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Injunction Junction: Microsoft v Motorola, Case No. 12-35352 (9th Cir. Sept. 28, 2012)

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Injunction Junction: Microsoft v Motorola, Case No. 12-35352 (9th Cir. Sept. 28, 2012)

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Black's Law Dictionary defines "vexatious" as "without reasonable or probable cause of excuse; harassing; annoying." In an ongoing breach of contract lawsuit filed by Microsoft against Motorola, *Microsoft v. Motorola*, the Ninth Circuit affirmed a federal district court's ruling that Motorola may not enforce a German court's injunction banning Microsoft from selling X-Box gaming systems in Germany, in part because the German suit was brought as a "vexatious" action.

A bit of background first. Necessary in creating products like personal computers, smart phones, and video game systems are Standard Setting Organizations (SSOs). These organizations ensure the compatibility of the many components used to make a particular end product by mandating the use of certain patented technologies, thereby creating so-called "standard-essential" patents. Standard-essential patents can be a real problem for companies who must use thousands of such patents to create one product, as each standard-essential patent owner may try to squeeze the company into unfair licensing rates. To tackle this problem, a standard-essential patent owner must agree to license his or her patent to anyone who wishes, on "reasonable and nondiscriminatory" (RAND) terms. The courts are left to figure out just what RAND terms should look like.

Thus began the current battle between Motorola and Microsoft. Motorola sent Microsoft a letter offering to license numerous of their standard-essential patents on certain terms. Microsoft, believing the offer letter to be in violation of Motorola's commitment to RAND terms, promptly filed suit against Motorola in Seattle District Court. Motorola, in turn, filed suit against Microsoft in Germany, alleging two claims of patent infringement.

Before the District Court could rule on the contract infringement claims, however, the German court proceeded to rule that Microsoft had infringed Motorola's patents. In doing so, the court granted Motorola's request for an injunction against Microsoft, prohibiting Microsoft from selling X-Boxes (a product that apparently uses Motorola's patents) in Germany—a harsh remedy indeed for Microsoft.

In response, Microsoft filed a motion in the U.S. court, requesting an injunction preventing Motorola from enforcing the German injunction. Microsoft essentially claimed that Motorola was committing a patent "hold up." That is, because the remedy in Germany (banning Microsoft from selling X-Boxes in Germany) was so costly to Microsoft, Motorola brought the suit to pressure Microsoft into settling the U.S. action on terms favorable to Motorola. The District Court agreed, granting the motion.

The Ninth Circuit affirmed the ruling in an interlocutory appeal, holding that the District Court was within its discretion to hold that Motorola brought the German action as vexatious litigation. This may have been surprising to some, given that Motorola's patent infringement claims in the German action were ultimately successful. But the message is clear: courts are aware of big IT companies' strategic ploys and are ready to call them out on it. Under certain circumstances, even legitimate claims can be considered vexatious in the world of IT litigation.

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