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10 UNITED STATES DISTRICT COURT  
11 NORTHERN DISTRICT OF CALIFORNIA  
12 SAN JOSE DIVISION

13

14 INTEL CORPORATION,  
15 Plaintiff,  
16 v.  
17 WI-LAN, INC.,  
18 Defendant.

Case No. 5:08-cv-4555 JW (HRL)

**DEFENDANT'S REPLY TO PLAINTIFF'S  
OPPOSITION TO PARTIAL MOTION TO  
DISMISS DECLARATORY JUDGMENT  
CLAIMS**

Date: July 30, 2010  
Time: 9:00 a.m.  
Courtroom: 8, 4th Floor  
Judge: Hon. James Ware

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1 **I. INTRODUCTION**

2 Intel devotes many pages of its Opposition (“Opp.”) to revisiting the question of whether  
3 there was a sufficient case or controversy when Intel initially filed its declaratory judgment  
4 action (Opp. at 1-10). Intel’s purpose in restating these historical events in such detail seems to  
5 be twofold: (1) make the controversy between the parties appear so broad that Intel’s request for  
6 a covenant not to sue (sometimes “CNS”) that covers virtually every entity involved in any way  
7 with WiMAX technology will seem to be a reasonable one, and (2) prejudice the Court against  
8 Wi-LAN because it challenged this Court’s jurisdiction over the original controversy.

9 While all this may be of historical interest, it does not change the issues now before this  
10 Court on the sufficiency of the covenant not to sue. All of Intel’s objections to the Partial  
11 Motion to Dismiss raise issues of law to which the Federal Circuit has already spoken. The CNS  
12 that Wi-LAN has tendered is modeled after the covenant in *Janssen Pharmaceutica v. Apotex*,  
13 540 F.3d 1353, 1363 (Fed. Cir. 2008) which the Federal Circuit held was sufficient to extinguish  
14 the controversy in that case. While Intel tries mightily to distinguish *Janssen* on its specific facts  
15 (Opp. at 21), the statements in *Janssen* about the effect of specific language in the covenant in  
16 that case are fully applicable here. (*See* Section II A.3, *infra*).

17  
18 **II. ARGUMENT**

19 **A. Wi-LAN’s Proposed CNS Completely Resolves The Existing Controversy**  
20 **Involving The Patents In The Covenant**

21 **1. Wi-LAN’s Covenant Not To Sue Does Not Have To Cover Future**  
22 **Products In Intel’s Pipeline**

23 Intel argues that because this Court referred to the “emerging WiMAX technology” in its  
24 order finding that there was a sufficient controversy between the parties to this case to support  
25 declaratory judgment jurisdiction, it follows that the CNS must include products that are still in  
26 development or emerging such as Intel’s Kilmer Peak and Evans Peak WiMAX chipsets. (Opp.  
27 at 12-13) Not so.

1           In *Amana Refrigeration, Inc. v. Quadlux, Inc.*, 172 F.3d 852, 855-56 (Fed. Cir. 1999), the  
2 Federal Circuit rejected the argument that a covenant not to sue was insufficient to warrant  
3 dismissal of the case for lack of jurisdiction because new products “in the pipeline” that had not  
4 been advertised, manufactured, marketed or sold before the filing date of the suit had not been  
5 included in the Covenant. The Court held that “an actual controversy cannot be based on a fear  
6 of litigation over future products.” *Id.* at 855, citing *Super Sack Mfg. Corp. v. Chase Packaging*  
7 *Corp.*, 57 F.3d 1054, 1060 (Fed. Cir. 1995) (“The residual possibility of a future infringement  
8 suit based on [the alleged infringer’s] future acts is simply too speculative . . .”).

