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9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA
11 SOUTHERN DIVISION
12

13 NETLIST INC., a Delaware
14 corporation,

15 Plaintiff,

16 v.

17 SAMSUNG ELECTRONICS CO.,
18 LTD., a Korean corporation,

19 Defendant.
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25
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CASE NO. 8:20-cv-993-MCS (ADS)

**NETLIST INC.'S NOTICE OF
MOTION AND MOTION FOR
PARTIAL SUMMARY JUDGMENT;
MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT
THEREOF**

NETLIST INC.'S NOTICE OF MOTION AND MOTION FOR
PARTIAL SUMMARY JUDGMENT; MEMORANDUM OF
POINTS AND AUTHORITIES IN SUPPORT THEREOF
CASE NO. 8:20-CV-993-MCS (ADS)

NOTICE OF MOTION AND MOTION

TO DEFENDANT AND ITS ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE THAT on September 20, 2021, or as soon thereafter as the matter may be heard, in Courtroom 7C above the above-entitled Court, located at 350 W. 1st Street, Los Angeles, California, Plaintiff Netlist Inc. (“Netlist”) will and hereby does move the Court pursuant to Rule 56 of the Federal Rules of Civil Procedure for an Order granting Netlist’s Motion for Partial Summary Judgment as to the merits of the parties’ dispute.

This Motion is based on this Notice; the concurrently filed Memorandum of Points and Authorities, the Statement of Uncontroverted Facts and Conclusions of Law (“SUF”), the Declarations of C.K. Hong, Gail Sasaki, P.K. Hong and Raymond LaMagna; the concurrently lodged Proposed Order; such matters of which this Court may take judicial notice; the other records, pleadings, and papers filed in this action; and any other documentary evidence or arguments that may be presented to this Court at hearing.

This motion is made following the conference of counsel pursuant to L.R. 7-3 which took place on August 7, 2021.

Dated: August 16, 2021.

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Netlist Inc. (“Netlist”) is a small technology company that has managed to punch far above its weight in the market due to its history of industry-leading research and development efforts. In 2015, Netlist entered into a binding contract with Samsung Electronics Co., Ltd. (“Samsung”), part of the Samsung Group, one of the largest companies in the world. That contract, called the Joint Development and License Agreement (“JDLA”), was carefully negotiated over several months and provided significant consideration to Samsung. As set forth herein, Samsung materially breached the JDLA, there is no genuine issue of material fact as to that breach, and this Court should therefore grant partial summary judgment in favor of Netlist.

In the JDLA, Netlist provided Samsung a fully-paid license to Netlist’s broad patent portfolio (for which Netlist had demanded a substantial amount), as well as Netlist’s joint research and development efforts. In exchange, Samsung expressly agreed that Samsung “*will* supply NAND and DRAM products to Netlist on Netlist’s request at a competitive price”—an unambiguous, *mandatory* supply obligation. That mandatory supply obligation—memorialized in in Section 6.2—was the most important right that Netlist obtained in the JDLA. It gave Netlist a guaranteed, dependable source of vital memory chip products (often in short supply), upon which Netlist would rely in maintaining and growing its customer relationships and downstream business. And it required Samsung to prioritize Netlist over other (often larger) customers without similar agreements in place. Samsung’s attempt in this litigation to read that mandatory supply obligation out of the JDLA contradicts not only the unambiguous plain language of Section 6.2, but also the parties’ conduct under the JDLA as well as Samsung’s internal written admissions—before litigation arose—proving that Samsung did, in fact, have the very same interpretation of this

1 provision as Netlist.

2 For nearly two years, Samsung complied with its mandatory supply obligation
3 by supplying Netlist with tens of millions of dollars' worth of memory chips upon
4 Netlist's request. For example, in the first half of 2017 alone, Samsung sold roughly
5 \$16 million of product to Netlist, and Samsung knew that Netlist required and was
6 relying on purchasing even more going forward. Samsung's own internal emails and
7 forecasts [REDACTED]. In
8 mid-2017, however, Samsung abruptly reversed course. Having already obtained its
9 desired patent license from Netlist and preferring to service other customers whom it
10 considered more important, Samsung decided not to honor its mandatory supply
11 obligation despite knowing full well that its breach would cause Netlist extensive and
12 irreparable harm. In Samsung's own words from before this lawsuit arose: [REDACTED]

13 [REDACTED]
14 [REDACTED] And it most certainly did.

15 Because of Samsung's market power and Netlist's dependence upon Samsung
16 for the supply of critical products, Netlist attempted to work things out with Samsung.
17 Despite Netlist's repeated efforts, Samsung continued to flout its mandatory supply
18 obligation, at times arbitrarily limiting the amount of memory chips it would sell and
19 at other times refusing to sell any memory chips at all to Netlist. Ultimately, Netlist
20 concluded that further efforts to convince Samsung to change its course would not
21 work and it terminated the JDLA.

22 Netlist now moves for partial summary judgment because the material facts
23 here are not in dispute. The parties entered into an enforceable contract containing an
24 unambiguous, mandatory supply obligation, as Samsung recognized internally.
25 Samsung also cannot dispute Netlist's performance or that it routinely refused to
26 provide Netlist with memory chips upon request. The materiality of Samsung's breach
27 is obvious—the mandatory supply obligation went to the heart of the JDLA and
28

1 prevented achievement of Netlist’s *primary purpose* in entering into the contract.

2 But there is more. The JDLA also required Samsung to pay Netlist \$8 million
 3 for certain research and development efforts. Samsung was allowed to withhold from
 4 that amount taxes that were “required” to be paid under Korean law, and it was
 5 obligated to “reasonably cooperate” in any efforts by Netlist to seek a refund of such
 6 withholdings. Samsung breached these obligations by (i) withholding money it was
 7 not required to withhold under Korean law and (ii) refusing to cooperate with—and,
 8 indeed, actively impeding—Netlist’s efforts to seek a refund. Once again, there is no
 9 genuine dispute as to any material fact concerning these breaches. They provide a
 10 second, independent basis on which to grant summary judgment in favor of Netlist.

11 Following Samsung’s material breaches of the parties’ contract, Netlist
 12 followed the agreement’s termination provisions to the letter. After giving Samsung
 13 notice and an opportunity to cure, Netlist terminated the parties’ contract. Netlist is
 14 entitled to summary judgment on Samsung’s material breaches of contract and
 15 Netlist’s proper termination of the contract. Netlist will prove at trial the extensive
 16 damages it suffered and is entitled to as a result of Samsung’s breaches.

17 **II. FACTS AND RELEVANT PROCEDURAL HISTORY**

18 **A. Netlist and Samsung Enter the JDLA.**

19 Founded in 2000, Netlist is an innovator in memory module technologies that
 20 designs and manufactures high-performance products used in servers and storage
 21 systems. *SUF ¶¶ 1-2.*¹ As of 2015, Netlist had total assets of less than \$25 million and
 22 total revenue of \$8 million. *Id. ¶¶ 4-5.* Despite its small size, Netlist holds many
 23 valuable patents which, on April 16, 2015, it proposed to license to Samsung for a
 24 five-year term in exchange for \$85 million plus ongoing royalty payments. *Id. ¶ 12.*

25
 26 _____
 27 ¹ Citations in the form of “*SUF ¶ __*” refer to the Statement of Undisputed Facts filed
 28 herewith, and the evidence cited therein. Unless otherwise noted, all emphases to
 quotations are added, and internal quotation marks and alterations have been removed.

