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SANDISK CORPORATION

11  
12 UNITED STATES DISTRICT COURT  
13 NORTHERN DISTRICT OF CALIFORNIA  
14 SAN JOSE DIVISION

15 SANDISK CORPORATION, a Delaware  
corporation,

16 Plaintiff,

17 v.

18 AUDIO MPEG, INC., a Virginia  
corporation; U.S. PHILIPS  
19 CORPORATION, a Delaware corporation;  
20 FRANCE TÉLÉCOM, a French corporation;  
TÉLÉDIFFUSION DE FRANCE S.A., a  
21 French corporation; INSTITUT FÜR  
RUNDFUNKTECHNIK GMBH, a German  
22 corporation,

23 Defendants.

CASE NO. 5:06-cv-02655-RMW

FIRST AMENDED COMPLAINT OF  
PLAINTIFF SANDISK CORPORATION  
FOR DECLARATORY JUDGMENT

DEMAND FOR JURY TRIAL

McDERMOTT WILL & EMERY LLP  
ATTORNEYS AT LAW

**PARTIES**

1  
2 1. Plaintiff SanDisk Corporation (“Plaintiff” or “SanDisk”) is a corporation  
3 organized under the laws of Delaware, with its principal place of business at 601 McCarthy  
4 Boulevard, Milpitas, California, 95035.

5 2. Upon information and belief, Audio MPEG, Inc. (“Audio MPEG”) is a corporation  
6 organized under the laws of the Commonwealth of Virginia, with offices at 99 Canal Center  
7 Plaza, Suite 220, Alexandria, Virginia, 22314.

8 3. Upon information and belief, U.S. Philips Corporation (“Philips”) is a corporation  
9 organized under the laws of Delaware, with offices at 100 East 42nd Street, New York, New  
10 York, 10070.

11 4. Upon information and belief, France Télécom (“FT”) is a corporation organized  
12 under the laws of France with headquarters at 38-40 Rue du General Leclerc, F-92794 Issy-Les-  
13 Moulineau Cedex 09, France.

14 5. Upon information and belief, Télédiffusion de France S.A. (“TDF”) is a  
15 corporation organized under the laws of France with an office at 10 Rue D’Oradour Sur Glane,  
16 75732 Paris Cedex 15, France.

17 6. Upon information and belief, Institut Für Rundfunktechnik GmbH (“IRT”) is a  
18 corporation organized under the laws of Germany with an office at Floriansmühlstraße 60 D-  
19 80939 München, Germany.

20 7. Philips, FT, TDF, and IRT are referred to collectively as “the patent-owner  
21 defendants.”

22 **JURISDICTION**

23 8. This is an action for declaratory judgment of noninfringement arising under the  
24 patent laws of the United States, 35 U.S.C. §§ 1 *et seq.* This Court has jurisdiction over this  
25 action pursuant to 28 U.S.C. §§ 1331, 1338(a), 2201 and 2202.

26 **BACKGROUND AND SUBJECT MATTER JURISDICTION**

27 9. On April 13, 2006, Audio MPEG filed a complaint against SanDisk in the U.S.  
28 District Court for the Eastern District of Virginia (“the EDVA action”) alleging infringement of

1 four U.S. patents allegedly exclusively licensed to Audio MPEG (“the EDVA action patents”).  
2 On April 28, 2006, Audio MPEG amended its complaint to join the patent-owner defendants.  
3 *Audio MPEG et al. v. SanDisk Corporation*, Civil Action No. 2:06cv209 (WDK/JEB) (E.D. Va.).

4 10. On September 11, 2006, the U.S. District Court for the Eastern District of Virginia  
5 denied SanDisk’s motions to dismiss Audio MPEG’s EDVA action, or in the alternative, to  
6 transfer it to this Court.

7 11. This amended complaint does not pertain to the four EDVA action patents, or to  
8 any patents related to the four EDVA action patents.

9 12. Audio MPEG represents on its website that it has patents other than the EDVA  
10 action patents allegedly relating to MP3 players and the MPEG-1 standard, including the patents  
11 in suit. According to Audio MPEG’s website, “The US Patents licensed by Audio MPEG . . .  
12 relate to digital audio compression and among others are relevant for: MP3 players, MPEG 2  
13 compliant set-top boxes and satellite receivers, DVD players with MP3 capabilities, computers,  
14 PDAs, sound boards for computers, software for encoding and/or decoding audio signals, and in  
15 general any technology conforming to the ISO/IEC 11172-3 or ISO/IEC 13818-3 Standards  
16 (MPEG 1 and 2, Layer I, II, and III).”

