


IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

S3 GRAPHICS CO., LTD.,)
)
Plaintiff,)
)
v.)
)
ATI TECHNOLOGIES, ULC,)
ATI INTERNATIONAL SRL, and)
ADVANCED MICRO DEVICES, INC.,)
)
Defendants.)

Civ. No. 11-1298-LPS


PUBLIC VERSION

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OPINION

September 29, 2015
Wilmington, Delaware

L.

STARK, U.S. District Judge:

Pending before the Court are: Plaintiff S3 Graphics, Co., Ltd.'s ("Plaintiff" or "S3G") Motion for Partial Summary Judgment on Patent Ownership and Implied License (D.I. 270); Plaintiff's Motion to Preclude Certain Opinions of Defendants' Technical Expert Edward J. Delp, III, Ph. D. (D.I. 265); Defendants ATI Technologies ULC ("ATI Canada" » ATI International SRL ("ATI Barbados"), and Advanced Micro Devices, Inc.'s ("AMD") (collectively, "Defendants") Motion for Summary Judgment and to Exclude Improper Expert Testimony (D.I. 262); and Defendants' Motion for Leave to File Sur-Reply (D.I. 312). The Court heard argument on the motions on June 22, 2015. (D.I. 328) ("Tr.")¹

For the reasons set forth below, the Court will: grant Plaintiff's Motion for Partial Summary Judgment as it relates to ownership and express license but deny it as it relates to implied license; deny Plaintiff's Motion to Preclude; grant in part and deny in part Defendants' Motion for Summary Judgment and to Exclude Improper Expert Testimony; and grant Defendants Motion for Leave to File Sur-Reply.

BACKGROUND

Ibis case involves four patents descending from U.S. Patent No. 5,956,431 (the "431 patent"), entitled "System and Method for Fixed-Rate Block-Based Image Compression with Inferred Pixel Values": U.S. Patent No. 6,658,146 (the "146 patent"), entitled "Fixed-Rate Block-Based Image Compression with Inferred Pixel Values," which issued to 830 on December

¹The docket reflects two other pending motions. Defendants' Motion to Strike Declaration (D.I. 303) is being denied by a separate order that will be entered today. Last week, S3G filed yet another motion - for partial judgment on the pleadings for lack of subject matter jurisdiction over AMD's implied license claim (D.I. 331). This latest motion is still being briefed and is not addressed in this Opinion.

2, 2003 (D.J. 14, Ex. 1); U.S. Patent No. 6,683,978 (the "978 patent"), also entitled "Fixed-Rate Block-Based Image Compression with Inferred Pixel Values;" which issued to S3G on January 27, 2004 (D.I. 14, Ex. 2); U.S. Patent No. 6,775,417 (the "417 patent"), also entitled "Fixed-Rate Block-Based Image Compression with Inferred Pixel Values," which issued to S3G on August 10, 2004 (D.I. 14, Ex. 3); and U.S. Patent No. 7,043,087 (the "087 patent") entitled "Image Processing System," which issued to S3G on May 9, 2006 (D.I. 14, Ex. 4) (collectively, "the Disputed Patents").

In August 2000, SONICblue and VIA Technologies, Inc. ("VIA") executed an Amended and Restated Investment Agreement ("ARIA") regarding the creation of a joint venture whereby SONICblue would transfer its "Graphics Chip Business" to a new entity, S3G. (D.I. 272, Ex. 3) The ARIA defined "Intellectual Property" as "patents . . . and patent applications (including docketed patent disclosures awaiting filing, reissues, divisions, continuations-in-part and extensions), patent disclosures awaiting filing determination, inventions and improvements thereto." (*Id.* at S3G00077878) Schedule 3.14(a)(ii) of the ARIA identified the "Contributed Intellectual Property" that would be transferred to S3G, including (1) the '431 patent, the parent to all four Disputed Patents, and (2) two pending patent applications bearing the same name. (D.J. 272, Ex. 4 at 83000078472)

On January 3, 2001, SONICblue (the "Assignor") and VIA executed a Joint Venture Agreement ("*NA*") stating the parties' agreement to form S3G (the "Assignee") by executing the ARIA. (D.I. 272, Ex. 2 at S3G00079063/S3G00246261) In partial fulfillment of its obligations under the *NA*, SONICblue executed an Assignment of Patent Applications and Disclosures ("the January 2001 Assignment"). (D.I. 272, Ex. 5 at S3G00078822-

23/S3G00246165-66) The January 2001 Assignment provides for the assignment of "the inventions and patent applications and disclosures listed in Schedule 1 annexed hereto":

the aforesaid Assignor [SONICblue] has sold, assigned, and transferred, and by these presents does hereby sell, assign, and transfer unto said Assignee [S3G] the full and exclusive right title, and interest in and to the aforesaid inventions and patent applications and disclosures in the United States of America Assignor [SONICblue] hereby authorizes Assignee [S3G] . . . to apply for a patent or patents directly in its own name, upon the aforesaid inventions, and the Assignor [SONICblue] also assigns, sells, transfers, and sets over unto said Assignee [S3G] and its successors all priority rights in the aforesaid inventions. Assignor [SONICblue] further covenants to execute all additional instruments and to do all thing necessary for carrying out the purpose of this instrument

(*Id.* at S3000078822/S3G00246165) Attached to the January 2001 Assignment is a schedule entitled "All" which lists the '431 patent and two patent applications bearing the same name, amongst hundreds of applications and issued patents, (*Id.* at S3G00078826/S3G00246169) The parties further executed an "Intellectual Property Cross License Agreement" pursuant to which S3G granted SOJf[Cblue a non-exclusive worldwide royalty free license to all "JV Patents"- including the Disputed Patents -for "SONICblue Licensed Products," assignable only with prior written consent or, absent prior written consent, "to a successor that acquires a majority of [a party's] voting stock or to an entity that acquires all or substantially all of either party's assets." (D.I. 289 Ex. 70 at S3G00079023-24, S3G00079027)

On May 7, 2002, S3G recorded the January 2001 assignment with the United States Patent and Trademark Office ("PTO"). (D.I. 272, Ex. 6 at S3G00002910-29) Ultimately, all the Disputed Patents issued to S3G as the original assignee, issuing either as continuations or

continuations-in-part of the '431 patent or its progeny. (D.I. 14, Ex. 1; D.I. 14, Ex. 2; D.I. 14, Ex. 3; D.I. 14, Ex. 4)

Meanwhile, on March 30, 2001, SONICblue agreed to sell its FireGL business to ATI through an Asset Purchase Agreement. ("APA") (D.I. 267, Ex. 8) Section 2.01 of the APA, entitled "Purchase and Sale of Acquired Assets," provides:

(a) On the terms and subject to the conditions of this Agreement, the Seller (SONICblue) shall, on the Closing Date, sell, assign, transfer, convey and deliver to ATI and the Purchasers or cause to be sold, assigned, transferred conveyed and delivered to ATI and the Purchasers, and ATI and the Purchasers shall purchase from the Seller [SONICblue), on the Closing Date, all of the assets, properties, goodwill and business of every kind and description and wherever located, owned by the Seller [SONICblue] or its Subsidiaries or used or held for use by the Seller [SONICblue] or its Subsidiaries in the FireGL Business, other than the Excluded Assets (the assets to be purchased by ATI and the Purchasers being referred to as the "Acquired Assets"), including and without limitation, the following:

(i) all rights pursuant to all customer contracts or purchase orders . . . (the "Customer Contracts");

(ii) all the Seller's [SONICblue] right, title and interest in, to an under the Business Intellectual Property listed in Section 3.19(a) of the Disclosure Schedule;

(viii) all third party Licenses, permits or consents issued, granted or given by or under the authority of any Governmental Body or pursuant to any Legal Requirement that are held by the Seller [SONICblue] and are used in connection with the FireGL Business and for which Required Consents have either been obtained by the Seller [SONICblue] or such condition to closing has been

waived by ATI and the Purchasers (collectively, "Pennits");

(xi) except for the Excluded Assets, all the Seller's [SONICblue] right, title and interest on the Closing Date in, to and under all other assets, rights and claims of every kind and nature used or intended to be used or held for use in the operation of the FireGL Business.

(b) The Acquired Assets shall exclude the following assets owned by the Seller [SONICblue] (the "Excluded Assets"):

(i) all cash, deposits in bank accounts, cash equivalents, and marketable securities;

(ii) all Accounts Receivable;

(iii) all Customer Contracts that are not effectively assigned to ATI or the Purchasers because a Required Consent has not been obtained and such condition to closing has been waived by ATI and the Purchasers;

(Id. at AMD003110-11)

Section 3.19(a) of the APA's "Representations and Warranties of the Seller" provides that "Section 3.19(a) of the Disclosure Schedule sets forth a true and complete list of (i) all patents and patent applications . . . included in the Business Intellectual Property . . . material to the FireGL Business," and Section 3.19(d) further provides that "[t]he Business Intellectual Property includes all of the Intellectual Property used in the ordinary day-to-day conduct of the FireGL Business, and there are no other items of Intellectual Property that are material to the ordinary day-to-day conduct of the FireGL Business." *(Id. at AMD003124-25)* Section 3.19(a)

of the Disclosure Schedule ("Schedule 3.19(a)") lists eight patents and patent applications, none of which are the '431 patent or any of the Disputed Patents. (D.I. 272, Ex. 8 at AMD000664)

Pursuant to the APA, SONICblue and ATI executed two assignment documents on March 30, 2001. (D.I. 272, Ex. 9; D.I. 272, Ex. 11 at AMD009708) The first assignment document, a Bill of Sale and Assignment ("Bill of Sale"), provided:

On the terms and subject to the conditions of the Asset Purchase Agreement, the Seller [SONICblue] hereby, on the Closing Date, sells, assigns, transfers, conveys and delivers to ATI and the Purchasers or has caused to be sold, assigned, transferred, conveyed and delivered to ATI and the Purchasers, and ATI and the Purchasers have purchased from the Seller [SONICblue], on the Closing Date, all of the right, title and interest as of the Closing Date of the Seller [SONICblue] in and to the Acquired Assets, other than the Excluded Assets, including, without limitation, the following: . . . (i) all the Seller's [SONICblue] right, title and interest in, to and under Intellectual Property as set out in Section 3.19(a) of the Disclosure Schedule of the Asset Purchase Agreement

(D.I. 272, Ex. 9 at AMD002343) The Bill of Sale included a "Power of Attorney" provision:

The Seller [SONICblue] hereby constitutes and appoints ATI and the Purchasers, their respective successors and assigns, the true and lawful attorney and attorneys of the Seller with full power of substitution, in the name of ATI or the Purchasers or in the name and stead of the Seller but on behalf of, for the benefit and at the expense of ATI or the Purchasers, their respective successors and assigns, to take any and all reasonable action designed to vest more fully in ATI and the Purchasers the Acquired Assets hereby sold and assigned to ATI and the Purchasers or intended so to be and in order to provide for ATI and the Purchasers the benefit, use, enjoyment and possession of such Acquired Assets.

