

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

ASUS COMPUTER INTERNATIONAL, et al.,

Plaintiffs,

v.

INTERDIGITAL, INC., et al.,

Defendants.

Case No. 15-cv-01716-BLF

ORDER GRANTING IN PART AND DENYING IN PART DEFENDANTS’ MOTION FOR SUMMARY JUDGMENT; DENYING PLAINTIFFS’ MOTION FOR SUMMARY JUDGMENT

[Re: ECF 231, 234]

In this patent licensing dispute Plaintiffs ASUS Computer International and ASUSTek Computer Inc. (collectively, “ASUS” or “Plaintiffs”) allege that Defendants InterDigital, Inc., InterDigital Communications, Inc, InterDigital Technology Corporation, IPR Licensing, Inc., and InterDigital Patent Holdings, Inc. (collectively, “InterDigital” or “Defendants”) failed to license standard essential patents on fair, reasonable, and non-discriminatory terms to Plaintiffs in a 2008 Patent License Agreement (“2008 PLA”) and in subsequent negotiations, among eight claims in total. *See generally* First Amended Complaint (“FAC”), ECF 108-6. Defendants have counterclaimed for declaratory judgment that Plaintiffs’ tort claims are invalid or preempted. *See* Answer and Counterclaim ¶¶ 30–36.

Presently before the Court are the parties’ respective motions for summary judgment. Defendants seek summary judgment of six issues related to at least Counts I, II, IV, V, and VIII of Plaintiffs’ FAC. *See generally* Defendants’ MSJ, ECF 233-4. Plaintiffs seek summary judgment of one issue—Count III of the FAC—that Defendants breached their contractual FRAND obligations in ongoing negotiations between the parties. *See* Plaintiff’s MSJ at 1, ECF 230-4. For the reasons discussed below, Defendants’ motion for summary judgment is GRANTED IN PART and DENIED IN PART; and Plaintiff’s motion for summary judgment is DENIED.

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I. PROCEDURAL HISTORY

On April 15, 2015, Plaintiffs filed the original complaint in this action, asserting seven causes of action. *See* Original Compl., ECF 2-6. On August 25, 2015, the Court granted Defendants’ motion to compel arbitration pursuant to the 2008 PLA’s arbitration clause for all claims in the original complaint except Plaintiffs’ claim for breach of contract based on negotiations for unlicensed patents; denied Plaintiffs motion for a preliminary injunction; and ordered the action stayed pending the arbitrator’s decision on arbitrability. *See* ECF 92 at 12–13. In other words, six of Plaintiffs’ seven claims in the original complaint were compelled to arbitration—all but Count III of the original complaint, which is effectively identical to Count III of Plaintiffs’ FAC.

Defendants subsequently commenced arbitration before the International Centre for Dispute Resolution (“the Tribunal”) “seeking a declaration of non-liability as to the claims asserted in [Plaintiffs’] complaint in the Northern District of California.” *See* Interim Award ¶ 5, ECF 94-3 (internal quotation and citation omitted). In response, Plaintiffs asserted that the Tribunal lacked jurisdiction and, in the alternative, asserted seven conditional counterclaims: violation of § 2 of the Sherman Act, violation of §17200 of California Business & Professions Code, violation of the Delaware Consumer Fraud Act, breach of contract based on Defendants’ SSO undertaking, promissory estoppel, waiver, and that Defendants fraudulently induced the 2008 PLA. *Id.* ¶¶ 5–6.

On June 17, 2016, the Tribunal issued an Interim Award on Jurisdiction (“Interim Award”) that determined the issue of arbitrability. *See* Interim Award, ECF 94-3; Transmittal Letter, ECF 93-2. The Tribunal determined that the following counts in Plaintiffs’ original complaint (ECF 2-6) were not arbitrable:

- Count I for violation of § 2 of the Sherman Act;
- Count II for violation of §17200 of Cal. Bus. & Prof. Code (“UCL claim”);
- Count IV for breach of contract leading to and resulting from the 2008 PLA;
- Count V for promissory estoppel; and
- Count VI for waiver.

1 See Interim Award ¶ 52, ECF 94-3. The Tribunal found Count VII of the original complaint for
2 fraudulent inducement to contract arbitrable and retained Defendants’ arbitration claim for
3 declaratory judgment of no fraudulent inducement to contract and Plaintiffs’ corresponding
4 counterclaim of fraudulent inducement. *Id.*

5 On July 15, 2016, the Court lifted the stay based on the Tribunal’s decision on arbitrability
6 as described above. ECF 95.

7 On August 18, 2016, Plaintiffs filed their FAC in this action, asserting the following eight
8 causes of action:

- 9 (1) Count I for violation of § 2 of the Sherman Act;
- 10 (2) Count II for violation of §17200 of Cal. Bus. & Prof. Code (“UCL claim”);
- 11 (3) Count III for breach of contract resulting from ongoing negotiations between the
12 parties;
- 13 (4) Count IV for breach of contract leading to and resulting from the 2008 PLA;
- 14 (5) Count V for promissory estoppel;
- 15 (6) Count VI for waiver;
- 16 (7) Count VII for fraudulent inducement to contract; and
- 17 (8) Count VIII for violation of the Delaware Consumer Fraud Act.

18 See generally FAC, ECF 108-6. Counts I through VI of the FAC are essentially the same as
19 Counts I through VI of the original complaint. See Compl., ECF 2-6; FAC, ECF 108-6. Count
20 VIII of the FAC was not included in Plaintiffs’ original complaint. The FAC notes that Count VII
21 “will be resolved in arbitration,” see FAC ¶ 120, and indeed, the Tribunal issued a Final Award on
22 August 2, 2017, dismissing Plaintiffs’ claim of fraudulent inducement, see Final Award ¶ 108(a),
23 ECF 135-4. On October 25, 2017, the Court entered Final Judgment pursuant to Federal Rule of
24 Civil Procedure 54(b) in accordance with the Interim Award on Jurisdiction dated June 17, 2016,
25 and the Final Award dated August 2, 2017. See ECF 137.

26 On March 23, 2018, the Court granted the parties’ stipulation to dismiss “those portions of
27 each of Counts I-VI and VIII in the [FAC] seeking relief for [Defendants’] alleged obligations and
28

1 activities associated with IEEE¹ 802 standards, patents and products,” leaving ETSI as the lone
 2 standards setting organization pertinent to the allegations in the FAC. *See* ECF 157.

3 On August 16, 2018, the parties filed their respective motions for summary judgment. *See*
 4 ECF 231, 234. On October 11, 2018, the Court heard oral argument on both motions (“the
 5 Hearing”).

6 **II. LEGAL STANDARD**

7 Federal Rule of Civil Procedure 56 governs motions for summary judgment. Summary
 8 judgment is appropriate “if the pleadings, depositions, answers to interrogatories, and admissions
 9 on file, together with the affidavits, if any, show that there is no genuine issue as to any material
 10 fact and that the moving party is entitled to a judgment as a matter of law.” *Celotex Corp. v.*
 11 *Catrett*, 477 U.S. 317, 322 (1986). “Partial summary judgment that falls short of a final
 12 determination, even of a single claim, is authorized by Rule 56 in order to limit the issues to be
 13 tried.” *State Farm Fire & Cas. Co. v. Geary*, 699 F. Supp. 756, 759 (N.D. Cal. 1987).

14 The moving party “bears the burden of showing there is no material factual dispute,” *Hill*
 15 *v. R+L Carriers, Inc.*, 690 F. Supp. 2d 1001, 1004 (N.D. Cal. 2010), by “identifying for the court
 16 the portions of the materials on file that it believes demonstrate the absence of any genuine issue
 17 of material fact,” *T.W. Elec. Serv. Inc. v. Pac. Elec. Contractors Ass’n*, 809 F.2d 626, 630 (9th Cir.
 18 1987). In judging evidence at the summary judgment stage, “the Court does not make credibility
 19 determinations or weigh conflicting evidence, and is required to draw all inferences in a light most
 20 favorable to the nonmoving party.” *First Pac. Networks, Inc. v. Atl. Mut. Ins. Co.*, 891 F. Supp.
 21 510, 513–14 (N.D. Cal. 1995). For a court to find that a genuine dispute of material fact exists,
 22 “there must be enough doubt for a reasonable trier of fact to find for the [non-moving party].”
 23 *Corales v. Bennett*, 567 F.3d 554, 562 (9th Cir. 2009).

24 **III. STATEMENT OF FACTS**

25 ASUS is a multinational company headquartered in Taiwan that employs over 11,000
 26 people around the world. *See* Ex. 1 to Franzinger Decl., ECF 231-2. ASUS makes products

27 _____
 28 ¹ The Institute of Electrical and Electronics Engineering Standards Association, a standards setting
 organization.

