

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

INTEL CORPORATION,)	
)	
Plaintiff,)	
)	
v.)	Civil Action No. 14-377-LPS
)	
FUTURE LINK SYSTEMS, LLC,)	
)	
Defendant.)	

REPORT AND RECOMMENDATION

Presently before the Court in this patent infringement action are two pending motions: (1) declaratory judgment Defendant Future Link Systems, LLC's ("Defendant" or "Future Link") Motion to Dismiss Counts I, III, V, VII, IX, XI, XIII, XV and XVII (the "non-infringement counts") of declaratory judgment Plaintiff Intel Corporation's ("Plaintiff" or "Intel") First Amended Complaint ("FAC") (D.I. 99) (the "Second Motion");¹ and (2) Future Link's Motion to Dismiss Counts I, III, V, VII, IX, XI, XIII, and XV (the "non-infringement counterclaim counts") of Intel's Counterclaims (D.I. 176) (the "Third Motion"). For the reasons set forth below, the Court recommends that Future Link's Second Motion be GRANTED-IN-PART and DENIED-IN-PART and that Future Link's Third Motion be GRANTED.

¹ Future Link's Second Motion also sought dismissal of Counts XIX and XX of Intel's FAC, which counts seek, respectively, a declaration that Intel is licensed with respect to certain patents at issue, and a declaration that (as a result of that alleged license) Future Link's allegations of infringement are barred by the doctrine of patent exhaustion. (D.I. 100 at 13-15; D.I. 116 at 9-10) The parties have since reported to the Court that Future Link's arguments in this respect have been mooted, in light of subsequent case developments. (D.I. 230 at 44-48) Thus, the question of dismissal of Counts XIX and XX will not be addressed below.

I. BACKGROUND²

In the spring of 2013, Future Link's Managing Director Brian Marcucci sent licensing demand letters to Dell Inc. ("Dell"), Hewlett-Packard Company ("HP") and Promise Technology, Inc. ("Promise") ("the demand letters"), which accused certain of these companies' products of infringing certain of the following nine United States Patents owned by Future Link: U.S. Patent Nos. 5,608,357 ("the '357 patent"), 5,870,570 ("the '570 patent"), 6,008,823 ("the '823 patent"), 6,108,738 ("the '738 patent"), 6,606,576 ("the '6576 patent"), 6,622,108 ("the '108 patent"), 6,636,166 ("the '166 patent"), 6,920,576 ("the '0576 patent"), and 7,478,302 ("the '302 patent") (collectively, "the Future Link patents"). (D.I. 95, exs. 13, 14, 21)³ The demand letters to Dell and HP stated that certain of these companies' products "incorporate and use features and functionalities" covered by the Future Link patents. (*Id.*, exs. 13, 14) With each demand letter, Future Link included a chart that specified, on a patent-by-patent basis, broad categories of Dell, HP and Promise products (as well as specifically-named products) that were alleged to be infringing the Future Link patents. (*Id.*, exs. 13, 14, 21)⁴

The instant declaratory judgment action originated from Intel's allegations that Dell, HP

² In this Report and Recommendation, the Court will assume familiarity with the facts and procedural history detailed in its prior opinion in this action, *Intel Corp. v. Future Link Sys., LLC*, Civil Action No. 14-377-LPS, 2015 WL 649294 (D. Del. Feb. 12, 2015), *adopted by oral order*, (D.I. 94) (D. Del. Mar. 20, 2015).

³ Specifically, Future Link accused Dell of infringing each of the nine Future Link patents; HP of infringing all but the '302 patent; and Promise of infringing five of these nine patents (the '357 patent, the '6576 patent, the '108 patent, the '166 patent and the '0576 patent). (D.I. 95, exs. 13, 14, 21)

⁴ While a copy of the demand letter sent to Promise is not in the record, a copy of the chart that accompanied the letter is included. (D.I. 95, ex. 21)

and Promise are its customers, and that Future Link's demand letters implicated various of Intel's processors ("CPUs"), chipsets, PCI Express peripherals and motherboards that Intel supplies to its customers for inclusion into the customers' desktop, laptop and server computer products. (D.I. 95 at ¶¶ 7-12) Intel filed its initial Complaint on March 24, 2014 against Future Link, seeking, *inter alia*, a declaratory judgment that (1) it does not infringe, either directly or indirectly, the Future Link patents; and (2) that its customers do not infringe, either directly or indirectly, the Future Link patents "based on their alleged use of technologies provided by Intel components[.]" (D.I. 1 at 26)

In lieu of filing an Answer, Future Link filed a motion to dismiss Intel's initial Complaint (the "First Motion") on the basis that, *inter alia*, Intel lacked standing to bring the declaratory judgment claims at issue and that the action should therefore be dismissed for lack of subject matter jurisdiction, pursuant to Federal Rule of Civil Procedure 12(b)(1). (D.I. 8, 9) In response, as to the question of subject matter jurisdiction, Intel put forward two lines of argument. First, Intel argued that Future Link's accusations to Intel's customers established subject matter jurisdiction allowing Intel to clear the cloud over its own products, since those accusations were clearly directed at technologies that reside on Intel's chips. (D.I. 15 at 9-12) Second, Intel contended that its indemnification obligations to its customers served as an independent basis for jurisdiction. (*Id.* at 12-17)

Future Link's First Motion was referred to the Court for resolution by Chief Judge Leonard P. Stark. (D.I. 14) On February 12, 2015, the Court issued a Report and Recommendation, recommending that the motion be granted-in-part. (D.I. 81) With respect to the parties' jurisdictional arguments, the Court found that this Court lacked subject matter

jurisdiction over Counts I-XIV and XVIII-XX of Intel's initial Complaint and over significant portions of Count XV, because: (1) with the exception of one patent (the '0576 patent), Intel's allegations did not sufficiently establish that in the demand letters, Future Link had accused *Intel's* products of being used for infringement, and (2) Intel did not sufficiently allege that it was obligated to indemnify its customers with regard to Future Link's accusations against them. (*Id.*) The Court recommended that the dismissal be without prejudice, however, and that Intel be given leave to amend the Complaint. In doing so, it noted that, in light of the record, it appeared that Intel may be able to sufficiently cure these defects as to at least some claims recommended for dismissal. (*Id.* at 30-31; *see also id.* at 22, 26 n.14) Chief Judge Stark overruled objections to this Report and Recommendation on March 20, 2015, adopting the Report and Recommendation in its entirety. (D.I. 94)

Accordingly, on March 20, 2015, Intel filed its FAC. (D.I. 95) Intel included therein additional detail regarding, *inter alia*: (1) Intel's market share for CPUs and chipsets; (2) Intel's position as the exclusive provider of CPUs and chipsets for certain targeted customer products; (3) the specific commercial names of representative accused Intel processors, chipsets, motherboards and other products; (4) specific Intel CPUs and other products supplied to Intel's customers, including Dell and HP, that provide the features that Future Link has targeted as infringing; (5) allegations related to the elements of Future Link's claims that Intel indirectly infringes the Future Link patents; and (6) allegations regarding Intel's indemnity obligations to Dell and HP. (*Id.*; *see also* D.I. 110 at 6) Intel also attached the relevant Dell and HP indemnification agreements to the FAC. (D.I. 95, exs. 15 (hereinafter, "Dell Agreement") & 17 (hereinafter, "HP Agreement")) Just as did Intel's initial Complaint, the FAC seeks declarations

of non-infringement and invalidity with respect to the nine Future Link patents (Counts I-XVIII), as well as declarations relating to Intel's alleged license to certain patents at issue (Counts XIX and XX). (*Id.* at ¶¶ 101-228) The "Prayer for Relief" section of the FAC requests that judgment be entered in Intel's favor and that the following relief be granted (among other requests for relief):

- A. A declaration that Intel has not infringed, either directly or indirectly, any valid and enforceable claim of the Patents-in-Suit, either literally or under the doctrine of equivalents;
- B. A declaration that Intel's customers have not infringed, either directly or indirectly, any valid and enforceable claim of the Patents-in-Suit, either literally or under the doctrine of equivalents, based on their alleged incorporation or use of chipsets, processors, motherboards, or PCI-Express peripherals provided by Intel, including those identified in Exhibit 1[.]