(*Id.* at AMD002345)

The second assignment document is a Patent Assignment ("March 2001 Assignment"), by which SONICblue "hereby assign[s] to Assignee all of Assignor's [SONICblue] right, title

and interest in and to" "the patents and patent applications set forth on Schedule A hereto (the "Patents")." (D.I. 272, Ex. 11 at AMD009708) Schedule A lists the same eight patents and patent applications listed in Schedule 3.19(a) of the APA. (*Id.* at AMD009713) Schedule A does not list the '431 patent or any of the Disputed Patents. (*Id.*) On August 10, 2001, ATI recorded the March 2001 Assignment with the PTO. (*Id.* at AMD009702)

In 2003, SONICblue filed for bankruptcy. (See D.I. 272, Ex. 14 at \$3000243131) Subsequently, on July 16, 2003, S30 filed a Proof of Claim in the SONICblue bankruptcy regarding certain disputed issues arising under the ARIA. (*Id.*) Some of these issues had been referred to binding arbitration on August 22, 2001 by a Letter Agreement that had been executed in connection with the JVA on January 3, 2001. (*Id.*) Among the other assorted issues was S30's "Claim Based Upon SONICblue's Failure to Execute an Amended Patent Assignment Schedule, with Accompanying Declaration, and Filing and Recordation Thereof with the USPTO" (the "Claim"). (*Id.* at 83000243134-35) According to S3G's Claim,

[b]ecause Schedule 1 [of the January 2001 Assignment] failed to meet certain identification requirements set forth by the USPTO and the related Code of Federal Regulations (together, the "US Patent Guidelines") . . . , counsel for the JV submitted the Patent Assignment and Schedule 1 to the assignment division of the USPTO and requested that the assignment of the issued patents be recorded (i.e. those which could properly be identified by series code . . . and the serial number . . .) Assignment of the remaining Patent Assets listed on Schedule 1 . . . could not be, and to date have not been recorded with the USPTO To record the list, SONICblue must execute an amended Patent Assignment (the "Amended Assignment") attaching a corrected schedule and provide the USPTO with a declaration stating that Schedule 1 attached to the initial Patent Assignment failed to identify certain patent and patent application serial numbers and/or serial codes in accordance with the US Patent Guidelines and that a Schedule 2 has been attached to the Amended Assignment to clarify and

further identify the unrecorded patents and patent applications that were unintentionally omitted from Schedule 1 at the time of the Patent Assignment .

(Id.)

Thereafter, on November 14, 2006, SONICblue and 830 reached a settlement (the "Settlement Agreement"), whereby SONICblue agreed to

use its commercially reasonable best efforts to transfer within ten business days after the Effective Date to S3G Co., or its designee, the intellectual property related to or used in the Graphics Chip Business that currently remains in Debtor's possession, is reasonably available, and was to be contributed pursuant to the Amended and Restated Investment Agreement (the "Transferred Intellectual Property"), and to execute within ten business days after the Effective Date any transfer documents related to the Transferred Intellectual Property. To the extent Debtor [SONICblue] subsequently identifies or locates any Transferred Intellectual Property that remains in its possession, Debtor shall transfer such property to 830 Co. or its designee promptly upon such location or identification, and Claimants shall continue to own all right, title and interest in the Transferred Intellectual Property, whether or not it has been transferred to S3G Co. or its designee before or after the Effective Date Subject to the foregoing, the Parties agree that Debtor's [SONICblue] performance of the following actions with respect to the Transferred Intellectual Property shall extinguish and satisfy all of Debtor's [SONICblue] obligations, of whatever kind or nature, with respect to the transfer to S3G Co, or its designee, of the Transferred Intellectual Property:

- a. Within ten business days after the Effective Date, execution by Debtor [SONICblue] of transfer documents relating to all patents and patent applications listed on Schedule 1 to the Bill of Sale (as defined in the Amended and Restated Investment Agreement) and patents, trademarks, copyrights, and other items listed in Schedule 3.14(a)(ii) to the Amended and Restated Investment Agreement.

(D.I. 267, Ex. 12 at S3G00276539-40) The Settlement Agreement was approved on October 31, 2006. (D.I. 267, Ex. 13) On November 14, 2006 SONICblue executed the requested Amended Assignment ("Amended Assignment") (albeit with an attached schedule I instead of "Schedule 2"), including the additional patent and application numbers of the Disputed Patents. (D.I. 272, Ex. 15 at AMD003072-92)

On October 31, 2007, S3G informed an industry working group, the Khronos Group, that "[t]he S3TC patent ownership issues were finally resolved earlier this year," and "[n]ow S3G Graphics, Co., Ltd. officially holds several patents related to S3TC," including the '431, '146, and '978 patents. (D.I. 272, Ex. 12 at S3G00092653) On December 12, 2007, S3G submitted an IP Disclosure Certificate to the Khronos Group officially disclosing its ownership of these three patents. (D.I. 285, Ex. 33 at S3G00063763) On December 20, 2007, these ownership claims were acknowledged at a Khronos Group meeting attended by an AMD representative. (See D.I. 272, Ex. 12 at S3G00093699)

In July 2010, S3G filed a complaint against Apple in the International Trade Commission ("ITC") (the "ITC Action") alleging infringement of the Disputed Patents, specifically accusing Apple products that included AMD graphics processing units. (D.I. 272, Ex. 1). In August 2011, after the ITC issued an initial determination against Apple in July 2011 (D.I. 267, Ex. 16), Defendants purportedly discovered that they had acquired the Disputed Patents as part of the FireGL Business in March 2001 via the APA (D.I. 267, Ex. 17 at 153; *see also* D.I. 263 at ¶ 9, 37). On September 6 and 7, 2011, two ATI employees executed an Acknowledgment of Assignment and Transfer of Rights in Patents and Patent Applications ("Acknowledgment") purporting to retroactively assign the Disputed Patents from SONICblue to ATI as of March 30,

2001 (D.I. 285, Ex. 35 at S3G00270990-94), and they subsequently recorded this assignment with the PTO (*Id.* at S3G00270987-89). Then, on September 15, 2011, Defendants filed a motion to intervene in the ITC Action, a motion the ITC denied on December 21, 2011. (D.I. 285, Ex. 1 at S3G00241963-64) (ITC Investigation No. 337-TA-724's conclusion that "S3G has established title to the asserted patents by virtue of the January 3, 2001 agreement with SONICblue")

On October 13, 2011, Defendants filed a declaratory judgment action against S3G in this Court, seeking a declaration that: "(i) the ATI Patents were transferred to ATI when ATI acquired the fireGL Business; (ii) ATI possesses ownership rights in the ATI Patents; and (iii) Defendants [S3G] do not have any ownership rights in the ATI Patents that are superior to ATI's ownership rights." (C.A: No. 11-965, D.I. 1 at 72) On December 13, 2011, before S3G had served an answer or a motion for summary judgment, Defendants dismissed their action without prejudice pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(i). (*Id.*, D.I. 61)

On December 28, 2011, S3G filed this action seeking a declaratory judgment of ownership of the Disputed Patents under the Delaware Declaratory Judgment Act, 10 Del. C. § 6501, and further alleging slander of title, conversion, and unfair competition under California law. (D.1 1)

LEGAL STANDARDS

A. Summary Judgment

Pursuant to Rule 56(a) of the Federal Rules of Civil Procedure, "[t]he court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." The moving party bears the burden of

demonstrating the absence of a genuine issue of material fact. *See Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 585-86 (1986). An assertion that a fact cannot be – or, alternatively, is –genuinely disputed must be supported either by citing to "particular parts of materials in the record, including depositions, documents, electronically stored information, affidavits or declarations, stipulations (including those made for purposes of the motion only), admissions, interrogatory answers, or other materials," or by "showing that the materials cited do not establish the absence or presence of a genuine dispute, or that an adverse party cannot produce admissible evidence to support the fact." Fed. R. Civ. P. 56(c)(1)(A) & (B). If the moving party has carried its burden, the nonmovant must then "come forward with specific facts showing that there is a genuine issue for trial." *Matsushita*, 475 U.S. at 587 (internal quotation marks omitted). The Court will "draw all reasonable inferences in favor of the nonmoving party, and it may not make credibility determinations or weigh the evidence." *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150 (2000).

To defeat a motion for summary judgment, the nonmoving party must "do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita*, 475 U.S. at 586; *see also Podobnik v. U.S. Postal Serv.*, 409 F.3d 584, 594 (3d Cir. 2005) (stating party opposing summary judgment "must present more than just bare assertions, conclusory allegations or suspicions to show the existence of a genuine issue") (internal quotation marks omitted). The "mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment;" a factual dispute is genuine only where "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). "If the evidence is merely

colorable, or is not significantly probative, summary judgment may be granted." *Id.* at 249-50 (internal citations omitted); *see also Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986) (stating entry of summary judgment is mandated "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial,). Thus, the "mere existence of a scintilla of evidence" in support of the nonmoving party's position is insufficient to defeat a motion for summary judgment; there must be "evidence on which the jury could reasonably find" for the non-moving party. *Anderson*, 477 U.S. at 252.

B. Motion to Exclude

In *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 597 (1993), the Supreme Court explained that Federal Rule of Evidence 702 creates "a gatekeeping role for the [trial] judge" in order to "ensur[e] that an expert's testimony both rests on a reliable foundation and is relevant to the task at hand." Rule 702 requires that expert testimony "help the trier of fact to understand the evidence or to determine a fact in issue." Fed. R. Civ. P. 702(a). Expert testimony is admissible only if "the testimony is based on sufficient facts or data," "the testimony is the product of reliable principles and methods," and "the expert has reliably applied the principles and methods to the facts of the case." Fed. R. Civ. P. 702(b)-(d).

There are three distinct requirements for proper expert testimony: (1) the expert must be qualified; (2) the opinion must be reliable; and (3) the expert's opinion must relate to the facts. *See Elcock v. Kmart Corp.*, 233 F.3d 734, 741 (3d Cir. 2000).

DISCUSSION

I. Summary Judgment Motions

A. S3G's Motion for Partial Summary Judgment on Patent Ownership and License

1. Patent Ownership

S3G argues that it is entitled to summary judgment that it owns the Disputed Patents because the January 2001 Assignment unambiguously assigned all rights in the Disputed Patents from SONICblue to S3G, whereas the March 2001 APA unambiguously did not assign any rights in these patents to ATI. Defendants counter that the Disputed Patents were *not* assigned to S3G by the January 2001 Assignment, and that the March 2001 APA *did* assign the rights in the Disputed Patents to ATI. Defendants contend that even if the January 2001 Assignment did assign the rights in the Disputed Patents to S3G, ATI is a bona fide purchaser without notice and, pursuant to 35 U.S.C. § 261, the assignment to S3G is void as against Defendants. On each of these issues, the Court agrees with S3G.

