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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

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MICROSOFT CORPORATION, )  
 )  
 Plaintiff, ) 10-01823-JLR  
 )  
 v. ) SEATTLE, WASHINGTON  
 )  
 MOTOROLA INC., et al, ) April 11, 2012  
 )  
 Defendants. ) Court's Ruling  
 )

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VERBATIM REPORT OF PROCEEDINGS  
BEFORE THE HONORABLE JAMES L. ROBERT  
UNITED STATES DISTRICT JUDGE

APPEARANCES:

For the Plaintiff: Arthur Harrigan, Christopher Wion, David Pritikin and Andy Culbert

For the Defendants: Jesse Jenner, Ralph Palumbo, Mark Rowland, Philip McCune and Neill Taylor

1 THE COURT: As we've had an intervening break, I'll  
2 ask the clerk to please call roll.

3 THE CLERK: C-10-1823, Microsoft versus Motorola.  
4 Counsel, please make your appearance.

5 MR. HARRIGAN: Art Harrigan, Your Honor, representing  
6 Microsoft; and David Pritikin to my left, from Sidley; Andy  
7 Culbert; and my partner, Bruce Wion.

8 MR. PALUMBO: Ralph Palumbo for Motorola, with Jesse  
9 Jenner, Phillip McCune and Neill Taylor.

10 THE COURT: Thank you. Counsel, thank you for  
11 indulging the court, giving us a chance to go back and review  
12 the files in this matter, and having had the advantage of  
13 your argument this morning.

14 As a preliminary matter I should advise you that I have  
15 granted docket 208, which is Microsoft's motion to file  
16 documents under seal; and docket 247, Motorola's motion to  
17 file documents under seal. Both of those contain information  
18 that is appropriately commercial secrets and not generally  
19 available to the public.

20 That leaves docket 209, which is the sealed version of the  
21 motion for temporary restraining order; and 210, which is a  
22 slightly redacted version of the motion for preliminary  
23 injunction and temporary restraining order, and the court's  
24 ruling will be in regards to those entries.

25 I must say I enjoyed this morning in that Mr. Jenner's

1 description of this as a "murky area" is a bit of an  
2 understatement. There is not a lot of law on the Anti-Suit  
3 Act.

4 I will begin by offering a perhaps more universal  
5 observation, which is the limited number of cases that there  
6 are seem to be guided in substantial part by some special  
7 interest or special significance of the aspects of the  
8 dispute which are in the United States.

9 The cases that deny relief under the Anti-Suit Act tend to  
10 involve situations where each country has an interest of  
11 roughly similar proportion in the particular dispute. And  
12 while none of the cases attempts to set out a bright line  
13 differentiating where that dichotomy breaks, it seems to me  
14 that it is very evident.

15 I have had the advantage of reviewing Microsoft's motion  
16 for a temporary restraining order, found in the docket at  
17 209; Motorola's response in opposition, found in the docket  
18 at 248; Microsoft's reply, found in the docket at 257. Each  
19 and every one of those pleadings has been abundantly  
20 supported by declarations and attachments, and I've had the  
21 opportunity to review those. And finally, I've heard oral  
22 argument today. And the following will constitute the  
23 court's findings and conclusions:

24 Beginning with, what is the anti-suit standard? In  
25 considering an anti-suit motion the Ninth Circuit directs the

1 district courts to consider: No. 1, whether or not the  
2 parties and the issues are the same, and whether or not the  
3 first action is dispositive of the action to be enjoined;  
4 No. 2, whether the foreign litigation would frustrate a  
5 policy of the forum issuing the injunction; and No. 3,  
6 whether the impact on comity would be tolerable.

7 That comes out of the *Applied Medical Distribution*  
8 *Corporation* case, 587 F3d 909, and specifically at 913,  
9 issued by the Ninth Circuit in 2009, and basically applying  
10 the law that is found in the *Gallo* case, 446 F3d at 991 and  
11 994.

12 The *Gallo* court indicated that a showing on the second  
13 factor could be replaced by any of three other rationales  
14 anticipated by *In Re: Unterweiser*, U-N-T-E-R-W-E-I-S-E-R,  
15 428 F.2d 888 and 896 (the Fifth Circuit in 1970 affirmed on  
16 rehearing en banc at 446 F.2d 907 in 1971).

17 In our reading, that case shows that a foreign litigation  
18 frustrates the policy of the forum issuing the injunction in  
19 the circumstances where the foreign litigation is either  
20 vexatious or oppressive, would threaten the issuing courts in  
21 rem or quasi in rem jurisdiction, or where the proceedings  
22 prejudice other equitable considerations. Microsoft has also  
23 argued, including this morning, that other considerations set  
24 forth in the *Seattle Totems Club* are applicable to the second  
25 anti-suit factor.

