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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 OAKLAND DIVISION

11 HANDSPRING, INC.,
12 Plaintiff,
13 v.
14 MLR, LLC,
15 Defendant.

Case No. 03-CV-00325 SBA

**COMPLAINT (CORRECTED TO
INCLUDE ATTACHMENTS) FOR
DECLARATORY JUDGMENT OF
PATENT INVALIDITY AND
NONINFRINGEMENT; UNFAIR
COMPETITION UNDER
CALIFORNIA BUSINESS &
PROFESSIONS CODE SEC. 17200 et
seq.**

DEMAND FOR JURY TRIAL

18 Plaintiff Handspring, Inc. (“Handspring”), by and through its undersigned counsel,
19 alleges as follows:

20 **I.**

21 **NATURE OF ACTION**

22 1. Defendant MLR, LLC (“MLR”) has sued Handspring for alleged
23 infringement of United States Patent Nos. RE37,141; 5,640,444; 5,854,985 and 6,134,453
24 (hereinafter, respectively, the ‘141, ‘444, ‘985 and ‘453 patents, or collectively, the “patents-in-
25 suit”), in the United States District Court for the Northern District of Illinois (case no. 02-CV-
26 2898) (the “Illinois lawsuit”). With the present lawsuit, Handspring seeks, *inter alia*, a
27 declaratory judgment that Handspring does not infringe the patents-in-suit and that the patents-in-
28 suit, and each of them, are invalid.

1 California; the cause of action herein arises from MLR’s forum-related contacts; and exercise of
2 personal jurisdiction by this court is reasonable and comports with fair play and substantial
3 justice.

4 6. Venue is proper in this judicial district pursuant to Title 28 of the United
5 States Code §§ 1391(b) and (c).

6 7. Jurisdiction of the state law claim under Section 17200, *et seq.*, of the
7 California Business & Professions Code is proper on the basis of diversity of citizenship and
8 pendent and supplemental jurisdiction.

9 **III.**

10 **PARTIES**

11 8. Handspring is a corporation organized under the laws of the State of
12 Delaware, with its principal place of business located in Mountain View, California.

13 9. Upon information and belief, Defendant MLR is a Virginia limited liability
14 company with its principal place of business located in McLean, Virginia.

15 **IV.**

16 **INTRADISTRICT ASSIGNMENT**

17 10. Pursuant to Civil Local Rule 3-2(c), this case is subject to assignment on a
18 district-wide basis because it is a patent case.

19 **V.**

20 **BACKGROUND**

21 11. On or about April 24, 2002, MLR filed its First Amended Complaint for
22 patent infringement in the Northern District of Illinois, naming as defendants U.S. Robotics Corp.
23 (“U.S. Robotics”), Kyocera Corp. (“Kyocera”), Toshiba Corporation (“Toshiba”),
24 Telefonaktiebolaget LM Ericsson (“Ericsson”), and Samsung Electronics Co. (“Samsung”).
25 Handspring was not named in the First Amended Complaint. In the Illinois lawsuit, MLR
26 accused the defendants of infringing no fewer than eight United States patents (“MLR’s patent
27 portfolio”), including the four patents-in-suit.

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1 12. On or about November 6, 2002, MLR amended its complaint again in its
2 Illinois lawsuit, dropping U.S. Robotics, Kyocera and Samsung, and adding as defendants to
3 some, but not all, of the patent claims Handspring, Sony-Ericsson Mobile Communications AB
4 (“Sony-Ericsson”), Nokia Corporation (“Nokia”) and Sierra Wireless, Inc. (“Sierra Wireless”).
5 Though MLR accused the defendants of infringing between them MLR’s entire patent portfolio,
6 MLR only asserted against Handspring the four patents-in-suit out of its eight patents in the
7 Illinois lawsuit.

8 13. U.S. Robotics, Kyocera, Toshiba, Ericsson, Samsung, Sony-Ericsson,
9 Nokia and Sierra Wireless (collectively, the “co-defendants”) are competitors with Handspring in
10 the market that includes personal communicators, “smart” cellular telephones, wireless personal
11 digital assistants (PDAs) and wireless “Pocket PCs” (the “Target Market” or “Target Industry”).

12 14. United States Patent No. RE37,141 (“the ‘141 patent”), entitled “Cellular
13 Telephone Data Communication System and Method,” states on its face that it issued on April 17,
14 2001. MLR claims to be the owner of the ‘141 patent. A true and correct copy of the ‘141 patent
15 is attached hereto as Exhibit A.

