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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

DRUT TECHNOLOGIES, INC.,

Plaintiff,

v.

MICROSOFT CORPORATION, INC.,

Defendant.

NO.

COMPLAINT

DEMAND FOR JURY TRIAL

Plaintiff Drut Technologies, Inc. (“Drut”), by and through its attorneys of record, Williams Kastner & Gibbs, PLLC, and Shlansky Law Group, LLP (*pro hac vice* admission forthcoming), hereby states and alleges as follows:

I. BACKGROUND

1. This action concerns Microsoft Corporation’s (“Microsoft”) surreptitious misappropriation of Drut’s valuable and novel software and hardware, which it misled Drut and convinced Drut to provide to Microsoft, that was ultimately used to conceive (and build), upon information and belief, Microsoft’s newest cloud-based server architecture using such information that it accessed from Drut.

1 2. Drut was founded in 2018 by Jitender K. Miglani, Founder and President, who
2 conceived proprietary, innovative technologies to improve efficiency in cloud-based data
3 centers.

4 3. Drut’s innovation – a set of computer algorithms and a configuration of software
5 and hardware components – was designed to reduce inefficiencies in cloud-based servers. A
6 cloud-based server is one that may involve a virtual server, which is built, hosted, and delivered
7 via a cloud computing infrastructure over the internet, and is accessed remotely.

8 4. Cloud-based servers are often inefficient due to unused cloud resources. A cloud
9 resource refers to a computer’s capabilities such as networks, storage, accelerators, or other
10 elements. Cloud resources become unused if a specific workload does not require them (*i.e.*, the
11 bandwidth of a workload does not use all resources). For example, if a user needs storage, but
12 does not use accelerators, the accelerator resources are unused.

13 5. Drut’s technology allows for reconfiguration of cloud architectures to provide for
14 disaggregation of cloud-based resources so that data centers can be efficient in their use of cloud-
15 based resources (*i.e.*, avoid unused resources). For example, Drut’s technology allows for
16 servers to be built so that only the resources needed by a user at a particular time or for a
17 particular task are drawn upon, and the servers can be reconfigured, thus reducing unused
18 resources.

19 6. Drut’s technology is a key to allowing interconnection between computers to
20 achieve the efficient utilization of cloud-based resources.

21 7. While a disaggregated server configuration (that can adapt to user workloads) is
22 not in itself a novel concept, the way it is implemented in a reconfigurable manner by Drut is
23 novel. Drut, upon information and belief, is the first company that was able to build such a
24 connection between two field-programmable gate array (“FPGA”) cards connected remotely.
25 An FPGA exists on a circuit board that allows for re-programming after manufacturing. FPGAs

1 are designed with logic structures, known as gates, including programmable elements and
2 interconnects, establishing pathways for data to perform multiple or complex functions. Drut's
3 algorithms allows for reconfiguration of the interconnects across an optical link.

4 8. Microsoft, which hosts a cloud computing service called Microsoft Azure
5 ("Azure"), recognized the importance and benefit of Drut's technology and engaged Drut to
6 work on a project ("The Project").

7 9. The Project involved the parties' execution of a Master Supplier Services
8 Agreement, dated November 20, 2019 (the "MSSA"), which was subsequently informed by a
9 Statement of Work, dated December 4, 2019 (the "SOW").

10 10. The goal of The Project was to provide for disaggregation of cloud-based
11 resources by pooling them to be available as necessary, and to reduce waste and redundancy in
12 existing architectures.

13 11. If The Project was successful, it would reduce the need for certain resources, such
14 as servers and energy usage, and enhance speed and user experience.

15 12. For a large-scale cloud provider like Azure, this would reduce capital expenditure,
16 potentially by billions of dollars, and provide Microsoft with a competitive advantage over other
17 cloud service providers.

18 13. Microsoft's cloud business appears to be responsible for the largest portion of its
19 revenue, according to its recent earnings reports, and its competitive advantages, which apply to
20 processing conducted in proprietary centers, and are the basis for a large portion of its revenue
21 and earnings growth.

