argument

The five factors to consider in deciding whether to grant a stay all weigh against staying the Investigation pending resolution of the Moving Respondents’ counterclaims in district court or the completion of the 800 Investigation. Tellingly, the Moving Respondents spend less than three pages of their fifteen-page Memorandum in Support even addressing the relevant factors. Nokia does not address the factors at all in its joinder.

1. The State of Discovery and the Hearing Date

The first factor, the state of discovery and the hearing date, is at most neutral. All parties, including the Staff, have served discovery requests. All Respondents have served discovery responses. Within a matter of days, InterDigital will also have served discovery responses. The parties have already been engaged in active discovery committee conferences and appeared before the ALJ for a preliminary conference setting the procedural schedule. The evidentiary hearing is scheduled to occur by the end of the year. *See Certain Semiconductor Chips and Products Containing Same*, Inv. No. 337-TA-753, Order No. 22, at 4-5 (May 9, 2011) (“*Semiconductor Chips*”) (finding first factor neutral where “discovery had only been ongoing for a couple months and the hearing date was over 7 months away”).

2. Whether a Stay Will Simplify the Issues and Hearing of the Case

Respondents argue that a stay will simplify the issues by (1) (as to the district court counterclaims) “provid[ing] the Moving Respondents with the opportunity to accept a license” that would “provid[e] grounds for termination of the investigation altogether;” and (2) (as to the 800 Investigation) “streamlin[ing] the Commission's consideration” of claim construction, “domestic industry issues” and “the same facts concerning InterDigital's FRAND obligations.” Neither of these arguments is sound.

a. The District Court Counterclaims Will Not Resolve or Simplify the Issues in this Investigation

The Moving Respondents have not established that their district court counterclaims will provide “grounds for termination of the investigation altogether.” In *Semiconductor Chips*, respondents argued that the Federal Circuit’s opinions regarding two pending appeals would “provide guidance on critical issues in this Investigation,” including guidance as to the alleged unenforceability of some patents in view of alleged spoliation of evidence. *Semiconductor*

Chips, at 5. Disagreeing with respondents and holding that “this factor weighs against granting a stay,” the ALJ held that:

[W]hether the Federal Circuit’s rulings ... will ‘provide guidance on critical issues in this Investigation’ depends on the Federal Circuit’s final decision and the scope of those opinions. Should the Federal Circuit decide to uphold the Commission’s decision in the 661 Investigation, then any guidance from the Federal Circuit would be minimal In other words, the issues in this investigation will not have been simplified. The ALJ finds that staying the investigation based on speculation as to not only when, but also how the Federal Circuit will decide the [appeals] are insufficient to warrant a stay at this time.

Id. The same deficiency applies here. The Moving Respondents base their arguments on unfounded speculation and assumptions as to how and when the parties, the district court, and the ALJ in the 800 Investigation might act. Respondents’ counterclaims will not resolve or simplify all or even a majority of the issues in this Investigation for numerous reasons.

First, not all Respondents have moved for a stay. The Samsung respondents have not moved for a stay and have not asserted FRAND counterclaims in the district court action.⁵ Thus, Huawei’s, ZTE’s, and Nokia’s FRAND counterclaims will have no bearing on the allegations as to Samsung and that portion of the Investigation must either proceed or be unnecessarily stayed.

Second, even if Samsung ultimately pleads similar counterclaims and joins in the request for a stay, only respondents ZTE and Huawei have moved for consideration of their district court FRAND counterclaims on an expedited basis.

Third, the Motion assumes that the district court will grant the motion to expedite. This is unlikely for the many reasons explained in InterDigital’s Answering Brief in Opposition to Motions to Expedite FRAND Licensing Counterclaims, attached hereto as Exhibit 1. More specifically, in prior actions, the Delaware Court of Chancery and Delaware District Court have

⁵ The Samsung respondents are not set to answer the district court complaint until April 24, 2013.

both previously rejected Huawei’s arguments that counterclaims seeking the setting of a “FRAND rate” should go forward on an expedited track before the issues of patent infringement and validity are decided, and before a parallel ITC investigation.⁶ In particular, both the Court of Chancery and District of Delaware rejected Huawei’s suggestion that Huawei needed expedited relief in those forums because proceeding in the ITC would cause irreparable harm to Huawei.⁷ Moreover, in their motion to expedite before the district court, Huawei and ZTE cited no precedent in which a court has granted the relief requested. In fact, the weight of authority goes against such a course. Absent expedition, it could be years before the district court case even goes to trial on any relevant issues, not to mention the time for appeals.⁸

Fourth, even if the district court did grant the motion to expedite, there is no indication as to when, or even whether, a decision “setting a FRAND rate” would even occur. InterDigital intends to move to dismiss the FRAND counterclaims asserted by Huawei, ZTE, and Nokia, as they are legally deficient for numerous reasons. Courts do not have jurisdiction to provide the kind of advisory opinion that Huawei, ZTE, and Nokia request, and other courts have dismissed or stayed such counterclaims precisely because they will not resolve anything when the accused infringer maintains the ability to decline to accept the determined royalty. *See Rembrandt Techs., L.P. v. Harris Corp.*, 2009 WL 1509103, at *1 n.6 (Del. Super. May 22, 2009) (staying claims to set a FRAND rate when party continually changed position about whether it would pay

⁶ *See supra* n. 3.

⁷ *See Huawei Technologies v. InterDigital Technology Corp.*, C.A. No. 6974-CS, Hr’g Tr. at 27-28 (Del. Ch. Jun. 11, 2012) ; *InterDigital v. Huawei*, Case No. 11-cv-654-RGA, slip op. (D. Del Mar. 2, 2012) (noting that Huawei raised FRAND issues as defense that would be adjudicated in ITC).

⁸ Median time to trial statistics for the Delaware District Court in patent cases are just over two years. Lex Machina U.S. District Court for the District of Delaware Median Time to Trial statistics (indicating median time to trial of 733 days for cases 2000-Present); LegalMetric Time to Trial District Comparison—Patent Cases (January 2013) (indicating median time to trial of 28-months for patent cases in the District of Delaware).

such royalties and not seek recoupment); *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2012 WL 5416931 (W.D. Wis. Nov. 2, 2012) (dismissing Apple claims for FRAND rate determination when, on eve of trial, Apple stated that it reserved right not to pay determined rate).

