

1 YAR R. CHAIKOVSKY (SB# 175421)
 yarchaikovsky@paulhastings.com
 2 PHILIP OU (SB# 259896)
 philipou@paulhastings.com
 3 JOSEPH J. RUMPLER, II (SB# 296941)
 josephrumpler@paulhastings.com
 4 ANDY LEGOLVAN (SB# 292520)
 andylegolvan@paulhastings.com
 5 BERKELEY FIFE (SB# 325293)
 berkeleyfife@paulhastings.com
 6 BORIS LUBARSKY (SB# 324896)
 borislubarsky@paulhastings.com
 7 PAUL HASTINGS LLP
 1117 S. California Avenue
 8 Palo Alto, California 94304-1106
 Telephone: 1(650) 320-1800
 9 Facsimile: 1(650) 320-1900

IRELL & MANELLA LLP
 Morgan Chu (70446)
 MChu@irell.com
 Benjamin W. Hattenbach (186455)
 BHattenbach@irell.com
 C. Maclain Wells (221609)
 MWells@irell.com
 1800 Avenue of the Stars, Suite 900
 Los Angeles, California 90067-4276
 Telephone: (310) 277-1010
 Facsimile: (310) 203-7199

Attorneys for Defendant
 DEMARAY LLC

10 Attorneys for Plaintiff
 APPLIED MATERIALS, INC.

11
 12 UNITED STATES DISTRICT COURT
 13 NORTHERN DISTRICT OF CALIFORNIA

14
 15 APPLIED MATERIALS, INC.,
 16 Plaintiff,
 17 vs.
 18 DEMARAY LLC,
 19 Defendant.

CASE NO. 5:20-cv-05676-EJD
**JOINT CASE MANAGEMENT
 STATEMENT**

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1 Plaintiff Applied Materials, Inc. (“Applied”) and Defendant Demaray LLC (“Demaray”)
2 (collectively, “the Parties”), submit this Joint Case Management Statement.

3 **1. Jurisdiction and Service**

4 The Parties have a dispute about whether the Court has subject matter jurisdiction over
5 this declaratory judgment action pursuant to 28 U.S.C. §§ 1331. Demaray identified the dispute
6 over subject matter jurisdiction in its response (Dkt. No. 23) to Applied’s motion for preliminary
7 injunction (Dkt. No. 14). Applied responded in its reply to the motion. Dkt. No. 26. Applied’s
8 motion was taken under submission without oral argument on November 10, 2020. Dkt. No. 35.

9 In response to Applied’s First Amended Complaint, on November 23, 2020, Demaray
10 formally moved to dismiss for lack of subject matter jurisdiction, among other issues. Applied’s
11 response is due December 7, 2020 and the motion is presently set for hearing on March 4, 2021.

12 All current parties have been served.

13 **2. Facts**

14 On July 14, 2020, Demaray filed actions for patent infringement against Intel and
15 Samsung in the Western District of Texas (“Texas cases”), alleging infringement of U.S. Patent
16 Nos. 7,544,276 and 7,381,657 (the “Demaray Patents”) relating to Intel’s and Samsung’s use of
17 certain physical vapor deposition (“PVD”) reactors, as allegedly configured by Intel and
18 Samsung, to make Intel and Samsung semiconductor products. Dkt. Nos. 13-1, 13-2. Applied
19 sells certain PVD reactors, including certain PVD reactors identified by Demaray in its
20 complaints and infringement contentions in the Texas cases, to Intel and Samsung.

21 On August 13, 2020, Applied filed the instant action seeking a declaratory judgment that
22 Applied and Applied’s PVD reactor products do not directly or indirectly infringe the Demaray
23 Patents. Dkt. No. 1. On September 1, 2020, Applied filed its First Amended Complaint to add
24 claims for non-infringement based on alleged license and ownership claims to the Demaray
25 Patents. Dkt. No. 13 (adding counts three through five).

26 On September 4, 2020, Applied filed a motion for preliminary injunction seeking to enjoin
27 Demaray from proceeding with the Texas cases during the pendency of this action. On
28 November 10, 2020, the Court took the motion under submission without oral argument.

1 On November 19, 2020, the Parties held their Rule 26(f) conference.

2 On November 23, 2020, Demaray filed its motion to dismiss under Federal Rules of Civil
3 Procedure 12(b)(1) for lack of subject matter jurisdiction and 12(b)(6) for failure to state a claim
4 upon which relief could be granted on the basis that Applied's license/ownership-based claims
5 (counts three through five of Applied's First Amended Complaint) are based upon assignment
6 provisions that a court in this district has previously ruled is unlawful and void.

7 Principal factual issues in dispute: whether Applied or Applied's products directly or
8 indirectly infringe the Demaray Patents; and, whether Applied or Applied's products cannot
9 infringe the Demaray Patents because Applied has a license or ownership interest in the Demaray
10 Patents.

