

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

NOKIA CORPORATION and NOKIA)
INC.,)
) C.A. No. 2330-VCS
Plaintiffs,)
v.)
)
QUALCOMM INCORPORATED,) **REDACTED**
) **PUBLIC VERSION**
) **FILED JULY 18, 2008**
Defendant.)

PLAINTIFFS' ANSWERING PRE-TRIAL BRIEF

OF COUNSEL:

A. William Urquhart
Charles K. Verhoeven
Erica P. Taggart
Marshall Searcy
Patrick Shields
Ryan Goldstein
Aaron Craig
Quinn Emanuel Urquhart Oliver & Hedges,
LLP
865 South Figueroa Street
Los Angeles, CA 90017
(213) 443-3000

Thomas A. Beck (#2086)
Lisa A. Schmidt (#3019)
Jeffrey L. Moyer (#3309)
Steven J. Fineman (#4025)
Blake K. Rohrbacher (#4750)
Richards, Layton & Finger, P.A.
920 North King Street
Wilmington, DE 19899
(302) 651-7700

*Attorneys for Plaintiffs Nokia
Corporation and Nokia Inc*

Kathleen M. Sullivan
David Elsberg
Quinn Emanuel Urquhart Oliver & Hedges,
LLP
51 Madison Avenue, 22nd Floor
New York, NY 10010
(212) 849-7000

Mark A. McCarty
Alston + Bird LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, GA 30309
(404) 881-7000

S. Gardner Culpepper, III
Ashe Rafuse & Hill, LLP
1355 Peachtree Street, N.E.
Suite 500, South Tower
Atlanta, Georgia 30309
(404) 253-6000

Dated: July 15, 2008

TABLE OF CONTENTS

	<u>Page</u>
TABLE OF AUTHORITIES.....	iii
PRELIMINARY STATEMENT.....	1
I. NOKIA HAS NO OBLIGATION UNDER THE SULA, EITHER EXPRESS OR IMPLIED, TO PAY QUALCOMM ANY ROYALTIES ON QUALCOMM'S LATER AND OTHER PATENTS.....	6
A. Qualcomm Ignores The Plain Language Of The 2001 SULA.....	6
B. The Negotiation History Of The 2001 SULA Reinforces Its Plain Language.....	8
C. Qualcomm's Post-SULA Public And Private Statements Disprove Its "Exercise By Use" Theory.....	11
D. Nokia's Internal Strategies To Defend Itself Against Qualcomm Do Not Alter SULA's Plain Terms.....	13
II. THE LANGUAGE, PURPOSE, AND PARTIES' UNDERSTANDING OF ETSI IPR POLICY CONFIRM THAT IPR HOLDERS MAY NOT BLOCK IMPLEMENTATION OF STANDARDS AFTER MAKING A FRAND UNDERTAKING.....	16
A. FRAND Undertakings Under The ETSI IPR Policy Create Binding Contractual Commitments Under French Law.....	16
B. The ETSI "Frequently Asked Questions" Do Not Change This Result.....	20
C. Qualcomm's Pleadings And Testimony In The Ericsson Case Show That, When It Made Its FRAND Licensing Commitment To ETSI, It Viewed Such Undertakings As Contractually Binding, As Limiting Relief to FRAND Compensation, And As Precluding Injunctions.....	21
D. Qualcomm Is Estopped From Precluding Others From Using Its Declared Essential Patents.....	27

E.	Nokia Has Consistently Treated FRAND Undertakings As Binding Contracts.....	28
III.	THE OPTIONS IN THE 2001 SULA DO NOT DISPLACE OR SUBSTITUTE FOR QUALCOMM'S ETSI FRAND OBLIGATIONS.....	30
A.	The SULA Does Not Supersede Qualcomm's FRAND Undertakings To ETSI By Operation Of The Integration and Release Clauses.....	31
B.	There Is No Circumstantial Basis To Infer That The Parties Mutually Intended The SULA Rate To Be FRAND Compensation for Qualcomm's [REDACTED].....	33
C.	The SULA Rate Is Not FRAND For Qualcomm's [REDACTED] [REDACTED] Even If Other Qualcomm Licensees Pay Similar Rates For Different Patents.....	36
D.	FRAND Compensation Is Objectively Determinable, Including By Reference To Proportionality And Cumulative Royalty.....	37
	CONCLUSION.....	40

TABLE OF AUTHORITIES

CASES

<i>Aero Products Int'l, Inc. v. Intex Recreation Corp.</i> , 466 F.3d 1000 (Fed. Cir. 2006)	38
<i>Allen v Smith</i> , 94 Cal. App. 4th 1270 (4th Dist. 2002)	8
<i>Ben-Zvi v. Edmar Co.</i> , 40 Cal. App. 4th 468 (2d. Dist. 1995)	6
<i>Bruce E M. v. Dorothea A.M.</i> , 455 A.2d 866 (Del. 1983)	24
<i>In re Bruce's Estate</i> , 27 Cal. App. 2d 44 (4th Dist 1938)	9
<i>Cedars-Sinai Med. Ctr. v. Shewry</i> , 137 Cal. App. 4th 964 (2d Dist. 2006)	12
<i>Christianson v. Colt Indus. Op. Corp.</i> , 486 U.S. 800 (1988)	35
<i>Cione v. Foresters Equity Servs., Inc.</i> , 58 Cal. App. 4th 625 (Cal. App. 4 Dist. 1997)	33
<i>Dubin v. Robert Newhall Chesebrough Trust</i> , 96 Cal. App. 4th 465 (Cal. App. 2 Dist. 2002)	33
<i>Guzman v. Visalia Cmty. Bank</i> , 71 Cal. App. 4th 1370 (4th Dist 1999)	9
<i>MOSAID Techs. Inc. v. Samsung Elecs. Co.</i> , 362 F. Supp. 2d 526 (D.N.J. 2005)	40
<i>In re Marriage of Recknor</i> , 138 Cal. App. 3d 539 (2d Dist. 1982)	13
<i>Pesta v. Warren</i> , 2004 WL 1282214 (Del. Super. May 27, 2004)	25

<i>S. Cal Edison Co. v. Superior Court</i> , 37 Cal. App. 4th 839 (2d. Dist. 1995)	12
<i>In re Silver Leaf, L.L.C.</i> , 2004 WL 1517127 (Del Ch. June 29, 2004)	24
<i>United States v. Craft</i> , 535 U.S. 274 (2002)	39
<i>Voda v. Cordis Corp.</i> , 476 F.3d 887 (Fed. Cir. 2007)	35

OTHER AUTHORITIES

28 U.S.C. § 1338	35
Cal. Civ. Code § 1589	7
Cal. Jur. 3d Estoppel and Waiver § 1	13

PRELIMINARY STATEMENT

In its pre-trial brief, Qualcomm discusses everything and anything but the actual language in the contracts at issue in this case. It never quotes in full the SULA sections providing that Nokia's right to take licenses [REDACTED] are merely *options* that *may* be exercised by Nokia between April 9, 2007 and December 31, 2008, [REDACTED]. Candidly admitting that it now regrets its

negotiators' drafting choices concerning this interim period, made "most likely on the [REDACTED]"¹ Qualcomm seeks to escape the plain and unmistakable words they wrote and both companies signed. Whatever mesmerizing effect the northern latitudes may have had on Qualcomm's emissaries, however, there is no basis in law or equity to jettison the plain language of the SULA they scrivined in favor of Qualcomm's new, made-for-litigation theory of "exercise by use" -- a theory this Court has correctly deemed "odd" and "dubious" from the get-go.² To the contrary, the SULA left the parties "naked" and exposed to patent infringement actions upon the April 9, 2007 expiration [REDACTED] [REDACTED]³

Qualcomm does discuss the text of ETSI IPR Policy's Rule 6.1, which provides for the FRAND undertakings that are key to the ETSI issues in this case, but misreads it. Contrary to Qualcomm's reading, an ETSI undertaking to license essential patents on FRAND terms does not represent a mere commitment to negotiate that leaves an IPR

¹ Qualcomm's Opening Pretrial Memorandum ("Qualcomm Br.") at 60.

² NAE 208 (January 4, 2008 Hearing Tr) at 39:3-9; 111:17-21 (remarks of Vice Chancellor Strine)

holder free to reject all deals and then unilaterally hold up a standard's implementation. To the contrary, an ETSI FRAND undertaking states that the IPR holder is "prepared to grant licenses," creating a commitment binding on the IPR holder and enforceable under French law (which also heeds the plain language of contracts). This commitment lifts the threat of injunctions by signatory IPR holders, enabling manufacturers to proceed to implement ETSI standards, subject to the obligation to pay FRAND compensation for any valid patents they would otherwise infringe by implementing an ETSI standard.

