

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

FORD MOTOR COMPANY,
a Delaware corporation,

Plaintiff,

vs.

HONORABLE _____

CIVIL ACTION NO. _____

PAICE LLC,
a Delaware limited liability company,

Defendant.

JURY TRIAL DEMANDED

**FORD MOTOR COMPANY'S
COMPLAINT FOR DECLARATORY JUDGMENT
AND DEMAND FOR JURY TRIAL**

Plaintiff Ford Motor Company alleges as follows for its Complaint for Declaratory Judgment against Defendant Paice LLC:

PARTIES

1. Plaintiff Ford Motor Company ("Ford") is a Delaware corporation having its principal place of business in Dearborn, Michigan.

2. On information and belief, Defendant Paice LLC ("Paice") is a Delaware limited liability company having its principal place of business at 22957 Shady Knoll Dr., Bonita Springs, FL 34135. At least as recently as 2003, Paice maintained an engineering center in Livonia, Michigan, and for several years Paice has had other contacts with the State of Michigan.

JURISDICTION AND VENUE

3. Ford brings this action under Title 35 of the United States Code, and under 28 U.S.C. § 2201, to obtain a declaration of non-infringement and invalidity with respect to the U.S. Patent No. 5,343,970 (“the ‘970 patent”).

4. Because this action arises under the Patent Laws of the United States, this Court has subject matter jurisdiction under 28 U.S.C. §§ 1331 and 1338(a).

5. As explained more fully below, in 2005 Ford filed a declaratory judgment action captioned *Ford Motor Company v. Paice LLC*, Case No. 2:05-cv-74904 (Exhibit A) (hereinafter *Ford v. Paice I*), which was dismissed in 2007 for lack of subject matter jurisdiction. (*Ford v. Paice I*, Dkt. #18.) The 2007 decision was based, however, on jurisdictional law that has since changed. Accordingly, for the reasons explained below, this Court has subject matter jurisdiction.

6. Venue in this judicial district is proper under 28 U.S.C. § 1391(c) because, on information and belief, Paice has sufficient contacts with this district for personal jurisdiction.

BACKGROUND

7. Ford filed its *Ford v. Paice I* Complaint on December 28, 2005. (Exhibit A.) The Complaint alleged, among other things (1) that Paice and Ford had previous discussions in 2004 wherein Paice indicated it could obtain patents relating to hybrid electric vehicles that would cover anything Ford developed, (2) that Paice sued Toyota based on Toyota's use of a system similar to a system employed by Ford; and (3) a jury had ruled for Paice in its case against Toyota on some claims of the '970 patent. (Exhibit A, ¶¶ 5 - 18.)

8. On information and belief, Paice is the current assignee of the '970 patent.

9. In 2001, Paice and Ford met to discuss hybrid electric vehicle technology. During this meeting, Paice communicated its desire to commercialize technology, which Paice calls Hyperdrive technology, through Ford products. At the conclusion of this meeting, both the Paice and Ford representatives agreed that Paice needed to develop further its technology before the technology could be implemented on a Ford vehicle.

10. At the time of their meeting, as Paice knew, Ford was developing its own hybrid electric vehicle product that utilized a powersplit transaxle based on a planetary gear system.

11. Over the next several years, Paice and Ford representatives met several times to discuss the status of Paice's progress. During this time, Ford continued to develop its powersplit transaxle.

12. In 2004, Ford met again with Paice to discuss further the possibility of utilizing Paice's Hyperdrive system in Ford's hybrid vehicles.

13. During this 2004 meeting, a Paice representative tried to strong-arm Ford representatives into using Paice's Hyperdrive system by informing them that in 2001 Paice

successfully sued Toyota in Europe for patent infringement based on a Toyota system similar to Ford's powersplit transaxle system.

14. A representative of Paice further informed the Ford representatives that Paice owned several U.S. patents covering hybrid technology and that Paice could obtain patent coverage for anything that Ford developed.

15. In April, 2004, Ford sent a letter to Paice indicating that Ford had decided not to pursue the Paice Hyperdrive system.

16. On June 8, 2004, Paice sued Toyota in the United States District Court for the Eastern District of Texas alleging that Toyota's hybrid electric vehicles infringe the '970 patent. The accused Toyota vehicles include a powersplit transaxle based on a planetary gear system that, on information and belief, was at least in part designed by Aisin AW.

17. In the '970 patent, Paice distinguishes the Paice system from the system disclosed in United States Patent Nos. 3,566,717 and 3,732,751 ("the Berman patents") on the ground that the Berman transaxle is based on a planetary gear system. Despite the fact that Toyota also uses a powersplit transaxle based on a planetary gear system, Paice nonetheless asserted the '970 patent against Toyota.

18. On December 21, 2005, a jury in the Texas case reached a verdict finding, inter alia, infringement of claims 11 and 39 of the '970 patent under the doctrine of equivalents, and no infringement of other Paice patents.

