

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

MOSAID TECHNOLOGIES INC.,)
)
Plaintiff,)
)
v.)
)
LSI CORPORATION and AGERE SYSTEMS,)
INC.,)
)
Defendants.)

LSI CORPORATION and AGERE SYSTEMS,)
INC.,)
)
Counterclaim-Plaintiffs,)
)
v.)
)
MOSAID TECHNOLOGIES INC.,)
LENOVO (UNITED STATES) INC.,)
LENOVO GROUP LTD., and)
LENOVO (SINGAPORE) PTE. LTD.,)
)
Counterclaim-Defendants.)

LENOVO (SINGAPORE) PTE. LTD.,)
)
Counterclaim-Plaintiff,)
)
v.)
)
LSI CORPORATION and AGERE SYSTEMS,)
INC.,)
)
Counterclaim-Defendants.)

Civ. Action No. 10-192-RGA-CJB

PUBLIC/REDACTED VERSION

REPORT AND RECOMMENDATION

Pending before the Court in this contract dispute are four cross-motions for summary judgment. Plaintiff MOSAID Technologies Inc. (“Mosaid”) moves for partial summary judgment in its favor on Count 1 of its Complaint and on Counts 1 and 3 of the Counterclaims filed by Defendants LSI Corporation (“LSI”) and Agere Systems, Inc. (“Agere”). (D.I. 92) LSI and Agere (collectively, “Defendants”) move for summary judgment in their favor on their Counterclaims 1 and 2 (D.I. 93)¹ and on their Counterclaim 3 (D.I. 98). Finally, Lenovo (United States) Inc., Lenovo Group Ltd. (“Lenovo Group”), and Lenovo (Singapore) Pte. Ltd. (“Lenovo (Singapore)”) (collectively, “the Lenovo Entities” or “Lenovo”) move for summary judgment in their favor on Lenovo (Singapore)’s Counterclaim and on Defendants’ Counterclaim 3. (D.I. 87)

As discussed below, I recommend that the Court GRANT-IN-PART Defendants’ motions, but otherwise DENY the pending summary judgment motions.

I. BACKGROUND

A. The Parties and Related Entities

Plaintiff Mosaid is a Canadian company whose business is principally directed to semiconductors and the licensing of intellectual property in that field. (D.I. 2 at ¶ 1; D.I. 94 at 2) Defendant Agere, a Delaware corporation formerly known as Microelectronics (D.I. 2 at ¶ 3; D.I. 94 at 7 n.8), was divested by Lucent Technologies, Inc. (“Lucent”) in 2001 (D.I. 88 at 5). Lucent, which was formerly known as Systems & Technology Company (*id.* at 5 n.7), was spun out from American Telephone & Telegraph Company (“AT&T”) (D.I. 94 at 3). Agere merged with LSI

¹ Defendants’ Counterclaim 1 contains two subparts—one seeking a declaration of no breach of warranty of a Patent Assignment Agreement with respect to “Lenovo,” and one seeking a declaration of no breach of that warranty with respect to third-party “Matsushita.” (*See* D.I. 17 at ¶¶ 56, 57)

Logic Corporation (“LSI Logic”) to form Defendant LSI in April 2007. (D.I. 17 at 16, ¶ 49)

Agere is now a wholly-owned subsidiary of LSI. (*Id.* at 7, ¶ 2)

Counterclaim-Plaintiff Lenovo (Singapore) is the successor-in-interest to IBM Products Asia Pte. Ltd., which was divested by International Business Machines (“IBM”) in 2005. (D.I. 88 at 7) Lenovo (Singapore) is a wholly-owned subsidiary of Lenovo Group, while Lenovo (United States) Inc. is a subsidiary that is owned in part by Lenovo (Singapore) and Lenovo Group. (*Id.*; D.I. 17 at 11, ¶ 21) Lenovo Group is an investment holding company based in Hong Kong. (*Id.* at 7, ¶ 5; D.I. 90, ex. 17 at LENOVO-LSI0000964)

B. The Agreements-At-Issue

1. Mosaid-Agere Agreement

On February 21, 2007, after Mosaid prevailed in an anonymous bidding competition, Agere and Mosaid executed a Patent Assignment Agreement (“the 2007 PAA”) transferring Agere’s entire right, title, and interest in certain patents and patent applications (“the Assigned Patents”) to Mosaid. (D.I. 94 at 3; D.I. 2, ex. 1 at 1; D.I. 97, ex. 2) Those Assigned Patents are the only intellectual property at issue in this litigation. In exchange for this assignment, Mosaid paid Agere a substantial monetary sum, [REDACTED]

[REDACTED]. (D.I. 2, ex. 1 at § 4.1)

The Assigned Patents, although owned entirely by Agere prior to their assignment to Mosaid, were nonetheless encumbered by several preexisting patent licenses. Attached to the 2007 PAA are two tables relating to those licenses. (*Id.* at Exhibit D) Agere represented, warranted, and covenanted in the 2007 PAA that Table 1 “[was] a non-exhaustive list of entities that [as of the execution of the 2007 PAA] *have a license agreement* covering some or all of the

[Assigned Patents],” while Table 2 “[was] a non-exhaustive list of entities that [as of the execution of the 2007 PAA] *do not have a license agreement* with AGERE for any of the [Assigned Patents].” (*Id.* at § 5.1(e), (f) (emphasis added)) Table 1 lists fourteen entities that had a license agreement covering any of the Assigned Patents at the time the 2007 PAA was executed, while Table 2 lists twenty-seven entities that did not have a license agreement with Agere at that time covering any of the Assigned Patents. Among the entities listed in Table 2 (as not having a license with Agere for any of the Assigned Patents) are Counterclaim-Plaintiff Lenovo and third-party Matsushita Electrical Industrial Co., Ltd. (“Matsushita”).² The 2007 PAA is governed by New York law. (*Id.* at § 9.5)

2. IBM Cross-License Agreements

As noted above, the Assigned Patents had been the subject of several agreements prior to their transfer from Agere to Mosaid. Among those agreements were a series of patent cross-licenses between IBM on the one hand, and AT&T or its successor entities on the other hand.

a. 1995 Agreement

Effective as of January 1, 1995, AT&T Corp., Systems & Technology Company, and AT&T Global Information Solutions (collectively, “the AT&T parties”) and IBM entered into a Patent License Agreement covering at least certain of the Assigned Patents. (D.I. 17, ex. 1 (hereinafter, “the 1995 PLA”)) The 1995 PLA was a [REDACTED] patent cross-license covering each contracting parties’ respective patents, including every patent issued in any country of the world “which claims or is otherwise directed to an invention disclosed in any patent application filed in that

² Matsushita is now known as “Panasonic Corporation.” (D.I. 2 at ¶ 13)

country or any other country prior to [January 1, 2000].” (*Id.* at § 1.01, pgs. 14–15) Like the 2007 PAA, the 1995 PLA is governed by New York law. (*Id.* at § 3.04) The licenses granted under the 1995 PLA generally extend for the entire term of the licensed patents. (*Id.* at § 1.02)

Section 2.03 of the 1995 PLA addresses potential future divestitures by IBM and the AT&T parties. These divestitures were defined as involving the “transfer[] [of] a product line . . . to a third party.” (*Id.* at § 2.03(a)) In the event of a divestiture, that third party had the option to jointly request (with the divesting entity) that it be granted a license to the patents covered by the 1995 PLA. (*Id.*) This joint request was required to be made within sixty days of the transfer. (*Id.*) If the request was made in this time frame, and if the transfer included “at least one currently marketable product and tangible assets having a net value of at least [REDACTED],” then “each requested party agree[d] to grant to such third party a [REDACTED] license (under terms and conditions similar to those contained [in the 1995 PLA]) under the requested party’s patents,” so long as six terms were included in that license. (*Id.*) These six terms consist of restrictions on the type of field for the requested license and on the applicability of certain terms in the original 1995 PLA, termination conditions, granting of a cross-license to any third party patents, and a provision that “the transferring party shall become unlicensed for [the defined] field for five (5) years following such transfer.” (*Id.*)

b. 1999 Agreement

On December 31, 1999, LSI Logic and IBM entered into a patent cross-license agreement covering the parties’ respective patents “issued or issuing on patent applications entitled to an effective filing date prior to January 1, 2005.” (D.I. 17, ex. 2 (hereinafter “the 1999 PLA”) at § 1.3) The 1999 PLA is governed by New York law. (*Id.* at § 7.11)

Similar to the 1995 PLA, the 1999 PLA includes a provision that provides for the granting of licenses to divested parties, albeit with lower valuation requirements. Under Section 2.8, if a party to the 1999 PLA transfers a product line including at least one marketable product and tangible assets [REDACTED] to a third party, “then after written request to the other party hereto jointly by the Transferring Party and such third party within sixty (60) days following the transfer, the other party hereto agree[d] to grant a [REDACTED] license” to the third party on the “same terms” as the 1999 PLA, so long as four enumerated provisions were part of that license. (*Id.* at § 2.8) These terms are generally similar (though not identical) to those recited in § 2.03 of the 1995 PLA, with one notable exception: the divesting/transferring party was not required to “become unlicensed” following the transfer. (*Id.*)

c. 2000 Agreement

Effective September 30, 2000, IBM and Lucent (which, as noted above, was formerly known as Systems & Technology Company, a signatory to the 1995 PLA) entered into an agreement that modified certain provisions in the 1995 PLA. (D.I. 17, ex. 3 (hereinafter “the 2000 Agreement”)) The introductory clauses of the 2000 Agreement note the parties’ desire “for Avaya [a Lucent-divested entity] and Microelectronics [which would later be divested from Lucent and become Defendant Agere] to be licensed under IBM’s patents that are licensed to Lucent under the [1995 PLA] and . . . for two future divested entities of IBM to be licensed under Lucent’s patents that are licensed to IBM under the [1995 PLA].” (*Id.* at pg. 1) To that end, “[n]otwithstanding the provisions of Section 2.03 of the [1995 PLA] and in addition thereto,” IBM and Lucent agreed that “upon request from the other party, each party will license, without diminishing the other party’s license, two divested entities of the other party . . . under the patents

of the non-divesting party licensed to the divesting party in the [1995 PLA], in accordance with the terms and conditions of [the 1995 PLA],” and “Section 1.01 [of the 2000 Agreement].” (*Id.* at § 1.01(a)) Any such license was “only for products and services (and natural extensions thereof) sold or furnished by the divested entity prior to the divestiture.” (*Id.*)

In the 2000 Agreement, Lucent formally requested that IBM license the two entities that Lucent planned to divest. (*Id.* at § 1.01(b)) IBM agreed to license these two named, to-be-divested entities (Avaya and Microelectronics),³ “so long as Avaya and Microelectronics each agree[d] to license the two entities divested from IBM in accordance with [section 1.01(a) of the 2000 Agreement].” (*Id.*) Lucent, in turn, agreed that “upon written request from IBM, [it would] license no more than two entities divested from IBM, pursuant to the provisions of subparagraph (a) of [Section 1.01], which entities are divested from IBM on or before September 30, 2005.” (*Id.* at § 1.01(c)) All licenses granted pursuant to Section 1.01(a) of the 2000 Agreement were to “continue for eight (8) years from the date of divestiture, except that, within sixty (60) days of the divestiture, or EXECUTION, whichever is later, the divesting entity [could] elect to extend the license to the entire unexpired term of the patents, in consideration of a single [monetary] payment . . . [to] the non-divesting party.” (*Id.* at § 1.01(d))

d. 2002 Agreement

As noted in the preceding section, Lucent planned to divest a “Microelectronics” entity at some point after executing the 2000 Agreement with IBM. Lucent completed that divestiture pursuant to a Separation and Distribution Agreement dated February 1, 2001 (D.I. 100, ex. 25

³ A one-page patent license agreement between Avaya and IBM was signed in November 2000, and was effective as of October 1, 2000. (D.I. 100, ex. 6 (“the Avaya license”))

(hereinafter “the 2001 SDA”)) That divested entity—Agere—entered into a one-page patent cross-license agreement with IBM effective June 1, 2002. (D.I. 17, ex. 4 (“the 2002 PLA”)) The 2002 PLA substitutes Agere for the AT&T parties in the 1995 PLA, clarifies that “the licenses to AGERE shall be only for products and services (and natural extensions thereof) sold or furnished by AGERE as of June 1, 2001,” and extends “for the life of the patents.” (*Id.*) As consideration for extending the license term through the life of the patents, Agere was to pay a sum of money to IBM within 30 days of the execution of the 2002 PLA. (*Id.*) The 2002 PLA also includes a paragraph that closely tracks the language of § 1.01(a) of the 2000 Agreement:

Notwithstanding the provisions of Section 2.03 of the [1995 PLA] and in addition thereto, AGERE agrees that upon request from IBM, it will license, without diminishing IBM’s license, two divested entities of IBM that are divested on or before October 1, 2005, under the patents of AGERE licensed to IBM in [the 2002 PLA], in accordance with the terms and conditions of [the 2002 PLA], except that licenses to the divested entity shall be for products and services (and natural extensions thereof) sold or furnished by the divested entity prior to the divestiture from IBM. Said licenses shall be for eight years unless IBM extends the license pursuant to the terms of paragraph 1.01(d) of [the 2000 Agreement], in which case the license shall be for the life of the patents.

(*Id.*)

e. 2005 Agreement

Effective January 1, 2005, LSI Logic and IBM entered into another patent license agreement, which cross-licensed certain patents “issued or issuing on patent applications entitled to an effective filing date prior to January 1, 2010.” (D.I. 17, ex. 5 (hereinafter “the 2005 PLA”) at 1–2)⁴ Like the other already-discussed patent license agreements involving IBM, the 2005

⁴ The 1999 PLA covered only patents “issued or issuing on patent applications entitled to an effective filing date prior to January 1, 2005,” (D.I. 17, ex. 2 at § 1.3(a)), and thus the 2005 PLA expanded the universe of licensed patents between LSI Logic and IBM.

PLA included a divestiture provision relating to product line transfers and spinoffs, whereby certain non-signatory entities could be entitled to receive [REDACTED] licenses. (*Id.* at § 2.8) In addition to other conditions, this divestiture provision applied only to qualifying transfers and spin-offs that were “subsequent to [September 29, 2006].” (*Id.*)

3. Matshushita Agreement

The Court has already addressed five agreements to which IBM was a signatory. Three of them involved AT&T or companies that were spun out from or divested from AT&T (the 1995 PLA with the AT&T parties, the 2000 Agreement with Lucent, and the 2002 PLA with Agere), and two of them were with LSI Logic (the 1999 PLA and the 2005 PLA). Before any of the IBM agreements were executed, however, AT&T entered into a patent cross-license agreement, effective January 1, 1989, with third-party Matsushita. (D.I. 100, ex. 2 (hereinafter “the 1989 Matsushita PLA”)) Under this agreement, AT&T and Matsushita granted each other a limited, nontransferable, nonexclusive license covering certain patents and products. (*Id.* at § 1.01(a))⁵ Among those patents were at least certain of the Assigned Patents. (*See* D.I. 123 at 19 n.22)

C. The Divestiture of Lenovo (Singapore) and Related Correspondence

On April 30, 2005, IBM divested the global business of its personal computing division to the Lenovo Group. (D.I. 17 at 16, ¶ 46) In connection with this sale, Lenovo Group acquired, among other things, all of that division’s product lines, and all of the stock of a then wholly-owned IBM subsidiary known as IBM’s Products Asia Pte. Ltd. (*Id.*; D.I. 90 at ¶¶ 2–4) This former IBM subsidiary became Lenovo (Singapore). (*Id.* at ¶ 4)

⁵ In 2000, Matsushita and Lucent entered into a patent license agreement which was in effect only until December 31, 2004. (D.I. 100, ex. 24 at § 1.02)

Following this divestiture transaction, Betty E. Ungerman, IBM's outside counsel, prepared correspondence to several parties on behalf of IBM and Lenovo (Singapore). In a letter dated June 1, 2005, and addressed to the general counsel of LSI, Ms. Ungerman noted that IBM had sold its personal computing division, along with a former subsidiary entity, to Lenovo Group effective as of April 30, 2005. (D.I. 100, ex. 28 (hereinafter "the June 1, 2005 Letter")) As such, "[i]n accordance with the [1999 PLA], IBM and Lenovo (Singapore) . . . jointly request[ed] that LSI enter into a new patent cross license agreement with Lenovo (Singapore), effective as of April 30, 2005, on terms and conditions substantially the same as the terms and conditions of the [1999 PLA]." (*Id.* at 2) The June 1, 2005 Letter also noted that "[e]xecution copies of documentation to memorialize the new license agreement [would] be delivered to [LSI] in the coming weeks."⁶ (*Id.*) There is no record evidence that any such "execution copies" were sent to LSI in the "weeks" after the June 1, 2005 Letter.