While Qualcomm ridicules this ETSI theory as supposedly invented by Nokia's French contract law expert "*ex nihilo*"⁴ for this litigation, Qualcomm protests too much, or is perhaps too modest, because Qualcomm itself advocated this exact position long before this case. In litigation brought against Qualcomm by Ericsson, Qualcomm insisted in 1997 and 1998 that Ericsson's RAND undertaking to TIA created a binding contract to license on RAND terms that precluded Ericsson from seeking injunctions or any relief against Qualcomm beyond RAND compensation. Qualcomm could hardly more literally have endorsed the interpretation of SSO IPR policies that Nokia advances here; substitute "Qualcomm" for "Ericsson," "ETSI" for "TIA," and "FRAND" for "RAND," and Qualcomm's briefs might have been filed on Nokia's behalf before this Court.

Nor is the surprising discovery of the Ericsson record just a matter of unearthing embarrassing inconsistencies (though embarrassment might explain Qualcomm's vigorous stonewalling to keep Nokia from finding out about this lawsuit and continued

³ See *id*

refusal to produce relevant documents). To the contrary, the settlement of the Ericsson litigation is a major episode in the ETSI story in this case. The settlement removed a roadblock to ETSI's adoption of UMTS and led directly, as a condition of the settlement, to Qualcomm's letter to ETSI committing to license on FRAND terms. Thus, Qualcomm's pleadings in the Ericsson case, supported by the sworn declaration of Qualcomm's president, is contemporaneous parol evidence of Qualcomm's state of mind at the time it made its first commitment to ETSI to license UMTS patents on FRAND terms.

Without a credible basis in the SULA or ETSI contracts for its claims and defenses, Qualcomm is left to argue that the SULA options either superseded or discharged its FRAND obligations. Under either its SULA "exercise by use" theory or this "SULA is FRAND" theory, Qualcomm asks for an order compelling Nokia to pay

_____ amounting to as much by some estimates _____ and to declare that it has the right to use many of Nokia's own patents _____

Qualcomm thus seeks to obtain by contractual artifice and sleight of hand what it could never get at the bargaining table or through patent litigation. Such a windfall to Qualcomm would take no account of the relative value of the competing Nokia and Qualcomm patent portfolios in a cellular world that has changed dramatically since

⁴ Qualcomm Br. at 23.

Qualcomm's early days as a monopolist of key technologies. In today's world, Nokia made far greater technical contributions toward the relevant standards than Qualcomm, Qualcomm needs access to Nokia's critical patents, and Nokia holds a fully paid-up license to Qualcomm's Early Patents, which supposedly hold the keys to CDMA telephony. Nokia's and Qualcomm's public filings reveal that Nokia's investment in R&D today dwarfs Qualcomm's, and that by any measure Nokia has more UMTS declared-essential patents.

Qualcomm's theories rest on repeated, unfounded assertions that Nokia is "using" its patents without paying for them. Qualcomm employs "use" in an imprecise manner that wrongly equates the mere manufacture of standard-compliant products with supposed infringement of specific patent claims. In implementing a standard, however, a manufacturer does not necessarily "use" the patents an IPR holder has declared essential to that standard, for numerous reasons. First, a patent may not be actually essential, as many companies over-declare patents as essential to standards to increase the perceived value of their portfolio; indeed, Qualcomm itself says that its declarations do not mean the patents are essential. Second, a patent may be declared essential to a portion of a standard that is optional, and therefore not necessarily implemented in standard-compliant products.⁵ Third, a patent may be essential for products the manufacturer does

⁵ For example, GPRS and EDGE are optional sections of the GSM standard. Thus, it is possible to make a GSM phone that does not use patents that are "essential" to GPRS and EDGE functions.

not make.⁶ Fourth, many cellular patent claims are so complex that no company meets every limitation or “uses” them in practice. Fifth, the patents might not be in force in the countries where the manufacturer’s products are sold. Thus, implementation of a standard is not synonymous with “use” of patents declared to be essential, and Qualcomm lacks any foundation for its repeated mantra.

Qualcomm asks this Court to assume that Nokia uses its patents to avoid testing the respective values of the parties’ portfolios in patent suits, even though the parties agreed that this is precisely what would happen after April 9, 2007, in the event negotiations failed. The fact remains that Qualcomm has never shown that any Nokia phone infringes any claim of any Qualcomm patent in any country. Every one of the patent infringement claims it has taken fully to trial against Nokia, since this litigation began, has been rejected by courts on grounds that Qualcomm’s patent was invalid and/or not infringed. Many more have been withdrawn by Qualcomm after learning of Nokia’s patent defenses. Given Qualcomm’s failure to prove up any of its patent infringement allegations in any court, refusal to specify any claims it believes are infringed, and lack of technical contributions to the relevant standards, there is no basis to

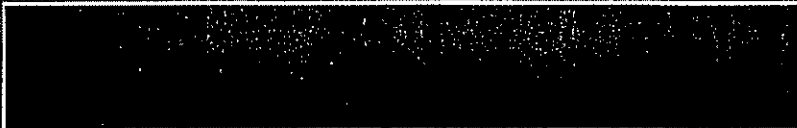

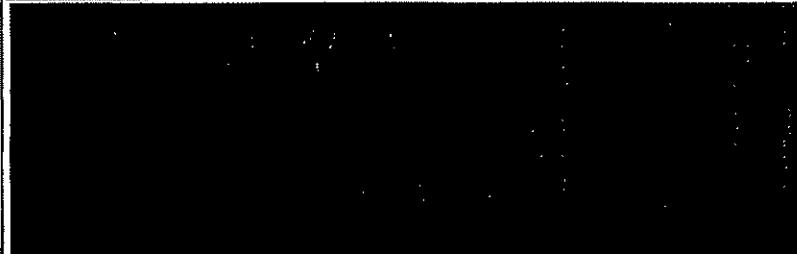
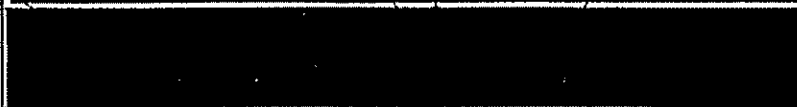
This is especially so in a vastly changed cellular world where other technologies outside the SULA and newly dominant industry players have outstripped Qualcomm’s early contributions.

⁶ Cellular networks are made up of handsets, infrastructure, service framework, etc. A patent may read on one portion of the network, such as a base station, but not others. An essential

I. NOKIA HAS NO OBLIGATION UNDER THE SULA, EITHER EXPRESS OR IMPLIED, TO PAY QUALCOMM ANY ROYALTIES ON QUALCOMM'S LATER AND OTHER PATENTS.

A. Qualcomm Ignores The Plain Language Of The 2001 SULA.

As the Court has pointed out to the parties, in Delaware, contract interpretation centers on the language of a contract⁷ Much as Qualcomm would like to deny it, the same is true under California law, which governs interpretation of the SULA.⁸ Qualcomm's repeated efforts to ignore the SULA's plain language are unavailing, as shown by a simple comparison:

Qualcomm Contentions:	SULA's Plain Text:
Nokia can elect the option(s) without a writing	
Nokia cannot bring infringement suits after April 9, 2007	
Even if Nokia has not elected the option(s), Nokia must pay SULA royalties on the Later Patents after April 9, 2007.	
Nokia needed to have rejected the option(s) by April 9, 2007.	

patent related only to handsets would not be "used" by a company that only manufactures infrastructure, and vice versa.

⁷ See, e.g., NAE 209 (July 8, 2008 Hearing Tr.) at 14:15-15:2.

⁸ "A contract must be interpreted to give effect to the mutual, expressed intention of the parties. Where the parties have reduced their agreement to writing, their mutual intention is to be determined, whenever possible, from the language of the writing alone." *Ben-Zvi v. Edmar Co.*, 40 Cal. App. 4th 468, 473 (2d Dist. 1995).

Qualcomm Contentions:	SULA's Plain Text:
The options are not really options but obligations, and Nokia must pick one or the other option as of April 9, 2007.	[REDACTED]
Nokia does not possess a paid-up license to the Early Patents.	[REDACTED]

Nothing in the 2001 SULA says that continued sales of standard-compliant phones would exercise the options, nor that infringement of any [REDACTED] would constitute an exercise of either of the options rather than exposure to a lawsuit. This omission is especially noteworthy as, elsewhere in the 2001 SULA, the parties did include [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].⁹ By contrast, nothing in Section 4.4.6 says Nokia could be held to have exercised either option by infringing certain claims of [REDACTED].

Against these unambiguous terms, Qualcomm bases its implied exercise claim on Cal. Civ. Code § 1589, which states that "[a] voluntary acceptance of the benefit of a

⁹ [REDACTED]

[REDACTED]

transaction is equivalent to a consent to all the obligations arising from it.”¹⁰ Section 1589 must be given a reasonable interpretation, however, and Nokia has explained in its pre-trial brief why it would be unreasonable to hold that Nokia exercised an option [REDACTED]

[REDACTED] does not account for new emerging technology by either company, [REDACTED]

[REDACTED] based solely on Qualcomm’s unfounded assertion that Nokia’s UMTS-compliant handsets infringe some unspecified [REDACTED].¹¹ But this Court need never reach the question of reasonableness here because Section 1589 provides a “reasonable” mode of acceptance only in cases where the contract itself does not specify how option acceptance must be communicated. *See Allen v. Smith*, 94 Cal. App. 4th 1270, 1281 (4th Dist. 2002) (“A reasonable option period and mode of acceptance may be implied *where none are specified in the contract.*” (emphasis added)). Where, as here, the contract plainly specifies that acceptance must be in writing, Section 1589 is wholly inapplicable.

