

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 17-04273 JVS(JCGx) Date November 16, 2017

Title Document Security Systems, Inc. v. Everlight Electronics Co., Ltd., et al.

Present: The Honorable James V. Selna

Karla J. Tunis

Not Present

Deputy Clerk

Court Reporter

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

Proceedings: **(IN CHAMBERS)**

Order GRANTING IN PART and DENYING IN PART Defendants' to Dismiss

Defendants Everlight Electronics Co., Ltd. and Everlight Americas, Inc. (collectively "Defendants") filed a motion to dismiss Plaintiff Document Security Systems, Inc.'s ("DSS") First Amended Complaint ("FAC") for failure to state a claim upon which relief can be granted pursuant to Federal Rule of Civil Procedure 12(b)(6).¹ (Mot., Docket No. 31.) DSS filed an opposition. (Opp'n, Docket No. 33.) Defendants replied. (Reply, Docket No. 34.)

For the following reasons, Defendants' motion to dismiss is **granted in part** and **denied in part**.

I. BACKGROUND

DSS holds all rights in and title to U.S. Patent Nos. 6,949,771 ("the '771 Patent"), 7,524,087 ("the '087 Patent"), 7,919,787 ("the '787 Patent"), and 7,256,486 ("the '486 Patent"). (FAC, Docket No. 30 ¶¶ 8-12.) On June 8, 2017, DSS filed the present action against Defendants, which alleges infringement of the '771, '087, '787, and '486 Patents. (*Id.*) In particular, the FAC alleges direct, induced, and willful infringement of each asserted patent. (*Id.* ¶¶ 15-25, 28-39, 42-54, 57-67.) Defendants now move to dismiss the FAC for failure to state a claim upon

¹ Defendants filed a Request for Judicial Notice ("RJN") in support of their motion to dismiss.

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which relief can be granted pursuant to Federal Rule of Civil Procedure 12(b)(6).² (Mot.,
Docket No. 31.)

II. LEGAL STANDARD

Under Federal Rule of Civil Procedure 12(b)(6), a defendant may move to dismiss for failure to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). A plaintiff must state “enough facts to state a claim to relief that is plausible on its face.” Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007). A claim has “facial plausibility” if the plaintiff pleaded facts that “allow[] the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” Ashcroft v. Iqbal, 556 U.S. 662, 663 (2009).

In resolving a 12(b)(6) motion under Twombly, a court must follow a two-step approach. Id. at 679. First, a court must accept all well-pleaded factual allegations as true, but “[t]hread-bare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice.” Id. at 677. Furthermore, a court must not “accept as true a legal conclusion couched as a factual allegation.” Id. at 677-78 (quoting Twombly, 550 U.S. at 555). Second, assuming the veracity of well-pleaded factual allegations, a court must “determine whether they plausibly give rise to an entitlement to relief.” Id. at 664. This determination is context-specific, requiring a court to draw on its experience and common sense, but there is no plausibility “where the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct.” Id.

III. DISCUSSION

A.DSS’s Direct Infringement Allegations Regarding Other Product Lines

Under Twombly, a plaintiff must assert a plausible claim for relief, and to “establish literal

² In the reply, Defendants state that they are no longer seeking a ruling at this stage of the proceedings on: (1) “whether the drawings use by DSS in the FAC provide notice of the infringement for the illustrative examples”; (2) “whether the induced infringement allegations for these illustrated examples are insufficient to the extent that the illustrated products are alleged to have been sold in the United States by Defendants”; and (3) “whether there is personal jurisdiction over [Defendant] Everlight Electronics based on the allegations of induced infringement relating to its own alleged sales of LED

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infringement, every limitation set forth in a claim must be found” in the accused product. Advanced Steel Recovery, LLC v. X-Body Equip., Inc., 808 F.3d 1313, 1319 (Fed. Cir. 2015). Furthermore, under the doctrine of equivalents, a claim for direct infringement “must be applied to individual elements of the claim, not to the invention as a whole.” E-Pass Techs., Inc. v. 3Com Corp., 473 F.3d 1213, 1221 (Fed. Cir. 2007) (internal quotations and citations omitted). However, at this stage, a plaintiff only needs to provide sufficient factual allegations regarding how an accused product meets each of a claim’s limitations. See e.Digital Corp. v. iBaby Labs, Inc., No. 15-CV-05790 JST, 2016 WL 4427209, at *4 (N.D. Cal. Aug. 22, 2016) (“To require a patentee to plausibly allege that the accused product practices each of the limitations in at least one asserted claim should not impose an undue burden on most plaintiffs, because a patentee is already required to perform an adequate pre-filing investigation before bringing suit.”); see also TeleSign Corp. v. Twilio, Inc., No. CV 16-2106 PSG (SSX), 2016 WL 4703873, at *4 (C.D. Cal. Aug. 3, 2016) (“[I]t is irrelevant at this stage whether Plaintiff’s allegations are accurate, as the Court accepts all of Plaintiff’s allegations as true The Court only requires that Plaintiff plausibly alleges that a product or products of Defendant infringes on at least one claim of the ’792 patent.”).

