IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

CHOICE-INTERSIL MICROSYSTEMS, INC. et al
Plaintiffs

v.

AGERE SYSTEMS, INC.
Defendant

CIVIL ACTION

NO. 02-8219

MEMORANDUM AND ORDER

McLaughlin, J.

September 2, 2003

Choice-Intersil Microsystems, Inc., Intersil Corporation, and Intersil Americas Inc., have moved for a preliminary injunction on their claim of trade secret misappropriation under Pennsylvania law.[1] The plaintiffs own trade secrets related to computer technology as the successors in interest to a Joint Development Agreement ("JDA") executed in 1995 between Digital Ocean and AT&T Corporation. The plaintiffs allege that Agere Systems, Inc. ("Agere") unlawfully possesses and unlawfully disclosed the trade secrets. Agere claims that it possesses the trade secrets legally as a successor in interest under the JDA to Lucent Technologies that was a successor in interest to AT&T.

[1] For ease of reference, Choice-Intersil Microsystems, Inc. is referred to as "Choice-Intersil," Intersil Corporation is referred to as "Intersil," Intersil Americas Inc. is referred to as "Intersil Americas," and Choice Microsystems is referred to as "Choice."

The parties agreed to brief the plaintiffs' motion in stages. At this stage, the parties briefed whether Agere has rights under the JDA and the Addendum to the JDA. The Court held an evidentiary hearing on this issue on February 27 and 28, 2003. The parties have consented to the Court issuing a final decision on whether Agere has rights under the JDA and the Addendum. The Court finds that Agere does have rights under the JDA and the Addendum.

The question before the Court is whether the section of the JDA that granted to each party the right to assign its rights under the JDA to a successor in interest continued in existence in an Addendum to the JDA. The Court holds that it did. It makes this decision based on a reading of the clear and unambiguous language of the Addendum and the JDA. This reading of the Addendum is supported by the contemporaneous conduct of the parties during the negotiations that led to the Addendum.

I. Findings of Fact

A. The Parties

1. Choice-Intersil Microsystems, Inc. develops network interface technology and products. One of its products is a wireless medium access controller ("WMAC").[2] Pl. Mot. Ex.

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[2] Hereinafter, the exhibits to the plaintiffs' motion for a preliminary injunction will be labeled "Pl. Mot. Ex." followed by the exhibit letter and page number. The exhibits to the

I, at ¶ 3; Def. Opp'n Ex. 7.

2. Intersil Corporation is a semiconductor company that develops wireless networking solutions. Choice-Intersil Microsystems Inc. is a subsidiary of Intersil Corporation. Tr. I, at 70; Pl. Mot. Ex. L.

3. Intersil Americas Inc. is a holding company for Intersil Corporation. Pl. Mot. Ex. I, at ¶ 2.

4. Agere Systems Inc. is a semiconductor business. It makes optoelectronics components and integrated circuits. It also possesses wireless local area network ("WLAN") architecture. Pl. Mot. Ex. G, at 1; Def. Opp'n Ex. 9, at 1-2; Def. Opp'n Ex. 14; Def. Opp'n Ex. 15.

B. How Choice-Intersil Microsystems and Agere Came Into Existence

5. Choice-Intersil Microsystems and Agere both came into existence after a series of corporate restructurings and

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plaintiffs' supplemental memorandum will be labeled "Pl. Supp. Br. Ex." followed by the exhibit number and page number. The exhibits to the defendant's opposition to the motion will be labeled "Def. Opp'n Ex." followed by the exhibit number and page number. The exhibits to the plaintiffs' reply brief will be labeled "Pl. Reply Ex." followed by the exhibit number and page number. References to the transcript from the portion of the evidentiary hearing held on this motion on February 27, 2003 are indicated as "Tr. I" followed by the transcript's page number. References to the transcript from the portion of the evidentiary hearing held on this motion on February 28, 2003 are indicated as "Tr. II" followed by the transcript's page number. Exhibits introduced by the plaintiff at the evidentiary hearing are labeled "Pl. H'rg Ex." followed by a number. Exhibits introduced by the defendant at the evidentiary hearing are labeled "Def. H'rg Ex." followed by a number.

acquisitions.

6. Choice-Intersil Microsystems, Inc. began as Digital Ocean. As of February 21, 1996, Choice Microsystems succeeded to the business of Digital Ocean. Harris Corporation acquired Choice Microsystems in early 1999. Later in the year, Intersil Corporation acquired Choice Microsystems from Harris. After the acquisition Intersil Corporation renamed Choice Microsystems "Choice-Intersil Microsystems, Inc." and made the new company a subsidiary of Intersil Corporation. Tr. I, at 70-71; Pl. Mot. Ex. I, at ¶ 2; Def. Opp'n Ex. 6; Def. Opp'n Ex. 7.

7. Agere Systems, Inc. began as NCR Corporation's Wireless Communications and Network Division. At some point before 1994, AT&T Corporation acquired NCR Corporation's Wireless Communications and Network Division. In 1996, Lucent Technologies was created after AT&T divested its system and technology business. On July 20, 2000, Lucent announced that it would spinoff its microelectronics business. The spinoff corporation was Agere. The spinoff was completed on June 1, 2002. As part of the spinoff, Lucent assigned its rights under a series of agreements, including the JDA at issue in the present case, to Agere. Tr. I, at 191-93, 208; Pl. Supp. Br. Ex. 4; Def. Opp'n Ex. 1, at ¶¶ 2-3, 8-9; Def. Opp'n Ex. 5; Def. Opp'n Ex. 9, 1-2; Def. Opp'n Ex. 10, 102-08; Def. Opp'n Ex. 11, at 13; Def. Opp'n Ex. 12; Def. Opp'n Ex. 13.

