

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

POWERTECH TECHNOLOGY, INC., a  
Taiwanese corporation,

Plaintiff,

v.

TESSERA, INC., a Delaware  
corporation,

Defendant.

No. C 11-6121 CW

ORDER GRANTING IN  
PART, AND DENYING  
IN PART, TESSERA'S  
MOTION TO DISMISS  
AND STRIKE (Docket  
No. 107) AND  
GRANTING MOTION  
AND STIPULATION TO  
FILE UNDER SEAL  
(Docket Nos. 111  
and 112)

Defendant Tessera, Inc. moves to dismiss the fifth claim for patent misuse asserted against it by Powertech Technology, Inc. (PTI) and to strike portions of PTI's fourth claim for fraud. Tessera asks that PTI not be allowed to amend the complaint to remedy the problems it raises. PTI opposes Tessera's motion in part and asserts that it can file amended claims as a matter of right. Alternatively, PTI seeks leave of the Court to amend the claims. The parties also seek to seal PTI's proposed second amended complaint (2AC). The Court took Tessera's motion under submission on the papers. Having considered the papers filed by the parties, the Court GRANTS Tessera's motion in part and DENIES it in part. The Court also GRANTS the motion and stipulation to file under seal.

BACKGROUND

On October 20, 2003, PTI and Tessera entered into a contract called Tessera Compliant Chip License Agreement (TCC License). Compl., Appendix A (TCC License). The TCC License allows PTI to use Tessera's patents to make integrated circuit packages and to

1 use or sell these products world-wide. Compl. ¶ 1; TCC License  
2 ¶ II.A. In return, PTI is obliged to make certain royalty  
3 payments to Tessera. See TCC License § III.

4 In December 2007, Tessera initiated ITC Investigation No.  
5 337-TA-630 (the 630 Investigation), accusing certain companies of  
6 infringing certain Tessera patents, including its 5,663,106 patent  
7 ('106 patent), through the importation and sale of particular wBGA  
8 and uBGA products. Compl. ¶ 5. Tessera also simultaneously filed  
9 a civil action in the Eastern District of Texas, in which it  
10 asserted the same patents against the same defendants for the same  
11 products as in the ITC action. Complaint, Tessera, Inc. v. A-DATA  
12 Tech. Co., No. 07-534 (E.D. Tex. Dec. 7, 2007), Docket No. 1.<sup>1</sup>

13 PTI was not named as a respondent in the ITC action or as a  
14 defendant in the Texas action, but Powerchip Semiconductor Corp.  
15 (PSC), ProMos Technologies Corp., and Elpida Memory Inc. were. In  
16 related litigation, PTI has since asserted that these companies  
17 were among PTI's customers for the accused products. See Opp. to  
18 Mot. to Dismiss, Powertech Technology, Inc. v. Tessera, Inc. (PTI  
19 945 case), Case No. 10-945 (N.D. Cal.), Docket No. 33; Powertech  
20 Technology, Inc. v. Tessera, Inc., 660 F.3d 1301, 1304 (Fed. Cir.  
21 2011).

22 In August 2009, the Administrative Law Judge (ALJ) in the 630  
23 Investigation issued an initial determination, finding, among  
24 other things, that for uBGA products, "Tessera's patent rights are  
25 \_\_\_\_\_

26 <sup>1</sup> The Texas action was subsequently stayed pending the final  
27 resolution of the 630 Investigation. Order, Tessera, Inc. v. A-  
28 DATA Tech. Co., No. 07-534 (E.D. Tex. Feb. 28, 2008), Docket No.  
48.

1 exhausted as to those accused products purchased from Tessera's  
2 licensees," precluding any liability based on these products.  
3 Tessera v. ITC, 646 F.3d 1357, 1363 (Fed. Cir. 2011) (summarizing  
4 the ALJ's conclusions). On January 4, 2010, the ITC issued its  
5 final determination in the 630 Investigation, affirming the ALJ's  
6 finding of patent exhaustion. Id. (summarizing the ITC's  
7 holding).

