

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ALABAMA

NORTHEASTERN DIVISION

FILED
JUL 17 2014
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA

ADTRAN, INC.,)
)
Plaintiff,)
)
v.)
)
TQ DELTA, LLC,)
)
Defendant.)

CIVIL ACTION NUMBER:

JUDICIAL REQUESTED
CV-14-TMP-1381-NE

ACTION FOR DECLARATORY JUDGMENT
OF LICENSE, NON-INFRINGEMENT AND INVALIDITY OF PATENTS

Plaintiff, ADTRAN, Inc. (“ADTRAN”) through its counsel, brings this action for a declaratory judgment that it is licensed under or does not infringe certain patents owned by Defendant TQ Delta, LLC (“TQ Delta”), and that these patents are invalid. In support thereof, ADTRAN alleges as follows:

PARTIES

1. ADTRAN is a corporation organized and existing under the laws of the State of Delaware with a principal place of business at 901 Explorer Boulevard, Huntsville, Alabama 35806.

2. Upon information and belief, TQ Delta is a limited liability company organized and existing under the laws of the State of Delaware with a principal place of business at 805 Las Cimas Parkway, Suite 240, Austin, TX 78746.

JURISDICTION AND VENUE

3. This is a claim for a declaration under 28 U.S.C. §§ 2201(a) and 2202 that certain United States patents owned by TQ Delta are invalid or have not been infringed by ADTRAN. This court has exclusive jurisdiction over the subject matter of these claims pursuant to 28 U.S.C. §§ 1331 and 1338. This Court has supplemental jurisdiction pursuant to 28 U.S.C. § 1367(a) over any claim subject to state law because said claim arises from the same nucleus of operative facts as the federally-based claims.

4. Venue is proper in this District under 28 U.S.C. §§ 1391(b) and (c), because a substantial part of the events or omissions giving rise to these claims occurred in this District, and TQ Delta is subject to personal jurisdiction in this District.

FACTS

5. ADTRAN, with its headquarters in Huntsville, Alabama, is a leading global provider of networking and telecommunications equipment that enable voice, data, video and internet communication across copper, fiber and wireless network infrastructures.

6. ADTRAN provides products needed for high speed or broadband internet service over digital subscriber lines (“DSL”), as well as products for sophisticated local area networks (“LANs”) and wide area networks (“WANs”), including routers, Fast Ethernet, Gigabit and PoE switches, IP communications platforms, IP phones, IP PBX platforms, wireless access points, and security appliances and management platforms.

7. Upon information and belief, TQ Delta is the owner by assignment from Aware, Inc. (“Aware”) of numerous patents relating to DSL technology. Upon information and belief, TQ Delta acquired all patents it owns from Aware.

8. TQ Delta is in the business of licensing or enforcing patents, including the patents it obtained from Aware. TQ Delta does not make or sell any product, or perform any process, which practices or embodies any patent acquired from Aware. TQ Delta is what is sometimes referred to as a non-practicing entity. On information and belief, TQ Delta's sole or primary revenue-producing business activity is licensing and enforcing patents.

9. ADTRAN sources the chipsets for its DSL products from third-party manufacturers, including Lantiq Deutschland GmbH ("Lantiq"). In 2009, as stated publicly in filings with the Securities and Exchange Commission ("SEC"), Aware and Lantiq entered into an Asset Purchase Agreement under which Aware sold to Lantiq substantially all of the assets related to Aware's home networking and DSL licensing business, including certain patents. As part of the Asset Purchase Agreement (also a part of public SEC filings), Aware affirmed and transferred to Lantiq long-standing license agreements between Aware and Lantiq's predecessors-in-interest as to any technology used by Lantiq related to DSL technology that was not within the assets its purchased from Aware (collectively, the "Lantiq-Aware License Agreement"). In fact, Aware represented and warranted to Lantiq that the assets it sold Lantiq, together with the intellectual property rights that Aware licensed to Lantiq, represented all of Aware's intellectual property rights (defined in the Asset Purchase Agreement to include patent rights) related to the operation of Aware's business of designing, developing and licensing DSL technology.

