

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

APPLIED MATERIALS, INC.,

Plaintiff,

v.

DEMARAY LLC,

Defendant.

Case No. [5:20-cv-09341-EJD](#)

**ORDER GRANTING IN PART AND  
DENYING IN PART DEFENDANT’S  
MOTION TO DISMISS**

Re: Dkt. No. 30

In this declaratory judgment action, Plaintiff Applied Materials, Inc. (“Applied”) asks the Court to declare that its products do not infringe Defendant Demaray LLC’s (“Demaray”) patents—(i) U.S. Patent No. 7,544,276 (hereafter “276”) and (ii) U.S. Patent No. 7,3381,657 (hereafter “657”) (collectively the “Asserted Patents”). Applied seeks further declaratory relief asserting that infringement is precluded by a non-exclusive, perpetual license and an assignment of rights.

Presently before the Court is Demaray’s motion to dismiss, in which Demaray contends that Applied has failed to allege a justiciable controversy under the Declaratory Judgment Act. *See* Notice of Motion and Motion to Dismiss (“Mot.”), Dkt. No. 30. Additionally, Demaray argues Applied has failed to state a claim which would warrant declaratory relief for its licensing and assignment of rights-based claims. *Id.* Applied has filed an opposition (“Opp’n”) (Dkt. No. 38), to which Demaray filed a reply (“Reply iso Mot.”) (Dkt. No. 41). Having considered the record, the parties’ submissions, and the relevant legal authority, the Court **GRANTS in part** and **DENIES in part** Demaray’s motion.<sup>1</sup>

<sup>1</sup> The Court took this motion under submission for decision without oral argument pursuant to Civil Local Rule 7-1(b)  
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United States District Court  
Northern District of California

1 **I. FACTUAL AND PROCEDURAL BACKGROUND**

2 **A. The Asserted Patents**

3 Demaray's Asserted Patents concern the specific configuration of physical vapor  
 4 deposition ("PVD") reactors and a method for the deposition of thin layer films onto substrate  
 5 materials used during the semiconductor manufacturing process. *See* Complaint ("Compl."), Dkt.  
 6 No. 1-1, Ex. A (*Demaray LLC v. Intel Corp.*, (W.D. Tex. No. 6:20-cv-634-ADA filed July 14,  
 7 2020) (hereinafter, "Intel Compl."); *see also* Dkt. No. 1-2, Ex. B (*Demaray v. Samsung*  
 8 *Electronics Co., Ltd. (A Korean Company) et al.*, (W.D. Tex. No. 6:20-cv-636-ADA filed July 14,  
 9 2020) (hereinafter, "Samsung Compl.")). Both patents are entitled "Biased Pulse DC Reactive  
 10 Sputtering of Oxide Films" and share a common specification. The '276 patent discloses  
 11 apparatus claims directed to PVD reactors having certain claim elements requiring the use of a  
 12 reactor configuration with three power supply-related limitations: (1) a "pulsed DC power supply  
 13 coupled to the target," (2) "an RF bias power supply coupled to the substrate," and (3) "a narrow  
 14 band-rejection filter that rejects at a frequency of the RF bias power supply coupled between the  
 15 pulsed DC power supply and the target area." Compl. ¶ 33 (citing Intel Compl. ¶¶ 33, 36, 39;  
 16 Samsung Compl. ¶¶ 36, 39, 42).

17 The '276 patent is supplemented by Demaray's '657 patent, which discloses method  
 18 claims delineating the deposition of thin layer films onto a substrate by pulsed DC reactive  
 19 sputtering using "a pulsed DC power supply coupled to the target" and "an RF bias power supply  
 20 coupled to the substrate." Compl. ¶ 29. The '657 patent also describes and claims the use of "a  
 21 narrow band-rejection filter that rejects at a frequency of the RF bias power supply coupled  
 22 between the pulsed DC power supply and the target area." *Id.* The narrow band rejection filter  
 23 allows the power sources to properly function, but prevents damaging feedback to the pulsed DC  
 24 power source from the RF bias power supply. *Id.* ¶ 36 (citing Intel Compl. ¶¶ 39-40; Samsung  
 25 Compl. ¶¶ 42-43).

