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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

IN RE: QUALCOMM LITIGATION,

Case No.: 17-cv-00108-GPC-MDD

**REDACTED ORDER:**

**(1) GRANTING IN PART AND DENYING IN PART APPLE’S MOTION TO DISMISS COUNT X OF QUALCOMM’S FIRST AMENDED COUNTERCLAIMS**

**(2) GRANTING QUALCOMM’S MOTION FOR PARTIAL DISMISSAL OF APPLE’S FIRST AMENDED COMPLAINT**

**(3) GRANTING QUALCOMM’S MOTION FOR PARTIAL DISMISSAL OF CONTRACT MANUFACTURERS’ COUNTERCLAIMS**

1 Presently before this Court are: (1) Apple’s Partial Motion to Dismiss Qualcomm’s  
2 First Amended Counterclaims (Dkt. No. 77); (2) Qualcomm’s Motion For Partial  
3 Dismissal of Apple’s First Amended Complaint (Dkt. No. 100); and (3) Qualcomm’s  
4 Motion for Partial Dismissal of the Contract Manufacturer’s<sup>1</sup> Counterclaims (Dkt. 116,  
5 Case No. 3:17-cv-1010-GPC-MDD). These motions have been fully briefed. On  
6 October 13, 2017 the Court heard oral argument as to all three motions to dismiss.

7 For the reasons set forth below, the Court will: (1) **GRANT** in part and **DENY** in  
8 part Apple’s Motion to Dismiss Count X of Qualcomm’s Counterclaims with Leave to  
9 Amend; (2) **GRANT** Qualcomm’s Motion to Dismiss the Additional Patents-in-Suit in  
10 Apple’s First Amended Complaint with Leave to Amend; (3) **GRANT** Qualcomm’s  
11 Motion to Dismiss the Additional Patents-in-Suit in the Contract Manufacturers’  
12 Counterclaims with Leave to Amend.

### 13 **I. PROCEDURAL HISTORY**

14 On July 21, 2017, Counterclaim-Defendant Apple Inc. (“Apple”) filed its Partial  
15 Motion to Dismiss Count X of Counterclaim-Plaintiff Qualcomm’s First Amended  
16 Counterclaims. Dkt. No. 77 (“MTD-1”). Qualcomm filed an opposition on August 9,  
17 2017, and Apple filed its reply on September 5, 2017. Dkt. Nos. 112, 131.

18 On August 8, 2017, Defendant Qualcomm filed a Motion for Partial Dismissal of  
19 Apple’s First Amended Complaint which seeks to dismiss for lack of declaratory  
20 judgment jurisdiction nine patents-in-suit that were added in Apple’s First Amended  
21 Complaint and are described in Paragraphs 148-56. Dkt. No. 100 (“MTD-2”). Plaintiff  
22 Apple filed an opposition on August 18, 2017 and Qualcomm filed a reply on September  
23 1, 2017. Dkt. Nos. 119, 127. On August 8, 2017, Counterclaim-Defendant Qualcomm  
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26 <sup>1</sup> Defendants and Counterclaimants in the pre-consolidation ‘1010 action are Compal Electronics, Inc.  
27 (“Compal”), FIH Mobile Ltd. and Hon Hai Precision Industry Co. (together “Foxconn”), Pegatron  
28 Corporation (“Pegatron”), and Wistron Corporation (“Wistron”) and will be collectively referred to as  
the “Contract Manufacturers” or “CM’s.”

1 filed a Motion for Partial Dismissal of the Contract Manufacturers' Counterclaims, which  
2 seeks to dismiss for lack of declaratory judgment jurisdiction the same nine patents-in-  
3 suit at issue in their Dkt. No. 100 motion to dismiss. Dkt. No 116, Case No. 3:17-cv-  
4 1010-GPC-MDD ("MTD-3"). The Contract Manufacturers, the Counterclaim-Plaintiffs,  
5 filed a response on September 1, 2017. Dkt. No. 129, Case No. 3:17-cv-1010-GPC-  
6 MDD. Qualcomm filed a reply on September 13, 2017. Dkt. No. 146.<sup>2</sup>

7 On January 20, 2017, Apple filed its Complaint. Dkt. No. 1. The Court denied  
8 Qualcomm's motion for an anti-suit injunction seeking to stay international litigation on  
9 September 7, 2017. Dkt. No. 141. The Court also denied Qualcomm's request for a  
10 preliminary injunction against the Contract Manufacturers. Dkt. No. 138, Case No. 3:17-  
11 cv-1010-GPC-MDD. On September 13, 2017, the Court granted Apple's motion to  
12 consolidate the case with Case No. 3:17-cv-01010. Dkt. No. 144.

## 13 **II. MOTION TO DISMISS STANDARD**

### 14 **a. 12(b)(1)**

15 Under Rule 12(b)(1) of the Federal Rules of Civil Procedure, a defendant may seek  
16 to dismiss a complaint for lack of jurisdiction over the subject matter. The federal court is  
17 one of limited jurisdiction. See *Gould v. Mutual Life Ins. Co. v. New York*, 790 F.2d 769,  
18 774 (9th Cir. 1986). As such, it cannot reach the merits of any dispute until it confirms its  
19 own subject matter jurisdiction. See *Steel Co. v. Citizens for a Better Environ.*, 523 U.S.  
20 83, 95 (1998). Plaintiff, as the party seeking to invoke jurisdiction, has the burden of  
21 establishing that jurisdiction exists. See *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511  
22 U.S. 375, 377 (1994).

23 A case that lacks Article III standing must be dismissed for a lack of subject matter  
24 jurisdiction. See *Maya v. Centex Corp.*, 658 F.3d 1060, 1066-67 (9th Cir. 2001). Since  
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27 <sup>2</sup> This document was filed after the case was consolidated and therefore appears in the docket for the  
28 lead case 3:17-cv-00108-GPC-MDD.

1 standing is essential to a federal court’s subject matter jurisdiction, the issue of standing is  
2 properly raised in a Rule 12(b)(1) motion to dismiss. *Chandler v. State Farm Mut. Auto.*  
3 *Ins. Co.*, 598 F.3d 1115, 1122 (9th Cir. 2010).

4 **a. 12(b)(6)**

5 A motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) tests the  
6 sufficiency of a complaint. *Navarro v. Block*, 250 F.3d 729, 732 (9th Cir. 2001). Dismissal  
7 is proper where there is either a “lack of a cognizable legal theory” or “the absence of  
8 sufficient facts alleged under a cognizable legal theory.” *Balisteri v. Pacifica Police Dep’t*,  
9 901 F.2d 696, 699 (9th Cir. 1990). To survive a motion to dismiss, the plaintiff must allege  
10 “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v.*  
11 *Twombly*, 550 U.S. 544, 570 (2007). While a plaintiff need not give “detailed factual  
12 allegations,” a plaintiff must plead sufficient facts that, if true, “raise a right to relief above  
13 the speculative level.” *Id.* at 545. “[F]or a complaint to survive a motion to dismiss, the  
14 non-conclusory ‘factual content,’ and reasonable inferences from that content, must be  
15 plausibly suggestive of a claim entitling the plaintiff to relief.” *Moss v. U.S. Secret Serv.*,  
16 572 F.3d 962, 969 (9th Cir. 2009).

17 In reviewing a motion to dismiss under Rule 12(b)(6), the court must assume the  
18 truth of all factual allegations and must construe all inferences from them in the light most  
19 favorable to the nonmoving party. *Thompson v. Davis*, 295 F.3d 890, 895 (9th Cir. 2002);  
20 *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996). Legal conclusions,  
21 however, need not be taken as true merely because they are cast in the form of factual  
22 allegations. *Ileto v. Glock, Inc.*, 349 F.3d 1191, 1200 (9th Cir. 2003); *W. Mining Council*  
23 *v. Watt*, 643 F.2d 618, 624 (9th Cir. 1981). Moreover, a court “will dismiss any claim that,  
24 even when construed in the light most favorable to plaintiff, fails to plead sufficiently all  
25 required elements of a cause of action.” *Student Loan Mktg. Ass’n v. Hanes*, 181 F.R.D.  
26 629, 634 (S.D. Cal. 1998).

1 **III. Apple’s Motion to Dismiss Qualcomm’s First Amended Counterclaims**

2 Apple seeks to dismiss Count X of Qualcomm’s First Amended Counterclaims  
3 pursuant to Rule 9(b) and 12(b)(6) of the Federal Rules of Civil Procedure and California  
4 Business & Professions Code Section 17204. MTD-1.

5 **A. Background**

6 On September 16, 2016, Apple released two versions of the iPhone 7.  
7 Qualcomm’s First Amended Counterclaims (“Counterclaims”), ECF No. 70 ¶ 238.<sup>3</sup> Each  
8 iPhone contains a baseband processor chipset, which allows the iPhone to connect to  
9 cellular networks. Id. ¶¶ 134, 136-37. iPhone 7’s on certain networks such as AT&T  
10 have Intel chipsets. Id. ¶¶ 239, 246. iPhone 7’s on other networks such as Verizon have  
11 Qualcomm chipsets. Id. From 2007 to 2010, Apple relied exclusively on chips made by  
12 Infineon, which Intel acquired in 2011. Id. ¶ 136. Between 2011 until Fall 2016,  
13 Qualcomm was the only cellular chipset supplier for new iPhones. Id. ¶ 239. The  
14 Qualcomm-based iPhone 7 can reach download speeds up to 600 megabits per second.  
15 Id. ¶ 240. The Intel-based iPhone 7 can only reach download speeds up to 450 megabits  
16 per second. Id.

17 Qualcomm alleges that in order to create “artificial parity” between the  
18 Qualcomm-based iPhone 7 and the Intel-based iPhone 7, Apple decided not to utilize  
19 capabilities in the Qualcomm-based phones that could increase download speeds by 25%  
20 or 150 megabits per second. Id. ¶ 241. Due to this decision, Qualcomm-based iPhone  
21 7’s run at speeds closer to Intel-based iPhone 7’s, but Qualcomm-based iPhone 7’s  
22 appear to still perform better than Intel-based iPhone 7’s. Id. ¶¶ 241, 244. Qualcomm  
23 asserts that the decision not to use the enhanced features prevented a more capable  
24 iPhone 7 from reaching the market, thereby potentially impeding efficiency of other users

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27 <sup>3</sup> On July 21, 2017, Qualcomm filed its Answer to Apple’s First Amended Complaint, which included  
28 its First Amended Counterclaims. Dkt. No. 97. Qualcomm reasserted its Counterclaims as stated in the  
Answer filed in Dkt. No. 70. Id. at 75.

1 on the network leading to an inefficient allocation of bandwidth across a cellular network.  
2 Id. ¶ 242.

3 Qualcomm asserts that Apple made explicit threats to force Qualcomm not to  
4 reveal the disparity between the iPhones. Apple “made clear to Qualcomm” that  
5 disclosure of the chip set disparity would jeopardize Qualcomm’s business prospects of  
6 selling future chipsets to Apple, and would “severely impact Qualcomm’s standing as a  
7 supplier to Apple.” Id. ¶ 243. In an August 2016 call, an Apple executive allegedly told  
8 a Qualcomm executive that Apple would use its marketing organization to “retaliate  
9 against Qualcomm” if Qualcomm publically compared the performance of the  
10 Qualcomm-based and Intel-based iPhones. Id.

11 Further, Qualcomm alleges that independent studies showed significant  
12 performance disparities between the Intel and Qualcomm versions of the iPhone 7. Id. ¶  
13 245. A November 18, 2016 Bloomberg article<sup>4</sup> reported that the Verizon iPhone 7,  
14 which uses Qualcomm’s X12 chipset, was faster than the Intel-based AT&T version of  
15 the iPhone 7, but was still “not as fast as it could be.” Id. ¶ 246. The same article found  
16 that the Samsung Galaxy S7, which utilizes the full capabilities of the Qualcomm X12  
17 chipset, is twice as fast as a Qualcomm-based iPhone 7. Id. ¶ 247.

18 Apple publically denied the performance disparity stating that “there [were] no  
19 discernible difference[s] in the wireless performance of any of the models.” Id. ¶ 248.  
20 Qualcomm asserts that absent Apple’s conduct, their chipsets would be in higher demand  
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24 <sup>4</sup> Apple asks the Court to take judicial notice of an article quoted in Qualcomm’s Counterclaims titled  
25 *Apple’s Chip Choices May Leave Some iPhone Users in Slow Lane*. RJN, Dkt. No. 77-2 (requesting  
26 judicial notice of Schlabach Decl., Ex. 1). Qualcomm argues that this request should be denied as moot  
27 because Apple has misconstrued their UCL claim as a fraud-based claim. Opp-1 at 9. The Court will  
28 take judicial notice of this document. See *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 568 n.13 (2007)  
 (“the District Court was entitled to take notice of the full contents of the published articles referenced in  
 the complaint, from which the truncated quotations were drawn.”).