1 Samsung is among the largest companies in the world. Its memory division
2 supplies over 40% of all DRAM and 30% of NAND memory chips sold worldwide,
3 has tens of thousands of employees, and has annual revenues of nearly \$50 billion. *Id.*
4 ¶¶ 6-8. And Samsung wanted a perpetual license for Netlist’s valuable patent
5 portfolio. *Id.* ¶ 13. In a counterproposal to Netlist, Samsung offered, among other
6 things, a \$5 million “NRE” fee in return for joint development efforts on a new
7 technology² and a “[s]upply of NAND, DRAM and/or NVDIMM-P.” *Id.* Samsung
8 made clear it understood that its counterproposal would “enable[] Netlist to expand
9 its business,” as “the implicit backing of Samsung should help Netlist as it endeavours
10 to expand it’s [*sic*] business arrangements in the memory industry.” *Id.* ¶ 14. Samsung
11 additionally stated that its proposal to “supply . . . NAND, DRAM and NVDIMM-P
12 related chipsets will help enable [Netlist’s] vision of being a products company.” *Id.*

13 Netlist knew that a direct supply relationship with the world’s largest memory
14 chip manufacturer would provide a unique and significant competitive advantage—a
15 guaranteed source of vital product supply, irrespective of temporary supply-chain
16 difficulties or the intermittent semiconductor shortages that occasionally befall the
17 industry, which was especially valuable for a company of Netlist’s small size and
18 limited market power. *Id.* ¶¶ 15-17. Ultimately, Netlist agreed not to charge Samsung
19 any royalty at all for a perpetual patent license, in exchange receiving an invaluable
20 mandatory supply obligation. *See id.* ¶¶ 27, 29, 34.

21 The terms of the JDLA were heavily negotiated over several months. Samsung
22 sent the initial draft of the JDLA to Netlist on October 8, 2015. *Id.* ¶ 18. That draft
23 contained two flatly inconsistent provisions. On the one hand, it stated that “Samsung
24 will supply NAND and DRAM to Netlist on Netlist’s request at a competitive price.”
25

26 ² “NRE” is a commonly used industry acronym not expressly defined in the JDLA.
27 *See, e.g., ISG, Corp. v. PLE, Inc.*, 917 N.W.2d 23, 35 n.7 (S.D. 2018) (“The acronym
28 ‘NRE’ stands for non-recurring engineering fees.”).

1 *Id.* ¶ 19. On the other hand, it suggested that the contract would “not be deemed . . .
2 to require Samsung to supply any products to Netlist.” *Id.* Netlist rejected Samsung’s
3 attempt to treat the supply obligation as anything but mandatory, explaining:

4 In Section II.6 of the [parties’ memorandum of understanding], Samsung
5 clearly agreed to provide Netlist with NAND and DRAM products.
6 However, in Section 6.2 of its proposed JDLA, Samsung states that
7 nothing in this agreement will ‘require Samsung to supply any products
to Netlist.’ Netlist removed this qualification and returned the language
to reflect what was agreed to in the MOU.

8 *Id.* ¶ 21. The rejected provision—which would have made Samsung’s agreement to
9 supply discretionary and optional—was stripped out of the draft JDLA. *Id.* ¶ 20.

10 The final JDLA contains only the **first** of those two Samsung-drafted provisions
11 imposing a mandatory supply obligation, and not the **second**: “Samsung **will supply**
12 NAND and DRAM products to Netlist **on Netlist’s request** at a competitive price.”

13 *Id.* ¶ 34. Internal documents reflect that Samsung understood that Section 6.2 imposed
14 a “volume condition” under which Samsung was **required to provide** Netlist with the
15 volume of NAND and DRAM products that Netlist requested. *Id.* ¶ 37.

16 In light of the value of Samsung’s guaranteed supply obligation, Netlist agreed
17 to license its technology to Samsung for a one-time payment of only \$8 million—less
18 than 10% of its original ask **without** the supply obligation. *Id.* ¶¶ 12, 27. That payment
19 was not a licensing fee accruing to Netlist’s bottom-line as profit, as the \$85 million
20 and ongoing royalty payments Netlist initially sought would have. Instead, it was a
21 non-recurring engineering fee to fund collaborative development work between
22 Netlist and Samsung. *Id.* ¶ 27. Moreover, the non-recurring engineering fee did not
23 even cover the actual expenses incurred by Netlist in connection with those joint
24 development efforts. *Id.* ¶ 29. The JDLA also permitted Samsung to deduct from that
25 fee “any withholding taxes . . . required by applicable law,” while obligating Samsung
26 to “reasonably cooperate with Netlist in any lawful efforts to claim a credit or refund
27 or exemption” for such withholdings. *Id.* ¶ 28.

1 In short, Netlist originally sought over \$85 million, without any strings
2 attached, in exchange for *a time-limited license* to its broad patent portfolio. It agreed
3 to receive a fraction of that amount, which it was required to *spend* on research efforts
4 that would *benefit Samsung*, in exchange for *a perpetual patent license*. Why did
5 Netlist agree to that drastic reduction in monetary consideration in exchange for a
6 longer license? The reason is obvious: it did so *because* of the *additional*
7 consideration it received via Samsung’s guaranteed supply obligation.

8 Given Samsung’s international prominence and unrivaled market power, the
9 JDLA—as negotiated and written—was “critical” to Netlist. *See id.* ¶¶ 80, 92, 98.
10 Reflecting its importance, Netlist mentioned the JDLA more than ten times in its 2015
11 Annual Report, which explained that, among other things, the JDLA “contractually
12 commit[ted] Samsung to supply NAND flash and DRAM products to [Netlist] on [its]
13 request” and that the parties had agreed to “work together to jointly develop” certain
14 new technologies that they hoped would be adopted throughout the electronics
15 industry. *Id.* ¶¶ 58-59. The JDLA immediately gave Netlist a strategic competitive
16 advantage and industry credibility, elevating it into an elite circle of companies with
17 direct supply obligations from Samsung. *Id.* ¶¶ 15-17. It was understood that Netlist
18 would purchase all of the Samsung NAND and DRAM it needed directly from
19 Samsung, rather than from secondary sources, as purchasing Samsung products from
20 anyone other than Samsung would be economically nonsensical. *Id.* ¶ 60. In contrast,
21 the sales arrangement was worth little to Samsung, in light of its relative size and
22 market power. Samsung’s sales to Netlist were a drop in the bucket from Samsung’s
23 perspective: Netlist’s \$8 million annual revenue for 2015 is less than one-tenth of one
24 percent of the *\$50 billion annual revenue* of *only* Samsung’s memory division. *Id.*
25 ¶¶ 7, 27. Samsung’s admitted “main reason for entering into the agreement” was to
26 obtain the valuable intellectual property licenses that Netlist granted to it under the
27 JDLA and for which Netlist received no royalty at all. *Id.* ¶ 42.

