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16 AUTODESK, INC.

17 UNITED STATES DISTRICT COURT
18 NORTHERN DISTRICT OF CALIFORNIA
19 SAN FRANCISCO DIVISION

21 AUTODESK, INC.,
22 Plaintiff-Counterdefendant,
23 v.
24 JOSEPH ALTER, INC. and
25 JOSEPH ALTER,
26 Defendants-Counterplaintiffs.

Case No. 3:16-cv-04722-WHO
**FIRST AMENDED COMPLAINT
FOR DECLARATORY
JUDGMENT AND BREACH OF
CONTRACT**

1 Plaintiff-Counterdefendant Autodesk, Inc. hereby seeks declaratory judgment of non-
2 infringement of the asserted method claims of United States Patent No. 6,720,962 (“the ’962
3 patent”) and monetary and injunctive relief for breach of contract against Defendants-
4 Counterplaintiffs Joseph Alter, Inc. and Joseph Alter (collectively “Defendants” or “Alter”) and
5 alleges the following as Autodesk’s First Amended Complaint:

6 **NATURE OF THE ACTION**

7 1. This is an action for declaratory judgment of non-infringement of the ’962 patent
8 arising under the Declaratory Judgment Act, 28 U.S.C. §§ 2201-2202, and the patent laws of the
9 United States, 35 U.S.C. §§ 1 *et seq.*, and for breach of the January 31, 2012 Settlement and
10 License Agreement (“Alter-Disney Settlement Agreement”) between Alter and The Walt Disney
11 Company (“Disney”) under California Civil Code §§ 1549, 1559. The Alter-Disney Settlement
12 Agreement fully resolved and forever released Alter’s claims that Disney’s XGen software plug-
13 in, which Disney licensed to Autodesk for use and distribution as part of Autodesk’s Maya
14 software product in 2011, infringes the ’962 patent.

15 2. Autodesk seeks monetary and injunctive relief because Alter has repudiated the
16 express grants and covenants in the Alter-Disney Settlement Agreement not to reassert patent
17 infringement claims against the XGen plug-in Autodesk licensed from Disney. Specifically,
18 despite granting Disney and its customers a license to use and implement the claimed invention,
19 and broadly releasing and covenanting not to sue Disney and its customers and distributors for
20 patent infringement, Alter now alleges that Autodesk’s use and distribution of XGen as part of
21 Autodesk’s Maya software infringes method claims 1-9 of the ’962 patent. Alter has asserted
22 these claims despite acknowledging in correspondence with Autodesk that pursuing this patent
23 infringement action would conflict with “covenants not to sue Disney customers in the [Alter-
24 Disney] settlement agreement.”

25 3. An actual and justiciable controversy exists under 28 U.S.C. §§ 2201-2202
26 between Autodesk and Alter as to whether Autodesk’s development and distribution of the XGen
27 plug-in is licensed and released or infringes method claims 1-9 of the ’962 patent as asserted by
28 Alter, and whether Alter has covenanted not to sue Autodesk for such development and

1 distribution. Moreover, by alleging that Autodesk's use, implementation, and distribution of
2 XGen as part of Maya infringes the asserted method claims of the '962 patent and that Autodesk
3 has thereby interfered with some unidentified prospective economic advantage of Alter, Alter has
4 breached the express terms of the Alter-Disney Settlement Agreement, including the license,
5 release, and covenant not to sue granted to Disney and its customers and distributors.

6 **THE PARTIES**

7 4. Autodesk is a Delaware corporation with its principal place of business at 111
8 McInnis Parkway, San Rafael, California 94903. Autodesk is a global leader in digital design
9 technologies. Autodesk develops a number of 3D design, engineering, and entertainment
10 software products, including Autodesk Maya. Autodesk Maya provides 3D modeling, animation,
11 effects, rendering, and compositing solutions to film and video artists, game developers, and other
12 design professionals, allowing those designers to create lifelike images, realistic animations,
13 extraordinary visual effects, and full-length feature films.