8 On March 5, 2010, several months after the ITC issued its  
9 final determination in the 630 Investigation, PTI filed an action  
10 for declaratory relief in this Court. See Compl., PTI 945 case,  
11 Docket No. 1. In that case, PTI sought declarations of  
12 non-infringement and invalidity of the '106 patent and maintained  
13 that it faced an imminent threat of injury because Tessera had  
14 accused PTI's customers of infringement based on PTI-packaged  
15 products. On April 1, 2010, Tessera moved to dismiss the case for  
16 lack of subject matter jurisdiction, stating that, to its  
17 knowledge, "PTI is a licensee in good standing and it and its  
18 customers therefore enjoy protection against any suit accusing its  
19 licensed products of infringement of the '106 patent or any other  
20 licensed patent." Mot. to Dismiss, PTI 945 case, Docket No. 14,  
21 6. Tessera also asserted that its license with PTI "protects PTI  
22 and its customers." Id. at 3. In June 2010, this Court dismissed  
23 the action for lack of subject matter jurisdiction, finding that  
24 there was no Article III case or controversy between the parties,  
25 because Tessera had explicitly excluded licensed products from its  
26 enforcement actions. Powertech Technology, Inc. v. Tessera, Inc.,  
27 2010 U.S. Dist. Lexis 53621, at \*7-8 (N.D. Cal.).  
28

1 On May 23, 2011, the Federal Circuit affirmed in part the  
2 ITC's final determination in the 630 Investigation and reversed it  
3 in part.<sup>2</sup> In particular, the Federal Circuit upheld the finding  
4 of patent exhaustion with respect to the infringement accusations  
5 against the uBGA products, and stated that because "Tessera's  
6 licensees were authorized to sell the accused products" at the  
7 time of sale without reservation, Tessera could not subsequently  
8 assert its patent rights against the licensees' customers.  
9 Tessera v. ITC, 646 F.3d at 1369-71. In so holding, the court  
10 rejected Tessera's argument that its licensees' sales to their  
11 customers were initially unauthorized until the time that the  
12 licensee remitted the related royalty payment to Tessera which,  
13 under its licensing agreements, may not have happened for months  
14 after the products were sold. Id. at 1370.

15 Several months later, on September 30, 2011, the Federal  
16 Circuit reversed this Court's dismissal in the PTI 945 case,  
17 finding that a controversy did exist between the parties.  
18 Powertech Technology, Inc. v. Tessera, Inc., 660 F.3d 1301, 1307-  
19 10 (Fed. Cir. 2011). On appeal, Tessera had again argued that it  
20 had not accused PTI's products, and that "PTI has paid all the  
21 royalties due. . . . PTI and its customers therefore enjoy  
22 protection against suit on PTI's licensed products on any of the  
23 hundreds of licensed patents, of which the '106 patent is but  
24 one." Corrected Non-Confidential Brief of Defendant-Appellee  
25 Tessera, Inc. 4, Powertech, Case No. 10-1489 (Fed. Cir. Jan. 18,

26 \_\_\_\_\_  
27 <sup>2</sup> The Federal Circuit also affirmed the ITC's determination  
28 that the wBGA products did not infringe the '106 patent. Tessera  
v. ITC, 646 F.3d at 1366-67.

1 2011). In its decision, the Federal Circuit rejected Tessera's  
2 position that it had not accused PTI's products as inconsistent  
3 with the position that Tessera had argued before it in the ITC  
4 action, that the products were initially unauthorized until the  
5 royalty payments were subsequently made and that some licensees,  
6 including PTI, had underpaid their royalties or paid them late, so  
7 exhaustion was not triggered. The court specifically noted that

8 we have no doubt that PTI's customers and products were  
9 specifically targeted in [the ITC and Texas actions].  
10 For example, witnesses for Elpida testified that the  
11 accused products in the ITC and Texas actions were  
12 licensed from several licensees, including PTI. Indeed,  
13 Tessera's infringement expert in the ITC action focused  
14 part of his analysis on an Elpida wBGA chip that was  
15 clearly packaged by PTI and identified with a PTI model  
16 number.

17 Powertech, 660 F.3d at 1308 n.4.

18 A week later, on October 6, 2011, PTI notified Tessera by  
19 letter that PTI believed that Tessera was in breach under the TCC  
20 License. Compl. ¶ 20.

21 PTI initiated the current case on December 6, 2011. Docket  
22 No. 1. In the original complaint, PTI asserted claims for:  
23 (1) declaratory judgment that PTI may terminate the TCC License;  
24 (2) breach of contract; and (3) breach of the implied covenant of  
25 good faith and fair dealing.

