

No. 20-11032

IN THE
United States Court of Appeals
for the Fifth Circuit

CONTINENTAL AUTOMOTIVE SYSTEMS, INCORPORATED, A DELAWARE
CORPORATION,

Plaintiff-Appellant,

v.

AVANCI, L.L.C., A DELAWARE CORPORATION; AVANCI PLATFORM
INTERNATIONAL LIMITED, AN IRISH COMPANY; NOKIA CORPORATION, A
FINNISH CORPORATION; NOKIA OF AMERICA CORPORATION, A DELAWARE
CORPORATION; NOKIA SOLUTIONS AND NETWORKS U.S., L.L.C., A
DELAWARE CORPORATION; NOKIA SOLUTIONS AND NETWORKS OY, A
FINNISH CORPORATION; NOKIA TECHNOLOGIES OY, A FINNISH
CORPORATION; OPTIS UP HOLDINGS, L.L.C., A DELAWARE CORPORATION;
OPTIS CELLULAR TECHNOLOGY, L.L.C., A DELAWARE CORPORATION; OPTIS
WIRELESS TECHNOLOGY, L.L.C., A DELAWARE CORPORATION; SHARP
CORPORATION, A JAPANESE CORPORATION,

Defendants-Appellees.

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR
NORTHERN DISTRICT OF TEXAS
CASE NO. 3:19-CV-02993

**BRIEF OF *AMICI CURIAE* ACT | THE APP ASSOCIATION,
COMPUTER AND COMMUNICATION INDUSTRY
ASSOCIATION, HIGH TECH INVENTOR ALLIANCE, AND
PUBLIC INTEREST PATENT LAW INSTITUTE IN SUPPORT OF
PETITION FOR REHEARING *EN BANC***

Amanda Tessar
PERKINS COIE LLP
1900 Sixteenth St, #1400
Denver, CO 80202-5255
Telephone: (303) 291-2357
ATessar@perkinscoie.com

Alison R. Caditz
PERKINS COIE LLP
1201 Third Avenue, Suite 4900
Seattle, WA 98101-3099
Telephone: (206) 359-9197
ACaditz@perkinscoie.com

**ATTORNEYS FOR *AMICI CURIAE*
ACT | THE APP ASSOCIATION,
COMPUTER AND COMMUNICATION
INDUSTRY ASSOCIATION,
HIGH TECH INVENTORS ALLIANCE,
AND PUBLIC INTEREST PATENT LAW
INSTITUTE**

SUPPLEMENTAL CERTIFICATE OF INTERESTED PARTIES

No. 20-11032

Continental Automotive Systems, Inc. v. Avanci LLC, et al.

The undersigned counsel of record certifies that the following listed persons and entities described in the fourth sentence of Fifth Circuit Rule 28.2.1 have an interest in the outcome of this case. These representations are made so that the Judges of this Court may evaluate possible disqualification or recusal.

Amici Curiae:

ACT | THE APP ASSOCIATION

Computer and Communication Industry Association

High Tech Inventors Alliance

Public Interest Patent Law Institute

Counsel for *Amici Curiae:*

Amanda Tessar

Alison R. Caditz

By: *s/ Amanda Tessar*
Amanda Tessar

TABLE OF CONTENTS

	PAGE
TABLE OF CONTENTS	ii
TABLE OF AUTHORITIES.....	iii
INTEREST OF <i>AMICI CURIAE</i>	1
INTRODUCTION	3
ARGUMENT	5
I. FRAND was Designed to be Broadly Enforceable	5
II. The Panel’s Opinion Contradicts this Court’s Precedent and Harms Standardization	8
III. The Panel’s Decision Relies on “Facts” Contrary to Both the Pleadings and Reality	11
CONCLUSION	12

