

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN**

APPLE INC., and NEXT SOFTWARE,
INC. (f/k/a NeXT COMPUTER, INC.),

Plaintiffs and
Counterclaim-
Defendants,

v.

Case No. 10-CV-662 (BBC)

MOTOROLA, INC. and MOTOROLA
MOBILITY, INC.

Defendants and
Counterclaim-
Plaintiffs

**PLAINTIFFS AND COUNTERCLAIM-DEFENDANTS APPLE INC. AND NEXT
SOFTWARE, INC.'S REPLY IN SUPPORT OF THEIR MOTION FOR A STAY
PURSUANT TO FED. R. CIV. P. 19**

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I. Introduction

By virtue of its Merger Agreement with Google, Motorola has surrendered to Google's veto power its rights to (1) sue for infringement of its patents, (2) settle pending litigation, (3) license or sublicense its patents, (4) assign its rights in its patents, and (5) grant a covenant not to sue for infringement of its patents.¹ By so burdening its exclusionary rights in its patents, Motorola has divested itself of prudential standing and may not maintain its suit against Apple.

Motorola does not deny that its rights are now subjugated to Google's consent. Nor does it deny that Google lacks constitutional standing to join this lawsuit to cure Motorola's standing problem. Instead, Motorola argues that so long as Google has not obtained its own independent right to initiate suit based on the patents, there is no threat of multiple judgments against Apple and therefore no defect in Motorola's prudential standing.

Motorola's argument rests on a plain misstatement of the law, a view that has been expressly rejected by the Federal Circuit. The existence of a non-party with a right to sue is not necessary to establish a lack of prudential standing. Motorola lacks prudential standing because it has forfeited its rights to unilaterally exclude or indulge others' use of its patents. And because the party to whom Motorola subordinated its critical rights—Google—cannot be joined at this time to cure this jurisdictional defect, the appropriate remedy is a stay of this litigation until the issue of standing has been resolved.

Motorola does not dispute that, if it lacks standing and its merger is not complete before judgment, this Court and Apple will have wasted enormous resources only to arrive at a void judgment. And contrary to Motorola's suggestion, there is no assurance that its transaction with

¹See Declaration of Samuel F. Ernst in Support of Motion of Plaintiff and Counterclaim Defendants Apple Inc. and Next Software, Inc's Motion for a Stay Pursuant to Fed. R. Civ. P. 19 ("Ernst Decl."), Ex. 1 at 36.

Google—and the prerequisite global regulatory approvals—will be completed by the time this case proceeds to trial. Indeed, on September 28 Motorola and Google each received a Request for Additional Information and Documentary Materials from the Antitrust Division of the Department of Justice (“the DOJ”). This will substantially delay the approval of the merger in the United States alone. Second Requests from the DOJ have delayed the DOJ’s review of mergers for as much as ten and eleven months, which would be well beyond the April 30, 2012 trial date in this matter.

Motorola’s standing defects are the result of its own business decision to enter into an extraordinary Merger Agreement whereby a third party now has veto power over the exercise of patent rights Motorola is currently asserting in litigation. Given the uncertainty of any cure to Motorola’s standing problem, and the significant prejudice Apple faces defending a suit with no proper cross-plaintiff, the Court should stay the case immediately.²

II. Motorola Lacks Prudential Standing.

A. Motorola’s Surrender of Rights Deprived It of Prudential Standing.

1. Motorola’s brief stands on a false premise: a patentee does not need to grant a right to sue to another party in order to lose prudential standing.