C. Technology Related to the Trade Secrets

8. This case involves computer hardware and software related to wireless communications.

9. Wireless Local Area Networks ("WLAN") are computer networks in which computers are connected wirelessly. Typically each computer on a network has an interface that sends and receives radio transmissions to and from a device called a wireless access point. The access point routes the transmissions to other computers on the network. Def. Opp'n Ex. 1, at ¶ 4.

10. There are three major components to a WLAN: (1) the signal processor or physical layer ("PHY"); (2) the radio transmitter; and (3) the medium access controller ("MAC"). The PHY layer codes and processes the signals. The radio transmitter sends and receives the signals. The MAC coordinates access to the shared radio channel. Tr. I, at 194-95; Def. Opp'n Ex. 1, at ¶ 4.

11. MACs comprise tens or hundreds of thousands of logic circuits and corresponding code to move millions of bits of data every second. Pl. Mot. Ex. A, at ¶ 8.

12. During the 1990s, the Institute of Electrical and Electronics Engineers, Inc. ("IEEE") began to develop a wireless communication standard. The purpose was to have a uniform standard for the industry. Pl. Mot. Ex. A., at ¶ 3; Def. Opp'n

Ex. 1, at ¶ 7.

13. In **1997,** the IEEE ratified a wireless communication standard. This standard was designated as the **IEEE** 802.11 standard. Pl. Mot. Ex. A., at ¶ 3; Def. Opp'n Ex. 1, at ¶ 7.

D. Creating a Joint Development Asreement

14. In early **1994,** NCR Corporation's Wireless Communications and Network Division approached Digital Ocean for assistance in developing a MAC for use in connection with the IEEE **802.11** standard. Before any agreement was reached, AT&T acquired NCR's Wireless Communications and Network Division. Tr. **I,** at 195; Pl. Mot. Ex. A, at ¶ 2; Def. Opp'n Ex. 1, at ¶ 7.

15. Digital Ocean had experience with MACs. It developed MAC controllers conformant to standards other than the 802.11 standard. Digital Ocean also possessed the fundamental architecture for a programmable WMAC controller chip as well as the instruction set in which the firmware programs to implement the 802.11 MAC protocol would be written. Digital Ocean's expertise was in Dedicated Instruction Set Core computer architecture. Tr. I, **79-82, 198-99;** Pl. **Mot. Ex.** A, at ¶¶ 4-5; Def. Opp'n Ex. 1, at ¶ 7; Def. Opp'n Ex. **2,** at 1.

16. AT&T Corporation had experience in the WLAN field. This experience was in the field of network infrastructure for

WLANs. AT&T Corporation also produced software to interface the MAC to a host computer. Tr. I, **79-82, 196**; Pl. Mot. **Ex.** A, at ¶ 6; Pl. Mot. Ex. B, at 1; Def. Opp'n Ex. 1, at ¶ 5.

17. The Chief Executive Officer of Digital Ocean was the lead negotiator on the JDA for Digital Ocean. He was supported by Michael Fischer, who also worked for Digital Ocean at that time, from the time that AT&T made initial contacts about entering into an agreement. Tr. I, at 71.

18. The first draft of the JDA was prepared by AT&T's legal department on December **22, 1994** and sent to Digital Ocean on December 23, **1994.** In this draft, Article 6.1 regarding the term of the agreement provided that:

> This Agreement shall be effective from the date of signature by both Parties and shall remain effective until December 31, **1998** unless terminated in accordance with this Agreement.

The survival provision in Article **6.4** of this draft stated that:

> The obligations of both Parties under Sections 3.2, **3.3, 4.1, 4.3** and **4.5** shall survive and continue after any termination of this Agreement.

Section 3.2 related to the confidentiality of information related to the JDA. Section 3.3 discussed the parties' responsibilities under various export laws. Section 4.1 dealt with project development results. Section 4.3 addressed sole inventions. Section 4.5 handled existing patents. This draft also included a nonassignability provision that read as follows:

> The Parties hereto have entered into this Agreement in contemplation of personal performance, each by the other, and intend that the rights granted and obligations hereunder to a Party not be extended to entities, other than such Party's subsidiaries, without the other Party's express written consent. Each party's rights, title and interest in this Agreement and any rights granted to each Party hereunder may be assigned to any direct or indirect successor to the business of such Party and the result of any internal reorganization, which successor thereafter be deemed substituted for such Party as the Party hereof, mutatis mutandis, effective upon such assignment; but neither this Agreement nor any rights hereunder shall be otherwise assignable or transferable (in insolvency proceedings or otherwise) by either Party without the express written consent of the other Party.

Tr. I, at 72-75; Pl. Reply Br. Ex. 23, at 1, 8-11, 14-15, 17.

19. On February 21, 1995, AT&T and Digital Ocean entered into a JDA. The purpose of the JDA was to rapidly develop a 802.11 conformant WMAC chipset. Tr. I, 79-82, 198-200; Pl. Mot. Ex. A, at ¶ 3; Pl. Mot. Ex. B, at 3; Pl. Supp. Br. Ex. 7, at 67; Def. Opp'n Ex. 1, at ¶ 8.

E. Joint Development Agreement

20. The JDA was separated into: (1) a series of "whereas" clauses; (2) eight substantive articles; and (3) two annexes. Def. Opp'n Ex. 2, at Table of Contents.