Fifth, even if the court did make a pronouncement of such a rate, the Moving Respondents during the meet and confer process were unwilling to indicate whether they would cease to pursue their noninfringement and invalidity arguments and waive any subsequent right of appeal and unconditionally accept a district court rate. Indeed, in the Motion to Stay, the Moving Respondents freely admit that what they are seeking from the district court is nothing more than an “opportunity to accept” a rate determined by the district court (Mot. at 7) – which of course entails a concomitant “opportunity to decline” that rate. The Moving Respondents claim that they have “committed to the Delaware court that they will be bound by the district court’s determination” (Motion at 6) and that “each has agreed to be bound by the court’s determination” (Motion at 11), without directing the ALJ or Commission to any such statements that are binding on Respondents beyond mere attorney argument.⁹ It is not even clear that Respondents could make such binding statements, as nothing prevents them from later changing their positions due to new developments, or from withdrawing their FRAND counterclaims at any point in the future (after they have accomplished their goal of delaying this Investigation). Indeed, Nokia in its Joinder implicitly reserves its right to contest a FRAND rate and terms. *See* Nokia Joinder at 1 (“Nokia’s answer further states its willingness (i) to agree to FRAND

⁹ Respondents do not explain what they mean by “bound by the district court’s determination.” To the extent Respondents simply mean to convey that they agree that *res judicata* applies to a district court judgment, that misses the point entirely. The problem is that Respondents are asking for an advisory opinion on what a rate might potentially be if they chose to accept it, which is not a proper subject for determination by a court in the first instance.

licensing terms for any of InterDigital’s U.S. patents *that are valid, essential, and actually practiced by Nokia* in its products.”) (emphasis added).

Sixth, Respondents inaccurately characterize the law that they claim is applicable to their motion. For example, Respondents proclaim in the Introduction of their motion that the “Western District of Wisconsin” has concluded that seeking an exclusion order is “violative of a FRAND commitment.” Mot. at 1. They provide no citation for this assertion, and it is obvious why: that court has repeatedly held *exactly the opposite* of what Respondents assert. *See Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2012 WL 5416941, at *15 (W.D. Wis. Oct. 29, 2012) (holding that “Motorola *did not breach* its contracts simply by requesting injunction and exclusionary order” and observing that ETSI is silent on availability of injunctive relief) (emphasis added); *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2012 WL 5416931 (W.D. Wis. Nov. 2, 2012) (dismissing Apple’s claims for alleged breach of FRAND commitments).

Respondents further rely on a proposed settlement between Google/Motorola and the FTC (which has not even been entered yet) as alleged authority for the proposition that ITC investigations cannot go forward when the accused infringer seeks a “FRAND rate” in another forum. Putting aside that the Google/Motorola situation is inapposite in a number of ways, an administrative consent decree is not law. It is a settlement agreement between third parties who have no relationship to this Investigation, and is not precedent binding on the ALJ, the Commission, or any other tribunal. Consent decrees are not legal determinations, and have no precedential weight even in the context where they arose (FTC administrative proceedings under Section 5 of the FTC Act), much less in a Section 337 investigation by the ITC. *United States v. Lane Labs-USA, Inc.*, 324 F. Supp. 2d 547 (D.N.J. 2004) (administrative consent decrees are “by

their very nature consensual, and carry no precedential weight”); *Beatrice Foods Co. v. FTC*, 540 F. 2d 303 (7th Cir. 1976) (“The entering of a consent decree, however, is not a decision on the merits and therefore does not adjudicate the legality of any action by a party thereto. Nor is a consent decree a controlling precedent for later Commission action.”).

In short, Respondents’ assertions about alleged efficiencies to be gained by staying this Investigation in favor of their district court counterclaims are largely speculative, overstated, and without legal support, and should be rejected.

b. A Stay Pending the Resolution of the 800 Investigation Would not Simplify the Issues or Conserve Commission Resources

A stay pending the resolution of the pending 800 Investigation would not simplify the issues in this Investigation. Whether the outcome or ID of the 800 Investigation will provide any relevant guidance depends on the ALJ’s final initial determination and the scope of that determination. Any speculation as to the outcome or effect of that determination is just that: speculation. *See Semiconductor Chips*, at 5 (“The ALJ finds that staying the investigation based on speculation as to not only when, but also how the Federal Circuit will decide the NVidia Appeal are insufficient to warrant a stay at this time.”).

Beyond generalities that “the 800 Investigation includes issues that overlap substantially with the issues in this Investigation,” the Moving Respondents make no analysis as to any specific preclusive effect any finding in the 800 Investigation would have on the parties or the ALJ. Certainly, there is an absence of complete overlap where different patents are asserted against different parties and 4G technology is additionally accused. Notably, none of the patents asserted against the Moving Respondents in this investigation were asserted against them in the 800 investigation, although two are related to two previously asserted patents. In addition, the FRAND and domestic industry issues are likely to have different relevant facts between the two

investigations. The Commission has stated that this factor is limited where it is based on “general considerations rather than on the particular facts specific to the present case.” *Semiconductor Chips with Minimized Chip Size*, Comm’n Op. at 7. Even where, for example, a parallel proceeding, “*could* resolve the validity of the [] patent, a stay will not simplify any of the issues in this case” without some showing of an impending resolution that *will* resolve outstanding issues regarding validity or enforceability. *Certain Authentication Systems, Inv.*, 337-TA-697, Order No. 11 at 4 (April 27, 2010).

Respondents’ reliance on *Integrated Circuits* is misplaced. Respondents cite to *Integrated Circuits* for the proposition that “[p]rior investigations before this Commission have been stayed pending resolution of parallel investigations in the later stages of completion.” (Motion at 13) (citing *Certain Integrated Circuits, Chipsets, and Products Containing Same Including Televisions, Inv. No. 337-TA-822, Order No. 17 at 7 (Aug. 6, 2012)*). In *Integrated Circuits*, the ALJ found that the two investigations were “identical in almost all respects.” Both investigations had the same complainant, same asserted claims and patents, same chip suppliers/manufacturers of the same accused products, and identical scopes of the investigation. Only the downstream customer respondents were different. Here, none of the same patents asserted in the 800 Investigation are asserted again as to the same respondents and products. Moreover, the scope of investigation is broader with respect to new patents, a new Respondent, a new technology generation (4G), and new products.