1 related to information technology, including servers, tablets, notebooks, and 3G and 4G cellular
2 products that ASUS sells in over forty countries in nearly every global region. *See id.*; Ex. B to
3 Weinberg Decl., ECF 230-5; Ex. C to Weinberg Decl., ECF 230-6. In 2017, ASUS’s annual
4 revenue totaled NT\$434 billion (over \$14 billion USD). *See* ASUS 2017 Annual Report, Ex. 3 to
5 Wong Decl., ECF 234-3. According to the FAC, Plaintiff ASUSTek Computer Inc. is a
6 Taiwanese corporation with its principal place of business in Taipei; Plaintiff ASUS Computer
7 International in a wholly-owned U.S. subsidiary of ASUSTek with its principal place of business
8 in Fremont, California. FAC ¶¶ 11–12.

9 InterDigital is a publicly-traded company headquartered in Delaware that employs
10 approximately 350 employees, the majority of whom are engineers. *See* McElvaine Decl. ¶¶ 2–3,
11 ECF 234-8. Like ASUS, InterDigital is also involved in telecommunications technologies,
12 although it does not manufacture mobile devices. *Id.* ¶ 2. InterDigital conducts research and
13 development and holds a portfolio of thousands of U.S. and foreign patents and patent
14 applications. *Id.* The majority of InterDigital’s revenue is derived from licensing its patent
15 portfolio, including patents relating to 2G, 3G, and 4G cellular systems. *Id.* In 2017,
16 InterDigital’s reported revenue was \$533 million. Ex. 4 to Wong Decl., ECF 234-3.
17 InterDigital’s current and past licensees include Apple, Samsung, Huawei, and ASUS. *See*
18 McElvaine Decl. ¶ 2; 2008 PLA, Ex. A. to Rauscher Decl., ECF 108-2.

19 ETSI is a standard setting organization (“SSO”) for promulgating technical cellular phone
20 standards, including the standards known as 2G, 3G, and 4G. ETSI is governed by the ETSI
21 Directives, which includes an Intellectual Property Rights Policy (“ETSI IPR Policy”). *See* ETSI
22 Directives, Ex. 5 to Franzinger Decl., ECF 231-6. The ETSI IPR Policy provides, in part, that

23 When an ESSENTIAL IPR relating to a particular STANDARD or
24 TECHNICAL SPECIFICATION is brought to the attention of ETSI,
25 the Director-General of ETSI shall immediately request the owner to
26 give within three months an irrevocable undertaking in writing that it
27 is prepared to *grant irrevocable licenses on fair, reasonable, and
non-discriminatory (“FRAND”) terms and conditions* under such
IPR . . .

28 *Id.* § 6.1 (pp. 37–38) (emphasis added). One objective of the ETSI IPR Policy is to “seek[] a

United States District Court
Northern District of California

1 balance between the needs of standardization for public use in the field of telecommunications and
 2 the rights of the owners of IPRs.” *Id.* § 3.1 (p. 37). Both ASUS and InterDigital participate in
 3 ETSI—InterDigital as an owner of “ESSENTIAL IPR’s” and ASUS as an implementer of a
 4 “particular STANDARD or TECHNICAL SPECIFICATION,” such as 3G or 4G. InterDigital has
 5 submitted declarations to ETSI stating that “[t]o the extent that the IPR(s) disclosed in the attached
 6 IPR Information Statement Annex are or become, and remain, ESSENTIAL . . . [InterDigital is]
 7 prepared to grant irrevocable licenses under this/these IPR(s)” on terms and conditions set forth in
 8 § 6.1 of the ETSI IPR Policy. *See* Response to Request for Admission No. 11, Ex. E to Weinberg
 9 Decl., ECF 230-9. [REDACTED]
 10 [REDACTED] *See* Response to Request for Admission
 11 No.’s 35–37, Ex. F to Weinberg Decl., ECF 230-10.

12 In 2008, the parties signed a Patent License Agreement (“2008 PLA”) wherein InterDigital
 13 licensed to ASUS certain standard essential patents relating to cellular and wireless
 14 communication standards, including 2G and 3G standards. *See* generally 2008 PLA, ECF 108-2.
 15 [REDACTED]
 16 [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]

20 Meanwhile, in approximately 2012, the parties began communicating with respect to
 21 amending the 2008 PLA to cover 4G or for the parties to enter a new license agreement with
 22 respect to 4G. *See* ASUS-InterDigital Patent License Discussions, Ex. M to Weinberg Decl., ECF
 23 230-19. [REDACTED]
 24 [REDACTED]

25 [REDACTED] The parties’ discussions with respect to licensing 4G continued into
 26 2015, *see* Ex. V to Weinberg Decl., ECF 230-29, but no agreement was reached. On April 15,
 27 2015, Plaintiffs filed the instant action. *See* Original Compl., ECF 2-6. Negotiations with respect
 28 to 4G continued as late as November 2017, *see* Ex. X to Weinberg Decl., ECF 230-31, but also

United States District Court
Northern District of California

1 failed to end in agreement.

2 On August 25, 2015, the Court granted Defendants’ motion to compel arbitration pursuant
3 to the 2008 PLA’s arbitration clause for all claims in the original complaint except Plaintiffs’
4 claim for breach of contract based on negotiations for unlicensed patents. See ECF 92 at 12–13.
5 Defendants then commenced arbitration “seeking a declaration of non-liability as to the claims
6 asserted in [Plaintiffs’] complaint in the Northern District of California.” See Interim Award ¶ 5,
7 ECF 94-3 (internal quotation and citation omitted). Plaintiffs asserted that the Tribunal lacked
8 jurisdiction and, in the alternative, asserted counterclaims that mirrored Defendants claims for
9 declaratory judgment. *Id.* ¶¶ 5–6. On June 17, 2016, the Tribunal granted Plaintiffs’ application
10 to dismiss all claims/counterclaims before it for lack of jurisdiction because the Tribunal found the
11 claims [REDACTED] see *id.* ¶ 46, except for the
12 fraudulent inducement claim, which the Tribunal retained, see *id.* ¶ 47. The Tribunal noted that
13 Plaintiffs represented to the Tribunal that [REDACTED]
14 [REDACTED] *Id.*
15 ¶ 13(g)² (citing to the transcript of the proceedings). On July 15, 2016, the Court lifted the stay
16 based on the Tribunal’s dismissal for lack of jurisdiction. ECF 95. On August 18, 2016, Plaintiffs
17 filed their FAC. On August 2, 2017, the Tribunal issued its Final Award. In a unanimous
18 decision, the Tribunal determined that Plaintiffs had not proved fraudulent inducement under a
19 balance of probabilities standard. See Final Award ¶ 8, ECF 135-4.

20 **IV. DISCUSSION**

21 The Court addresses in turn Defendants’ Motion for Summary Judgment (ECF 234) and
22 Plaintiffs’ Motion for Summary Judgment (ECF 231).

23 **A. Defendants’ Motion for Summary Judgment (ECF 234)**

24 Defendants move for summary judgment of six issues: (1) Whether ASUS is judicially
25 estopped from arguing that the 2008 PLA is “non-FRAND”; (2) whether issue preclusion prevents
26 ASUS from re-litigating issues that were decided against ASUS in arbitration; (3) whether ASUS

27 _____
28 ² As discussed by the Court in its section on judicial estoppel, [REDACTED]

United States District Court
Northern District of California

1 can void the “binding and enforceable” 2008 PLA under applicable contract law; (4) whether
2 ASUS’s Sherman Act claim fails as a matter of law; (5) whether ASUS’s promissory estoppel
3 claim fails as a matter of law; and (6) whether ASUS’s UCL claim fails as a matter of law.” *See*
4 Defendants’ MSJ at 1, ECF 233-4. Although Defendants did not map their six issues to the FAC,
5 as best the Court can determine, those issues pertain to the claims in the FAC as follows:

6 Issues (1) and (3) relate primarily to Count IV of the FAC for Breach Of Contract Leading
7 To And Resulting From the 2008 PLA and tangentially to Counts I, II, and VIII.

8 Issue (2) relates primarily to Counts II, IV, and VIII, and tangentially to Count I.

9 Issue (4) concerns Count I, Plaintiffs’ Sherman Act claim.

10 Issue (5) concerns Count V, Plaintiffs’ promissory estoppel claim.

11 Issue (6) concerns Count II, Plaintiffs’ UCL claim.

12 The Court addresses each of the six issues in turn. As discussed below, Defendants’
13 motion for summary judgment is GRANTED IN PART and DENIED IN PART.

14 **1. Judicial estoppel**

15 Defendants request summary judgment that “ASUS is estopped from advancing arguments
16 that the [2008] PLA contains non-FRAND terms and conditions” in the instant action because
17 “ASUS prevailed [in arbitration] in moving its claims to this Court based on a directly opposite
18 characterization of the scope of those claims.” *See* Defendants’ MSJ at 6, ECF 233-4. Plaintiffs
19 counter that judicial estoppel requires “clearly inconsistent” statements and that “[t]he [arbitration]
20 transcript establishes that ASUS’s actual statements are entirely consistent with ASUS’s position
21 before this Court.” *See* Plaintiffs’ Opp’n at 1–2, ECF 262-45 (internal citation omitted). As
22 discussed below, the Court agrees with Defendants.

