

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE NORTHERN DISTRICT OF CALIFORNIA

3
4 IMMERSION CORPORATION,
5 Plaintiff,

6 v.

7 SONY COMPUTER ENTERTAINMENT
8 AMERICA, INC.; SONY COMPUTER
9 ENTERTAINMENT, INC., and MICROSOFT
10 CORPORATION,
11 Defendants.

No. C 02-0710 CW
ORDER GRANTING
PLAINTIFF'S
MOTION TO
DISMISS THIRD
PARTY'S AMENDED
CROSS-CLAIMS

12 SONY COMPUTER ENTERTAINMENT
13 AMERICA, INC., and SONY COMPUTER
14 ENTERTAINMENT, INC.,

15 Counter- and Cross-claimants,

16 v.

17 IMMERSION CORPORATION,
18 Counter-defendant,

19 and

20 INTERNET SERVICES LLC,
21 Cross-defendant.

22
23 Plaintiff Immersion Corp. (Immersion) moves to dismiss the
24 amended cross-claims against it filed by Internet Services LLC
25 (ISLLC) for declaratory relief, breach of contract, judicial
26 apportionment of the damages and unjust enrichment, and to
27 strike ISLLC's counter-claims for patent infringement against
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1 Defendants Sony Computer Entertainment America, Inc., and Sony
2 Computer Entertainment, Inc., (collectively Sony). Sony also
3 moves to strike ISLCC's counterclaims against it, pursuant to
4 Federal Rule of Civil Procedure 12(f). ISLLC opposes the motion
5 to dismiss, explaining that the counter-claims against Sony were
6 brought in order to preserve the issue for appeal. The matter
7 was taken on the papers.

8 Having considered all of the papers filed by the parties,
9 the Court grants Sony's motion to strike and Immersion's motion
10 to dismiss.

11 BACKGROUND

12 ISLLC seeks to bring claims against Immersion arising out
13 of Immersion's lawsuit against Sony for patent infringement, in
14 which a jury found that Immersion's patents were valid and
15 infringed and awarded Immersion \$82 million in damages. Details
16 about the action and ISLLC's interest therein are set forth in
17 the Court's December 29, 2004 Order Granting Plaintiff's Motion
18 to Dismiss Third Party's Cross-Claims (hereinafter December 29
19 Order). That Order also sets forth the standard used to review
20 a motion to dismiss.

21 In its December 29 Order, the Court dismissed ISLLC's
22 cross-claims against Immersion and counter-claims against Sony.
23 The Court found that ISLLC had no standing to sue because it did
24 not have a proprietary interest in the patents-in-suit, U.S.
25 Patent Nos. 6,275,213 (the '213 patent) and 6,424, 333 (the '333
26 patent). The facts alleged in ISLLC's claims against Immersion
27 and Sony rested on the premise that ISLLC possessed such an

1 interest. The Court allowed ISLLC to "file a new complaint
2 against Immersion . . . if [ISLLC] can do so in good faith
3 without contradicting, or repeating the deficiency of, its
4 original complaint." December 29 Order at 8. ISLLC was
5 instructed to file with its new complaint a notice of related
6 case, which the Court would have related to Immersion v. Sony.
7 ISLLC's counter-claims against Sony for patent infringement were
8 dismissed with prejudice.

9 DISCUSSION

10 I. ISLLC's Filing of Amended Cross-Claims and Sony's Motion to 11 Strike Counter-Claims

12 ISLLC did not follow the Court's instruction to file any
13 amended claims against Immersion in a separate complaint.
14 Instead, ISLLC filed amended cross-claims against Immersion in
15 this case. In addition, ISLLC filed amended counter-claims
16 against Sony.

17 ISLLC claims that it did not file a separate complaint as
18 ordered by the Court because to do so would have been "improper"
19 given the "unique procedural posture of this case." ISLLC's
20 Opposition at 1, n.1. First, ISLLC claims that the fact that
21 the Court described its dismissal of the cross-claims against
22 Immersion as "without prejudice" suggests that the Court
23 contemplated the filing of an amended complaint in this case.
24 This flies in the face of the Court's explicit instructions that
25 ISLLC file a new complaint with a notice of related case.

26 ISLLC further argues that its amended cross-claims against
27 Immersion could be considered compulsory in light of Sony's

1 cross-claim against ISLLC for declaratory judgment of non-
2 infringement. However, Sony's cross-claim is moot in light of
3 the Court's December 29 determination that ISLLC lacked standing
4 to sue Sony for patent infringement. See BP Chems., Ltd., v.
5 Union Carbide Corp., 4 F.3d 975, 978 (Fed. Cir. 1993) (holding
6 that the test for declaratory justiciability includes reasonable
7 apprehension of suit). To clarify the situation, the Court
8 dismisses Sony's declaratory judgment cross-claim against ISLLC.
9

10 For these reasons, ISLLC's filing was improper. Therefore,
11 the Court strikes ISLLC's amended counter-claims against Sony.
12 The Court will address the substance of Immersion's motion to
13 dismiss at this time in the interest of efficiency.

14 II. Immersion's Motion to Dismiss

15 The Court allowed ISLLC to file a new complaint against
16 Immersion only if ISLLC could do so in good faith and without
17 repeating the deficiency of its original complaint. ISLLC has
18 not avoided these deficiencies.

19 In its prior order, the Court ruled that "ISLLC's exclusive
20 area of license does not encompass the '213 and '333 patents."
21 Order at 7. Specifically, the Court found that ISLLC was
22 neither an assignee nor an exclusive licensee of the patents-in-
23 suit, and therefore did not have standing to sue under the
24 patents on its own or as a co-plaintiff with Immersion. Because
25 ISLLC's original claims for declaratory relief, breach of
26 contract and judicial apportionment all rested on the flawed
27 assumption that ISLLC had proprietary rights in the patent-in-
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1 suit, the Court dismissed those claims, with leave to amend if
2 ISLLC could identify an alternative basis for them.

3 The amended complaint repeats in part the deficiencies of
4 the original complaint, albeit in a more oblique manner. For
5 instance, ISLLC alleges that "as to content restricted
6 material," "those entire rights in patent were transferred to
7 ISLLC pursuant to the Amended License agreement and the Hardware
8 Agreement." ISLLC Amended Cross-Claims ¶ 17. Yet the Court had
9 already concluded that ISLLC did not receive "entire rights" to
10 the patents, and that ISLLC's exclusive right as a licensee as
11 to use Immersion technology to produce content-restricted
12 material "does not encompass the '213 and '333 patents." Order
13 at 7. Indeed, the amended cross-claims repeatedly refer to
14 ISLLC's "exclusive" right to "Immersion IP," but fail to
15 acknowledge that any exclusive right to Immersion intellectual
16 property does not include the patents-in-suit.

17 In light of these repeated deficiencies, the Court finds
18 that ISLLC cannot maintain its first cross-claim against
19 Immersion, for declaratory adjudication of, inter alia, ISLLC's
20 "claims that it has exclusive rights to Immersion IP, including
21 the '213 and '333 patents, related to software 'whose topics or
22 images are age restricted.'" ISLLC Amended Cross-Claims ¶ 52.
23 As the Court has already concluded, ISLLC has no exclusive
24 rights to the '213 and '333 patents. ISLLC's third cross-claim
25 against Immersion, for judicial apportionment of the damages
26 awarded by the jury between ISLLC and Immersion, also fails to
27 state a claim. That damage award was based on Immersion's suit

1 for patent infringement, a suit which ISLLC had no standing to
2 bring, either alone or as a co-plaintiff with Immersion. Order
3 at 6.

4 Similarly, Immersion's patent infringement suit against
5 Sony cannot be the basis for a breach of contract claim because
6 the right to sue under the patents were not "within ISLLC's
7 field of exclusivity," as ISLLC alleges. ISLLC Amended Cross-
8 Claims ¶ 59. The only basis identified by ISLLC that could
9 conceivably support its cross-claims for breach of contract and
10 unjust enrichment is the compulsory license Immersion has
11 obtained against Sony.

12 Evaluation of this claim would require the Court to
13 construe the contracts between Immersion and ISLLC. Immersion
14 argues that none of Sony's accused products fall within the
15 ambit of those contracts. The Amended License and Technology
16 Agreement defines content-restricted materials as follows:

17 (i) websites or webpages access to which is age restricted
18 to users who certify that they are at least 18 years of
19 age; (ii) chatrooms and other on-line communications whose
20 topics or images are age restricted; or (iii) any other
21 forms of technology including, by way of example only but
not limited to, DVD's, CD-Roms, videos, television and
games, whether or not appearing as part of a website or
webpage, that have content which if it appeared on a
website would fall within (i) or (ii) above.

22 ISLLC Amended Cross-Claims Ex. B ¶ 1.3. This contract leaves
23 the term "age restricted" in clause (ii) open to interpretation.
24 Taking all of the allegations in the complaint as true, and
25 reviewing the contract as a whole, the Court cannot say that
26 Immersion's interpretation of the contract is unambiguously
27 correct. Therefore, the Court cannot dismiss ISLLC's contract

1 claims pursuant to Federal Rule of Civil Procedure 12(b)(6).
2 Falkowski v. Imation Corp., 309 F.3d 1123, 1132 (9th Cir. 2002)
3 (reversing dismissal of contract claims where ambiguity
4 precluded early judgment). If ISLLC chooses to refile its
5 claims in a new lawsuit, Immersion may bring an appropriate
6 motion for summary adjudication of the contract's meaning.

7 CONCLUSION

8 For these reasons, the Court GRANTS Sony's motion to strike
9 ISLLC's amended counter-claims against Sony (Docket No. 1536)
10 and GRANTS Immersion's motion to dismiss ISLLC's amended cross-
11 claims against it (Docket No. 1572). The Court's dismissal of
12 ISLLC's claims for declaratory relief and judicial apportionment
13 is with prejudice. If ISLLC wishes to pursue its claims against
14 Immersion for breach of contract and unjust enrichment, it must
15 bring them in a new complaint. ISLLC may not base its claims on
16 any purported exclusive right in the '213 or '333 patents.
17 ISLLC must file with any new complaint a notice of related case,
18 and the Court will relate it to this case. The Court dismisses
19 as moot Sony's cross-claim against ISLLC for declaratory
20 judgment.

21
22 IT IS SO ORDERED.

23
24 Dated: 3/24/05

25 /s/ CLAUDIA WILKEN
26 CLAUDIA WILKEN
27 United States District Judge
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United States District Court

For the Northern District of California

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