

No. 2021-2106

In the
United States Court of Appeals
for the Federal Circuit

KONINKLIJKE PHILIPS N.V.,

Plaintiff-Counter Defendant-Appellee,

PHILIPS RS NORTH AMERICA LLC,

Counter Defendant-Appellee,

v.

THALES DIS AIS USA LLC, fka Gemalto IOT LLC,
fka Cinterion Wireless Modules NAFTA LLC,

Defendant-Counter Claimant,

THALES USA, INC., THALES S.A., CALAMP CORP., XIRGO
TECHNOLOGIES, LLC, LAIRD CONNECTIVITY, INC.,

Defendants,

THALES DIS AIS DEUTSCHLAND GMBH, fka Gemalto M2M GmbH,

Defendant-Counter Claimant-Appellant.

Appeal from the United States District Court
for the District of Delaware, No. 1:20-cv-01713-CFC.
The Honorable Colm F. Connolly, Judge Presiding.

CORRECTED NON-CONFIDENTIAL BRIEF OF APPELLEES
KONINKLIJKE PHILIPS N.V. and PHILIPS RS NORTH AMERICA LLC

KEVIN M. LITTMAN
LUCAS I. SILVA
FOLEY & LARDNER LLP
111 Huntington Avenue, Suite 2500
Boston, Massachusetts 02199-7610
(617) 342-4000

ELEY THOMPSON
FOLEY & LARDNER LLP
321 North Clark Street
Suite 3000
Chicago, Illinois 60654-4762
(312) 832-4354

Counsel for Appellees



**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF INTEREST

Case Number 2021-2106

Short Case Caption Koninklijke Philips N.V. v. Thales DIS AIS USA LLC

Filing Party/Entity Koninklijke Philips N.V.

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box.** Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 07/13/2021

Signature: /s/ Kevin M. Littman

Name: Kevin M. Littman

<p>1. Represented Entities. Fed. Cir. R. 47.4(a)(1).</p>	<p>2. Real Party in Interest. Fed. Cir. R. 47.4(a)(2).</p>	<p>3. Parent Corporations and Stockholders. Fed. Cir. R. 47.4(a)(3).</p>
<p>Provide the full names of all entities represented by undersigned counsel in this case.</p>	<p>Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities.</p> <p><input checked="" type="checkbox"/> None/Not Applicable</p>	<p>Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities.</p> <p><input checked="" type="checkbox"/> None/Not Applicable</p>
<p>Koninklijke Philips N.V.</p>		

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None/Not Applicable Additional pages attached

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FOLEY & LARDNER LLP

Eley O. Thompson
Kevin M. Littman
Lucas I. Silva

YOUNG CONAWAY STARGATT & TAYLOR LLP

Adam W. Poff
Robert M. Vrana
Beth A. Swadley

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Date: 07/16/2021

Signature: /s/ Kevin M. Littman

Name: Kevin M. Littman

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YOUNG CONAWAY

Adam W. Poff
Robert M. Vrana
Beth A. Swadley

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CONFIDENTIAL MATERIAL OMITTED

The material redacted from this brief is designated confidential pursuant to District of Delaware Local Rule 26.2. The confidential information on pages 8-10 and 40-41 includes information about Philips’ and Thales’ confidential licensing negotiations, which either Philips or Thales marked confidential pursuant to Rule 26.2, including terms and amounts of licensing offers and counter-offers that were made by Philips and Thales and specific requests for certain information made by the parties during the licensing negotiations. The confidential information on page 50, which quotes material from Thales’ opening brief that was designated confidential by Thales, discloses quoted information from declarations submitted by Thales concerning speculative alleged harm to Thales and Thales’ customers from Philips’ filing an ITC Complaint, which Thales marked confidential pursuant to Rule 26.2.

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STATEMENT OF RELATED CASES

On December 17, 2020, Koninklijke Philips N.V. (“Philips”) filed two cases in the District of Delaware against Thales DIS AIS USA, LLC, Thales DIS AIS Deutschland GmbH, Thales USA, Inc., and Thales S.A. (collectively “Thales”). In civil action 20-1709, Philips alleges that Thales’ accused products infringe six patents, and in the present civil action 20-1713 on appeal, Philips asserts four different patents, with additional defendants CalAmp, Xirgo and Laird.

On December 17, 2020, Philips requested the International Trade Commission (“ITC”) investigate the unfair importation actions of Thales, Telit, and Quectel respondent groups, by infringing the same patents as asserted in civil action 20-1713. On January 19, 2021, after vote of the ITC Commissioners, the ITC instituted investigation 337-TA-1240, indicating that the Administrative Law Judge (“ALJ”) should also take evidence and hear arguments on public interest. *See* Federal Register Vol. 86, No. 16 at 7305-06 (Jan. 27, 2021). The hearing in the ITC investigation occurred from October 6 through October 12, 2021.

INTRODUCTION

The district court’s decision should be affirmed because Thales has failed to demonstrate that the district court abused its discretion in denying Thales’ request that the district court enjoin the ITC investigation. Thales ignores the procedural posture of its motion – i.e., that Thales is appealing a denial a preliminary

injunction motion, which is an extraordinary form of relief rarely granted. Thales fails to show that the district court had the authority to enjoin the ITC investigation – a proceeding specifically authorized by Congress. This Court is not a place to reargue the motion below. Thales must demonstrate an abuse of discretion and clear error, which it has failed to do.

Turning to the relevant preliminary injunction factors, Thales first fails to show how the district court erred in its determination that Thales failed to show a likelihood of success. There is no *per se* bar against standards essential patent (“SEP”) owners seeking injunctive relief, and there are no special rules for addressing injunctions for FRAND-committed patents. The European Telecommunications Standards Institute (“ETSI”), as a private membership organization, does not prevent member SEP owners from seeking such relief, as perhaps best demonstrated by ETSI’s inclusion of language prohibiting injunctions in certain situations in its 1993 ETSI IPR (“Intellectual Property Rights”) Policy but then excluding any language addressing injunctions in the 1994 IPR Policy that largely remains in effect today. And Philips’ ability to seek injunctive relief is not changed by Thales agreeing to abide by a court decision – as would be expected of any defendant in any case – should the district court set its own fair, reasonable and non-discriminatory (“FRAND”) amount/rate for Thales to pay, although in fact Thales never actually agreed to this without numerous reservations such as the

right to first contest infringement and validity, nor did the district court agree it is going to actually make such a determination.

The ETSI contract dominates this appeal. Without it, Thales would have no argument. However, Thales misapplies the contract, ignoring that the district court already reviewed evidence and made its ruling, which Thales cannot show was clearly erroneous or an abuse of discretion. Thales also fails to show the district court erred in rejecting Thales' conclusory evidence of irreparable harm.

Thales has the burden here to demonstrate that district court abused its discretion, and Thales has not met that burden. The district court's exercise of its discretion should be affirmed.

STATEMENT OF THE ISSUES

(1) Did the district court abuse its discretion in finding that Thales failed to show likelihood of success on the merits of its breach of contract counterclaim, particularly in view of there being no rule against ESTI SEP owners seeking injunctive relief and evidence of bad faith negotiations and unreasonable delay by Thales?

(2) Did the district court abuse its discretion in finding that Thales' counterclaim seeking a FRAND determination was irrelevant to the preliminary injunction analysis or should be analyzed under the anti-suit injunction test?

(3) Did the district court abuse its discretion in finding Thales did not demonstrate irreparable harm in view of Thales only offering conclusory evidence of speculative harm, Thales having rejected FRAND offers, and Thales having the opportunity to raise its defenses to the ITC?

STATEMENT OF THE CASE

I. The ETSI IPR Policy

ETSI is a private membership organization in France. Appx1289 (¶34). Like other membership organizations, the members establish policies for the organization. Although Thales' preliminary injunction motion rested on an alleged breach the ETSI IPR Policy and the licensing undertakings/declarations that Philips made pursuant to that Policy, Thales oddly never set forth the language of the IPR Policy to the district court. Provision 6.1 of the Policy provides:

When an ESSENTIAL IPR relating to a particular STANDARD or TECHNICAL SPECIFICATION is brought to the attention of ETSI, the Director-General of ETSI shall immediately request the owner to give within three months an irrevocable undertaking in writing that it is prepared to grant irrevocable licences on fair, reasonable and non-discriminatory ("FRAND") terms and conditions under such IPR to at least the following extent:

MANUFACTURE, including the right to make or have made customized components and sub-systems to the licensee's own design for use in MANUFACTURE;

sell, lease, or otherwise dispose of EQUIPMENT so MANUFACTURED;

repair, use, or operate EQUIPMENT; and

use METHODS.

The above undertaking may be made subject to the condition that those who seek licences agree to reciprocate.

Appx1319-1320 (¶87). The applicability of the provision is contingent, being limited to “EQUIPMENT ... fully conforming to a STANDARD,” and “ESSENTIAL” IPRs where it is not possible to comply with a STANDARD without infringing that IPR. The full Policy can be found at <https://www.etsi.org/images/files/IPR/etsi-ipr-policy.pdf>.

Philips has submitted such “undertakings” (also referred to as “ETSI licensing declarations”) to ETSI declaring that it is prepared to grant licenses on FRAND terms and conditions for the patents-in-suit for EQUIPMENT covered by the patents. Appx266-267 (¶30).

ETSI General Licensing Declarations provide:

In accordance with Clause 6.1 of the ETSI IPR Policy ... the Declarant hereby irrevocably declares that (1) it and its AFFILIATES are prepared to grant irrevocable licenses under its/their IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy, in respect of the STANDARD(S), TECHNICAL SPECIFICATION(S), or the ETSI Project(s), as identified above, to the extent that the IPR(s) are or become, and remain ESSENTIAL to practice that/those STANDARD(S) or TECHNICAL SPECIFICATION(S) or, as applicable, any STANDARD or TECHNICAL SPECIFICATION resulting from proposals or Work Items within the current scope of the above identified ETSI Project(s), for the field of use of practice of such STANDARD or TECHNICAL SPECIFICATION; and (2) it will comply with Clause 6.1bis of the ETSI IPR Policy with respect to such ESSENTIAL IPR(s).