23 “Judicial estoppel is an equitable doctrine that precludes a party from gaining an advantage
24 by asserting one position, and then later seeking an advantage by taking a clearly inconsistent
25 position.” *Hamilton v. State Farm Fire & Cas. Co.*, 270 F.3d 778, 782 (9th Cir. 2001). The
26 doctrine is invoked “not only to prevent a party from gaining an advantage by taking inconsistent
27 positions, but also because of general consideration[s] of the orderly administration of justice and
28 regard for the dignity of judicial proceedings, and to protect against a litigant playing fast and

United States District Court
Northern District of California

1 loose with the courts.” *Id.* (internal quotation and citation omitted) (alteration in original).

2 The Supreme Court has articulated three factors that “typically inform the decision whether
3 to apply the doctrine in a particular case.” *New Hampshire v. Maine*, 532 U.S. 742, 750 (2001).
4 “First, a party’s later position must be clearly inconsistent with its earlier position.” *Id.* (internal
5 quotation and citation omitted). “Second, courts regularly inquire whether the party has succeeded
6 in persuading a court to accept that party’s earlier position, so that judicial acceptance of an
7 inconsistent position in a later proceeding would create the perception that either the first or the
8 second court was misled.” *Id.* (internal quotation and citation omitted). “A third consideration is
9 whether the party seeking to assert an inconsistent position would derive an unfair advantage or
10 impose an unfair detriment on the opposing party if not estopped.” *Id.* at 751. Judicial estoppel
11 applies to “directly contradictory arguments” made in arbitration proceedings. *See PowerAgent*
12 *Inc. v. Electronic Data Systems Corp.*, 358 F.3d 1187, 1192 (9th Cir. 2004); *see also Roderick v.*
13 *Mazzetti & Associates, Inc.*, 2006 WL 1883328, at *5–6 (N.D. Cal. July 7, 2006). Here, the Court
14 finds that all three factors weigh in favor of applying judicial estoppel and hereby **GRANTS**
15 summary judgment that Plaintiffs are judicially estopped from arguing that the 2008 PLA is not
16 FRAND compliant. Each factor is discussed in turn.

17 **a. Plaintiffs’ clearly inconsistent positions**

18 First, the question is whether Plaintiffs’ current position that the 2008 PLA is non-FRAND
19 compliant is “clearly inconsistent” with Plaintiffs’ statements to the Tribunal. *See Hamilton*, 270
20 F.3d at 782. In arbitration, Defendants³ sought a “declaration of non-liability as to the claims
21 asserted in [Plaintiffs’] complaint in the Northern District of California.” *See Interim Award* ¶ 5,
22 ECF 94-3 (internal quotation and citation omitted). In response, Plaintiffs asserted that the
23 Tribunal lacked jurisdiction and, in the alternative, asserted seven counterclaims that directly
24 mirror the claims asserted in Plaintiffs’ complaints in this Court. *See id.* ¶¶ 5–6; *see also Compl.*,
25 ECF 2-6; FAC, ECF 108-6. To find jurisdiction and therefore for the claims and counterclaims to
26 be arbitrable, [REDACTED]

27

28 ³ In this arbitration Defendants are the “Claimants” and Plaintiffs are the “Respondent.”

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

[REDACTED]

See Interim Award ¶ 43. Based in part on Plaintiffs’ representation that “[REDACTED]

[REDACTED]

” see *id.* ¶ 8(viii) (summarizing and citing Plaintiffs’ contention), the Tribunal concluded that

all but the fraudulent inducement claim/counterclaim did not [REDACTED]

[REDACTED] see *id.* ¶¶ 45, 52.

Plaintiffs’ Count IV is based on the theory that the 2008 PLA is not FRAND compliant. Count IV of the FAC is titled “Breach of Contract Leading To And Resulting From 2008 PLA.” See FAC Count IV, ECF 108-6. The FAC includes, for example, allegations that Defendants “violated [their] FRAND commitment during [their] negotiations leading to the 2008 PLA, by entering the 2008 PLA, [and] by seeking to enforce the 2008 PLA,” *id.* ¶ 7; that Defendants’ “2008 PLA and on-going licensing demands for other patents and products perpetuates [an] unfair and unreasonable demand, *id.* ¶ 62; and that “[Defendants] breached [their ETSI obligations] by . . . entering into the 2008 PLA that is [] unreasonable, unfair, and discriminatory,” *id.* ¶ 104. In the FAC’s prayer for relief, Plaintiffs request “[j]udgment that the 2008 PLA . . . [is] not fair, reasonable and non-discriminatory.” *Id.* ¶ K of Prayer for Relief. In effect, Plaintiffs’ allegation that the 2008 PLA violates FRAND comprises the essence of one or more of the causes of action.

However, in arbitration, Plaintiffs painted a different picture. In describing their claims to the Tribunal, Plaintiffs stated that [REDACTED]

[REDACTED] See Transcript of Arbitration Hearing at 17:14-16, ECF 262-3. This statement prompted the Tribunal to seek clarification from Plaintiffs, asking, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *Id.* at 17:24-18:4 (emphasis added). In response, Plaintiffs stated, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

[REDACTED]

Id. at 18:6-13 (emphasis added). Thus, in front of the Tribunal, Plaintiffs expressly and directly

[REDACTED]

Indeed, the aforementioned exchange immediately prompted the Tribunal to posit that

[REDACTED]

[REDACTED] *id.* at 18:20-23, to which Plaintiffs confirmed, [REDACTED]

[REDACTED]

[REDACTED] *id.* at 18:24-19:3 (emphasis added). Plaintiffs go on to state [REDACTED]

[REDACTED]

[REDACTED] *Id.* at 19:14-17. Moreover, the Tribunal directly pointed out to

Plaintiffs that Defendants [REDACTED]

[REDACTED]

Id. at 79:19-25. Plaintiffs responded that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *Id.* at 80:22-81:3.

In its Interim Award the Tribunal [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *Id.* ¶ 13(g) (citing pp. 18–19 of the transcript)

(emphasis added). On this record, the Tribunal adopted Plaintiffs’ position on non-arbitrability of all but the fraudulent inducement claim. Interim Award ¶ 52.

After receiving the Interim Award, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The Court has reviewed the record and finds the Tribunal’s summary at ¶ 13(g) of Plaintiffs’

United States District Court
Northern District of California

1 position entirely consistent with the transcript. The Court additionally finds that [REDACTED]
2 [REDACTED]
3 [REDACTED]

4 Plaintiffs argue that their statements in arbitration “merely confirmed there is no stand-
5 alone claim that the [2008] PLA is not FRAND complaint” and that Plaintiffs “never disclaimed—
6 in this answer, at the hearing, or at any point in arbitration—that the [2008] PLA’s terms and
7 conditions are facts supporting its claims.” See Plaintiffs’ Opp’n at 3 (emphasis in original). This
8 argument misses the point. To determine arbitrability, the Tribunal was tasked with evaluating
9 whether Plaintiffs’ claims were [REDACTED]
10 [REDACTED] See Interim Award ¶ 43. Whether a “stand-alone” claim was before the Tribunal that the
11 2008 PLA is not FRAND compliant was not the test to determine arbitrability. The Tribunal also
12 considered, for example, whether the claims and counterclaims [REDACTED]
13 [REDACTED] See id. ¶ 46. Plaintiffs position before
14 the Tribunal was that the claims/counterclaims and Defendants’ FRAND obligations were not
15 arbitrable, because [REDACTED] See Transcript of
16 Arbitration Hearing at 80:22-81:3, ECF 262-3. To now open the floor to Plaintiffs’ assertion that
17 the [2008] PLA contains non-FRAND terms and conditions “would create the perception that [the
18 Tribunal] was misled.” *New Hampshire*, 532 U.S. at 750.

19 Plaintiffs also contend they were arguing before the Tribunal that “[Plaintiffs’] claims are
20 rooted in the SSO declarations.” Plaintiffs’ Opp’n at 5, ECF 262-45. But even if true, this does
21 not relieve Plaintiffs of the effect of their “clearly inconsistent” positions. See *Hamilton*, 270 F.3d
22 at 782. As described above, Plaintiffs FAC relies in part on the theory that the 2008 PLA is non-
23 FRAND complaint. And in arbitration, also as described above, Plaintiffs made numerous
24 statements to the contrary. For example, Plaintiffs state [REDACTED]
25 [REDACTED]
26 [REDACTED] Transcript of Arbitration Hearing at 19:14-17, ECF 262-3. Yet
27 Plaintiffs’ FAC requests “[j]udgment that the 2008 PLA . . . [is] not fair, reasonable and non-
28 discriminatory.” FAC ¶ K of Prayer for Relief, ECF 108-6. The Court finds these positions

United States District Court
Northern District of California

1 “clearly inconsistent” under *Hamilton* (finding clearly inconsistent positions based on the
2 plaintiff’s failure to list his claims and then later suing on the same claims). 270 F.3d at 784.