(*Id.* at 71) Exhibit 1 of the FAC is a listing of Intel "Products Accused by Future Link[.]" (*Id.*, ex. 1)

On April 6, 2015, Future Link filed the Second Motion, (D.I. 99), which seeks, *inter alia*, dismissal of the non-infringement counts of Intel's FAC "to the extent they seek declarations covering [Intel's] customers' products[.]" (D.I. 100 at 2). The Second Motion was fully briefed as of May 18, 2015, (D.I. 116), and was referred to the Court for resolution by Chief Judge Stark, (D.I. 103).

On July 10, 2015, with the Second Motion still pending, Future Link filed its Partial Answer and Counterclaims to Intel's FAC ("Future Link's Counterclaims"). (D.I. 135) Therein, for each of Intel's allegations as to which it provides a substantive answer, Future Link adds that its response is "[w]ithout prejudice to or waiver of" the pending Second Motion or any

subsequently filed motions to dismiss. (*Id.* at 1-39) As for the remainder of Intel's allegations, Future Link notes that they "relate[] to the subject of a pending Motion to Dismiss" and therefore "Future Link will respond to th[ese] paragraph[s], if appropriate, after resolution of the Motion to Dismiss." (*Id.*) In addition to partially answering Intel's FAC and asserting affirmative defenses, Future Link asserts 15 counterclaims against Intel. (*Id.* at 39-85) In seven of these counterclaims, Future Link asserts that Intel has directly and indirectly infringed seven of the nine original Future Link patents (all but the '166 patent and the '0576 patent). (*Id.* (First, Third, Fourth, Sixth, Eighth, Ninth and Tenth Counterclaims)) In the remaining eight counterclaims, Future Link accuses Intel of infringing eight additional patents that were not mentioned in Intel's initial Complaint or FAC: U.S. Patent Nos. 5,754,867 ("the '867 patent"), 6,052,754 ("the '754 patent"), 6,317,804 ("the '804 patent"), 7,685,439 ("the '439 patent"), 7,743,257 ("the '257 patent"), 7,917,680 ("the '680 patent"), 7,983,888 ("the '888 patent"), and 8,099,614 ("the '614 patent") ("the Future Link counterclaim patents," and collectively with the Future Link patents, the "asserted patents" or the "patents-in-suit"). (*Id.* (Second, Fifth, Seventh, and Eleventh through Fifteenth Counterclaims)) Future Link accuses Intel of directly infringing each of these eight Future Link counterclaim patents, and of indirectly infringing two of them (the '867 patent and '804 patent) by inducing and contributing to infringement. (*Id.*)

In response, on September 2, 2015, Intel filed its Answer and Counterclaims to Future Link's Counterclaims ("Intel's Counterclaims"). (D.I. 162) Intel's Counterclaims seek: (1) declarations that Intel has not infringed the Future Link counterclaim patents; (2) declarations that Intel customers have not infringed, directly or indirectly, the Future Link counterclaim patents "based on their incorporation or use" of Intel products; and (3) declarations of invalidity

of the Future Link counterclaim patents. (*Id.* at 26-40) Likewise, the “Prayer for Relief” section of Intel’s Counterclaims requests that judgment be entered in Intel’s favor and the following relief be granted, *inter alia*:

- A. A declaration that Intel has not infringed and does not infringe, either directly or indirectly, any valid and enforceable claim of the [Future Link counterclaim patents], either literally or under the Doctrine of Equivalents;
- B. A declaration that Intel’s customers have not infringed and do not infringe, either directly or indirectly, any valid and enforceable claim of the [Future Link counterclaim patents], either literally or under the Doctrine of Equivalents, based on their alleged incorporation or use of any Intel products, including chipsets, processors, motherboards, systems on chips, and multi-chip packages, or other accused products supplied by Intel[.]

(*Id.* at 40-41)

On September 28, 2015, Future Link filed its Third Motion, seeking dismissal of the non-infringement counts of Intel’s Counterclaims, to the extent they seek declarations covering non-Intel products. (D.I. 176) The Third Motion was fully briefed as of November 9, 2015, (D.I. 192), and was referred to the Court for resolution by Chief Judge Stark, (D.I. 183). On January 12, 2016, the Court heard oral argument on both the Second and Third Motions. (D.I. 230, hereinafter “Tr.”)

The Scheduling Order in this case, which was originally issued on October 10, 2014 (with Future Link’s First Motion then pending), (D.I. 34), has been subsequently revised, (D.I. 182). Discovery has been ongoing, with fact discovery to be completed by August 26, 2016. (*Id.* at ¶ 6) A 10-day trial is set to begin on September 11, 2017. (*Id.* at ¶ 20)

II. LEGAL STANDARD

Rule 12(b)(1) authorizes dismissal of a complaint for lack of subject matter jurisdiction. “Under Rule 12(b)(1), the court’s jurisdiction may be challenged either facially (based on the legal sufficiency of the claim) or factually (based on the sufficiency of jurisdictional fact).” *Kuhn Constr. Co. v. Diamond State Port Corp.*, Civ. No. 10-637-SLR, 2011 WL 1576691, at *2 (D. Del. Apr. 26, 2011). “In reviewing a facial attack, the court must only consider the allegations of the complaint and documents referenced therein and attached thereto, in the light most favorable to the plaintiff.” *Gould Elecs. Inc. v. United States*, 220 F.3d 169, 176 (3d Cir. 2000). “In reviewing a factual attack, the court may consider evidence outside the pleadings.” *Id.* There is no dispute here that Future Link’s attack is a facial one, as it focuses on the allegations in the pleadings and why those allegations assertedly do not give rise to subject matter jurisdiction. (*See, e.g.*, Tr. at 33, 96); *see also TSMC Tech., Inc. v. Zond, LLC*, Civil Action No. 14-721-LPS-CJB, 2014 WL 7498398, at *3 (D. Del. Jan. 8, 2014).

Under the Declaratory Judgment Act, a party has standing to bring an action in federal court only if an “actual controversy” exists. 28 U.S.C. § 2201(a). In determining whether there is subject matter jurisdiction over declaratory judgment claims, a court should ask “whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (citation omitted) (noting that the Declaratory Judgment Act’s requirement that a “case of actual controversy” exist is a reference to the types of cases and controversies that are justiciable under Article III); *see also Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1335-36 (Fed. Cir.

2008). A case or controversy must be “based on a *real* and *immediate* injury or threat of future injury that is *caused by the defendants*—an objective standard that cannot be met by a purely subjective or speculative fear of future harm.” *Prasco, LLC*, 537 F.3d at 1339 (emphasis in original). Thus, in the patent context, “jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, without some affirmative act by the patentee.” *Id.* (citation omitted). When the conduct of the patentee can be “reasonably inferred as demonstrating intent to enforce a patent” against the declaratory judgment plaintiff, subject matter jurisdiction will arise, even when that intent is demonstrated implicitly. *Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1363-64 (Fed. Cir. 2009).