26 On May 21, 2012, the Court denied Tessera's motion to dismiss  
27 PTI's complaint and to strike it under California's anti-Strategic  
28 Lawsuit Against Public Participation (anti-SLAPP) statute, Cal.  
Code Civ. Proc. § 425.16(b). Docket No. 93.

On June 1, 2012, the parties stipulated to allow PTI to file  
a first amended complaint (1AC), adding claims for fraud, patent  
misuse and declaratory judgment interpreting the TCC License.

1 Docket No. 99. PTI filed the 1AC on June 3, 2012. Docket No.  
2 102. The Court granted the parties' stipulation on June 4, 2012.  
3 Docket No. 103.

4 On June 19, 2012, Tessera filed the instant motion. Docket  
5 No. 107. In the motion, Tessera seeks to dismiss PTI's claim for  
6 patent misuse and to strike portions of its claim for fraud.

7 On July 3, 2012, PTI filed its opposition to Tessera's  
8 motion. Docket No. 109. At the same time, PTI moved, and the  
9 parties stipulated, to file under seal an unredacted version of  
10 PTI's proposed 2AC. Docket Nos. 111, 112. PTI also lodged a copy  
11 of the 2AC with the Court. In the stipulation, the parties agree  
12 that PTI can file the unredacted 2AC under seal as an exhibit to  
13 PTI's opposition to the instant motion. Docket No. 112, 1. In  
14 its reply in support of the current motion, Tessera states that  
15 PTI's motion to file under seal should be denied, because leave to  
16 file the 2AC at all should not be granted, but averred that, if  
17 leave to file the 2AC is granted, then certain portions should be  
18 filed under seal. Reply at 8 n.6.

19 DISCUSSION

20 Tessera moves to dismiss PTI's claim for patent misuse for  
21 failure to state a claim. Tessera also seeks to strike portions  
22 of PTI's claim for fraud on the basis that it accuses Tessera of  
23 conduct that is protected by California's litigation privilege.  
24 Finally, Tessera seeks to strike the phrase "including but not  
25 limited to" from the fraud claim on the basis that this phrase  
26 violates the particularity requirement of Rule 9(b).

27 PTI responds that the phrase "including but not limited to"  
28 does not diminish its specific allegations that meet Rule 9(b)'s

1 particularity requirement. PTI also contends that it can file the  
2 2AC as a matter of right and thereby cure the possible defects in  
3 the 1AC or, alternatively, that the Court should grant it leave to  
4 amend.

5 I. Amendment as a Matter of Right

6 PTI asserts that it does not need leave of the Court to amend  
7 its claims and that it may do so as a matter of right. Rule  
8 15(a)(1) provides,

9 A party may amend its pleading once as a matter of  
10 course within: . . . if the pleading is one to which a  
11 responsive pleading is required, 21 days after service  
12 of a responsive pleading or 21 days after service of a  
13 motion under Rule 12(b), (e), or (f), whichever is  
14 earlier.

15 Federal Rule of Civil Procedure 15(a)(1)(B).

16 Tessera replies that the 2AC is not an amended pleading,  
17 regardless of how PTI labeled it, and is instead a supplemental  
18 pleading, because it "included allegations regarding events that  
19 happened after" the 1AC was filed. See Prasco, LLC v. Medicis  
20 Pharm. Corp., 537 F.3d 1329, 1337 (Fed. Cir. 2008) (citing Federal  
21 Rule of Civil Procedure 15(d)). Tessera is correct that, in  
22 addition to changing other allegations related to conduct prior to  
23 the date on which the 1AC was filed, the proposed 2AC also  
24 contains five paragraphs with new allegations related to PTI's  
25 termination of the TCC License on June 30, 2012 and Tessera's  
26 reactions thereto. See 2AC ¶¶ 74-77, 110. In its opposition to  
27 the instant motion, PTI relies in part on these new paragraphs to  
28 argue that it has "pled facts that establish a substantial  
controversy between the Parties," because Tessera "has stated  
publicly that it will defend the license in court" and so PTI "has

1 a reasonable apprehension that Tessera will attempt to enforce a  
2 purported requirement that PTI continue to pay royalties on wBGA  
3 products." Opp. at 8.