Appx1322-1323 (¶95).¹

ETSI Specific Licensing Declarations provide:

In accordance with Clause 6.1 of the ETSI IPR Policy the Declarant and/or its AFFILIATES hereby irrevocably declares the following: To the extent that the IPR(s) disclosed in the attached IPR Information Statement Annex are or become, and remain ESSENTIAL in respect of the ETSI Work Item, STANDARD and/or TECHNICAL SPECIFICATION identified in the attached IPR Information Statement Annex, the Declarant and/or its AFFILIATES are (1) prepared to grant irrevocable licences under this/these IPR(s) on terms and conditions which are in accordance with Clause 6.1 of the ETSI IPR Policy; and (2) will comply with Clause 6.1bis of the ETSI IPR Policy.

Appx1323 (¶95).²

II. The Extensive History of Negotiations Between Philips and Thales

Thales ignores, and did not ask the district court to address, the long history of negotiations between Philips and Thales. Thales did not present any economic expert or other witness alleging Philips' various license offers (presently still available) were not FRAND. Thales never carried its burden in this regard. Instead, , Thales' contention concerns whether it is *per se* improper for Philips to seek an injunction if Thales has provided a declaration to a court stating that it will abide (conditionally) on the court's determination of a FRAND award. This

¹ This language is sample language from the Policy. Thales did not provide evidence of Philips' actual declarations, and they are not part of the record.

² See n. 1, *supra*.

incorrectly presumes that the court will make such a determination, *regardless of whether the court finds that the offers from Philips are FRAND compliant, regardless of the prior conduct of Thales during licensing negotiations*, and regardless of the conditions placed by Thales on the proceedings. Nonetheless, because Thales alludes to those licensing negotiations and because they may be relevant to an ultimate decision in the ITC or district court as to whether to grant an injunction or exclusion order, some of the details of those negotiations are set forth here.

The history of the parties' licensing negotiations shows that Thales has been a hold out for the terms it demands, meanwhile invoking delay tactics to put off Philips while continuing to infringe. When the facts are eventually evaluated by a trier of fact (such as by the ITC), they will show that Thales has pursued an efficient infringement tactic while refusing multiple FRAND license offers that are still available for Thales to accept thereby ending the need for these proceedings. But Thales is unwilling to license on the FRAND terms being offered.

On December 11, 2015, Philips sent a letter to Thales³ that provided notice of its SEP portfolio and invited Thales to meet. Appx886-887. The parties met on

³ The notice and negotiations first occurred with a company called Gemalto, and on February 4, 2019, Thales acquired Gemalto. Appx1510-1511 (¶28). In this brief, both are referred to as "Thales" for ease of reference.

February 12, 2016, and on February 16, 2016 Philips sent a license offer of \$0.75 per Licensed Product sold. Appx909, Appx1031-1062. That license is still available for Thales to accept.

The rate of \$0.75 per licensed product was addressed by the District Court for The Hague in *Archos S.A. v. Koninklijke Philips N.V.*, C/09/505587/HAZA 16-206, which rejected Archos' contention that Philips' offer of \$0.75 per product was not FRAND. Appx1075-1088 (¶¶2.6 & 4.2-4.16 & 4.18). The court found that Archos' proposed rate of 0.071% of its net turnover for products (i.e., about 7 eurocents per product) was *not* FRAND. Appx1087 (¶4.17).

Philips and Thales had various emails and then a telephonic meeting on April 8, 2016, and a meeting on May 23, 2016, in which Philips asked for **Neg. requests** and **Neg. requests**. Appx1508 (¶18). After Thales requested different rates per technology, on July 18, 2016, Philips provided another offer with such different rates for GSM, UMTS, LTE and UMTS/LTE, along with a reminder about the request for **Neg. requests**. Appx1508 (¶19). That license offer is similarly available for Thales to accept. During July-September 2016, Philips provided various reminders and setting up another meeting, but Thales delayed. Appx1508 (¶20). A telephonic meeting occurred on October 4, 2016. Appx1508 (¶20). On November 18, 2016. Thales finally provided its first counter-offer, a

non-FRAND offer of ^{Lic. offer} of **Lic. offer** of modules, which ranged between an estimated ^{Lic. offer} of ^{Lic. offer} and **Lic. offer**. Appx1508-1509 (¶21).

Another telephonic meeting occurred on November 22, 2016. Appx1509 (¶22). On December 30, 2016, Thales finally provided some ^{Neg. requests} and ^{Neg. requests} information, but only **Neg. requests**, arguing that Philips was not entitled to ^{Neg. requests} information. Appx1509 (¶22). In June 2017, Philips noted Thales' continued delay after not responding to previous requests, and asked again to meet. Appx1509 (¶23). The parties met on July 6, 2017, and on July 26, 2017, Thales provided another counter-offer, which was almost identical to the original low-ball offer, offering ^{Lic. offer} of ^{Lic. offer} of the modules and **Lic. offer**, along with merely \$^{Lic. offer} to cover all past sales of all technology plus all 2G technology for the duration of the term. Appx1509 (¶23).

On September 1, 2017, Philips provided another offer. Appx1509 (¶24). This offer like the two before is still available for Thales to accept. Thales postponed the next meeting, but a telephonic meeting occurred on October 12, 2017. Appx1509 (¶24). In December 2017, Philips pushed for another meeting, and the parties met on February 5, 2018. At that meeting, Philips addressed Thales' latest demand that it **negotiation requests/offers**

[REDACTED]. Philips attempted to address this new unreasonable

CONFIDENTIAL MATERIAL REDACTED

demand by proposing that [REDACTED] negotiation requests/offers [REDACTED]. Appx1510 (¶25). Thales rejected that proposal and did not make a counter-proposal. Appx1510 (¶25). Nonetheless, Philips offered an updated license on June 1, 2018, reflecting its earlier proposal with different rates for GSM, UMTS, LTE, and UMTS/LTE. Appx1510 (¶26). Like the prior license offers from Philips, this fourth license remains available for Thales to accept.

On July 5, 2018, Thales indicated by letter that it was refusing further face-to-face meetings. Appx1510 (¶27). On November 19, 2018, Philips made another offer, this time with an option of a [REDACTED] Lic. offer [REDACTED] for [REDACTED] Lic. offer [REDACTED], or otherwise [REDACTED] Lic. offer [REDACTED]. Appx1510 (¶27). This is the fifth license offered to Thales.

Thales continued to [REDACTED] negotiation requests/offers [REDACTED]. Appx1510 (¶27). On February 5, 2019, Philips provided a detailed explanation of its last offer, and on March 1, 2019, suggested another meeting. Appx1510-11 (¶28). On March 29, 2019, Thales declined to provide a counter-offer and continued to [REDACTED] negotiation requests/offers [REDACTED], refusing to continue negotiations unless Philips met that ultimatum. Appx1510-1511 (¶28). Thales never contacted Philips back to discuss a counter-proposal. Appx1510-1511 (¶28).

On December 17, 2020, Philips filed this case and the ITC complaint. Appx1510-1511 (¶28). Each of the five prior license offers from Philips are still available to be accepted by Thales were it not for its unwillingness.

III. Philips' Complaint, Thales' Counterclaims and Arbitration Discussions

Philips' complaint asserts that Thales and co-defendants infringe four U.S. patents (the "patents-in-suit"). Appx270 (¶42). The complaint also includes a contingent declaratory judgment count stating that to the extent all the defendants submit sworn affidavits stating that they would sign a license to Philips' SEPs on FRAND rates and terms as determined by the district court, regardless of any findings of infringement and validity, then Philips is entitled to a declaratory judgment determining the FRAND licensing terms. Appx336 (¶211).

Thales has two counterclaims. Its first seeks a declaratory judgment to set the FRAND licensing terms and conditions ("the FRAND declaratory judgment counterclaim"). Appx456-457 (¶¶57-62). With that counterclaim, Thales submitted a First Declaration of Robert Antonitsch, its Chief Accounting Officer, in which he asserted:

I am authorized to declare and commit for the benefit of Thales and its parent and sister corporations that Thales will execute and abide by a worldwide license to Philips' SEPs to make and sell the Thales Modules, whether sold separately or incorporated into the products of Thales' customers, on such final FRAND terms and conditions as are determined by this Court.

Appx466 (¶6). He further stated:

Nothing herein should be interpreted as a waiver by Thales regarding any defenses, claims, arguments, or rights that are available to Thales in this jurisdiction and in the relevant appellate courts. Thales further reserves and does not waive its right to challenge the infringement, validity, and enforceability of any of Philips' SEPs at any time and in any jurisdiction.

Appx467 (¶7).

Thales' second counterclaim alleges breach of contract by Philips based on Philips allegedly breaching the ETSI IPR Policy – with Thales allegedly being a third-party beneficiary to the relevant provision of the ETSI IPR Policy – by filing the ITC complaint and pursuing the ITC Investigation, among other things.

Appx458-459 (¶68).

Philips proposed to Thales to enter into arbitration for the sole purpose of establishing a FRAND payment (a FRAND award) for past and future infringement of Philips' 2G, 3G, and LTE portfolio. Thales insisted that the arbitration tribunal would have to decide “invalidity and noninfringement,” including expert testimony on those issues. Appx1105-1107. Thales is only willing to pay FRAND once it is adjudged an infringer in a manner equivalent to losing an infringement case.

IV. THE ITC INVESTIGATION

The ITC Investigation is nearing its end. The evidentiary hearing was held from October 6-12, 2021; post-hearing briefing is complete; the final initial

determination is due on January 27, 2022; and the target date is May 27, 2022.

Appx882.

As part of its public interest argument in the ITC, Thales is contending that the FRAND obligations set forth in the ETSI IPR Policy preclude the ITC from issuing any exclusion order. As it is doing before this Court, Thales is arguing that the FRAND obligations set forth in the ETSI Policy mean that Philips cannot obtain an exclusion order.

Thales' FRAND arguments will likely be reviewed at least three times in conjunction with any exclusion order: by the ALJ (Federal Register Vol. 86, No. 16 at 7305-06 (Jan. 27, 2021)); by the Commissioners as part of the Petition for Review procedure (19 C.F.R. § 210.43); and by the President as part of Presidential Review (19 U.S.C. § 1337(j)). While it chose not to, Thales could have raised its FRAND arguments in the ITC earlier by filing a motion for summary determination which likely would have been ruled upon expeditiously. 19 C.F.R. § 210.18.