1 I think that we are all in agreement that Ninth Circuit  
2 law is unclear whether the three anti-suit injunction factors  
3 replace all four of the *Winter* -- W-I-N-T-E-R -- standard  
4 preliminary injunction factors, or whether they replace only  
5 the requirement that the movant show a likelihood of success  
6 on the merits in the underlying claim. *Gallo* at 446 F.3d  
7 991. Quoting, "Movant need not meet the usual test of  
8 likelihood of success on the merits of the underlying claim  
9 to obtain an anti-suit injunction. Rather, movant need only  
10 demonstrate that the specific factors to the anti-suit  
11 injunction weigh in favor of granting the injunction."

12 Under a literal reading of *Gallo*, a showing of irreparable  
13 harm, balance of equities, and public interests, might still  
14 be required to obtain an anti-suit injunction. However, the  
15 absence of any mention of the *Winter* factors in the *Applied*  
16 *Medical Distribution* court decision suggests otherwise.

17 Simply to make my ruling as complete as possible, I will  
18 go through the *Winter* factors, the three *Winter* factors of  
19 irreparable harm, balance of equities, and public interest,  
20 in that they may arguably still be part of an anti-suit  
21 motion. But the parties should be aware that it's my belief  
22 that the crux of the anti-suit motion are the three-part  
23 tests set forth in *Gallo*.

24 So, beginning with irreparable harm, one of the *Winter*  
25 factors. Microsoft alleges, through the deposition of

1 Mr. Prito -- P-R-I-T-O -- that its contracts with its vendors  
2 for Windows and Xbox will be severely affected by an  
3 injunction issued by the German court. Motorola responds  
4 that Microsoft may take advantage of the "orange book"  
5 procedure under German law, to defend against an injunction  
6 should one ever come into effect.

7 It is the court's view, however, that even if this is  
8 true, it would place Microsoft at the position of a  
9 negotiation in Germany with the threat of an immediate  
10 injunction hanging over its head. And that's something that  
11 seems to me to be a matter of some substantial harm.

12 And finally, Motorola argued for the first time today that  
13 were the German court to set a royalty rate too high, this  
14 court could still remedy that at a later date by requiring  
15 Motorola to pay the difference between the royalty rate set  
16 by Germany, and the rate set by this court. The court is not  
17 persuaded by this argument. Were the court to issue an  
18 injunction against Motorola enforcing a German injunction, it  
19 would not affect the German court's ability to award monetary  
20 damages in a patent infringement action then pending. So on  
21 balance, I think that the irreparable harm standard goes  
22 somewhat to Microsoft's favor.

23 The balance of hardships test, the second *Winter* factor.  
24 The first thing that is of notice to the court is that if I  
25 do nothing, Microsoft may need to begin removing Windows and

1 Internet Explorer products from the market, or face the  
2 negotiation under threat, which I mentioned earlier; while  
3 Motorola will simply be required to keep the status quo, if I  
4 grant the temporary restraining order, until this court can  
5 adjudicate the RAND issues before it. On that evaluation of  
6 the situation before me, I find that the balanced hardship  
7 tips in Microsoft's favor.

8 The third and final question under *Winter* is that of the  
9 public interest. And case law provides that the public  
10 interest in having disputes properly before an American court  
11 resolved in the United States as opposed to a foreign court  
12 is a legitimate matter of public interest. And secondly,  
13 that the public interest is in having standard essential  
14 patents being accessible to all comers under fair and just  
15 considerations. So I would find that the public interest  
16 would favor granting the temporary restraining order.

17 Having done that more out of caution than anything else,  
18 I'll then move on to the anti-suit injunction factors, which  
19 are in the mind of the court really the crux of this matter.  
20 The first of those is whether -- well, the test is whether or  
21 not the parties and the issues are the same, and whether or  
22 not the first action is dispositive of the foreign action to  
23 be enjoined. That's in the literature referred to most often  
24 as the "first step."

25 In this instance, in regards to that first step, the

1 parties are in agreement that more or less the same United  
2 States and German actions -- the same parties are the same in  
3 the United States and German actions.

4 That takes us then to really the battleground in this,  
5 which is whether the United States action, or resolution of  
6 it, would be dispositive of the foreign action to be  
7 enjoined. And I will add, for the edification of the Court  
8 of Appeals so it knows where I'm coming from, that I consider  
9 the preservation of my ability to resolve this dispute to be  
10 something that needs to be carefully guarded, otherwise we  
11 run into the possibilities of conflicting resolutions,  
12 duplicative litigation, and unfortunate results that don't  
13 follow appropriate law.