Ms. Ungerman also prepared two letters—one to Agere, and one to Lucent—dated June 23, 2005 (hereinafter "the June 23, 2005 Letter to Agere" and the "the June 23, 2005 Letter to Lucent," respectively). (D.I. 89, exs. 8, 9) The June 23, 2005 Letter to Agere referenced the divestiture transaction and newly created divested entity (Lenovo (Singapore)), and requested that pursuant to the 2002 PLA, "Agere enter into a new patent cross license agreement with Lenovo (Singapore), effective as of April 30, 2005." (*Id.*, ex. 8 at 1–2) As with the June 1, 2005 Letter, Ms. Ungerman noted that "[e]xecution copies of documentation to memorialize the new license agreement will be delivered to [Agere] in the coming weeks." (*Id.* at 2) An almost

⁶ On June 30, 2005, the June 1, 2005 Letter was apparently re-sent via overnight mail to a different address for LSI. (D.I. 131, ex. 27)

identical letter was sent by Ms. Ungerman on IBM's behalf to Lucent, although this letter referenced the 1995 PLA and the 2000 Agreement, rather than the 2002 PLA. (*Id.*, ex. 9) Both of these letters indicate that they were sent "VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED." (D.I. 89, exs. 8, 9) There is no evidence that "execution copies" of a "new license agreement" were sent to Lucent or Agere in the "weeks" after the June 23rd letters.

On November 18, 2005, Daniel M. Goldfisher, Lenovo (Singapore)'s outside counsel, followed up on the June 1, 2005 Letter to LSI. (D.I. 90, ex. 15 (hereinafter, "the November 18, 2005 Letter")) Attached to Mr. Goldfisher's cover letter was a "copy of a proposed new patent cross license agreement between LSI and Lenovo." (*Id.* at LSI_AGERE 00026565) Mr. Goldfisher noted that "many of the terms and conditions of [the proposed new cross-license were] the same as those in the [1999 PLA]," and that "[i]f [he did] not receive any comments from [LSI] by December 5, 2005, [LSI] should expect to receive . . . shortly thereafter an executed version of" the new proposed license for "countersignature." (*Id.*) The proposed license, which was effective as of April 30, 2005, was five pages long, and consisted of proposed amendments and deletions to the 1999 PLA. (*Id.* at LSI_AGERE 00026567–72)

On April 24, 2006, Mr. Goldfisher sent another letter which he described as "further to [the November 18, 2005 Letter]." (D.I. 90, ex. 16 (hereinafter, "the April 24, 2006 Letter")) In that correspondence, Mr. Goldfisher noted that Lenovo (Singapore) had not "received any comment or further correspondence" in response to the November 18, 2005 Letter. (*Id.*) Mr. Goldfisher asked for any comments to the proposed "form of documentation of . . . the New License" by "May 8, 2006," after which point Lenovo (Singapore) represented that it would "assume LSI does not have any comments . . . and [would] proceed accordingly." (*Id.*)

There is no further relevant correspondence of record between LSI and Lenovo until December 22, 2009, when LSI sent a notice of patent infringement to Lenovo Group, referencing a number of Lenovo computer products. (D.I. 100, ex. 11) On the following day, December 23, 2009, Scott Reid, an in-house counsel at Lenovo (United States) Inc., sent a letter to May Cheng at Lucent, referencing the June 23, 2005 Letter to Lucent. (D.I. 100, ex. 9) The letter from Mr. Reid (hereinafter “the December 23, 2009 Letter”) states that “[s]ince [Lucent] responded to Ms. Ungerman’s letter on September 21, 2005, I am not sure if any further correspondence took place between IBM or Lenovo and Lucent concerning this license” and explains that “Lenovo was using an outside firm to finalize many cross license agreements like this agreement . . . but ended the relationship with that firm a couple of years ago.” (*Id.*)⁷ Mr. Reid noted that “Lenovo would like to re-open the dialogue on [the patent licensing] issue and move the agreement to execution.” (*Id.*) This correspondence also included “a proposed draft of a patent cross license agreement between Lenovo and Lucent.” (*Id.*)

D. Procedural Posture

On March 9, 2010, Mosaid filed a two-count complaint against Defendants for breach of express warranty and breach of the 2007 PAA. (D.I. 2) Thereafter, Defendants filed their answer and two counterclaims seeking declaratory judgments of no breach of express warranty and no breach of the 2007 PAA against Mosaid. (D.I. 10) Defendants also added the Lenovo Entities as counterclaim-defendants, and asserted a third counterclaim seeking a declaration that none of the

⁷ Although this December 23, 2009 Letter indicates that Lucent responded to Ms. Ungerman on September 21, 2005, and purports to enclose a copy of the September 21st response letter (D.I. 100, ex. 9 at LENOVO-LSI0000894), the parties have submitted no evidence as to the content of any September 21, 2005 “response” from Lucent.

Lenovo Entities “possess[es] a license to any patent through operation of the 1995 PLA, 1999 PLA, 2000 Agreement, 2002 PLA, and/or 2005 PLA.” (D.I. 17 at ¶ 61) The Lenovo Entities timely answered Defendants’ counterclaims, and asserted a counterclaim for specific performance. (D.I. 31)

This case was originally assigned to Judge Stewart Dalzell of the U.S. District Court for the Eastern District of Pennsylvania (in lieu of the vacant judgeship in this district). Judge Dalzell bifurcated the issues of liability and damages, (D.I. 172 at 3), and set a deadline of March 25, 2011 for the filing of motions for summary judgment regarding liability (D.I. 76). The parties engaged in liability-related discovery, including document production, service and responses to interrogatories, and fact depositions, while postponing damages-related discovery. (D.I. 39; D.I. 172 at 3–4) No dates for the close of discovery, the pretrial conference, or trial have yet been scheduled.

Four case-dispositive motions seeking summary judgment, referenced above, were filed on March 25, 2011. (D.I. 87, 92, 93, 98) The parties filed their respective opposition briefs on April 15, 2011. (D.I. 123, 124, 126, 127, 129, 130) Although the local rules of this Court typically allow the moving party to file a reply brief, Judge Dalzell did not allow such briefs to be filed as a matter of course. Judge Dalzell later granted a motion by the Lenovo Entities seeking leave to file a reply brief in further support of their motion, and that reply brief was entered on the docket on May 2, 2011. (D.I. 155, 156)

On November 28, 2011, this case was reassigned to Judge Richard G. Andrews. On January 23, 2012, Judge Andrews referred this case to me to hear and resolve all pretrial matters, including the resolution of case-dispositive motions. The Court heard oral argument on the

parties' four summary judgment motions on April 24, 2012.

II. STANDARD OF REVIEW

A. Summary Judgment Standard

A grant of summary judgment is appropriate where “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.” Fed. R. Civ. P. 56(a). 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, 586 n.10 (1986). “Facts that could alter the outcome are ‘material’, . . . and disputes are ‘genuine’ if evidence exists from which a rational person could conclude that the position of the person with the burden of proof on the disputed issue is correct.” *Horowitz v. Fed. Kemper Life Assurance Co.*, 57 F.3d 300, 302 n.1 (3d Cir. 1995) (internal citations omitted). A party asserting that a fact cannot be—or, alternatively, is—genuinely disputed must support the assertion either by “citing to particular parts of materials in the record, including depositions, documents, electronically stored information, affidavits or declarations, stipulations . . . , 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 demonstrates the absence of a genuine dispute of material fact, then the nonmovant must “come forward with specific facts showing that there is a genuine issue for trial.” *Matsushita*, 475 U.S. at 587 (internal quotation marks, citation, and emphasis 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). However, the non-moving party must “do more than simply show that there is some metaphysical doubt as to the material facts.” *Matsushita*, 475 U.S. at 586. Because the “mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment,” such motions should be denied only if “a reasonable jury could return a verdict for the nonmoving party.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48 (1986) (emphasis omitted). If the nonmoving party fails to make a sufficient showing on an essential element of its case with respect to which it has the burden of proof, then the moving party is entitled to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986).

These standards do not change when a court is faced with cross-motions for summary judgment. Although each side makes “inherently . . . contradictory claims,” in cross-motions, that “does not constitute an agreement that if one is rejected the other is necessarily justified or that the losing party waives judicial consideration and determination whether genuine issues of material fact exist.” *Hsu v. Wolpoff & Abramson L.L.P.*, Civ. Nos. 06-401-MPT, 08-293-MPT, 2009 WL 2984277, at *4 (D. Del. Sept. 18, 2009) (citing *Rains v. Cascade Indus., Inc.*, 402 F.2d 241, 245 (3d Cir. 1968)). Thus, “[t]he filing of cross-motions for summary judgment does not require the Court to grant summary judgment for either party.” *Krupa v. New Castle Cnty.*, 732 F. Supp. 497, 505 (D. Del. 1990).

B. New York Contract Law

New York law governs all of the relevant contracts at issue.⁸ However, three different

⁸ Unless otherwise noted, all cited cases involving the interpretation of contracts or contract formation apply New York law.

aspects of New York contract law are implicated: (1) law governing contract formation; (2) law governing contract interpretation; and (3) law governing breach of express warranty.

1. Contract Formation

Under New York law, “[i]t is well settled that, if the parties to an agreement do not intend it to be binding upon them until it is reduced to writing and signed by both of them, they are not bound and may not be held liable until it has been written out and signed.” *Jordan Panel Sys., Corp. v. Turner Constr. Co.*, 841 N.Y.S.2d 561, 562 (N.Y. App. Div. 2007) (quoting *Scheck v. Francis*, 260 N.E.2d 493, 494 (N.Y. 1970)). This approach distinguishes “between a preliminary agreement contingent on and not intended to be binding absent formal documentation, which is not enforceable, and a binding agreement that is to be further documented, which is enforceable with or without formal documentation.” *Kowalchuk v. Stroup*, 873 N.Y.S.2d 43, 47 (N.Y. App. Div. 2009) (internal quotation marks and citations omitted).

In assessing whether parties are bound by a contract or an agreement in the absence of a document executed by both sides, the intent of the parties determines the time of contract formation. *Winston v. Mediafare Entm’t Corp.*, 777 F.2d 78, 80 (2d Cir. 1985). “To discern that intent a court must look to ‘the words and deeds [of the parties] which constitute objective signs in a given set of circumstances.’” *Id.* (quoting *R.G. Grp., Inc. v. Horn & Hardart Co.*, 751 F.2d 69, 74 (2d Cir. 1984)). “[W]hen a party gives forthright, reasonable signals that it means to be bound only by a written agreement,” courts must honor that intent. *R.G. Grp.*, 751 F.2d at 75. The U.S. Court of Appeals for the Second Circuit has articulated four factors that aid in determining whether, pursuant to New York law, a contract should be deemed to have been formed absent execution: (1) whether there has been an express reservation of the right not to be

bound in the absence of a writing; (2) whether there has been partial performance of the contract; (3) whether all of the terms of the alleged contract have been agreed upon; and (4) whether the agreement at issue is the type of contract that is usually committed to writing. *Winston*, 777 F.2d at 80 (hereinafter referred to collectively as “the *Winston* factors”); accord *Kowalchuk*, 873 N.Y.S.2d at 47–48. Evidence relevant to these factors typically includes oral testimony, correspondence, and preliminary or partially complete writings. *Winston*, 777 F.2d at 80–81 (citing Restatement (Second) of Contracts § 27 comment c (1981)).

The first *Winston* factor, in its original formulation, focused exclusively on whether there was an explicit reservation of rights not to be bound prior to the execution of a formal document. See *Winston*, 777 F.2d at 81. However, more recent cases take a broader view, and look more generally to the “language of the agreement.” See, e.g., *Adjustrite Sys., Inc. v. GAB Bus. Servs., Inc.*, 145 F.3d 543, 549 (2d Cir. 1998) (noting that “[t]he first [*Winston*] factor, the language of the agreement, is ‘the most important’”) (internal citations omitted). Moreover, courts also look to the parties’ course of conduct, rather than exclusively to written documentation, when considering whether there was an express reservation of the right not to be bound absent another writing. See, e.g., *In re Read-Rite Corp.*, 393 F. App’x 535, 536 (9th Cir. 2010) (applying New York law and considering “actions of parties’ counsel” under the first *Winston* factor); see also *Cook v. Huckabey*, No. 07–CV–4467 (KAM), 2009 WL 3245278, at *3–4 (E.D.N.Y. Oct. 1, 2009) (considering the “conduct and communications of the parties” in the context of the first *Winston* factor).

If, after reviewing each of the *Winston* factors, a court cannot conclusively determine the parties’ intent, then “a factual question arises that must be resolved by a jury.” *Enercomp, Inc. v.*

McCorhill Publ'g, Inc., 873 F.2d 536, 546 (2d Cir. 1989) (citing *Brown Bros. Elec. Contractors, Inc. v. Beam Constr. Corp.*, 417 N.E. 2d 541, 543 (N.Y. 1977)); *AmSave Credit Corp. v. Sec. Pac. Nat'l Bank*, No. 89 Civ. 6502(KMW), 1991 WL 95390, at *2 (S.D.N.Y. May 28, 1991).

2. Contract Interpretation

Just as the parties' intent governs contract formation, so too does that intent govern contract interpretation. Under New York law, a contract should be construed so as "to give effect to the intent of the parties as revealed by the language" of the contract itself. *Bolt Electric, Inc. v. City of New York*, 223 F.3d 146, 150 (2d Cir. 2000). The Court should endeavor "to interpret the language of the contract in a practical manner such that the parties' reasonable expectations will be realized." *Gillman v. O'Connell*, 574 N.Y.S.2d 573, 575 (N.Y. App. Div. 1991). To that end, "[i]t is incumbent on the court, when interpreting a contract, to give the words and phrases contained therein their ordinary, plain meaning." *Matter of Wallace v. 600 Partners Co.*, 205 A.D.2d 202, 208 (N.Y. App. Div. 1994), *aff'd*, 86 N.Y.2d 543 (N.Y. 1995).

The threshold question in contract interpretation is whether the contract is ambiguous. Under New York law, "the language of a contract is ambiguous if it is capable of more than one meaning when viewed objectively by a reasonably intelligent person who has examined the context of the entire integrated agreement." *Golden Pac. Bancorp v. F.D.I.C.*, 273 F.3d 509, 516 (2d Cir. 2001) (internal quotation marks and citations omitted). "Ambiguity is determined by looking within the four corners of the document, not to outside sources." *Kass v. Kass*, 91 N.Y.2d 554, 566 (1998). "[E]xtrinsic and parol evidence is not admissible to create an ambiguity in a written agreement which is complete and clear and unambiguous upon its face." *S. Rd. Assocs., LLC v. Int'l Bus. Machs. Corp.*, 4 N.Y.3d 272, 278 (N.Y. 2005) (internal quotation

marks and citations omitted). A court weighing competing contract interpretations “must look to all corners of the document[,] rather than view[ing] sentences or clauses in isolation.” *Int’l Klaughter Co. v. Continental Cas. Co.*, 869 F.2d 96, 99 (2d Cir. 1989) (internal quotation marks and citations omitted); accord *Riverside S. Planning Corp. v. CRP/Extell Riverside, L.P.*, 13 N.Y.3d 398, 404 (N.Y. 2009) (noting that “particular words should be considered, not as if isolated from the context, but in light of the obligation as a whole and the intention of the parties as manifested thereby,” ensuring that “[f]orm [does] not prevail over substance”) (internal quotation marks and citations omitted).

If language of a contract is ambiguous, then the differing interpretations of the contract generally present a triable issue of fact. *Golden Pac. Bancorp.*, 273 F.3d at 515; *Rothenberg v. Lincoln Farm Camp, Inc.*, 755 F.2d 1017, 1019 (2d Cir. 1985). In contrast, “[w]here a contract is unambiguous, that is, where its words convey a definite and precise meaning upon which reasonable minds could not differ, its interpretation can be determined as a matter of law.” *Bolt Electric*, 223 F.3d at 150; accord *Postlewaite v. McGraw-Hill, Inc.*, 411 F.3d 63, 67 (2d Cir. 2005) (“[I]f a contract is straightforward and unambiguous, its interpretation presents a question of law for the court. . . .”) (internal quotation marks and citations omitted).

3. Breach of Express Warranty

Under New York law, breach of an express warranty requires proof of four factors: (1) the existence of an express warranty; (2) material breach of the warranty; (3) damages proximately resulting from the breach; and (4) justifiable reliance on the warranty. *RGC Int’l Investors, LDC v. Ari Network Servs., Inc.*, No. Civ. 03-003-SLR, 2004 WL 189784, at *6 (D. Del. Jan. 22, 2004) (citing *Metromedia Co. v. Fugazy*, 983 F.2d 350, 360 (2d Cir. 1992)).

III. DISCUSSION

A. The Lenovo Entities

Although the parties submitted dozens of exhibits and eleven briefs addressing the Lenovo Entities, the parties' dispute is straightforward. Mosaid and the Lenovo Entities assert that Lenovo had a license from LSI/Agere to at least some of the Assigned Patents as of February 21, 2007—the date of execution of the 2007 PAA. LSI and Agere assert that Lenovo did not have such a license.

