

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION

E.I. DU PONT DE NEMOURS AND)
COMPANY, a Delaware corporation) No. 03:12-cv-01104-HU
Plaintiff,)
VS.) **ORDER ON MOTION TO DISMISS**
HERAEUS PRECIOUS METALS NORTH) **LANHAM ACT COUNTERCLAIM**
AMERICA CONSHOCKEN LLC, a)
Delaware corporation; and)
SOLARWORLD INDUSTRIES AMERICA,)
INC., an Oregon corporation;)
Defendants.)

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9 HUBEL, Magistrate Judge:

10 The plaintiff E.I. Du Pont de NeMours and Company ("DuPont")
11 sues the defendants Heraeus Precious Metals North America Consho-
12 hocken LLC ("Heraeus") and SolarWorld Industries America, Inc.
13 ("SolarWorld"), alleging infringement of DuPont's patent for a
14 conductive metallization paste used in the production of photo-
15 voltaic solar cells, U.S. Patent No. 8,158,504 ("the '504 Patent").
16 DuPont alleges Heraeus is infringing the '504 Patent by manufac-
17 turing, using, and selling "front side silver photovoltaic paste
18 compositions" that infringe "at least claims 1, 3, 11 and 12 of the
19 '504 Patent under 35 U.S.C. § 271." Dkt. #6, Amended Cmpt., ¶ 13.
20 DuPont claims SolarWorld is infringing the '504 Patent by using the
21 infringing paste compositions in its manufacture of solar cells,
22 which Solarworld then sells to its customers.

23 In response to DuPont's Amended Complaint, Heraeus has
24 asserted three counterclaims. The third of these alleges DuPont
25 violated Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), in
26 connection with statements made by DuPont in a press release it
27 issued on July 19, 2012. See Dkt. #25, Counterclaims, ¶¶ 22-26.
28 DuPont moves, under Federal Rule of Civil Procedure 12(b)(6), to

1 dismiss Heraeus's Lanham Act counterclaim for failure to state a
2 claim for which relief can be granted. Dkt. ##37, 38 & 47. DuPont
3 claims Heraeus has failed to plead the basic facts necessary to
4 support its counterclaim. Dkt. #38, p. 3. In particular, DuPont
5 complains Heraeus has failed to (1) identify the specific statement
6 in DuPont's press release which Heraeus claims is false or
7 misleading; (2) plead facts to show DuPont made the offending
8 statement in bad faith; (3) plead facts to show "DuPont made a
9 false or misleading description in a commercial advertisement about
10 its own or another's product"; and (4) state how DuPont's
11 statements in the press release either actually deceived, or have
12 the tendency to deceive, a substantial segment of its audience.
13 *Id.*, pp. 3-4. DuPont argues each of these elements provides an
14 independent basis for dismissal of Heraeus's counterclaim. *Id.*,
15 p. 4.

16 Heraeus argues it has properly pled its counterclaim. Heraeus
17 also argues (1) there is no "bad faith" requirement for a section
18 43(a) claim; (2) Heraeus has pled sufficient facts to survive
19 dismissal under federal pleading standards; and (3) alternatively,
20 even if the court finds Heraeus has failed to allege sufficient
21 facts to support its counterclaim, any dismissal should be without
22 prejudice to allow Heraeus to amend the counterclaim to cure any
23 deficiencies found by the court. Dkt. #42.

24
25 ***STANDARDS FOR MOTIONS TO DISMISS***

26 Chief Judge Aiken of this court set forth the standard for the
27 court's consideration of a motion to dismiss in *Gambee v.*
28

1 *Cornelius*, No. 10-CV-6265-AA, 2011 WL 1311782 (D. Or. Apr. 1, 2011)
2 (Aiken, C.J.). Judge Aiken observed:

3 Under Fed. R. Civ. P. 12(b)(6), a com-
4 plaint is construed in favor of the plaintiff,
5 and its factual allegations are taken as true. *Daniels-Hall v. Nat'l Educ. Ass'n*, 629 F.3d
6 992, 998 (9th Cir. 2010). "[F]or a complaint
7 to survive a motion to dismiss, the non-
8 conclusory 'factual content,' and reasonable
9 inferences from that content, must be
10 plausibly suggestive of a claim entitling the
11 plaintiff to relief." *Moss v. United States*
12 *Secret Serv.*, 572 F.3d 962, 969 (9th Cir.
13 2009). "A claim has facial plausibility when
14 the plaintiff pleads factual content that
15 allows the court to draw the reasonable
16 inference that the defendant is liable for the
17 misconduct alleged." *Ashcroft v. Iqbal*, 129
18 S. Ct. 1937, 1949 (2009). "[O]nce a claim has
19 been stated adequately, it may be supported by
20 showing any set of facts consistent with the
21 allegations in the complaint." *Bell Atlantic*
22 *Corp. v. Twombly*, 550 U.S. 544, 563[, 127 S.
23 Ct. 1955, 1969, 167 L. Ed. 2d 929] (2007).
24 "[G]enerally the scope of review on a motion
25 to dismiss for failure to state a claim is
26 limited to the Complaint." *Daniels-Hall*, 629
27 F.3d at 998.