Motorola’s central argument is that it must have retained standing because it has not granted Google the right to initiate lawsuits to enforce the patents-in-suit. Motorola Opp. at 7. This is incorrect. It is dispositive of prudential standing that Motorola has divested itself of the rights *unilaterally* to sue, license, and assign the patents-in-suit—regardless of whether Google may bring suit. Put simply, Motorola’s standing is determined by the diminished scope of the

² On September 29, 2011, the U.S. District Court for the Southern District of Florida denied Apple’s parallel motion to stay Case No. 10-23580-Civ-UU pending between the parties in that court. Reply Declaration of Samuel F. Ernst (“Reply Ernst Decl.”), Ex. 1.

rights *it* retains, not on the extent of rights *Google* has obtained. *See, e.g., Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1381 (Fed. Cir. 2000) (“Standing to sue for infringement depends entirely on the putative plaintiff’s proprietary interest in the patent . . .”).

The very case on which Motorola purports to rely for its primary argument, *Morrow v. Microsoft Corp.*, directly refutes Motorola’s position. In *Morrow*, a plaintiff trust, GUCLT, had an undivided and unfettered right to initiate infringement actions based on patents legally titled to a second plaintiff trust. *Morrow*, 499 F.3d 1332, 1338 (Fed. Cir. 2007).³ Despite the fact that no non-party also held rights to initiate suits on the patents—or even to consult with GUCLT regarding the initiation of such suits—GUCLT was found to lack prudential standing because it lacked “the right to license or sublicense or otherwise forgive activities that would normally be prohibited under the patent statutes.” *Id.* at 1342. Thus, the fact that Google lacks the right to initiate infringement actions based on the patents-in-suit does not “doom[]” Apple’s position on prudential standing. *Cf.* Motorola Opp. at 7. Motorola lacks prudential standing because *it* has surrendered significant proprietary rights to the patents. *See* Opening Br. at 7-12; *see also infra* Section II.B.

2. The threat of a multiplicity of suits is not the litmus test for a loss of prudential standing.

Motorola’s policy argument in support of the “multiplicity of suits” bright-line rule it has invented also is flatly inconsistent with the law. Motorola argues that Google’s lack of a right to sue is dispositive because Apple faces no threat of multiple litigations or liabilities. Motorola wrongly contends that in the absence of such a threat, Apple has “no basis” to challenge Motorola’s prudential standing.

³ A third trust held a limited right to certain non-intellectual property causes of action against a limited and specified number of defendants. *Id.* at 1335.

Motorola is incorrect. Prudential standing was found lacking in *Morrow* despite the absence of any threat of multiple litigations or liabilities against a single plaintiff. *See Morrow*, 499 F.3d at 1348 (Prost, J., dissenting) (“[T]his case does not implicate the perils associated with a relaxed standing requirement—that multiple plaintiffs may subject a defendant to suit for the same conduct, or that the patentee may miss an opportunity to defend against invalidation.”).

In fact, the Federal Circuit has already expressly rejected Motorola’s argument. In *Prima Tek II*, 222 F.3d 1372, the Federal Circuit held that the plaintiff licensee and sub-licensee lacked prudential standing to sue without the patent owner being joined. The court came to this conclusion based on the fact that certain patent rights transferred to the licensee were circumscribed by the requirement that it immediately transfer them to the sub-licensee. *Id.* at 1380.

The plaintiffs argued that there could be no prudential standing problem because any threat of multiple suits had been eliminated by the absent patent owner’s agreement to be bound by any judgment for or against the licensee. *Id.* The Federal Circuit disagreed, rejecting the notion that prudential standing concerns are implicated only by the threat of multiple lawsuits:

Appellees are correct that *one* of the underlying policies of [prudential standing] is to prevent duplicative litigation against a single accused infringer. This does not mean, however, that a patent owner’s agreement to be bound by all judgments against a licensee . . . necessarily resolves the issue of standing. *Standing to sue for infringement depends entirely on the putative plaintiff’s proprietary interest in the patent, not on any contractual arrangements among the parties regarding who may sue and who will be bound by judgments.*

Id. at 1381 (emphasis added)(internal citations omitted).