14 5. On information and belief, Joseph Alter, Inc. is a California Corporation with its
15 principal place of business at the residence of Joseph Alter, 1412 Oldbury Place, Westlake
16 Village, California 91361. Joseph Alter, Inc. was also previously located at Joseph Alter's
17 residence at 912 Cole Street, #107, San Francisco, California 94117. On information and belief,
18 Joseph Alter, Inc. is an assignee of rights in the '962 patent and markets a software product called
19 "Shave and a Haircut" for use with Autodesk Maya to Autodesk's customers.

20 6. On information and belief, Joseph Alter is an individual residing at 1412 Oldbury
21 Place, Westlake Village, California 91361, the sole named inventor listed on the face of the '962
22 patent, and an owner of rights in the '962 patent. Joseph Alter previously resided at 912 Cole
23 Street, #107, San Francisco, California 94117.

24 **JURISDICTION AND VENUE**

25 7. This action arises under the Declaratory Judgment Act, 28 U.S.C. §§ 2201-2202,
26 under the patent laws of the United States, 35 U.S.C. §§ 1, *et seq*, and under California Civil
27 Code §§ 1549, 1559.

28 8. This Court has subject matter jurisdiction over this action under 28 U.S.C.

1 §§ 1331, 1338(a), 1367(a), and 2201(a). An immediate, real, and justiciable controversy exists as
2 to whether Autodesk's development and distribution of the XGen plug-in created by Disney is
3 licensed and released or infringes method claims 1-9 of the '962 patent as asserted by Alter. This
4 Court has supplemental jurisdiction over Autodesk's related breach-of-contract claim that forms
5 part of the same case and controversy.

6 9. This Court has personal jurisdiction over Defendants. On information and belief,
7 Joseph Alter, Inc. is a corporation organized under the laws of California with its principal place
8 of business in California, which engages in regular business and patent enforcement activities in
9 California and this District. On information and belief, Joseph Alter resides in California and
10 engages in regular business and patent enforcement activities in California and this District.

11 10. Alter does not contest venue in this District. *See* ECF No. 80 at 3. Venue in this
12 District is proper under 28 U.S.C. §§ 1391(b), (c), and (d) with respect to Autodesk's declaratory
13 judgment and breach of contract claims. Autodesk maintains its principal place of business in
14 this District. Defendants Joseph Alter, Inc. and Joseph Alter are subject to personal jurisdiction
15 in this District and have conducted regular business activities in this District, including marketing
16 software products to Autodesk's employees and customers in this District. Alter has entered into
17 agreements with Autodesk providing that any litigation between the parties shall be commenced
18 and maintained in this District. Alter has also engaged in patent enforcement activities in this
19 District, including the specific activities giving rise to Autodesk's claims in this action. Venue in
20 this District is also proper with respect to Alter's counterclaim of patent infringement under
21 28 U.S.C. § 1400(b) as Autodesk maintains its principal place of business in this District and
22 Alter alleges that Autodesk has committed acts of infringement in this District.

23 **INTRADISTRICT ASSIGNMENT**

24 11. Pursuant to Civil L.R. 3-2(c) and 3-5(b), this is an Intellectual Property Action
25 subject to assignment on a district-wide basis.

26 **FACTUAL BACKGROUND**

27 12. Founded in 1982, Autodesk is a pioneer and worldwide leader in digital design
28 technologies. Autodesk provides design software and services to customers in the architectural,

1 engineering, construction, manufacturing, and digital media and entertainment industries.
2 Autodesk's Maya software product provides its media and entertainment customers with an
3 expanded toolset for developing animation, environments, motion graphics, virtual reality, and
4 character creation and modeling. Maya contains an immense number of features, functionalities,
5 and tools, and provides a platform for other software developers to create and market
6 supplemental "plug-ins" for their own use or sale to the public.

