

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

3
4 POWERTECH TECHNOLOGY, INC.,

No. C 11-6121 CW

5 Plaintiff,

ORDER DENYING
DEFENDANT'S MOTION
TO DISMISS AND TO
STRIKE

6 v.

(Docket No. 20)

7 TESSERA, INC.,

8 Defendant.

9 _____/

10 Defendant Tessera, Inc. moves to dismiss and to strike the
11 claims brought against it by Plaintiff Powertech Technology, Inc.
12 (PTI). PTI opposes the motion. Having considered the papers
13 filed by the parties and their oral arguments at the hearing, the
14 Court DENIES Tessera's motion.

15 BACKGROUND

16 On October 20, 2003, PTI and Tessera entered into a contract
17 called Tessera Compliant Chip License Agreement (TCC License).
18 Compl., Appendix A (TCC License). The TCC License allows PTI to
19 use Tessera's patents to make integrated circuit packages and to
20 use or sell these products world-wide. Compl. ¶ 1; TCC License
21 ¶ II.A. In return, PTI is obliged to make certain royalty
22 payments to Tessera. See TCC License § III.

23 The TCC License states in part,

24 License Grant. Subject to . . . Licensee's payment of
25 the fees and royalties stated herein . . ., Tessera
26 hereby grants Licensee a world-wide, non-exclusive, non-
27 transferable, non-sublicensable, limited license to the
28 Tessera Patents to assemble ICs into TCC Licensed
 Products and use or sell such TCC License Products.

. . .

1 Termination for Breach. Either party may terminate this
2 Agreement due to the other party's breach of this
3 Agreement, such as failure to perform its duties,
4 obligations, or other responsibilities herein . . . The
5 parties agree that such breach will cause substantial
6 damages to the party not in breach. Therefore, the
7 parties agree to work together to mitigate the effect of
8 any such breach; however, the non-breaching party may
9 terminate this Agreement if such breach is not cured or
10 sufficiently mitigated (to the non-breaching party's
11 satisfaction) within sixty (60) days of notice thereof.

12 . . .

13 Governing Law. . . Both parties shall use reasonable
14 efforts to resolve by mutual agreement any disputes,
15 controversies, claims or differences which may arise
16 from, under, out of or in connection with this
17 Agreement. If such disputes, controversies, claims or
18 differences cannot be settled between the parties, any
19 dispute resolution proceedings shall take place in the
20 United States, but if either party files a claim in
21 state or federal court, such claim shall be filed in the
22 state or federal courts of California. Nothing herein
23 shall alter or affect any other rights either party may
24 have to redress any breach or act of the other party.
25 Notwithstanding any provision herein, after the sixty
26 (60) day cure period set forth in Paragraph VIII.B and
27 notice of termination of this Agreement by one of the
28 parties, either party may bring an action in the U.S.
International Trade Commission.

No waiver. Any waiver, express or implied, by either of
the parties hereto of any right hereunder or default by
the other party, shall not constitute or be deemed a
continuing waiver or a waiver of any other right or
default. No failure or delay on the part of either
party in the exercise of any right or privilege
hereunder shall operate as waiver thereof, nor shall any
single or partial exercise of such right or privilege
preclude other or further exercise thereof or of any
other right or privilege. . . .

TCC License ¶¶ II.A, VIII.B, XIV.A, XIV.B.

PTI has performed its obligations under the TCC License,
including paying its ongoing royalties to Tessera. Compl. ¶ 22.