21. The three whereas clauses: (1) outlined AT&T's experience with WLANs; (2) described Digital Ocean's experience

with dedicated instruction set technology and firmware development; and (3) stated that AT&T and Digital Ocean wanted "to utilize each other's capabilities, and technical know how in a joint research and development project to be further described in this Agreement." Def. Opp'n **Ex. 2**, at **1**.

22. The eight articles of the JDA dealt with the following topics: (1) definitions; (2) project description; (3) furnishing and use of information; (4) joint information and inventions; (5) manufacture and procurement; (6) compliance with rules and regulations; (7) term and termination; and (8) miscellaneous provisions. Def. Opp'n Ex. 2, at Table of Contents.

23. Among the terms defined in Article 1 of the JDA were "AT&T information," "joint information," "joint invention," "project," "Digital Ocean information," and "subsidiary." Def. Opp'n Ex. 2, at 1.

24. As defined in the JDA, project "means the joint research and development project described" in the JDA. Def. Opp'n **Ex.** 2, at **2**.

25. Article *2* of the JDA: (1) described the project and outlined the project deliverables; (2) established a project management committee; and (3) set project compensation. Def. Opp'n **Ex. 2**, at **3**.

26. Under Article 2.1.1, the purpose of the project

was "the rapid development of a 802.11 conformant wireless medium access controller . . . chip set." This provision also included the parties' intentions for which parts of the project Digital Ocean would take the lead, for which parts of the project AT&T would take the lead, and which parts of the project were a shared responsibility. Def. Opp'n Ex. 2, at 3.

27. Article 3 of the JDA: (1) described the parties' responsibilities for furnishing information; (2) discussed the parties' obligations under various export laws; and (3) granted each party rights to the other party's information. Def. Opp'n Ex. 2, at 5-7.

28. Article 7 of the JDA covered: (1) the term of the JDA; (2) termination by mutual agreement; (3) termination for breach; and (4) survival of the JDA. Article 7 stated that:

> 7.1 Term
> This agreement shall be effective from the date of signature by both Parties and shall remain effective until the completion of the Project, unless terminated in accordance with this Agreement.
>
> **7.2** Termination by Mutual Agreement
> (a) Parties may, by mutual agreement, at any time, terminate this Agreement.
> (b) Upon any termination pursuant to Section 7.2(a):
> (1) The Parties shall retain their rights to the joint information developed during the term of the Agreement up to the date of termination;
> (2) Each of the Parties, at its option, shall have the right to use all of the information

provided by the other party that is incorporated in the 802.11 conformant chip at the date of such termination for the purposes of completing the project and in order to make or have made the 802.11 conformant WMAC chip or any derivative;

(3) No license shall be granted to either Party under any solely owned patents of the other Party as described under Section 4.5; and

(4) The Parties shall have no obligation to remit to the other Party any portion of the royalty fees it may receive for products and/or information developed after the date of termination with the use of joint information.

7.3 Termination for Breach

. . . .

7.4 Survival

The obligations of both Parties under Sections 3.2, 3.3, 4.1, 4.3, and except in the event of termination pursuant to Section 7, under Section 7.5, shall survive and continue after any termination of this Agreement.

Section 3.2 addressed the parties' use of information. Section 3.3 focused on export control. Section 4.1 discussed project development results. Section 4.3 dealt with sole inventions. Section 4.5 covered solely owned patents. Def. Opp'n Ex. 2, at 5-9, 11-12.

29. Article 8 of the JDA contains several miscellaneous provisions covering: (1) what document prevails when there is a conflict between project documents; (2) the accuracy of information provided by the parties; (3) how certain

terms should be construed; (4) representations and warranties; (5) a disclaimer; (6) the parties' addresses; (7) an integration clause; (8) a nonassignability provision; (9) a provision for amending the agreement; and (10) a choice of law provision. Def. Opp'n Ex. 2, at 12-14.

30. Under Article 8.1 of the JDA, the "agreement shall prevail in the event of any conflicting terms or legends which may appear in any project documents." Def. Opp'n Ex. 2, at 12.

31. Article 8.8 of the JDA is a nonassignability clause. Under this provision:

> The parties hereto have entered into this Agreement in contemplation of personal performance, each by the other, and intend that the rights granted and obligations hereunder to a Party not be extended to entities, other than such Party's subsidiaries, without the other Party's express written consent. Each Party's rights, title and interest in this Agreement and any rights granted to each Party hereunder may be assigned to any direct or indirect successor to the business of such Party as the result of any internal reorganization, which successor shall thereafter be deemed substituted for such Party as the Party hereof, mutatis mutandis, effective upon such assignment; **but** neither this Agreement nor any rights hereunder shall be otherwise assignable or transferable (in insolvency proceedings or otherwise) by either Party without the express written consent of the other Party.

Def. Opp'n Ex. 2, at 13.

F. Negotiations About Ending the JDA Project

32. By 1998, the parties were exploring ways to stop work on the project that was the subject of the JDA. By this time, Digital Ocean and AT&T were succeeded in interest by Choice Microsystems and Lucent Technologies, respectively. Choice Microsystems was dissatisfied with the progress of the JDA project and was also in discussions to be acquired by another company. Lucent believed that Choice Microsystems was not fulfilling its responsibilities under the JDA. The parties wanted to end the joint product development phase and move into an individual commercialization phase. Tr. I, 87-89, 168-69, 200-05, 207; Pl. Supp. Br. Ex. 7, at 65-69, *73, 77-79,* 118.

33. The initial approach to ending the JDA project was to amend or revise the JDA. Draft revisions to the JDA were prepared on: (1) June 15, 1998; (2) October 8, 1998; (3) October 9, 1998; and (4) November 2, 1998.