One difference between the preliminary injunction proceedings in the district court and the ITC is that the ITC had a full evidentiary hearing, including evidence from economic experts and cross examination of witnesses on whether Philips' license offers are FRAND and whether Thales is an unwilling hold-out. When the

ITC issues its final determination, it is set to address the same issues that Thales raises here, except the record will be much more robust.

SUMMARY OF THE ARGUMENT

The district court's denial of Thales' preliminary injunction motion should be affirmed for several independent reasons. Thales does not explain what legal authority provides a district court with the power to enjoin an ITC investigation. Thales simply assumes—without support—that the district court can enjoin the ITC investigation. Thales' argument that it is asking for the preliminary injunction to enjoin Philips' conduct and not the conduct of the ITC seeks to place form over substance. Thales is plainly asking to stop the ITC Investigation.

In the ITC Investigation, Thales had a full opportunity to present its defenses supporting the denial of an exclusion order. In addition to challenging the validity, essentiality, infringement and enforceability of the patents, Thales was provided a full opportunity to argue public policy. Whatever the decision of the ALJ, it will be subject to multiple layers of review as noted.

The granting of a preliminary injunction is discretionary to the district court and is reviewed under and “abuse of discretion” standard. Under that standard, the district court's ruling on likelihood of success must be shown to be “clearly erroneous.”

The district court evaluated voluminous evidence presented by the parties below, including declarations from several experts and many documents, and heard from the parties during a hearing that lasted almost an entire day. Thales had a fair opportunity to present its case. The district court determined that on the factual record presented, Thales had failed to carry its burden. Thales has failed to demonstrate that the district court abused its discretion, and Thales does not point to any clear error. Instead, Thales seeks to reargue its motion to this Court, which this Court should flatly reject.

Thales is not precluded from raising these matters in the full proceedings before the ITC and the district court. A preliminary injunction is an extraordinary form of relief which is discretionary, and this Court should affirm the district court's denial of such extraordinary relief.

Specifically, the district court did not err in finding that Thales had not shown a likelihood of success on the relevant claim – its breach of contract counterclaim contending that by filing the ITC investigation, Philips violated its FRAND commitments to the ETSI. Thales self-categorizes itself as a willing licensee, but it is not. At a minimum, the issue of whether an exclusion order is proper is an issue for the ITC to decide based on the relevant facts – e.g., facts showing Thales unreasonably delayed negotiations, refused FRAND offers from Philips, made sub-FRAND counter-offers, made unreasonable and untimely

requests, etc. It is those facts that may be relevant in assessing whether an exclusion order or injunction can properly be granted under the law applicable to the ITC. As Thales admits, there is no *per se* rule against SEP owners seeking injunctions. Thales' statement that it is willing to abide by a district court determination of a FRAND rate and terms does not automatically make Thales a willing licensee, and there is no case law or other support for that position offered by Thales.

Thales goes through contortions in asserting that (1) the issue is not whether it is a *per se* breach for an SEP holder to bring an ITC case, but instead (2) that it is a *per se* breach for an SEP holder to bring an ITC case whenever the infringer decides to submit a declaration that it will abide by a FRAND determination of the district court, regardless of the SEP holder's compliance with FRAND obligations, regardless of all prior "hold out" and "efficient infringement" conduct by the infringer, and regardless of the infringer's continued mere conditional willingness to accept a license. At the end of the day, both are *per se* prohibitions against seeking court relief in the form of injunctions. Moreover, even Thales' declaration that it will accept a FRAND determination by the district court is conditioned on the district court first assessing infringement and validity of the patents, along with many other potential conditions, meaning that Thales is essentially saying that it will pay if it is an adjudged infringer.

Not only was it permissible for the ITC to institute an investigation, Philips' compliance with its FRAND obligations and Thales' unreasonable delay and failure to accept FRAND offers make an exclusion order more than justified. However, both parties have the opportunity to make their arguments to the ITC, and there is no justification for foreclosing Philips access to the ITC.

Thales also cannot sidestep the failure of its breach of contract claim by arguing that it has shown likelihood of success on an irrelevant counterclaim – its request for a declaratory judgment determination of the FRAND rate and terms. That is not the relevant claim to assess for the preliminary injunction that Thales seeks – enjoining the ITC action. Moreover, Thales did not even attempt to show that Philips had failed to comply with FRAND because Thales has never even suggested what the correct FRAND terms are, and thus Thales could not show that the district court was likely to agree with Thales' suggested FRAND rate and terms.

Next, Thales' evidence of irreparable harm was woefully deficient. Instead of proffering evidence of any actual harm, Thales relied solely on self-serving declarations that at most establish a possibility of harm at some point in the future. The Supreme Court has clearly said that such speculative harm is insufficient to justify a preliminary injunction.

Thales also will not suffer irreparable harm from litigating in the ITC because there are multiple licenses from Philips on the table. Thales could accept any one of those license offers, demonstrating that Thales' real dispute is only about an amount of money, namely the difference between Philips FRAND license offers and the license Thales desires.

Also, although the district court did not have to consider further factors, neither of the other preliminary injunction factors support an injunction. The balance of hardships and public interest favor Philips, as Philips is entitled to litigate in the forum of its choosing, and such extraordinary relief as enjoining an Article 1 court should rarely be granted. In fact, 28 U.S.C. § 1659(a) (automatic stay) codifies Congress' preference for an ITC investigation to proceed over a district court proceeding.

Finally, if the Third Circuit's anti-suit injunction test is applied, it also demonstrates that Thales' motion should be denied. The ITC investigation is complementary to the district court case and Congressionally favored, the record of the ITC case often being available to the district court. 28 U.S.C. § 1659(b).

ARGUMENT

I. STANDARD OF REVIEW

“A preliminary injunction is an extraordinary remedy never awarded as of right.” *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 24, 129 S. Ct. 365, 376,

172 L. Ed. 2d 249 (2008). “A trial court’s decision whether to issue a preliminary injunction is discretionary.” *Reebok Int’l Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1555 (Fed. Cir. 1994). “When a preliminary injunction is denied, to obtain reversal the movant must show not only that one or more of the findings relied on by the district court was clearly erroneous, but also that denial of the injunction amounts to an abuse of the court’s discretion upon reversal of erroneous findings.” *Id.*

II. THE DISTRICT COURT CORRECTLY FOUND THAT THALES FAILED TO MEET ITS BURDEN UNDER THE PRELIMINARY INJUNCTION FACTORS

A party “seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest.” *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008).

A movant seeking a preliminary injunction must establish a reasonable likelihood of success on the merits both with respect to validity and infringement of its patent. The movant is also required to establish that it will suffer irreparable harm if the preliminary injunction is not granted. Thus, a movant cannot be granted a preliminary injunction without findings by the district court that the movant carried its burden on **both** factors.

Reebok Int’l Ltd. v. J. Baker, Inc., 32 F.3d 1552, 1555-56 (Fed. Cir. 1994)

(emphasis added) (citations omitted); *see also Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 973-74 (Fed. Cir. 1996) (“a trial court need not make findings

concerning the third and fourth factors if the moving party fails to establish either of the first two factors.”). The district court did not abuse its discretion in finding that Thales failed to meet its burden with respect to both likelihood of success and irreparable harm.

A. The District Court Did Not Abuse Its Discretion in Finding that Thales Failed to Demonstrate a Likelihood of Success on the Merits

The district court did not abuse its discretion in finding that Thales failed to show likelihood of success. Both of Thales’ arguments concerning likelihood of success fail.

1. The District Court Correctly Found that Thales Failed to Show that Philips Breached the ETSI Licensing Declaration by Filing the ITC Complaint

Acknowledging that there is no *per se* bar on ETSI SEP owners pursuing ITC exclusion orders, Thales argues that ETSI prohibits an SEP owner from pursuing an ITC exclusion order against a “willing licensee.” Thales provides no definition of what it means to be a “willing licensee” other than its *ipsi dixit* proclamation. When the facts are eventually examined by a trier of fact (e.g., the ITC or the jury), they will show that Thales was not a “willing licensee” because during five years of negotiations, Thales unreasonably delayed negotiations, made unreasonable requests for information, rejected FRAND offers and only made counter-offers well below a FRAND rate, among other things. Thales’ argument that is “willing” because it submitted the Antonitsch declaration to the district

court stating that it reserves “any defenses, claims, arguments, or rights that are available to Thales [including] its right to challenge the infringement, validity, and enforceability of any of Philips’ SEPs at any time and in any jurisdiction” (Appx467 (¶7)), but otherwise will abide by a determination of the FRAND rates and terms, if the district court decides to take up such a declaratory judgment count, is not supported by any case law or otherwise. Among other things, Thales has not even attempted to demonstrate that Philips breached its FRAND commitments with its multitude of license offers to Thales which could be accepted at any time.

(i) The Filing of an ITC Complaint by a SEP Owner Is Not a Breach of Any Contractual Obligation under the ETSI IPR Policy

The district court did not abuse its discretion in finding that Thales failed to show that Philips breached any contractual obligation under the ETSI IPR Policy / ETSI licensing declarations by filing the ITC complaint. The parties agree that the ETSI IPR Policy is governed by French law, that French law includes a duty of good faith, and that this duty requires Philips and Thales to negotiate in good faith towards such a license. (For Philips, negotiating in good faith only requires one FRAND license offer to be available to Thales, and Philips has made numerous such offers, but the full parameters of what is good faith are not at issue here.) Thales does not have a right to receive most favored terms (e.g., most favored

nations) (*see* Appx1303-1304 (¶62); Appx1317-1319 (¶83)) and does not have a right to compel Philips to engage in prolonged negotiations as its patents expire or the statute of limitations works to shed value of the portfolio. In any event, Thales failed to show a breach of the contract, including any breach of the duty of good faith, by Philips.

