

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

CHOICE-INTERSIL : CIVIL ACTION
MICROSYSTEMS, INC. et al :
Plaintiffs :
v. :
AGERE SYSTEMS, INC. :
Defendant : NO. 02-8219

MEMORANDUM AND ORDER

McLaughlin, J.

April 12, 2004

Agere Systems Inc. ("Agere") has moved for summary judgment on Choice-Intersil Microsystems, Inc., Intersil Corporation, and Intersil Americas Inc.'s ("Choice/Intersil") copyright infringement claim (Count I); partial summary judgment on Choice/Intersil's trade secret misappropriation claim (Count II); and summary judgment on its counterclaim for declaratory judgment. The Court held oral argument on the motion on February 6, 2004. The Court will grant the motion.

I. Procedural History

The basis of Agere's motion for Summary Judgment is the Court's September 2, 2003 ruling on Choice-Intersil's motion for a preliminary injunction. In that ruling, the Court found that Agere has rights under the Joint Development Agreement ("JDA") and Addendum to the JDA ("Addendum") based on the unambiguous

language of those contracts. Choice-Intersil Microsystems, Inc. v. Agere, No. 02-8219, slip op. at 2 (E.D. Pa. Sept. 2, 2003) ("Sept. 2, 2003 Mem."). The Court incorporates its September 2, 2003 Memorandum and Order into this opinion.

The basic factual background is as follows. AT&T Corporation ("AT&T") and Digital Ocean entered into a JDA to develop a wireless medium access controller chipset conformant with the Institute of Electrical and Electronics Engineers, Inc. 802.11 standard ("802.11 conformant WMAC"). 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 ("Choice") and Lucent Technologies ("Lucent"), respectively. On January 6, 1999, Choice and Lucent signed the Addendum to the JDA. Sept. 2, 2003 Mem. at 5, 8, 13, 21.

Choice-Intersil Microsystems, Inc. ("Choice-Intersil") and Agere both came into existence after a series of corporate restructurings and acquisitions. Intersil Corporation acquired Choice and renamed it Choice-Intersil. Agere is the spinoff corporation of Lucent's microelectronics business. As part of the spinoff, Lucent assigned its rights under the JDA to Agere. Sept. 2, 2003 Mem. at 4.

The question before the Court at the preliminary injunction stage was whether Article 8.8 of the JDA continued to

exist 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” The Court found that Article 8.8 survived and that Agere had rights under the JDA and the Addendum as a successor to Lucent. Sept. 2, 2003 Mem. at 28.

Because the Court held that the language of the JDA and Addendum was unambiguous, the Court determined the meaning of the JDA and Addendum based on their language alone and without the need to resolve issues of fact or examine the extrinsic evidence.¹ Sept. 2, 2003 Mem. at 2, 27.

II. Analysis

The main issue in Agere’s motion is whether Agere has intellectual property rights under the JDA and Addendum.²

¹ For purposes of the preliminary injunction motion, the Court also made certain factual findings concerning extrinsic evidence regarding the parties’ conduct during the negotiations that led to the Addendum. The Court concluded that the extrinsic evidence also supported the Court’s interpretation of the unambiguous language of the JDA and Addendum. Sept. 2, 2003 Mem. at 2, 27.

² In deciding a motion for summary judgment, the Court must view the facts in the light most favorable to the non-moving party. Josey v. John R. Hollingsworth Corp., 996 F.2d 632, 637 (3d Cir. 1993). A motion for summary judgment shall be granted where all of the evidence demonstrates that there is no genuine

The Court decided in its earlier memorandum that Agere has such rights. Choice/Intersil, nevertheless, argues that summary judgment should be denied because: 1) there are disputed facts about the survival of Article 8.8 of the JDA; and 2) the standards for evaluating a motion for preliminary injunction and summary judgment are different. The Court found that the JDA and Addendum were unambiguous. Because the Court interpreted the unambiguous language of the contract, that decision does not implicate any disputed facts. The Court interpreted the contracts as a matter of law. See Bethlehem Steel Co. V. Turner Construction Co., 2 N.Y.2d 456, 460 (N.Y. 1957); Steuart v. McChesney, 498 Pa. 45, 48 (1982).³ Because the Court interpreted the contracts as a matter of law, any difference in the standards for determinations at the preliminary injunction stage versus the summary judgment stage is irrelevant to the Court's legal

issue of material fact and that the moving party is entitled to judgment as a matter of law. Fed. R. Civ. Pro. 56(c). The moving party has the initial burden of demonstrating that no genuine issue of material fact exists. Once the moving party has satisfied this requirement, the non-moving must present evidence that there is a genuine issue of material fact. The non-moving party may not simply rest on the pleadings, but must go beyond the pleadings in presenting evidence of a dispute of fact. Celotex Corp. v. Catrett, 477 U.S. 317, 323-24 (1986).