TABLE OF AUTHORITIES

	PAGE(S)
 CASES	
<i>Apple, Inc. v. Motorola Mobility, Inc.</i> , No. 11-CV-178-BBC, 2011 WL 7324582 (W.D. Wisc. June 7, 2011).....	9
<i>Broadcom Corp. v. Qualcomm Inc.</i> , 501 F.3d 297 (3d Cir. 2007)	9, 10
<i>Ericsson, Inc. v. D-Link Systems, Inc.</i> , 773 F.3d 1201 (Fed. Cir. 2014)	9
<i>Hartford-Empire Co. v. United States</i> , 323 U.S. 386 (Jan. 8, 1945), <i>modified by</i> 324 U.S. 570 (Apr. 2, 1945)	6
<i>HTC Corp. v. Telefonaktiebolaget LM Ericsson</i> , 12 F.4th 476 (5th Cir. 2021)	3, 10
<i>HTC Corp. v. Telefonaktiebolaget LM Ericsson</i> , No. 6:18-cv-00243-JRG, 2018 WL 6617795 (E.D. Tex. Dec. 17, 2018)	10
<i>McClain v. Lufkin Indus., Inc.</i> , 649 F.3d 374 (5th Cir. 2011).....	4
<i>Microsoft Corp. v. Motorola, Inc.</i> , 696 F.3d 872 (9th Cir. 2012).....	6, 9
<i>Microsoft Corp. v. Motorola, Inc.</i> , 795 F.3d 1024 (9th Cir. 2015).....	9
<i>Microsoft v. Motorola</i> , 864 F. Supp. 2d 1023 (W.D. Wash. 2012)	9
<i>Perfect Co. v. Adaptics Ltd.</i> , 374 F. Supp. 3d 1039 (W.D. Wash. 2019)	8

PAGE(S)

Realtek Semiconductor Corp. v. LSI Corp.,
 946 F. Supp. 2d 998 (N.D. Cal. 2013)..... 9

OTHER AUTHORITIES

Accenture Strategy, *Impact of 5G on the U.S. Economy* (Feb. 2021), *available at*
https://www.accenture.com/_acnmedia/PDF-146/Accenture-5G-WP-US.pdf#zoom=50 5

App Economy Report, *available at* <https://actonline.org/wp-content/uploads/2021-App-Economy-DOWNLOAD.pdf> 1

ETSI Portal, *Board Members (2020-2023)*,
<https://portal.etsi.org/TB-SiteMap/BOARD/Board-Members> 11

CCIA, *Who We Are*, *available at*
<https://www.ccianet.org/about/who-we-are/> 1

HTIA, *Home*, *available at*
<https://www.hightechinventors.com/>..... 2

IEEE, <https://www.ieee.org/membership/index.html> 12

LG Innotek, <https://www.lginnotek.com/product/mb/01/list.do>..... 11

J.L. Contreras, *Origins of FRAND Licensing Commitments*,
 Cambridge Handbook of Technical Standardization Law
 (2018) 6, 7

PIPLI, *About*, *available at* <https://www.piplius.org/about>..... 2

INTEREST OF *AMICI CURIAE*

Amici are leading associations representing small and large companies in technology industries, and advocate for sound public interest patent policies protecting consumers and fair competition alike.

ACT | The App Association (“ACT”) represents >5,000 small technology-development companies that create software and hardware solutions. The ecosystem that ACT represents provides 6.2 million American jobs.¹ ACT cares deeply about wireless communication standards because they provide a baseline of functionality around which our members innovate, engage with customers, and create value.

Computer and Communication Industry Association (“CCIA”), which just celebrated its 50th birthday, represents companies in the computer, internet, information technology, and telecommunications industries. CCIA members employ almost one million workers and generate more than \$540 billion in annual revenue.²

High Tech Inventors Alliance (“HTIA”) is an organization of computer, network, and technology companies that advocates for balanced reforms in the patent system to promote investment in new technologies and American jobs. HTIA members collectively invested

¹ App Economy Report, available at <https://actonline.org/wp-content/uploads/2021-App-Economy-DOWNLOAD.pdf>.

² CCIA, *Who We Are*, available at <https://www.ccianet.org/about/who-we-are/>.

over \$146 billion in research and development last year, hold nearly 350,000 U.S. patent assets, and support millions of jobs.³

Public Interest Patent Law Institute (“PIPLI”) is a nonprofit, nonpartisan public interest organization dedicated to ensuring that the patent system promotes innovation and access for all. PIPLI works to improve the patent system’s ability to encourage the creation and dissemination of technology for public benefit.⁴

Amici submit this brief because the panel decision presents a matter of exceptional importance that will, if not overturned, harm competition in markets for standardized devices, with detrimental and lasting effects on American manufacturing, jobs, and innovation. The decision also conflicts with this and other circuits’ precedents, undermining industry expectations and confidence in technology standards.