1 and Qualcomm would have been able to sell more chips to Apple to meet that demand.  
2 Id. ¶ 250.

3 **B. UCL – Standing and Actual Reliance**

4 “[T]o state a claim for a violation of the [California UCL], a plaintiff must allege  
5 that the defendant committed a business act that is either fraudulent, unlawful, or  
6 unfair.” *Levine v. Blue Shield of Cal.*, 189 Cal. App. 4th 1117, 1136 (2010). Each adjective  
7 captures a “separate and distinct theory of liability.” *Rubio v. Capital One Bank*, 613 F.3d  
8 1195, 1203 (9th Cir. 2010) (internal marks omitted). The UCL is “intentionally broad to  
9 give the court maximum discretion to control whatever new schemes may be contrived,  
10 even though they are not yet forbidden by law.” *People ex. rel. Renne v. Servantes*, 86 Cal.  
11 App. 4th 1081, 1095 (2001). A claim “grounded in fraud” must satisfy the heightened  
12 pleading requirements to plead with particularity under Rule 9(b). *Vess v. Ciba-Geigy*  
13 *Corp.*, 317 F.3d 1097, 1103-04 (9th Cir. 2003). In cases where some fraudulent and some  
14 non-fraudulent conduct is alleged, only the allegations of fraud are subject to Rule 9(b)’s  
15 heightened pleading requirements. *Id.* at 1104.

16 The UCL imposes an actual reliance requirement on plaintiffs who bring a UCL  
17 action based on a fraud theory, because “reliance is the causal mechanism of fraud.”  
18 *Heartland Payment Sys., Inc. v. Mercury Payment Sys., LLC*, No. 14-cv-0437-CW, 2015  
19 WL 3377662, at \*6 (N.D. Cal. Feb. 24, 2015). Plaintiffs must allege their own reliance on  
20 alleged misrepresentations, rather than the reliance of third parties. *See, e.g., O'Connor v.*  
21 *Uber Techs., Inc.*, 58 F. Supp. 3d 989, 1002 (N.D. Cal. 2014) (“UCL fraud plaintiffs must  
22 allege their own reliance—not the reliance of third parties—to have standing under the  
23 UCL.”)

24 In Count X, Qualcomm alleges that Apple violated the UCL through three theories—  
25 (1) attempting to cover up performance differences between Qualcomm and Intel-based  
26 iPhone 7’s; (2) publicly claiming there was “no discernible difference” between these  
27 models; and (3) threatening Qualcomm to prevent consumers from insisting on the superior  
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1 Qualcomm-based iPhones. Counterclaims ¶ 383. In its opposition, Qualcomm appears to  
2 have narrowed its claim only to the third assertion that Apple threatened Qualcomm with  
3 retaliation and relies tangentially on the other assertions as support for the threat theory.  
4 Opp-1 at 1, 7-8.

5 The Court finds that Qualcomm’s first two bases for a UCL claim, to the extent they  
6 remain at issue, are “premised on a fraud theory” involving misrepresentations and  
7 omissions. See, e.g., Counterclaim ¶ 243 (“Apple concealed the superiority of the  
8 Qualcomm-Based iPhone 7”); id. ¶ 248 (“an Apple spokesperson falsely claimed that there  
9 was no difference between the Qualcomm-based iPhones and the Intel-based iPhones.”).  
10 Consequently, Qualcomm must allege reliance “irrespective of whether the claims are  
11 asserted under the fraud prong or the unfair prong of the UCL.” *L.A. Taxi Cooperative v.*  
12 *Uber*, 114 F. Supp. 3d 852, 867 (N.D. Cal. 2015).

13 Qualcomm has not adequately pled with specificity facts indicating its own reliance  
14 on any alleged Apple omission or misrepresentation. Qualcomm was always aware of the  
15 superiority of its chips before the launch of the iPhone 7 and discussed public disclosure  
16 of this fact with Apple before the iPhone 7’s launch date. Counterclaims ¶¶ 239-240, 243,  
17 248. As a result, because Qualcomm has not plead its own reliance on a misrepresentation  
18 and cannot rely on the third-party reliance of Apple’s customers, Qualcomm lacks standing  
19 under the UCL to bring these claims. See *L.A. Taxi*, 114 F. Supp. 3d at 866-87.

20 However, the Court finds that Qualcomm’s UCL claim based on Apple’s alleged  
21 threats is not based in on a theory of fraud because it does not involve a misrepresentation  
22 or omission. See *Vess*, 317 F.3d at 1103 (for a claim to sound in fraud, the claim must  
23 allege a misrepresentation (false representation, concealment, or nondisclosure)); id.  
24 (finding that Plaintiff’s allegations did not rely entirely on unified fraudulent course of  
25 conduct and that specific claims were not “grounded in fraud”). As a result, the Court will  
26 analyze whether Apple’s alleged threats to Qualcomm were “unfair” under California’s  
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1 UCL.<sup>5</sup> The Court will also assess whether Qualcomm has adequately alleged statutory  
2 standing under California Business and Professions Code Section 17204.

3 Accordingly, the Court **GRANTS** Apple’s Motion to Dismiss Count X as to the  
4 theories that (1) Apple attempted to cover up the performance differences between the  
5 Qualcomm and Intel phones and (2) Apple publically misrepresented that there was no  
6 “discernible difference” between the phones.

7 **C. Statutory Standing Under Section 17204**

8 To satisfy statutory standing, a party must (1) establish a loss or deprivation of  
9 money or property sufficient to qualify as injury in fact, i.e., economic injury, and (2) show  
10 that the economic injury was the result of, i.e., caused by, the unfair business practice or  
11 false advertising that is the gravamen of the claim. *Kwikset Corp. v. Superior Court*, 51  
12 Cal. 4th 310, 322 (2011) (citing California Business and Professions Code § 17204).  
13 Proposition 64 established the requirement that plaintiffs alleging UCL claims must  
14 demonstrate some form of economic injury. *Id.* at 323. The California Court has held that  
15 there are “innumerable ways in which economic injury from unfair competition may be  
16 shown.” *Id.* The quantum of injury necessary to satisfy this requirement requires only that  
17 plaintiff “allege some specific ‘identifiable trifle’” of injury. *Id.* (citations omitted). The  
18 notion of “lost money” under the UCL is not limited and “loss of business to a competitor  
19 as a result of unfair competition is a paradigmatic, and indeed the original, variety of loss  
20 contemplated by the UCL.” *AngioScore Inc. v. TriReme Medical, LLC*, 70 F. Supp. 3d  
21 951, 962 (2014) (citing *Law Offices of Mathew Higbee v. Expungement Assistance Servs.*,  
22 214 Cal. App. 4th 544, 561 (2013)). At the pleading stage, general allegations of injury  
23 resulting from the defendant’s conduct are sufficient because on a motion to dismiss the  
24 court “presume[s] that general allegations embrace those specific facts that are necessary  
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27 <sup>5</sup> The heightened pleading requirement of Rule 9(b) does not apply as to this theory. See *Vess*, 317 F.3d  
28 at 1104.

1 to support the claim.” *Kwikset*, 51 Cal. 4th at 328. See also *Hinojos v. Kohl’s Corp.*, 718  
2 F.3d 1098, 1104-05 n.4 (9th Cir. 2013); *A.P. Deauville, LLC v. Arion Perfume & Beauty,*  
3 *Inc.*, No. C14-03343 CRB, 2014 WL 7140041, at \*5 (N.D. Cal. Dec. 12, 2014).

4 The requirement that the party asserting standing under the UCL lose money or  
5 property as a result of unfair competition “imposes a causation requirement.” *Lorenzo v.*  
6 *Qualcomm Inc.*, No. 08CV2124 WQH LSP, 2009 WL 2448375, at \*5 (S.D. Cal. Aug. 10,  
7 2009) (citing *Hall v. Time Inc.*, 158 Cal. App. 4th 847, 855 (2008)). “The phrase ‘as a  
8 result of’ in its plain and ordinary sense means ‘caused by’ and requires a showing of a  
9 causal connection or reliance on the alleged misrepresentation.” *Hall*, 158 Cal. App. 4th at  
10 855.

11 Apple argues that Qualcomm has not sufficiently alleged loss of money or property  
12 as a result of Apple’s unfair conduct. MTD-1 at 8, 11-12. Apple argues that Qualcomm’s  
13 primary assertion of injury—“[a]bsent Apple’s conduct, Qualcomm’s chipsets would be in  
14 higher demand, and Qualcomm would be able to sell more chips to Apple to meet that  
15 demand”—is conclusory because Qualcomm has failed to show that any consumers  
16 would or could have purchased a Qualcomm-based iPhone 7 over a Intel-based iPhone 7.  
17 Counterclaims ¶ 383. In particular, Apple challenges that Qualcomm has not alleged  
18 sufficient facts to assert any injury because consumer choice is also informed by a  
19 consumer’s choice of carrier such as AT&T and Verizon. See MTD-1 at 18. Qualcomm  
20 responds that its allegations of a loss of customers, as well as its “loss of goodwill and  
21 product image, and loss of business relationships” constitute allegations sufficient to  
22 support standing under the UCL. Opp-1 at 10.

23 Given the nature of the UCL’s “expansive standing doctrine,” the Court finds that  
24 Qualcomm has adequately alleged statutory standing. See *AngioScore*, 70 F. Supp. 3d at  
25 962. Qualcomm need only allege an “identifiable trifle” of injury and has sufficiently  
26 done so by alleging it has lost customers, goodwill, and the loss of business relationships.  
27 See *Kwikset*, 51 Cal. 4th at 324; *Storm Mfg. Grp., Inc. v. Weather Tec Corp.*, 2013 WL  
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1 5352698, at \*7-8 (C.D. Cal Sep. 23, 2013) (plaintiffs had statutory standing where they  
2 alleged that unfair conduct caused the loss of customers, damaged goodwill, and  
3 diminished their product's value); Obesity Research Inst., LLC v. Fiber Research Int'l,  
4 LLC, 165 F. Supp. 3d 937, 948 (S.D. Cal. 2016) (finding standing where plaintiff alleged  
5 lost sales, market share, and goodwill); AngioScore, 70 F. Supp. 3d at 962 (loss of  
6 business is a paradigmatic form of UCL injury). Counterclaims ¶¶ 383. See also id. ¶  
7 385 (alleging loss of goodwill and product image, and loss of business relationships).  
8 Contrary to Apple's assertion, because generalized allegations of injury suffice,  
9 Qualcomm is not required to plead specific facts indicating injury. See *Kwikset*, 51 Cal.  
10 4th at 328. What Apple alleges is missing from Qualcomm's claim—for example, an  
11 assertion that specific customers would have changed carriers from AT&T to Verizon to  
12 obtain higher speed Qualcomm-based iPhones if Qualcomm had not been threatened by  
13 Apple—is the type of specific fact that the California Supreme Court and Ninth Circuit  
14 have held need not be pled at the motion to dismiss stage. See id.; *Hinojos*, 718 F.3d at  
15 1104; *A.P. Deauville*, 2014 WL 7140041, at \*5.

16 Qualcomm must also show that its economic injury is the result of Apple's unfair  
17 business practice. *Kwikset*, 51 Cal. 4th at 322. There is a sufficiently direct chain of  
18 causation. Here, Apple's alleged threats to stop using Qualcomm as a supplier and to  
19 retaliate against Qualcomm with its marketing organization led Qualcomm not to reveal  
20 the iPhone 7 speed disparity to the public. As Qualcomm stated at oral argument implicit  
21 in that chain of causation is that customers would switch carriers if they knew of the  
22 speed disparities between the phones. See Dkt. No. 162 at 43. As a result, consumer  
23 demand for their chipsets was lower than it would have been if the disparity would have  
24 been revealed. Accordingly, Qualcomm's allegations of lost potential sales to Apple,  
25 goodwill, and business relationships sufficiently support a finding of statutory standing.  
26 See, e.g., *Luxul Tech, Inc. v. Nectarlux, LLC*, 78 F. Supp. 3d 1156, 1174 (N.D. Cal. 2015)  
27 (finding standing where defendants alleged unfair conduct consisted of defamatory  
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1 statements to customers questioning the validity of plaintiff’s patents and resulted in lost  
2 customers and potential sales revenue); *Overstock.com, Inc. v. Gradient Analytics, Inc.*  
3 151 Cal. 4th 688, 716 (2007) (finding standing under UCL where plaintiff pled that  
4 defendant’s unfair business practice—intentional dissemination of false negative  
5 reports—resulted in diminution in value of plaintiff’s assets and decline in market  
6 capitalization).