3. The Undue Prejudice or Clear Tactical Disadvantage to Any Party

The Commission has repeatedly refused to grant stays in part because of the prejudice to complainants from such a stay. Staying an investigation results in a “*clear disadvantage* to [complainant] because the Commission does not have the authority to award damages for past infringement.” *Semiconductor Chips*, Order No. 22; *see also Certain Course Management*

Systems Software Products, Inv. No. 337-TA-677, Order No. 5 (July 24, 2009) (Complainant “would be unduly prejudiced” by stay). “[G]ranting a stay in this investigation is tantamount to granting Respondents a royalty free license during the length of the stay.” *Semiconductor Chips*, Order No. 22.

As noted in *Semiconductor Chips* in discussing this factor:

The Commission and the ALJ are required, pursuant to Section 337, to complete the investigation as expeditiously as possible once the investigation has been instituted. Here, the ALJ finds that Respondents['] speculations as to how the Federal Circuit’s decisions may affect the instant investigation do not outweigh the statutory mandate of completing the investigation as expeditiously as possible.

Id. at 7 (citing 19 U.S.C. 1337(b)(2) (“The Commission shall conclude any such investigation and make its determination under this section at the earliest practicable time after the date of publication of notice of such investigation”).

The Moving Respondents claim that “InterDigital will suffer only minimal, if any, prejudice” because “[t]he very point of the District Court claims brought by the Moving Respondents is to set a FRAND royalty rate for license agreements with InterDigital” and any “delay would be the result of InterDigital’s decision to file its claims in three separate investigations.” Mot. at 14. “[T]he Commission has explicitly held[, however,] that no weight should be given to the availability of alternative remedies in Federal Court.” *Certain Blu-Ray Disc Players, Components Thereof and Products Containing Same*, Inv. No. 337-TA-824, Order No. 13 at 9 (Apr. 16, 2012); *Semiconductor Chips with Minimized Chip Package Size*, Comm’n Op. at 3-4 n.2 (“remedies potentially available in the courts are irrelevant to our analysis of whether to stay this proceeding”). “Also contrary to the Respondent’s arguments, the Commission [has] indicated that the motivation behind Complainant’s filing an investigation at the Commission is irrelevant to the analysis.” *Blu-Ray Disc Players*, Order No. 13 at 10.

The Moving Respondents' arguments as to this factor also are premised largely on unfounded speculation as to what the district court may do, what effect that may have on the instant claims, what InterDigital could have done in the 800 Investigation, and what the Moving Respondents will be willing to do upon a district court ruling. Such arguments should carry little weight. *See Blu-Ray Disc Players*, Order No. 13 at 10 (noting this factor weighs against stay where "the results of the [parallel] proceedings are far from certain" and respondent's arguments as to the prejudice were "uncertain and speculative"). What is indisputable, however, is that staying this Investigation would prejudice InterDigital, as the Complainant, who seeks redress for the unfair acts of Respondents in an expeditious manner.

4. The Stage of the Parallel Proceedings

The district court counterclaims are still in their infancy. Discovery has not yet opened, no Rule 26(f) conference has occurred, and the court has not yet set a Rule 16 conference. Indeed, InterDigital is not even due to respond to the first of the counterclaims until March 20, 2013. InterDigital intends to move to dismiss the counterclaims, and due to their legal deficiencies, the counterclaims should not go forward at all. It would make no sense to stay this Investigation in favor of counterclaims that should not proceed because they fail to state a claim upon which relief can be granted.

Further, InterDigital has opposed expedited consideration of the counterclaims for the reasons set forth in InterDigital's Answering Brief in Opposition to Motions to Expedite FRAND Licensing Counterclaims, attached hereto as Exhibit 1, discussed above. Thus, it is completely unknown when (or even whether) a final resolution of those counterclaims will occur. As previously noted, it could be years before the district court rules on any relevant issues. *See e.g. Certain Semiconductor Chips Having Synchronous Dynamic Random Access Memory Controllers and Products Containing Same*, Inv. No. 337-TA-661, Order No. 7 (Mar. 4, 2009)

(denying a stay pending completion of a Federal Circuit appeal in part because “the Federal Circuit has not yet set the appeals on its hearing docket, so the parallel proceeding is at best in its earliest stages, assuming it will be heard at all.”); *Semiconductor Chips with Minimized Chip Package Size*, Comm'n Op. at 10-12 (finding lack of certainty as to when reexamination proceedings would conclude weighed against granting a stay); *Certain Bassinet Products*, Inv. No. 3370-TA-597, Order No. 11 (Sep. 20, 2007) (denying a motion to stay pending reexamination due to the inability to discern a likely time frame for the reexamination); *compare Certain Course Mgmt. Sys. Software Products*, Inv. No. 337-TA-677, Order No. 5 at 8 (Jul. 24, 2009) (granting motion to stay where parties agreed that the requested stay was expected to last only “a few weeks” given the advanced stage of the parallel appellate proceedings). As noted above, there is no indication that the counterclaims will in fact be expedited and on what schedule they may or may not be decided.

Where the parallel proceedings “are still at initial phases,” this factor weighs against granting a stay. *Semiconductor Chips with Minimized Chip Package Size*, Comm’n Op.; *see also Semiconductor Chips*, Order No. 22 (denying motion to stay, noting that the parallel proceeding “is still in its early stages.”). Parallel proceedings with unclear deadlines further weigh against a stay, regardless of counsel’s optimism that they would proceed with haste. *Certain Authentication Systems*, Inv. No. 337-TA-697 (“*Authentication Systems*”), Order No. 11 (April 27, 2010) (denying motion to stay, holding that “[w]hile counsel for [movant] is optimistic that the [parallel] proceedings will be resolved quickly, there is no clear deadline for processes to be completed.”); *Semiconductor Chips*, Order No. 22, at 7 (denying motion to stay, noting that “it remains unclear when the Federal Circuit will ultimately issue its decision.”).

In *Authentication Systems*, respondent moved for a stay of the investigation for 45 days pending parallel reexamination proceedings. Order No. 11 at 1. Despite respondent's request for a stay of the investigation for a finite period, the ALJ held that "[respondent] offers no evidence that the PTO has any clear deadline for action and offers no evidence that resolution of the reexamination will be completed in 45 days, 45 weeks, or some other period of time. As the parties and the Commission have a strong interest in swift resolution of section 337 investigations, the ALJ finds this militates against a stay of the proceedings to await action by the PTO." *Id.* at 5. The ALJ further disregarded any pledged optimism on behalf of the respondent:

While [respondent's] patent prosecution attorney, Mr. Martin, has opined that he expects the PTO to act quickly on the matter, he has not provided any evidence to support his expectation. He does not provide any context as to what "quick" means with regard to this action by the PTO, and his optimism in this matter is not supported by any evidence before the ALJ.

