

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 20-7872-GW-PVCx Date February 18, 2021

Title *Nantworks, LLC, et al. v. Bank of America Corporation, et al.*

Present: The Honorable GEORGE H. WU, UNITED STATES DISTRICT JUDGE

Javier Gonzalez

Terri A. Hourigan

Deputy Clerk

Court Reporter / Recorder

Tape No.

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Todd M. Briggs  
James R. Asperger

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Michael S. Elkin

**PROCEEDINGS: TELEPHONIC HEARING ON DEFENDANTS BANK OF AMERICA CORPORATION AND BANK OF AMERICA, N.A.'S PARTIAL MOTION TO DISMISS PLAINTIFFS' FIRST AMENDED COMPLAINT [50; U/S 53; and SCHEDULING CONFERENCE**

The Court's Tentative Ruling is circulated and attached hereto. Court hears oral argument. For reasons stated on the record, Defendants' Motion is continued to February 25, 2021 at 8:30 a.m. The parties are to meet and confer, and attempt to resolve.

The scheduling conference is continued to February 25, 2021 at 8:30 a.m. The parties are to file a joint scheduling report by noon on February 22, 2021.

***Nantworks, LLC et al v. Bank Of America Corporation et al***; Case No. 2:20-cv-07872-GW-(PVCx)  
Tentative Ruling on Motion to Dismiss Following Supplemental Briefing

## **I. Background**

Plaintiffs NantWorks, LLC and Nant Holdings IP, LLC (collectively, “NantWorks”) sued Defendants Bank of America Corporation and Bank of America, N.A. (collectively, “Bank of America”) and currently asserts twelve claims for relief: eight claims of patent infringement (Counts 1 through 8); one copyright infringement claim (Count 9); a claim for violating the federal Defend Trade Secrets Act (“DTSA”) (Count 10); a claim for violating the California Uniform Trade Secrets Act (“CUTSA”) (Count 11); and a claim for breach of contract under New York and California law (Count 12). *See generally* First Amended Complaint (“FAC”), Docket No. 40. Before the Court is Bank of America’s partial motion to dismiss NantWork’s non-patent claims, *i.e.*, Counts 9 through 12. *See* Defendants’ Partial Motion to Dismiss Plaintiffs’ First Amended Complaint (“Motion”), Docket No. 53 (filed under seal).

NantWorks’ claims are based on the allegation that Bank of America misappropriated its image recognition technology for use in the Bank’s mobile check deposit product. *See* FAC ¶ 13. NantWorks alleges that one of Bank of America’s executives observed a demonstration of this image recognition technology in 2010,<sup>1</sup> and approached NantWorks regarding a partnership involving image recognition solutions for mobile devices. *See id.* ¶ 14. The parties entered into a series of agreements enabling Bank of America to evaluate NantWorks’ image recognition technology for Bank of America’s potential use in its mobile check deposit software. *See id.* ¶ 23. The agreements purportedly provided NantWorks’ confidential technical information to Bank of America for the limited purpose of evaluating NantWorks’ technology. *See id.* The parties then entered into a collaboration agreement in 2011, which similarly limited Bank of America’s use of the image recognition technology and required Bank of America to return or destroy any confidential information upon the agreement’s termination. *See id.* ¶ 24. NantWorks allegedly agreed to develop a mobile check deposit solution addressing the issues exhibited by Bank of America’s existing system with the understanding that if NantWorks’ solution performed better

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<sup>1</sup> The FAC refers to Plaintiff NantWorks and its predecessor entities collectively as “NantWorks.” *See* FAC ¶ 14, n.1. According to the FAC, NantWorks was formed in 2011 and, through predecessor companies, “acquired a number of image recognition companies, including IPPLEX in August 2010 and Evryx in February 2011.” *See id.*

than Bank of America's solution, Bank of America would incorporate NantWorks' solution into its mobile banking application and compensate NantWorks for use of the technology and intellectual property. *See id.* ¶ 25.