Motorola’s argument was recently rejected again by the courts in *Bushnell, Inc. v. Brunton Co.*, 659 F. Supp. 2d 1150 (D. Kan. 2009) and *Toshiba Corp. v. Wistron Corp.*, 270 F.R.D. 538 (C.D. Cal. 2010). In *Bushnell*, the putative plaintiffs argued that the absence of a

joint patent owner did not destroy prudential standing because that party had waived its right to sue under the patents, thereby removing any risk of multiple lawsuits. *Bushnell*, 659 F. Supp. 2d at 1163. The court rejected this argument, noting that it had been “expressly” rejected by the Federal Circuit in *Prima Tek II*. *Id.* at 1163-64. Similarly, in *Toshiba*, Wistron held the exclusive right to sue on and license the patents-in-suit, and the absent joint owner agreed to be bound by any judgment based on the patents. *Toshiba*, 270 F.R.D. at 540. While the court recognized that there was little threat of multiple suits, *id.* at 541, it nonetheless found that Wistron lacked prudential standing based on the fact that its right to license the patents was subject to the absent joint owner’s right to make, use, and sell patented products. *Id.* at 540, 542-43.

The cases cited in Apple’s opening brief are consistent with *Prima Tek II* and its progeny. *Sicom*, *Abbott*, *TCI*, *ESR* and *Zenith* did not turn on concerns over a multiplicity of lawsuits. *See* *Motorola Opp.* at 11-12. Rather, these cases turned on the nature and extent of the rights the putative plaintiff lacked.⁴ To the extent these cases discuss multiplicity of suits in the context of the standing analysis, it is an incidental point. For example, in *Sicom*, the discussion of multiplicity of suits is focused on whether the plaintiff possessed the entire right to sue. The fact “fatal” to *Sicom*’s standing was not that multiple suits were possible, but that the patent owner retained a right to veto reassignments of the patent. *Sicom*, 427 F.3d at 979.

⁴ *See Sicom Sys., Ltd. v. Agilent Techs., Inc.*, 427 F.3d 971, 979 (Fed. Cir. 2005) (listing numerous rights reserved to the patentee); *Abbott Labs. v. Diamedix Corp.*, 47 F.3d 1128, 1132 (Fed. Cir. 1995) (same); *Intellectual Prop. v. TCI Cablevision*, 248 F.3d 1333, 1344 (Fed. Cir. 2001) (same); *Enhanced Security Res., LLC v. Cisco Sys., Inc.* (“*ESR*”), No. C.A. 09-390-JJF, 2010 WL 2573953, *4-5 (D. Del., Jun. 25, 2010) (discussing rights surrendered by patentee); *Zenith Electronics Corp. v. Exzec Inc.*, 876 F. Supp. 175, 179 (N.D. Ill. 1995) (same).

B. Motorola’s Grant of Veto Rights to Google Deprives It of Prudential Standing.

As a result of its Merger Agreement with Google, Google’s consent is now required before Motorola may license or assign its patents; or grant a covenant not to sue, initiate new suits, or settle existing suits relating to its patents. The fact that Motorola’s ability to exercise its rights is now subordinate to Google’s veto power is more than sufficient to divest Motorola of prudential standing. By thus burdening its exclusionary rights, Motorola has lost its prudential standing to maintain this suit. The case law is clear: no formal transfer of the right to sue is required. The grant of a veto is impairment enough.

1. A putative plaintiff’s subordination of its exclusionary rights to a non-party’s veto eliminates prudential standing.

The Federal Circuit has held consistently that a non-party’s veto power over the putative plaintiff’s exclusionary patent rights extinguishes prudential standing. In *Sicom*, the putative plaintiff, Sicom, lacked the rights to settle patent litigation or assign or sublicense its patent rights without prior consent from a non-party. 427 F.3d at 979. The court held that by subordinating these exclusionary rights to a non-party’s veto, Sicom had lost any claim to prudential standing. *Id.* In reaching this conclusion, the court found “the restriction on Sicom’s right to assign” particularly important, agreeing with the district court that the non-party’s reservation of a veto over this right was “fatal” to Sicom’s standing. *Id.*