In December 2007, Tessera initiated ITC Investigation No.
337-TA-630 (the 630 Investigation), accusing certain companies of
infringing certain Tessera patents, including its 5,663,106 patent
('106 patent), through the importation and sale of particular wBGA

1 and uBGA products. Compl. ¶ 5. Tessera also simultaneously filed
2 a civil action in the Eastern District of Texas, in which it
3 asserted the same patents against the same defendants for the same
4 products as in the ITC action. Complaint, Tessera, Inc. v. A-DATA
5 Tech. Co., No. 07-534 (E.D. Tex. Dec. 7, 2007), Docket No. 1.¹

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

15 In August 2009, the Administrative Law Judge (ALJ) in the 630
16 Investigation issued an initial determination, finding, among
17 other things, that for uBGA products, "Tessera's patent rights are
18 exhausted as to those accused products purchased from Tessera's
19 licensees," precluding any liability based on these products.
20 Tessera v. ITC, 646 F.3d 1357, 1363 (Fed. Cir. 2011) (summarizing
21 the ALJ's conclusions). On January 4, 2010, the ITC issued its
22 final determination in the 630 Investigation, affirming the ALJ's
23 finding of patent exhaustion. Id. (summarizing the ITC's
24 holding).

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

21 On May 23, 2011, the Federal Circuit affirmed in part the
22 ITC's final determination in the 630 Investigation and reversed it
23 in part.² In particular, the Federal Circuit upheld the finding
24 of patent exhaustion for the infringement accusations against the
25 uBGA products, and stated that because "Tessera's licensees were
26

27 ² 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 authorized to sell the accused products" at the time of sale
2 without reservation, Tessera could not subsequently assert its
3 patent rights against the licensees' customers. Tessera v. ITC,
4 646 F.3d at 1369-71. In so holding, the court rejected Tessera's
5 argument that its licensees' sales to their customers were
6 initially unauthorized until the time that the licensee remitted
7 the related royalty payment to Tessera which, under its licensing
8 agreements, may not happen for months after the products were
9 sold. Id. at 1370.

10 Several months later, on September 30, 2011, the Federal
11 Circuit reversed this Court's dismissal in PTI I, finding that a
12 controversy did exist between the parties. Powertech Technology,
13 Inc. v. Tessera, Inc., 660 F.3d 1301, 1307-10 (Fed. Cir. 2011).
14 On appeal, Tessera had again argued that it had not accused PTI's
15 products, and that "PTI has paid all the royalties due. . . . PTI
16 and its customers therefore enjoy protection against suit on PTI's
17 licensed products on any of the hundreds of licensed patents, of
18 which the '106 patent is but one." Corrected Non-Confidential
19 Brief of Defendant-Appellee Tessera, Inc. 4, Powertech, Case No.
20 10-1489 (Fed. Cir. Jan. 18, 2011). In its decision, the Federal
21 Circuit rejected Tessera's position that it had not accused PTI's
22 products as inconsistent with the position that Tessera had argued
23 before it in the ITC action, that the products were initially
24 unauthorized until the royalty payments were subsequently made and
25 that some licensees, including PTI, had underpaid their royalties
26 or paid them late, so exhaustion was not triggered. The court
27 specifically noted that
28

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

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

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

14 PTI initiated the current case on December 6, 2011. Docket
15 No. 1. PTI alleges that Tessera breached the TCC License by
16 initiating an investigation in the ITC accusing PTI's products,
17 without first providing sixty days' notice to PTI, terminating the
18 license and providing notice of the termination, as required in
19 Paragraph XIV.A of the TCC License. Compl. ¶¶ 3-8. PTI contends
20 that Tessera breached the License Grant provision of the TCC
21 License by targeting PTI's products and customers, even though PTI
22 had fully complied with the TCC License and paid royalties,
23 without first terminating the TCC License. Compl. ¶¶ 9-10. PTI
24 further argues that Tessera breached this provision by accusing
25 the products even though its patent rights with respect to them
26 were exhausted. Compl. ¶¶ 11-12. PTI asserts claims for: (1)
27 declaratory judgment that PTI may terminate the TCC License; (2)
28 breach of contract; and (3) breach of the implied covenant of good
faith and fair dealing.

DISCUSSION

Tessera moves to dismiss PTI's complaint pursuant to Federal
Rule of Civil Procedure 12(b)(6). Tessera alternatively seeks to

1 strike PTI's complaint under California's anti-Strategic Lawsuit
2 Against Public Participation (anti-SLAPP) statute, Cal. Code Civ.
3 Proc. § 425.16(b).