7 13. Defendants are part of this Autodesk software "plug-in" community. Defendants
8 have been members of the Autodesk Developer Network ("ADN") for many years and have
9 developed a plug-in called "Shave and a Haircut," a software tool used to depict hair and fur in
10 visual graphics. Autodesk licensed "Shave and a Haircut" for use in its 3DS Max product, and
11 later supported Defendants' development and marketing of this technology as a plug-in to Maya
12 through the ADN program.

13 **The Disney-Autodesk XGen Announcement**

14 14. This case arises out of Autodesk's decision to license a plug-in that Alter
15 considered a competitor to "Shave and a Haircut."

16 15. On August 9, 2011, Disney and Autodesk announced an agreement under which
17 Autodesk would integrate Disney's XGen Arbitrary Primitive Generator ("XGen") into
18 Autodesk's Maya software product. XGen is a plug-in created by Disney and used in the
19 animated film *Tangled* to animate Rapunzel's hair and to design the trees and bushes in the
20 animated film *Up*. A true and correct copy of the August 9, 2011 Press Release announcing this
21 agreement is attached as Exhibit A.

22 16. Under the August 1, 2011 XGen License and Distribution Agreement between
23 Autodesk and Disney ("XGen Agreement"), Autodesk acquired a license to—and the right to
24 distribute, modify, and make derivative works of—Disney's XGen plug-in. A true and correct
25 copy of the August 1, 2011 XGen Agreement is attached as Exhibit B.

26 **The First Alter-Disney Litigation**

27 17. Two months after the announcement of the Disney-Autodesk XGen Agreement,
28 Alter filed a lawsuit against Disney alleging infringement of the '962 patent, captioned *Joseph*

1 *Alter v. The Walt Disney Company*, Case No. 11-cv-08277-PA (C.D. Cal. Oct. 5, 2011). A true
2 and correct copy of Alter’s 2011 complaint is attached as Exhibit C. On information and belief,
3 the ’962 patent was filed December 4, 2000, listing Joseph Alter as the named inventor. The ’962
4 patent issued April 13, 2004 to Joseph Alter, Inc. Assignment records filed with United States
5 Patent and Trademark Office (“USPTO”) show that Joseph Alter, Inc. assigned rights in the ’962
6 patent to Joseph Alter on September 30, 2011.

7 18. Alter’s complaint against Disney expressly recognized Autodesk’s customer and
8 distributor relationship with Disney and the role that that relationship played in Alter’s decision to
9 initiate litigation. In the 2011 complaint, Alter alleged that Disney “has infringed and continues
10 to infringe one or more claims in the ’962 patent by making use of said systems ... as well [as] a
11 recently advertised licensing deal involving one of said systems (X-Gen) to Autodesk, Inc. for
12 commercial sale and distribution as part of their Maya product worldwide in direct competition
13 with [Alter].” *See* Ex. C ¶ 20. The complaint added that this alleged infringement was brought to
14 Alter’s attention by Disney and Autodesk’s “announcement that they plan to license their
15 production software in direct competition with the Plaintiff” *See id.* ¶ 12. In short, Alter’s
16 lawsuit was prompted by and premised on the understanding that Disney, rather than using XGen
17 solely for internal productions, would empower Autodesk to use, distribute, and commercially
18 exploit XGen in direct competition with Defendants’ “Shave and a Haircut” software.

19 **The Alter-Disney Settlement Agreement**

20 19. On January 31, 2012, Alter and Disney executed the Alter-Disney Settlement
21 Agreement, a true and correct redacted copy of which is attached as Exhibit D. Alter’s 2011
22 patent infringement action was dismissed with prejudice. Defendants left no doubt that they had
23 forever resolved and released all claims against Disney and Autodesk, Disney’s exclusive XGen
24 customer and distributor.