A decision as to whether an actual controversy exists in the context of a patent declaratory judgment claim “will necessarily be fact specific and must be made in consideration of all the relevant circumstances.” *W.L. Gore & Assocs., Inc. v. AGA Med. Corp.*, Civil No. 11-539 (JBS-KMW), 2012 WL 924978, at *4 (D. Del. Mar. 19, 2012) (citing *MedImmune*, 549 U.S. at 127). The burden is on the party asserting declaratory judgment jurisdiction (here, Intel) to establish that an Article III case or controversy existed at the time that the claim for declaratory relief was filed, and that it has continued since. *Danisco U.S. Inc. v. Novozymes A/S*, 744 F.3d 1325, 1329 (Fed. Cir. 2014); *Butamax Advanced Biofuels LLC v. Gevo, Inc.*, Civ. No. 12-1301-SLR, 2013 WL 1856308, at *2 (D. Del. May 2, 2013). “It is well-established that, in patent cases, the existence of a case or controversy must be evaluated on a claim-by-claim basis.” *Streck, Inc. v. Research & Diagnostic Sys., Inc.*, 665 F.3d 1269, 1281 (Fed. Cir. 2012) (internal quotation marks and citation omitted).

III. DISCUSSION

While Future Link's First Motion concerned the existence of subject matter jurisdiction over Intel's requests for non-infringement declarations regarding Intel's own products, that is no longer an issue here. After review of disclosures from Intel regarding Intel products, (Tr. at 7, 110), Future Link filed counterclaims of infringement against Intel regarding the Future Link patents and Future Link counterclaim patents, (D.I. 135 at 39-85). Thus, there is now no dispute that jurisdiction exists with respect to the question of *Intel's* infringement of the 17 patents-in-suit. (D.I. 110 at 3, 7; D.I. 176 at 1)

Instead, the crux of the dispute presented by Future Link's Second and Third Motions is whether the Court has subject matter jurisdiction to issue declarations regarding the infringement of Intel's *customers'* products which include accused Intel components. (Tr. at 7-8, 63-64) The law is clear that:

[W]here a patent holder accuses customers of direct infringement based on the sale or use of a supplier's equipment, the supplier has standing to commence a declaratory judgment action if (a) the supplier is obligated to indemnify its customers from infringement liability, or (b) there is a controversy between the patentee and the supplier as to the supplier's liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers.

Arris Grp., Inc. v. British Telecomms. PLC, 639 F.3d 1368, 1375 (Fed. Cir. 2011). The Intel customers at issue here fall into two categories: (1) two customers for which Intel has alleged indemnity obligations (Dell and HP); and (2) Intel's other customers, for which Intel has *not* alleged indemnity obligations. The Court will consider whether subject matter jurisdiction exists over Intel's requests for non-infringement declarations regarding both categories of customers,

taking up the latter category first.

A. Intel’s Customers for which Intel Has Not Alleged Indemnity Obligations

As set out above, Intel’s FAC and Counterclaims seek declarations that *all* of its customers whose products “incorporat[e] or use” the Intel products at issue do not directly or indirectly infringe the asserted patents. (D.I. 95 at 71; D.I. 162 at 41) Yet Intel’s pleadings identify by name only those three customers that received the demand letters from Future Link—Dell, HP and Promise—and Intel has alleged indemnification obligations with respect to only Dell and HP. (*See, e.g.*, D.I. 95 at ¶¶ 9, 17, 30-33, 93; D.I. 110 at 2) As for Promise and the remainder of Intel’s “anonymous . . . many thousands of customers” as to which Intel seeks declarations, Future Link asserts that the Court lacks subject matter jurisdiction to adjudicate these claims, as there is no “concrete and genuine dispute” between Future Link and Intel with respect to this group of customers’ products. (D.I. 176 at 1-2) The Court will analyze Future Link’s arguments as they relate to claims of direct infringement and indirect infringement, respectively.

1. Direct infringement by Intel’s customers

Intel points to the allegations in this case regarding its own indirect infringement of the asserted patents as the key to understanding why there is a substantial controversy as to its customers’ direct patent infringement. (D.I. 189; Tr. at 81-85) More specifically, Intel contends its alleged indirect infringement of the asserted patents establishes subject matter jurisdiction over the question of whether Intel’s customers directly infringe, “[b]ecause direct infringement *by someone* is an essential element of an indirect infringement claim, [and therefore] whether Intel’s customers directly infringe based on their incorporation or use of the accused Intel

products is necessarily presented by” the issue of Intel’s indirect infringement. (D.I. 189 at 7-8 (emphasis added)) And indeed, as described above, Future Link filed counterclaims of indirect infringement against Intel with respect to seven of the nine original Future Link patents and two of the eight Future Link counterclaim patents. (D.I. 135) While Future Link has not accused Intel of indirectly infringing the remaining eight patents at issue in the case, Intel asserts that its indirect infringement of those patents is still at issue (and therefore, so is the direct infringement of Intel’s customers) because it has requested declarations that it does not indirectly infringe these patents. (D.I. 189 at 7-8; Tr. at 88, 92 (Intel’s counsel stating that “we know for every one of the patents in this case[,] Intel[’s] indirect infringement is in this case”)) For the reasons discussed below, the Court is not persuaded that even if the District Court must adjudicate Intel’s indirect infringement of the asserted patents, an actual controversy exists with respect to the direct infringement of all of Intel’s innumerable and largely unidentified customers whose products incorporate and use the Intel products at issue.

The Patent Act provides for two forms of indirect infringement—active inducement of infringement and contributory infringement. 35 U.S.C. § 271(b) & (c); *Courtesy Prods., L.L.C. v. Hamilton Beach Brands, Inc.*, 73 F. Supp. 3d 435, 440 (D. Del. 2014). To prove induced infringement, “the patentee must show direct infringement, and that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.” *Toshiba Corp. v. Imation Corp.*, 681 F.3d 1358, 1363 (Fed. Cir. 2012) (internal quotation marks and citation omitted); *Versata Software, Inc. v. Cloud9 Analytics, Inc.*, Civil Action No. 12-925-LPS, 2014 WL 631517, at *2 (D. Del. Feb. 18, 2014). To establish contributory infringement, a patentee must demonstrate that an alleged contributory infringer has

sold, offered to sell or imported into the United States “a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use[.]” 35 U.S.C. § 271(c). The defendant facing a charge of contributory infringement must know that the combination for which his component was especially designed was both patented and infringing. *Courtesy Prods., L.L.C.*, 73 F. Supp. 3d at 440 (citing *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2067 (2011)).

a. Future Link’s Counterclaims of indirect infringement

The Court will first consider Intel’s theory as it relates to Future Link’s counterclaims of indirect infringement against Intel as to nine of the 17 total asserted patents. In these counterclaims, Future Link accuses Intel of induced and contributory infringement. (D.I. 135 (every counterclaim but the Fifth, Eleventh, Twelfth, Thirteenth, Fourteenth and Fifteenth Counterclaims)) Taking Future Link’s allegations of indirect infringement with respect to the '357 patent (the First Counterclaim) as an example, Future Link pleads the following:

16. Future Link is informed and believes, and thereon alleges, that Intel actively, knowingly, and intentionally has induced infringement of the '357 Patent by, for example, controlling the design and manufacture of, offering for sale, selling, and otherwise providing instruction and guidance regarding the above-described products with the knowledge and specific intent to encourage and facilitate infringing uses of such products by its customers both inside and outside the United States.⁵ For example, Intel publicly

⁵ Future Link defines Intel’s “customers” in a footnote here to refer to “both direct and indirect customers [a designation that] thus includes end-users.” (D.I. 135 at 43 n.2)

provides documentation . . . instructing customers on uses of Intel's products that infringe the '357 Patent. . . . *On information and belief, Intel's customers directly infringe the '357 Patent by, for example, making, using, offering to sell, and selling within the United States, and importing into the United States, without authority or license, products containing the above-described Intel products.*