4 I. Motion to Dismiss

5 A. Legal Standard

6 A complaint must contain a "short and plain statement of the
7 claim showing that the pleader is entitled to relief." Federal
8 Rule of Civil Procedure 8(a). On a motion under Rule 12(b)(6) for
9 failure to state a claim, dismissal is appropriate only when the
10 complaint does not give the defendant fair notice of a legally
11 cognizable claim and the grounds on which it rests. Bell Atl.
12 Corp. v. Twombly, 550 U.S. 544, 555 (2007). In considering
13 whether the complaint is sufficient to state a claim, the court
14 will take all material allegations as true and construe them in
15 the light most favorable to the plaintiff. NL Indus., Inc. v.
16 Kaplan, 792 F.2d 896, 898 (9th Cir. 1986). However, this
17 principle is inapplicable to legal conclusions; "threadbare
18 recitals of the elements of a cause of action, supported by mere
19 conclusory statements," are not taken as true. Ashcroft v. Iqbal,
20 129 S. Ct. 1937, 1949-50 (2009) (citing Twombly, 550 U.S. at 555).

21 When granting a motion to dismiss, the court is generally
22 required to grant the plaintiff leave to amend, even if no request
23 to amend the pleading was made, unless amendment would be futile.
24 Cook, Perkiss & Liehe, Inc. v. N. Cal. Collection Serv. Inc., 911
25 F.2d 242, 246-47 (9th Cir. 1990). In determining whether
26 amendment would be futile, the court examines whether the
27 complaint could be amended to cure the defect requiring dismissal
28 "without contradicting any of the allegations of [the] original

1 complaint." Reddy v. Litton Indus., Inc., 912 F.2d 291, 296 (9th
2 Cir. 1990).

3 Although the court is generally confined to consideration of
4 the allegations in the pleadings, when the complaint is
5 accompanied by attached documents, such documents are deemed part
6 of the complaint and may be considered in evaluating the merits of
7 a Rule 12(b)(6) motion. Durning v. First Boston Corp., 815 F.2d
8 1265, 1267 (9th Cir. 1987).

9 B. Discussion

10 Tessera argues that PTI's claims against it are barred under
11 the Noerr-Pennington doctrine, which provides that a defendant is
12 immune from liability for claims based on its exercise of its
13 First Amendment right to petition the government for redress of
14 grievances. United Mine Workers of America v. Pennington, 381
15 U.S. 657, 669 (1965); Eastern Railroad Presidents Conference v.
16 Noerr Motor Freight, Inc., 365 U.S. 127 (1961); Sosa v. DIRECTV,
17 Inc., 437 F.3d 923, 929 (9th Cir. 2006). See also U.S. Const.
18 amend. 1 ("Congress shall make no law . . . abridging . . . the
19 right of the people . . . to petition the Government for a redress
20 of grievances."). In response, PTI argues that its claims against
21 Tessera are not based on Tessera's petitioning activity and that
22 the Noerr-Pennington doctrine does not apply to claims based on
23 the breach of a private contractual obligation.

24 "The Noerr-Pennington doctrine derives from the Petition
25 Clause of the First Amendment and provides that 'those who
26 petition any department of the government for redress are
27 generally immune from statutory liability for their petitioning
28 conduct.'" Kearney v. Foley & Lardner, LLP, 590 F.3d 638, 643-44

1 (9th Cir. 2009) (quoting Sosa, 437 F.3d at 929). "It initially
2 emerged in the antitrust context." Id. at 644 (citations
3 omitted). The Supreme Court based the creation of the doctrine in
4 part on "the principle that [it] would not 'lightly impute to
5 Congress an intent to invade . . . freedoms' protected by the Bill
6 of Rights, such as the right to petition." BE & K Constr. Co. v.
7 NLRB, 536 U.S. 516, 525 (2002) (quoting Noerr, 365 U.S. at 138).
8 "Recognizing that the 'right to petition extends to all
9 departments of the government' and includes access to courts, the
10 Supreme Court extended the doctrine to provide immunity for the
11 use of 'the channels and procedures' of state and federal courts
12 to advocate causes." Id. (quoting Sosa, 437 F.3d at 929-30).