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**B. Demaray's Actions Against Applied's Customers**

Applied and Demaray's dispute follows allegations that Intel Corporation ("Intel") and Samsung Electronics Co. Ltd. ("Samsung"), two of Applied's customers, have infringed Demaray's Asserted Patents. In July 2020, Demaray filed separate patent infringement lawsuits against Intel and Samsung in the Western District of Texas ("WDTX Customer Cases"), alleging that both have infringed the Asserted Patents by configuring reactors, including Applied's Endura line of reactors, in an infringing manner while also employing Demaray's patented method in the fabrication of their semiconductor devices. *See generally* Intel Compl.; Samsung Compl.

**C. Applied's Actions Against Demaray**

In response to the WDTX Customer Cases, Applied filed a declaratory relief action against Demaray, which also focused on the Asserted Patents. *See Applied Materials, Inc. v. Demaray LLC*, (N.D. Cal. No. 5:20-cv-05676 filed August 13, 2020) ("*Applied I*"). Compl. ¶ 40. Similar to its claims in this action, Applied sought a declaration that its reactors did not infringe the Asserted Patents. *Applied I*, First Amended Complaint, Dkt. No. 13 ¶ 1. Applied also sought to enjoin Demaray from continuing to litigate the WDTX Customer Cases while the declaratory relief action remained ongoing. *See Applied I*, Motion for Preliminary Injunction, Dkt. No. 14.

Demaray opposed Applied's request for a preliminary injunction, arguing in part that the Court lacked subject matter jurisdiction over Applied's action and should therefore deny its request to enjoin Demaray. *See Applied I*, Opposition to Applied Materials' Motion for Preliminary Injunction, Dkt. No. 13 at 5-8. Thereafter, Demaray also filed a motion to dismiss the *Applied I* action for lack of subject matter jurisdiction or alternatively, for failure to state a claim. *Applied I*, Dkt. No. 39. Before ever turning to Demaray's motion to dismiss, the Court denied Applied's motion for preliminary injunction finding that it lacked subject matter jurisdiction over its action for declaratory relief. *Applied I*, Order Denying Motion for Preliminary Injunction ("Prelim. Ord"), Dkt. No. 47. At that time, Applied had not sufficiently alleged the existence of an actual case or controversy between the parties; Applied failed to sufficiently allege either that

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1 Demaray had engaged in affirmative acts directed at Applied or that Applied might be liable for  
2 direct or indirect infringement related to its customers' alleged infringement. *Id.* at 4-12.

3 Following the denial of its motion for preliminary injunction, Applied filed this separate  
4 action for declaratory relief on December 24, 2020.<sup>2</sup> Applied's latest complaint includes new  
5 factual allegations relating to Demaray's conduct since Applied filed its first amended complaint  
6 in *Applied I*. The complaint notes: (i) declarative statements from Intel and Samsung officials  
7 asserting that neither company performs the post-installation modifications to Applied's reactors  
8 which Demaray contends takes place; (ii) Demaray's refusal to grant Applied a covenant not to  
9 sue; (iii) Demaray's refusal to inform Applied or the Court if it will assert compulsory  
10 counterclaims against Applied; (iv) Demaray's requests to obtain discovery from Applied to  
11 determine if Applied allegedly infringes the Asserted Patents; (v) that Demaray asked Applied to  
12 produce materials regarding the reactors it supplies to Intel and Samsung; and (vi) representations  
13 made by Demaray to the court in the WDTX Customer Cases about the need for discovery from  
14 Applied to determine which of Intel's and Samsung's reactors allegedly infringe. Compl. ¶ 52.