Similarly, in *Propat Int’l Corp. v. RPost, Inc.*, the Federal Circuit held that the putative plaintiff lacked standing to pursue patent infringement claims because the non-party patentee retained a right to veto licensing and litigation decisions and to bar transfers of the patents. *Propat*, 473 F.3d 1187, 1191 (Fed. Cir. 2007). The Federal Circuit viewed its conclusion of no standing as straightforward, remarking that “[i]n *no case* has this court held that a patentee who

retains such broad and wide-ranging powers with respect to a patent has nonetheless transferred ‘all substantial rights’ in the patent.” *Id.* (emphasis added).

The rights subjected to a non-party’s veto in *Sicom* and *Propat* are among the same rights Motorola has subjected to Google’s veto here. Motorola does not deny that it cannot, without Google’s consent, license the patents, initiate litigation based on the patents, or assign the patents. Ernst Decl., Ex. 1 at 36. As in *Sicom* and *Propat*, Motorola’s surrender of its exclusionary rights to a non-party’s veto is “fatal” to its standing to pursue this case as the sole plaintiff.

2. No case supports the proposition that rights must be transferred before there is a loss of prudential standing.

Motorola purports to rely on the Federal Circuit’s decisions in *Morrow* and *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F. 2d 870 (Fed. Cir. 1991), for the proposition that a complete transfer of exclusionary rights is required to eliminate prudential standing—and that a veto grant to a non-party is insufficient. Neither case supports Motorola’s sweeping argument.

Motorola mischaracterizes *Morrow*. *Morrow* describes three categories of plaintiffs involved when analyzing standing issues: (1) those that can sue in their own name alone; (2) those that can sue as long as the patent owner is named in the suit; and (3) those that cannot even participate as a party to an infringement suit. *Morrow*, 499 F.3d at 1339. The second category of potential plaintiffs—those who may sue only if an additional right-holder is joined—are those who “hold exclusionary rights and interests created by the patent statutes, but not all substantial rights to the patent.” *Id.* at 1340 (emphasis added).

Motorola cites *Morrow* for the proposition that “[t]he *only way* that Motorola could move from the first to the second category is by transferring exclusionary rights to Google.” Motorola

Opp. at 8 (citing *Morrow*, 499 F.3d at 1340). But *Morrow* states no such proposition. *Morrow* states that a party will fall into “category two” and lack prudential standing if it holds *less than all* substantial rights to the patent(s)-in-suit. Nowhere does *Morrow* state that those rights have to have been transferred in whole to a third party. Here, as in *Sicom* and *Propat*, Motorola holds less than all substantial rights in the patents by virtue of the veto power it has surrendered to Google.

Motorola also mischaracterizes the Federal Circuit’s decision in *Vaupel*. That decision does not hold that “veto powers are not substantial rights,” Motorola Opp. at 10; indeed, it would be contrary to the Federal Circuit’s more recent decisions in *Sicom* and *Propat* if it did so hold. *Vaupel* merely held that where *only the sublicensing right* is subject to a non-party’s veto, standing is not necessarily destroyed. *Vaupel*, 944 F. 2d at 875. Given that the *Vaupel* plaintiff retained an unfettered right to sue for patent infringement, in addition to other substantial rights in the patents, “[t]he sublicensing veto was a minor derogation from the grant of rights.” *Id.*

In the present case, Motorola has granted Google a veto not only over its right to sublicense, but also over its right to sue for patent infringement, to settle such suits, and to assign or license the patents. Where a party subjects this broad array of rights to a non-party’s veto power, as in *Sicom* and *Propat*, it divests itself of standing. *Vaupel* is not to the contrary.

