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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

<p>MICROSOFT CORPORATION,  Plaintiff,  v.  AUDIO MPEG, INC., U.S. PHILIPS CORPORATION, TDF SAS, INSTITUT FÜR RUNDFUNKTECHNIK GMBH, SOCIETA' ITALIANA PER LO SVILUPPO DELL'ELETTRONICA SPA,  Defendants.</p>	<p>CIVIL ACTION NO.  <b>COMPLAINT FOR DECLARATORY JUDGMENT  JURY TRIAL DEMANDED</b></p>
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Plaintiff Microsoft Corporation ("Microsoft"), by and through its attorneys, alleges as follows:

**NATURE OF THE CASE**

1. Microsoft seeks a declaratory judgment that neither Microsoft nor its customers have infringed U.S. Patent Nos. 5,777,992 ("992 patent"), 5,323,396 ("396 patent"), and 5,539,829 ("829 patent") (collectively, "Asserted Patents") because the rights under those patents are exhausted or licensed. This relief is necessary because Defendants Audio MPEG, Inc. ("Audio MPEG"), U.S. Philips Corporation ("Philips"), TDF SAS ("TDF"), Institut für Rundfunktechnik GmbH ("IRT"), and Societa' Italiana per lo Sviluppo dell'Elettronica Spa ("SISVEL") (collectively, "Defendants") are involved in an infringement lawsuit against third parties—Microsoft's customers—and at the center of the infringement allegations is certain

Microsoft software. The allegations against Microsoft's customers constitute implied assertions of indirect infringement against Microsoft. The claims and references to Microsoft software have placed a cloud over Microsoft, have injured and are injuring Microsoft's business and business relationships, and have created a concrete and immediate justiciable controversy between Microsoft and Defendants.

**PARTIES**

2. Microsoft is a Washington corporation, with its principal place of business located at One Microsoft Way, Redmond, WA 98052.

3. On information and belief, Defendant Audio MPEG is a corporation organized under the laws of Virginia with its principal place of business at 66 Canal Center Plaza, Suite 750, Alexandria, Virginia 22314.

4. On information and belief, Defendant Philips is a corporation organized under the laws of Delaware with its principal place of business at 3000 Minuteman Road, M/S 1203, Andover, MA 01810.

5. On information and belief, Defendant TDF is a corporation organized under the laws of France having an address at 106 Avenue Marx Dormoy, 92120 Montrouge, France.

6. On information and belief, Defendant IRT is a corporation organized under the laws of Germany having an address at Floriansmuehlstrasse 60, D-80939 Munich, Germany.

7. On information and belief, Defendant SISVEL is a corporation organized under the laws of Italy having an address at Via Sestriere, 100, 10060 None Torinese (TO) Italy. On information and belief, SISVEL is the parent company of Audio MPEG.

JURISDICTION AND VENUE

8. The Court has subject matter jurisdiction over this action under 28 U.S.C. §§ 1331 and 1338(a) with respect to claims arising under the patent laws, and seeks relief under the Federal Declaratory Judgment Act, 28 U.S.C. §§ 2201 *et seq.*

9. In 2006, Microsoft, Defendant Audio MPEG, and Defendant SISVEL entered into a confidential non-exclusive license agreement (“Microsoft License”) under certain US and non-US patents, including the Asserted Patents.

10. A true and correct copy of the confidential Microsoft License is attached hereto as Exhibit A.

11. Defendants Philips, TDF and IRT are the sole and exclusive owners of the Asserted Patents.

12. Defendants Philips, TDF, and IRT granted Audio MPEG the exclusive right to license Microsoft under the Asserted Patents.

13. Under the Microsoft License, in exchange for specified, significant, and confidential payment from Microsoft, Audio MPEG granted Microsoft [REDACTED]  
[REDACTED]  
[REDACTED].

14. Also under the Microsoft License, in exchange for specified, significant, and confidential payment from Microsoft, SISVEL granted Microsoft [REDACTED]  
[REDACTED]  
[REDACTED].

15. Each of Microsoft’s Windows operating-system software and Microsoft’s Windows Media Player software constitutes [REDACTED] stands licensed under the Microsoft License.

16. Microsoft has made the payment to Audio MPEG and SISVEL [REDACTED].

17. Upon information and belief, Defendants Philips, TDF, and IRT benefited from the payment Microsoft made pursuant to the Microsoft License.