9           While *Amana* is a pre-*MedImmune* case, the result reached in that case is not changed by  
10 the Federal Circuit’s post-*MedImmune* case decision in *Revolution Eyewear, Inc. v. Aspex*, 556  
11 F.3d 1294 (Fed. Cir. 2009). In *Revolution Eyewear*, the Federal Circuit considered the  
12 sufficiency of a CNS for patent infringement of a particular patent that was based upon “products  
13 made, used or sold on or before the dismissal of this action.” *Id.*, 556 F.3d at 1296. The Court  
14 found that the problem with *Revolution*’s covenant was that it “did not extend to *future sales* of  
15 the *same product* as was previously sold.” *Id.*, 556 F.3d at 1298 (emphasis added). The Court  
16 did *not* repudiate *Amana* and indeed favorably cited a number of district court cases, saying:  
17 “[i]n all of these cases, the covenants covered *the current products* whether they were produced  
18 and sold before or after the covenant, and the courts found absence of continuing case or  
19 controversy.” *Id.*, 556 F.3d at 1300, citing *inter alia*, this Court’s decision in *Crossbow*  
20 *Technology, Inc. v. YH Technology*, 531 F. Supp. 2d 1117, 1122 (N.D. Cal. 2007) (saying of that  
21 decision that “it was a post-*MedImmune* case in which the covenant not to sue extended to  
22 manufacture, development, design, marketing, licensing, distributing, offering for sale, or selling  
23 the Crossbow Technology IMU-400, KVH Industries RA 2030, KVH Industries RDZ030, YH  
24 5000/5100 IMU, YH-7000 IMU, and YH-80000 *as they exist today or have existed in the past.*”)  
25 (emphasis added). Thus *Revolution Eyewear* is a case that requires that a CNS cover *future*  
26 infringement of *current products that had previously* been marketed, not a case that requires a  
27 CNS to cover *future products still in development*. The covenant in this case clearly meets these  
28

1 requirements since it promises not to hold Intel liable based on Intel's "past, present or *future*  
2 manufacture, having manufactured, distribution, use, sale (etc.) . . ." of the listed Intel products,  
3 just as in this Court's *Crossbow Technology* case. Accordingly, nothing in *Revolution Eyewear*  
4 supports Intel's argument that the CNS must cover Intel's Kilmer Peak and Evans Peak products.  
5 If anything, *Revolution Eyewear* supports the opposite proposition since it stated, in discussing  
6 the *Amana* case, that "an actual controversy cannot be based on a fear of litigation over future  
7 products." *Id.*, 556 F.3d at 1297.

8         The Kilmer Peak and Elmer Peak products were not existing products at the time this suit  
9 was filed. On this point Intel's Opposition cites to discovery correspondence written by Intel a  
10 year after this case was filed, which plainly states: "Evans Peak (Eschel) and Kilmer Peak are  
11 future planned WiMAX products that are currently in development and/or testing." (Opp. Ex. N)  
12 Intel's Opposition also cites to Intel correspondence that confirms that the products "Intel has  
13 provided [source] code for [are] Rosedale I, Rosedale II, Baxter Peak, and Echo Peak." (Opp.  
14 Ex. D) But this correspondence by Intel identifying the source code it has produced contains no  
15 mention of Evans Peak or Kilmer Peak. *Id.* To the best of Wi-LAN's knowledge, Intel's  
16 Opposition is the first time that Intel has stated that it produced source code for Kilmer Peak or  
17 Evans Peak. The fact that Intel gave limited discovery on documents related to these products  
18 does not make them part of this controversy. *Cf. Dow Jones & Co. v. Ablaise Ltd.*, 606 F.3d  
19 1338 (Fed. Cir. 2010) (rejecting argument that exchange of discovery on plaintiff's affiliates  
20 made the affiliates part of the controversy.)

21         Intel also relies on *Hy-Ko Prod. Co. v. Hillman Group, Inc.*, No. 08-1961, 2009 U.S.  
22 Dist. LEXIS 109237 (N.D. Ohio Nov. 23, 2009). But that case is also distinguishable because  
23 the product that was omitted from the patentee's covenant, "the completed KZA-200, [had]  
24 already been made and placed into a Wal-Mart store for testing and is therefore presently in  
25 commercial use." *Hy-Ko Products*, 2009 U.S. Dist. LEXIS 109237 at \*16. *Hy-Ko* is therefore  
26 consistent with this Court's most recent decision on products still in development where this  
27 Court stated:

1 A covenant not to sue that covers current products, including  
2 products sold after the covenant, may eliminate any actual  
3 controversy. [citation omitted] However, a covenant's failure to  
4 address potential future products does not suffice to create an  
5 actual controversy *if those products are not yet in existence and  
6 are not included in the charge of infringement.*

7 *ExcelStor Technology, Inc. v. Pabst Licensing GMBH & Co., KG*, C09-2055, 2010 U.S. Dist.  
8 LEXIS 62409 \*14 (N.D. Cal. June 22, 2010) (emphasis added).

9 In *ExcelStor*, this Court found that the declaratory judgment plaintiff had not met its  
10 burden to show that the CNS was insufficient because it did not include some of ExcelStor's  
11 hard disk drive ("HDD") products. In rejecting that argument, this Court stated that the  
12 declaration submitted by the declaratory judgment plaintiff "does not state that they [the hard  
13 disk drive products] are *operational*, does not state how long they have been in inventory, and  
14 does not state that they are *still marketable in an industry in which models evolve every year.*"  
15 *Id.*, 2010 U.S. Dist. LEXIS 62409 at \*16 (emphasis added).