As a matter of law, the unambiguous 2001 agreements -those between SONICblue and S3G, on the one hand, and those between SONICblue and ATI, on the other -demonstrate that S3G is the owner of the Disputed Patents and that AMD is not. The January 2001 Assignment, the March 2001 APA, and the Bill of Sale are all governed by Delaware law. (D.I. 272, Ex. 2 at S3G00079072/S3G00246270; D.L 272, Ex. 7 at AMD000057; D.L 272, Ex. 9 at AMD002346) Under Delaware law, summary judgment can be appropriate where, as here, the Court is asked to interpret unambiguous contractual agreements. *See Riverbend Cmty. LLC v. Green Stone Eng'g, LLC*, 55 A.2d 330, 334 (Del. 2012).

Under Delaware law, "[w]hen the language of a contract . . . is clear and unequivocal, a party will be bound by its plain meaning" *Lorillard Tobacco Co. v. Am. Legacy Found.*, 903 A.2d 728, 739 (Del. 2006) (internal quotation marks omitted). "A contract is not rendered ambiguous simply because the parties do not agree upon its proper construction." *Rhone-Poulenc Basic Chems. Co. v. Am. Motorists Insur. Co.*, 616 A.2d 1192, 1196 (Del. 1992). Delaware courts «will read a contract as a whole and . . . will give each provision and term effect, so as not to render any part of the contract mere surplusage." *Osborn v. Kemp*, 991 A.2d 1153, 1159 (Del. 2010) (internal quotation marks omitted). "Specific language in a contract controls over general language and where specific and general provisions conflict, the specific provision ordinarily qualifies the meaning of the general one." *DCV Holdings, Inc. v. Con.Agra, Inc.*, 889 A.2d 954, 961 (Del. 2005).

The "All" schedule attached to the January 2001 Assignment explicitly listed the '431 patent by name and number and two pending patent applications by the same name,² thereby effectuating an assignment of these patents from SONICblue to S3G. (DJ. 272, Ex. 5 at S3G00078826/S3G00246169) This assignment was consistent with Schedule 3.14(a)(ii) of the ARIA, which according to the ARIA "sets forth the Intellectual Property Assets which are owned by S3 [i.e., SONICblue] and which S3 [SONICblue] will Transfer to JV [i.e., S3G] on the Closing Date (the 'Contributed Intellectual Property')." (D.I. 272, Ex. 3 at S3G0077889-90), and which lists the '431 patent by name and number and two pending patent applications by the

²Although the patent applications were not also identified by number, Defendants do not dispute S3G's assertion that "there were only two U.S. applications in existence at that time" (D.I. 271 at 17). (See DJ. 286 at 10) (Defendants stating that "[t]he prosecution history reveals that SONICblue prosecuted the pending '146 and '978 patent applications at the time the Disputed Patents were assigned to ATI")

same name. (DJ. 272, Ex. 4 at S3G00078472) The parties' intention to transfer these patents to S3G is further confirmed by the ARJA's definition of "Intellectual Property" to include "patent applications (including docketed patent disclosures awaiting filing, re issues, divisions, continuations-in-part and extensions), patent disclosures awaiting filing determination, inventions and improvements thereto" (DJ. 272, Ex. 3 at S3G00077878), encompassing thereby not just the then-issued '431 patent but also any progeny of it. *See generally FilmTec COI p. v. Allied-Signal Inc.*, 939 F.2d 1568, 1572 (Fed. Cir. 1991) ("[I]t is settled law that between the time of an invention and the issuance of a patent, rights in an invention may be assigned and legal title to the ensuing patent will pass to the assignee upon grant of the patent."). Furthermore, the January 2001 Assignment conveyed to S3G "the *full* and exclusive right, title, and interest in and to the aforesaid inventions, including the expressly identified '431 patent, and authorized S3G to "apply for a patent or patents directly in its own name, upon the aforesaid inventions" (D.I 272, Ex.. 5 at S3G00078822/S3G00246165) .

Defendants attempt to resist this conclusion by emphasizing that the January 2001 Assignment refers to a "Schedule I" rather than a schedule called "All," and by pointing to minor differences between the January 2001 Assignment's "All" schedule and the ARIA's Schedule 3.14(a) that suggest that the January 2001 Assignment's "All" schedule -purportedly created in January 2001 -actually predates the ARIA 's Schedule 3.14(a), which was created in August 2000.³ (See D.I. 286 at 36) (showing that three patent applications appearing on Schedule 3.14(a)

³Defendants' argument that the January 2001 Assignment and its "All" schedule are unauthenticated is also unavailing. S3G has submitted a declaration of S3G's CEO, Ken Weng, stating that these documents are authentic business records and he is "familiar with the manner and process in which these records are maintained by virtue of my duties and responsibilities."

motion to strike Mr. Weng's declaration. While Mr. Weng's declaration overcomes Defendants'

(DJ. 300, Ex. 61) By separate Order being entered today, the Court is denying Defendants'

motion to strike Mr. Weng's declaration. While Mr. Weng's declaration overcomes Defendants'

as allowed, issued, and issued. appear on "AIP, schedule, respectively, as pending, allowed, and pending) However, none of these differences involve the '431 patent or the two descendant applications, all of which are listed in identical form on both the "All" schedule and Schedule 3.14(a). (*Compare* D.I. 272, Ex. 4 at S3G00078472 with D.I. 272, Ex. 5 at S3G00078826/S3G00246169) Nor do Defendants point to any evidence that there is some other "Schedule 1", in the record that could have been what was "truly" attached to the January 2001 Assignment instead of the "All" schedule.⁴

While Defendants have arguably identified minor discrepancies in the record, they have not demonstrated a *material* dispute of *material* fact as to whether the Disputed Patents were transferred to S3G in January 2001, because the record does not contain evidence from which a reasonable finder of fact could find that the patents were *not* so transferred to S3G. Years before this litigation, S3G submitted to the PTO the January 2001 Assignment and the same "AU" schedule produced in discovery when, on May 7, 2002, S3G recorded the issued patents properly identified by number in the "All" schedule. (*Compare* D.I.272, Ex. 5 at 83000078822-28/S3G00246165-71 with D.I. 272, Ex. 6 at S3G0002917-18, S3G0002925-29) S3G referred to this same recordation of the same "All" schedule -despite calling it "Schedule 1,-in the Proof of Claim *it* filed in the S01'11Cblue bankruptcy proceedings. (D.I. 272, Ex. 14 at S3G00243134-35)

authentication objection, it does not by itself establish that the "All" schedule in the record is, in fact, the Schedule 1 that is part of the January 2001 Assignment. It does, however, support this conclusion.

⁴Defendants do not, for instance, contend that the "Schedule 1" attached to the 2006 Amended Assignment is the schedule that was actually attached to the January 2001 Assignment.

The 2006 Amended Assignment and Settlement Agreement also confirm that the January 2001 Assignment transferred the Disputed Patents to S3G. The Settlement Agreement provided that SONICblue, the "Debtor," would execute all documents necessary to transfer "the intellectual property related to or used in the Graphics Chip Business that currently remains in Debtor's possession, and was to be contributed pursuant to the Amended and Restated Investment Agreement" (D.I. 267, Ex. 12 at S3G00276539) Contrary to Defendants' suggestion, the language "currently remains in Debtor's possession" does not indicate that S3G in 2006 lacked all right, title, and interest in the Disputed Patents; instead it shows SONICblue and S3G confirming that the Disputed Patents were "to be contributed,, to S3G in 2001 (consistent with the ARIA) and as added assurance SONICblue would anyway transfer to S3G any other identified intellectual property to the extent (if any) such property still remains in Debtor's possession."

The Court further disagrees with Defendants' argument that S3G's subsequent statement to the Kronos Group that "[n]ow S3G Graphics, Co., Ltd. officially holds several patents related to S3TC," including the '431, '146, and '978 patents (D.I.288, Ex. 57 at 83000092653) demonstrates that S3G did not previously own these patents. As an initial matter, this statement is extrinsic evidence, and the Court has found the pertinent contractual provisions to be clear and unambiguous. In any event, the statement to the Kronos group included reference to the '431 patent - a patent which was clearly assigned by number to S3G (and duly recorded), and which has not contended was *not* earlier owned by S3G (*see* D.I. 299 at 4-5; Tr. at 31; *see also* D.I. 286 (Defendants referring only to Disputed Patents in their list of genuine issues of material

fact)). By including reference to the '431 patent in its statement, S3G was clearly ~~not~~ stating that it had *only just* come to officially bold the listed patents (including the '431 patent) «now.,!

Defendants further contend that even if S3G did purchase the Disputed Patents by virtue of the January 2001 Assignment, Defendants thereafter became subsequent purchasers without notice when they purchased the FireGL business from SONICblue in March 2001. It follows, Defendants add, that pursuant to 35 U.S.C. § 261, the transfer from SONICblue to S3G is void as against Defendants. Again, the Court agrees.

Section 261 is the federal recording act for patent ownership. It states in pertinent part:

An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

35 U.S.C. § 261. S3G argues that Defendants are not subsequent purchasers without notice pursuant to § 261 because Defendants did not purchase the Disputed Patents in March 2001. *See Rhone Poulenc Agro. S.A. v. DeKalb Genetics Corp.*, 284 F.3d 1323, 1329 (Fed. Cir. 2002) ("At common law, however, it was quite clear that one who did not acquire title to the property could not assert the protection of the bona fide purchaser rule."). S3G is correct.

The March 2001 Assignment that ATI recorded with the PTO in August 2001 is unambiguous in its terms.⁵ It "hereby assigns to Assignee [ATI] all of Assignor's [SONICblue] right, title and interest in and to" "the patents and patent applications *set forth on Schedule A*

⁵Defendants do not rely on the September 2011 Acknowledgment in arguing against S3G's ownership claim. (*See* D.I. 286 at 13-24; *see also* Tr. at 85) Instead, Defendants take the view that the March 2001 documents are dispositive of Defendants' claim to ownership. *See Advanced Micro Devices, Inc. v. S3 Graphics, Co., Ltd.*, C.A. 11-965 (D. Del.), D.I. 51 at 7 (filed Oct. 13, 2011).

hereto (the 'Patents')." (D.I. 272, Ex. 11 at AMD009708) (emphasis added) The attached Schedule A does *not* include the Disputed Patents. (*Id.* at AMD009713) Defendants essentially concede this point.