4 Because the proposed 2AC is a supplemental pleading as well  
5 as an amended pleading, it is governed by Rule 15(d) and not Rule  
6 15(a). See Prasco, 537 F.3d at 1337 n.5. Under Rule 15(d), a  
7 court may permit a party to serve a supplemental pleading "[o]n  
8 motion and reasonable notice" and "on just terms." There is no  
9 provision for supplementation as a matter of right. Accordingly,  
10 the Court rejects PTI's argument that it is allowed to file the  
11 2AC as a matter of right.

12 The Court nonetheless has discretion to allow the  
13 supplemental pleading "upon reasonable notice and upon such terms  
14 as are just." Id. (citing Rule 15(d)). The Court construes PTI's  
15 response as a motion to supplement its pleadings to include the  
16 allegations related to its termination of the TCC License on June  
17 30, 2012 and Tessera's reactions thereto. Tessera has had an  
18 opportunity to address these supplemental allegations in its reply  
19 and has identified no reason why inclusion of these allegations  
20 would be unjust. Accordingly, the Court exercises its discretion  
21 to allow PTI to add these supplemental allegations to its  
22 pleading.

## 23 II. Motion to Dismiss

### 24 A. Legal Standard

25 A complaint must contain a "short and plain statement of the  
26 claim showing that the pleader is entitled to relief." Fed. R.  
27 Civ. P. 8(a). On a motion under Rule 12(b)(6) for failure to  
28 state a claim, dismissal is appropriate only when the complaint



1 does not give the defendant fair notice of a legally cognizable  
2 claim and the grounds on which it rests. Bell Atl. Corp. v.  
3 Twombly, 550 U.S. 544, 555 (2007). In considering whether the  
4 complaint is sufficient to state a claim, the court will take all  
5 material allegations as true and construe them in the light most  
6 favorable to the plaintiff. NL Indus., Inc. v. Kaplan, 792 F.2d  
7 896, 898 (9th Cir. 1986). However, this principle is inapplicable  
8 to legal conclusions; "threadbare recitals of the elements of a  
9 cause of action, supported by mere conclusory statements," are not  
10 taken as true. Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)  
11 (citing Twombly, 550 U.S. at 555).

12 When granting a motion to dismiss, the court is generally  
13 required to grant the plaintiff leave to amend, even if no request  
14 to amend the pleading was made, unless amendment would be futile.  
15 Cook, Perkiss & Liehe, Inc. v. N. Cal. Collection Serv. Inc., 911  
16 F.2d 242, 246-47 (9th Cir. 1990). In determining whether  
17 amendment would be futile, the court examines whether the  
18 complaint could be amended to cure the defect requiring dismissal  
19 "without contradicting any of the allegations of [the] original  
20 complaint." Reddy v. Litton Indus., Inc., 912 F.2d 291, 296 (9th  
21 Cir. 1990).

22 B. Discussion

23 Tessera seeks to dismiss PTI's claim for patent misuse,  
24 arguing that patent misuse is an affirmative defense and cannot be  
25 asserted as an independent actionable tort. PTI does not defend  
26 the patent misuse claim, but instead seeks leave to amend to  
27 assert a declaratory relief claim for patent misuse. Tessera  
28 replies that the proposed declaratory relief claim as alleged in

1 the proposed 2AC is improperly plead, because it seeks relief that  
2 cannot be granted for such a claim and because it does not name  
3 particular patents that it believes could be the subject of an  
4 enforcement action. Since the latter argument was raised for the  
5 first time in the reply, PTI has not had an opportunity to respond  
6 to it.

7 Both parties agree that courts have permitted parties to  
8 raise patent misuse through an action for declaratory relief.  
9 Mot. at 4; Opp. at 6. See B. Braun Medical, Inc. v. Abbott  
10 Laboratories, 124 F.3d 1419, 1428 (Fed. Cir. 1997) (noting that  
11 the district court could enter a declaratory judgment that the  
12 patent was unenforceable due to misuse); Inamed Corp. v. Kuzmak,  
13 275 F. Supp. 2d 1100, 1124 (C.D. Cal. 2002). However, as Tessera  
14 argues, the relief that may be sought for such a claim is very  
15 limited.

