

EXHIBIT D

Not Reported in F.Supp.2d, 2002 WL 484838 (D.Del.), 62 U.S.P.Q.2d 1599
(Cite as: 2002 WL 484838 (D.Del.))

H

United States District Court, D. Delaware.
TI GROUP AUTOMOTIVE SYSTEMS, (North
 America), Inc. Plaintiff,
 v.
VDO NORTH AMERICA L.L.C. et al. Defendant.
No. C.A. 00-432-GMS.

March 7, 2002.

[Douglas E. Whitney](#) (# 461), Morris, Nichols, Arsht & Tunnell, Wilmington, [William J. Schramm](#), Esquire, [William H. Francis](#), Esquire, [Matthew J. Schmidt](#), Esquire, Reising, Ethington, Barnes, Kisselle, Learman & McCulloch, P.C., Troy, MI, for Plaintiff.

Connolly, Bove, Lodge & Hutz, LLP, Arthur G. Connolly, III (No. 2667), Wilmington, [Eric J. Lobenfeld](#), Drew M. Wintringham, III, Keeto H. Sabharwal, Clifford Chance, Rogers & Wells LLP, New York, NY, for Defendants.

MEMORANDUM AND ORDER

[SLEET](#), District J.

I. INTRODUCTION

*1 On August 18, 2000, the plaintiff, TI Group Automotive Systems, NA, Inc. ("TI") filed the above-captioned action. In that action, TI charges the defendants, VDO NA ("VDO"), Mannesmann AG ("Mannesmann"), Siemens AG, Robert Bosch GMBH, Atecs Mannesmann AG ("Atecs") and Vodafone Group PLC ("Vodafone")^{FN1} with infringement of its '714 patent.^{FN2}

^{FN1}. The parties have agreed to voluntarily dismiss Vodafone AG as a defendant.

^{FN2}. Atecs is Mannesmann's subsidiary holding company for its non-telecommunications businesses. Prior to September 1999, Mannesmann was VDO AG's parent corporation. However, when

Atecs was formed in September 1999, it became the parent company of VDO AG.

Presently before the court is Atecs' and Mannesmann's motion to dismiss for failure to state a claim under [Federal Rule of Civil Procedure 12\(b\)\(6\)](#).^{FN3} In particular, they claim that TI cannot maintain a claim against them because they did not design, manufacture, use, or sell any of the fuel pump modules which are the subject matter of the '714 patent. They further argue that there is no evidence that they induced actual infringement or that they should be held liable on an agency theory of liability. For the reasons that follow, the court will grant this motion.

^{FN3}. As the parties rely on material outside the pleadings, the court will treat this motion as a motion for summary judgment. See [FED. R. CIV. P. 12\(b\)](#).

II. STANDARD OF REVIEW

The court may grant summary judgment "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." [Fed.R.Civ.P. 56\(c\)](#); see also [Boyle v. County of Allegheny, Pennsylvania, 139 F.3d 386, 392 \(3d Cir.1998\)](#). Thus, the court may grant summary judgment only if the moving party shows that there are no genuine issues of material fact that would permit a reasonable jury to find for the non-moving party. See [Boyle, 139 F.3d at 392](#). A fact is material if it might affect the outcome of the suit. *Id.* (citing [Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247-248 \(1986\)](#)). An issue is genuine if a reasonable jury could possibly find in favor of the non-moving party with regard to that issue. *Id.* In deciding the motion, the court must construe all facts and inferences in the light most favorable to the non-moving party. *Id.*; see also [Assaf v. Fields, 178 F.3d 170, 173-174 \(3d Cir.1999\)](#).

III. DISCUSSION

A. Direct Infringement

Not Reported in F.Supp.2d, 2002 WL 484838 (D.Del.), 62 U.S.P.Q.2d 1599
(Cite as: **2002 WL 484838 (D.Del.)**)

TI alleges that the defendants violated Section 271(a) of the U.S. Patent Laws. [35 U.S.C. § 271\(a\)](#). This Section provides that, “whoever without authority makes, uses, offers to sell or sells any patented invention ... infringes the patent.” *Id.* In support of this allegation, TI argues that Mannesmann exercises “control and authority” over VDO which extends far beyond “mere economic approval” of VDO's transactions. Specifically, TI group contends that Mannesmann must approve transactions “which may involve infringement of protective rights of third parties.” TI also points to the fact that Mannesmann and VDO have several common members on their respective Board of Directors. Notably, TI offers no evidence that Mannesmann itself made, used, or sold the fuel pump assemblies.

The court finds that these facts do not give rise to a genuine issue of material fact with regard to whether Mannesmann itself made, sold, or used fuel pump assemblies in violation of TI's patent rights.

B. Active Inducement

*2 [Section 271\(b\)](#) of the Patent Act provides that “[w]hoever actively induces infringement of a patent shall be liable as an infringer.” In order to establish active inducement, the following elements must be proven by a preponderance of the evidence: (1) an inducer's knowledge of the asserted patent; (2) the presence of infringement by the third party allegedly induced; (3) an inducer's actual intent to cause the acts which he knew or should have known would induce actual infringements; and (4) the commission of an act that constitutes inducement, not merely the power to act or the failure to act. *See Black & Decker (US) Inc. v. Catalina Lighting, Inc.*, 953 F.Supp. 134, 138 (E.D.Va.1997).

In support of its theory, TI alleges the following facts: (1) Mannesmann approved the making and selling of the accused devices, (2) Mannesmann financed VDO, (3) Herbert Koenekamp's (“Koenekamp”) knowledge of the '714 patent and its infringement must be imputed to Mannesmann and Atecs,^{FN4} and (4) that, because VDO and Mannesmann shared board members, Mannesmann knew or should have known of the infringement.^{FN5}

[FN4.](#) TI maintains that Koenekamp's knowl-

edge must be imputed because he is the general counsel for VDO AG, he is also the board's secretary, and he corresponded with TI Group about this lawsuit in early 1999.

[FN5.](#) The board member issue will be more fully discussed below in Section III.C.

Viewing these statements in the light most favorable to TI, as the court must at this stage, the court concludes that they do not sufficiently address each of the elements necessary to establish an active inducement claim.^{FN6} While the court does not dispute that a reasonable factfinder could conclude that TI's allegations demonstrate that Mannesmann and Atecs knew or should have known about the alleged infringement, TI has failed to adequately set forth facts to meet the intent element. *See Manville Sales Corp. v. Paramount Sys., Inc.* 917 F.2d 544,553 (Fed.Cir.1990) (stating that “[i]t must be established that the defendant possessed specific intent to encourage another's infringement and not merely that the defendant had knowledge of the specific acts alleged to constitute inducement.”) Further, it has failed to demonstrate that Mannesmann's approval requirement and financing of VDO were anything more than routine business practices between a parent and subsidiary.

[FN6.](#) For purposes of this motion only, the court assumes that a reasonable factfinder would find actual infringement.

C. Agency

TI next argues that a parent corporation may be liable for the acts of its subsidiary corporation under an agency theory.^{FN7} In support of this theory, TI relies upon Koenekamp's failure to deny an agency relationship in his deposition. Specifically, it argues, “Mr. Ko[e]nekamp does *not* state that Atecs had *no* role in the design activity of the accused fuel pump module.” (emphasis in original). Based on this statement, TI argues that the court must infer that some design and development activity was ongoing at the time Atecs became VDO's parent. With regard to Mannesmann, TI argues that Koenekamp “does *not* deny that Mannesmann controlled the activity of VDO AG.” (emphasis in original)

[FN7.](#) The defendants do not deny that a gen-

Not Reported in F.Supp.2d, 2002 WL 484838 (D.Del.), 62 U.S.P.Q.2d 1599
(Cite as: **2002 WL 484838 (D.Del.)**)

eral agency theory may be used to impute liability.

The court finds that, based on these allegations, TI is merely attempting to rely on what Koenekamp did not say, rather than what he did say. Koenekamp clearly stated that Mannesmann did not participate in the design or development of the VDO NA fuel pumps. He also stated that Atecs had no input into the design and development activity of VDO AG or VDO NA. Thus, TI's argument is effectively that the court should read negative inferences into Koenekamp's statements. This bare argument is unsupported by any factual basis.^{FN8} See [Olson v. General Elec. Aerospace](#), 101 F.3d 947, 951 (3d Cir.1996) (noting that, "[i]n order to demonstrate the existence of a genuine issue of material fact, the nonmovant must supply sufficient evidence (not mere allegations) for a reasonable jury to find for the nonmovant.")