Instead the basis Defendants find in the March 2001 Assignment for their claim to ownership of the Disputed Patents begins with the Bill of Sale, which was executed in accord with the Section 2.01 of the APA. (D.I. 272, Ex. 9 at AMD002343) In turn, Section 2.01 of the APA, entitled "Purchase and Sale of Acquired Assets," provides:

the Purchasers [ATI] shall purchase from the Seller [SONICblue] . . . all of the assets, properties, goodwill and business of every kind and description and wherever located, owned by the Seller [SONICblue] or its Subsidiaries or *used or held for use by the Seller [SONICblue] or its Subsidiaries in the FireGL Business*, other than the Excluded Assets (the assets to be purchased by ATI and the Purchasers being referred to as the "Acquired Assets"), including and without limitation, the following:

(ii) all the Seller's [SONICblue] right, title and interest in, to and under the Business Intellectual Property listed in Section 3.19(a) of the Disclosure Schedule;

... [and]

(x:i) except for the Excluded Assets, *all the Seller's [SONICblue] right, title and interest on the Closing Date in, to and under all other assets, rights and claims of every kind aJZd nature used or intended to be used or held for use in the operation of the FireGL Business.*

(D.I. 267, Ex. 8 at AMD003110-11) (emphases added)

Defendants' contention is unavailing. Schedule 3.19(a) of the APA does *not* include any of the Disputed Patents or their parent, the '431 patent. (D.I. 272, Ex. 8 at AMD000664 ("3.19(a) list of patents and patent applications") Instead, Schedule 3.19(a) lists eight other pending or issued patents. (*Id.*) Indeed, APA Section 3.19, the "Intellectual Property" portion of the Representations and Warranties of the Seller," confirms that "Section 3.19(a) of the Disclosure Schedule sets forth a true and complete list of (i) all patents and patent applications . . . included in the Business Intellectual Property . . . material to the FireGL Business," and that "[t]he Business Intellectual Property includes all of the Intellectual Property used in the ordinary day-to-day conduct of the FireGL Business, and *there are no other items of Intellectual Property that are material to the ordinary day-to-day conduct of the FireGL Business.*" (D.I. 267, Ex. 8 at AMD003124-25) (emphasis added) In this light, the *absence* of the Disputed Patents and the '431 patent from Schedule 3.19(a) unambiguously establishes that these patents are *not* "material to the ordinary day-to-day conduct of the FireGL Business." For the same reasons, the APA's reference to ATI acquiring SONICblue's "*other assets, rights and claims of every kind and nature used or intended to be used or held for use in the operation of the FireGL Business*" (*id.* at AMD003111) does not transfer (or obligate SONICblue to transfer) patents not listed in Schedule 3.19(a) to ATI.

Despite this unambiguous, specific language indicating which patents were being transferred to ATI via the APA, Defendants argue that the Disputed Patents are, nonetheless, "Acquired Assets" that were acquired by ATI. This argument is based on APA Section 2.01's use of the term "including and without limitation" before it proceeds to list the subcategories of "Acquired Assets" being acquired by ATI. In the view of Defendants, this is an open-ended

phrase which requires that the Business Intellectual Property listed *in* Section 3.19(a)" be interpreted as a non-exhaustive list. Therefore, Defendants' analysis continues, the Disputed Patents fall within Section 2.01 (a)'s broader category of "assets . . . owned by the Seller . . . or used or held for use by the Seller . . . in the FireGL Business," pursuant to Subsection 2.01(a), or within Subsection 2.01(a)(xi)'s category of assets "intended to be used or held for use in the operation of the FireGL Business., (See *id.* at AMD0031110-11) The Court disagrees.

Defendants' contention is inconsistent with the basic rule of contract interpretation that specific provisions qualify general ones. See *DCF Holdings, Inc. v. ConAgra, Inc.*, 889 A.2d 954: 961 (Del. 2005) ("Specific language in a contract controls over general language, and where specific and general provisions conflict, the specific provision ordinarily qualifies the meaning of the general one."). Even setting aside this fundamental principle of contract interpretation, Defendants' argument fails for other reasons as well. The APA's reference to assets "Owned by the Seller" does not help Defendants' case because (as the Court has concluded earlier in this Opinion) the January 2001 Assignment transferred the Disputed Patents to S3G, so by the time the APA was executed in March 2001 the Disputed Patents *were no longer* "owned by the Seller," i.e., SONICblue. With respect to the APA's reference to assets "used," "held for use" or "intended to be used" by SONICblue in the FireGL Business, Defendants rely on the opinions of their expert, Dr. Delp. (See D.I. 267, Ex. 4 (Dr. Delp's Expert Report); D.I. 267, Ex. 2 (Dr. Delp's Expert Reply Report)) But the Court will not consider this extrinsic evidence because, for reasons already explained, the contract here is unambiguous. See *Dow Chem. Co. v. Nova Chems. Corp. (Can.)*, 458 F. App'x 910, 914 (Fed. Cir. 2012) ("We are not at liberty . . . to detach our interpretive analysis from the four-corners of the contract at the mere suggestion that

one phrase in the contract, viewed in isolation, is not readily amenable to literal interpretation. [T]o the extent that [a] phrase . . . may require interpretation, it does not give us license to open the door to extrinsic evidence . . . because the rest of section 2.01 and the agreement as a whole reveal that the patents in suit are not within the scope of [transferred] Patent Rights."). Reading Section 2.01 and the rest of the APA as a whole makes clear that "including and without limitation" is used to precede various *categories* of assets, such as Business Intellectual Property or customer contracts, rather than the specific *items* included in the Business Intellectual Property, which are clearly indicated as belonging to an exclusive list.⁶ The phrase does not introduce the ambiguity Defendants suggest it does.

Moreover, unlike in *Coper Distrib. Co., Inc. v. Amana Refrigeration, Inc.*, 63 F.3d 262, 280 (3d Cir. 1995), because the "including and without limitation" language is not structurally *or* grammatically positioned to directly modify the contents of Subsection 2.01(a)(ii)-where one would expect to find the Disputed Patents -application of the principle of *ejusdem generis* to understand "including and without limitation" as modifying only the first-level categories immediately following the phrase does *not* result in an interpretation contrary to the intent of the phrase. *See id.* at 280 ("Under this rule of construction, general words near a specific list are 'not to be construed to their widest extent, but are to be held as applying only to . . . things of the same general kind . . . as those specifically [listed].'") (citing *Black's Law Dictionary* 464 (5th

⁶*See generally* *Bloate v. United States*, 559 U.S. 196, 208-09 (2010) ("That the list of categories is illustrative rather than exhaustive in no way undermines our conclusion that a delay that falls *within* the category of delay addressed by subparagraph (D) is governed by the limits in that subparagraph. The 'including but not limited to' clause would affect our conclusion only if one read it to modify the contents of subparagraph (D) as well as the list itself. As noted, such a reading would violate settled principles of statutory construction because it would ignore the structure and grammar of subsection (D), and in so doing render even the clearest of the subparagraphs indeterminate and virtually superfluous.") (emphasis in original).

ed. 1979)); *Concord Steel, Inc. v. Wilmington Steel Processing Co.*, 2008 WL 902406, at *9 (Del. Ch. Apr. 3, 2008) ("I interpret the phrase, 'including without limitation' to mean the enumerated components/ollowfogthatplirase are examples only.") (emphasis added); *see also Post . St. Paul Travelers ins. Co.*, 691 F.3d 500, 520 (3d Cir. 2012) (explaining that under Pennsylvania law's application of principle of *ejusdem generis*, "[i]t is widely accepted that general expressions such as 'including, but not limited to' that precede a specific list of included items should not be construed in their widest context, but apply only to persons or things of the same general kind or class as those specifically mentioned in the list of examples").

Further, contrary to Defendants' position, Section 2.01(b) is not rendered meaningless if Subsection 2.01(a)(ii)'s "Business Intellectual Property listed in Section 3.19(a) of the Disclosure Schedule" is interpreted as an exhaustive list. Section 2.01(b)'s definition of Excluded Assets, like the Acquired Assets, lists *categories* of assets: cash and equivalents, Accounts Receivable, Customer Contracts not effectively assigned to ATI due to lack of consent, Obsolete Inventory, Materials Contracts listed in Section 2.01(b)(v), and the rights of the Seller under the APA. (DJ. 267, Ex. 8 at AMD003111) The Disputed Patents need not be listed under Excluded Assets in order to be properly excluded from Subsection 2.01(a)(iii)'s "Business Intellectual Property listed in Section 3.19 of the Disclosure Schedule."

Defendants' contention that Section 3.19's representations and warranties have turned out to be false does not change the Court's conclusion. To the extent Section 1.19 was a materially false representation and warranty, Defendants' recourse would be against SONICblue rather than S30 (*see* Tr. at 51-52; D.I. 286 at 23). and, in any case, such recourse is no longer available (*see* D.I. 267, Ex. 8 at AMD003136) ("The representations and warranties of the parties contained in

tills Agreement shall survive the Closing Date until the second anniversary of the Closing Date."). Furthermore, if Defendants are correct, then there was no objective meeting of the minds between SONICblue and ATJ with respect to the Disputed Patents, as the "Conditions to Closing" were not met (*see id.* at AMD003134-35) (inrucating that a condition to closing is accuracy of representations and warranties), but the Court is not at liberty to rewrite Section 3.19 to create an agreement where none existed. *See Conner v. Phoenix Steel Corp.*, 249 A.2d 866, 868 (Del. 1969) ("It is, of course, axiomatic that a court may not, in the guise of construing a contract, in effect rewrite it to supply an omission in its provisions It is only when there is an ambiguity in ta provision] . . . that a court may construe it to detennine the true meaning."); *see also Rodgers v. Erickson Air-Crane Co. L.L. C.*, 2000 WL 1211157, at *6 (Del. Super. Aug. 17, 2000) ("Where there is no meeting of the minds, there is no enforceable contract in Delaware.").

Finally, the Court also agrees with S3G that even if the Court were persuaded by ATI on the disputed issues of contract interpretation (which it is not), then S3G -and not ATI -would be a subsequent bona fide purchaser for value against whom the transfer of the Disputed Patents to ATI would be void as to S3G, pursuant to § 261.⁷ Defendants admit that at least by 2006, S3G obtained "a clear assignment of the Disputed Patents from SONICblue" (DJ. 286 at 28). and it is undisputed that Defendants did not "discover> their ownership claims until August 2011 (*see, e.g.,* D.I. 263 at 9) and did not record those claims until September 2011 (D.I. 285, Ex. 35 at

⁷Defendants, in their Motion for Leave to File Sur-Reply (D.I. 312), argue that S3G should have raised this argument in its opening brief. While the Court does not find that S3G's inclusion of this argument in its reply brief was procedurally impr-Oper, it will grant Defendants' Motion for Leave to File Sur-Reply and consider Defendants' arguments included therein.

S3G00270987-89). Neither the *APA* nor the evidence to which Defendants point⁸ were sufficient to give S3G notice, prior to 2006, that the Disputed Patents had been sold to ATI. While Defendants may be correct that S3G had actual notice of the sale of the FireGL Business from SONICblue to ATI, this knowledge does not translate into specific notice of the purported sale of the Disputed Patents to ATI.

Thus, the Court concludes that Defendants did not purchase the Disputed Patents in March 2001 and, therefore, cannot avail themselves of the safeguard for subsequent purchasers without notice pursuant to § 261. Even if the Court were to find that Defendants had purchased the Disputed Patents in March 2001, the Court would further have to find that S3G was a subsequent purchaser without notice pursuant to that same statute.

