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9 Attorneys for Plaintiff and Counterclaim Defendant,
 LOTES CO., LTD.

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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA - SAN FRANCISCO DIVISION

LOTES CO., LTD., a Taiwan Corporation,
 Plaintiff and Counterclaim Defendant,
 v.
 HON HAI PRECISION INDUSTRY CO.,
 LTD., a Taiwan Corporation, and
 FOXCONN ELECTRONICS, INC., a
 California Corporation,
 Defendants and Counterclaimants.

Civil Action No. 3:11-cv-01036-WHA

THIRD AMENDED COMPLAINT FOR
**(1) DECLARATORY JUDGMENT OF NON-
 INFRINGEMENT OF LICENSED
 PATENTS;**
**(2) BREACH OF PATENT LICENSE
 AGREEMENT;**
**(3) DECLARATORY JUDGMENT AS TO
 SCOPE OF PATENT LICENSE
 AGREEMENT;**
(4) CONVERSION;
**(5) COMMON COUNT FOR MONEY HAD
 AND RECEIVED;**
**(6) BREACH OF COVENANT OF GOOD
 FAITH AND FAIR DEALING;**
**(7) DECLARATORY JUDGMENT OF NON-
 INFRINGEMENT OR INVALIDITY OF
 NEWLY ASSERTED PATENTS; AND**
**(8) BREACH OF JOINT DEVELOPMENT
 AGREEMENT**
DEMAND FOR JURY TRIAL

1 Plaintiff Lotes Co., Ltd. (“Lotes” or “Plaintiff”), for its Third Amended Complaint
2 against Defendants Hon Hai Precision Industry Co., Ltd. (“Hon Hai”) and Foxconn Electronics,
3 Inc. (“Foxconn”) (collectively, “Defendants”), alleges the following:
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5 **NATURE OF THE CASE**

6 1. In this action, Lotes seeks a determination of the scope and application of
7 the Patent License Agreement effective October 2006 between Lotes and Defendants (the “Patent
8 License Agreement” or “PLA”), and a declaration that the following patents, licensed by Lotes
9 from Defendants pursuant to the Patent License Agreement, do not cover certain products made,
10 used, and sold by Lotes (the “Accused Products”) and are not infringed by Lotes:

- 11 • U.S. Patent No. 6,908,313, entitled “Electrical Socket Having Terminals with
12 Elongated Mating Beams” (“the '313 patent,” attached hereto with its *ex parte*
13 reexamination certificate as **Exhibit E**);
- 14 • U.S. Patent No. 6,887,114, entitled “Electrical Connector with High Performance
15 Contacts” (“the '114 patent,” attached hereto with its *ex parte* reexamination
16 certificate as **Exhibit F**);
- 17 • U.S. Patent No. 5,634,803, entitled “Ejector for Use with a Card Edge Connector”
18 (“the '803 patent,” attached hereto as **Exhibit G**);
- 19 • U.S. Patent No. 6,340,309, entitled “Zero Insertion Force Socket with an Improved
20 Cover” (“the '309 patent,” attached hereto with its *ex parte* reexamination
21 certificate as **Exhibit H**);

22 2. In this action, Lotes further seeks a declaration that the following U.S.
23 patents newly asserted by Defendants are invalid or are not infringed by Lotes:

- 24 • U.S. Patent No. 6,908,316, entitled “Electrical Connector with Accurate Measuring
25 Benchmarks” (“the '316 patent,” attached hereto with its *ex parte* reexamination
26 certificates as **Exhibit I**);

- 1 • U.S. Patent No. 6,135,791, entitled “Method for Achieving Uniform Expansion of
2 Dielectric Plate” (“the '791 patent,” attached hereto with its *ex parte* reexamination
3 certificates as **Exhibit J**);
- 4 • U.S. Patent No. 6,530,798, entitled “Ball Grid Array Socket Connector” (“the '798
5 patent,” attached hereto with its *ex parte* reexamination certificate as **Exhibit K**);
- 6 • U.S. Patent No. 6,905,353, entitled “Electrical Connector Assembly with Pick Up
7 Cap Protecting Contacts” (“the '353 patent,” attached hereto with its *ex parte*
8 reexamination certificates as **Exhibit L**);
- 9 • U.S. Patent No. 7,371,075, entitled “Electrical Connector with Dual-Function
10 Housing Protrusions” (“the '075 patent,” attached hereto with its *ex parte*
11 reexamination certificates as **Exhibit M**);
- 12 • U.S. Patent No. 5,882,211, entitled “System for Arranging a Pair of Opposite
13 Connectors” (“the '211 patent,” attached hereto with its *ex parte* reexamination
14 certificate as **Exhibit N**);
- 15 • U.S. Patent No. 6,113,398, entitled “Electrical Assembly Including Two Opposite
16 Head to Head Arranged Connectors for Interconnecting Two Modules” (“the '398
17 patent,” attached hereto with its *ex parte* reexamination certificate as **Exhibit O**);
18 and
- 19 • U.S. Patent No. 6,679,717, entitled “Electrical Connector with Anti-Mismatching
20 Mechanism” (“the '717 patent,” attached hereto as **Exhibit P**).