34. The main negotiators for revising the JDA were Bruce Tuch, on behalf of Lucent, and Michael Fischer, on behalf of Choice Microsystems. In addition to exchanging drafts of a revised JDA, Mr. Tuch and Mr. Fischer were involved in: (1) internal discussions at Lucent and Choice Microsystems, respectively; and (2) telephone and email conversations with each other and with other individuals working on behalf of the two companies. Mr. Tuch is currently the Chief Technical Officer of the Wireless Fidelity Group and the Director of Development for

the Networking and Entertainment Division at Agere. Mr. Fischer is currently a senior scientist at Intersil Corporation. Tr. I, at **69**, 71, **93-94**, **148**, **150**, **190-91**; Pl. **Supp. Br.** Ex. 7, at 26.

35. During the negotiations that led to the Addendum to the JDA, there were reviews conducted by Michael Beck who was legal counsel for Lucent. Mr. Beck reviewed all of Mr. Tuch's actions in negotiating the Addendum to the JDA. Additionally, Cees Link, General Manager of Lucent, approved the final version of the Addendum to the JDA. Pl. Supp. Br. Ex. 7, at 20-21, 26-29.

36. The June 15, **1998** draft was prepared by Choice Microsystems and entitled "Amendment to Joint Development Agreement." This draft left unchanged much of the language of the JDA. Language was added stating that the parties agreed that the project was completed for purposes of Article 7.1 of the JDA and showing the completion status of various tasks associated with the project. Under the proposed Article 7:

> The Parties agree to abide by the terms of Article 7.4 of the JDA [the survival provision], as amended or superseded by provisions of this Agreement.

Article 8 of this draft dealt with the miscellaneous provisions of the JDA and provided that:

> The Parties agree to abide by the terms of Article **8** of the JDA, as amended or superseded by the provisions of this Agreement.

Tr. I, at 90-93, 148; Def. Opp'n Ex. 18, at 2-11, 14; Pl. **H'rg**

Ex. 24, at **2-11, 14.**

37. On September 23, 1998, Mr. Tuch prepared a position summary for terminating the JDA by mutual agreement. This summary listed Lucent's positions on different JDA articles. In this summary, Mr. Tuch proposed revising Article 2.1 of the JDA to state that "no remaining deliverable items, per **2.1.2**, are required from Choice or Lucent Technologies for completion of the Project for the purposes of Article 7.1 of the JDA." This document was sent to Choice Microsystems. Tr. I, at **222-25**; Pl. Supp. Br. Ex. **7**, at **110-12**, 115; Pl. Supp. Br. Ex. 8.

38. The October 8, 1998 draft of a revised JDA was a redlined version of the JDA. The draft was prepared by Mr. Fischer. Language similar to that proposed by Mr. Tuch on September **23**, 1998 was inserted at the end of Article 2.1 of the JDA. The exact language was:

> No remaining deliverable items are required from Choice or Lucent for completion of the project for purposes of Article 7.1 of the JDA.

Language was added to the end of Article 7.1 of the JDA stating that "the parties agree that the Project has been completed as of the Date of Amendment." The survival provision of Article **7.4** of the JDA was amended to read as follows:

> The obligations of both parties under Sections **3.2, 3.3, 4.1, 4.2, 4.3, 4.4, 5.1**, and except in the event of termination pursuant to Sections 7.2 or 7.3, under Sections **2.3, 4.5, 4.6**, and **5.2** shall survive and continue after completion of the

Project or any termination of this Agreement.

At the end of Article **8.8** of the JDA, language was added stating that:

> The Parties agree that the provisions in this Article **8.8** place no restrictions on the ownership, sale or transfer of either Party's common stock or other securities entitled to vote for election of directors of said Party.

Choice added the proposed language for Article **8.8**. The language was added because Lucent had told Choice that it interpreted Article **8.8** not to allow an acquisition of one of the parties through a sale or transfer of common stock. There was a possibility Choice would be acquired by another company through a stock acquisition. Tr. I, at **94-96, 99-103, 229-36;** Pl. Supp. Br. Ex. **9,** at **1, 3, 12, 13, 16.**

39. On October **9, 1998,** another draft of a revised JDA was prepared by Mr. Fischer after a telephone conference between the parties. No changes were made to Articles 2.1, 7.1, **7.4,** or **8.8** from the October **8, 1998** draft. Tr. **I,** at 95-96, **103;** Pl. Supp. Br. Ex. 10, at 1, **3,** 12, **13, 16.**

40. The November 2, **1998** draft **of** a revised JDA was prepared by Mr. Fischer. It did not change Articles 2.1, 7.4, or **8.8** from the language included in the October **8** and **9, 1998** drafts. The termination provision of Article 7.1 was revised to read:

> The parties agree that the project has been completed as of the Date of Amendment, **subject to**

> the survival of certain provisions as set forth in Section 7.4 hereof.

Tr. I, at 95-96, 98-99, 103; Pl. Supp. Br. Ex. 11, at 1, 3, 12, 13, 15.

41. After the November 2, 1998 draft, the parties took a new approach to revising the JDA. Instead of revising the language of the JDA, the parties wrote an Addendum to the JDA. Drafts of the Addendum were prepared on: (1) December 17, 1998; (2) December 22, 1998; and (3) December 30, 1998. On December 22, 1998, two different drafts of the Addendum were prepared. The change in format from a revised JDA to an Addendum to the JDA was not substantive. The parties decided that instead of rewriting the whole JDA, it would be easier to write an Addendum and list the parts of the JDA that the parties were modifying. Tr. I, at 95-97, 105-07, 231, 238-40; Pl. Supp. Br. Ex. 12; Pl. Supp. Br. Ex. 13; Def. Opp'n Ex. 31, at AGE 043897; Pl. Reply Br. Ex. 22.