3 **b. Reliance on Plaintiffs’ position by the Tribunal**

4 Next, the question is whether Plaintiffs “succeeded in persuading [the Tribunal] to accept
5 [Plaintiffs’] earlier position, so that judicial acceptance of an inconsistent position in a later
6 proceeding would create the perception that [the Tribunal] was misled.” *See New Hampshire v.*
7 *Maine*, 532 U.S. 742, 750 (2001) (internal quotation and citation omitted). The Court finds that
8 Plaintiffs were successful. In determining that all claims/counterclaims before it except the
9 fraudulent inducement claim/counterclaim did not [REDACTED]
10 [REDACTED] see Interim Award ¶¶ 45, 52, the Tribunal relied on Plaintiffs’
11 representation (as understood by the Tribunal) that [REDACTED]
12 [REDACTED] see *id.*
13 ¶ 8(viii) (summarizing and citing Plaintiffs’ contention); see also *Wagner v. Prof’l Eng’rs in Cal.*
14 *Gov’t*, 354 F.3d 1036, 1049 (9th Cir. 2004) (crediting what the first court “naturally and
15 obviously” understood and finding inconsistent positions).

16 Plaintiffs argue that “[Plaintiffs] never persuaded the tribunal that its claims did not
17 involve allegations regarding the [2008] PLA’s FRAND compliance.” Plaintiffs’ Opp’n at 6. In
18 support of this argument, Plaintiffs quote the Tribunal’s reasoning at ¶ 45 and ¶ 45(a) of the
19 Interim Award that states in part [REDACTED]
20 [REDACTED]
21 [REDACTED] see Interim Award ¶ 45, ECF 94-3. However,
22 ¶ 45 of the Interim Award [REDACTED]
23 [REDACTED] See *id.* ¶¶ 6, 45. [REDACTED]
24 [REDACTED]
25 [REDACTED] See, e.g., Interim Award ¶ 46. Regardless, Plaintiffs’ argument is off point. The issue
26 here is that the Tribunal relied on [REDACTED]
27 [REDACTED] As Plaintiffs stated to the
28 Tribunal, [REDACTED]

United States District Court
Northern District of California

1 [REDACTED] Transcript of Arbitration Hearing
2 at 19:14-17, ECF 262-3. In other words, the Tribunal relied on Plaintiffs’ position that [REDACTED]
3 [REDACTED] *id.* at 18:6-7, and that [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 **c. Unfair advantage to Plaintiffs or unfair detriment to Defendants**

7 The final factor is whether Plaintiffs would “derive an unfair advantage or impose an
8 unfair detriment on [Defendants] if not estopped.” *New Hampshire*, 532 U.S. at 751. The Court
9 finds that this factor also weighs in favor of applying judicial estoppel. By insisting that [REDACTED]
10 [REDACTED] *see* Transcript of Arbitration
11 Hearing at 17:14-15, ECF 262-3, Plaintiffs were able to remove claims from the arbitration. The
12 arbitration is now complete, at thus “there is no doubt that permitting [Plaintiffs] to switch
13 positions at this point would unfairly benefit them.” *See Samson v. Nama Holdings, LLC*, 2009
14 WL 9150841, at *18 (C.D. Cal. May 20, 2009) (applying the three *New Hampshire* factors and
15 concluding that the plaintiffs were judicially estopped). Moreover, if Plaintiffs are successful at
16 trial, Defendants may have been “wrongly denied [their] right to arbitration.” *See Berger v.*
17 *DIRECTV, Inc.*, 2015 WL 5686894, at *5 (D. Or. Sept. 22, 2015).

18 **d. Conclusion**

19 In conclusion, the Court hereby **GRANTS** summary judgment that Plaintiffs are judicially
20 estopped from arguing that the 2008 PLA is not FRAND compliant. While this grant of summary
21 judgment is straightforward, its effect is more complex. The Court’s ruling applies to Count IV
22 and to portions of Counts I, II, and VIII, *see, e.g.*, FAC at ¶¶ 78, 79, 89, 90, 104, 124, 125, to the
23 extent Plaintiffs would seek to introduce evidence that the 2008 PLA is not FRAND compliant.

24 **2. Issue preclusion**

25 There are three requirements for issue preclusion to apply: “(1) the issue at stake must be
26 identical to the one alleged in the prior litigation; (2) the issue must have been actually litigated in
27 the prior litigation; and (3) the determination of the issue in the prior litigation must have been a
28 critical and necessary part of the judgment in the earlier action.” *Roderick v. Mazzetti &*

United States District Court
Northern District of California

1 *Associates, Inc.*, 2006 WL 1883328, at *4 (N.D. Cal. July 7, 2006), quoting *Clark v. Bear Stearns*
2 *& Co.*, 966 F.2d 1318, 1320 (9th Cir. 1992). Neither party disputes that issue preclusion may
3 apply to issues resolved by an earlier arbitration.

4 Defendants move for summary judgment that “[i]ssue preclusion prevents ASUS from re-
5 litigating in this case the issues that were decided against it in the arbitration.” *See* Defendants’
6 MSJ at 10, ECF 233-4. Specifically, Defendants argue that the following issues are barred by
7 issue preclusion: (1) “ASUS’s claims based on purported ‘false’ statements under the California
8 UCL and the Delaware Consumer Fraud Act (‘DCFA’); (2) “whether the [2008] PLA’s 3G
9 royalty terms were less favorable than other existing licenses at the time the PLA was signed”; and
10 (3) “that ASUS was not harmed by entering into the [2008] PLA.” *See id.* at 10, 12, 13. Among
11 other arguments, Plaintiffs counter that Defendants “cannot establish issue preclusion because it
12 has not identified ‘identical issues’ between the arbitration and this litigation.” Plaintiff’s Opp’n
13 at 8, ECF 262-45.

14 As a preliminary matter, the Court need not and does not address Plaintiffs’ UCL claim in
15 the context of issue preclusion. The Court grants summary judgment for Defendants that
16 Plaintiffs’ UCL claim is barred on other grounds. *See* Section IV.A.6 *infra*. In addition, having
17 granted summary judgment that Plaintiffs are judicially estopped from arguing that the 2008 PLA
18 is not FRAND compliant, *see* Section IV.A.1 *supra*, the Court finds it need not rule on issue
19 preclusion with respect to the 2008 PLA, although some discussion is provided below. Thus, the
20 Court takes in turn: (1) Plaintiffs’ DCFA claim; and (2) discussion of the 2008 PLA.

21 **a. Plaintiffs’ DCFA claim**

22 On August 2, 2017, the Tribunal issued a Final Award dismissing Plaintiffs’ claim of
23 fraudulent inducement. *See* Final Award ¶ 108(a), ECF 135-4. On October 25, 2017, the Court
24 entered Final Judgment in accordance with the Interim Award on Jurisdiction dated June 17, 2016,
25 and the Final Award dated August 2, 2017. *See* ECF 137. In its Final Award, the Tribunal noted
26 that Plaintiffs’ fraudulent inducement claim [REDACTED]

27 [REDACTED]

28 [REDACTED]

United States District Court
Northern District of California

1 [REDACTED] Final Award ¶ 9. In other words, in arbitration, [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED] *See id.*

6 ¶ 37. On these allegations, the Tribunal found that [REDACTED]
7 [REDACTED]
8 [REDACTED] *Id.* ¶ 12.

9 Defendants now request summary judgment based on issue preclusion that “there was no
10 fraud in the inducement of the [2008] PLA, and that the [] DCFA claim[] based on such fraud
11 fail[s] as a matter of law.” *See* Defendants’ MSJ at 10. However, Defendants request is overbroad
12 and outside the scope of issue preclusion. The fraudulent inducement claim dismissed by the
13 Tribunal did not include Plaintiffs’ allegation of fraudulent conduct based on “refusing to offer
14 licenses compliant with FRAND commitments,” *see* FAC ¶¶ 124, 125.

15 Instead, the Tribunal’s Final Award addressed Plaintiffs’ fraudulent inducement claim
16 [REDACTED]
17 [REDACTED] *See* Final Award ¶¶ 9,
18 12, 37. Moreover, Plaintiffs have “withdrawn” their allegation that Defendants violated DCFA by
19 “inducing ASUS to enter the 2008 PLA based on false statements that other licensees would not
20 enjoy a royalty rate lower than that offered to ASUS.” *See* Plaintiffs’ Opp’n at 12 (citing Count
21 VIII of FAC ¶¶ 124, 125). Defendants have not shown that the parties “actually litigated” the
22 issue of whether there was *no* fraud by Defendants such that Plaintiffs’ DFCA claim fails as a
23 matter of law, or that the Tribunal determined such an issue. *See Roderick*, 2006 WL 1883328, at
24 *4. Accordingly, the Court finds that as to Plaintiffs’ withdrawal of certain claims, the motion is
25 moot, and as to the remainder, the Court hereby **DENIES** Defendants’ motion for summary
26 judgment with respect to issue preclusion of the DFCA claim.

b. The 2008 PLA’s royalty terms and Plaintiffs allegations of harm by entering into the 2008 PLA

Defendants request summary judgment that “[Defendants] did not discriminate against ASUS by entering into the [2008] PLA on less favorable terms than other licensees” because, Defendants argue, “[t]he issue of whether the [2008] PLA’s 3G royalty terms were less favorable than other existing licenses at the time the PLA was signed [was] conclusively decided against ASUS [in arbitration].” *See* Defendants’ MSJ at 12–13 (citing and discussing Final Award ¶¶ 12, 17(f), 64, 67, 71). Defendants additionally request summary judgment that “ASUS was not harmed by entering into the [2008] PLA” because “[t]he Tribunal has already rejected ASUS’s theory of harm.” Defendants’ MSJ at 13 (citing Final Award ¶ 85). Defendants argue that these issues form the basis for “[Plaintiffs’] other claims based on FRAND compliance of the [2008] PLA.” *Id.* at 10.