As Professor Borghetti – an expert on French law – explained, the ETSI licensing declaration merely provides that the SEP owner is “prepared to grant” a license on FRAND terms. Appx1513-1525 (¶¶32-59). If the FRAND license offer is provided but not accepted by the implementer, endless negotiation and delay is not required. As Professor Borghetti further explained, seeking an injunction is not a breach of the ETSI licensing declaration and ETSI IPR Policy, nor is it a breach of the duty to negotiate in good faith. Neither the ETSI IPR Policy nor the licensing declaration contain any express language prohibiting an SEP owner from seeking an injunction (Appx1525 (¶60)), nor can a waiver of that right to seek an injunction be read into the licensing declaration and IPR Policy by implication (Appx1525-1530 (¶¶61-70) or interpretation (Appx1530-1539 (¶¶71-87))).

First, there was no waiver *implied* by members of ETSI because the evidence explicitly showed the opposite. As Dr. Huber and Professor Borghetti observed and explained, the 1993 ETSI IPR Policy contained restrictions on injunctions (Clause 13) and a clause requiring a SEP owner to refrain from taking

legal action in certain circumstances (Clause 12). Appx1315-1319 (¶¶82-86) (Huber). This is strong evidence that ETSI members expressed a clear choice not to restrict an SEP owner's right to seek injunctions and that there clearly was no implied waiver by the parties. Appx1529-1530 (¶¶68-70) (Borghetti); *see also* Appx1325 (¶102) (Huber) (“[w]hile the not-enacted 1993 ETSI IPR Policy and Undertaking mentioned injunctions, by limiting them in certain circumstances, the eventually adopted ETSI IPR Policy of 1994 which is still in place today removed such limitations and does not limit injunctions at all;” “[t]he idea that a common understanding had existed that ... essential IPR holders had, implicitly, renounced to their right to use injunctions, is not correct”).

Indeed, during the ETSI members' debate about 1993 IPR Policy, member Motorola made a specific proposal to include a provision in the Policy stating that the SEP owner “will not seek an injunction against a PARTY who is negotiating in good faith without undue delay.” Appx1326 (¶104). As Dr. Huber explained, the fact that this proposal was ultimately not included in the ETSI IPR Policy provides contemporaneous evidence that “no regulation in the ETSI IPR Policy nor any other part of the ETSI Directives bars a patent holder from taking recourse to injunctions or seeking the intervention of a court with the ability to enter injunctions during negotiations.” Appx1327 (¶107).

Later, ETSI members again debated various changes to the IPR Policy, including addressing injunctions, but no such proposed changes were accepted. Appx1328-1329 (¶¶108-09).

Second, Professor Borghetti also explained that an implied waiver of the right to seek injunctions cannot be read into the ETSI licensing declaration by way of *interpretation*. The clear and unambiguous language in the licensing declaration contains no such waiver of the right to seek injunctions. Appx1322-1323 (¶95) (quoting ETSI licensing declarations); Appx1525 (¶60). As Professor Borghetti explained, “[t]erms that are not present in a contract should not be read into it, especially if the parties knew of the issue.” Appx1530 (¶72).

And even if the ETSI licensing declarations were considered ambiguous and were interpreted according to the intent of the parties, the intent of the parties clearly indicates that they never intended to waive or prohibit the right to seek injunctions. Nothing in the ETSI Guide on IPRs indicates such an intention, and to the contrary, the change from the 1993 IPR Policy to the 1994 IPR Policy actually indicates an intention *not* to place limits on the ability of ETSI members to seek injunctions, along with the rejection of the language proposed by Motorola and post-1994 decisions not to amend the IPR Policy. Appx1535 (¶79); *see also* Appx1333 (¶117) (Huber).

Thales is thus incorrect in arguing that “the ETSI IPR Policy properly interpreted does indeed preclude seeking injunctions against willing licensees” (Op., 34), in view of Thales’ vague and incorrect definition of what it means to be a “willing licensee,” which is a factual issue to be determined, as the district court correctly found and as is discussed further below. Appx54-55 (54:13-55:3). The district court stated:

When you apply the implied covenant of good faith, you ... only do so with respect to terms that are not expressly taught by the contract. Then when you apply it, you try to determine what the parties would have negotiated with respect to the challenged issue. And in this case I don’t think there has been any evidence and I’m not persuaded that Philips would ever have agreed or that ETSI would ever have adopted a contract that would have precluded a member from seeking a parallel injunction.

Appx212 (212:7-16).

Thales agrees that the district court was correct to look at what the parties would have negotiated. Appx53 (53:5-19). This is clear from the case quoted by Thales, which states that a “quasi-reformation” to a contract under the doctrine of good faith and fair dealing “should be [a] rare and fact-intensive” exercise, governed solely by “issues of compelling fairness[,]” and should be invoked “[o]nly when it is clear from the writing that the contracting parties would have agreed to proscribe the act later complained of ... had they thought to negotiate with respect to that matter.” *Dunlap v. State Farm Fire and Cas. Ins. Co.*, 878 A.2d 434, 442 (Del. 2005) (internal quotations omitted).

The above-mentioned facts – including the fact that ETSI explicitly was aware of and thus considered whether to have a provision in the ETSI IPR Policy that proscribed against injunctions and explicitly chose not to include a provision limiting the ability to seek injunctions – show, based on the record, that if the parties had negotiated with respect to whether to prohibit injunctions, they would not have agreed to limit the ability of ETSI members to seek injunctions. The change of language from the 1993 to the 1994 policies, along with the rejection of member Motorola’s proposal when creating the 1994 Policy, shows the membership effectively did negotiate it and chose to explicitly exclude any such provision from the Policy. There simply is no language in the Policy providing any prohibition on seeking injunctions.

While Thales asserts that such an analysis is a “*non sequitur*” (Op., 34), Thales is wrong. It is Thales that has no explanation for the fact that the provision in the 1993 Policy shows that ETSI members had actually thought about having a provision about whether to partially or fully prohibit injunctions and chose not to include such a provision in the 1994 Policy. And it is Thales that has no answer to ETSI’s decision not to adopt Motorola’s proposed language concerning injunctions when it adopted the 1994 Policy. Thales only contends that it was “one of many different proposals” that was not “deliberately excluded” from the 1994 Policy (Op., 35), whatever that means. The district court correctly determined that such

evidence powerfully showed that the doctrine of good faith and fair dealing should not be applied to read a prohibition on injunctions into the ETSI IPR Policy. The district court stated:

I find it very compelling that there was an attempt at ETSI to add to the contract or revise the contract to address the issue before it and it was rejected. The contract does not expressly preclude or even address the propriety of seeking an injunction.

Appx211 (211:16-20).

Thales asserts that the district court made a “factual error” in stating that it was Professor Borghetti who made the point about member Motorola’s proposal (Appx211 (211:15-16); Op., 36), when it was actually Dr. Huber who made that point (Appx1326 (¶104)). The fact is correct and unrebutted, however, regardless of which witness provided the fact.

In any event, Thales has had the opportunity to take a license from Philips on FRAND terms for years and, in fact, there are five different license offers on the table that Thales could accept. But Thales is an unwilling licensor. It is holding out for the terms it wants. All the while, the patents are aging, the statute of limitations is running, and Thales infringes with impunity, gobbling up market share against other companies that were willing to accept a FRAND license, as Thales admitted. Appx187-188 (187:21-188:19) (Thales’ counsel discussing “capturing market share” which means customer will stay for at least “about four years”). Thales’ alleged “reasonable expectation that its right to be granted a

license” is not frustrated by Philips bringing the ITC Investigation granting Thales a full opportunity to defend its actions.

Thales cites no authority for its position other than the hypothesis statement of its expert, David Djavaheerian. Unable to proffer any authority or evidence in support of its position, Thales mischaracterizes the well-supported opinions of Philips’ experts and the evidence submitted. For example, Thales argues that “during oral argument Philips conflated the pertinent language of the policy with language from a proposal by a single ETSI member.” Op., 34. While the slide mistakenly stated that this language was in the “1993 ETSI Policy” rather than being in a proposal from member Motorola for language to be in the 1994 ETSI Policy (a proposal that was not accepted by ETSI), the evidence submitted clearly attributed the proposal to Motorola (*see* Appx1326 (¶104)), and the district court clearly understood that this was a proposal from member Motorola that was rejected, rather language in the 1993 Policy, although it is true that the 1993 Policy *also* contained different language prohibiting injunctions in certain circumstances (Appx1318 (¶83) (mentioning Clause 13 “[l]imitation of injunctions” and Clause 12 “[r]estriction regarding legal actions for infringement during negotiations”)).

The hearing transcript reflects that the district court well understood:

Mr. Thompson: In 1993 there was a major debate which basically some parties were arguing exactly what they are arguing now.

The Court: Right.

Mr. Thompson: That if an implementer were to say –

The Court: Actually, I read this and it was rejected....

Appx142-143 (142:12-143:3),

And, in fact, and I do think it's compelling, when there was a proposal to codify a prohibition on injunction, it was rejected by [ETSI]. That's pretty powerful.

Appx168 (168:14-16).

I find it very compelling that there was an attempt at ETSI to add to the contract or revise the contract to address the issue before it and it was rejected.

Appx211 (211:16-18).

The district court understood the issues and correctly determined that the filing of the ITC complaint was not a breach of contract.

(ii) There Is No Case Law Support for Thales' Position Because Courts Uniformly Hold that SEP Owners Are Not Prohibited from Injunctions

The theory of Thales' preliminary injunction motion is completely unsupported by any case law. As this Court has explained, there is no *per se* rule against SEP owners seeking injunctions. *See Apple, Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1331-32 (Fed. Cir. 2014) (“[t]o the extent that the district court applied a *per se* rule that injunctions are unavailable for SEPs, it erred”). This is particularly true here where there is no evidence of breach and Thales has repeatedly refused to accept multiple FRAND license offers or enter into good faith licensing negotiations with Philips.

Thales relies on *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024 (9th Cir. 2015). There, the underlying contract (not involving ETSI) was based in the U.S. (not France), the issue was whether Motorola violated the duty of good faith and fair dealing under Washington State law in dealing with two standards organizations, IEEE and ITU, and the district court allowed a jury to decide that issue. *Id.* at 1031-34. The Ninth Circuit merely held that the jury *could* consider all evidence in assessing whether Motorola violated the duty of good faith and fair dealing. *Id.* at 1045-47. Such evidence included evidence that the rates Motorola sought were significantly higher than the RAND rate, that Motorola had brought actions seeking injunctive relief immediately after a 20-day acceptance window had expired, and that the lawsuits seeking an injunction were brought *after* Microsoft had already filed a breach of contract action. *Id.* at 1046. No such evidence exists here. The Ninth Circuit noted that the evidence was “susceptible to contrary interpretations as well.” *Id.* at 1047.

