UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

APPLIED MATERIALS, INC.,

Plaintiff,

v.

DEMARAY LLC,

Defendant.

Case No. 5:20-cv-05676-EJD

ORDER DENYING MOTION FOR PRELIMINARY INJUNCTION

Re: Dkt. No. 14

Plaintiff Applied Materials, Inc. ("Applied") initiated this lawsuit against Defendant Demaray LLC (Demaray) seeking declaratory judgment of non-infringement of two of Demaray's 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"). Now, before the Court is Applied's motion to enjoin Demaray from litigating certain patent claims in customer suits in the Western District of Texas. Dkt. No. 14. Having considered the record, the parties' submission, and the relevant law, the Court finds that it does not have jurisdiction over Applied's claims under the Declaratory Judgment Act.[1] The Court therefore **DENIES** Applied's motion for preliminary

[1] On October 16, 2020, Demaray filed "Demaray LLC's Objection to Applied Materials' Reply Evidence." *See* Dkt. No. 29. Local Rule 7-3(d) prohibits a party from filing additional memoranda, papers, or letters once a reply is filed without court approval unless new evidence has been submitted in the reply. Civ. L.R. 7-3(d)(1). If new evidence is submitted with the reply, the party may file an objection to the reply evidence, "which may not exceed 5 pages of text, stating its objections to the new evidence, [and] which may not include further argument on the motion." *Id.*

The Court has the discretion to consider new evidence presented on reply, particularly if the new evidence appears to be a reasonable response to the opposition. *See Edgen Murray Corp. v. Vortex Marine Constr., Inc.*, No. 18-CV-01444-EDL, 2018 WL 4203801, at *3 (N.D. Cal. June 27, 2018) (declining to strike reply declaration because the new evidence in the declaration was

injunction.

I. BACKGROUND

The Asserted Patents claim a specific reactor configuration and method for the deposition of thin layer films capable of being used during the fabrication of semiconductors. At several points during the manufacturing of semiconductor devices, thin layer films composed of materials including metals such as titanium and tantalum, are deposited onto different types of substrates in a technique known as magnetron sputtering. Demaray's patented method and reactor configuration involves combining techniques known as bias pulsed DC ("BPDC") sputtering, reactive magnetic sputtering ("RMS"), and the incorporation of a narrow band rejection filter situated between a reactor's DC power source and the reactor's target area. Applied develops and manufactures technology and products used for semiconductor fabrication, including a line of reactors used for magnetron sputtering. This declaratory judgment action stems from Demaray's allegations that Intel Corporation ("Intel") and Samsung Electronics Co. Ltd. ("Samsung"), two of Applied's customers, have infringed Demaray's 276 patent by configuring reactors, such as Applied's Endura product line reactors in an infringing manner. In addition, Demaray asserts that Intel and Samsung have infringed Demaray's 657 patent protecting a magnetron sputtering method used to deposit thin film layers in the fabrication of some of their semiconductor products. *See* First Amended Complaint for Declaratory Judgment ("FAC"), Dkt. No. 13 ¶ 1.

On July 14, 2020, Demaray filed separate actions in the Western District of Texas against Intel, Civil Action No. 6:20-cv-634-ADA, and Samsung, Civil Action No. 6:20-cv-636-ADA. (collectively "WDTX Actions"). *See* FAC ¶ 1; *see also* FAC, Ex. A, Dkt. No. 13-1, *Demaray LLC v. Intel Corp.*, (W.D. Tex. No. 6:20-cv-634-ADA filed July 14, 2020) (hereinafter, "Intel Compl."); FAC, Ex. B, Dkt. No. 13-2, *Demaray v. Samsung Electronics Co., Ltd. (A Korean Company) et al*, (W.D. Tex. No. 6:20-cv-636-ADA filed July 14, 2020) (hereinafter, "Samsung

"filed to respond to Plaintiff's opposition and is consistent with the evidence and arguments presented in the original motion"). The court exercises its discretion and considers Applied's new evidence because it responds to Applied's opposition and is consistent with the arguments and evidence presented in the moving papers.

Compl.").[2] In the WDTX Actions, Demaray cites materials from Applied's website including a brochure for the Endura product line, an article from the Nanochip Technical Journal discussing reactive sputtering and tantalum deposition chambers, and a presentation on one of Applied's reactors, the Endura Cirrus HTX TiN System. Intel Compl. ¶ 25; Samsung Compl. ¶ 28. The WDTX Actions do not name Applied as a defendant.

On August 30, 2020, Applied filed a declaratory judgement action against Demaray, seeking a declaration that Applied's products do not infringe the Asserted Patents. *See* Complaint, Dkt. No. 1.; *see also* FAC ¶ 2. Additionally, Applied is seeking (1) a declaration that Applied's products do not infringe the Asserted Patents because the rights of a named inventor in the Asserted Patents were assigned to Applied by his employment agreement with Applied; (2) a declaration that Applied's products do not infringe because Applied holds a license to the Asserted Patents based on a license agreement between Applied's affiliate and Demaray's predecessor company; or alternatively (3) a declaration that Applied's products do not infringe because the rights of one or more of the named inventors to the Asserted Patents were assigned to Applied's affiliate by their employment agreement, making the affiliate at least a co-owner of the Asserted Patents. *See* FAC ¶ 2. On September 4, 2020, Applied filed its motion for preliminary injunction to enjoin Demaray from proceeding with its Western District of Texas actions against Intel and Samsung. Demaray has filed its opposition ("Opp."), to which Applied has replied ("Reply"). *See* Dkt. Nos. 23, 28.

