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United States District Court
Northern District of California

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

HUAWEI TECHNOLOGIES, CO, LTD, et al.,
Plaintiffs,
v.
SAMSUNG ELECTRONICS CO, LTD., et al.,
Defendants.

Case No. [3:16-cv-02787-WHO](#)

**ORDER GRANTING SAMSUNG'S
MOTION FOR ANTISUIT
INJUNCTION**

Re: Dkt. Nos. 234, 235, 240, 244, 277, 278

INTRODUCTION

Defendants/counterclaim-plaintiffs Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Research America, Inc. (collectively, “Samsung”) seek to enjoin plaintiffs Huawei Technologies Co., Ltd., Huawei Device USA, Inc. and Huawei Technologies USA, Inc. (collectively, “Huawei”) from enforcing injunction orders issued by the Intermediate People’s Court of Shenzhen (“Shenzhen Court”). The Shenzhen Court orders found that Samsung is infringing two of Huawei’s Chinese standard essential patents (“SEPs”), and enjoined Samsung’s Chinese affiliates from manufacturing and selling its 4G LTE standardized smartphones in China. As a prerequisite to granting this relief, the Shenzhen Court considered whether the parties had complied with their obligations to license their SEPs on fair, reasonable, and nondiscriminatory (“FRAND”) terms. Both parties have asserted breach of contract claims in this action based on the other’s alleged failure to license their SEPs on FRAND terms.

Under the framework established in *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984 (9th Cir. 2006), Samsung has demonstrated that it is entitled to an antisuit injunction preventing Huawei from enforcing the injunction orders issued by the Shenzhen Court. Those

orders could render meaningless the proceedings here, and the risk of harm to Samsung’s

1 operations in China in the interim is great. Its motion is GRANTED.

2 BACKGROUND¹

3 I. FACTUAL BACKGROUND

4 A. The Parties

5 Huawei and Samsung are major players in the world of wireless telecommunications—a
6 world governed by cellular technology standards, such as the 3G UMTS and 4G LTE standards
7 developed by the Third Generation Partnership Project (“3GPP”) and promulgated by standard
8 setting organizations like the European Telecommunications Standards Institute (“ETSI”).² Both
9 Huawei and Samsung have agreed to license their declared standard essential patents (“SEPs”) on
10 fair, reasonable, and non-discriminatory (“FRAND”) terms and conditions under ETSI’s
11 Intellectual Property Rights (“IPR”) Policy. Compl. ¶ 63 (Dkt. No. 1[redacted], Dkt. No. 3-
12 4[under seal]); *see also* Samsung’s Answer and Am. Counterclaims ¶ 29 (“Samsung admits that
13 ETSI members who are subject to a commitment to offer licenses on FRAND terms and
14 conditions are obligated not to refuse to enter a license for declared, essential patents that is fair,
15 reasonable, and non-discriminatory.”)(Dkt. No. 91[redacted]; Dkt. No. 90-2[under seal]); *id.* ¶ 54
16 (“Samsung admits that SEC has submitted IPR licensing declaration forms to ETSI expressing
17 SEC’s [Samsung Electronics Co., Ltd.] preparedness to grant licenses on FRAND terms and
18 conditions for certain patents as set forth in those declarations in accordance with the ETSI IPR
19 Policy.”); Samsung’s Licensing Declarations (Samsung’s Answer and Am. Counterclaims, Exs.
20 14, 23–26, 29, 34; Dkt. Nos. 91-14, -18, -23-26, -29, -34); Huawei’s Licensing Declaration
21 (Huawei’s Compl., Exs. 2.1–2.43, Dkt. Nos. 3-1–13[under seal]).

22
23
24 ¹ Portions of the background are redacted in accordance with the administrative motions submitted
by both parties. Those motions are addressed at the end of this order.