B. Samsung Initially Complies with the JDLA.

Immediately before entering the JDLA, Samsung supplied Netlist effectively no product. *Id.* ¶ 70. Indeed, a senior member of Samsung’s sales team had previously been “told to not support Netlist” and “actually was not allowed to visit Netlist” as of 2015. *Id.* ¶ 68. Upon execution of the JDLA, Samsung sales personnel were “told to support Netlist.” *Id.* ¶ 69. To comply with Samsung’s unconventional ordering process, Netlist provided forecasts and sought permission to submit purchase orders to Samsung to fulfill Netlist’s need for Samsung products. *Id.* ¶¶ 61-66. This effectively gave Samsung multiple opportunities to refuse Netlist’s requests for NAND and DRAM products: Samsung could decline to allow Netlist to submit a purchase order, or afterwards it could fail to fulfill a purchase order that had already been accepted by Samsung.

For nearly two years, Samsung substantially complied with its mandatory supply obligation under the JDLA by routinely authorizing Netlist to submit purchase orders in amounts commensurate with Netlist’s requests, which Samsung then filled. *Id.* ¶ 71. By mid-2017 Samsung had sold more than \$25 million of NAND and DRAM to Netlist. *Id.* ¶¶ 72-73. That was an insignificant quantity for Samsung. But for Netlist, it was a crucial lifeline as it invested heavily in sales and marketing efforts and actively promoted its access to Samsung product in order to build its relationships and goodwill with customers who, in turn, relied on Netlist’s guaranteed supply under the JDLA. *Id.* ¶¶ 55-57. Samsung was fully aware that its supply obligation to Netlist was likely to continue to grow. As of May 23, 2017, Samsung internally [REDACTED] [REDACTED] from Netlist. *Id.* ¶ 81.

C. Samsung Intentionally Breaches the JDLA’s Supply Requirement.

In 2017, Samsung began refusing to allow Netlist to submit purchase orders in the amount that Netlist sought and drastically cutting back the NAND and DRAM that it would provide. *Id.* ¶¶ 77, 85-86, 88. Neal Knuth—Netlist’s primary contact at

1 Samsung for submitting purchase orders—was expressly instructed on May 15, 2017

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED] of products that

7 Samsung had previously agreed to sell but which had not yet been delivered. *Id.* ¶¶ 78,

8 86, 96-97. Netlist told Knuth that it “cannot accept partial support” from Samsung, as

9 Samsung’s shirking of its obligation by reducing sales from \$8 million per quarter to

10 under \$3 million per quarter in late 2017, and eventually “stopp[ing] shipments

11 altogether” in 2018, was having a “drastic” impact on Netlist’s business. *Id.* ¶ 108.

12 Internal Samsung emails reflect that a senior executive nevertheless [REDACTED]

13 [REDACTED]

14 [REDACTED]. *Id.* ¶¶ 76, 83, 85-86, 110.

15 At around the same time that Samsung began preventing Netlist from

16 purchasing its NAND and DRAM products, Samsung began openly expressing its

17 supposed “disappoint[ment]” and “frustrati[on]” concerning the companies’ joint

18 research and development efforts. *Id.* ¶ 89. Shortly thereafter, after having benefited

19 from Netlist’s intellectual property, Samsung concluded the joint development efforts

20 with Netlist, claiming that they were “unlikely to result in a commercially viable

21 product,” notwithstanding Netlist’s attempts to demonstrate otherwise. *Id.* ¶ 91. From

22 that point forward, Samsung’s supply obligation constituted the only consideration

23 that Netlist was to receive in exchange for the perpetual patent licenses it had granted

24 to Samsung.

25 Netlist explained to Samsung that its sudden refusal to fulfill Netlist’s requests

26 for NAND and DRAM was causing Netlist to lose critical business opportunities and

27 was tarnishing the goodwill that Netlist had established with its customer base. *Id.*

28

¶ 95. In response, Samsung's regional sales manager told Netlist that his superiors had directed that Netlist's allocation of NAND and DRAM products should be cut, and at times that Netlist should be given "\$0 allocation and no support." *Id.* ¶ 106. Netlist repeatedly sought to discuss the parties' relationship with Samsung, imploring it to reconsider that decision, "[r]evis[e] [its] ordering process" and provide "confirmation of support & ship dates" because "[p]roduct allocation support" from Samsung was "critical" for Netlist. *Id.* ¶ 92. Netlist begged Samsung to address its supply breach, as [REDACTED]

[REDACTED] *Id.* ¶ 102. Indeed, Netlist's senior management travelled to Samsung's U.S. headquarters and to Korea to raise these matters in 2017 and 2018. *Id.* ¶ 94. Samsung nevertheless flatly informed Netlist that [REDACTED] *Id.* ¶ 102.

In the meantime, Netlist did its best to mitigate its damages by seeking out Samsung NAND and DRAM on the secondary market rather than purchasing directly from Samsung. *Id.* ¶¶ 101, 112.³ Netlist was often unable to source Samsung NAND and DRAM in sufficient quantities, undermining its ability to satisfy its customers. *Id.* ¶¶ 112-13. Even when Netlist could indirectly obtain Samsung NAND and DRAM, it paid higher prices than if it had purchased directly from Samsung, and it incurred additional expenses for quality testing that was not necessary when purchasing from Samsung directly. *Id.* ¶ 112. As a result of those added costs and shortfalls in supply, Netlist suffered damaged customer relationships, lost revenues

³ The market for NAND and DRAM memory supply is effectively an oligopoly between Micron, SK Hynix, and Samsung, which together control approximately 95% of the world's supply. *SUF* ¶ 9. The three suppliers' memory chips are not interchangeable because each has different characteristics. *Id.* ¶ 10. Accordingly, end-users cannot replace a Samsung product with a Micron or Hynix product. *Id.* ¶ 11. Netlist thus had to continue seeking to purchase Samsung's products, notwithstanding Samsung's continuing refusal to abide by the plain terms of the JDLA.

1 and profits, and irreparable reputational harm. *Id.* ¶¶ 119-20. Yet, as explained by
2 Netlist’s co-founder and Chief Executive Officer C.K. Hong, “[b]ecause the supply
3 arrangement with Samsung was so uniquely valuable to Netlist, [Netlist] did not want
4 to walk away from it.” *Id.* ¶ 111.