16 The same is true here. In this case, the Kilmer Peak and Evans Peak products have *never*  
17 been in inventory, have *never* been marketed, are not yet operational and may still be evolving.  
18 Thus, Wi-LAN is being asked to give a CNS on products that are neither "operational" nor of  
19 fixed and immutable design. Such a request is not only contrary to law, it is also contrary to the  
20 colloquy that took place with this Court on the original motion to dismiss for want of declaratory  
21 judgment jurisdiction about future products. At that conference, this Court asked Wi-LAN's  
22 counsel:

23 Now my question . . . is whether or not you are prepared as Wi-  
24 LAN to essentially declare that there is no claim to that list [of  
25 patents], except for the ones in Texas, that you withdraw that  
26 accusation *with respect to the products of Intel*. Now, if it comes  
27 out with *a new product*, other than that you now asserted, *I can  
28 understand why I wouldn't want to bind you to the future*, but as to  
the present, you can deprive me of subject matter jurisdiction, it  
sounds like, by declaring that you now withdraw from that list and  
*give a covenant not to sue with respect to products on that list.*

Tr., hearing of May 4, 2009 at 27-28 (Dkt. No. 192) (emphasis added).

1 Now that Wi-LAN has had discovery on the first wave of Intel's existing products, has a  
2 better understanding of the technology at issue and has made a determination to grant Intel a  
3 covenant not to sue, that the Covenant is not enough for Intel. Instead, Intel insists on receiving  
4 a covenant that covers future products, the very thing the Court said it would not require.

5 Intel overreaches in its demand that the CNS cover the Kilmer Peak and Evans Peak  
6 products still in development. That request should be denied since Intel has failed to meet its  
7 burden of showing that there is a substantial controversy with respect to these future products.  
8 *See ExcelStor Technology*, No. C09-2055, 2010 U.S. Dist. LEXIS 62409 at \*15-16 (“The court  
9 finds that ExcelStor has not met its burden of establishing a ‘substantial controversy’ of  
10 ‘sufficient immediacy’ to warrant a declaratory judgment.”)

11 **2. Intel Is Not Entitled To A Covenant That Covers Products Which Are**  
12 **Essentially The Same As The Products Identified In The Covenant**

13 Intel argues that the CNS must expressly provide that it “covers products that are  
14 essentially the same in relevant part” as the enumerated products, i.e., have the same  
15 functionality as the enumerated products. This addition is necessary, Intel argues, because Intel  
16 might want to sell these products “under different model names in the future or include other  
17 insubstantial changes.” (Opp. at 14-15) There is no legal basis for this demand.

18 Numerous cases, including this Court's *Crossbow Technology* case, have approved  
19 covenants not to sue and dismissed cases that referenced specific products *without any language*  
20 *concerning products that are essentially the same or have essentially the same functionality*. *See*  
21 *Revolution Eyewear*, 556 F.3d at 1229; *Crossbow Technology*, 531 F. Supp. 2d at 1122. The  
22 possibility that Intel might, at some point in the future, sell the named products under a different  
23 name does not render the covenant legally insufficient at this time. *If* Intel should make such a  
24 choice, and *if* Wi-LAN should choose to sue on the renamed product, the issue of whether or not  
25 that renamed product is or is not covered by the CNS that Wi-LAN has tendered and whether the  
26 new product is essentially the same as the one named in the CNS can be tested at that time. But  
27 that is a “future” controversy that is based on several contingencies that may or may not ever

1 arise. Subject matter jurisdiction cannot be predicated on such “future disputes.” *Inline*  
2 *Connection Corp. v. Atlantech Online, Inc.*, 85 Fed. Appx. 767, 769; *Super Sack Mfg. Corp.*, 57  
3 F.3d at 1060.