Plaintiffs agree that these requests for summary judgment of issue preclusion are directed to “FRAND-based damages” and “ASUS’s FRAND-based claims,” *see* Plaintiffs’ Opp’n at 6, arguing that “[t]he Court should deny [Defendants’] motion because no FRAND issue was ‘actually litigated,’” *id.* at 7, and that the Tribunal “could not have determined whether the [2008] PLA complies with FRAND,” *id.* at 10. Therefore, Plaintiffs treat the question of whether the 2008 PLA’s 3G royalty terms were less favorable than other existing licenses at the time the PLA was signed and the question of whether entering into the PLA resulted in harm to Plaintiffs as equivalent to the question of whether the 2008 PLA is FRAND compliant. *See generally* Plaintiffs’ Opp’n at 6–12. Thus, the Court need not and does not rule on issue preclusion with respect to the 2008 PLA’s royalty terms or harm, having granted summary judgment that Plaintiffs are judicially estopped from arguing that the 2008 PLA is not FRAND compliant, *see* Section IV.A.1 *supra*. This includes that Plaintiffs are judicially estopped from arguing that the 2008 PLA’s 3G royalty terms were less favorable than other existing licenses at the time the PLA was signed, and from arguing that entering into the 2008 PLA harmed Plaintiffs, as Plaintiffs consider these questions commensurate to FRAND compliance.

3. 2008 PLA and applicable contract law

Defendants move for summary judgment that (1) Plaintiffs cannot “invalidate the [2008]

United States District Court
Northern District of California

1 PLA [on the theory that] the PLA was non-FRAND when signed”; and (2) that Plaintiffs cannot
2 invalidate the 2008 PLA on the theory that “even if FRAND when signed, the [2008] PLA became
3 non-FRAND thereafter because [Defendants] ‘discriminated’ against ASUS by later entering into
4 more favorable licenses with third parties.” *See* Defendants’ MSJ at 14, ECF 233-4.

5 The former request—that Plaintiffs cannot invalidate the 2008 PLA on the theory it was
6 non-FRAND when signed—falls squarely within the Court’s ruling that Plaintiffs are judicially
7 estopped from arguing that the 2008 PLA is not FRAND compliant, *see* Section IV.A.1 *supra*.
8 Indeed, in rebutting Defendants’ motion for summary judgment on this point, Plaintiffs state “[we]
9 do[] not contend the [2008 PLA] is somehow incomplete, but that it is evidence of [Defendants’]
10 violation of its FRAND contract.” *See* Plaintiffs’ Opp’n at 12 –13, ECF 262-45. However, since
11 Plaintiffs are estopped from arguing the 2008 PLA is not FRAND compliant, it cannot be used as
12 evidence of Defendants’ supposed violation of its FRAND contract as alleged in Counts I, II, IV,
13 and VIII of the FAC, *see, e.g.*, FAC ¶¶ 79, 89, 104, 124. Thus, the Court need not and does not
14 rule separately on this issue.

15 The Court will address the latter request—that Plaintiffs cannot invalidate the 2008 PLA
16 on the theory that it became non-FRAND sometime after the parties signed the agreement.
17 Defendants argue that “[t]he ETSI commitment does not impose any subsequent, ongoing
18 obligation that would allow the licensee to demand continual modifications to a concluded
19 agreement every time the licensor enters into a new license, or to engage in constant re-evaluation
20 of whether a license remains ‘FRAND.’” Defendants MSJ at 15–16. Plaintiffs counter that

21 [REDACTED]

22 [REDACTED] and that “[Defendants] ha[ve] explicitly acknowledged
23 that these negotiations are subject to its FRAND obligations,” *id.* at 16 (citing to and quoting
24 portions of a July 28, 2016 letter from Defendants to Plaintiff). However, the full quote from the
25 July 28, 2016 letter states:

26 [REDACTED]
27 [REDACTED]
28 [REDACTED]

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

[REDACTED]

Letter, Ex. 20 to Franzinger Decl., ECF 262-24 (emphasis added). Therefore, Defendants’ letter does not show that Defendants agreed that it must re-negotiate previously granted licenses, but instead that Defendants recognized their FRAND obligations would apply to future amendment to an existing PLA (such as the 2008 PLA) to include terms not included in the existing agreement. Thus, the Court is not persuaded by Plaintiffs’ suggestion that proposed amendments to the 2008 PLA impose new or different FRAND obligations with respect to terms already set in place.

Moreover, ETSI policy on the matter is clear and does not require re-negotiation of prior licenses. “The 1993 version of ETSI’s IPR Policy contained a ‘most-favored licensee’ provision” that “would have required a licensor to[] promptly notify a licensee of any license granted by it to a third party for the same IPRs” with more favorable terms and allow the licensee to replace its terms accordingly. *See TCL Commc’n Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, 2017 WL 6611635, at *7–8 (C.D. Cal. Dec. 21, 2017) (internal quotations and citations omitted), *amended and superseded*, 2018 WL 4488286 (C.D. Cal. Sept. 18, 2018). However, “ETSI’s members ultimately approved an ETSI IPR Policy that did not require such re-opening and re-negotiation of prior licenses.” *Id.* at *8. Furthermore, in the instant case, the parties’ experts agree that the “most favored licensee” requirement was omitted from ETSI’s IPR Policy of 1994 (which is operative). *See* Huber Expert Report ¶¶ 92–94, Ex. 32 to Wong Decl., ECF 234-6; Bekkers Depo. at 43:3-44:25, Ex. CC to Miller Decl., ECF 233-34; Layne-Farrar Expert Report ¶¶ 381–83, Ex. DD to Miller Decl., ECF 233-35. Accordingly, the Court does not find that ETSI policy imposes any obligation on Defendants to re-open and re-negotiate a patent license agreement that is FRAND compliant at signing.

Finally, the 2008 PLA does not contain a “most favored licensee” clause, as Plaintiffs admit—“the [2008] PLA does not include an MFL clause.” *See* Plaintiffs’ Opp’n at 14. The 2008 PLA is governed by Delaware law. *See* 2008 PLA § 6.10, ECF 108-2. Under Delaware law, “[t]he Court should give effect to the mutual intention of the parties at the time the contract is executed the Court should not view the contract from a position of hindsight.” *See Coca-*

1 *Cola Bottling v. Coca-Cola Co.*, 769 F. Supp. 599, 616 (D. Del. 1991), *reversed in part on other*
 2 *grounds*, 988 F.2d 386 (3d Cir. 1993). Here, the Court finds it would be contrary to Delaware law
 3 to “re-write” the 2008 PLA based on a continuing duty by Defendants to offer better or different
 4 terms to Plaintiffs than those already included in the 2008 PLA once future contracts between
 5 Defendants and third parties are signed. *Id.*

6 In sum, the Court hereby **GRANTS** summary judgment that Plaintiffs cannot invalidate
 7 the 2008 PLA on the theory that even if FRAND when signed, the 2008 PLA became non-
 8 FRAND thereafter based on Defendants later entering into more favorable licenses with third
 9 parties.

10 **4. Genuine issues of material fact preclude summary judgment of Plaintiff’s**
 11 **Sherman Act claim.**

12 Count I of Plaintiffs’ FAC alleges “[Defendants] ha[ve] engaged in monopolization, in
 13 violation of Section 2 of the Sherman Act.” *See* FAC ¶ 8; *see also id.* ¶¶ 71–85. There are three
 14 essential elements to a successful claim of monopolization under § 2 of the Sherman Act: “[1] the
 15 possession of monopoly power in the relevant market; [2] the willful acquisition or maintenance
 16 of that power; and [3] causal ‘antitrust’ injury.” *See California Computer Prods., Inc. v. IBM*
 17 *Corp.*, 613 F.2d 727, 735 (9th Cir. 1979); *see also U.S. v. Grinnell Corp.*, 384 U.S. 563, 570–71
 18 (1966). Defendants move for summary judgment that Plaintiffs’ claim for violation of § 2 of the
 19 Sherman Act fails as a matter of law. *See* Defendants’ MSJ at 18, ECF 233-4. Specifically,
 20 Defendants argue that Plaintiffs have (1) failed to identify a distinct relevant market; (2) have
 21 submitted no evidence of anticompetitive conduct; and (3) cannot demonstrate injury-in-fact or
 22 antitrust injury. *See id.* at 18, 20, 22. Plaintiffs counter there are “legal and evidentiary bases for
 23 [Plaintiffs’] antitrust claims” sufficient to overcome Defendants’ motion for summary judgment.
 24 *See* Plaintiffs’ Opp’n at 16, ECF 262-45. In judging evidence at the summary judgment stage,
 25 “the Court does not make credibility determinations or weigh conflicting evidence, and is required
 26 to draw all inferences in a light most favorable to the nonmoving party.” *First Pac. Networks, Inc.*
 27 *v. Atl. Mut. Ins. Co.*, 891 F. Supp. 510, 513–14 (N.D. Cal. 1995). Here, drawing all inferences in
 28 the light most favorable to Plaintiffs, the non-moving party, the Court finds summary judgment

1 that Plaintiffs' Sherman Act claim fails as a matter of law not warranted. The Court notes that
2 disputed facts discussed herein, or elsewhere, are not to be considered exhaustive.