³ At the preliminary injunction stage, the plaintiffs urged the Court to use Pennsylvania law, and the defendant urged the Court to use New York law. The Court declined to decide the choice of law issue because the relevant contract interpretation principles in New York and Pennsylvania are the same. Sept. 2, 2003 Mem. at 27 n.5.

interpretation.

At oral argument, Choice/Intersil raised for the first time the argument that even if Article 8.8 survived, Lucent's assignment of the JDA to Agere was improper, because Agere did not succeed to Lucent's business as "the result of any internal reorganization" as required by the JDA and Addendum. Feb. 6, 2003 Tr. ("Tr.") at 10. Not only did Choice/Intersil not raise this argument before oral argument, they conceded the opposite at the preliminary injunction hearing.⁴

The plaintiffs apparently brought this issue up only because Agere argued in its opposition to a hypothetical contained in the plaintiffs' motion to dismiss that one company's merging into a second external company is not an internal reorganization of the first company. See Agere's Opp. to Pls.'

⁴ The Court asked the plaintiffs at the preliminary injunction hearing whether, if Article 8.8 survived, there would be a problem with Agere being a proper successor to Lucent:

The Court: I wasn't sure, is your argument that even if 8.8 survives there is a problem?

Mr. Hornick (representing the plaintiffs): No, we're arguing that 8.8 did not survive -

The Court: Okay.

Mr. Hornick: - and because it didn't survive, Agere could not possibly [be] a proper successor to Lucent because it is not a subsidiary of Lucent.

The Court: Okay. But if it did survive they can be?

Mr. Hornick: If 8.8 survived, then they can be - then they would be - they could be a proper successor, that's right.

February 27, 2003 Tr. at 20.

Mot. to Dismiss and/or for Summ. J. at 16-17. Agere's argument on another motion does not make a disputed issue of fact here when the plaintiffs already conceded that there was no dispute.

A decision that Agere does have intellectual property rights under the JDA and Addendum does not end the matter, however. There are two types of information at issue here: Joint Information and Digital Ocean/Choice information. The plaintiffs argue that even if Agere does have rights under the JDA and Addendum, they may still be guilty of copyright infringement and trade secret misappropriation with respect to the Digital Ocean/Choice information which has been licensed to them.⁵

A. Copyright Infringement

Generally, a copyright owner who grants a nonexclusive license to use the copyrighted material can sue only for breach of contract, not for copyright infringement. Under certain conditions, however, a licensee can be liable for copyright infringement. A copyright owner may be able to sue a licensee for copyright infringement if the license is limited in scope, and the licensor can prove that the licensee has exceeded the

⁵ At oral argument, the plaintiffs conceded that if the Court found that Agere has rights under the contracts, they would have no claim against Agere with respect to copyright infringement of the Joint Information. Tr. at 24; 35.

scope of the license by exercising one of the exclusive rights retained by the copyright owner. MacLean Assoc. v. Wm. M. Mercer-Meidinger-Hansen, Inc., 952 F.2d 769, 779 (3d Cir. 1991); see also Sun Microsystems, Inc. v. Microsoft Corp., 81 F. Supp. 2d 1026, 1031 (N.D. Cal. 2000) (citations omitted).

Lucent, as a licensee of the copyright in Digital Ocean/Choice Information, was authorized to use the Digital Ocean/Choice Information to make, have made, use, sell, and import the 802.11 conformant WMAC chip or any derivative. JDA Art. 3.4(b); Addendum Art. 5.2. Agere inherited Lucent's status as a licensee of the copyright in Digital Ocean/Choice Information.