21 3. This is also an action for breach of the Patent License Agreement, a
22 declaratory judgment as to the scope of the Patent License Agreement, conversion of the royalties
23 that Lotes paid on products that are not Licensed Products under the Patent License Agreement,
24 money had and received regarding the royalties that Lotes paid on products that are not Licensed
25 Products under the Patent License Agreement, breach of the covenant of good faith and fair
26 dealing respecting the Patent License Agreement and the Settlement Agreement effective as of
27 October 2006 between Lotes and Defendants (the “Settlement Agreement” or “SA”), and breach
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1 of the Joint Development Agreement with Intel Corporation to which Lotes and Defendants are
2 parties (the “Joint Development Agreement” or “JDA”).

3 **JURISDICTION AND VENUE**

4 4. Respecting the first and seventh causes of action, the jurisdiction of this
5 Court arises under the laws of the United States concerning actions relating to federal questions,
6 28 U.S.C. § 1331, and patents, 28 U.S.C. § 1338(a), and under the Federal Declaratory Judgments
7 Act, 28 U.S.C. §§ 2201, 2202.

8 5. Respecting the second, third, fourth, fifth, sixth, and eighth causes of action,
9 this Court has supplemental jurisdiction pursuant to 28 U.S.C. § 1367(a) because these causes of
10 action are part of the same case or controversy as the first and sixth causes of action.

11 6. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b),
12 (c), and (d). The Patent License Agreement includes a choice of law and venue clause. That
13 clause provides that the “[Patent License] Agreement shall be construed, and the legal relations
14 between the parties hereto shall be determined, in accordance with the law of the United States of
15 America, and California specifically” (PLA § 9.12.) That clause also provides that the
16 “Parties and their Affiliates . . . expressly agree to submit to the exclusive jurisdiction of such
17 court for such purpose.” (*Id.*)

18 7. This is an Intellectual Property Action. As such, it was assigned on a
19 district-wide basis per Civil Local Rule 3-2(c).

20 **THE PARTIES**

21 8. Lotes is a Taiwan corporation having a place of business at No. 15, Wusyun
22 Street, Anle District, Keelung City, 20446 Taiwan. Lotes is a leading designer and manufacturer
23 of connectors, CPU sockets, coolers, and antennas for notebook computers, personal computers,
24 and mobile electronic devices.

25 9. On information and belief, Hon Hai is a Taiwan corporation having a place
26 of business at 2 Zihyou Street, Tucheng City, Taipei County, 236 Taiwan.

27 10. On information and belief, Foxconn is a California corporation having a
28 place of business at 1688 Richard Avenue, Santa Clara, California 95050-2844.

FACTUAL BACKGROUND

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2 11. In October of 2006, after several years of litigation in the United States,
3 Taiwan, and China, Lotes and Defendants entered into the Settlement Agreement, which resolved
4 all pending litigation. At the same time, and as part of the settlement, Lotes and Defendants
5 entered into the Patent License Agreement. A true and correct copy of the Settlement Agreement
6 is attached hereto as **Exhibit A**. A true and correct copy of the Patent License Agreement is
7 attached hereto as **Exhibit B**.

8 12. Pursuant to the Patent License Agreement, Defendants granted and Lotes
9 acquired a license to certain patents, including, among others, the '313 patent (claims 1-7), the '114
10 patent, the '803 patent, and the '309 patent. (PLA Exhibit, p. 12.) Collectively, these patents are
11 referred to as the “Licensed Patents.” (PLA § 1.4.)

12 13. The Patent License Agreement specifies a list of products to which it
13 applies. (PLA Exhibit, pp. 12-13.) The products are defined in the Patent License Agreement as
14 the “Licensed Products,” and the agreement is limited to these products. (PLA §§ 1.5, 2.1.) In
15 other words, the Patent License Agreement does not grant a license to practice the Licensed
16 Patents generally, but only with respect to the Licensed Products. Correspondingly, the obligation
17 of Lotes to pay royalties applies only to the Licensed Products. (PLA §§ 1.8, 3.1.)

18 14. The Patent License Agreement provides that if Lotes establishes that any
19 Licensed Product does not infringe any of the Licensed Patents, then it will no longer be
20 considered a Licensed Product, and hence Lotes will have no obligation to pay royalties on that
21 product. (PLA § 3.2.) The Patent License Agreement also specifies a nonbinding alternative
22 dispute resolution mechanism for disputes regarding whether Licensed Products do or do not
23 infringe. (PLA § 8.) Either party may reject the results of the nonbinding mediation process and
24 seek relief from a court of competent jurisdiction. (PLA § 8.1(E).) If a court determines that a
25 Licensed Product does not infringe, then Lotes is entitled to a refund of all royalties paid on that
26 product. (PLA § 8.1(H).)

27 15. The Patent License Agreement includes a choice of law and venue clause.
28 That clause provides that the “[Patent License] Agreement shall be construed, and the legal

1 relations between the parties hereto shall be determined, in accordance with the law of the United
2 States of America, and California specifically” (PLA § 9.12.) That clause also provides that
3 the “Parties and their Affiliates . . . expressly agree to submit to the exclusive jurisdiction of such
4 court for such purpose.” (*Id.*)

5 16. The Settlement Agreement includes a similar, nonbinding dispute resolution
6 mechanism for “any future claims regarding the infringement issues between them” (SA
7 § 6.1.) Again, if the alternative dispute resolution process does not result in an agreement, then
8 either party is permitted to seek “relief from a court of competent jurisdiction.” (SA § 6.1.5.) The
9 SA also provides that it will be construed and that the legal relations between the parties will be
10 determined in accordance with U.S. and California law. (SA § 8.3.)