Id. (denying stay).

The same reasoning applies here. The request to stay pending resolution of the Moving Respondents FRAND counterclaims is indefinite as to time and scope. The Moving Respondents' optimism that the district court will proceed on an expedited basis is premature, unfounded, and incomplete (as no request to expedite is even pending as to Nokia's counterclaims and Samsung has not even filed counterclaims). As the Moving Respondents "offer[] no evidence that resolution of [their counterclaims] will be completed in 45 days, 45 weeks, or some other period of time," this factor weighs against a stay. *Authentication Systems*, Order No. 11 at 5.

As to the request for a stay pending the conclusion of the 800 Investigation, a final Initial Determination is due on June 28, 2013. According to the Procedural Schedule entered in this Investigation on March 1, 2013, this will be around the time the parties are exchanging

contention interrogatory responses, will be two months before the end of fact discovery and exchange of expert reports and six months before the hearing. In short, the parties will have sufficient time to address any outcome of the 800 Investigation, if any, that is relevant to this Investigation.

5. The Efficient Use of Commission Resources

Respondents have not shown that staying the Investigation pending resolution of either their district court counterclaims or the 800 Investigation would promote the efficient use of Commission resources.

“[I]ssuing a stay could add costs to the investigation by extending the time of the investigation.” *Certain Integrated Circuits, Chipsets, and Products Containing Same*, Inv. No. 337-TA-709, Order No. 13 (July 28, 2010) (denying motion to stay). Further, where allegations of savings of Commission resources are fueled by speculation, they are rejected:

While Respondents are correct that Commission resources would be saved by avoiding litigation surrounding the [patents] should the Federal Circuit ultimately rule in [Respondent’s] favor, ***such a scenario rests on speculation and several assumptions, including that [Respondent] will ultimately prevail*** in the [other] proceedings.

Semiconductor Chips, Order No. 22, at 8. Notably, almost regardless of the outcome in the 800 Investigation and potentially the district court counterclaims, the parties and the Commission will have to expend the same or nearly the same resources during discovery. At least as to the 800 Investigation, this Investigation encompasses additional patents, respondents, and products.

In *Semiconductor Chips*, respondents moved for a stay of the full investigation pending a Federal Circuit appeal of only some of the patents-in-suit (the “Barth I Patents”). Order No. 22. Respondents argued that because the Barth I Patents were “closely intertwined” with the other patents-in-suit (the “Dally Patents”), the pending Federal Circuit disposition of the Barth I

Patents required a stay of *all* patents, including the Dally Patents not subject to the appeal. *Id.*

The ALJ rejected this argument, holding:

Furthermore, since the issues surrounding the Dally Patents must still be resolved regardless of the outcome of the Federal Circuit's decisions, the efficient use of the Commission's resources and the statutory mandate of the Commission, which requires the Commission to conclude any investigation and make its determination at the earliest practicable time after the date of publication of notice of the investigation, are served best by going forward in this matter.

Id. at 8.

The same reasoning applies here. Accordingly, a stay of the Investigation is unwarranted and the Commission's interests are "served best by going forward in this matter."

Semiconductor Chips, Order No. 22 at 8.

IV. Conclusion

For the foregoing reasons, InterDigital respectfully requests that the ALJ deny the Moving Respondents' Motion to Stay.

Dated: March 6, 2013

Respectfully submitted,

/s/ Michael B. Levin

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EXHIBIT 1

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,	:	
	:	C.A. No. 1:13-cv-00009-RGA
Plaintiffs,	:	
	:	
v.	:	JURY TRIAL DEMANDED
	:	
ZTE CORPORATION, a Chinese corporation,	:	
and ZTE (USA) INC., a New Jersey	:	
corporation,	:	
	:	
Defendants.	:	

**INTERDIGITAL'S ANSWERING BRIEF IN OPPOSITION TO
MOTIONS TO EXPEDITE FRAND LICENSING COUNTERCLAIMS**

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Dated: February 28, 2012

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INTRODUCTION

Both this Court and the Delaware Court of Chancery previously rejected Huawei and ZTE's argument that counterclaims seeking the setting of a "FRAND rate" should go forward on an expedited track and *before* the issues of patent infringement and validity are decided. On the present motions to expedite, Huawei and ZTE again make the same arguments. Nothing material has changed: not the relief requested, not the parties' positions, and not the state of the law.

It still makes no sense, and turns judicial efficiency and economy on its head, to attempt to hold a trial on what could be analogized to the damages phase of a patent case before liability is determined. It is still impractical to ask a Court to attempt to set a "FRAND rate" without adjudicating defendants' challenges to patent infringement, validity, and essentiality. It remains improper to seek a purely hypothetical and advisory opinion in the form of an expedited "FRAND rate" determination, while the counterclaimants maintain their ability to withdraw their request, and refuse to pay, in the event their other defenses are successful.

Finally, the motion to expedite itself is premature. First, it is unclear at this juncture whether other defendants in the related cases (including Nokia and Samsung) will invoke the automatic stay under 28 U.S.C. § 1659. Second, the Court cannot fairly be asked to set an expedited schedule, requiring counterclaims to be tried before the affirmative claims in a case, until those counterclaims have survived a motion to dismiss. Rushing headlong into discovery on claims that are deficient as a matter of law is not judicially efficient. For this reason, the Court should not reverse its prior Oral Order denying an expedited Rule 16 conference before the pleadings are closed. *See* February 1, 2013 Oral Order (unnumbered on docket).

NATURE AND STAGE OF THE PROCEEDINGS AND FACTUAL BACKGROUND

On January 2, 2013, InterDigital Communications, Inc., InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Holdings, Inc. (collectively “InterDigital”), filed four actions for patent infringement in this Court against: Huawei Technologies Co., Ltd., Futurewei Technologies, Inc. d/b/a Huawei Technologies (USA), Huawei Device USA, Inc. (collectively “Huawei”) (C.A. No. 13-00008-RGA); ZTE Corporation, and ZTE (USA) Inc. (collectively “ZTE”) (C.A. No. 13-cv-00009-RGA); Nokia Corporation, a Finnish corporation and Nokia Inc., a Delaware corporation (collectively “Nokia”) (C.A. No. 1:13-cv-00010-RGA); and Samsung Electronics Co., Ltd., a Korean corporation, Samsung Electronics America, Inc., a New Jersey corporation, and Samsung Telecommunications America, LLC, a Delaware corporation (collectively “Samsung”) (C.A. No. 1:13-cv-00011-RGA).¹ These cases against Huawei and ZTE assert infringement of three patents related to 3G and 4G wireless communication technology.² Huawei filed its Answer and Counterclaims on January 24, 2013. (D.I. #8). ZTE filed its Answer and Counterclaims on January 31, 2013. (D.I. #7).