4 **3. Once Intel Received Wi-LAN’s Covenant Not To Sue, It Had No**  
5 **Further Adverse Legal Interest In Protecting Network Operators And**  
6 **Other Unnamed Third Parties**

7 As previously discussed, the covenant not to sue that Wi-LAN has tendered is based on  
8 the language of *Janssen Pharmaceutica v. Apotex*, 540 F.3d at 1363. It not only protects Intel  
9 from suit to enforce the enumerated patents against the Intel products, but also protects entities  
10 who are not parties in this case such as Intel’s suppliers, distributors and direct and downstream  
11 customers from suit under the patents and with respect to the same products. *Id.* This much is  
12 clear under *Janssen* because the covenant at issue has the “having manufactured” language from  
13 *Janssen* that expressly covers “all suppliers,” *id.*, and because the covenant covers all Intel’s  
14 customers without distinction between “direct and downstream customers.” *Id.* Given the  
15 breadth of this protection, the issue becomes: What remaining protectable adverse legal interest  
16 does Intel have in immunizing all “network operators and other third parties.” (Opp. at 17)

17 A careful reading of Intel’s argument shows that Intel in fact has *no* protectable adverse  
18 legal interest in shielding network operators and various unnamed third parties from future  
19 litigation for infringement of Wi-LAN’s patents. Intel is effectively trying to use this suit to  
20 shield an entire industry from future litigation. However, its argument for so broad a covenant is  
21 essentially based on two false premises: (1) that Intel’s substantial investment in WiMAX  
22 infrastructure gives it a legal interest in protecting network operators and other third parties from  
23 suit under Wi-LAN’s patents (Opp. at 16); and (2) that Wi-LAN’s requests for discovery in this  
24 case concerning any systems in *which an Intel WiMAX product* has ever been incorporated that  
25 implements the IEEE 802.16 (WiMAX standard) so broadened the scope of this litigation that  
26 the covenant must be equally broad. (Opp. at 17-18) These premises are both unsound.

1                                   **a.     Intel’s Economic Investment In WiMAX Infrastructure Is Not**  
2                                   **A Protectable Legal Interest That Meets The Case And**  
3                                   **Controversy Requirements Of Article III**

4                   In *Microchip Technology, Inc. v. The Chamberlain Group, Inc.*, 441 F.3d 936 (Fed. Cir.  
5                   2006), the Federal Circuit considered whether Microchip, the manufacturer of integrated circuits,  
6                   had a sufficient adverse legal interest to support a declaratory judgment against Chamberlain, a  
7                   manufacturer of garage door openers (GDOs) who had threatened suit against Microchip’s  
8                   customers for the sale of GDOs that incorporated Microchip’s microprocessors and learning  
9                   software into their products. Prior to the commencement of the declaratory judgment suit by  
10                  Microchip against Chamberlain, there had been a prior action between Microchip and  
11                  Chamberlain in which Microchip sued Chamberlain for infringement of Microchip’s KEELOQ  
12                  (R) technology. This suit was settled by a covenant not to sue in which Chamberlain agreed not  
13                  to sue Microchip for infringement of any of the patents-in-suit.

14                 Thereafter, Microchip sued Chamberlain for a declaratory judgment of noninfringement,  
15                 and Chamberlain responded by filing a motion to dismiss in which it challenged the district  
16                 court’s subject matter jurisdiction, arguing that there was no case and controversy between it and  
17                 Microchip since any direct suit against Microchip was barred by the covenant not to sue and no  
18                 threat of suit had been made against Microchip. However, Microchip responded that it did not  
19                 have to be threatened with suit. A case and controversy could be based on threats of patent  
20                 infringement against its customers. Microchip argued that Chamberlain’s covenant not to sue it  
21                 was insufficiently broad and that a justifiable controversy would continue to exist between it and  
22                 Chamberlain until Chamberlain gave Microchip a covenant not to sue “any of Microchip’s actual  
23                 or prospective customers on the patents-in-suit.” *Id.*, 441 F.3d at 941. The district court refused  
24                 to dismiss Microchip’s declaratory judgment suit, reasoning that the practical effect of  
25                 Chamberlain’s conduct was that Microchip could not sell its non-infringing microprocessors  
26                 without subjecting its customers to the threat of a patent infringement suit. The Federal Circuit  
27                 reversed.

1           The ruling in *Microchip* is significant here for a number of reasons. First, the Federal  
2 Circuit held that “while Microchip’s customers may or may not have had an ‘adverse legal  
3 interest’ or have been at ‘legal risk,’ they were not parties to the action.” *Id.*, 441 F.3d at 943.  
4 The Court stated that “[a]t most, Microchip had only an economic interest in clarifying its  
5 customer’s rights under Chamberlain’s patents, which may have facilitated the sale of  
6 Microchip’s products.” *Id.* However, the Court concluded that “such an economic interest . . .  
7 cannot form the basis of an ‘actual controversy’ under the Declaratory Judgment Act.” *Id.*, citing  
8 *Aralac, Inc. v. Hat Corp. of Am.*, 166 F.2d 286, 295 (3d Cir. 1948) (stating that “an economic  
9 interest is not enough to create justifiability.”); see also *Ours Technology, Inc. v. Data Drive*  
10 *Thru, Inc.*, 645 F. Supp. 2d 830, 839-40 (N.D. Cal. 2009) (recognizing that *Microchip* was a pre-  
11 *MedImmune* case, but finding that *Microchip* was still viable in determining whether an  
12 “economic” interest in protecting customers was a sufficient “adverse legal interest” to support  
13 subject matter jurisdiction and holding that it was not.)