5 Even as Samsung refused Netlist’s product requests, Samsung internally
6 recognized that it was required to fulfill them. For instance, on January 18, 2018,
7 Samsung personnel exchanged emails quoting the text of Section 6.2 and admitting
8 that, “[p]ursuant to the agreement, supply for NAND and DRAM products *is*
9 *necessary* if there is a request from Netlist.” *Id.* ¶ 38. Just one month later, Samsung’s
10 Memory Division Vice President and Group Leader for Business Strategy, Yong
11 Hwangbo, reviewed the JDLA and informed his colleagues in writing (while
12 forwarding the relevant provisions and admitting that Samsung charged Netlist prices
13 “higher than [an]other similarly sized company”) that the JDLA imposes on Samsung
14 “*an obligation to supply* NAND/DRAM at a competitive price if [Netlist] makes a
15 request.” *Id.* ¶ 39. Notwithstanding its *admitted* contractual supply obligation,
16 Samsung concedes that it “routinely rejected requests for product from Netlist.” *Id.*
17 ¶ 114; *see also id.* ¶¶ 115-17.

18 **D. Samsung Intentionally Breaches the JDLA’s Tax Provisions.**

19 Samsung also withheld \$1.32 million of the \$8 million NRE fee, falsely
20 asserting that it was taxable under Korean law. *Id.* ¶¶ 46, 49. Samsung’s withholding
21 was a breach because no taxes were owed on it. In addition, Samsung was obligated
22 under Section 3.2 to “reasonably cooperate” with any effort by Netlist to seek a
23 refund. *Id.* ¶ 28. Samsung did not do so, instead telling Netlist that it “should discuss
24 this matter directly with the NTS,” the Korean National Tax Service. *Id.* ¶¶ 47-49.
25 Samsung then actively undermined Netlist’s efforts by advocating over Netlist’s
26 objection that the non-taxable engineering fee was a taxable patent royalty. *Id.* ¶¶ 50-
27 52. On November 17, 2020, the Korean Tax Tribunal rejected Samsung’s arguments
28

1 and agreed with Netlist that Samsung had improperly withheld the funds because they
2 were not taxable under Korean law. *Id.* ¶ 53.

3 **E. Netlist Terminates the JDLA.**

4 Over time, it became evident that Samsung was not going to reverse course and
5 honor its contractual commitments. *Id.* ¶ 124. Section 13.2(1) provides that either
6 party may “terminate th[e] Agreement upon written notice” if the other party “is in
7 material breach of th[e] Agreement and it is not cured within thirty (30) days” after
8 receipt of a “written demand,” or if “as a consequence of the breach the purpose of
9 th[e] Agreement cannot be achieved.” *Id.* ¶ 43. On May 27, 2020, Netlist sent a written
10 demand and notice for cure, in which it reiterated its “commit[ment] to resolving these
11 issues amicably” in the hopes of continuing with the parties’ commercial relationship.
12 *Id.* ¶ 125. That letter was also e-mailed to Samsung. *Id.* ¶ 126. Despite receiving both
13 the mailed and e-mailed copies of Netlist’s written demand, Samsung ignored them.
14 *Id.* ¶ 127. So, on July 15, 2020, after having “not received a response from Samsung
15 . . . let alone any cure of such breaches,” Netlist terminated the JDLA because
16 Samsung’s breaches had “fundamentally undermined the purpose of” the contract. *Id.*
17 ¶ 128.

18 **F. Relevant Procedural History**

19 Netlist brought this action on May 28, 2020. Dkt. 1. It filed its First Amended
20 Complaint, adding a claim for a declaratory judgment that the JDLA was validly
21 terminated, on July 22, 2020. Dkt. 18-2. Samsung answered the First Amended
22 Complaint on November 6, 2020. Dkt. 27. On June 22, 2021—11 months after the
23 First Amended Complaint was filed—Samsung moved for judgment on the pleadings.
24 Dkt. 61. The Court denied Samsung’s motion for judgment on the pleadings on
25 August 5, 2021. Dkt. 120. In that ruling, the Court rejected Samsung’s arguments that
26 (1) Section 6.2 imposed only a pricing obligation on Samsung, (2) Section 6.2 is valid
27 only if the JDLA is a U.C.C. requirements contract, (3) Netlist is barred from seeking

1 consequential damages, (4) Samsung complied with Section 3 so long as it did not
2 violate Korean law, (5) Netlist's allegations that Samsung did not reasonably
3 cooperate with Netlist's efforts to seek a refund of the improperly withheld \$1.32
4 million were conclusory, and (5) Netlist permanently and irrevocably elected to
5 continue in its contractual relationship with Samsung. *Id.*

6 **III. LEGAL STANDARD**

7 Summary judgment is appropriate if "there is no genuine dispute as to any
8 material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ.
9 P. 56(a). "Where the record taken as a whole could not lead a rational trier of fact to
10 find for the non-moving party, there is no genuine issue for trial." *Matsushita Elec.*
11 *Indus. Co. v. Zenith*, 475 U.S. 574, 587 (1986). "The mere existence of a scintilla of
12 evidence in support of the [non-movant's] position will be insufficient; there must be
13 evidence on which the jury could reasonably find" against the movant in order for
14 summary judgment to be denied. *Anderson v. Liberty Lobby*, 477 U.S. 242, 252
15 (1986); *see also Matsushita*, 475 U.S. 586 ("metaphysical doubt[s]" are insufficient).

16 **IV. ARGUMENT**

17 "To prevail on a breach of contract claim under New York law, a plaintiff must
18 prove [i] a contract; [ii] performance of the contract by one party; [iii] breach by the
19 other party; and [iv] damages." *Aquino v. Alexander Cap., L.P.*, 2021 WL 3185533,
20 at *14 (S.D.N.Y. July 27, 2021). The facts are undisputed that the JDLA is an
21 enforceable contract, Samsung breached its supply obligation and the tax provisions
22 of the JDLA, both are material breaches, Netlist performed its obligations, and Netlist
23 was damaged. Courts can grant summary judgment on such claims. *See, e.g., Alberts*
24 *v. CSTV Networks Inc.*, 945 N.Y.S.2d 555, 555 (App. Div. 2012) (affirming summary
25 judgment that material breach occurred).

26 **A. The JDLA is an Enforceable Contract.**

27 The JDLA is a binding contract between Netlist and Samsung. Samsung has
28

1 admitted that the parties entered into the JDLA on November 12, 2015, SUF ¶ 22, and
2 it has further asserted that “Netlist failed to comply with its obligations” by
3 terminating the JDLA, *id.* ¶ 129; *see also* Dkt. 27 at 5 (asserting as an affirmative
4 defense that Netlist breached). Samsung’s argument necessarily presupposes that the
5 JDLA was an enforceable contract imposing the obligations with which Netlist
6 purportedly failed to comply.