25 20. Alter granted a broad license to Disney “to make, have made, use, import, have
26 imported on their behalf, sell, offer for sale, and to otherwise commercially exploit and distribute
27 any invention claimed, directly or indirectly, in the Licensed Patents,” including the ’962 patent at
28 issue in this case. The license extends to Disney’s direct and indirect customers, including

1 Autodesk and its customers, “to the extent necessary to implement or use the Licensed Products.”
2 *See* Ex. D § 2.1.

3 21. In addition, Alter covenanted “not to sue the entities or persons subject to the
4 release in Section 2.2 above, including customers,” *see* Ex. D § 2.3, and expressly waived
5 California Civil Code Section 1542, *see id.* § 2.4. The entities subject to the release in Section 2.2
6 include Disney’s “direct and indirect customers and distributors and dealers,” as well as “all
7 individuals or entities acting by, through, under or in concert with them,” defined as “Licensee
8 Releasees.” *See* Ex. D § 2.2.

9 22. Alter also released Licensee Releasees from claims “arising out of or related to the
10 [Alter-Disney] Litigation and any and all past, present, and future claims or allegations of
11 infringement, inducement to infringe, contributory infringement, damages, enhanced damages,
12 and attorneys fees, that in any way relate to or arise out of any products or services used or
13 distribution by or for Licensee Releasees” *See* Ex. D § 2.2.

14 23. Alter has confirmed the broad scope of the license, covenant, and release. For
15 example, in an email to Disney dated January 29, 2012, and attached hereto as Exhibit E, Alter
16 wrote that the agreement was “very very broad, broader than any licensing agreement I’ve ever
17 signed.” In email correspondence with Disney dated February 9, 2012 and attached hereto as
18 Exhibit F, Alter confirmed that “with respect to the ’962 patent, or any pending patents I currently
19 have, XGen is clear of any infringement controversy with me regardless of who distributes it for
20 you.”

21 24. Alter did not honor any of these commitments.

22 **Alter’s Breach of the Alter-Disney Settlement Agreement**

23 25. On or about July 22, 2016, Alter filed a second lawsuit against Disney in the
24 Superior Court of the State of California for the County of Los Angeles. Among other
25 allegations, Alter’s 2016 complaint against Disney alleged that Autodesk, Disney’s exclusive
26 customer and distributor, is infringing the ’962 patent.

27 26. Four days later, Alter sent Autodesk a letter alleging that “Autodesk is infringing
28 on the [’962] patent and is liable for all damages resulting from that infringement.” Alter further

1 asserted that if Autodesk did not accept a second “global resolution” of this purported claim, then
2 a “patent infringement action against Autodesk” would be “imminent.” A true and correct copy
3 of Alter’s July 26, 2016 correspondence to Autodesk is attached as Exhibit G.

4 27. Alter also filed counterclaims, alleging that “Autodesk has infringed, and
5 continues to infringe, directly and indirectly, one or more of the ’962 Patent’s claims by making
6 and selling XGen as part of the Maya software product and providing support and training for its
7 users in the use of XGen to animate hair, fur, and other large systems of geometry.” ECF No. 34
8 at ¶77. Alter’s counterclaims are predicated on Autodesk’s development and distribution of
9 XGen.

10 28. Alter did so despite acknowledging, in an email to Autodesk dated August 22,
11 2016 and attached as Exhibit H, that a “counter-suit of infringement” would run afoul of
12 “covenants not to sue Disney customers in the [Alter-Disney] settlement agreement.” In fact,
13 Alter’s motion to dismiss Autodesk’s original complaint in this action, ECF No. 1, acknowledged
14 that asserting counterclaims against Autodesk for infringement would “risk breaching the [Alter-]
15 Disney license.” *See* ECF No. 14 at 3. Alter similarly stated in his reply in support of his motion
16 to dismiss that “[i]f Disney and Autodesk are correct [that XGen, in its current form, is a Licensed
17 Product], then Autodesk is protected by the covenant not to sue and Alter would be in breach if he
18 asserted claims against it.” *See* ECF No. 21 at 4.

19 29. The license and release in the Alter-Disney Settlement Agreement also bar Alter’s
20 infringement counterclaims, which are premised on the technology Alter licensed to Disney and
21 Autodesk. On or about February 24, 2017, Alter served infringement contentions on Autodesk,
22 asserting method claims 1-9 of the ’962 patent. A true and correct copy of Alter’s disclosure of
23 asserted claims and infringement contentions is attached as Exhibit I. According to Alter’s
24 infringement contentions, Autodesk’s alleged “infringement began after [it] acquired XGen from
25 The Walt Disney Company and began selling XGen as an Autodesk product as part of Maya.”
26 *See* Ex. I at 4.