There is no written, free-standing license to the Assigned Patents that has been signed by one or more of the Lenovo Entities on the one hand, and LSI and/or Agere on the other. Despite this lack of a formally executed license agreement, Lenovo argues that it has (or should have) a license to the Assigned Patents under at least one of four different written agreements (none of which was signed by a Lenovo Entity): (1) the 1995 PLA; (2) the 2000 Agreement; (3) the 2002 PLA;⁹ and, additionally, (4) the 1999 PLA.¹⁰ As noted above, each of these agreements has a divestiture provision. Lenovo argues that because one or more of these divestiture provisions amounted to a fully binding preliminary agreement, *see Adjustrite*, 145 F.3d at 548, and because

⁹ These three agreements (originating with the 1995 PLA) form a set of licenses between IBM as a party on the one hand, and AT&T or its successors-in-interest as parties on the other hand. It is these agreements, taken individually or in the aggregate, that form the principal basis for Lenovo's contention that it is licensed to the Assigned Patents. (*See, e.g.*, D.I. 88 at 11–17; D.I. 94 at 11)

¹⁰ Neither Mosaid's nor Lenovo's briefs cite the 2005 PLA as a basis for a Lenovo license to the Assigned Patents. The 2005 PLA allows for license rights only to entities divested from IBM after September 29, 2006. (D.I. 17, ex. 5 at § 2.8) Because Lenovo (Singapore) was divested prior to that date, it could not qualify for license rights based on the 2005 PLA. Given that fact, and the lack of any argument from Mosaid and Lenovo as to why summary judgment would be inappropriate, the Court finds that no reasonable jury could conclude that any of the Lenovo Entities are licensed to any of the Assigned Patents pursuant to the 2005 PLA.

a license was requested pursuant to one or more of these divestiture provisions, then Lenovo “possess[es] a cross-license as a bargained-for benefit [of] cross-license agreements Lenovo’s predecessor, IBM, entered into with LSI/Agere and [their] predecessors.” (D.I. 88 at 1) The question for the Court is how to interpret the divestiture provisions and other terms of these agreements, and whether the parties’ words and deeds in connection therewith evidence an intent to confer licensing rights on Lenovo absent a separate, written agreement to that effect.

Resolving the parties’ motions with respect to the Lenovo Entities thus involves the intersection of two distinct bodies of law—whether the *interpretation* of a series of contracts (among other things) indicates that a separate contract with Lenovo was *formed*. The Court therefore considers how the *Winston* factors (which aid in determining whether a contract was formed in the absence of a document executed by both sides) apply to each of the four agreements-at-issue. *In re Read-Rite Corp.*, No. CV-06-04173, 2007 WL 2318901, at *3–4 (N.D. Cal. Aug. 13, 2007). To the extent that these factors do not allow the Court to conclusively determine the parties’ intent, “a factual question arises that must be resolved by a jury.” *Enercomp*, 873 F.2d at 546.

1. The 1995 PLA

As an initial matter, Mosaid and Lenovo do not always clearly assert that, in their view, the 1995 PLA provides an independent basis for Lenovo’s purported license to the Assigned Patents. Indeed, in their briefing, these parties make almost no argument that the 1995 PLA alone provides such a basis for these license rights—and, at times, appear to concede that it cannot. (D.I. 88 at 16 (“Pursuant to the 1995 [PLA], *as modified by both the 2000 and 2002 License Agreements*, Lenovo also has a license to the Assigned Patents. . . .”)) (emphasis added);

D.I. 94 at 11–15 (failing to assert the 1995 PLA as an independent basis for a Lenovo license))

However, at points in the briefing and during oral argument, Mosaid and Lenovo *do* appear to claim that the 1995 PLA itself provided an independent basis for concluding that Lenovo is licensed to the Assigned Patents. (D.I. 88 at 1–2 (“Each of [the three IBM cross-license agreements, including the 1995 PLA] independently provides the Lenovo Entities with a license to the Assigned Patents.”); *see also* D.I. 124 at 2; Transcript of May 3, 2012 Oral Argument (hereinafter “Tr.”) at 92) The Court therefore begins its analysis of Lenovo’s license rights by examining the 1995 PLA.

a. Applying the *Winston* Factors

(1) Express Reservation of Rights

(a) Language of the 1995 PLA

With regard to the first *Winston* factor, the Court first looks to the language of the divestiture clause and the other relevant provisions of the 1995 PLA, in order to determine whether the parties expressly reserved the right not to be bound in the absence of an additional, signed writing. *Winston*, 777 F.2d at 80. Under Section 2.03 of the 1995 PLA, the signatory parties—which included AT&T, Systems & Technology Company (later known as Lucent), and IBM, the predecessor-in-interest to Lenovo (Singapore)—provided two different means by which non-signatory entities could become licensed to intellectual property that included certain of the Assigned Patents. First, the non-signatory entity could make a joint request (with the transferor signatory party) to the other (“requested”) signatory party, so long as the request was made within 60 days following the transfer of a [REDACTED] product line. (D.I. 17, ex. 1 at § 2.03(a))

Second, the non-signatory entity could make its own request to the requested signatory party, so

long as it was made within 180 days following the transfer of a [REDACTED] product line. (*Id.* at § 2.03(b)) Although it seems clear that a written request would be required in both cases, Section 2.03 does not explicitly address the issue of whether a separate, signed license agreement would be necessary to consummate a divested entity’s license rights. The principal question is thus whether the parties intended *for the act of requesting alone* to confer a cross-license.

Defendants argue that there are other provisions of the 1995 PLA that reveal the parties’ intent not to be bound prior to the execution of a separate, written license with the divested or transferee entity. (D.I. 126 at 6–7) For example, the signature page provides that the agreement “DOES NOT BIND OR OBLIGATE EITHER PARTY IN ANY MANNER UNLESS DULY EXECUTED BY AUTHORIZED REPRESENTATIVES OF EACH PARTY.” (D.I. 17, ex. 1 at pg. 13) Next, Section 3.02 (regarding “Nonassignability”) provides that “[t]he parties hereto have entered into this agreement in contemplation of personal performance, each by the other, and intend that the licenses and rights granted hereunder to a party not be extended to entities other than such party’s RELATED COMPANIES without the other parties’ express written consent.”¹¹ (*Id.* at § 3.02) Moreover, Section 3.05 (regarding “Integration”) provides that “[n]one of the parties shall be bound . . . other than as expressly provided herein or in a writing signed with or subsequent to execution hereof by an authorized representative of the party to be bound thereby.” (*Id.* at § 3.05)

There is certainly some support for Defendants’ position. For instance, it is possible to

¹¹ “RELATED COMPANIES” are (1) subsidiaries of a company; (2) a corporation of whom the company is a subsidiary; (3) other subsidiaries of such a corporation; or (4) any other company so designated in a jointly executed writing. (D.I. 17, ex. 1 at pg. 15) There can be no dispute that as of the date that a license for Lenovo (Singapore) was requested, it was not a “related company” as that term is used in the 1995 PLA.

reasonably read Section 3.05’s “Integration” clause as requiring—even with respect to the granting of a license to a divested entity—“a writing signed . . . subsequent to execution” of the 1995 PLA. (D.I. 17, ex. 1 at § 3.05) That is not, however, the only reasonable interpretation of the 1995 PLA. Another plausible reading, offered by the Lenovo, is that once the 1995 PLA itself was executed, a license to a divested entity would spring automatically into effect “after request,” not unlike an option contract. (*Id.* at § 2.03(a)) Under this interpretation, the parties had already agreed to be bound by a divested-entity license “as provided [t]herein,” and thus no additional writing (other than a written request) was necessary to confer a license to such entity. (*Id.* at § 3.05; *see also* D.I. 156 at 3 (contending that once notice was given, Lenovo (Singapore) obtained “a fully enforceable bilateral contract”)) Consistent with Lenovo’s view, if the parties did intend to reserve the right not to be bound by a transferee or divestiture license absent an additional writing, then one would expect to see that reservation clearly recited in Section 2.03 of the 1995 PLA, rather than as part of a general statement on the signature page, in the section on nonassignability, (§ 3.02), or in the section on integration (§ 3.05). The Court therefore finds that the language of the 1995 PLA is ambiguous as to whether the parties intended to require a separate, signed license before a divested entity would have rights to the Assigned Patents.

(b) Parties’ Course of Conduct

The Court also reviews the parties’ course of conduct as it relates to the first *Winston* factor, to determine whether this conduct indicates that the parties intended to reserve their right not to be bound by a divestiture license absent a signed writing. The most significant factor here is that, prior to the commencement of this litigation, none of the parties to the 1995 PLA (or their successors-in-interest) ever asserted that the 1995 PLA *alone* provides divested entities like

Lenovo (Singapore) with license rights. Indeed, none of the correspondence exchanged after IBM's divestiture of Lenovo (Singapore) explicitly cites Section 2.03 of the 1995 PLA as the sole source of Lenovo's alleged licensing rights. (*See, e.g.*, D.I. 89, ex. 8 & 9) This strongly suggests that if Lenovo (Singapore) has a license to the Assigned Patents, it is not solely due to the rights granted by the 1995 PLA, but instead via rights granted by another agreement (that in turn incorporates certain aspects of the 1995 PLA).

There are two relevant communications from IBM and/or Lenovo that refer to the 1995 PLA—and both of those communications do so in conjunction with the 2000 Agreement. This correspondence therefore supports the conclusion that the 1995 PLA does not provide an independent basis for a Lenovo license. Moreover, the content of these communications suggest that a separate, signed writing was necessary to confer such a license.

For example, the June 23, 2005 Letter to Lucent refers primarily to the 2000 Agreement as the source of Lenovo's license rights—but also makes a general reference to the 1995 PLA, noting that it was amended by the 2000 Agreement. (D.I. 89, ex. 9 at 1) In that letter (which copies Lenovo (Singapore)'s counsel), IBM requests “that Lucent enter into a new patent cross license agreement with Lenovo (Singapore), effective as of April 30, 2005,” and states that “[e]xecution copies of documentation to memorialize the new license agreement will be delivered to you in the coming weeks.” (*Id.* at 2) It is true, as Mosaid and Lenovo suggest, that the letter's reference to “memorializ[ing]” the agreement might, in a vacuum, be read to indicate that a “new license agreement” was already in effect (and that the request to memorialize it was unnecessary—simply an example of overly cautious lawyering). *See, e.g., Ciaramella v. Reader's Digest Ass'n, Inc.*, 131 F.3d 320, 322 (2d Cir. 1997) (noting that even if parties

“contemplate later memorializing their agreement in an executed document[, that] will not prevent them from being bound by” a prior agreement). But on balance, the Court interprets this letter as more persuasive evidence that IBM and Lenovo (Singapore) believed that a formal, signed writing outlining the terms of such an agreement was required before Lenovo (Singapore) would have rights to the Assigned Patents. If those entities truly thought that a license was in effect simply upon the sending of the June 23, 2005 Letter to Lucent, then there would have been no need to ask Lucent to “*enter into a new patent cross license agreement* with Lenovo (Singapore)” and to have that agreement executed by the parties.

In addition, the December 23, 2009 Letter (sent by Lenovo’s counsel to Lucent) is also strong evidence that the parties to the 1995 PLA did not intend that agreement to alone convey to Lenovo (Singapore) license rights to the Assigned Patents. That letter invokes the 1995 PLA (and the 2000 Agreement), noting that Lenovo had previously “requested [in 2005] that Lucent enter into a Patent License Agreement with Lenovo (Singapore), as provided in the 1995 [PLA], as amended by the 2000 Agreement.” (D.I. 100, ex. 9 at LENOVO-LSI0000894) Lenovo also stated in its 2009 letter to Lucent that it wished to “re-open the dialogue” as to whether Lucent would enter such a licensing agreement, and “move the agreement to execution.” (*Id.*) Lenovo enclosed what it referred to as a “proposed draft of a patent cross license agreement between Lenovo and Lucent,” which relied “on the 1995 [PLA] and the 2000 Agreement for the substantive terms of the license.” (*Id.*) The enclosed draft license agreement states that Lenovo and Lucent will license each other “in accordance with the terms and conditions of the 1995 [PLA] with ‘LUCENT’ substituted for the AT&T Parties and ‘LENOVO’ substituted for ‘IBM’.” (*Id.* at LENOVO-LSI0000901) Lenovo’s draft proposes that the agreement would be

retroactively effective to April 30, 2005 and would expire on April 30, 2010 (just four months after the December 23, 2009 Letter was sent). This proposed duration of the draft agreement was based on the 1995 PLA (under which divestiture licenses would extend for five years) and not the 2000 Agreement (under which divestiture licenses would extend for eight years) (*Id.*) The draft notes that the licenses to Lenovo shall “only be for products and services (and natural extensions thereof) provided by [Lenovo] at the time it was divested from IBM.” (*Id.*) The proposed draft also includes the caveat that it “DOES NOT BIND OR OBLIGATE EITHER PARTY IN ANY MANNER UNLESS DULY EXECUTED BY AUTHORIZED REPRESENTATIVES OF BOTH PARTIES.” (*Id.*)¹²

This correspondence demonstrates that as late as 2009—more than four years after notice was first sent to Lucent—Lenovo was still working on “a proposed draft of a patent cross license agreement . . . which relies on the 1995 [PLA].” (D.I. 100, ex. 9 at LENOVO-LSI0000894) Execution of such an agreement was not merely a formality; Lenovo envisioned “re-open[ing] the dialogue” on the terms of the agreement and only thereafter “mov[ing] the agreement to execution.” (*Id.*) That draft also contains capitalized language that is unequivocal and unambiguous—neither Lucent nor Lenovo intended to confer any license rights absent “EXECUT[ION] BY AUTHORIZED REPRESENTATIVES OF BOTH PARTIES.” (*Id.*)¹³

¹² The record does not indicate whether Lucent ever responded to the December 23, 2009 letter.

¹³ Referring to a document as an “execution copy” or a “draft” “is evidence that the parties intended to be bound when the agreement was ‘executed,’ and not before.” *Exportaciones del Futuro S.A. de C.V. v. Iconix Brand Grp. Inc.*, No. 07 Civ 4145(LBS), 2007 WL 2981949, at *2 (S.D.N.Y. Oct. 10, 2007) (citations omitted); *see also Winston*, 777 F.2d at 81 (fact that a document was referred to as a “proposed agreement” in a cover letter weighed in favor of finding an express reservation of rights) (internal quotation marks omitted); *Pasmas v.*

Lenovo argues that the Court should not consider the content of this December 23, 2009 Letter or its attachments in light of Federal Rule of Evidence 408, because the letter was “Lenovo’s good faith attempt to resolve this dispute with LSI/Agere” by seeking “LSI/Agere’s written acknowledgment of Lenovo’s licensing rights.” (D.I. 130 at 17 n.8; Tr. at 138–39) The December 23, 2009 Letter was sent one day after LSI sent a letter to Lenovo Group asserting that nine Lenovo Group computer products infringed at least one of twenty-two LSI patents. (D.I. 130 at 17 n.8; D.I. 100, ex. 11) Therefore, Lenovo contends, the December 23, 2009 Letter is “the very type of evidence [Rule 408] prohibits parties from using.” (D.I. 130 at 17 n.8) Lenovo cites no authority for its position that the December 23, 2009 Letter is protected from disclosure by Rule 408.

Rule 408, which relates to “Compromise Offers and Negotiations,” states that evidence of “conduct or a statement made during compromise negotiations about [a] claim” is “not admissible—on behalf of any party—either to prove or disprove the validity or amount of a disputed claim or to impeach by a prior inconsistent statement or contradiction[.]” Fed. R. Evid. 408(a)(2). The Court finds that Rule 408 does not apply to the contents of the December 23, 2009 Letter for at least two reasons.

First, the December 23, 2009 Letter does not relate to any disputed claim. That letter makes no reference to Rule 408 or a claim of infringement, and was not sent, as Lenovo contends, to LSI/Agere; instead, it was sent to third-party Lucent. *See, e.g., Affiliated Mfrs., Inc.*

Hunt, 724 F. Supp. 260, 263 (S.D.N.Y. 1989) (attorney’s reference to an agreement as a “draft” that must be put into “final form” indicated intent to be bound only when the agreement was executed). That is what Lenovo did here—sent a proposed license agreement labeled as a “draft,” which was designed to “re-open the dialogue on the [licensing] issue and move the agreement to execution.” (D.I. 100, ex. 9 at LENOVO-LSI0000894)

v. Aluminum Co. of Am., 56 F.3d 521, 526 (3d Cir. 1995) (noting that parties to a communication must be engaged in an “actual dispute, or at least an apparent difference of view . . . concerning the validity or amount of a claim” when statements are made in order to shield statements from disclosure pursuant to Rule 408). There is no evidence in the record that there was at the time (or has ever been) any claim or dispute between Lucent and Lenovo. *Cf. Chase Manhattan Bank v. Iridium Africa Corp.*, No. Civ.A. 00-564 JJF, 2003 WL 22928042, at *1–2 (D. Del. Nov. 25, 2003) (affirming Magistrate Judge’s findings that statements made in certain meetings between plaintiff Chase and Motorola, Inc. were protected by Rule 408, but only where sufficient evidence existed at that time of a “‘dispute’ between Chase and Motorola”). And to the extent that Lenovo is asserting that the December 23, 2009 Letter somehow related to the claim of infringement that LSI made on December 22, 2009, that argument rings hollow. None of the “LSI Patents” identified in the December 22, 2009 Letter are Assigned Patents, and there is no evidence that Lucent was even aware that LSI had made a claim of infringement.