7 Only after this litigation was filed did Samsung assert that the JDLA fails for
8 lack of consideration, presumably because the JDLA does not expressly obligate
9 Netlist to purchase exclusively from Samsung. *See* Dkt. 27 at 5 (“Failure of
10 Consideration”); Dkt. 58-1 at 17-18 (arguing JDLA is “non-exclusive”). As an initial
11 matter, the Court has already [REDACTED]

12 [REDACTED] Dkt. 120 at 5.
13 Moreover, exclusivity is not the *sine qua non* of consideration, which is broadly
14 defined under New York law to encompass any “benefit to the promisor” so long as
15 “something is promised, done, forborne or suffered by the party to whom the promise
16 is made as consideration for the promise made to him.” *Guzman v. Ramos*, 139 N.Y.S.
17 3d 648, 651 (App. Div. 2021). The JDLA is replete with benefits to Samsung,
18 including Netlist’s promises to (i) license intellectual property rights to Samsung,
19 (ii) engage in “collaborative development work” on a new product, (iii) “work
20 together” with Samsung on “technology standardization and productization,”
21 (iv) “provide Samsung a right of first refusal to acquire” Netlist technology, (v) sell
22 products to Samsung “at a price lower than the price Netlist provides to any other
23 buyer,” and (vi) release claims Netlist may have otherwise had against Samsung. SUF
24 ¶¶ 23, 30-33, 40-41. This is more than sufficient consideration for the JDLA to
25 constitute an enforceable agreement.

26 **B. Netlist Performed under the JDLA.**

27 Netlist’s performance under the JDLA during the time period at issue is also
28

1 undisputed. *Id.* ¶ 130. When asked to identify all facts related to any alleged breach
2 of the JDLA by Netlist, Samsung’s sole response was to refer to “Netlist’s purported
3 termination” in July 2020—nothing during the course of the parties’ commercial
4 relationship. *Id.* ¶ 129. That is a concession Netlist performed under the JDLA.

5 **C. Samsung Breached the JDLA.**

6 **1. Samsung breached its supply obligation.**

7 Samsung admits that it did not supply Netlist with all of the NAND and DRAM
8 that Netlist sought to purchase from Samsung. In its own words, Samsung “routinely”
9 did “not support” Netlist’s requests for products and instead “routinely rejected”
10 them. *Id.* ¶¶ 114-17. Samsung couches this glaring concession as nothing more than
11 business as usual, because it acted “as it would with any other similarly situated
12 customer during the same time period.” *Id.* ¶ 118. But even if that is true, Samsung’s
13 breach of other similar contracts is not a defense to its breach of the supply obligation
14 under this contract.

15 In any event, Samsung’s refusal to sell product to Netlist was *not* standard
16 operating procedure. Rather, Netlist was intentionally singled out. [REDACTED]

17 [REDACTED]
18 [REDACTED] *Id.* ¶ 110. Pursuant to [REDACTED], Samsung limited Netlist to
19 purchasing only \$500,000 of product per month. *Id.* ¶¶ 85-86, 110. Moreover, [REDACTED]

20 [REDACTED]
21 [REDACTED]
22 [REDACTED] during this period. *Id.* ¶ 105.
23 Samsung’s recognized it would face [REDACTED] if Netlist learned
24 about the arbitrary cap Samsung had imposed, even as its employees [REDACTED]

25 [REDACTED]
26 [REDACTED]
27 [REDACTED]. *Id.* ¶¶ 87, 96-97. At the same time, lower-level Samsung

1 employees confessed to Netlist that there was “nothing [they could] do,” they were
2 “not even supposed to discuss with [Netlist] what [Samsung] ha[d] available,” and
3 that they were “not going to get fired” for violating those instructions. *Id.* ¶ 99.

4 Internal Samsung documents confirm [REDACTED]
5 [REDACTED]
6 [REDACTED] *Id.* ¶ 82.

7 Samsung deliberately breached Section 6.2, knew the harm it was causing to Netlist,
8 and did not care. That is textbook bad faith. *See Stevens v. Publicis, S.A.*, 854
9 N.Y.S.2d 690, 692 (App. Div. 2008) (“bad faith may include evasion of the spirit of
10 the bargain” and “willful rendering of imperfect performance”).

11 Because Samsung’s conduct is not in question, whether that undisputed
12 conduct breached Section 6.2 provides only a question of contract interpretation.
13 Summary judgment is proper in contract disputes “if the language of the contract is
14 wholly unambiguous,” which presents “a question of law to be decided by the Court”
15 to be resolved without reliance on parol evidence. *Malmsteen v. Univ. Music Grp.,*
16 *Inc.*, 940 F. Supp. 2d 123, 130 (S.D.N.Y. 2013).

17 Section 6.2 of the JDLA imposes an unambiguous obligation on Samsung,
18 providing that “**Samsung will supply** NAND and DRAM products to Netlist **on**
19 **Netlist’s request** at a competitive price.” SUF ¶ 34. The parties chose to use the phrase
20 “will supply,” which is mandatory, not discretionary. As New York’s highest court
21 has explained, “the usual meaning which the law and common usage impose upon”
22 the word “will” is “one of binding obligation, not election.” *Zheng v. City of N.Y.*, 19
23 N.Y.3d 556, 580 (2012).

24 Samsung has argued that Section 6.2 does not provide a supply obligation, but
25 its plain and unambiguous language shows otherwise. In denying Samsung’s motion
26 for judgment on the pleadings, this Court has already recognized that [REDACTED]
27 [REDACTED]
28

1 [REDACTED]
2 [REDACTED] Dkt. 120 at 4 (citing JDLA §§ 6, 6.2, 6.3). That contractual
3 context further confirms that Section 6.2 reflects a mandatory supply obligation. *See,*
4 *e.g., Beltrone Const. Co. Inc. v. State*, 592 N.Y.S.2d 832, 834 (App. Div. 1993)
5 (relying on headings in interpreting contract); *Charlebois v. J.M. Weller Assocs., Inc.*,
6 526 N.Y.S.2d 648, 649 (App. Div. 1988) (same). Because any other construction
7 “would strain the contract language beyond its reasonable and ordinary meaning,” the
8 Court should look no further. *Malmsteen*, 940 F. Supp. 2d at 131. Indeed, in rejecting
9 Samsung’s argument that [REDACTED] of Section 6.2 is [REDACTED]
10 [REDACTED] this Court has already determined that it provides [REDACTED]
11 [REDACTED] Dkt. 120 at 4. That ruling should resolve this aspect of
12 the parties’ dispute.

13 If the Court nevertheless finds that Section 6.2 is ambiguous, summary
14 judgment is still appropriate in light of “relevant extrinsic evidence” of the negotiating
15 history, course of conduct, and Samsung’s internal recognition of the JDLA’s proper
16 interpretation, all of which leave “no genuine issue of material fact and permit[]
17 interpretation of the agreement as a matter of law.” *Malmsteen*, 940 F. Supp. 2d at
18 131.