18. This Court has personal jurisdiction over Defendants and venue is properly laid in this Court because Microsoft's claims arise under a mandatory forum selection clause in the Microsoft License.

19. In particular, the Microsoft License states that [REDACTED].

20. In the Microsoft License, the parties also agreed [REDACTED].

21. On information and belief, the Microsoft License binds Defendants Audio MPEG and SISVEL as well as Defendants Philips, TDF, and IRT.

22. The Microsoft License also has [REDACTED].

23. The Microsoft License states that [REDACTED].

**FACTUAL ALLEGATIONS**

***Lawsuits against Microsoft Customer Dell, Inc.***

24. Defendants Philips, TDF, and IRT own the Asserted Patents.

25. True and correct copies of the Asserted Patents are attached hereto as Exhibits B, C, and D.

26. Audio MPEG is the exclusive licensee of the Asserted Patents.

27. On December 21, 2015, Defendants Audio MPEG, Philips, TDF, and IRT (collectively, “Dell Action Plaintiffs”) filed a complaint (“Dell Complaint”) in the Eastern District of Virginia (“Dell Action”) alleging infringement of the Asserted Patents against Microsoft’s customer, namely, Dell, Inc. (“Dell”).

28. A true and correct copy of the Dell Complaint is attached hereto as Exhibit E.

29. The Dell Complaint at Paragraph 25 alleges that “[t]he Asserted Patents cover inventions that are essential—required—for implementation of the MPEG Standards.”

30. The Dell Complaint at Paragraph 12 defines MPEG Standards as “ISO/IEC 11172-3 and/or 13818-3 standards” (hereinafter referred to below as “MPEG Audio Standards”).

31. The Dell Complaint at Paragraph 51 alleges that Dell “has directly infringed one or more of the claims of the [Asserted Patents] . . . by manufacturing, using, selling, importing, and/or offering for sale products that include capabilities required by the MPEG [Audio] Standards, including but not limited to Dell computers and electronic devices containing Cyberlink PowerDVD . . . or Roxio Creator.” (“Dell Accused Products”). *See also* Dell Complaint at ¶¶ 60, 69.

32. On July 15, 2016, Dell filed an Answer, Affirmative Defenses, and Counterclaims against the Dell Action Plaintiffs and SISVEL (“Dell Answer”). *See Audio MPEG, Inc. v. Dell, Inc.*, No. 2:15-cv-00073 (E.D. Va.) (previously, No. 1:15-cv-01674), Docket Entry No. 183.

33. The Dell Answer contained an affirmative defense of “Exhaustion.” In paragraph 4 of the Affirmative Defenses of the Dell Answer, Dell alleged that the Dell Action Plaintiffs’ “rights to enforce the Asserted Patents are exhausted because the accused third-party software

products use and rely on Microsoft software, which was sold to Dell subject to [the Microsoft License].”

34. On information and belief, in the Dell Action, the Dell Action Plaintiffs take the position that any Dell product that operates in compliance with the MPEG Audio Standards (including MPEG-1 Audio Standard) necessarily infringes one or more claims of each of the Asserted Patents.

35. On information and belief, in the Dell Action, the Dell Action Plaintiffs take the position that one or more claims of each of the Asserted Patents implement the MPEG Audio Standards (including MPEG-1 Audio Standard).

36. In the Dell Action, on August 15, 2016, Dr. Cory Plock served a nonconfidential expert report (“Plock Report”) at the request of counsel for the Dell Action Plaintiffs. The Plock Report is hereby incorporated by reference in its entirety.

37. As part of the Plock Report, Dr. Plock was asked by the Dell Action Plaintiffs “to analyze the execution of certain media software . . . included on computers sold by Dell . . . to determine which audio decoders might be used by the software to playback files encoded using the MPEG-1 Audio Standard, Layer 3, *i.e.*, to play an MP3 file.” Plock Report at ¶ 1. Dr. Plock was also asked to “determine what audio encoders might be used by the software” included on computers sold by Dell. *Id.*

38. The Dell Action has not gone to trial and there has not been a claim construction hearing. On October 26, 2016, a jury trial date was set for April 5, 2017. *See Audio MPEG, Inc. v. Dell, Inc.*, No. 2:15-cv-00073 (E.D. Va.) (previously, No. 1:15-cv-01674).