C. Motorola’s Status as Titleholder Does Not Render It Immune to a Loss of Prudential Standing.

Motorola suggests that its status as the titular owner of the patents-in-suit should immunize it to a loss of prudential standing, purporting to distinguish a swath of cases on this basis. *See* Motorola Opp. at 11. Motorola cites no case that supports such a proposition. As Apple demonstrated in its opening brief, titular ownership of patents is not the touchstone for determining a putative plaintiff’s standing. *See* Apple Br. at 12-14. Rather, a party’s prudential

standing “depends entirely on the putative plaintiff’s proprietary interest in the patent,” regardless of that party’s formal ownership, *vel non*, of patent title. *Prima Tek II*, 222 F.3d at 1381.⁵

This principle is demonstrated affirmatively in the *Zenith* and *ESR* cases, in which patent holder plaintiffs were found to have lost prudential standing by virtue of forfeiting rights in the patents-in-suit. *See Zenith*, 876 F. Supp. at 179 (“[W]hile Zenith is the owner of the patent, its ownership is so substantially limited in enjoyment that it is not in any realistic sense ownership at all.”); *ESR*, 2010 WL 2573953 at *5 (“Although [ESR] appears to have retained legal title to the patents-in-suit, as well as the ability to exploit the patents-in-suit, the Court concludes that the Purchase Agreement nevertheless transferred ‘all substantial rights’ to [a licensee].”). Motorola cannot distinguish these cases on the basis that the patent-holder surrendered the right to sue, *see* Motorola Opp. at 12, because Motorola has itself surrendered its unilateral right to sue by granting a veto to Google.

Contrary to Motorola’s suggestion, the *Sicom*, *TCI*, *Propat*, and *Abbott* cases did not turn on the identity of the titular owner of the patents at issue. *See* Motorola Opp. at 11. Rather, the holdings in those cases turned on whether the putative plaintiff held all substantial rights in the patents—the question Motorola seeks to evade. *See TCI*, 248 F.3d at 1345 (finding that the putative plaintiff held “fewer than all substantial rights”); *Abbott*, 47 F.3d at 1133 (concluding that the putative plaintiff lacked prudential standing because it did “not have a sufficient interest” in the patents-in-suit); *see supra* Section II.B.1 (discussing *Sicom* and *Propat*). None of these

⁵ *Cf. Vaupel*, 944 F. 2d at 875 (“It is well settled that ‘[w]hether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself, but upon the legal effect of its provisions.’”) (*quoting Waterman v. Mackenzie*, 138 U.S. 252, 256 (1891)).

cases rest their holdings on the facile observation that one party or the other was the titular owner of the patent.

III. Google is a Required Party Under FRCP 19(a), Albeit a Required Party That Cannot be Joined at This Time.

Motorola does not contest that if it lacks prudential standing, Google is a required party under Rule 19(a). Nor can it. The Federal Circuit has consistently held that where the putative plaintiff lacks prudential standing, the party holding the residual rights in the patent is a required party under Rule 19(a). *See, e.g., Prima Tek II*, 222 F.3d at 1380-81.

Just as it is unnecessary to show that there is a threat of duplicative litigation to demonstrate a lack of prudential standing, this showing is also not required for Google to be a necessary party under Rule 19(a). The threat of a multiplicity of lawsuits is merely one way of showing that a party is required. Rule 19(a) provides:

(1) *Required Party.* A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if:

(A) in that person's absence, the court cannot accord complete relief among existing parties; ***or***

(B) that person claims an interest relating to the subject of the action and is so situated that disposing of the action in the person's absence may:

(i) as a practical matter impair or impede the person's ability to protect the interest; or

(ii) leave an existing party subject to a substantial risk of incurring double, multiple or otherwise inconsistent obligations because of the interest.

Fed. R. Civ. P. 19(a) (emphases added). By the plain terms of Rule 19(a), the threat of "double, multiple or otherwise inconsistent obligations" is merely one alternative way of showing that a party is required. Thus it is not surprising that the Federal Circuit held that the absent patent

owner was a required party in *Prima Tek II*, even though there was no danger of multiple lawsuits in that case. 222 F.3d at 1380-81.