17. Future Link is informed and believes, and thereon alleges, that Intel has contributed to the infringement by its customers of the '357 Patent by, without authority, importing, selling and offering to sell within the United States materials and apparatuses for practicing the claimed invention of the '357 Patent both inside and outside the United States. For example, the above-described products constitute a material part of the inventions of the '357 Patent and are not staple articles or commodities of commerce suitable for substantial noninfringing use. On information and belief, Intel knows that the above-described products constitute a material part of the inventions of the '357 Patent and are not staple articles or commodities of commerce suitable for substantial noninfringing use. *On information and belief, Intel's customers directly infringe the '357 Patent by, for example, making, using, offering to sell, and selling within the United States, and importing into the United States, without authority or license, products containing the above-described Intel products.*

(*Id.* at 43-44, at ¶¶ 16-17 (emphasis added)) Pointing to these and Future Link's other similar allegations of indirect infringement against Intel, Intel argues that "[h]aving alleged infringement by Intel's customers to support its indirect infringement claims against Intel, Future Link cannot reasonably argue lack of subject matter jurisdiction to declare that Intel's customers do not infringe as part of resolving Intel's declaratory judgment claims regarding indirect infringement." (D.I. 189 at 8-9)

Intel has it wrong. It is true, of course, that a patentee accusing a party of induced infringement and contributory infringement must allege, *inter alia*, underlying direct infringement by a third party. *See In re Bill of Lading Transmission & Processing Sys. Patent*

Litig., 681 F.3d 1323, 1333 (Fed. Cir. 2012) (“It is axiomatic that [t]here can be no inducement or contributory infringement without an underlying act of direct infringement.”) (internal quotation marks and citations omitted). But Intel’s theory here—that Future Link’s allegations of direct infringement by Intel’s customers, a predicate to Future Link’s claims of indirect infringement against Intel, effectively create declaratory judgment jurisdiction as to all of Intel’s unnamed customers’ products that use or incorporate any accused Intel product—is belied by well-settled law.

One way to see that this is so is to recognize that the Declaratory Judgment Act requires Intel to show that a “substantial controversy” exists “of sufficient immediacy and reality to warrant issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127. And yet Intel’s declaratory judgment claims—to the extent they seek to sweep in a declaration that all of its customers do not infringe the patents-in-suit due to their “incorporation or use” of any Intel accused product—lack any real “immediacy and reality.” That is because indirect infringement claims *do not* require showings of direct infringement by each and every one of the third party direct infringers in question. (D.I. 192 at 5-6; Tr. at 11-12) Indeed, as the United States Court of Appeals for the Federal Circuit explained in *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323 (Fed. Cir. 2012):

This court has upheld claims of indirect infringement premised on circumstantial evidence of direct infringement by unknown parties. *E.g., Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1318 (Fed. Cir. 2009) (“[T]he jury in the present case could have reasonably concluded that, sometime during the relevant period from 2003 to 2006, more likely than not one person somewhere in the United States had performed the claimed method using the Microsoft products.”). Given that a plaintiff’s indirect infringement claims can succeed at trial absent direct evidence of a

specific direct infringer, we cannot establish a pleading standard that requires something more.

681 F.3d at 1336; (*see also* D.I. 192 at 5-6). Therefore, Future Link has not been required to plead that each one of Intel's vast sea of customers (or, in fact, that *any* specific, identified customer) has directly infringed the patents at issue, in order for Future Link's counterclaims of Intel's indirect infringement to move forward. (D.I. 192 at 5-6; Tr. at 11-13) Nor would Future Link necessarily be required to prove this at trial. Instead, Future Link simply needs to plead and prove that there is at least one direct infringer as to each claim of indirect infringement against Intel—even, perhaps, a direct infringer that is “unknown” and not specifically identified. How could a sufficiently immediate and real controversy exist, for subject matter jurisdiction purposes, as to the products of customers that have not yet been (and may never be) identified or implicated in this case?

Intel's briefing fails to grapple with this reality. (*See, e.g.*, D.I. 189 at 9 (“Future Link does not contest that it must prove direct infringement by Intel's customers to prevail on the claims concerning indirect infringement by Intel.”)) At oral argument, the Court directly asked Intel to answer this question, but in response, Intel merely asserted that there is “no problem” with declaratory judgment jurisdiction in such circumstances because “the allegation[s] [are] in . . . the pleadings . . . that the customers directly infringe.” (Tr. at 71-72) According to Intel, instead of implicating issues of subject matter jurisdiction, Future Link's opposition instead implicates a “question of proof” (i.e., “what would be sufficient proof to prove the cause of action[,] or[,] in our case[,] prove the negative of the cause of action, . . . the non-infringement”). (*Id.*) That is, Intel believes that because Future Link will be required to subsequently “prove up”

some form of direct infringement by Intel's customers, (D.I. 189 at 13), and Intel may "put into proof [evidence] to show why there is no direct [and thus no] indirect infringement," (Tr. at 72), that proof will render sufficiently concrete the scope of the controversy as to Intel's customers' infringement, (*see also id.* at 71-73 (Intel's counsel arguing that Intel will explain in its "[non-]infringement contentions" what the issues of proof will be in the case as to whether certain of its customers directly infringe, and that the dispute is "all based on some sort of missing element from the Intel chips"))). But Intel's focus on "question[s] of proof" skips past the requirement that a party seeking a declaratory judgment must establish, at the time the claim for declaratory relief is filed, that an actual case or controversy exists between the parties. No such showing was made here in the pleadings, as to any *particular* Intel customers (other than Dell and HP) or their products.

Another reason why Intel's argument is wanting relates to the requirement that a substantial controversy must exist here "between parties having adverse legal interests[.]" *MedImmune*, 549 U.S. at 127. That is, an "adverse legal interest" requires that "a dispute as to a legal right" exists between two parties, in order for the Court to exercise jurisdiction and reach those substantive issues of patent infringement. *Arris*, 639 F.3d at 1374-75; (*see also* D.I. 192 at 8). Yet Intel has not explained how *it* can satisfy this requirement as to *its customers'* infringement. Intel is not its customers—it is its own, separate entity. (D.I. 192 at 9) Nor does Intel argue (aside from as to Dell and HP, which will be addressed further below) that it has indemnified any such customers. And Intel has not provided any other explanation for why *Intel* then may lawfully "stand in the shoes of the[se] customers and [] represent[] the interests of the[se] customers" as to whether *these customers'* products infringe particular Future Link

patents. *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 904 (Fed. Cir. 2014); *see also Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1344 (Fed. Cir. 2007) (“A useful question to ask in determining whether an actual controversy exists is what, if any, cause of action the declaratory judgment defendant may have against the declaratory judgment plaintiff[.]”); (D.I. 176 at 8 (“[W]hile Future Link’s Counterclaims do allege that Intel’s customers infringe certain of the asserted patents, this does not provide grounds for *Intel* to seek non-infringement declarations regarding these non-Intel products.”) (emphasis in original)). Intel cites to no legal authority for the proposition that mere allegations of indirect infringement against a declaratory judgment supplier would alone be sufficient to create a case or controversy allowing the *supplier* to get a declaration that *all of its unnamed customers’ products* (that are in any way associated with the supplier’s accused products) do not infringe. (D.I. 192 at 5; Tr. at 67-70, 103-104)⁶ And that is not surprising—if this were all that was required, the jurisdictional floodgates would be thrown open to large declaratory judgment suits seeking non-infringement declarations with respect to the products of countless identified and unidentified customers. (D.I. 192 at 5 (“Declaratory judgment claims would increase exponentially if Intel’s theory were correct.”))