10. In July 2013, TQ Delta contacted an ADTRAN representative in Huntsville requesting that ADTRAN enter into a Mutual Standstill and Confidentiality Agreement for the purpose of pursuing licensing discussions regarding TQ Delta's patent portfolio relating to DSL

technology. ADTRAN and TQ Delta thereafter entered into a Mutual Standstill and Confidentiality Agreement (the “Stand-Still Agreement”), effective November 8, 2013.

11. ADTRAN informed TQ Delta that it was licensed under some or all of TQ Delta’s patent portfolio through its chipset supplier Lantiq. TQ Delta acknowledges the validity of the Lantiq-Aware License Agreement and the Asset Purchase Agreement. These agreements were entered into before TQ Delta acquired from Aware the patents that TQ Delta now demands ADTRAN license. TQ Delta’s rights in any patent it acquired from Aware are subject to the Lantiq-Aware License Agreement. In other words, ADTRAN’s supplier Lantiq is licensed to any of TQ Delta’s patent portfolio relating to DSL technology in Lantiq’s products.

12. Nevertheless, and despite the representations and warranties of TQ Delta’s assignor Aware that Lantiq had acquired or obtained a license to all Aware’s intellectual property rights (including patents) relating to Aware’s business of designing, developing and licensing DSL technology, TQ Delta maintains that some of the patents TQ Delta purchased from Aware cover DSL technology in Lantiq’s DSL chipsets and are outside the scope of the Lantiq-Aware License Agreement. Either TQ Delta is wrong, or its assignor Aware made a material misrepresentation to Lantiq in a multi-million dollar Asset Purchase Agreement that Aware filed with the SEC.

13. TQ Delta and ADTRAN dispute the scope of the licenses granted in the Aware-Lantiq License Agreement.

14. Among the patents assigned to TQ Delta by Aware are patents that, on information and belief, TQ Delta contends relate to reducing differential delay in DSL bonding (“G.bond”) and to impulse noise protection and packet retransmission (“G.inp”). On information and belief, TQ Delta contends the following patents pertain to G.inp technology: U.S. Patent

Nos. 7,796,705 (“the ‘705 patent”), 8,335,956 (“the ‘5,956 patent”), 8,407,546 (“the ‘546 patent”), 8,468,411 (“the ‘411 patent”), 8,645,784 (“the ‘5,784 patent”), 8,595,577 (“the ‘577 patent”) (collectively, the “G.inp Patents”). On information and belief, TQ Delta contends the following patents pertain to G.bond technology: U.S. Patent Nos. 7,453,881 (“the ‘881 patent”), 7,809,028 (“the ‘028 patent”), 7,978,706 (“the ‘706 patent”), and 8,422,511 (“the ‘511 patent”) (collectively, the “G.bond Patents”).

15. In addition to the G.inp Patents and G.bond Patents, TQ Delta also contends that it owns the following patents: 6,445,730 (“the ‘730 patent”), 6,961,369 (“the ‘369 patent”), 7,292,627 (“the ‘627 patent”), 7,451,379 (“the ‘379 patent”), 7,471,721 (“the ‘721 patent”), 7,570,686 (“the ‘686 patent”), 7,697,598 (“the ‘598 patent”), 7,769,104 (“the ‘104 patent”), 7,831,890 (“the ‘890 patent”), 7,835,430 (“the ‘430 patent”), 7,836,381 (“the ‘381 patent”), 7,844,882 (“the ‘882 patent”), 7,889,784 (“the ‘9,784 patent”), 7,925,958 (“the ‘958 patent”), 7,978,753 (“the ‘753 patent”), 7,979,778 (“the ‘778 patent”), 8,073,041 (“the ‘041 patent”), 8,090,008 (“the ‘008 patent”), 8,218,610 (“the ‘610 patent”), 8,238,412 (“the ‘412 patent”), 8,276,048 (“the ‘048 patent”), 8,355,427 (“the ‘427 patent”), 8,432,956 (“the ‘2,956 patent”), 8,437,382 (“the ‘382 patent”), 8,462,835 (“the ‘835 patent”), 8,495,473 (“the ‘473 patent”), 8,516,337 (“the ‘337 patent”) (collectively, “Other TQ Delta Patents”).

