

**IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS**

INNOVATIVE FOUNDRY
TECHNOLOGIES LLC,

Plaintiff,

v.

SEMICONDUCTOR MANUFACTURING
INTERNATIONAL CORPORATION;
SEMICONDUCTOR MANUFACTURING
INTERNATIONAL (SHANGHAI)
CORPORATION; SEMICONDUCTOR
MANUFACTURING INTERNATIONAL
(BEIJING) CORPORATION;
SEMICONDUCTOR MANUFACTURING
INTERNATIONAL (TIANJIN)
CORPORATION; SEMICONDUCTOR
MANUFACTURING INTERNATIONAL
(BVI) CORPORATION;
SEMICONDUCTOR MANUFACTURING
NORTH CHINA (BEIJING)
CORPORATION; SEMICONDUCTOR
MANUFACTURING SOUTH CHINA
CORPORATION; BROADCOM
INCORPORATED; BROADCOM
CORPORATION; CYPRESS
SEMICONDUCTOR CORPORATION; and
DISH NETWORK CORPORATION,

Defendants.

C.A. No.: 6:19-cv-00719-ADA

JURY TRIAL DEMANDED

**PLAINTIFF'S OPPOSITION TO SEMICONDUCTOR MANUFACTURING
INTERNATIONAL (BVI) CORPORATION'S MOTION TO DISMISS IFT'S FIRST
AMENDED COMPLAINT PURSUANT TO FED. R. CIV. P. 12(B)(7)**

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I. INTRODUCTION

Defendant Semiconductor Manufacturing International (BVI) Corporation’s (“SMIC BVI”) motion seeks dismissal of all claims against SMIC BVI on the ground that Plaintiff Innovative Foundry Technologies LLC (“IFT”) has not named as a defendant its California-based marketing affiliate, SMIC, Americas (“SCA”). But SCA—a small subsidiary to Semiconductor Manufacturing International Corporation’s (“SMIC”) overall 18,000-employee, \$3+ billion foundry operation in China, engaged in the “[p]rovision of marketing related activities”—is far from the type of subsidiary that could be considered a “required” party under Rule 19(a) or an “indispensable” party under Rule 19(b), and thus there is no basis for dismissing IFT’s claims against SMIC BVI under Rules 19 or 12(b)(7).

SMIC BVI’s Motion¹ cites not a single patent case for precedent, but instead relies on a collection of breach of contract, product liability, and other types of civil cases. In fact, the logic in SMIC BVI’s Motion, taken to its extreme, would mean that all retailers who might be involved in sales of accused products, somewhere in the United States, are required to be named by patent owners as named defendants in patent infringement actions, under Rule 19. This is not the law, as has been consistently held in the more analogous trademark infringement context.²

If SMIC or any of its subsidiaries, including SCA, believe SCA has interests to protect, there is a simple solution: SCA can seek to intervene. That SCA refuses to take this simple step reveals that the motion is the latest attempt by an SMIC Defendant to avoid this District and force the dispute into California.

¹ “Motion” or “Mot.” refer to SMIC BVI’s motion to dismiss, ECF No. 98 (July 6, 2010).

² See, e.g., *Fletcher’s Original State Fair Corny Dogs, LLC v. Fletcher-Warner Holdings LLC*, Case No. 4:19-cv-681, 2020 U.S. Dist. LEXIS 28613, at *47-49 (E.D. Tex. Jan. 17, 2020) (“Contrary to Defendants’ contentions, courts have consistently held that Rule 19 does not require the joinder of additional infringing entities or junior users of a mark in trademark enforcement litigation.” (citing cases)).

SMIC BVI's Motion comes on the heels of SMIC's prior Rule 12(b) motions, both of which addressed SCA's alleged role in SMIC's business, but neither of which described SCA as a required or indispensable party. *See, e.g.*, ECF No. 42 (SMIC's first 12(b) motion) at 16 (Mar. 13, 2020) (alleging "SMIC Americas" as participating in sales activity); ECF. No. 68 at 1 (SMIC's second 12(b) motion) (Apr. 20, 2020) (alleging that the "subsidiary responsible for sales in the United States" is "SMIC, Americas").