⁶ In its opposition brief, as to this issue, Intel cited for support to *Arris Grp. v. British Telecomms. PLC*, 639 F.3d 1368 (Fed. Cir. 2011). (D.I. 189 at 8-9) In doing so, Intel included in a supporting parenthetical the following quotation from *Arris*: “[W]here a patent holder accuses customers of direct infringement based on the sale or use of a supplier’s equipment, the supplier has standing to commence a declaratory judgment action if . . . (b) there is a controversy between the patentee and the supplier as to the supplier’s liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers.” (*Id.* at 9 (quoting *Arris*, 639 F.3d at 1375)). *Arris*, however, presented an entirely different scenario than that before the Court here. In *Arris*, there was “no question” that the patentee had accused a specific customer of a supplier of direct infringement, and the issue before the Federal Circuit was whether, based on those accusations, there was a sufficient case or controversy between the supplier and patentee regarding *the supplier’s* potential liability for contributory infringement. *Arris*, 639 F.3d at 1375-80; (*see also* D.I. 192 at 7).

Intel's explanation as to why it is seeking such broad declaratory judgment jurisdiction also underscores the lack of an actual controversy here. Intel asserts that its non-infringement contentions with respect to its customers are "all based on some sort of missing element from the Intel chips[,]" and that the requested declarations would allow it to "go back to those customers and say you are now clear to buy and use our chips." (Tr. at 73) Yet Intel is also requesting declarations that *it* does not infringe the asserted patents. Were such declarations to ultimately be entered, for example, with respect to "Intel Product X," that would surely impact Future Link's ability to accuse an Intel customer of infringement in the future based solely on the customer's inclusion of the same "Intel Product X" into that customer's own products. (*Id.* at 22-23)⁷

When questioned about why declarations that Intel's *customers* do not infringe based on their incorporation or use of an Intel product would therefore even be necessary, Intel explained its concerns. It fears its customers being sued for indirect infringement of the asserted patents down the line, and that Intel may then have to engage in serial litigation to repeatedly show that a customer's use of Intel's component technology does not infringe the patents. (*Id.* at 75-77) Intel is concerned, for example, that absent the proposed declaratory judgment, a declaration that it does not indirectly infringe a patent due to its use or sale of "Intel Product X" could still leave the door open to a future patent infringement lawsuit against an Intel customer whose product includes Intel Product X—because it may be unclear as to whether that declaration flowed from

⁷ Intel seems to acknowledge this in its brief, stating that "Future Link's infringement assertions accuse technologies undeniably provided by the Intel components incorporated into its customers' products Future Link identifies no other allegedly infringing components or technology as necessary to infringement of these patents. Thus, the question of whether Intel's customers infringe based on their incorporation or use of allegedly-infringing Intel components depends on the Court's ultimate judgment on the question of Intel's direct infringement." (D.I. 189 at 11)

the non-infringing nature of the Intel product's core technology, or, for example, from Intel's lack of intent or its lack of knowledge of the patent at issue. (*Id.*)

Yet Intel's concern here amounts to the "sort of inchoate 'adverse legal interest' [that] is too speculative to give rise to an actual controversy within the meaning of the Declaratory Judgment Act." *Shuffle Tech Int'l, LLC v. Sci. Games Corp.*, Case No. 15 C 3702, 2015 WL 5934834, at *8 (N.D. Ill. Oct. 12, 2015); *see also Arris*, 639 F.3d at 1374-75 (explaining that "a mere adverse *economic* interest is insufficient to create declaratory judgment jurisdiction") (emphasis in original). The Court recognizes that Intel wishes to alleviate any fears that its many customers may have as to their own possible infringement of the asserted patents. But it cannot allow declaratory judgment claims of this breadth to proceed, as that would amount to sanctioning the provision of the broadest kind of advisory opinion. *See MedImmune*, 549 U.S. at 139 ("[T]he declaratory judgment procedure . . . may not be made the medium for securing an advisory opinion in a controversy which has not arisen.") (citations omitted); *DataTern*, 755 F.3d at 906 n.4 ("That it would be more efficient to confront all the questions at one time and in one place might support the district court's decision to exercise declaratory judgment jurisdiction after such jurisdiction has been established, but it does not create such jurisdiction when none exists."); *cf. Matthews Int'l Corp. v. BioSafe Eng'g, LLC*, Civil Action No. 11-269, 2011 WL 4498935, at *9 (W.D. Pa. Sept. 27, 2011) (explaining, as to the court's lack of subject matter jurisdiction to issue a declaratory judgment with respect to the supplier's indirect infringement, that the "lack of information as to the actual operating parameters means that this [c]ourt would be providing an advisory opinion specifying what combinations of parameters are infringing and what combinations of parameters are noninfringing" and "the result would be a wholly advisory

opinion, instructing Matthews' customers to use these parameters and not those, which is beyond this [c]ourt's jurisdiction to provide").⁸

b. Intel's own requests for a declaratory judgement of no indirect infringement as to the remaining eight patents

Future Link has not accused Intel of indirectly infringing the remaining eight patents in the case, and therefore has not alleged that Intel's customers directly infringe these patents.⁹ Intel is promoting an even broader concept of subject matter jurisdiction with regard to these patents. This is because here, Intel points to its *own claims* requesting declarations of no indirect infringement of these patents, and suggests that these allegations create jurisdiction as to the asserted non-infringement of Intel's customers. (D.I. 189 at 7-8; Tr. at 85-88)

⁸ During oral argument, Intel's counsel asserted a second theory of how declaratory judgment jurisdiction exists over the infringement of Intel's customers for which it has not pleaded allegations of indemnification—one that involves Future Link's demand letters to Dell and HP. (Tr. at 81-83) Intel argues that because those letters accused certain "generalized Intel technologies, some of them proprietary Intel technologies that Intel sells to multiple different customers[,]” they effectively have created a case and controversy over *any customers' products* that incorporate or use that "same accused technology or same Intel component.” (*Id.*) But here again, Intel could not cite a case standing for such a broad proposition, (*id.* at 83), and stretching jurisdiction to the extent urged by Intel would undermine the "substantial controversy" requirement established in *MedImmune*.

⁹ The patents in this group consist of the '166 patent, the '0567 patent, the '754 patent, the '439 patent, the '257 patent, the '680 patent, the '888 patent, and the '614 patent. Intel's slides, submitted during oral argument, include a slide that lists the patents in the case and indicates Intel's theory as to why its customers' use is at issue for each patent. (Intel's Presentation on Future Link's Motions, Slide 21) The Court notes that this slide does not list two of the Future Link patents—the '166 patent and the '0576 patent—the two patents as to which Future Link did not file counterclaims at all. However, Intel's briefing states that "Future Link does not contest subject matter jurisdiction over Intel's counterclaims seeking a declaration that Intel does not indirectly infringe any of the seventeen patents in this action," (D.I. 189 at 7), and so the Court assumes herein that Intel's theory applies to these two patents as well. While Intel's Counterclaims did not address these two original Future Link patents, its FAC seeks declarations that Intel has not, *inter alia*, indirectly infringed these patents. (D.I. 95 at ¶¶ 180, 193)

Since Intel is again asserting that the question of its own indirect infringement as to certain of its products puts at issue (for purposes of subject matter jurisdiction) the direct infringement of all of its customers as to those products, the substance of the Court's discussion in Section III.A.1.a equally applies here. Thus, even though Intel's own indirect infringement of these patents is properly before the Court, that does not automatically create declaratory judgment jurisdiction as to the direct infringement of each and every one of Intel's customers whose products incorporate or use the accused Intel products. For all of the reasons set out in Section III.A.1.a, then, Intel's arguments here fail.