17 13. Further, Audio MPEG has indicated it is willing to license only the entire pool of  
18 its patents allegedly relating to MP3 or MPEG-1, or none at all and has, in fact, brought suit  
19 against SanDisk for refusing to take such a license. That patent pool includes the following  
20 patents, which the patent-owner defendants claim to own, which Audio MPEG claims to have the  
21 exclusive right to license in the United States, which Audio MPEG and the patent-owner  
22 defendants seek to require all users of MP3 technology to license from Audio MPEG (referred to  
23 collectively in this First Amended Complaint as the “patents in suit”):

- 24 • U.S. Patent No. 4,972,484 (issued November 20, 1990), attached as Exhibit A;
- 25 • U.S. Patent No. 5,481,643 (issued January 2, 1996), attached as Exhibit B;
- 26 • U.S. Patent No. 5,544,247 (issued August 6, 1996), attached as Exhibit C;
- 27 • U.S. Patent No. 5,610,985 (issued March 11, 1997), attached as Exhibit D;
- 28 • U.S. Patent No. 5,740,317 (issued April 14, 1998) attached as Exhibit E;

- 1 • U.S. Patent No. 5,878,080 (issued March 2, 1999) attached as Exhibit F;
- 2 • U.S. Patent No. 5,960,037 (issued September 28, 1999) attached as Exhibit G;
- 3 • U.S. Patent No. 5,991,715 (issued November 23, 1999) attached as Exhibit H;
- 4 and
- 5 • U.S. Patent No. 6,023,490 (issued February 8, 2000) attached as Exhibit I.

6 14. SanDisk is under a reasonable apprehension of a lawsuit by Audio MPEG  
7 asserting the patents in suit, patents which are not currently at issue in the EDVA action.

### 8 PERSONAL JURISDICTION

9 15. The defendants, and each of them, have the requisite minimum contacts to justify  
10 the exercise of jurisdiction over them based on at least the following facts.

11 16. In 1988, the Moving Pictures Experts Group (“MPEG”), a committee made up of  
12 industry representatives, including the patent-owner defendants, was formed to develop an  
13 international industry standard for video and audio data compression. The patent-owner  
14 defendants participated in the development of the MPEG standards, including MPEG-1, and as  
15 part of that participation disclosed that they hold patents that may pertain to MPEG-1.  
16 Defendants claim that their patent rights are essential to the resulting set of MPEG-1 standards.  
17 Since 1988, MPEG has met to discuss the MPEG standards numerous times. In September 1990,  
18 and again in August 1991, before the 1993 publication of the MPEG-1, MPEG met to discuss the  
19 MPEG-1 standard in this judicial district, in Santa Clara, California. Thereafter, in February  
20 1998, MPEG met again in this judicial district, in San Jose, California, to discuss the MPEG  
21 standards.

22 17. On information and belief, in or about 2002, the patent-owner defendants --  
23 Philips, FT, TDF, and IRT -- granted a limited exclusive license to Audio MPEG with the right to  
24 non-exclusively license the patents in suit and to sue for infringement of the patents in suit. The  
25 patent-owner defendants retained substantial rights in the patents in suit, however, including the  
26 rights to consult on when and how litigation would be pursued against potential licensees who  
27 refused to take a license.

1           18.     Upon information and belief, based on the provisions of its agreement with the  
2 patent-owners defendants, Audio MPEG is required to consult with the patent-owner defendants  
3 regarding several issues before bringing an infringement action against a third party, including  
4 whether to initiate litigation at all, which patents to use in such litigation, and which law firm and  
5 lawyers to hire to conduct the litigation. Audio MPEG therefore serves as the patent-owner  
6 defendants' agent for purposes of licensing and enforcing the patents in suit in the United States,  
7 including this judicial district.

8           19.     Upon information and belief, Audio MPEG has non-exclusively licensed at least  
9 dozens of companies to the patents in suit, including many companies in the state of California,  
10 and several companies located in this judicial district. The Audio MPEG licensees located in this  
11 judicial district include:

- 12                 • Apacer Memory America, Inc. of San Jose, CA;
- 13                 • Apple Computer Inc. of Cupertino, CA;
- 14                 • Cyberhome Entertainment Inc. of Fremont, CA;
- 15                 • Dolby Laboratories of San Francisco, CA;
- 16                 • iRiver America Inc. of Milpitas, CA;
- 17                 • Netgear Inc. of Santa Clara, CA;
- 18                 • Tao Music Inc. of Menlo Park, CA;
- 19                 • TEAC America, Inc. of Montebello, CA; and
- 20                 • TwinMOS Technologies USA Inc. of Fremont, CA.