The Ninth Circuit further explained that “a RAND commitment *does not always preclude an injunctive action* to enforce the SEP” and that instead the question for the jury was only whether there was a breach “*in these circumstances.*” *Id.* at 1048 n.19.

Thales’ citation to *Realtek Semiconductor Corp. v. LSI Corp.*, 946 F. Supp. 2d 998 (N.D. Cal. 2013) is similarly inapposite. First, as recognized by a court in

another matter, the court in *Realtek* “enjoined an ITC [exclusion order], but **only after it had already found on summary judgment** that the defendants breached a contract with the plaintiff by instituting an ITC proceeding before offering a RAND license.” *TQ Delta, LLC v. ZyXEL Commc ’ns., Inc.*, 2018 WL 2932728, at *4, n.11 (D. Del. June 12, 2018); *see also Realtek Semiconductor*, 946 F. Supp. 2d at 1008. Here, there has been no summary judgment determination, nor any ability provided to the district court to analyze all the relevant facts, but the facts do show that Philips made numerous FRAND license offers to Thales which are pending and could be accepted, and Philips spent over 5 years trying to negotiate a license before bringing the ITC action, all the while losing rights as a result of the statute of limitations. Further, in *Realtek*, the court did not enjoin the ITC investigation, instead only enjoining the patentees from enforcing any exclusion order at the **conclusion** of the ITC investigation. *Id.* at 1003-04. In contrast, Thales asked the district court to require the ITC to shut its doors entirely to Philips. Additionally, the court was applying **California** state law to the contract with the **IEEE** standard setting organization. *Id.* at 1003; *Realtek Semiconductor*, No. 5:12-cv-03451, Dkt. 371 at 12. Thales is asserting breach of Philips’ contract with **ETSI**, which has different policy language from IEEE, and is arguing that **French** law applies. Here, again, Philips has made numerous FRAND offers, having attempted to negotiate a license with Thales since 2015.

Thales also relies on certain foreign cases, but they have no precedential value and also are distinguishable. In *Samsung Elecs. Co. v. Apple Inc.*, the Court of the Hague assessed whether Apple acted in good faith during negotiations (Appx816-817 (¶¶4.36-4.42)), but here, Thales has not shown that its conduct during negotiations was in good faith, including failing to provide any evidence that its counter offers were FRAND. The evidence shows that the counter offers were well below FRAND, and Thales did not offer evidence to the contrary.

In *Huawei v. ZTE*, which is again not precedential and which addressed a different issue, the European Court of Justice applied its antitrust laws and determined that “the proprietor of the patent abuses its dominant position only in certain circumstances” (Appx1415 (¶30)) where, *inter alia*, “the alleged infringer diligently [] respond[s] to [an] offer, in accordance with recognised commercial practices in the field and in good faith, a point which must be established on the basis of objective factors and which implies, in particular, that there are no delaying tactics” (Appx1420 (¶65)). Here, as discussed above, Thales’ offers failed to meet this criteria, with the facts showing endless delay and sub-FRAND counter-offers.

Simply put, Thales fails to cite any case endorsing the view that the ETSI members entered into any arrangement such that ETSI SEP owners are prohibited from seeking an injunction despite their offers of FRAND licenses. To the

contrary, an ETSI SEP owner can resort to a district court or the ITC, and is particularly justified in doing so after engaging in negotiations that have failed and that have diminished the value of its portfolio due to the passage of time, as here (Appx1523-1525 (¶¶57-59); Appx1361-1363 (¶¶168-69)), with Philips not being restricted to which forum it may chose. *See generally* Appx1525-1542 (¶¶60-90); Appx1325-1339 (¶¶102-25).

Indeed, this Court has explicitly held that there is no separate rule or analytical framework for addressing injunctions for FRAND-committed patents and there is no *per se* rule that injunctions or exclusion orders are unavailable to SEP owners. In *Apple*, this Court affirmed a summary judgment decision that the SEP owner (Motorola) was not entitled to an injunction ***under the facts of that case*** because, applying *eBay*, Motorola had failed to show it would suffer irreparable harm. *Apple*, 757 F.3d at 1332. However, in doing so, this Court rejected the argument that there was a *per se* rule that a SEP owner could not obtain an injunction, holding that “[t]o the extent that the district court applied a ***per se rule that injunctions are unavailable for SEPs, it erred.***” *Id.* at 1331 (emphasis added). As just examples, the Court also noted that “an injunction may be justified where an infringer unilaterally refuses a FRAND royalty or unreasonably delays negotiations to the same effect.” *Id.* at 1332.

The Court addressed the same arguments being made here and rejected those arguments, stating that “*we see no reason to create, as some amici urge, a separate rule or analytical framework for addressing injunctions for FRAND-committed patents.*” *Id.* at 1331-32 (emphasis added). The amici had urged, for example, for a “definitive standard” against injunctions for those “willing to pay a fair royalty.” *Apple Inc. v. Motorola, Inc.*, CAFC-12-1548, Dkt. 49, Amicus brief for American Antitrust Institute, at 5-6 & 11; *see also, e.g., id.*, Dkt. 103, Amicus brief for FTC, at 13-14. The Court rejected the notion that SEPs should be treated differently than other patents. If there is any difference, it has to derive from an explicit agreement. Thales’ argument that there was an agreement among ETSI members to shed injunctive rights is pure fiction. Just the opposite is true.

On top of this, there is evidence of unreasonable delay by Thales during negotiations and refusals to accept FRAND offers, and Thales offered no evidence to the contrary. Rather, Thales’ position is that whatever it did during the negotiations became irrelevant once it proclaimed its *ipsi dixit* willingness to license. In this manner, Thales contends that an implementer can refuse FRAND offers and unreasonably delay negotiations, all the while infringing the patents and diminishing the value of the patents, and then when a patent infringement lawsuit is finally filed by the SEP owner, if the implementer tells the court at that point (finally) that it is agreeable to abide by a court determination of the FRAND rate

and terms, at that point it is *then per se* a breach of contract for the SEP owner to seek an injunction. Thales' position is contrary to the language in *Apple* and not supported by any other case.

District courts have also rejected Thales' position in previous matters, refusing to stay ITC actions brought by SEP owners. For example in *Interdigital Commc'ns Inc. v. Huawei Techs. Co.*, 2013 WL 8507613 (D. Del. Mar. 14, 2013), the court denied what was effectively a motion to stay an ITC investigation based on an argument that the ITC cannot grant an exclusion order unless negotiations are closed, noting that the ITC had never recognized such an argument. *Id.* at *1. Similarly, in *Apple Inc. v. Motorola Mobility, Inc.*, the court denied a motion to enjoin an ITC investigation. No. 11-cv-178-BBC, at 105-06 (Appx1219-1220) (W.D. Wis. May 16, 2011) (Appx1114-1223).

This is consistent with foreign jurisprudence. For example, in *Unwired Planet Int'l Ltd. v. Huawei Techs. Co.*, [2020] UKSC 37 (Aug. 26, 2020) (D.I. 77, Ex. 3), the UK Supreme Court found that it is proper to enter injunctions pending potential acceptance of a FRAND license by the implementer that had previously refused to accept a license. Appx1355 (¶157).

The ITC itself has also repeatedly recognized that exclusion orders can be granted in favor of SEPs when applying public policy considerations. *See In the Matter of Certain Electronic Devices*, No. 337-TA-794, 2013 WL 12410037, at

*29-33 (July 5, 2013) (finding that SEP owners may bring ITC action seeking injunctive relief, and noting that that ETSI members have consistently rejected to curtail injunctive relief); *id.* at *70 (“These arguments [that exclusionary relief for SEP owners is prohibited] are unsupported by the governing law ...”); *In the Matter of Certain Audiovisual Components and Products Containing the Same*, No. 337-TA-837, 2013 WL 4406820, at *180 (July 18, 2013) (“[t]he Commission and its ALJs have never adopted [respondent’s] theory that a FRAND undertaking *per se* precludes a determination of violation”) (internal quotation omitted); *In the Matter of Certain Wireless Devices With 3G Capabilities and Components Thereof*, No. 337-TA-800, 2013 WL 3961230, at *233 (June 28, 2013) (“Respondents have not cited any binding legal authority for its proposition that the Commission should refrain from issuing an exclusion order should it find ... infringement of patents subject to a FRAND undertaking.”); *In the Matter of Certain Wireless Devices with 3G and/or 4G Capabilities and Components Thereof*, No. 337-TA-868, 2014 WL 2965327, at *74-83 & *83 (June 13, 2014) (“Neither the agreements imposed by ETSI, nor the law nor public policy require us to offer the Respondents a safe haven, where they are free to avoid their own obligations under the agreements, can manufacture potentially infringing goods without license or consequence, can seek to invalidate the IPR in question, and yet are free from the risk of a remedy under 19 USC 1337”); *In the Matter of Certain*

3G Mobile Handsets and Components Thereof, No. 337-TA-613, 2015 WL 6561709, at *23 and *35 (Apr. 27, 2015) (finding that where a “negotiation has continued in good faith,” the evidence “d[id] not support the Respondents’ position that Interdigital has violated a FRAND obligation by filing this complaint at the ITC”; noting that “ETSI was aware of the possibility of exclusionary relief, either from injunctions or at the ITC, and chose to allow such relief under its SSO agreement”).

And, the U.S. Department of Justice has found that SEP owners have a right to seek injunctions. Appx1225-1235 (U.S. DOJ, Letter to Sophia Muirhead (Sept. 10, 2020)), at 3-6 (Appx1227-1230) (“Acknowledging Essential Patents Holders’ General Right to Seek Injunctive Relief”); *see also* Appx1237-1244 (U.S. DOJ, USPTO and NIST, *Joint Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments*, (Dec. 19, 2019), at 4-5 (Appx1240-1241) (“All remedies available under national law, including injunctive relief and adequate damages, should be available for infringement of [SEPs] subject to a F/RAND commitment, if the facts of a given case warrant them.”).

Case law uniformly demonstrates that SEP owners are not prohibited from seeking injunctions.