18 *Id.* at *2.

19 "As a general matter, a district court may not consider any
20 material outside of the pleadings when ruling on a Rule 12(b)(6)
21 motion." *O'Connell-Babcock v. Multnomah County, Oregon*, No. 08-cv-
22 459-AC, slip op., 2009 WL 1139441 at *4 (D. Or. Apr. 24, 2009)
23 (King, J.) (citing *Lee v. City of Los Angeles*, 250 F.3d 668, 688
24 (9th Cir. 2001)). However, the Ninth Circuit recognizes an
25 exception to this rule that allows consideration of documents
26 "'whose contents are alleged in a [pleading] and whose authenticity
27 no party questions, but which are not physically attached to the
28 . . . pleading.'" *Parrino v. FHP, Inc.*, 146 F.3d 699, 705-06 (9th
Cir. 1998) (quoting *Branch v. Tunnell*, 14 F.3d 449, 454 (9th Cir.

1 1994)), *superseded by statute on other grounds as recognized in*
2 *Abrego Abrego v. The Dow Chemical Co.*, 443 F.3d 676, 681 (9th Cir.
3 2006); *Vanguard Prods. Group v. Merchandising Technologies, Inc.*,
4 slip op., 2008 WL 939041, at *3 (D. Or. Apr. 3, 2008) (Brown, J.)
5 (same; quoting *Lee v. City of Los Angeles*, 250 F.3d 668, 688 (9th
6 Cir. 2001)). In the current case, Heraeus's counterclaim arises
7 from statements made by DuPont in a press release issued on
8 July 19, 2012. A copy of the press release is attached as
9 Exhibit 1 to the Declaration of Matthew W. Brewer in Support of
10 Plaintiff's Motion to Dismiss, Dkt. #39-1. Because the language of
11 the press release is integral to Heraeus's Lanham Act counterclaim,
12 and its authenticity is not at issue, the court may consider the
13 press release in ruling on DuPont's motion to dismiss. See
14 *Parrino, supra*.

15 16 **DISCUSSION**

17 The press release at issue is titled, "DuPont Addresses Patent
18 Protection at Solarbuzz China Conference; Intellectual Property
19 Theft Growing in Competitive Climate of Photovoltaics." *Id.*
20 According to Heraeus, the release was issued and published on the
21 internet, and also distributed by DuPont "directly to its customers
22 and to Heraeus'[s] customers via email." Dkt. #25, p. 11. Among
23 other things, the release discusses the growth of intellectual
24 property theft in the photovoltaic industry, and mentions that
25 DuPont filed the present case for patent infringement against
26 Heraeus. In pertinent part, the release states as follows:

27 Shanghai, July 19, 2012 - DuPont Electronics &
28 Communications Managing Director for Greater
China, Walt Cheng, was a featured speaker

1 today at the Solarbuzz China Photovoltaics
2 (PV) Conference in Shanghai. In addressing
3 the importance of materials supply in PV manu-
4 facturing, Cheng emphasized the critical role
5 innovation plays in advancing the solar energy
6 industry, and the growing significance of
7 intellectual property protection in today's
8 increasingly competitive PV market.

9 ". . . . Intellectual Property (IP) theft is
10 widespread and the issue seems to be growing
11 in the current climate of this industry. IP
12 theft, left unchecked, has the potential to
13 threaten the PV industry broadly at a critical
14 time in its development. Everyone at every
15 level in the industry benefits from vigorous
16 competition that spurs innovation, bringing
17 cutting-edge products to the global market.
18 IP theft diminishes competition and reduces
19 innovation. If there is no longer an incen-
20 tive for companies to deliver new innovations,
21 the progress we've made together to accelerate
22 the growth of solar energy can stall."

23

24 "As DuPont continues to develop new tech-
25 nology, we need to ensure it is protected,"
26 said Cheng. "We do not ignore infringement
27 and will pursue aggressively other points in
28 the PV supply chain where IP infringement of
29 our PV metallization pastes exists."

30 Cheng indicated this set of actions continues
31 in the manner of previous DuPont actions
32 involving IP protection in China and other
33 countries in the world. The company recently
34 filed two lawsuits against PV metallization
35 paste supplier Heraeus and one against its
36 customer SolarWorld, for infringing on DuPont
37 patents for DuPont™ Solamet® PV metallization
38 pastes.