Amici certify that (1) their counsel authored this brief in whole, (2) no party or party’s counsel contributed money intended to fund preparing or submitting this brief, and (3) no person—other than *Amici* and their members—contributed money intended to fund preparing or submitting this brief.

³ HTIA, *Home*, available at <https://www.hightechinventors.com/>.

⁴ PIPLI, *About*, available at <https://www.piplius.org/about>.

INTRODUCTION

The panel adopted a rationale advocated by no party. In doing so, it created an arbitrary new rule excluding third parties—such as *Amici*'s members—from enforcing commitments that allow them to make, use, and sell standardized technologies, to the detriment of consumers and the general public. The decision was issued without any briefing or argument on the issues that animated the panel's reasoning, and it hinged on assumptions that are contrary to both the complaint's allegations and well-known facts. The panel's short, unsupported decision clashes with what has, for decades, been known and understood about technology standards. If allowed to stand, it will fundamentally disrupt what industry stakeholders expect and rely upon as to the enforceability of "FRAND" ("fair, reasonable, and non-discriminatory") licensing commitments.

Not only is the panel's decision ill-advised, but it conflicts with precedent from this and sister circuits. Less than eight months ago, this Circuit held, without qualification, that "[c]ompanies seeking to license under [FRAND] terms become third-party beneficiaries of the contract between the standard-essential patent holder and the standard setting organization" and "are thus enabled to enforce the terms of that contract."⁵ The panel has now ruled just the opposite, holding that

⁵ *HTC Corp. v. Telefonaktiebolaget LM Ericsson*, 12 F.4th 476, 481 (5th Cir. 2021).

standards-implementers (such as Continental) that seek licenses under FRAND terms are *not* intended beneficiaries and so “have no right to enforce the FRAND contracts” between patentholders and standard-setting organizations (“SSOs”). (Op. at 11.) Those decisions cannot be reconciled, violating the Fifth Circuit rule of orderliness.⁶

Nor can the panel’s decision be squared with precedents from the Third, Ninth, and Federal Circuits, and multiple district courts, none of which have limited which implementers may enforce FRAND contracts. No court in *any* circuit has adopted the panel’s novel theory that implementers are not intended beneficiaries of FRAND promises unless they are also either (i) members of the relevant SSO, (ii) a direct competitor of the patent owner, or (iii) directly targeted by the SEP-owner for infringement claims. (Op. at 10-11.)

More importantly for *Amici*, the deleterious effect of the panel’s decision cannot be overstated. If not overturned, it will significantly undermine the global development and adoption of standardized technologies by creating uncertainty as to the accessibility of these standards for all. *Amici* urge the Court to grant Continental’s petition and ultimately reverse the panel’s decision.

⁶ *McClain v. Lufkin Indus., Inc.*, 649 F.3d 374, 385 (5th Cir. 2011) (rule of orderliness “prevents one panel from overruling the decision of a prior panel”).

ARGUMENT

I. FRAND was Designed to be Broadly Enforceable

As our world transitions to an increasingly connected global economy, it has never been more critical to protect access to industries and emerging markets employing and using wireless communication technologies.⁷ Standards must be accessible to implementers on fair terms. Whether such implementers happen to be wireless-product developers, smart-agriculture scientists, medical device producers, automotive-part manufacturers, or upstream suppliers makes no difference. Standards must be available for licensing by those that make and sell standards-practicing devices, or else novel applications for standardized devices and their new markets will not be developed.

Standard-setting organizations (“SSOs”), such as the four identified in Continental’s First Amended Complaint (“FAC”), contractually ensure that access to standardized technologies will not be blocked by patentees who would refuse to license patents necessary to implement the standard. The need to accommodate these so-called “standard essential patents” (“SEPs”) is well known.