3 **a. Relevant market**

4 First, whether Plaintiffs have identified a distinct relevant market is subject to genuine
5 issues of material fact. Defendants argue that because "[Plaintiffs] failed to identify individual
6 patents [but] instead [only] generally referenced lists of patents [Defendants] had disclosed to
7 ETSI . . . there is no evidence of a distinct relevant market in which to evaluate the existence of
8 monopoly power." See Defendants' MSJ at 18–19. However, Plaintiff is not necessarily required
9 to define the relevant market by listing individual patents. See *Apple Inc. v. Samsung Elecs. Co.*,
10 2012 WL 1672493, at *5 (N.D. Cal. May 14, 2012) (finding that plaintiff had sufficiently pled the
11 "relevant market" for its antitrust claim by identifying markets for technologies that previously
12 competed to perform functions covered by the purported essential patents and by identifying
13 defendants' declared-essential patents in the relevant standard). The *Apple v. Samsung* court
14 noted, "other courts [] have confirmed that technology markets may serve as 'relevant markets' for
15 Sherman Act claims in the context of essential patents adopted by standard setting organizations."
16 *Id.* at *5 (discussing *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297 (3d Cir. 2007) and *Hynix*
17 *Semiconductor Inc. v. Rambus Inc.*, 2008 WL 73689 (N.D. Cal. Jan. 5, 2008)).

18 In the instant case, the Court's view is no different, and Plaintiffs point to economic
19 analysis of "the effect of InterDigital's actions on [] Cellular Technology Markets." See Scott
20 Morton Decl. ¶ 8, Ex. X to Franzinger Decl., ECF 318-33 (citing Scott Morton Expert Report ¶¶
21 28–31, ECF 276-8). Dr. Scott Morton defines "Cellular Technology Markets" to include
22 "technologies covered by patents incorporated into the 2G, 3G, and 4G cellular standards by
23 SSOs, together with all other technologies that SSOs could have used in alternative cellular
24 standards to perform the same or reasonably interchangeable functionalities." *Id.* ¶ 11; see also *id.*
25 ¶¶ 9–10 (discussing differences between 1G, 2G, 3G, and 4G technologies). Dr. Scott Morton
26 also states "[e]ach of the functionalities included in the standard that required the selection of a
27 particular technology is an individual Cellular Technology Market." *Id.* ¶ 11. Defendants
28 vigorously dispute Plaintiffs' basis for showing a valid relevant market on grounds that Plaintiffs

United States District Court
Northern District of California

1 have not demonstrated a genuine issue of material fact and that the Scott Morton declaration is
2 “vague[] [and] conclusory.” *See* Defendants’ Reply at 11–12, ECF 290-4. However, although
3 potentially flawed, the Court finds that a reasonable trier of fact could accept Plaintiffs’
4 explanation of the cellular markets as the relevant markets, and thus a genuine dispute of material
5 fact exists as to whether the identified “Cellular Technology Markets” define a relevant market,
6 *see Corales v. Bennett*, 567 F.3d 554, 562 (9th Cir. 2009).

7 **b. Anticompetitive conduct**

8 Second, Plaintiffs argue there is evidence of “[Defendants’] anticompetitive conduct,” *see*
9 Plaintiffs’ Opp’n at 19–22, contrary to Defendants’ argument that no such evidence exists, *see*
10 Defendants’ MSJ at 20–22. “To safeguard the incentive to innovate, the possession of monopoly
11 power will not be found unlawful unless it is accompanied by an element of anticompetitive
12 *conduct.*” *Verizon v. Trinko*, 540 U.S. 398, 407 (2004) (emphasis in original). Plaintiffs argue
13 “there is no question here that there is at least a triable issue as to each and every element of a
14 *Broadcom* false FRAND claim.” Plaintiffs’ Opp’n at 20. In *Broadcom*, the Third Circuit held that
15 “(1) in a consensus-oriented private standard-setting environment, (2) a patent holder’s
16 intentionally false promise to license essential proprietary technology on FRAND terms, (3)
17 coupled with an SDO⁴’s reliance on that promise when including the technology in a standard,
18 and (4) the patent holder’s subsequent breach of that promise, is actionable anticompetitive
19 conduct.” *Broadcom Corp. v. Qualcomm Inc.*, 507 F.3d 297, 314 (3d Cir. 2007); *see also Apple*
20 *Inc. v. Samsung Elecs. Co.*, 2011 WL 4948567, at *4 (N.D. Cal. Oct. 18, 2011) (“[I]ntentionally
21 false promises to SSOs regarding licenses with FRAND terms can give rise to actionable claims
22 under Section 2 of the Sherman Act.”).

23 Here, for example, Plaintiffs offer evidence that Defendants made declarations of 4G
24 essential patents to ETSI on November 30, 2012, and November 26, 2013, *see* Exs. 31–34 to
25 Plaintiffs’ Opp’n, ECF 261-31 to ECF 261-34, [REDACTED]

26 [REDACTED]
27 [REDACTED]
28 _____
⁴ Standards-determining organization

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

[REDACTED]

While a close call, the Court finds that a reasonable trier of fact could infer from this evidence that Defendants never intended to abide by their FRAND obligations [REDACTED]

[REDACTED] Accordingly, a genuine dispute of material fact exists as to whether Defendants made “[i]ntentionally false promises to [ETSI] regarding licenses with FRAND terms.” *See Apple v. Samsung*, 2011 WL 4948567, at *4.

c. Injury

Third, genuine issues of material fact exist with respect to injury. An antitrust plaintiff must demonstrate both injury-in-fact and antitrust injury. *In re Online DVD-Rental Antitrust Litigation*, 779 F.3d 914, 922 (9th Cir. 2015). Injury-in-fact is established “when [the antitrust plaintiff] has suffered an injury which bears a causal connection to the alleged antitrust violation.” *Id.* (internal quotation and citation omitted). Antitrust injury is “injury of the type the antitrust laws were intended to prevent that [] flows from that which makes defendants’ acts unlawful.” *Id.* (internal quotation and citation omitted). Therefore, an antitrust plaintiff “must demonstrate injury to competition in the market as a whole, not merely injury to itself as a competitor.” *Gorlick Distribution Centers, LLC v. Car Sound Exhaust Sys., Inc.*, 723 F.3d 1019, 1024–25 (9th Cir. 2013). Plaintiffs assert, for example, actual injury by way of “threatened loss or damage by a violation of the antitrust laws” under 15 U.S.C. § 26⁵ based on “[Defendants] actions [that] threaten to force [Plaintiffs] to pay excessive, non-FRAND royalties” for 4G standard essential patent licenses. *See* Plaintiffs’ Opp’n at 22–23. A factual dispute exists as to whether Defendants’ offers for 4G are FRAND. *See, e.g.*, Putnam Decl. ¶¶ 49–50, Ex. II to Miller Decl.,

⁵ The Court need not and does not rule on whether injunctive relief is the only form of relief available under Plaintiffs’ antitrust claim; Defendants request summary judgment that Plaintiffs’ antitrust claim fails as a matter of law.

1 ECF 258-51. Moreover, Plaintiffs argue they have suffered injury because “the incorporation of
2 [Defendants’] patents into a standard eliminates the alternative of not standardizing the feature at
3 all.” *See* Plaintiff’s Opp’n at 23. Indeed, “[a] standard, by definition, eliminates alternative
4 technologies.” *Broadcom*, 501 F.3d at 314. “When a patented technology is incorporated in a
5 standard, adoption of the standard eliminates alternatives to the patented technology.” *Id.*

6 Thus, a reasonable trier of fact could find injury to Plaintiffs based on the choice between
7 licensing Defendants’ standard essential 4G patents on (allegedly) non-FRAND terms or
8 effectively being cut off from the technology. With respect to antitrust injury, similar logic
9 applies—drawing all reasonable inferences for Plaintiffs, the non-moving party, the market as a
10 whole has been precluded from practicing alternative technologies due to Defendants’ allegedly
11 anticompetitive conduct. *See* Scott Morton Expert Report ¶ 72, Ex. C to Reed Decl., ECF 276-8
12 (“Once the SSO has established a standard, a SEP-holder may be able to use its market power to
13 engage in ‘hold-up’ by demanding excessive royalties for the use of its SEPs because once a
14 standard is set, implementers cannot easily switch to an alternative technology.”); *see also id.* ¶¶
15 73–76, 226.