(iii) Any Question as to Whether an Injunction Is Appropriate Involves Factual Questions that Thales Did Not Ask the District Court to Decide

Recognizing that the weight of the law is against it, Thales attempts to distinguish this case from all the above by asserting that even though SEP owners are not *per se* prohibited from seeking injunctions, SEP owners become *per se* precluded from seeking injunctions if, regardless of any bad faith and delay by the implementer during negotiations, the implementer – after it is sued for patent infringement – represents to the court that it is “willing” to abide by a court determination of the FRAND rate and terms upon conditions that it sets, without regard to whether the implementer can demonstrate a precursor breach of FRAND by the SEP owner. *Op.*, 25-26. When examined properly, though, Thales’ purported distinction is only that it will comply with the court’s determinations and orders if such determinations and orders are made, over “any defenses, claims, arguments, or rights that are available to Thales [including] its right to challenge the infringement, validity, and enforceability.” *Appx467* (¶7). Indeed, Thales has already made such challenges, including to the essentiality of the patents, in the ITC case, positions that are fundamentally inconsistent with the positions Thales is taking here.

Further, Thales’ meager action of proclaiming that it will license if it loses the liability case does not turn a bad faith implementer into a willing licensee,

especially where the ETSI SEP owner has already satisfied its obligations by making multiple license offers that could be accepted were Thales actually a willing licensee. Thales is unwilling to accept any of Philips' numerous FRAND license offers to it, instead insisting on further negotiation and delay. Courts have recognized that there is "no duty to deal under the terms and conditions preferred by [a competitor's] rivals." *Pac. Bell Tel. Co. v. linkLine Commc'ns, Inc.*, 555 U.S. 438, 457 (2009); *see also SDK Investments, Inc. v. Ott*, No. CIV. A. 94-1111, 1996 WL 69402, at *10 (E.D. Penn. Feb. 15, 1996) ("An agreement that provides that the parties will negotiate terms that are mutually agreeable does not carry with it a guarantee that the negotiations will be fruitful. Absent an express provision to the contrary, parties who are unable to agree must end the transaction."). Thales' refusal to accept the FRAND licenses does not strip Philips of the right to enforce its patents.

In this case, Thales asserts that the Antonitsch declaration that it submitted to the district court is what automatically makes it a "willing licensee,"⁴ but the declaration does not do so. Thales' purported distinction, which attempts to create a new "*per se*" rule, is unsupported by any authority, despite Thales' bald assertion

⁴ For example, at the Hearing, Thales' counsel explicitly stated: "That alone is enough. Absolutely." Appx88 (88:5-11); *see also* Appx57 (57:10-13) (Thales counsel stating, "As soon as we said we were going to do it, we became willing and they could not ... pursue the ITC").

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that it “unquestionably” (Op. 26) makes Thales a willing licensee. Rather, in each case, the facts must be examined to determine whether an injunction is appropriate or not. *See Apple*, 757 F.3d at 1331-32.

As explained by Professor Borghetti and Dr. Huber, an ETSI licensing declaration affirms that Philips is prepared to grant a FRAND license and creates a duty on the part of Philips and Thales to negotiate in good faith towards a license on FRAND terms. But, there is no requirement to give Thales the terms it decrees are FRAND. And, seeking an exclusion order to prevent unfair acts of importation is not *per se* contrary to the terms of the ETSI policy or duty to negotiate in good faith. Appx1513-1542 (¶¶32-90); Appx1325-1339 (¶¶102-25). If Philips made a FRAND offer, then Philips satisfied its obligation. Thales failed to offer any evidence that the offer made by Philips was not FRAND.

A determination of whether the parties acted in good faith, i.e., whether the implementer was “willing,” requires various factual considerations. Here, the history of the licensing negotiations indicates good faith by Philips and multiple pending license offers at FRAND rates. And the facts show unreasonable delay by Thales over a period starting in 2015, Thales’ refusal to accept multiple FRAND offers from Philips, Thales’ refusal to make counter-offers that were FRAND, and Thales’ unreasonable request and refusal to negotiate without **negotiation requests/offers** **negotiation requests/offers** that could not be **negotiation requests/offers**

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negotiation requests/offers, among other things. Appx1523-25 (¶¶57-59); Appx1540-1542 (¶¶89-90); Appx1361-1363 (¶¶168-69); Appx1395-1397 (¶¶226-31).

Thales could accept any one of the license offers. But Thales refuses, being an unwilling licensee. Thales wishes to hold-out for a better rate. Such facts are inconsistent with good faith by Thales.

Thales does not contest the facts of negotiations, for purposes of the preliminary injunction analysis. Indeed, it did not present any evidence relating to the licensing negotiations in its preliminary injunction motion. *See* D.I. 21 at 7 (providing limited alleged details of the negotiations and citing only to allegations in Thales' Answer). For example, Thales provided no expert analysis of any offers made. *Id.* Without such evidence, there was no evidentiary basis by which the district court could have found that Thales was a willing licensee or that Philips had failed to deliver FRAND license offers to Thales. Thus, the district court was well within its discretion in declining to find that Thales was necessarily a willing licensee.

Thales does not even suggest that Philips would be unwilling to license. Philips merely seeks fair compensation for the sunk costs and efforts it put into establishing the technology of the cellular communication network.

Thales' attorney admitted at the Hearing that if an implementer unreasonably delays negotiations, the SEP owner is entitled to an injunction. The district court provided the example of an implementer "really stonewalling" and the conversation concluded as follows:

The Court: [s]o doesn't the member have a right at that point to seek an injunction?

Mr. Zeineddin: So under those circumstances, it has been said yes, absolutely.

Appx63-64 (64:7-10).

The district court correctly recognized that the determination of whether a party acted in good faith and was a willing licensee is a factual issue:

The Court: It really boils down to you don't think they're willing, they think you're not willing. Right? It's a factual issue in a way.

Appx54 (54:13-15).

The Court: Okay. So how am I to determine who is really willing here? Right? I've got to dive into the facts and that could take a lot of time

Appx64 (64:11-17). Thales never asked the district court to dive into the facts, and never provided the necessary facts to carry its burden.

Additionally, the Antonitsch declaration and its other actions in the case actually show that Thales is not unconditionally agreeable to a district court jury even determining the world-wide FRAND rate and terms, and that Thales will remove its consent if Thales does not like the terms to be decided, like the scope of the portfolio, the period for past infringement, the period for future licenses, the

bifurcation of infringement, validity, etc. For example, in its Antonitsch declarations, Thales “reserves and does not waive its right to challenge the infringement, validity, and enforceability of any Philips’ SEPs” Appx467 (¶7); Appx854 (¶6). District courts have found that such offers are not sufficient for a defendant to be declared a willing licensee. In *Interdigital Commc’ns, Inc. v. ZTE Corp.*, No. 1:13-cv-00009, 2014 WL 2206218, at *2 (D. Del. May 28, 2014), a defendant similarly averred its willingness to pay under a license for the FRAND rate only after findings of validity, essentiality and infringement. The court dismissed the declaratory judgment count seeking a FRAND rate determination as impractical without such assent. *Id.* at *3; *see also Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-cv-178, 2012 WL 5416931, at *1 (W.D. Wisc. Nov. 2, 2012) (questioning “whether it was appropriate for a court to undertake the complex task of determining a FRAND rate” where Apple reserved the right to contest invalidity and infringement); *Sisvel International S.A. v. Haier Deutschland GmbH*, Case No. KZR 35/17, Federal Court of Justice, ¶¶94-95 (Nov. 24, 2020) (D.I. 73-01, Ex. B) (a statement that it “would be prepared to take a FRAND license and pay royalties if German courts finally found infringement and invalidity” was a “conditional declaration of willingness” that was insufficient to be willing to license); *Sisvel International S.A. v. Haier Deutschland GmbH*, Case No. KZR 36/17, Federal Court of Justice (Bundesgerichtshof), ¶96 (May 5, 2020) (D.I. 73-01, Ex. C)

("[T]hey themselves only made the declaration of willingness to license in conditional form. Such a declaration of willingness to license is insufficient."); *Nokia v. Daimler*, Case No. 2 O 34/19, ¶161 (pp. 6-7), District Court of Mannheim (Aug. 18, 2020) (D.I. 73-01, Ex. D) ("A conditional declaration of willingness to license is insufficient.").

Thales also has not agreed that the FRAND award would cover past infringement. D.I. 21 at 1 ("Thales pledged to ... enter into a forward-looking license"); Appx466 (¶6). Thales has not agreed that the license would cover 2G products covered by the SEPs. Appx466 (¶5) ("[W]illing to take a license to [Philips'] portfolio of patents that are declared essential and/or potentially essential to the 3G UMTS and/or 4G LTE ... standards."). Thales has not agreed to include the parent entity, Thales S.A., in the case, making it not subject to a judgment or discovery for worldwide accounting. *See* D.I. 55. Thales also has actively tried in the ITC to establish that the accused products do not practice the standard and infringe the patents, rendering them outside the scope of FRAND. This is in addition to asserting that the patents are unenforceable and invalid.

While Thales points to certain representations its attorneys made at the Hearing to attempt to assuage these issues, those are insufficient because they were not sworn to by Thales. Thales original position remains. Thales could have removed the conditional willingness and substituted a different declaration, but

Thales has never withdrawn any of its conditions. The district court correctly observed that Thales' conditions indicate that Thales will continually find certain "wiggle room" to attempt not to be bound. Appx89-90 (89:24-90:5); Appx102-104 (102:6-104:25).

In short, though, whether an injunction should be granted in a case will depend on an analysis of all relevant facts, including facts indicating bad faith and delay by Thales and multiple FRAND offers by Philips. There is no *per se* rule that submission of a declaration to a court stating that the implementer will abide by a court's FRAND determination automatically immunizes the implementer from being subject to an injunction.

(iv) Philips Is Not Seeking Supra-FRAND Royalties

Thales also argues that "the only reason Philips is nevertheless persisting with its ITC action is to force Thales to settle on supra-FRAND terms in contravention of this Court's precedent before the district court can reach a FRAND determination." Op., 37. This argument assumes, without any evidentiary support, that Philips' offers to Thales were not FRAND offers. Rather, as discussed above, the evidence shows that the opposite is true, i.e., that Philips did make FRAND offers but that Thales rejected such offers in an attempt to avoid paying such royalties. Thales bore the burden to demonstrate that Philips' offers were not FRAND but never even attempted to meet that burden.