B. The Negotiation History Of The 2001 SULA Reinforces Its Plain Language.

Qualcomm claims that it never would have agreed to allow Nokia to continue to sell standard-compliant handsets after April 9, 2007 subject only to the risk of patent infringement lawsuits because Qualcomm is a licensing business that depends on

¹⁰ See Qualcomm Br. at 61

licensing revenues.¹² But it is equally true that Nokia never would have agreed [REDACTED] to a single company that made little or no contribution to the original UMTS standard, [REDACTED] without proof of infringement of valid patents.

Instead, throughout all stages of the negotiation of the 2001 SULA, Nokia disagreed with Qualcomm about how technology would develop and affect the relative value of the companies' respective portfolios.¹³ In September 1998, Qualcomm suggested the parties consider a [REDACTED]

[REDACTED]¹⁴ By 2000, Qualcomm was ready to spin off its manufacturing business to avoid exposure to Nokia's patents.¹⁵ Ultimately, the parties agreed to deal with their disagreement by allowing Nokia the option to broaden the scope of its licenses under the SULA after April 2007, to negotiate anew the cross-license agreement in light of the changed world, or litigate to quell uncertainty over each other's patents.

¹¹ See Nokia's Pretrial Brief at 20, 29-35; *In re Bruce's Estate*, 27 Cal. App. 2d 44, 50 (4th Dist. 1938); *Guzman v. Visalia Cmty. Bank*, 71 Cal. App. 4th 1370, 1376-77 (4th Dist. 1999).

¹² Qualcomm Br. at 66.

¹³ NAE 30

[REDACTED] see also NAE 146

¹⁴ NAE 147

¹⁵ See, e.g., Qualcomm Br. at 55 ("Qualcomm publicly announced a plan to spin off its chipset business, a move which would largely eliminate Qualcomm's exposure to Nokia's patents.")

The basic option structure was in place as early as April 2000. In a meeting between Huttunen and Altman, Qualcomm offered the following "counterproposal":

[REDACTED]
[REDACTED],¹⁶

The term sheet does not discuss Nokia continuing to pay the 1992 SULA [REDACTED] rate for these [REDACTED], except as provided by the options, if exercised. In fact, Nokia has never paid handset royalties for [REDACTED]

In May 2001, Qualcomm sent Nokia draft agreements on at least two occasions limiting the [REDACTED] and Nokia twice returned drafts with the [REDACTED] removed.¹⁷ Qualcomm even noted from its discussions that Nokia [REDACTED]

[REDACTED]¹⁸ On June 7, 2001, Qualcomm indicated that it assented to the extended decision period: [REDACTED]

[REDACTED]¹⁹ This change was duly reflected in the next draft of the SULA prepared by Qualcomm.²⁰

Earlier drafts of the SULA had allowed Nokia to [REDACTED]

[REDACTED]
[REDACTED]

¹⁶ NAE 148 [REDACTED]
¹⁷ Compare NAE 149 [REDACTED] and NAE 150 [REDACTED] with NAE 151 [REDACTED] and NAE 152 [REDACTED]

¹⁸ NAE 153 [REDACTED]
¹⁹ NAE 154 [REDACTED]
²⁰ NAE 155 [REDACTED]

[REDACTED]²¹ If Nokia did not like the terms of [REDACTED]
[REDACTED]
[REDACTED]

When Qualcomm signed off on moving [REDACTED]

[REDACTED]²² Qualcomm then recognized that [REDACTED]

[REDACTED]²³ There was no longer any need for
Nokia [REDACTED], because the parties could
naturally negotiate in the newly created interim period if Nokia [REDACTED]

[REDACTED] Thus, [REDACTED] was formally eliminated to avoid redundancy,
the parties continued to assume that [REDACTED]
might [REDACTED] Neither Nokia
nor Qualcomm understood (or communicated to each other) that Nokia [REDACTED]

[REDACTED]

C. Qualcomm's Post-SULA Public And Private Statements Disprove Its "Exercise By Use" Theory.

Qualcomm acknowledges that its executives, including Steve Altman, Lou Lupin, and Derek Aberle, all publicly stated that both Nokia and Qualcomm would file lawsuits after April 9, 2007, and never said that Nokia might instead be deemed to have exercised

²¹ NAE 210 [REDACTED]

²² NAE 106 [REDACTED]

²³ NAE 102 [REDACTED] *see also id.* [REDACTED]

[REDACTED]

the options through mere sales of handsets.²⁴ As Nokia's pre-trial brief explains, such repeated statements prove that Qualcomm never interpreted the options as being exercised by mere sale of handsets, or even the possibility of proven infringement of [REDACTED] (which has never been found). Qualcomm has admitted that nobody within the company ever dreamed of this contractual interpretation before its lawyers came up with it for purposes of the arbitration.²⁵

If Qualcomm made such statements while actually believing that Nokia would exercise the options merely by continuing to sell handsets, then Qualcomm intentionally misled Nokia, its investors, and this Court. Putting aside possible shareholder liability issues that would arise from such a scenario, Qualcomm is not entitled to trap Nokia into exercising an option involuntarily. Any such effort would violate Qualcomm's covenant to Nokia of good faith and fair dealing. And the doctrine of equitable estoppel "applies to prevent a person from asserting a right where his conduct or silence makes in

²⁴ To give a few specific examples, as recently as January 24, 2007, Qualcomm stated that "we intend to pursue and obtain injunctions against Nokia's sales as well as damages (which will include interest from the date of infringement) for Nokia's *unlicensed* sales after April 9, 2007." NAE 72 at 3 (Qualcomm press release dated 1/24/07); NAE 207 [REDACTED] at *19. [REDACTED]

[REDACTED] NAE 68 [REDACTED] And Qualcomm told this Court that, "if by that date [after April 9, 2007] they [Nokia] decided to let SULA terminate unextended, then they won't have a license, we won't have a cross-license, and both parties -- both parties are going to have patents that they are in a position to assert against the other's products, and we will have a classic Mexican stand-off." NAE 206 (January 8, 2006 Hearing Tr) at 21.

²⁵ *Cedars-Sinai Med. Ctr v Shewry*, 137 Cal. App. 4th 964, 983 (2d Dist. 2006) ("a party's conduct *subsequent to the formation of a contract* may be looked upon to determine the meaning of disputed contractual terms." (emphasis added)); *S. Cal Edison Co. v. Superior Court*, 37 Cal

inequitable for him to assert it.” *In re Marriage of Recknor*, 138 Cal. App 3d 539, 546 (2d Dist. 1982); *see* 30 Cal. Jur. 3d Estoppel and Waiver § 1 (“[Estoppel] is based on the theory that a party who by declarations or conduct misleads another to the latter’s prejudice should be estopped ... from obtaining the benefit of his or her misconduct.”). Qualcomm may not paint a “World War III of patent litigation” scenario to Nokia and the public while privately scheming to ensnare Nokia in a magically self-executing option scheme with draconian royalties attached

D. Nokia’s Internal Strategies To Defend Itself Against Qualcomm Do Not Alter SULA’s Plain Terms.

While ignoring the contracts actually at issue in this case, Qualcomm focuses great attention on Nokia’s [REDACTED] suggesting that it is somehow evidence of Nokia’s secret ploy to evade its supposed obligations under the SULA.²⁶ To the contrary, however, [REDACTED] is consistent with Nokia’s long-held view that, as Qualcomm itself repeatedly warned, the parties would face patent litigation and further royalty negotiations after April 9, 2007.

Qualcomm purports to be shocked, shocked to find public relations going on in here -- even as it mounts its own public campaigns against Nokia.²⁷ Qualcomm has

App. 4th 839, 850 (2d. Dist. 1995) (relying on public investor statements that a party made in 1993 to determine the meaning of provisions from a contract signed in 1984).

²⁶ Qualcomm Br. at 69.

²⁷ Recently, [REDACTED]

NAE 162

Qualcomm has also engaged in bad faith conduct

failed to find anything false or illicit in [REDACTED] activities, and Nokia will demonstrate at trial that its communications were a legitimate and appropriate business response to Qualcomm's onslaught of litigation and hold-up tactics. Nokia remains free in the robust competition of a regulated marketplace to "spread a message that Qualcomm's technology was not valuable and that its standard licensing terms were not FRAND,"²⁸ and to file a competition policy complaint with the European Commission -- and none of that changes the contracts at issue in this case.

Notwithstanding Qualcomm's innuendo, there is in any event nothing sinister about [REDACTED], which is merely a name referring to cross-departmental efforts to manage Nokia's licensing negotiations and litigation with Qualcomm.²⁹ As Qualcomm notes, the [REDACTED]³⁰ reveals that one of Nokia's objectives was having Qualcomm accept a settlement at a level acceptable to Nokia.³¹ It would be a great surprise if Qualcomm did not have a corresponding objective -- to have Nokia accept a settlement on terms acceptable to Qualcomm.

when it comes to standard setting, including [REDACTED]

[REDACTED] NAE 187

[REDACTED] NAE 174

[REDACTED] NAE 184

[REDACTED] NAE 204 ("No Plans For More Qualcomm Suits In EU Dispute", Reuters Article by Doug Young dated 11/21/05)

²⁸ Qualcomm Br. at 4.