27 30. Alter has also maintained these claims against Autodesk despite recognizing the
28 futility of reasserting patent claims against Disney. After Alter’s second lawsuit against Disney

1 was removed to the Central District of California and stayed, *see* ECF No. 29-1, Alter dismissed
2 that lawsuit without prejudice and asserted counterclaims against Disney in this action alleging
3 declaratory judgment of no license to or exhaustion of the '962 patent, indirect infringement of
4 the '962 patent, and breach of contract and implied covenant of good faith and fair dealing, *see*
5 ECF No. 34. Indeed, Alter represented to the Court that “[b]y the time Autodesk sued him in
6 August 2016 [for declaratory judgment of license/non-infringement], it was clear that Mr. Alter
7 had concluded that his real dispute was with Disney, not Autodesk.” *See* ECF No. 21 at 2.

8 31. Nevertheless, fourteen days after being served with a Rule 11 motion, Alter
9 dismissed all counterclaims against Disney with prejudice.

10 32. For all the above reasons, Defendants cannot credibly claim that they did not
11 intend the license, release, and covenant not to sue in the Alter-Disney Settlement Agreement to
12 extend to Autodesk. Autodesk’s customer and distributor relationship with Disney was the
13 fundamental basis and motivating factor for their infringement action against Disney. By
14 layering a broad covenant not to sue Disney customers or distributors on top of a broad release of
15 those same customers and distributors, Disney and Alter intended and effectuated a total
16 resolution of “any and all past, current, and future claims of infringement” by Alter against
17 Disney’s customer and distributor, Autodesk, for its implementation and use of XGen.

18 **Autodesk Does Not Infringe the '962 Patent**

19 33. Separate and apart from the Alter-Disney Settlement Agreement, Autodesk does
20 not directly or indirectly infringe any valid claim of the '962 patent, whether literally or under the
21 doctrine of equivalents. In particular, no version of XGen distributed by Autodesk as part of
22 Maya directly or indirectly infringes any valid claim of the '962 patent, whether literally or under
23 the doctrine of equivalents. Autodesk also does not directly or indirectly infringe any valid claim
24 of the '962 patent based at least on estoppel.

25 34. The '962 patent contains ten claims, all of which are method claims which cannot
26 be directly infringed merely by the sale of an accused product. No third party infringes any of the
27 asserted claims of the '962 patent by using XGen in Maya. Autodesk has not caused, directed,
28 requested, or facilitated any infringement, much less with any specific intent to do so.

THIRD COUNT
(Breach of Written Contract)

1
2
3 42. Autodesk hereby restates and incorporates by reference each and every allegation
4 set forth in paragraphs 1 through 41 above as though fully repeated and set forth herein.

5 43. The Alter-Disney Settlement Agreement constitutes a valid, binding, and
6 enforceable contract between Disney and Alter, supported by consideration and made for the
7 benefit of Disney and its exclusive XGen customer and distributor, Autodesk. Autodesk has been
8 and continues to be an intended third party beneficiary of this Agreement.

9 44. In entering into the Alter-Disney Settlement Agreement, the parties acknowledged
10 that they had the full benefit and advice of legal counsel of their own selection or the opportunity
11 to obtain the benefit and advice of counsel of their own selection in regard to the terms, meaning,
12 and effect of the Alter-Disney Settlement Agreement. The parties to the Alter-Disney Settlement
13 Agreement further agreed that the Alter-Disney Settlement Agreement constitutes the entire
14 understanding and agreement of the parties and supersedes any and all prior proposals,
15 understandings, negotiations and discussions.

16 45. On information and belief, Disney has fulfilled all its obligations and conditions
17 under the Alter-Disney Settlement Agreement.

18 46. In a letter dated August 22, 2016, Alter acknowledged that a counter-suit asserting
19 infringement of the '962 patent would violate the covenant not to sue Disney customers and
20 distributors in the Alter-Disney Settlement Agreement.

21 47. By filing counterclaims against Autodesk based on the alleged infringement of the
22 asserted claims of the '962 patent by Autodesk's use, implementation, and/or distribution of the
23 XGen plug-in, Alter has breached the terms of the Alter-Disney Settlement Agreement, including
24 the covenant not to sue Disney and its customers and distributors under Cal. Civ. Code §§ 1549,
25 1559.

26 48. As a result of Alter's breach, Autodesk has been damaged at least in the amount of
27 attorneys' fees and costs that Autodesk has incurred to date and is continuing to incur in having to
28 defend against Alter's baseless infringement allegations and counterclaims pursuant to Cal. Civ.

1 Code § 3300.

2 **FOURTH COUNT**

3 **(Breach of Covenant of Good Faith and Fair Dealing)**

4 49. Autodesk hereby restates and incorporates by reference each and every allegation
5 set forth in paragraphs 1 through 48 above as though fully repeated and set forth herein.

6 50. In every contract made in California, there is an implied covenant of good faith
7 and fair dealing. It is a covenant made by each party to the contract not to do anything that will
8 deprive the other parties to the contract of the benefits of that contract.

9 51. Disney made clear to Alter that it entered into the Alter-Disney Settlement
10 Agreement with him to resolve Alter's 2011 patent infringement action on behalf of Disney and
11 its customers and distributors, including Autodesk.

12 52. By filing counterclaims against Autodesk based on the alleged infringement of the
13 asserted claims of the '962 patent by Autodesk's use, implementation, and/or distribution of the
14 XGen plug-in, Alter has unfairly interfered with the rights of Autodesk as Disney's exclusive
15 XGen customer and distributor, depriving Autodesk of the benefits of the Alter-Disney
16 Settlement Agreement not to be sued for infringement of the '962 patent in connection with
17 XGen.

18 53. As a result of Alter's breach, Autodesk has been damaged at least in the amount of
19 attorneys' fees and costs that Autodesk has incurred to date and is continuing to incur in having to
20 defend against Alter's baseless infringement allegations and counterclaims pursuant to Cal. Civ.

21 Code § 3300.

22 **PRAYER FOR RELIEF**

23 WHEREFORE, Autodesk prays for judgment as follows:

24 A. Declaration that Autodesk has not infringed and is not infringing any of the
25 asserted claims of the '962 patent;

26 B. Declaration that Alter's counterclaims against Autodesk are barred under the
27 doctrine of estoppel;

28 C. Declaration that Autodesk is licensed under the '962 patent;

- 1 D. Declaration that Autodesk’s use and distribution of XGen is licensed and released
- 2 under the Alter-Disney Settlement Agreement;
- 3 E. Declaration that Alter covenanted not to sue Autodesk for claims relating to its use
- 4 and distribution of XGen;
- 5 F. Declaration that Disney was authorized to grant Autodesk the rights to develop
- 6 and distribute XGen as part of Maya as provided under the August 1, 2011 XGen License and
- 7 Distribution Agreement;
- 8 G. Judgment that Alter has breached the January 31, 2012 Settlement and License
- 9 Agreement, including the covenant not to sue;
- 10 H. Judgment that Alter has breached the covenant of good faith and fair dealing
- 11 implied in the Alter-Disney Settlement Agreement under California law;
- 12 I. Finding that this is an exceptional case under 35 U.S.C. § 285;
- 13 J. Awarding Autodesk damages proximately caused by Alter’s breach of contract;
- 14 and
- 15 K. Awarding Autodesk such other and further relief as the Court deems just and
- 16 proper.

17
18 Dated: June 26, 2017

Respectfully submitted,

19 By: /s/ Michael A. Jacobs
20 MICHAEL A. JACOBS

21 Attorneys for Plaintiff-Counterdefendant
22 AUTODESK, INC.
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