14 As has been correctly noted by Motorola and acknowledged  
15 by Microsoft, anti-suit injunctions are only appropriate when  
16 the domestic action is capable of disposing of all of the  
17 issues in the foreign action. And that's language that comes  
18 out of *Applied Medical Distribution*. That is a bright letter  
19 law principle that is more obeyed in theory than in practice,  
20 as the cases that are before me, many of them involve less  
21 than complete disposition of the foreign action but a  
22 substantial impact and an ability to preserve the authority  
23 of the United States court.

24 Therefore, I turn my analysis to the question that I asked  
25 in my order yesterday, in which the parties were kind enough



1 to discuss extensively during oral argument, which is what  
2 parts of this case would affect or dispose of some if not all  
3 of the action in Germany?

4 Microsoft contends that Motorola has submitted numerous  
5 patents to the International Telecommunications Union, known  
6 to the parties as the ITU as, "Declared essential patents to  
7 the H.264 video compression standards." In the submissions,  
8 which Mr. Jenner and I talked about this morning, Motorola  
9 declares to license its patents to, "An unrestricted number  
10 of applicants on a worldwide, non-discriminatory basis, and  
11 on reasonable terms and conditions."

12 It is important to the court to note that the patents at  
13 issue in the German action are expressly subject to the ITU  
14 agreement at Motorola's inclusion. Motorola contends --  
15 excuse me, Microsoft contends that Motorola's letter to  
16 Microsoft, found in the record, offering to grant Microsoft a  
17 worldwide license for Motorola's portfolio of declared  
18 essential patents relating to the ITU H.264 standard,  
19 violated Motorola's agreement with the ITU.

20 What I think is important in there, for reasons of this  
21 decision, is that Motorola offered both covered United States  
22 patents and non-U.S. patents in Motorola's portfolio,  
23 including the patents at issue in the German action. I find  
24 that to be inconsistent with the position taken by Motorola  
25 in this court.

1           It has been important to me to remember the following  
2 things about the lawsuit: First, it is between two American  
3 companies; secondly, it involves an ITU agreement with no  
4 apparent choice of law provision. I will acknowledge that  
5 some of the cases attach great significance to the presence  
6 of a choice of law provision, but we don't have one here.  
7 That, however, could go either direction and really leaves  
8 open the court to make this judgment regarding, does the  
9 United States have an interest in this matter?

10           Next, the offer letter from Motorola sent to Microsoft in  
11 the United States covers both the U.S. and foreign patents,  
12 and it is this offer letter which Microsoft alleges breaches  
13 the ITU agreement. Under these facts before the court, in my  
14 understanding, is the question of a determination of the  
15 worldwide RAND -- shorthand for what we've been talking about  
16 -- the RAND rate for Motorola's standard essential patents  
17 subject to the ITU agreement.

18           Motorola argues that Microsoft has not properly alleged  
19 this issue. However, having presided over this dispute now  
20 for several months, it has been widely discussed, and in fact  
21 the court has set up a framework for resolution of precisely  
22 that question, which has been set in the timeframe that  
23 Motorola argued that it needed. And therefore, I believe  
24 that it is properly alleged.

25           And finally I would note in regards to this, if Motorola

1 did not want its foreign patent subject to this court's  
2 jurisdiction, then it would not have provided them as part of  
3 the offer letter to Microsoft.

4 This particular issue is part of a larger dispute before  
5 the court that includes the issues of whether Motorola must  
6 offer licenses to the H.264 standard essential patents,  
7 subject to the ITU agreement on RAND terms. Next, whether  
8 Motorola's offers in its letters breached any such  
9 obligations. Third, whether Motorola may seek an injunction  
10 for any standard essential patents.

11 In this instance were the German court to issue an  
12 injunction, it would sharply usurp the ability of this court  
13 to determine whether or not an injunction is appropriate.  
14 And conversely, were this court to determine that an  
15 injunction for any standard essential patent was improper, it  
16 would dispose of the issue in the German action with respect  
17 to the issuance of an injunction, the subject of Microsoft's  
18 present motion.

19 And lastly, this court has before it and has had before it  
20 now for an extended period of time, and a great deal of legal  
21 work, the question whether Microsoft is entitled to a RAND  
22 license and subsequently determining the RAND rate. Such  
23 adjudication of these issues is inappropriate to a German  
24 court injunction. Indeed, there is no reason the German  
25 court cannot go forward with its application of German patent

1 infringement law and damages without usurping this court's  
2 ability to make such adjudications.

3 That is the first step in the anti-suit injunction  
4 standard. The second is whether the foreign litigation would  
5 frustrate a policy of the forum issuing the injunction. As  
6 set forth in *Applied Medical*, the second step in deciding if  
7 an anti-suit injunction is appropriate is determining if the  
8 continuation of the foreign litigation would frustrate a  
9 policy of the forum issuing the injunction.