*Implied Allegations of Indirect Infringement*

39. The Dell Complaint at Paragraph 25 claims that the “Asserted Patents cover inventions that are essential—required—for implementation of the MPEG [Audio] Standards” and that any product compliant with the MPEG Audio Standards practices the technology claimed in the Asserted Patents.

40. Specifically, the Dell Complaint at Paragraphs 29, 34, and 39 asserts that products capable of decoding audio signals that have been encoded in compliance with the MPEG Audio Standards necessarily infringe the Asserted Patents.

41. The confidential Microsoft License provides that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

42. Microsoft’s operating system contains software code that the Dell Action Plaintiffs refer to as “codecs.” These codecs can be used by software in the Dell Accused Products for encoding and decoding in compliance with the MPEG Audio Standards. *See, e.g.*, [https://msdn.microsoft.com/en-us/library/windows/desktop/ff819509\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ff819509(v=vs.85).aspx).

43. Certain of the Dell Accused Products use at least one of the Microsoft codecs for encoding and decoding in compliance with the MPEG Audio Standards.

44. For example, the Plock Report analyzed software sold on Dell computers to determine which codecs were being used to play MP3 files encoded using the MPEG Audio Standards.

45. At Paragraph 1 of the Plock Report, Dr. Plock states:

I was asked to analyze the execution of certain media software that . . . was included on computers sold by Dell from 2009 to 2011 to determine which audio



decoders might be used by the software to playback files encoded using the MPEG-1 Audio Standard, Layer 3 . . . to play an MP3 file.

46. Dr. Plock found that certain of the Dell Accused Products used codecs supplied in Microsoft's operating system to play MP2 or MP3 files.

47. The Plock Report at Paragraph 10 explicitly references decoders contained in Microsoft's operating system:

[M]any of the Accused Products appear to call a codec known as the "Microsoft MP3 Decoder DMO," which is present in Microsoft Windows, to assist in playback of an MP3 file. I also determined that a number of the Accused Products appear to call a codec known as the "Microsoft DTV-DVD Audio Decoder," which is also present in Windows, to assist the playback of an MP2 file.

48. At Paragraph 12 of the Plock Report, Dr. Plock stated "that [Microsoft's] 'MP3 Decoder DMO' contained within MP3DMOD.DLL is used by the product during MP3 playback with [certain Dell Accused Products]."

49. Microsoft published instructions for third party software developers, detailing how third party software can use the Microsoft codecs for encoding and decoding. *See, e.g.,*

[https://msdn.microsoft.com/en-us/library/windows/desktop/ms697062\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ms697062(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/dd375474\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/dd375474(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/dd406926\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/dd406926(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/ms696260\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ms696260(v=vs.85).aspx);

<https://msdn.microsoft.com/en-us/library/windows/desktop/ff819509.aspx>;

[https://msdn.microsoft.com/en-us/library/windows/desktop/hh162907\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/hh162907(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/hh706793\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/hh706793(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/ms694197\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ms694197(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/ff485863\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ff485863(v=vs.85).aspx);

<https://msdn.microsoft.com/en-us/library/windows/apps/windows.media.capture.mediacapture.aspx>;



[https://msdn.microsoft.com/en-us/library/windows/desktop/hh447918\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/hh447918(v=vs.85).aspx);

<https://msdn.microsoft.com/en-us/library/windows/desktop/ff819077.aspx>;

[https://msdn.microsoft.com/en-us/library/windows/desktop/dd407273\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/dd407273(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/dd370784\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/dd370784(v=vs.85).aspx);

[https://msdn.microsoft.com/en-us/library/windows/desktop/ff819513\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ff819513(v=vs.85).aspx).

50. As part of these instructions, Microsoft listed “MP3DMOD.DLL”—the same dynamic link library referenced in Dr. Plock’s report—for its MP3 Decoder, which both “behaves as a DMO” and “decodes audio files that have been encoded” in accordance with the MPEG Audio Standards. *See* [https://msdn.microsoft.com/en-us/library/windows/desktop/ff819509\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ff819509(v=vs.85).aspx).

51. And Microsoft published articles providing instructions to third parties on how to use Codec DMOs, including how to configure them for encoding and decoding. *See, e.g.*, [https://msdn.microsoft.com/en-us/library/windows/desktop/ff819513\(v=vs.85\).aspx](https://msdn.microsoft.com/en-us/library/windows/desktop/ff819513(v=vs.85).aspx).