But it is worth noting that Intel's arguments are even less persuasive with respect to these patents than they were with regard to the patents referenced in Section III.A.1.a. This is so because if Intel's theory here were correct, that would mean that a supplier accused of direct infringement could *single-handedly* create a case or controversy with respect to the infringement of its customers, simply by filing counterclaims that request declarations of no indirect infringement. Intel has not pointed the Court to any legal authority supporting such a broad theory. That is not surprising, since the Federal Circuit has emphasized that a "bedrock rule" of the actual controversy requirement is that "a case or controversy must be based on a *real* and *immediate* injury or threat of future injury that is *caused by the defendants*—an objective standard that cannot be met by a purely subjective or speculative fear of future harm." *Prasco, LLC*, 537 F.3d at 1339 (emphasis in original) (explaining that in the patent context, "jurisdiction generally will not arise merely on the basis that a party learns of the existence of a patent owned by another or even perceives such a patent to pose a risk of infringement, *without some affirmative act* by the patentee") (emphasis added) (citation omitted). And here, there are

absolutely no allegations that Future Link committed any affirmative act amounting to an accusation that Intel’s customers infringed these patents. (*See, e.g.*, D.I. 176 at 2 (explaining that Intel’s requested non-infringement declarations with respect to its customers are so broad in scope that they would “even include patents that have never before even been mentioned to any Intel customer”); *id.* at 3)

Intel nevertheless suggests that because it seeks a declaratory judgment that it does not indirectly infringe these patents, and that because those claims are “unchallenged” by Future Link, this creates subject matter jurisdiction over the direct infringement of Intel’s customers. (Intel’s Presentation on Future Link’s Motions to Dismiss, Slide 21 (stating that for this category of patents, its customers’ “use” of the accused Intel products is “at issue based on . . . Intel’s unchallenged counterclaims for no indirect infringement”); *see also id.* at Slide 22 (“Direct Infringement by Intel’s Customers Is ‘At Issue’ For All Patents” because, *inter alia*, “Future Link does not challenge Intel’s counterclaims for no indirect infringement by Intel”); D.I. 189 at 1 (“Future Link *does not* dispute subject matter jurisdiction over Intel’s claims that it does not indirectly infringe the eight counterclaim-patents, and that the Court must therefore adjudicate whether Intel’s customers directly infringe.”) (emphasis in original); *id.* at 8; Tr. at 88) But it seems counterintuitive to find that Future Link’s *failure to seek dismissal* of these Intel counterclaims amounts to “a real and immediate injury or threat of future injury . . . *caused by*” Future Link. *Prasco, LLC*, 537 F.3d at 1339 (certain emphasis omitted). Inaction alone cannot equal the requisite causation. Nor does Intel cite to any legal authority that suggests otherwise.¹⁰

¹⁰ Additionally, Intel’s theory here runs afoul of the requirement that “[a] declaratory judgment plaintiff must plead facts sufficient to establish jurisdiction *at the time of the complaint*, and post-complaint facts cannot create jurisdiction where none existed at the time of

c. Conclusion

For all of the foregoing reasons, the Court finds that Intel has not established declaratory judgment jurisdiction with regard to its requests for declarations that its customers (for which it has not alleged indemnity obligations) have not directly infringed the 17 asserted patents.

2. Indirect infringement by Intel's customers

While Intel seeks declarations that its customers do not directly *or indirectly* infringe the asserted patents, it has not set out any explanation of why the Court would have subject matter jurisdiction over Intel's customers' *indirect* infringement. (Tr. at 9) During oral argument, Intel's counsel seemed to suggest that because Intel's infringement contentions are focused on the accused Intel products, with respect to the indirect infringement of its customers, "we should be able to [] on [] indirect infringement, [obtain a declaration because n]obody could possibly indirectly infringe [] by using our chip." (*Id.* at 92) But again, Intel's desire for a declaration of this kind is one thing. Demonstrating the existence of an *actual controversy* establishing jurisdiction over the indirect infringement of Intel's customers is another. The Court therefore easily agrees with Future Link that there is no jurisdiction to adjudicate Intel's customers' indirect infringement of the asserted patents. Intel has not met its burden to establish that a case or controversy exists with respect to these claims.

B. Dell and HP

As noted above, a supplier can establish subject matter jurisdiction for a declaratory

filing." *DataTern*, 755 F.3d at 906 (emphasis added). Any failure by Future Link to move to dismiss or otherwise object to Intel's claims seeking declarations of indirect infringement would, by necessity, happen (or not happen, as the case may be) *after* the filing of those claims. And so, that inaction could not have any bearing on whether jurisdiction existed at the time the claims were filed.

judgment action based on accusations against the supplier's customers, where the supplier is obligated to indemnify those customers with respect to such accusations. *DataTern*, 755 F.3d at 903-04; *Arris*, 639 F.3d at 1375 (“where a patent holder accuses customers of direct infringement based on the sale or use of a supplier's equipment, the supplier has standing to commence a declaratory judgment action if . . . the supplier is obligated to indemnify its customers from infringement liability”). In such a case, the supplier would “stand in the shoes of the customers and would be representing the interests of their customers because of their legal obligation to indemnify.” *DataTern*, 755 F.3d at 904.

Intel's FAC includes detailed allegations regarding indemnification with respect to two of its customers, Dell and HP.¹¹ (D.I. 95 at ¶¶ 89-90) Its “Prayer for Relief” (as does its individual Counts in the FAC seeking declarations of non-infringement) seeks a declaration that Intel's customers have not infringed, either directly or indirectly, any valid and enforceable claim of the Future Link patents, either literally or under the doctrine of equivalents, based on their alleged “incorporation or use” of the accused Intel products. (*Id.* at 71)¹² Intel also asserts that the indemnity obligations set out in its FAC “establish[] subject matter jurisdiction over Intel's claims concerning products incorporated into Dell and HP products[.]” (D.I. 110 at 9)

¹¹ The Court's analysis with respect to Dell and HP applies to only the relevant Future Link patents at issue in Intel's FAC. As for the Future Link counterclaim patents, Intel has not pleaded that subject matter jurisdiction exists via an indemnity theory with respect to Dell or HP, and so this potential basis for subject matter jurisdiction is inapplicable. (*See* D.I. 162; D.I. 176 at 3; D.I. 189 at 11 (Intel asserting that it need not plead an indemnity obligation to establish subject matter jurisdiction with respect to the Future Link counterclaim patents))

¹² Although Intel's FAC seeks declarations as to the non-infringement of its “customers[.]” (*see, e.g.*, D.I. 95 at ¶ 103), Intel has made clear that its argument as to subject matter jurisdiction based on indemnification is limited only to customers Dell and HP, (D.I. 110 at 2 & 9 n.1).

Specifically, Intel alleges that:

[(1)] [S]ales of Intel products to [Dell and HP] are governed by agreements that obligate Intel to defend and indemnify [Dell and HP] for third-party patent infringement claims. [] [(2)] [Dell and HP] requested defense and indemnity from Intel [on identified dates] for Future Link's infringement assertions. [(3)] Intel is obligated and, before filing its [initial] Complaint, accepted its duty to defend and indemnify [Dell and HP] for Future Link's patent infringement claims based on the use or inclusion of Intel components in [Dell and HP] products, including payment of infringement damages if awarded to Future Link. [(4)] Intel accepted its obligation and duty to defend and indemnify [Dell and HP] for all of the patents identified in Future Link's letter[s] to [Dell and HP] and, on that basis, filed the [initial] Complaint[; and] [(5)] Intel has confirmed to [Dell and HP] in writing Intel's duty and obligation to defend and indemnify [Dell and HP] as a result of Future Link's claims for patent infringement.