Accordingly, for all the reasons given above, the Court will grant Plaintiff's Motion for Partial Summary Judgment with respect to S3G's ownership - and Defendants' lack of ownership - of the Disputed Patents.⁹

⁸That Mr. Potashner, the CEO of SONICblue, was also a director of S3G in March 2001 (*see* D.I. 272, Ex. 2 at S3G00079065/S3G00246263, S3G00079074/S3G00264272) does not provide a basis on which a reasonable factfinder could find that Mr. Potashner knew or should have known that the Disputed Patents were used, held for use, or intended to be used in the FireGL Business, contrary to the representations and warranties of SONICblue in the *APA*. Such knowledge is not that "which ordinary diligence would have elicited." *See Katz v. Lear Siegler, inc.*, 1993 U.S. App. LEXIS 17507, at *13 (Fed. Cir. July 12, 1993).

⁹Even if the January 2001 Assignment did not transfer ownership of the Disputed Patents from SONICblue to S3G (although it did), then the 2006 Amended Assignment did so. Either way, summary judgment for S3G on ownership is warranted.

2. Express or Implied License

S3G also moves for partial summary judgment that Defendants, in addition to not owning the Disputed Patents, also do not have an express or implied license to them.¹⁰ Defendants respond that genuine disputes of material fact prevent summary judgment on the issues of both express and implied license.

With respect to an express license, the Court agrees with S3G that summary judgment is appropriate. Defendants contend that if S3G acquired the Disputed Patents in January 2001 – as the Court has found S3G did – then it follows that ATI obtained an express license to the Disputed Patents from SONICblue, as S3G was required by the Intellectual Property Cross License Agreement to grant SONICblue a non-exclusive worldwide license to all "JV Patents, for "SONICblue Licensed Products." (D.I. 289, Ex. 70 at S3G00079023-24) Defendants continue by insisting that this license was assignable by SONICblue to ATI, without S3G's consent because ATI was an entity that "acquire[d] all or substantially all of [SONICblue's] assets." (*Id.* at S3G00079027) The Court concludes that no reasonable factfinder could find that ATI obtained an express license to the Disputed Patents, given the unambiguous contractual provisions in play.

Defendants' argument fails because there is no evidence of record from which it could be found that Defendants ever acquired "all or substantially all of [SONICblue's] assets," which is an unambiguous precondition to obtaining a license to the Disputed Patents through SONICblue

¹⁰Although Plaintiffs' Motion for Partial Summary Judgment is directed on its face to Defendants' implied license claim only, the briefing addresses Defendants' express license claim as well. The Court will address both issues.

in the absence of S3G's consent.¹¹ Defendants instead assert that, by operation of the APA, SONICblue "transferred substantially all of [SONICblue's] remaining assets *related to these patents* to ATI when it acquired the FireGL Business." (D.I.286 at 38) (emphasis added) But the unambiguous precondition is that ATI have obtained "all or substantially all of' SONICblue's assets, not merely that Defendants have obtained "*all* or substantially all of' SONICblue's "assets related to" the Disputed Patents. Similarly, Defendants have argued that "SONICblue transferred *substantially all of its graphics assets to ATI* when it acquired the FireGL Business" (D.I. 323 at slide 31) (emphasis added), but, again, the nonconsensual license is available only "to an entity that acquires *all or substantially all of either party's assets*" (D.I. 289, Ex. 70 at S3G00079027) (emphasis added). There is no evidence that ATI acquired "all or substantially all of SONICblue's assets. Likewise, Defendants' assertion that "[t]here is no evidence that SONICblue retained any *graphics assets* after the FireGL Business" was transferred to ATI (D.I.286 at 38) (emphasis added) (citing D.I. 290, Ex.77 at S3G00400049) does not alter the outcome, because, even if true, this does not demonstrate that in March 2001 SONICblue had no (or substantially no) assets. Further support for the Court's conclusion is found in the fact that, despite all the efforts of discovery in this litigation, no express license has ever been found. (See D.I. 272, Ex. 16 at 245; Tr. at 82) Accordingly, the Court will grant Plaintiff's Motion for Partial Summary Judgment with respect to an express license.

The Court reaches a different conclusion with respect to S3G's request for summary judgment of no implied license. On this issue, the Court concludes that genuine disputes of material fact preclude a grant of summary judgment.

¹¹There is no evidence that S3G ever consented to SONICblue providing ATI an express license to the Disputed Patents, and even Defendants do not contend there is such evidence.

When a patentee sells a patented article, "it parts with the right to enforce any patent that the parties might reasonably have contemplated would interfere with the use of the purchased device." *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Co., Inc.*, 123 F.3d 1445, 1455 (Fed. Cir. 1997). Thus, an implied license arises when the patentee: "(1) . . . gave an affirmative grant of consent or permission to make use, or sell to the alleged infringer; (2) the alleged infringer relied on that statement or conduct; and (3) the alleged infringer would, therefore, be materially prejudiced if the patentee is allowed to proceed with its claim." *Windbond Elecs. Corp. v. JTC*, 262 F.3d 1363, 1374 (Fed Cir. 2001). The existence of non-infringing uses of the products sold by the patentee precludes a finding of an implied license. *See Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 924-25 (Fed. Cir. 1984).

There is sufficient evidence in the record from which a reasonable factfinder, taking the evidence in the light most favorable to Defendants, could find that each of these requirements for an implied license is satisfied. It is undisputed that ATI obtained from SONICblue the FireGL Business and with that business came an affirmative grant of consent to make, use, and sell the FireGL products. If, as the Court has found, ATI did not obtain either ownership or an express license in the Disputed Patents, and if it is necessary to practice one or more of the Disputed Patents in order to make, use, and sell the FireGL products (an issue on which there is a genuine dispute of material fact), then it may reasonably be found that ATI obtained an implied license in those patents. (*See* D.1.286 at 39-41) (summarizing record evidence) Otherwise (as could also be reasonably found), Defendants would have relied on the documents effectuating the transaction between SONICblue and ATI to expect they could operate the FireGL Business and would be materially prejudiced by, in fact, **11ot** being able to operate that business. *See g(merally*

Met-Coil Sys. Corp. v. Korners Unlimited, Inc., 803 F.2d 684, 686 (Fed. Cir. 1986) (stating implied license arises even from sale of non-patented equipment used in practice of patented invention when the equipment involved . . . [has] no non-infringing uses" and "the circumstances of the sale . . . plainly indicate that the grant of a license should be inferred") (internal quotation marks omitted).

There is also sufficient evidence from which a reasonable factfinder, taking the evidence in the light most favorable to Defendants, could find that there are no non-infringing uses of the FireGL products. Defendants contend that "[t]he acquired FireGL products have no non-infringing uses because they perform S3TC/DXT decompression and S3G has repeatedly represented that performing S3TC/DXT decompression is covered by the patents . . . [and has taken] the position that graphics processors that perform D3TC decompression have no non-infringing uses." (D.I. 286 at 39) (citing D.I. 269, Ex. 29 at S3G00336848 at 912 n.11) In support of this contention, Defendants offer that their expert, Dr. Delp, "compared the acquired FireGL products with the claims of the Disputed Patents based on the claim scope advocated by S3G in the ITC Action, and opined that the FireGL products incorporate each patent." (D.I. 286 at 16) (citing D.I. 267, Ex. 4 at **mf** 192-211, Exs. 4-7; D.I. 267, Ex. 2 at **if** 41-55) The Court agrees with Defendants that Dr. Delp's analysis, in combination with the position S3G has taken with respect to whether the FireGL products infringe the Disputed Patents,¹² plus the lack of

¹²S3G now argues that it never took a position on whether the FireGL products necessarily infringe the Disputed Patents. (*See, e.g.*, Tr. at 40) However, it is undisputed that in the ITC Action S3G contended that Apple infringed the Disputed Patents, accusing of infringement Apple products that included Defendants' FireGL products (*see* D.I. 272, Ex. 1), and the record contains evidence at least suggesting that S3G previously recognized that Defendants had a license (*e.g.*, D.I. 288, Ex. 38 at 8300034091 O; D.I. 288, Ex. 59 at S3G00041589/S3G00244737; D.I. 288, Ex. 60 at S3G002448&4). Taken in the light most favorable to Defendants, it is not unreasonable to infer from this record that the FireGL products

evidence in the record that there *is* a non-infringing use of the FireGL products, means that trial will be necessary to resolve the implied license issue.

As a reasonable factfinder could find that S3TC/DXT necessarily infringes the Disputed Patents, it follows that genuine disputes remain with regard to whether the FireGL products purchased by ATI incorporate S3TC/DXT decompression and, therefore, necessarily have no noninfringing uses. (*Compare* D.I. 267, Ex. 2 at iJiJ 9 18 *and* D.I. 267, Ex. 4 at iJi! 73, 201-11 *with* D.I. 272, Ex. 17 at 3-31 *and* D.I. 268, Ex. 14 at 30; *see also* D.I. 271 at 27 (S3G arguing that whether "FireGL products acquired by ATI as part of the FireGL Business actually used the Disputed Patents . . . *is* a disputed factual issue') (internal quotation marks and citation omitted))

Therefore, the Court does not conclude as a matter of law that there are non-infringing uses (which, if found, would preclude a finding of an implied license). Accordingly, the Court will deny Plaintiff's Motion for Partial Summary Judgment with respect to an implied license.

B. Defendants' Motion for Summary Judgment

1. Plaintiff's State Law Tort Claims

In addition to seeking, in Count I of the Complaint, a declaratory judgment that S3G is the owner of the Disputed Patents (which the Court will be granting), that Defendants have no express license to the Disputed Patents (which the Court will also be granting) and further that Defendants have no implied license to them (an issue on which trial will be necessary), S3G has asserted several state law tort claims: slander of title (Count II), conversion (Count III), and Unfair competition (Count IV). (D.I. 1) Defendants seek summary judgment on each of S3G's state law tort claims on the basis that S3G cannot prove: (1) liability, because S3G's tort claims necessarily infringe the Disputed Patents.

are preempted by federal patent law and are barred by *Noerr-Pennington* immunity; (2) causatio because Plaintiffs cannot prove that Defendants' ownership claims did not cause potential licensees to forego a patent license; and/or (3) damages, because Defendants cannot prove they have been injured by Defendants' alleged tortious conduct. The Court addresses these issues below.

a. Liability

Defendants argue that they cannot be found liable on Plaintiff's state law tort claims because such claims are preempted, observing that "federal patent law bars the imposition of liability for publicizing a patent in the marketplace unless the plaintiff can show that the patentholder acted in bad faith." *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1336 (Fed. Cir. 1998), *overruled on other grounds, Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999) (en banc). S3G counters that, based on the Court's ruling on Defendants' motion to dismiss S3G's state tort law claims, it is law of the case that S3G's causes of action are not subject to federal preemption. (See D.I. 142 at 4) ("The Court concludes that S3G's] . . . state law tort claims are not preempted. No conflicts exist between federal patent law and anything contained in S3G's state law claims.") The Court agrees with Plaintiff. See *Arizona v. California*, 460 U.S. 605, 618 (1983) ("As most commonly defined, the [law of the case] doctrine posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case.n).¹³

¹³The record contains evidence from which a reasonable factfinder could find that Defendants acted in bad faith by contending they own the Disputed Patents, particularly given the Court's conclusion that the pertinent contractual provisions clearly and unambiguously make S3G, and not Defendants, the owner of the Disputed Patents. (See, e.g., DJ. 284 at 19) (citing evidence)

Relatedly, Defendants argue that their conduct is shielded from liability by application of *Noerr-Pennington* immunity, because Defendants' actions were undertaken in connection with petitioning the government, *see Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 58 (1993), and/or consist of activities "intimately related to" petitioning, such as "conduct incidental to the prosecution of [a] suit," *Sosa v. DIRECTV, Inc.*, 437 F.3d 923, 934 (9th Cir. 2006). Defendants continue by contending that the *Walker Process* fraud exception to *Noerr-Pennington* immunity does not apply because S3G cannot satisfy three of the five requirements for application of this fraud exception, namely:

- (3) intent to deceive or, at least, a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter),
- (4) a justifiable reliance upon the misrepresentation by the party deceived which induces him to act thereon, and
- (5) injury to the party deceived as a result of his reliance on the misrepresentation.