42. On December 17, 1998, an Addendum to the JDA was prepared by Lucent. In this draft, the Addendum Effective Date was February 21, 1995. In this document, whereas clause D stated that:

> The parties have agreed that the project, as defined in the JDA, is completed as from the Addendum Effective Date.

Whereas clause E provided that:

> The parties now wish to modify the JDA to reflect

the situation as from the Addendum Effective Date, unless otherwise indicated in this Addendum.

Tr. I, at 104-05, 132-33, 231; Pl. Supp. Br. Ex. 12, at 1.

43. The December 17, 1998 proposal contained ten sections in addition to the whereas clauses. Section 1 discussed project completion and stated that "the Project, as defined by the JDA has been completed as from the Addendum Effective Date." Section 1.2 included the language about there being no remaining project deliverables that was present at the end of Article 2.1 in the three prior drafts of a revised JDA. Section 8 of the Addendum covered the term and termination provisions. It stated that:

> The parties agree that the project, as defined by the JDA, has been completed as of the Addendum Effective Date. The JDA shall continue to be effective with regard to the remainder of its terms and as set forth in this Addendum.

The survival provision in Section 9 remained the same. Section 10 dealt with miscellaneous provisions and stated that:

> Article 8.8 of the JDA ("Nonassignability") shall be modified by the addition of the following paragraph: "The Parties agree that the provisions in this Article 8.8 place no restrictions on the ownership, sale or transfer of either Party's common stock or other securities entitled to vote for election of directors of said Party. Nothing in here shall be construed, however, as granting such Party the right to transfer or assign any of its rights, title and interest in this Agreement to any party acquiring such Party's common stock or other securities.

Tr. I, at 232-34; Pl. Supp. Br. Ex. 12, at 1, 5, 6.

44. There was a second draft Addendum prepared on December 22, 1998 by Choice. In Choice's December 22, 1998 draft, substantive changes were made to the term and termination provisions of Section 8 and to the modification of Article 8.8 of the JDA in Section 10 of the Addendum. Choice wanted to strike the entire term and termination section proposed by Lucent. With respect to the nonassignability provision of Article 8.8, Choice proposed to strike the sentence:

> Nothing in here shall be construed, however, as granting such Party the right to transfer or assign any of its rights, title and interest in this Agreement to any party acquiring such Party's common stock or other securities.

Notes made on this draft by Choice Microsystems state that it could not agree to the insertion of this sentence because "it directly seemed to [Choice] to directly contradict the previous paragraph in the JDA." Choice also noted that Lucent offered to remove all of the language that was added to Article 8.8 in the December 17, 1998 draft. Choice rejected this proposal because it wanted to clarify "that Lucent cannot veto [Choice's] acquisition by holding rights hostage, as long as the business is legitimately succeeded." Tr. I, 108-13, 157-59; Pl. Reply Br. Ex. 22, at 1-2, 6-7.

45. Mr. Fischer emailed Mr. Tuch a revised Addendum to the JDA on December 30, 1998. In this draft, Section 9.1 had been revised to read:

> Article **8.8** of the JDA ("Nonassignability") shall be modified as from February 21, **1995** by the addition of the following provisions: "The Parties agree that the provisions in this Article **8.8** place no restriction on the ownership, sale or transfer of either Party's common stock or other securities entitled to vote for election of directors of said party nor shall the sale or other transfer of all or any part of the stock of either Party to one or more of the third parties impair, modify, augment or have any effect upon the rights or obligations of such Party under the JDA as amended by this Addendum.

Tr. I, at 238-40; Def. Opp'n Ex. **31,** at AGE **043897.**

46. Article **8.8** was the most negotiated provision of the Addendum. The purpose of the original text of Article 8.8 in the JDA was two-fold: to allow the assets and rights of the technology to be transferred to subsidiaries or successors of the company; but to restrict a competitor from purchasing the joint partner. Tr. I, at 215-16.

47. The modification to Article 8.8 that appears in Section **9.1** of the Addendum was drafted by Michael Fischer. Mr. Fischer told Mr. Tuch that Choice was looking for other companies to acquire them and they were going through due diligence with two companies. Mr. Tuch told Mr. Fischer that it was Lucent's position that this could not be done without Lucent's permission under Article 8.8. Mr. Fischer disagreed but negotiations ensued that resulted in the modification to Article **8.8.** Except for a less than a minute discussion about a past transaction involving Mr. Hawks, all the discussion about the amendment was future

oriented. The parties were negotiating for the future.[3] Tr I, at **217-18, 221-27,** 230, **240-41.**

48. The parties never had discussions about whether the miscellaneous provisions of Article **8** of the JDA continued after the Addendum was executed. No one at Choice ever told anyone at Lucent that Article **8.8** was only retroactive and not prospective. Tr. I, at **162-66, 242.**

G. Addendum to the JDA

49. On January 6, 1999, Choice Microsystems and Lucent Technologies signed an Addendum to the JDA. The Addendum was a separate document. The Addendum Effective Date was January 6,

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[3]The plaintiffs presented the testimony of Michael Fischer and the defendant presented the testimony of Bruce Tuch, who were the principal negotiators of the Addendum. Much of Mr. Fischer's testimony was a self-serving description of his views of what the parties were intending by the various provisions of the Addendum. For example, he described at length his intention that only the specific sections listed in Section 7.2 would survive the Addendum. I did not find Mr. Fischer's testimony very helpful or credible. It appeared to be an after-the-fact reconstruction of the negotiations that is not supported by any documents and is inconsistent with the language and logic of the Addendum. He appeared evasive on cross-examination and struggling on direct to answer in a way that was helpful to his employer's position in the litigation. Some of his testimony was difficult to understand. He appeared to be struggling so hard to answer in a way beneficial to the plaintiffs that he got himself confused.