²⁹ NAE 156 [REDACTED] NAE 157

[REDACTED] NAE 158 [REDACTED]

³⁰ Qualcomm Appx. Tab 4.

³¹ Qualcomm Br. at 10.

Moreover, Nokia rejected certain suggested public relations strategies as overly aggressive, including [REDACTED] t

[REDACTED] including Qualcomm's claim to have a market royalty rate.³² Qualcomm fails to note undisputed testimony that this and other such suggestions were decisively rejected by Nokia management.³³

Once one looks past Qualcomm's rhetoric and feigned outrage, it is clear that Qualcomm, not Nokia, is the party that went on the offense in the months before and after April 9, 2007. Qualcomm filed no less than 11 patent infringement actions around the world against Nokia products, seeking to shut down Nokia's manufacture and sale of ETSI standard-compliant products. Many were filed long before April 9, 2007, [REDACTED]

[REDACTED] Others were filed right before April 9, 2007, perhaps to gain an advantage in forum-selection. Qualcomm's goal in these actions was to improve its negotiating position

³² Qualcomm Appx. Tab 3 [REDACTED]

NAE 159 [REDACTED]

³³ [REDACTED]

NAE 163 [REDACTED]

40 n.117; *see also* NAE 124 [REDACTED]

NAE 161 [REDACTED]

see Nokia Br. at [REDACTED]

NAE 160 [REDACTED]

NAE 159 [REDACTED]

Similarly, when Ulla James made comments to the press in her first media interview as a Nokia representative that were misrepresented and taken out of context and reported as "time is not money for us ... that date can come and go. But it's a risk factor for Qualcomm," Qualcomm Appx. Tab 55, she was removed as Nokia's public

through pressuring Nokia into exercising the options, and it likely spent as much time and resources planning its post-SULA strategies as Nokia did.

II. THE LANGUAGE, PURPOSE, AND PARTIES' UNDERSTANDING OF ETSI IPR POLICY CONFIRM THAT IPR HOLDERS MAY NOT BLOCK IMPLEMENTATION OF STANDARDS AFTER MAKING A FRAND UNDERTAKING.

Qualcomm's position is that an ETSI FRAND undertaking is merely an agreement in principle to negotiate. Under this view, an essential IPR holder is entitled to prevent manufacturers from implementing ETSI standards unless and until a manufacturer pays the IPR holder's demanded terms for a license -- even if the IPR holder demands payment for every patent in its portfolio regardless of infringement or validity, and even if the IPR holder refuses to compensate the manufacturer for its own essential IPR. Such an SSO IPR policy would be unworkable. It would prevent any manufacturer from implementing the standard until all manufacturers had completed negotiations with all essential IPR holders. And it would put each manufacturer at the mercy of whatever the IPR holder wanted to charge. Fortunately for the sake of technological progress, such an interpretation is foreclosed by the language and purpose of the ETSI IPR policy, French contract law, Qualcomm's interpretation already submitted to federal court, contractual estoppel law, and the widespread understanding of the industry.

A. FRAND Undertakings Under The ETSI IPR Policy Create Binding Contractual Commitments Under French Law.

spokesperson on Qualcomm relations and IPR matters, as the story misstated Nokia's true position NAE 156 [REDACTED]

Qualcomm asserts that ETSI FRAND undertakings entail merely an obligation to negotiate in good faith.³⁴ This interpretation does not comport with the words of the Policy, which says that the IPR holder must submit a written undertaking that it is “prepared to *grant* irrevocable licenses” on FRAND terms and conditions.³⁵

Furthermore, when the ETSI IPR policy passed in 1994 in what is very close to its current form, the General Assembly Chairman included an explanation of Article 6.1 that described the IPR holder and manufacturers as “licensors and licensees,” not *potential* licensors and licensees.³⁶ When Qualcomm recently proposed that ETSI include a disclaimer that the submission of a declaration form does not, itself, form a license,³⁷ this change in policy was not well-received and was never adopted.³⁸ Thus, the Policy itself nowhere supports Qualcomm’s current interpretation that it need only negotiate in good faith.

Moreover, ETSI’s approved IPR Policy and Guidelines make repeated mention of the availability of standards after submission of ETSI FRAND undertakings, rather than




³⁴ Qualcomm Br. at 26 (“Qualcomm is now willing to negotiate licenses . . .”).

³⁵ NAE 5 (ETSI Rules of Procedure, Annex 6: ETSI Intellectual Property Rights Policy (“ETSI Rules”)), Clause 6.1 at 33.

³⁶ NAE 211 (ETSI IPR Policy dated 10/19/94) at 4.

³⁷ NAE 182 (e-mail from Gonell to the IPR GA ad hoc group on IPR Policy Implementation dated 1/15/08) (attaching draft modification to specific declaration form “intended to . . . [s]tate unequivocally that the submission of a declaration form does not, in and of itself, create a license”).

³⁸

 *see also* NAE 201 (e-mails dated  NAE 181 (Discussion Regarding Licensing Declaration Forms dated 2/5/08) at slide 4-5 (citing proposal as an unresolved “major disagreement”); NAE 180 

after further agreement on terms. The stated objective of the ETSI IPR Policy is to “reduce the risk to ETSI, MEMBERS, and others applying ETSI STANDARDS and TECHNICAL SPECIFICATIONS, that the investment in the preparation, adoption and application of STANDARDS could be wasted as a result of an ESSENTIAL IPR for a STANDARD or TECHNICAL SPECIFICATION being unavailable.”³⁹ This goal echoed the position taken by the European Commission in its 1992 Communication instructing European SSOs to ensure that “all persons wishing to use European standards must be given access to those standards”⁴⁰ The Commission made clear that patent holders were giving up monopoly rights when participating in the standard setting process.⁴¹

Qualcomm’s current interpretation, that there is no right to implement the standard until the price term of a license is agreed upon, is also contradicted by French contract law. Qualcomm’s French law experts continue to insist that a determined or determinable price, rather than merely the principle that a price will be paid, is essential to the valid formation of a patent license contract.⁴² As Professor Aynès will explain, however, that debate was resolved against Qualcomm’s experts thirteen years ago by

██████████ (February 2008 presentation (NAE 201) was the last time Gonell raised this proposal).

³⁹ NAE 5 (ETSI Rules) Clause 3.1 at 33

⁴⁰ NAE 79 (October 27, 1992 Communication from the Commission of European Communities re Intellectual Property Rights and Standardization) (“EC Communication”), Clause 6.2.1 at 32

⁴¹ *Id.* § 4.7.3 at 20 (“It has to be recognized at the same time that the standard-making process entails an acceptance by the rightholder of the fact that he is no longer acting in a totally free and geographically limited market once he has agreed to give licenses as of right on fair and reasonable conditions”); *see also* NAE 125 (Smoot Dep.) at 203:16-206:25 (agreeing that ETSI Article 6.1 is tantamount to a rewording of this provision).

France's highest court sitting *en banc*, which held in multiple cases that a specific price need *not* be specified for the valid formation of contracts, unless specific legal provisions apply. Contracts for the lease of things, such as patent licenses, are not subject to any such specific legal provision.⁴³ Under French law as set forth in these decisions, an IPR holder making an Article 6.1 FRAND undertaking is bound to the terms of that undertaking even if the parties expect to negotiate further terms including the price of the license agreement. A court may police the price for abuse, but to do so recognizes that the underlying contract has been validly formed.⁴⁴ There is no dispute among the French contract law experts that the manufacturers are third-party beneficiaries of the ETSI FRAND contract if the contract is validly formed. Thus, under the correct reading of French contract law, an IPR holder may hold manufacturers to their obligation to compensate on FRAND terms and conditions, but may not go back on its irrevocable consent to license that IPR.

⁴² NAE 108 (Bénabent Dep.) at 67:9–68:23; *id* at 72:1-8.

⁴³ NAE 78 (Report of Prof. Aynès dated 5/21/08 ("Aynès Rep")) § 1.1 2 at 5, *citing* Bull. civ. Ass. Plén. nos. 7, 8 and 9.

⁴⁴ While special legal provisions require specification of a price amount for the valid formation of some types of contracts -- for example, sales contracts and commercial leases -- neither of Qualcomm's French law experts could cite a single case in which such a requirement applies to leases of things, which is the category that includes patent licenses. *See* NAE 108 (Bénabent Dep.) at 96:20-98:11; NAE 202 (Fauvarque-Cosson Dep.) at 42:13-24, 70:21-71:9, 77:4-25, 124:15-125:6. To the contrary, decisions awarding damages for abusive unilateral pricing of leases of things necessarily presume that the underlying contracts were validly formed despite the lack of an agreed-upon price, as Qualcomm's experts could not deny. *See id.* at 97:13-99:0; *id.* at 98:18-25 (noting that, "starting in 1994 case law displaced judicial scrutiny from the formation of the contract to scrutiny regarding the abuse in unilateral determination or setting of the price. And so that's an issue of the performance of the contract.").