(D.I. 95 at ¶¶ 89-90 (internal citations omitted)) Intel's agreements with Dell and HP, attached as

exhibits to Intel's FAC, state that Intel will indemnify Dell and HP as to two sets of patent

claims: (1) claims that an Intel product [REDACTED]

[REDACTED] infringes a patent; and (2) certain claims that Intel products

[REDACTED] infringe a patent, so long as

certain conditions are met. (HP Agreement at 86203DOC0000060-61; *see also* Dell Agreement

at 86203DOC0000008-09) As to the latter set of circumstances, one listed example is where

certain Intel products are [REDACTED]

[REDACTED]; as to this circumstance, Intel will indemnify so long as [REDACTED]

[REDACTED]

[REDACTED]

(HP Agreement at 86203DOC0000060-61; *see also* Dell Agreement at 86203DOC0000008-09)

In its briefs, Future Link’s primary argument as to why Intel’s indemnity-related allegations are insufficient is that the FAC actually “alleges that some of the indemnity conditions” under which Intel is obligated to indemnify Dell and HP in these agreements “*are not met.*” (D.I. 100 at 11 (emphasis in original)) Future Link proceeds to cite a single example: the above-referenced requirement that there be “no substantial non-infringing use[.]” (*Id.*; *see also* D.I. 116 at 8) On this score, Future Link points to a portion of Intel’s FAC stating: “Future Link contends that products allegedly incorporating such capability such as Intel’s [certain] chipsets, when incorporated and used in end-devices by [Dell and HP] . . . are not staple articles or commodities of commerce suitable for substantial non-infringing use. *Intel denies these allegations by Future Link.*” (D.I. 95 at ¶ 94 (emphasis added) (*cited in* D.I. 100 at 11)) Future Link goes on to assert that subject matter jurisdiction cannot exist “where consideration of the allegations of the FAC and the documents attached thereto establishes that the supplier has no indemnity obligation (for example . . . Intel *denies* that its chipsets ‘are not staple articles or commodities of commerce suitable for substantial non-infringing use,’ which suggests they are not obliged to indemnify under the cont[r]acts attached).” (D.I. 116 at 9 (emphasis in original))

This argument is not persuasive. Intel’s FAC includes repeated, “clear, direct allegation[s] that Intel is obligated to indemnify its customers with regard to Future Link’s [patent infringement] accusations against them[.]” and Intel attaches the actual indemnification agreements with Dell and HP as exhibits. *Intel Corp. v. Future Link Sys., LLC*, Civil Action No. 14-377-LPS, 2015 WL 649294, at *12 (D. Del. Feb. 12, 2015).¹³ Pursuant to the agreements,

¹³ In contrast, in Intel’s initial Complaint, the Court found Intel’s indemnity-related allegations wanting, where Intel failed to attach the relevant agreements, and vaguely alleged only that: “Intel has received indemnity demands from its customers based on Future Link’s

Intel's indemnity allegations kick in based on *claims* made by third parties. (HP Agreement at 86203DOC0000060-61; *see also* Dell Agreement at 86203DOC0000008-09) And as to the one example that Future Link highlights, referenced above, Intel's FAC details how Future Link's allegations in the Dell and HP demand letters do, in fact, amount to *claims* that certain Intel products, "when incorporated and used in end-devices by Dell [and] HP . . . are not staple articles or commodities of commerce suitable for substantial non-infringing use." (D.I. 95 at ¶¶ 94-95)

In order to stand in the shoes of its customers for jurisdictional purposes, Intel is not required to actually *admit* that its products have no substantial non-infringing uses. Such a requirement would not make any sense for a number of reasons, including that the very reason why plaintiffs seek a declaratory judgment is to demonstrate why a patent holder's assertions of infringement are *not* well-founded. *Cf. Arris Grp.*, 639 F.3d at 1380 (rejecting the argument that a declaratory judgment plaintiff must present evidence that it indirectly infringed the patents at issue, as the "very purpose for an accused infringer to bring a declaratory judgment action is to seek a judicial determination that a coercive claim by the patent holder would *not* succeed on the merits" and "[w]hile a declaratory plaintiff indeed has the burden of demonstrating [that] an actual case or controversy exists, [], that burden does not extend to showing that the defendant holds meritorious positions on the issues in controversy") (emphasis in original) (citation omitted); *Cisco Sys., Inc. v. Sprint Commc'ns Co., L.P.*, Civ. Nos. 15-431-SLR, 15-432-SLR, 2016 WL

patent infringement accusations, and Intel's customers continue to seek indemnity from Intel in connection with Future Link's assertions. Intel is obligated to indemnify its customers for third-party patent infringement claims in accordance with the terms of the respective agreements governing sales to those customers." (D.I. 1 at ¶ 14); *see also Intel Corp.*, 2015 WL 649294, at *12 (noting that these allegations could be "just as compatible with a future effort by Intel to deny any indemnity obligation as they would be with an acknowledgment that one exists").

690939, at *3 n.6 (D. Del. Feb. 19, 2016) (same).

Future Link's next argument is that Intel has insufficiently demonstrated indemnification obligations as to Dell and HP's products because "the FAC [does] not allege that all the various requirements of the[] indemnity provisions are met." (D.I. 100 at 11, *see also id.* at 13) More specifically, at oral argument, Future Link's counsel explained its view that Intel's FAC would have had to allege:

[T]hat Future Link had asserted each of [the relevant] patents against the customer products in a way that would invoke on its face that indemnity obligation [described in the Dell and HP agreements]. You'd have to do that for each patent. And you'd have to go through the first paragraph [the paragraph in the indemnification agreements that indemnifies for a claim that [REDACTED] and the second paragraph [the paragraph that indemnifies for certain claims that [REDACTED] and see that Future Link's assertions against . . . Dell and HP [] invoked that indemnity obligation for those patents.

(Tr. at 33)

Reading the allegations in the light most favorable to Intel, Intel has sufficiently demonstrated that an actual controversy exists as to Future Link's claims that Dell (as to all of the Future Link patents) and HP (as to all of those patents, save the '302 patent) infringe the patents "directly or indirectly . . . based on their incorporation or use of [certain products] supplied by Intel." (*See, e.g.*, D.I. 95 at ¶ 103 (exemplary Count I, which seeks a declaration of non-infringement as to the '357 patent)) Intel cites to Future Link's demand letters to Dell and HP, and those letters flatly accused those companies of "*either directly or indirectly*" infringing these patents based on their products' "*incorporat[ion] and use*" of features and functionalities covered by the patents. (D.I. 95 at ¶¶ 31-32, exs. 13, 14 (emphasis added)) And then in the

FAC, on a patent-by-patent basis, Intel explains how the charts attached to the Future Link demand letters explain *why* the accused Dell and HP products (both specific Dell and HP products and general groupings of those companies' products) are alleged to be infringing. Here, Intel delineates how the charts explain that: (1) the accused Dell and HP products were targeted because those products include certain components and/or functionalities; and (2) these components and/or functionalities are in fact provided by Intel products¹⁴ (which Intel supplies to Dell and HP, and Dell and HP incorporate into their accused products). (*See, e.g., id.* at ¶¶ 44-46, 49-51 (describing the allegations, *inter alia*, as to the '357 patent)) With all of this established, a reader of the FAC can then look to Intel's indemnification agreements with Dell and HP. In doing so, one can see that the allegations in the Future Link demand letters are broad enough to plausibly fall within the ambit of the types of claims for which Intel has agreed to indemnify Dell and HP (both as to claims that certain Intel hardware products [REDACTED] [REDACTED] or that certain Intel products [REDACTED] (*See id.* at ¶¶ 89-90 & exs. 15, 17)

To the extent that Future Link asserts that more than this is required, it asks too much of Intel. At times, Future Link sounds as if it believes that Intel would have needed to include graphs or charts in its pleadings that: (1) identify in the FAC by name every specific Dell or HP

