

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SAMSUNG ELECTRONICS CO., LTD.)
AND SAMSUNG SEMICONDUCTOR,)
INC.,)
)
Plaintiffs,)
)
v.)
)
NETLIST, INC.,)
)
Defendant.)

C.A. No. _____

DEMAND FOR JURY TRIAL

COMPLAINT FOR DECLARATORY JUDGMENT OF NON-INFRINGEMENT AND UNENFORCEABILITY; BREACH OF CONTRACT

Plaintiffs Samsung Electronics Co., Ltd. and Samsung Semiconductor, Inc. (collectively, “Samsung”) seek a declaration that Samsung does not directly or indirectly infringe United States Patent Nos. 10,217,523 (the “’523 patent”), 10,474,595 (the “’595 patent”), 9,858,218 (the “’218 patent”), and 7,619,912 (the “’912 patent”) (collectively, the “Patents-in-Suit”) (Exhibits A-D), either literally or under the doctrine of equivalents; a declaration that the Patents-in-Suit are unenforceable due to inequitable conduct and unclean hands; and a ruling that Defendant Netlist, Inc. (“Netlist”) has breached contractual obligations owed to Samsung, including obligations to license its allegedly essential patents to Samsung and its affiliates on reasonable and non-discriminatory (“RAND”) terms and conditions, as follows:

NATURE OF THE ACTION

1. This is an action for a declaratory judgment and breach of contract arising under the patent laws of the United States, Title 35 of the United States Code, the Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, and state contract law.

2. Samsung requests this relief because Netlist has, without justification, unilaterally attempted to terminate a November 2015 Joint Development and License Agreement (“Agreement”) in which Netlist granted Samsung a perpetual, paid-up, worldwide license to, among others, the Patents-in-Suit. Samsung believes that it is licensed to the Patents-in-Suit under the Agreement. Netlist, however, claims it has terminated the Agreement, and Netlist asserts that Samsung infringes the Patents-in-Suit, including in ongoing litigation against a user of Samsung products and in license demands made to Samsung. Thus, Samsung seeks a declaration that it does not infringe the Patents-in-Suit and that the Patents-in-Suit are unenforceable. In the alternative, Netlist has breached its commitment to license on RAND terms and conditions, as Netlist insists the Patents-in-Suit are necessarily infringed by the practice of certain standards promulgated by the Joint Electron Device Engineering Council (“JEDEC”) and implemented by the accused Samsung memory modules.

3. Accordingly, for the reasons set forth herein, Samsung seeks a declaratory judgment that it does not infringe the Patents-in-Suit, a declaratory judgment that the Patents-in-Suit are unenforceable due to inequitable conduct and unclean hands, and relief for Netlist’s breaches of contractual obligations owed to Samsung, including obligations to license its allegedly essential patents to Samsung and its affiliates on RAND terms and conditions.

THE PARTIES

4. Samsung Electronics Co., Ltd. (“SEC”) is a corporation organized and existing under the laws of the Republic of Korea, with its principal place of business at 129, Samsung-ro, Yeongtong-gu, Suwon-si, Gyeonggi-do, 443-742, Republic of Korea.

5. Samsung Semiconductor, Inc. (“SSI”) is a corporation organized and existing under the laws of the State of California, with its principal place of business at 3655 North First Street, San Jose, California 95134.

6. On information and belief, Netlist is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 175 Technology Drive, Suite 150, Irvine, California 92618.

JURISDICTION AND VENUE

7. This Court has subject matter jurisdiction over the claims for declaratory judgments of non-infringement and unenforceability (Counts I–VII) under 28 U.S.C. §§ 1331, 1338(a), and 2201(a).

8. This Court has subject matter jurisdiction over the breach of contract claim (Count VIII) pursuant to 28 U.S.C. § 1367. The breach of contract claim forms part of the same case or controversy as the claims for declaratory judgment of non-infringement and unenforceability asserted by Samsung in this action.