19 Samsung is a highly sophisticated company and it is well aware of how to
20 negotiate and draft a contract. Here, the negotiation history is crystal clear. Samsung
21 sent an initial draft agreement to Netlist stating that the JDLA would “not be deemed
22 to require . . . Samsung to supply any products to Netlist.” SUF ¶ 19. Netlist responded
23 days later, striking that provision because earlier in their negotiations “Samsung
24 clearly agreed to provide Netlist with NAND and DRAM products.” *Id.* ¶¶ 19-21.
25 Samsung’s proposed contract term—which would have made the binding supply
26 obligation discretionary—was deleted and never incorporated in subsequent drafts of
27 the JDLA or the final executed version of it. *Id.* ¶ 20. Because the parties’ “deletion
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1 of th[at] provision clearly precludes construction of the contract as though it still
2 contained that provision,” the JDLA cannot be read to allow Samsung to refuse
3 Netlist’s requests to purchase NAND and DRAM. *Oldcastle Precast, Inc. v. U.S. Fid.*
4 *& Guar. Co.*, 458 F. Supp. 2d 131, 144 (S.D.N.Y. 2006); *see also Fireguard Sprinkler*
5 *Sys., Inc. v. Scottsdale Ins. Co.*, 864 F.2d 648, 651 (9th Cir. 1988) (“Words deleted
6 from a contract may be the strongest evidence of the intention of the parties.”).

7 Accordingly, for nearly two years after entering into the JDLA, Samsung
8 largely complied with its mandatory supply obligation. SUF ¶¶ 71-73; *see also In re*
9 *Med. Cap. Sec. Lit.*, 2011 WL 5067208, at *5 (C.D. Cal. July 26, 2011) (“the conduct
10 of the parties . . . before any controversy has arisen . . . affords the most reliable
11 evidence of the parties intentions”). Samsung’s contemporaneous intent and
12 understanding can also be ascertained from its internal discussions. As Samsung
13 acknowledged time and again, it had “an **obligation** to supply NAND/DRAM”
14 because “[p]ursuant to the agreement, supply for NAND and DRAM products is
15 **necessary** if there is a request from Netlist.” *Id.* ¶¶ 38-39. Just like the JDLA’s use of
16 the term “will supply,” Samsung’s emails are unequivocal: Samsung knew it did not
17 have any discretion to deny Netlist’s requests to purchase NAND and DRAM. There
18 is no better evidence of the JDLA’s proper interpretation than that Samsung and
19 Netlist actually agree on it. *See, e.g., Sunbury Textile Mills v. Comm’r of Internal*
20 *Revenue*, 585 F.2d 1190, 1196 (3d Cir. 1978) (“Where . . . there is no dispute between
21 the contracting parties over the meaning of the terms, . . . [t]heir harmonious recital
22 of what these words mean is conclusive.”).

23 Lastly, to the extent any ambiguity remains as to the parties’ understanding,
24 Section 6.2 must be interpreted in favor of Netlist. The key phrase “Samsung will
25 supply” products “on Netlist’s request” was drafted by Samsung. SUF ¶¶ 18-19. “It
26 has long been the rule” in New York “that ambiguities in a contractual instrument will
27 be resolved *contra proferentem*, against the party who prepared or presented it.” 151

1 *W. Assocs. v. Printsiples Fabric Corp.*, 61 N.Y.2d 732, 734 (1984). Section 6.2 “is
2 subject to the rule invoking strict construction of the contract in the light most
3 favorable to the nondrafting party.” *DeAngelis v. DeAngelis*, 962 N.Y.S.2d 328, 330
4 (App. Div. 2013). That, too, requires summary judgment in Netlist’s favor.

5 **2. Samsung breached by withholding \$1.32 million and failing**
6 **to “reasonably cooperate” with Netlist**

7 Under Section 3.1, Samsung was required to pay Netlist \$8 million as a non-
8 recurring engineering fee to fund the companies’ joint research and development
9 efforts. SUF ¶ 27. Section 3.2 allowed Samsung to “deduct any applicable
10 withholding taxes due or payable under the laws of Korea” from that fee, but *only*
11 “[t]o the extent that any withholding taxes are *required* by applicable law.” *Id.* ¶ 28.
12 And if any funds were withheld, Samsung was still required to “reasonably cooperate
13 with Netlist in any lawful efforts to claim a credit or refund or exemption with respect
14 to any such withholding taxes.” *Id.* Samsung breached each of these binding
15 obligations by (1) wrongfully withholding \$1.32 million from the \$8 million fee that
16 was not, in fact, “required” to be paid to Korean tax authorities, and (2) obstructing
17 Netlist’s efforts to seek a refund of those wrongfully withheld funds. *Id.* ¶¶ 46-52.

18 **Wrongful Withholding.** It has now been conclusively determined as a matter
19 of Korean law that Samsung was not “required” to withhold \$1.32 million, and thus
20 its withholding breached Sections 3.1 and 3.2. In its disposition of November 17,
21 2020, the Korean Tax Tribunal decisively ruled in Netlist’s favor, finding that that the
22 \$8 million owed to Netlist under the JDLA was business income, rather than patent
23 royalties, and thus Samsung’s withholding of \$1.32 million was not required under
24 Korean law. *Id.* ¶ 53. The substance of the Korean Tax Tribunal’s decision “is not
25 subject to reasonable dispute” as it “can be accurately and readily determined from
26 sources whose accuracy cannot be reasonably be questioned.” Fed. R. Evid.
27 201(b)(2). Accordingly, this Court may take judicial notice of that ruling, which is
28

dispositive on the question of whether Samsung breached Sections 3.1 and 3.2. *See, e.g., Kenneth v. Yeung Chi Shing Holding (Del.) Inc.*, 2020 WL 409010, at *4 n.5 (N.D. Cal. Jan. 24, 2020) (“Courts may take notice of proceedings in other courts, both within and without the federal judicial system,” including “foreign judgments and court documents”); *In re Ex Parte Application of Jommi*, 2013 WL 6058201, at *1 n.1 (N.D. Cal. Nov. 15, 2013) (similar).

Samsung is barred from attempting to re-argue this issue because that would necessarily re-litigate the merits of the Korean tax proceedings in which Samsung actively participated. *See, e.g., Gardner v. Comm’r of Internal Revenue*, 704 F. App’x 720 (9th Cir. 2017) (“Collateral estoppel applies if (1) the issue at stake is identical to the one alleged in the prior litigation; (2) the issue was actually litigated by the party against whom preclusion is asserted in the prior litigation; and (3) the determination of the issue in the prior litigation was a critical and necessary party of the judgment.”); *Stewart v. U.S. Bancorp.*, 297 F.3d 953, 956 (9th Cir. 2002) (“Res judicata applies when there is (1) an identity of claims; (2) a final judgment on the merits; and (3) identity or privity between parties.”).

Failure to Cooperate. Samsung further and continuously breached Section 3.2 by failing to “reasonably cooperate” with Netlist’s efforts to reclaim the wrongfully withheld funds. SUF ¶ 28. Under New York law, questions of reasonableness can be resolved on summary judgment where, as here, there is no “triable issue of fact.” *Perrault v. Village Dunes Apt. Corp.*, 83 N.Y.S.3d 141, 143 (App. Div. 2018) (affirming summary judgment award because defendant’s actions were “reasonable”). Summary judgment is appropriate because Samsung’s non-cooperation is not factually disputed and it “consisted of willful and avowed obstruction.” *Preferred Mut. Ins. Co. v. SAV Carpentry, Inc.*, 844 N.Y.S.2d 363, 364 (App. Div. 2007) (affirming summary judgment award for plaintiff with burden of proof as to reasonableness of conduct).