B. The ETSI "Frequently Asked Questions" Do Not Change This Result.

Qualcomm can point to only one ETSI document suggesting that the burden lies on the manufacturer needs to seek permission from IPR holders in order to implement a standard: the "Frequently Asked Questions" ("FAQs"),⁴⁵ authored by then-ETSI and current-Qualcomm employee Stephane Tronchon.⁴⁶ The FAQs do not address whether all essential elements of a license agreement can be found in a Rule 6.1 FRAND undertaking, and whether there exists a binding and enforceable obligation to license on FRAND terms. Even if they did, the FAQs have no legally authoritative or binding status; they were not even presented to ETSI's Board, let alone approved by either the Board or the General Assembly.⁴⁷ ETSI regulations provide that the ETSI IPR Policy, established by the General Assembly,⁴⁸ "takes precedence in all cases."⁴⁹ Tronchon himself characterized his FAQs as [REDACTED] that do not form a [REDACTED]

[REDACTED] 50

⁴⁵ See Qualcomm Appx. Tab 21 (Frequently Asked Questions). The answer to Frequently Asked Question 6 states, "It is necessary to obtain permission to use patents declared as essential to ETSI's STANDARDS. To this end, each STANDARD user should seek directly a license from a patent holder."

⁴⁶ NAE 127 [REDACTED]

⁴⁷ Qualcomm Appx. Tab 48 [REDACTED]

⁴⁸ NAE 5 (ETSI Rules), Clause 1 at 33.

⁴⁹ NAE 5 (ETSI Guide on Intellectual Property Rights dated 1/25/07 ("ETSI Guide")), Forward at 42.

⁵⁰ NAE 127 [REDACTED] The FAQs are only as reliable as their author. [REDACTED]

In any event, the FAQs are consistent with the view that the burden rests upon the IPR holder who has made a Rule 6.1 FRAND undertaking to offer FRAND terms to the manufacturer, not upon the manufacturer to seek a license from the IPR holder. FAQ 6 states only that the manufacturer must seek a license from an IPR holder who has declared a patent essential, presumably under Rule 4.1. At that stage, prior to any Rule 6.1 undertaking by the manufacturer, it would be normal for the burden of negotiation to lie with the manufacturer. But after a Rule 6.1 undertaking has been made, the burden shifts to the IPR holder, and nothing in FAQ 6, which nowhere mentions such an undertaking, is to the contrary.

C. Qualcomm's Pleadings And Testimony In The Ericsson Case Show That, When It Made Its FRAND Licensing Commitment To ETSI, It Viewed Such Undertakings As Contractually Binding, As Limiting Relief to FRAND Compensation, And As Precluding Injunctions.

Qualcomm's brief makes scant mention of the stunning fact that, in its 1998 and 1999 litigation against Ericsson, it pled and testified to an interpretation of SSO IPR policies that is nearly identical to Nokia's current understanding. This is not just a matter of advocating another side of unsettled law, or inserting alternative potential theories of relief. Qualcomm's Ericsson briefs and supporting declarations explained in great detail Qualcomm's interpretation of the IPR policies of an SSO comparable to ETSI, the industry practices that supported that interpretation, and the economic reasoning behind

Moreover, Tronchon admitted that if he were to redraft the FAQs,

that interpretation. More important, Qualcomm's statements are parol evidence of the meaning of its FRAND licensing commitment to ETSI, made just weeks after the settlement with Ericsson and as a condition of that settlement. Thus the Ericsson litigation is not merely parallel to but integral to the contractual interpretation at issue here.

A brief comparison of Nokia's position (as described in hyperbolic form in Qualcomm's own pretrial brief) with Qualcomm's own representations in the Ericsson litigation illustrates how closely the two match:⁵¹

Qualcomm's Description of Nokia's Position	Qualcomm's Position in its Litigation with Ericsson
By stating that it "commits to license its essential patents" on FRAND terms, Qualcomm in fact extended a non-retractable offer, on terms unknown, which any infringer in the world may accept but is not obliged to accept (Am. Compl. ¶¶ 53-54; Op. of Pr. Laurent Aynès ("Aynès Op.") §§ 2.4, 2.5);	"As part of the IS-95 standard setting process, Ericsson, through its written statements and oral statements and promises to the individual members of the TIA and to the TIA as a whole, entered into a contract with QUALCOMM and other participants in the process. Pursuant thereto, Ericsson bound itself to QUALCOMM to license, under reasonable terms and

⁵¹ It bears noting that Qualcomm represented to Nokia and this Court that the Ericsson litigation was irrelevant and "had nothing to do with the present litigation." NAE 143 (Qualcomm's Opposition to Nokia's Motion to Compel 30(b)(6) Depositions dated 6/12/08) at 2. Furthermore, Qualcomm failed to produce any documents related to this clearly contradictory position until less than a month before trial, even after telling the Court that it would produce Ericsson litigation documents related to FRAND, IPR policy or Qualcomm's commitments resulting from the settlement. NAE 144 (Qualcomm's Opposition to Nokia's Motion to Compel Production of Documents dated 4/21/08) at 5. This is so even though Qualcomm's counsel in this case, Cooley Godward, represented Qualcomm in the Ericsson litigation, *see* NAE 23 (Qualcomm/Ericsson MSJ), Qualcomm chairman and trial witness Irwin Jacobs submitted a declaration about SSO IPR policy in support of Qualcomm's key motion from the Ericsson case, NAE 81 (Jacobs Decl.); Qualcomm President and witness Steve Altman was general counsel at the time and negotiated the settlement with Ericsson, *see* NAE 145 (biography of Steve Altman), and Qualcomm former general counsel and witness Lou Lupin has testified

See NAE 119

Qualcomm's Description of Nokia's Position	Qualcomm's Position in its Litigation with Ericsson
	conditions that are demonstrably free of any unfair discrimination, any patents that would be required for implementing the IS-95 standard." (Qualcomm's Fourteenth Affirmative Defense ¶ 72)
An infringer accepts by the act of using the IPR (<i>i.e.</i> , by infringing) (unless it explicitly states that it is not accepting), even if the infringer denies that it is "using" and denies that it needs a license, and even if the infringer neither knows nor discloses what patents it is "accepting" a license to, and even if the infringer neither declares its acceptance nor offers any payment at the time its infringement begins (Am Compl. ¶¶ 57-58; Aynès Op § 3.1);	"Qualcomm strenuously denies that it infringes any of Ericsson's patents that Ericsson claims as essential to IS-95. However, Qualcomm's assertions of non-infringement and invalidity do not somehow excuse Ericsson of its obligation to license those patents determined to be essential to IS-95." (Qualcomm MSJ at 2)
An infringer "accepts" (and thus owes royalties under the automatic license) only as to those patents and products as to which the IPR holder subsequently proves infringement in subsequent litigation—litigation which by the nature of patent litigation will not conclude for a number of years (Am. Compl ¶¶ 56, 58, 65, 71; Aynès Op. §§ 3.1, 3.2); ⁵²	"This motion merely seeks a limitation of the relief sought to the recovery of license royalties, "under reasonable terms and conditions that are demonstrably free of any unfair discrimination," if Qualcomm is found to have infringed those patents." (Qualcomm MSJ at 14)
A per-patent license comes into existence even though there has been no agreement—or even negotiation—as to a price term (Am. Compl. ¶¶ 56, 59; Aynès Op. § 2.5);	Qualcomm's position was that it had a license from Ericsson, even though there was no agreement, or negotiation, of a price term (See Qualcomm's Fourteenth Affirmative Defense).
Because an infringer is licensed <i>ab initio</i> as to those patents it is subsequently proven to have been infringing, the only downside to the infringer in the litigation is the possibility of being ordered to pay the royalties it should have been paying from the beginning; no injunctive relief can ever be awarded, regardless of whether the IPR holder has offered, and the infringer refused, FRAND terms; on the contrary, the infringer may	[This is an inaccurate summary of Nokia's position. However, Qualcomm itself acknowledged this fact: "[P]articipants in the TIA process are not able to ignore the legitimate patent claims of others with impunity ... However, the relief for a good faith dispute that results in a finding of infringement, but not willful infringement, is limited to reasonable and nondiscriminatory

⁵² For example, Nokia concedes only that it "has accepted Qualcomm's undertakings for those [unidentified] patents that are subject to FRAND undertakings and are valid and actually used by Nokia, *if any*." Am. Compl. ¶ 71 (emphasis added).