16 "Patent misuse arose, as an equitable defense available to  
17 the accused infringer, from the desire 'to restrain practices that  
18 did not in themselves violate any law, but that drew  
19 anticompetitive strength from the patent right, and thus were  
20 deemed to be contrary to public policy.'" B. Braun, 124 F.3d at  
21 1427 (quoting Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700,  
22 704 (Fed. Cir. 1992)). "When used successfully, this defense  
23 results in rendering the patent unenforceable until the misuse is  
24 purged." Id. "It does not, however, result in an award of  
25 damages to the accused infringer." Id. Thus, "the defense of  
26 patent misuse may not be converted to an affirmative claim for  
27 damages simply by restyling it as a declaratory judgment  
28 counterclaim." Id. at 1428.

1       Such a declaratory relief claim may be used "solely to enjoin  
2 defendant from asserting a patent infringement claim against  
3 plaintiff" but any such injunction "must limit its effect to  
4 rendering the patent unenforceable only until the misuse is  
5 purged." Rosenthal Collins Group, LLC v. Trading Tech. Int'l,  
6 2005 U.S. Dist. LEXIS 37504, at \*23-24 (N.D. Ill.) (citing B.  
7 Braun, 124 F.3d at 1427). While "monetary damages may not be  
8 awarded 'under a declaratory judgment counterclaim based on patent  
9 misuse,' because patent misuse simply renders the patent  
10 unenforceable," after such a finding, the court may consider  
11 whether the plaintiff has stated another "substantive claim upon  
12 which it is entitled to recover damages," such as through an  
13 antitrust or breach of contract theory. B. Braun, 124 F.3d at  
14 1428 & n.5.

15       PTI's original patent claim sought "recovery of all royalties  
16 paid on wBGA products since at least September 24, 2010." 1AC  
17 ¶ 108. In the proposed 2AC, in addition to a declaration that the  
18 patents are unenforceable until Tessera has purged its patent  
19 misuse and an injunction preventing Tessera from enforcing them  
20 and the TCC License against PTI until such time, PTI also seeks  
21 "termination of the TCC License at least as early as September 24,  
22 2010" and "restitution of all royalties paid on wBGA products  
23 since at least September 24, 2010 or the date when the Court  
24 determines that the patent misuse began." 2AC ¶¶ 115-120 & p.27.  
25 PTI also requests an accounting. Id. at 27. To the extent that  
26 the PTI is seeking termination of the license, restitution and an  
27 injunction against the TCC License rather than certain patents,  
28 such relief is not available through this claim.

1 Tessera also contends that the claim is overly broad, because  
2 PTI seeks as relief a declaration that all Tessera patents  
3 identified in the TCC License are unenforceable, but only  
4 identifies purportedly improper actions regarding three particular  
5 patents. "In order to show patent misuse, plaintiff must plead  
6 and prove that defendant impermissibly broadened the 'physical or  
7 temporal scope' of the patent grant with anticompetitive effect."  
8 Rosenthal Collins Group, 2005 U.S. Dist. LEXIS 37504, at \*24. In  
9 the 2AC, PTI alleges the following in support of this claim:

10 111. PTI's wBGA products were found not to infringe  
11 Tessera's '106 patent . . . Tessera's '627 Patent and  
12 '977 Patent expired September 24, 2010. Tessera has not  
13 asserted that PTI's wBGA products infringe upon any  
14 valid claim of any unexpired Tessera Patent. . . .

15 112. Tessera asserts and interprets the TCC License  
16 to require payment of royalties on PTI's wBGA products  
17 even if PTI's wBGA products no longer infringe any valid  
18 and unexpired Tessera Patent.

19 113. Tessera asserts and interprets the TCC License  
20 to require payment of royalties for an indefinite period  
21 of time beyond 2027 through a scheme of adding an "ever-  
22 expanding" group of patents to the licensed Tessera  
23 Patents and thereby extending the expiration date of the  
24 TCC License unilaterally and possibly indefinitely.

25 114. [If] Tessera's assertions and interpretations  
26 are taken as true, then the TCC License represents  
27 misuse of the underlying U.S. patents which were  
28 initially licensed as well as any U.S. patent that  
Tessera has added . . .

2AC ¶¶ 111-14. PTI appears to allege that Tessera has  
misinterpreted the TCC License, not that it has misused all of the  
underlying patents other than the '106, '627 and '977 patents,  
even though PTI makes a conclusory statement that  
misinterpretation of the TCC License constitutes misuse of the  
underlying patents. PTI, however, has not had an opportunity to

1 defend the allegations in the proposed 2AC, and it may be that PTI  
2 could make more specific allegations about particular patents.

3 Accordingly, the Court GRANTS Tessera's motion to dismiss  
4 PTI's claim for patent misuse. PTI is granted leave to amend to  
5 assert a declaratory relief claim for patent misuse, provided that  
6 it is able to remedy the deficiencies in its proposed 2AC  
7 identified above.

### 8 III. Motion to Strike

#### 9 A. Legal Standard

10 Pursuant to Federal Rule of Civil Procedure 12(f), the court  
11 may strike from a pleading "any redundant, immaterial, impertinent  
12 or scandalous matter." The purpose of a Rule 12(f) motion is to  
13 avoid spending time and money litigating spurious issues.

14 Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1527 (9th Cir. 1993),  
15 rev'd on other grounds, 510 U.S. 517 (1994). Matter is immaterial  
16 if it has no essential or important relationship to the claim for  
17 relief plead. Id. Matter is impertinent if it does not pertain  
18 and is not necessary to the issues in question in the case. Id.

19 "Superfluous historical allegations are a proper subject of a  
20 motion to strike." Id. Motions to strike are disfavored because  
21 they are often used as delaying tactics and because of the limited  
22 importance of pleadings in federal practice. Bureerong v. Uvawas,  
23 922 F. Supp. 1450, 1478 (C.D. Cal. 1996). They should not be  
24 granted unless it is clear that the matter to be stricken could  
25 have no possible bearing on the subject matter of the litigation.  
26 Colaprico v. Sun Microsystems, Inc., 758 F. Supp. 1335, 1339 (N.D.  
27 Cal. 1991).

1 B. Litigation privilege

2 Tessera contends that PTI's fraud claim in the 1AC is barred  
3 by the state law litigation privilege, because it is based on  
4 statements and positions taken during legal proceedings in the  
5 ITC, this Court and the Federal Circuit. PTI states that, in its  
6 proposed 2AC, it has cured "any possible defect by clarifying that  
7 PTI's claim for fraud is based on Tessera's misrepresentation to  
8 PTI," and that the allegations of Tessera's litigation activity  
9 are "evidence that Tessera intended PTI to rely" on the out-of-  
10 court misrepresentations and that PTI's reliance thereon was  
11 reasonable. Opp. at 9. Tessera replies that the proposed 2AC  
12 still bases the "fraud claim on Tessera's statements in legal  
13 proceedings." Reply at 6. Tessera does not appear to dispute  
14 that the statements that it made to PTI outside of these  
15 proceedings are not protected by the privilege.

16 California Civil Code section 47(b) provides that  
17 communications made in or related to judicial proceedings are  
18 absolutely immune from tort liability. The California Supreme  
19 Court explains that the purpose of the privilege is "to afford  
20 litigants . . . the utmost freedom of access to the courts without  
21 fear of being harassed subsequently by derivative tort actions."  
22 Silberg v. Anderson, 50 Cal. 3d 205, 213 (1990). "The litigation  
23 privilege applies to any communications (1) made in a judicial  
24 proceeding; (2) by litigants or other participants authorized by  
25 law; (3) to achieve the objects of the litigation; (4) that have  
26 some connection or logical relation to the action." Sharper Image  
27 Corp. v. Target Corp., 425 F. Supp. 2d 1056, 1077 (N.D. Cal. 2006)  
28 (citing Silberg, 50 Cal. 3d at 212). The privilege also applies

1 to "prelitigation communication" that "relates to litigation that  
2 is contemplated in good faith and under serious consideration."  
3 Action Apartment Ass'n Inc. v. City of Santa Monica, 41 Cal. 4th  
4 1232, 1251 (2007). See also Kearney, 590 F.3d at 650 (allegations  
5 of "conduct prior to the litigation . . . may be privileged if  
6 reasonably related to the action"). Once these requirements are  
7 met, section 47(b) operates as an absolute privilege. Silberg, 50  
8 Cal. 3d at 216. "Any doubt about whether the privilege applies is  
9 resolved in favor of applying it." Kashian v. Harriman, 98 Cal.  
10 App. 4th 892, 913 (2002).

11 Here, in the proposed 2AC, PTI alleges that Tessera made  
12 false and misleading out-of-court statements to PTI, including  
13 that it would not attack licensed PTI-packaged products in the 630  
14 Investigation. 2AC ¶ 103. PTI also contends that Tessera did in  
15 fact accuse such products. Id. at ¶ 48. It further alleges that  
16 Tessera represented to this Court and to the Federal Circuit that  
17 it did not accuse these products, which evidences that Tessera  
18 intended to induce PTI to rely on the out-of-court statements, and  
19 that PTI's reliance thereon was reasonable. Id. at ¶¶ 45-47.

20 Tessera is correct that PTI may not assert a fraud claim  
21 based on Tessera's in-court statements. However, PTI may base a  
22 fraud claim on Tessera's out-of-court statements and use Tessera's  
23 in-court statements as evidence to support certain elements  
24 thereof.

25 "The privileges of Civil Code section 47, unlike evidentiary  
26 privileges which function by the exclusion of evidence, . . .  
27 operate as limitations upon liability." Oren Royal Oaks Venture  
28 v. Greenberg, Bernhard, Weiss & Karma, Inc., 42 Cal. 3d 1157, 1168

1 (1986). The California Supreme Court has stated that it is "quite  
2 clear that section 47(2) has never been thought to bar the  
3 evidentiary use of every 'statement or publication' made in the  
4 course of a judicial proceeding" and that "while section 47(2)  
5 bars certain tort causes of action which are predicated on a  
6 judicial statement or publication itself, the section does not  
7 create an evidentiary privilege for such statements." Id. "Thus,  
8 as an example, those statements can be used for evidentiary  
9 purposes to determine a person's intent." Stacy & Witbeck v. City  
10 and Cnty. of San Francisco, 36 Cal. App. 4th 1074, 1091 (1995).  
11 See also Ambat v. City & Cnty. of San Francisco, 693 F. Supp. 2d  
12 1130, 1145 (N.D. Cal. 2010) ("Section 47 prohibits the use of such  
13 statements as a basis for civil liability for certain torts,  
14 including defamation, but does not impose any limitation on  
15 evidentiary use of such statements, much less prohibit adverse  
16 employment actions based on such statements.").

17 Thus, the litigation privilege does not prevent PTI from  
18 using Tessera's in-court statements, for example, to help  
19 establish the falsity of Tessera's out-of-court statements,  
20 Tessera's intent to induce reliance on the out-of-court statements  
21 and the reasonableness of PTI's reliance thereon, as long as PTI  
22 does not base its fraud claim on the in-court statements  
23 themselves.

24 Accordingly, the Court GRANTS Tessera's motion to strike the  
25 fraud claim as plead in the 1AC, and GRANTS PTI leave to amend its  
26 fraud claim as proposed in the 2AC.



1 C. "including but not limited to"

2 In the 1AC and proposed 2AC, PTI states that "Tessera  
3 knowingly made false and misleading statements to PTI including  
4 but not limited to:" five specific misrepresentations. 1AC ¶ 95;  
5 2AC ¶ 103.

6 Tessera argues that the phrase "including but not limited to"  
7 should be stricken. Tessera contends that the inclusion of this  
8 phrase violates the specificity requirement of Rule 9(b) and is  
9 therefore "immaterial."

10 The Court finds Tessera's argument unpersuasive. Tessera  
11 does not dispute that PTI has specifically plead in its fraud  
12 claim the "who, what, when, where and how" of the purported  
13 misrepresentations. PTI is not required to go beyond Rule 9(b)'s  
14 particularity requirement to plead every fact that it may possibly  
15 discover or use to support its claims.

16 Accordingly, the Court DENIES Tessera's motion to strike the  
17 phrase "including but not limited to."

18 IV. Motion and stipulation to seal

19 PTI seeks leave to file under seal its unredacted proposed  
20 2AC, as well as Appendices A and G through Q. Docket No. 111.  
21 These items are attached as Exhibit 1 to the Declaration of Jacob  
22 M. Heath in support of its opposition to Tessera's instant motion  
23 to dismiss and to strike. The parties have also filed a  
24 stipulation agreeing that these items should be filed under seal.  
25 Docket No. 112.

26 The parties seek to seal court records that are closely  
27 related to the merits of its case. To establish that the  
28 documents are sealable, the party who has designated them as

1 confidential "must overcome a strong presumption of access by  
2 showing that 'compelling reasons supported by specific factual  
3 findings . . . outweigh the general history of access and the  
4 public policies favoring disclosure.'" Pintos v. Pac. Creditors  
5 Ass'n, 605 F.3d 665, 679 (9th Cir. 2010) (citation omitted). Cf.  
6 id. at 678 (explaining that a less stringent "good cause" standard  
7 is required to seal discovery documents related to non-dispositive  
8 motions). Compelling reasons cannot be established simply by  
9 showing that the document is subject to a protective order or by  
10 stating in general terms that the material is considered to be  
11 confidential, but rather must be supported by a sworn declaration  
12 demonstrating with particularity the need to file each document  
13 under seal. Civil Local Rule 79-5(a).

14 PTI states that it seeks to file under seal Appendix A to its  
15 proposed 2AC, which contains the Tessera Compliant Chip License  
16 Agreement (TCC License), because it contains "proprietary and  
17 confidential information, including provisions regarding the  
18 calculation, payment, and amount of royalties PTI pays to Tessera  
19 on licensed products," and that its disclosure would harm PTI by  
20 giving its competitors this proprietary information. Heath Decl.  
21 ¶ 16. The Court has previously granted the parties leave to file  
22 the TCC License under seal. See Docket Nos. 26, 96. The Court  
23 also previously granted permission to file under seal Appendices G  
24 through O, which contain confidential and proprietary information  
25 regarding the licensing relationship between the parties. Id.  
26 PTI represents that Appendices P and Q are presentation slides and  
27 handwritten notes taken during a November 3, 2009 meeting between  
28 the parties in which they discussed the terms of the TCC License

1 and royalty payments. Heath Decl. ¶¶ 14-16. Having reviewed the  
2 documents, the Court concludes that the parties have established  
3 that Appendices A and G through Q are sealable.

4 PTI also seeks to file its proposed 2AC under seal. PTI  
5 represents that the proposed 2AC "references and discusses" the  
6 information contained in Appendices A and G through Q. Mot. to  
7 Seal at 3. PTI also states that the proposed 2AC discusses  
8 statements from the May 2012 depositions of Brian Marcucci in his  
9 personal capacity and as the Rule 30(b)(6) designee for Tessera,  
10 in which he discussed the business and licensing relationship  
11 between the parties. Heath Decl. ¶ 3. PTI states that public  
12 disclosure of this testimony, which contains information similar  
13 to that in Appendices A and G through Q, could cause harm similar  
14 to that which would be caused by disclosure of those appendices.  
15 Id. See also Hely Decl., Docket No. 98, ¶¶ 2-9. PTI has  
16 indicated in the copy provided to the Court the portions of the  
17 proposed 2AC that refer to the confidential material and that it  
18 seeks to redact in the public version. Thus, the Court finds that  
19 the parties have established compelling reasons to seal the  
20 unredacted proposed 2AC and to file the redacted version in the  
21 public record.

#### 22 CONCLUSION

23 For the reasons set forth above, the Court GRANTS in part  
24 Tessera's motion to dismiss and to strike and DENIES it in part  
25 (Docket No. 107). PTI is granted leave to file an amended and  
26 supplemental complaint as allowed above within fourteen days of  
27 the date of this Order. If it does so, PTI is granted leave to  
28 file an unredacted version of its amended and supplemental

1 complaint and Appendices A and G through Q under seal, and shall  
2 file a redacted version in the public record, as set forth above.

3 If PTI files an amended and supplemental complaint, Tessera  
4 shall respond to it within fourteen days after it is filed. If  
5 Tessera moves to dismiss PTI's amended and supplemental complaint,  
6 it shall not renew the arguments that the Court rejected herein.  
7 Any motion to dismiss will be decided on the papers.

8 PTI's motion and the parties' stipulation to file documents  
9 under seal are GRANTED (Docket No. 111 and 112). Within three  
10 days of the date of this Order, PTI shall electronically file  
11 under seal the redacted version of Exhibit 1 to the Heath  
12 declaration in support of its opposition and shall file an  
13 unredacted version in the public docket.

14 IT IS SO ORDERED.

15  
16 Dated: 8/10/2012

  
CLAUDIA WILKEN  
United States District Judge