10 Courts have found that the court's policies against  
11 avoiding inconsistent judgments, forum shopping, and engaging  
12 in duplicative and vexatious litigation is sufficient to  
13 satisfy this step. Here this prong has been met because this  
14 court's policy against inconsistent judgments, the German  
15 court issuing an injunction while this court finding no  
16 injunction justified is a possibility, and the forum  
17 shopping, vexatious litigation, an end-run around the  
18 litigation here in order to achieve the injunction goal in  
19 Germany, are certainly possible.

20 The court frankly has concerns that Motorola pulled two  
21 patents out of the list of patents that are around 100,  
22 offered in the letter to Microsoft, which is the crux of this  
23 litigation, and it sued on them in Germany, before a court  
24 with a different legal standard, and before this court could  
25 adjudicate those issues.

1           The final and third step under the anti-suit test is, "The  
2           third step in deciding if an anti-suit injunction is  
3           appropriate is determining whether the impact on comity would  
4           be tolerable." Once again citing *Allied Medical*  
5           *Distributors*, 587 F3d at 919. As I mentioned, this is the  
6           final step in determining the appropriateness of the  
7           anti-suit injunction.

8           Typically courts have said that comity concerns are  
9           alleviated through the parties' agreement to litigation in a  
10          certain jurisdiction, ie: a choice of law provision in a  
11          contract. We do not have that here. Despite the lack of  
12          choice of law provision, the concerns of comity are  
13          alleviated in this instance because of the concern on the  
14          part of this court that a foreign court is being asked to  
15          limit this court's ability to adjudicate the issues properly  
16          before it. The support for that statement can be found in  
17          the *Laker Airways* case, 731 F.2d 909 from the DC Circuit in  
18          1984.

19          For the reasons discussed when I talked about why the  
20          United States has a special interest in this matter, I find  
21          that it is something of special interest to the United States  
22          court system, given that the parties have initiated this  
23          litigation here on a more inclusive basis.

24          In this instance, the need of the court to maintain the  
25          integrity of this action is as important or more important

1 than accommodation of the substantially more limited German  
2 interests. The *Laker* case also stands authority for this  
3 proposition.

4 Therefore, I find that under the three tests set forth in  
5 the anti-suit matrix, that each of them favors the issuance  
6 of an injunction in this matter. Therefore, the court grants  
7 the motion for temporary restraining order. It will issue a  
8 short one-page order setting forth the actual terms of it.  
9 They will incorporate the following:

10 The court, applying the factors in *Gallo* for an anti-suit  
11 injunction, grants Microsoft's motion for a temporary  
12 restraining order found in the docket at 209. The injunction  
13 is limited -- I stress -- is limited to enjoining Motorola  
14 from enforcing any injunctive relief it may receive in the  
15 German actions that were the subject of Microsoft's motion,  
16 without further leave of this court. Therefore, you're not  
17 rid of me.

18 This temporary restraining order shall remain in effect  
19 until the court's ruling on docket 236, which is subject to a  
20 hearing scheduled for, I believe it's May 7, 2012. It seems  
21 to me that the outcome of that particular motion for partial  
22 summary judgment could have an impact on where we go next.

23 Finally, given the relatively limited duration and the  
24 argument that I heard this morning, I find that Microsoft  
25 shall post a security bond in the amount of \$100 million US

1 dollars in connection with this motion.

2 As I said, that portion of the order will come out in  
3 written form to satisfy the provisions of Civil Rule 65. The  
4 court's oral opinion will justify -- will have the effect of  
5 being the reasons why I'm issuing the TRO at this time.  
6 Mr. Harrigan, anything further on behalf of Microsoft?

7 MR. HARRIGAN: No, Your Honor.

8 THE COURT: All right. Mr. Jenner?

9 MR. JENNER: Nothing here, Your Honor.

10 THE COURT: All right. Gentlemen, thank you very  
11 much. It's been an interesting pursuit, not one that I would  
12 have predicted where it turned out, because it's decided on  
13 much different grounds than we started off on. We will be in  
14 recess. Thank you, counsel.

15 (The proceedings recessed.)

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## C E R T I F I C A T E

I, Debbie K. Zurn, RPR, CRR, Court Reporter for the United States District Court in the Western District of Washington at Seattle, do hereby certify that I was present in court during the foregoing matter and reported said proceedings stenographically.

I further certify that thereafter, I have caused said stenographic notes to be transcribed under my direction and that the foregoing pages are a true and accurate transcription to the best of my ability.

Dated this 11th day of April, 2012.

/s/ Debbie Zurn

Debbie Zurn