25 ² Standard Setting Organizations “establish technical specifications to ensure that products from
26 different manufacturers are compatible with each other.” *Microsoft Corp. v. Motorola, Inc.*, 696
27 F.3d 872, 875 (9th Cir. 2012)(“Microsoft II”)(citing Mark A. Lemley, *Intellectual Property Rights
and Standard-Setting Organizations*, 90 Calif. L.Rev. 1889 (2002)). Many courts have
28 expounded on the benefits of standards in various industries. *See, e.g., Microsoft Corp. v.
Motorola, Inc.*, 795 F.3d 1024, 1030 (9th Cir. 2015)(“Microsoft IV”); *Apple, Inc. v. Motorola*

1 **B. Samsung’s Manufacturing Operations in China**

2 Samsung’s Chinese manufacturing hubs have a production capacity of [REDACTED]
 3 [REDACTED], the second largest worldwide. T. Wang Decl. ¶ 5 (Dkt. No. 240-48[under seal]). In
 4 2015 and 2016, Samsung manufactured [REDACTED] in China, of which [REDACTED]
 5 [REDACTED] were imported to the United States. *Id.* ¶¶ 6, 7. In the same years,
 6 Samsung sold [REDACTED] units of LTE devices in China for a total revenue of [REDACTED]
 7 [REDACTED]. *Id.* ¶ 7.

8 **C. Negotiation History**

9 In 2011, the parties began discussing a cross-license for their respective patent portfolios,
 10 but they disagreed on the scope of those licenses. *E.g.*, 3/2/15 Letter from Huawei to Samsung re”
 11 Patent Licensing Negotiation (Stake Decl. ¶ 19, Ex. 19, Dkt. No. 234-10[under seal]). I will not
 12 recount the history of their failure to reach agreement in the ensuing years, since all of the
 13 information has been filed under seal, except to wonder aloud how it can be in the interest of these
 14 important multi-national corporations to slog through unending litigation around the globe rather
 15 than figure out a process to resolve their differences if agreement is impossible.

16 **II. PROCEDURAL HISTORY**

17 Huawei filed this action on May 24, 2016, asserting infringement of 11 of its SEPs, and
 18 alleging that Samsung breached “its commitment to enter into a SEP cross-license with [Huawei]
 19 on FRAND terms and conditions.” Compl. ¶¶ 1, 4. Huawei also asks the court to set the terms
 20 and conditions for a global FRAND cross license under the parties’ respective worldwide
 21 portfolios of essential 3G and 4G patents, and to enjoin Samsung from “seeking injunctive relief
 22 against Huawei (including affiliates) in any jurisdiction with respect to any alleged infringement
 23 of any patent essential to 3GPP standards.”³ Compl. at Prayer for Relief, E. Samsung answered
 24 and filed counterclaims, including patent infringement claims for its own declared essential SEPs,
 25 declarations of non-infringement and invalidity of Huawei’s patents, and claims for antitrust

26 _____
 27 ³ Huawei points out that it has not sought preliminary injunctive relief attempting to halt any of the
 28 seven remaining actions brought by Samsung in China, which seek injunctive relief against
 29 Huawei based on its alleged infringement of Samsung’s SEPs. Opp’n at 8.

1 violation in violation of section 2 of the Sherman Act,⁴ and breach of contract. Answer and Am.
2 Counterclaims at 47–114.

3 The next day,⁵ Huawei filed 11 separate actions in China, ten of which it filed in the
4 Intermediate People’s Court of Shenzhen (“Shenzhen Court”) where Huawei is based. Xie Decl. ¶
5 3 (Dkt. No. 235-2). Eight of the actions involve 3G and 4G SEPs, including direct counterparts to
6 patents-in-suit. *Id.* Each action seeks a determination on whether the SEP is infringed, and if so,
7 whether an injunction should issue.⁶ *Id.* Samsung countered with fourteen of its own actions in
8 China, alleging Huawei is infringing Samsung’s SEPs and seeking injunctive relief. Wang Decl.
9 ¶¶ 2–8; Xie Decl. ¶ 2 n.1. Seven of those SEP actions remain pending.⁷ *See* Xie Decl. ¶ 2 n.1.

10 The Chinese actions have proceeded quicker than this one. *See* Wang Decl. ¶ 9 (describing
11 status of the various actions). In particular, the Shenzhen court has held trials on two of Huawei’s
12 SEPs and two of Samsung’s SEPs. Wang Decl. ¶¶ 9, 10. The trials addressed both FRAND
13 issues and technical issues specific to each SEP. *Id.* ¶ 9. During these trials, the parties had full
14 opportunities to present their evidence and argument. *Id.* ¶ 11; *see also id.* ¶¶ 12–19 (explaining
15 the proceedings before the Shenzhen court that form the basis for this motion).

16 _____
17 ⁴ As part of this claim, “Samsung seeks an order enjoining Huawei from pursuing injunctive relief
18 for infringement of patents, including those asserted here and in the parallel Chinese actions, that
19 Huawei contends are essential to ETSI and 3GPP standards.” Am. Counterclaims ¶ 322.