9. This Court has personal jurisdiction over Netlist, a corporation organized and existing under the laws of the State of Delaware.

10. Venue is proper in this District under 28 U.S.C. § 1391(b)-(c) because Netlist is subject to personal jurisdiction in this District.

11. An immediate, real, and justiciable controversy exists between Samsung and Netlist as to whether Samsung has infringed the Patents-in-Suit and whether the Patents-in-Suit are unenforceable. For example, and as discussed more fully below, shortly after Netlist unilaterally declared that Samsung was no longer licensed to Netlist’s patent portfolio, Netlist issued a “Notice of Infringement” letter to SEC and SSI, in which Netlist asserted that certain

Samsung memory modules infringe Netlist's patents, including the '523, '595, and '218 patents. Netlist previously asserted these same patents in litigation against SK hynix, and in doing so served claim charts that purport to demonstrate infringement based on compliance with certain JEDEC memory standards. The Samsung memory modules at issue in this action implement those same standards. In addition, in an ongoing patent infringement lawsuit against Google, Netlist recently amended its infringement contentions to allege that Google's servers (which include Samsung's standard-compliant memory modules) infringe the '912 patent. As a direct and proximate result of Netlist's patent enforcement activities with respect to the '912 patent, Samsung has received demands for indemnification, including from Google and Lenovo. Furthermore, between May 2020 and the present, Netlist made demands that Samsung take a second license to Netlist's portfolio of patents. Accordingly, as set forth herein, Netlist has engaged in affirmative acts related to the enforcement of the Patents-in-Suit against specific Samsung products currently being sold and used throughout the United States. Because this action presents an actual controversy with respect to the Patents-in-Suit, the Court may grant the declaratory relief sought pursuant to 28 U.S.C. § 2201 *et seq.*

BACKGROUND

A. Netlist's Extraordinary License Demand and Infringement Claims

12. On November 12, 2015, Netlist and SEC entered into a Joint Development and License Agreement (the "Agreement"). The Agreement contains cross-license, joint development, and product supply provisions.

13. In the Agreement, Netlist granted SEC and its subsidiaries, including SSI, a perpetual, paid-up, worldwide, non-exclusive license to all patents owned or controlled by Netlist

or any of its subsidiaries having an effective first filing date on or prior to November 12, 2020. The license extends through the expiration of the last to expire of the licensed patents.

14. SEC similarly granted Netlist and its subsidiaries a perpetual, paid-up, worldwide, non-exclusive license to all patents owned or controlled by SEC or any of its subsidiaries having an effective first filing date on or prior to November 12, 2020.

15. The Agreement required SEC to make a payment to Netlist of \$8 million. SEC made this payment in accordance with the terms of the Agreement.

16. Netlist is now taking extraordinary actions to back out of its grant of a patent license to Samsung.

17. On May 27, 2020, Netlist's Chief Licensing Officer, Marc J. Frechette, wrote to Mr. Seung Min Sung of SEC, and alleged that Samsung materially breached the Agreement by "repeatedly fail[ing] to fulfill Netlist's request for NAND and DRAM products throughout the term of the Agreement" and, allegedly, by improperly deducting withholding taxes. In the same letter—which was the first time Netlist raised its breach allegations—Mr. Frechette informed Mr. Sung that Netlist had filed a complaint in U.S. District Court for the Central District of California with respect to the alleged breach by Samsung and provided a copy of the complaint for reference.

18. On May 28, 2020, the U.S. District Court for the Central District of California docketed Netlist's breach of contract complaint against SEC. *Netlist Inc. v. Samsung Electronics Co., Ltd.*, No. 8:20-cv-00993-MCS (C.D. Cal.) ("Breach Action").

19. Netlist next wrote to SEC to terminate the Agreement, including the patent license to SEC and its subsidiaries. On July 15, 2020, Netlist's Chief Licensing Officer, Marc J.

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