1 When asked via interrogatory to describe any actions it took to “reasonably
2 cooperate” with Netlist’s efforts to seek a refund, Samsung gave only two responses.
3 First, “Samsung informed Netlist that if it desired a refund, it could do so by directly
4 contacting the Korean National Tax Service.” SUF ¶ 49. In other words, Samsung
5 told Netlist that Netlist was on its own. That is, quite literally, the opposite of the
6 dictionary definition of the term “cooperate.” *See, e.g.*, “Cooperate,” Merriam-
7 Webster, <https://www.merriam-webster.com/dictionary/cooperate> (“to act or work
8 *with another or others*; act *together* or in compliance” (first definition)).

9 Second, Samsung asserts it “provided” the Korean tax authorities with
10 “information within its knowledge relating to the [JDLA] and the payment of any fees
11 owed to Netlist under it.” SUF ¶ 52. But Samsung did not offer objective facts to the
12 Korean government. Rather, it *argued* (incorrectly) that the \$8 million it owed to
13 Netlist should be regarded as patent licensing income. *Id.* ¶¶ 51-52. In other words,
14 Samsung expressly advocated *against Netlist’s interests* by arguing an unmeritorious
15 position that the Korean Tax Tribunal has since confirmed is wrong as a matter of
16 law. That, too, is directly contrary to the notion of cooperation. *See, e.g.*, “Cooperate,”
17 Merriam-Webster, <https://www.merriam-webster.com/dictionary/cooperate> (“to
18 associate with another or others *for mutual benefit*” (second definition)).⁴

19 _____
20 ⁴ This was not a mere one-time breach occurring upon Samsung’s initial failure to pay
21 Netlist \$8 million. The Korean Tax Tribunal’s ruling was not issued until November
22 2020, four months *after* Netlist filed its First Amended Complaint. See Dkt. 17-1.
23 Under the continuing wrong doctrine, ongoing breaches of a contract result in a “cause
24 of action accru[ing] anew every day for each continuation of the wrong,” as “the
25 claims for breach of that obligation are not referable exclusively to the day the original
26 wrong was committed.” *Stalis v. Sugar Creek Stores, Inc.*, 744 N.Y.S.2d 586, 587
27 (App. Div. 2002). Netlist’s claim “accru[ed] . . . continuously” in light of Samsung’s
28 continued failure to pay Netlist what it was owed or to cooperate in Netlist’s efforts
over the course of several years to pursue a tax refund. *Miller v. Metro. Life Ins. Co.*,
979 F.3d 118, 122 (2d Cir. 2020). Samsung’s failure to cooperate also reflects its bad
faith. *See Stevens*, 854 N.Y.S.2d at 692 (bad faith includes “interference with or
failure to cooperate in the other party’s performance”).

NETLIST INC.’S NOTICE OF MOTION AND MOTION FOR
PARTIAL SUMMARY JUDGMENT; MEMORANDUM OF
POINTS AND AUTHORITIES IN SUPPORT THEREOF
CASE NO. 8:20-CV-993-MCS (ADS)

1 Section 3.1 expressly states that the \$8 million payment constituted “non-
2 refundable NRE fees,” SUF ¶ 27, where “NRE” is a common acronym for “non-
3 recurring engineering,” *see, e.g., ISG, Corp.*, 917 N.W.2d at 35 n.7. That term
4 describes fees intended to “provide[] reimbursement for design effort and other
5 preproduction work” in connection with researching and developing a new product.
6 *Westinghouse Elec. Corp. v. Garrett Corp.*, 437 F. Supp. 1301, 1306 (D. Md. 1977);
7 *see also, e.g., EFW, Inc. v. Smiths Aerospace, LLC*, 2008 WL 11349748, at *1 (N.D.
8 Tex. Nov. 21, 2008) (“non-recurring engineering expenses aris[e] during [product]
9 development”); Alan S. Gutterman, 2 Corporate Counsel’s Guide to Technology
10 Management & Transactions § 22.2 (“a customer pay[ing] some or all of the
11 supplier’s nonrecurring engineering expenses to develop a product meeting [its]
12 specific needs” is “fairly standard”). Moreover, the context of the JDLA bears this
13 out: the heading “**Development Costs**” appears directly above that payment provision,
14 demonstrating that this payment was for Netlist’s efforts in satisfaction of the parties’
15 “Collaborative Development Work” under Section 2 of the JDLA. SUF ¶¶ 23, 26; *cf.*
16 *Beltrone*, 592 N.Y.S.2d at 834 (relying on contract headings). Samsung’s arguments
17 to the Korean tax authorities were thus directly contrary to the plain language of
18 Section 3 itself. While Netlist originally sought patent licensing fees from Samsung,
19 SUF ¶ 12, that is not what the parties ultimately bargained for. Samsung has once
20 again sought to read back into the JDLA terms that were eschewed during the
21 contract’s negotiation. *See, e.g., Fireguard Sprinkler Sys.*, 864 F.2d at 651; *Oldcastle*
22 *Precast*, 458 F. Supp. 2d at 144.

23 **D. Damages**

24 So long as Samsung breached the JDLA while Netlist performed, Netlist does
25 not also need to prove damages to obtain summary judgment. In New York, it is a
26 “well-established rule of contract law that the law will infer at least nominal damages
27 at the moment of breach.” *Kronos, Inc. v. AVX Corp.*, 81 N.Y.2d 90, 94 (1993); *see*

1 *also, e.g., Ross v. Sherman*, 944 N.Y.S.2d 620, 621 (App. Div. 2012) (affirming
2 nominal damages award absent “sufficient evidence to demonstrate actual damages”).
3 Because Samsung breached and Netlist did not, *supra* Pt. III(B)-(C), partial summary
4 judgment is warranted. Following expert discovery and on a complete record, Netlist
5 will demonstrate that it suffered multimillion-dollar damages in an amount to be
6 proven at trial.

7 **E. Samsung’s Breaches Were Material.**

8 Section 13.2(1) of the JDLA allows Netlist to terminate the contract if Samsung
9 “is in material breach of th[e] Agreement and it is not cured within thirty (30) days
10 period from [Netlist’s] written demand, or as a consequence of the breach the purpose
11 of this Agreement cannot be achieved.” SUF ¶ 43. This provision echoes the common
12 law, as the “general rule” is that “rescission of a contract is permitted for such a breach
13 as substantially defeats its purpose,” but not “for a slight, casual or technical breach.”
14 *Ma v. Biaggi*, 54 N.Y.S.3d 46, 47 (App. Div. 2017). “[T]he question whether a breach
15 is material is for the finder of fact but, where the evidence concerning the materiality
16 is clear and substantially uncontradicted, the question is a matter of law for the court
17 to decide.” *Wiljeff, LLC v. United Realty Mgmt. Corp.*, 920 N.Y.S.2d 495, 497 (App.
18 Div. 2011) (affirming partial summary judgment in favor of plaintiff); *see also, e.g.,*
19 *Alberts*, 945 N.Y.S.2d at 555 (affirming summary judgment where “plaintiff
20 materially breached his contract with defendant”); *Hoover v. HSBC Mortg. Corp.*, 9
21 F. Supp. 3d 223, 242-43 (N.D.N.Y. 2014) (materiality can be “resolved at summary
22 judgment or trial”).