Here, Defendants argue that DSS fails to allege that the illustrative examples used in the FAC are representative of the infringement claims for the vast majority of product lines identified in the FAC as accused instrumentalities. (Reply, Docket No. 34 at 14-15.) Thus, Defendants assert that DSS’s direct infringement allegations are deficient for those product lines that are not supported with representative illustrative examples. (Id. at 15.) In support of this contention, Defendants point to DSS’s allegation in the FAC, which states: “attorneys for DSS attempted to purchase from Defendants eighteen different representative models of Defendants’ products for the purposes of confirming that Defendants infringed the asserted patents prior to filing this lawsuit. Defendants initially confirmed the order but later cancelled it without notifying DSS or its attorneys.” (FAC, Docket No. 30 ¶ 13.) Additionally, Defendants cite one case in which the court found that a plaintiff’s allegations in a complaint that certain images were representative of other product lines and that there was no material difference between them insufficient to survive a motion to dismiss. See Continental Circuits LLC v. Intel Corp., No. CV16-2026 PHX DGC, 2017 WL 679116, at *6 (D. Ariz. Feb. 21, 2017).

The Court is not persuaded. The Northern District’s Patent Local Rules provide:

Not later than 14 days after the Initial Case Management

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serve on all parties a “Disclosure of Asserted Claims and Infringement Contentions.” Separately for each opposing party, the “Disclosure of Asserted Claims and Infringement Contentions” shall contain the following information:

- (a) Each claim of each patent in suit that is allegedly infringed by each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. §271 asserted;
- (b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality (“Accused Instrumentality”) of each opposing party of which the party is aware. This identification shall be as specific as possible. Each product, device, and apparatus shall be identified by name or model number, if known. Each method or process shall be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process[.]

Patent L.R. 3-1. These rules were promulgated post Twombly and Iqbal and are consistent with Defendants’, the Court’s, and the Federal Rules of Civil Procedure’s concern that a complaint “give the defendant fair notice of what the . . . claim is and the grounds upon which it rests.” Twombly, 550 U.S. at 555; Iqbal, 556 U.S. at 698; see also Windy City Innovations, LLC, v. Microsoft Corp., 193 F. Supp. 3d 1109, 1115 (N.D. Cal. 2016) (denying a motion to dismiss in which the defendant alleged that plaintiffs were obligated to explain which specific products infringed each specific claim asserted because Local Rule 3-1 delegated such disclosure to discovery); cf. Philips v. ASUSTeK Comput. Inc., No. 15-1125-GMS, 2016 WL 6246763, at *3 (D. Del. Oct. 25, 2016) (denying motion to dismiss direct infringement claims where plaintiff pled exemplary list of accused products because the court’s local rules required infringement contentions that would

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Here, DSS provides specific allegations for one accused instrumentality as an illustrative example for each patent-in-suit. (FAC, Docket No. 30 ¶¶ 17-20, 30-33, 44-49, 59-62.) Moreover, DSS alleges “[o]n information and belief” that Defendants have directly infringed and continue to directly infringe each patent-in-suit by making, using, offering for sale, selling, and/or importing all of the accused instrumentalities. (*Id.* ¶¶ 16, 29, 43, 58.) Further, DSS alleges “[o]n information and belief” that the accused instrumentalities are covered by one or more claims of the patents-in-suit. (*Id.*) These allegations are sufficient to withstand a motion to dismiss, especially considering that DSS will soon be required to serve detailed infringement contentions for each accused product. “The Court is not inclined to belabor the Rule 12 motion practice.” *Windy*, 193 F. Supp. 3d at 1115. Accordingly, the Court denies Defendants’ motion to dismiss on this ground.

B.DSS’s Induced Infringement Allegations Based on Overseas Sales

To be actionable, a claim for induced infringement must be supported by an actionable direct infringement claim by a third party. See *Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1033 (Fed. Cir. 2002) (“It is well settled that there can be no inducement of infringement without direct infringement by some party.”). Two additional elements must be present. First, there must be allegations of conduct amounting to inducement. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (“To establish liability under section 271(b), a patent holder must prove that once the defendants knew of the patent, they actively and knowingly aid[ed] and abett[ed] another’s direct infringement.”) (internal quotation marks and citation omitted). Second, there must be allegations of the intent to cause direct infringement; that is, a defendant must induce acts by another that are known by the defendant to constitute patent infringement. See *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011); see also *DSU Med. Corp.*, 471 F.3d at 1305-06 (“[I]f an entity offers a product with the object of promoting its use to infringe, as shown by clear expression or other affirmative steps taken to foster infringement, it is then liable for the resulting acts of infringement by third parties.”).

Here, Defendants argue that DSS’s allegations in support of their induced infringement claims are deficient to the extent that they are based on overseas

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