16 In sum, Plaintiffs have raised genuine issues of material fact concerning the relevant
17 market, Defendants’ allegedly anticompetitive conduct, and injury. Accordingly, the Court hereby
18 **DENIES** Defendants’ motion for summary judgment that Plaintiff’s Sherman Act claim fails as a
19 matter of law.

20 **5. Plaintiffs’ promissory estoppel claim**

21 Count V of Plaintiffs’ FAC alleges that “[InterDigital] is estopped from reneging on
22 [‘promises to potential licensees through its commitments to ETSI and IEEE that it would license
23 declared essential patents under reasonable rates, with reasonable terms, and on a non-
24 discriminatory basis’] . . . under the doctrine of promissory estoppel.” *See* FAC ¶¶ 110, 113.
25 Defendants move for summary judgment that Count V fails as a matter of law because “[u]nder
26 French law, promissory estoppel is not a valid cause of action.” *See* Defendants’ MSJ at 24, ECF
27 233-4. Plaintiffs counter that “[Defendants’] [m]otion presents no choice of law analysis
28 suggesting French law would apply . . . and [e]ven if it did apply, French law does in fact have

1 concepts equivalent to promissory estoppel.” *See* Plaintiffs’ Opp’n at 24, ECF 262-45. The Court
2 agrees with Defendants.

3 First, Count V of Plaintiffs’ FAC concerns “[Defendants’] commitments to ETSI,” *see*
4 FAC ¶ 110, and “ETSI is a not-for-profit association under French law,” *see TCL Commc’n Tech.*
5 *Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, 2017 WL 6611635, at *5 (C.D. Cal. Dec. 21,
6 2017) (applying French law to ETSI licensing dispute), *amended and superseded*, 2018 WL
7 4488286 (C.D. Cal. Sept. 18, 2018). In addition, ETSI’s Intellectual Property Rights (“IPR”)
8 licensing declarations state “[t]he construction, validity and performance of this IPR information
9 statement and licensing declaration shall be governed by the laws of France.” *See* ETSI Directives
10 (ETSI Rules of Procedure) at 44, Ex. 20 to Defendants’ MSJ, ECF 234-4. Moreover, the ETSI
11 IPR Policy “shall be governed by the laws of France.” *Id.* at 40. Thus French law applies to
12 Defendants’ purported “promises to potential licensees [ASUS] through its commitments to
13 ETSI.” *See* FAC ¶ 110.

14 Second, “French law does not recognize a substantive claim for promissory estoppel.”
15 *Apple Inc. v. Samsung Elecs. Co., Ltd.*, 2012 WL 1672493, at *15 (N.D. Cal. May 14, 2012). The
16 court in *Apple v. Samsung* conducted its “own independent review of French law” and agreed with
17 parallel analysis that under French law “estoppel is a very narrow concept that has been applied to
18 prevent parties from contradicting themselves in procedural matters in the same case,” and
19 disagreed that French law would recognize promissory estoppel “with regard to substantive
20 issues.” *See id.* Here, Plaintiffs’ promissory estoppel claim is substantive, and thus not
21 recognized under French law. *Id.* Plaintiffs argue that French law contains “concepts equivalent
22 to promissory estoppel,” *see* Plaintiffs’ Opp’n at 24; however, the Court notes that Plaintiffs do
23 not actually discuss any French law “equivalent” concepts to promissory estoppel in their brief,
24 but instead point to a declaration, *see* Munck Decl. ¶¶ 10–15, ECF 261-42. In any event, the
25 declaration does not contain anything by way of binding or persuasive authority.

26 Accordingly, the Court hereby **GRANTS** summary judgment that Plaintiffs’ promissory
27 estoppel claim fails as a matter of law.

28

United States District Court
Northern District of California

6. Plaintiffs’ UCL claim

Defendants move for summary judgment that Plaintiffs’ UCL claim (Count II of Plaintiffs’ FAC) fails “because there is no evidence of conduct in California, and the UCL has no extraterritorial effect.” See Defendants’ MSJ at 25, ECF 233-4. Plaintiffs counter that analysis of § 17200’s extraterritorial effect focuses on “where the harm” occurred and that “[Defendants’] relevant acts . . . have been directed against plaintiff ASUS Computer International, which is based in Fremont, California.” See Plaintiffs’ Opp’n at 25, ECF 262-45. The Court agrees with Defendants.

As stated by the California Supreme Court, “[n]either the language of the UCL nor its legislative history provides any basis for concluding the Legislature intended the UCL to operate extraterritorially. Accordingly, the presumption against extraterritoriality applies to the UCL in full force.” *Sullivan v. Oracle Corp.*, 51 Cal. 4th 1191, 1207 (2011), *aff’d*, *Sullivan v. Oracle Corp.*, 662 F.3d 1265 (9th Cir. 2011). To determine whether the extraterritorial bar applies, “[t]he proper inquiry [] focuses on *where* the conduct occurred.” See *Sajfr v. BBG Commc’ns, Inc.*, 2012 WL 398991, at *4 (S.D. Cal. Jan 10, 2012) (emphasis in original) (holding that the presumption against extraterritoriality barred plaintiffs’ claims where the alleged conduct giving rise to liability occurred abroad). Moreover, where the “conduct that forms the basis of [the] complaint [] has no connection to California . . . [t]he fact that [the] [p]laintiffs are California residents does not change th[e] conclusion” that the extraterritorial bar applies. See *id.*

Here, Plaintiffs allege that Defendants’ acts of “negotiating to obtain and entering into the 2008 PLA and continuously charging ASUS royalty rates inconsistent with IDC’s FRAND commitments; [] inducing ASUS to enter the 2008 PLA based on false statements . . . and [] refusing to offer licenses complaint with FRAND commitments” constitute “unfair business acts or practices” under the UCL. See FAC ¶¶ 87, 90, ECF 108-6. However, Plaintiffs offer no evidence that Defendants’ alleged conduct underlying Plaintiffs’ UCL claim took place in California. InterDigital’s headquarters were in Pennsylvania prior to 2012 and thereafter in Delaware. McElvaine Decl. ¶ 3, ECF 234-8. Plaintiffs merely point to a scheduled meeting in this District between the parties “to discuss revising the 2008 PLA and [Defendants’] proposed

1 amendment to [the 2008 PLA]” but admit that the meeting did not occur because “[Defendants]
2 canceled the meeting.” *See* FAC ¶ 28; Plaintiffs’ Opp’n at 25. A meeting that never occurred is
3 insufficient to overcome the UCL’s presumption against extraterritoriality. *See Sullivan*, 51 Cal.
4 4th at 1207.

5 Plaintiffs also allege that Defendants’ “relevant acts, including the denial of FRAND
6 licenses and the collection of non-FRAND royalties, have been directed against plaintiff ASUS
7 Computer International, which is based in Fremont, California.” *See* Plaintiffs’ Opp’n at 25.
8 However, ASUS Computer International is *not* party to the 2008 PLA, but only ASUSTek
9 Computer Inc. *See* 2008 PLA, Ex. A. to Rauscher Decl., ECF 108-2. Moreover, Plaintiffs have
10 not offered evidence that ASUS Computer International participated in ongoing negotiations over
11 4G licenses. Instead, the evidence shows that the ongoing patent license discussions were
12 between “InterDigital Group and Asustek Incorporated (sic).” *See* Ex. X to Weinberg Decl., ECF
13 230-31. In addition, with respect to the 2008 PLA, “the UCL cannot be used to rewrite
14 [Plaintiffs’] contracts or to determine whether the terms of their contracts are fair.” *Spiegler v.*
15 *Home Depot U.S.A., Inc.*, 552 F. Supp. 2d 1036, 1046 (C.D. Cal. 2008).

16 Finally, Plaintiffs assert that “ASUS has suffered increased costs, hindering its ability to
17 compete on price for its sales of 2G, 3G, and 4G devices in California” and argue that this alleged
18 harm overcomes the extraterritorial bar. *See* Plaintiff’s Opp’n at 25. In support of this argument,
19 Plaintiffs offer deposition testimony of Marvin Hsu, Associate Vice President of ASUSTek. *See*
20 Hsu Depo. at 54:13-16, 68:20-69:9, 69:21-70:10, 107:7-16, Ex. W to Franzinger Decl., ECF 262-
21 27. The Court is unpersuaded by Plaintiffs’ argument. The Court has reviewed the cited portions
22 of the Hsu deposition and finds no mention of ASUS Computer International or any sales or other
23 activity in California by ASUSTek Computer Inc. or any of its subsidiaries. Moreover, to the
24 extent Plaintiffs’ theory of harm in California depends on the cost of royalties passed on to
25 customers, the UCL cannot be used to rewrite the 2008 PLA, as previously discussed.

