

United States District Court
For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

POWERTECH TECHNOLOGY INC.,
Plaintiff,
v.
TESSERA, INC.,
Defendant.

No. 10-00945 CW
ORDER GRANTING
DEFENDANT'S
MOTION TO DISMISS
(Docket No. 14)

In this declaratory judgment action, Plaintiff Powertech Technology Inc. (PTI) seeks declarations of non-infringement and invalidity of Defendant Tessera, Inc.'s United States Patent No. 5,663,106 ('106 patent). Tessera moves to dismiss the action for lack of subject matter jurisdiction. PTI opposes the motion. Tessera objects to evidence submitted by PTI in support of its opposition. The motion was heard on May 13, 2010. Having considered oral argument and the papers submitted by the parties, the Court GRANTS Tessera's Motion to Dismiss. Tessera's objections are OVERRULED as moot.

BACKGROUND

The following allegations are contained in PTI's complaint. PTI, a corporation organized under the laws of Taiwan, contracts with manufacturers to package semiconductor chips. PTI packages the chips in various layouts, including the stacked window-BGA (wBGA) and mold-type micro-BGA (μ BGA) formats. After they are packaged, PTI returns the chips to the manufacturer, which then markets and sells them world-wide. Some of these packaged-

1 chip products are imported into the United States.

2 On or about October 20, 2003, PTI and Tessera entered into a
3 licensing agreement, which includes the '106 patent. Under the
4 agreement, PTI pays Tessera royalties and provides royalty reports
5 for all packaged chips covered by the licensed patents.

6 On December 7, 2007, Tessera initiated actions before the
7 International Trade Commission (ITC) and the United States District
8 Court for the Eastern District of Texas,¹ alleging that various
9 chip manufacturers infringe, among others, its '106 patent. Some
10 of these manufacturers are PTI's customers. The district court
11 stayed its proceedings pending resolution of the ITC investigation.

12 On August 28, 2009, the administrative law judge (ALJ)
13 presiding over the ITC investigation issued an initial
14 determination, concluding that the accused wBGA and μ BGA products
15 do not infringe the '106 patent. The ALJ, however, did not find
16 that the chip manufacturers met their burden to prove invalidity.
17 Tessera petitioned the ITC for review of the ALJ's findings.

18 The ITC issued its final determination on December 29, 2009.
19 Among other things, it concluded that the accused wBGA products do
20 not infringe the '106 patent. Tessera has appealed this decision
21 to the Court of Appeals for the Federal Circuit.

22 On February 23, 2010, PTI paid royalties for wBGA products to
23 Tessera as required by the licensing agreement. However, PTI made
24 the payment "under protest" because it believes that the ITC

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26 ¹ The ITC investigation is captioned, In re Certain
27 Semiconductor Chips With Minimized Package Size and Products
28 Containing Same, Inv. No. 337-TA-630. The district court action is
Tessera, Inc. v. A-DATA Tech. Co., No. 2:07-cv-534 (E.D. Tex.).

1 decision demonstrates that the wBGA products are not covered by any
2 of Tessera's licensed patents and that, as a result, it does not
3 owe any royalties for wBGA products. Compl. ¶ 14.

4 PTI now seeks declarations that its "wBGA packaging services
5 have not and do not infringe" the '106 patent and that the patent
6 is invalid. Compl. ¶¶ 16 and 17. Tessera contends that PTI cannot
7 maintain its declaratory judgment action because PTI fails to
8 present a justiciable controversy.

9 LEGAL STANDARD

10 Subject matter jurisdiction is a threshold issue which goes to
11 the power of the court to hear the case. Federal subject matter
12 jurisdiction must exist at the time the action is commenced. GAF
13 Building Materials Corp. v. Elk Corp. of Dallas, 90 F.3d 479, 483
14 (Fed. Cir. 1996). To sustain subject matter jurisdiction in the
15 declaratory judgment context, an "actual controversy" must exist.
16 Janssen Pharmaceutica, N.V. v. Apotex, Inc., 540 F.3d 1353, 1359
17 (Fed. Cir. 2008). When such a controversy is lacking, dismissal is
18 appropriate under Rule 12(b)(1) because the district court lacks
19 subject matter jurisdiction over the claim. Fed. R. Civ. P.
20 12(b)(1).

21 BACKGROUND

22 The Declaratory Judgment Act permits a federal court to
23 "declare the rights and other legal relations" of parties to "a
24 case of actual controversy." 28 U.S.C. § 2201. The "actual
25 controversy" requirement of the Act is the same as the "case or
26 controversy" requirement of Article III of the United States
27 Constitution. Teva Pharm. USA, Inc. v. Novartis Pharm. Corp., 482

1 F.3d 1330, 1337 (Fed. Cir. 2007). Before passage of the Act,
2 “competitors were victimized by patent owners who engaged in
3 extrajudicial patent enforcement with scare-the-customer-and-run
4 tactics that infected the competitive environment of the business
5 community with uncertainty and insecurity and that rendered
6 competitors helpless and immobile so long as the patent owner
7 refused to sue.” Id. at 1336 n.2 (citations, internal quotation
8 and editing marks omitted). The Act “was intended ‘to prevent
9 avoidable damages from being incurred by a person uncertain of his
10 rights and threatened with damage by delayed adjudication.’” Cat
11 Tech LLC v. Tubemaster, Inc., 528 F.3d 871, 879-80 (Fed. Cir.
12 2008). Exercise of declaratory judgment jurisdiction is
13 discretionary. Id. at 883.

14 Until relatively recently, the Federal Circuit required that,
15 in order to prove an actual controversy, a plaintiff had to
16 establish that the defendant’s conduct created an objectively
17 “reasonable apprehension” that the defendant would initiate suit
18 imminently if the plaintiff continued the allegedly infringing
19 activity. See Teva, 482 F.3d at 1334-36. In MedImmune, Inc. v.
20 Genentech, Inc., however, the Supreme Court noted that the Federal
21 Circuit’s “reasonable apprehension of imminent suit” test
22 conflicted with several cases in which the Supreme Court had found
23 that a declaratory judgment plaintiff had a justiciable
24 controversy. 549 U.S. 118, 132 n.11 (2007). The Supreme Court
25 instructed that, although there is no bright-line rule for
26 distinguishing cases that satisfy the actual controversy
27 requirement from those that do not, all that is required is

1 that the dispute be definite and concrete, touching the
2 legal relations of parties having adverse legal
3 interests; and that it be real and substantial and admit
4 of specific relief through a decree of a conclusive
5 character, as distinguished from an opinion advising what
6 the law would be upon a hypothetical state of
7 facts. . . . Basically, the question in each case is
8 whether the facts alleged, under all the circumstances,
9 show that there is a substantial controversy, between
10 parties having adverse legal interests, of sufficient
11 immediacy and reality to warrant the issuance of a
12 declaratory judgment.

13 Id. at 127 (citations and internal quotation marks omitted).

14 Following MedImmune, the Federal Circuit recognized that the
15 Supreme Court did not approve of its reasonable apprehension of
16 imminent suit test. SanDisk Corp. v. STMicroelectronics, Inc., 480
17 F.3d 1372, 1380 (Fed. Cir. 2007); Teva, 482 F.3d at 1340. The
18 Federal Circuit discarded its "reasonable apprehension" requirement
19 in favor of MedImmune's "all circumstances" test. Teva, 482 F.3d
20 at 1339 ("[W]e follow MedImmune's teaching to look at 'all the
21 circumstances' . . . to determine whether Teva has a justiciable
22 Article III controversy.").

23 Whether a declaratory judgment action is justiciable depends
24 "on the application of the principles of declaratory judgment
25 jurisdiction to the facts and circumstances of each case."
26 SanDisk, 480 F.3d at 1381.

27 Considering all of the circumstances, the Court finds that PTI
28 has not established a controversy of sufficient immediacy to
warrant a declaratory judgment action. PTI maintains that it faces
an imminent threat of injury based on the ITC investigation and the
infringement suit initiated by Tessera against PTI's customers.
However, even though Tessera has asserted the '106 patent against

1 PTI's customers, PTI has neither alleged facts nor presented
2 evidence to show that these actions are based on its wBGA products.
3 PTI's products are manufactured pursuant to a license with Tessera,
4 which has explicitly excluded licensed products from its
5 enforcement actions.² PTI offers no evidence to support its
6 position that its products are at issue, notwithstanding Tessera's
7 disclaimer.³ Indeed, PTI concedes that "the named respondents and
8 defendants in Tessera's suits may obtain products from other
9 sources in addition to PTI." Opp'n at 9 n.6. This concession is
10 consistent with Tessera's disclaimer, in that the enforcement
11 actions arise from the chip manufacturers' sale and importation of
12 products not produced by PTI. PTI fails to carry its burden to
13 show that the actions taken against its customers create an actual
14 controversy upon which its declaratory judgment action can be
15 based.

16 PTI likewise fails to allege an actual controversy arising
17 from the parties' licensing agreement. PTI pleads that it "does
18 not believe that [its] wBGA products are covered by any licensed
19 Tessera patent, and therefore, the royalties are not owed on PTI's
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21 ² In the ITC complaint, Tessera states, "To the extent that
22 any Accused Product is found to be properly licensed (through the
23 Limited Tape Licenses or otherwise) under Tessera's patents,
24 Tessera does not intend to bring -- nor should Tessera be construed
25 to have brought -- any such Accused Product(s) within the scope of
the present Investigation." Weatherwax Decl., Ex. 4 ¶ 9. At the
hearing, Tessera repeated this disclaimer in open court and stated
that it would amend its patent infringement complaint filed in the
Eastern District of Texas to include similar language.

26 ³ PTI asserts that the Court can infer that PTI packaged the
27 µBGA products accused in the ITC investigation. This is immaterial
because wBGA, not µBGA, products are at issue in this action.

1 wBGA products.” Compl. ¶ 14. However, under the licensing
2 agreement’s unambiguous terms, PTI’s obligation to pay royalties
3 does not turn on whether its products are covered by the ‘106
4 patent. To argue the contrary, PTI cites its obligation to pay
5 royalties for “TCC Licensed Products sold by Licensee hereunder,”
6 asserting that “hereunder” somehow refers to a requirement that the
7 products be covered by the patents addressed in the licensing
8 agreement. Opp’n at 14 (emphasis in original). The agreement’s
9 language is not reasonably susceptible of this interpretation.
10 “Hereunder” means “[i]n accordance with this document.” Black’s
11 Law Dictionary 796 (9th ed. 2009); see also Mediterranean Enters.,
12 Inc. v. Sanyong Corp., 708 F.2d 1458, 1464 (9th Cir. 1983) (“We
13 interpret ‘arising under’ as synonymous with ‘arising under the
14 Agreement.’”). Thus, the language PTI cites merely requires it to
15 pay royalties on TCC Licensed Products sold in accordance with the
16 agreement. Even when read with other language in the agreement,
17 “hereunder” does not tie PTI’s payment obligation to coverage by
18 Tessera’s patents.

19 To support its reading, PTI cites the declaration of Duh-Kung
20 Tsai, its chairman, who states that, during negotiations, PTI
21 understood that the agreement addressed products covered by
22 Tessera’s patents. Even if the agreement language were reasonably
23 susceptible of PTI’s interpretation and the Court admitted parol
24 evidence, Tsai’s declaration would be irrelevant. He does not
25 assert that he took part in the negotiations. Nor does he offer
26 evidence that such a belief was expressed to Tessera at the time
27 the parties executed the agreement. See Shaw v. Regents of Univ.

1 of Cal., 58 Cal. App. 4th 44, 55 (1997) (“The true intent of a
2 contracting party is irrelevant if it remains unexpressed.”)

3 MedImmune, upon which PTI relies heavily, is distinguishable
4 on the facts. There, the petitioner and the respondent entered
5 into a licensing agreement, which covered an existing patent and an
6 invention claimed in a then-pending patent application. 549 U.S.
7 at 121. The petitioner agreed to pay royalties in exchange for the
8 right to make, use and sell licensed products. Id. Such products
9 were defined as those manufactured, used or sold which “if not
10 licensed under the Agreement, infringe one or more claims of either
11 or both of the covered patents, which have neither expired nor been
12 held invalid by a court or other body of competent jurisdiction
13 from which no appeal has been or may be taken.” Id. After the
14 above-mentioned application ripened into a patent, the respondent
15 notified the petitioner that one of its drugs was covered by the
16 new patent and that royalties were therefore due. Id. The
17 petitioner believed that its drug did not infringe the patent and,
18 as a result, royalties were not due. Id. Fearing an infringement
19 action, the petitioner nevertheless paid the demanded royalties
20 “under protest” and sought a declaratory judgment. Id. at 122.

21 Here, as already noted, PTI’s obligation to pay royalties is
22 not based on a finding of infringement. Moreover, unlike in
23 Medimmune, it is not apparent that the ‘106 patent singularly
24 precludes PTI from distributing its wBGA products. The
25 declarations of non-infringement and invalidity sought by PTI would
26 not necessarily enable it to sell its wBGA products without
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1 maintaining its license from Tessera.⁴ PTI has not shown that the
2 resolution of its allegations against the '106 patent would redress
3 any imminent injury and materially alter the status quo.

4 Even if PTI established an actual controversy, the Court, in
5 the exercise of its discretion, would decline to hear the case.
6 Tessera's suit in the Eastern District of Texas against PTI's
7 customers, which was filed in 2007, addresses the '106 patent.
8 However, that litigation is stayed pending the ITC proceedings. If
9 an actual controversy existed between PTI and Tessera because of
10 this litigation, the interests of judicial efficiency would favor
11 hearing PTI's declaratory judgment action along with Tessera's
12 infringement suit.

13 CONCLUSION

14 For the foregoing reasons, the Court GRANTS Tessera's Motion
15 to Dismiss. (Docket No. 14.) Tessera's objections are OVERRULED
16 as moot. The case management conference scheduled for June 22,
17 2010 is VACATED.

18 IT IS SO ORDERED.

19 Dated: June 1, 2010



20 CLAUDIA WILKEN
21 United States District Judge

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⁴ In an attempt to create an actual controversy, PTI asserted
26 at the hearing that it would cancel its agreement with Tessera if
27 the '106 patent were deemed invalid or not infringed. Notably, PTI
28 did not take this position in its papers and, although Mr. Tsai
could have stated as much in his declaration, he did not do so.