11 17. Between October 24, 2006 (when the Settlement Agreement and Patent
12 License Agreement were executed) and November 13, 2006, in accordance with these agreements,
13 Lotes submitted documents demonstrating that most or all of the Licensed Products did not and do
14 not come within the scope of the Licensed Patents. Lotes exchanged a series of communications
15 with Defendants regarding whether or not the Licensed Patents were infringed.

16 18. On December 18, 2006, Defendants sent Lotes an e-mail confirming that
17 several of the Licensed Patents were not infringed, including the '672 patent. A true and correct
18 copy of this e-mail of December 18, 2006 is attached hereto as **Exhibit C**. As to others,
19 Defendants made arguments that the patents were still infringed, or requested product samples to
20 conduct further analysis. Lotes provided the requested product samples. On January 19, 2007,
21 Defendants sent Lotes a letter confirming that additional Lotes products did not infringe asserted
22 patents. A true and correct copy of this letter of January 19, 2007 is attached hereto as **Exhibit D**.
23 However, certain Licensed Products remained in dispute. The parties engaged in further
24 discussions, but were unable to resolve their differences.

25 19. From January to March of 2007, Defendants sent teams out to Lotes’
26 customers to tell them not to buy Licensed Products made by Lotes, claiming that other litigations
27 were soon to be filed against Lotes.

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1 20. On April 29, 2008, Lotes commenced mediation of the remaining disputes
2 regarding Licensed Products, in accordance with the Patent License Agreement. Thereafter, the
3 parties met in mediation overseen by Judge William McDonald of JAMS at least on the dates of
4 June 11, 2008, May 27, 2009, June 11, 2009, September 17, 2009, December 3, 2009, January 13,
5 2010, February 1, 2010, March 31, 2010, April 15, 2010, April 27, 2010, June 10-11, 2010, and
6 March 3-4, 2011. In addition, the parties engaged in numerous additional communications
7 regarding mediation and settlement, both directly and through the mediator. However, the parties
8 were unable to reach an agreement, and were unable even to agree on a process for the submission
9 of disputes to an independent licensed patent attorney.

10 21. On March 3, 2010, Hon Hai sent a letter to Lotes, asserting that several
11 Lotes products infringe thirteen previously unasserted Hon Hai patents. On or about March 8,
12 2010, some of Lotes' customers received letters from Defendants claiming that Lotes is infringing
13 two of Hon Hai's patents, neither of which are mentioned in the March 3, 2010 letter to Lotes.

14 22. On March 17, 2010, Defendants commenced litigation in Taiwan asserting
15 non-payment of royalties by Lotes with respect to certain products that Defendants contend are
16 "Licensed Products" under the Patent License Agreement. Although this dispute is subject to
17 mediation under the Patent License Agreement and the Settlement Agreement, Defendants did not
18 engage in any mediation prior to commencing this litigation. In addition, although this dispute is
19 required by the Patent License Agreement to be brought in a court of competent jurisdiction in
20 California (if not resolved by mediation), Defendants brought it in Taiwan.

21 23. On June 28, 2010, Hon Hai commenced a judicial mediation proceeding in
22 Taiwan, regarding newly asserted patents ("First Judicial Mediation"). Hon Hai initially claimed
23 that Lotes is infringing certain claims of five U.S. patents and two Taiwan patents not previously
24 asserted. These patents are the '316 patent, the '791 patent, the '798 patent, the '353 patent, the
25 '075 patent, Taiwan Patent No. 438,127 ("the '127 patent"), and Taiwan Patent No. 558,134 ("the
26 '134 patent").

27 24. On July 16, 2010, Hon Hai sent warning letters to all of Lotes' customers,
28 asserting that Lotes is infringing the newly asserted patents and warning the customers not to do

1 business with Lotes. Hon Hai also sent teams out to meet in person with some of Lotes'
2 customers, making the same allegations and threats.

3 25. On September 17, 2010, Hon Hai supplemented its claims in the First
4 Judicial Mediation. Hon Hai asserted certain claims of two additional U.S. patents and one
5 additional Taiwan patent. These patents are the '211 patent, the '398 patent, and Taiwan Patent
6 No. 384,557 (“the '557 patent”).

7 26. On November 12, 2010, without any prior notice to Lotes and without
8 meeting and conferring in advance, as required by the Settlement Agreement, Hon Hai
9 commenced a second judicial mediation in Taiwan (the “Second Judicial Mediation”). Hon Hai
10 claimed that Lotes infringes certain claims of the '717 patent and Taiwan Patent No. 588,863 (“the
11 '863 patent”). In December 2010, Hon Hai unilaterally terminated the two judicial mediation
12 proceedings in Taiwan.

13 27. On July 16, 2012, Hon Hai sent a letter to Lotes requesting Lotes to stop
14 infringing Hon Hai's Taiwan Patent No. I-278,149 with respect to its LGA 1155 and 2011
15 products, and then on July 19, 2012, before Lotes had a reasonable opportunity to respond, Hon
16 Hai sent warning letters to Lotes' customers, asserting that Lotes is infringing Hon Hai's Taiwan
17 Patent No. I-278,149 (“the '149 patent”) with respect to Lotes' LGA 1155 and 2011 products.