Qualcomm's Description of Nokia's Position	Qualcomm's Position in its Litigation with Ericsson
infringe with impunity (Am. Compl. ¶¶ 56, 60 & n.3, 72; Aynès Op. §§ 2.6, 3.2, 4.4, 4.5);	royalties." (Reply Brief at 10-11).
As a matter of law it cannot be "fair and reasonable" for the IPR holder to insist on a portfolio license, or on receiving back a cross-license, regardless of industry practice, and regardless of the practicality of pricing or negotiating patent-by-patent licenses (Am. Compl. ¶¶ 64, 73, 75; Aynès Op. § 4.3).	"[I]f Ericsson's position is adopted, 'open' standards could be 'closed' by the easy manipulation of the process. If an industry participant must accept without challenge all patent claims of others or risk being blocked from building to a specific industry standard, unscrupulous competitors could easily claim broader patent rights in an effort to gain unfair competitive advantages. For example, a corporation with a single, valid essential patent could claim it held ten patents essential to a particular standard to great advantage. Others wishing to practice the standard would either have to accept the claims without challenge or risk being barred from practicing the standard." (Reply Brief at p. 8)

Qualcomm tries to dismiss all of these earlier representations on the ground that the Ericsson case settled before any decision was rendered, and is therefore not binding. Even if advocacy about an unresolved legal position does not give rise to judicial estoppel in later litigation,⁵³ however, it undercuts a later attempt to take the diametrically opposite position. At a minimum, Qualcomm's position in the Ericsson litigation belie its bombastic claims that Nokia's understanding was manufactured "*ex nihilo*" by Nokia's French contract law expert, "has to be read several times to be believed," or is

⁵³ Although formal judicial estoppel applies when the party advocating the inconsistent positions successfully persuades the Court in the earlier case, *In re Silver Leaf, L L C*, 2004 WL 1517127, at *2 (Del. Ch. June 29, 2004), the Court can always consider the prior litigation position as evidence on the matter in dispute, as well as evidence of the credibility of the proponent of the inconsistent statements. *Bruce E.M. v. Dorothea A M.*, 455 A.2d 866, 871 (Del. 1983) (finding that husband's earlier oaths of residency was evidence refuting his position in this litigation that Delaware had no jurisdiction, and that such evidence "destroyed any sense of credibility the husband may have had").

inconsistent with all industry thinking.⁵⁴ To the contrary, Qualcomm should see Nokia's position as just like *deja vu* all over again.

But Qualcomm's Ericsson pleadings do more than just argue its legal positions -- they constitute contemporaneous admissions as to what Qualcomm itself understood to be the effect of its own FRAND commitments to ETSI under the ETSI IPR Policy. In Qualcomm's words, "This basic policy [of RAND under the TIA SSO] ensures that all industry participants will be able to develop, manufacture and sell products compliant with the relevant standard without incurring the risk that patent holders will be able to *shut down those operations*."⁵⁵ Qualcomm's factual statements embodied in the pleadings of prior litigations are "quasi-admissions; that is ordinary statements which now appear to tell against the party who then made them." *Pesta v. Warren*, 2004 WL 1282214, at *1 (Del. Super. May 27, 2004). Moreover, Qualcomm submitted a declaration by its founder and CEO, Dr. Irwin Jacobs, stating his belief that, by virtue of its participation in the TIA process and RAND undertakings, Ericsson had relinquished its right to enjoin manufacturers from practicing Ericsson's essential patents and is an admission.⁵⁶ This is the understanding with which Qualcomm entered the binding FRAND undertaking to ETSI at issue in this case.

⁵⁴ See Qualcomm Br. at 22-24, 36-37; NAE 164 (Expert Report of Oliver Smoot dated 5/23/08) at 11 ("Nokia's automatic license concept is inconsistent with my experience as to how the ETSI IPR Policy -- and the policies of other SDOs -- is understood to operate. In short, I had never heard of such a concept, anywhere, until I heard it expressed by Nokia in this litigation.")

⁵⁵ NAE 23 (Qualcomm/Ericsson MSJ) at 4.

⁵⁶ NAE 81 (Jacobs Decl.) ¶ 9 at 4 ("During the standards setting process, we relied on Ericsson's many assurances as well as on the TIA Intellectual Property Rights Policy relating to holders of essential patents. Although we did not think products compliant with IS-95 would infringe the

Nokia's positions in its Kyocera and Vitelcom litigations are dissimilar, both in degree and in kind, to Qualcomm's inconsistent representations in the Ericsson case, and thus do not undermine the probative value of the Ericsson litigation as to Qualcomm's relevant state of mind. Nokia did include injunctions among its requests for relief in suits for infringement of standard-essential patents against Vitelcom and Kyocera,⁵⁷ but only after Vitelcom had refused to negotiate at all with Nokia, despite numerous letters, e-mails, and telephone messages,⁵⁸ and after Kyocera similarly denied it had any obligation to pay for use of Nokia's patents that it might infringe, [REDACTED]

[REDACTED]⁵⁹ Nokia had no reason to believe that these companies would abide by their obligation to compensate Nokia on FRAND terms and conditions for valid and infringed patents, so that an injunction may have eventually been appropriate. Nevertheless, Nokia continued to

two patents identified by Ericsson as essential during the TIA process, we believed as a result of Ericsson's repeated representations and its participation in the TIA process that Ericsson would not seek to prevent our production of products if it were eventually determined that their patents were in fact essential.") Qualcomm believed this was the correct interpretation of the IPR policy, supported by the facts of the industry's reliance on these undertakings.

⁵⁷ NAE 167 (Nokia Complaint to Mercantile Court of Barcelona, Petition the Court Third) at 54-55 (including damages and injunctive relief in prayer for relief); NAE 48 (Complaint, *Nokia Corp. v. Kyocera Wireless Corp.*, dated 2/27/04 Prayer for Relief) at 5-6 (same).

⁵⁸ See, e.g., NAE 168-172 [REDACTED]

NAE 173 [REDACTED]

⁵⁹ NAE 205 [REDACTED]

NAE [REDACTED]

178 [REDACTED]

abide by its FRAND obligations to license on FRAND terms and conditions, and entered into settlement agreements at FRAND rates shortly after the lawsuits were filed.⁶⁰

In any event, Nokia's terse inclusion of requests for injunctions in these factual situations is a far cry from Qualcomm's detailed factual and economic analysis. More important, those prayers for relief do not demonstrate a state of mind in understanding Nokia's FRAND commitments right before committing to ETSI, as do Qualcomm's litigating positions in Ericsson. Qualcomm's commitment to ETSI to make its patents available on FRAND terms was made as part of the settlement of its litigation with Ericsson, and is thus linked with its judicial position in this case.

D. Qualcomm Is Estopped From Precluding Others From Using Its Declared Essential Patents.

Nokia's equitable estoppel claim⁶¹ provides an independent basis for holding that Qualcomm is barred (as are other IPR holders) from preventing Nokia and other manufacturers from using patents necessary to implement ETSI standards, after having given a FRAND declaration. Estoppel is an equitable claim or defense that this Court has jurisdiction to decide, at least as to Qualcomm's United States patents.

Qualcomm contends that Nokia's estoppel claim is unavailing because Nokia cannot show misleading conduct, reliance or prejudice. Qualcomm accurately states that

⁶⁰ NAE 179

NAE 96

whether its conduct is misleading depends on the Court's adjudication determination of the meaning of an ETSI undertaking and whether Qualcomm has complied with its ETSI obligations. Nokia will not repeat its contentions here.

Qualcomm's reliance and prejudice arguments are unpersuasive. Nokia and the rest of the industry obviously relied on Qualcomm's promises to ETSI in selecting the technologies to be incorporated into the UMTS standard. Nokia has designed and manufactured several different handsets to comply with the ETSI standard. Testimony at trial will show that if Nokia had believed Qualcomm could block its access to the UMTS standard, it would have determined whether Qualcomm had any truly essential IPR and designed around all such IPR in the standard. Moreover, there is certainly ample injury to Nokia from Qualcomm's misleading conduct in the form of attorney's fees and internal resources devoted to this and other Qualcomm litigation. Moreover, the omnipresent threat of injunction is a separate cognizable injury arising from Nokia's reliance on Qualcomm's misrepresentation.

E. Nokia Has Consistently Treated FRAND Undertakings As Binding Contracts.

Qualcomm asserts that Nokia itself never believed that FRAND undertakings form a license because Nokia has said, outside of litigation, that manufacturers were "unlicensed" or "needed a license" until they agreed to a final and complete commercial license agreement.⁶² Qualcomm also points to the fact that some internal Nokia

⁶¹ Nokia's Counterclaims in Reply, Count X.

⁶² See Qualcomm Br. at 23.

documents [REDACTED]

[REDACTED]⁶³

This semantic quibble about the word “license” does not evince true disagreement about the meaning of the FRAND undertakings. The word “license” in common terminology refers to the agreement containing all commercial terms.⁶⁴ Professor Aynès’ opinion is not that a Rule 6.1 undertaking is a “license” containing all commercial terms that the parties expected to negotiate, including the price, confidentiality, and payment schedules.⁶⁵ It is instead a “license” in the sense of a contract binding in itself even without further agreement to other terms.⁶⁶ Nokia’s witnesses thus have always agreed that FRAND undertakings are binding contractual commitments that prevent the blocking of the standard immediately upon submission.⁶⁷

Moreover, Nokia’s practice was to adhere to FRAND principles long before signing the final definitive “license agreement.” Although Nokia negotiators did not characterize companies as being “licensed,” they believed that terms and conditions had to be fair and reasonable, reflecting Nokia’s proportional contribution to the standard in light of a reasonable cumulative royalty for all the essential patents in the standard.⁶⁸

⁶³ *Id.*

⁶⁴ NAE 129 [REDACTED]

⁶⁵ NAE 78 (Aynès Rep.) at 15-16.