Nobelphanna AB v. Impiant Innovations, Inc., 141F.3d 1059, 1069-70 (Fed. Cir. 1998) (internal quotation marks omitted).

The Court concludes that *Noerr-Pennington* immunity does not shield the entirety of Defendants' conduct from liability. For example Defendants' execution and recordation of the 2011 Acknowledgment -which had the effect of notifying the public of Defendants' ownership claims in the Disputed Patents, so as to "prevent[] anyone from voiding ATI's rights through a subsequent transfer of the patents [without notice] under 35 U.S.C. § 261" (D.1 263 at 9) -is a non-judicial, non-petitioning statement that falls outside of the scope of *Noerr-Pennington* immunity. Defendants' conduct was not "petitioning the government" but was instead "private commercial activity, no element of which involved seeking to procure the passage or enforcement of laws." *Litton Sys., Inc. v. Am. Telephone & Telegraph Co.*, 700 F.2d 785, 807

(2d Cir. 1983) (internal quotation marks omitted). ATI "erroneously assumes that a mere *incident* of regulation . . . is tantamount to a request for governmental action akin to the conduct held protected in *Noerr* and *Pennington*." *Id.* (emphasis in original) (holding "AT&T cannot cloak its actions in *Noerr-Pennington* immunity simply because it is required, as a regulated monopoly, to disclose publicly its rates and operating procedures," when action complained of "was made in the . . . boardroom, not at [a government agency]"). ATI has admitted (as it must) that, as stated in *Kaempe v. Myers*, 367 F.3d 958, 961 (D.D.C. 2004), "recordation is a purely ministerial act and does not reflect any determination as to the validity of the document filed or its effect, if any, on the title to a patent or patent application." (D.I. 11 at 20)

Nor is Defendants' conduct "incidental" to judicial activity. Although, as Defendants point out, the Acknowledgment was recorded during the pendency of and cited in the ITC Action" (D.I. 301 at 11), this does not render the recordation "incidental to" a judicial action and therefore within the scope of *Noerr-Pennington* immunity. Unlike the cases in which extrajudicial conduct has been found to be "incidental" to judicial action,¹⁴ here Defendants' conduct had independent significance in spite of its use in the ITC Action. Instead, as in *Rodime PLC v. Seagate Tech., Inc.*, 174 F.3d 1294, 1307 (Fed. Cir. 1999) (finding that meetings held before those discussing government petitioning were not protected because they "had nothing to do with petitioning the government"), and *In re Buspirone Patent & Antitrust Litig.*, 185 F. Supp. 2d 363, 372 (S.D.N.Y. 2002) (holding that filing Orange Book listings with FDA not protected

¹⁴See, e.g., *A.D. Bedell Wholesale Co., Inc. v. Philip Morris Inc.*, 263 F.3d 239, 254 (3d Cir. 2001) (settlement agreements protected); see also *Bait. Scrap C01p. v. David J Joseph Co.*, 237 F.3d 394, 398 (4th Cir. 2001) (third party funding of judicial action protected); *Magnetar Techs. Corp. v. Six Flags Theme Parks Inc.*, 2011 U.S. Dist. LEXIS 16485, at *6 (D. Del. Feb. 18, 2011) ("Courts have also extended *Noerr-Pennington* immunity to actions incidental to litigation, such as prelitigation letters.").

because such activity was "distinct from . . . subsequent litigation both analytically and as a practical matter"), Defendants' execution and recordation of the Acknowledgment took place independently of and prior to Defendants' motion to intervene in the ITC Action and, hence, is not protected by *Noerr-Pennington* immunity. .

Even if *Noerr-Pennington* immunity did apply to the Acknowledgment, S3G has come forward with sufficient evidence to raise a genuine dispute of material fact with regard to Defendants' intent to deceive, reliance by others on Defendants' ownership claims, and injury to S3G resulting from that reliance, potentially triggering the *Walker Process* fraud exception to *Noerr-Pennington* immunity. Contrary to Defendants' position, the Supreme Court has made clear that "a plaintiff directly injured by a fraudulent misrepresentation [may] recover even though it was a third party, and not the plaintiff, who relied on the defendant's misrepresentations." *Bridge v. Phoenix Bond & Indemnity Co.*, 553 U.S. 639 (2008).

Accordingly, the record, taken in the light most favorable to S3G, does not permit the Court to grant Defendants summary judgment of no liability on S3G's state law tort claims on the basis of federal preemption or *Noerr-Pennington* immunity.

b. Causation and Damages

Defendants next contend that S3G cannot prove causation and damages on its state law tort claims because there is no evidence to support a finding that Defendants' ownership claims proximately caused injury to S3G.¹⁵ *See generally Univ. of Tex. Sw. Med. Ctr.*, 133 S. Ct. 2517,

¹⁵Defendants also argue that S3G cannot prove causation because Plaintiff's lost licensing revenues are too speculative. The Court disagrees with Defendants on this point. S3G has presented evidence that _____ and S3G had discussed royalty rates of _____ per unit before talks broke down (D.I. 285, Ex. 45 at **ii** 19-21), and similarly **tha.** had offered to **pa** per unit before their talks ended (D.I. 285, Ex. 45 at **iii** 33-34, 46; D.I. 269, Ex. 46 at 294). "The fact that there is some uncertainty as to plaintiff's damage or the fact that the damage is very

2524 (2013) ("Causation in fact -i.e., proof that the defendant's conduct did in fact cause the plaintiff's injury -is a standard requirement of any tort claim."). To meet its burden on these elements of its tort claims, S3G points to licensing revenues it purports to have lost (or not earned) due to Defendants' alleged tortious conduct. In order to survive summary judgment, then, the record taken in the light most favorable to S3G must be such as to permit a reasonable factfinder to find that potential licensees – [REDACTED]

— knew of Defendants' ownership claims and chose not to enter into license agreements with S3G because of these claims. The Court agrees with Defendants that S3G has failed to adduce evidence to establish the requisite knowledge by any of the potential licensees and, therefore, S3G cannot meet its burden on proximate cause. *See generally Duffy v. Kent Cnty. Levy Ct.*, 2014 U.S. Dist. LEXIS 16925, at *19 (D. Del. Feb. 11, 2014) ("Plaintiff cannot show that defendant targeted him by condemning the property because of his disability when the property was condemned prior to defendant's knowledge that plaintiff held any claim to the property.").

With respect to [REDACTED], AMD's 30(b)(6) witness, Chris Kilburn, testified that AMD did not discuss the Disputed Patents with [REDACTED] until a July 2013 email, which confirmed **that**— subsidiary, [REDACTED] (D.I. 285, Ex. 53 at 15) (quoting *id.* at AMD021486) S3G's 30(b)(6) witness, Ken Weng, does not dispute this, instead admitting that he does not know – and in fact never asked – why [REDACTED] discussions with S3G ended two years earlier, in July 2011. (*See* DJ. 269, Ex. 46 at 293) Mr. Weng further admits that his belief that discussions may have ended because [REDACTED] may have been in [REDACTED] difficult to measure will not preclude a jury from determining its value." *Henne v. Balick*, 146 A.2d 394, 396 (Del. 1958).

discussion with AMD" is his own "speculation." (*Id.*) Given this record, there is no genuine dispute of material fact as to whether llmbad knowledge of AMD's purported discovery of its ownership claims in August 2011. No reasonable jury could find that — had such knowledge at that time.

Nor does the record contain sufficient evidence to support a finding that [REDACTED] [REDACTED] ended licensing discussions with S3G because of AMD's ownership claims. For example, S3G's Mr. Weng admits that S3G stopped pursuing discussions wi [REDACTED] and not the other way around. (*Id.* at 296-97) Mr. Weng's conclusory testimony that "[t]hese negotiations also broke down due to the cloud AMD/ATI placed on S3G's title" (D.I. 285, Ex. 45 at 1146) is insufficient to create a genuine dispute of material fact regarding whether Defendants proximately caused S3G any lost licensing opportunities.

Accordingly, to the extent S3G's state law tort claims are based on lost licensing revenues, the Court will grant summary judgment to Defendants on them, due to the lack of evidence of causation. However, as S3G also bases its state law tort claims on attorney fees and costs,¹⁶ the Court is not convinced that summary judgment for Defendants on Plaintiff's state law tort claims in their entirety is appropriate. The parties' briefing on this point is not adequate to permit the Court to make a final determination on this dispute at this time, so further proceedings (potentially including trial) will be required.

¹⁶Defendants argue that S3G failed to disclose any claim based on attorney fees. (D.I. 301 at 17) However, S3G explicitly "reserve[d] the right to seek attorney fees" in its Initial Disclosures (D.I. 302, Ex. 90 at 7), and it objected to Defendants' Request for Production 113 asking for an accounting of attorney's fees not based on irrelevance but as being premature (D.I. 302, Ex. 91 at 10). The Court concludes that S3G did not waive its right to seek attorney fees.

In part, the Court reaches this conclusion because the parties appear to disagree about which state's law governs S3G's state tort claims, although neither side provides an adequate basis for its choice of law. S3G simply argues that under California law, attorney fees and costs are adequate damages to support slander of title and conversion claims. *See, e.g., Sumner Hill Homeowners 'Ass'n, Inc. v. Rio Mesa Holdings, LLC*, 205 Cal. App. 4th 999, 1031 (2012) ("[W]e hold that at least in cases such as this one where title was disparaged in a *recorded* instrument, attorney fees and costs necessary to clear title or remove the doubt cast on it by defendant's falsehood are, by themselves, sufficient pecuniary damages for purposes of a cause of action for slander of title.") (emphasis in original); *Adler v. Taylor*, 2005 WL 4658511, at *3 (C.D. Cal. Feb. 2, 2005) ("[S]pecific recovery is an available remedy for conversion."). Defendants counter that Delaware law applies under the "most significant relationship test," *see integral Res. (PVT) Lt. v. Istil Grp., inc.*, 155 F. App'x 69, 70 (3d Cir. 2005), and that under Delaware law attorney fees and litigation costs are not the kind of "special damages" that can support a slander of title action, *see Deutsche Bank Nat'l Tr. & St. Co. v. Goldfeder*, 2014 Del. Super. LEXIS 678, at *9-10 (Del. Sup. Ct. Dec. 9, 2014). However, Defendants do not explain why, even if Delaware law applies, attorney fees and litigation costs could not support a conversion claim. Because the Court does not have the benefit of adequate briefing on either the choice of law issues or the applicable legal standards, summary judgment is inappropriate on the elements of causation or damages required by Plaintiff's state law tort claims to the extent they are based on attorney fees and costs.