Google is a required party even absent the threat of multiple lawsuits because the Court cannot accord complete relief without the joinder of Google. This is because the Court's judgment on the parties' claims respecting Motorola's patents will be void if entered while Motorola lacks prudential standing. Only by including the party with a right to veto Motorola's various rights to exclude will the two entities that together control the rights to sue and license be present in this case. *See, e.g., Sicom*, 427 F.3d at 980 (putative plaintiff with right to sue could not proceed in suit without joinder of non-party with veto power over assignments). But until such time as Google can actually function as a plaintiff, it is not possible to achieve that state of affairs.

Accordingly, a stay is the appropriate remedy at this time, so that the litigation only proceeds once the required parties are included in this case.

IV. The Court Should Stay This Matter to Avoid Adjudication Subject to a Jurisdictional Defect.

A. Motorola's Standing Defect Threatens the Judgment in This Case.

Motorola does not dispute that, if it lacks standing and its merger is not complete before judgment, this Court and Apple will have wasted enormous resources only to arrive at a void judgment.⁶ Instead, it urges that its lack of standing is "transient" and that, because the merger with Google will "likely" be resolved before judgment is entered in this case, this Court should ignore Motorola's lack of standing. But Motorola offers no assurance that the transaction will be

⁶ The danger of a void judgment persists despite the fact that Motorola may have the right to sue for past damages occurring prior to its loss of standing. *Motorola Br.* at 13 n.4. A judgment on Apple's declaratory judgment claims of non-infringement and invalidity or a judgment granting subsequent damages or an injunction would be void if Motorola lacks standing at the time it is entered.

complete by the time of trial or judgment. Nor could it, given the regulatory approval timeline it faces. As a result, Motorola's position appears to be that the Court and Apple should bear the risk of the uncertainty Motorola created through its agreement with Google.

Before the merger may be completed, Motorola must receive regulatory approval for its merger in multiple jurisdictions, including the United States, the European Union, Russia and China. *See, e.g.*, Declaration of James McGill Aiken ("Aitken Decl."), Ex. 2, Motorola's Section 14A Proxy Statement to the SEC ("On August 29, 2011, Motorola Mobility and Google agreed that, in addition to those in the United States and European Commission, pre-closing antitrust clearances in Canada, China, Israel, Russia, Taiwan and Turkey are required and applicable to the merger.").

It is by no means assured that Motorola and Google will receive approval in the United States prior to the trial in this matter. On September 28, 2011, the parties each received a Request for Additional Information and Documentary Materials from the DOJ. Reply Ernst Decl., Ex. 2. This Second Request will require the parties to make an exhaustive production of documents and information, and the DOJ's review of this information will substantially delay any approval of the merger, perhaps well beyond the April 30, 2012 trial date in this matter.

Second Requests have been shown to significantly delay the approval of transactions. For example, in the merger between Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc., the DOJ issued a Second Request on April 12, 2007. *Id.*, Ex. 3. The merger was not approved by the DOJ until March 24, 2008, over eleven months later.⁷ *Id.*, Ex. 4.

⁷ The merger was not completed until July 28, 2008, over fifteen months after the Second Request. Reply Ernst Decl., Ex. 5.

As another example, in Echostar Communications Corporation’s attempted acquisition of Hughes Electronics Corporation, the DOJ issued a Second Request on December 17, 2001. *Id.*, Ex. 6 ¶ 5. The DOJ completed its review and decided to file a lawsuit to block the transaction on October 31, 2002, over ten months later. *Id.*, Ex. 7.

Google is a much larger company than Sirius Satellite Radio, XM Satellite Radio, Echostar, and Hughes Electronics, and, accordingly, will have much more information and documentation for the DOJ to review. Accordingly, it is quite possible that Motorola and Google’s Merger Agreement will not be approved until well after the April 30, 2012 trial date in this matter.