2. The District Court Correctly Found that Thales Failed to Demonstrate a Reasonable Likelihood of Success with Respect to Its Declaratory Judgment Claim Seeking a FRAND Determination

Thales also argues that the likelihood of success factor can be analyzed using its FRAND declaratory judgment counterclaim as the claim that Thales is supposedly likely to succeed on. *Op.*, 22. Thales contends that “the district court erroneously conflated [the declaratory judgment claim] with Thales’ breach of contract claim.” *Id.*, 23. Thales is incorrect. This is the wrong counterclaim to analyze (and one not even argued by Thales in its motion⁵), and the district court did not conflate the counterclaims in its analysis.

First, Thales is wrong that the likelihood of success analysis should be based on its counterclaim that seeks a FRAND determination. Once again, Thales cites no case law in support. Thales’ motion did not ask the district court for a preliminary determination of the FRAND rate or an early FRAND award to Philips. The issue to be considered for likelihood of success is whether Philips’ filing of the ITC case was a breach of contract. That the Court could potentially determine the FRAND rate, e.g., in the event that Philips’ license offers are not FRAND, is irrelevant to the preliminary injunction motion.

⁵ Thales only made a passing reference to this argument, without explanation, in the introduction section of its brief. *Compare* D.I. 21 at 3-4 (summary section) *with id.* at 9-15 (likelihood of success section failing to make this argument).

Even as to the FRAND declaratory judgment counterclaim, Thales failed to show it was likely to succeed on it. Thales offered no position or evidence in support of what it believed the correct FRAND rate is. The Court was deprived of the ability to determine if Thales' position had any likelihood of success because Thales never took a position supported by evidence as to what it believed would support a likelihood of success. Success on the claim would require the district court to agree with Thales' proposed rate. "Success" is not just the court deciding a FRAND rate – particularly if the court were to agree that Philips' license is already FRAND.

Additionally, Thales' various reservations of rights, including the right to contest infringement and validity, indicate that the district court is not even necessarily likely to decide this issue, as discussed above. *See Interdigital Communs.*, 2014 WL 2206218, at *1-2 (refusing to decide declaratory judgment claim because defendant averred its willingness to pay a FRAND license only after findings of validity, essentiality and infringement).

The district court recognized Thales' argument and correctly dismissed it. As the district court correctly expressed the idea, and which *Thales' counsel expressed agreed with*, Thales was required to establish "a legal right to preclude [Philips] from litigating in the ITC." *See Appx28 (28:8-11)*. However, as the district court found, there is no legal right to preclude Philips from proceeding in

the ITC that derives from Thales' FRAND declaratory judgment counterclaim. Appx30-34 (30:7-34:11).⁶ Thales' counsel agreed with the district court that its theory based on the FRAND declaratory judgment counterclaim was actually an anti-suit injunction theory – i.e., a policy argument about protecting the district court's jurisdiction. Appx33 (33:2-3) (“Absolutely ... there's not a single word that you said [about it being an anti-suit injunction theory] that we disagree with.”); *see also* Appx42 (42:6-25) (district court explaining that the preliminary injunction theories being considered were likelihood of success on the breach of contract theory and, alternatively, imposing an anti-suit injunction, with no other basis established). And, the district court correctly determined that the motion should also be denied under the anti-suit injunction test. Appx183-184 (183:10-184:20).

Finally, Thales' statement that the analysis is based on “license [being] an absolute defense to an ITC infringement claim” (Op., 23) should also be disregarded as a new argument never raised in its briefing to the district court. *See* D.I. 21. Even if considered, Thales never set forth the legal standard for a license defense, nor how it would meet the legal test for this defense, and thus clearly has

⁶ Thales' counsel repeatedly referred back to the (incorrect) alleged legal right that came from the ETSI IPR Policy – i.e., the breach of contract claim – and not any legal right that came from a court determination of FRAND rates and terms.

not demonstrated likelihood of success on such a defense. It cannot, because there is no actual license. Moreover, the license analysis is irrelevant to any request to enjoin the ITC because license is a defense Thales can and has raised in the ITC, like any other defense such as non-infringement, invalidity, etc. Once again, Thales provides no authority for its (new) proposition that an ITC Investigation can be enjoined if the alleged infringer is likely to prevail on the merits in front of the ITC.

The FRAND declaratory judgment claim is not the correct claim to analyze for likelihood of success, nor does it provide a legal right to preclude Philips from litigating in the ITC. The district court correctly rejected Thales' position.

B. Thales' Inability to Proffer Evidence Regarding Irreparable Harm Also Justifies Affirming the District Court

The district court's holding can also be affirmed on the sole ground that Thales' evidence of irreparable harm is facially deficient, and thus the district court did not abuse its discretion in denying the motion for this reason also.

1. The Evidence that Thales Relies on is Conclusory and Self-Serving

“As a general rule, a preliminary injunction should not issue on the basis of affidavits alone.” *Atari Games Corp. v. Nintendo of Am., Inc.*, 897 F.2d 1572, 1575 (Fed. Cir. 1990). “[A] district court should be wary of issuing an injunction based solely upon allegations and conclusory affidavits submitted by plaintiff.” *Id.*

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Moreover, at the preliminary injunction stage, a district court has wide discretion to weigh witness credibility determinations. *Celsis In Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 929 (Fed. Cir. 2012) (“[t]he district court has wide discretion to weigh expert credibility”).

Despite this, Thales’ evidence of irreparable harm consists solely of two declarations: one from an employee and one from a customer—neither of which rely on any documentary evidence. The declaration of Christopher Moorhead, Thales’ Vice President for IoT, consists solely of conclusory statements regarding potential harm that Thales may suffer if an exclusion order is entered. For

example, Mr. Moorhead stated that one of Thales customers “ [REDACTED]

‘that [REDACTED] **Statement of Thales customer** [REDACTED]

[REDACTED],” and that the “ [REDACTED]

Thales' business view of possible consequences [REDACTED]

[REDACTED].” Op., 39-40

(quoting Appx864-866 (¶¶11, 16). Similarly, the declaration of Xirgo, one of its customers, baldly states that “[t]he pendency of the ITC investigation casts significant doubt and uncertainty on Xirgo’s business, which depends on reliable access to Thales’ Modules.” Op., 39 (quoting Appx858 (¶7)).

Such conclusory evidence is insufficient for Thales to carry its burden. The declarations do not identify a single customer or sale that it lost or will lose as a

result of the ITC investigation. The declarations also do not explain how the mere existence of the ITC investigation will immediately harm either Thales or Xirgo. Indeed, despite the ITC investigation having been filed roughly six months before the hearing before the district court, Thales failed to identify a single concrete harm that it has suffered as a result. Nor did Thales explain how any harm could not be remedied through monetary damages. Thus, Thales has failed to present the necessary evidence to support a finding of irreparable harm. *See Atari*, 897 F.2d at 1575; *Voile Mfg. Corp. v. Dandurand*, 551 F.Supp. 2d 1301, 1307 (D. Utah 2008) (“Mr. Dandurand’s conclusory affidavit is not enough to demonstrate irreparable harm here.”)

The only possible harm is having to litigate a case in the ITC which is plainly insufficient. *See Hoist Fitness Sys., Inc. v. TuffStuff Fitness Int’l, Inc.*, No. 5:17-cv-01388, 2018 WL 8222261, at *2 (C.D. Cal. Dec. 20, 2018) (denying motion to enjoin ITC proceeding; no irreparable harm). If the ITC determines that the facts warrant an exclusion order, Thales cannot complain of any harm it would incur – an order of a governmental agency is not irreparable harm; it is justice.

2. Thales Was Required to Show More Than a Possibility of Irreparable Harm

“A movant seeking a preliminary injunction must show that ‘irreparable injury is *likely* in the absence of an injunction.’” *IGT v. Aristocrat Techs., Inc.*, 646 F. App’x 1015, 1018 (Fed. Cir. May 12, 2016) (quoting *Winter*, 555 U.S. at

22). “It is not enough to show a ‘possibility’ of harm, as ‘a possibility of irreparable harm is inconsistent with [the] characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that plaintiff is entitled to such relief.’” *IGT*, 646 F. App’x at 1018 (quoting *Winter*, 555 U.S. at 22).

Here, the only potential harm identified by Thales—an exclusion order—is purely speculative. Thales does not contend that it has suffered harm as a result of the ITC investigation. Rather, Thales alleges that “Philips’ pursuit of its ITC action creates customer doubt and uncertainty concerning the ability of Thales to fulfill its supply obligations, damage to customer relationships, and the likely loss of market share due to current and potential future customers that cannot absorb the risk of a potential exclusion order and consequent business disruption.” Op., 40. In other words, Thales is alleging that there is a possibility that it may experience harm. Even if these allegations are accepted (which they should not be), Thales falls woefully short of carrying its burden. If the mere possibility of an exclusion order were sufficient to show irreparable harm, every respondent in an ITC investigation would be able to show irreparable harm. *Cf. Kannuu Pty Ltd. v. Samsung Elecs. Co.*, 15 F.4th 1101, 1110–11 (Fed. Cir. 2021) (“Kannuu then contends that that it will be irreparably harmed by the *inter partes* review proceedings because they will subject Kannuu to a greater possibility of claim

cancellation, as well as additional costs and delays. But these statements are simply attacks on the inherent features of the *inter partes* review system enacted by Congress, and ... none of these rise to the level of irreparable harm necessary for a preliminary injunction.”) (internal citation omitted).