14           Here, Intel’s repeated emphasis on its large investment in WiMAX infrastructure is  
15 designed to convince this Court that it is entitled to secure litigation “peace” for any company  
16 connected with or in any way using WiMAX technology. But however large Intel’s investment  
17 may be in WiMAX technology, the interest it seeks to protect must be a legal one, not an  
18 economic one. The network operators and other unnamed “users” of WiMAX technology are  
19 not parties to this lawsuit. Nor has Intel shown that it has agreements to indemnify the network  
20 operators or other unnamed third parties for liability for infringement of the patents that are the  
21 subject of the covenant and partial motion to dismiss. *Cf. Microchip*, 441 F.3d at 944  
22 (“Microchip has not produced any agreement indemnifying a customer against infringement of  
23 the patents-in-suit. Thus, Microchip has no right to ‘clear the air.’”) Similarly, Intel’s  
24 investment in WiMAX technology does not give it a protectable *legal* interest in securing  
25 immunity from suit “on behalf of third parties such as network operators” (Opp. at 15) or a right  
26 to “clear the air” of potential future claims against such third parties.

1           Secondly, Intel's interest in protecting the network operators and other third parties from  
2 suit is even more remote than was the declaratory plaintiff's in the *Microchip* case since the third  
3 party entities that Intel seeks to protect here are not even customers of Intel and do not  
4 themselves incorporate any of Intel's chips into their products or systems. Furthermore, merely  
5 because network operators and other third parties may use WiMAX technology in some way in  
6 their products or systems which in turn expands Intel's market, does not give Intel the right to  
7 protect these third parties from infringement of Wi-LAN's patents in this declaratory judgment  
8 suit. In *Aralac, Inc. v. Hat Corp. of Am.*, the Federal Circuit stated of the manufacturer of casein  
9 fiber who was seeking a declaratory judgment of noninfringement on behalf of hat manufacturers  
10 who used the casein fiber in their products:

11  
12                           Plaintiff could demand protection of its right to sell the casein fiber  
13 it produced. It has no right to demand that others be allowed to  
14 practice the patented process in violation of the patent monopoly in  
15 order that it might have a market for its fibers.

16 *Aralac*, 166 F.2d at 293-94. Similarly, in this declaratory judgment suit, Intel has no right to  
17 seek to immunize these third parties from suit for practicing Wi-LAN's patents merely because  
18 its WiMAX chips are used in various devices such as laptops and cell phones to communicate  
19 with the systems deployed by network operators and other unnamed users of WiMAX  
20 technology.

21                           **b.    Wi-LAN's Discovery Requests Concerning Any System In  
22                           Which Intel's WiMAX Products Have Ever Been Incorporated  
23                           Does Not Define The Scope Of The Controversy In This Case**

24           Intel also errs in arguing that the scope of this controversy is somehow expanded to  
25 include network operators because Wi-LAN asked and received discovery from Intel concerning  
26 any third party systems "which comprise . . . the integration of that product into Intel's products  
27 or systems." (Opp. at 17) This argument is incorrect for multiple reasons.

28           First, even if the scope of a controversy could be defined or expanded by discovery  
requests beyond the issues raised in the pleadings (a very dubious proposition), the discovery

1 requests and other statements that Intel points to seek information only about the products of  
2 third parties that involve the incorporation or integration of *Intel's WiMAX products* into or with  
3 these third party products or systems. (Opp. at 17) Thus, these third parties, to the extent they  
4 incorporate Intel's WiMAX products into their own, would be customers or, at the very least  
5 "downstream customers" of Intel, in which event they would already be covered by the CNS that  
6 Wi-LAN has tendered.

7         Moreover, Intel has made no showing that network operators as a group incorporate  
8 Intel's WiMAX products into the network operators' products or systems. Without such a  
9 showing, there is no basis whatever for including network operators as a group in the CNS, even  
10 if the scope of the controversy were defined by the scope of discovery requests. Indeed, while  
11 network operators systems may communicate with multiple computers containing Intel chips,  
12 Intel has not demonstrated or even asserted that network operators' products or systems  
13 incorporate Intel's chips into their products or systems. Accordingly, the scope of Wi-LAN's  
14 discovery requests do not require that third parties be included in the CNS when these third  
15 parties might be capable of violating Wi-LAN's patents in ways that have nothing to do with  
16 Intel's WiMAX products.