⁶⁶ *Id.* at 14.

⁶⁷ NAE 122 [REDACTED]

NAE 104 [REDACTED]

NAE 103 [REDACTED]

NAE 190 [REDACTED]

⁶⁸ NAE 122 [REDACTED]

NAE 121 [REDACTED]

NAE 173 [REDACTED]

NAE 189 [REDACTED]

NAE 190 [REDACTED]

NAE 126 [REDACTED]

III. THE OPTIONS IN THE 2001 SULA DO NOT DISPLACE OR SUBSTITUTE FOR QUALCOMM'S ETSI FRAND OBLIGATIONS.

To the extent it does not seek to deny the existence of its binding ETSI FRAND obligations, Qualcomm argues that the parties' agreement to the 2001 SULA somehow either supersedes or satisfies those obligations.⁶⁹ Both arguments border on the fanciful. Consenting companies of course may agree to a FRAND license rate, and the fact that there was agreement would be relevant to determining if the rates were FRAND. But the parties here *never agreed upon any license rate* [REDACTED]⁷⁰ Thus there is no basis to find that the SULA is a magically self-executing solution to Qualcomm's problem of complying with its ETSI obligations with respect to those patents after April 9, 2007.

There exists no SULA license rate with respect to the [REDACTED] that could possibly supersede or satisfy Qualcomm's FRAND obligations under its existing ETSI licenses. Rather than agree to pay "the SULA rate" it paid for Qualcomm [REDACTED] [REDACTED] Nokia merely preserved an option to license [REDACTED] and agreed to [REDACTED] regarding those patents that has since expired. The [REDACTED] had value up until its expiration, obviously, but that value does not translate into any particular license rate at all, much less the SULA rate. Indeed, [REDACTED] was agreed to after the parties could not agree on a rate for [REDACTED] And in no event can the SULA go back to the

⁶⁹ See Qualcomm Br. 12-22

future to "supersede" Qualcomm's patent-specific ETSI FRAND commitments that had yet to be undertaken in 2001.

Moreover, the SULA cannot "satisfy" ETSI FRAND undertakings with which it is not remotely coextensive. Although the [REDACTED] that is the subject of the SULA options include *some* of the patents Qualcomm has declared essential to UMTS, that set is both over- and under-inclusive. It is over-inclusive because it includes

[REDACTED]

The set is under-inclusive because [REDACTED]

[REDACTED] and thus could not satisfy FRAND for patents that

Qualcomm [REDACTED] Apples cannot satisfy orange

commitments. The same is true of SULA and FRAND.

A. The SULA Does Not Supersede Qualcomm's FRAND Undertakings To ETSI By Operation Of [REDACTED]

Qualcomm seeks to escape its FRAND undertakings first by relying on the SULA

[REDACTED] which are boilerplate provisions stating that the SULA [REDACTED]

[REDACTED]

[REDACTED]⁷¹ This argument is

unavailing.

⁷⁰ The ETSI "FRANDness" of the SULA rate for Qualcomm's Early Patents is not in issue here because Nokia now has a fully paid-up license to those patents.

⁷¹ NAE 36 [REDACTED]

First, it is undisputed that all of Qualcomm's patent-specific Article 6.1 FRAND undertakings post-date the SULA.⁷² The boilerplate [REDACTED] by its terms, applies only to [REDACTED]

[REDACTED]⁷³ The SULA [REDACTED] stemming from patent-specific Article 6.1 FRAND undertakings after the SULA, because [REDACTED]

[REDACTED]⁷⁴

Qualcomm seeks to ignore this temporal sequence by relying on its June 25, 1999 letter to ETSI expressing its willingness to license according to FRAND for UMTS. But this general statement of intent is not an official undertaking pursuant to ETSI IPR Policy Rule 6.1. As Qualcomm ex-General Counsel Louis Lupin recognized, [REDACTED]

[REDACTED]⁷⁵

Qualcomm began declaring patents essential to ETSI's UMTS standard under Rule 4.1 and undertaking to license those patents on FRAND terms under Rule 6.1 only as of October 19, 2001, after it executed the SULA.⁷⁶

In any event, [REDACTED] and the SULA [REDACTED] unless Nokia chooses to exercise the options in writing, which it has not done. [REDACTED]

[REDACTED] The SULA nowhere mentions Nokia or Qualcomm's letters to

⁷² NAE 97 (Qualcomm's Undertakings).

⁷³ NE 36 [REDACTED]

⁷⁴ NAE 97 (Qualcomm's Undertakings).

⁷⁵ NAE 119 [REDACTED]

⁷⁶ NAE 203 (Results of search of ETSI database, sorted by ascending date, dated 7/14/08)

ETSI, or any FRAND obligations arising from such undertakings. And even if the 2001 SULA could have [REDACTED] any such [REDACTED] at which point no rights or obligations pertained to [REDACTED] under the SULA at all unless and until the options were exercised.

If there remained any doubt as to this interpretation of the SULA's [REDACTED] California law would resolve it in favor of giving effect to Qualcomm's ETSI FRAND undertakings. California law reads such clauses narrowly so as to give effect to extrinsic agreements as to matters that, like the ETSI FRAND undertakings here, are not specifically addressed in the contract.⁷⁷

B. There Is No Circumstantial Basis To Infer That The Parties Mutually Intended The SULA Rate To Be FRAND Compensation for Qualcomm's [REDACTED]

As Qualcomm concedes, this Court's consideration of the objective "FRANDness" of the SULA rate (or any other rate) is beyond the scope of Phase 1, though Qualcomm boasts that evidence of its licensing practices toward other companies in Phase 2 will be "more icing on an already well-iced cake."⁷⁸ The problem with this is that there is no cake. Qualcomm cannot establish that the parties intended subjectively to

⁷⁷ See, e.g., *Cione v. Foresters Equity Servs., Inc.*, 58 Cal. App. 4th 625 (Cal. App. 4 Dist. 1997) (holding that an integration clause in an employment agreement did not displace a prior written arbitration agreement); *Dubin v. Robert Newhall Chesebrough Trust*, 96 Cal. App. 4th 465 (Cal. App. 2 Dist. 2002) (holding that an integration clause in a lease that made no mention of an easement did not supersede a prior easement of access to the leased property)

⁷⁸ Qualcomm Br. at 21.

make the SULA option do the work of an ETSI FRAND undertaking with respect to [REDACTED]

First, what Qualcomm misleadingly calls “the SULA rate” -- as if it were a rate applicable to all Qualcomm patents -- was agreed to by the parties only as to Qualcomm’s [REDACTED]. Absent Nokia’s exercise of the SULA options, the parties have no agreement to this rate as to [REDACTED] and thus there is no basis to infer that they viewed that rate as FRAND as to those patents. Nor is any such intent sensibly imputed to the parties, for the rate they agreed to with respect to one patent group in 1992, when Qualcomm had a monopoly over key technologies, bears no logical relationship to any rate they would agree to in 2001, or 2007, with respect to a much larger patent group covering different technologies to which Nokia was a much larger contributor than Qualcomm.⁷⁹

Second, the set of SULA [REDACTED] overlaps only in part with the set of patents that Qualcomm has declared essential to UMTS or any other standard. Thus there is no logical basis to infer that any SULA rate as to [REDACTED] would correspond to FRAND compensation for Qualcomm’s declared-essential UMTS patents.

Moreover, Nokia would owe SULA or any other royalties to Qualcomm as FRAND compensation for [REDACTED] only if those patents were valid and Qualcomm could prove Nokia had infringed them. Disputes over infringement, validity

⁷⁹ NAE 35 (Rebuttal report of J. Stevenson Kenney)

or other patent issues may be resolved only in courts of competent patent jurisdiction.⁸⁰ Patents are country-specific rights subject to country-specific rules, and nothing in the IPR policy changes that;⁸¹ indeed, the ETSI IPR Policy states that disputes should be resolved by the “national courts of law.”⁸²

Against this patent-law backdrop, there is no reason to believe that Qualcomm has any valid UMTS-essential patents that Nokia has in fact infringed. Qualcomm has yet to identify a single patent or claim that a Nokia product supposedly infringes. And Qualcomm has yet to prevail in a single patent infringement suit it has brought against Nokia with respect to its supposedly GSM-essential patents: Nokia has prevailed in showing some of the claims in these patents invalid or non-infringed; Qualcomm has withdrawn some of these claims; and other claims await re-examination by the Patent Office. Qualcomm presumably chose for this litigation assault its strongest purportedly GSM-essential patents -- many of which purportedly also double as UMTS-essential patents. Qualcomm’s stunning record of failure in its patent litigation to date against Nokia speaks volumes. At a minimum, it belies any assertion that Nokia must have intended to agree to pay Qualcomm SULA royalties to practice patents that -- like the

⁸⁰ 28 U.S.C. § 1338 (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents”); *Christianson v Colt Indus. Op. Corp.*, 486 U.S. 800, 809 (1988) (noting that original jurisdiction resides with the federal courts for cases that arise under the patent laws either by pleading a cause of action based on patent law or if “the right to relief is dependent on resolution of a substantial question of patent law”)

⁸¹ *Voda v. Cordis Corp.*, 476 F.3d 887, 899 (Fed. Cir. 2007) (“Like the Paris Convention, nothing in the [PCT] or the Agreement on TRIPS contemplates or allows one jurisdiction to adjudicate patents of another”)

⁸² NAE 5 (ETSI Directives, ETSI Guide) Section 4.2 (Dispute Resolution) at 54

Holy Roman Empire, which was neither holy, Roman, nor an empire -- are neither valid, essential, nor infringed.