II. LEGAL STANDARDS

Because the Court's jurisdiction in the instant matter is based on the United States Patent Act, 28 U.S.C. § 1338, the Court applies the law of the United States Court of Appeals for the Federal Circuit. *See* 28 U.S.C. § 1295(a)(1) (providing that the United States Court of Appeals for

[2] A court may consider certain materials such as "documents attached to the complaint, documents incorporated by reference in the complaint, or matters of judicial notice." *United States v. Ritchie*, 342 F.3d 903, 908 (9th Cir. 2003). The Court will take judicial notice of the Western District of Texas complaints and publicly available docket entries in those cases. *See id*. (facts are judicially noticeable if they are "capable of accurate and ready determination by resort to sources whose accuracy cannot be reasonably questioned.").

the Federal Circuit has exclusive jurisdiction over any appeal from a district court of the United States "in any civil action arising under . . . any Act of Congress relating to patents. . . ."). Furthermore, the Federal Circuit has held "that injunctions arbitrating between co-pending patent declaratory judgment and infringement cases in different district courts are reviewed under the law of the Federal Circuit." *Lab. Corp. of Am. Holdings v. Chiron Corp.*, 384 F.3d 1326, 1331 (Fed. Cir. 2004).

III. DISCUSSSION

A. Applied Has Not Established the Existence of an "Actual Controversy" Between Applied and Demaray

As a threshold issue, "when ruling on a motion for a preliminary injunction, this Court must consider whether it has subject matter jurisdiction. . . ." *Native Fed'n of Madre De Dios River & Tributaries v. Bozovich Timber Prod., Inc.*, 491 F. Supp. 2d 1174, 1180 (2007) (citing *U.S. Ass'n of Importers of Textiles and Apparel v. U.S. Dep't of Commerce*, 413 F.3d 1344, 1348 (Fed. Cir. 2005). In the instant case, Demaray argues that this Court lacks subject matter jurisdiction over Applied's claim for declaratory relief because (1) such relief may be awarded only where there is a case or controversy and (2) based on the allegations in the FAC, there is no case or controversy. Applied contends that there is an Article III case or controversy because (i) Demaray "could just as easily have asserted a claim of direct infringement against [Applied], based on the same underlying circumstances in the customer suit", *Microsoft Corp. v. GeoTag, Inc.*, No. CV 11-175-RGA, 2014 WL 4312167, at *2 (D. Del. Aug. 29, 2014), and (ii) the very nature of Demaray's allegations against Samsung and Intel suggest that there is a "reasonable potential that [sic] a claim [of induced or contributory infringement] could be brought" against Applied. *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 904 (Fed. Cir. 2014).

i. Applied Has Failed to Allege that Demaray Engaged in Affirmative Acts Directed at Applied

The Declaratory Judgment Act allows potential infringers to bring claims against patent holders, but only if there is an actual case or controversy between the parties. *Matthews Int'l Corp. v. Biosafe Eng'g, LLC*, 695 F.3d 1322, 1327-28 (Fed. Cir. 2012). To satisfy Article III's

standing requirements, a plaintiff must demonstrate that "the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007), *reversed-in-part on other grounds by Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576 (2013). An "adverse legal interest" requires a dispute as to a legal right—for example, an underlying legal cause of action that the declaratory defendant could have brought or threatened to bring. *See Arris Grp., Inc. v. British Telecommunications PLC*, 639 F.3d 1368, 1374 (Fed. Cir. 2011).

The Federal Circuit has held that a declaratory judgment plaintiff must allege "(1) an affirmative act by the patentee related to the enforcement of his patent rights, and (2) meaningful preparation to conduct potentially infringing activity." *Matthews Int'l Corp.*, 695 F.3d at 1327. To find an affirmative act, "more is required than 'a communication from a patent owner to another party merely, identifying its patent and the other party's product line.'" *3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1378-79 (Fed. Cir. 2012) (quoting *Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1362 (Fed. Cir. 2009)). On the other end of the spectrum is an explicit infringement allegation, which shows "'there is, necessarily, a case or controversy adequate to support declaratory judgment jurisdiction.'" *See Hewlett-Packard Co.*, 587 F.3d at 1362 (quoting *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 96 (1993)). The factual scenarios that fall in between require case-by-case analysis, and the objective actions of the patentee are the subject of that inquiry. *See 3M Co.*, 673 F.3d at 1379; *Hewlett-Packard Co.*, 587 F.3d at 1363. The patentee need not explicitly threaten to sue or demand a license, but its actions must give reason to believe that it is asserting its rights under the patents. *See Hewlett-Packard Co.*, 587 F.3d at 1362-63.

Here, Applied contends that Demaray's own actions provide evidentiary support that a controversy exists because Demaray previously offered Applied the opportunity to license the Asserted Patents in 2015. Reply at 2; *see also* Supplemental Declaration of Boris Lubarasky ("Lubarasky Decl."), Ex. K, Dkt. No. 28-2. In analyzing affirmative acts, courts consider

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