Second, the Court finds that the December 23, 2009 Letter contains no offers or statements that could be considered part of “compromise negotiations.” On the contrary, the December 23, 2009 Letter proposes that the parties commence contract negotiations relating to the 1995 PLA and the 2000 Agreement. Any statements about “re-open[ing] the dialogue” regarding incomplete contract negotiations could not be fairly characterized as a “compromise” offer within the ambit of Rule 408. *See, e.g., Armenian Genocide Museum & Memorial, Inc. v. Cafesjian Family Found., Inc.*, 691 F. Supp. 2d 132, 152 n.18 (D.D.C. 2010) (noting that “Rule 408 does not apply unless there is actually a claim in dispute between the parties,” and finding that because at the time a letter was sent, “it was not apparent” that there was a dispute between

the parties, the letter should be construed only “as a proposal . . . to modify the existing contractual agreements between the parties, [such that] Rule 408 d[id] not exclude such evidence”). The Court therefore has considered the December 23, 2009 Letter as part of its analysis of the first *Winston* factor.

(c) The *Read-Rite* Decisions

Generally, courts have construed language and conduct similar to that exhibited in the June 23, 2005 Letter to Lucent and the December 23, 2009 Letter as an express reservation of the right not to be bound by a transferee license in the absence of a signed writing. For instance, in *In re Read-Rite Corporation* (hereinafter “*Read-Rite*”), first the U.S. Bankruptcy Court for the Northern District of California, then the U.S. District Court for the Northern District of California, and then the U.S. Court of Appeals for the Ninth Circuit each found that the parties to an IBM patent license expressly reserved the right not to be bound by a divested-entity cross-license absent the signing of a subsequent agreement. *See Read-Rite*, No. 03-43576RN, 2006 WL 2241107, at *4 (Bankr. N.D. Cal. June 19, 2006), *aff’d* No. CV-06-04173 SC, 2007 WL 2318901, at *3 (N.D. Cal. Aug. 13, 2007); *aff’d* 393 F. App’x 535, 536 (9th Cir. 2010).

IBM and Read-Rite entered into a patent cross-license agreement in 1997 (“the Read-Rite agreement”), which contained a divestiture provision that was very similar to Section 2.03 of the 1995 PLA. *See Read-Rite*, No. 06-cv-4173-SC (N.D. Cal.) (D.I. 7, ex. A at § 2.10) (filed September 29, 2006). In addition, Section 8.10 of the Read-Rite agreement provided that it “shall not be binding upon the parties until it has been signed hereinbelow by or on behalf of each party”—language that is virtually identical to that which appears at the end of the 1995 PLA and in the draft agreement that Lenovo sent to Lucent in 2009. (*Id.* at § 8.10.) After IBM

transferred its hard disk drive business to a Hitachi-affiliated entity (“Hitachi”), IBM made a written request that Read-Rite license the transferee entity pursuant to the divestiture provision in the Read-Rite agreement. 2006 WL 2241107, at *1. Along with that written request, IBM included a proposed draft agreement. *Id.* IBM renewed its request that Read-Rite enter into a license with Hitachi on at least three separate occasions prior to June 2003, each time sending Read-Rite a revised draft license agreement that included the portion of Section 8.10 requiring that the agreement be signed before it would be effective. *Id.* at *1–2. Read-Rite did not sign the agreement before it filed for bankruptcy in June 2003, an event that precipitated the litigation in that case. *Id.* After the filing, IBM unsuccessfully sought to have the Chapter 7 bankruptcy trustee sign the agreement on Read-Rite’s behalf. *Id.* at *2.

The U.S. Bankruptcy Court in *Read-Rite*, applying the first *Winston* factor, determined that the parties’ conduct “evidences a clear understanding” that they expressly reserved the right not to be bound in the absence of an additional, signed writing. *Id.* at *4. The Bankruptcy Court first noted that the language in Section 8.10 of the Read-Rite agreement was also included in each of the many drafts of the proposed Hitachi license, and found that this language “unequivocally required the parties’ signatures as a condition to a [divestiture license] being binding.” *Id.* Additionally, the Bankruptcy Court found that the fact that “IBM doggedly sought to have Read-Rite and then the chapter 7 trustee sign the agreement, evidences a clear understanding that this act was an essential prerequisite to the document’s effectiveness.” *Id.*

Lenovo argues that the *Read-Rite* series of cases do not compel a finding that it lacks a license to the Assigned Patents for two reasons. First, Lenovo asserts that because the Ninth Circuit’s decision affirming this determination was not published in the Federal Reporter, it has

“no precedential value.” (D.I. 156 at 1) Second, at oral argument, Lenovo’s counsel asserted that *Read-Rite* is distinguishable because unlike the present facts, the *Read-Rite* courts relied on language in “a draft agreement that was never executed because Read-Rite was on the verge of filing bankruptcy and refused to do it.” (Tr. at 71)¹⁴ Neither of these arguments offers a reason to ignore the *Read-Rite* cases.

As to Lenovo’s first argument, Ninth Circuit Rule 36-3 and Federal Rule of Appellate Procedure 32.1 specifically permit parties to cite unpublished decisions like the Ninth Circuit’s opinion in *Read-Rite*, and there is no restriction on this Court’s ability to consider it. Moreover, there are two other opinions that discuss the *Read-Rite* facts—the U.S. Bankruptcy Court and U.S. District Court opinions in that case. Those decisions reveal myriad factual similarities between *Read-Rite* and the present case that cannot be ignored. In both cases, a divested entity (in the case of *Read-Rite*, Hitachi; in the present case, Lenovo) argued that it was granted a patent license pursuant to an underlying agreement with IBM. In both cases, draft agreements were exchanged—in this case, the draft agreement proposed by Lenovo was sent to Lucent in December 2009, more than four years after Lenovo was divested. And in both cases, the draft agreement contains language clearly indicating that the parties would not be bound to a license unless the draft was executed by authorized representatives of both parties. The inclusion of this language is strong evidence in Defendants’ favor—if a signed writing were not needed to bind parties to the terms of the 1995 PLA, as Lenovo now contends, why did Lenovo send Lucent a

¹⁴ Lenovo’s counsel made this point in reference to the 2002 PLA, noting that “there was no exchange of draft agreements between Lenovo (Singapore) and Agere.” (Tr. at 71) While that is true with respect to the 2002 PLA, Lenovo did propose a draft license agreement to Lucent that relates to the 1995 PLA.

draft agreement stating the opposite?

In addition, although the record evidence here does not evince a “dogged” pursuit of Lucent by IBM/Lenovo to sign a license agreement, (as there had been with Hitachi in *Read-Rite*, see 2006 WL 2241107, at *4), the record suggests that IBM and Lenovo took multiple steps to obtain a signed writing pursuant to the 1995 PLA. Taken together, the June 23, 2005 Letter to Lucent and the December 23, 2009 Letter evidence an intent to obtain Lucent’s signature on a new license agreement. At a minimum, therefore, the *Read-Rite* decisions are persuasive authority. *Accord Reprosystem, B.V. v. SCM Corp.*, 727 F.2d 257, 262 (2d Cir. 1984) (holding, in reviewing first *Winston* factor, that provisions in a draft contract “that conditioned their binding effect on formal execution and delivery . . . conclusively establish[ed] a mutual intent not to be bound prior to execution of the formal documents”); *Kaplan v. Vincent*, 937 F. Supp. 307, 314 (S.D.N.Y. 1996) (giving “considerable weight” to a provision in an unexecuted contract that called for execution before the agreement would be enforceable in determining, pursuant to first *Winston* factor, that parties intended to be bound only by separate written agreement).

Lenovo’s second argument is that *Read-Rite* involved a draft agreement that was never executed. But that is precisely what occurred in this case—in 2009, Lenovo’s counsel sent a “draft” agreement to Lucent, attaching the 1995 PLA, which included language that is almost identical to that cited by the Court in *Read-Rite*:

Draft Agreement in *Read-Rite*:

This agreement shall not be binding upon the parties until it has been signed herein below by or on behalf of each party

Draft Agreement from Lenovo:

This agreement does not bind or obligate either party in any manner unless duly executed by authorized representatives of both parties.

Compare 2006 WL 2241107, at *1 *with* (D.I. 100, ex. 9 at LENOVO-LSI0000901 (capitalization

omitted)). And as was the case in *Read-Rite*, neither Lucent nor Lenovo signed Lenovo's draft.

Therefore, after analyzing the first *Winston* factor, the Court concludes that while language of the 1995 PLA is ambiguous as to whether the parties expressly reserved the right to be bound absent execution of a separate writing, the parties' course of conduct relating to the 1995 PLA is not. Instead, that conduct, as evidenced by the June 23, 2005 Letter to Lucent and the December 23, 2009 Letter, demonstrates that neither the parties to the 1995 PLA nor Lenovo believed that the 1995 PLA provided an independent basis for a divested or transferee entity such as Lenovo to obtain a license upon request, and that IBM and Lucent (and Lenovo) expressly reserved the right not to be bound pursuant to the terms of the 1995 PLA alone. Thus, the first *Winston* factor weighs against finding that Lenovo was licensed pursuant to the 1995 PLA alone.

(2) Partial Performance

The Court's conclusion as to the first *Winston* factor is not dispositive. *See Precision Testing Labs., Ltd. v. Kenyon Corp. of Am.*, 644 F. Supp. 1327, 1343 (S.D.N.Y. 1986) (noting that "all four [*Winston*] factors must be balanced to determine whether the parties intended to be bound prior to the formal execution of an agreement"). The second *Winston* factor asks whether there has been partial performance of the contract. *R.G. Group*, 751 F.2d at 75–76 ("Aside from unilateral contracts, partial performance is an unmistakable signal that one party believes there is a contract; and the party who accepts performance signals, by that act, that it also understands a contract to be in effect."). On this point, although it is clear that the parties to the 1995 PLA have been performing according to its terms, neither party has pointed to evidence of partial performance of a cross-license to the Lenovo Entities pursuant to the 1995 PLA. *See Read-Rite*, 2006 WL 2241107, at *4 (noting the absence of evidence indicating that any of the relevant

parties “ever engaged in any conduct to carry out the terms of the unexecuted agreement”).

(3) Open Material Terms for Negotiation

As for the third *Winston* factor—whether all of the terms of the alleged contract have been agreed upon—the 1995 PLA provides considerable insight into the contemplated terms for a license to a divested entity, so long as joint request was made.¹⁵ Section 2.03(a) provides that “after [a joint] request . . . by IBM [and the transferee party]. . . each requested party agree[d] to grant to [the transferee party] a [REDACTED] license.” (D.I. 17, ex. 1 at § 2.03(a)) That license would be granted under terms and conditions similar, though not entirely identical, to those contained in the 1995 PLA. Six of the terms of a transferee license were outlined in Section 2.03(a)(i)–(vi).¹⁶ Importantly, two of those terms were that (1) the transferring party would be unlicensed for the field of the patents that covered the transferred product line, and (2) the transferee license would terminate after five years. The “unlicensing” of the transferring party was “automatically effected as an amendment [to the 1995 PLA] as of the effective date of such transfer.” (*Id.* at § 2.03(a))

However, one critical point of negotiation would be the defined field of the divested license—particularly because the divesting party would simultaneously become unlicensed in

¹⁵ Section 2.03(b) provides that if a joint request was not made, then the transferee could make a written request to the non-transferring party, which agreed not to “unreasonably forebear, to the extent consistent with [its] then existing general policies, in the granting of licenses on reasonable and non-discriminatory terms, within the scope of [the 1995 PLA].”

¹⁶ All parties refer to Section 2.03(i)–(vi) as outlining “conditions,” rather than “terms” of a prospective transferee agreement. This is likely due to the fact that the license discussed in Section 2.03 would be granted “on the *condition*” that those issues were addressed in the license. However, the Court reads this phrase as simply providing that the license would be contingent on including the enumerated terms, which define such elements as the relevant field and the term of the license.

that field. Section 2.03 provides that the field of the transferee license “shall be within the field then licensed to the transferring party,” and that it “shall not be defined more broadly than appropriate to cover the particular product line being transferred and shall be in form and substance acceptable to such requested party.” (*Id.* at § 2.03(a)(i) & (ii)) This would likely be a point of some contention and negotiation, and was not fully addressed by the 1995 PLA.

Moreover, Section 2.03 also provides that additional terms may be included if, as is the case with at least certain of the Lenovo Entities, the divested entity is organized under laws other than those of the United States. (*See id.* at § 2.03(a) (noting that “such license agreement shall contain[] such additional terms and conditions (other than [REDACTED]) as may exist in patent license agreements between the requested party hereto and other entities organized under the laws of the [foreign] country”))

The provisions of the 1995 PLA thus suggest that most, but not all, of the terms to a potential license to a transferee party had already been negotiated. Lenovo’s own December 23, 2009 Letter only confirms that it envisioned engaging in negotiation over open terms of a potential license with Lucent in late 2009, when its counsel explained that it was seeking to “re-open the dialogue” on those terms by “enclosing . . . a proposed draft.” (*See* D.I. 100, ex. 9)

(4) Whether License Would Typically Be In Writing

The final *Winston* factor requires the Court to assess whether the license that Lenovo purports to have is the sort of agreement that would typically be reduced to writing. Patent license agreements are customarily written and executed by the parties that are bound by their terms. *See, e.g., Read-Rite*, 2007 WL 2318901, at *4; *see also Read-Rite*, 2006 WL 2241107, at *4 (noting that because “a nonexclusive patent license is at its core simply an agreement not to

sue the licensee for patent infringement, the importance of executing a written document reflecting this arrangement cannot be overestimated”). Indeed, it has been noted that “prudence strongly suggests that” when an agreement is designed at least in part to “forestall litigation,” as a Lenovo license would be, it should be written “to make it readily enforceable, and to avoid still further litigation.” *Winston*, 777 F.2d at 83. Moreover, where the agreement-at-issue is complex, implicates rights of significant value, and spans many years, courts interpreting New York law have found that the agreement would typically be in writing.¹⁷ The license Lenovo asserts it has here—which includes multiple patents in a defined field, for an extended term of years—fits this bill. The fourth *Winston* factor therefore weighs against a reading of the 1995 PLA that would deem the Lenovo Entities to have been licensed automatically upon request.

b. Conclusion Regarding 1995 PLA

As the foregoing discussion indicates, all of the *Winston* factors weigh in favor of finding that the 1995 PLA does not provide an independent basis for Lenovo to claim a license to the Assigned Patents as of 2007. Perhaps for this reason, Mosaid and Lenovo make little argument in their briefs that the 1995 PLA independently provides the right to such a license. Therefore, the Court concludes that no reasonable jury could find that the parties intended for divested or transferee entities to be licensed pursuant to the 1995 PLA alone absent a further, signed writing.

2. The 2000 Agreement

¹⁷ See, e.g., *Read-Rite*, 2006 WL 2241107, at *4 (finding agreement would typically be in writing where underlying contract that agreement was predicated upon “was not only complex, but was between two competitors and customers in the field of information technology and implicated literally millions, if not billions, of dollars in assets”); *Ciaramella*, 131 F.3d at 326 (same, where agreement was complex and contained numerous provisions that would apply in perpetuity); *Winston*, 777 F.2d at 83 (same, where agreement involved payment of \$62,500 and contained obligations that would last over several years).

a. Applying the *Winston* Factors

(1) First Factor—Express Reservation of Rights

Applying the first *Winston* factor to the 2000 Agreement requires the Court to again look to the language of that agreement and the conduct of the parties to determine whether they intended to reserve the right not to be bound in the absence of a separate, signed license agreement involving Lenovo. In the 2000 Agreement, Lucent and IBM revisited the divestiture provisions of the 1995 PLA. According to the recitals in the 2000 Agreement, the parties agreed that IBM would license two named entities that Lucent planned to divest (Avaya and Microelectronics (later renamed Agere)) under IBM's patents that were licensed to Lucent under the 1995 PLA, and for Lucent to license two future divested entities of IBM under Lucent's patents that were licensed to IBM under the 1995 PLA. (D.I. 17, ex. 3) The terms of these licenses differ from those contemplated by the 1995 PLA in three principal respects:

- (1) The 1995 PLA's two different paths for requesting a license (within 60 days jointly, or within 180 days singly by the transferee entity) were replaced by a single method of requesting such a license. The 2000 Agreement specifically provides that the divesting entity would make such a request. The 2000 Agreement makes no mention of a time limit after divestiture for requesting that a divested entity be licensed; however, the IBM divestitures had to occur no later than September 30, 2005.
- (2) Any license granted to one of the four contemplated divested entities would not diminish the transferring party's license.
- (3) All licenses under the 2000 Agreement would be for eight years from the date of the divestiture (not five years as set forth in the 1995 PLA), unless a significant monetary payment was made to the non-divesting party. In that case, the license would extend for the entire term of the patents.

(*Id.* at § 1.01)

In the 2000 Agreement, Lucent and IBM agreed that “[n]otwithstanding the provisions of Section 2.03 of the [1995 PLA] and in addition thereto . . . upon request from the other party, each party will license, without diminishing the other party’s license,” two divested entities of the other party. (*Id.* at § 1.01(a)) A key point of contention among the parties is how to interpret this “notwithstanding” clause (which also appears in a similar context in the 2002 PLA).

There is no dispute that the “notwithstanding” clause indicates that certain portions of Section 1.01(a) predominate over the language in Section 2.03 of the 1995 PLA. To that end, the parties both agree that to the extent there are defined conditions of the licenses-at-issue in the 2000 Agreement that *expressly contradict* conditions of the licenses-at-issue described in 1995 PLA (including the three notable differences listed above), the impact of the “notwithstanding” clause is to establish that the 2000 Agreement terms control. (D.I. 94 at 12–13; D.I. 126 at 4) The Court also agrees that, at a minimum, the “notwithstanding” clause can reasonably be read no other way.

