

SUPREME COURT OF DELAWARE

VLIW Technology, LLC v. Hewlett-Packard Co.

840 A.2d 606 (Del. 2003) · No. No. 305, 2003 · Decided December 19, 2003

SUMMARY

The Delaware Supreme Court reversed dismissal of VLIW Technology’s claims against Hewlett-Packard and STMicroelectronics involving alleged breach of a technology license agreement, trade-secret misuse, and unfair trade practices. The court held that the complaint satisfied Delaware’s notice-pleading standard and that ambiguous contractual provisions concerning confidentiality and use in Hewlett-Packard products could not be resolved against the plaintiff on a motion to dismiss. The case was remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Delaware
WRITING FOR THE COURT	Holland, Justice; Veasey, Chief Justice; Berger, Justice; Steele, Justice; Jacobs, Justice
JURISDICTION	Delaware
DECIDED	December 19, 2003
DOCKET	No. 305, 2003
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from the Court of Chancery’s dismissal under Court of Chancery Rule 12(b)(6) of VLIW’s claims for breach of contract, misuse of trade secrets, and unfair trade practices.
STANDARD OF REVIEW	De novo review of a Rule 12(b)(6) dismissal. The court accepts well-pleaded allegations as true, draws reasonable inferences in favor of the plaintiff, and asks whether the plaintiff would be entitled to relief under any reasonably conceivable set of circumstances susceptible of proof.
PRECEDENTIAL VALUE	published precedential decision of the Supreme Court of Delaware
PARTIES	VLIW Technology, LLC v. Hewlett-Packard Company, STMicroelectronics, Inc.

TOPICS

breach of contract

contract interpretation

motions to dismiss

trade secrets

commercial litigation

PRACTICE AREAS

contracts

civil procedure

intellectual property

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QUESTIONS PRESENTED

1. Whether VLIW's complaint adequately alleged the existence of a contract, breach of contractual obligations, and resulting damages.
2. Whether the contractual confidentiality and Hewlett-Packard-product provisions were sufficiently ambiguous that dismissal under Rule 12(b)(6) was improper.
3. Whether VLIW's trade-secret and unfair-trade-practice claims should be reinstated after reversal of dismissal of the contract claim.

HOLDINGS

1. The complaint adequately stated a breach-of-contract claim because it alleged the existence of a contract, breach of an obligation imposed by that contract through unauthorized sharing and use of licensed technology, and resulting damages.
2. Dismissal was improper because the agreement's five-year confidentiality provision was reasonably susceptible to an interpretation under which a lesser confidentiality obligation continued after the heightened five-year obligation expired.
3. The complaint adequately alleged a breach of the provision limiting use of the licensed technology to H-P products because the agreement did not define H-P products and the allegations and attached exhibit reasonably supported an inference that the technology was used in a product bearing an ST designation rather than solely an H-P designation.
4. The trade-secret and unfair-trade-practice claims were reinstated because the Court of Chancery dismissed them on the premise that the breach-of-contract claim failed, and that premise was erroneous.

KEY QUOTATIONS

“In deciding a motion to dismiss, the trial court cannot choose between two differing reasonable interpretations of ambiguous provisions.” (615)

“Because the provisions at issue in the Agreement are susceptible to more than one reasonable interpretation, for purposes of deciding a motion to dismiss, their meaning must be construed in the light most favorable to the non-moving party.” (615)

FACTUAL BACKGROUND

In 1990, Multiflow Computer Inc. granted Hewlett-Packard a perpetual license to technology including the Trace compiler and related trade secrets, subject to restrictions limiting use to Hewlett-Packard products and imposing confidentiality obligations. Multiflow's intellectual-property assets later passed to TLI and then to VLIW. VLIW alleged that in 1999 Hewlett-Packard and STMicroelectronics formed a research and development partnership,

that Hewlett-Packard shared derivatives of the Trace compiler with STMicroelectronics, and that STMicroelectronics used those derivatives to develop products bearing an ST product designation.

PROCEDURAL HISTORY

VLIW sued Hewlett-Packard and STMicroelectronics in the Court of Chancery, alleging that Hewlett-Packard breached a technology license agreement by sharing licensed technology and trade secrets with STMicroelectronics. Hewlett-Packard moved to dismiss under Rule 12(b)(6), and STMicroelectronics joined the motion. The Court of Chancery dismissed all claims, concluding that the confidentiality obligations had expired and that the complaint did not adequately allege use in non-Hewlett-Packard products. The Supreme Court of Delaware reversed and reinstated all claims.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remanded to the Court of Chancery for further proceedings consistent with the opinion, with all claims against Hewlett-Packard and STMicroelectronics reinstated.

CASES CITED

- In re Santa Fe Pac. Corp. Shareholder Litig., 669 A.2d 59, 69-70 (Del. 1995)
- McMullin v. Beran, 765 A.2d 910, 916 (Del. 2000)
- In re Tri-Star Pictures, Inc. Litig., 634 A.2d 319, 326 (Del. 1993)
- Vanderbilt Income and Growth Assocs. v. Arvida/JMB Managers, Inc., 691 A.2d 609, 612-13 (Del. 1996)
- Precision Air, Inc. v. Standard Chlorine of Delaware, Inc., 654 A.2d 403, 406 (Del. 1995)
- Kofron v. Amoco Chems. Corp., 441 A.2d 226, 227 (Del. 1982)
- Savor, Inc. v. FMR Corp., 812 A.2d 894 (Del. 2002)
- Michelson v. Duncan, 407 A.2d 211, 217 (Del. 1979)
- Conley v. Gibson, 355 U.S. 41, 47 (1957)
- Klein v. Sunbeam Corp., 94 A.2d 385, 391 (Del. 1952)
- Winston v. Mandor, 710 A.2d 835, 840 (Del. Ch. 1997)
- Moore Bus. Forms, Inc. v. Cordant Holdings Corp., Del. Ch., C.A. No. 13911, 1995 WL 662685, at *7 (Nov. 2, 1995)
- Goodrich v. E.F. Hutton Group, Inc., 542 A.2d 1200, 1203-04 (Del. Ch. 1988)
- Malpiede v. Townson, 780 A.2d 1075, 1083 (Del. 2001)
- Kaiser Aluminum Corp. v. Matheson, 681 A.2d 392, 395 (Del. 1996)
- Rabkin v. Philip A. Hunt Chem. Corp., 498 A.2d 1099, 1104 (Del. 1985)