16 15. United States Patent No. 5,640,444 (“the ‘444 patent”), entitled “Methods
17 and Apparatus for Controlling Data Transmission Using Radio Devices,” states on its face that it
18 issued on June 17, 1997. MLR claims to be the owner of the ‘444 patent. A true and correct
19 copy of the ‘444 patent is attached hereto as Exhibit B.

20 16. United States Patent No. 5,854,985 (“the ‘985 patent”), entitled “Adaptive
21 Omni-model Radio Apparatus and Methods,” states on its face that it issued on December 29,
22 1998. MLR claims to be the owner of the ‘985 patent. A true and correct copy of the ‘985 patent
23 is attached hereto as Exhibit C.

24 17. United States Patent No. 6,134,453 (“the ‘453 patent”), entitled “Adaptive
25 Omni-model Radio Apparatus and Methods,” states on its face that it issued on October 17, 2000.
26 MLR claims to be the owner of the ‘453 patent. A true and correct copy of the ‘453 patent is
27 attached hereto as Exhibit D.

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1 18. Upon information and belief, MLR does not manufacture or sell
2 telecommunications equipment or products. Indeed, upon information and belief, MLR does not
3 manufacture or sell goods of any kind. Instead, MLR derives its revenue from selling licenses for
4 its patent portfolio, including licenses with respect to the patents-in-suit. MLR has initiated, and
5 continues to pursue, a program of forcing manufacturers in the Target Industry, such as
6 Handspring, to buy such licenses, regardless of actual need and without adequately demonstrating
7 such need.

8 19. The Illinois lawsuit is in a forum inconvenient to many of the defendants,
9 including Handspring, the inconvenience further strengthening MLR's goal of coercing targets of
10 its licensing program into accepting unneeded and unwanted licenses, regardless of the merits.

11 20. Handspring markets and sells certain products, including a communications
12 and/or computing device marketed under the trade name "TREO." Handspring also markets and
13 sells certain other such products, including devices marketed under the trade names "Visor" and
14 "Visorphone."

15 21. MLR first offered to sell Handspring a blanket license for MLR's patents
16 in an October 8, 2000 letter to Handspring's general counsel. MLR and Handspring have twice
17 engaged in oral negotiations regarding the sale of such license to Handspring—on or about
18 November 8, 2001 and February 15, 2002—with Handspring participating from its Mountain
19 View, California headquarters.

20 22. In that October 8, 2000 letter, MLR claimed that over 40 companies,
21 including at least two California-based companies, Smart Modular and 3Com, had accepted
22 licenses for MLR's patents, including some of the patents-in-suit. On information and belief,
23 MLR has collected and continues to collect licensing fees from at least 3Com.

24 23. On or about January 17, 2002, Raymond P. Niro of Niro, Scavone, Haller
25 & Niro in Chicago, on behalf of MLR, wrote a letter to Handspring offering to release
26 Handspring from alleged liability in exchange for Handspring's purchase of a blanket license for
27 MLR's patent portfolio at a price based on a royalty rate percentage.

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1 24. In this same January 17, 2002 letter, Mr. Niro indicated that the royalty rate
2 percentage was lower than that “offered to anyone else in the PDA market” because the
3 negotiations were at “the early stages.” Mr. Niro further indicated that by taking a license soon,
4 “Handspring would be at a significant competitive advantage because it will be licensed under the
5 MLR technology at rates more favorable than anyone else in the PDA market.”

6 25. In this same January 17, 2002 letter, Mr. Niro touted his firm’s prowess at
7 winning large judgments at patent litigation, warning that “the litigation process generally proves
8 to be more destructive than it is productive.”

9 26. Attached to this same January 17, 2002 letter was the only claim chart
10 MLR ever provided Handspring. Of the four patents-in-suit, the claim chart only asserted
11 infringement of two: the ‘141 and ‘444 patents. The claim chart failed to demonstrate a
12 reasonable basis for MLR’s claims of patent infringement against Handspring. For example, in it,
13 MLR argued that Handspring’s TREO 180 possesses the claim element

14 Wherein the processing means compares the sensed digital cellular
15 telephone control signals to expected digital cellular telephone
16 control signal values incorporated in said processing means and
17 selects a first mode of operation of the control signal generating
18 means enabling data transmission when the sensed digital cellular
19 telephone control signals correspond to the expected digital
20 cellular telephone control signal values and selects a second mode
21 of operation of the control signal generating means if said sensed
22 digital cellular telephone control signals do not correspond to said
23 expected digital cellular telephone control signal values,

24 by stating conclusorily, “The TREO 180 digital controller enables data transmission upon
25 predetermined conditions.”