But the parties disagree as to what other effect (if any) this “notwithstanding” clause has. Mosaid and Lenovo both appear to contend that the use of the clause in the 2000 Agreement means that an IBM divested entity did not need to meet any of the other conditions required of a third-party licensee in Section 2.03 of the 1995 PLA in order to obtain a license to Lucent/Agere’s Assigned Patents. (*See, e.g.*, D.I. 88 at 11–12; D.I. 94 at 12). Defendants, noting that the clause reads “[n]otwithstanding the provisions of Section 2.03 of the [1995 PLA] *and in addition thereto,*” argue for a different reading. They assert that the clause instructs that any provisions in Section 2.03 or elsewhere in the 1995 PLA that are not inconsistent with the terms of the 2000 Agreement, and that relate to licensing a divested entity, were required to be fulfilled

by Lenovo (Singapore) before it could obtain a license. (D.I. 126 at 4)

As it relates to the Court's inquiry under the first *Winston* factor, this dispute regarding the "notwithstanding" clause in the 2000 Agreement is not dispositive. Defendants assert that if their reading of the "notwithstanding" clause is correct, then because the 1995 PLA contained certain clauses (including Section 3.02's clause regarding "Nonassignability" and Section 3.05's clause regarding "Integration") that can be read to require a separate signed writing for a transferee license to take effect, the "notwithstanding" clause supports Defendants' claim that such a writing was needed. (D.I. 126 at 5–7) Yet as the Court determined, the language of the 1995 PLA is, on balance, ambiguous as to whether the parties expressly reserved the right to be bound by transferee licenses only by separate written agreement. Thus, whether or not certain clauses of the 1995 PLA (like Section 3.02 or Section 3.05) were retained via the 2000 Agreement is not conclusive as to whether the parties expressly reserved the right not to be bound by a divestiture license absent a separate, signed writing. Instead, the Court must look to language elsewhere in the 2000 Agreement.

Here, the Court agrees with Mosaid and Lenovo that the language in the 2000 Agreement suggests, more strongly than does the language of the 1995 PLA, that the parties intended for future IBM-divested entities to be licensed without need to resort to a separate, signed writing. As Mosaid and Lenovo note, one of the key stated rationales for the 2000 Agreement reads:

Whereas the parties wish for [Avaya] and [Microelectronics] to be licensed under IBM's patents that are licensed to Lucent under the [1995 PLA], and wish for two future divested entities of IBM to be licensed under [Lucent's] patents that are licensed to IBM under the [1995 PLA];

(D.I. 17, ex. 3 at 1).¹⁸ The 2000 Agreement indicates, both in the “notwithstanding” clause discussed above and in additional paragraphs, that in return for IBM’s agreement to license two Lucent divested entities (including Agere)—Lucent “upon written request from IBM, will license no more than two entities divested from IBM [so long as those] entities are divested from IBM on or before September 30, 2005.” (D.I. 17, ex. 3 at § 1.01(a) & (c)) If Defendants’ reading of the agreement is correct, it would mean that when IBM made a written request for Lucent to license its divested entity, then Lenovo (Singapore) and Lucent would still have needed to agree on and complete a separate, written license agreement. It would also mean that had Lucent, prior to the signing of such an agreement, decided that it did not want to license Lenovo (Singapore) for any reason, it could simply have refused to do so. Thus, although the 2000 Agreement says that Lucent “upon written request from IBM, *will license*” its patents to IBM-divested entities, Defendants’ interpretation suggests that the meaning of that phrase should be that Lucent, “upon written request from IBM, *will decide whether or not it wishes to license*” IBM-divested entities. The Court agrees with Mosaid and Lenovo that such a reading appears to frustrate a primary purpose of the 2000 Agreement—to enable two Lucent- and IBM-divested entities to be licensed to the other parties’ patents-at-issue. *See, e.g., IBM Credit Fin. Corp. v. Mazda Motor Mfg. (USA) Corp.*, 665 N.Y.S.2d 645 (N.Y. App. Div. 1997) (holding that contract should not be interpreted to frustrate central purpose of parties in entering the transaction) (citing cases).

¹⁸ According to the Lenovo Entities, “[t]he entire purpose of the 2000 License Agreement was to provide license rights to two Lucent divested entities and two IBM divested entities.” (D.I. 88 at 4) The Court notes that while this clearly was a significant reason for the execution of the 2000 Agreement, there were a number of provisions in the agreement dealing with other issues, such as releasing claims relating to third-party Ascend Communications, Inc. (D.I. 17, ex. 3 at § 2.01(a))

However, the Court must also analyze the parties' course of conduct. The 2000 Agreement explicitly contemplated that Avaya and Agere would receive a license from IBM upon divestiture. After those divestitures occurred, IBM entered into two separate, written "Patent License Agreement[s]" covering Avaya and Agere, respectively. (*See* D.I. 17, exs. 3 & 4) Both the Avaya license and the Agere license contain the caveat that neither IBM nor the divested entities would be bound or obligated absent execution by both parties. (*Id.* ("THIS AGREEMENT DOES NOT BIND OR OBLIGATE EITHER PARTY IN ANY MANNER UNLESS DULY EXECUTED BY AUTHORIZED REPRESENTATIVES OF BOTH PARTIES.")) Contrary to the apparent import of the 2000 Agreement's "upon written request" language, the inclusion of this phrase in the Avaya license and the 2002 PLA suggests that no license existed before execution of those respective documents. If, as Mosaid and Lenovo contend, a cross-license was effected simply upon request of the divesting party, then such language would be superfluous and contradictory.¹⁹

Moreover, as discussed above as part of the Court's analysis of the 1995 PLA, the June 23, 2005 Letter to Lucent and the December 23, 2009 Letter both reference the 2000 Agreement and its impact (along with that of the 1995 PLA) on Lenovo (Singapore)'s licensing rights. The content of those two letters (particularly when analyzed in light of the *Read-Rite* cases and other

¹⁹ The existence of separate, signed Avaya/IBM and Agere/IBM license agreements is not, however, dispositive. One could argue that the reason why these separate, signed license agreements exist is that, pursuant to Section 1.01(b) of the 2000 Agreement, IBM only agreed that it "will license [Avaya] and [Agere] pursuant to subparagraph (a) of this Section so long as [Avaya] and [Agere] each agree to license the two entities divested from IBM in accordance with [earlier paragraphs of the agreement]." (D.I. 17, ex. 3 at § 1.01(b)) In other words, under this line of argument, even after the 2000 Agreement, Avaya and Agere still needed to agree in writing that they would license the IBM-divested entities to get the benefit of a license from IBM—and Avaya and Agere so agreed in their respective signed agreements with IBM.

previously cited cases), supports the conclusion that a separate, signed writing was necessary for Lenovo (Singapore) to be so licensed.

Therefore, with regard to the first *Winston* factor, while the language of the 2000 Agreement itself suggests, on balance, that no separate executed agreement was necessary for Lenovo (Singapore) to have a license to the Assigned Patents held by Agere (as successor-in-interest to Lucent), the parties' course of conduct supports the opposite conclusion. The Court finds that the first *Winston* factor is therefore neutral.

(2) Remaining *Winston* Factors

As for the second *Winston* factor, similar to the 1995 PLA, there is no evidence of partial performance under a Lenovo license pursuant to the 2000 Agreement. This factor therefore weighs in favor of finding that Lenovo was not licensed absent a separate, signed agreement.

The third *Winston* factor, which in the case of the 1995 PLA weighed in favor of a finding that no license had been granted to Lenovo pursuant to that agreement alone, here weighs in favor of finding that a license *had* been granted. All of the material terms for a license to Lenovo pursuant to the 2000 Agreement appear to have been negotiated, including the parties to the license, its scope, and its duration. Unlike the 1995 PLA, which left defining the field of the license to future negotiations, the 2000 Agreement provides that the field would be “for products and services (and natural extensions thereof) sold or furnished by the divested entity prior to the divestiture.” (D.I. 17, ex. 3 at § 1.01(a)) The Avaya license and the 2002 PLA, which do not contain any new terms that were not already set forth in the 2000 Agreement or 1995 PLA, appear to confirm that all material terms had been negotiated by the time of the 2000 Agreement. Indeed, although the Avaya license was signed only weeks after the 2000 Agreement, it is nearly

identical to the 2002 PLA, which was entered into more than two years later.²⁰ In other words, all of the negotiating work on the transferee licenses had been completed as part of the negotiations for the 2000 Agreement.

The final *Winston* factor applies just as equally to the 2000 Agreement as it did to the 1995 PLA; patent licenses—particularly those involving multiple patents, in a defined field, for extended periods of time—are typically reduced to writing. *Read-Rite*, 2007 WL 2318901, at *4.

b. Could Lenovo’s 2005 Request to Lucent Confer Rights To Patents No Longer Owned By Lucent?

Defendants contend that, notwithstanding the *Winston* factors, there is no way for Lucent to have performed under the terms of the 2000 Agreement when Lenovo was divested, because Lucent had already transferred its patents to Agere in the 2001 SDA by that time, and because the 2000 Agreement was not formally assigned from Lucent to Agere as part of that transaction. (D.I. 99 at 19–20) Defendants make two primary arguments in support of their contention.

First, Defendants argue that: (1) because the “notwithstanding” clause in Section 1.01 of the 2000 Agreement states that it is to be interpreted “in accordance with the terms and conditions of [the 1995 PLA]”; and (2) Section 1.04(a) of the 1995 PLA states, *inter alia*, that “prior to the execution of this agreement, a party or its RELATED COMPANY may have limited

²⁰ In its December 23, 2009 letter to Lucent, Lenovo (citing both the 2000 Agreement and 1995 PLA as authority) proposed a draft license agreement with a five-year term—a term different from the eight-year term set forth in the 2000 Agreement. This does not alter the Court’s conclusion as to the application of the third *Winston* factor here. Pursuant to the 2000 Agreement, the term of years for a license to a divested entity had been negotiated to be a default term of eight years (with the option to extend the term to the life of the patents upon payment of a monetary sum). Presumably, if the parties to a divested-entity license wished to alter that agreed-upon term (such as by reverting to a term of five years like that referenced in Section 2.03 of the 1995 PLA), they could do so by separate agreement.

by contract its ability to provide licenses hereunder”; then (3) when Lucent assigned the patents-at-issue to Agere via the 2001 SDA, Lucent thereby eliminated its own ability to provide a license to a later IBM-divested entity like Lenovo (Singapore) pursuant to the terms of the 2000 Agreement. (D.I. 99 at 18–19) Yet, as the Court previously determined, there is real ambiguity as to whether the “notwithstanding” clause’s incorporation of terms from the 1995 PLA was meant to include terms that would have the impact of frustrating the ability of a future IBM-divested entity to obtain a license to the patents-at-issue, if the entity otherwise qualified under the terms of the 2000 Agreement. More importantly, regardless of any such ambiguity, Section 1.04(a) of the 1995 PLA relates to limitations created *prior to* the execution of the 2000 Agreement—not limitations created *afterwards*. To the extent that Defendants rely on the later-signed 2001 SDA as a limitation that would block Lucent’s ability to provide a license to an IBM-divested entity pursuant to the 2000 Agreement, that argument is unavailing.

Second, Defendants note that Section 2.15(a)(i) of the 2001 SDA provided that Agere would be assigned Lucent’s rights to a number of patent licensing agreements, which were specifically listed in various appendices to the 2001 SDA. Defendants assert that (1) because the 2000 Agreement was not one of those listed agreements and (2) because the 2001 SDA otherwise provided that Lucent could not “extend or enlarge the rights granted” to a licensee under patents assigned by Lucent to Agere; then (3) Lucent could not (in 2005 or after) have granted Lenovo (Singapore) a license to the Assigned Patents. (D.I. 99 at 19–20) The Court is not persuaded by Defendants’ argument. As the Court determined above, there is a genuine issue of material fact as to whether the parties intended for the 2000 Agreement to confer license rights on an entity like Lenovo, such that those rights which would spring into existence once a post-divestiture

request was made. A reasonable factfinder could determine that Lenovo's purported license is not an extension or enlargement of rights granted to a licensee, but instead involves rights that were granted by Lucent prior to the transfer of the Assigned Patents, and that therefore encumbered the patents when they were transferred to Agere. Under this line of reasoning, a request from Lenovo to Lucent—even after transfer of the Assigned Patents—could trigger the consummation of previously granted rights, regardless of whether the 2000 Agreement was assigned along with the patents at issue in the 2001 SDA.

c. Conclusion Regarding the 2000 Agreement

In the case of the 2000 Agreement, the *Winston* factors are a mixed bag. The first *Winston* factor is neutral, but the lack of partial performance means that the second *Winston* factor weighs in favor of finding that Lenovo does not have a license to the Assigned Patents. And while the third *Winston* factor militates strongly in favor of the conclusion that a separate writing was not required for Lenovo to obtain license rights, the fourth *Winston* factor strongly suggests the opposite. Moreover, there is a genuine issue of fact as to whether the parties intended to encumber the patents that were the subject of the 2000 Agreement, so that a request to Lucent even after it had assigned those patents to Agere would nonetheless confer license rights on an entity like Lenovo. Given the conflicting evidence of intent,²¹ summary judgment

²¹ For the first time in its Reply Brief in Support of its Motion for Summary Judgment, Lenovo argues that (1) “LSI/Agere is legally estopped from not recognizing Lenovo (Singapore)’s license”; and (2) Lenovo holds an “implied license” to the Assigned Patents. (D.I. 156 at 4–5) Although Lenovo argues (as part of its legal estoppel claim) that it would be “unjust” for Defendants to now deny the existence of a license, the Court has found (as discussed in detail above) that there is a genuine issue of fact as to whether the parties intended Lenovo (Singapore) to be licensed merely by virtue of its own post-agreement request. Based on the current record, Lenovo has therefore not shown that principles of equity require Defendants’ recognition of Lenovo’s purported license to the Assigned Patents. And as for Lenovo’s

relating to the 2000 Agreement is not appropriate. *See, e.g., I.R.V. Merchandising Corp. v. Jay Ward Productions, Inc.*, 856 F. Supp. 168, 172–74 (S.D.N.Y. 1994) (denying a motion for summary judgment where the evidence supported differing conclusions regarding intent).²²

3. The 2002 PLA

The 2002 PLA was entered into pursuant to the 2000 Agreement, and provides for a cross license between IBM and Agere “in accordance with the terms and conditions of the 1995 [PLA] with ‘[Agere]’ substituted for ‘the AT&T Parties,’” covering only those “products and services (and natural extensions thereof) sold or furnished by [Agere] as of June 1, 2001, the time [Agere]

contention that it has an implied license, Lenovo cites the same evidence relating to the parties’ course of dealing, (*see* D.I. 156 at 5), that the Court determined was insufficient to justify summary judgment in its favor. As such, Lenovo has not shown that summary judgment is appropriate based on legal estoppel or its claim to an implied license.

²² Defendants’ argument that a Lenovo license would violate the New York Statute of Frauds does not compel a different conclusion. (D.I. 96 at 18) (citing N.Y. Gen. Oblig. Law § 5-701(1)) There can be no dispute that the Statute of Frauds applies to any license that Lenovo claims to have to the Assigned Patents, which would run for more than one year. But as Mosaid and Lenovo point out, (D.I. 123 at 6–7; D.I. 129 at 7), there is no requirement under New York law that there be a single, written contract signed by Lucent and Lenovo in order for Lenovo’s license to satisfy the Statute of Frauds. Instead, the required writing may be “pieced together out of separate writings, connected with one another either expressly or by the internal evidence of subject matter and occasion.” *Scheck*, 26 N.Y.2d at 470–71 (internal quotation marks and citation omitted). In this case, there are multiple writings relating to the 2000 Agreement (including the 1995 PLA, the 2000 Agreement, and the June 23, 2005 Letter to Lucent), containing signatures on behalf of the parties, including the party to be charged (Lucent), and those writings appear to contain all of the material terms of the agreement. *See, e.g., Hawley Fuel Coalmart, Inc. v. Steag Handel GmbH*, 796 F.2d 29, 33 (2d Cir. 1986) (holding that multiple writings containing all the material terms of the agreement, only one of which needed to be signed by the party to be charged, were sufficient to satisfy the New York Statute of Frauds). Under those circumstances, there is at minimum a triable question as to whether the New York Statute of Frauds has been satisfied. *See, e.g., Atai v. Dogwood Realty of N.Y., Inc.*, 807 N.Y.S.2d 615, 619 (N.Y. App. Div. 2005) (holding that given the parties’ disputes regarding whether all material terms of a contract were in a writing, “the issue of whether the memorandum signed by the parties at bar satisfies the statute of frauds . . . should await resolution at trial”).

was divested from Lucent.” (D.I. 17, ex. 4) The 2002 PLA includes a provision that tracks the language of Section 1.01(a), with Agere agreeing to license two divested entities of IBM “[n]otwithstanding the provisions of Section 2.03 of the [1995 PLA] and in addition thereto.” (*Id.*) Those licenses were to be “for eight years unless IBM extends the license pursuant to the terms of paragraph 1.01(d) of the [2000 Agreement] between Lucent . . . and IBM, in which case the license shall be for the life of the patents.” (*Id.*) Thus, the 2002 PLA provides that “upon request,” Agere promised to license any two IBM-divested entities, so long as that divestiture occurred on or before October 1, 2005, and so long as the license extended only to those products and services sold or furnished by the divested entity prior to divestiture.

a. Applying the *Winston* Factors

As with the 2000 Agreement and the 1995 PLA, the Court must again begin its analysis of the one-page 2002 PLA by assessing whether or not the parties thereto expressly reserved the right not to be bound by a future divestiture license absent a formal agreement signed by both Agere and Lenovo. *Winston*, 777 F.2d at 80. The 2002 PLA’s “notwithstanding” clause (making up nearly half of the agreement’s text), states in part that “[n]otwithstanding the provisions of Section 2.03 of the [1995 PLA] and in addition thereto, [Agere] agrees that upon request from IBM, it will license, without diminishing IBM’s license, two divested entities of IBM that are divested on or before October 1, 2005” (D.I. 17, ex. 4) The parties make similar arguments as to the impact of this clause (and the degree to which it excludes, or explicitly incorporates, language and requirements from the 1995 PLA) as those that were addressed in the Court’s analysis of the 2000 Agreement. The Court will not repeat those arguments here, as its view of their impact is the same. While this clause clearly indicates that any of the 2002 PLA’s terms

that explicitly contradict the 1995 PLA's terms must take precedence, it is ambiguous as to what other licensing-related requirements of the 1995 PLA are incorporated into the 2002 PLA.