52. On August 18, 2016, Dell further confirmed its understanding that Microsoft was being impliedly accused of indirectly infringing the Asserted Patents.

53. Specifically, on August 18, 2016, Dell notified Microsoft in an email that:

This week we received more detailed infringement and damages allegations from plaintiffs in the Audio MPEG matter. Microsoft software – with specific reference to source code Microsoft produced to Audio MPEG in discovery – is the subject of infringement and damage allegations for about 66 million units. These allegations are directly against Microsoft software source code, and Audio MPEG is seeking \$33 million in damages for these units.

...

Further, the infringement and damage allegations make clear that Audio MPEG’s claims trigger Microsoft’s indemnity obligation to Dell. There can be no further question or delay about that.

This email dated August 18, 2016 is hereby incorporated by reference in its entirety.

54. Microsoft and Defendant Audio MPEG dispute the scope of the Microsoft License.

55. In a letter to Defendant Audio MPEG dated August 24, 2016, Microsoft stated that “Audio MPEG may be basing its infringement theories [in the Dell Action], at least in part, on the use by third-party software of encoders and decoders provided by Microsoft under the license from Audio MPEG and SISVEL.” This letter dated August 24, 2016 is hereby incorporated by reference in its entirety. [REDACTED], Microsoft asked for “written assurance that [Audio MPEG] will not and does not intend to pursue claims based upon” Dell’s use of Microsoft’s software.

56. On September 5, 2016, an Audio MPEG and SISVEL representative expressed by email Defendants’ disagreement with Microsoft regarding the scope of the Microsoft License. Specifically, the representative disagreed that Dell was entitled to the benefit of it. This email dated September 5, 2016 is hereby incorporated by reference in its entirety.

57. Based at least on the Plock Report, communications between Microsoft and one or some of the Defendants, and Microsoft’s published instructions to third parties on how to use its codecs, there is an implied assertion that Microsoft indirectly infringed the Asserted Patents.

58. Microsoft also faces or may face potential new demands from additional customers who are currently being sued, or will be sued in the future based on the Microsoft codecs.

59. Microsoft believes that neither Microsoft nor its customers have infringed (either directly or indirectly) the Asserted Patents because the rights under those patents are exhausted or licensed with respect to Microsoft’s codecs.

60. Defendants' involvement in the infringement suit against Microsoft's customers has placed a cloud over Microsoft, has injured or is injuring Microsoft's business and business relationships, and has created a concrete and immediate justiciable controversy between Microsoft and Defendants.

**NON-INFRINGEMENT BY VIRTUE OF  
PRIOR LICENSE OR PATENT EXHAUSTION**

***Microsoft is Expressly Licensed to Distribute*** [REDACTED]

61. In 2006, Defendants Audio MPEG and SISVEL entered into the confidential Microsoft License (Exhibit A) with Microsoft.

62. Also in 2006, Defendants Audio MPEG and SISVEL entered into a hardware license agreement ("Microsoft Hardware License") and a supplemental license agreement ("Microsoft Supplemental License") with Microsoft.

63. The Microsoft License authorized Microsoft to sell, license, or otherwise distribute software that [REDACTED].

64. In particular, Audio MPEG and SISVEL, pursuant to the confidential Microsoft License, gave Microsoft a [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

***Dell Was Authorized to Distribute Microsoft Software  
Conforming to the MPEG Audio Standards***

65. Microsoft granted to Dell, among others, the rights to sell or otherwise distribute computers installed with Microsoft software including codecs present in Microsoft's Windows operating system ("Microsoft Software").

66. Microsoft granted to Dell such rights in various agreements, including but not limited to confidential agreements titled: “Microsoft Desktop Operating System License Agreement (Version 11.0)”; “Microsoft Desktop Operating System License Agreement (Version 12.0)”; “Microsoft Desktop Operating System License Agreement (Version 2011)”; “Microsoft OEM Master Licensing Agreement (Version 2012)” (each of which is hereby incorporated by reference in its entirety).

67. Dell distributed Microsoft Software that included software conforming to the MPEG Audio Standards that was [REDACTED].

68. Audio MPEG and SISVEL, through Microsoft, either expressly or impliedly authorized Dell to sell or distribute computers with Microsoft Software that included software conforming to the MPEG Audio Standards [REDACTED].