18 28. On July 9, 2012, without any prior notice to Lotes and without meeting and
19 conferring in advance, as required by the Settlement Agreement, Hon Hai commenced two
20 administrative enforcement actions in China asserting that Lotes' USB 3.0 products are infringing
21 Hon Hai's China Patent No. 200810128623.1 and China Patent No. 200820138608.0.

22 29. On September 12, 2012, without any prior notice to Lotes and without
23 meeting and conferring in advance, as required by the Settlement Agreement, Hon Hai
24 commenced an administrative enforcement action in China asserting that Lotes' AMD CPU Socket
25 FS1 is infringing Hon Hai's China Patent No. 200720033812.1.

26 30. On November 5, 2012, Hon Hai sent a notice to Lotes regarding possible
27 litigation and then, on November 8, 2012, before Lotes had a reasonable opportunity to respond,
28 commenced a third judicial mediation in Taiwan (the “Third Judicial Mediation”). Hon Hai

1 claims that Lotes' LGA 1150, LGA 1155, LGA 1156, and LGA 2011 products infringe one
2 Taiwan patent No. M254,769 and three China patents Nos. CN200429839C, CN2665971Y and
3 CN201197000Y.

4 31. On January 30, 2013, Hon Hai sent a notice to Lotes regarding possible
5 litigation and then, on February 4, 2013, before Lotes had a reasonable opportunity to respond,
6 commenced a fourth judicial mediation in Taiwan (the "Fourth Judicial Mediation"). Hon Hai
7 claims that Lotes' AMD CPU Sockets are infringing one Taiwan patent No. 580202, and that
8 Lotes' LGA 1150, LGA 1155, LGA 1156, and LGA 2011 products are infringing four United
9 States patents Nos. 7,736,167, 7,927,121, 7,699,636 and 6,780,041.

10 32. In early May 2013, Lotes learned that, without providing any notice to
11 Lotes, without meeting and conferring in good faith with Lotes in advance, and without engaging
12 in mediation with Lotes in a good faith attempt to resolve any disputes and/or potential claims,
13 Hon Hai had recently engaged in communications with Lotes' customers in which Hon Hai
14 asserted to Lotes' customers that Lotes' Display Port connectors infringe United States Patent No.
15 7,857,665, China Patent No. CN200820037490.2, Taiwan Patent No. TW-M350110, and Japan
16 Patent No. JP3150862. On information and belief, Hon Hai's communications – which included
17 the use of a PowerPoint presentation – were for the purpose of warning Lotes' customers not to do
18 business with Lotes and/or deterring Lotes' customers from doing business with Lotes.

19 33. Lotes filed requests for reexamination of the following patents asserted by
20 Defendants: the U.S. '316, '791, '798, '353, '075, '211, and '398 patents, which are patents newly
21 asserted against Lotes. Lotes also filed requests for reexamination of the '114 patent, after Hon
22 Hai asserted that patent with respect to new products (LGA 1156 and LGA 1366) that are not
23 Licensed Products under the Patent License Agreement. Finally, Lotes filed requests for
24 reexamination of the '309 and '313 patents.

25 34. The reexamination proceedings resulted in several reexamination
26 certificates canceling or amending claims of Defendants' patents and giving rise to intervening
27 rights:
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- 1 a. On March 16, 2016, the USPTO issued an *ex parte* reexamination
2 certificate in Reexamination Control No. 90/012,953, canceling all claims of the '313 patent.
- 3 b. On October 13, 2015, the USPTO issued an *ex parte* reexamination
4 certificate in Reexamination Control No. 90/012,447, canceling all claims of the '114 patent.
- 5 c. On October 21, 2015, the USPTO issued an *ex parte* reexamination
6 certificate in Reexamination Control No. 90/012,891, canceling all claims of the '309 patent.
- 7 d. On February 28, 2012, the USPTO issued an *ex parte* reexamination
8 certificate in Reexamination Control No. 90/009,831, canceling claims 1-18 of the '316 patent,
9 amending claim 19, and adding new claims 20-57. On July 2, 2014, the USPTO issued an *ex*
10 *parte* reexamination certificate in Reexamination Control No. 90/012,250, amending claims 19
11 and 22-57 of the '316 patent, and adding new claims 58-61.
- 12 e. On October 22, 2014, the USPTO issued an *ex parte* reexamination
13 certificate in Reexamination Control No. 90/009,869, canceling all but claim 6 of the '798 patent.
- 14 f. On August 21, 2012, the USPTO issued an *ex parte* reexamination
15 certificate in Reexamination Control No. 90/009,928, amending claims 1-17 of the '353 patent and
16 adding new claims 18-47. On January 2, 2014, the USPTO issued an *ex parte* reexamination
17 certificate in Reexamination Control No. 90/012,804, amending claims 16, 17, 33 and 34 of the
18 '353 patent, and adding new claims 48-117. On February 17, 2015, the USPTO issued an *ex parte*
19 reexamination certificate in Reexamination Control No. 90/013,151, amending claims 1-15, 26-30,
20 33-47, 68-70, 79-92, 103-117 of the '353 patent.
- 21 g. On November 22, 2011, the USPTO issued an *ex parte*
22 reexamination certificate in Reexamination Control No. 90/009,873, canceling claims 1 and 4 of
23 the '075 patent. On March 3, 2015, the USPTO issued an *ex parte* reexamination certificate in
24 Reexamination Control No. 90/012,004, canceling the remaining claims of the '075 patent.
- 25 h. On September 4, 2012, the USPTO issued an *ex parte* reexamination
26 certificate in Reexamination Control No. 90/009,885 canceling claims 2-4, 8, 9, 11 and 12 of the
27 '211 patent, amending claims 1, 5-7 and 10, and adding new claims 13 and 14.
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1 i. On May 29, 2012, the USPTO issued an *ex parte* reexamination
2 certificate in Reexamination Control No. 90/009,887 amending claims 1-7 and adding new claims
3 8-16 of the '398 patent.