But even if Motorola receives regulatory approval in the United States before trial, it is entirely possible that it will not receive approval in other critical jurisdictions until after the trial date in this matter. Under the EU’s Merger Regulation, approval by the European Commission can take between five weeks and eight months from the date of Motorola’s notice of the transaction—a submission that, as far as the public is aware, Motorola has not yet even made. *See Aitken Decl.* ¶¶ 8, 13, 17. Approval by China’s Ministry of Commerce (“MOFCOM”) can take over six months from the date on which MOFCOM formally accepts any notification of the merger provided by Motorola and Google. Declaration of Xie Guanbin (“Guanbin Decl.”) ¶¶ 6-11. Approval by the Federal Antimonopoly Service of the Russian Federation (the “FAS”) can take between one and 11 months. Declaration of Alexander Viktorovich Viktorov ¶¶ 8-10. Thus, even if Motorola files its Notice today, it is entirely possible that it will not receive approval from each of these authorities until after trial—or even judgment—in this matter.

The risk of delay in these jurisdictions is not theoretical. These foreign regulatory bodies have often reached conclusions different from the one reached by United States regulatory

officials in such transactions. For example, the European Commission has blocked or subjected to lengthy review transactions involving companies such as Nokia Corp., Honeywell International Inc., Oracle Corp., and Sun Microsystems—transactions that had received prompt regulatory approval in the United States. *See* Aitken Decl. ¶ 18. And it took MOFCOM roughly nine months to approve the recent acquisition by Nokia Siemens Networks of Motorola’s cellular networks infrastructure business, despite the acquisition receiving prompt approval by other regulatory bodies, including the DOJ. *Id.* ¶ 18.

Motorola does not dispute that, if its transaction is significantly delayed and it lacks standing, this Court’s judgment will not be valid and will be at risk of reversal on appeal on that basis. The waste of resources that would result is staggering. This matter involves arguments regarding the invalidity and non-infringement of dozens of claims of Motorola’s six asserted patents. Assuming this matter goes to trial, the Court will have expended significant resources resolving issues of infringement, enforceability and validity of those claims, only to arrive at a void judgment. The Court will then face the risk of re-litigation of those claims, perhaps by an entirely different patent owner.

Apple will also be significantly prejudiced by such an outcome. For example, if Apple prevails on its non-infringement and/or invalidity arguments—a portion of litigation that is enormously expensive—it will be forced to expend the resources to make all of these arguments again, but this time against an adversary with the tactical advantage of having previewed Apple’s arguments.

B. Motorola’s Standing Defect Is Immediately Prejudicial to Apple and the Litigation Process.

Motorola’s standing defect also is immediately prejudicial to Apple in ways that could not be resolved by the consummation of the Google/Motorola transaction before judgment. As

Motorola notes, in the next six weeks, the parties will submit motions for summary judgment. Apple thus must litigate against allegedly dispositive motions brought by a party that lacks standing.

Litigating in the face of this defect also is directly contrary to the purpose of Rule 19. Rule 19 expresses the policy of the federal courts to avoid the risk of waste of judicial resources. *See, e.g., Moore v. Ashland Oil, Inc.*, 901 F.2d 1445, 1447 (7th Cir. 1990) (“The purpose of [Rule 19] is to permit joinder of all materially interested parties to a single lawsuit so as to protect interested parties and avoid waste of judicial resources.”). Proceeding with the litigation in the face of Motorola’s standing defect squarely presents such a risk. The Court will expend significant resources in the near term resolving the parties’ summary judgment and claim construction disputes, all to an uncertain outcome.

C. There is No Support in the Law for Motorola’s Argument That the Mere Possibility of a Future Cure Avoids a Defect in Prudential Standing.

Motorola urges the Court to continue on the current schedule, because at some uncertain point (perhaps after trial) it might cure its existing standing defect. This argument flies in the face of the basic precept that “[s]tanding to sue is a *threshold requirement* in every federal action.” *Sicom*, 427 F.3d at 975 (emphasis added).