26 In sum, Plaintiffs have simply presented no evidence that Defendants’ alleged conduct
27 occurred in California, or that ASUS’s California subsidiary had any involvement with
28 Defendants, or that Defendants suffered harm in California due to Defendants’ alleged conduct.

United States District Court
Northern District of California

1 Therefore, Plaintiffs have not demonstrated unlawful conduct by Defendants in California that
2 would overcome the UCL’s “presumption against extraterritoriality.” *See Sullivan*, 51 Cal. 4th at
3 1207. That Plaintiff ASUS Computer International is a California resident does not, without more,
4 change the outcome. *See Sajfr*, 2012 WL 398991, at *4. Accordingly, the Court hereby
5 **GRANTS** summary judgment that the UCL’s extraterritorial bar applies to Plaintiffs’ UCL claim.

6 **B. Plaintiffs’ Motion for Summary Judgment (ECF 231)**

7 Plaintiffs move for summary judgment on Count III of the FAC—that in ongoing
8 negotiations between the parties Defendants breached their contractual obligations to license their
9 standard-essential patents on FRAND terms by engaging in discriminatory licensing practices.
10 *See* Plaintiffs’ MSJ at 1, ECF 230-4; FAC ¶¶ 93–99, ECF 108-6. Count III does not directly
11 concern the parties’ 2008 PLA, but instead that “[Defendants] breached [their] contracts with
12 ASUS [as joint ETSI members] by refusing to offer licenses to [Defendants’] identified patents
13 under reasonable rates, with reasonable terms, and on a non-discriminatory basis.” *See* FAC
14 ¶ 97. Plaintiffs assert that “[t]he undisputed facts establish that [Defendants] provide[] certain
15 [ETSI] licensees with [REDACTED]
16 [REDACTED] Plaintiffs’ MSJ at 1.

17 Plaintiffs’ motion has three prongs. First, that “[Defendants’] FRAND commitment to
18 ETSI is contractually binding” and that Defendants are therefore required “to provide similarly
19 situated companies with similar licensing terms and conditions.” *Id.* at 8, 10. Second, that
20 “[Defendants’] licensing practices discriminate against ASUS by denying it the rates similarly
21 situated companies obtain through [REDACTED]
22 [REDACTED] and that [REDACTED]
23 [REDACTED] Third, that even if [REDACTED]
24 [REDACTED]
25 [REDACTED] *Id.* at 22, 25.

26 Among other arguments, Defendants counter that Count III “is highly fact intensive and
27
28

United States District Court
Northern District of California

1 heavily disputed” and that factual issues precluding summary judgment include⁶ “[w]hether ASUS
2 is similarly situated to other licensees like Samsung” and “whether ASUS’s license comparison
3 methodology is economically justifiable.” *See* Defendants’ Opp’n at 1, ECF 258-4. Defendants’
4 also contend that “the ETSI FRAND commitment . . . has been applied on a case-by-case basis
5 depending on the individual circumstances of each case” and that [REDACTED]

6 [REDACTED]
7 The Court is not persuaded by Plaintiffs’ argument that summary judgment on Count III of
8 the FAC is warranted. Even assuming *arguendo* that the first prong of Plaintiffs’ argument—that
9 Defendants are required to provide similarly situated companies with similar licensing terms and
10 conditions—is ironclad, the Court finds numerous genuine issues of material fact as discussed
11 below that preclude summary judgment. Moreover, to the extent Plaintiffs’ premise their motion
12 on *TCL Commc’n Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, 2017 WL 6611635
13 (C.D. Cal. Dec. 21, 2017), *amended and superseded*, 2018 WL 4488286 (C.D. Cal. Sept. 18,
14 2018), *TCL* is not binding on this Court and is not settled law considering its pending appeal
15 before the Federal Circuit. Plaintiffs’ motion for summary judgment is **DENIED**. The Court
16 discusses (1) examples of disputed issues of material fact precluding summary judgment for
17 Plaintiffs and (2) the *TCL* case.

18 **1. Genuine issues of material fact.**

19 The Court first addresses factual issues. The genuine issues of material fact discussed are
20 examples and are not to be considered comprehensive. Plaintiffs argue under their second prong
21 that ASUS is “similarly situated” to other companies such as [REDACTED]
22 [REDACTED] Plaintiffs argue
23 under their third prong that Defendants provide [REDACTED]
24 [REDACTED]
25 [REDACTED] Defendants counter that both inquires present genuine issue of material fact. *See*
26 Defendants’ Opp’n at 1. The Court agrees with Defendants.

27 _____
28 ⁶ For example only, and not as a comprehensive list of the genuine issues of material raised by
Defendants or found by the Court.

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

that [REDACTED]
[REDACTED] For
example, Defendants offer testimony that [REDACTED]
[REDACTED]
[REDACTED]
This testimony goes on to [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Accordingly, a genuine dispute of material fact exists as to whether [REDACTED]
[REDACTED]

2. *TCL* is not settled law and, in any event, does not compel Plaintiffs’ requested outcome.

Next, the Court notes that Plaintiffs’ motion relies in part on *TCL*, a Central District of California case also involving the licensing of SEPs on FRAND terms according to ETSI obligations. *See TCL*, 2017 WL 6611635, at *1. In their motion, Plaintiffs contend that the *TCL* court held “there is no legitimate basis under the ETSI IPR Declaration or ETSI Directives for using volume to discriminate among established, global firms.” Plaintiffs’ Motion at 20. However, Plaintiff’s twelve-line block quote of *TCL* that follows this contention, *see* Plaintiffs’ Motion at 20, omits precisely one sentence: “Sales volume *alone* does not justify giving lower rates to otherwise similar firms.” *TCL*, 2017 WL 6611635, at *33 (emphasis added). Therefore, the Court finds Plaintiffs’ reading of *TCL* overbroad.

In other words, *TCL* does not hold that volume discounts incorporated into SEP licensing contracts under the ETSI Directives *necessarily* discriminate, but instead that sales volume *alone* is not a legitimate basis for such discounts. *Id.* Thus, the Court is not prepared to hold that as a matter of law, volume discounts that differ between similarly situated companies are completely and totally forbidden as discriminatory under the ETSI Directives. Moreover, as discussed in Section IV.B.1 *supra*, the Court finds genuine issues of material fact exist as to whether ASUS and [REDACTED] are similarly situated. Accordingly, the Court is

United States District Court
Northern District of California

1 not persuaded by Plaintiffs’ assertion (as part of prong two of their argument) that “volume
2 discounts discriminate among competitors in the global cellular device market.” *See* Plaintiffs’
3 MSJ at 19.

4 Finally, the Court notes that *TCL* has been appealed to the Federal Circuit and the appeal
5 remains pending. *See* Federal Circuit docket for *TCL Communication Technology v.*
6 *Telefonaktiebolaget LM*, Case No. 18-1363. To the extent Plaintiffs rely on *TCL* to persuade the
7 Court, the Court is unwilling to grant summary judgment based on non-binding law unsettled over
8 the pending appeal before the Federal Circuit.

9 //
10 //
11 //
12 //
13 //
14 //
15 //
16 //
17 //
18 //
19 //
20 //
21 //
22 //
23 //
24 //
25 //
26 //
27 //
28 //

United States District Court
Northern District of California

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

V. CONCLUSION

For the foregoing reasons, IT IS HEREBY ORDERED that:

1. Defendants’ motion for summary judgment that Plaintiffs are judicially estopped from arguing that the 2008 PLA is non-FRAND, as alleged in Counts I, II, IV, and VIII of the FAC, is **GRANTED**.
2. Defendants’ motion for summary judgment that issue preclusion prevents Plaintiffs from re-litigating issues decided in arbitration is **DENIED** to the extent ruled on by the Court.
3. Defendants’ motion for summary judgment that Plaintiffs cannot invalidate the 2008 PLA on the theory that even if FRAND when signed, the 2008 PLA became non-FRAND thereafter, is **GRANTED** to the extent Plaintiffs would use the 2008 PLA as evidence of Defendants’ supposed violation of its FRAND contract as alleged in Counts I, II, IV, and VIII of the FAC. The Court need not and does not rule on whether contract law dictates the 2008 PLA was FRAND compliant at signing.
4. Defendants’ motion for summary judgment that Plaintiffs’ Sherman Act claim (Count I of the FAC) fails as a matter of law is **DENIED**.
5. Defendants’ motion for summary judgment that Plaintiffs’ promissory estoppel claim (Count V of the FAC) fails as a matter of law is **GRANTED**.
6. Defendants’ motion for summary judgment that Plaintiffs’ UCL claim (Count II of the FAC) fails as a matter of law is **GRANTED**.
7. Plaintiffs’ motion for summary judgment is **DENIED**.

IT IS SO ORDERED.

Dated: December 20, 2018



 BETH LABSON FREEMAN
 United States District Judge