26 27. In this same letter, as well as in a subsequent March 18, 2002 letter, MLR
27 essentially admitted that it lacked adequate evidentiary support for its allegations of patent
28 infringement when MLR refused to supplement its claim charts unless Handspring provided MLR
with certain documents containing engineering and other details about Handspring’s products,
including highly confidential engineering specifications. When Handspring later questioned
whether such documents were necessary for MLR’s preparation of an adequate claim chart in

1 light of the wealth of public information about Handspring's products—to say nothing of the
2 readily-available products themselves—MLR abruptly terminated negotiations.

3 28. On or about February 15, 2002, after further discussions with Handspring
4 failed to produce the sale of a license, MLR wrote again, failing to reduce its price in response to
5 Handspring's lack of interest in MLR's sales offer, and making a further proposal of payment.

6 29. When Handspring continued to show a lack of interest in the offered
7 licenses, on or about April 18, 2002, MLR, again through Mr. Niro, stated in a letter that
8 Handspring's "viability (perhaps its survival) rests on the [accused] Treo product" and in that
9 same letter threatened Handspring's stock value with "the risk of more bad news should its
10 potential liability for patent infringement be known."

11 30. Upon information and belief, MLR knowingly brought its claims of
12 infringement of all or some of the patents-in-suit against each of the co-defendants without an
13 adequate basis. For example, upon information and belief, MLR did not provide one or more of
14 the co-defendants with a claim chart, despite requests to do so.

15 31. Upon information and belief, MLR offered some or all of the co-
16 defendants terms supposedly more favorable than those offered to the other co-defendants, if the
17 co-defendant would be among the first to license MLR's patent portfolio.

18 32. Upon information and belief, the Illinois lawsuit is part of MLR's strategy
19 to "shake down" the Target Industry, by forcing selected members of the Target Industry to
20 accept unwanted and unneeded licenses for some or all of the patents-in-suit. Upon information
21 and belief, MLR's strategy is and has been to license to members of the Target Industry its patent
22 portfolio, which is irrelevant to any Target Industry technology, at a rate supposedly less than that
23 being offered to other members of the Target Industry, threatening the expense of litigation to
24 those that balk, then to use those licenses to leverage more expensive licenses from other Target
25 Industry members.

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VI.

CLAIM I

**DECLARATORY RELIEF FOR PATENT INVALIDITY AND NONINFRINGEMENT
(THE '141 PATENT)**

33. Handspring incorporates herein by reference the allegations of paragraphs 1 through 32 of this Complaint.

34. MLR has sued Handspring for alleged infringement of the '141 patent in the United States District Court for the Northern District of Illinois.

35. Handspring denies that it has infringed, directly or indirectly, any valid claim of the '141 patent.

36. Handspring also contends that the claims of the '141 patent are invalid for failure to meet the requirements of the patent laws of the United States, including 35 U.S.C. §§ 102, 103, and/or 112.

37. Accordingly, there exists an actual controversy between Handspring and MLR concerning whether the claims of the '141 patent are not infringed by Handspring and are invalid.

38. Handspring seeks a declaration that the '141 patent is not infringed by Handspring and is invalid.

VII.

CLAIM II

**DECLARATORY RELIEF FOR PATENT INVALIDITY AND NONINFRINGEMENT
(THE '444 PATENT)**

39. Handspring incorporates herein by reference the allegations of paragraphs 1 through 32 of this Complaint.

40. MLR has sued Handspring for alleged infringement of the '444 patent in the United States District Court for the Northern District of Illinois.

41. Handspring denies that it has infringed, directly or indirectly, any valid claim of the '444 patent.

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IX.

CLAIM IV

**DECLARATORY RELIEF FOR PATENT INVALIDITY AND NONINFRINGEMENT
(THE '453 PATENT)**

51. Handspring incorporates herein by reference the allegations of paragraphs 1 through 32 of this Complaint.

52. MLR has sued Handspring for alleged infringement of the '453 patent in the United States District Court for the Northern District of Illinois.

53. Handspring denies that it has infringed, directly or indirectly, any valid claim of the '453 patent.

54. Handspring also contends that the claims of the '453 patent are invalid for failure to meet the requirements of the patent laws of the United States, including 35 U.S.C. §§ 102, 103, and/or 112.

55. Accordingly, there exists an actual controversy between Handspring and MLR concerning whether the claims of the '453 patent are not infringed by Handspring and are invalid.