On the other hand, I found Mr. Tuch credible. What he said was very often supported by documents. It also made more sense. Mr. Tuch appeared to answer questions promptly and directly. I accept his testimony. The findings of fact with respect to the oral negotiations come from Mr. Tuch's testimony.

1999. Tr. I, at 117-18, 205-06; Def. Opp'n Ex. 3.

50. The Addendum was separated into five whereas clauses and ten substantive sections. Def. Opp'n Ex. 3.

51. The first three whereas clauses stated that: (1) the JDA was entered into on February 21, 1995 for the purpose of developing a 802.11 conformant WMAC chip; (2) Lucent succeeded to the relevant business of AT&T as of July 11, 1996; and (3) Choice Microsystems succeeded to the relevant business of Digital Ocean as of January 5, 1998. Def. Opp'n Ex. 3, at 1.

52. Whereas clause D stated that the "parties have agreed that the project, as defined in the JDA, is completed as of the Addendum Effective Date." Def. Opp'n Ex. 3, at 1.

53. Whereas clause E stated that the "parties now wish to modify the JDA as provided for in this Addendum." Def. Opp'n Ex. 3, at 1.

54. The ten substantive sections of the Addendum covered: (1) project completion; (2) name change and definitions; (3) project compensation; (4) furnishing and use of information; (5) grant of rights; (6) joint information and inventions; (7) terms and conditions of purchase; (8) term and termination; (9) miscellaneous provisions and (10) amendment of a related agreement. Def. Opp'n Ex. 3.

55. Section 1 addressed project completion. Under Section 1.1, "the project, as defined by the JDA, has been

completed from the Addendum Effective Date." Section 1.2 provided that "no remaining deliverable items are required from Choice or from Lucent for completion of the project for the purposes of all relevant sections of the JDA, including Article 7.1." Tr. I, at 89-90; Def. Opp'n Ex. 3, at 1.

56. Section 2 provided that any references to AT&T in the JDA shall mean Lucent and any references to Digital Ocean in the JDA shall mean Choice Microsystems. Def. Opp'n Ex. 3, at 2.

57. Section 3 changed project compensation. The changes were made effective as of February 21, 1995, the date on which the JDA became effective. Def. Opp'n Ex. 3, at 2.

58. Different portions of Sections 4 and 5 either replaced or modified portions of Article 3 of the JDA. For example, Article 3.2(a) of the JDA that dealt with confidentiality and disclosures of information was replaced by the language in Section 4.1 of the Addendum. Additionally, Section 4.2 added two new paragraphs to the end of Article 3.2 of the JDA. Section 5 replaced three of the five sections of Article 3.4 of the JDA that dealt with the granting of rights by one party to another. Def. Opp'n Ex. 3, at 3-4.

59. Sections 6 and 7 replaced certain portions of Articles 4 and 5 of the JDA in their entirety. Section 6 replaced Articles 4.1, 4.2, and 4.5 of the JDA. Article 4.1 of the JDA covered project development results. Article 4.2 of the

JDA dealt with derivatives of the 802.11 conformant WMAC chipset. Article 4.5 of the JDA discussed solely owned patents. Section 7 replaced Article 5.2 of the JDA regarding terms and conditions of purchase. Def. Opp'n Ex. 3, at 4-6.

60. Section 8 related to Article 7 of the JDA, the term and termination provision. Under Section 8:

> Article 7 of the JDA entitled "Term and Termination" shall be modified as of the Addendum Effective Date by deleting all of the provisions of Section 7.2, 7.3, and 7.4 and by adding a new Section 7.2 providing as follows:
>
> 7.2 Survival: The obligations of both Parties under Sections 3.2, 3.3, 3.4, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 5.1, and 5.2 of the JDA shall survive and continue after completion of the project or any termination of the JDA or this Addendum.

Def. Opp'n Ex. 3, at 6.

61. Section 9 addressed miscellaneous provisions.

Section 9.1 provided that:

> Article 8.8 of the JDA (Nonassignability) shall be modified effective as from February 21, 1995 by the addition of the following provisions: "The parties agree that the provisions in this Article 8.8 place no restrictions on the ownership, sale or transfer of either Party's common stock or other securities entitled to vote for election of directors of said Party.

Section 9.2 provided that:

> To the extent that any provisions of this Addendum are in conflict with or create any ambiguity with the JDA, the provisions of this Addendum shall prevail. Except for any terms or provisions that

> are inconsistent with this Addendum, all the other terms and conditions of the JDA are hereby incorporated by reference herein. Any supplement, modification, or waiver of any provision of the JDA or this Addendum must be in writing and executed by an authorized representative of both Parties.

Tr. I, at 122, **132-33, 145-47**; Def. Opp'n **Ex. 3**, at Sec. 9.

62. The signed Addendum added language making the revised Article *8.8* effective from February 21, 1995 because the Addendum Effective Date had been changed from February 21, 1995 to January **6**, 1999 during the drafting process. Tr. I, at 135.