15 Moreover, Applied alleges that Demaray's filings and the continued litigation of the  
16 WDTX Customer Cases also give rise to a substantial controversy between the parties because  
17 Applied owns and/or is licensed to use the Asserted Patents. Demaray's founder, Ernest Demaray,  
18 and three other named inventors of the Asserted Patents are former and/or current employees of  
19 Applied or Applied's affiliate, Applied Komatsu. Compl. ¶ 18. In December of 1998, Mr.  
20 Demaray along with other employees from Applied and Applied Komatsu, left to start a new  
21

22  
23 <sup>2</sup> Applied also filed an administrative motion seeking leave to lodge its new declaratory judgment  
24 complaint and for it to become the operative complaint in *Applied I*. *Applied I*, Dkt. No. 48. The  
25 Court, however, denied Applied's administrative motion to lodge its new declaratory judgment  
26 complaint. *See Applied I*, Dkt. No. 53. The Court found Applied's request was procedurally  
27 improper and concluded that Applied was seeking a request for leave to amend or supplement the  
28 operative complaint in *Applied I*. *Id.* at 3. Because Applied had filed its latest complaint as a  
29 separate action, the Court related the new action to *Applied I*. *See Applied I*, Related Case Order,  
30 Dkt. No. 54. On January 25, 2021, Applied voluntarily dismissed the operative complaint in  
*Applied I* and all claims asserted therein without prejudice. *See Applied I*, Dkt. No. 55. As a  
result, Demaray's pending motion to dismiss in *Applied I* was terminated. *Id.*, Dkt. No. 62.

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1 company, Symmorphix, and began work on similar thin film technology they initially worked on  
2 at Applied. *Id.* ¶ 18-19. Applied Komatsu and Symmorphix executed a Sale and Relationship  
3 Agreement (“SRA”), which Applied alleges was later amended to grant Applied Komatsu a  
4 perpetual, royalty-free license to “any patent applications filed for inventions, improvements, or  
5 enhancements developed by Symmorphix relating to sputtered silicon deposition technology.” *Id.*  
6 ¶ 78. Applied also alleges that the SRA allowed Applied Komatsu to transfer or assign the license  
7 to Applied and for Applied Komatsu’s customers to use the inventions as well. *Id.* Separately,  
8 Applied contends that one of the named inventors of the Asserted Patents, Mukundan Narasimhan,  
9 was an employee of Applied and under the provisions of his employee agreement, Mr.  
10 Narasimhan’s ownership rights in the Asserted patents’ parent application were automatically  
11 assigned to Applied. *Id.* ¶ 90.

12 Applied now seeks (1) a declaration that Applied’s reactors, including those in the Endura  
13 product line, do not directly or indirectly infringe any claim of the ‘276 patent; (2) a declaration  
14 that Applied’s reactors, including those in the Endura product line, do not directly or indirectly  
15 infringe any claim of the ‘657 patent; (3) a declaration that Applied holds a non-exclusive,  
16 perpetual, royalty free license to the Asserted Patents; and (4) a declaration that Applied’s reactors  
17 cannot infringe the Asserted Patents because of an assignment of rights to Applied and Demaray’s  
18 failure to join all co-owners. In response, Demaray has filed the instant motion to dismiss, seeking  
19 dismissal under Federal Rules of Civil Procedure 12(b)(1) for lack of subject-matter jurisdiction  
20 and 12(b)(6) for failure to state a claim upon which relief can be granted.

## 21 **II. LEGAL STANDARDS**

### 22 **A. Federal Rule of Civil Procedure 12(b)(1)**

23 A defendant may move to dismiss for lack of subject matter jurisdiction pursuant to Rule  
24 12(b)(1) of the Federal Rules of Civil Procedure. Although lack of statutory standing requires  
25 dismissal for failure to state a claim under Rule 12(b)(6), lack of Article III standing requires  
26 dismissal for want of subject matter jurisdiction under Rule 12(b)(1). *See Maya v. Centex Corp.*,

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