17         Secondly, Wi-LAN's discovery requests do not define the scope of the controversy in this  
18 case; the pleadings do. No network operator's products or systems are referred to in Intel's  
19 declaratory judgment complaint and Intel has not sought class action status or been appointed a  
20 representative of the interests of these third parties. Accordingly, there is no basis in this suit  
21 upon which to find that the controversy continues to subsist if network operators and other third  
22 party users of WiMAX technology are not included in the CNS. *See Dow Jones & Co. v.*  
23 *Ablaise Ltd.*, 606 F.3d 1338 (Fed. Cir. 2010) (expressly rejecting the argument that because the  
24 declaratory judgment defendant had sought discovery about the declaratory judgment plaintiff's  
25 affiliates, "those affiliates are therefore part of the controversy and Ablaise's covenant not to sue  
26 [which did not include affiliates] is insufficient to extinguish the case."); *Furminator, Inc. v.*  
27 *Ontel Products Corp.*, 246 F.R.D. 579, 590 (E.D. Mo. 2007) (rejecting argument that covenant  
28

1 not to sue was insufficient to extinguish controversy because “the FurBuster TM is a product  
2 *distinctly different* from the Munchbin Tools, [and] *is not at issue in the pleadings of this case . .*  
3 *.”* (emphasis added).

4  
5 **4. Intel Is Not Entitled To A CNS That Protects It From All Acts of  
6 Indirect Infringement Under the Patents**

7 Intel complains that the Covenant Not to Sue fails to protect it from claims of indirect  
8 infringement which includes claims for inducement of infringement and contributory  
9 infringement based on direct infringement by third parties (Opp. at 18) (“[T]he proposed  
10 covenant does not expressly state that it covers direct and indirect infringement.”)<sup>1</sup> However,  
11 Intel is fully protected by the CNS from claims of indirect infringement to the extent that such  
12 claims are ripe for consideration at this time. Intel’s demand for blanket immunity from any and  
13 all future claims for indirect infringement of Wi-LAN’s patents extends beyond the controversy  
14 in this case.

15 Wi-LAN’s Covenant provides that “Wi-LAN will not sue or otherwise seek to hold  
16 Intel’s customers and distributors liable for infringement of these patents for their importation,  
17 use, sale, and/or offer for sale of the Intel products.” (Opp., Ex. 1) For Intel to be liable for  
18 inducement of infringement, it must be shown “that the alleged infringer knowingly induced  
19 infringement and possessed specific intent to encourage another’s infringement.” *DSU Med.*  
20 *Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006); *Microsoft Corp. v. Webexchange, Inc.*,  
21 606 F. Supp. 2d 1087, 1089 (N.D. Cal. 2009). Moreover, direct infringement is an essential  
22 element of an indirect infringement claim. *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363  
23 F.3d 1263, 1272 (Fed. Cir. 2004). Accordingly, since under the Covenant, customers and  
24 distributors of “the Intel products” cannot be sued for direct infringement of the enumerated  
25 patents, and since direct infringement by another is an essential element of an indirect

26  
27 <sup>1</sup> Indirect infringement can be based on either inducement of infringement or contributory  
28 infringement. *See Mee Industries v. Dow Chemical Co.*, No. 08-16747, 2010 U.S. App. LEXIS  
12175 \*20 (11th Cir. June 15, 2010).

1 infringement claim, Wi-LAN would have no claim for inducement of infringement of these  
2 patents against Intel based on the sale or use of “the Intel products” by any of Intel’s customers  
3 or distributors. Thus, Intel is fully protected from any indirect infringement claim based on the  
4 importation, distribution, use, sale, and/or offer for sale of “the Intel products” by its customers  
5 or distributors.