However, multiple aspects of the 2002 PLA's language strongly support Mosaid and Lenovo's position that after a future request by IBM, a separate, signed writing was not required. First, Agere is a signatory to the 2002 PLA (unlike the prior agreements-at-issue). Unlike the 2000 Agreement, it cannot here be said that it would be unjust to require that Agere be held to the terms of an agreement entered into by a predecessor, because Agere was a promising party in the 2002 PLA. Second, the purposes of the 2002 PLA are very clear: (1) IBM and Agere promise to license each other to the Assigned Patents; and (2) Agere promises that "upon request from IBM, it will license" two future IBM-divested entities (so long as divestiture occurred before October 1, 2005). Again, if Defendants' interpretation of the 2002 PLA were correct, then Agere's statement that it "will license" the patents-at-issue to an IBM divestee was not a promise to do so at all—it was a promise to *consider* doing so. Such a reading would clearly frustrate a significant purpose motivating the 2002 PLA.

The 2002 PLA does contain some language that supports Defendants' position, including a clause that the Court has previously addressed: "THIS AGREEMENT DOES NOT BIND OR OBLIGATE EITHER PARTY IN ANY MANNER UNLESS DULY EXECUTED BY AUTHORIZED REPRESENTATIVES OF BOTH PARTIES." (D.I. 17, ex. 4) This is the same language that appears in the 1995 PLA, the 2000 Agreement, the Avaya license and the proposed draft agreement sent by Lenovo in 2009. Again, a reasonable factfinder reviewing this provision could conclude that, when it comes to future licenses pursuant to the 2002 PLA for divested entities, those licenses would look similar to the 2002 PLA—and thus would likely contain this

sentence stating that no “bind[ing]” agreement would exist unless a new license was signed.

Nevertheless, in light of the clear purposes of the agreement, the Court views the text of the 2002 PLA overall as weighing more strongly in favor of Mosaid and Lenovo’s position that the parties did not expressly reserve the right to be bound only by a separate, written agreement.

However, when analyzing the 2002 PLA, the Court must also consider the parties’ course of conduct, as exemplified by the June 23, 2005 Letter to Agere sent by Ms. Ungerman on behalf of IBM (and Lenovo (Singapore)). That letter, which refers to the 2002 PLA as the source of Lenovo (Singapore)’s license rights, is similar to the June 23, 2005 Letter to Lucent. It states that “IBM requests that Agere enter into a new patent cross license agreement with Lenovo (Singapore) effective as of April 30, 2005.” (D.I. 89, ex. 8) As discussed above, if IBM (and Lenovo (Singapore)) believed that a license agreement existed simply upon the sending of this letter, there was no need to request that Agere “enter” into a “new” patent cross license agreement with Lenovo (Singapore)—one would have existed simply upon the mailing of the letter. IBM and Lenovo note that “[e]xecution copies of documentation to memorialize the new license agreement will be delivered to [Agere] in the coming weeks.” (*Id.*) The Court finds that the effect of this sentence is similar to the one included in the June 23, 2005 Letter to Lucent. On the one hand, the reference to “memorializ[ing]” can be reasonably read to suggest that such execution was a formality not absolutely required by the 2002 PLA. Yet on the other hand, the assertion that “execution copies” will be sent can also be viewed as supporting Defendants’ claim that there was a *need* to send them—because if they were not signed by both parties, Lenovo (Singapore) would not have a license. On balance, as with the June 23, 2005 Letter to Lucent, this letter’s multiple references to a “new” agreement that would have to be “execut[ed]” more

directly support the conclusion that the parties expressly reserved the right not to be bound in the absence of a second agreement. When considered along with the other letters sent by IBM and Lenovo (Singapore) regarding the related 1995 PLA and 2000 Agreement, the parties' course of conduct supports Defendants' position as to the first *Winston* factor.

Therefore, while the text of the 2002 PLA more strongly supports Mosaid and Lenovo's position as to the first *Winston* factor, the parties' subsequent course of conduct more strongly supports Defendants' position. Thus, there is real ambiguity as to whether the parties expressly reserved the right not to be bound by a Lenovo license absent a separate written agreement. The Court therefore finds the first *Winston* factor to be neutral.

As in the case of the 1995 PLA and the 2000 Agreement, the second *Winston* factor favors Defendants' position. 777 F.2d at 80. While Agere and IBM appear to have performed according to the terms of the 2002 PLA, neither party has put forward any evidence of partial performance pursuant to a license between Agere and Lenovo. As such, the second *Winston* factor weighs in favor of a finding that Lenovo was not licensed to the Assigned Patents absent a separate, signed agreement.

The third *Winston* factor weighs in favor of finding that Lenovo had a license simply by virtue of its 2005 request to Agere. All of the terms for a potential license (including an option to extend its duration) to a divested entity had been negotiated and were reflected in the language of the 2002 PLA. Neither IBM nor Lenovo proposed any new terms in connection with the June 2005 correspondence to Agere. (D.I. 89, ex. 8) These facts support Lenovo's position that no additional writing was needed beyond a request from IBM for Lenovo to obtain a license.

The final *Winston* factor, for the reasons discussed above, weighs in Defendants' favor,

because a license agreement between Agere and Lenovo is the sort of agreement that is usually committed to writing. *Read-Rite*, 2007 WL 2318901 at *4.

As was the case with the 2000 Agreement, the *Winston* factors do not strongly favor either side when viewed in light of the 2002 PLA. Again, the first *Winston* factor is neutral, while the second *Winston* factor weighs in favor of Defendants' position. The third *Winston* factor favors Mosaid and Lenovo's position, while the fourth factor favors Defendants' position. The task of gleaning the parties' intent from documents that have ambiguous language on this point, and from the parties' course of conduct, must therefore fall to a jury.²³

b. Was IBM, Pursuant to the 2002 PLA, Required to Request a License On Lenovo (Singapore)'s Behalf Within 60 Days of Divestiture of Lenovo (Singapore) and to Demonstrate that the Divestiture Included Tangible Assets Having a Net Value of [REDACTED]?

Defendants assert that even if a separate, signed writing was not required for Lenovo to obtain license rights to the Assigned Patents, summary judgment as to the 2002 PLA is proper on another basis.²⁴ They argue that Section 2.03 of the 1995 PLA is "incorporated into the 2002 [PLA,]" and note that Section 2.03 requires a third party seeking licensing rights to (1) request a

²³ For similar reasons to those set forth above with respect to the 2000 Agreement, Defendants' arguments regarding the New York Statute of Frauds are insufficient to grant summary judgment in their favor as to the 2002 PLA. This is the case because Agere was "substituted" for the AT&T Parties in the 1995 PLA and signed the 2002 PLA, and because of the June 23, 2005 Letter to Agere (which was signed on Lenovo's behalf). These documents arguably incorporate all material terms of a license between the parties, and therefore present at least a triable issue of fact as to whether the Statute of Frauds was satisfied.

²⁴ Although Defendants do not separately assert that the incorporation of these terms from the 1995 PLA offers another basis for granting summary judgment in their favor for the 2000 Agreement, the Court's analysis in this regard applies equally to both the 2000 Agreement and the 2002 PLA.

license from Agere within 60 days following Lenovo (Singapore)’s divestiture and (2) demonstrate that the divestiture at issue involved, *inter alia*, a transfer of tangible assets with a net value of at least [REDACTED]. (D.I. 126 at 11–12; D.I. 127 at 10–11) Defendants assert that summary judgment is appropriate because Mosaid and Lenovo provided “no evidence that IBM requested a license within sixty (60) days of divesting Lenovo Singapore,” (D.I. 126 at 11; D.I. 127 at 10), and have “failed to set forth evidence sufficient to show that the divestiture of Lenovo included tangible assets having a *net value* of at least [REDACTED],” (D.I. 127 at 11; *see also* D.I. 126 at 12 n.11).

The Court finds that, as an initial matter, the terms of the 2002 PLA are ambiguous as to whether Lenovo (Singapore) would have had to fulfill these two requirements in order to obtain a license to the Assigned Patents from Agere. On the one hand, one could credibly read the 2002 PLA to mean that because it already contains requirements relating to the identity of the licensees (two IBM-divested entities) and the deadline for their divestiture (prior to October 1, 2005), then the import of the “notwithstanding” clause is to relieve IBM of establishing any other factual predicates for that divested entity to receive a license. But on the other hand, the “notwithstanding” clause exists “in addition [to]” the provisions of the 1995 PLA, and there can be no dispute that some provisions of the 1995 PLA are incorporated into the 2002 PLA. (*See, e.g.*, D.I. 88 at 9 (citing § 3.04 of the 1995 PLA for the proposition that all the IBM-related agreements are governed by New York law)) Because the 60-day notice requirement and \$100 million asset requirement in Section 2.03 of the 1995 PLA do not *directly contradict* any term of the 2002 PLA, the 2002 PLA can be reasonably read to require that: (1) IBM must divest the entity-at-issue before October 1, 2005; *and* (2) that IBM must make a request for a license for the

divested entity within 60 days of divestiture; *and* (3) the divestiture must involve the transfer of at least [REDACTED] in assets.

This ambiguity would have little relevance if Lenovo established that it *had in fact* met the two conditions at issue. Here again, however, the record demonstrates that there is a genuine issue of fact as to whether the 60-day notice requirement was met.²⁵

The 1995 PLA states that “after request” by IBM and the third party made “within sixty (60) days following the transfer” of the product line-at-issue, a license could be granted to the third party transferee. (D.I. 17, ex. 3 at § 2.03) In this case, there is no dispute that IBM divested what became Lenovo (Singapore) on April 30, 2005. (D.I. 90 at 1, ¶ 2) Lenovo has also introduced: (1) the letter to Agere sent by Ms. Ungerman on behalf of IBM and Lenovo (Singapore), dated June 23, 2005, which requests that Agere license Lenovo (Singapore) to the Assigned Patents; and (2) a document indicating that the letter was sent via certified mail and that it was delivered to an Agere representative in Allentown, Pennsylvania, on July 5, 2005.²⁶ (D.I. 89, ex. 8)

Defendants assert that this notice was ineffective because it was “received” on July 5, 2005, 66 days after the date of divestiture. (D.I. 126 at 12; D.I. 127 at 10) However, this argument must fail, both because (1) Section 2.03 of the 1995 PLA states that the deadline in question is met “after request” is *made*, not after that request has been *received*; and (2) Section

²⁵ As to the second of these purported requirements, there is no genuine issue of fact as to whether the divestiture of Lenovo (Singapore) involved tangible assets with a net value of over [REDACTED]. The unrebutted evidence demonstrates this to be the case. (*See, e.g.*, D.I. 90 at ¶¶ 12–13 & exs. 21–22)

²⁶ The letter itself is addressed to Agere’s office in Coral Gables, Florida, but indicates that a copy was also to be sent to an attorney for Agere in Allentown. (D.I. 89, ex. 8)

3.03 states that “any notice or other communication hereunder *shall be sufficiently given . . . when sent* by certified mail.” (D.I. 17, ex. 1 at § 2.03, § 3.03 (emphasis added)) These two provisions make it unambiguously clear that under the 1995 PLA, such notice is effective when sent by the requesting party, not when it was received.

The difficult factual question, however, relates to exactly when the notice was sent. Defendants argue that even if notice is effective when sent, Mosaid and Lenovo have “provide[d] no evidence that the letter to Agere was sent six or more days before it was received by Agere on July 5, 2005” (i.e., that the letter was sent prior to the expiration of the 60-day deadline on June 29, 2005). (D.I. 126 at 12 n.10) A genuine issue of material fact exists as to this question. Defendants are wrong to say that Mosaid and Lenovo have provided “no evidence” that the letter was sent before the deadline—the fact that the notice letter was dated June 23, 2005 and was received in early July amounts to some evidence supporting that conclusion. But Defendants are also correct to suggest that a jury could reasonably question whether the letter was actually sent before June 30, 2005. After all, that would mean that it took at least six days for a letter sent by certified mail to be received by Agere—what might seem to a reasonable juror to be an unusually long time for such a mailing to travel.

c. Defendants’ Additional Arguments That Lenovo Does Not Have a Right To a Prospective License Under the 2002 PLA

Defendants also argue that Lenovo does not have the right to demand a future license to any patents based on the 2002 PLA because (1) any right Lenovo may have had to a patent license from Agere has expired, pursuant to New York law; (2) Lenovo waived any such right; and (3) the doctrine of laches precludes Lenovo from ever demanding such a license in the

future. (D.I. 99 at 13–18)

Defendants’ assertions that Lenovo has now forfeited the right to execute a signed license agreement with them (arising out of rights granted by the 2002 PLA) are all premised on the assumption that Lenovo did not obtain a license via its June 23, 2005 Letter to Agere.

Defendants contend that because Agere had no further contact from Lenovo regarding the 2002 PLA until 2009, each of these legal doctrines (all premised upon undue delay) block Lenovo’s right to any future executed license agreement.

In response, Lenovo argues that in order to obtain a license pursuant to the 2002 PLA, all that was needed was for IBM to make a written request of Agere. Lenovo alleges that IBM made such a request via the June 23, 2005 Letter to Agere—a letter sent just weeks after its divestiture from IBM (and before the October 1, 2005 deadline for qualifying divestitures set forth in the 2002 PLA). Therefore, Lenovo argues that: (1) it does not make sense for Defendants to claim that Lenovo’s rights to now obtain a license under New York law have expired, because Lenovo *has had* a license since June 2005 (D.I. 130 at 15); (2) Lenovo has not waived any right to obtain a license based on its (in)activity after June 2005, because it had already obtained a license by that date (*id.* at 20); and (3) the doctrine of laches is inapplicable because Lenovo timely asserted the right to a license (and obtained one) in June 2005 (*id.* at 16–19).

In short, the resolution of these claims is mostly, if not entirely, bound up in the larger question of whether the 2002 PLA granted Lenovo license rights upon request. The Court has determined that this question is not amenable to summary judgment and must be resolved at trial. Therefore, none of the other arguments offered by Defendants as to the 2002 PLA are sufficient to provide a basis for summary judgment in their favor.

4. The 1999 PLA

Lenovo's motion for summary judgment does not rely on the 1999 PLA "because LSI/Agere has represented . . . that the patents covered by the 1999 [PLA] do not relate to the Assigned Patents." (D.I. 130 at 12) However, Defendants moved for summary judgment that the Lenovo Entities have no license rights to any patents under the 1999 PLA. (D.I. 99) This prompted Lenovo to argue that to the extent the 1999 PLA covers any of the Assigned Patents, it "provides an additional basis to find in [their] favor." (D.I. 130 at 12) The Court therefore analyzes the 1999 PLA in light of the *Winston* factors.

First, the Court assesses whether the parties to the 1999 PLA (IBM and LSI) expressly reserved the right not to be bound by transferee or divestiture licenses absent a separate, executed written agreement. *Winston*, 777 F.2d at 80. Section 2.8 of the 1999 PLA closely tracks the language of Section 2.03 of the 1995 PLA. Section 2.8 provides that if a product line of a party is transferred (as occurred in the case of Lenovo's divestiture from IBM), "then after [joint] written request" from the transferor and third-party transferee, the non-transferring party to the 1999 PLA "agree[d] to grant a [REDACTED] license (under the same terms as the license granted to the Transferring Party herein)." (D.I. 17, ex. 2 at § 2.8) The 1999 PLA also includes a slight variation on the language relating to execution that appears in the 1995 PLA, 2000 Agreement, and 2002 PLA, providing in Section 7.9 that "[t]his Agreement shall not be binding upon the parties until it has been signed hereinbelow by or on behalf of each party." (*Id.* at § 7.9)

Much as with the 1995 PLA, the Court finds the language of the 1999 PLA to be ambiguous as to whether any future transferee license would need to exist as a separate, signed writing. On the one hand, Section 2.8's statement that a transferee license be granted "after

written request” can be read to allow for the type of binding option contract discussed above. On the other hand, its reference to any transferee license being granted “under the same terms” as the transferring party’s license in the 1999 PLA can be reasonably read to suggest that other portions of the 1999 PLA—including Section 7.9’s requirement of a jointly signed license agreement—must also be satisfied.