Borrowing directly from U.S. Supreme Court precedent requiring violators of antitrust laws to license patents to “*all applicants*,” SSOs

⁷ 5G networks are expected to drive sales growth of \$2.7 trillion from 2021 to 2025. Accenture Strategy, *Impact of 5G on the U.S. Economy* (Feb. 2021), available at <https://www.accenture.com/acnmedia/PDF-146/Accenture-5G-WP-US.pdf#zoom=50>.

have widely adopted *proactive* measures requiring that licensors ensure access to standardized technology.⁸ The best known of these obligations is the contractual obligation—the promise made by the SEP-holder to the SSO—to license SEPs on “fair, reasonable and non-discriminatory” terms. As one circuit has noted, “SSOs try to mitigate the threat of patent holdup by requiring members who hold IP rights in standard-essential patents to agree to license those patents to all comers on terms that are ‘reasonable and nondiscriminatory[.]’”⁹ Patentholders, for their part, obtain significant benefits in return for these licensing commitments, without which their technologies would often not be written into the standards.

In assessing the scope of contractual FRAND commitments, the panel ignored the longstanding application of such obligations to all implementers. The contractual FRAND obligation was first pioneered by the American National Standards Institute (“ANSI”), which in 1959 required that licenses be made available to “*any interested and qualified party*.”¹⁰ In 1970, ANSI updated its licensing policies to further clarify

⁸ *E.g., Hartford-Empire Co. v. United States*, 323 U.S. 386 (Jan. 8, 1945), *modified by* 324 U.S. 570, 574 (Apr. 2, 1945) (imposing competition law requirement to license “all applicants to make, use, or sell the patented machines at reasonable royalties”); *see also, e.g., J.L. Contreras, Origins of FRAND Licensing Commitments*, ch. 9, *Cambridge Handbook of Technical Standardization Law* (2018).

⁹ *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 876 (9th Cir. 2012).

¹⁰ Contreras, *supra*, n.8 at 163 (emphasis added).

that licenses must be available to “applicants desiring to utilize the license for the purpose of implementing the standard.”¹¹ Following ANSI’s lead, requirements to license implementers on FRAND terms were rapidly adopted by hundreds of SSOs worldwide, including the four at issue in this appeal.

Here, one of the SSOs expressly requires that promisors agree to offer FRAND licenses to “all applicants.”¹² Others require licensing to “applicants desiring to utilize the license for the purpose of implementing the standard”¹³ or otherwise require that all implementers are intended beneficiaries.¹⁴ These organizations expressly state in their Directives and founding documents—contrary to the “facts” assumed by the panel—that *all* third parties are entitled enforce the FRAND promise.¹⁵

The panel’s decision turns this longstanding policy and practice on its head by adopting a rationale, advocated by no party, under which most companies that make and sell standardized products do *not* qualify as third-party beneficiaries of the FRAND contract and thus cannot

¹¹ *Id.* (emphasis added).

¹² ROA.1699 (FAC ¶14).

¹³ ROA.1670 (FAC ¶14).

¹⁴ ROA.1699-70 (FAC ¶¶13-15).

¹⁵ Petition at 13.

enforce it.¹⁶ (Op. at 11.) Furthermore, the panel’s decision arguably could be read to limit third-party beneficiaries to only those against whom the SEP-holder directly makes infringement claims, which—circularly—gives the SEP-holder *carte blanche* to proceed as it likes despite the FRAND promise.

II. The Panel’s Opinion Contradicts this Court’s Precedent and Harms Standardization

Denying some companies—such as non-members of the relevant SSO or non-direct competitors—access to licenses means those companies can be driven from the market. The panel apparently assumed that companies such as Continental can derive their legal right to remain in business from licenses obtained by (some of) their customers. (Op. at 12.) Not only is that a shaky conclusion under the patent laws,¹⁷ but it assumes that customers, who often source from multiple suppliers,

¹⁶ Notably, the panel’s decision contradicts even Defendants’ arguments below and to the panel. For example, Defendants argued that antitrust liability should not accrue precisely because “the FRAND commitment made by an SEP holder remains judicially enforceable in a breach-of-contract action.” Joint Appellees’ Br. in Resp., at 52. Defendants also argued that “it is inappropriate to open the doors to sweeping antitrust liability for a claim *that should be addressed through the third-party beneficiary breach of contract theory.*” Dist. Ct. Dkt. 270-1, at 16 (emphasis added).