39 Cheng asked for increased support from the
40 industry to guard against infringement and
41 stronger opposition to the use of "infringing"
42 materials in the production and sale of down-
43 stream products by cell and module makers, PV
44 system developers, installers and owners.
45 Infringing companies expose themselves, and
46 potentially others they do business with, to
47 the full range of legal remedies.

48 Dkt. #39-1, pp. 1-2.

1 As noted above, DuPont claims Heraeus has failed to identify
2 the specific statement it contends is false and misleading. In
3 response, Heraeus states its "counterclaim specifically identifies
4 a false and misleading statement ('Heraeus has allegedly engaged in
5 intellectual property theft') . . . , and alleges sufficient facts
6 to support the conclusion that this statement was made in bad
7 faith, that it is false and misleading, and that it has the
8 tendency to deceive a substantial segment of its audience." Dkt.
9 #42, ECF p. 10.

10 The court notes the statement, "Heraeus has allegedly engaged
11 in intellectual property theft," does not appear anywhere in the
12 press release. However, despite DuPont's assertion to the
13 contrary, such an allegation is a reasonable inference that could
14 be drawn from the press release, for two reasons. First, as
15 Heraeus notes, the press release "juxtaposes statements that
16 '[i]ntellectual Property (IP) theft is widespread' and 'IP theft,
17 left unchecked, has the potential to threaten the PV industry,'
18 with statements regarding DuPont's lawsuits against Heraeus." *Id.*,
19 ECF p. 5. Second, a patent **is**, in fact, intellectual property.
20 See, e.g., *Bd. of Trustees of Leland Stanford Junior Univ. v. Roche*
21 *Molecular Sys., Inc.*, ___ U.S. ___, 131 S. Ct. 2188, 2194, 180 L.
22 Ed. 2d 1 (2011) ("Although much in intellectual property law has
23 changed in the 220 years since the first Patent Act, the basic idea
24 that inventors have the right to patent their inventions has
25 not."); *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 876 (9th
26 Cir. 2012) (quoting an International Telecommunications Union
27 Policy disclaimer that notes ITU standards "are drawn up by
28 technical and not patent experts; thus, they may not necessarily be

1 very familiar with the complex international legal situation of
2 intellectual property rights such as patents"); *Zifa, Inc. v.*
3 *Tinnell*, 502 F.3d 1014, 1026 (9th Cir. 2007) (holding certain
4 patents issued after a 1980 contract between the parties "were thus
5 part of the bundle of intellectual property rights that the parties
6 contracted for in the first instance"); *Miller v. Glenn Miller*
7 *Prods., Inc.*, 454 F.3d 975, 988 (9th Cir. 2006) ("It is well
8 established in patent and copyright law that a patent or copyright
9 licensee may not sub-license his licensed intellectual property
10 rights without express permission from the licensor."); *Aurafin-*
11 *OroAmerica, LLC v. Fed. Ins. Co.*, 188 Fed. Appx. 565, 566-67 (9th
12 Cir. 2006) (distinguishing between patent infringement, which is an
13 intellectual property right, and "patent misuse," which is "an
14 equitable defense to a claim of patent infringement"); *cf.* West Key
15 Number System, grouping Patents (29Tk682 k.) under the subcategory
16 Intellectual Property (29Tk679). Thus, in stating it has filed two
17 lawsuits against Heraeus alleging patent infringement (a statement
18 that is true on its face), DuPont is, *ipso facto*, alleging Heraeus
19 has committed intellectual property theft.

20 Heraeus argues DuPont's statement is false because "DuPont's
21 lawsuits against Heraeus fail to allege any copying, misappropria-
22 tion, willfulness or other conduct that could be reasonably
23 characterized as 'IP theft.'" Dkt. #42, ECF pp. 5-6. Heraeus
24 appears to misunderstand the nature of a patent as intellectual
25 property. The distinction between "patent infringement" and "IP
26 theft" is one without a difference: patent infringement is, in
27 fact, a form of IP theft. In suing Heraeus for patent
28 infringement, DuPont is effectively alleging that Heraeus has

1 committed IP theft. Thus, the issue raised by Heraeus in its
 2 counterclaim is whether DuPont's statement that it has sued Heraeus
 3 for patent infringement, when juxtaposed with DuPont's other
 4 statements about IP theft in the industry, is sufficient to
 5 constitute a violation of Section 43(a) of the Lanham Act. More
 6 particularly, for purposes of a motion to dismiss, the question is
 7 whether Heraeus has pled "factual content that allows the court to
 8 draw the reasonable inference that [DuPont] is liable for the
 9 misconduct alleged." *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129
 10 S. Ct. 1937, 1949, 173 L. Ed. 2d 868 (2009).

