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RICHARD W. WIEKING
CLERK
U.S. DISTRICT COURT
NO. DIST. OF CA. S.J.

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ADR

8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA

clerk

11 SANDISK CORPORATION

12 Plaintiff,

13 v.

14 LSI CORPORATION,

15 Defendant.

C09 02737

COMPLAINT FOR:

PVT

1. DECLARATORY JUDGMENT FOR PATENT NON-INFRINGEMENT, PATENT INVALIDITY, AND/OR PATENT UNENFORCEABILITY;
 2. UNFAIR COMPETITION, CALIF. BUS. & PROF. SECTION 17200;
 3. INTENTIONAL INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE;
 4. NEGLIGENT INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE; AND
 5. TRADE LIBEL.
- DEMAND FOR JURY TRIAL

25 Plaintiff SanDisk Corporation ("SanDisk") hereby alleges as follows:

26 NATURE OF THE ACTION

27 1. This is an action for a declaratory judgment of non-infringement, invalidity, and
28 unenforceability of United States Patent Nos. 5,379,356 (the "356 Patent"); 5,809,174 (the "174

1 Patent"); 5,864,817 (the "'817 Patent"); 5,890,124 (the "'124 Patent"); 5,982,830 (the "'830
2 Patent"); 6,982,663 (the "'663 Patent"); 5,670,730 (the "'730 Patent"); and, 5,696,928 (the "'928
3 Patent") (collectively, the "LSI Patents"). This action also includes tort claims under California
4 state law arising from the same facts and circumstances as the claim for declaratory judgment.

5 **PARTIES**

6 2. Plaintiff SanDisk is a corporation organized and existing under the laws of
7 Delaware, and has its headquarters and principal place of business in Milpitas, California.
8 SanDisk is engaged in the business of, among other things, designing manufacturing, and selling
9 digital media players.

10 3. On information and belief, Defendant LSI Corporation ("LSI") is a Delaware
11 corporation with its principal place of business in Milpitas, California.

12 **JURISDICTION AND VENUE**

13 4. This action arises under the Declaratory Judgment Act, 28 U.S.C. §§ 2201 *et. seq.*,
14 and under the patent laws of the United States, Title 35 of the United States Code. This Court has
15 jurisdiction over this action pursuant to 35 U.S.C. §§ 271, *et. seq.*, and 28 U.S.C. §§ 1331, 1338,
16 and 2201-2202.

17 5. This Court has subject matter jurisdiction over the supplemental state law claims
18 pursuant to 28 U.S.C. § 1367, because these claims are so related to the patent law claims that
19 they form part of the same case or controversy and derive from a common nucleus of operative
20 facts.

21 6. Venue is proper in this District under 28 U.S.C. §§ 1391 and 1400(b) because a
22 substantial part of the events giving rise to the claims at issue occurred in this District.

23 7. This Court has personal jurisdiction over LSI because it is located in this District
24 and by virtue of the business activities it conducts within the State of California and within this
25 District, resulting in sufficient minimum contacts with this forum.

26 **INTRADISTRICT ASSIGNMENT**

27 8. This case is an Intellectual Property Action under Civil Local Rule 3-2(c) and,
28 pursuant to Civil Local Rule 3-5(b), shall be assigned on a district-wide basis.

LSI'S PATENTS

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2 9. U.S. Patent No. 5,379,356, which is entitled "Decompression Processor for Video
3 Applications," issued on January 3, 1995.

4 10. U.S. Patent No. 5,809,174, which is entitled "Decompression Processor for Video
5 Applications," issued on September 15, 1998.

6 11. U.S. Patent No. 5,864,817, which is entitled "Method for Decoding MPEG Audio
7 Data," issued on January 26, 1999.

8 12. U.S. Patent No. 5,890,124, which is entitled "Decompression Processor for Video
9 Applications," issued on March 30, 1999.

10 13. U.S. Patent No. 5,696,928, which is entitled "Memory Chip Architecture for
11 Digital Storage of Pre-recorded Audio Data Wherein Each of the Memory Cells are Individually
12 Addressable," issued on December 9, 1997.

13 14. U.S. Patent No. 5,670,730, which is entitled "Data Protocol and Method for
14 Segmenting Memory for a Music Chip," issued on September 23, 1997.

15 15. U.S. Patent No. 6,982,663, which is entitled "Method and System for Symbol
16 Binarization," issued on January 3, 2006.

17 16. U.S. Patent No. 5,982,830, which is entitled "Hysteretic Synchronization System
18 for MPEG Audio Frame Decoder," issued on November 9, 1999.

19 17. LSI asserts that it has an ownership interest in the LSI Patents.