H. Harris Corporation Acquisition of Choice Microsystems

63. Harris Corporation negotiated to acquire Choice Microsystems in the fall of 1998. It is unclear whether Harris made it a condition of acquiring Choice that Choice execute a revised JDA with Lucent. Tr. I, at 39-40, 43-44, 51-56, **137-39**; Def. H'rg Ex. 26.[4]

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[4] At the evidentiary hearing, the plaintiffs objected on attorney-client privilege grounds to the admission of the Defendant's Hearing Exhibit 16. This document was prepared by Harris Corporation in connection with its acquisition of Choice. The plaintiffs argue that the document was inadvertently disclosed during discovery. The defendant argues that the document was used at the deposition of John Yanas and attached as Exhibit 27 to the defendant's brief in opposition without any objection by the plaintiff. Tr. I, at **56-59, 63-69.**

The Court declines to decide whether the document at issue is privileged and whether the privilege has been waived. The Court does not rely on the document at issue in reaching its decision on whether Agere has any rights under the JDA or the Addendum.

64. Choice's negotiations with Harris ended in December 1998. Harris reviewed the acquisition contract for a period of time after December 1998. The acquisition of Choice by Harris closed in early February 1999. Tr. I, at 169-70.

I. Agere's Disclosure of Trade Secrets

65. On October 15 and **24, 2002,** Agere issued press releases stating that it intended to work with other companies to develop WLAN chips and computer solutions related to the 802.11 standard. Pl. Mot. Ex. E; Pl. Mot. Ex. G, at 1.

66. The October 15, **2002** press release discussed Agere's agreement with Infineon Technologies. Pl. Mot. Ex. E.

67. The October **24, 2002** press release described Agere's plans with Ericsson. Pl. Mot. Ex. G, at 1.

II. Conclusions of Law

By agreement of the parties, the only issue before the court is whether Agere has rights under the JDA and the Addendum to the JDA. This is an issue of contract interpretation.

When a court interprets a contract, its primary objective is to ascertain the intent of the parties. The structure and language of the entire contract must be taken into account when determining the parties' intent. A contract must be interpreted in a way to give effect to its primary purpose.

Niagara Frontier Transp. Auth. v. Euro-United Corp., 757 N.Y.S.2d 174, 176 (N.Y. App. Div. 2003); Murphy v. Duquesne Univ. of the Holy Ghost, 777 A.2d 418, 430 (Pa. 2001).[5]

When a contract is unambiguous, its meaning is to be determined from its contents alone. Greenfield v. Philles Records, Inc., 780 N.E.2d 166, 170 (N.Y. 2002); Seven Springs Farm, Inc. v. Croker, 569 A.2d 1212, 1215 (Pa. 2002). Contract language is unambiguous when it contains language with a definite and precise meaning and concerning which there is no reasonable basis for a difference of opinion. Greenfield, 780 N.E.2d at 170-71; Osial v. Cook, 803 A.2d 209, 213-14 (Pa. Super. Ct. 2002). Unambiguous language is to be given its plain and ordinary meaning. Modern Med. Lab. v. Dowling, 648 N.Y.S.2d 820, 822 (N.Y. App. Div. 1996); Profit Wize Mktg. v. Wiest, 812 A.2d 1270, 1274-75 (Pa. Super. Ct. 2002).

Extrinsic evidence of the parties' intent may be considered only if the contract is ambiguous. Greenfield, 780 N.E.2d at 170; Osial, 803 A.2d at 213. Contractual terms are

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[5] Article 8.10 of the JDA provides that "the law of the state of New York shall apply in any dispute arising with respect to this Agreement." Def. Opp'n Ex. 2, at 14. The Addendum does not explicitly mention this provision. The plaintiffs urge this Court to use Pennsylvania law to interpret the Addendum. The defendant argues that New York law should apply because Article 8.10 survived termination of the JDA. The Court declines to decide the choice of law issue because the relevant contract interpretation principles in New York and Pennsylvania are the same.

ambiguous if the terms are subject to more than one reasonable interpretation when applied to a particular set of facts. Kass v. Kass, 696 N.E.2d 174, 180-81 (N.Y. 1998); Murphy, 777 A.2d at 430. Evidence of the parties' intent and the circumstances attending the execution of the contract may be considered when interpreting an ambiguous contract. Yonkers Racing Corp. v. Catskill Resional Off-Track Betting Corp., 552 N.Y.S.2d 670, 675 (N.Y. App. Div. 1990); Creek v. Creek, 619 A.2d 754, 756 (Pa. Super. Ct. 1993).

A. The Contents of the JDA and the Addendum to the JDA

The question before the Court is whether Article 8.8 of the JDA continued in existence in the Addendum. Article 8.8 of the JDA provided in pertinent part: "[e]ach Party's rights, title and interest in this Agreement and any rights granted to each Party hereunder may be assigned to any direct or indirect successor to the business of such Party as the result of any internal reorganization. . . ." If it did survive, Agere has rights under the JDA and the Addendum as a successor to Lucent.

Article 8.8 is referred to in Section 9.1 of the Addendum that provides:

> Article 8.8 of the JDA("Nonassignability") shall be modified effective as from February 21, 1995 by the addition of the following provisions: "The Parties agree that the provisions in this Article 8.8 place no restrictions on the ownership, sale or

> transfer of either Party's common stock or other securities entitled to vote for election of directors of said Party.

Section 9.1 says that Article 8.8 is "modified" by the "addition" of a provision, that is, Article 8.8 is modified to include an additional way in which a party's interest may be "assigned." It does not say that the new language is a substitute for the old or that Article 8.8 is abrogated or deleted. Nor does it provide a termination date for the modification of Article 8.8 or state that the modification is only retroactive. Looking at this provision, alone, it appears that Article 8.8 survived.