6 Intel is also protected from indirect infringement claims for the sale of these products by  
7 *any third party* anywhere downstream in the chain of distribution under the doctrine of patent  
8 exhaustion. Under *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 128 S. Ct.  
9 2109, 170 L. Ed. 2d 996 (2008), “[t]he authorized sale of an article that substantially embodies a  
10 patent exhausts the patent holders rights and *prevents the patent holder from invoking patent law*  
11 *to control post-sale use of the article.*” *Id.*, 128 S. Ct. at 2122 (emphasis added). Accordingly, if  
12 Intel’s products embody essential features of Wi-LAN’s patented inventions and are combined  
13 with other standard components or processes necessary to practice the patent, Intel is fully  
14 protected from any claim of indirect infringement because no claim of direct infringement will  
15 lie against any third party under the patent exhaustion doctrine for the use or sale of the device  
16 containing “the Intel products.” See *LG Electronics, Inc. v. Hitachi, Ltd.*, 655 F. Supp. 2d 1036,  
17 1040 (N.D. Cal. 2009). Without the ability to prove direct infringement against these third  
18 parties in such circumstances, Wi-LAN cannot make a claim of indirect infringement against  
19 Intel. Thus, Intel has a double layer of protection against claims for indirect infringement under  
20 the CNS: 1) Intel is protected from such claims if the third party is a customer or distributor of  
21 “the Intel products,” and 2) Intel is protected from such claims based on the conduct of *any third*  
22 *party* whose conduct is covered by patent exhaustion.

23 So what then does Intel seek when it argues that it is entitled to have the CNS broadened  
24 to cover both direct and *indirect* infringement that it does not already have under the Covenant  
25 itself and under the doctrine of patent exhaustion? What Intel apparently seeks is immunity from  
26 suit for inducing third parties who are neither customers nor distributors of “the Intel products”  
27 to use Intel’s WiMAX products in combination with new, inventive and creative processes  
28

1 and/or components that would fall outside the protection of the patent exhaustion doctrine, but  
2 would otherwise infringe Wi-LAN's patents. *See, e.g. LG Electronics, Inc. v. Hitachi, Ltd.*, 655  
3 F. Supp. 2d 1036, 1040 (N.D. Cal. 2009). However, such a hypothetical case, should it ever  
4 arise, is for the "future" and is not a controversy that is ripe for consideration in this case. *See,*  
5 *e.g., Inline Connection Corp. v. Atlantech Online, Inc.*, 85 Appx. at 769 ("Future disputes  
6 relating to Atlantech's successors in interest and others in privity with Atlantech are just that –  
7 future disputes."). To require Wi-LAN as a condition to dismissal to give Intel the blanket  
8 covenant that it seeks would be an abuse of discretion because no definite and concrete  
9 controversy presently exists for any and all acts of indirect infringement. *See Inline Connection*  
10 *Corp.*, 85 Fed. Appx. at 769 ("the district court's retention of jurisdiction after Inline promised  
11 not to further sue Atlantech was an abuse of discretion.").

12 Moreover, apart from the hypothetical nature of such a dispute, Intel has not  
13 demonstrated that Wi-LAN has threatened Intel with suit for indirect infringement, nor has Intel  
14 shown that Wi-LAN possesses or asserts that it has any evidence that Intel has the "specific  
15 intent" or has engaged in conduct designed to encourage third parties to infringe Wi-LAN's  
16 patents. *See, e.g., Microsoft Corp. v. Webexchange, Inc.*, 606 F. Supp. 2d at 1090 (evidence that  
17 Microsoft had encouraged developers of web service applications to use Microsoft's Visual  
18 Studio was insufficient to create declaratory judgment jurisdiction for a claim of indirect  
19 infringement because there was no evidence that the patentee had ever asserted that Microsoft  
20 had the specific intent to induce developers to infringe Defendant's patents). *See also Microchip*  
21 *Technology, Inc. v. The Chamberlain Group, Inc.*, 441 F.3d 936, 944 (Fed. Cir. 2006) ([T]here is  
22 nothing in the record to indicate that Microchip has induced or contributed to infringement of the  
23 patents-in-suit or that KEELOQ (R) technology cannot be used without infringing Chamberlain's  
24 patent."); *Ours Technology, Inc. v. Data Drive Thru, Inc.*, 645 F. Supp 2d 830, 839 (N.D. Cal.  
25 July 27, 2009) ("This pre-*MedImmune* holding [in *Microchip*] informs this action because it  
26 addresses the same issue of whether jurisdiction existed based on allegations of direct  
27 infringement against a declaratory judgment plaintiff's customers *absent evidence of indirect*  
28

1 *infringement* by the declaratory judgment plaintiff.”) (emphasis added) Indirect infringement,  
2 whether contributory infringement or inducement of infringement, has been interpreted to require  
3 knowledge or intent on the part of an accused infringer. *See Rackable Sys., Inc. v. Super Micro*  
4 *Computer, Inc.*, No. C05-3561, 2007 U.S. Dist. LEXIS 33824 \*12-13 (N.D. Cal. April 25, 2007).  
5 Absent evidence that Wi-LAN has made claims or assertions that would make a prima facie case  
6 of indirect infringement not covered by either the tendered CNS or the patent exhaustion  
7 doctrine, no broader CNS than the one Wi-LAN has tendered is required.