20 ⁵ Huawei indicates that it filed the Chinese actions “simultaneously,” and that those actions reflect
21 a different date due to the time difference between here and China. And it highlights Samsung’s
22 acknowledgement that the actions were “simultaneous[ly]” filed. *See* Samsung’s Answer and Am.
23 Counterclaims ¶ 340 (“Yet simultaneous with its filing of this action, Huawei filed eight actions
24 against Samsung in China based on Huawei’s declared essential patents, seeking only injunctions
25 as relief for Samsung’s alleged infringement... ”); *id.* ¶ 543 (“Around the same time as Huawei
26 filed its Complaint here, Huawei initiated several patent infringement actions in China, seeking to
27 enjoin Samsung from making, using, selling, or importing products that practice 3GPP
28 standards.”).

29 ⁶ Huawei has also initiated a rate-setting and royalty payment suit in China. Wang Decl. ¶ 2; Xie
30 Decl. ¶ 22.

⁷ The parties filed a total of 42 infringement actions in China, one corresponding to each patent,
both SEP and non-SEP. Wang Decl. ¶ 5. In parallel with those proceeding, all 42 patents
underwent invalidation procedures at the Patent Reexamination Board (“PRB”). *Id.* ¶ 6. Once a
patent is invalidated by the PRB, it must be withdrawn or dismissed. *Id.* ¶ 7. Twenty-two
infringement suits remain between the parties—12 involving Huawei’s SEPs and 7 involving
Samsung’s SEPs. *Id.* ¶ 8.

1 On January 11, 2018, the Shenzhen Court issued orders finding that Samsung is infringing
2 two of Huawei's Chinese SEPs and enjoining Samsung's Chinese affiliates from manufacturing
3 and selling its 4G LTE standardized smartphones in China.⁸ Xie Decl. ¶ 7; Jan. 11, 2018
4 Shenzhen Court Civil Judgment, certified translation ("Shenzhen Order")(Stake Decl. ¶ 37, *id.*,
5 Ex. 36, Dkt. No. 277-5[under seal]).⁹ The Chinese patents are direct counterparts to two of
6 Huawei's asserted patents, U.S. Patent Nos. 8,369,278 and 8,885,587. Xie Decl. ¶ 4. The
7 Shenzhen Court evaluated the evidence and found that "Huawei's behaviors had complied with
8 FRAND principles while Samsung's behaviors had not complied with FRAND principles."
9 Shenzhen Order at 205. The Shenzhen Court decided that Huawei's six presuit offers to Samsung
10 "were made within the reasonable range according to the strength of SEPs owned by Huawei" and
11 that Huawei's offers "had complied with FRAND principles." *See* Shenzhen Order at 200–203.
12 As to Samsung, the court found that its initial insistence on "binding SEP licensing and non-SEP
13 licensing ... violated FRAND principles for SEP licensing negotiations" and contributed to
14 "serious[] delay[]" in the negotiations. Shenzhen Order at 180. It also found that "Samsung had
15 made significant mistakes during technical negotiations," which "seriously delayed the
16 negotiations and clearly violated FRAND principles... directly leading to more than six years of
17 negotiations between both parties without any progress." *Id.* at 185. It concluded that Samsung's
18 sole SEP licensing offer "did not comply with FRAND principles." *Id.* at 204.

19 Samsung filed a notice of appeal on January 26, 2018. Xie Decl. ¶ 8. It filed this motion
20 on February 1, 2018. Mot. to Enjoin Huawei from Enforcing the Injunction Issued by the
21 Intermediate People's Court of Shezhen ("Mot.")(Dkt. No. 278-2[redacted]; Dkt. No. 278-1[under
22 seal]). It claims that if its appeal is unsuccessful, it will have to close its factories in China,
23

24 ⁸ The Shenzhen court ordered a further continuation of the trial on Samsung's two SEPs, and
25 presumably heard that additional evidence on February 27–28, 2018. Wang Decl. ¶ 9. The parties
26 are awaiting decisions in those two suits. *Id.*

27 ⁹ Huawei noted that Samsung submitted only the order in case number 840, but actually seeks to
28 enjoin orders issued in both case numbers 840 and 816. Wang Decl. ¶ 12 n.1. It indicated that
29 "[t]he FRAND issues contemplated, evidence and expert opinion presented, and Court's decision
30 were substantively the same in both the 840 and 816 cases." *Id.* It also represented that it accepts

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