¹⁷ The law on whether “patent exhaustion” applies upstream is in flux, but at least one court has held that patentees can enforce patents against suppliers in at least some circumstances. *Perfect Co. v. Adaptics Ltd.*, 374 F. Supp. 3d 1039, 1042-43 (W.D. Wash. 2019).

are willing to uniformly and nondiscriminatorily perform this service for any given supplier. There is no evidence or complaint allegation to support that conclusion, nor is there any record evidence revealing how many customers Continental has or what proportion are licensed. The panel incorrectly assumed, without support, that customers already have or can (and are willing to) obtain licenses for Continental.

Moreover, the consequence of the panel's decision, if it holds, is that SSOs would become private "clubs," divvying up market share between members (who can obtain the rights needed to provide business certainty), to the exclusion of non-members (who cannot). This fundamentally conflicts with the public policy goals of standardization and the conclusions of multiple courts that all implementers can enforce FRAND commitments.¹⁸ Notably, the panel also contradicts (and

¹⁸ *E.g., Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024, 1030-31 (9th Cir. 2015) (implementers are third-party beneficiaries; patentholder "cannot refuse a license to a manufacturer" implementing standard); *Microsoft*, 696 F.3d at 876 (FRAND applies to "all seekers" and "all comers" with "no limitations"); *Ericsson, Inc. v. D-Link Systems, Inc.*, 773 F.3d 1201, 1209, 1231 (Fed. Cir. 2014) (FRAND applicable to "unrestricted number of applicants"); *see also, e.g., Realtek Semiconductor Corp. v. LSI Corp.*, 946 F. Supp. 2d 998, 1006 (N.D. Cal. 2013) (implementer is third-party beneficiary); *Microsoft v. Motorola*, 864 F. Supp. 2d 1023, 1032 (W.D. Wash. 2012) (implementers are third-party beneficiaries); *Apple, Inc. v. Motorola Mobility, Inc.*, No. 11-CV-178-BBC, 2011 WL 7324582, at *10 (W.D. Wisc. June 7, 2011); *cf. Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297, 305 (3d Cir. 2007) (implementer may properly assert antitrust claims arising from violation of FRAND contract).

ignores) this Court’s own recent ruling that “[c]ompanies seeking to license under [FRAND] terms become third-party beneficiaries of the contract between the standard-essential patent holder and the standard setting organization,” and “are thus enabled to enforce the terms of that contract.”¹⁹

The panel’s finding is the *opposite* of what has always been intended and enforced for purposes of creating market access for all companies, large and small. Under the panel’s decision, FRAND would be transformed from its historical position as a “bulwark against unlawful monopoly”²⁰ into, perversely, an *enabler* of collusion and a barrier to the kind of low-cost entry into new markets that characterizes an economy that operates for the benefit of consumers.²¹

Amici represent the interests of innovators that develop, use, and deploy standardized technologies in next-generation technology products, while also respecting the rights and interests of SEP-holders to seek FRAND compensation. In today’s economy, where businesses

¹⁹ *HTC*, 12 F.4th at 481; *see also HTC Corp. v. Telefonaktiebolaget LM Ericsson*, No. 6:18-cv-00243-JRG, 2018 WL 6617795, at *1 (E.D. Tex. Dec. 17, 2018) (FRAND “creates a contract between the SEP owner and the SSO in which standards implementers are third-party beneficiaries”).

²⁰ *Broadcom*, 501 F.3d at 305.

²¹ The panel’s decision fails to address the competition law issues that were the focus of the district court’s decision and parties’ appellate briefing. If the Court wishes to reach those issues as part of *en banc* review, amicus ACT submitted a relevant brief on February 16, 2021.

incorporate, use, and rely on wireless communications in many ways, it is imperative to a healthy marketplace and fair competition that licenses to those technologies remain available on FRAND terms to all market participants, at any level of the supply chain. The panel's decision upends the status quo and should be overturned.

III. The Panel's Decision Relies on "Facts" Contrary to Both the Pleadings and Reality

The panel made critical factual errors in its decision. For instance, the panel erroneously assumed, without any support, that Continental is not a member in the "relevant SSOs." (Op. at 11.) Continental is not only a member of relevant SSOs, but its German affiliate serves in a leadership position on the Board of at least one (ETSI).²² The panel also wrongly assumes that Continental is not a competitor of Defendants. (Op. at 11.) In fact, members of Avanci such as LG Electronics are direct competitors for the automotive telematics components that underlie Continental's complaint.²³ Thus, even under the panel's rationale, Continental should have qualified as a third-party beneficiary entitled to assert a claim for breach of the FRAND promise.