19. Ford currently sells a hybrid version of its popular Escape vehicle. Like the Berman and Toyota transaxles, the powersplit transaxle used by Ford in its hybrid Escape vehicle is also based on a planetary gear system. The Ford powersplit transaxle is purchased

from Aisin. Also, although there are differences between the Ford and Toyota systems, Ford is licensed under Toyota patents relating to Toyota's system.

20. After Ford filed its 2005 declaratory judgment Complaint, Paice's time for answering the *Ford v. Paice I* Complaint was extended by mutual agreement so that the parties could attempt to resolve their dispute amicably. The parties met in approximately August, 2006 and could not resolve the dispute. At that meeting, Paice gave no indication that it agreed with Ford on whether Ford infringes the '970 patent. On the contrary, the meeting indicated a clear and defined dispute on that issue.

21. On October 18, 2006, Paice filed a Motion To Dismiss For Lack Of Subject Matter Jurisdiction Or, In The Alternative, To Transfer Venue To The Eastern District of Texas (*Ford v. Paice I*, Dkt. # 12, hereinafter "Motion to Dismiss"). Paice argued under then governing Federal Circuit case law that the 2005 Complaint should be dismissed "for lack of declaratory judgment jurisdiction . . . because Ford [could] not demonstrate the necessary reasonable apprehension of imminent suit for this Court to maintain jurisdiction over this case." (*Ford v. Paice I*, Dkt. #12, p. 2.) Ford filed a Response brief on November 20, 2006, and Paice filed a Reply on December 8, 2006. (*Ford v. Paice I*, Dkt. # 16 and 17, respectively.)

22. On January 9, 2007, after the Motion to Dismiss was fully briefed, the United States Supreme Court handed down its decision in *MedImmune, Inc. v. Genentech*, 549 U.S. 118, 127 S. Ct. 764 (2007). In *MedImmune*, the Supreme Court reversed a Federal Circuit decision that had found no declaratory judgment jurisdiction where a licensee sought to challenge the validity of a licensed patent. In reversing the Federal Circuit, the Supreme Court stated that the Federal Circuit's "reasonable apprehension of imminent suit" standard for declaratory

judgment jurisdiction conflicted with several Supreme Court's cases articulating a lower and more flexible standard. The Court stated:

The reasonable-apprehension-of-suit test also conflicts with our decisions in *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273, 61 S.Ct. 510, 85 L.Ed. 826 (1941), where jurisdiction obtained even though the collision-victim defendant could not have sued the declaratory-judgment plaintiff-insurer without first obtaining a judgment against the insured; and *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239, 57 S.Ct. 461, 81 L.Ed. 617 (1937), where jurisdiction obtained even though the very reason the insurer sought declaratory relief was that the insured had given no indication that he would file suit. It is also in tension with *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 98, 113 S.Ct. 1967, 124 L.Ed.2d 1 (1993), which held that appellate affirmance of a judgment of noninfringement, eliminating any apprehension of suit, does not moot a declaratory judgment counterclaim of patent invalidity. It is also in tension with *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 98, 113 S.Ct. 1967, 124 L.Ed.2d 1 (1993), which held that appellate affirmance of a judgment of noninfringement, eliminating any apprehension of suit, does not moot a declaratory judgment counterclaim of patent invalidity.

MedImmune, 127 S.Ct. at 774 n. 11.

23. The Supreme Court articulated the declaratory judgment standard as follows:

[T]hat the dispute be definite and concrete, touching the legal relations having adverse legal interests and that it be real and substantial and admit of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts. *Aetna Life*, 300 U.S. at 240, 57 S.Ct. 461.

MedImmune, 127 S.Ct. at 774 n. 11.

24. On February 16, 2007, this Court granted Paice's motion to dismiss, holding that Ford did not meet the Federal Circuit's reasonable apprehension of suit test:

Under the governing standard, the Court lacks jurisdiction unless Ford demonstrates the necessary "reasonable apprehension of

imminent suit.” Ford has failed to meet its burden. The Court’s finding is based not only on the conduct engaged in by Paice, but also the conduct it did not engage in. In sum, Ford’s burden in meeting the actual case and controversy standard is impacted by the absence of an accusation by Paice has Ford has infringed its patents, the absence of a cease and desist letter, and the absence of any contact initiated by Paice after licensing negotiations ceased.

(*Ford v. Paice I*, Dkt. # 18, pp. 6-7.)

25. In March 2007, the Federal Circuit, based on the *MedImmune* decision, changed its standard for declaratory judgment jurisdiction. Among other things, the Federal Circuit eliminated the reasonable apprehension of suit test. In *Teva Pharmaceuticals USA, Inc. v. Novartis Pharmaceuticals Corp.*, 482 F.3d 1330, 1339 (Fed. Cir. 2007), the Federal Circuit stated:

In *MedImmune*, the Supreme Court in a detailed footnote stated that our two-prong “reasonable apprehension of suit” test “conflicts” and would “contradict” several cases in which the Supreme Court found that a declaratory judgment plaintiff had a justiciable controversy. [Footnote omitted.] 127 S.Ct. at 774 n. 11. In *MedImmune*, the Court disagreed with our “reasonable apprehension of imminent suit” test and re-affirmed that the “actual controversy” requirement in the Declaratory Judgment Act is the same as the “Cases” and “Controversies” requirement in Article III. *Id.* at 771. The Court further re-affirmed that an “actual controversy” requires only that a dispute be “ ‘definite and concrete, touching the legal relations of parties having adverse legal interests’; and that it be ‘real and substantial’ and ‘admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical set of facts.’ ” *Id.* (quoting *Aetna Life Ins. Co.*, 300 U.S. at 240-41, 57 S.Ct. 461). The Court summarized the declaratory judgment “actual controversy” requirement by quoting the “all the circumstances” test from *Maryland Casualty*. *Id.* Thus, because the Supreme Court in *MedImmune* cautioned that our declaratory judgment “reasonable-apprehension-of-suit” test “contradict[s]” and “conflicts” with its precedent, these Federal Circuit tests have been “overruled by ... an intervening ... Supreme Court decision.” *Tex. Am. Oil Co.*, 44 F.3d at 1561; see also, *Sandisk v. STMicroelectronics*, 480 F.3d 1372 (Fed.Cir.2007). Therefore, we follow *MedImmune's* teaching to look at “all the

circumstances” under *Maryland Casualty* to determine whether *Teva* has a justiciable Article III controversy.

26. In *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1380-1381

(Fed. Cir. 2007), the Federal Circuit stated:

The Supreme Court's opinion in *MedImmune* represents a rejection of our reasonable apprehension of suit test.

* * *

But Article III jurisdiction may be met where the patentee takes a position that puts the declaratory judgment plaintiff in the position of either pursuing arguably illegal behavior or abandoning that which he claims a right to do. We need not define the outer boundaries of declaratory judgment jurisdiction, which will depend on the application of the principles of declaratory judgment jurisdiction to the facts and circumstances of each case. We hold only that where a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license, an Article III case or controversy will arise and the party need not risk a suit for infringement by engaging in the identified activity before seeking a declaration of its legal rights.

27. The Federal Circuit now follows the lower, more flexible standard for

declaratory judgment jurisdiction required by the Supreme Court:

The Court [in *MedImmune*] further re-affirmed that an “actual controversy” requires only that a dispute be “ ‘definite and concrete, touching the legal relations of parties having adverse legal interests’; and that it be ‘real and substantial’ and ‘admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical set of facts.’ ” *Id.* (quoting *Aetna Life Ins. Co.*, 300 U.S. at 240-41, 57 S.Ct. 461).

* * *

Thus, because the Supreme Court in *MedImmune* cautioned that our declaratory judgment “reasonable-apprehension-of-suit” test “contradict[s]” and “conflicts” with its precedent, these Federal Circuit tests have been “overruled by . . . an intervening . . .

Supreme Court decision.” *Tex. Am. Oil Co.*, 44 F.3d at 1561; see also, *Sandisk v. STMicroelectronics*, 480 F.3d 1372 (Fed. Cir. 2007). Therefore, we follow *MedImmune’s* teaching to look at “all the circumstances” under *Maryland Casualty* to determine whether *Teva* has a justiciable Article III controversy.

Teva, 482 F.3d at 1339.

28. On October 18, 2007, the Federal Circuit affirmed Paice’s judgment against Toyota on the '970 patent, and remand for further proceedings regarding damages.

29. On May 6, 2010, Paice again contacted Ford with respect to licensing the '970 patent. In its letter, Paice highlighted its lawsuit against Toyota. It also stated: “With the introduction of the new Ford Fusion Hybrid and what we see as a clear use of Paice's patented technology, we believe that we need to continue our licensing discussions with respect to the '970 patent.” (Exhibit B, p. 3.)

30. The instant Paice-Ford patent dispute meets the Supreme Court, and now current Federal Circuit, standard. Here, a clearly defined dispute exists which is ripe for adjudication. This is not a hypothetical nor is it an opinion. Ford is making products and is at risk if Paice is correct.

31. Ford still sells a hybrid electric version of the Ford Escape as well as a Ford Fusion hybrid electric vehicle.

32. This Court has had and continues to have jurisdiction over the instant patent dispute.

**FIRST COUNT: Declaratory Judgment of
Noninfringement and Invalidity of the '970 Patent**

33. Ford incorporates by reference its allegations set forth in paragraphs 1-32.

34. On information and belief, Paice is the owner by assignment of the '970 patent.

35. Ford has not infringed and is not infringing, either directly by inducement or contributorily, the '970 patent, either literally or under the doctrine of equivalents.

36. The '970 patent are invalid under one or more of 35 U.S.C. §§ 102, 103, and/or 112. For example, the patents are invalid in view of a 1974 IEEE publication "Propulsion Systems for Electric Cars", authored by Berman.

PRAYER FOR RELIEF

WHEREFORE, Ford respectfully requests that this Court:

- A. declare that Ford has not infringed and is not infringing any claims of the '970 patent;
- B. declare that the claims of the '970 patent are invalid; and
- C. award Ford such other and further relief as this Court may deem just and proper.

JURY DEMAND

Ford demands a trial by jury.

Respectfully submitted,

BROOKS KUSHMAN P.C.

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