7 The Court will **DENY** Apple’s motion to dismiss on this basis.

8 **D. “Unfair” Prong of the UCL**

9 Prior to *Cel-Tech Commc'ns, Inc. v. Los Angeles Cellular Tel. Co.*, 20 Cal. 4th 163,  
10 184 (1999), California courts determined whether a practice was “unfair” in the direct  
11 competitor context by applying a balancing test “weigh[ing] the utility of the defendant’s  
12 conduct against the gravity of the harm to the alleged victim” or by assessing whether a  
13 practice “offends an established public policy or when the practice is immoral, unethical,  
14 oppressive, unscrupulous, or substantially injurious to consumers.” In *Cel-Tech*, the  
15 California Supreme Court rejected these tests in the direct competitor context as “too  
16 amorphous” because they “provide[d] too little guidance to courts and businesses.” 20 Cal.  
17 4th at 185. Accordingly, the California Supreme Court held that for direct competitors an  
18 “unfair” practice is one that “threatens an incipient violation of an antitrust law, or violates  
19 the policy or spirit of one of those laws because its effects are comparable to or the same  
20 as a violation of the law, or otherwise significant threatens or harms competition.” *Id.* at  
21 187.

22 However, California law is unsettled with regard to the correct standard to apply to  
23 non-competitor consumer suits. *Lozano v. AT&T Wireless Services, Inc.*, 504 F.3d 718,  
24 735 (9th Cir. 2007); *Bardin v. Daimlerchrysler Corp.*, 136 Cal. App. 4th 1255, 1273-74  
25 (2006) (discussing the split between California Courts of Appeal). This confusion arises  
26 in part because the *Cel-Tech* Court expressly limited its holding refining the test to only  
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1 claims brought by a business competitor alleging anticompetitive practices. *Cel-Tech*, 20  
2 Cal. 4th at 187 n.12.

3 There are three primary consumer tests: (1) the “tethering test,” which requires that  
4 the “public policy which is a predicate to a consumer unfair competition action under the  
5 ‘unfair’ prong of the UCL must be tethered to specific constitutional, statutory, or  
6 regulatory provisions,”; (2) the “balancing test,” which examines whether the challenged  
7 business practice is “immoral, unethical, oppressive, unscrupulous, or substantially  
8 injurious to consumers and requires the court to weigh the utility of the defendant’s  
9 conduct against the gravity of the harm to the alleged victim,” *In re Adobe Systems, Inc.*  
10 *Privacy Litigation*, 66 F. Supp. 3d 1197, 1226 (N.D. Cal. 2014); and (3) the FTC test  
11 which requires that the alleged consumer injury must be substantial; must not be  
12 outweighed by any countervailing benefits to consumers or competition; and must be an  
13 injury that consumers themselves could not reasonably have avoided. See *Camacho v.*  
14 *Automobile Club of Southern California*, 142 Cal. App. 4th 1394, 1403 (2006). Pending  
15 resolution of the issue by the California Supreme Court, the Ninth Circuit has approved  
16 the use of either the balancing or tethering tests in consumer actions. *Ferrington v.*  
17 *McAfee, Inc.*, No. 10–cv–01455, 2010 WL 3910169, at \*12 (N.D. Cal. Oct. 5, 2010)  
18 (citing *Lozano*, 504 F.3d at 736).<sup>6</sup>

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22 <sup>6</sup> In the 2007 case *Lozano*, the Ninth Circuit declined to apply the FTC test in the “absence of a clear  
23 holding from the California Supreme Court.” 504 F.3d at 736. This Court will accordingly decline to  
24 apply the three-pronged test contained in the FTC Act. See *id.* The Court recognizes that some district  
25 courts have found the FTC test provides useful guidance in the consumer context. See *Zuniga v. Bank of*  
26 *America N.A.*, No. Cv 14-06471-MWF, 2014 WL 7156403, at \*6 (C.D. Cal., Dec. 9, 2014) (“the Court  
27 believes that *Camacho* provides the best guidance on the issue and the adapted three-prong  
28 FTC Act test should be applied to determine whether a business practice is unfair under the UCL.”).  
However, the test appears to be of limited use in the instant case where the relevant parties are two  
businesses with an ongoing relationship. See *Camacho v. Automobile Club of Southern California*, 142  
Cal. App. 4th 1394, 1403 (2006) (adopting FTC Section 5 test in part because the test is “on its face  
geared to consumers and is for that reason appropriate in consumer cases”).

1                   **1.     Cel-Tech Test**

2                   As an initial matter, this Court must determine whether to apply the Cel-Tech test  
3 to the instant case by assessing the nature of the relationship between Qualcomm and  
4 Apple.

5                   Qualcomm argues that the Cel-Tech test does not apply because Qualcomm and  
6 Apple are not direct competitors. Opp-1 at 2. Qualcomm asserts that it does not make and  
7 sell consumer cellular devices and is merely a chip supplier. Opp-1 at 14. Apple  
8 responds in a footnote that “Qualcomm would have the Court treat it — the dominant  
9 supplier of baseband chipsets — as if it were a consumer” and that such a result would  
10 “open the courts to UCL claims any time two companies in a vertical business  
11 relationship entered into negotiations resulting in economic losses.” Reply-1 at 5 n.3.

12                   In *Levitt v. Yelp! Inc.*, 765 F.3d 1123 (9th Cir. 2014) the Ninth Circuit recognized  
13 that the Cel-Tech test was not limited strictly to direct competitors. There, several  
14 business owners sued the online review company Yelp alleging that Yelp created  
15 negative reviews and manipulated content to induce the business owners to purchase  
16 advertisements on the site. *Id.* at 1127. The Court applied the Cel-Tech test and held  
17 that “[a]lthough this case is not a suit involving unfairness to the defendant’s competitors,  
18 as Yelp does not compete with the business owners, the crux of the business owners’  
19 complaint is that Yelp’s conduct unfairly injures their economic interests to the benefit of  
20 other businesses who choose to advertise with Yelp.” *Id.* at 1136 (internal citations and  
21 marks omitted). Here, it can be similarly said that “as [Apple] does not compete with  
22 [Qualcomm], the crux of [Qualcomm’s] complaint is that [Apple’s] conduct unfairly  
23 injures [its] economic interests to the benefit of [Intel].” See *id.* See also *Sun*  
24 *Microsystems, Inc. v. Microsoft Corp.*, 87 F. Supp. 2d 992, 999 (N.D. Cal. 2000) (finding  
25 *Sun Microsystems*, a vertical supplier, to be direct competitors with *Microsoft*); *Watson*  
26 *Labs., Inc. v. Rhone-Poulenc Rorer, Inc.*, 178 F. Supp. 2d 1099, 1117–18 (C.D. Cal.  
27 2001) (viewing contractually obligated supplier and plaintiff as “ostensible  
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1 competitor[s]” and applying strict Cel-Tech test); Nat'l Rural Telecommunications Co-op.  
2 v. DIRECTV, Inc., 319 F. Supp. 2d 1059, 1076 (C.D. Cal. 2003), on reconsideration in  
3 part (June 5, 2003) (applying Cel-Tech test where DIRECTV disputed that it was not a  
4 competitor with plaintiff).

5 The Court finds the relationship between Qualcomm and Apple—which is akin to  
6 that of direct competitors—is such that the Cel-Tech test is the best fit under the facts of  
7 this case. Qualcomm and Apple are sophisticated corporations with an ongoing business  
8 relationship. The primary bases of Qualcomm’s UCL claim—that Apple threatened its  
9 status as a supplier and threatened marketing retaliation—sounds of an accusation of  
10 anticompetitive conduct between two competitors. See Cel-Tech, 20 Cal. 4th at 187  
11 (applying Cel-Tech test where competitor alleged “anticompetitive practices”); Reply-1  
12 at 5 (asserting that the parties are “sophisticated corporations, and the gravamen of  
13 Qualcomm’s counterclaim is that Apple chose a **competitor’s** chipset) (emphasis in  
14 original). See also Dkt. 162 at 38 (statement by Apple at oral argument that “obviously  
15 the Qualcomm-Apple relationship is not a competitor relationship, but the Qualcomm-  
16 Intel relationship is a competitor relationship”). Consequently, the Apple-Qualcomm  
17 relationship is far closer to a competitor relationship than a consumer relationship.

18 Accordingly, under the Cel-Tech test Qualcomm must show that Apple’s conduct  
19 “threatens an incipient violation of an antitrust law, or violates the policy or spirit of one  
20 of those laws because its effects are comparable to or the same as a violation of the law,  
21 or otherwise significantly threatens or harms competition.” Qualcomm has not  
22 adequately pled that Apple’s alleged threats threaten an incipient violation of any  
23 antitrust law or the spirit or policies of those laws. Broad references to  
24 telecommunications policy and the policy of consumer choice are entirely tangential to  
25 the focal point of its UCL claim—commercial harm to Qualcomm—not the broader  
26 public or consumer good. See, e.g., Opp-1 at 20-21.





### 3. Balancing Test

Finally, the Court will consider the balancing test. Apple argues that the Court should reject the balancing test because it is outdated and not viable post Cel-Tech given (1) the need for a standardized definition of “unfair” for consumer and competitor cases and (2) because it is a vague and amorphous test. MTD at 18 n.3 (citing Stern, Rutter Group Practice Guide: Business & Professions Code Section 17200 § 3:119). While the Ninth Circuit in Lozano observed that “Cel-Tech effectively rejects the balancing approach,” it went on to affirm the district court’s use of the balancing test. Lozano, 504 F.3d at 736 (“In the absence of further clarification by the California Supreme Court, we endorse the district court’s approach to the law as if it still contained a balancing test.”). While the Court observes that the test has been criticized, it is also apparent that some federal district courts and some of the California Courts of Appeal have continued to apply the “balancing” test. See, e.g., Ferrington v. McAfee, Inc., 2010 WL 3910169, \*13 (N.D. Cal. Oct. 5, 2010); McKell v. Washington Mut., Inc., 142 Cal. App. 4th 1457 (2006); Aguilar v. General Motors, LLC, 2013 WL 5670888, at \*6 (E.D. Cal. 2013) (stating that the traditional balancing test “has been used more widely and analyzed more thoroughly by California courts.”); S. Bay Chevrolet v. Gen. Motors Acceptance Corp., 72 Cal. App. 4th 861, 886 (1999).

The Court takes this opportunity to clarify the apparent origins of two related approaches that have both been construed as the “balancing test.” Some California appellate courts have interpreted the test to require only that the court “weigh the utility of the defendant’s conduct against the gravity of the harm to the alleged victim.” Id. Other courts have applied a second version of the balancing test, which mandates that plaintiffs show that a practice is “immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers.” Bardin v. Daimlerchrysler Corp., 136 Cal. App. 4th 1255, 1260 (2006).

In Cel-Tech, the court considered these two tests as separate tests. See Cel-Tech, 20

1 Cal. 4th at 184 (separately describing the tests); Gregory, 104 Cal. App. 4th at 852 (same).  
2 The first test (“Motors, Inc. Test”), requires an examination of the practice’s impact on its  
3 alleged victim, balanced against the reasons, justifications, and motives of the alleged  
4 wrongdoer. State Farm Fire & Cas. Co. v. Superior Court, 45 Cal. App. 4th 1093, 1103-  
5 04 (1996) (citing Motors, Inc. v. Times Mirror Co., 102 Cal. App. 3d 735, 740 (Ct. App.  
6 1980)). In contrast, the second line (“Sperry & Hutchinson Test”), finding a practice  
7 “unfair” when it “offends an established public policy or when the practice is immoral,  
8 unethical, oppressive, unscrupulous, or substantially injurious to consumers,” originates  
9 from People v. Casa Blanca Convalescent Homes, Inc., 159 Cal. App. 3d 509, 530 (1984)  
10 which in turn cited FTC guidelines sanctioned by the Supreme Court in FTC v. Sperry &  
11 Hutchinson, 405 U.S. 233 (1972).

12 Confusion as to what constitutes the pre-Cel-Tech “balancing test” arises because  
13 later case law melded the Motors, Inc. balancing test and Sperry & Hutchinson test together  
14 in the consumer context, defining “unfair” as “prohibiting conduct that is immoral,  
15 unethical, oppressive, unscrupulous or substantially injurious to consumers and requires  
16 the court to weigh the utility of the defendant’s conduct against the gravity of the harm to  
17 the alleged victim.” Smith v. State Farm Mutual Automobile Ins. Co., 93 Cal. App. 4th  
18 700, 718-19 (2001). See also McKell v. Washington Mut. Inc., 142 Cal. App. 4th 1457,  
19 1473 (2006) (“A business practice is unfair within the meaning of the UCL if it violates  
20 established public policy or if it is immoral, unethical, oppressive, or unscrupulous and  
21 causes injury to consumers which outweighs its benefits.”); South Bay Chevrolet, 72 Cal  
22 App. 4th at 887 (citing both tests but applying only the Motors, Inc. balancing test). Federal  
23 district courts, relying on California case law, have similarly applied a melded definition  
24 as the “balancing test.” See, e.g., Backhaut v. Apple, Inc., 74 F. Supp. 3d 1033, 1050 (N.D.  
25 Cal. 2014); Ferrington, 2010 WL 3910169, at \*13.