4 **FIRST CAUSE OF ACTION**

5 **Declaratory Judgment of Non-Infringement of Licensed Patents**

6 **Against Both Defendants**

7 35. Lotes realleges and incorporates by reference the allegations in paragraphs
8 1-34 above as if fully set forth herein.

9 36. On information and belief, the rights in the Licensed Patents have been
10 assigned to Hon Hai, except that Hon Hai has rights only in certain claims of the '313 patent,
11 namely claims 1-7.

12 37. Lotes has made, used, offered for sale, sold, and/or imported, within the
13 past six years and since the issuance of the Licensed Patents, the Accused Products. The Accused
14 Products include both products that would be Licensed Products under the Patent License
15 Agreement if they infringed a valid claim of any of the Licensed Patents, and products that are not
16 listed in, and hence not subject to, the Patent License Agreement.

17 38. Defendants have charged Lotes with infringement of the Licensed Patents
18 by reason of the Accused Products.

19 39. The Accused Products do not come within the scope of any of the claims of
20 the Licensed Patents, either literally or under the doctrine of equivalents. Lotes has not infringed
21 and is not infringing any valid claim of the Licensed Patents. The manufacture, use, offer for sale,
22 sale, and importation of the Accused Products did not and does not infringe any valid claim of the
23 Licensed Patents. Because they do not infringe any valid claim of the Licensed Patents, the
24 Accused Products are no longer within the scope of or subject to the Patent License Agreement, or
25 never were. Moreover, Defendants have previously admitted that the Accused Products do not
26 infringe, at a minimum, the '309 Patent.

27 40. An actual, present, and direct controversy has arisen and now exists
28 between the parties. Lotes has established non-infringement of the claims of the Licensed Patents,

1 has asked Defendants for repayment of past royalties, and has asserted that it has no obligation to
2 pay future royalties. Defendants disagree and have refused to repay any past royalties or to forgo
3 any future royalty payments.

4 41. There is a substantial and continuing justiciable controversy between Lotes
5 and Defendants as to Defendants' right to threaten or maintain suit for infringement of the claims
6 of the Licensed Patents, as to the scope thereof, and as to whether any of the Accused Products
7 infringe any valid claim thereof.

8 42. Determinations of whether the Accused Products infringe the '313 patent
9 and/or the other Licensed Patents are required to be adjudicated in the United States under the
10 Patent License Agreement and United States law.

11 **SECOND CAUSE OF ACTION**

12 **Breach of Patent License Agreement**

13 **Against Both Defendants**

14 43. Lotes realleges and incorporates by reference the allegations in paragraphs
15 1-42 above as if fully set forth herein.

16 44. In October 2006, Lotes and Defendants entered into the Patent License
17 Agreement. The Patent License Agreement provides that if it is established that a Licensed
18 Product does not infringe any of the Licensed Patents, then Lotes will no longer have to pay
19 royalties on the product and will be entitled to a refund of royalties previously paid.

20 45. Lotes has fully performed all of its obligations under the Patent License
21 Agreement. In particular, Lotes has demonstrated that the Accused Products do not infringe, or
22 are not subject to, the Patent License Agreement, or both. To the extent that Lotes has not
23 performed any obligation under the Patent License Agreement, it is excused from doing so by
24 Defendants' nonperformance and breach of the Patent License Agreement. Lotes is and at all
25 times has been fully entitled to Defendants' complete performance of all of their obligations under
26 the Patent License Agreement.

27 46. Defendants have breached the Patent License Agreement. Defendants have
28 refused to acknowledge that the Accused Products do not infringe any of the claims of the

1 Licensed Patents, have refused to agree that Lotes may stop paying royalties on sales of the non-
2 infringing products, have refused to refund any royalties previously paid on sales of the non-
3 infringing products, and have claimed that additional unpaid royalties are due on sales of the non-
4 infringing products.

5 47. Defendants' breach of the Patent License Agreement is a substantial factor
6 in causing damage and injury to Lotes. As a direct and proximate result of Defendants' conduct
7 alleged in this Complaint, Lotes has been damaged in an amount to be proven at the time of trial,
8 but not less than the amount of royalties paid on non-infringing products to date. In addition,
9 Lotes is entitled to judgment that no further royalties need be paid on non-infringing products.

10 **THIRD CAUSE OF ACTION**

11 **Declaratory Judgment as to Scope of Patent License Agreement**

12 **Against Both Defendants**

13 48. Lotes realleges and incorporates by reference the allegations in paragraphs
14 1-47 above as if fully set forth herein.