22 14. In fact, based on information and belief derived from Microsoft's own modeling,
23 the market opportunity for The Project ranged from \$100 million to billions of dollars in annual
24 value in terms of smaller numbers of servers, smaller physical facilities, less electricity to operate
25 the units, less electricity to cool the facilities, *etc.*

1 15. Beginning in 2019, Microsoft sought to engage Drut to refine Drut's hardware
2 and software to apply to Azure's network of servers.

3 16. Microsoft and Drut developed economic modeling for servers to be constructed
4 by Drut for Microsoft that reflected hundreds of millions of dollars of licensing revenue to Drut,
5 if Drut were to license its technology to Microsoft. Neither of the people negotiating or forming
6 the business dealing between the parties actually believed or understood that Drut had licensed
7 any technology to Microsoft, except the limited items arising from the paid work.

8 17. Instead, Microsoft deliberately misappropriated Drut's valuable and novel
9 software and hardware, and ultimately, upon information and belief, built its newest cloud-based
10 server architecture using the information that it learned from Drut, including hardware (and field
11 programmable gate array/register-transfer level) that Microsoft solicited from Drut.

12 18. Specifically, Microsoft engaged in a pattern of frustrating Drut's ability to
13 perform under the MSSA and SOW by requiring changes, constricting time and monetary
14 resources, and refusing to compensate Drut for the work it had done, all while mining Drut's
15 confidential information and while stringing Drut along to develop, in parallel, a cloud-based
16 server based on the information Microsoft had accessed from Drut, and Microsoft's use of Drut's
17 technology during The Project.

18 19. In fact, during April 2020, Microsoft was actively touting the extraordinary
19 results that Drut had achieved. Microsoft also published a video in which the Azure's Chief
20 Technology Officer enthusiastically championed what Drut's work could do, except that he
21 claimed it to be Microsoft's. This video featured the actual device that Drut physically shipped
22 to Microsoft in April 2020, with its novel hardware and software enclosed, to demonstrate its
23 technology to Microsoft. Whether unwittingly or knowingly, this enthusiastic endorsement was
24 for exactly the product that Drut had provided, that the technical and program staff at Microsoft
25

1 had previously induced Drut to work on with Microsoft, on the expectation of Microsoft
2 licensing the technology and buying its servers from Drut.

3 20. Despite using Drut's intellectual property and work enclosed in the device,
4 Microsoft was actively representing to Drut, including in writing, that it was not using Drut's
5 work or prior-developed technology. Now, Microsoft also claims that that technology was
6 irrevocably licensed to Microsoft in any event based on a supposed license that even Microsoft's
7 own program staff never believed when they were developing economic models for Drut to be
8 paid hundreds of millions of dollars for (before, during, and after contract and expectation
9 formation).

10 21. Upon information and belief, Microsoft's misappropriation of Drut's trade secrets
11 and contrived theory that it obtained an irrevocable license as part of a sleight of hand in its
12 documents (that its own team never imagined) is part of a pattern of Microsoft seeking to obtain
13 broad intellectual property rights for nominal payments.

14 22. Drut brings this lawsuit to prevent Microsoft from continuing to misappropriate
15 Drut's novel confidential information, which constitutes trade secrets, and to prevent Microsoft
16 from wrongfully using Drut's confidential information to develop and enhance its cloud-based
17 servers.

18 23. Drut also brings this lawsuit to recover for Microsoft's failure to perform its duties
19 under the parties' MSSA and SOW, and for Microsoft's misuse of an amendment to the MSSA
20 and SOW to refuse to pay Drut for the work it completed.

21 24. Microsoft's continuing disregard for Drut's intellectual property and contractual
22 rights constitutes misappropriation of trade secrets, breach of contract, breach of the implied
23 covenant of good faith and fair dealing, and unfair competition, and otherwise entitles Drut to
24 relief in *quantum meruit* or unjust enrichment.

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COMPLAINT - 5

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