***Dell Was Authorized to Distribute Non-Microsoft Software Capable of Using Microsoft Software Conforming to the MPEG Audio Standards***

69. [REDACTED]  
[REDACTED], Audio MPEG and SISVEL, through Microsoft, also either expressly or impliedly authorized Dell to include on its computers non-Microsoft software configured to access and use the Microsoft Software conforming to the MPEG Audio Standards.

***Defendants’ Rights in the Asserted Patents Are Exhausted or Licensed***

70. The Dell Action Plaintiffs alleged that Dell infringed the Asserted Patents by distributing computers containing identified software products that conform to the MPEG Audio Standards.

71. The Dell Action Plaintiffs' rights in the Asserted Patents as asserted against Dell in the Dell Complaint stand exhausted by the Microsoft License and Microsoft's grant to Dell to sell or distribute Microsoft Software conforming to the MPEG Audio Standards.

72. Because the Dell Action Plaintiffs' patent rights in the Asserted Patents were exhausted as to the Dell computers containing Microsoft Software that includes software conforming to the MPEG Audio Standards, the Dell Action Plaintiffs have no recourse against Dell to the extent that Microsoft Software accesses and uses the software conforming to the MPEG Audio Standards in Microsoft Software on Dell computers that [REDACTED].

73. Because the Dell Action Plaintiffs' patent rights in the Asserted Patents stand exhausted as to Dell computers containing Microsoft Software that includes software conforming to the MPEG Audio Standards, the Dell Action Plaintiffs have no recourse against Dell to the extent that non-Microsoft software accesses and uses only the software conforming to the MPEG Audio Standards in Microsoft Software on Dell computers that [REDACTED].

74. Audio MPEG and SISVEL have expressly and/or impliedly licensed Dell to make, sell, offer to sell, distribute, import or use computers containing non-Microsoft software configured to access and use software conforming to the MPEG Audio Standards contained in Microsoft Software.

***Defendants Have No Recourse Against Microsoft for Indirect Infringement***

75. For the reasons stated above, Dell does not directly infringe the Asserted Patents.

76. Because there is no direct infringement, Defendants have no recourse against Microsoft for indirect infringement.

**FIRST CLAIM FOR RELIEF**  
**(Declaratory Judgment of Non-Infringement of the '992 Patent)**

77. Microsoft re-alleges and incorporates paragraphs 1-76 as if fully set forth herein.

78. Neither Microsoft nor its customers have infringed the '992 patent in light of the Microsoft License.

79. Microsoft seeks and is entitled to a declaratory judgment that it does not infringe or has not infringed under 35 U.S.C. § 271 (or any sub-section thereof) any claim of the '992 patent in light of the Microsoft License.

**SECOND CLAIM FOR RELIEF**  
**(Declaratory Judgment of Non-Infringement of the '396 Patent)**

80. Microsoft re-alleges and incorporates paragraphs 1-76 as if fully set forth herein.

81. Neither Microsoft nor its customers have infringed the '396 patent in light of the Microsoft License.

82. Microsoft seeks and is entitled to a declaratory judgment that it does not infringe or has not infringed under 35 U.S.C. § 271 (or any sub-section thereof) any claim of the '396 patent in light of the Microsoft License.

**THIRD CLAIM FOR RELIEF**  
**(Declaratory Judgment of Non-Infringement of the '892 Patent)**

83. Microsoft re-alleges and incorporates paragraphs 1-76 as if fully set forth herein.

84. Neither Microsoft nor its customers have infringed the '892 patent in light of the Microsoft License.

85. Microsoft seeks and is entitled to a declaratory judgment that it does not infringe or has not infringed under 35 U.S.C. § 271 (or any sub-section thereof) any claim of the '892 patent in light of the Microsoft License.

**JURY DEMAND**

Plaintiff Microsoft hereby demands a jury trial on all issues so triable.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff Microsoft respectfully requests the Court to enter judgment in its favor and against Defendants as follows:

- A. A declaration that Microsoft did not infringe the Asserted Patents;
- B. A declaration that the Dell Action Plaintiffs' rights in the Asserted Patents are exhausted or licensed to Dell;
- C. A declaration that this case is exceptional under 35 U.S.C. § 285;
- D. An award of Microsoft's costs and attorney's fees incurred in this action; and
- E. Further relief as the Court may deem just and proper.

Dated: New York, New York  
October 28, 2016

**BAKER & HOSTETLER LLP**

By: \_\_\_\_\_

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