16. On information and belief, TQ Delta contends that the G.inp Patents and G.bond Patents are not subject to the Aware-Lantiq License Agreement. TQ Delta contends that ADTRAN products using Lantiq chipsets infringe the G.inp Patents and G.bond Patents and that ADTRAN must pay TQ Delta a royalty under those patents for such products. TQ Delta contends that ADTRAN products using non-Lantiq chipsets infringe one or more of the G.inp,

G.bond, or Other TQ Delta Patents, and that ADTRAN must pay TQ Delta a royalty under those patents for such products.

17. Although Lantiq had informed ADTRAN that Lantiq held a license to any of TQ Delta's portfolio that could be asserted against DSL technology in Lantiq's products, Lantiq initially did not provide ADTRAN a copy of the Lantiq-Aware License Agreement in response to ADTRAN's requests for it.

18. On June 17, 2014, a TQ Delta representative met with ADTRAN's representatives at ADTRAN's facilities in Huntsville, Alabama, for licensing discussions. The parties discussed their respective positions and potential ways for furthering the discussions.

19. On June 25, 2014, ADTRAN informed TQ Delta by email that ADTRAN preferred an alternative approach for one of the possible ways for furthering the discussion process and that ADTRAN continued to work with Lantiq to ascertain Lantiq's rights to the TQ Delta patent portfolio.

20. On July 7, 2014, before ADTRAN and TQ Delta could sort out the licensing issues, TQ Delta gave written notice of termination of the Standstill Agreement.

21. On July 8, 2014, Lantiq provided ADTRAN a copy of the Aware-Lantiq License Agreement. As expected, TQ Delta's contractual position that Lantiq failed to obtain from its long-time licensor Aware the intellectual property rights (including patent rights) necessary for Lantiq to make and sell its DSL technology is without merit to an unusual degree and is unreasonable. Termination of the Standstill Agreement before this determinative issue could be resolved was unjustified, vexatious and in bad faith, and left ADTRAN with little choice but to resolve these issues by litigation. TQ Delta's actions have had the result of creating unnecessary litigation.

22. ADTRAN has not and does not infringe directly, by inducement, or by contribution, any valid and enforceable claims of any patent in the TQ Delta patent portfolio, including the G.inp Patents, the G.bond Patents, or any of the Other TQ Delta Patents.

23. Upon information and belief, each claim of the G.inp Patents, the G.bond Patents, or the Other TQ Delta Patents that TQ Delta contends ADTRAN infringes is invalid for failure to meet the requirements of the Patent Act, 35 U.S.C. § 1, *et seq.*, including, but not limited to, 35 U.S.C. §§ 101, 102, 103, 112 and/or 116.

COUNT ONE

**DECLARATORY JUDGMENT REGARDING LICENSE AND EXHAUSTION UNDER
LANTIQ-AWARE LICENSE AGREEMENT**

24. ADTRAN realleges and incorporates by reference the foregoing allegations of this Complaint as if fully restated herein.

25. There is an actual and justiciable controversy between ADTRAN and TQ Delta as to the scope of the Aware-Lantiq License Agreement.

26. ADTRAN contends that any Lantiq product related to DSL technology that allegedly practices any TQ Delta patent acquired from Aware is licensed under the Aware-Lantiq License Agreement. ADTRAN as a purchaser of such Lantiq products, is therefore licensed under any such TQ Delta patent, or, in the alternative, TQ Delta's rights in such patents are exhausted under federal law by the authorized sale of such Lantiq products to ADTRAN. Without limitation, the G.inp Patents are included within the Aware-Lantiq License Agreement.