8  
9 **5. The Covenant Not To Sue Need Not Cover Wi-LAN’s Successors-In-Interest And Intel’s Subsidiaries And Affiliates**

10  
11 Intel should withdraw its request that Wi-LAN’s CNS must run to the benefit of Intel’s  
12 subsidiaries and affiliates (Opp. at 20) because on the same day that Intel filed its Opposition  
13 (May 28, 2010), the Federal Circuit handed down its decision in *Dow Jones & Co. v. Ablaise*  
14 *Ltd., Inc.*, 606 F.3d 1338 (Fed. Cir. 2010). The *Dow Jones* case expressly holds that a covenant  
15 not to sue does not have to cover a declaratory judgment plaintiff’s subsidiaries or affiliates. *Id.*  
16 at 1348-49.

17 Intel also argues that Wi-LAN’s CNS must expressly provide that its covenant bind Wi-  
18 LAN’s successors-in-interest because it is foreseeable that Wi-LAN might transfer the patents-  
19 in-suit. (Opp. at 190-20) However, the Federal Circuit has recognized that an “assignee takes a  
20 patent subject to the legal encumbrances thereon.” *Data Treasury Corp. v. Wells Fargo & Co.*,  
21 522 F.3d 1368, 1372 (Fed. Cir. 2008). The CNS is one of those encumbrances. Accordingly,  
22 Intel has no right to demand that Wi-LAN expressly provide that the CNS bind Wi-LAN’s  
23 successors-in-interest because Intel has no right to demand more than the law provides.<sup>2</sup>

24  
25 \_\_\_\_\_  
26 <sup>2</sup> For example, Intel is not entitled to a warranty of title that Wi-LAN is the owner of the patents-  
27 in-suit (Opp. at 19, n.7) because Intel is only entitled to have whatever rights Wi-LAN can  
28 transfer, and not a promise that could give rise to an independent contract claim for breach of  
warranty for any defect in Wi-LAN’s title. *See Data Treasury Corp.*, 522 F.3d at 1372 (“the  
owner of a patent cannot transfer an interest greater than that which it possesses.”)

1                   **6. The CNS Need Not Contain An Express Provision Authorizing This**  
2                   **Court To Retain Jurisdiction Over Future Cases**

3                   Intel argues (without benefit of any authority) that this Court should retain jurisdiction to  
4                   decide disputes over the meaning of the CNS. But if the CNS is adequate to end the controversy  
5                   between the parties over the listed patents, the Court has no subject matter jurisdiction to retain  
6                   jurisdiction to enforce the Covenant with respect to such patents. The Federal Circuit has  
7                   specifically held that it is an abuse of discretion for a district court to retain jurisdiction over a  
8                   case once a covenant not to sue is tendered that is adequate to extinguish the court's subject  
9                   matter jurisdiction. *See Inline Connection Corp.*, 85 Fed. Appx. 767, 769.

10                   **B. Intel's Attempt To Distinguish The *Janssen* Case Is Ineffective**

11                   Intel attempts to distinguish the CNS in *Janssen* on three grounds: 1) unlike *Janssen*, this  
12                   case involves future products, 2) there was no issue in *Janssen* of whether future products were  
13                   “essentially the same” as the products listed in the covenant, and 3) the immunity for “customers  
14                   and distributors” in *Janssen* is not sufficient here because Wi-LAN has created a controversy that  
15                   covers third party users of WiMAX products. All these arguments have been previously  
16                   addressed. Accordingly, *Janssen*, and the arguments presented above, warrants dismissal of the  
17                   portion of this case involving the patents covered by the CNS.  
18

19                   **III. CONCLUSION**

20                   For the reasons stated, (Wi-LAN's) Partial Motion to Dismiss should be granted and the  
21                   case dismissed without prejudice with respect to any and all declaratory claims relating to the  
22                   Adoptive Allocation patents (United States Patents 6,693,887; 6,925,068; 6,956,834; 7,006,30;  
23                   7,023,798; 7,289,467; and 7,317,704) and United States Patents 6,804,211; 7,197,022 and  
24                   7,379,441.  
25  
26  
27  
28

1 DATED: July 30, 2010.

Respectfully submitted,

2  
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14  
15  
16 **CERTIFICATE OF SERVICE**

17 I hereby certify that on July 30, 2010, a true and correct copy of the foregoing document  
18 was served on counsel of record via electronic mail.

19  
20 By: /s/ Michael G. McManus

Michael G. McManus