In its Motion, SMIC BVI asserts that SCA is a "required" party under Rule 19(a) because "SCA's actions" *i.e.*, limited "sales of the accused products" in the United States, are "directly at issue[.]" Mot. at 2. However, SMIC BVI's argument neglects core aspects of IFT's infringement allegations. Notably, IFT has accused Defendant SMIC, which sends one third of its \$3+ billion in annual sales to U.S. customers, of *manufacturing* and *importing* the accused products. First Amended Compl., ECF No. 59, ¶¶ 27, 66 (Apr. 14, 2020) (citing SMIC's 2018 Annual report at 9, 13). These overseas activities range from SMIC's small shipments of limited quantities of shuttle runs through its multi-project wafer service, to large transactions as a result of its wafer supply agreements. For example, Defendant SMIC—not its subsidiary SCA—signed a wafer supply agreement with Defendant Cypress's predecessor, Spansion, providing for the supply of chips to the U.S. market. Ex. 1, Third Amendment to SMIC-Spansion Foundry Agreement (May 16, 2011). As another example, Defendant SMIC—not its subsidiary SCA—maintains SMIC's website, including its "SMIC Now" page which processes orders for SMIC's Multi-Project Wafer Service, and advertises for shipments to U.S. customers. *See, e.g.*, First Amended Compl., ECF No. 59, ¶¶ 60-65 (Apr. 14, 2020); Ex. 2, IFT's Preliminary Infringement Contentions at 6-11 (Apr. 1, 2020); Ex. 3, SMIC's Website, Legal Declaration ("The information and materials on this web

site are provided by *Semiconductor Manufacturing International Corporation* (“SMIC”).” (emphasis added)); Ex. 4, SMIC’s Website, Multi-Project Wafer Service & SMIC Now.

SMIC BVI’s Motion also fails to identify any relevant alleged infringing activity for which SCA is solely responsible, or even the primary participant, and thus falls well short of demonstrating that SCA is an “indispensable” party under Rule 19(b). In fact, to the extent SCA is involved in any activity that could be alleged infringement in this case, SMIC BVI’s own statements establish that SCA conducts its limited activities in the United States only *in conjunction with* other SMIC Defendants.³ As stated in its own Motion, SMIC BVI “facilitates purchase orders for sales made by SMIC[]’s regional subsidiaries, including SCA for United States based customers” and “participate[s] in the sales process for the accused products[.]” Mot. at 3. And in its own declaratory judgment action against IFT in the Northern District of California (“NDCA”), SMIC BVI alleges that “purchase orders for SMIC, Americas’ customers are processed through *SMIC BVI*’s ordering system” and “[t]he purchase orders are then automatically transferred to one of the SMIC Manufacturing Companies depending on the manufacturing fab.” Ex. 5, SMIC NDCA Compl., ¶ 13 (emphasis added).

Finally, there is no merit to SMIC BVI’s argument that it should be dismissed from this case because SCA *might* object to venue. Even if joinder of SCA were necessary under Rule 19, and if SCA were to object to venue in this District, the proper remedy under Rule 19(a)(3)—which SCA ignores in its motion—would be to dismiss SCA, not SMIC BVI.

³ The SMIC Defendants in this case are Semiconductor Manufacturing International Corporation (“SMIC”), SMIC BVI, Semiconductor Manufacturing International (Shanghai) Corporation (“SMIC Shanghai”), Semiconductor Manufacturing International (Beijing) Corporation (“SMIC Beijing”), Semiconductor Manufacturing International (Tianjin), Corporation; Semiconductor Manufacturing North China (Beijing) Corporation (“SMIC North China”); and Semiconductor Manufacturing South China Corporation (“SMIC South China”).

For these reasons and the reasons discussed below, SMIC BVI's Motion should be denied.

II. FACTUAL BACKGROUND

A. IFT Named the Proper SMIC Entities as Defendants in this Case

IFT named the correct SMIC Defendants in this case. Though SMIC BVI accuses IFT of “cherry-picking of certain SMIC entities” and “never explain[ing] why it named some SMIC entities but not others” as Defendants (Mot. at 6), SMIC BVI ignores that since early April, all foreign SMIC entities (of SMIC's forty-one subsidiaries) which SMIC finally identified in its California declaratory judgment complaint as being involved in manufacturing operations relevant to this case, have been named in this action.

IFT first named SMIC, the parent corporation of the other SMIC Defendants, as a defendant, because SMIC's own public Annual Reports, repeatedly refer to itself as “the largest advanced foundry in mainland China.” *See, e.g.*, Compl., ECF No. 1, ¶ 4 (quoting 2018 SMIC Annual Report at 1). Counsel for SMIC subsequently told IFT that in its view IFT had named the wrong entity, and that there were other foreign SMIC subsidiaries who were involved in the relevant manufacturing operations. *See* Ex. 6, Letter from Chen to Rizk at 1 (Mar. 26, 2020).

Despite IFT's repeated requests for an identification of the SMIC foreign subsidiaries that SMIC claimed manufactured the accused products, SMIC's subsidiaries first provided that information by way of a declaratory judgment action against IFT in the Northern District of California. *See* Ex. 5, NDCA Complaint (Apr. 2, 2020). The next day, IFT amended its complaint here to add the foreign manufacturers. *See* ECF No 50 (Apr. 3, 2020).

SMIC BVI claims that a graphic on its parent's website “identif[ies] factories associated with the accused process technologies” and that, coupled with one page of SMIC's 216-page 2018 Annual Report, should have put IFT on notice of forty-one SMIC subsidiaries and their alleged activities. Mot. at 4. First, the website graphic identifies only locations of factories in China; it

does not identify any names of SMIC's forty-one subsidiaries that are associated (or not associated) with those factories, nor does it indicate which factories manufacture what products. Mot. Ex. A; Ex. 7, Email from B. Chen to IFT Counsel at 2-3 (May 26, 2020 at 5:18pm); Ex. 8, SMIC 2018 Annual Report at 165 (listing forty-one subsidiaries). Second, SMIC's Annual Report lists *forty-one* subsidiaries without any indication of which of those identified as manufacturing produce what products, and SMIC itself has repeatedly called into question the reliability of its own annual reports, calling them "imprecise[]." *See, e.g.*, SMIC's Reply Brief, ECF No. 51 at 4-5 (Apr. 3, 2020) (criticizing IFT for "cherry-picking out-of-context statements in various documents, such as Annual Reports, websites, and other public documents" and stating that "...SMIC[']s name has been used imprecisely in a manner that might suggest involvement in substantive manufacturing or sales capacities"). Thus, it is not clear what, precisely, SMIC BVI believes that these sources should have conveyed to IFT. In any event, this case currently names every SMIC manufacturing entity that SMIC has identified as relevant, along with SMIC BVI who, according to SMIC BVI, is involved in facilitating SMIC's purchase orders in coordination with those SMIC manufacturing entities. Ex. 5, SMIC NDCA Compl., ¶ 13.

B. SMIC BVI Identifies No Activities Related to This Case for which SCA Is Solely Responsible, or Even the Primary Participant

As IFT informed SMIC's counsel in March, SCA is not needed in this case, due to SCA's lack of involvement in the manufacturing and importation activity that is accused of infringing in IFT's complaint. *See* Ex. 9, Email from A. Rizk to SMIC Counsel (Mar. 26, 2020 at 2:50pm). Rather, SCA's parent corporation, SMIC, is responsible for *manufacturing* and *importing* a third of its \$3+ billion sales into the United States market for its U.S. customers, as the result of either large wafer supply agreements, or more limited quantities of shuttle runs for multi-project wafers. First Amended Compl., ECF No. 59, ¶¶ 27, 66 (Apr. 14, 2020) (citing SMIC's 2018 Annual report

at 9, 13). Likewise, it is SMIC—not its subsidiary SCA—that is the signatory on a wafer supply agreement with Defendant Cypress’s predecessor, Spansion, providing for the supply of chips to the U.S. market. And it is SMIC—not its subsidiary SCA—that maintains the “SMIC Now” website which processes orders for SMIC’s Multi-Project Wafer Service, and advertises for shipments to U.S. customers. *See, e.g.*, Ex. 1, Third Amendment to SMIC-Spansion Foundry Agreement (May 16, 2011); First Amended Compl., ECF No. 59, ¶¶ 60-65 (Apr. 14, 2020); Ex. 2, IFT’s Preliminary Infringement Contentions at 6-11 (Apr. 1, 2020); Ex. 3, SMIC’s Website, Legal Declaration; Ex. 4, SMIC’s Website, Multi-Project Wafer Service & SMIC Now.

But even if SCA, as small as it is, does make some direct sales in the U.S. that would constitute infringement in this case, it only does so in coordination with the other SMIC Defendants. According to its Motion, SMIC BVI “facilitates purchase orders for sales made by SMIC[]’s regional subsidiaries, including SCA for United States based customers” and “participate[s] in the sales process for the accused products[.]” Mot. at 3. Thus, SCA is not solely responsible for, or the primary participant in, the sales activities that SMIC BVI claims require SCA’s participation in this case. *See* Mot. at 1-15.

Further illustrating that SCA is not required is SMIC’s assertion that it cannot comply with its obligations to produce technical documents sufficient to show the operation of the accused products in this case because, it says, that that information is in the sole possession of SMIC’s *foreign* subsidiaries. Ex. 10, Email from B. Chen to IFT Counsel (July 14, 2020) (stating that SMIC’s “Chinese subsidiaries are the entities in possession of the requested technical materials” and that SMIC’s “documents such as process flows and recipes are not shared with customers, and indeed, are not shared outside of China”). Indeed, SMIC BVI has not identified a single document

in SCA's possession that is relevant to this case, and that SCA would produce if it were a named party. *See generally*, Mot.

III. LEGAL STANDARDS

A. Rule 19

Rule 19 "militate[s] in favor of a highly practical, fact-based decision" and seeks to ensure that cases are disposed of fairly and completely. *Pulitzer-Polster v. Pulitzer*, 784 F.2d 1305, 1308-09 (5th Cir. 1986) (citing Rule 19 Advisory Committee notes). To this end, the Rule establishes a two-part process to identify persons who are needed for just adjudication of the action.

B. Rule 19(a): Parties Are "Required" If the Court Cannot Afford Complete Relief without Them

First, Rule 19 provides that certain persons (who are subject to service of process and whose joinder will not deprive the court of subject matter jurisdiction) are required to be joined as parties if "in that person's absence, the court cannot afford complete relief among existing parties." Fed. R. Civ. P. 19(a).

Specifically, Rule 19(a) provides:

(a) Persons Required to Be Joined if Feasible.

(1) Required Party. A person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if:

(A) in that person's absence, the court cannot accord complete relief among existing parties; or

(B) that person claims an interest relating to the subject of the action and is so situated that disposing of the action in the person's absence may:

(i) as a practical matter impair or impede the person's ability to protect the interest; or

(ii) leave an existing party subject to a substantial risk of incurring double, multiple, or otherwise

inconsistent obligations because of the interest.

Fed. R. Civ. P. 19(a)(1).

A subsidiary is not a “required” party to be joined where its interests are virtually identical with that of its parent corporation, the subsidiary is wholly owned, and there are no interests that parent corporation cannot adequately protect. *Pujol v. Shearson/American Express*, 877 F.2d 132 (1st Cir. 1989).

Further, and ignored in SMIC BVI’s Motion, Rule 19(a)(3) provides that “[i]f a joined party objects to venue and the joinder would make venue improper, the court must dismiss that party” who was joined as a required party, but objects based on venue grounds. Fed. R. Civ. P. 19(a)(3); *see, e.g., Smith v. American Federation of Musicians*, 47 F.R.D. 152, (S.D.N.Y. 1969) (finding that, in action by union member against national labor organization, the local union party should be joined as a required party for just adjudication within meaning of Rule 19(a) because it would not deprive court of jurisdiction and it was subject to process, but then dismissed the local union when the local union objected on venue grounds).

C. Rule 19(b): Parties Are Indispensable If They Are the Primary Actors in the Events Giving Rise to the Lawsuit

Second, Rule 19 provides that if a party is “required” under 19(a), and if joinder is not feasible, then Court must decide whether that party is indispensable, *i.e.*, the Court “must determine whether, in equity and good conscience, the action should proceed among the existing parties or should be dismissed.” Fed. R. Civ. P. 19(b); *see also Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, n.1 (Fed. Cir. 1991).

The factors for the Court to consider include:

- (1) the extent to which a judgment rendered in the person’s absence might prejudice that person or the existing parties;

(2) the extent to which any prejudice could be lessened or avoided by:

(A) protective provisions in the judgment;

(B) shaping the relief; or

(C) other measures;

(3) whether a judgment rendered in the person's absence would be adequate; and

(4) whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder.

Fed. R. Civ. P. 19(b).

A subsidiary is not an indispensable party where it is not the “primary participant” or “principal actor” in the events giving rise to the lawsuit. *See Dernick v. Bralorne Resources, Ltd.*, 639 F.2d 199-200 (5th Cir. 1981).

IV. ARGUMENT

A. SCA Is Not a Required Party under Fed. R. Civ. P. 19(a)

Contrary to SMIC BVI's Motion—and SCA's apparent concern with this case—joining SCA as a party here is not necessary to accord complete relief among the already existing parties, nor would disposing of this case in SCA's absence impair SCA's ability to protect its interests. Fed. R. Civ. P. 19(a)(1)(A) & (B); *see also Special Jet Serv., Inc. v. Federal Ins. Co.*, 83 F.R.D. 596, 599 (W.D. Pa. 1979) (“The fact that an insurer is concerned with the results of a lawsuit does not mean that it is . . . a necessary party therein.” (citations omitted)). For these reasons, alone, the Court should deny SMIC BVI's motion to dismiss.

1. Joining SCA Is Not Necessary To Accord Complete Relief Among the Parties

SMIC BVI argues that “SCA is necessary to accord complete relief to this action for infringement in the United States” under Rule 19(a)(1)(A) because “[w]hile other SMIC entities

manufacture the products and may assist with the sales process from abroad, none of the accused SMIC affiliate[s] perform those activities *in the United States*.” Mot. at 8 (emphasis in original). This argument is wrong in two different respects.

As an initial matter, SMIC BVI is incorrect that IFT’s complaint relies solely on accused infringing activities *in the United States*. See, e.g., First Amended Compl., ¶ 102 (alleging infringement under 35 U.S.C. § 271(g)). For example, as to direct infringement, under 35 U.S.C. § 271(g), “[w]hoever without authority *imports into the United States* ... a product which is made by a [patented] process ... shall be liable as an infringer, if the importation, ... of the product occurs during the term of such process patent.” *Id.* Thus, IFT has alleged direct infringing activities against its patents covering methods of manufacturing semiconductors, based on manufacturing operations that occur abroad, for products that are then imported into the United States. See, e.g., Ex. 2, IFT’s Preliminary Infringement Contentions at 6-11 (Apr. 1, 2020). As to indirect infringement, e.g., IFT accuses SMIC, from its operations in China, of collaborating with its U.S. customers by providing them with “process design kits (PDKs), technology files, reference flows and ESD review services.” *Id.* at 7-8 (citing <http://smics.com/en/site/design> & http://smics.com/en/site/design_ecosphere). Further, IFT accused Defendant SMIC of infringing with the use of its website for its “SMIC Now (Networked-service on web)” which provides its “customers 24/7 online access to all the information needed to conduct a business with SMIC.” See, e.g., Ex. 4, SMIC’s Website, Multi-Project Wafer Service & SMIC Now at 3.

Second, SMIC BVI does not actually identify any relevant infringing activities in this case for which SCA is solely responsible, or even the primary participant, independent of the other SMIC Defendants, that occurs in the United States. To the contrary, its parent SMIC, with its 18,000+ employees and foundry operations based in China, *manufactures* and *imports* a third of

its \$3+ billion annual product sales for its U.S. customers. *See, e.g.*, First Amended Compl., ECF No. 59, ¶¶ 27, 66 (Apr. 14, 2020) (citing SMIC’s 2018 Annual report at 9, 13); Ex. 1, Third Amendent to SMIC-Spansion Foundry Agreement (May 16, 2011); First Amended Compl., ECF No. 59, ¶¶ 60-65 (Apr. 14, 2020)

In contrast, if page 165 of SMIC’s 2018 Annual Report is to be believed, as SMIC BVI advocates, then SCA’s “[p]rincipal activities” are “marketing related activities”—not sales:

Name of entity	Place of establishment and operation	Class of shares held	Paid up registered capital	Proportion of ownership interest held by the Company	Proportion of voting power held by the Company	Principal activities	
Better Way Enterprises Limited (“Better Way”) ^(a)	Samoa	Ordinary	USD1	Directly	100%	100%	Provision of marketing related activities
Semiconductor Manufacturing International (Shanghai) Corporation (“SMIS” or “SMIC Shanghai”) ^(a)	People’s Republic of China (the “PRC”)	Ordinary	USD1,770,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
SMIC, Americas	United States of America	Ordinary	USD500,000	Directly	100%	100%	Provision of marketing related activities
Semiconductor Manufacturing International (Beijing) Corporation (“SMIB” or “SMIC Beijing”) ^(a)	PRC	Ordinary	USD1,000,000,000	Indirectly	100%	100%	Manufacturing and trading of semiconductor products
SMIC Japan Corporation	Japan	Ordinary	JPY10,000,000	Directly	100%	100%	Provision of marketing related activities

Ex. 8, SMIC 2018 Annual Report at 165 (noting for SMIC, Americas, its “[p]rincipal activities” are “[p]rovision of marketing related activities”). At most, SCA has about 15 employees; SCA’s size is thus miniscule compared to SMIC’s 18,000+ employee foundry enterprise. *See, e.g., id.* at 84:

As of December 31,			
Location	Y2016	Y2017	Y2018
Shanghai	8,404	8,077	8,084
Beijing	4,721	4,607	4,699
Tianjin	1,663	1,636	1,981
Chengdu	10	10	10
Shenzhen	1,284	1,477	1,217
Jiangyin	314	356	479
Ningbo	—	82	—
United States	20	23	15
Europe	1,537	1,541	1,516
Japan	2	4	3
Taiwan Office	9	10	9
Hong Kong	3	3	2
Total	17,967	17,826	18,015

Id. In addition, to the extent SCA has “customers,” their purchase orders are processed through *SMIC BVI’s* ordering system. Ex. 5, SMIC NDCA Compl., ¶ 13 (alleging that “purchase orders for SMIC, Americas’ customers are processed through *SMIC BVI’s ordering system*. The purchase orders are then automatically transferred to one of the SMIC Manufacturing Companies depending on the manufacturing fab.” (emphasis added)).

SMIC’s own statements confirm that, at best, SCA is a tiny subsidiary within SMIC’s 18,000+ employee enterprise, that SCA is principally involved in mere “marketing” activities in the United States, and it is not even clear whether those marketing activities relate to the accused products. Therefore, because SMIC BVI has provided no facts showing that SCA is involved in any infringing activity in this case, or any infringing activity for which the other SMIC Defendants, including SMIC BVI, are also not involved, it has failed to meet its burden of demonstrating that SCA is a required party under Rule 19(a). *See, e.g., Dernick v. Bralorne Res. Ltd.*, 639 F.2d 196, 199 (5th Cir. 1981) (holding that where the subsidiary is not a principal actor in the alleged conduct, the subsidiary is not necessary and indispensable); *Fletcher’s Original State Fair Corny Dogs*, 2020 U.S. Dist. LEXIS 28613, at *47-49 (holding that allegedly infringing non-party, which was part-owned by one of the named defendants, was not a required party) (“Thus, Defendants cannot show that [non-party] Fletcher’s Unlimited, another possible infringer of the ‘Fletcher’s’ word mark or at best a junior user, is a required party under Rule 19. Likewise, Defendants have not shown how, under Rule 19(a), complete relief cannot be granted without Fletcher’s Unlimited, how any interest of Fletcher’s Unlimited may be impeded or impaired, or how Defendants could be at substantial risk for multiple or inconsistent obligations.”).

SMIC BVI’s reliance on *Timberlake v. Synthes Spine*, and *Lopez v. Shearson Am. Express, Inc.* 684 F. Supp. 1144, 1147 (D.P.R. 1988), does not salvage its argument. Mot. at 9. Those cases

stand for the propositions that “[f]oreign subsidiaries of domestic corporations that are responsible for the design, manufacture, sale, distribution, labeling, marketing, and foreign approval of foreign products are necessary parties in product liability actions involving such foreign products” (*Timberlake*, 2011 U.S. Dist. LEXIS 70894, at *6-7) and “where the subsidiary is the primary participant in a dispute involving both the parent and the subsidiary, the subsidiary is” a required party under Rule 19(a)(1) (*Lopez*, 684 F. Supp. at 1147 (emphasis added)). Here, SMIC BVI provides no evidence that SCA is responsible for the design, manufacture, sale, distribution, labeling, marketing, and approval of the products that are at-issue in this case, including the products sold to the other Defendants such as Broadcom, Cypress, or DISH Network. *See generally*, Mot. Nor has SMIC BVI provided any evidence that SCA is the “primary participant” in the infringing conduct alleged by IFT against SMIC. *See id.*

SMIC BVI’s reliance on *In re Toyota*, 785 F. Supp. 2d 883 (C.D. Cal. 2011) is likewise unavailing. There, vehicle customer class-action plaintiffs brought suit against a series of car manufacturers, including Toyota. Toyota argued “that the foreign entities who manufactured, distributed, advertised, repaired, sold and/or leased Plaintiffs’ vehicles must be joined as necessary parties.” *Id.* at 905. The record was “clear” that the named U.S. subsidiaries *did not* manufacture or distribute plaintiffs’ vehicles, nor were they involved in the design of the allegedly defective vehicles. *Id.* For that reason, the Court found that the foreign entities who *did* undertake these activities with respect to Plaintiffs’ vehicles were necessary to afford complete relief” *Id.* at 906 (citing Fed. R. Civ. P. 19(a)(1)). Again, unlike *Toyota*, SMIC BVI has not identified any relevant conduct for which SCA is solely responsible, independent of the other parties here.

2. SCA's Perceived Interests Can Be Adequately Protected by the Other SMIC Defendants in this Case

SCA is also not a required party under Rule 19(a)(1)(B) because to the extent SCA has any interests in this case, it can defend those interests without leaving an existing party subject to a substantial risk of incurring double, multiple, or otherwise inconsistent obligations because of the interest. Fed. R. Civ. P. 19(a)(1)(B).

To begin, SMIC BVI incorrectly argues that “disposing of the action without SCA would impede SCA’s ability to defend its products.” Mot. at 11. Not so. To the extent SCA has some minimal involvement in infringing sales, its interests are more than fairly represented by its parent, SMIC, SMIC BVI, which maintains its sales ordering system, and the SMIC foreign foundry subsidiaries which actually manufacture and import, directly or indirectly, the accused products. It is difficult to believe that SCA’s related entities, which are primarily involved in the accused conduct in this case, cannot adequately defend the products at-issue, particularly where SCA does not even have the technical information related to the accused products. *See* Ex. 10, Email from B. Chen to IFT Counsel (July 14, 2020). And if SCA is not satisfied that the efforts of its corporate parent and related manufacturing subsidiaries are sufficient to protect any interests it has related to the asserted patents, nothing prevents it from moving to intervene in this action, where its related subsidiaries, represented by the same U.S. counsel, are already named parties.

SMIC BVI cites several non-patent cases in an attempt to elevate SCA’s importance here, but the facts of this case undercut SMIC BVI’s argument. For example, in *Jurimex Kommerz Transit G.m.b.H. v. Case Corp.*, 201 F.R.D. 337, 340 (D. Del. 2001), a breach of contract case, “most of Plaintiffs’ interactions and negotiations regarding the Transaction” were with “with Defendant’s foreign subsidiaries Case France and Case Europe, and not Defendant” Case Corporation. *Id.* at 340 (emphasis added). There, the court relied on the principle that “when [a]

subsidiary, not parent, signed a contract, the subsidiary may be the only party liable for the obligations under the contract and is therefore a necessary party under Rule 19(a).” *Id.* Here, not only is this case a patent infringement action and not a breach of contract case, but the parent Defendant (SMIC) is the signatory to wafer supply agreements with customers in the United States, not the non-party subsidiary (SCA) (*see, e.g.*, Ex. 1, SMIC’s Agreement with Spansion, Cypress’s predecessor), and it is the parent Defendant (SMIC) who maintains SMIC’s website and SMIC Now service for providing products to U.S. customers (*see, e.g.*, Ex. 3, SMIC’s Website, Legal Declaration; Ex. 4, SMIC’s Website). Further, it is the other SMIC Defendants who are involved in the manufacturing of the accused products, not the non-party subsidiary (SCA). Mot. at 3. Thus, there is no reason why the other SMIC Defendants cannot adequately represent SCA’s interest in this matter, without any substantial risk of leaving an existing SMIC Defendant subject to substantial risk of incurring multiple or inconsistent obligations.

B. SCA’s *Potential* Venue Objections Do Not Warrant Dismissing SMIC BVI From This Case

Even if SMIC BVI could meet its burden of demonstrating that SCA is otherwise required to be joined here under Rule 19(a), there is still no basis for dismissing SMIC BVI from this case based upon SCA’s anticipated objections to venue once it is joined.

A joined party’s objections to venue are addressed in 19(a)(3), which states that “[*i*f a joined party objects to venue and the joinder would make venue improper, the court must [then] dismiss that [joined] party [which is making the venue objection].” Fed. R. Civ. P. 19(a)(3) (emphasis added); *see also* 4 Moore’s Federal Practice, Civil § 19.02 (2020) (“The compulsory party joinder rule permits the absentee, once joined, to object if venue is improper as to it...*If the absentee does object*, the courts treat the case as though joinder were infeasible.” (emphasis added)). Put differently, in the event this Court determines that SCA must be joined as a required

party under Rule 19(a)(1), and in the event that SCA then objects to venue in this District, the proper remedy under Rule 19(a)(3) is to dismiss SCA from this case—not SMIC BVI.

For example, in *Smith v. American Federation of Musicians*, 47 F.R.D. 152, (S.D.N.Y. 1969), a union member brought suit against his local union and the union’s national organization, and the Court found that the local union was a required party under 19(a)(1). *Id.* at 154. However, when the local union stood on venue objections, the court dismissed the local union from the case. *Id.* at 154-55. When the national organization defendant moved to dismiss the suit for lack of naming a required party, the court denied that motion, because the local union’s venue objection was within the local union’s own control. *Id.* In other words, the local union had chosen for its own reasons to stand on its venue objection, even though there was no apparent hardship for which either voluntary intervention or appearance in the action would impose on the local union, “particularly in view of the fact that the same counsel appear to be defending both actions” against the national and local organizations. *Id.* at 154. The result should be the same here, particularly where SCA’s counsel in the Northern District of California is the same counsel representing all other SMIC Defendants in this action. *See* Ex. 5, NDCA Compl.

C. SCA Is Not an Indispensable Party under Rule 19(b)

Even if the Court finds that SCA is a “required” party under Rule 19(a)(1)—it is not—it should still not dismiss SMIC BVI from this case because SCA is not an indispensable party to this action under any of the four factors listed in Rule 19(b).

1. Proceeding Without SCA Is Not Prejudicial To SCA or the Existing Parties Under Rule 19(b)(1)

For the same reasons discussed above, proceeding without SCA would not be prejudicial to SCA, where its related entities (that actually manufacture the accused products pursuant to the patented manufacturing methods overseas) are named defendants in the case. SMIC BVI again

relies on *Jurimex*, 201 F.R.D. at 340, but as stated above, in *Jurimex*, a breach of contract action, the “Plaintiffs’ interactions were almost entirely with the [foreign] Subsidiaries and not with [the] Defendant [parent]” corporation. *Id.* Here, a patent infringement action asserting patented methods of manufacturing semiconductor components, IFT’s infringement allegations are founded upon SMIC’s overseas manufacturing operations (including customer collaboration and design work) largely based on its activities in China.

In any event, as noted by the Rule Advisory Committee, “the absentee may sometimes be able to avert prejudice to himself by voluntarily appearing in the action or intervening on an ancillary basis.” 1966 FRCP Advisory Committee Notes. Here, SCA, represented by the same counsel as the other SMIC Defendants, if it chooses, can simply seek to intervene under Rule 24(b), and “[t]here is no apparent hardship” that would appear to impose on SCA. *See, e.g., Smith*, 47 F.R.D. at 155. The fact that SCA has not attempted to do so—coupled with the fact that its parent, SMIC, twice has moved under Rule 12 without arguing that SCA is a required party under Rule 19—underscores that SMIC BVI’s primary concern is not with protecting SCA’s allegedly distinct interests, but instead to shift IFT’s claims against the SMIC family of companies to litigation in California.

As to the other existing parties, SMIC BVI first argues that SCA is an indispensable party under Rule 19(b)(1) because “the existing SMIC defendants are prejudiced to the extent they are forced to take responsibility for the actions of a separate corporate entity, SCA[.]” Mot. at 13. First, it is unclear how other SMIC entities would somehow improperly be forced to take responsibility for SCA’s actions. Each entity will be responsible for its own liability prescribed by statute.

Further, this argument ignores the relationship (according to SMIC BVI) between the SMIC Defendants and SCA, even if SCA is minimally involved in sales activity for SMIC's customers that would constitute infringing activity in this case. For example, as stated previously, according to Defendant SMIC BVI, it "facilitates purchase orders for sales made by SMIC[]'s regional subsidiaries, *including SCA for United States based customers*" and SMIC BVI "participate[s] in the sales process for the accused products[.]" Mot. at 3. Also, SMIC BVI, in its own declaratory judgment action against IFT, alleges that "*purchase orders for SMIC, Americas' customers* are processed through SMIC BVI's ordering system" and "[t]he purchase orders are then *automatically transferred to one of the SMIC Manufacturing Companies* depending on the manufacturing fab." Ex. 5, SMIC NDCA Compl., ¶ 13. Thus, there are no identified actions of SCA for which the other SMIC Defendants are not already responsible—and it is not even clear that SCA is involved in "sales" beyond its "[p]rincipal activities" of "[p]rovision of marketing related activities." See Ex. 8 at 165.

2. SMIC BVI's Arguments That the Factors Under 19(b)(2), 19(b)(3), and 19(b)(4) Weigh in Favor of Dismissal Are Also Unavailing

Citing *In re Toyota*, 785 F. Supp. 2d 883 (C.D. Cal. 2011), SMIC BVI next argues that SCA is an indispensable party under Rule 19(b)(2) because where "the absentee is a principal actor, (here, SCA sells products in the United States that IFT alleges to infringe its patents), courts have struggled to find a solution to lessen the prejudices" to the absentee. Mot. at 13-14. Once again, SMIC BVI's reliance on *Toyota* is misplaced. There, the unnamed foreign Toyota entities—not the named U.S. Toyota entities—were the ones involved in the alleged tortious conduct, and thus the court found the foreign Toyota entities indispensable. *Id.* at 905-06. Here, the opposite is true—SMIC BVI has pointed to no single fact supporting an allegation that SCA is

a principal actor for any infringing activity in this case for which the other foreign SMIC Defendants are also not responsible.

SMIC BVI's reliance on *Jaffer* to support its (speculative) claim that SCA faces prejudice in the possibility that IFT will ignore claim and issue preclusion protections if it is unsuccessful in this case, is equally unconvincing. Preclusion will apply to the result of this case to the extent it applies, and, to the extent either side brings a subsequent suit, the court would be the ultimate arbiter of those issues, just as in any other case.

As to 19(b)(3), SMIC BVI's argument that a judgment by this Court would not be adequate without SCA's joinder is similarly premised on its claim that other the SMIC parties will be held responsible for "actions which belong to SCA." But as explained above, SMIC BVI identifies no such actions. *See* Mot. at 1-15.

Finally, as to 19(b)(4), SMIC BVI argues that IFT has a proper remedy because IFT can proceed against SCA in the Northern District of California. Mot. at 15. First, SCA can just as easily intervene here as IFT can proceed against SCA in NDCA, particularly given this case has a scheduled trial date, and the NDCA action (in addition to being second-filed), has recently had its initial case management conference vacated. *See SMIC, Americas et al. v. Innovative Foundry Techs. LLC*, Case No. 4:20-cv-02256 (N.D. Cal.), ECF No. 29 (July 8, 2020). The NDCA action also does not include Defendant SMIC (parent) as a named declaratory plaintiff. Ex. 5.

Second, it is not even clear that, if the NDCA case goes forward with SCA, the named SMIC entities there would produce any additional relevant discovery than it would in this case, given the position it has taken here that discovery relating to the accused products is in the sole possession of SMIC's *foreign* subsidiaries. *See* Ex. 10, Email from B. Chen to IFT Counsel (July 14, 2020) (stating that SMIC's "Chinese subsidiaries are the entities in possession of the requested

technical materials” and that SMIC’s “documents such as process flows and recipes are not shared with customers, and indeed, are not shared outside of China”).

V. CONCLUSION

Because SCA is not a required or indispensable party under Rule 19, this Court should deny SMIC BVI’s Motion to dismiss this suit under Fed. R. Civ. P 12(b)(7).

Dated: July 20, 2020

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on July 20, 2020, a copy of the foregoing was served electronically, via CM/ECF, on all counsel of record who are deemed to have consented such service under the Court's local rules. Any other counsel of record will be served via facsimile and certified mail, return receipt requested.

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