26 Given the historical origins of the two tests as separate analyses, the Court will treat  
27 the “balancing test” as a two-factor analysis, first considering whether or not the unfair  
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1 conduct as issue was “immoral, unethical, oppressive, unscrupulous or substantially  
2 injurious” to the harmed party.<sup>7</sup> Next, the Court will weigh the practice’s impact on its  
3 alleged victims against the reasons, justifications, and motives of the alleged wrongdoer.  
4 By doing so, the Court assesses not only the utility of the defendant’s conduct and the  
5 gravity of the harm to the alleged victim, but also the nature of the conduct at issue.

6 First, Apple’s conduct cannot be reasonably construed as “immoral, unethical,  
7 oppressive, unscrupulous, or substantially injurious” to Qualcomm. Apple’s alleged  
8 threats challenging Qualcomm’s status as a supplier are justified by Apple’s right to choose  
9 with whom it does business. See, e.g., *United States v. Colgate & Co.*, 250 U.S. 300, 308  
10 (1919); *Pac. Bell Tel. Co. v. Linkline Commc'ns, Inc.*, 555 U.S. 438, 448 (2009); cf. *Drum*  
11 *v. San Fernando Valley Bar Ass’n*, 182 Cal. App. 4th 247, 253 (Cal App. 2010) (bar  
12 association’s unilateral refusal to sell its membership list to a particular buyer was not  
13 “immoral, unethical, or unscrupulous” and consequently was not “unfair” under UCL).

14 In addition, Qualcomm’s marketing retaliation allegations are so vague that the  
15 Court cannot reasonably find that the conduct was “immoral, unethical, oppressive,  
16 unscrupulous, or substantially injurious” to Qualcomm. Undisputedly, Apple has a First  
17 Amendment right to market its products and respond to criticisms regarding the  
18 performance of its products. See *Bigelow v. Virginia*, 421 U.S. 809, 818 (1975) (protection  
19 of First Amendment extends to commercial speech). Given the vagueness of Apple’s  
20 alleged threat to retaliate through marketing and mindful of Apple’s First Amendment  
21 rights, Qualcomm’s UCL claim of “unfair” competition based on marketing retaliation is  
22

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23  
24 <sup>7</sup> Qualcomm argues that Apple’s unfair conduct harmed consumers by negatively impacting network  
25 efficiency and reducing data download resources, thereby harming all “who depend[ ] on the cellular  
26 industry.” Counterclaims ¶ 386; Opp-1 at 18-19. Here, it is harm to Qualcomm that matters, not the  
27 harm to consumers. Given that the “immoral, unethical, oppressive, unscrupulous, or substantially  
28 injurious to consumers” language usually arises in the context of consumer UCL claims, rather than a  
commercial supplier claim, the Court will assume that the test is meant to assess the harm to the primary  
victim of the alleged unfair conduct. Qualcomm appears to agree that its harm as a supplier because of  
any impact on consumer demand is the relevant inquiry here. Dkt. No. 162 at 51-52.

1 not plausible and jeopardizes Apple’s right of free speech. The Court finds unpersuasive  
2 Qualcomm’s assertion at oral argument that such retaliatory conduct might be considered  
3 “oppressive.” Dkt. No. 162 at 50. Accordingly, under the Sperry & Hutchinson analysis,  
4 Qualcomm has not sufficiently alleged facts to show that Apple’s conduct was “immoral,  
5 unethical, oppressive, unscrupulous, or substantially injurious.”

6 Second, applying the *Motors, Inc.* weighing test, Qualcomm alleges harm to its  
7 business by asserting that Qualcomm’s chipsets would be in higher demand and would  
8 have sold more chipsets absent Apple’s threatening conduct. Counterclaims ¶ 250, 383.  
9 Qualcomm further asserts that Apple’s threatening conduct hurt Qualcomm’s goodwill and  
10 product image, and reduced incentives to develop next-generation technologies. *Id.* ¶ 384-  
11 85. Qualcomm’s allegations are conclusory and do not adequately support the extent of  
12 the alleged harm produced by threats to engage in an amorphous marketing campaign.

13 As to utility, Qualcomm pleaded that there was “no utility to any of Apple’s unfair  
14 acts.” Counterclaims ¶ 386. At oral argument, Apple asserted that it had not yet presented  
15 its utility arguments because of the stage of the litigation, but referred the Court to a  
16 Bloomberg article cited by Qualcomm for possible utility rationales. *Schlabach Decl., Ex.*  
17 1. According to Apple, these reasons include: (1) to ensure a uniform iPhone experience;  
18 (2) to keep component costs in check as a pro-competitive objective; and (3) to keep  
19 wireless carriers happy. Dkt. No. 162 at 32. Qualcomm argues that these rationales do not  
20 involve the utility of Apple’s challenged conduct—threats to Qualcomm. The Court  
21 disagrees with this assessment given that Apple’s alleged threats to discontinue  
22 Qualcomm’s status as a supplier and launch a retaliatory marketing campaign are directly  
23 connected with the business rationales discussed in the Bloomberg article.

24 Ultimately, the Court finds that even under the balancing test, Qualcomm has not  
25 presented a plausible claim. Here, under the Sperry & Hutchinson assessment, Qualcomm  
26 has made no showing that Apple’s conduct was “immoral, unethical, oppressive,  
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1 unscrupulous, or substantially injurious.”<sup>8</sup> This alone is enough to dismiss Qualcomm’s  
2 claim. The Court will not sanction the use of the UCL to prohibit conduct that at its core  
3 promoted procompetitive activity through the development of Intel as an alternative chip  
4 supplier.

5 Accordingly, the Court will **GRANT** Apple’s motion to dismiss Count X of  
6 Qualcomm’s First Amended Complaint on this basis.

#### 7 **4. Safe Harbor**

8 A business practice cannot be unfair if it is permitted by law. *Lazar v. Hertz Corp.*,  
9 69 Cal. App. 4th 1494, 1505 (1999). “The UCL does not apply if the Legislature has  
10 expressly declared the challenged business practice to be lawful in other statutes.” *Id.* at  
11 1505-06. A court may not allow a plaintiff to “plead around an absolute bar to relief simply  
12 by recasting the cause of action as one for unfair competition.” *Chabner v. United of*  
13 *Omaha Life Ins. Co.*, 225 F.3d 1042, 1048 (9th Cir. 2000). However, the limitation is  
14 narrow because in order “to forestall an action under Section 17200, another provision  
15 must actually bar the action or clearly permit the conduct.” *Cel-Tech*, 20 Cal. 4th at 183  
16 (emphasis added); *Chabner*, 225 F.3d at 1048.

17 In *Chavez v. Whirlpool Corp.*, 93 Cal. App. 4th 363, 375 (2001), the Court of Appeal  
18 held that conduct alleged to be “unfair” because it unreasonably restrains competition and  
19 harms consumers, such as the resale price maintenance agreement at issue in that case, was  
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21  
22 <sup>8</sup> The Court recognizes that California Courts have stated that the determination of whether conduct is  
23 unfair “usually cannot be made on demurrer.” *McKell*, 142 Cal. App. 4th 1457, 1473. However, the  
24 Court’s conclusion that the threat not to do business theory does not state a claim under the unfair  
25 competition law represents a conclusion of law rather than the sort of factual finding that cannot be  
26 resolved by a motion to dismiss. See *Gregory*, 104 Cal. App. 4th at 857. See also *Bardin*, 136 Cal.  
27 App. 4th at 1271 n.6 (affirming dismissal at demurrer stage where complaint was devoid of facts that  
28 showed “immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers”). In  
addition, in federal court the plaintiff must meet higher pleading standards under *Twombly* and *Iqbal* to  
state a claim for relief that is “plausible” on its face. *Ashcroft v. Iqbal*, 556 U.S. at 678. With regard to  
Apple’s alleged marketing campaign threat, Qualcomm does not allege any well-pleaded facts sufficient  
to support the theory.

1 not unfair if the “conduct is deemed reasonable and condoned under the antitrust laws.”

2 Apple argues that Chavez forecloses Qualcomm’s UCL claim under any test.  
3 Qualcomm asserted that Apple threatened Qualcomm that the company’s revelation of the  
4 iPhone speed disparity to the public would “severely impact Qualcomm’s standing as a  
5 supplier.” Counterclaims ¶ 243. According to Apple, they are absolutely protected from  
6 a UCL claim by the Colgate doctrine which affords Apple the right to select with whom to  
7 do business and on what terms. MTD-1 at 15-16. In *United States v. Colgate & Co.*, 250  
8 U.S. 300, 308 (1919), the Supreme Court held that “in the absence of any purpose to create  
9 or maintain a monopoly, the [Sherman] act does not restrict the long recognized right of  
10 trader or manufacturer engaged in an entirely private business, freely to exercise his own  
11 independent discretion as to parties with whom he will deal; and, of course, he may  
12 announce in advance the circumstances under which he will refuse to sell.”

13 The Court will not apply the safe harbor provisions from Chavez at this juncture.  
14 Unlike in Chavez and *City of San Jose v. Office of the Com’r of Baseball*, 776 F.3d 686,  
15 692 (9th Cir. 2015), Qualcomm has not pled an antitrust violation in conjunction with its  
16 UCL claim. Accordingly, a primary rationale of Chavez—“[i]f the same conduct is alleged  
17 to be both an antitrust violation and an unfair practice business act or practice . . . the  
18 determination that the conduct is not an unreasonable restraint of trade necessarily implies  
19 that the conduct is not ‘unfair’ toward consumers.”—is absent in this case. See *City of San*  
20 *Jose*, 776 F.3d at 692 (barring independent UCL claim because MLB’s activities were  
21 lawful under antitrust laws). See also Chavez, 93 Cal. App. 4th 363, 375 (“To permit a  
22 separate inquiry into essentially the same question under the unfair competition law would  
23 only invite conflict and uncertainty and could lead to the enjoining of procompetitive  
24 conduct.”)

25 Furthermore, Apple has not shown that the legislature has expressly declared that  
26 the specific conduct Qualcomm alleges is “clearly permitted.” Qualcomm accuses Apple  
27 of two primary threats—(1) threatening Qualcomm’s “standing as a supplier” if Qualcomm  
28

1 disclosed the iPhone speed disparity and (2) stating Apple would use its marketing  
2 organization to retaliate against Qualcomm. Counterclaims ¶ 243.<sup>9</sup> Cel-Tech requires  
3 more than the unfair practice be permitted conduct; it must be deemed clearly permitted by  
4 the legislature. Accordingly, the Court will **DENY** Apple’s Motion to Dismiss on this  
5 basis.

#### 6 **E. Conclusion**

7 For the foregoing reasons, the Court will **GRANT** Apple’s motion to dismiss  
8 Count X of Qualcomm’s First Amended Complaint as Qualcomm has not pled a  
9 plausible claim under the Cel-Tech, tethering, or balancing tests. The Court will **DENY**  
10 Apple’s motion as to standing and safe harbor. The Court will grant leave to amend as  
11 any attempt to cure the pleading’s deficiencies would not be futile. See *DeSoto v. Yellow*  
12 *Freight Sys., Inc.*, 957 F.2d 655, 658 (9th Cir. 1992).

#### 13 **IV. Qualcomm’s Motion to Dismiss Apple’s First Amended Complaint**

14 Qualcomm’s Motion to Dismiss seeks to dismiss for lack of subject matter  
15 jurisdiction nine patents-in-suit that were added by Apple in its First Amended Complaint  
16 (“FAC”). MTD-2 at 3.

#### 17 **A. Extrinsic Evidence**

18 On a motion to dismiss for lack of subject matter jurisdiction pursuant to 12(b)(1),  
19 “the district court is not restricted to the face of the pleadings, but may review any  
20 evidence, such as affidavits and testimony, to resolve factual disputes concerning the  
21 existence of jurisdiction” without converting the motion into one for summary judgment.  
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25 <sup>9</sup> Apple’s citation to *Aspex Eyewear, Inc v. Vision Services Plan*, 389 F. App’x 664, 666 (9th Cir. 2010)  
26 similarly does not show that the legislature has “clearly permit[ted]” threats similar to Apple’s conduct.  
27 An unpublished memorandum disposition, even if persuasive, does not establish what the legislature  
28 “clearly permits.” Similarly, Apple has not shown that any First Amendment right to commercial  
speech under *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 69 (1983) would “clearly permit” a  
retaliatory marketing campaign.

1 McCarthy v. United States, 850 F.2d 558, 560 (9th Cir. 1988). Further, under the  
2 incorporation by reference doctrine, the district court may take into account documents  
3 whose “contents are alleged in a complaint and whose authenticity no party questions, but  
4 which are not physically attached to the [ ] pleadings.” Knieval v. ESPN, 393 F.3d 1068,  
5 1076 (9th Cir. 2005). Apple agrees with Qualcomm that the licensing correspondence  
6 should be reviewed and attached in its opposition six exhibits further detailing the  
7 correspondence between Qualcomm and Apple relevant to the nine Additional Patents-in-  
8 Suit. Opp-2 at 3 n.3. Accordingly, the Court finds that it may review extrinsic evidence  
9 to resolve the factual dispute related to jurisdiction and that the exhibits presented by both  
10 Apple and Qualcomm are relevant to whether the court has declaratory judgment  
11 jurisdiction. As such, the Court will consider (1) Exhibits 1-2 to the Declaration of  
12 Nathan Hamstra In Support of Qualcomm’s Motion to Dismiss; (2) Exhibits A-G to the  
13 Declaration of Seth Sproul In Support of Apple’s Opposition; (3) Exhibit 1 to the  
14 Declaration of Nathan Hamstra In Support of Qualcomm’s Reply.

## 15 **B. Background**

16 The FAC divides the patents-in-suit into two groups—the “Original Patents-in-Suit”  
17 from the original complaint and the nine additional patents “Additional Patents-in-Suit”  
18 added in the First Amended Complaint. FAC ¶¶ 127, 146. In its FAC, Apple stated that it  
19 had identified “nine additional patents” that “appeared on the March 18, 2016 list that  
20 Qualcomm sent to Apple as alleged evidence that Apple should pay Qualcomm’s usurious  
21 non-FRAND royalties.” FAC ¶ 146. For each of these patents, Apple seeks a declaration  
22 of non-infringement, invalidity, or that the Court set a FRAND royalty. FAC ¶¶ 428-574.

23 In contrast, the Original Patents-in-Suit appear not only on the March 18, 2016 list,  
24 but are either a U.S. counterpart to a Chinese patent asserted by Qualcomm in litigation or  
25 a U.S. patent for which Qualcomm provided infringement allegations in claim charts  
26 during the parties’ licensing negotiations in December 2016. FAC ¶ 140. In short, the  
27 Original Patents-in-Suit either appear on claim charts that Qualcomm presented to Apple  
28



1 or are Chinese counterparts to patents asserted in the Meizu litigation. Apple asserts that  
2 the Original Patents-in-Suit are the patents “which Qualcomm believes have the strongest  
3 infringement reads.” FAC ¶ 41. Qualcomm does not seek to dismiss the Original Patents-  
4 in-Suit in this instant motion.

5 Apple and Qualcomm began direct licensing discussions around November 2014.  
6 FAC ¶ 119. In February 2016, Qualcomm and Apple engaged in renewed direct patent  
7 licensing discussions. Sproul Decl., Ex. F at 1. In a February 17, 2016 letter, Qualcomm  
8 responded to Apple’s inquiry to explain why Qualcomm thought Apple’s products  
9 infringed by stating: “Apple products have been certified as compliant with  
10 CDMA/WCDMA (3G) and LTE (4G) networks around the world.” FAC ¶ 137; Sproul  
11 Decl., Ex. F at 2. Qualcomm asserted that a demand for “claim charts” for each essential  
12 patent against each Apple product would be [REDACTED]

13 [REDACTED]  
14 [REDACTED] Sproul Decl., Ex. F at 2.

15 Qualcomm also informed Apple that it would provide a complete list of patents  
16 disclosed to ETSI and asserted that “Apple products that have been certified as compliant  
17 with a standard necessarily practice every patent claim that is essential to any mandatory  
18 portions of that standard.” FAC ¶ 137; Sproul Decl., Ex. F at 2.

19 On March 18, 2016, Qualcomm sent Apple a chart consisting of 1,975 pages of  
20 patent numbers, for over three thousand U.S. and Chinese patent families. (“March 18  
21 List”). These charts include titles, abstracts, and identification of specifications for which  
22 particular patents were disclosed to relevant standard setting organizations as potentially  
23 essential to the standard. Hamstra Decl. ISO MTD, Ex. 1. In a letter simultaneously sent  
24 with the chart, Qualcomm asserted that the March 18 List included patents “disclosed to  
25 ETSI as potentially containing ESSENTIAL IPR (as that term is used in the ETSI IPR  
26 Policy).” Qualcomm further asked Apple “whether any of the listed portions of the  
27 standards are not implemented in the Apple products that are UMTS- or LTE-capable.”

1 On April 18, 2016, Apple—having considered the March 18 List—sent Qualcomm  
2 a letter asking Qualcomm to [REDACTED] the SEPs it believed Apple  
3 infringed and to provide [REDACTED]  
4 [REDACTED] noting that [REDACTED] Hamstra Decl. ISO MTD, Ex. 2  
5 at 2. At the end of its letter, Apple reiterated its request and asked Qualcomm to re-send a  
6 list that Qualcomm [REDACTED] Id. (emphasis in original).

7 On June 12, 2016, Qualcomm wrote to Apple that they had already provided their  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED] Sproul Decl, Ex. E at 2. Qualcomm also  
13 offered to present “claim reads” for representative SEPs in Qualcomm’s portfolio.

14 On November 11, 2016, Qualcomm wrote to Apple stating that [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED] Sproul Decl., Ex. D at 1.

19 On December 5, 2016, Qualcomm stated that it would be willing to provide claim  
20 charts under the terms of a confidentiality agreement and proposed a series of dates for the  
21 claim chart reviews and included a list of attorneys to be present. Sproul Decl., Ex. A at  
22 2. In these discussions, Qualcomm explained that it had prepared “over 100 claim charts”  
23 to share with Apple. Sproul Decl., Ex. B.

24 In December 2016, Qualcomm presented claim charts with regard to 23 patents. See  
25 FAC ¶¶ 132-136; Reply-2 at 2. On January 12, 2017, Qualcomm offered to “address  
26 follow-up questions” Apple had about the patent families Qualcomm had already presented  
27 and offered to “present the next batch of claim charts” to Apple. Hamstra Decl. ISO Reply,  
28

1 Ex. 1 at 5. On January 18, 2017, Apple responded to Qualcomm stating an intention to  
2 meet regarding the additional claim charts on February 2, 2017. Id. at 4. However, this  
3 meeting never occurred because Apple filed suit against Qualcomm in this matter on  
4 January 20, 2017. Dkt. No. 1.

### 5 **C. Declaratory Judgment Act and Standing**

6 The Declaratory Judgment Act provides that:

7 In a case of actual controversy within its jurisdiction . . . any court of the  
8 United States, upon the filing of an appropriate pleading, may declare the  
9 rights and other legal relations of any interested party seeking such  
10 declaration, whether or not further relief is or could be sought.

11 28 U.S.C. § 2201(a). The plaintiff seeking the Declaratory Judgment bears the burden of  
12 showing the existence of an “actual controversy” sufficient to confer Article III  
13 jurisdiction. *Organic Seed Growers & Trade Ass'n v. Monsanto Co.*, 718 F.3d 1350,  
14 1354 (Fed. Cir. 2013).<sup>10</sup>

15 Under the test recently established in *MedImmune*, the Court assesses whether “the  
16 facts alleged, under all the circumstances, show that there is a substantial controversy,  
17 between parties having adverse legal interests, of sufficient immediacy and reality to  
18 warrant the issuance of a declaratory judgment.” *MedImmune, Inc. v. Genentech, Inc.*,  
19 549 U.S. 118, 127 (2007). Post-*MedImmune*, the Federal Circuit held that the prior  
20 standard requiring a “reasonable apprehension of suit” had been overruled, *Monsanto*,  
21 718 F.3d at 1355, though proving a reasonable apprehension remains “one of multiple  
22 ways that a declaratory judgment plaintiff may satisfy the all-the-circumstances test to  
23 establish a justiciable Article III controversy.” *Prasco, LLC v. Medicis Pharm. Corp*, 537  
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25  
26 <sup>10</sup> Federal Circuit law governs the inquiry into the existence of a declaratory judgment “case or  
27 controversy.” *MedImmune, Inc. v. Centocor, Inc.*, 409 F.3d 1376, 1378 (Fed. Cir. 2005), overruled on  
28 other grounds, 549 U.S. 118 (2007); *Applera Corp. v. Michigan Diagnostics*, 594 F. Supp. 2d 150 (D.  
Mass. 2009).

1 F.3d 1329, 1336 (Fed. Cir. 2008).

2 The Federal Circuit has subsequently held that a party seeking declaratory  
3 judgment under *MedImmune* must show: “(1) an affirmative act by the patentee relating  
4 to the enforcement of his patent rights and (2) meaningful preparation to conduct  
5 potentially infringing activity.” *Ass’n for Molecular Pathology v. U.S. Patent &*  
6 *Trademark Office*, 689 F.3d 1303, 1318 (Fed. Cir. 2012) (citing *SanDisk Corp. v.*  
7 *STMicroelectronics, Inc.*, 480 F.3d 1372, 1380-81 (Fed. Cir. 2007) and *Cat Tech LLC v.*  
8 *TubeMaster, Inc.*, 528 F.3d 871, 880 (Fed. Cir. 2008)). Here there is no dispute as to the  
9 second factor because Apple long engaged in the sale and, through its Contract  
10 Manufacturers, the production of iPhones and iPads. See *ActiveVideo Networks, Inc. v.*  
11 *Trans Video Electronics, Ltd.*, 975 F. Supp. 2d 1083, 1086 (N.D. Cal. 2013).

12 The *MedImmune* “all the circumstances” analysis is “calibrated to the particular  
13 facts of each case.” *Matthews Int’l Corp. v. Biosafe Eng’g, LLC*, 695 F.3d 1322, 1328  
14 (Fed. Cir. 2012). There is no bright-line rule applicable to patent cases, but “Article III  
15 jurisdiction may be met where the patentee takes a position that puts the declaratory  
16 judgment plaintiff in the position of either pursuing arguably illegal behavior or  
17 abandoning that which he claims a right to do.” *SanDisk Corp. v. STMicroelectronics,*  
18 *Inc.*, 480 F.3d 1372, 1380–81 (Fed. Cir. 2007). “Jurisdiction generally will not arise  
19 merely on the basis that a party learns of the existence of a patent owned by another or  
20 even perceives such a patent to pose a risk of infringement.” *Id.* More is required than “a  
21 communication from a patent owner to another party, merely identifying its patent and  
22 the other’s product line,” and how much more is decided on a “case-by-case analysis.”  
23 *3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1378–79 (Fed. Cir. 2012). On the other  
24 end of the spectrum, there is necessarily declaratory judgment jurisdiction if a party has  
25 actually been charged with infringement. *Id.*

26 In *Cepheid v. Roche Molecular Systems, Inc.*, No. C-12-4411-EMC, 2013 WL  
27 184125, at \*6 (N.D. Cal. Jan. 17, 2013) and *ActiveVideo*, 975 F. Supp. 2d at 1087, Judge  
28

1 Chen laid out the medley of factors to be considered in the affirmative act determination:

- 2 (1) the strength of any threatening language in communications between the parties;
- 3 (2) the depth and extent of infringement analysis conducted by the patent holder;
- 4 (3) whether the patent holder imposed a deadline to respond;
- 5 (4) any prior litigation between the parties;
- 6 (5) the patent holder's history of enforcing the patent at issue;
- 7 (6) whether the patent holder's threats have induced the alleged infringer to change
- 8 its behavior;
- 9 (7) the number of times the patent holder has contacted the alleged infringer;
- 10 (8) whether the patent holder is simply a holding company with no source of income
- 11 other than enforcing patent rights;
- 12 (9) whether the patentee refused to give assurance it will not enforce its patent;
- 13 (10) whether the patent holder has identified a specific patent and specific infringing
- 14 products;
- 15 (11) the extent of the patent holder's familiarity with the product prior to suit;
- 16 (12) the length of time that transpired after the patent holder asserted infringement;
- 17 and
- 18 (13) whether communications initiated by the declaratory judgment plaintiff have
- 19 the appearance of an attempt to create a controversy in anticipation of filing suit.

20 The Court analyzes the most relevant factors below.

### 21 **1. Depth and Extent of Infringement Analysis**

22 The Court finds that the depth and extent of infringement analysis on the Additional  
23 Patents-in-Suit weighs strongly in Qualcomm's favor. In SanDisk, defendant STM  
24 presented to the declaratory judgment plaintiff SanDisk a "thorough infringement analysis"  
25 detailing claims STM believed infringed their patents on an "element-by-element" basis,  
26 and provided to the plaintiff over 300 pages of materials for each of the fourteen patents  
27 under discussion and asserted that it had made a "studied and determined infringement  
28

1 determination.” 480 F.3d at 1382. The depth and extent of STM’s infringement analysis  
2 weighed in favor of finding that SanDisk had declaratory judgment jurisdiction.

3 Here, Qualcomm has never accused Apple of infringing the Additional Patents-in-  
4 Suit. MTD-2 at 6. Qualcomm asserts that the 1,975 page list provided to Apple on March  
5 18, 2016 is simply an identification of the universe of patents previously declared as  
6 potentially essential to a standard. See Hamstra Decl., Ex. 1. Qualcomm has not stated that  
7 the Additional Patents-in-Suit are “actually essential” to a standard practiced by Apple.  
8 MTD-2 at 7. Consequently no detailed infringement analysis has been performed as to the  
9 Additional Patents-in-Suit. Qualcomm’s twenty-three claim charts, from which Apple  
10 chose six as the Original Patents-in-Suit, would appear to be the type of “thorough  
11 infringement analysis” contemplated in SanDisk. However, this level of in-depth analysis  
12 does not appear to have been conducted as to the Additional Patents-in-Suit and  
13 accordingly this factor weighs strongly against Apple. See 3M v. Avery Dennison Corp.,  
14 673 F.3d 1372, 1379 (Fed. Cir. 2012) (statement that Avery had analyzed a specific 3M  
15 product and that “claim charts would be forthcoming” signaled intent to escalate dispute  
16 sufficient to warrant declaratory judgment jurisdiction).

17 Apple argues that Qualcomm has raised the specter of “hundreds of additional claim  
18 charts.” Opp-2 at 4. Qualcomm responds that they have never presented or even referred  
19 to claim charts in connection with the Additional Patents-in-Suit. Reply-2 at 2 (“These  
20 patents were never specifically discussed with Apple, let alone charted or presented.”).

21 At this stage, it is Apple’s burden to prove that declaratory judgment jurisdiction  
22 existed at the time the counterclaims were filed. See Benitec Austl., Ltd v. Nucleonics, Inc.,  
23 495 F.3d 1340, 1344 (Fed. Cir. 2007). Apple has not sufficiently pled that the nine  
24 Additional Patents-in-Suit were part of the “hundreds” of claim charts prepared by  
25 Qualcomm in the licensing negotiations.

26 Here, the complete absence of detailed infringement analysis as to the Additional  
27 Patents-in-Suit weighs severely against finding declaratory judgment jurisdiction.

1                   **2.     Strength of Threatening Language in Communications**

2                   The “Strength of Threatening Language” in Qualcomm’s communications with  
3 Apple also weighs in favor of disallowing Declaratory Judgment jurisdiction.

4                   The Court has reviewed the licensing communications between Apple and  
5 Qualcomm and finds that Qualcomm did not use threatening language in its  
6 communications to indicate that it would imminently to assert its patent rights.<sup>11</sup> Compare  
7 *ABB Inc. v. Cooper Indus., LLC*, 635 F.3d 1345, 1348 (Fed. Cir. 2011) (patent holder  
8 assertion that it would “act vigorously to protect its rights” weighed in favor of establishing  
9 declaratory judgment jurisdiction); *MedImmune*, 549 U.S. at 121-22 (patent holder  
10 delivered a letter to declaratory judgment plaintiff expressing its expectation that petitioner  
11 would pay royalties because the accused product was covered by patent) with *Sproul Decl.*,  
12 Ex. E at 3 [REDACTED]

13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]”)

16                   Apple asserts that Qualcomm has effectively charged Apple with infringement,  
17 arguing that the “overall tenor” of licensing communications asserted a threat that Apple  
18 must take a license on Qualcomm’s entire SEP portfolio. *Opp-2* at 11.

19 In a letter dated June 12, 2016, Qualcomm wrote to Apple:

20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]

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24  
25  
26 <sup>11</sup> Apple cites to *HP*, 587 F.3d at 1362 for the proposition that “[t]he purpose of a declaratory judgment  
27 action cannot be defeated simply by the stratagem of a correspondence that avoids the magic words such  
28 as ‘litigation’ or ‘infringement.’” While the Court recognizes this principle, a holistic look at the  
licensing correspondence does not indicate, in the Court’s view, threatening language from Qualcomm.

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]

5 Sproul Decl, Ex. E at 2. The statement that [REDACTED]”  
6 does not necessarily evince an affirmative act sufficient to create an actual controversy  
7 because Apple’s products were and currently are licensed through the Contract  
8 Manufacturers. See Reply-2 at 2. Moreover, the plain text of this communication is not  
9 necessarily threatening. Qualcomm clearly delineates between two categories of patents:  
10 (1) essential patents implemented that would infringe absent a license and (2) potentially  
11 essential patents that Qualcomm disclosed to SSOs. Consequently, Qualcomm does not  
12 appear to be threatening Apple with infringement of its potentially essential patents—i.e.  
13 those included on the March 18 List.

### 14 **3. Deadline to Respond**

15 This factor weighs marginally in Qualcomm’s favor. Qualcomm did not impose a  
16 deadline to respond in any of its correspondence. See *Hewlett-Packard Co. v. Accelaron*  
17 *LLC*, 587 F.3d 1358, 1362 (Fed. Cir. 2009) (finding declaratory judgment jurisdiction in  
18 part because Accelaron twice imposed a two-week deadline on HP to respond sufficient to  
19 constitute an affirmative act). Instead, Qualcomm’s correspondence seems to indicate an  
20 intent to move forward and push for in-person meetings to further good faith negotiations.  
21 See Sproul Decl., Ex. E at 3.

### 22 **4. Prior Litigation between the Parties and Patent Holder’s History** 23 **of Enforcing the Patents-In-Suit**

24 These factors weigh marginally in favor of Apple. There does not appear to have  
25 been direct prior litigation between Apple and Qualcomm regarding these patents.  
26 Nonetheless, Apple asserts that Qualcomm is “increasingly aggressive with respect to its  
27 assertions regarding its cellular SEP portfolio” and points to Qualcomm’s lawsuit against  
28



1 Meizu, a Chinese smartphone maker, and Qualcomm’s lawsuit against the contract  
2 manufacturers in the now-consolidated ‘1010 case. Opp-2 at 5.

3 In *Prasco, LLC*, the Federal Circuit held that prior litigious conduct was a  
4 circumstance to be considered in the totality of the circumstances analysis. 537 F.3d at  
5 1341. However, in that case, the court found that a prior suit “concerning different products  
6 covered by unrelated patents” could not alone “create a real and immediate controversy,”  
7 and was entitled only to “minimal weight” in analyzing whether a controversy was created.  
8 *Id.*

9 Here, Qualcomm has previously engaged in litigation involving its patent portfolio  
10 against Meizu. Yet, none of the Additional Patents-in-Suit were at issue in that case.  
11 Nonetheless, three of the Original Patents-in-Suit are directly related to the Meizu litigation  
12 as counterparts to patents asserted in that litigation. Accordingly, the Court finds that  
13 Qualcomm’s overall recent history of litigation weighs—albeit minimally—in Apple’s  
14 favor, and is not a dispositive factor.<sup>12</sup>

15 **5. Whether The Patent Holder has Identified a Specific Patent And**  
16 **Specific Infringing Products**

17 This factor weighs strongly in Qualcomm’s favor. Qualcomm asserts that the facts  
18 of this case are analogous to *Applera v. Michigan Diagnostics, LLC*, 594 F. Supp. 2d 150  
19 (D. Mass. 2009). Apple argues that *Applera* does not apply because it is not binding and  
20 because the “patentee there did not declare that its patents were essential.” Opp-2 at 13.

21 In *Applera*, Defendant Michigan Diagnostics sought a declaration of non-  
22 infringement as to sixty-two Applied Biosystems patents. Plaintiff Applera (through its  
23 Division Applied Biosciences) alleged infringement of seven of the sixty-two patents in an  
24 amended complaint. *Id.* at 155. Counsel for Applera sent a letter to Michigan Diagnostics  
25

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26 <sup>12</sup> Qualcomm has also filed suit against Apple in an International Trade Commission case. This case  
27 similarly does not assert the Additional Patents-in-Suit and the Court will similarly afford minimal  
28 weight to this suit. See Opp-2 at 14 n.9.

1 asking the company to review Applera’s U.S. patent portfolio and included an enclosure  
2 of sixty-two patents. The Court found that the correspondence between the parties  
3 “besp[oke] the lack of any specific dispute” finding that there was no particularized and  
4 concrete dispute as to the fifty-five particular patents. The Court stated:

5 Applied Biosystems broadly, and with some palpable bravura, suggested a  
6 review of its entire patent portfolio, but it did not make any specific  
7 allegations of infringement except within its pleading in this lawsuit. Nor has  
8 Michigan Diagnostics, after apparently conducting a review of Applied  
9 Biosystems’ patents, argued that it might be infringing on any of these patents  
10 but for their invalidity. In short, it is far from clear that any dispute actually  
11 exists as to the fifty-five patents. As to them it may be fairly said that  
12 Michigan Diagnostics is essentially seeking an advisory opinion. There is no  
13 jurisdiction for that essay.

14 Id. at 160.

15 Qualcomm may have participated in a similar “palpable bravura” in suggesting to  
16 Apple to review its entire portfolio. Nonetheless, similar to Applera, Qualcomm has not  
17 made specific allegations of infringement as to the Additional Patents-in-Suit, nor has  
18 Qualcomm presented claim charts relating to these patents.

19 Further, the licensing correspondence reveals that Apple explicitly recognized that  
20 Qualcomm was not actually alleging infringement as to the thousands of patents on the  
21 March 18 List. For example, in an April 14 letter, Apple asked Qualcomm to identify each  
22 SEP it believed Apple infringed and to [REDACTED]  
23 [REDACTED]” As part of a list  
24 of next steps, Apple explicitly asked for a list of SEPs Qualcomm “[REDACTED]  
25 [REDACTED]” by Apple, along with claim charts to demonstrate this infringement. Hamstra  
26 Decl., Ex. 2 at 2-3 (emphasis in original).

27 Accordingly, Qualcomm’s lack of specificity in identifying precise infringing  
28

1 patents weighs severely against finding declaratory judgment jurisdiction for the  
2 Additional Patents-in-Suit. See also *Samsung Electronics Co, Ltd v. Texas Instruments,*  
3 *Inc.*, No. 3:96-cv-1, 1996 WL 343330 (N.D. Tex. Apr. 18, 1996) (dismissing claims where  
4 general representations during licensing negotiations concerning portfolio of nearly 4,000  
5 patents were made for “posturing” and “persuasion and strategy during extended licensing  
6 negotiations)<sup>13</sup>; *HP*, 587 F.3d at 1362 (finding dispute justiciable where patentee twice  
7 contacted plaintiff asserting rights against specific products under a specific patent);  
8 *ActiveVideo*, 975 F. Supp. 2d at 1091 (finding declaratory judgment jurisdiction where  
9 letter included identification of two specific patents); *Cepheid*, 2013 WL 184125, at \*11-  
10 \*13 (dismissing declaratory judgment claims as to one challenged patent where patentee  
11 had sued on different patents but never made threats to sue on the specific patent);  
12 *GoDaddy.com LLC v. RPost Commc’ns Ltd.*, No. CV-14-00126-PHX-JAT, 2014 WL  
13 6908520 (D. Ariz. Dec. 9, 2014) (“Simply listing a patent among numerous other patents  
14 in pre-suit communications from a patent owner to a potential infringer is insufficient to  
15 establish a justiciable controversy.”).

16 **6. Whether Patentee has Failed to Give Assurance that it will not**  
17 **Enforce its Patent**

18 This factors weighs in favor of Apple. Qualcomm has not provided to Apple an  
19 assurance that it will not sue for infringement as to the Additional Patents-in-Suit pursuant  
20 to *Super Sack Manufacturing Corp. v. Chase Packaging Corp.*, 57 F.3d 1054, 1058-59  
21 (Fed. Cir. 1995). See Opp-2 at 11 n.7. Nonetheless, a patentee’s failure to give assurances  
22 that it will not enforce its patents is not dispositive. See *ActiveVideo*, 975 F. Supp. 2d. at  
23 1088; *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1341 (Fed. Cir. 2008) (stating  
24

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25  
26 <sup>13</sup> The Court observes, as Apple suggests, that this case was decided under the “reasonable  
27 apprehension” standard. Nonetheless, this case continues to have persuasive value as a factually  
28 analogous case and because “reasonable apprehension” may still be considered under the MedImmune  
test.

1 that “[a] patentee has no obligation to spend the time and money to test a competitors’  
2 product nor to make a definitive determination, at the time and place of the competitors’  
3 choosing, that it will never bring an infringement suit”).

#### 4 **7. “All the Circumstances” Conclusion**

5 Apple’s argument is that Qualcomm’s assertion of its entire portfolio in negotiations  
6 puts every patent in that portfolio necessarily into play for declaratory judgment. Based on  
7 the above Cepheid and ActiveVideo factors, the Court finds that this premise is not  
8 supported by the caselaw which requires an affirmative act to constitute a  
9 “case or controversy” sufficient to warrant declaratory judgment jurisdiction.

10 Under Apple’s position, Apple would currently have declaratory judgment  
11 jurisdiction over not only the Additional Patents-in-Suit and Original Patents-in-Suit but  
12 also the thousands of patents listed as “potentially essential” as part of Qualcomm’s ETSI  
13 disclosures in the 1,975 page list. MTD-2 at 9. Apple could assert Declaratory Judgment  
14 jurisdiction over patents that have never been at issue including, for example, U.S. patent  
15 6,353,412, a Method and Apparatus for Determining Position Location Using Reduced  
16 Number Of GPS Satellites And Unsynchronized Base Stations, which neither appears in  
17 any licensing discussion, nor has ever been specifically referenced by Qualcomm or Apple  
18 as a patent that Qualcomm might assert in an infringement action. This reach is too broad  
19 in light of the Federal Circuit’s requirement of an affirmative act.

20 In light of the (1) complete absence of detailed infringement analysis as to the  
21 Additional Patents-in-Suit; (2) the lack of threatening communications from Qualcomm to  
22 Apple; (3) the lack of a deadline to respond; and (4) most importantly the lack of specific  
23 identification of the Additional Patents-in-Suit, the Court finds that there is not an  
24 affirmative act sufficient to establish Declaratory Judgment jurisdiction as to the  
25 Additional-Patents-in-Suit. Qualcomm has never specifically identified the Additional  
26 Patents-in-Suit in any licensing correspondence, and has never provided claim charts to  
27 Apple regarding these particular patents. The Court recognizes that Qualcomm owns a  
28

1 large portfolio of SEPs and that these patents were part of the FRAND offer made to Apple.  
2 Apple’s argument—that the patents were included on the March 18 List, that Qualcomm  
3 had prepared over one hundred claim charts, and had litigated against another smartphone  
4 maker—do not establish an affirmative act as to the Additional Patents-in-Suit. The law of  
5 declaratory judgment jurisdiction requires more specificity and more detailed infringement  
6 analysis than mere identification in a 1,975 page list.

7 Accordingly, the Court **GRANTS** Qualcomm’s Motion to Dismiss Apple’s claims  
8 regarding the nine Additional Patents-in-Suit. The Court will grant leave to amend as any  
9 attempt to cure the pleading’s deficiencies would not be futile. See *DeSoto v. Yellow*  
10 *Freight Sys., Inc.*, 957 F.2d 655, 658 (9th Cir. 1992).

## 11 **V. Qualcomm’s Motion to Dismiss the Contract Manufacturers’ Counterclaims**

12 Qualcomm also brings a motion to dismiss the Contract Manufacturers’  
13 Counterclaims ¶¶40-66 related to the same nine Additional Patents-in-Suit. MTD-3.  
14 Qualcomm observes that the Contract Manufacturers’ counterclaims are “substantively  
15 identical” to Apple’s declaratory judgment claims.<sup>14</sup> MTD-3 at 2.

### 16 **A. Threats Toward Apple Extending to the Contract Manufacturers**

17 The Contract Manufacturers argue that Qualcomm’s alleged threats toward Apple  
18 extend to the CMs, and thereby create declaratory judgment jurisdiction. Opp-3 at 1.  
19 Qualcomm’s primary argument is that it has never accused any Contract Manufacturer of  
20 infringing the Additional Patents-in-Suit, and furthermore never raised specific patents in  
21 any licensing correspondence with the Contract Manufacturers. As the Court has declined  
22 to find declaratory jurisdiction as to Apple, the Court will similarly decline to find  
23 declaratory jurisdiction on this basis.  
24

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26 <sup>14</sup> The Contract Manufacturers are indemnified by Apple. See, e.g., Case No: 17-cv-1010, Dkt. Nos. 66-  
27 79 (third party complaints by the CMs impleading Apple as a Third Party Defendant on the basis of  
28 indemnification).

1           The Court observes that the Contract Manufacturers appear to have a weaker  
2 argument than Apple based on a “threat” theory. *Arris Group v. British*  
3 *Telecommunications PLC*, 639 F.3d 1368, 1375 (Fed. Cir. 2011), which the Contract  
4 Manufacturers cite to establish Declaratory Jurisdiction over the Contract Manufacturers’  
5 counterclaims is inapposite. There, the Federal Circuit found a justiciable controversy  
6 between a patent holder and supplier because the supplier was “directly and substantially  
7 involved” in infringement negotiations between the patent holder and customer. *Id.* at  
8 1377. Here, the Contract Manufacturers have not plead that they participated in any  
9 licensing discussions about the Additional Patents-in-Suit. Furthermore, just as no claim  
10 charts were provided to Apple on these patents, no claim charts regarding the Additional  
11 Patents-in-Suit were provided to the Contract Manufacturers. Indeed, no claim charts at  
12 all were presented to the Contract Manufacturers because the primary licensing discussions  
13 were between Apple and Qualcomm. Reply-3 at 3.

14           Consequently, the Court will not find that it has declaratory judgment jurisdiction  
15 on the theory that Qualcomm’s threats to Apple extended to the Contract Manufacturers.  
16 Accordingly, the Court **GRANTS** Qualcomm’s motion to dismiss on this basis.

### 17           **B. Licensing Argument**

18           The Contract Manufacturers also assert an independent basis for jurisdiction—their  
19 status as licensees under their respective Licensing Agreements (“SULAs”) with  
20 Qualcomm. Opp-3 at 5. The SULAs grant a patent license to certain Qualcomm patents  
21 including SEPs and NEPs (non standard essential patents). Dkt. No. 1, Case No. 17-cv-  
22 1010 ¶ 47. Qualcomm has asserted that “[a]bsent Defendants’ License Agreements, the  
23 cellular products they manufacture (for Apple and others) would infringe many thousands  
24 of patents in Qualcomm’s portfolio.” *Id.* ¶ 41. The Court will analyze under the  
25 MedImmune standard whether the Contract Manufacturers have met their burden to show  
26 (1) a case or controversy of sufficient immediacy and reality and (2) that a declaratory  
27 judgment as to the Additional Patents-in-Suit would affect the legal relationship between  
28

1 Qualcomm and the Contract Manufacturers and finally and conclusively resolve the  
2 underlying controversy.

3 **1. Controversy of “Sufficient Immediacy and Reality”**

4 The Contract Manufacturers argue that it is “well established that a party has  
5 standing to bring a declaratory judgment action for patents to which that party had a license,  
6 but now refuses to pay royalties.” Opp-3 at 6 (citing *C.R. Bard, Inc. v. Schwartz*, 716 F.2d  
7 874, 881-82 (Fed. Cir. 1983) (finding jurisdiction where licensee had ceased payment of  
8 royalties but had not yet terminated contract); *MedImmune*, 549 U.S. at 128 (no dispute  
9 that there would be declaratory judgment jurisdiction if petitioner had taken “the final step  
10 of refusing to make royalty payments under the [ ] license agreement.”)). Accordingly,  
11 under *MedImmune*, refusing to make royalty payments under a license agreement—as the  
12 Contract Manufacturers have in this case—weighs in favor of finding a “substantial  
13 controversy . . . of sufficient immediacy and reality to warrant the issuance of a declaratory  
14 judgment.” See *MedImmune*, 549 U.S. at 127; Counterclaims ¶ 241-42.

15 **2. Adverse Legal Interests and Whether Declaratory Relief Would**  
16 **Affect the Legal Relationship Between the Parties**

17 The Court must also determine whether there are sufficient “adverse legal interests”  
18 between the parties such that a favorable determination as to the Additional Patents-in-Suit  
19 will affect the legal relationship between the parties and adequately redress any injuries.<sup>15</sup>

20 In *MedImmune* the Supreme Court emphasized a long line of case law holding that  
21 a litigant may not use a declaratory judgment action to “obtain piecemeal adjudication of  
22

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23  
24 <sup>15</sup> Qualcomm also argues that the CMs have not adequately alleged that all of the Additional Patents-in-  
25 Suit are actually covered by the SULAs. Qualcomm argues that many of the SULAs are likely “not  
26 licensed” if the CM’s allegations are taken as true. Under the SULAs, a patent is licensed if it is [REDACTED]

27 [REDACTED] Reply-3 at 5. The Court finds this argument unpersuasive as it relies on the assumption that  
28 the Additional Patents are not standard essential. Indeed, Qualcomm has denied the allegations that each  
patent was not essential. See, e.g., Dkt. No. 117 (“Qualcomm denies the allegations in Paragraph 561”).

1 defenses that would not finally and conclusively resolve the underlying controversy.” 549  
2 U.S. at 128 n.7 (citing *Calderon v. Ashmus*, 523 U.S. 740, 749 (1998)). Further, the Court  
3 reiterated that a declaratory judgment must “touch[] the legal relations of parties having  
4 adverse legal interests” and “admi[t] of specific relief through a degree of a conclusive  
5 character.” *MedImmune*, 549 U.S. at 127 (citing *Aetna Life Ins. Co. v. Haworth*, 300 U.S.  
6 227 (1937)). Consequently, *MedImmune* teaches that this Court has no place wading into  
7 a controversy that does not affect the legal relationship between the parties. Further, the  
8 party seeking to base jurisdiction on the Declaratory Judgment Act bears the burden of  
9 proving that the facts alleged meet the *MedImmune* test, and must show inter alia that  
10 “there is a substantial controversy, between the parties having adverse legal interests.” See  
11 *Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1343 (Fed. Cir. 2007).

12       Qualcomm argues that in order to establish standing the CMs must show that the  
13 declaratory relief they are requesting would be likely to finally and conclusively resolve  
14 the underlying controversy between the parties. Reply-3 at 7. Qualcomm points to  
15 *Verance Corp. v. Digimarc Corp.*, 2011 WL 2182119 (D. Del. June 2, 2011) to argue that  
16 there is no case or controversy where royalty payments in a license agreement are not  
17 contingent on the validity or noninfringement of specific patents.

18       In *Verance*, the court declined to find declaratory judgment jurisdiction holding that  
19 because the terms of the relevant License Agreement did not tie Verance’s obligation to  
20 pay royalties to patent infringement or validity, a declaration of invalidity or  
21 noninfringement as to the patents at issue would not “admit of specific relief through a  
22 decree of conclusive character.” *Id.* at \*6. The court paid careful attention to the licensing  
23 agreement<sup>16</sup> between Verance and Digimarc to conclude that no provision in the Verance  
24

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25  
26 <sup>16</sup> Pursuant to the License Agreement, Verance had agreed to pay Digimarc royalties for a “worldwide,  
27 non-exclusive, nontransferable ... non-sublicensable license under the Licensed Digimarc Patents to  
28 make, have made, use, import, sell and offer to sell Licensed Products and Services within the Fields of  
Use.” Licensed Digimarc Patents encompassed “all patents issued, patent applications filed and patent



1 License Agreement made royalty payments “contingent on the validity or infringement of  
2 any Digimarc patents.” Id. at \*1. The Verance court distinguished MedImmune based on  
3 the MedImmune agreement’s<sup>17</sup> emphasis on patent invalidity and noninfringement.  
4 Verance, 2011 WL 2182119, \*6 (“But unlike the license in MedImmune, the License  
5 Agreement in this case defines Verance’s obligation to pay royalties without regard to  
6 patent infringement or validity.”). The court in Miotox LLC v. Allergan, Inc, No. 2:14-cv-  
7 08723, 2015 WL 2084493, \*4 (C.D. Cal May 5, 2015) applied a similar analysis and looked  
8 at the language of the license agreement to determine whether royalties were sufficiently  
9 tied to patent invalidity and infringement such that a declaratory judgment would redress  
10 the legal relations between the parties. There, the License Agreement defined a Licensed  
11 Product as “any medical product containing Botulinum Toxin or other toxin made, used,  
12 or sold by LICENSEE . . . whose use is covered by a Valid Patent Claim.” Id. The Court  
13 held that since royalties<sup>18</sup> were tied to sales of products covered by the patents, the dispute  
14 could not be resolved without deciding the validity of the patents. Id.

15 Here, the amount of royalties that the CMs owe to Qualcomm are not dependent on  
16 whether the Additional Patents-in-Suit are valid or infringed. This is because each SULA  
17 requires the CMs to pay a percentage of the [REDACTED]  
18 that will vary based only on the volume of sales. What matters for the SULA royalties is  
19  
20

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21 claims owned by Digimarc” as of April 2002. Licensed Products and Services were specific Verance  
22 products “developed by or for Verance and as to which right, title and interest are primarily owned by  
23 Verance.” Id. at \*1. The court observed that no provision made royalty payments contingent on validity  
24 or noninfringement. Id.

24 <sup>17</sup> In MedImmune the language of the relevant license required petitioner to pay royalties on sales of  
25 “Licensed Products,” a term defined as a specified antibody where “the manufacture, use or sale of  
26 which . . . would, if not licensed under th[e] Agreement, infringe one or more claims of either or both of  
27 [the covered patents] which have neither expired nor been held invalid by a court or other body of  
28 competent jurisdiction from which no appeal has been or may be taken.” MedImmune, 549 U.S. at 122  
(emphasis added).

<sup>18</sup> Royalties under that license were determined by Net Sales, which were defined in part by the  
“Licensed Product” definition. Id.

1 the [REDACTED]; an invalidity or noninfringement determination as to the Nine  
2 Patents-in-Suit would not alter the legal relationship between the CMs and Qualcomm.  
3 The licensing language in the SULAs is closer to the Verance License—where royalties  
4 were not tied to invalidity or noninfringement—than to the language in MedImmune and  
5 Miotox where the language explicitly contained references to patent validity and  
6 noninfringement. Compare Verance, 2011 WL 2182119, \*1 (defining Licensed Products  
7 without reference to patent invalidity or noninfringement) with Miotox, 2015 WL 2084493,  
8 \*4 (defining the Licensed Product with reference to any medical product sold “whose use  
9 is covered by a Valid Patent Claim”); MedImmune, 549 U.S. at 122 (defining Licensed  
10 Product as antibodies that if not for the license infringe the relevant patents and “which  
11 have neither expired nor been held invalid”).

12 At oral argument, the Contract Manufacturers presented to the Court, in a slide deck,  
13 two examples of provisions “where it actually makes a difference in terms of whether the  
14 patents are infringed.” Dkt No. 162 at 93. The Court is not persuaded that either of these  
15 references even remotely shows that a declaratory judgment as to the nine Additional  
16 Patents-in-Suit would affect the legal relations between the parties. Slide 37 indicates that  
17 [REDACTED] the unit sold per the royalty provision, includes a broad reference to  
18 Qualcomm’s intellectual property. See Chong Declaration, Ex. 2, Dkt. 73, Case No. 17-  
19 cv-1010. Slide 38 states that for Invalid or Expired Patents the [REDACTED]

20 [REDACTED]  
21 [REDACTED] See Wu Declaration, Ex. 2, Dkt. 73, Case No. 17-cv-1010  
22 (emphasis added). The relevant declaratory judgment request involves only the Nine  
23 Additional Patents-in-Suit and accordingly, any declaration as to these patents’ invalidity  
24 or noninfringement necessarily could not involve “[REDACTED]” licensed. The Court also  
25 observes that the Contract Manufacturers’ assert that the “SULA provisions do contemplate  
26 the invalidity or non-infringement of the Licensed Patents.” Whether a provision  
27 contemplates invalidity or noninfringement is not the same as royalties being contingent  
28

1 on invalidity or noninfringement.

2 The Contract Manufacturers also argued at oral argument that Verance had “clearly  
3 been trumped” by the Federal Circuit’s decision<sup>19</sup> in *Powertech v. Tessera*, 660 F.3d 1301  
4 (Fed. Cir. 2011). The Court observes that the holding in *Powertech* is limited to legal  
5 disputes that require contract interpretation.<sup>20</sup> Here, the Contract Manufacturers have not  
6 met their burden to establish a dispute as to contractual interpretation that under *Powertech*  
7 would be sufficient to defeat a motion to dismiss and establish declaratory judgment  
8 jurisdiction. The Court recognizes that the Federal Circuit does not approve of contract  
9 interpretation at the motion to dismiss stage. See *Powertech Technology Inc. v. Tessera*,  
10 Inc., 660 F.3d 1301, 1309 n.7 (Fed. Cir. 2011). Unlike in the reversed *Powertech* district  
11 court decision—where the parties presented developed legal arguments requiring contract  
12 interpretation to determine issues involving legal necessity and patent misuse—neither  
13 party has presented anything close to complex legal arguments necessitating any contract  
14 interpretation. As the CM’s (or Qualcomm for that matter) have not raised genuine issues  
15 of contract interpretation, the Court’s decision does not rely on the interpretation of any

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18 <sup>19</sup> Further, *Powertech* does not reverse the basic premise of *Verance* that no declaratory judgment  
19 jurisdiction exists—because the legal relationship between the parties is not affected—when royalty  
20 payments are not contingent on patent invalidity or noninfringement. Indeed, in a post-*Powertech*  
21 decision issued in May 2015 the Court in *Miotox* cited both *Verance* and *Powertech* to assess whether  
22 the license agreement in that case was contingent on patent invalidity and infringement. While it is true  
23 that *Verance* included a citation to the district court decision in *Powertech* as an example of a case  
24 finding that the license was not contingent, its rationale was not based merely on the district court  
25 decision in *Powertech*, but rather on years of caselaw emphasizing that declaratory judgment jurisdiction  
26 should only be brought where the dispute “touch[es] the legal relations of the parties having adverse  
27 legal interests.” *Verance*, 2011 WL 2182119, at \*3, 6 (citing *MedImmune*, 549 U.S. at 127).

28 <sup>20</sup> In *Powertech*, whether royalty payments were tied to patent coverage or patent validity turned on  
legal disputes requiring contract interpretation. *Id.* at 1309. See also *Powertech*, 2010 WL 2194829, at  
\*3 (district court decision interpreting the term “hereunder” in the license agreement and declining to  
consider parole evidence). Specifically, *Powertech* argued that legal necessity compelled an  
interpretation that royalty payments would be tied to patent coverage or patent validity and that it would  
be patent misuse to require payment on royalties that did not infringe. *Id.* The Federal Circuit declined  
to address the issue leaving this “merits-based argument” to the district court to consider on remand.

1 contractual provisions in the SULAs, but rather merely looks at the plain language of the  
2 agreements that the CMs provided for the Court’s review in a manner similar to the review  
3 the Supreme Court performed in *MedImmune*. See 549 U.S. at 121 (citing language of  
4 License Agreement in case reviewing a motion to dismiss). See also *Miotox*, 2015 WL  
5 2084493, at \*4; *Verance*, 2011 WL 2182119, at \*6 n.4.

6 Ultimately, the Court concludes that the Contract Manufacturers have not met their  
7 burden to establish that a declaratory judgment issued by this Court as to the Nine  
8 Additional Patents-in-Suit would redress an adverse legal interest between the CMs and  
9 Qualcomm. The Contract Manufacturers, in their complaint, opposition, and at oral  
10 argument, have not articulated a theory as to how a declaratory judgment would finally and  
11 conclusively resolve the underlying controversy between the CMs and Qualcomm—a  
12 dispute centered on royalties. The Court is not persuaded that a declaratory judgment as  
13 to only nine patents in a portfolio of thousands would affect this legal relationship. Indeed,  
14 whether a declaratory judgment affects the legal relationship between the CMs and  
15 Qualcomm is particularly questionable given the limited number of patents at issue in  
16 comparison with the larger portfolio of thousands of patents that are licensed under the  
17 agreement. Compare *Miotox*, 2015 WL 2084493, at \*2 (three patents); *MedImmune*, 549  
18 U.S. at 121 (two patents) with *Verance*, 2011 WL 2182119, at \*1 (twenty-two challenged  
19 patents in a patent portfolio of more than 500 patents).

20 Accordingly, any declaratory judgment as to the Additional Patents-in-Suit would  
21 not “finally and conclusively resolve” the underlying controversy between the CMs and  
22 Qualcomm, nor would any relief “admi[t] of specific relief through a degree of a conclusive  
23 character.” See *MedImmune*, 549 U.S. at 127, 128 n.7 (citing *Calderon v. Ashmus*, 523  
24 U.S. 740, 749 (1998) and *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227 (1937)). Because  
25 the royalty rates in the SULAs are not contingent on patent invalidity or noninfringement,  
26 there is no case or controversy because any declaration of the Nine Additional Patents-in-  
27 Suit would not conclusively resolve the dispute regarding royalties owed to Qualcomm.

1 See Verance, 2011 WL 2182119, at \*7 (“the License Agreement is not contingent on the  
2 validity of the patent and, thus, a declaration of invalidity or non-infringement would not  
3 obviate Verance’s royalty obligation under its terms as a matter of federal patent law.”);  
4 Miotox, 2015 WL 2084493, at \*5 (applying similar analysis and distinguishing Verance  
5 where License Agreement indicated royalties were contingent on patent invalidity).

6 The Court **GRANTS** Qualcomm’s Motion to Dismiss the Contract Manufacturers’  
7 Counterclaims regarding the Additional Patents-in-Suit. The Court will grant leave to  
8 amend as any attempt to cure the pleading’s deficiencies would not be futile. See DeSoto  
9 v. Yellow Freight Sys., Inc., 957 F.2d 655, 658 (9th Cir. 1992). Any amended pleading  
10 should identify how a favorable declaratory judgment determination as to the Additional  
11 Patents-in-Suit would actually affect the legal relationship between the CMs and  
12 Qualcomm.

### 13 **C. Discretion**

14 The Court would decline to entertain the declaratory judgment action as to the CM’s  
15 even if the Court were to find that subject matter jurisdiction existed. Even if the suit  
16 satisfies subject matter jurisdictional prerequisites, federal district courts maintain  
17 discretion to determine whether or not to entertain a Declaratory Judgment action. Wilton  
18 v. Seven Falls Co., 515 U.S. 277, 282 (1995). The discretion afforded to district courts to  
19 administer the declaratory judgment practice is broad. *Id.* at 287; Sony Elecs., Inc. v.  
20 Guardian Media Techs., Ltd., 497 F.3d 1271, 1288 (Fed. Cir. 2007). However, there must  
21 be a well-founded reason for declining to entertain a declaratory judgment action. *Capo,*  
22 *Inc. v. Dioptics Medical Products, Inc.*, 387 F.3d 1352, 1355 (Fed. Cir. 2004); *SanDisk*  
23 *Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1383 (Fed. Cir. 2007). “When there is  
24 an actual controversy and a declaratory judgment would settle the legal relations in dispute  
25 and afford relief from uncertainty or insecurity, in the usual circumstance the declaratory  
26 judgment is not subject to dismissal.” *Electronics for Imaging, Inc. v. Coyle*, 394 F.3d  
27 1341, 1345 (Fed. Cir. 2005).

1 “The reason for giving this discretion to the district court is to enable the court to  
2 make a reasoned judgment whether the investment of judicial time and resources in a  
3 declaratory action will prove worthwhile in resolving a justiciable dispute.” *Minn. Mining*  
4 *& Mfg. Co. v. Norton Co.*, 929 F.2d 670, 672 (Fed. Cir.1991). “Situations justifying  
5 exercise of the court's discretion to issue a declaratory judgment include ‘(1) when the  
6 judgment will serve a useful purpose in clarifying and settling the legal relations in issue,  
7 and (2) when it will terminate and afford relief from the uncertainty, insecurity, and  
8 controversy giving rise to the proceeding.’” *Id.* at 672–73 (citing *Borchard, Declaratory*  
9 *Judgments*, 2d ed. 1941, 299).

10 The Court will “decline to invest judicial time and resources in a declaratory action”  
11 that requests only piecemeal relief that does not resolve the disputes between the party in  
12 a worthwhile way.<sup>21</sup> *Takeda Pharm. Co. v. Mylan Inc.*, 62 F. Supp. 3d 1115, 1126 (N.D.  
13 Cal. 2014). As stated above, a finding of invalidity or noninfringement as to the  
14 Additional Patents-in-Suit would not affect the legal relationship between the CMs and  
15 Qualcomm. Accordingly, the Court will decline to exercise discretion to allow the  
16 Additional Patents-in-Suit with regard to the CMs as doing so would neither serve a  
17 useful purpose in clarifying and settling the legal relations at issue, nor would it afford  
18 relief regarding the basis of the royalty rates that are unrelated to validity and  
19 noninfringement.

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26 <sup>21</sup> Qualcomm has not challenged declaratory judgment jurisdiction as to the nine Original Patents-in-  
27 Suit. See Dkt. No. 162 at 72, 78. As a result, unlike in other cases where the declaratory judgment  
28 decision was an all-or-nothing determination, here the nine Original Patents-in-Suit will still be litigated  
in this Court. A claim construction hearing has been set for March 22, 2018.

1 **CONCLUSION AND ORDER**

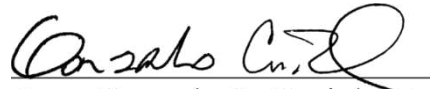
2 For the foregoing reasons, the Court will hereby:

- 3 • (1) **GRANT in part and DENY in part Apple’s Motion to Dismiss Count X of**  
4 **Qualcomm’s Counterclaims with Leave to Amend [Dkt. No. 77]**
- 5 • (2) **GRANT Qualcomm’s Motion to Dismiss the Additional Patents-in-Suit in**  
6 **Apple’s First Amended Complaint with Leave to Amend [Dkt. No. 100]**
- 7 • (3) **GRANT Qualcomm’s Motion to Dismiss the Additional Patents-in-Suit in**  
8 **the Contract Manufacturers’ Counterclaims with Leave to Amend [Dkt. No.**  
9 **116, Case No. 17-cv-1010]**
- 10 • Any Amended Pleadings shall be filed within **thirty days after this order is**  
11 **docketed.**

12

13 **IT IS SO ORDERED.**

14 Dated: November 8, 2017

15   
16 Hon. Gonzalo P. Curiel  
17 United States District Judge