15 49. Under the Patent License Agreement, Lotes is obligated to pay royalties
16 only on "Licensed Products." The Patent License Agreement defines "Licensed Products" as "a
17 product of Licensee listed on Exhibit [] hereto, subject to Section 3.2 below." Section 3.2
18 removes from the definition of Licensed Product any product that "no longer infringes any Valid
19 Claim of any of the Licensed Patents"

20 50. Defendants have contended in this action that the definition of "Licensed
21 Products" includes any and all products produced by Lotes that fall into any of the broad
22 categories of products described in the portion of the Exhibit that specifies applicable royalty
23 rates, and is not limited to the products listed in the product chart in the Exhibit. Lotes disagrees
24 and has contended in this action that the definition of "Licensed Products" includes only products
25 with part numbers listed in the product chart. The parties presented the issue of the proper
26 definition of "Licensed Products" to the Court for resolution by way of cross-motions for partial
27 summary judgment, stipulating to the Court's authority to resolve disputed issues of fact as the
28 trier of fact.

1 51. The Court granted judgment on partial findings in favor of Lotes and
2 against Defendants regarding the definition of “Licensed Products” under the Patent License
3 Agreement, ordering: “[T]he Court finds that Lotes’ position that the licensed or accused products
4 would be defined by product numbers listed in the chart in the Exhibit is credible and well-
5 supported by the evidence in the record.”

6 52. There remains an actual, present, and direct dispute between Lotes and
7 Defendants respecting the scope and application of the Patent License Agreement and how the
8 adjudication of the definition of “Licensed Products” affects the rights and obligations of the
9 parties. Lotes has paid royalties on certain products that are not “Licensed Products” and has
10 requested that Defendants repay those royalties. Defendants have refused. Defendants have
11 demanded the payment of royalties on additional products that are not “Licensed Products.” Lotes
12 is not obligated to pay those royalties and is entitled to a refund of royalties paid on products that
13 are not “Licensed Products.” While the Court has already adjudicated the threshold issue of the
14 definition of “Licensed Products” under the Patent License Agreement, Lotes is entitled to entry of
15 a final judgment providing that the Patent License Agreement applies only to the products
16 specifically listed in the Exhibit to the Patent License Agreement, that no further royalties need be
17 paid by Lotes on other products, and that Lotes is entitled to a refund of royalties paid on products
18 that are not “Licensed Products.”

19 **FOURTH CAUSE OF ACTION**

20 **Conversion**

21 **Against Both Defendants**

22 53. Lotes realleges and incorporates by reference the allegations in paragraphs
23 1-52 above as if fully set forth herein.

24 54. Lotes paid royalties to Defendants on sales of products that are either non-
25 infringing, not subject to the Patent License Agreement, or both. Based upon their refusal to
26 recognize that the Accused Products do not infringe any valid claim of a Licensed Patent, are not
27 subject to the Patent License Agreement, or both, Defendants have refused to repay amounts
28 improperly acquired and retained by them.

1 55. Lotes has an immediate right to possession of the funds wrongfully acquired
2 and retained by Defendants.

3 56. Upon information and belief, Defendants have converted the funds by a
4 wrongful act or disposition.

5 57. Defendants' conversion of the funds has damaged Lotes in an amount to be
6 proven at trial, but including at least all royalties paid on products that do not infringe any valid
7 claim of a Licensed Patent and/or are not subject to the Patent License Agreement.

8 **FIFTH CAUSE OF ACTION**

9 **Common Count for Money Had and Received**

10 **Against Both Defendants**

11 58. Lotes realleges and incorporates by reference the allegations in paragraphs
12 1-57 above as if fully set forth herein.

13 59. Lotes paid royalties to Defendants on sales of Licensed Products that are
14 non-infringing and on sales of non-infringing products not subject to the Patent License
15 Agreement. The money paid by Lotes to Defendants as royalty payments for such products was
16 intended to be used for the benefit of Lotes to the extent necessary to fulfill Lotes' royalty payment
17 obligations under the Patent License Agreement, and is therefore money had and received by
18 Defendants for the benefit of Lotes. The money paid by Lotes as such royalty payments was not
19 used for the benefit of Lotes. Instead, it has been retained by Defendants and used by them to
20 unjustly enrich themselves to the detriment of Lotes. Defendants have refused to repay the
21 amounts of money improperly acquired and retained by them in the form of royalties paid by
22 Lotes to Defendants on sales of Licensed Products that are non-infringing and on sales of non-
23 infringing products not subject to the Patent License Agreement.

24 60. Defendants have received money in the form of royalties paid by Lotes on
25 such products, which money rightfully belongs to Lotes and in equity and good conscience should
26 be returned to Lotes in order to prevent the unjust enrichment of Defendants. Defendants have
27 taken undue advantage of Lotes by exacting money from Lotes to which Defendants have no legal
28 right.

1 61. Defendants' having, receiving, and retaining of the funds has damaged
2 Lotes in an amount to be proven at trial, but including at least all royalties paid on products that do
3 not infringe any valid claim of a Licensed Patent and/or are not subject to the Patent License
4 Agreement.

5 **SIXTH CAUSE OF ACTION**

6 **Breach of Covenant of Good Faith and Fair Dealing**

7 **Against Both Defendants**

8 62. Lotes realleges and incorporates by reference the allegations in paragraphs
9 1-61 above as if fully set forth herein.