23 The primary benefit promised to Netlist under the JDLA was Samsung’s
24 mandatory supply obligation. The exchange of a supply obligation in return for a
25 patent license clearly was the centerpiece of the negotiations, consideration, and
26 transaction. Netlist originally sought \$85 million dollars in addition to ongoing
27 royalty payments for a *five-year* patent license. Samsung countered with a request for

1 a *perpetual* license, and offered to fund joint research in the amount of \$5 million,
2 loan Netlist \$10 million, and provide Netlist with a “[s]upply of NAND, DRAM
3 and/or NVDIMM-P controllers on terms to be negotiated.” SUF ¶¶ 12-13. Moreover,
4 the email from Samsung to which its counteroffer was attached establishes that
5 Samsung recognized the value of the supply proposal to Netlist, as Samsung “hope[d]
6 the supply of NAND, DRAM and NVDIMM-P related chipsets will help enable
7 [Netlist’s] vision of being a products company.” *Id.* ¶ 14. Rather than monetary
8 payment for its valuable patent license, under the final JDLA Netlist instead received
9 a mandatory supply obligation, highly coveted in Netlist’s industry. *See id.* ¶¶ 15-17
10 (“Samsung’s commitment to supply NAND and DRAM . . . was of crucial value to
11 Netlist” because it would “reduce business risk stemming from the possibility that
12 [intermittent] shortages would disrupt the flow of products to [Netlist’s] customers”
13 and “elevated Netlist into an elite group of industry players and provided assurances
14 to Netlist’s customers that if they engaged Netlist, they would have good access to
15 supply.”).

16 After Samsung ceased filling Netlist’s orders, Netlist made repeated
17 exhortations for Samsung to reinstate its supply because it was “critical” for Netlist.
18 *Id.* ¶¶ 80, 92, 98. As Netlist explained, [REDACTED]

19 [REDACTED]
20 [REDACTED] *Id.* ¶ 102. What’s more, Samsung knew this
21 harm was occurring and was devastating to Netlist. At the very same time that Netlist
22 was pleading for more NAND and DRAM product, Samsung employees discussed
23 internally how Samsung [REDACTED]

24 [REDACTED]
25 [REDACTED] *Id.*
26 ¶ 82. Those are undisputed admissions—Samsung *knew* that its bad-faith breach of
27 contract was material to Netlist. Indeed, Samsung was placing Netlist in precisely the
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1 position it had sought to avoid by entering into the JDLA. The only reason Netlist was
2 willing to license its patents to Samsung for tens of millions of dollars less than its
3 initial ask and without receiving any royalties was “[b]ecause securing direct supply
4 of NAND and DRAM was so critical to Netlist.” *Id.* ¶ 15. This Court thus need look
5 no further than Samsung’s breach of its supply obligation to find a material breach.

6 As if that weren’t enough, Samsung also failed to pay nearly 20% of the NRE
7 fee due to Netlist. That was unlawful, gratuitous and counterproductive because that
8 money was intended to support joint research and development efforts that would
9 benefit Samsung just as much as Netlist. Furthermore, while \$1.32 million may be a
10 pittance for Samsung, for Netlist it was a material amount. Samsung then rubbed salt
11 in the wound by actively obstructing Netlist’s ability to recuperate those wrongfully
12 withheld funds, which took years and significant further costs to accomplish.

13 Where a party fails to deliver on the “primary consideration” promised to its
14 counterparty, as Samsung has, it “is routinely held to constitute a material breach,
15 justifying contract termination.” *Canon Solutions Am., Inc. v. Lucky Games*, 2017 WL
16 1653563, at *4 (S.D.N.Y. May 1, 2017) (granting partial summary judgment).
17 Samsung materially breached the JDLA through its “fail[ure] to perform a substantial
18 part of the contract or one or more of its essential terms or conditions.” *Viacom*
19 *Outdoor, Inc. v. Wixon Jewelers, Inc.*, 906 N.Y.S.2d 776 (Table), at *3 (Sup. Ct. 2009)
20 (granting summary judgment), *aff’d*, 919 N.Y.S.2d 151 (App. Div. 2011); *see also*
21 *10-12 W. 107th St. HDFC v. Vilma*, 976 N.Y.S.2d 830, 833 (Civ. Ct. 2013) (“repeated
22 breaches . . . constitute a breach of a material term”). Because there “are no triable
23 issues of fact with respect to” Samsung’s conduct, summary judgment is appropriate
24 with respect to the materiality of Samsung’s breaches. *Viacom*, 906 N.Y.S.2d at *3.

25 **F. Netlist Properly Terminated the JDLA.**

26 The JDLA provides that, in the event of a material breach, Netlist was to send
27 a “written demand” to Samsung to cure such breach within thirty days, after which
28

1 Netlist would “have a right to terminate” the JDLA if the breach was “not cured.”
2 SUF ¶ 43. The JDLA further clarified that such demand would “be valid upon receipt”
3 by Samsung, so long as it was “sent by registered or certified mail” to the addressee
4 specified in Section 15. *Id.* ¶ 44. Netlist precisely followed that procedure by sending
5 a written demand to the specified address by registered mail, expressly seeking cure
6 of Samsung’s material breaches. *Id.* ¶ 125. Samsung admits that it received Netlist’s
7 demand letter, but claims it was returned to sender (conspicuously never stating one
8 way or the other whether it was aware of the letter’s contents at the time). *Id.* ¶ 127.
9 But the JDLA does not require that Samsung keep or even read the written demand
10 for cure in order to trigger Samsung’s thirty-day cure period. Instead, notices sent
11 under the JDLA are “valid upon receipt thereof.” *Id.* ¶ 44. The critical, undisputed
12 fact is Samsung’s admission that it *received* the letter in question. And, in any event,
13 Samsung has also admitted that it received a copy of that same letter from Netlist via
14 email on June 12, 2020. *Id.* ¶¶ 126-27.

15 When Samsung failed to respond, Netlist followed up with a second letter on
16 July 15, 2020, which was once again sent by registered mail to the same addressee
17 specified in JDLA. *Id.* ¶ 128. As stated in that second letter, “Netlist ha[d] provided
18 Samsung with notice of a material breach,” yet “Netlist ha[d] not received a response
19 from Samsung regarding the material breaches set forth” in its first letter, “let alone
20 any cure of such breaches.” *Id.* Accordingly, Netlist properly terminated the JDLA
21 pursuant to Section 13.2 “effective immediately.” *Id.* Because Netlist complied with
22 all requirements imposed by Sections 13 and 15, it is entitled to a declaration that the
23 JDLA was properly terminated.

24 **V. CONCLUSION**

25 For the foregoing reasons, Netlist respectfully requests that partial summary
26 judgment be granted on each of its three causes of action, with damages to be
27 determined at trial.

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