21           20.     Apple Computer, Inc., listed above, is a California corporation and the world's  
22 number one supplier of MP3 players (with its line of iPod MP3 players). According to Audio  
23 MPEG, Apple has obtained a non-exclusive license to the patents in suit.

24           21.     Audio MPEG has also accused several companies located in California of patent  
25 infringement, including Creative Labs, Inc. of Milpitas, CA, and SanDisk, the world's second  
26 largest supplier of MP3 players.

27           22.     In July 2005, Customs authorities in the Netherlands seized MP3 players made by  
28 SanDisk for allegedly infringing the European counterparts to the patents in suit and, shortly

1 thereafter, SanDisk was sued by Societa' Italiana per lo Sviluppo Dell Electronica S.P.A.  
 2 ("Sisvel"), the parent company of Audio MPEG. When SanDisk attempted to discuss the Dutch  
 3 proceedings with Sisvel, it was referred to Audio MPEG and was told Audio MPEG would  
 4 conduct any discussions relating to resolution of the litigation pending in the Netherlands.

5 23. The patent-owner defendant s and Sisvel thereafter filed an action in the  
 6 Netherlands accusing SanDisk's MP3 products of infringing certain foreign patents allegedly  
 7 relating to MP3 technology, patents allegedly exclusively licensed to Sisvel. SanDisk has filed  
 8 two actions in the United Kingdom seeking a judgment of invalidity and noninfringement of these  
 9 patents.

10 24. In January 2006, the Consumer Electronics Show, the biggest show in the world of  
 11 its kind, was held in Las Vegas, Nevada. SanDisk had a booth at the show demonstrating its MP3  
 12 players and MP3-enabled flash memory cards. During the show, at SanDisk's booth and in the  
 13 presence of SanDisk's customers, representatives of Audio MPEG and Sisvel accused SanDisk's  
 14 MP3 products of infringing their patents.

15 25. In March 2006, SanDisk and Audio MPEG and Sisvel representatives met in  
 16 Germany to discuss a resolution of their disputes concerning Audio MPEG's and Sisvel's patents.  
 17 A resolution was not reached. In April 2006, Sisvel expanded the litigation between the parties  
 18 by filing two patent actions in Germany.

19 26. At least Philips has previously availed itself of the benefits of this jurisdiction by  
 20 bringing suit in this judicial district.

21 27. Based on the foregoing, the Defendants have subjected themselves to personal  
 22 jurisdiction in this judicial district.

### 23 VENUE

24 28. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391 and 1400(b).

### 25 FIRST CLAIM FOR RELIEF

#### 26 (For Declaratory Judgment of Non-Infringement of any Valid Claim of the Patents in Suit)

27 29. SanDisk repeats and realleges the allegations of the preceding paragraphs in this  
 28 complaint as if fully set forth herein.

1 30. There exists an actual controversy as to infringement by SanDisk of any valid  
2 claim of the patents in suit. Contrary to Defendants' allegations, SanDisk is not infringing, and  
3 has not infringed, directly, by inducement, contributorily, or in any way, any valid claim of the  
4 patents in suit. Accordingly, SanDisk requests a judicial determination of its rights, duties and  
5 obligations regarding the patents in suit.

6 31. To resolve the legal and factual questions raised by Defendants, and to afford  
7 relief from the uncertainty and controversy that Defendants' accusations have precipitated,  
8 SanDisk is entitled to a declaratory judgment that it does not infringe any valid claim of the  
9 patents in suit.

10 **PRAYER FOR RELIEF**

11 WHEREFORE, SanDisk prays for judgment and relief as follows:

- 12 (i) A declaration that SanDisk does not infringe any valid claim of the patents  
13 in suit;
- 14 (ii) An award to SanDisk of its attorney fees pursuant to 35 U.S.C. §285  
15 because this is an exceptional case; and
- 16 (iii) Such additional relief as the Court may deem appropriate and just under the  
17 circumstances.

18 Dated: October 2, 2006

Respectfully submitted,

19 McDERMOTT WILL & EMERY LLP  
20 Matthew F. Weil  
21 Peter P. Chen  
Christopher D. Bright

22 By: /s/ Matthew F. Weil

Matthew F. Weil

23  
24 Attorneys for Plaintiff  
SANDISK CORPORATION

**DEMAND FOR JURY TRIAL**

SanDisk demands a trial by jury on all issues so triable.

Dated: October 2, 2006

Respectfully submitted,

McDERMOTT WILL & EMERY LLP  
Matthew F. Weil  
Peter Chen  
Christopher D. Bright

By:         /s/ Matthew F. Weil          
  Matthew F. Weil

Attorneys for Plaintiff  
SANDISK CORPORATION

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McDERMOTT WILL & EMERY LLP  
ATTORNEYS AT LAW

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