20 **LSI'S ASSERTION OF THE LSI PATENTS**

21 18. On September 14, 2007, LSI contacted SanDisk to initiate patent license
22 negotiations for several of SanDisk's digital media players. LSI claimed that several of
23 SanDisk's digital media players infringed its '730 Patent, and offered a license to SanDisk. One
24 month later, LSI contacted SanDisk again claiming that its '928 Patent was also infringed by
25 SanDisk's digital media players.

26 19. On March 6, 2008, LSI contacted SanDisk once again, and claimed that SanDisk's
27 digital media players further infringed its '356, '174, '663 Patents. On December 11, 2008, LSI
28

1 contacted SanDisk once again, and further alleged that SanDisk infringed two additional patents,
2 the '124 and '817 Patents.

3 20. SanDisk responded to the LSI inquiries described above. SanDisk informed LSI
4 that it did not believe that it required a license to the LSI Patents.

5 21. On May 29, 2009, LSI sent threatening letters to four of SanDisk's major
6 customers claiming that certain SanDisk products infringed the LSI Patents. Each letter was
7 captioned "RE: Unlicensed SanDisk Products."

8 22. The LSI letters included information pertaining to SanDisk's alleged infringement
9 of LSI's patents that LSI knew or should have known was false. The letters state, in relevant part:
10 "An analysis by our organization indicates that SanDisk's products utilize a number of LSI
11 patents. LSI believes that SanDisk's Sansa View MP3 Video player and SanDisk's Sansa Fuze
12 MP3 Video player infringe LSI's patents. Specifically, LSI believes that at least [the '356, '174,
13 '928, '730, '124, '817, '663, 'and 830 Patents] are infringed." The letters also accused SanDisk
14 of not being responsive to LSI's licensing overtures to SanDisk.

15 23. SanDisk has certain contractual or other indemnity obligations to its customers
16 relating to claims of patent infringement. Pursuant to those obligations, certain of the customers
17 contacted by LSI have tendered to SanDisk claims made by LSI against such customers for
18 infringement based on such customers' use of the accused products.

19
20 **COUNT I**

(Declaratory Judgment of Invalidity, Unenforceability, and/or Non-infringement of the LSI Patents)

21 24. SanDisk re-alleges and incorporates by reference Paragraphs 1 through 23 as if
22 fully set forth herein.

23 25. LSI has stated that certain of SanDisk's products infringe the LSI Patents and that
24 SanDisk and/or SanDisk's customers are required to license the LSI Patents.

25 26. SanDisk contends that neither it nor its customers are required to license the LSI
26 Patents because SanDisk has not infringed and does not infringe, either directly or indirectly, any
27 valid and enforceable claim of the LSI Patents.

28

1 47. By communicating knowingly false statements to SanDisk's customers, LSI failed
2 to act with due care.

3 48. LSI's conduct was independently unlawful as it is in direct violation of Section
4 17200 of the California Business and Professions Code.

5 49. As a direct and proximate consequence of LSI's conduct, SanDisk has suffered
6 extensive harm in the expending of fees and costs for legal services to indemnify its customers to
7 whom the letters were sent, and in pursuing this legal action. LSI was a substantial factor in
8 causing this harm to SanDisk.

9 50. SanDisk hereby requests and is entitled to all damages provable at trial.

10
11 **COUNT V**
(Trade Libel)

12 51. SanDisk re-alleges and incorporates by reference Paragraphs 1 through 50 as if
13 fully set forth herein.

14 52. As described above, the letters that LSI sent to SanDisk's customers contained
15 statements that were disparaging to SanDisk's products and damaging to SanDisk's reputation by
16 claiming that certain of SanDisk's products infringed LSI's patents.

17 53. The statements could be reasonably understood by SanDisk's customers to be
18 statements of fact.

19 54. SanDisk is informed and believes that the statements that certain of SanDisk's
20 products infringed the LSI Patents is false.

21 55. SanDisk is informed and believes that LSI acted with malice when it published
22 statements alleging that certain of SanDisk's products infringed the LSI Patents knowing that its
23 statements were false. The statements were not privileged.

24 56. As a direct and proximate consequence of LSI's letters, SanDisk has suffered
25 ongoing pecuniary harm in the form of legal fees and costs associated with indemnifying
26 customers to whom LSI sent the letters, and in legal fees and costs in pursuing the present action.
27 SanDisk has also suffered damage to its reputation in the marketplace. SanDisk is entitled to, and
28 hereby requests, all damages provable at trial.

DEMAND FOR JURY TRIAL

Pursuant to Federal Rule of Civil Procedure 38(b) and Northern District of California
Local Rule 3-6(a), Plaintiff respectfully requests a jury trial on all issues triable thereby.

Dated: June 19, 2009.

JONES DAY

By: 

Tharan Gregory Lanier

Attorneys for Plaintiff
SANDISK CORPORATION

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