The parties’ course of conduct, however, was not ambiguous. On June 1, 2005, just over 30 days after IBM divested Lenovo, IBM and Lenovo “jointly request[ed] that LSI enter into a new patent cross license agreement with Lenovo (Singapore), effective as of April 30, 2005.” (D.I. 100, ex. 28) That letter was apparently sent to LSI at the address contained in Section 6.2 of the 1999 PLA. (*Id.*; D.I. 17, ex. 2 at § 6.2) On June 30, 2005, IBM and Lenovo (Singapore) forwarded that correspondence via overnight mail to a different LSI address, noting that the prior June 1, 2005 Letter “requests a new patent cross license agreement for IBM’s former subsidiary [Lenovo (Singapore)].” (D.I. 131, ex. 27)

On November 18, 2005, Lenovo’s counsel followed up on that correspondence, sending a letter and “attach[ing] for [LSI’s] review and comment a copy of a proposed new patent cross license agreement between LSI and Lenovo (the ‘New License’).” (D.I. 90, ex. 15) A copy of the 1999 PLA was also attached to the November 18, 2005 Letter. Lenovo proposed attaching the 1999 PLA to the final, executed “New License” because “many of the terms and conditions of the New License will be the same as those in the [1999 PLA].” (*Id.*) The attached proposed license agreement, therefore, was written in such a way as to incorporate the provisions of the 1999 PLA—including Section 7.9 (requiring that the agreement would not be binding until executed)—except for certain alterations in the proposed agreement. (*Id.* at LSI_AGERE

00026567–72) The November 18, 2005 Letter stated that Lenovo “look[ed] forward to any comments [of LSI] concerning the New License” and that if no such comments were received by December 5, 2005, it would forward an executed version of the proposed “New License” for LSI’s countersignature. (*Id.* at LSI_AGERE 00026565)

On April 24, 2006, after apparently hearing nothing from LSI, Lenovo followed up yet again. Lenovo noted in that April 24, 2006 Letter to LSI that “LSI is obligated under [the 1999 PLA] to enter into the new patent cross license agreement granting a [REDACTED] license to Lenovo” and requested that LSI again respond with “any comments” on the proposed draft. (D.I. 90, ex. 16) The parties never executed a copy of that draft proposal.

Although the 1999 PLA’s text is ambiguous as to whether the parties expressly reserved the right not to be bound to a transferee license in the absence of a written agreement, IBM’s (and Lenovo’s) own writings and conduct in 2005 and 2006 do indicate such an express reservation. First, as was the case in *Read-Rite*, IBM and Lenovo “doggedly” pursued LSI through 2005 and 2006, by sending at least four letters attempting to get a signature on a “new” licensing agreement. 2006 WL 2241107, at *4. Second, Lenovo’s proposed draft agreement incorporated Section 7.9 of the 1999 PLA, which stated that an agreement “shall not be binding upon the parties until it has been signed . . . by or on behalf of each party.” (D.I. 17, ex. 2 at § 7.9) Third, as part of Lenovo’s letter writing campaign, it repeatedly referred to its enclosed license as a “proposed” form or a “new” license or a “draft” that would be subject to LSI’s “comments” and further joint negotiation—the sort of language that courts have found evidences an intent not to be bound in the absence of a writing. *See, e.g., Winston*, 777 F.2d at 81 (finding that although “neither party expressly reserved the right not to be bound prior to the execution of a document,

language in the correspondence” regarding a “proposed agreement” revealed such an intent); *R.G. Group, Inc.*, 751 F.2d at 76 (letter referring to negotiations “designed to resolve outstanding issues and ‘to reduce [the] agreement to writing’” evidenced reservation of right, despite prior references to a “handshake agreement”); *accord Pamas*, 724 F. Supp. at 262. Fourth, Lenovo’s letters never asserted that it had a license absent an executed agreement; instead, Lenovo merely noted that, absent negotiations or signature from LSI, it would “proceed accordingly.” (D.I. 90, ex. 16) Given these factors, the evidence suggests that IBM and LSI (and Lenovo) reserved the right not to be bound by a transferee license pursuant to the 1999 PLA absent a signed writing.

The second *Winston* factor also favors Defendants’ position. There is no evidence of partial performance of a license to the Assigned Patents between LSI and Lenovo (nor of partial performance of any other divested entity license granted pursuant to the 1999 PLA).

The third *Winston* factor, which requires the Court to assess whether all of the terms of a Lenovo license had been agreed upon, again weighs in favor of finding that no license exists. In this case, Lenovo sent LSI a five-page license proposal containing a number of deletions, additions, and modifications to the 1999 PLA. (D.I. 90, ex. 15 at LSI_AGERE 00026567–72) Some of those changes were merely formalistic, but Lenovo also proposed definitions relating to the field of the license. (*Id.* at LSI_AGERE 00026568) The lack of certainty for that key term (which had apparently been left undefined by Section 2.8 of the 1999 PLA) suggests the need for future negotiations between the parties as to the critical and material terms defining the license scope. (*Id.*) As was the case with the 1995 PLA, the Court finds that this open term weighs in favor of finding that no license was granted to Lenovo by virtue of its written request to LSI.

Finally, as noted above, any agreement cross-licensing Lenovo and LSI’s patent portfolios

would typically be reduced to writing, even if their predecessors-in-interest had contemplated that certain divested entities would have certain rights to the licensed patents in the future. *See, e.g., Read-Rite*, 2007 WL 2318901, at *4.

Therefore, each of the four *Winston* factors supports the conclusion that the parties to the 1999 PLA did not intend for Lenovo to obtain a license from LSI pursuant to that agreement simply by virtue of a written request. In light of that, the Court finds that no reasonable jury could find that Lenovo was licensed to the Assigned Patents pursuant to the 1999 PLA as of February 2007.²⁷

5. Have Defendants Breached the 2007 PAA as to Lenovo?

Mosaid contends that Agere expressly warranted in Section 5.1(f) of the 2007 PAA (and in related Tables attached thereto) that Lenovo did not have a license to the Assigned Patents. (D.I. 94 at 16–17) Mosaid argues that it relied on this warranty in signing the 2007 PAA, and that the warranty was breached, in that Lenovo did have a license to those patents at the time of the execution of the 2007 PAA (pursuant to the rights granted in the 2000 Agreement and 2002 PLA respectively). (*Id.*) Defendants dispute this, arguing that for the reasons previously set forth, Lenovo had no such license with Agere and thus, no breach of this warranty, or of the 2007 PAA, occurred. (D.I. 127 at 17) Because the Court concludes that there is a genuine issue of material fact regarding whether Lenovo was licensed under at least the 2000 Agreement and the 2002 PLA as of February 2007, and because there is no dispute that at least the 2002 PLA is a

²⁷ At oral argument, Lenovo’s counsel asserted that to date there has been insufficient discovery to determine what patents are covered by the 1999 PLA. (Tr. at 100–01) Given the Court’s conclusion that Defendants are entitled to summary judgment with regard to the 1999 PLA, no further discovery relating to the 1999 PLA is warranted.

license agreement that is “with Agere” (such that it would be covered by the warranty in Section 5.1(f) (*see* Tr. at 112–14)), there is necessarily a genuine issue of fact as to whether an express warranty of the 2007 PAA was breached as to Lenovo. Thus, no party has proved that it is entitled to summary judgment in its favor on Count 1 of Mosaid’s Complaint as to Lenovo, or Counts 1 and 2 of Defendants’ Counterclaims as to Lenovo.

B. Matsushita

In Count 1 of their Counterclaims, Defendants seek, *inter alia*, a declaration that they have not breached an express warranty of the 2007 PAA with respect to third-party Matsushita. (D.I. 17 at 18, at ¶ 57) In Section 5.1(f) of the 2007 PAA, Agere expressly warranted that “Table 2 of Exhibit D [to the 2007 PAA] is a non-exhaustive list of entities that currently [i.e., as of February 21, 2007] *do not have a license agreement with AGERE* for any of the PATENTS.” (D.I. 2, ex. 1 at § 5.1(f) (emphasis added)) Matsushita is listed in Table 2 of Exhibit D to the 2007 PAA, along with twenty-six other entities (including Lenovo). There appears to be no dispute that Matsushita had a license to at least seven of the Assigned Patents on February 21, 2007, by virtue of the 1989 Matsushita PLA. (D.I. 123 at 19) There is likewise no dispute that the 1989 Matsushita PLA was not executed by Agere,²⁸ and was not assigned to Agere as of February 21, 2007. (*See, e.g.*, D.I. 101, ¶ 9)

Defendants argue that, by its plain and unambiguous language, the Section 5.1(f) warranty extends only to those license agreements that were “with Agere,” which it interprets to mean only those agreements to which Agere was a “party”—i.e., those that were either executed

²⁸ The 1989 Matsushita PLA was executed by AT&T and Matsushita on July 6, 1989. (D.I. 100, ex. 2 at 9)

by Agere or assigned to Agere. (D.I. 96 at 9–10) In Defendants’ view, although Matsushita is listed in Table 2 of Exhibit D to the 2007 PAA, that listing is accurate because Agere did not execute the 1989 Matsushita PLA and that agreement was not later assigned to Agere. (*Id.* at 11) As such, Defendants contend that they are entitled to summary judgment in their favor on Count 1 of their Counterclaims as to Matsushita. (*Id.* at 10)

Mosaid counters that “the 2007 PAA, when viewed as a whole, demonstrates that [the] Section 5.1(f) warranty is directed to *all* license agreements that encumber the Assigned Patents and Patent Applications.” (D.I. 123 at 14)²⁹ In Mosaid’s view, the 1989 Matsushita PLA falls within the scope of the Section 5.1(f) warranty, and thus Matsushita was incorrectly listed in Table 2 of Exhibit D to the 2007 PAA, in material breach of the express warranty in Section 5.1(f). (*Id.* at 19–20)

1. Legal Standards for Interpreting the 2007 PAA

In contrast to the Court’s consideration of the Lenovo Entities, where factual questions of contract formation intersected with legal issues of contract interpretation, the parties’ arguments as to Matsushita turn exclusively on how the warranty in Section 5.1(f) of the 2007 PAA should be interpreted. This dispute thus requires the Court to apply New York law governing contract interpretation. *See, e.g., Ballie Lumber Co. v. A.L. Burke, Inc.*, 819 N.Y.S.2d 846, 2006 WL 1029708, at *5 (N.Y. Sup. Ct. Feb. 8, 2006) (“Because an express warranty is part of the ‘basis of the bargain,’ its interpretation is governed by rules of contract interpretation.”) (citations

²⁹ Neither Mosaid nor Lenovo address the 1989 Matsushita PLA in their respective motions for summary judgment. (*See, e.g.*, D.I. 88 & 94) Instead, the 1989 Matsushita PLA is addressed exclusively in the context of Defendants’ motion for summary judgment on Counts 1 and 2 of their Counterclaims. (*See* D.I. 96 & 123)

omitted); *Prudential Ins. Co. of Am. v. Premit Group, Inc.*, 704 N.Y.S.2d 253, 255 (N.Y. App. Div. 2000) (applying “well-settled rules of contract interpretation” to determine the scope of an express warranty in a patent license); *see also Hunter’s Run Stables, Inc. v. Triple H Constr. Co.*, 938 F. Supp. 166, 170 (W.D.N.Y. 1996) (applying “principles of contract interpretation in determining the meaning of [an express] warranty”).

The Court’s initial task when interpreting a disputed contractual provision is to determine whether it is unambiguous. *See, e.g., Riverside S. Planning Corp.*, 920 N.E.2d at 363–64. If the Court concludes that only one reasonable meaning can be ascribed to the disputed provision, then the Court should interpret it in accordance with that unambiguous meaning as a matter of law. *See, e.g., K. Bell & Assocs., Inc. v. Lloyd’s Underwriters*, 97 F.3d 632, 637 (2d Cir. 1996).

As a preliminary matter, there is some question as to what evidence is relevant to the Court’s determination of whether Section 5.1(f) is ambiguous. (*See* Tr. at 108) In particular, may the Court look beyond the four corners of the 2007 PAA as part of its initial assessment as to ambiguity, or is any extrinsic evidence relevant if and only if the Court first concludes that the 2007 PAA is ambiguous based solely on its language? As noted above, courts applying New York law have generally excluded extrinsic evidence from the initial assessment of potential ambiguity, confining their inquiry into the meaning of a disputed contract provision to the language of the contract itself. *Kass*, 91 N.Y.2d at 566; *S. Rd. Assocs., LLC*, 4 N.Y.3d at 278. Indeed, nearly 150 years ago, the highest court in New York held that “where the language [of a contract] is clear, unequivocal and unambiguous, the contract is to be interpreted by its own language, and courts *are not at liberty* to look at extrinsic circumstances surrounding the transaction, or elsewhere, for reasons to ascertain its intent.” *Springsteen v. Samson*, 32 N.Y.

703 (N.Y. 1865) (emphasis added). This exclusive focus on the language of the contract when assessing alleged ambiguity persists in modern New York jurisprudence. *See, e.g., Greenfield v. Philles Records*, 98 N.Y.2d 562, 569 (N.Y. 2002) (“Extrinsic evidence of the parties’ intent may be considered *only if the agreement is ambiguous. . . .*”) (emphasis added); *accord Postlewaite*, 411 F.3d at 67 (“[I]f a contract is *straightforward and unambiguous*, its interpretation presents a question of law for the court to be made *without resort to extrinsic evidence.*”) (internal quotation marks and citations omitted) (emphasis added); *Int’l Klawter Co.*, 869 F.2d at 100 (“It is a fundamental principle of contract interpretation that, in the absence of ambiguity, the intent of the parties must be determined from their final writing and *no parol evidence or extrinsic evidence is admissible.*”) (emphasis added).

Against this seemingly clear framework for analyzing potential contractual ambiguity, New York courts have opened the door to a narrow category of extrinsic evidence at the initial assessment stage, so long as it relates to the context of the agreement, “the relation of the parties[,] and the circumstances under which [the contract] was executed.” *Kass*, 91 N.Y.2d at 566. At least one court has highlighted this tension in the New York caselaw. *See Fireman’s Fund Ins. Cos. v. Siemens Energy & Automation, Inc.*, 948 F. Supp. 1227, 1233 (S.D.N.Y. 1996) (noting the unresolved “inconsistency” between considering extrinsic evidence of the context in which a contract was executed and the otherwise clear “requirement [under New York law] that ambiguity be determined from the four corners of the contract”).

From the somewhat conflicting guidance of the New York courts, two overarching precepts emerge. First, when assessing ambiguity of a contract provision, the principal focus of the Court must be on the words of that provision itself, read in light of the entire agreement,

which is always “[t]he best evidence” of what the parties intended. *Greenfield*, 98 N.Y.2d at 569. Second, the Court may consider extrinsic evidence as to the context of the agreement and relationship of the parties, but that extrinsic evidence cannot be used to alter the plain language of the contract, or create an ambiguity where none exists in the contract itself. *See, e.g., W.W.W. Assocs. v. Giancontieri*, 77 N.Y.2d 157, 162 (N.Y. 1990) (“Evidence outside the four corners of the document as to what was really intended but unstated or misstated is generally inadmissible to add to or vary the writing.”). The Court will apply these fundamental principles to the 2007 PAA, looking first to the language of the 2007 PAA, and then to the surrounding circumstances and context of the 2007 PAA.

2. The Language of the 2007 PAA Is Unambiguous

Section 5.1(f) of the 2007 PAA, when read in light of the entire agreement, unambiguously extends only to license agreements that were in existence as of February 21, 2007, and to which Agere was either a signatory or assignee. The representation in Section 5.1(f) is explicitly and specifically limited to only those entities that had a license agreement “with AGERE.” There is only one reasonable way that this phrase could be interpreted—Agere must be a party to a license agreement covering the Assigned Patents (having either signed such an agreement, or been added to, substituted in, or assigned such an agreement after it was executed). “AGERE” is a defined term in the 2007 PAA, and refers only to the Delaware corporation known as “Agere Systems Inc.” (D.I. 2, ex. 1 at 1) The parties could have defined “Agere” to include more than just that nominal party. In the alternative, section 5.1(f) could have been drafted to refer not only to Agere, but also to Agere’s “predecessors-in-interest,” or former assignees of the Assigned Patents. The parties also could have excluded any reference to qualifying agreements

being only “with Agere.” But the parties to the 2007 PAA made none of those choices.