56. Handspring seeks a declaration that the '453 patent is not infringed by Handspring and is invalid.

X.

CLAIM V

**VIOLATION OF CALIFORNIA BUSINESS AND PROFESSIONS
CODE SECTION 17200 ET SEQ.**

57. Handspring incorporates herein by reference the allegations of paragraphs 1 through 56 of this Complaint.

58. MLR's conduct in misuse of its patents, a cognizable wrong under the patent laws of the United States, constitutes an unlawful, unfair, and/or fraudulent business act or practice in violation of Section 17200, *et seq.*, of the California Business and Professions Code.

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1 59. MLR's conduct is also extortionate, in that MLR explicitly threatened to
2 take steps to damage Handspring's stock value by making Handspring's "potential liability for
3 patent infringement known," if Handspring did not purchase MLR's offered license(s). Such
4 conduct is proscribed by certain California statutes, including Sections 518, *et seq.*, of the
5 California Penal Code and Section 17046 of the California Business and Professions Code, and
6 also constitutes an unlawful, unfair and/or fraudulent business act or practice in violation of
7 Section 17200, *et seq.*, of the California Business and Professions Code.

8 60. MLR's conduct also threatens to harm consumers, in that such conduct
9 threatens to raise the price of a consumer staple—cellular telephones—by coercing or attempting
10 to coerce manufacturers in the Target Industry, such as Handspring and others, to buy unwanted
11 and unneeded licenses. Such conduct constitutes an unlawful, unfair and/or fraudulent business
12 act or practice in violation of Section 17200, *et seq.*, of the California Business and Professions
13 Code.

14 61. MLR's conduct also violates federal antitrust laws, in that such conduct
15 restrains trade by attempting to assert a monopoly over discrete classes of products and
16 technologies to which the patents-in-suit do not apply. Such conduct constitutes an unlawful,
17 unfair and/or fraudulent business act or practice in violation of Section 17200, *et seq.*, of the
18 California Business and Professions Code.

19 62. For the foregoing reasons, MLR's conduct also violates the policy and/or
20 spirit of federal and state antitrust laws and/or significantly threatens and/or harms competition, in
21 violation of Section 17200, *et seq.*, of the California Business and Professions Code.

22 63. Handspring has no adequate remedy at law and is being irreparably harmed
23 by MLR's unfair competition, and such harm will continue unless MLR is enjoined by the Court.

24 64. Handspring is entitled to restitution and/or disgorgement of all benefits
25 received by MLR pursuant to or in connection with MLR's unlawful, unfair and/or fraudulent
26 business practices, including without limitation all revenue derived from licenses sold with
27 respect to the patents-in-suit.

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XI.

PRAYER FOR RELIEF

WHEREFORE, Handspring prays for judgment as follows:

A. A declaration that the claims of United States Patents Nos. RE37,141; 5,640,444; 5,854,985 and 6,134,453, and each of them, are invalid;

B. A declaration that Handspring has not infringed, directly or indirectly, contributorily or by way of inducement, any valid claim of United States Patent Nos. RE37,141; 5,640,444; 5,854,985 and 6,134,453, and each of them;

C. Restitution and/or disgorgement of all benefits received by MLR pursuant to or in connection with its unlawful, unfair and/or fraudulent business practices in an amount to be proven at trial, but in excess of the jurisdictional minimum of this Court, arising from MLR’s unlawful, unfair and/or fraudulent business practices as alleged herein, including without limitation any and all revenue derived from licenses sold with respect to the patents-in-suit;

D. An injunction against MLR and their officers, agents, servants, employees, and those persons in active concert or participation with them who receive actual notice of this judgment, from directly or indirectly asserting infringement or instituting any action for infringement of United States Patent Nos. RE37,141; 5,640,444; 5,854,985 and 6,134,453, and each of them, against Handspring or any of its customers or suppliers;

E. A declaration that this case is exceptional under 35 U.S.C. § 285 and an award of Handspring’s attorneys’ fees, expenses, and costs in this action; and

F. That the Court grant Handspring such other and further relief as the Court deems just and proper.

Dated: January 27, 2003

FENWICK & WEST LLP

By: S/Darryl M. Woo
Darryl M. Woo

Attorneys for Plaintiff
Handspring, Inc.

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JURY DEMAND

Plaintiff Handspring, Inc. demands a jury trial as to all issues so triable in this action.

Dated: January 27, 2003

FENWICK & WEST LLP

By: S/Darryl M. Woo
Darryl M. Woo

Attorneys for Plaintiff
Handspring, Inc.