27. TQ Delta disputes that the Aware-Lantiq License Agreement licenses all Lantiq products related to DSL technology under any TQ Delta patent acquired from Aware.

28. ADTRAN is entitled to a judicial declaration that it has a valid license to any patent that TQ Delta purchased from Aware that is practiced by a Lantiq product, and that TQ Delta's patent rights in such patents against ADTRAN are barred by the doctrine of exhaustion.

COUNT TWO

DECLARATORY JUDGMENT FOR NON-INFRINGEMENT

29. ADTRAN realleges and incorporates by reference the foregoing allegations as if fully restated herein.

30. There is an actual and justiciable controversy between ADTRAN and TQ Delta arising under the Patent Act, 35 U.S.C. § 1, *et seq.* concerning ADTRAN's non-infringement of the claims of the G.inp Patents, G.bond Patents, and the Other TQ Delta Patents.

31. ADTRAN does not infringe any valid and enforceable claim of these patents, either literally or under the doctrine of equivalents.

32. ADTRAN is entitled to a judicial declaration that it has not and does not infringe directly, by inducement, or by contribution, any valid, enforceable claims of the foregoing patents.

COUNT THREE

DECLARATORY JUDGMENT FOR INVALIDITY

33. ADTRAN realleges and incorporates by reference the foregoing allegations as if fully restated herein.

34. There is an actual and justiciable controversy between the parties concerning the invalidity of the G.inp Patents, G.bond Patents, and the Other TQ Delta Patents for failure to meet the requirements of the Patent Act, 35 U.S.C. § 101 *et seq.*, including but not limited to 35 U.S.C. §§ 101, 102, 103, and 112.

35. On information and belief, these patents are invalid as anticipated by and obvious over prior art, including but not limited to, prior art listed on the face of the patents and other prior art to be discovered and disclosed during discovery.

36. On information and belief, these are invalid as indefinite for at least failing to disclose the invention in the specification of the patent and for failing to enable a person of ordinary skill in the art to make and/or use the claimed systems and/or methods.

37. On information and belief, these patents are invalid as indefinite for failing to particularly point out and distinctly claim the subject matter of the invention.

38. ADTRAN is entitled to a judicial declaration and order that the foregoing patents are invalid and unenforceable.

PRAYER FOR RELIEF

WHEREFORE, ADTRAN respectfully requests that this Court enter judgment against TQ Delta as follows:

(a) ADTRAN is licensed to practice any TQ Delta patent acquired from Aware, to the extent any ADTRAN product uses a Lantiq product related to DSL technology in allegedly practicing such patent;

(b) TQ Delta's rights in any TQ Delta patent acquired from Aware have been exhausted, to the extent such patent is substantially embodied in a Lantiq product related to DSL technology sold to ADTRAN by Lantiq;

(c) ADTRAN has not and does not infringe any valid and enforceable claim of the G.inp Patents, the G.bond Patents, or the Other TQ Delta Patents;

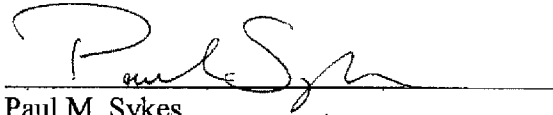
(d) Each and every claim of the G.inp Patents, the G.bond Patents, or the Other TQ Delta Patents is invalid;

- (e) Prohibit TQ Delta from making further threats of litigation against ADTRAN for patent infringement;
- (f) Find this case is exceptional under 35 U.S.C. § 285 and award ADTRAN attorney fees and costs; and
- (g) Award any such other relief as the Court deems appropriate.

DEMAND FOR JURY TRIAL

In accordance with Rule 38 of the Federal Rules of Civil Procedure, ADTRAN demands a jury trial of all issues that may be tried to a jury.

Respectfully submitted this 17th day of July, 2014.



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