February 7, 2022

Honorable Magistrate Judge Nathaniel M. Cousins
United States District Court Northern District of California
San Jose Courthouse, Courtroom 7, 4th Floor
280 South 1st Street, San Jose, CA 95113

Re: *Applied Materials, Inc. v. Demaray LLC*, 20-cv-09341-EJD (N.D. Cal.)

Dear Judge Cousins,

Demaray LLC ("Demaray") submits this separate letter to resolve a dispute regarding Demaray's request to amend its Answer to add affirmative counterclaims for infringement. Demaray and Applied Materials, Inc. ("Applied") met and conferred but Applied opposes Demaray's request and refuses to submit a joint letter, arguing that a full motion must be brought before Judge Davila. The parties' competing case schedules addressing potential affirmative infringement claims (Dkt. 116) and Demaray's request for Targeted Product Disclosures to allow such determinations (Dkt. 118) are already before Your Honor. The amendment is also based upon recently produced discovery—a discovery issue for Your Honor.

A. Background

Applied filed this case, seeking a declaratory judgement that none of its stand-alone reactors infringe the Demaray patents. It is uncontested that the Demaray patents are directed at particular reactor configurations requiring, *inter alia*, the use of "a narrow band-rejection filter" for example, to protect the DC power source from damaging feedback from the RF bias. *See, e.g.*, '276 Patent, claim 1. It is also uncontested that the configuration details of Applied's reactors are not publicly available. As Demaray has consistently explained, Demaray needs targeted information about Applied's reactors to make affirmative infringement determinations, including circuit-level details on any protective filters (or alternative protective mechanisms used, if any). *See, e.g.*, Dkts. 27 at 6-8, 69 at 3-4, 82 at 4-8, 118 at 1-3.

At every turn, Applied has refused to disclose these necessary details. Demaray proposed that Applied provide Targeted Product Disclosures sufficient to detail (1) its reactors with DC power to the target and RF bias to the substrate (including reactor configurations, power sources, magnetron usage, and heating elements), (2) any RF filters or alternative protective mechanisms used (including the type of RF filter/alternative protective mechanism, operating frequency, and attenuated bandwidth), (3) its use of such reactors (including targets and substrates used and thin-films deposited), (4) its communications with customers regarding the same (*e.g.,* to address indirect infringement), and (5) its importation and exportation to reactors and chamber parts sufficient to address its activities abroad (*e.g.,* under 35 U.S.C. § 271(f)). Dkt. 106 at 11-13 (Third Updated CMC Statement). Applied refused, requiring a motion to compel. Dkt. 118.

Demaray also served discovery on Applied requesting this information, but again, Applied refused to provide full responses, supporting documents or components for inspection and testing. As one example, Applied maintained in the co-pending Texas cases that although certain of its reactors have a RF filter, it is a low-pass filter as opposed to a narrowband rejection-filter. Despite its assertion, Applied then refused here and in Texas to provide filter schematics, claiming it did not have filter details. Demaray thus subpoenaed the filter supplier, Comet Technologies ("Comet"). On December 17, 2021, Comet admitted to Demaray that it "built this component at Applied's request and ***according to Applied's specifications***," contrary to

Applied's protestations of ignorance about the subject. Then, on January 19, 2022, Comet provided a circuit-level schematic revealing the use of a ***narrowband-rejection filter***—also directly contrary to Applied's prior representations. And on February 4, 2022, Demaray confirmed through visual inspection and testing that this description in the schematics was indeed accurate. Demaray now seeks to add affirmative infringement claims to this case and is prepared to file an amended Answer and Counterclaims at the Court's direction. Of note, Demaray still seeks targeted disclosures regarding these and other Applied reactors (*see* Dkt. 118) to prepare infringement contentions addressing Applied's infringement.

B. Argument

Based on new discovery contradicting Applied's representations, Demaray seeks leave to add affirmative counterclaims for infringement. Courts "freely give leave when justice so requires," Fed. R. Civ. P. 15(a)(2), and this applies to adding counterclaims. *Kawczynski v. Kawczynski*, No. 18-cv-05709 NC, 2019 U.S. Dist. LEXIS 239238, at *2-3 (N.D. Cal. Mar. 25, 2019). The factors governing amendment are: (1) bad faith, (2) undue delay, (3) prejudice to the opposing party, and (4) futility of amendment. *Foman v. Davis*, 371 U.S. 178, 182 (1962). The party opposing amendment bears the burden of showing prejudice. *DCD Programs v. Leighton*, 833 F.2d 183, 187 (9th Cir. 1987). Rule 15 and the *Foman* factors favor granting Demaray's request.

Demaray neither seeks amendment in bad faith nor has unduly delayed. Demaray has consistently sought Targeted Product Disclosures, including circuit-level details regarding Applied's protective filters to evaluate affirmative infringement issues. *See, e.g., Pac. Sci. Energetic Materials Co. LLC v. Ensign-Bickford Aero. & Def. Co*., 281 F.R.D. 358, 363 (D. Ariz. 2012) ("Erring on the side of avoiding Rule 11 sanctions at the risk of waiving its counterclaim, the defendant diligently sought discovery of technical documentation to support its claim of infringement…I FIND good cause to…allow the defendant to amend its answer and file a counterclaim."). Applied not only refused to provide these disclosures, but ***affirmatively claimed it used a low-pass filter and not a narrowband rejection-filter*** while its counsel repeatedly asserted that it would be a violation of Rule 11 for Demaray to claim otherwise. Judge Albright granted three motions to compel in Texas to obtain the actual filter details, which were never provided by Applied; Comet's disclosures now reveal that the filter details ***directly contradict Applied's earlier representations***. Now that Demaray has circuit-level filter details and confirmed those details via inspection, it has a good faith basis to add affirmative infringement claims on Applied's stand-alone reactors and has sought Court permission at the earliest opportunity so that the Court can enter an appropriate schedule. Nor is amendment futile; Applied cannot show that it "appears beyond doubt" that "amendment would eventually be dismissed for failure to state a claim." *DCD Programs*, 833 F.2d at 188.

Applied also will not be prejudiced by amendment. Applied has known of these likely claims since the first Joint CMC Statement. The case is in its early stages; there is no case schedule yet, and discovery just commenced. Applied's suggestion that Demaray should have brought affirmative claims based on Texas disclosures ignores that Applied misled Demaray and the Texas Court by misrepresenting its filters as low-pass and refusing to provide discovery on the subject – even in the face of multiple orders to compel that were never complied with.

In sum, the Court should grant Demaray's motion to add affirmative claims for infringement, and it is prepared to file an amended Answer with Counterclaims. Of note, Demaray still requests Targeted Product Disclosures (Dkt. 118) to ascertain the full scope of Applied's infringement.

Respectfully submitted,

/s/ C. Maclain Wells

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