The language elsewhere in the 2007 PAA only bolsters the Court’s conclusion as to the unambiguous scope of the Section 5.1(f) warranty. Most compellingly, the parties agreed to a separate warranty in Section 5.1(e), which referred to a non-exhaustive list of those “entities that currently have a license agreement covering some or all of the [Assigned] PATENTS.” (D.I. 2, ex. 1 at § 5.1(e)) Mosaid’s interpretation of Section 5.1(f)—that it encompasses *all* license agreements that encumber the Assigned Patents and Patent Applications—would read out the words “with AGERE” from that Section, so that it is rewritten to mirror the broader language of the previous sentence in Section 5.1(e). Under that interpretation, Section 5.1(f) would instead refer to entities “that currently do not have a license agreement ~~with Agere~~ for any of the [Assigned Patents].” Such a result would obviously render the phrase “with AGERE” superfluous, in contravention of the principles of contract interpretation. *See, e.g., BNP Paribas Mortg. Corp. v. Bank of Am., N.A.*, 778 F. Supp. 2d 375, 397 (S.D.N.Y. 2011) (applying New York law and refusing to “read out” language referring to “actual knowledge”); *Mergent Servs. v. Nova Info. Sys., Inc.*, No. 03CV4890KMWRLE, 2006 WL 148915, at *2 (S.D.N.Y. Jan. 12, 2006) (refusing to interpret a contract provision in such a way that the phrase “for any reason” would be “read out of the contract”). The different language that was used in these two warranty provisions corroborates that Section 5.1(e) must be interpreted as referring to a different and broader group of license agreements than does Section 5.1(f)—and that the plain meaning of “with AGERE” must be ascribed to that term. *See, e.g., NFL Enterprises LLC v. Comcast Cable Comm’ns, LLC*, 841 N.Y.S.2d 220, 2007 WL 1299412, at *6–7 (N.Y. Sup. Ct. May 4, 2007) (noting that “[w]hen parties use different terms in a contract, it is assumed they do so to ascribe

different meanings for those terms,” and holding that, as a matter of law, contract term referring to “live, nationally-telecast” games must be of narrower scope than term referring to “live regular season” games).

The warranty in Section 5.1(e) also contains only a “non-exhaustive” list of entities that had a license agreement covering some or all of the Assigned Patents. That language strongly indicates that both parties to the 2007 PAA understood that there were entities other than the fourteen listed in Table 1 to Exhibit D that nonetheless may have had a license as of February 21, 2007. That list could have included entities that had a license to the Assigned Patents, but not a license that was assigned to or entered into “with Agere.” If the parties truly intended to define the entire universe of entities that did (and did not) have licenses to the Assigned Patents, then this qualifying term “non-exhaustive” would not have been included.

According to Mosaid, interpreting the term “with Agere” to mean only those agreements that are actually “with Agere” would “render[] Section 5.1(f) meaningless[, because] [t]here would be no reason to include the express warranty, or for [Mosaid] to rely on it at all, if in fact entities identified in Table 2 as unlicensed were nevertheless licensed.” (D.I. 123 at 15) To the contrary, there could well “be [a] reason” for the parties to have included the language in Section 5.1(f) and intended it to have the meaning ascribed by Defendants. The understandable reason was suggested by Defendants in their briefing: for “any licenses involving the Agere patents to which Agere was not a party on February 21, 2007, there would have been no realistic way for Agere to know the current status of the license and make a representation regarding the same in the 2007 PAA.” (D.I. 96 at 12 n.5) Listing only those license agreements that were “with Agere” can be seen as a compromise: giving Mosaid the comfort of knowing about at least the

existing license agreements that Agere could most readily ascertain, while giving Agere the comfort of knowing that it did not have to make representations about license agreements of which it was uncertain or not aware.³⁰

Mosaid also argues that construing the phrase “with AGERE” to refer only to license agreements that were executed by or assigned to Agere would conflict with Section 3.1(c) of the 2007 PAA. (D.I. 123 at 15–16; Tr. at 154) In that section, Agere transferred to Mosaid “the right to collect royalties [under the Assigned Patents], subject, however, to all existing AGERE licenses as of the Effective Date.” (D.I. 2, ex. 1 at § 3.1(c)) Mosaid argues that because the patents were necessarily transferred subject to *all* existing licenses (not merely those that were executed by or assigned to Agere), the reference to “AGERE licenses” must encompass *all* licenses to the Assigned Patents. (D.I. 123 at 15) As a consequence, according to Mosaid’s argument, the reference in Section 5.1(f) to licenses “with AGERE” should be construed consistently with “AGERE licenses”—to encompass all licenses to the Assigned Patents.

Mosaid is correct that “an assignee takes a patent subject to [all] legal encumbrances thereon.” *Datatrans Corp. v. Wells Fargo & Co.*, 522 F.3d 1368, 1372 (Fed. Cir. 2008). However, Mosaid is incorrect that this general principle compels a reading of Section 3.1(c) that contradicts the Court’s interpretation of Section 5.1(f). Section 3.1(c) simply highlights certain *Agere-specific* restrictions on Mosaid’s potential revenue stream from the Assigned Patents. Those restrictions include any “existing Agere licenses,” as well as Agere’s continued right to practice the Assigned Patents, and to grant sublicenses to LSI and its subsidiaries. (D.I. 2, ex. 1

³⁰ Indeed, by contrast, the parties did use broader, more inclusive language with regard to existing litigation, with Agere warranting that “Exhibit B lists *all* past and present litigation related to the [Assigned] Patents.” (*Id.* at § 5.1(g) (emphasis added))

at § 3.1(c)) In other words, Mosaid’s exploitation of the Assigned Patents would be limited vis-a-vis Agere by virtue of any “existing Agere licenses,” as well as by what amounts to a grant-back license (with sublicensing rights) to Agere. There is no indication that this section of the assignment is intended to *invoke the entire universe of legal encumbrances on the Assigned Patents*. Instead, this section clearly enumerates only the Agere-specific encumbrances.

Indeed, while the phrase “Agere licenses” is never defined, language elsewhere in the 2007 PAA makes clear that this set of licenses is narrower than all of those that might encumber the Assigned Patents. The general principle, which is recounted in cases such as *Datatreasury*, is specifically invoked in Section 6.1 of the 2007 PAA. Section 6.1 provides that the Assigned Patents are being transferred “SUBJECT TO *ALL EXISTING LICENSES* AS OF THE EFFECTIVE DATE.” (D.I. 2, ex. 1 at § 6.1 (emphasis added)) When the parties wanted to refer to “all existing licenses” to the Assigned Patents covered by the 2007 PAA, they did so. When they wanted to refer to a more limited subset of such licenses, as in Section 3.1(c) and 5.1(f), they likewise did so. The Court’s interpretation of Section 5.1(f) must reflect these distinctive uses.

In sum, the language of the 2007 PAA, when read as a whole, leads to the singular and unambiguous conclusion that Section 5.1(f) refers only to license agreements that were executed by or assigned to Agere.

3. None of Mosaid’s Cited Evidence As To the “Context” of the 2007 PAA Is Sufficient to Create A Genuine Issue of Material Fact

As noted above, the Court may also look to a limited universe of evidence extrinsic to the four corners of the 2007 PAA when assessing whether Section 5.1(f) is ambiguous, insofar as such evidence relates to the context of the agreement, relationship of the parties, and the

circumstances under which the contract was created.³¹ *Kass*, 91 N.Y.2d at 566. In so doing, the Court must be vigilant not to allow this evidence to create an ambiguity where one would not otherwise exist, and must likewise exclude from its consideration evidence that is isolated from or long after the circumstances of the actual execution. *See, e.g., Int'l Klafter Co.*, 869 F.2d at 100 (“[A]ny conceptions or understandings any of the parties may have had during the duration of the contracts is immaterial and inadmissible.”). The Court finds that the context of the 2007 PAA, the relationship of the parties, and the circumstances surrounding the creation of the 2007 PAA only confirm the Court’s reading of Section 5.1(f).

The Assigned Patents were offered for sale by Agere in early 2007 in a public auction. Prior to the sale of the Assigned Patents, Agere sent to Mosaid a number of materials to “assist . . . with . . . due diligence.” (D.I. 97, ex. 20 at MSD-LSI00000587) Mosaid contends that these written communications confirm its reading of the 2007 PAA. But even at that early stage, when referring to potential licensees for the Assigned Patents, Agere noted that “the enclosed information is not necessarily complete and/or exhaus[t]ive and that [Mosaid] should not rely solely on [that] material for [its] evaluation of the patent portfolio.” (*Id.*) In the packet of materials sent to Mosaid, Agere identified several entities as being “unlicensed” to the Assigned Patents, including Matsushita. (*Id.* at MSD-LSI00000594) Consistent with the limited scope of

³¹ The Court notes that the 2007 PAA includes an integration/merger clause, which provides that the PAA “sets forth the entire agreement and understanding between the parties as to the subject matters of the parties’ agreement and supersede[s] all prior discussions, agreements and representations.” (D.I. 2, ex. 1 at § 9.3) This clause only underscores that the Court’s principal focus when interpreting the 2007 PAA should be on the terms of the 2007 PAA itself. *See, e.g., Convenient Med. Care P.C. v. Med. Bus. Assocs. Inc.*, 291 A.D.2d 617, 618 (N.Y. App. Div. 2002) (refusing to consider evidence relating to the parties’ prior representations regarding service contract where contract was unambiguous and contained a merger clause).

the ultimate warranties in Sections 5.1(e) and 5.1(f), Agere noted even at that time that it did “NOT represent or warrant that the information contained [t]herein is a complete and accurate summary.” (*Id.*; *see also id.*, ex. 21 at LSI_AGERE 00007692 (“Agere does not represent or warrant that the list below is an exhaustive or complete list of those companies unlicensed to [the Assigned Patents].”)) In other words, even before Agere and Mosaid began negotiations on the 2007 PAA, it was clear that Agere’s representations regarding prior licensing of the Assigned Patents were going to be limited by several disclaimers, and that no complete or exhaustive list of licensed entities would be provided. These early communications are thus consistent with the plain language ultimately agreed to in Section 5.1(f), which was similarly non-exhaustive.

After Mosaid submitted the highest bid for the Assigned Patents, Mosaid engaged in “back-and-forth” negotiations with Agere over the ultimate terms of the transfer of the Assigned Patents, which included multiple draft agreements and multiple teleconferences. (*See, e.g.*, D.I. 97, ex. 6 at 37–40) The 2007 PAA was not a contract of adhesion, but rather was subject to give-and-take negotiations by both sides. The results from that give-and-take, as memorialized in the final, executed version of the 2007 PAA, must be honored. That is particularly true when dealing with parties like Agere and Mosaid, which were savvy and experienced players in the patent licensing field with substantial assets. *Reiss v. Fin. Performance Corp.*, 97 N.Y.2d 195, 199 (N.Y. 2001) (noting that where the disputed agreement was negotiated by sophisticated and well-counseled parties, courts should not “by construction add or excise terms . . . [so as to] make a new contract for the parties under the guise of interpreting the writing”) (internal quotation marks and citations omitted).

Mosaid also claims that prior to the execution of the 2007 PAA, it was “not given access

to the various” existing license agreements, so that its interpretation of § 5.1(f) is the only way it would have had any peace of mind regarding the encumbrances on the Assigned Patents. (D.I. 123 at 15) However, it is clear from the four corners of the 2007 PAA that Mosaid was able to obtain access to at least certain documents relating to the Assigned Patents. (See D.I. 2, ex. 1 at § 5.1(i), (j)) More significantly, there is no evidence that Agere had access to all of the license agreements that encumbered the Assigned Patents; indeed, there was never any direct corporate link between Agere (or LSI) and AT&T, the signatory to the 1989 Matsushita PLA.³² Given this context, it is unsurprising that Agere desired to limit the scope of the warranty in Section 5.1(f).

Finally, Mosaid places particular emphasis on the deposition testimony of Cathy Hollien, one of Agere’s corporate representatives. (Tr. at 150–54) Ms. Hollien was questioned regarding her “understanding of what Exhibit D [to the 2007 PAA] is.” (D.I. 97, ex. 7 at 39) However, even viewed in the light most favorable to Mosaid, Ms. Hollien’s testimony is insufficient to create a genuine issue of material fact, for several reasons. First, Ms. Hollien had no role in the negotiation of the 2007 PAA, and thus she can offer no firsthand insight into the circumstances or context surrounding that negotiation. (*Id.* at 38–39) Second, she was not asked about the circumstances surrounding execution, but instead was asked about her individual understanding of the 2007 PAA as of 2011.³³ (*Id.* at 39) As such, this is precisely the sort of evidence that is

³² Agere was divested from Lucent, not AT&T.

³³ Mosaid appears to cite Ms. Hollien’s testimony (and that of others, *see* D.I. 123 at 17) to try to create an ambiguity where none exists. That is improper. *See, e.g., S. Rd. Assocs.*, 4 N.Y.3d at 278. Indeed, even if there were some ambiguity as to the meaning of the 2007 PAA, the contemporaneous extrinsic evidence only confirms the Court’s interpretation. During negotiations, Mosaid proposed that Section 5.1(f) should refer generally to entities that “[were] not licensed” to the Assigned Patents, without any reference to those licenses being “with Agere.” (D.I. 100, ex. 17 at LSI_AGERE 00010085) Agere rejected this proposal. (*See* D.I.

“immaterial and inadmissible” under New York law when assessing whether a contract provision is ambiguous.³⁴ *See Int’l Klaffer Co.*, 869 F.2d at 100. Third, Ms. Hollien was not asked about Section 5.1(f), but was instead asked about Exhibit D in isolation. (D.I. 97, ex. 7 at 39) As such, Ms. Hollien’s testimony about her understanding in 2011 of Exhibit D cannot alter the Court’s conclusion as to what was meant by the plain language of Section 5.1(f) in 2007.

4. Has Agere Breached the Express Warranty of the 2007 PAA as to Matsushita?

Because the Court finds as a matter of law that Section 5.1(f) unambiguously covers only those license agreements that had been assigned to or executed by Agere as of the effective date of the 2007 PAA, and that the 1989 Matsushita PLA was not assigned to or executed by Agere as of that date, the Court finds that there is no genuine issue of material fact as to whether Agere has breached an express warranty of the 2007 PAA with respect to Matsushita.³⁵ Defendants are therefore entitled to summary judgment in their favor on Count 1 of their Counterclaims (insofar as that count is addressed to “Matsushita”).

100, ex. 18; Tr. at 110–12) Mosaid’s interpretation would resurrect its rejected proposal to replace agreed-upon language.

³⁴ The same is true for the internal Agere emails cited by Mosaid. (*See* D.I. 123 at 18 n.19) These emails are not only after the execution of the 2007 PAA, and thus have no bearing on what the circumstances surrounding execution and negotiation may have been, but also fail to reference either the 2007 PAA generally, or Section 5.1(f) specifically. (*See* D.I. 97, ex. 22; D.I. 125, ex. 24)

³⁵ This determination does not resolve whether Defendants have breached the express warranty of the 2007 PAA with respect to Lenovo. As noted above, there is a genuine issue of material fact as to whether Lenovo holds a license pursuant to the 2002 PLA, which is unquestionably a license that is “with Agere.” Moreover, this determination does not resolve Count 2 of Defendants’ Counterclaims, because unlike Count 1, Count 2 is broadly directed to the issue of breach of the 2007 PAA. As such, the remaining fact issues may still allow Mosaid to prevail on Count 2 of Defendants’ Counterclaims as to Lenovo.

IV. CONCLUSION

For the foregoing reasons, I recommend that the Court grant partial summary judgment in Defendants' favor, by declaring that Agere has not breached an express warranty of the 2007 PAA with respect to Matsushita, and that none of the Lenovo entities were licensed to any of the Assigned Patents by virtue of the 1995 PLA, the 1999 PLA, or the 2005 PLA. Otherwise, I recommend that the Court deny all other aspects of the parties' motions for summary judgment.

The parties are hereby ordered to meet and confer regarding a schedule for any remaining dates, including damages and expert discovery, and should submit a proposed scheduling order to the Court by **August 3, 2012**. The parties should also meet and confer regarding whether and to what extent mediation would be useful to the parties at this juncture. The Court will discuss the parties' proposed schedule and ADR-related issues at a teleconference that will be separately scheduled by the Court.

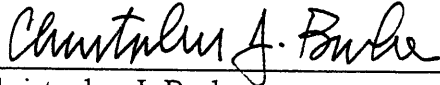
This Report and Recommendation is filed pursuant to 28 U.S.C. § 636(b)(1)(B), Fed. R. Civ. P. 72(b)(1), and D. Del. LR 72.1. The parties may serve and file specific written objections within fourteen (14) days after being served with a copy of this Report and Recommendation. Fed. R. Civ. P. 72(b)(2). The failure of a party to object to legal conclusions may result in the loss of the right to de novo review in the district court. *See Henderson v. Carlson*, 812 F.2d 874, 878–79 (3d Cir. 1987); *Sincavage v. Barnhart*, 171 F. App'x 924, 925 n.1 (3d Cir. 2006).

The parties are directed to the Court's Standing Order In Non-Pro Se Matters For Objections Filed Under Fed. R. Civ. P. 72, dated November 16, 2009, a copy of which is available on the Court's website, <http://www.ded.uscourts.gov>.

Because this Report & Recommendation may contain confidential information, it has

been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version of the Report & Recommendation. Such redacted version shall be submitted no later than **July 30, 2012** for review by the Court, and should conform to the conclusions reached in the Court's Memorandum Order issued on this date. The Court will subsequently issue a publicly-available version of its Report & Recommendation.

Dated: July 20, 2012



Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE