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13 *Attorneys for SAGE Electrochromics, Inc.*

14
15 **UNITED STATES DISTRICT COURT**
16 **NORTHERN DISTRICT OF CALIFORNIA**

17 SAGE ELECTROCHROMICS, INC.,

18 Plaintiff(s),

19 v.

20 APPLIED MATERIALS, INC.,

21 Defendant(s).

CV 11-06180

Civil Action No.

**COMPLAINT AND DEMAND FOR
TRIAL BY JURY**

23 Plaintiff SAGE Electrochromics, Inc., a corporation with offices at One SAGE Way,
24 Faribault, MN 55021, for its complaint against defendant Applied Materials, Inc., a corporation
25 with offices at 3050 Bowers Avenue, P. O. Box 58039, Santa Clara, CA 95054-3299, alleges as
26 follows:
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Filed

DEC - 7 2011

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

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FILED

1 This Complaint is brought, in part, pursuant to the Declaratory Judgment Act, 28 U.S.C.
2 § 2201 et seq., for a declaration that a certain Settlement Agreement entered into by the parties is in
3 full force and effect.

4 **JURISDICTION AND VENUE**

5 1. This action arises under the United States Patent Laws, Title 35 of the United States
6 Code and under the laws of the State of California. This Court has subject matter jurisdiction over
7 this action pursuant to 28 U.S.C. § 1331, 1332, 1338(a) and (b), and 1367.

8 2. This Court also has jurisdiction under 28 U.S.C. § 1332, in that there is complete
9 diversity between plaintiff and defendant, and the amount in controversy exceeds the sum or
10 balance of \$75,000 exclusive of interest and costs.

11 3. Venue is proper in this judicial district under 28 U.S.C. § 1391 and by agreement
12 between the parties.

13 **PARTIES**

14 4. Plaintiff SAGE Electrochromics, Inc. ("SAGE") is a New Jersey corporation located
15 at One SAGE Way in Faribault, MN 55021.

16 5. Upon information and belief, Applied Materials, Inc. ("Applied"), is a Delaware
17 corporation located at 3050 Bowers Avenue, P.O. Box 58039, in Santa Clara, CA 95054-3299.

18 **BACKGROUND**

19 6. On November 2, 2006, SAGE and Applied (collectively "the Parties") entered into a
20 nondisclosure agreement ("the 2006 NDA") whereby they agreed to, among other things, share
21 confidential information to evaluate possible future business relationships between them.

22 7. On February 5, 2007, the Parties entered into a further nondisclosure agreement
23 ("the 2007 NDA") whereby the parties again agreed to share confidential information relating to
24 business plans, technology development plans, materials for manufacturing electrochromic glass,
25 reduction in manufacturing system cost, joint development plans, and partnership discussions.

26 8. On October 1, 2008, the Parties executed an amendment to the NDA ("the 2008
27 NDA"), thereby extending the Parties' agreement to October 1, 2009.
28

1 9. The Parties owed a fiduciary duty to one another, based on the confidential
2 relationship created between the Parties by way of the execution of the 2006 NDA, the 2007 NDA,
3 and the 2008 NDA (collectively "the Agreements").

4 10. Subsequent to entering into the Agreements, and in reliance on the Agreements and
5 the resultant fiduciary relationship, SAGE shared confidential, technical information with Applied
6 relating to materials, coating processes, lamination processes, devices, and methods of
7 manufacturing electrochromic devices.

8 11. In a presentation dated March 12-15, 2007, SAGE provided material information to
9 Applied including slides detailing a process for producing electrochromic devices, including a new
10 "coat then cut" process.

11 12. On April 24, 2007, SAGE provided information to Applied regarding the
12 development of rapid laser ablation technology, including for edge deletion and cutting, and the
13 development of lamination technology to preserve certain properties of insulated glass units.
14 SAGE also disclosed to Applied the use of low coefficient of thermal expansion (hereinafter "low
15 CTE") glass materials for incorporation into electrochromic devices.

16 13. On April 30, 2007, SAGE provided to Applied additional information regarding the
17 benefits of a "coat then cut" process as compared with traditional "cut then coat" processes. SAGE
18 further disclosed methods of fabricating electrochromic devices utilizing low CTE glass, the
19 benefits of using low CTE glass, and lamination techniques. SAGE also provided information
20 relating to laser ablation techniques, including specific details on laser types and required laser
21 properties.

22 14. On May 1, 2007, Applied requested additional material from SAGE regarding
23 electrochromic devices and their manufacturing, including specific details on prior advanced
24 technology programs awarded to SAGE.

25 15. On May 1, 2007, SAGE provided to Applied, at Applied's request, detailed plans
26 describing a process for manufacturing electrochromic devices, including layer deposition and
27 masking techniques, and also provided additional information directed to laser ablation technology.
28 Comparative diagrams illustrating the differences between current processes and proposed

1 processes were provided, including an illustration of a manufacturing process incorporating laser
2 film ablation. Other diagrams were provided illustrating the manufacturing of insulated glass units.

3 16. On May 21, 2007, SAGE provided to Applied further information regarding the
4 development of processes and equipment for high volume manufacturing of electrochromic
5 windows, including details and diagrams on selective laser ablation techniques. SAGE provided a
6 proposal of a new manufacturing process utilizing new glass materials, a high volume processing
7 platform, selective ablation of active electrochromic panels, and performance criteria.

8 17. On October 19, 2007, SAGE provided a confidential memorandum to Applied
9 documenting proprietary information discussed at a meeting held at SAGE's facilities on
10 October 16-17, 2007. Proprietary details were provided in the memorandum relating to
11 electrochromic device manufacturing processes, including substrate composition and sputter
12 deposition techniques. Also documented were methods for coating isolation and device definition,
13 including thin film masking strategies and precision film ablation, in particular laser ablation.

14 18. On June 23, 2008, SAGE participated in a meeting with Applied, and disclosed
15 confidential information relating to "coat then cut" techniques, including the use of lamination.

16 19. On July 16, 2008, SAGE sent a letter to Applied and memorialized confidential
17 information that it provided to Applied during the June 23, 2008 meeting, including information
18 directed to "coat then cut" processes and lamination techniques.

19 20. On October 3, 2008, SAGE sent a further letter to Applied which described SAGE's
20 proprietary information relating to laminated electrochromic devices, including a disclosure of
21 laminating low CTE glass to another piece of glass. Properties and other parameters under
22 investigation were also disclosed.

23 21. SAGE communicated further with Applied on October 6, 2008, in response to
24 Applied's request for information, regarding details of a lamination procedure, including testing of
25 laminated structures and a further delineation of working parameters.

26 22. On October 7, 2008, SAGE disclosed to Applied parameters and ranges for
27 simulation testing of the behavior of laminated electrochromic glass on a tempered glass substrate.
28

1 23. SAGE sent another letter to Applied on October 10, 2008, including a specific
2 example of a laminated electrochromic device and information relating to key parameters for initial
3 laminate modeling efforts. Illustrations and tables of data were provided.

4 24. All of these disclosures of confidential information made by SAGE to Applied were
5 made in accordance with the terms of the Agreements.

6 25. On December 12, 2008, while still working under a confidential relationship with
7 SAGE, Applied misappropriated SAGE's intellectual property and breached the Agreements by
8 filing a patent application, Serial Number 12/333,676, including a disclosure which incorporated
9 substantial amounts of the very same confidential materials which SAGE had provided to Applied.

10 26. Applied's patent application identified alleged inventors who were the very same
11 individuals who had been directly involved in meetings with SAGE and who were privy to SAGE's
12 confidential information.

13 27. In August of 2009, SAGE advised Applied that it no longer wished to pursue an
14 agreement related to the purchase of equipment, manufactured by Applied, which equipment would
15 have been used in the manufacture of electrochromic devices.

16 28. On May 3, 2010, Applied filed a divisional application Serial Number 12/772,930
17 claiming the benefit of Serial Number 12/333,676, and included the same disclosures of SAGE's
18 confidential information.

19 29. On May 4, 2010, Applied's patent application Serial Number 12/333,676 matured
20 into United States Patent No. 7,710,671 ("the '671 Patent"). The '671 Patent was assigned to
21 Applied.

22 30. Applied also improperly filed a patent application having Serial Number
23 12/134,437, on June 6, 2008, which discloses and claims subject matter disclosed by SAGE to
24 Applied under the 2006, 2007, and 2008 NDAs. That patent application was later published as
25 Publication No. 2009/0304912 ("the 912 Publication"). A Patent Cooperation Treaty application,
26 PCT/US09/45025, was also filed by Applied, claiming the benefit of Serial Number 12/134,437.

27 31. On January 12, 2009, Applied filed a Patent Cooperation Treaty application,
28 PCT/US2009/066255, claiming the benefit of Serial Number 12/333,676.

1 32. At least as early as July 29, 2010, SAGE advised Applied that it was aware of the
2 existence of the '671 Patent, and that the subject matter of the '671 Patent had been misappropriated
3 from SAGE. Furthermore, SAGE demanded that the '671 Patent be assigned to SAGE and that this
4 could be resolved either by litigation or negotiation.

5 33. The Parties instituted negotiations with respect to this matter, and participated in a
6 personal meeting on or around September of 2010.

7 34. At least as early as September 23, 2010, SAGE also advised Applied in writing that
8 Applied had improperly filed the application leading to the '912 Publication based upon specific
9 SAGE technology disclosed to Applied under the 2006, 2007, and 2008 NDAs.

10 35. The '912 Publication includes material related to the laser ablation technique for
11 patterning all portions of an electrochromic layer, and as SAGE advised Applied this had been part
12 of SAGE's technology for years prior to entry into the NDA with Applied.

13 36. As of August 11, 2011, the Parties reached an agreement referred to as the
14 "Settlement Agreement." Applied referred to it as "the final Agreement" and sent it to SAGE for
15 execution. On August 22, 2011, SAGE confirmed their agreement to the final language of the
16 Settlement Agreement.

17 37. On September 7, 2011, Applied advised SAGE that it found a couple of typos in the
18 final Agreement and circulated its internal form for signatures. SAGE replied on September 9, 2011
19 that it also corrected some typos and confirmed that the final copy of the Settlement Agreement
20 should be executed by Applied.

21 38. On September 12, 2011, Applied indicated that there was a glitch in the settlement
22 and proposed a language change. On September 13, 2011, SAGE agreed to this minor change,
23 forwarded the revised final Settlement Agreement to Applied by email, and requested execution on
24 behalf of Applied.

25 39. Applied did not promptly respond to SAGE's September 13 email. SAGE then sent
26 the final Settlement Agreement to Applied for execution on October 10, 2011. On October 27,
27 2011, Applied advised SAGE by email that it requested a further change to the Settlement
28 Agreement and that it was prepared to proceed promptly to signature if SAGE accepted the

1 proposed modification. Applied's counsel also left a message on SAGE's counsel voicemail
2 apologizing for this late proposed change and confirming that the Settlement Agreement was fully
3 approved pending acceptance by SAGE of the proposed modification.

4 40. On November 2, 2011, SAGE accepted Applied's proposed modification and sent
5 the new final Settlement Agreement to Applied, expecting prompt execution as promised by
6 Applied.

7 41. On December 2, 2011, Applied attempted to repudiate the Settlement Agreement.

8 42. SAGE has been and will continue to be irreparably harmed by Applied's above
9 improper acts as further established by the following claims.

10 43. FIRST CLAIM FOR RELIEF

11 44. Declaratory Judgment

12 45. SAGE realleges the forgoing allegations as if fully set forth herein.

13 46. At least as of November 2, 2011, the Settlement Agreement between SAGE and
14 Applied was fully concluded and agreed to by both Parties.

15 47. The Settlement Agreement was reached through an offer by Applied, an acceptance
16 by SAGE, and is fully supported by proper consideration.

17 48. Applied's attempted repudiation of this Settlement Agreement is improper and
18 ineffective to terminate it.

19 49. SAGE will suffer irreparable harm unless this Court grants SAGE its requested
20 relief. Specifically, SAGE seeks a judicial determination that the Settlement Agreement between
21 SAGE and Applied is in full force and effect.

22 **SECOND CLAIM FOR RELIEF**

23 **Breach of Contract**

24 50. In the event that the Court does not grant the declaratory relief requested in
25 accordance with the first claim for relief above, then SAGE realleges the foregoing allegations as
26 fully set forth herein, and prays for the relief requested in the second through tenth claims for relief
27 herein.

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1 51. Applied's filing of a patent application on December 12, 2008 that matured into the
2 '671 Patent, and its filing of various other patent applications based thereon or incorporated by
3 reference therein breached the confidentiality requirements of the Agreements.

4 52. Applied's filing of a patent application on June 6, 2008, that became the
5 '912 Publication, and its filing of various other patent applications based thereon or incorporated by
6 reference therein breached the confidentiality requirements of the Agreements.

7 53. Applied breached additional provisions of the Agreements by at least failing to
8 notify SAGE of the filing of the December 12, 2008 patent application, the filing of the June 6,
9 2008, patent application, and other patent applications.

10 **THIRD CLAIM FOR RELIEF**

11 **Common Law Unfair Competition**

12 54. SAGE realleges the foregoing allegations as if fully set forth herein.

13 55. Applied knowingly and intentionally failed to maintain as confidential the
14 disclosures which SAGE made to Applied, without SAGE's consent, upon filing patent applications
15 based thereon, which subsequently matured into the '671 Patent, which became the
16 '912 Publication, and other patent applications.

17 56. Applied's foregoing acts constitute unfair competition under the California common
18 law.

19 57. SAGE has been, and will continue to be, irreparably harmed by Applied's conduct
20 unless such conduct is enjoined by this Court.

21 **FOURTH CLAIM FOR RELIEF**

22 **Unfair Competition Under California Business and Professions Code § 22395 et seq.**

23 58. SAGE realleges the foregoing allegations as if fully set forth herein.

24 59. Applied knowingly and intentionally failed to maintain as confidential the
25 disclosures which SAGE made to Applied seeking invention development services, without
26 SAGE's consent, upon filing patent applications based thereon, which subsequently matured into
27 the '671 Patent, which became the '912 Publication, and other patent applications based thereon.
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1 60. Applied's foregoing acts constitute unfair competition under the California Business
2 and Professions Code § 22395, et seq.

3 61. SAGE has been, and will continue to be, irreparably harmed by Applied's conduct
4 unless such conduct is enjoined by this Court.

5 **FIFTH CLAIM FOR RELIEF**

6 **Violation of California Business and Professions Code § 17200 et seq.**

7 62. SAGE realleges the foregoing allegations as if fully set forth herein.

8 63. Applied knowingly and intentionally failed to maintain as confidential the
9 disclosures which SAGE made to Applied, without SAGE's consent, upon filing patent applications
10 based thereon, which subsequently matured into the '671 Patent, which became the
11 '912 Publication, and other patent applications.

12 64. Applied's foregoing acts are unfair, unlawful and fraudulent under California
13 Business and Professions Code § 17200 et seq.

14 65. SAGE has been, and will continue to be, irreparably harmed by Applied's conduct
15 unless such conduct is enjoined by this Court and Applied does not render restitution to SAGE for
16 its conduct described herein.

17 **SIXTH CLAIM FOR RELIEF**

18 **Unjust Enrichment**

19 66. SAGE realleges the foregoing allegations as if fully set forth herein.

20 67. The inventions described and claimed in the '671 Patent, the '912 Publication, and
21 various related patent applications are based on SAGE's proprietary information disclosed to
22 Applied under a confidential relationship and thus properly belong to SAGE.

23 68. Applied has been and will continue to be unjustly enriched should it be allowed to
24 retain SAGE's intellectual properties and rights, including the right to use, enforce, and/or license
25 the '671 Patent, the '912 Publication, and other patent applications.

26 **SEVENTH CLAIM FOR RELIEF**

27 **Misappropriation**

28 69. SAGE realleges the foregoing allegations as if fully set forth herein.

1 70. Applied misappropriated SAGE's confidential intellectual property by filing patent
2 applications, including at least the '671 Patent, the '912 Publication, and various related patent
3 applications based thereon.

4 71. SAGE has been, and will continue to be, irreparably harmed by Applied's conduct
5 unless such conduct is enjoined by this Court.

6 72. The foregoing acts of Applied constitute misappropriation of trade secrets, and are in
7 violation of The California Civil Code §3426 et seq.

8 **EIGHTH CLAIM FOR RELIEF**

9 **Conversion**

10 73. SAGE realleges the foregoing allegations as if fully set forth herein.

11 74. Applied knowingly and intentionally exerted unauthorized control over SAGE's
12 property rights in confidential and proprietary information owned and possessed by SAGE, without
13 SAGE's consent, thereby causing damages to SAGE, upon filing a patent application based thereon,
14 which subsequently matured into the '671 Patent, the '912 Publication, and other patent
15 applications.

16 75. The foregoing acts of Applied constitute common law conversion.

17 **NINTH CLAIM FOR RELIEF**

18 **Correction Of Inventorship Under 35 U.S.C. § 256**

19 76. SAGE realleges the foregoing allegations as if fully set forth herein.

20 77. The '671 Patent identifies on its face Byung-Sung Leo Kwak, Dieter Haas, Stefan
21 Bangert, Nety M. Krishna, and Winfried Hoffman as the alleged inventors.

22 78. Neither Byung-Sung Leo Kwak, Dieter Haas, Stefan Bangert, Nety M. Krishna, nor
23 Winfried Hoffman is in fact a proper inventor of the '671 Patent. Rather, the '671 Patent includes
24 an error whereby the proper inventors were omitted without any deceptive intention by the omitted
25 inventors. This error can, and should, be corrected as the nonjoinder of the proper inventor(s)
26 occurred without any deceptive intent on his (or her) part.
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1 79. The '912 Publication identifies on its face Byung Sung Kwak and Nety Krishna as
2 the alleged inventors.

3 80. Neither Byung Sung Kwak nor Nety Krishna is in fact a proper inventor of the '912
4 Publication. Rather, the '912 Publication includes an error whereby the proper inventors were
5 omitted without any deceptive intention by the admitted inventors. This error can, and should, be
6 corrected as to non-joinder of the proper inventor(s) occurred without any deceptive intent on his
7 (or her) part.
8

9 **TENTH CLAIM FOR RELIEF**

10 **Breach of Fiduciary Duty**

11 81. SAGE realleges the foregoing allegations as if fully set forth herein.

12 82. When Applied filed patent applications based on the confidential information it
13 obtained from SAGE, it knowingly and intentionally misappropriated and published confidential
14 information without SAGE's consent, during the pendency of the Agreements.

15 83. Applied's unauthorized disclosure of SAGE's confidential information constitutes a
16 breach of the fiduciary relationship between the Parties under California common law, and is
17 causing damages to SAGE.
18

19 **PRAYER FOR RELIEF**

20 WHEREFORE, SAGE prays for the following relief and an entry of judgment from this
21 Court:

22 A. A determination that the Settlement Agreement between SAGE and Applied is in
23 full force and effect, and the additional relief requested in paragraphs H – K below. Alternatively, if
24 the Court holds that the Settlement Agreement is not in effect, then SAGE prays for the relief
25 requested in paragraphs B – K below.

26 B. A determination that SAGE is the lawful owner of the '671 Patent and all U.S. and
27 foreign patent applications and other patents based on, related to, or incorporated by reference
28

1 within the December 12, 2008 filing, thereby requiring assignment of all right, title, and interest in
2 the same to SAGE;

3 C. A determination that SAGE is the lawful owner of US Patent Application No.
4 12/134,437, filed on June 6, 2008, and US and foreign patent applications and other patents based
5 on, related to, or incorporated by reference within the June 6, 2008 filing, thereby requiring
6 assignment of all right, title, and interest in the same to SAGE;

7 D. A determination that SAGE is the lawful owner of any other patents or patent
8 applications filed by Applied based on SAGE's confidential information misappropriated by
9 Applied;

10 E. An Order that Applied disgorge to SAGE any and all compensation received in
11 connection with exploitation of the '671 Patent as well as pending patent applications based on
12 SAGE's confidential disclosures;

13 F. Correction of the inventorship of the '671 Patent and all related U.S. and foreign
14 patent applications and patents as requested by SAGE;

15 G. Correction of the inventorship of the '912 Publication and all related U.S. and
16 foreign patent applications and patents requested by SAGE.

17 H. An award of damages to SAGE for Applied's improper conduct as alleged herein;

18 I. Treble damages and attorneys' fees based on Applied's actions and pursuant to
19 SAGE's claims herein;

20 J. An award of SAGE's interests, costs, and reasonable attorney fees incurred in
21 prosecuting this action; and

22 K. For an award requiring restitution to SAGE resulting from any of Applied's acts as
23 described herein.

24 L. Such other and further relief as this Court may deem just and proper.
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1 within the December 12, 2008 filing, thereby requiring assignment of all right, title, and interest in
2 the same to SAGE;

3 C. A determination that SAGE is the lawful owner of US Patent Application No.
4 12/134,437, filed on June 6, 2008, and US and foreign patent applications and other patents based
5 on. related to, or incorporated by reference within the June 6, 2008 filing, thereby requiring
6 assignment of all right, title, and interest in the same to SAGE;

7 D. A determination that SAGE is the lawful owner of any other patents or patent
8 applications filed by Applied based on SAGE's confidential information misappropriated by
9 Applied;

10 E. An Order that Applied disgorge to SAGE any and all compensation received in
11 connection with exploitation of the '671 Patent as well as pending patent applications based on
12 SAGE's confidential disclosures;

13 F. Correction of the inventorship of the '671 Patent and all related U.S. and foreign
14 patent applications and patents as requested by SAGE;

15 G. Correction of the inventorship of the '912 Publication and all related U.S. and
16 foreign patent applications and patents requested by SAGE.

17 H. An award of damages to SAGE for Applied's improper conduct as alleged herein;

18 I. Treble damages and attorneys' fees based on Applied's actions and pursuant to
19 SAGE's claims herein;

20 J. An award of SAGE's interests, costs, and reasonable attorney fees incurred in
21 prosecuting this action; and

22 K. For an award requiring restitution to SAGE resulting from any of Applied's acts as
23 described herein.

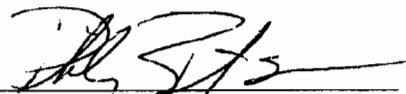
24 L. Such other and further relief as this Court may deem just and proper.
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1 JURY DEMAND

2 Pursuant to Fed. R. Civ. P. 38(b), plaintiffs hereby demand a trial by a jury on all issues so
3 triable.

4 DATED: December 7, 2011

SEVERSON & WERSON
A Professional Corporation

6 By: 
Philip Barlovits

8 *Attorneys for Plaintiff SAGE Electrochromics, Inc.*

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