Agere has not committed copyright infringement if it has not exceeded the scope of the license to the Digital Ocean/Choice information. MacLean Assoc., 952 F.2d at 779. Based on the plain language of the license, Agere has the right to make or have made, use, sell and import the 802.11 conformant WMAC chip or any derivative. The complaint alleges that Agere "used" and "disclosed" the Digital Ocean copyright information. As a licensee to the Digital Ocean copyright, Agere's "use" is within the scope of the license granted by Choice. Choice's claim that Agere disclosed confidential information to third parties in violation of the terms of the JDA and Addendum is governed by contract law. Article 5.2 of the Addendum grants the license to

Lucent. Articles 4.1 and 4.2 of the Addendum govern the treatment of confidential information in the contracts. These independent covenants are not restrictions on the scope of the copyright license, and any violations of these restrictions are governed by contract law. See Sun Microsystems, Inc., 81 F. Supp. 2d at 1032 (holding that restrictions contained in separate sections of the contract and not explicitly referred to in the grant of rights section were independent covenants, not limitations on the license's scope).

B. Trade Secret Misappropriation

Count II of Plaintiffs' complaint alleges that Agere has misappropriated trade secrets in Digital Ocean, Choice, and Joint Information under Pennsylvania trade secrets common law. Sec. Am. Compl. ¶¶ 57-66.

Agere moves for summary judgment on the portion of Choice/Intersil's trade secret claim based on Agere's possession and use. The plaintiffs also allege that Agere violated Pennsylvania trade secret law by disclosing trade secret information to third parties, but Agere is not moving for summary judgment on this claim. Def.'s Mem. Supp. Mot. Summ. J. at n.8.; 2d Am. Compl. ¶¶ 61-63.

To prevail on its allegations of trade secret misappropriation, Choice/Intersil must prove that they own the

trade secrets, that they disclosed them to Agere or that Agere took the trade secrets wrongfully without authorization, and that Agere used or disclosed the trade secrets to Choice/Intersil's detriment. Greenberg v. Croydon Plastics Co., Inc., 378 F. Supp. 806, 811 (E.D. Pa. 1974) (citations omitted).

Similar to copyright infringement, an essential element of Choice's trade secret misappropriation claim regarding Agere's possession and use is that Agere was not authorized as a co-owner or licensee. See Avtec Sys., Inc. v. Peiffer, 67 F.3d 293, 1995 WL 541610, *6 (4th Cir. Sept. 13, 1995). Agere is not moving for summary judgment on Choice/Intersil's claim of trade secret misappropriation based on any alleged unauthorized disclosure to third parties. As with the copyright infringement claim, based on the Court's interpretation of the JDA and Addendum, no genuine issues of fact exist concerning Agere's status as co-owner or licensee of the trade secrets. Agere is therefore entitled to partial summary judgment on Choice/Intersil's trade secret claim based on Agere's possession and use.

C. Declaratory Judgment

In its Counterclaims, Agere seeks a declaratory judgment that it has rights under the JDA and Addendum. Agere's rights under these contracts are based on Lucent's assignment of the Joint Development Contracts to Agere. On February 1, 2001,

Lucent assigned the JDA and Addendum to Agere pursuant to Addendum Articles 9.1 and 9.2. Agere became a party to the JDA and Addendum by virtue of this assignment. As the Court has determined that Agere has rights to these contracts as a matter of law, summary judgment is proper on this counterclaim. For all of the above reasons, the defendant's motion for summary judgment is granted.

An appropriate Order follows.

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

CHOICE-INTERSIL	:	CIVIL ACTION
MICROSYSTEMS, INC. et al	:	
Plaintiffs	:	
	:	
v.	:	
	:	
AGERE SYSTEMS, INC.	:	
Defendant	:	NO. 02-8219

ORDER

AND NOW, this 12th day of April, 2004, upon consideration of the defendant's Motion for Summary Judgment on Choice/Intersil's Copyright Infringement Claim and Agere's Declaratory Judgment Claim and Partial Summary Judgment on Choice/Intersil's Trade Secret Claim (Docket No. 77), the plaintiffs' response thereto, the defendant's reply, the parties' supplemental letters to the Court dated February 13, 2004, and following oral argument held on February 6, 2004, IT IS HEREBY ORDERED that the motion is GRANTED for the reasons set forth in a memorandum of today's date.

BY THE COURT:

MARY A. McLAUGHLIN, J.