FN8. TI urges the court to adopt the court's reasoning in *Manchack*, where the court declined to dismiss the action for want of more discovery on "inconsistent and unclear" statements in an affidavit. *Manchak v. Rollins*, 1996 U.S. Dist. LEXIS 20542, at *7-8, (D.Del. Dec. 18, 1996). There are no inconsistent and unclear statements in the present case. Koenekamp unequivocally states that Mannesmann and Atecs did not participate in the design of the fuel pumps. To the extent that TI desires explicit language regarding agency principles, it had the opportunity to ask such direct questions at Koenekamp's deposition.

*3 Additionally, TI alleges that there is a "direct link of [Mannesmann's and VDO AG's] controlling boards" as support for its claim that VDO AG's knowledge may be imputed to Mannesmann. Courts have consistently held that more than what TI terms a "direct link" is required to hold a parent liable for its subsidiary. See [Upjohn Co. v. Syntro Corp.](#), 14 USPQ 2d. 1469, 1472 (D.Del.1990); see also [Akzona Inc. v. E.I. duPont de Nemours & Co.](#), 607 F.Supp. 227 (D.Del.1984). Indeed, on the following facts, a court declined to hold a parent liable for its subsidiary:

"the relationship between the parent and subsidiary was that the parent had 100% ownership of the

subsidiary, the parent referred to the subsidiary as a division of the parent, the subsidiary's board reported to the parent, the parent approved substantial capital expenditures, the parent referred to the subsidiary's business as its project and took credit for the project in its annual report and the parent guaranteed loans for the subsidiary." [Akzona](#), 607 F.Supp. at 237.

As TI offers nothing more than allegations of a "direct link," the court declines to find a genuine issue of material fact with regard to liability on this basis. See [Upjohn Co. v. Syntro Corp.](#), 14 USPQ 2d. 1469, 1472 (D.Del.1990) (noting the "significant" degree of control necessary to warrant holding a parent liable for its subsidiary.)

Next, TI asserts that, because Mannesmann included financial information related to VDO in its annual report, Mannesmann is a proper defendant in the present suit. It offers no further evidence on this issue. However, Mannesmann is the ultimate parent corporation of VDO. Its annual report would necessarily include financial information about its subsidiaries. Thus, on this basis alone, the court cannot find a genuine issue of material fact.

Finally, as discussed above with regard to the issue of direct infringement, TI argues that Mannesmann requires its subsidiaries to obtain approval prior to entering into certain business arrangements, including transactions that may involve patent infringement issues. However, it has adduced no evidence that this approval is anything more than a parent corporation's normal and necessary exercise of control over its subsidiary. See [Akzona](#), 607 F.Supp. at 238 (noting that a subsidiary is not the parent's agent where the parent, among other things, must oversee and approve major capital expenditures.) Thus, TI's allegation cannot justify establishing liability against Mannesmann for the alleged patent infringement of its subsidiary.

D. Ability to Pay

TI group candidly admits that, "from a deep pocket point of view, [it has] named the appropriate foreign parties." It further alleges that Mannesmann is "siphoning off assets" from VDO AG and VDO NA. Thus, in the absence of Mannesmann, its potential judgment will not be satisfied. The court finds this

Not Reported in F.Supp.2d, 2002 WL 484838 (D.Del.), 62 U.S.P.Q.2d 1599
(Cite as: **2002 WL 484838 (D.Del.)**)

argument to be without merit. It is undisputed that VDO AG transfers its profits at year-end to Atecs, as it did to Mannesmann prior to the formation of Atecs. However, at his deposition, Koenekamp stated that this is a routine business practice in Germany. TI has offered no contradictory evidence. Further, to the extent that damages are awarded in this litigation, such damages will be paid from VDO AG's profits. The profits transferred to Atecs that year would be correspondingly less.

E. Contributory Infringement

*4 TI makes a passing reference to contributory infringement claims in its opposition brief. However, it fails to offer any evidence that either Mannesmann or Atecs has supplied any components to VDO AG or VDO NA. Accordingly, to the extent that TI makes such a claim, the court will reject this argument.

IV. CONCLUSION

For the foregoing reasons, IT IS HEREBY ORDERED that:

1. Atecs' and Mannesmann's motion to dismiss (D.I. 25 in 01-3-GMS) is GRANTED.

D.Del.,2002.

TI Group Automotive Systems, (North America), Inc.
v. VDO North America L.L.C.

Not Reported in F.Supp.2d, 2002 WL 484838
(D.Del.), 62 U.S.P.Q.2d 1599

END OF DOCUMENT