11 These issues are not intended to be final or exhaustive.

12 **3. Legal Issues**

13 The issues below are not intended to be final or exhaustive. The disputed points of law
14 raised by the respective Parties include:

15 **A. Applied's Position:**

16 The proper construction of any disputed claim term in the Demaray Patents; whether
17 Applied or Applied's products do not directly or indirectly infringe the Demaray Patents; whether
18 Applied or Applied's products cannot be found to infringe the Demaray Patents by reason of a
19 license; whether Applied or Applied's products cannot be found to infringe the Demaray Patents
20 by reason of assignments from one or more of the named inventors of the Demaray Patents; and,
21 whether this is an exceptional case and Applied should be awarded costs and attorneys' fees.

22 **B. Demaray's Position:**

23 Whether the Court has subject matter jurisdiction for Applied's declaratory judgment
24 claims (only if the Court determines that it has jurisdiction, the Court may need to address the
25 factual and legal issues raised by Applied); whether Applied is estopped from asserting that the
26 assignment provisions underlying its license/ownership claims are valid; and, whether the
27 assignment provisions underlying Applied's license/ownership claims are unlawful and void.
28

1 **4. Motions**

2 On September 14, 2020, Applied filed a motion for preliminary injunction to enjoin
3 Demaray from proceeding with the Texas cases against Intel and Samsung during the pendency
4 of this action. Dkt. No. 14. That Motion is fully briefed and has been taken under submission by
5 the Court. Dkt. No. 35.

6 On November 23, 2020, Demaray filed its motion to dismiss under Federal Rules of Civil
7 Procedure 12(b)(1) for lack of declaratory judgment subject matter jurisdiction due to the alleged
8 lack of a case or controversy between Applied and Demaray and 12(b)(6) for failure to state a
9 claim upon which relief could be granted with respect to counts three through five of Applied's
10 First Amended Complaint (Applied's license/ownership-based non-infringement causes of action)
11 on the basis that the assignment provisions relied upon are unlawful and void. The motion is set
12 for hearing on March 4, 2021, the earliest available hearing date on the Court's calendar at the
13 time Demaray's motion was filed.

14 **5. Amendment of Pleadings**

15 **A. Applied's Position:**

16 During the Rule 26(f) conference, Demaray refused to inform Applied whether it will file
17 compulsory counterclaims of infringement against Applied. Demaray similarly refuses to take a
18 position in this Joint Statement, despite its potential impact on a procedural schedule and other
19 case management issues (*see* Sections 15-17 below). If Demaray files compulsory counterclaims
20 of infringement, Applied intends to respond with counterclaims of invalidity. Otherwise, this
21 case should proceed based on the declaratory judgment action causes of action of non-
22 infringement presently in the case.

23 Demaray's indecision is unreasonable considering Demaray has filed infringement claims
24 directed at Applied's products used by Applied's customers in the Texas cases. Demaray
25 contends that it "did not accuse Applied's reactors standing alone of infringement", but
26 Demaray's complaints against Applied's customers exclusively identify Applied reactors and rely
27 on Applied's products materials, website, and literature and Demaray has not, despite Applied's
28 request, granted Applied a covenant not to sue. Demaray's infringement contentions reinforce

1 Applied's position. For example, in the public version claim chart for claim 1 of the '276 patent¹,
2 elements 1[a]-1[d] rely exclusively on documentation regarding Applied's reactors. The last
3 element 1[e] directed at the narrow band-rejection filter is devoid of any evidentiary support, but
4 alleges that "[a] narrowband filter is used ... as configured to, for example, protect the pulsed DC
5 power supply from feedback from the RF bias power supply." Applied addressed this alleged
6 configuration in its Reply brief in support of its injunction motion, including with supporting
7 declarations from Applied, Intel and Samsung. Dkt. No. 26 at 4:3-28; *see also* Applied's
8 Injunction Motion Hearing demonstratives, slides 26-30 (lodged on Nov. 10, 2020). Nowhere in
9 Demaray's allegations for claim 1 of the '276 patent is there evidence from engineering reports,
10 as suggested by Demaray below, or evidence that Samsung or Intel includes their own narrow
11 band-reject filter. In other words, the accused "Intel/Samsung reactors" identified in the
12 complaint and contentions are the reactors supplied by Applied to its customers. With the totality
13 of this information in hand, there is no legitimate reason, other than for purposes of attempting to
14 delay this action while the parallel Texas cases proceed, that Demaray cannot take a position as to
15 whether it will assert infringement against Applied. But to the extent Demaray believes it needs
16 "targeted discovery", nothing in the Federal Rules precludes Demaray from seeking that
17 discovery now (as opposed to waiting for a decision on its motion to dismiss).

18 Applied is also investigating facts regarding a potential unenforceability/inequitable
19 conduct claim against Demaray relating to the named inventors' and prosecuting attorney's
20 omitting disclosure of a co-inventor to the USPTO during prosecution of the Asserted Patents. If
21 these facts are substantiated during Applied's investigation and discovery efforts, Applied may
22 add a claim for unenforceability of the Demaray Patents based on inequitable conduct.

23
24 ¹ Demaray objected to Applied's inclusion of the public claim chart as an exhibit to this joint
25 submission. Applied intends to include the claim chart as evidence in support of Applied's
26 opposition to Demaray's motion to dismiss, due this upcoming Monday, December 7, 2020, at
27 which time it will be available to the Court as part of the record in this action. Applied can also
28 separately lodge the claim chart for the Court's consideration upon request.

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