This result is supported by the structure and language of the Addendum. Choice Microsystems and Lucent created a document that modified, replaced, deleted and added provisions to the JDA. For example, whereas clause E states that "the parties now wish to modify the JDA as provided for in (the) Addendum." Section 1.3 dissolved the Project Management Committee that was created under Article 2.2 of the JDA. Section 3.1 replaced the language in Article 2.3.2 of the JDA dealing with project compensation. Section 4.2 added two paragraphs to Article 3.2 of the JDA concerning the furnishing and use of information. Section 3.3 deletes any reference to royalties. The parties used words precisely in the Addendum. When they wanted to delete or replace a section, they said so.

In addition, the Addendum contains an incorporation by reference provision. Section 9.2 of the Addendum provides in pertinent part:

> To the extent that any provisions of this Addendum are in conflict with or create any ambiguity with the JDA, the provisions of this Addendum shall prevail. Except for any terms or conditions that are inconsistentwith this Addendum, all the other terms and conditions of the JDA are hereby incorporated by reference herein.

The plaintiff argues that the successor provision of Article 8.8 is not incorporated pursuant to ***9.2*** because it is inconsistent with Sections 5.1 and 5.2 of the Addendum that grant "personal" and "non-transferable" licenses. That argument is unpersuasive because Sections 5.1 and 5.2 replaced Article 3.4 of the JDA that granted each party "personal" and "non-transferable" rights to use the other party's information. If the successor provision of Article 8.8 could coexist with Article 3.4 in the JDA, that same provision can coexist with Sections 5.1 and 5.2 of the Addendum.

The plaintiffs' primary argument against the survival of Article ***8.8*** is that it is not listed in Section 8 of the Addendum that adds a new Section 7.2: 'Survival. The obligations of both Parties under Sections 3.2, 3.3, 3.4, **4.1, 4.2, 4.3, 4.4,** 4.5, 4.6, 5.1, and 5.2 of the JDA, shall survive and continue after completion of the Project or any termination of the JDA or this Addendum." Their argument is unpersuasive for two reasons.

First, by its own language and the content of the listed sections, this provision sets out the performance obligations of the parties. It does not purport to determine the assignment rights of the parties, or to deal with general questions of contract interpretation.

Second, if only those provisions in the survival clause went forward, the incorporation by reference provision--section 9.2--would have no effect. The result of this would be that the definitions of Article 1 of the JDA and the other miscellaneous provisions of Article 8 of the JDA would be eliminated. The Addendum, however, relies heavily on such definitions of Article 1 as 'joint information,'' "joint invention," and "project." The miscellaneous provisions of Article 8 contain, among other things, representations and warranties, an accuracy clause, arbitration provisions and choice of law provisions. It would make no sense for none of these provisions to go forward.

B. Extrinsic Evidence

The extrinsic evidence supports the Court's conclusion that the parties intended Article 8.8 of the JDA to survive execution of the Addendum. The extrinsic evidence can be separated into two categories: (1) the drafts of a revised JDA and of an Addendum to the JDA prepared between June 1998 and January 1999; and (2) the oral negotiations then led to the

signing of the order.

With respect to the first category of extrinsic evidence, there were two approaches to revising the JDA. First, the parties prepared drafts of a revised JDA between June 15, 1998 and November 2, 1998 that made changes directly to the text of the JDA. Second, drafts of an Addendum to the JDA were prepared from December 17, 1998 onward.

The earlier drafts for revising the JDA expressed the parties' intent that Article 8.8 would survive. The June 15, 1998 draft prepared by Choice Microsystems called for the parties to abide by the terms of Article 8.8. The drafts in October and November 1998 never deleted Article 8.8. These drafts also did not make changes to Article 8.8 to make it apply only to the period between the effective date of the JDA and the effective date of the Addendum. In these earlier drafts, there was not an incorporation by reference provision. When the parties undertook the second approach to revising the JDA, all of the language in the JDA was not reproduced. Instead, an incorporation by reference provision was included in the Addendum. The parties expressed their intent for Article 8.8 to survive by retaining the language of Article 8.8 when making changes directly to the JDA and by incorporating the provisions of the JDA when the approach changed to creating an Addendum.

The oral negotiations also indicate an intent that

Article 8.8 survived execution of the Addendum. The JDA section discussed most often during the negotiations was Article 8.8. The premise of these discussions was that Article 8.8 would survive the Addendum; the issue in dispute was whether it would be broadened by the addition of language that would ensure that certain stock transfers would be permitted. This additional language was requested by Choice because, during the negotiations concerning the Addendum, it was negotiating to be acquired. Choice ended up being acquired by Harris Corporation. The closing on the Harris transaction occurred on January 6, 1999. The Addendum was executed on January 6, 1999. It is illogical to interpret the Addendum's modification to Article 8.8 to apply retroactively when the specific transaction contemplated by Choice during the negotiations was a transaction that occurred after the Addendum was executed. That conclusion would also be inconsistent with the Court's findings of fact concerning the nature of the negotiations.

An appropriate order follows.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

CHOICE-INTERSIL MICROSYSTEMS, INC. et al
Plaintiffs

v.

AGERE SYSTEMS, INC.
Defendant

CIVIL ACTION

NO. 02-8219

ORDER

AND NOW, this 2d day of September 2003, upon consideration of the plaintiffs' Motion for Preliminary Injunction (Docket No. 2) and the plaintiff's supplemental filing in support of its motion, the defendant's opposition thereto, and the plaintiffs' reply, and following an evidentiary hearing IT IS HEREBY ORDERED that the motion is DENIED to the extent that it relies on the defendant not having any rights under the Joint Development Agreement or the Addendum for the reasons set forth in a memorandum of today's date.

BY THE COURT:

Mary A. McLaughlin

MARY A. McLAUGHLIN, J.