10 63. Lotes and Defendants entered into the Patent License Agreement and
11 Settlement Agreement.

12 64. Lotes performed all of its obligations under the Patent License Agreement
13 and Settlement Agreement. To the extent that Lotes has not performed any obligation, it is
14 excused from doing so by Defendants' nonperformance and breach.

15 65. All conditions required for Defendants' performance under the Patent
16 License Agreement and Settlement Agreement have occurred.

17 66. Under the Patent License Agreement and Settlement Agreement,
18 Defendants owe a duty of good faith and fair dealing to Lotes. A covenant of good faith and fair
19 dealing is implied by law in all agreements, including the Patent License Agreement and the
20 Settlement Agreement.

21 67. Defendants breached their duty of good faith and fair dealing to Lotes.
22 Immediately after entering into the Settlement Agreement and Patent License Agreement, and
23 repeatedly thereafter, Defendants have sought to defeat the purpose of those agreements and
24 deprive Lotes of the benefit of those agreements, by repeatedly and baselessly asserting to Lotes'
25 customers that Lotes continues to infringe Defendants' patents, knowing that their
26 communications with Lotes' customers would disrupt and interfere with Lotes' business
27 relationships and cause Lotes to lose sales or be forced to make less profitable sales, and with the
28 intent of causing those harms.

1 68. As a direct result of their breach of their duty of good faith and fair dealing,
2 Defendants unfairly interfered with Lotes' right to receive the benefits of the Patent License
3 Agreement and Settlement Agreement, and thus harmed and damaged Lotes. Lotes has lost sales,
4 been forced to make less profitable sales, and been forced to incur increased costs of sales.

5 69. Defendants' breach of the covenant of good faith and fair dealing is a
6 substantial factor in causing damage and injury to Lotes. As a direct and proximate result of
7 Defendants' conduct alleged in this Complaint, Lotes has been damaged in an amount to be
8 proven at the time of trial, but not less than the amount of lost sales, lost profits on sales, and
9 increased costs of sales it has incurred.

10 **SEVENTH CAUSE OF ACTION**

11 **Declaratory Judgment of Non-Infringement or Invalidity**
12 **of Newly Asserted Patents Against Both Defendants**

13 70. Lotes realleges and incorporates by reference the allegations in paragraphs
14 1-69 above as if fully set forth herein.

15 71. On information and belief, the rights in the '316 patent, the '791 patent, the
16 '798 patent, the '353 patent, the '075 patent, the '211 patent, the '398 patent, and the '717 patent
17 (the "Newly Asserted Patents") have been assigned to Hon Hai.

18 72. Lotes has made, used, offered for sale, sold, and/or imported, within the
19 past six years and since the issuance of the Newly Asserted Patents, certain products that
20 Defendants assert come within the scope of these patents. These products include the 989(sktG),
21 1156/1366(skts B/H), SODDR, and AM3(941) products. Defendants have charged Lotes with
22 infringement of the Newly Asserted Patents by reason of these products. These products do not
23 come within the scope of any of the claims of the Newly Asserted Patents, either literally or under
24 the doctrine of equivalents. Lotes has not infringed and is not infringing any valid claim of the
25 Newly Asserted Patents.

26 73. Defendants have demanded the extraordinary and commercially
27 unreasonable compensation as a condition of licensing the Newly Asserted Patents to Lotes.

28

1 74. Moreover, one or more of the Newly Asserted Patents are invalid. Lotes
2 has filed requests for reexamination and invalidation of the U.S. '316, '791, '798, '353, '075, '211,
3 '398 and '717 patents (*i.e.*, the Newly Asserted Patents). Hon Hai denies that any of these patents
4 are invalid, in whole or in part.

5 75. An actual, present, and direct controversy has arisen and now exists
6 between the parties concerning the infringement and validity of the claims of Newly Asserted
7 Patents. There is a substantial and continuing justiciable controversy between Lotes and
8 Defendants as to Defendants' right to threaten or maintain suit for infringement of the claims of
9 the Newly Asserted Patents, as to the scope and validity thereof, and as to whether Lotes' products
10 infringe any valid claim thereof. Lotes is entitled to judgment that the accused products do not
11 infringe the Newly Asserted Patents, and that the Newly Asserted Patents are invalid.

12 EIGHTH CAUSE OF ACTION

13 **Breach of Joint Development Agreement**

14 **Against Both Defendants**

15 76. Lotes realleges and incorporates by reference the allegations in paragraphs
16 1-75 above as if fully set forth herein.

17 77. Lotes and Defendants are parties to the Joint Development Agreement with
18 Intel Corporation. The Joint Development Agreement applies to at least some of the Lotes
19 products that Defendants accuse of infringing the Newly Asserted Patents, the Taiwan '149 patent,
20 and several other U.S., Taiwan, and China patents (collectively, the "Intel Background IP
21 Patents"). In particular, under the Joint Development Agreement, Lotes is a "Phase I Program
22 Supplier" of the rPGA 989 (Socket G) product and a "Phase II Program Supplier" of the LGA
23 1150, 1155, and 1156 (Socket H), 1366 (Socket B), and 2011 (Socket R) products.

24 78. Under the Joint Development Agreement, Defendants are prohibited from
25 asserting any Intellectual Property against any Program Supplier with respect to the use of any
26 such Intellectual Property in Intel Products. The Intel Background IP Patents constitute
27 Intellectual Property for purposes of the Joint Development Agreement. Lotes' rPGA 989 and
28

1 LGA 1150, 1155, 1156, 1366, and 2011 products are Intel Products for purposes of the Joint
2 Development Agreement.

3 79. In addition, under the Joint Development Agreement, Defendants are
4 required to license any “Background IP” to any Phase I Program Supplier on a royalty-free basis
5 and to any Phase II Program Supplier at a commercially reasonable, non-discriminatory royalty.
6 Furthermore, Defendants are required to assign all rights to any “Project IP” to Intel Corporation,
7 which then licenses it to all Phase I and Phase II Program Suppliers on a royalty-free basis. With
8 respect to Lotes’ rPGA 989 and LGA 1150, 1155, 1156, 1366, and 2011 products, the Intel
9 Background IP Patents are, at a minimum, each Background IP to one or more of those products,
10 and Defendants are compelled by the Joint Development Agreement to provide Lotes with a
11 license to said Intel Background IP Patents.

12 80. Lotes has fully performed all of its obligations under the Joint Development
13 Agreement. To the extent that Lotes has not performed any obligation under the Joint
14 Development Agreement, it is excused from doing so by Defendants’ nonperformance and breach
15 of the Joint Development Agreement. Lotes is and at all times has been fully entitled to
16 Defendants’ complete performance of all of its obligations under the Joint Development
17 Agreement.

18 81. Defendants have breached the Joint Development Agreement by asserting
19 their Intellectual Property against Lotes with respect to Intel Products in this action and other legal
20 actions. Defendants have also breached the Joint Development Agreement by refusing to grant
21 Lotes a royalty-free or a commercially reasonable, nondiscriminatory license to any of the Intel
22 Background IP Patents.

23 82. Defendants’ breach of the Joint Development Agreement is a substantial
24 factor in causing damage and injury to Lotes. As a direct and proximate result of Defendants’
25 conduct alleged in this Complaint, Lotes has been damaged in an amount to be proven at the time
26 of trial. Lotes also seeks an order compelling Defendants to specifically perform their obligations
27 to Lotes under the Joint Development Agreement.

28

PRAYER FOR RELIEF

1
2 Lotes requests the following relief as a result of the unlawful acts of Defendants
3 described herein:

4 a. A judgment in favor of Lotes on all of the claims for relief pleaded herein;
5 b. Entry of judgment that Defendants are without right or authority to threaten
6 or to maintain suit against Lotes or its customers for alleged infringement of the Licensed Patents,
7 Newly Asserted Patents, and/or any other patents;

8 c. Entry of judgment that Lotes has not infringed and is not infringing any
9 valid claim of the Licensed Patents and Newly Asserted Patents because of the making, using,
10 offering for sale, selling, or importing any of the Accused Products, including the Licensed
11 Products;

12 d. Entry of judgment that the claims of one or more of the Newly Asserted
13 Patents are invalid;

14 e. Entry of a preliminary injunction enjoining Defendants, their officers,
15 agents, servants, employees, and attorneys, and those persons in active concert or participation
16 with them, from initiating infringement litigation and from threatening Lotes and any of its present
17 or prospective agents, customers, dealers, employees, servants, sellers, and users with
18 infringement litigation or charging any of them either verbally or in writing with infringement of
19 any claims of the Licensed Patents, Newly Asserted Patents, and/or any other patents because of
20 the manufacture, use, offer for sale, sale, or importation of any Lotes products (including, but not
21 limited to, the Accused Products), to be made permanent following trial;

22 f. Entry of a judgment declaring this to be an exceptional case under 35
23 U.S.C. § 285;

24 g. An order that Lotes is entitled to cease paying royalties under the Patent
25 License Agreement with respect to Accused Products that do not infringe any valid claim of any
26 Licensed Patent, and is entitled to the restitution of a refund of all royalties previously paid under
27 the Patent License Agreement with respect to such products;

- 1 h. A declaration that the definition of “Licensed Products” in the Patent
2 License Agreement includes only those products having part numbers listed in the product chart in
3 the Exhibit to the Patent License Agreement;
- 4 i. An order compelling Defendants to specifically perform their obligations to
5 Lotes under the Joint Development Agreement;
- 6 j. An award to Lotes of compensatory, consequential, and punitive damages
7 flowing from Defendants’ wrongful acts, as described herein;
- 8 k. An order requiring Defendants to disgorge any and all revenues, gains,
9 profits, advantages, and unjust enrichment obtained and to be obtained by Defendants as a result
10 of Defendants’ unlawful acts as described herein;
- 11 l. Entry of judgment awarding Lotes its costs and reasonable attorneys’ fees
12 incurred herein, including attorneys’ fees and costs allowed under the Patent License Agreement
13 and Settlement Agreement;
- 14 m. An order awarding Lotes pre-judgment and post-judgment interest; and
15 n. An order for such other and further relief as the Court may deem
16 appropriate.

17 Dated: January 30, 2017

18 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

19
20 By _____
 /s/ James M. Chadwick
 JAMES M. CHADWICK
21 Attorneys for Plaintiff and Counterclaim Defendant
22 LOTES CO., LTD.
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