13 Because "Noerr-Pennington is a label for a form of First
14 Amendment protection," the Ninth Circuit has stated that "to say
15 that one does not have Noerr-Pennington immunity is to conclude
16 that one's petitioning activity is unprotected by the First
17 Amendment." White v. Lee, 227 F.3d 1214, 1231 (9th Cir. 2000)
18 (declining to consider that whether the doctrine "provides greater
19 protection than the First Amendment"). See also Kottle v. N.W.
20 Kidney Ctrs., 146 F.3d 1056, 1059 (9th Cir. 1998) ("the doctrine
21 is a direct application of the Petition Clause"). In the
22 antitrust context, the Ninth Circuit has stated, "Because the
23 Noerr-Pennington doctrine grows out of the Petition Clause, its
24 reach extends only so far as necessary to steer the Sherman Act
25 clear of violating the First Amendment." Freeman v. Lasky, Haas &
26 Cohler, 410 F.3d 1180, 1184 (9th Cir. 2005).

27 "The Supreme Court has since held that Noerr-Pennington
28 principles 'apply with full force in other statutory contexts'

1 outside antitrust." Kearney, 590 F.3d at 644 (quoting Sosa, 437
2 F.3d at 930). In 2008, the Ninth Circuit found that the doctrine
3 applies to state law tort claims. Theme Promotions, Inc. v. News
4 Am. Mktg. FSI, 546 F.3d 991, 1006-1007 (9th Cir. 2008)
5 (considering a claim for tortious interference with prospective
6 economic advantage under California law); see also Video Int'l
7 Prod., Inc. v. Warner-Amex Cable Commc'ns, Inc., 858 F.2d 1075
8 (5th Cir. 1988)) (applying doctrine to state law claim for
9 tortious interference with contracts).

10 While the Noerr-Pennington doctrine protects "those who
11 petition the government for redress . . . from antitrust,
12 statutory, or tort liability," Luxpro Corp. v. Apple Inc., 2011
13 U.S. Dist. LEXIS 35008 (N.D. Cal.), Tessera provides no compelling
14 authority that the doctrine immunizes against breach of contract
15 claims. None of the cases upon which Tessera relies directly
16 address the doctrine's applicability to contract claims. In
17 Gunderson v. Univ. of Alaska, 902 P.2d 323, 326-27 & n.4 (Alaska
18 1995), the Alaska Supreme Court discussed the Noerr-Pennington
19 doctrine in relation to common law tort claims for interference
20 with contractual relations and interference with prospective
21 advantage, not claims for breach of contract. While in Gateway
22 Western Ry. v. Terminal R.R. Ass'n of St. Louis, 1998 U.S. Dist.
23 LEXIS 4614 (S.D. Ill.), the court does not make clear what causes
24 of action were asserted in the case, it observed that "courts have
25 extended the protections of the Noerr-Pennington doctrine to
26 insulate parties from claims alleging intentional interference
27 with a contract right or other economic expectation," thus finding
28 the claims in the case barred because "the courts view the First

1 Amendment right to petition the government for redress to be
2 superior to contract rights as well" as to antitrust claims. Id.
3 at *7 (citing Village of Lake Barrington v. Hogan, 272 Ill. App.
4 3d 225, 233 (1995) (addressing tortious interference with contract
5 and economic advantage in relation to Illinois state privileges)).
6 In Bethany Bldg., Inc. v. Dungan Civic Ass'n, 2003 Phila. Ct. Com.
7 Pl. LEXIS 20 (2003), the court examined the conduct complained of
8 in the complaint as a whole and found that the case, which
9 included nine separate charges, was barred by the Noerr-Pennington
10 doctrine, without any separate analysis of the applicability of
11 the doctrine to the breach of contract claim. Id. at *4-9.
12 However, the court separately held that the breach of contract
13 claim failed as a matter of law, because the plaintiffs had not
14 alleged the existence of an enforceable contract between them and
15 any defendant. Id. at *9. Similarly, in Tessera, Inc. v. United
16 Test & Assembly Ctr., Case No. RG08410327 (Cal. Sup. Ct. 2009),
17 the Alameda County Superior Court held, without elaboration or
18 discussion, that claims of breach of contract, breach of the
19 covenant of good faith and fair dealing and violation of the UCL
20 were barred by the state law litigation privilege and the Noerr-
21 Pennington doctrine, without separating the two privileges or the
22 various causes of action.

23 Even if the Noerr-Pennington doctrine could apply in the
24 context of claims for breach of contract and of the implied
25 covenant of good faith and fair dealing, it would not bar PTI's
26 claims in this matter. In BE & K, "the Court adopted a three-part
27 test to determine whether the defendant's conduct is immunized:
28 (1) identify whether the lawsuit imposes a burden on petitioning

1 rights, (2) decide whether the alleged activities constitute
2 protected petitioning activity, and (3) analyze whether the
3 statutes at issue may be construed to preclude that burden on the
4 protected petitioning activity." Kearney, 590 F.3d at 644 (citing
5 BE & K, 536 U.S. at 530-33, 535-37).

6 PTI's lawsuit does not impose a burden on Tessera's
7 petitioning rights. While, as PTI acknowledges, "Tessera has the
8 right to petition the government for redress, by among other
9 things, bringing an ITC investigation," Opp. at 11, to the extent
10 that Tessera has waived these rights through contract, the
11 Noerr-Pennington doctrine does not shield Tessera from liability
12 for failing to comply with that contract. In this case, PTI
13 accuses Tessera of breaching the contract between the parties by
14 failing to comply with the requirements of the agreement,
15 including to provide notice and to terminate the TCC License prior
16 to bringing the ITC Investigation, not simply by instituting that
17 proceeding. Thus, Noerr-Pennington does not prevent PTI from
18 asserting these claims.

19 II. Motion to Strike under California's Anti-SLAPP Statute

20 A. Legal Standard

21 California's anti-SLAPP statute provides,
22 A cause of action against a person arising from any act
23 of that person in furtherance of the person's right of
24 petition or free speech under the United States
25 Constitution or the California Constitution in
26 connection with a public issue shall be subject to a
special motion to strike, unless the court determines
that the plaintiff has established that there is a
probability that the plaintiff will prevail on the
claim.

27 Cal. Civ. Proc. Code § 425.16(b)(1). California anti-SLAPP
28 motions to strike are available to litigants proceeding in federal

1 court. Thomas v. Fry's Elecs., Inc., 400 F.3d 1206, 1206 (9th
2 Cir. 2005).

3 Courts analyze these motions in two steps. "First, the
4 defendant must make a prima facie showing that the plaintiff's
5 suit arises from an act in furtherance of the defendant's rights
6 of petition or free speech." Mindys Cosmetics, Inc. v. Dakar, 611
7 F.3d 590, 595 (9th Cir. 2010) (citation and internal quotation
8 marks omitted). "Second, once the defendant has made a prima
9 facie showing, the burden shifts to the plaintiff to demonstrate a
10 probability of prevailing on the challenged claims." Id.

11 "At [the] second step of the anti-SLAPP inquiry, the required
12 probability that [a party] will prevail need not be high." Hilton
13 v. Hallmark Cards, 580 F.3d 874, 888-89 (9th Cir. 2009). A
14 plaintiff must show "only a 'minimum level of legal sufficiency
15 and triability.'" Mindys, 611 F.3d at 598 (quoting Linder v.
16 Thrifty Oil Co., 23 Cal. 4th 429, 438 n.5 (2000)). The plaintiff
17 need only "state and substantiate a legally sufficient claim."
18 Mindys, 611 F.3d at 598 (citation and internal quotation marks
19 omitted). In conducting its analysis, the "court 'does not weigh
20 the credibility or comparative probative strength of competing
21 evidence,' but 'should grant the motion if, as a matter of law,
22 the defendant's evidence supporting the motion defeats the
23 plaintiff's attempt to establish evidentiary support for the
24 claim.'" Id. at 599 (quoting Wilson v. Parker, Covert &
25 Chidester, 28 Cal. 4th 811, 821 (2002)).

1 B. Discussion

2 1. Arising from

3 The parties do not dispute that Tessera's filing and pursuit
4 of the ITC action constitute protected activities within the
5 meaning of the anti-SLAPP statute. Instead, they dispute whether
6 the instant complaint "arises from" those activities, including
7 whether the anti-SLAPP statute can apply to claims of breach of
8 contract and of the implied covenant.

9 For this determination, "the critical consideration is
10 whether the cause of action is based on the defendant's protected
11 free speech or petitioning activity." Navellier v. Sletten, 29
12 Cal. 4th 82, 89 (2002) (emphasis in original). In Navellier, the
13 California Supreme Court held that a breach of contract claim may
14 fall within the scope of the anti-SLAPP statute, because
15 "[n]othing in the statute itself categorically excludes any
16 particular type of action from its operation." Id. at 92.
17 Instead of focusing on "the form of the plaintiff's cause of
18 action," the statute focuses on "the defendant's activity that
19 gives rise to his or her asserted liability." Id.; see also
20 Cotati, 29 Cal. 4th at 78 ("the defendant's act underlying the
21 plaintiff's cause of action must itself have been an act in
22 furtherance of the right of petition or free speech."). In that
23 case, the court found that the breach of contract and other claims
24 arose out of protected litigation activity because, "but for the
25 federal lawsuit and [defendant's] alleged actions taken in
26 connection with that litigation, plaintiffs' present claims would
27 have no basis." Navellier, 29 Cal. 4th at 90.

28

1 When, as here "a pleading contains allegations regarding both
2 protected and unprotected activity, 'it is the principal thrust or
3 gravamen of the plaintiff's cause of action that determines
4 whether the anti-SLAPP statute applies.'" PrediWave Corp. v.
5 Simpson Thacher & Bartlett LLP, 179 Cal. App. 4th 1204, 1219-20
6 (2009) (quoting Martinez v. Metabolife Internat., Inc., 113 Cal.
7 App. 4th 181, 188 (2003)). "Incidental allegations regarding
8 protected activity do not 'subject the cause of action to the
9 anti-SLAPP statute.'" Id. at 1220 (quoting Martinez, 113 Cal.
10 App. 4th at 188. "The 'principal thrust or gravamen' test serves
11 the legislative intent" that the anti-SLAPP statute "be broadly
12 interpreted," because a plaintiff cannot "deprive a defendant of
13 anti-SLAPP protection by bringing a complaint based upon both
14 protected and unprotected conduct." Club Members for an Honest
15 Election v. Sierra Club, 45 Cal. 4th 309, 319 (2008).

16 Here, PTI accuses Tessera of breach of contract and breach of
17 the implied covenant of good faith and fair dealing for
18 petitioning the ITC without first giving notice and terminating
19 the TCC License, as agreed in that contract. But for Tessera's
20 filing and prosecution of the ITC action, PTI would have no basis
21 for the claims against Tessera alleged here. The central thrust
22 of PTI's complaint implicates Tessera's protected activity,
23 because, without the allegations regarding Tessera's protected
24 activity, PTI would be unable to state a claim against Tessera.
25 Thus, PTI's complaint arises from Tessera's protected activity for
26 the purposes of the anti-SLAPP statute.

27 As noted by the California Supreme Court in Navallier, such a
28 finding does not mean that Tessera cannot be sued for breaching

1 the TCC License because its alleged breach was related to
2 petitioning activity. 29 Cal. 4th at 93. The statute does not
3 bar any suit that possesses "minimal merit." Id.

4 2. Probability of prevailing

5 The "essential elements" of a breach of contract claim are
6 "(1) the contract, (2) plaintiff's performance or excuse for
7 nonperformance, (3) defendant's breach, and (4) the resulting
8 damages to plaintiff." Reichert v. General Ins. Co., 68 Cal. 2d
9 822, 830 (1968). Tessera does not dispute that there is an
10 enforceable contract between the parties or that PTI has fully
11 performed its obligations thereunder. Instead, Tessera argues
12 that PTI has failed to meet its burden of establishing a
13 probability of prevailing on its claims, because its claims are
14 barred by the Noerr-Pennington doctrine, Tessera has not breached
15 the TCC License, PTI has not established that it was damaged, and
16 PTI's claims are barred by waiver, forfeiture, laches and
17 estoppel.

18 The Court has already addressed, and rejected, Tessera's
19 contentions related to the Noerr-Pennington doctrine. The Court
20 further notes that, in addressing the second prong of the anti-
21 SLAPP inquiry, the California Supreme Court has recognized that "a
22 defendant who in fact has validly contracted not to speak or
23 petition has in effect 'waived' the right to the anti-SLAPP
24 statute's protection in the event he or she later breaches that
25 contract." Navellier, 29 Cal. 4th at 94. The Court also finds
26 Tessera's remaining arguments unavailing for the reasons discussed
27 below and declines to strike PTI's complaint.

28

1 a. Breach

2 Tessera does not dispute that it did failed to give notice to
3 PTI or terminate the TCC License before instituting the ITC action
4 or before arguing in the ITC that PTI's products were unlicensed
5 for the period of time before PTI paid royalties. Instead,
6 Tessera argues that it did not breach the TCC License for three
7 reasons.

8 First, Tessera argues that the forum selection clause relates
9 to disputes between the parties only and it did not name PTI in
10 the ITC action. PTI has submitted evidence that Tessera itself
11 has previously taken the position that the license agreement
12 precludes any suit against PTI or against PTI's customers in which
13 PTI's products are accused, and thus PTI has offered at least some
14 evidence that would demonstrate that the contract's ambiguous
15 terms may be interpreted to encompass suits in which PTI's
16 products are accused.

17 Tessera also argues that it did not breach the agreement,
18 because PTI had encouraged it to file the action against PTI's
19 customers, and there was thus no dispute or disagreement between
20 the parties that would have triggered the forum selection clause's
21 requirements of notice and termination. Tessera also relies on
22 this alleged encouragement in support of its affirmative defenses
23 of waiver and equitable estoppel. However, the email
24 correspondence between the parties on which Tessera relies does
25 not support its position. Several of the emails to which Tessera
26 points relate to a separate ITC Investigation, No. 337-TA-605,
27 which is not at issue here. In some of the other emails, which do
28 relate to the 630 Investigation, PTI encouraged Tessera to proceed

1 against several companies that were getting at least some of their
2 products from unlicensed sources and to tell another company to
3 use only licensed sources. This does not establish that PTI
4 encouraged Tessera to accuse the PTI-packaged products as well.
5 In other emails, rather than encouraging Tessera to bring an ITC
6 action, PTI appears to have been defending itself against
7 Tessera's characterization of the ITC action as something that
8 Tessera was bringing to help PTI, by arguing that Tessera brought
9 the suit to benefit itself primarily, in order to make sure that
10 companies like PTI continue to pay royalties.

11 Finally, Tessera argues that it had tried to exclude PTI's
12 licensed products from the 630 Investigation consistently
13 throughout the ITC process. However, as discussed above, the
14 Federal Circuit has already rejected this characterization of its
15 arguments.

16 Accordingly, Tessera's arguments do not defeat PTI's showing
17 of a minimum level of the legal sufficiency and triability of its
18 claim that Tessera breached the TCC License. Tessera has also not
19 established that it is likely to succeed on its affirmative
20 defenses of waiver and equitable estoppel.

21 b. Damages

22 Tessera argues that PTI has not meet its anti-SLAPP burden as
23 to its second and third causes of action, for breach of contract
24 and breach of the implied covenant, because PTI cannot establish
25 that it was damaged by Tessera's alleged breach. Tessera also
26 contends that PTI cannot reclaim royalty payments that it has
27 already made.
28

1 PTI puts forward several theories of damages. PTI asserts
2 that it was harmed because, if Tessera had complied with the terms
3 of the TCC License and had terminated the agreement, PTI would not
4 have had to continue to pay royalties, which totaled more than
5 \$200 million. At the hearing, PTI also argued that its
6 relationship with its customers was damaged by Tessera's breach,
7 because PTI had to charge a royalty to its customers while they
8 were being sued by Tessera.

9 Tessera acknowledges that PTI made royalty payments after
10 Tessera instituted the 630 Investigation without first terminating
11 the TCC License and providing the required notice. Mot. at 21-22.
12 Tessera, however, contends that PTI cannot recover these royalty
13 payments as a matter of law, because California law precludes
14 recovery of royalty payments made voluntarily with knowledge of
15 the facts. Id. (citing Pac. Gas & Elec. Co. v. Zuckerman, 189
16 Cal. App. 3d 1113, 1144 (1987); Western Gulf Oil Co. v. Title Ins.
17 & Tr. Co., 92 Cal. App. 2d 257, 266 (1949)).

18 Here, however, PTI did not have full knowledge of the facts
19 at the time of the payments. PTI made these payments with the
20 understanding that its products and customers would be free from
21 suit. During the ITC and Texas proceedings, Tessera represented
22 to PTI and to this Court that it was not accusing PTI-packaged
23 products in those suits. After the Federal Circuit issued its
24 decision in Powertech Technology, Inc. v. Tessera, Inc., 660 F.3d
25 1301 (Fed. Cir. 2011), it became evident that Tessera was taking
26 inconsistent positions and was in fact accusing products that PTI
27 had sold to its customers.

28

1 Thus, PTI has met its burden to establish the minimum legal
2 sufficiency and factual triability of its damages claims. This
3 does not mean that PTI will ultimately establish that it has been
4 harmed to the extent claimed.

5 c. Forfeiture and Laches

6 Tessera asserts several affirmative defenses based on PTI's
7 purported failure to raise these claims in a timely manner,
8 arguing that PTI should have done so when Tessera first initiated
9 the ITC proceedings. Tessera does not dispute that PTI brought
10 this action within the limitations period. Further, Tessera
11 maintained in the prior proceedings before this Court that it was
12 not accusing PTI-packaged products, and it was not until the
13 Federal Circuit issued its decision on September 30, 2011 that it
14 became clear that Tessera was actually doing so in the other
15 actions. As noted above, PTI provided notice to Tessera of its
16 breach a week later, and filed suit sixty days after that. On
17 these facts, it is not likely that Tessera will be able to prove
18 that PTI delayed in bringing these claims.

19 3. Fees and costs

20 Tessera and PTI both seek fees and costs for the anti-SLAPP
21 motion. A party who prevails on an anti-SLAPP motion "shall be
22 entitled to recover his or her attorneys' fees and costs." Cal.
23 Code Civ. Proc. § 425.16(c). In contrast, a prevailing plaintiff
24 is entitled to fees and costs only if "the court finds that a
25 special motion to strike is frivolous or is solely intended to
26 cause unnecessary delay." Id. "'Frivolous' means (A) totally and
27 completely without merit or (B) for the sole purpose of harassing
28 an opposing party." Cal. Code Civ. Proc. § 128.5(b)(2).

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Because Tessera does not prevail on its motion to strike, the Court does not award it fees and costs. Because the Court does not find that Tessera's motion was frivolous or only intended to cause unnecessary delay, the Court also declines to award fees and cost to PTI.

CONCLUSION

For the reasons set forth above, the Court DENIES Tessera's motion to dismiss and to strike PTI's complaint (Docket No. 20).

IT IS SO ORDERED.

Dated: 5/21/2012



CLAUDIA WILKEN
United States District Judge