2 Plaintiff's Defenses

Defendants next seek summary judgment on S3G's defenses to Defendants' claims to rights in the Disputed Patents (i.e., ownership and/or express/implied license). The Court addresses each of S3G's affirmative defenses, and Defendants' request for summary judgment as to each of them, below.

a. Statute of Limitations

Plaintiff contends that Defendants' claims of ownership and license are barred by the statute of limitations. With respect to ownership, Defendants argue that Delaware's three-year statute of limitations, 10 Del. C. § 8106,¹⁷ does not apply because Defendants' claims are counterclaims asserted as defensive recoupment claims like the ones for recoupment of tax overpayment in *Bull v. United States*, 295 U.S. 247, 262 (1935).¹⁸ The Court disagrees with Defendants' analogy. In the Third Circuit, the use of defensive recoupment claims beyond taxation cases has been narrowly confined to analogous suits for monetary recovery in which a credit is sought by the defendant, such as bankruptcy, *see, e.g., In re Monongahela Rye Liquors*, 141 F.2d 864 (3d Cir. 1944), social security recovery, *see, e.g., Lee v. Schweiker*, 739 F.2d 870 (3d Cir. 1984), and recovery under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, *see US. v. Keystone Sanitation Co., Inc.*, 867 F. Supp. 275 (M.D. Pa. 1994). Defendants' declaratory judgment counterclaim for patent ownership bears no

¹⁷The APA provides that it is governed by Delaware law. (D.I. 272, Ex. 7 at AMD000057)

¹⁸Defendants also argue that to the extent their ownership claims are raised as affirmative defenses (*see* D.I. 14 at **if** 84), they are exempt from the statute of limitations, consistent with *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 839 (Fed. Cir. 2009). S3G does not dispute this point. (*See* D.I. 284 at 29) (referring only "to Defendants' cause of **action** ") (emphasis added)

resemblance to these cases. *See generally Rybovich. Boat Works, Inc. v. Atkins*, 585 So.2d 270, 271-72 (Fla. 1991) (making distinction between counterclaim seeking delivery of property rather than monetary recoupment).

Further, Defendants "cannot engage in a subterfuge to characterize a claim as a defense in order to avoid a temporal bar," and they "cannot escape the conclusion that [they are] the aggressor in this litigation," as they "disturbed the equilibrium between the parties" by first bringing (and then promptly abandoning) their October 2011 declaratory judgment suit (C.A. No. 11-965-LPS, D.I. 1). *See City of Safru Paul, Alaska v. Evans*, 344 F.3d 1029, 1035 (9th Cir.).

Accordingly, the Court will deny Defendants' Motion for Summary Judgment with regard to Plaintiffs' statute of limitations defense. At trial, S3G may be able to prove that Defendants' claim to an implied license to the Disputed Patents is barred by the applicable statute of limitations.

b. Laches

Plaintiff contends that Defendants' claims of ownership and license are barred by the equitable doctrine of laches.¹⁹ Defendants argue that S3G cannot assert a laches defense because S3G cannot show that each Defendant had knowledge of its own claims and unreasonably delayed bringing those claims, resulting in prejudice to S3G.²⁰ The Court disagrees with Defendants.

¹⁹Recently the Federal Circuit, sitting en banc, confirmed that "laches remains a defense to legal relief in a patent infringement suit." *SCA flygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, ___ F.3d ___, 2015 WL 5474261, at *17 (Fed. Cir. Sept. 18, 2015).

²⁰Defendants also argue that S3G's laches defense is barred because Defendants' ownership counterclaims are asserted as defensive recoupment claims. For the same reasons explained in the previous section, the Court disagrees.

"A filin'g after the expiration Of the analogous limitations period is presumptively an unreasonable delay for purposes of laches." *Levey v. Brownstone Asset Mgmt., LP*, 76 A.3d 764, 769 (Del. 2013); *Adams v. Jankauskas*, 452 A.2d 148, 157 (Del. 1982) ("While the limitations of actions applicable in a court of law are not controlling inequity, absent unusual circumstances, the analogous statute of limitations will be given great weight in deciding whether the plaintiff's claim is barred by laches."); *Jalrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835 (9th Cir. 2002) ("While laches and the statute of limitations are distinct defenses, a laches determination is made with reference to the limitations period for the analogous action at law."). The time frame for a laches determination begins to run when .evidence of [the alleged wrong] is discovered or could have been discovered had reasonable diligence been exercised, for whatever is notice calling for inquiry is notice of everything to which such inquiry might have led." *US Cellular Inv. Co. v. Bell. Atl. Mobile Sys., Inc.*, 677 A.2d 497, 503 n.7 (Del. 1995) (internal quotation marks omitted); *Kling v. Hallmark Cards, Inc.*, 225 F.3d 1030, 1036 (9th Cir. 2000) ("[A]ny delay is to be measured from the time that the plaintiff knew or should have known about the potential claim at issue.").

The Court agrees with S3G that the record contains sufficient evidence from which a reasonable fact finder could find that Defendants had notice of S3G's ownership claims at least by December 20, 2007,²¹ when the Khronos Group, including AMD, acknowledged S3G's ownership claims (*see* D.1. 272, Ex. 12 S3G0092699), which S3G had disclosed to the Khronos Group by email on October 31, 2007 (*see id.* at S3G0092653), and through an IP Disclosure Statement on December 12, 2007 (*see* D.1. 285, Ex. 33 at S3G00063763). The last of the

²¹Using this date, Defendants would have had to have filed suit by December 20, 2010, to avoid being barred by the statute of limitations.

Disputed Patents issued on May 9, 2006 (D.I. 14, Ex.4), and Defendants' ownership claims are based on contractual provisions and products of which Defendants were aware since March 2001. Thus, it would be reasonable for a fact finder to infer from this record that it was unreasonable for Defendants to delay investigating their own potential ownership claims until they wished to intervene in the ITC Action against Apple.

Accordingly, the Court will deny Defendants' Motion for Summary Judgment with regard to Plaintiff's laches defense. At trial, S3G may be able to prove that Defendants' claim to an implied license to the Disputed Patents is barred by the equitable doctrine of laches.

c. Estoppel

Plaintiff contends that Defendants' claims of ownership and license are barred by equitable estoppel. Defendants contend that S3G cannot show that S3G reasonably relied on Defendants' conduct, an element of S3G's equitable estoppel defense under Delaware law. *See GreatAm. Credit Corp. v. Wilmington Rous. Auth.*, 680 F. Supp. 131, 134 (D. Del. 1988) ("In Delaware, equitable estoppel arises against a party when that party by his conduct intentionally or unintentionally leads another, in reliance upon that conduct, to change position to his detriment") (internal citations omitted); *see Swaim Grp., Inc. v. Segal*, 108 Cal. Rptr. 3d 651, 660 (Cal. Ct App. 2010) (requiring reliance for equitable estoppel defense).

S3G does not argue that it relied on Defendants' conduct. Indeed, the record is clear that S3G has disputed Defendants' ownership claims from the moment Defendants sought to intervene in the ITC Action based on those claims. (*See* D.I. 267, Ex. 22) While S3G points to Defendants' execution of the 2011 Acknowledgment as evidence of Defendants' bad faith conduct, S3G does not point to any evidence that S3G relied on the 2011 Acknowledgment.

Accordingly, the Court will grant Defendants' Motion for Summary Judgment with regard to Plaintiff's equitable estoppel defense.

d. Fraud

Plaintiff contends that Defendants' claims of ownership and license are barred by fraud. Defendants argue that summary judgment is appropriate on Plaintiff's defense because S3G cannot show that (1) Defendants knowingly intended to induce S3G to act on a fraudulent misrepresentation, and (2) S3G relied on any such misrepresentation. The Court disagrees with Defendants.

Defendants' execution of the 2011 Acknowledgment and its recordation at the PTO raise a presumption of fraud because of the allegedly self-dealing nature of the Acknowledgment. Genuine disputes of material fact remain as to whether Defendants will be able to rebut this presumption. The 2011 Acknowledgment was signed by ATI's attorney on behalf of both SONICblue and ATI, pursuant to ATI's purported understanding that such a power of attorney was granted to it in its purchase of the FireGL business. (D.I. 272, Ex. 10 at AMD0002596-97; *see also* D.I.272, Ex. 16 at 183-84) However, under Delaware law, powers of attorney are •more strictly construed than ordinary contracts," *see Realty Growth Investors v. Council of Unil Owners*, 453 A.2d 450, 455 (Del. 1982), and "(t]he creation of a power of attorney imposes the fiduciary duty of loyalty on the attorney-in-fact," *Schock v. Nash*, 732 A.2d 217, 224 (Del. 1999). A self-dealing transfer by one with a fiduciary duty of loyalty raises a presumption of fraud, making the transfer voidable in equity if the attorney cannot show the fairness of the transaction. *See Coleman v. Newborn*, 948 A.2d 422, 429 (Del. Ch. 2007); *In re Gattner*, 2012 Del. Ch. LEXIS 251, at *57 (Del. Ch. Apr. 30, 2012).

Additionally, the evidence that Defendants did not attempt to discuss the Acknowledgment with SONICblue's trustee (see D.I. 28, Ex. 16 at 191-93, 205; Tr. at 79-80) could give rise to a reasonable inference that Defendants' conduct "deviate[s] from the behavior one would expect in an arms-length deal." *Gatz Props., LLC v. Auriga Capital Corp.*, 59 A.3d 1206, 1214 (Del. 2012). Moreover, the Court's conclusion today that the contractual provisions at issue clearly and unambiguously establish that S3G, and not AT.I, own the Disputed Patents, further supports S3G's claim of fraud.

Accordingly, the Court will deny Defendants' Motion for Summary Judgment with regard to Plaintiff's fraud defense. At trial, S3G may be able to prove that Defendants' claim to an implied license to the Disputed Patents is barred by fraud.

e. Unclean Hands

Plaintiff contends that Defendants' claims of ownership and license are barred by Defendants' unclean hands. Defendant argues that S3G cannot prove its unclean hands defense due to the absence of evidence that Defendants "found(ed) [their] cause of action upon an immoral or illegal act." *Am. Bell. inc. v. Fed'n of Tel. Workers of Pa.*, 736 F.2d 879, 886 (3d Cir. 1984) (internal quotation marks omitted).²²

In support of this position, Defendants insist that execution of the 2011 Acknowledgment cannot be the "immoral or illegal act" on which Plaintiff may rely because Defendants'

²² See *S & R Corp. v. Jiffy Lube Int'l, Inc.*, 968 F.2d 371, 377 n.7 (3d Cir. 1992) ("To prevail on an unclean hands defense, the defendant must show fraud, unconscionability, or bad faith on the part of the plaintiff."); *Ellenburg v. Brockway, inc.*, 763 F.2d 1091 (9th Cir. 1985) ("In applying the doctrine, [w]hat is material is not that the plaintiff's hands are dirty, but that by dirtied them in acquiring the rights he now asserts, or that the manner of dirtying renders inequitable the assertion of such rights against the defendants.") (internal quotation marks omitted, emphasis added, alteration in original).