Huawei and ZTE each asserted six counterclaims relating to their assertions about alleged FRAND commitments made by InterDigital (the “FRAND Counterclaims”). Although FRAND obligations are applicable only to “essential patents” that are **necessarily infringed** by a manufacturer of standardized products, defendants also have asserted defenses and counterclaims seeking to have the patents in suit declared **not infringed** as well as invalid and unenforceable.

¹ Also on January 2, 2013, InterDigital asserted claims in the ITC against each of these defendants relating to the patents at issue in this action.

² The case against Samsung asserts the same three patents asserted against Huawei and ZTE in this action, along with four additional patents that were previously asserted against Huawei and ZTE in the action filed in July 2011. The case against Nokia asserts one of the three patents asserted against Huawei and ZTE.

Nokia and Samsung each requested and received extensions of 60 days to respond to the Complaint. (D.I. #7; D.I. #8). Nokia filed its response to the Complaint on February 28, 2013. Samsung's response is due April 24, 2013. Defendants have until approximately March 6, 2013 to elect to invoke the mandatory stay of this action under 28 U.S.C. § 1659, as they did in the previous action between the parties. *See* C.A. No. 1:11-cv-00654 (RGA) (Oct. 10, 2011 Joint Motion to Stay Pursuant to 28 U.S.C. § 1659 (D.I. #19); Oct. 12, 2011 Order Granting Joint Motion to Stay (D.I. # 24)).

On February 1, 2013, InterDigital moved for an order extending the time to respond to the Counterclaims (D.I. #14). The parties had agreed to an interim extension allowing InterDigital until the hearing to respond to the Counterclaims. (D.I. #20). On February 28, 2013, InterDigital's motion was granted. (D.I. #15).

On February 11, 2013, ZTE and Huawei filed their motions "to Expedite Proceedings for the Declaration of FRAND License Terms." (D.I. #9, 10; D.I. #16, 17). Through these motions, Huawei and ZTE seek to accelerate only the FRAND Counterclaims and have them tried on an expedited schedule before the remainder of the case. They seek this relief in order to obtain a decision on the FRAND Counterclaims before the ITC, and this Court, rule on the patent issues before them. For the reasons set forth in this Answering Brief, InterDigital opposes the motions.

ARGUMENT

I. The Court Has Broad Discretion to Decline to Expedite a Case or Portion of a Case.

In support of their motions to bifurcate and expedite the FRAND Counterclaims to be tried before the rest of the case, Huawei and ZTE identify no precedent in which a court has granted relief and ordered a trial in the manner they suggest. There is no reason for this Court to be the first.

When considering a motion for expedited discovery, this Court has applied a good cause/ reasonableness standard. *Kone Corp. v. ThyssenKrupp USA, Inc.*, No. 11-465-LPS-CJB, 2011 WL 4478477, at *4-8 (D. Del. Sept. 26, 2011). The standard requires the court to assess “the actual circumstances of each case, as well as consideration of certain factors such as a pending preliminary injunction hearing.” *BAE Sys. Aircraft Controls, Inc. v. Eclipse Aviation Corp.*, 224 F.R.D. 581, 587 (D. Del. 2004); *Kone*, 2011 WL 4478477, at *6. Federal Rule of Civil Procedure 42(b) states that “[f]or convenience, to avoid prejudice, or to expedite and economize, the court may order a separate trial of one or more separate issues, claims, crossclaims, counterclaims, or third-party claims.” Fed. R. Civ. P. 42(b).

Under Rule 42(b), a district court “has broad discretion in separating issues and claims for trial as part of its wide discretion in trial management. . . . Courts, when exercising their broad discretion to bifurcate issues for trial under Rule 42(b), should consider whether bifurcation will avoid prejudice [and] conserve judicial resource In deciding whether one trial or separate trials will best serve the above factors the major consideration is directed toward the choice most likely to result in a just final disposition of the litigation.” *Sepracor Inc. v. Dey L.P.*, Case No. 06-113-JJF, 2010 WL 2802611, at *3 (D. Del. Jul. 15, 2010) (denying bifurcation and concluding that potential for overlap in presentation of evidence weighed against

bifurcation) (citing *Ciena Corp. v. Corvis Corp.*, 210 F.R.D. 519, 521 (D. Del. 2002); *see also SenoRx, Inc. v. Hologic, Inc.*, No. 12-173-LPS-CJB, 2013 WL 394128, at *1 (D. Del. Jan. 30, 2013) (denying motion to bifurcate and request to bifurcate discovery after finding that bifurcation would not conserve judicial resources).

The party moving for bifurcation has the burden of establishing that it is appropriate. *Id.* at *1; *see also WebXchange Inc. v. Dell Inc.*, Nos. 08-132-JJF, 08-133-JJF, 2009 WL 5173485, at *2 (D. Del. Dec. 30, 2009) (noting that movant's motion to bifurcate was based on assumption that it would succeed in its defense and finding that bifurcation would not promote judicial efficiency). Although the Court has discretion in deciding whether or not to bifurcate a case, bifurcation "remains the exception rather than the rule." *Id.* at *2 (citation omitted); *SenoRx*, 2013 WL 394128, at *2 ("... the Court agrees that it is fair to characterize bifurcation as 'the exception, not the rule' in civil cases, including patent cases.").