Not surprisingly, Motorola cites no support for the proposition that the case should proceed in the face of a current defect in standing. Motorola’s only citation to the law in this regard is to *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005). Motorola Opp. at 12. But *Schreiber Foods* does not stand for the proposition that the Court should ignore a standing defect in light of the possibility that it might be resolved.

To the contrary, in *Schreiber Foods* the Federal Circuit confronted a situation where the prudential standing problem had *already been cured*. *Schreiber Foods*, 402 F.3d at 1203. The

court noted that, given the lack of a present standing defect, the case could proceed, but it did not suggest that, where a known standing defect exists, a court should continue on in the face of that defect in the hope that it will be cured before judgment.

Indeed, other cases stand for the proposition that prudential standing defects require prompt cure or the claims will be dismissed. For example, in *Prima Tek II LLC*, 222 F.3d at 1382, the court declined to cure a standing defect by adding an indispensable party on appeal where the defendant would be prejudiced by the late addition of that party. Likewise, Motorola's offer to prove standing sometime in the future is insufficient. If Motorola cannot cure its standing defect now, the most prudent course would be for the Court to stay the matter until such time as Motorola actually possesses standing to pursue its claims.

Even if Google somehow obtains sufficient rights in the patents to be joined as a party and thereby cure the standing deficiency prior to judgment, the case likely will not be able to proceed on the current schedule. The joinder of Google would be an event of major impact in this litigation, as Google and Apple may add claims against each other that would need to be developed through further extensive discovery and other proceedings. Until this situation is resolved, the prudent course is therefore to stay the case.

D. Motorola Articulates No Prejudice That It Will Incur Due to a Stay.

Notably, for all of the arguments it makes, Motorola's opposition brief is silent on the issue of whether Motorola would be prejudiced by a stay. As Apple pointed out in its opening brief, there is no prejudice to Motorola here. Motorola's opposition tacitly concedes the point. Particularly in light of the fact that Apple proposes that the Court stay Apple's infringement claims as well as Motorola's, there can be no prejudice to Motorola.

V. Google and Motorola’s Desire to Lock up Motorola’s Patents Does Not Cure Motorola’s Lack of Standing.

Without providing any support for its contention, Motorola argues that the entry of a stay in this matter will have a dramatic effect on patent litigation and mergers across the country. Motorola’s argument, even if it had some factual support, is without merit.

First, the situation here is unusual: Motorola is in the process of completing an historic transaction involving its own sale at the very same time that it is in active litigation over patents that constitute a key part that transaction. *See* Ernst Decl. Exs. 2, 3 (the patents at issue are a critical driver of the transaction). That Motorola has allowed a third party veto power over the exercise of patent rights it is currently asserting in litigation is extraordinary, not business as usual as Motorola contends. This convergence of elements is hardly the usual merger arrangement.

Second, Motorola’s lack of standing is a direct result of its own business decisions. Motorola could have crafted its agreement with Google differently. Alternatives having a less-invasive effect on Motorola’s patent rights surely were available, but the parties to the merger agreement did not choose those routes. Apple should not be prejudiced by Motorola and Google’s decision.

Third, it bears emphasis that the remedy Apple proposes is quite modest. Apple merely proposes that the matter be delayed until the standing issue, and the potential prejudice to Apple, is resolved.⁸ Such a small remedy, designed to protect the litigation process and ultimate outcome of this matter, will hardly bring an end to mergers and acquisitions in this country.

⁸ Motorola begins its brief with the insinuation that Apple has “grown tired of pursuing its claims.” Motorola Opp. at 1. Apple has not. As discussed in Apple’s opening memorandum, Apple suggested staying its own claims in addition to those of Motorola because, *inter alia*, it would be more efficient for the Court.

VI. Conclusion

For the foregoing reasons and those articulated in Apple's opening memorandum, this matter should be stayed until the consummation of the Google/Motorola merger or until further order of the Court.

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Respectfully submitted,

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