"ownership claims are not founded on the Acknowledgment." (D.L 301 at 21) Yet, Defendants have admitted that they executed the 2011 Acknowledgment for the purpose of asserting ownership in the ITC Action, and Defendants sought to assert their ownership claims in this Court only after the ITC found those claims to be baseless and explained it could not correct ownership. (See D.I. 286 at 9) (citing D.I.267, Ex. 24 at 83000339970-71; C.A. No. 11-965-LPS, D.I.4, Ex. 28 at 26)

Accordingly, the Court will deny Defendants' Motion for Summary Judgment with regard to Plaintiff's unclean hands defense. At trial, S3G may be able to prove that Defendants' claim to an implied license to the Disputed Patents is barred by Defendants' unclean hands.

f. Waiver and Abandonment

Plaintiff contends that Defendants' claims of ownership and license have been waived and abandoned. Defendants argue that S3G cannot prevail on these defenses because "Defendants did not discover ATI's claim to the Disputed Patents until August 2011" (D.I. 263 at 37), and waiver and abandonment require the intentional relinquishment or abandonment of a known right. See *Arrowood Indem. Co. v. Hartford Fire Ins. Co.*, 774 F. Supp. 2d 636, 655 (D. Del. 2011); *Westport Ins. Corp. v. N. Cal. Relief*, 2014 U.S. Dist. LEXIS 173676 (N.D. Cal. Dec. 16, 2014). S3G does not dispute that it has no proof that Defendants intentionally relinquished or abandoned a known right.¹ (D.I.263 at 37)

Accordingly, the Court will grant Defendants' Motion for Summary Judgment with regard to Plaintiff's waiver and abandonment defense.

g. "Other Equitable Defenses"

S3G does not dispute that it "has not articulated in its pleadings or in responses to discovery requests what 'other equitable defenses' it asserts and has not shown any such defense has a discernible legal basis or any facts to support [them]." (D.I. 263 at 38) (citing D.I. 47 at 12). Accordingly, the Court will grant Defendants' Motion for Summary Judgment with regard to Plaintiff's unspecified "other equitable defenses."

II. *Daubert* Motions

A. Plaintiff's Motion to Preclude Certain Opinions of Defendants' Technical Expert Edward J. Delp, ID, Ph.D.

S3G moves to exclude Dr. Delp's entire Expert Report and Expert Reply Report. S3G contends that, pursuant to Federal Rules of Evidence 403 and 702, Dr. Delp's report is irrelevant to the contract interpretation issues that are dispositive of the ownership and implied license claims in this case.

The Court will exclude any portions of Dr. Delp's report that are directed solely to whether the various contractual provisions at issue in this case establish that S3G or Defendants owns the Disputed Patents. The Court has resolved this issue as a matter of law.

However, other portions of Dr. Delp's report are relevant to the issue of whether Defendants obtained an implied license to the Disputed Patents, which is a matter that will require trial to resolve. (*See, e.g.*, D.I. 267, Ex. 2 at iMf 9, 18, 15-115, 119; DJ. 267, Ex. 4 at iMf 73, 118-226, Bxs. 4-7) Thus, the Court will not grant the entirety of the relief sought by Plaintiff.

S3G further moves to exclude Dr. Delp's opinions that rely on testing the FiteGL products using the 2088 Software Driver because this software did not exist until April 2002 (*see*

DJ. 268-3, Ex. 9 at ¶¶ 169, 177), which is more than a year after Defendants purport to have acquired a license to the Disputed Patents. In the Court's view, this timing does not render Dr. Delp's opinions based on the 2088 Software Driver either irrelevant or unhelpful to the trier of fact. Instead, Dr. Delp's testing using the 2088 Software Driver is probative of whether the FireGL products support S3TC texture compression or decompression. Plaintiff's arguments regarding timing go to the weight, rather than the admissibility, of these opinions.

S3G alternatively moves to strike Dr. Delp's opinions arising from testing using the 2088 Software Driver pursuant to Federal Rule of Civil Procedure 37(c) or Federal Rule of Evidence 403, because Defendants withheld the 2088 Software Driver until after fact discovery closed – despite identifying 13 other software drivers in their interrogatory responses (DJ. 268, Ex. 5 at 24-25), all of which Dr. Delp did *not* actually rely on (*see* D.I. 266 at 4) (citing D.I. 268, Ex. 9). Defendants contend that they "did not need to identify the 2088 Software Driver in . . . interrogatory responses because that driver is not now and never was a 'factual basis' for claiming the acquired products 'support S3TC texture compression or decompression'" but, rather, that "Dr. Delp used the 2088 Software Driver as a component of the computer test system he assembled to analyze the hardware of the FireGL products ATI acquired." (D.I. 286 at 47) (citing DJ. 267, Ex. 2 at ¶¶ 30)

The Court need not decide whether Defendants' disclosure of the 2088 Software Driver (which first occurred when Defendants' timely served Delp's expert report) was untimely because, even if it was, Defendants' failure does not, under the circumstances, warrant exclusion of Dr. Delp's opinions based on the 2088 Software Driver. *See In re Paoli RR. Yard PCB Litig.*, 35 F.3d 717, 791 (3d Cir. 1994). As S3G recognizes, this evidence has a "high degree of

materiality" and is arguably "now the showcase of AMD's . . . implied license defense." (D.I. 266 at 9) The Court should not lightly strike such evidence. Plaintiff's expert has responded to Dr. Delp's testing evidence in his own rebuttal report. (See D.I.267, Ex. 3) Any prejudice Plaintiff has suffered -for instance, from its decision not to pursue certain third-party discovery (see D.I.299 at 22) -can be cured (without disrupting the January 20 16 trial date) by remedies less drastic than striking Dr. Delp's report.²³ There is no evidence of Defendants acting in bad faith or willful violation of a Court order.

Accordingly, S3G's Motion to Preclude will be granted in part and denied in part.

B. Defendants' Motion to Exclude Mr. Plachno's Testimony

Defendants move to exclude the testimony of Plaintiff's expert, Mr. Plachno, regarding: (1) the 2056 Software Driver, (2) comparison of IBM products to later AMD products, (3) SONICblue's marketing presentations, and (4) the terms of the APA.

Defendants argue that Mr. Plachno's Reply Report concerning the 2056 Software Driver is irrelevant to his analysis of the FireGL products transferred pursuant to the APA, and further that it is untimely expert opinion that fails to rebut Dr. Delp's Expert Report. The Court disagrees. As S3G emphasizes, "Defendants' entire theory of ownership and implied license rests upon their assertion that '[s]ome or all of the products that ATI acquired in the FireGL Business support or were intended to support S3TC texture compression or decompression.'" (DJ.284 at 36) (quoting DJ. 14 at ¶ 12 1) Mr. Plachno appropriately used the 2056 Software Driver to respond to Dr. Delp's opinions about the functionality of the FireGL products because

²³By separate order, the parties will be directed to meet and confer and see if they can agree on what additional discovery (fact and/or expert) may need to occur as a result of the Court's decision.

it was the software driver available when ATI acquired the FireGL Business.²⁴ This analysis is relevant to the question of whether the Disputed Patents were used, held for use, or intended to be used by the FireOL Business and, therefore, is relevant to Defendants' implied license claim (which remains part of this case going forward). (See D.I. 285, Ex. 47 at 122, 125) Further, the Court agrees with S30 that it was not required by the Scheduling Order (D.I. 210) to offer Mr. Plachno's opinions concerning the 2056 Software Driver in an opening report - even if Mr. Plachno had already conducted his analysis at that time (see D.I. 285, Ex. 47 at 123) - because it has always been S3G's position that contract interpretation issues are dispositive of its claims in this case, and Defendants bear the burden of proof on their own ownership and implied license claims. Mr. Plachno's opinions based on the 2056 Software Driver were sufficiently responsive to Dr. Delp's opinions on the functionality of the FireGL products. Accordingly, the Court will deny Defendants' Motion to Exclude with regard to Mr. Plachno's testimony concerning the 2056 Software Driver.

Defendants next seek to exclude as irrelevant, unreliable, and untimely Mr. Plachno's opinions comparing the FireGL products to AMD chips recently supplied to Apple. The Court agrees with S3G that these opinions are relevant to Defendants' claim of implied license because "an implied license arising from sale of a component to be used in a patented combination extends only for the life of the component whose sale and purchase created the license.,, *Carborundwn Co. v. Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872, 879 (Fed. Cir. 1995). Contrary to Defendants' assertion that they "claim only that ATI acquired a license when it

²⁴Indeed, it was Defendants who identified the 2056 Software Driver in their response (DJ.267, Ex. 7 at 5) to S3G's interrogatory seeking the factual basis for Defendants' allegation that "[s]ome or all of the products that ATI acquired in the FireGL Business support or were intended to support S3TC texture compression or decompression" (D.I. 14 at 121).

acquired the FireGL Business in 2001" (D.I. 301 at 24), Defendants' requested relief includes a declaratory judgment that ~~they~~ *presently* continue to have an implied license to the Disputed Patents (D.I. 14 at ~~if~~ 152). The scope of any implied license is a relevant inquiry. The Court also agrees with S3G that Mr. Plachno's opinions comparing the FireGL products to modern AMD chips are sufficiently reliable based on his first-hand observations as an expert, even ~~if~~ they only involved a " cursory review." (D.L 269, Ex. 52 at 44) Lastly, Mr. Plachno's opinions are proper rebuttal to Dr. Delp's opinions offered in support of a finding of an implied license.

Accordingly, the Court will deny Defendants' Motion to Exclude with regard to Mr. Plachno's opinions comparing FireGL Products to modern day products.

Defendants further seek to exclude Mr. Plachno's opinions that statements in a marketing presentation to the effect that FireGL 2 and 3 products contain S3TC texture decompression are inaccurate. (*Jd.* at 40-41) The Court agrees with S3G that Mr. Plachno's opinions are not legal conclusions or improper fact-finding, but, instead, are proper rebuttal to Dr. Delp's reliance on the presentation and are based on his own observations of the document as well as his technical background. Accordingly, the Court will deny Defendants' Motion to Exclude with regard to Mr. Plachno's opinions concerning marketing presentation statements.

Finally, Defendants seek to exclude Mr. Plachno's testimony as to what assets ATI acquired through the APA because Mr. Plachno is not an expert on contract interpretation never even read the APA. (*See* DJ. 267, Ex. 3 at 128) The Court agrees with Defendants. Accordingly, the Court will grant Defendants' Motion to Exclude with regard to Mr. Plachno's opinions concerning the terms of the APA.

CONCLUSION

An appropriate Order follows.