The Delaware Court of Chancery has developed a considerable body of law on requests for expedition, owing to its national prominence for handling corporate matters that may require truly expedited proceedings. That court also uses caution in granting requests for expedition, in part to avoid imposing the substantial burdens of accelerated proceedings on the court and on parties where it is not warranted. *See, e.g., In re Yahoo! Inc. S'holders Litig.*, No. 3561-CC, 2008 WL 2627851, at *1 (Del. Ch. June 16, 2008). Consequently, the court "does not set matters for an expedited hearing or permit expedited discovery unless there is a showing of good cause why that is necessary." *Greenfield v. Caporella*, 1986 WL 13977, at *2 (Del. Ch. Dec. 3, 1986). The Court will order expedited proceedings only if Plaintiff can demonstrate *both*: (1) "a sufficiently colorable claim" *and* (2) "a sufficient possibility of a threatened irreparable injury, as would justify imposing on defendants and the public the extra (and sometimes substantial) costs

...” *Giammargo v. Snapple Beverage Corp.*, No. 13845, 1994 WL 672698, at *2 (Del. Ch. Nov. 15, 1994); *Wand Equity Portfolio II L.P. v. AMFM Internet Holdings, Inc.*, No. 18162, 2001 WL 167720, at *2 (Del. Ch. Feb. 7, 2001). Where the allegations are legally deficient or facially lack merit, as is the case here, expedition would “inflict [] an injustice upon the parties and waste[] the resources of the Court” and should thus be denied. *In re Tri Star Pictures, Inc.*, No. 9477, 1989 WL 997177, at *1 (Del. Ch. Oct 2, 1989).

II. The Courts and the ITC Have Not Altered Course by Expediting FRAND License Issues to be Resolved Before Patent Issues.

Huawei and ZTE fail to cite any law establishing that FRAND license issues, in particular, should receive expedited treatment in a case that raises many related issues, such as patent infringement and validity. In the *Microsoft v. Motorola* case (which does not even involve the ETSI standards at issue here), the court addressed patent infringement issues during the course of the litigation and did not stay the rest of the case to consider only FRAND issues first. *Microsoft v. Motorola*, No. C10-1823-JLR, 2013 WL 454268 (W.D. Wash. Feb. 7, 2013) (order adjudicating summary judgment motion regarding patent invalidity *before* issuing decision from “mini trial” on FRAND issues); *see also Microsoft v. Motorola*, 854 F. Supp.2d 993, 1003 (W.D. Wash. 2012). Huawei and ZTE’s reliance on the *Apple v. Motorola* case from Illinois is also unfounded: even aside from the different facts in that case, it does not address expedited or bifurcated proceedings, but rather addresses the standards for issuing injunctions under the Supreme Court’s *eBay* decision. *Apple, Inc. v. Motorola, Inc.*, 869 F. Supp.2d 901, 910, 914-15 (N.D. Ill. 2012) (citing *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006)).

Nor has the ITC ever ruled that its investigations should take a back seat to FRAND-related counterclaims filed in parallel federal district court cases. Indeed, upon the filing of the ITC investigation at issue, Huawei formally requested that the Commission delay or decline

institution due to the FRAND issues Huawei has raised in this case. *See* Crompton Declaration (“Crompton Decl.”),³ Ex. 1 (Jan. 28, 2013 Letter from Huawei to ITC). The ITC did not grant Huawei’s request, and the ITC investigation has been formally instituted and is moving forward. Having lost that initial request to delay the ITC investigation, Huawei and ZTE recently moved to stay the investigation in favor of this case. (D.I. #9, 10; D.I. #16, 17). The motion to stay in the ITC remains pending, although Huawei and ZTE cited no precedent for the ITC ever granting a stay in these circumstances.

Unable to cite any law supporting their position, Huawei and ZTE instead rely primarily on a proposed settlement agreement between Google/Motorola and the Federal Trade Commission as authority for the proposition that a patent holder may only seek injunctive relief after litigation to set a FRAND rate is complete. Huawei Mot. at 9-11 (D.I. #17); ZTE Mot. at 13-14 (D.I. #10). According to Huawei, the proposed consent decree (which has not even been entered yet) “is a resounding clarification in the law.” Huawei Mot. at 10 (D.I. #17). Putting aside that the Google/Motorola situation is inapposite in a number of ways, Huawei and ZTE are simply wrong in their characterizations of the Google/Motorola settlement. An administrative consent decree is not law. It is an agreement between third parties who have no relationship to this action, and is not precedent binding on this (or any other) Court. That Google/Motorola may have chosen to agree with the FTC to undertake certain obligations is not a basis to adjudicate subsequent cases. In the consent agreement, Google/Motorola expressly denied liability, and denied the allegations of the FTC’s complaint, which have never been tested in a court of law.⁴ *See* Crompton Decl., Ex. 2 (FTC Agreement Containing Consent Order). Consent decrees are

³ The Declaration of Dawn Kurtz Crompton is being filed herewith.

⁴ Available at <http://www.ftc.gov/os/caselist/1210120/130103googlemotorolaagree.pdf>

not legal determinations, and have no precedential weight even in the context where they arose (FTC administrative proceedings under Section 5 of the FTC Act), much less in the very different context of this action. *United States v. Lane Labs-USA, Inc.*, 324 F. Supp.2d 547, 578 n.17 (D.N.J. 2004) (administrative consent decrees are “by their very nature consensual, and carry no precedential weight”); *Beatrice Foods Co. v. FTC*, 540 F.2d 303, 314 (7th Cir. 1976) (“The entering of a consent decree, however, is not a decision on the merits and therefore does not adjudicate the legality of any action by a party thereto. Nor is a consent decree a controlling precedent for later Commission action.”).

Indeed, not only does the law disfavor bifurcating and expediting the types of claims raised by Huawei, courts faced with these issues have decided that such FRAND claims should instead be stayed or dismissed. For example, in the *Rembrandt* case, the Delaware Superior Court was attempting to adjudicate a claim to determine a RAND license while parallel patent litigation was going on. *Rembrandt Techs., L.P. v. Harris Corp.*, No. 07C-09-059-JRS, 2009 WL 1509103, at *1 n.6 (Del. Super. May 22, 2009). In the state action, the parties both sought declaratory judgments (via affirmative claims and counterclaims) concerning the patentee’s RAND obligations with respect to patents allegedly essential to the ATSC standard. The court became increasingly frustrated when the parties repeatedly changed their positions depending on how issues were decided in the patent litigation. *Id.* at *1. The court ultimately stayed the RAND claims pending resolution of the federal court’s patent claim construction ruling, which would, among other things, bear directly on whether the patents at issue were actually essential to the ATSC standard. *Id.* at *1, 6.

The court in *Rembrandt* issued the stay of the RAND claims after coming to the conclusion that “the parties have used this action principally as a device to gain strategic

advantages in related multi-district federal patent litigation,” and that “[p]ositions taken here come and go with the changing tides of the federal litigation.” *Id.* at *1. In particular, the patent defendant continually changed its position on whether the patent on which it sought a RAND license was or was not “essential.” *Id.* at *2. When the court questioned whether the dispute was ripe for adjudication, given that it was unclear whether Harris would actually pay any royalties to the extent the patent was not essential, Harris allayed this concern by stating “Give us the terms of the license, Your Honor, and we will comply with them.” *Id.* at *2 n.12. The case went forward on that basis, and in order to avoid issuing an illusory or advisory opinion, the Court held that any royalties ordered to be paid as a RAND license would not be subject to refund based on subsequent developments in the patent litigation. *Id.* at *2. Thereafter, however, when a ruling in the patent case suggested that the patent might be invalid or not infringed, Harris informed the court that it would indeed attempt to recoup license fees if the patent were found invalid or not infringed. *Id.* at *4. Thus, the court concluded, a trial in the matter would be “nothing but an exercise.” *Id.*

After experiencing the disruptive effects of conducting the action in the shadow of the federal patent litigation, the *Rembrandt* court decided to enter a stay. *Id.* at *6. The stay avoided “duplicative actions . . . that if allowed to proceed simultaneously will present the distinct possibility of not only inconsistent, but irreconcilable rulings.” *Id.* at *5 (internal citations and quotations omitted). A ruling in the patent case that the patent was not essential “would be inconsistent with a decision of this Court in which it presumed that the [patent-at-issue] is essential to the ATSC standard, granted Harris a license to the [patent-at-issue] on RAND terms, and ordered Harris to pay royalties on their products.” *Id.* As the court further noted, “it is

hardly an irrelevant consideration to a busy court that its work may quickly be rendered moot by relief granted in an already pending suit between the same parties.” *Id.* (citation omitted).

Similarly, the Western District of Wisconsin recently dismissed Apple’s claims seeking to determine a “FRAND rate” for a license to purported standards-essential patents. *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178-bbc, 2012 WL 5416931 (W.D. Wis. Nov. 2, 2012). Although ZTE relies on an earlier order in that case in which the court found that specific performance would be an appropriate remedy,⁵ ZTE fails to mention that the judge in that case subsequently reversed herself and held that specific performance was actually *not* warranted. *Id.* at *1.

In that case, the litigation had proceeded all the way to the eve of trial, when plaintiff Apple (represented by Covington & Burling, the same firm representing Huawei here) suddenly took the position at the pretrial conference that it would only pay an adjudicated FRAND rate if it was less than \$1/unit, and reserved the right to contest infringement and validity of the patents at issue. Consequently, the judge determined that Apple’s claims should not go forward:

[I]t has become clear that Apple’s interest in a license is qualified. In its response to Motorola’s motion for clarification on the specific performance issue, Apple states that it will not commit to be bound by any FRAND rate determined by the court and will not agree to accept any license from Motorola unless the court sets a rate of \$1 or less for each Apple phone. In other words, if Apple is unsatisfied with the rate chosen by the court, it “reserves the right to refuse and proceed to further infringement litigation.” Despite its position, Apple maintains that it is entitled to specific performance in the form of the court determining what a FRAND rate is for Motorola’s patents. At the final pretrial conference, I asked Apple to explain why it believed the court should determine a FRAND rate even though the rate may not resolve the parties’ licensing or infringement disputes. I questioned whether it was appropriate for a court to undertake the complex task of

⁵ ZTE Mot. at 12 (D.I. #10), citing *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2012 U.S. Dist. LEXIS 181854, at *11-13 (W.D. Wis. Oct. 29, 2012).

determining a FRAND rate if the end result would be simply a suggestion that could be used later as a bargaining chip between the parties.

Id. at *1 (internal citations omitted). The court decided it would be inappropriate to proceed under these circumstances, and dismissed the FRAND claims asserted by Apple. *Id.* at *3; *see also Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2012 WL 5943791 (W.D. Wis. Nov. 28, 2012).

Huawei and ZTE may seek to distinguish these cases by arguing that, unlike the parties in *Rembrandt* and *Apple* who said they were willing to pay a FRAND rate but didn't actually mean it, Huawei and ZTE **really and truly** intend to be bound by the results of a FRAND rate determination. In reality, however, nothing prevents Huawei and ZTE from later changing their position if events in the other pending actions make it expedient for them to do so, just like the alleged infringers in these other cases. As the counterclaimants, Huawei and ZTE can always modify the relief they seek or even withdraw their claims entirely – once they have accomplished their goal of delaying the adjudication of the patent infringement claims, as they seek to do via this motion, and via their motion to stay the parallel ITC investigation. The hard-won experience of other courts in this situation vividly illustrates that parties seeking a “FRAND rate” can and will change their positions on what they want adjudicated and the extent to which they are willing to actually pay the determined FRAND compensation. Indeed, in the prior proceedings before this Court, Huawei waffled considerably on its position about the circumstances under which it would pay a court-determined FRAND rate, and can be expected to do so again here in

the future if given the opportunity.⁶ Consequently, rather than expediting and bifurcating such claims, it would be far more reasonable to stay or dismiss them.

III. The Counterclaims Seeking a Declaration of a FRAND Rate are Unripe and Legally Flawed.

As will be more fully explained in InterDigital's motion to dismiss, the counterclaims are legally unsound for numerous reasons. As set forth above, other courts in this situation have dismissed or stayed similar claims, because they are fundamentally not ripe for adjudication, and do not present a case or controversy, but instead seek advisory opinions. Federal courts therefore lack jurisdiction over such claims, or at a minimum should decline to exercise declaratory judgment jurisdiction as a discretionary matter. *See Principal Life Ins. Co. v. Lawrence Rucker 2007 Ins. Trust*, 674 F. Supp. 2d 562, 565 (D. Del. 2009) (noting that for declaratory judgment jurisdiction, conflict must not be nebulous or contingent, nor seek a hypothetical opinion). Moreover, to the extent Huawei and ZTE seek specific performance, which is a form of injunctive relief, their allegations do not meet the four-factor test in *eBay* to establish that issuance of an injunction would be appropriate. *See generally eBay*, 547 U.S. at 388.

In addition, the FRAND Counterclaims seek a declaration of the terms of a FRAND license, only one term of which would be the royalty rate applicable to particular infringing products. The FRAND Counterclaims, fairly construed, are not a simple request for the court to decide a single royalty rate, but rather would require the Court to create complete patent license

⁶ In the prior action, even when directly asked whether Huawei would actually pay the "FRAND rate" it asks to be set, Huawei hedged, including conditional language and never answering directly and unequivocally. For example, at the hearing on its motion to lift the stay in the prior action, Huawei described the "FRAND rate" to be set by the court as something that "we could pay." *See Crompton Decl., Ex. 3* (March 2, 2012 Hr'g Tr. (CA No. 11-654-RGA)) at 19. When the District Court asked Huawei to confirm that any rate that was set, if affirmed by the Federal Circuit, was something that Huawei would "immediately" pay, Huawei's response was still conditional and highly ambiguous: "*If Your Honor gives us the rate that we asked for in Count VI, yes, we would do that.*" *Id.* at 42 (emphasis added).

agreements out of whole cloth, with terms that were never agreed to by the parties. It is not generally the function of courts to act as substitutes for negotiations of private parties, and the complexities of the undertaking proposed by Huawei and ZTE are simply overwhelming.

Moreover, it appears that the FRAND Counterclaims in this case were compulsory counterclaims in the earlier *InterDigital v. Huawei* case, No. 11-cv-654-RGA. Huawei and ZTE expressly seek relief in ‘this case concerning a FRAND rate for the patents asserted in Case No. 11-cv-654-RGA, and in fact sought to assert these same counterclaims in that case. If Huawei’s and ZTE’s counterclaims are to be raised at all, they should be raised in the prior action where they are compulsory. Huawei and ZTE should not be permitted to do an end-run around the Court’s prior order declining to lift the stay in that case to allow them to pursue their counterclaims by asserting essentially the same counterclaims in this action.

For these reasons, among others, InterDigital will be moving to dismiss the FRAND Counterclaims. Because Huawei and ZTE’s counterclaims are legally defective and therefore should not proceed at all, the Court certainly should not grant their motion to expedite and prioritize those counterclaims.

IV. Huawei’s And ZTE’s Claims of Irreparable Injury Have Already Been Rejected by this Court and Do Not Support the Unusual Relief Requested.

Huawei and ZTE argue that expedition should be granted because of the irreparable harm that will allegedly result if their FRAND Counterclaims are not adjudicated immediately. Huawei Mot. at 16; ZTE Mot. at 9. However, both this Court and the Court of Chancery have heard Huawei’s claims of irreparable injury and rejected them. There is nothing new about Huawei and ZTE’s arguments concerning irreparable harm, and certainly nothing that would justify the extraordinary relief of trying this case in reverse order. *See* Crompton Decl., Ex. 3;

id., Ex. 4 (June 11, 2012 Court of Chancery Hr’g Tr. (No. 6974-CS)) at 27 (“There is no irreparable injury in my view that’s presented here. None.”).

Both this Court and the Court of Chancery have already recognized that there is no “irreparable harm” to Huawei and ZTE by not going forward with their FRAND Counterclaims until after the ITC decides the patent issues before it. Huawei and ZTE have raised their FRAND defenses in the ITC, and the ITC will fully consider the merits of those defenses before issuing any exclusion order. If Huawei and ZTE prevail on their FRAND defenses in the ITC, then no exclusion order will be issued and they will not be harmed. If they lose on those defenses, then it will be after a competent tribunal, on a full and extensive record, has considered the defenses and found that InterDigital did not violate any FRAND commitments. Huawei and ZTE describe no cognizable “irreparable injury” that could justify expediting a case. *See* Crompton Decl., Ex. 2 at 27. This is simply an effort by Huawei and ZTE to seek an advisory opinion on their potential liability for “FRAND license” payments *before* the ITC and this court rule on the intertwined issues of patent infringement, validity and essentiality. This Court directly rejected this approach once and should, respectfully, do it again here. *See* Crompton Decl., Ex. 3 at 17-18, 100.

V. Expedition Is Not Warranted In Light of the Procedural Posture of These Actions and the Related Actions.

The Court previously denied Huawei’s request to set a Rule 16 conference on an expedited basis, as the pleadings are not closed in the Huawei case or in the related cases. *See* January 31, 2013 Oral Order (unnumbered on docket). Nokia filed its Answer and Counterclaims earlier today, also raising FRAND based counterclaims. (D.I. #8). Defendant Samsung’s Answer to the complaint is not even due until April 4, pursuant to an extension they requested and to which InterDigital assented. It thus remains to be seen whether Samsung will

assert FRAND counterclaims and, if so, what relief they will seek. In addition, the deadline for invoking the mandatory stay pursuant to 28 U.S.C. § 1659 will not occur until approximately March 6, 2013. Therefore, it also remains to be seen whether any of the defendants will invoke the mandatory stay. Because the related actions should be coordinated as far as possible, it would be imprudent to bifurcate, expedite, and prioritize counterclaims raised by some defendants without knowing how the other defendants will proceed. The Court should consider the scheduling of the four related cases together, after the pleadings are closed.

Aside from the complexities introduced by the pendency of the related cases, even within the context of a single case, it makes no sense to isolate the FRAND Counterclaims and to adjudicate them outside the context of the patent infringement issues with which they are intertwined. If the patents-in-suit are neither valid nor infringed, then Huawei and ZTE will presumably opt not to take a license to them. Determining a “FRAND rate” for a license would not streamline or obviate anything, because Huawei and ZTE would then proceed to challenge the validity and infringement of the patents-in-suit in order to avoid license payments. Moreover, because FRAND obligations are only applicable to essential patents (*i.e.*, patents *necessarily infringed* in practicing a standard), it will be necessary to establish essentiality (which is intertwined with infringement) in determining whether FRAND commitments even exist as to the patents in suit. Assuming the FRAND Counterclaims could survive a motion to dismiss, the only reasonable course of action would be to adjudicate the counterclaims concurrently with, or after, the issues of patent infringement and validity. For that reason as well, Huawei and ZTE’s request to bifurcate and expedite their FRAND Counterclaims should be denied.

CONCLUSION

For the foregoing reasons, InterDigital respectfully requests that the Court deny Huawei's and ZTE's application to bifurcate this case and expedite their FRAND Counterclaims. InterDigital respectfully requests that the Court allow the pleadings to be closed, determine whether Defendants will invoke the automatic stay, and then set a Rule 16 conference for these cases.

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Dated: February 28, 2013

CERTIFICATE OF SERVICE

I hereby certify that on March 6, 2013 copies of the foregoing:

**COMPLAINANT INTERDIGITAL'S OPPOSITION TO MOTION TO STAY INVESTIGATION
(No. 868-002)**

were filed with the Secretary and served upon the following parties as indicated below:

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**CERTAIN WIRELESS DEVICES WITH 3G
AND/OR 4G CAPABILITIES AND
COMPONENTS THEREOF**

Inv. No. 337-TA-868

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