C. The SULA Rate Is Not FRAND For Qualcomm's [REDACTED] [REDACTED] Even If Other Qualcomm Licensees Pay Similar Rates For Different Patents.

Qualcomm cannot prop up the SULA rate as FRAND as to Nokia even if it could show in Phase 2 that that rate supposedly "is fixed in negotiations with numerous parties."⁸³ Such other agreements would be probative only if made with similarly situated parties,⁸⁴ and none of Qualcomm's other agreements is with a similarly situated manufacturer. Nokia is the only manufacturer in the world with a fully paid-up license to use Qualcomm's [REDACTED] as admitted publicly by Qualcomm -- one for which Nokia paid [REDACTED].⁸⁵ Moreover, Qualcomm's other licensees are almost all chipset customers of Qualcomm with counterbalancing deals that effectively reduce or eliminate the royalties to Qualcomm. Therefore, no other company has ever agreed to what Qualcomm calls the "SULA rate" for the patents at issue here. Nokia also has an enormous patent portfolio with which to barter -- one that is far more valuable than that held by Qualcomm's typical licensee.⁸⁶

⁸³ Qualcomm Br. at 12.

⁸⁴ NAE 102 [REDACTED]

⁸⁵ [REDACTED]

⁸⁶ [REDACTED]

D. FRAND Compensation Is Objectively Determinable, Including By Reference To Proportionality And Cumulative Royalty.

In urging that the SULA rate be considered FRAND, Qualcomm suggests that the best evidence of fair and reasonable is simply what is agreed to in a voluntary arms-length transaction.⁸⁷ Qualcomm contends that the ETSI IPR Policy imposes no objective “requirements,” that there is “no express definition or qualification of FRAND,” and that “specific licensing terms and negotiations are commercial issues between the companies.”⁸⁸

Contrary to Qualcomm’s arguments, however, subjective agreements cannot be conclusively presumed FRAND, for example, if they are negotiated after manufacturers were locked in to using the patent or forced upon the licensee as a condition for getting access to monopoly products (such a Qualcomm’s CDMA2000 chipsets). Moreover, there are objective factors relevant to determining FRAND, including proportionality between an IPR holder’s essential patents and all patents essential to a standard and maximum sustainable cumulative royalties.⁸⁹ Qualcomm’s own expert David Teece admits as much, stating that generally “a reasonable range of royalties would take into account the value of the technology, the bargaining position of the parties, and it would

⁸⁷ Qualcomm Br. at 41-42.

⁸⁸ *Id.* at 41.

⁸⁹ NAE 104

NAE 192

NAE 75 (Shapiro Report dated 5/23/08) at 17; NAE 128 (Shapiro Dep) at 101:3-11.

not permit extraction of royalties greater than the value of the technology.”⁹⁰ On Mr. Teece’s own view, therefore, patent holders who contribute greater value to a standard should receive more in royalties than those who contribute less value.”⁹¹ If the value extracted was greater than the value of the technology created, this would fall under his definition of hold-up.⁹²

Qualcomm’s protests are also unavailing in that FRAND is a standard, not a rule. Not everything in law is bright-line like a speed limit; standards like the “reasonable man” or the “in the public interest” require fact-specific judgments but are nevertheless meaningful limitations. And courts routinely apply the concept of reasonableness to patent royalties, such as when calculating damages for infringement of a valid patent. *See, e.g., Aero Products Int’l, Inc. v. Intex Recreation Corp.*, 466 F.3d 1000, 1018 (Fed. Cir. 2006) (patentee is entitled to at least reasonable royalties).

Qualcomm likewise gains no traction in this argument merely because Nokia did not succeed in its proposal to codify the concepts of proportionality and cumulative royalty in the ETSI IPR Policy. A proposal cannot be adopted absent consensus, and Qualcomm worked hard to prevent such a consensus.⁹³ Apart from Qualcomm, there was

⁹⁰ NAE 191 (Teece 7/8/08 Dep.) at 58:6-12.

⁹¹ *Id.* at 137:4-10. Teece explained that “there are a range of royalty rates that are reasonable” and cited the *Georgia-Pacific* case as having “criteria for determining a reasonable royalty. *Id.* at 95:9-18. He said he would have “concerns if ... the range of royalties ... was significantly beyond the inherent value of the technology and there was some element of -- that there was rents being extracted beyond that which were generated by the technology itself.” *Id.* at 95:19-25; 97:10-25.

⁹² *Id.* at 15:8-17:3.

⁹³ *See* NAE 194 [REDACTED]

e.g., MOSAID Techs. Inc. v. Samsung Elecs. Co., 362 F.Supp.2d 526, 556 (D.N.J. 2005) (holding that in a patent infringement dispute “damages are limited by when, and to what extent [plaintiff] provided [defendant] with actual notice that its [products] infringe the patents in suit”).

In short, in contending that the SULA rate could have been perceived as fair and reasonable by parties reaching an arms-length bargain, Qualcomm ignores that Nokia has not exercised the options and that Nokia never agreed that the terms and conditions arising from an exercise of the options were fair and reasonable as to [REDACTED] [REDACTED] even if infringement and validity were assumed. It also disregards appropriate bases for the objective determination of FRAND royalties. There is no basis on the facts here to hold that the SULA option rate supersedes or satisfies FRAND.

CONCLUSION

For the foregoing reasons, and based on the evidence to be submitted at trial, judgment should be entered in favor of plaintiffs on the following counts: Nokia Counts I-XI and Qualcomm Counts I-III and VII-X, to the extent they do not rely on patent issues including infringement, validity or valuation. Additionally, should the Court adjudicate any of the other counts within Phase I notwithstanding the limitations on evidence and Nokia’s motion to dismiss, judgment should be entered in favor of plaintiffs for the foregoing reasons and based on the evidence to be submitted at trial.

Court for much more limited relief, *asking that the Court set out the binding principles of FRAND*” (emphasis added)).

OF COUNSEL:

A. William Urquhart
Charles K. Verhoeven
Erica P. Taggart
Marshall Searcy
Patrick Shields
Ryan Goldstein
Aaron Craig
Quinn Emanuel Urquhart Oliver & Hedges,
LLP
865 South Figueroa Street
Los Angeles, CA 90017
(213) 443-3000

Kathleen M. Sullivan
David Elsberg
Quinn Emanuel Urquhart Oliver & Hedges,
LLP
51 Madison Avenue, 22nd Floor
New York, NY 10010
(212) 849-7000

Mark A. McCarty
Alston + Bird LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, GA 30309
(404) 881-7000

S. Gardner Culpepper, III
Ashe Rafuse & Hill, LLP
1355 Peachtree Street, N.E.
Suite 500, South Tower
Atlanta, Georgia 30309
(404) 253-6000

Dated: July 15, 2008

/s/ Jeffrey L. Moyer

Thomas A. Beck (#2086)
Lisa A. Schmidt (#3019)
Jeffrey L. Moyer (#3309)
Steven J. Fineman (#4025)
Blake K. Rohrbacher (#4750)
Richards, Layton & Finger, P.A.
920 North King Street
Wilmington, DE 19899
(302) 651-7700

*Attorneys for Plaintiffs Nokia
Corporation and Nokia Inc.*

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of July 2008, true and correct copies of the foregoing document were caused to be served on counsel of record at the following address as indicated:

BY E-FILE

Brian C. Ralston, Esquire
Potter Anderson & Corroon LLP
1313 North Market Street
P.O. Box 951
Wilmington, DE 19899

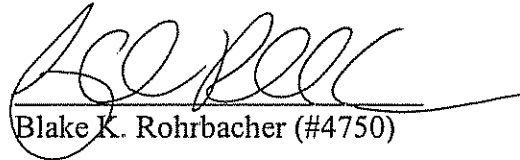
/s/ Steven J. Fineman
Steven J. Fineman (#4025)

CERTIFICATE OF SERVICE

I hereby certify that, on the 18th day of July 2008, true and correct copies of the foregoing document were caused to be served on counsel of record at the following address as indicated:

BY E-FILE

Brian C. Ralston, Esquire
Potter Anderson & Corroon LLP
1313 North Market Street
P.O. Box 951
Wilmington, DE 19899


Blake K. Rohrbacher (#4750)