¹⁴ Indeed, the FAC explains that Intel provides these products to Dell and HP in such volume that, in many cases, at or near 100% of the allegedly infringing components and/or functionalities in the Dell/HP products are the result of the incorporation of Intel products (as opposed to products provided by another supplier). (*See, e.g., D.I. 95* at ¶¶ 45-46, 50-51 (describing the allegations, *inter alia*, as to the '357 patent)) And, as to each Future Link patent, the FAC also explains how it was so clear to Dell and HP that the Future Link demand letters were invoking Intel products, that Dell and HP immediately sought indemnification from Intel as to those allegations. (*See, e.g., id., D.I. 95* at ¶¶ 47, 52 (describing these communications as they relate to, *inter alia*, the '357 patent))

product that could be implicated by Future Link’s demand letters, along with (2) an explanation of how each such product could possibly utilize an Intel product (alone, or in conjunction with other components) to assertedly infringe each patent at issue, and (3) cross-reference how each of those various infringement possibilities link to each of the various possible indemnification scenarios called out in the indemnification agreements. Yet that level of detail (or something like it) would go far beyond what Future Link’s demand letters disclosed to Dell and HP as to the nature of Future Link’s infringement allegations. It would be much more than what courts have suggested is required of indemnitors like Intel in a pleading, in order to demonstrate that subject matter jurisdiction exists on this basis.¹⁵ And it would not gibe with the standard for reviewing a facial attack on subject matter jurisdiction—one that mirrors the Rule 12(b)(6) standard, and asks whether, when construing all alleged facts in the non-moving party’s favor, there is simply a plausible claim to jurisdiction. *See, e.g., In re Schering Plough Corp. Intron/Temodar Consumer Class Action*, 678 F.3d 235, 243 (3d Cir. 2012); *Mortensen v. First Fed. Sav. & Loan Ass’n*, 549 F.2d 884, 891 (3d Cir. 1977); *Reach Acad. for Boys & Girls, Inc. v. Del. Dep’t of Educ.*, 46 F. Supp. 3d 455, 464 (D. Del. 2014).

¹⁵ *See Fin. Fusion Inc. v. Ablaise Ltd.*, No. C-06-2451 PVT, 2006 WL 2792872, at *1, *3 (N.D. Cal. Sept. 28, 2006) (finding, in a case where the declaratory judgment plaintiff supplier “developed at least in part” websites of certain customers, and those customers received notice letters from the defendant alleging that their websites infringed the patent-in-suit, that the plaintiff “has alleged the existence of an indemnity agreement between itself and its customers. This allegation is sufficient to satisfy the reasonable apprehension prong [of the test for subject matter jurisdiction]”); *cf. Shuffle Tech Int’l*, 2015 WL 5934834, at *7-8 (finding indemnity obligation allegations insufficient to establish jurisdiction where “an indemnification agreement exists,” but there is “virtually no likelihood” that indemnification would be required under the agreement); *Proofpoint, Inc. v. InNova Patent Licensing, LLC*, No. 5:11-CV-02288-LHK, 2011 WL 4915847, at *5 (N.D. Cal. Oct. 17, 2011) (noting that a declaratory judgment supplier would at least need to allege the existence of a valid indemnification agreement and describe its “supposed obligations” in order to demonstrate that the requisite substantial controversy exists).

During oral argument, Future Link set out two additional arguments as to why Intel's indemnity allegations are insufficient as to Dell and HP. There, Future Link contended that there might be sufficient subject matter jurisdiction over Intel's claims with respect to Dell and HP for the specific patents referenced in the demand letters, but (1) only for the "specific Dell and HP products" referenced therein, and (2) "only [] for the specific Intel products included in those specific products[,]" and (3) only for the "specific type of infringement alleged in the letter[.]" (Tr. at 34-37) And Future Link then argued that Intel's declaratory judgment requests stretch far beyond these limitations, for two reasons. First, Future Link claimed that Intel is attempting to "bring in every Dell [and HP] product under the sun[.]" (*Id.* at 37; *see also id.* at 109 ("If [Intel] had narrowed [the FAC] to the exact Dell and HP products that were at issue . . . then maybe they would have something".)) Second, Future Link argued that Intel is seeking requests for declaratory judgments as to types of infringement that are broader than the infringement scenarios covered by the indemnity agreements. (*Id.* at 109, 112-13 (arguing that the indemnification "agreement doesn't have every incorporation or use of an Intel product in it anywhere. So Dell can't come in here and say . . . Intel [is] obligated to indemnify me no matter how I use an Intel product in any of my products."))

With respect to Future Link's first new product-related argument, Future Link's demand letters referenced and put in controversy what may well be large numbers of Dell and HP products—both specific products and product categories that were asserted to infringe the Future Link patents because of their "incorporat[ion] and use" of certain components and/or functionalities. (D.I. 95, exs. 13 & 14) Intel has now pleaded that those components and/or functionalities overwhelmingly derive from the inclusion of Intel products. The controversy that

Future Link created with these broadly-worded letters (which are, in turn, referenced in the FAC) is wide enough to include scenarios where: (1) the listed types of Dell and HP products infringe solely due to their inclusion of an Intel product, and (2) those Dell and HP products infringe because an Intel product, used in combination with other products/components, results in infringement. (Tr. at 49, 52, 59, 80, 90) According to Intel, on this score, its “FAC is coextensive with Future Link’s demand letters to the customers and even adopts the language from those letters used to describe the customers’ products.” (D.I. 110 at 12) The Court is not persuaded at this point that the FAC seeks declarations regarding every Dell or HP “product under the sun,” nor that Intel’s requested declarations otherwise extend beyond the scope of the controversy that Future Link created.

With respect to Future Link’s other new argument—that Intel seeks adjudication of broader types of infringement than those allowed for by the indemnification agreements—Future Link has not clearly articulated what it is about the declaratory judgment requests that exceed the scope of these agreements. According to Intel, the reasons that Dell and HP products would need to be considered at all in this case is that in some instances, “little add-ons [] are sort of necessary to make the whole picture” because, for example, an asserted claim will be a method claim and “Dell turns the machine on”—“[w]e’re talking about sort of trivial additions to what is the fundamental functionality in the [Intel] chip.” (Tr. at 57, 78-80) Therefore, Intel represents that “all of the allegations with regard to infringement as they relate to [] Dell[] and HP[] [] are [] covered by what’s called for [by the Dell and HP indemnification agreements].” (*Id.* at 102-03) That assertion appears plausible to the Court, and Future Link has not sufficiently articulated why that conclusion is incorrect.

For the foregoing reasons, the Court finds that subject matter jurisdiction exists over Intel's requests for customer non-infringement declarations with respect to Dell and HP products, as to the specific patents called out in Future Link's demand letters to these companies.

IV. CONCLUSION

For the reasons explained above, the Court recommends that: (1) Future Link's Second and Third Motions be GRANTED with respect to Intel's non-infringement counts and non-infringement counterclaim counts relating to Intel customers for which it has not pleaded indemnity obligations; and (2) Future Link's Second Motion be DENIED with respect to Intel's non-infringement counts as to Dell and HP products, for the specific patents called out in Future Link's demand letters to these companies.

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 for Objections Filed Under Fed. R. Civ. P. 72, dated October 9, 2013, a copy of which is available on the District Court's website, located at <http://www.ded.uscourts.gov>.

Because this Report and 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 (if necessary) of the Report and Recommendation. Any such redacted

version shall be submitted no later than **April 7, 2016** for review by the Court, along with a detailed explanation as to why disclosure of any proposed redacted material would “work a clearly defined and serious injury to the party seeking closure.” *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Report and Recommendation.

Dated: March 31, 2016

A handwritten signature in black ink, reading "Christopher J. Burke". The signature is written in a cursive, flowing style. The first name "Christopher" is written in a larger, more prominent script, followed by "J." and "Burke". The signature is positioned above a horizontal line.

Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE