

# No. 12-35352

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IN THE

## United States Court of Appeals

FOR THE NINTH CIRCUIT

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MICROSOFT CORPORATION, a Washington Corporation

*Plaintiff-Appellee,*

v.

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

*Defendants-Appellants.*

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*On Appeal From The United States District Court  
For The Western District Of Washington At Seattle*

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### OPENING BRIEF OF DEFENDANTS-APPELLANTS

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## **RULE 26.1 CORPORATE DISCLOSURE STATEMENT**

Pursuant to Fed. R. App. P. 26.1, Motorola Mobility, Inc., certifies that it is a wholly owned subsidiary of Google Inc., a publicly traded company (Nasdaq: GOOG). No publicly held corporation owns 10% or more of the stock of Google, Inc.

Motorola Mobility, Inc. owns 100% of the stock of General Instrument Holdings, Inc., which in turns directly owns General Instrument Corp. No other publicly held corporation owns 10% or more of the stock of General Instrument Corp.

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## **PRELIMINARY STATEMENT**

This appeal concerns the district court's issuance of an extraordinary injunction prohibiting Defendants-Appellants Motorola Mobility, Inc. and General Instrument Corp. (collectively, "Motorola") from enforcing a German court's decision entitling Motorola to an injunction in Germany under German law against continuing infringement of German patents within Germany by Appellee Microsoft. Claiming exclusive jurisdiction to adjudicate terms on which Motorola must license patents to Microsoft around the world, the District Court for the Western District of Washington has enjoined proceedings in the court of a foreign nation concerning that nation's patents, as practiced within that nation's sovereign borders. This Court's precedents do not support this exertion of authority by a U.S. court.

So long as this injunction stands, it offends international comity and the proper respect a U.S. court should express toward the courts of Germany. It also disables Motorola from vindicating its rights under German patents and German law in the face of Microsoft's continuing infringement. Motorola respectfully requests that this Court reverse the district court's ruling and vacate the preliminary injunction.

## **JURISDICTIONAL STATEMENT**

The district court had jurisdiction under 28 U.S.C. § 1332. This Court has jurisdiction under 28 U.S.C. § 1292(a)(1). Motorola filed a timely notice of appeal on May 2, 2012 from the district court's entry of a "temporary restraining order" that was

in substance a preliminary injunction because of its indefinite duration. On May 14, 2012, the district court converted its temporary restraining order to a preliminary injunction, and Motorola filed an amended notice of appeal from that order on May 16, 2012. Because Microsoft's complaint is pleaded in terms of contractual rather than patent rights, this appeal is properly brought before this Court and not the Federal Circuit. *See Prize Frize, Inc. v. Matrix (U.S.) Inc.*, 167 F.3d 1261, 1264 (9th Cir. 1999), *superseded on other grounds by* 28 U.S.C. § 1453 (removal of class actions); *Air Prods. & Chems., Inc. v. Reichhold Chems., Inc.*, 755 F.2d 1559, 1562 (Fed. Cir. 1985).

### **ISSUES PRESENTED**

1. Did the district court err in issuing an “anti-suit injunction” barring Motorola from enforcing a German court’s judgment entitling Motorola to an injunction under German law to stop Microsoft’s continuing infringement of German patents within Germany?
2. Did the district court abuse its discretion in finding that the likelihood of irreparable harm, the balance of hardships, and the public interest weigh in favor of issuing this “anti-suit injunction”?

### **STATEMENT OF THE CASE**

On November 9, 2010, Microsoft filed a complaint in the Western District of Washington alleging breach of contract and related state-law claims against Motorola

Mobility, Inc., General Instrument Corporation, and Motorola, Inc. (collectively, “Motorola Defendants”). The complaint alleges that the Motorola Defendants breached their obligation to license, at “reasonable and non-discriminatory” (“RAND”) rates, certain patents deemed essential to standards set by international non-governmental standard-setting organizations. Excerpts of Record (“ER”) 471-72 (Compl. ¶ 1). Microsoft amended its complaint on February 23, 2011. ER 434-61. In both its initial and amended complaint, Microsoft sought a declaration that it was “entitled” to license essential patents from the Motorola Defendants at RAND rates and that Motorola’s offer was not RAND. ER 457-58. Microsoft sought damages, but did not pray for the district court to set any RAND rate or to compel the parties to agree to a license on particular terms. ER 16 n.12.

On July 6 and 7, 2011, Motorola sued Microsoft in Germany for Microsoft’s continuing infringement of certain of Motorola’s German patents. ER 335 (Redacted Declaration of Dr. Marcus Grosch, ECF No. 245, at ¶ 14 (Apr. 6, 2012) (“Grosch Decl.”)). After participating in those proceedings in Germany for nearly ten months, on March 28, 2012—twenty days before the German court was scheduled to rule on whether Motorola should be granted relief in Germany—Microsoft sought relief in the district court below, asking the court to enjoin Motorola from enforcing the German court’s expected ruling that Microsoft’s products in Germany infringe Motorola’s German patents and enjoining Microsoft from further infringement. Mot. for

Temporary Restraining Order and Prelim. Inj., ECF No. 210 (Mar. 28, 2012). After full briefing and oral argument, the district court granted a temporary restraining order of indefinite duration on April 12, 2012. ER 26-28. On May 2, 2012, the German court issued its expected injunction against Microsoft and, that same day, Motorola filed a notice of appeal from the court's April 12 Order, which was in effect a preliminary injunction. ER 163-217, 272-73.<sup>1</sup> The district court heard argument on May 7, 2012 related to the merits of the underlying dispute. On May 14, 2012, the district court "converted" its previous order into a preliminary injunction. ER 25. On May 16, 2012, Motorola filed an amended notice of appeal encompassing the new preliminary injunction order and clarifying that only Defendants Motorola Mobility, Inc. and General Instrument Corporation, and not Motorola, Inc., are parties to this appeal. ER 45-47.

## STATEMENT OF FACTS

### A. Standards-Setting Organizations And RAND Licenses

The preliminary injunction at issue was granted in the context of ongoing litigation between Microsoft and Motorola over the licensing of Motorola's "essential

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<sup>1</sup> Although the April 12 Order was styled a "temporary restraining order," it was of indefinite duration and followed full briefing and oral argument such that it was, in substance, a preliminary injunction and appealable as such. *See Serv. Empls. Int'l Union v. Nat'l Union of Healthcare Workers*, 598 F.3d 1061, 1067 (9th Cir. 2010) ("[T]he fact that an order is simply denominated as a 'temporary restraining order' does not end [the] inquiry. It is the essence of the order, not its moniker, that determines our jurisdiction.") (quoting *Bennett v. Medtronic, Inc.*, 285 F.3d 801, 804 (9th Cir. 2002)).

patents.” To facilitate compatibility between products manufactured by different companies, non-governmental standards-setting organizations (“SSOs”) establish technical standards that may be practiced by all manufacturers. Standards contain “normative” parts that must be complied with by the manufacturers to ensure compatibility. A patent for a technology that becomes incorporated into a standard’s normative part is called an “essential patent.” *Microsoft Corp. v. Motorola, Inc.*, No. 10-cv-1823, 2012 WL 627989, at \*1 (W.D. Wash. Feb. 27, 2012). In order to enable companies to manufacture products practicing the common standard, under the Rules of the SSO, members of the SSO that hold essential patents typically have to disclose during the standard-setting procedure that they hold essential patents and customarily offer assurances to SSOs that they will license essential patents on “reasonable and non-discriminatory” (“RAND”) terms to any interested party.

These RAND licensing procedures enable a company such as Microsoft to license essential patents at RAND rates *if* the company is willing to take the steps necessary to secure its license. The patent holder’s RAND assurance is fulfilled if the patent holder negotiates in good faith with all license applicants. *See* Defs.’ Opp. to Mot. for Temporary Restraining Order and Prelim. Inj., ECF No. 244, at 3 (Apr. 6, 2012) (citing Sealed Expert Rebuttal Testimony of Richard J. Holleman, at A34, A44, filed under seal as Ex. 1 to Decl. of Kevin J. Post, ECF No. 250 (Apr. 6, 2012)). SSO

assurances leave the determination of what qualifies as “RAND” to the market, to be determined through private negotiations. *Id.*

### **B. The Underlying Litigation In The District Court**

Microsoft and Motorola are both members of international SSOs that oversee the 802.11 wireless local area network standard and the H.264 advanced video coding technology standard. *Microsoft Corp.*, 2012 WL 627989, at \*1. Motorola has submitted “Letters of Assurance” to the SSOs stating that it is prepared to offer licenses on RAND terms. Microsoft manufactures and sells products (including the Xbox) that incorporate technology covered by Motorola’s patents, but has never paid Motorola any licensing fee for its use. When Microsoft continued using Motorola’s patents without obtaining a RAND license, and after Microsoft launched its own complaints against Motorola for alleged patent infringement, Motorola made an effort to open private, bilateral negotiations as contemplated by SSO assurances. Specifically, Motorola sent Microsoft letters on October 21 and 29, 2010, offering to license its 802.11 and H.264 patent portfolios, consisting of more than 400 patents in more than 30 countries, *see* ER 375-96, ER 398-421, on the same standard terms on which Motorola had licensed the portfolios to other licensees.

On November 9, 2010, instead of engaging in good-faith license negotiations, Microsoft filed the suit below. Microsoft alleged that Motorola’s opening rate proposal was not RAND, and that, by offering a non-RAND rate, Motorola had

breached its duties to Microsoft (on the theory that Motorola supposedly made binding contracts with the SSOs, relative to which Microsoft is a third-party beneficiary). ER 489 (Compl. ¶¶ 74-80).

The following day, Motorola sued Microsoft in the Western District of Wisconsin, alleging infringement of Motorola Patents Nos. 7,310,374, 7,310,375, and 7,310,376. ER 465-68. The case was subsequently transferred pursuant to 28 U.S.C. § 1404 to the Western District of Washington, where, on June 1, 2011, it was consolidated with the action initiated by Microsoft on November 9, 2010, under Case No. C10-1823JLR. ER 433.

### **C. Proceedings In Germany**

On July 6 and 7, 2011, Motorola (with Motorola Mobility, Inc.'s wholly owned subsidiary General Instruments serving as named plaintiff) sued Microsoft in Germany under German law for infringement of German patents, seeking, *inter alia*, injunctive relief. ER 335 (Grosch Decl. ¶ 14). Motorola's German suit pertains only to German parts of its European patents, which are treated as German patents for infringement purposes, and sought relief only as to the German market. No patent cause of action would be available to Motorola in the United States as to its German patents.

Germany has its own distinctive procedures for resolving RAND disputes, as set forth in the German Supreme Court's *Orange Book* decision. ER 330-35 (Grosch



Decl. ¶¶ 3-13). Under the German Patent Code, a party practicing an essential patent without a license is liable for patent infringement and subject to statutory relief, including injunctive relief. Under *Orange Book* procedures, however, the accused infringer can, in addition to contesting infringement, avail itself of a specific defense based on the patent holder's RAND assurances. Even if the patent is being infringed and there is no agreed license in place, the accused infringer can avoid an injunction by making a binding offer on RAND terms and by acting as if licensed (including by paying the RAND royalty into an escrow account). ER 332-33 (Grosch Decl. ¶¶ 7-8). If a German court determines that the infringer's offer was at the high end of a fair and reasonable range, such that the patent holder could not reject it without violating its RAND assurances, the patent holder's action for injunctive relief is dismissed. If the patent holder accepts the offer, then a license agreement is established, again precluding injunctive relief. ER 332-33 (Grosch Decl. ¶¶ 7-8). But the alleged infringer undertakes the risk that the patent holder might permissibly reject the offer and pursue its right to injunctive relief. ER 338-39 (Grosch Decl. ¶ 26).

German *Orange Book* procedures also give an accused infringer an alternative option. Rather than specifying a binding rate at which it would commit to licensing, the accused infringer can commit to enter into a license at a rate to be set by the patent holder. If the infringer contends that the resulting rate violates the patentee's RAND obligations, it can challenge the rate in a German court, which in turn, if it agrees with

the infringer, will set the appropriate rate, precluding issuance of any injunction. ER 332-33 (Grosch Decl. ¶ 8).

Microsoft declined to take this second option, which would have entailed its committing to enter a license at a rate to be specified by Motorola, subject to review by a German court for whether Motorola's rate was above RAND if Microsoft so contended. Instead, Microsoft took the first option, proposing a license rate for Motorola's German patents in December 2011, thereby incurring the risk that Motorola might permissibly reject the offer and pursue its right to injunctive relief. Motorola deemed Microsoft's offer far too low to be RAND, ER 336-37 (Grosch Decl. ¶ 20); *see also* ER 259, and exercised its right to reject Microsoft's offer, thereby incurring the risk that a German court would dismiss its infringement action if the court deemed Microsoft's offered rate to be at the top end of a RAND range, in which case Motorola could also face potential sanctions for anticompetitive conduct. ER 332-33 (Grosch Decl. ¶ 8).

#### **D. Microsoft's Motion For An "Anti-Suit" Injunction**

On March 28, 2012, more than eight months into proceedings in Germany and in anticipation of the German court's impending ruling, Microsoft moved in the district court below for a temporary restraining order and preliminary injunction blocking Motorola from enforcing its entitlement to an injunction in Germany against Microsoft's continuing infringement of Motorola's German patents. Mot. for

Temporary Restraining Order and Prelim. Inj., ECF No. 210, at 8-9 (Mar. 28, 2012). Microsoft argued that the German court's anticipated order enjoining Microsoft from practicing Motorola's German patents in Germany is "inconsistent with what will ultimately be Microsoft's worldwide license to the H.264 patents." *Id.* at 14. Microsoft further contended that, absent an anti-suit injunction, it would suffer irreparable harm from the German court's ruling. *Id.* at 14-18.

In opposing Microsoft's motion, Motorola argued, *inter alia*, that (i) an injunction rendering a German court's injunction unenforceable within Germany would offend international comity (Defs.' Opp. to Mot. for Temporary Restraining Order and Prelim. Inj., ECF No. 244, at 22-23 (Apr. 6, 2012)); (ii) Microsoft had failed to demonstrate that it faced the prospect of irreparable injury because the *Orange Book* procedures enable Microsoft to avoid a German injunction (*id.* at 1-2); (iii) Microsoft had failed to establish that the district court's decision would be dispositive of the outcome of the German litigation, because Microsoft never asked the district court to dictate the terms of a RAND license as to all of Motorola's patents in all countries (*id.* at 2, 16-17); and (iv) there was no equitable basis for the court's interference with the German action (*id.* at 18-21).

On April 11, 2012, the district court issued an oral ruling granting a temporary restraining order prohibiting Motorola from enforcing any German injunction against Microsoft's infringement of Motorola's essential German patents at issue in Germany.

ER 29-44. The court noted that “the limited number of cases that there are” concerning anti-suit injunctions “seem to be guided in substantial part by some special interest or special significance of the aspects of the dispute which are in the United States.” ER 31. The district court added, specifically “for the edification of the Court of Appeals so it knows where I’m coming from, that I consider the preservation of my ability to resolve this dispute to be something that needs to be carefully guarded.” ER 36. And the district court stated that it perceived that ability under threat because, “were the German court to issue an injunction, it would sharply usurp the ability of this court to determine whether or not an injunction is appropriate.” ER 39.

In the April 11 oral ruling, the district court also suggested that it could itself set a global RAND rate. *See* ER 38 (“Under these facts before the court, in my understanding, is the question of a determination of the worldwide RAND.”). The court derived this perceived authority from Motorola’s initial offer letter proposing to license its global portfolio of essential patents on standard terms—an opening offer that Microsoft deemed too high. *See* ER 38 (“[T]he offer letter from Motorola sent to Microsoft in the United States covers both the U.S. and foreign patents, and it is this offer letter which Microsoft alleges breaches the ITU agreement”); ER 38-39 (“[I]f Motorola did not want its foreign patent subject to this court’s jurisdiction, then it would not have provided them as part of the offer letter to Microsoft.”).

The district court acknowledged that, in other cases involving anti-suit injunctions, “comity concerns are [typically] alleviated through the parties’ agreement to litigation in a certain jurisdiction, *i.e.*, a choice of law provision in a contract,” which “we do not have [] here.” ER 41. But the court found that this case nonetheless presents “something of a special interest to the United States court system, given that the parties have initiated this litigation [] on a more inclusive basis.” ER 41. As further grounds for its oral ruling, the court also mentioned a concern with possible “forum shopping, vexatious litigation, an end-run around the litigation here in order to achieve the injunction goal in Germany.” ER 40.

The next day, April 12, 2012, the district court entered an order indicating that its temporary restraining order would remain in place pending its ruling on matters set for hearing on May 7, 2012. ER 28. At that hearing, the court addressed discrete summary judgment questions that remained outstanding—in particular, whether (as argued by Motorola) Microsoft had repudiated any RAND entitlement by filing suit at the outset instead of engaging in good-faith negotiations, and whether (as argued by Microsoft) Motorola’s opening letter offer had breached its RAND obligation. At the hearing, the court stated its intent to have “six good citizens of the Pacific Northwest decide what the royalty is.” ER 88.

On May 14, 2012, the district court entered an order converting its temporary restraining order to a preliminary injunction. The order enjoins Motorola “from

enforcing any injunctive relief it may receive in the German court system relating to the patents at issue in Microsoft's Motion." ER 27; *see* ER 25 (converting "Dkt. # 261" "into a preliminary injunction"). The injunction is set to remain in effect "until th[e district] court is able to determine whether injunctive relief is an appropriate remedy." ER 25.

In the memorandum opinion setting forth its reasons for issuing the preliminary injunction, ER 1-25, the district court found that the parties are the same in each action (as is not disputed), ER 13, and that the U.S. litigation would be dispositive of the German litigation. The court defined its task as to decide whether "injunctive relief is inappropriate" worldwide because "monetary relief would suffice as an alternative remedy to an injunction." ER 15-16. And the court also suggested that it could set a global RAND rate, stating that "before the court is a determination of RAND terms and conditions with respect to a license Motorola may be obligated to provide Microsoft for its standard-essential patents." ER 16. The court was not troubled that "an express statement that Microsoft seeks a license for Motorola's essential patents is missing from its complaint" because, in statements post-dating the German lawsuit, "Microsoft has affirmatively stated that it is ready and willing to take a license to such patents on RAND terms." ER 16 n.12.

The district court next found that allowing the German litigation to proceed would frustrate a "policy" of "avoiding inconsistent judgments," and again expressed

a concern that Motorola was “forum shopping” by filing the German action, stating that Motorola’s German suit “heightened” its concerns over “duplicative and vexatious litigation.” ER 18. The district court did not indicate what “forum,” other than Germany, might be available to redress Microsoft’s continuing infringement of German patents in Germany. Nor did the court take any account of the fact that Microsoft itself had sued Motorola in Germany to enforce seven of Microsoft’s German patents.

Last, the district court found that the impact of the proposed anti-suit injunction on international comity would be tolerable, stating that “a foreign court has been belatedly asked by Motorola to decide an issue already placed before this court,” and that its injunction went only “so far as necessary to preserve this court’s ability to adjudicate the duplicative dispute over the propriety of injunctive relief.” ER 19-20. Because Motorola and Microsoft are both U.S. companies and Motorola’s letter offering to license hundreds of its patents had been sent and received in the United States, the court found a “strong interest” on the part of the Western District of Washington in “adjudicating the claims before it.” ER 20. The district court also perceived that the lawsuit “lacks international issues and foreign government involvement,” further blunting comity concerns. ER 20.

While finding Ninth Circuit precedent “arguably unclear” as to whether factors specific to anti-suit injunctions replace all four traditional factors for issuing

injunctive relief (and not only likelihood of success on the merits), ER 12 n.10, the district court nonetheless addressed the remaining preliminary injunction factors, concluding that irreparable harm, the balance of hardships, and the public interest all supported issuance of the preliminary injunction. *See* ER 21-25.

Notwithstanding its acknowledgment that Microsoft's complaint lacks any express request that a license on RAND terms be set, ER 16 n.12, the district court has embraced Microsoft's reformulated position and concluded that "before the court is a determination of RAND terms and conditions with respect to a license Motorola may be obligated to provide Microsoft for its standard essential patents." ER 16.

#### **E. The German Court's Order**

In a ruling on May 2, 2012, the German court held that Motorola's patents in suit were infringed and that Motorola's rejection of Microsoft's low license offer was proper and not anticompetitive; it accordingly ruled Motorola entitled to an injunction against Microsoft for infringement of its German patents. *See* ER 163-217 (German court decision); *see also* ER 234 (Microsoft's English translation of German decision). In its decision, the German court noted that Microsoft had not availed itself of the *Orange Book* procedure whereby it could allow Motorola to set a rate (subject to review by a German court) and obviate entry of an injunction, but instead had limited the proposed licensing fee to Microsoft's chosen terms, which fall well below Motorola's standard terms. *See* ER 203-04, 259. Under such circumstances, the



relevant inquiry under German law is whether Motorola's rejection of Microsoft's offer constituted a clear abuse of antitrust law. *See* ER 202, 257. The German court held that the royalty rate offered by Microsoft was such that it would not be anticompetitive for Motorola to refuse it. *See* ER 203-10, 258-63.

Under German procedures, Motorola cannot enforce the injunction against Microsoft in Germany unless Motorola posts a bond—which the district court's injunction presently enjoins Motorola from doing. It remains open to Microsoft to obviate any such injunction in Germany by reengaging the *Orange Book* procedure whereby it allows Motorola to set a reviewable rate, and seeking a stay from the German appellate court. ER 340 (Grosch Decl. ¶ 28).

### **SUMMARY OF ARGUMENT**

Anti-suit injunctions are extraordinary remedies; this Court has published major opinions on the propriety of anti-suit injunctions only three times in the past three decades. *See Applied Med. Distrib. Corp. v. Surgical Co. BV*, 587 F.3d 909, 913 (9th Cir. 2009); *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984, 989 (9th Cir. 2006); *Seattle Totems Hockey Club, Inc. v. Nat'l Hockey League*, 652 F.2d 852, 856 (9th Cir. 1981). Corresponding with the rarity with which it confronts such injunctions, the Court has agreed with its sister circuits that they are to be used “sparingly.” *Applied Med.*, 587 F.3d at 920; *Gallo*, 446 F.3d at 989; *Seattle Totems*, 652 F.2d at 855. Specifically, in evaluating whether an anti-suit injunction should

issue, this Court asks (1) whether the one action stands to dispose of the other; (2) whether the foreign litigation threatens a special U.S. policy or interest; and (3) whether the impact on comity is tolerable. *See Applied Med.*, 587 F.3d at 913. The district court erred in finding this stringent test satisfied here.

(1) The first factor is not satisfied because the case below is incapable of disposing of all the issues in the German action. Whereas the case below concerns whether Motorola's initial license rate offer breached its RAND assurances, the German case concerns Microsoft's alleged infringement of German patents as to which neither licensing nor payment is in place. The district court erred in nonetheless claiming authority to decide, even as to *German* patents under *German* law, whether "injunctive relief is inappropriate because . . . monetary relief would suffice as an alternative remedy to an injunction." ER 15-16, Given the territorial boundaries of patent law, the district court may not finally decide what remedy a German court may enforce for infringement of German patents under German law.

The district court likewise lacked a basis for stating that it might make a "determination of RAND terms and conditions" on which Motorola is to license to Microsoft its 802.11 and H.264 portfolios worldwide. ER 16. The district court may not properly set such global RAND licensing terms, for Microsoft did not seek a worldwide license in either its initial or amended complaints. Moreover, RAND licensing terms are meant to be determined by the market and arms-length

negotiations between the parties; certainly a mere opening offer, by itself, should not occasion judicial intervention and imposition of RAND licensing terms. Finally, the difficulty in setting any RAND licensing terms through adjudication is greatly magnified by the fact that at issue in the district court is a global portfolio of patents spanning 30 countries, increasing exponentially the number of different market conditions and licensing variations that would affect any relevant calculation.

(2) Turning to the second factor, the district court erred in apprehending the prospect of inconsistent judgments, forum shopping, and duplicative and vexatious litigation. No such danger exists. Mere overlap in subject matter across different cases arises all the time, particularly in patent cases, and is no good basis for one country's courts to enjoin proceedings in another's. Thus, absent a forum-selection clause or some special interest that is harmed by permitting litigation elsewhere, parallel proceedings in the United States and Germany should proceed simultaneously as a matter of course. Nor is Motorola's German suit fairly deemed "vexatious." To the contrary, that suit has unquestionable merit considering that a German court has ruled for Motorola, finding that Microsoft is infringing Motorola's patents in Germany without payment or agreement to licensing terms. Because German patents cannot be enforced in U.S. courts, suit before German courts in Germany is the *only* way for Motorola to seek proper redress.

(3) As to the third factor, comity alone should foreclose the district court's preliminary injunction even irrespective of other considerations. The district court's order enjoins enforcement of a German court's order, applying German law, as to German patents, in Germany, on the assumption that courts worldwide should not be enforcing their own essential patents until a U.S. court has had global say over licensing terms for such patents. This result can obtain only by discounting principles of comity that deserve heavy weight. Moreover, the offense to comity is exacerbated here because a German court has already adjudicated the infringement suit and entered a judgment. Microsoft participated in those proceedings, chose not to avail itself of *Orange Book* procedures that would have enabled it to avoid an injunction under German law, and then, only when it anticipated an adverse German judgment, sought and obtained a U.S. district court's intervention.

The preliminary injunction also fails scrutiny under the traditional factors other than likelihood of success (which is replaced by the special factors governing anti-suit injunctions): (1) Microsoft faces no irreparable harm. Like any infringer in Germany, Microsoft can avoid an injunction against infringement by either agreeing to licensing terms through private negotiations or else engaging the *Orange Book* procedure available under German law that would enable it to commit to a license at a rate set by Motorola, subject to the German court's review. (2) The balance of hardships tips in favor of Motorola, because it is suffering ongoing, adjudicated infringement of its

German patents without the opportunity for redress. (3) Finally, the public interest also weighs heavily against the injunction. By disabling enforcement of a German court's judgment concerning German patents as practiced in Germany, the district court's order offends comity and shows disrespect to the courts of a sister sovereign, undermining the international regime whereby intellectual property rights may be vindicated around the world.

### **STANDARD OF REVIEW**

This Court reviews the grant of a preliminary anti-suit injunction for abuse of discretion, *Gallo*, 446 F.3d at 989, including “an error of law.” *Applied Med.*, 587 F.3d at 913.

### **ARGUMENT**

Anti-suit injunctions are reserved for exceptional cases and may not issue every time a matter stands to overlap with a foreign court's proceedings. The Western District of Washington ignored this basic principle in issuing a preliminary injunction blocking orderly enforcement of a German court's decision holding that Microsoft is infringing Motorola's German patents as practiced within Germany. And the district court's premise that it and “six good citizens of the Pacific Northwest,” ER 88, must have exclusive say over how and on what terms Motorola licenses its global patent portfolio to Microsoft—even to the point of disabling Motorola from enforcing a foreign court judgment awarding it an injunction against Microsoft's continuing

infringement of German patents within Germany—is highly premature. Such an injunction finds no support in this Court’s precedents and should be vacated.

**I. THE ANTI-SUIT INJUNCTION HERE DOES NOT SATISFY THE REQUIREMENTS THIS COURT HAS SET FORTH FOR THE GRANT OF SUCH EXTRAORDINARY RELIEF**

An anti-suit injunction “allow[s] the court to restrain a party subject to its jurisdiction from proceeding in a foreign court in circumstances that are unjust.” *Gallo*, 446 F.3d at 989. “Courts derive the ability to enter an antisuit injunction from their equitable powers.” *Id.* While available when necessary, anti-suit injunctions are strong medicine that this Court instructs “should be used sparingly.” *Id.* (quoting *Seattle Totems*, 652 F.2d at 855).<sup>2</sup> Decisions on anti-suit injunctions accordingly have been exceedingly rare within this Circuit, resulting in only three major published decisions:

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<sup>2</sup> Sister circuits agree that such injunctions should be reserved for only “the rare occasions when needed to protect jurisdiction or an important public policy.” *Stonington Partners, Inc. v. Lernout & Hauspie Speech Prods. N.V.*, 310 F.3d 118, 127 (3d Cir. 2002) (internal quotations omitted); *see also Canadian Filters (Harwich) Ltd. v. Lear-Siegler, Inc.*, 412 F.2d 577, 578 (1st Cir. 1969) (anti-suit injunctions are step to “be taken only with care and great restraint”); *Gau Shan Co., Ltd. v. Bankers Trust Co.*, 956 F.2d 1349, 1354 (6th Cir. 1992) (“Comity dictates that foreign antisuit injunctions be issued sparingly and only in the rarest of cases.”); *China Trade & Dev. Corp. v. M.V. Choong Yong*, 837 F.2d 33, 36 (2d Cir. 1987) (anti-suit injunctions should be “used sparingly”) (internal quotation omitted); *Laker Airways Ltd. v. Sabena, Belgian World Airlines*, 731 F.2d 909, 927 (D.C. Cir. 1984) (anti-suit injunctions should issue “only in the most compelling circumstances”).

The first, *Seattle Totems*, 652 F.2d 852, concerned a suit by the Seattle Totems hockey team against the National Hockey League and Northwest Sports, the owner of the Vancouver Canucks hockey team. The Totems filed suit in Seattle seeking to void certain agreements for their sale under U.S. antitrust laws. *Id.* at 853. Northwest Sports thereafter sued in British Columbia for damages under the disputed agreements, notwithstanding that (as it did not dispute) its damages claim could have been brought as a compulsory counterclaim to the earlier-filed Seattle action under Federal Rule of Civil Procedure 13(a). *Id.* The district court enjoined prosecution of the Canadian suit and this Court affirmed.

Twenty-five years later, this Court found that the circumstances in *Gallo*, 446 F.3d 984, made it “a paradigmatic case for a preliminary anti-suit injunction.” *Gallo*, a large California-based winery, and Adina, a wine and liquor distributor headquartered in Ecuador, had a distributorship agreement containing a forum-selection clause specifying that California was to supply the forum and the governing law. *Id.* at 987. Andina nonetheless filed “messy, protracted, and potentially fraudulent litigation in Ecuador in direct contravention of a valid and enforceable forum selection clause,” *id.* at 995, involving “procedural machinations” that included Andina’s appointment of an inexperienced “curador” to supposedly protect Gallo’s rights, *id.* at 987-88. Upon learning of all this late into the Ecuadorian proceedings, Gallo filed its own suit in California seeking appropriate relief, including “a

preliminary injunction restraining Andina from pursuing the action in Ecuador.” *Id.* at 988. After the district court declined to issue the injunction, and “a dizzying array of judgments, appeals, and procedural motions continued in Ecuador” nonetheless ensued, *id.* at 989, this Court held that the district court had abused its discretion in failing to issue an anti-suit injunction.

In a third leading decision, *Applied Medical*, 587 F.3d 909, this Court confronted a similar instance in which it held an anti-suit injunction should have issued. Applied Medical had an agreement to sell products for Surgical to distribute in Belgium, Luxembourg, and the Netherlands. The terms of the parties’ agreement included a forum-selection clause specifying that California would supply the forum and governing law. *See id.* at 911. When Applied Medical indicated that it would be terminating the agreement, Surgical threatened to seek compensation in Belgium, whereupon Applied Medical filed for a declaratory judgment in California and Surgical then filed suit in Belgium. *See id.* at 912. The district court denied Applied Medical’s request for an anti-suit injunction against Surgical’s continued pursuit of the Belgian suit, believing that Surgical’s claims in Belgium were “potentially broader” than those the district court was considering under the agreement. *Id.* at 913. This Court reversed, holding that Surgical’s Belgian claims “as a practical matter depend on termination of the Agreement, [such that] they all ‘aris[e] out of th[e] Agreement’ and are subject to the forum selection clause.” *Id.* at 914. And it



emphasized the importance of vindicating selection of California as the agreed-upon forum:

Under *Gallo*, the claims in the two actions are functionally the same and the first action is dispositive of the action to be enjoined in the sense that all of the Belgian claims fall under the contract's forum selection clause and can be litigated and resolved in the California action. Furthermore, we recognize California's strong policy in favor of enforcing forum selection clauses and note the comity concerns that would arise if a party to a contract containing a forum selection clause were permitted to proceed with duplicative litigation challenging the rightful authority of the contractually-designated forum court. Accordingly, an injunction restraining Surgical from pursuing its Belgian action is appropriate. A contrary result would effectively nullify the forum selection and choice-of-law clauses, thereby eliminating the certainty of a contractual result that is necessary to foster international trade and commerce.

*Id.* at 914-15.<sup>3</sup>

None of the special factors that counseled in favor of anti-suit injunctions in *Seattle Totems*, *Gallo* and *Applied Medical* is satisfied here. As this Court summarized these factors in *Applied Medical*, in evaluating whether an anti-suit

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<sup>3</sup> In a fourth case, *Triton Container Int'l Ltd. v. Di Gregorio Navegacao Ltda*, 440 F.3d 1137 (9th Cir. 2006), this Court summarily ordered that an anti-suit injunction should issue. Citing *Seattle Totems*, the Court held that Triton was entitled to "a permanent injunction against Di Gregorio relitigating this case in a Brazilian court. After fully participating in the United States court action and after receiving an adverse judgment, Di Gregorio commenced an action seven months later in Brazil to litigate the same factual issues. Under these circumstances, the district court should have enjoined Di Gregorio from proceeding with the action in Brazil." *Id.* at 1137-38. In a fifth case, *In re Simon*, 153 F.3d 991 (9th Cir. 1998), the Court cited *Seattle Totems* and comity considerations, en route to affirming a bankruptcy court's ability, per the prescription of the Bankruptcy Code, to apply and enforce its stay of collection proceedings by the parties before it, including as to collection proceedings abroad in Hong Kong. *See id.* at 996-98.

injunction should issue, this Court examines: “(1) ‘whether or not the parties and the issues are the same, and whether or not the first action is dispositive of the action to be enjoined’; (2) whether the foreign litigation would ‘frustrate a policy of the forum issuing the injunction’; and (3) ‘whether the impact on comity would be tolerable.’” 587 F.3d at 913 (quoting *Gallo*, 446 F.3d at 991, 994). Here, the action below and the action abroad are distinct—the former for breach of contract and the latter for patent infringement. The German action does not frustrate any U.S. policy or threaten the district court’s ability to determine the dispute before it. And the district court’s extraterritorial intervention in the enforcement of German patents before German courts does intolerable harm to comity.

**A. The U.S. Action Cannot Dispose Of The German Action**

The threshold inquiry here, as in other circuits, is whether or not the parties and the issues are the same. *See Quaak v. Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren*, 361 F.3d 11, 18 (1st Cir. 2004) (“[T]he gatekeeping inquiry is, of course, whether parallel suits involve the same parties and issues.”); *Paramedics Electromedicina Comercial, Ltda v. GE Medical Sys. Info. Techs.*, 369 F.3d 645, 652 (2d Cir. 2004). Even so, “duplication of parties and issues alone is not sufficient to justify issuance of an antisuit injunction.” *Laker Airways Ltd. v. Sabena, Belgian World Airlines*, 731 F.2d 909, 928 (D.C. Cir. 1984) (footnote omitted); *see also China Trade & Dev. Corp. v. M.V. Choong Yong*, 837 F.2d 33, 36 (2d Cir. 1987). The anti-

suit injunction here does not withstand this threshold inquiry. While the parties are the same, the issues fundamentally differ: this case concerns whether Motorola's initial royalty rate offer breached its RAND assurances; the German case concerns Microsoft's current infringement of German patents as to which neither license nor payment is in place.

### **1. The Issues Are Not Identical**

Although the two actions need not be identical, “the domestic action [must be] capable of disposing of *all the issues* in the foreign action.” *Applied Med.*, 587 F.3d at 915 (emphasis added). Thus, the mere fact that there is *some* overlap between parallel proceedings does not suffice. *Cf. Laker Airways*, 731 F.2d at 926-28; *China Trade*, 837 F.2d at 36. Considering that the German suit concerns the enforcement of German patents within Germany, this threshold requirement cannot be met. Unlike in *Seattle Totems*, where the contract claim brought in Canada “would constitute a compulsory counterclaim in the pending antitrust action” and could be brought as such, 652 F.2d at 853, Motorola has no ability before a U.S. court to enforce German patents, under German law, in the face of infringement in Germany.

In the realm of intellectual property, the laws of each country do not have extraterritorial effect. *See, e.g., Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1093 (9th Cir. 1994) (en banc) (“Foreign patents, despite covering precisely the same product as an American patent, present separate and independent

rights.”), *cert. denied*, 513 U.S. 1001 (1994) (quoting 3 NIMMER ON COPYRIGHT § 12.04[A][3][b], at 12-86 (1991)); *Medtronic, Inc. v. Catalyst Research Corp.*, 518 F. Supp. 946, 955 (D. Minn. 1981), *aff’d* 664 F.2d 660 (8th Cir. 1981). In keeping with these established bounds, “federal courts around the country have considered anti-suit injunctions of parallel proceedings in a variety of intellectual property contexts and have uniformly concluded that such injunctions are improper.” *Zynga, Inc. v. Vostu USA, Inc.*, 816 F. Supp. 2d 824, 829 (N.D. Cal. 2011). In *Zynga*, for example, the plaintiff brought separate copyright infringement actions against a competitor in both U.S. and Brazilian courts. *Id.* at 826. The two lawsuits involved substantially the same parties, the same copyrighted works, and the same alleged acts of copying. *Id.* at 828-29. The U.S. court nonetheless denied the defendant’s request to enjoin enforcement of a preliminary injunction from the Brazilian court, because such relief “would deprive [plaintiff] of the rights it has under [Brazilian] law and would interfere with the Brazilian public policy that law protects.” *Id.* at 830.<sup>4</sup>

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<sup>4</sup> Numerous decisions are of a piece. *See Sperry Rand Corp. v. Sunbeam Corp.*, 285 F.2d 542, 545 (7th Cir. 1960) (reversing issuance of anti-suit injunction enjoining plaintiff from instituting any other trademark action, because no threat of litigation vexation arose where there was one trademark action pending in the United States, one action pending in Germany, and a “threat to file separate actions in other foreign countries by local foreign nationals involving specific foreign rights arising under and enforceable only through the laws of those foreign countries”); *Zimnicki v. Neo-Neon Int’l, Ltd.*, No. CV:06-4879, 2009 WL 2392065, at \*3-4 (N.D. Ill. July 30, 2009) (“Here, where Zimnicki has filed copyright and trademark infringement claims based on the copyrights and trademarks she holds in the United States, and Neo-Neon

Ignoring these settled principles, the district court would prevent Motorola from enforcing an injunction against Microsoft's infringement under a foreign sovereign's patent law. The court suggests that it may decide, without territorial limitation, whether "injunctive relief is inappropriate because . . . monetary relief would suffice as an alternative remedy to an injunction." ER 15-16; *see also* ER 39 ("[W]ere the German court to issue an injunction, it would sharply usurp the ability of this court to determine whether or not an injunction is appropriate."). But the district court has no rightful occasion to speak to the law governing German patents, much less to prevent enforcement of a properly adjudicated German court order.<sup>5</sup> Especially because

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has filed a declaratory judgment action against Zimmicki in China based on the designs NeoNeon supposedly registered with the Chinese Patent Office, Zimmicki cannot demonstrate that the outcome of the present litigation would be dispositive of Neo-Neon's Chinese lawsuit."); *Microsoft Corp. v. Lindows.com, Inc.*, 319 F. Supp. 2d 1219, 1222-23 (W.D. Wash. 2004) (denying anti-suit injunction that would have prohibited Microsoft from continuing to pursue its foreign litigation, because a foreign trademark dispute is not the "same" for purposes of an anti-suit injunction); *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 126 F.3d 365, 372 (2d Cir. 1997) ("While Altai may experience as vexatious Computer Associate's decision to pursue its rights in France, the French action would in no way affect the decision rendered by a court of the United States. In short, the action in this country involved violations of Computer Associates's United States copyright, and the French action involves violations of Computer Associates's French copyright."); *Black & Decker Corp. v. Sanyei Am. Corp.*, 650 F. Supp. 406, 409 (N.D. Ill. 1986) (court could not conclude that plaintiffs had filed simultaneous prosecutions of the same action, notwithstanding "that the underlying facts are virtually identical and the relief sought is similar," because intellectual property issues "involve separate and independent rights arising from the unique laws of each nation").

<sup>5</sup> Microsoft's argument against injunctive relief stems from the U.S. Supreme Court's ruling in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). *See*

Motorola has no means of enforcing its German patents in Germany other than to pursue its recourse before German courts, under German law, the district court should not be allowed to supplant and occupy that field. *See* George A. Bermann, *The Use of Anti-Suit Injunctions in International Litigation*, 28 COLUM. J. TRANSNAT'L L. 589, 626 (1990) (“[A]n anti-suit injunction ought not issue if it would result in depriving the plaintiff of his or her only remedy.... American courts have not yet been tempted to interfere with foreign litigation in situations where the cause of action could not possibly be brought anywhere else.”).

## **2. The District Court Lacks A Proper Basis To Impose A Global RAND Rate**

Also underlying the district court’s concern with the German case is its view that it has the authority “to ultimately determine the terms of that [RAND] license” that should obtain between Microsoft and Motorola as to a global portfolio spanning 30 countries. ER 76; *see* ER 16. This premise is unjustified, as this Court may rule in order to decide this appeal. *See Meredith v. Oregon*, 321 F.3d 807, 812 (9th Cir.

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Microsoft’s Reply In Support Of Its Mot. For Partial Summ. J. Dismissing Motorola’s Claim For Injunctive Relief, ECF No. 152, at 3-4, 7 (Jan. 6, 2012). The *eBay* decision, of course, applies U.S. law. By no fair reading was the Supreme Court speaking to Motorola’s rights to injunctive relief under *German* patents and *German* law. Notably, at the time, prior to *eBay*, Motorola agreed with the SSOs to license its essential patents on RAND terms, injunctive relief against patent infringement had been nearly automatic even under U.S. law. *See, e.g., Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989); *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983).

2003) (pendent appellate jurisdiction permits the court to exercise jurisdiction over an otherwise non-appealable issue that is “inextricably intertwined” with or “necessary to ensure meaningful review of” an issue that is properly before the court) (citing *Cunningham v. Gates*, 229 F.3d 1271, 1284 (9th Cir. 2000)).

*First*, Microsoft has not sought such sweeping relief in this action. Microsoft’s operative complaint does not seek award of a license outside the United States nor commit to accepting such a license; the district court itself recognized that Microsoft did not seek a worldwide license in either its initial or amended complaints. *See* ER 16 n.12; ER 457-58. Microsoft sought relief only retrospectively for Motorola’s supposed breach of its RAND obligations. *See generally* ER 434-61. Accordingly, Microsoft would need to amend its complaint to place such relief properly at issue. Unless and until Microsoft does so, there is no prospect that the proceedings below can resolve the ongoing infringement at issue in Germany.

*Second*, even if Microsoft had sought the award of a RAND license, it would be highly premature for the court itself to set RAND terms as a remedy. RAND rates and terms are to be presumptively determined by the market and arms-length negotiations between the parties. *See* ER 351 (“The detailed arrangements arising from patents (licensing, royalties, etc.) are left to the parties concerned, as these arrangements might differ from case to case.”). That process typically entails multiple rounds of negotiations. But Microsoft’s complaint asserts merely that Motorola opened the

RAND bidding too high in its initial letter offering to license. Whatever authority the district court has to award damages (as Microsoft sought in its complaint), or even to order the parties to undertake good-faith negotiations of a RAND license, the district court surely should not be imposing RAND terms before such bilateral negotiations have even begun.

Nor does the court have any basis to set such rates absent evidence of such a course of bargaining. Neither of the standards-setting organizations here has issued rules or guidance for RAND offers, described how RAND terms should be determined, or defined what “RAND” terms are. Even Microsoft agrees that RAND negotiations depend upon variable facts, including “other business dealings between the parties, such as distribution agreements, co-branding agreements, [and] cross-licenses involving other technologies.” *See* ER 366; *see also* ER 351. Likewise, the RAND rate may vary according to other terms of the specific license, such as its duration, scope, and attendant rights.

In these circumstances, a court should defer to bilateral negotiations between parties participating in good faith and be leery of interceding to impose its own terms except as a last resort. *See Facebook, Inc. v. Pac. Nw. Software, Inc.*, 640 F.3d 1034, 1038-39 (9th Cir. 2011) (applying California law and declaring that failure to agree upon necessary terms would “render the contract a nullity”) (citing *Citizens Utils. Co. v. Wheeler*, 319 P.2d 763, 769-70 (Cal. 1958) (arms-length acquisition of a private



company's shares could not proceed because price was omitted from the contract)); *Keystone Land & Dev. Co. v. Xerox Corp.*, 152 Wash.2d 171, 176 (Wash. 2004) (“Agreements to agree are unenforceable in Washington.”); *Wharf Rest., Inc. v. Port of Seattle*, 605 P.2d 334, 339 (Wash. App. 1979) (rejecting promissory estoppel claim because “[a]n agreement to negotiate a contract in the future is nothing more than negotiations”); *cf. Golden State Transit Corp. v. City of L.A.*, 475 U.S. 608, 616-17 (1986) (“The NLRA requires an employer and a union to bargain in good faith, but it does not require them to reach agreement.”). In this case, however, back-and-forth negotiations have effectively been preempted after Motorola sent its opening offer letter and Microsoft filed suit.

*Third*, the problems faced by a court or jury seeking to impose RAND terms mount exponentially when *global* RAND rates and conditions covering patents in 30 countries are to be determined. For “six good citizens of the Pacific Northwest [to] decide what the royalty is,” ER 88, including as to *foreign* patents, would be a stark overreach in an intellectual property system where rights and market conditions vary from country to country.

In sum, the proceedings in the district court have no meaningful prospect of disposing of the German action. The district court erred in multiple respects in reaching the opposite conclusion.

## **B. No U.S. Policy Concern Is Implicated**

Because all three of the governing factors must be satisfied, this Court’s analysis can end with the first factor. Yet the district court further erred in determining that Microsoft met the second prerequisite for an anti-suit injunction—namely, that the foreign litigation would frustrate a policy of the forum issuing the injunction, given the supposed prospect of inconsistent judgments, forum shopping, and duplicative and vexatious litigation. ER 18. No such danger exists.

It is well-established that “duplication of parties and issues alone is not sufficient to justify issuance of an anti-suit injunction.” *Laker Airways*, 731 F.2d at 928. In *Laker Airways*, which this Court has pointed to as “[o]ne of the seminal cases on anti-suit injunctions,” *Gallo*, 446 F.3d at 994, the D.C. Circuit stressed that the presumptive norm is to “permit[] parallel proceedings in concurrent in personam actions.” 731 F.2d at 926-27. “Since parallel proceedings are ordinarily tolerable, the initiation before a foreign court of a suit concerning the same parties and issues as a suit already pending in a United States court does not, without more, justify enjoining a party from proceeding in the foreign forum.” *China Trade*, 837 F.2d at 36. Mere overlap in subject matter across different cases arises all the time, particularly in patent cases, and is no good basis for one country’s courts to enjoin another’s. Thus, absent a forum-selection clause or some special interest that is vitiated by permitting litigation to proceed elsewhere, *cf. Applied Med*, 587 F.3d at 916; *Gallo*, 446 F.3d at

992, simultaneous proceedings in the United States and Germany between the same parties may continue in parallel as a matter of course.

Here, the actions will not produce inconsistent verdicts because the German court and the district court are not deciding the same question. The German court has determined only that Microsoft infringed Motorola's German patents. The RAND compliance of Motorola's October 2010 license offer is not at issue in Germany.

Nor, contrary to the lower court's account, ER 18, ER 40, is Motorola's German suit in any way "vexatious." The German lawsuit has unquestionable merit. A German court has determined that Microsoft is infringing Motorola's patents in Germany without agreeing to terms for licensing them or tendering sufficient payment for them. The German litigation at issue here therefore bears no resemblance to the "messy, protracted, and potentially fraudulent litigation" in Ecuador that this Court deemed "vexatious and oppressive" in *Gallo*, 446 F.3d at 990, 995, so as to warrant issuance of an anti-suit injunction.

Tellingly, Microsoft perceived no vexation or duplication from the German suit until its likely outcome crystallized. Microsoft did not seek relief from the German litigation until twenty days before a judgment was to issue—eight months after Motorola had filed the German suit. Motorola's German suit became no less meritorious and no more duplicative as it progressed; only its outcome, not its nature, occasioned complaint by Microsoft.

Moreover, the fact that the filing of the Motorola lawsuit in Germany post-dated the district court action is of no consequence. In *Gallo*, it was the Ecuadorian action that had been filed first. Although the district court found that such sequencing weighed against issuance of an anti-suit injunction, this Court disagreed. *Gallo*, 446 F.3d at 994 (“That [the distributor] filed first, however, makes no difference as to the propriety of an anti-suit injunction.”).

If anything, it is Microsoft’s request for the injunction entered below that attempts (to use the district court’s words) an “end-run.” ER 40. Because German patent disputes cannot be adjudicated in the United States, a suit before German courts in Germany is the *only* way for Motorola to make its “run” against Microsoft’s infringement there. Microsoft could have availed itself of an established *Orange Book* procedure allowing it to secure licensing of Motorola’s patents on RAND terms overseen by a German court, but it chose not to. There is no special U.S. interest in reaching out to shield Microsoft from the consequences of its litigation decisions in Germany.

### **C. The Preliminary Injunction Offends Comity**

Finally, even if the first two factors were met (which they are not), comity calls for vacatur of the injunction under appeal. “An anti-suit injunction, by its nature, will involve detailed analysis of international comity.” *Gallo*, 446 F.3d at 990. While “[t]here may be different views among circuits as to the relative importance to be

given to comity in deciding whether to file an anti-suit injunction,” *id.* at 995,<sup>6</sup> comity was the touchstone of this Court’s analysis in *Gallo*, *see id.* at 994-95, and this Court has pointed to “comity” first and foremost in saying that such injunctions should issue “sparingly,” *id.* at 989 (quoting *Seattle Totems*, 652 F.2d at 855); *see Applied Med.*, 587 F.3d at 920; *Paramedics Electromedicina*, 369 F.3d at 652. Here, the district court’s order enjoins enforcement of a German court’s order, applying German law, as to German patents, in Germany. There is no basis and no precedent for a U.S. court to reach overseas and supplant a foreign court’s adjudication of its own patents, under its own law, on its own soil.

An anti-suit injunction may issue defensively lest parties be enjoined by foreign courts from continuing to litigate before U.S. courts to vindicate U.S. law. *See Laker Airways*, 731 F.2d at 929-30; *Gau Shan*, 956 F.2d at 1355-56; *China Trade*, 837 F.2d at 36. It may issue as the only means of preserving fidelity to the parties’ express selection of a U.S. forum. *See Gallo*, 446 F.3d at 991-92; *Applied Med.*, 587 F.3d at 919. It may perhaps issue under other extraordinary circumstances where a U.S. court would otherwise see justice, rules, or orderly proceedings compromised in a case

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<sup>6</sup> Compare *Quaak*, 361 F.3d at 17 (1st Cir.) (“We deem international comity an important integer in the decisional calculus”), and *Laker Airways*, 731 F.2d at 927 (D.C. Cir.) (anti-suit injunctions should be granted “only in the most compelling circumstances”), with *Kaepa, Inc. v. Achilles Corp.*, 76 F.3d 624, 627 (5th Cir. 1996) (“We decline ... to require a district court to genuflect before a vague and omnipotent notion of comity every time that it must decide whether to enjoin a foreign action.”).

before it. *See Seattle Totems*, 652 F.2d at 856. In *Seattle Totems*, for instance, at stake was the requirement under the U.S. Federal Rules of Civil Procedure that a compulsory counterclaim be properly filed, *id.* at 853-55; also at issue were agreements that were allegedly void under U.S. antitrust laws, *id.* at 853, which laws are “of admitted economic importance to the United States,” *Laker Airways*, 731 F.2d at 932; *see also United States v. Topco Assocs., Inc.*, 405 U.S. 596, 610 (1972) (“Antitrust laws in general, and the Sherman Act in particular, are the Magna Carta of free enterprise. They are as important to the preservation of economic freedom and our free-enterprise system as the Bill of Rights is to the protection of our fundamental personal freedoms.”). No such special interest obtains here.

To the contrary, Germany has the primary interest in enforcing its own patents, on its own soil, according to its law, through its own courts, especially where Motorola’s enforcement of a German order would not prevent the U.S. district court from adjudicating the case before it and Motorola has no ability to enforce its German patents in the United States. The district court is effectively claiming exclusive jurisdiction to set licensing terms for Motorola’s patents around the world, even to the point of disabling other countries’ courts from having their fair say about enforcing their own countries’ patents in the meantime.

The offense to comity is even more severe than it would be had it occurred earlier in the foreign litigation. Here, a German court has already adjudicated the

infringement suit before it. Microsoft participated in those proceedings and then, only when it anticipated an adverse judgment, sought and won the U.S. district court's intervention. Microsoft chose this course of action over avoiding a German injunction under the *Orange Book* licensing procedure that enables it to commit to a license at a rate set by Motorola, subject to German court oversight. Microsoft did not mention the pendency of the action below during the course of the German action (only after the trial did Microsoft file a short brief so alerting the German court for the first time), nor did it seek to have the German action stayed.

The instant injunction thus effectively aids and abets Microsoft's effort to escape at the last moment from Germany's judicial process. This is not how a U.S. court should be exercising its injunctive powers. *See Gau Shan*, 956 F.2d at 1355 (a district court should not "convey[] the message, intended or not, that the [U.S.] court has so little confidence in the foreign court's ability to adjudicate a given dispute fairly and efficiently that it is unwilling even to allow the possibility"); *see also Canadian Filters*, 412 F.2d at 579 ("While Filters may prefer to have a United States court determine the validity of Lear's Canadian patent, Lear has a right to prefer the Canadian court even though this may be regarded as an inconvenience by Filters or, in the total picture, be thought to involve duplication. Filters sought the wrong relief. Rather than, in effect, attempt to strong-arm the Canadian court, it should have asked

that court, if it thought it was so entitled, to postpone its proceedings until the United States court had taken action.”).

## **II. THE TRADITIONAL FACTORS GOVERNING PRELIMINARY INJUNCTIONS LIKEWISE WEIGH AGAINST THE ANTI-SUIT INJUNCTION HERE**

The injunction under appeal also fails scrutiny under the traditional equitable factors other than likelihood of success on the merits. To obtain preliminary injunctive relief, a party ordinarily must demonstrate (1) that it is likely to succeed on the merits; (2) that it is likely to suffer irreparable harm in the absence of preliminary relief; (3) that the balance of equities tips in its favor; and (4) that an injunction is in the public interest. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). The factors specially governing an anti-suit injunction stand in for likelihood of success on the merits of the underlying claim. *See Gallo*, 446 F.3d at 991 (“[Movant] need not meet our usual test of a likelihood of success on the merits of the underlying claim to obtain an anti-suit injunction . . . . Rather, [movant] need only demonstrate that the factors specific to an anti-suit injunction weigh in favor of granting the injunction.”).

This Court has not expressly addressed whether the three factors peculiar to anti-suit injunctions replace all four preliminary-injunction factors reflected in *Winter*, or only the requirement that the movant show a likelihood of success on the merits of the underlying claim. *See id.* (silent as to whether remaining three preliminary



injunction factors apply); *see also Applied Med.*, 587 F.3d at 913 (silent as to traditional injunction factors). As the district court noted, however, this Court’s decision in *Gallo* suggests the need to establish that the balancing of equities (prospect of irreparable harm, interests of other parties, and the public interest) weighs in favor of an anti-suit injunction before one can issue. *See* ER 12 n.10.<sup>7</sup> Because anti-suit injunctions should “be issued sparingly,” *Applied Med.*, 587 F.3d at 920, any application of the traditional factors should be demanding. The district court abused its discretion in finding the traditional factors satisfied here.

**A. Microsoft Faces No Irreparable Harm**

The district court concluded that Microsoft’s market share and business reputation will be irreparably harmed absent an anti-suit injunction, because Microsoft “may be forced to withdraw from the German market its Xbox game console and software products such as Windows 7, Internet Explorer 9, and Windows Media Player 12.” ER 21-23. This ruling disregards the fact that Microsoft, like any infringer in Germany, can avoid such a result either by agreeing to licensing terms through private negotiations or by engaging *Orange Book* procedures available through German courts. Thus its claimed harm is not irreparable.

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<sup>7</sup> The district court noted that the Third Circuit expressly supported the replacement of all four *Winter* factors in *Stonington Partners*, 310 F.3d at 128-29. *See* ER 12 n.10.

Nor should Microsoft be able to claim “harm” from having to comply with German patent law. Given that Microsoft has availed itself of the German forum to market and sell its products, and also to sue Motorola for alleged infringement of Microsoft’s own German patents, Microsoft should not now be heard to complain about the consequences of its continued noncompliance. To the extent that Microsoft now faces harm from a German injunction blocking continuation of its uncured patent infringement, such harm is of Microsoft’s own making and is not cognizable as irreparable harm warranting an injunction.

Finally, Microsoft’s undue delay should count against any finding of irreparable harm. It waited over eight months into the German proceedings to seek the relief granted below. In the meantime, Microsoft deprived German courts of any appropriate opportunity to consider its requested relief—it waited until after trial in Germany to first bring up the pendency of the action below and never asked the German court to stay the German action. Only when the prospect of suffering an adverse judgment in Germany became clear did Microsoft suggest for the first time in oral argument to the court below that it would submit to imposition of a global RAND license so as to occasion the injunction at issue.

**B. The Balance Of Equities Tips In Motorola’s Favor**

Whereas Microsoft will suffer no cognizable harm from allowing Motorola to enforce its rights under German law, the anti-suit injunction harms Motorola’s rights

as patent holder. The district court's order gives Motorola's patent rights short shrift, finding that "Motorola faces little injury by an anti-suit injunction" because Motorola may obtain injunctive relief at "some later date." ER 24. This holding ignores that a German court has already held that Microsoft is infringing and that injunctive relief obtains now. *See* ER 163-217; *see also* ER 236-41.<sup>8</sup> The district court has turned things upside down by equating the orderly progression of German patent adjudication with irreparable injury to Microsoft. The upshot is that Microsoft continues to infringe Motorola's German patents with impunity even as the applicable German remedy is enjoined below. And because Microsoft, on May 24, 2012, was awarded an injunction against Motorola by the court in Munich based on one of its eight patent assertions, if there is any irreparable harm here, it is that Motorola is enjoined from selling in Germany even while Microsoft's infringement is protected by the Seattle court.

The district court's anti-suit injunction also impairs Motorola's prospects of monetary recompense for Microsoft's infringement. No licensing terms have been

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<sup>8</sup> The district court's conclusion that Motorola might obtain injunctive relief at a later date also fails to account for the fact that Motorola's German patents are soon set to expire. In Germany, patents expire twenty years after the patent is filed. *See* European Patent Convention, art. 63 § 1, Apr. 7, 1997, *available at* <http://www.epo.org/law-practice/legal-texts/html/epc/2010/e/ar63.html>. One patent at issue in the German dispute, EP0538667, was filed on October 6, 1992, such that it will expire on or around October 6, 2012. The other patent, EP0615384, was filed on March 10, 1994, such that it will expire on or around March 10, 2014.

negotiated between the parties, Microsoft has foregone the *Orange Book* procedure that would commit it to pay Motorola for use of Motorola's patents in Germany, and Microsoft has not posted a bond in Germany (apart from €1.6 million pegged to the initial licensing offer that Motorola soundly rejected as too low). Thus, Motorola has no current assurance of adequate recompense for Microsoft's continuing infringement. It remains to be determined whether the district court below will specify a RAND licensing rate, much less a rate that is retroactively applicable in Germany, much less a rate that makes Motorola whole in Germany, and then withstands appeal. To the extent monetary relief would later elude Motorola, monetary harm from Microsoft's continued infringement in Germany amounts to irreparable harm to Motorola. *See Cal. Pharm. Ass'n v. Maxwell-Jolly*, 563 F.3d 847, 852 (9th Cir. 2009) (“[B]ecause the Hospital Plaintiffs and their members will be unable to recover damages against the Department even if they are successful on the merits of their case, they will suffer irreparable harm [absent] the requested injunction.”), *vacated on other grounds sub nom. Douglas v. Indep. Living Ctr. of S. Cal., Inc.*, 132 S. Ct. 1204 (Feb. 22, 2012).

For all of these reasons, the balance of hardships favors Motorola over Microsoft.

### **C. The Public Interest Weighs Against This Injunction**

Finally, the district court erred in concluding that the public interest is served by permitting Microsoft to continue infringing Motorola's patents in contravention of

German law. ER 25. Specifically, the district court reasoned that issuance of an injunction “serves the public interest by (1) having disputes properly before a United States court resolved here as opposed to a foreign court; (2) ensuring standard essential patents are accessible to all comers under RAND terms; and (3) permitting Microsoft’s customers, who rely on Microsoft’s information technology services, to conduct business uninterrupted.” *Id.* This reasoning does not hold.

*First*, the district court is mistaken in asserting that the issue of enforcing German patents in Germany is “properly before a United States court.”

*Second*, RAND licensing procedures enable a company such as Microsoft to obtain licensing of essential patents at RAND rates *if* the company is willing to take the steps necessary to secure its license. To date, however, Microsoft has declined to license Motorola’s German patents either on terms negotiated between the parties or available through German judicial procedure; thus, it is undisputed that Microsoft holds no license and is paying nothing as to Motorola’s patents it is infringing. Far from ensuring that standard-essential patents can be licensed under RAND terms, the district court’s order immunizes continued infringement of such patents.

*Third*, any assumption that Microsoft’s products and services will be interrupted absent an anti-suit injunction ignores that Microsoft remains able to obtain licensing terms through private negotiations or invocation of the *Orange Book* procedures available through German courts.

In fact, the public interest weighs heavily against issuance of an anti-suit injunction in this case. *First*, by intruding upon the enforceability of German court proceedings surrounding enforcement of German patents in Germany, the district court's order demeans international comity and respect for foreign proceedings. "[T]he central precept of comity teaches that, when possible, the decisions of foreign tribunals should be given effect in domestic courts, since recognition fosters international cooperation and encourages reciprocity, thereby promoting predictability and stability through satisfaction of mutual expectations." *Laker Airways*, 731 F.2d at 937; *see Societe Nationale Industrielle Aerospatiale v. U.S. Dist. Ct. for the S. Dist. of Iowa*, 482 U.S. 522, 544 n. 27 (1987) ("Comity refers to the spirit of cooperation in which a domestic tribunal approaches the resolution of cases touching the laws and interests of other sovereign states."); *Blanco v. Banco Indus. de Venezuela, S.A.*, 997 F.2d 974, 983 (2d Cir. 1993) ("[C]onsiderations of comity weigh heavily in favor of noninterference with ongoing foreign judicial proceedings.").

*Second*, the district court's order undermines the strong public interest favoring patent enforcement. *See Celsis In Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 932 (Fed. Cir. 2012) ("The public interest favors the enforcement of [patentee's] patent rights here."); *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006) ("We have long acknowledged the importance of the patent system in encouraging innovation."). By removing the threat of injunction under German law,

the district court's order enables Microsoft to continue violating Motorola's adjudicated German patent rights, unsettling the law and potentially encouraging others to follow suit. Microsoft's limited interests may profit from that, but only at the expense of those of the general public.

## CONCLUSION

For the foregoing reasons, this Court should reverse and vacate the district court's anti-suit injunction.

DATED: New York, New York  
May 30, 2012

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## **REQUEST FOR ORAL ARGUMENT**

Defendants-Appellants respectfully request that this Court hear oral argument in this case.

## **STATEMENT OF RELATED CASES**

Pursuant to Circuit Rule 28-2.6, Defendants-Appellants state that they are not aware of any related cases pending in this Court.

**CERTIFICATE OF COMPLIANCE WITH  
FRAP 32(A)(7)(C) & CIRCUIT RULE 32-1**

Pursuant to Fed. R. App. P. 32(a)(7)(C) and Circuit Rule 32-1, the attached opening brief is proportionately spaced, has a typeface of 14 points or more and contains 10,354 words.

s/ Kathleen M. Sullivan

*Attorney for Defendants-Appellants*

May 30, 2012

## **CERTIFICATE OF SERVICE**

I, Kathleen M. Sullivan, a member of the Bar of this Court, hereby certify that on May 30, 2012, I electronically filed the foregoing “Opening Brief of Defendants-Appellants” with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system. I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

I further certify that I caused one copy of Defendants-Appellants Excerpts of Record to be served by third-party carrier, FedEx, for overnight delivery to the following counsel for Plaintiff-Appellee:

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