The case law cited by Thales does not suggest otherwise. In *Celsis In Vitro, Inc. v. CellzDirect, Inc.*, 664 F.3d 922, 930 (Fed. Cir. 2012), this Court **affirmed** the district court’s grant of a preliminary injunction where the patentee substantiated its claims of irreparable harm by presenting evidence that the accused infringer “significantly discounted prices as well as specific instances when customers purchased from LTC instead of Celsis” in addition to specific pricing policies and relevant market data—both of which showed evidence of actual harm. In *LEGO A/S v. ZURU Inc.*, 799 F. App’x. 823, 833 (Fed. Cir. Jan. 15, 2020), this Court **affirmed** the district court’s grant of a preliminary injunction where it found that there was evidence that the defendant’s continuing sale of products would damage the patentee’s reputation. In *Canon, Inc. v. GCC Int’l Ltd.*, 263 F. App’x. 57, 62 (Fed. Cir. Jan. 25, 2008), this Court **affirmed** the district court’s grant of a preliminary injunction where it found that there was evidence that the defendant’s continuing sale of products would cause price erosion to the patentee’s products. In *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1150-55 (Fed. Cir. 2011), this Court reversed a denial of a ***post-trial motion for a permanent***

injunction where the patentee had a “prima facie showing of lost market share.” In *Tex. Advanced Optoelectronic Sols., Inc. v. Renesas Elecs. Am., Inc.*, 895 F.3d 1304, 1331 (Fed. Cir. 2018), this Court *vacated a denial of a post-trial motion for a permanent injunction* because the district court’s irreparable harm analysis was inadequate. In fact, Thales does not cite a single case where this Court reversed a district court’s finding of lack of irreparable harm in the context of a preliminary injunction motion.

Instead, unlike the cases cited in its brief, what Thales points to as its alleged “irreparable harm” is the mere possibility that it may be harmed at some point in the future. Thales fails to present any reason to reverse the district court’s finding of no irreparable harm.

3. There Also Can Be No Irreparable Harm Both Because Thales Has the Opportunity to Try to Convince the ITC Not to Issue an Exclusion Order and Because Thales Could Take a License

There are other reasons that there necessarily could be no finding of irreparable harm. First, Thales has had the full and fair opportunity to provide evidence and argument to the ITC as to why it believes it should not issue an exclusion order. It has not been denied the ability to make its case.

Second, Philips has provided Thales with multiple license offers. Even regardless of whether they are FRAND (they are), Thales could accept one. The offers show this is a matter of money, not irreparable harm. Thales wants a lower

price than in Philips' FRAND license offers. Thales cannot manufacture irreparable harm by being unwilling to accept a license offer and then complaining that it is sued.

C. The Balance of Hardships Do Not Support Thales

The district court correctly determined that it did not have to consider the “balance of hardships” factor because there is no need to assess them if the first two factors do not weigh in favor of an injunction. Appx24 (24:1-21); *Reilly v. City of Harrisburg*, 858 F.3d 173, 176 (3d Cir. 2017) (third and fourth factors only need to be considered if first two factors are both established). Even if considered, however, the balance of hardships does not favor an injunction. Both parties litigated in the ITC, and Congress authorized the ITC to provide remedies in addition to those available from the district court (19 U.S.C. § 1337(a)(1)), with parallel proceedings being authorized.

Thales' argument that Philips will suffer no harm if the injunction is granted (Op., 42) is wrong. As discussed above, Philips has spent years attempting to obtain royalties from Thales, and Thales has refused to negotiate in good faith. Philips should not have to endure a lengthy district court litigation before receiving royalties for Thales' continued infringement.

Similarly, Thales' argument that “the harm caused to Thales in the absence of this injunction is severe and irreparable” (Op., 43) is wrong. Because the ITC

has yet to decide whether an exclusion order is warranted, Thales cannot possibly have suffered any harm. Indeed, Thales has presented its FRAND defense to the ITC, which will have the opportunity to decide whether or not this defense precludes the imposition of an exclusion order.

D. The Public Interest Does Not Favor Enjoining the ITC

As mentioned in the previous section, the district court correctly determined that it did not have to address this factor because the first two factors had not been shown. Even if public interest is considered, however, it does not weigh in favor of an injunction. If an injunction were granted, it would establish dangerous precedent closing the ITC to SEP holders, acting contrary to precedent and the policies of the DOJ, USPTO and NIST. A SEP owner's ability to seek injunctive relief serves the public interest because it is an important tool to protect against the problem of implementers committing "hold out." Appx1229 ("If a patent holder effectively loses its right to an injunction whenever a licensing dispute arises ..., an implementer can freely infringe, knowing that the most he or she will eventually have to pay is a reasonable royalty rate") (internal quotation omitted).

Thales already argued to the ITC that instituting the proceeding would be against the public interest. Appx1246-1253. Philips responded. Appx1257-1263. The ITC rejected Thales' arguments when it instituted the proceeding. *See In re Convertible Rowing*, 616 F. Supp. at 1145 ("the ITC, the statutory representative of

the public interest, has determined that interest is best served by continuing the ITC investigation”).

The public interest also favors allowing Philips to litigate in the forum of its choosing. *See Hoist*, 2018 WL 8222261, at *2.

Because neither of the first two factors supported an injunction, the district court’s determination should be affirmed. While not required, even if the third and fourth factors are also considered, however, they also weighed against an injunction.

III. THE ANTI-SUIT INJUNCTION FACTORS DO NOT SUPPORT AN INJUNCTION

Although Thales did not argue for an injunction based on the anti-suit injunction test, Thales’ counsel stated at the hearing that Thales’ assertion of likelihood of success based its FRAND declaratory judgment counterclaim was the equivalent of a seeking an anti-suit injunction. Appx32-33 (32:16-33:3); Appx42 (42:6-25). However, the anti-suit injunction test also shows that the district court did not abuse its discretion in denying Thales’ motion.

The Third Circuit applies a restrictive approach, recognizing that comity is an important consideration and thus an anti-suit injunction should only be granted on the “rare occasions when needed to protect jurisdiction or an important public policy.” *Stonington Partners, Inc. v. Lernout & Hauspie Speech Prods. N.V.*, 310

F.3d 118, 127 (3d Cir. 2002) (internal quotation omitted). “[P]arallel proceedings may normally proceed simultaneously” *TQ Delta*, 2018 WL 2932728 at *2.

There is not full overlap of the matters. The ITC protects domestic industry by preventing unfair acts of importation, and it is unclear this Court will make a determination of the FRAND rate, as discussed above.

There is also no important public policy. In *TQ Delta*, a court addressed the same issue, substituting a UK court for the ITC. The defendants argued that the policy was preventing the seeking of injunctive relief on SEPs. *TQ Delta*, 2018 WL 2932728 at *4. The court rejected that argument, finding “no ‘*per se* rule’ that [SEP] owners are not entitled to injunctions.” *Id.* The same reasoning applies here, and at a minimum, the district court correctly determined that there was debate and lack of clarity on what the policy is, which meant that lack of clarity did not support an injunction. Appx183-184 (183:24-184:20). Moreover, the district court correctly reasoned that it was not divested of jurisdiction by the ITC. Appx183 (183:10-23).

IV. THE AMICUS BRIEFS SUBMITTED IN SUPPORT OF THALES DO NOT OFFER ANY REASON TO REVERSE THE DISTRICT COURT

Two amicus briefs were filed in support of Thales: one by Continental Automotive Systems, Inc. u-Blox America, Inc., and American Honda Motor Co. (“Continental”) and the other by The App Association (“App”). While both briefs

purport to identify issues with SEP owners seeking injunctions, neither brief addresses the fact that these issues will be better addressed through the ITC.

Thales is making its FRAND defense in the ITC, and the ITC itself will determine whether or not the ITC – a federal agency performing its Congressionally mandated duties – believes that the defense precludes an exclusion order. The ITC will do so after a full evidentiary hearing, which is something that has not occurred yet in the district court in the context of the preliminary injunction motion.

Moreover, as neither Continental nor The App are privy to the confidential negotiations between Philips and Thales, they cannot offer any arguments as to whether Thales is a willing licensee. As discussed above, Thales’ unreasonable delay and other conduct during negotiations will demonstrate that it is not a willing licensee.

Likewise, neither Continental nor The App are privy to Thales’ alleged irreparable harm. As such, neither amicus can offer relevant arguments on irreparable harm.

V. THALES’ PRELIMINARY INJUNCTION MOTION WAS EFFECTIVELY TO ENJOIN THE ITC, BUT HOW IT IS DESCRIBED IS IRRELEVANT

Thales’ final argument is that the district court incorrectly framed Thales’ motion as “effectively enjoining an ITC proceeding.” Op., 46 (quoting Appx213 (213:3-7)). Thales does not explain this, however. Plainly, enjoining Philips from

pursuing the ITC proceeding is effectively the same as enjoining the ITC proceeding. Moreover, it does not matter how framed. The district court correctly analyzed the relevant factors.

Additionally, while Thales is correct that this Court has authorized injunctions of ITC investigations (Op., 46), it has been because the parties agreed to adjudicate their disputes in forums other than the ITC. In both *Texas Instruments Inc. v. Tessera, Inc.*, 231 F.3d 1325, 1328-32 (Fed. Cir. 2000), and *Gen. Protecht Grp. v. Leviton Mfg. Co.*, 651 F.3d 1355, 1357-58 (Fed. Cir. 2011), this Court addressed whether contractual provisions in license agreements – e.g., a forum selection clause – required the disputes to be adjudicated in California and the District of New Mexico, respectively. No such contractual provision is present here.

Indeed, a court enjoining another court is an “extraordinary” form of relief rarely granted under the All Writs Act, and “[i]t is particularly rare for a federal court to enjoin litigation in another federal court.” *In re Jimmy John’s Overtime Litig.*, 877 F.3d 756, 762 (7th Cir. 2017). Thales is seeking something even more extraordinary, because directly enjoining the ITC is not possible under the All Writs Act. *In re Convertible Rowing Exerciser Patent Litig.*, 616 F. Supp. 1134, 1139 (D. Del. 1985).

CONCLUSION

For the reasons set forth above, Philips respectfully requests that this Court affirm the district court's denial of Thales' motion for a preliminary injunction.

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Respectfully submitted,

/s/ Eley O. Thompson

Kevin M. Littman

Lucas I. Silva

FOLEY & LARDNER LLP

111 Huntington Avenue

Boston, MA 02199

P: (617) 342-4000

F: (617) 342-4001

klittman@foley.com

lsilva@foley.com

Eley O. Thompson

FOLEY & LARDNER LLP

321 N. Clark Street

Suite 3000

Chicago, IL 60654

P: (312) 832-4500

F: (312) 832-4700

ethompson@foley.com

Attorneys for Appellants

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

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Short Case Caption: Koninklijke Philips N.V. v. Thales USA, Inc.

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