The panel also asserts that Continental "does not *claim*" SSO membership and that "no evidence suggests" that Appellant was thus

²² ETSI Portal, *Board Members (2020-2023)*, <https://portal.etsi.org/TB-SiteMap/BOARD/Board-Members>.

²³ LG Innotek, <https://www.lginnotek.com/product/mb/01/list.do>.

entitled to enforce the FRAND obligation. (Op. at 11 (emphasis added).) But this appeal arises from the grant of a Rule 12(b) motion; of course there is “no evidence.” And it is no surprise that Continental did not expressly plead its status as an SSO member, as no other court had ever found that fact *relevant* to the standing inquiry. But Continental did expressly plead its third-party beneficiary status, that applicants including Continental are entitled to enforce the FRAND agreement, and that this is what the relevant contracts state.²⁴

Likewise, the panel’s ruling disregards the reality that many SSOs’ membership is largely comprised of *individuals*, rather than companies, meaning that there would be few third-party beneficiaries as a practical matter under the panel’s approach, which makes no sense. This is true, for instance, for some of the world’s largest SSOs, like the IEEE (which develops Wi-Fi standards) and the IETF (which develops Internet standards, like the HTTP protocol).²⁵

CONCLUSION

The panel’s decision turns standardization on its head, interpreting FRAND’s pro-competitive protections as anti-competitive tools that exclude some market participants. To address this critical issue and avoid conflicts with long-standing precedent, the Court should grant

²⁴ ROA.1697, 1699-1700, 1713, 1740-41 (FAC ¶¶7, 13-15, 79, 153, 156).

²⁵ *E.g.*, IEEE, <https://www.ieee.org/membership/index.html> (membership community of >400,000 “technology and engineering professionals”).

Continental's petition and, ultimately, overturn the panel's decision.

DATED: April 20, 2022

PERKINS COIE LLP

By: *s/ Amanda Tessar*

Amanda Tessar

**ATTORNEY FOR *AMICI CURIAE*
ACT | THE APP ASSOCIATION,
COMPUTER AND COMMUNICATION
INDUSTRY ASSOCIATION,
HIGH TECH INVENTORS ALLIANCE,
AND PUBLIC INTEREST PATENT LAW
INSTITUTE**

CERTIFICATE OF SERVICE

On April 20, 2022, the undersigned caused the foregoing document to be filed electronically by using the Court's CM/ECF system. All parties are represented by registered CM/ECF users and will be served by the appellate CM/ECF system. Counsel further certifies that: (1) any required privacy redactions have been made in compliance with Fifth Circuit Rule 25.2.13; (2) the electronic submission is an exact copy of the paper document, in compliance with Fifth Circuit Rule 25.2.1; and (3) the document has been scanned with the most recent version of commercial virus-scanning software and is free of viruses.

DATED: April 20, 2022

PERKINS COIE LLP

By: *s/ Amanda Tessar*

Amanda Tessar

**ATTORNEY FOR *AMICI CURIAE*
ACT | THE APP ASSOCIATION,
COMPUTER AND COMMUNICATION
INDUSTRY ASSOCIATION,
HIGH TECH INVENTORS ALLIANCE, AND
PUBLIC INTEREST PATENT LAW
INSTITUTE**

CERTIFICATE OF COMPLIANCE

This brief complies with: (1) the type-volume limitation of Federal Rule of Appellate Procedure 29(b)(4) because it contains 2,597 words, excluding the parts exempted by Rule 32(f); and (2) the typeface and type style requirements of Rule 32(a)(5)-(6) and Fifth Circuit Rule 32 because it has been prepared in a proportionally-spaced typeface using Windows 10 Enterprise in 14-point Century Schoolbook fonts.

PERKINS COIE LLP

By: s/ Amanda Tessar

Amanda Tessar

**ATTORNEY FOR *AMICI CURIAE*
ACT | THE APP ASSOCIATION,
COMPUTER AND COMMUNICATION
INDUSTRY ASSOCIATION,
HIGH TECH INVENTORS ALLIANCE, AND
PUBLIC INTEREST PATENT LAW INSTITUTE**