11 To prevail on its claim that DuPont violated Section 43(a) of
 12 the Lanham Act, Heraeus must show the press release contained a
 13 "false or misleading description of fact, or false or misleading
 14 representation of fact," which:

15 (A) is likely to cause confusion, or to cause mis-
 16 take, or to deceive as to the affiliation,
 17 connection, or association of such person with
 18 another person, or as to the origin, sponsor-
 ship, or approval of his or her goods,
 services, or commercial activities by another
 person, or

19 (B) in commercial advertising or promotion, mis-
 20 represents the nature, characteristics, quali-
 21 ties, or geographic origin of his or her or
 another person's goods, services, or commer-
 cial activities[.]"

22 15 U.S.C. § 1125(a) (1).

23 In *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134 (9th
 24 Cir. 1997), the Ninth Circuit set out the elements of a Section
 25 43(a) false advertising claim, as follows:

26 (1) a false statement of fact by the defendant
 27 in a commercial advertisement about its own or
 28 another's product; (2) the statement actually
 deceived or has the tendency to deceive a
 substantial segment of its audience; (3) the

deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a lessening of the goodwill associated with its products. . . . To demonstrate falsity within the meaning of the Lanham Act, a plaintiff may show that the statement was literally false, either on its face or by necessary implication, or that the statement was literally true but likely to mislead or confuse consumers. *Castrol Inc. v. Pennzoil Co.*, 987 F.2d 939, 943, 946 (3d Cir. 1993)[.]

Southland, 108 F.3d at 1139 (footnote, internal citations omitted).

DuPont argues that in addition to these elements, Heraeus also is required to allege DuPont's representations were made in bad faith. Dkt. #38, p. 5 (citing *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1353 (Fed. Cir. 1999); *CollegeNET, Inc. v. Xap Corp.*, 2004 WL 2303506, at *10 (D. Or. Oct. 12, 2004) (Hubel, M.J.); *Vanguard Prods. Group*, 2008 WL 939041 (D. Or. Apr. 3, 2008) (Brown, J.)). In the *CollegeNET* case cited by DuPont, I held that "before a patentee may be held liable under § 43(a) for marketplace activity in support of its patent, and thus be deprived of the right to make statements about potential infringement of its patent, the marketplace activity must have been undertaken in bad faith." 2004 WL 2303506, at *10 (internal citations and quotation marks omitted).

In its Lanham Act counterclaim, Heraeus alleges the following facts:

22. Heraeus sells and distributes photovoltaic products including silver paste, in interstate commerce.

23. DuPont has made material false representations regarding Heraeus'[s] silver photovoltaic products which

1 affect a customer's decision to purchase these products.
2 Specifically, DuPont has publicly misrepresented the
3 legitimacy of these products by falsely representing in
4 a widely distributed press release that Heraeus has
5 engaged in intellectual property theft and does not have
the right to use, produce and distribute these products.
In this press release, DuPont further misrepresented
Du Pont's own rights in and to technology used in silver
photovoltaic pastes.

6 24. DuPont not only issued this press release and pub-
7 lished it on the internet, but DuPont also distributed a
8 copy of the press release directly to its customers and
9 to Heraeus'[s] customers via email. These statements are
in violation of Section 43(a) of the Lanham Act, 15
U.S.C. § 11259a).

10 25. DuPont published its false statements in a press
11 release to improperly discredit Heraeus'[s] products in
12 the marketplace, threaten third party customers, and
13 increase the perceived value of DuPont's intellectual
14 property rights, thereby promoting Du Pont's own
competing products. These statements and threats are
likely to cause confusion and mistake and have in fact
caused confusion and mistake as to the characteristics of
Heraeus'[s] products.

15 26. As a direct result of DuPont's false and/or mislead-
ing representations, Heraeus has suffered damages. . . .

16 Dkt. #25, ¶¶ 22-26.

17 The court finds these allegations adequately plead all five of
18 the elements set forth by the *Southland* court. Even if DuPont
19 shows its statements in the press release were literally true,
20 Heraeus has alleged facts that plausibly suggest DuPont's state-
21 ments were "likely to mislead or confuse" consumers of these
22 products.

23 The court further finds, however, that bad faith is a neces-
24 sary element of Heraeus's Lanham Act claim. See *CollegeNET, supra*.
25 Heraeus has failed to allege that DuPont's statements about the
26 potential infringement of its patent were made in bad faith. As a
27 result, DuPont's motion to dismiss Heraeus's Lanham Act counter-
28 claim is **granted**, but the dismissal is **without prejudice**, allowing

1 Heraeus to replead its counterclaim to include the allegation that
2 DuPont acted in bad faith, if it can make such an allegation in
3 good faith.

4 IT IS SO ORDERED.

5 Dated this 18th day of January, 2013.

6
7 /s/ Dennis J. Hubel

8

Dennis James Hubel
9 Unites States Magistrate Judge