

EXHIBIT AV

United States District Court
Northern District of California

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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

1 injunction.

2 **I. BACKGROUND**

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

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

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

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

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

20 II. LEGAL STANDARDS

21 Because the Court’s jurisdiction in the instant matter is based on the United States Patent
 22 Act, 28 U.S.C. § 1338, the Court applies the law of the United States Court of Appeals for the
 23 Federal Circuit. *See* 28 U.S.C. § 1295(a)(1) (providing that the United States Court of Appeals for
 24

25 ² A court may consider certain materials such as “documents attached to the complaint, documents
 26 incorporated by reference in the complaint, or matters of judicial notice.” *United States v. Ritchie*,
 27 342 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
 28 noticeable if they are “capable of accurate and ready determination by resort to sources whose
 accuracy cannot be reasonably questioned.”).

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

7 **III. DISCUSSION**

8 **A. Applied Has Not Established the Existence of an “Actual Controversy” Between 9 Applied and Demaray**

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

24 **i. Applied Has Failed to Allege that Demaray Engaged in Affirmative Acts 25 Directed at Applied**

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

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