In 2012, NantWorks allegedly provided Bank of America with demonstration applications containing NantWorks' proprietary mobile check deposit technology. *See id.* ¶¶ 26, 27. Bank of America purportedly tested its own mobile check deposit software against NantWorks' software, which demonstrated that NantWorks' technology was superior. *See id.* ¶ 28. Nevertheless, Bank of America allegedly released the first commercial version of its mobile banking application with its own mobile check deposit software in July 2012. *See id.* ¶ 29. Bank of America continued to express interest in implementing NantWorks' technology. *See id.* ¶ 30. In early 2013, NantWorks shared additional information about its mobile check deposit solution with Bank of America, including developer manuals and header files. *See id.* ¶ 31. NantWorks alleges that the header files included information that allowed Bank of America to incorporate NantWorks' mobile check deposit technology into its own mobile checking application. *See id.* Bank of America purportedly began expressing less interest after receiving this information, and ceased communications about the project. *See id.* ¶ 32. NantWorks believed that Bank of America had decided to develop its own mobile check deposit technology, and that Bank of America would honor its agreements to cease all use of and return or destroy NantWorks' confidential information. *See id.* ¶ 33.

In 2018, NantWorks allegedly discovered that Bank of America had continued to use the mobile check deposit software NantWorks provided in 2013. *See id.* ¶ 34. NantWorks had initiated an investigation to determine whether companies, including Bank of America, were using its patented technologies, and discovered a software development database that was used for testing and debugging during the development of NantWorks' mobile check deposit software. *See id.* The database purportedly recorded certain reports regarding when and from what networks NantWorks' software was accessed and used. *See id.* NantWorks allegedly discovered a large number of reports from 2014, 2015, 2016, 2017, and 2018, and information within the reports indicated the use of NantWorks' software originated from Bank of America networks. *See id.* ¶ 35.

NantWorks alleges that Bank of America accessed and used NantWorks' mobile check deposit software hundreds of times during those years "to gain an understanding of how NantWorks' software functioned and acquire trade secrets within NantWorks' software." *See id.*

¶ 36. Bank of America then purportedly incorporated and used NantWorks' trade secrets in different versions of its own mobile check deposit software. *See id.* There were several instances where a high number of reports originating from Bank of America networks were followed by changes to Bank of America's software that significantly improved its mobile check deposit functionality. *See id.* ¶ 37. The software development database allegedly continued to receive reports into the spring of 2018, but stopped after NantWorks discovered the reports and requested a meeting with Bank of America to discuss its unauthorized use of NantWorks' intellectual property. *See id.* ¶ 38.

NantWorks filed a complaint in August 2020 and a First Amended Complaint in November 2020, after Bank of America filed its first partial motion to dismiss NantWorks' non-patent claims. *See* Docket Nos. 1, 23, 40. Bank of America filed the instant partial motion to dismiss on December 2, 2020. *See* Motion. NantWorks filed an opposition brief, *see* Opposition to Partial Motion to Dismiss ("Opp'n"), Docket No. 56, and NantWorks filed a reply brief. *See* Reply in Support of Partial Motion to Dismiss ("Reply"), Docket No. 62 (filed under seal).

## II. Legal Standard

Bank of America brings its partial motion to dismiss under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6). *See* Motion at 4-5.

### A. Rule 12(b)(1)

Dismissal pursuant to Rule 12(b)(1) is appropriate where either the complaint or evidence extrinsic to the complaint demonstrates that the court lacks subject matter jurisdiction over the action. *See Roberts v. Corrothers*, 812 F.2d 1173, 1177 (9th Cir. 1987). Standing pertains to a court's subject matter jurisdiction, and therefore is properly the subject of a Rule 12(b)(1) motion. *See White v. Lee*, 227 F.3d 1214, 1242 (9th Cir. 2000).

"Article III of the Constitution requires that a plaintiff have standing before a case may be adjudicated." *Covington v. Jefferson Cnty.*, 358 F.3d 626, 637 (9th Cir. 2004). For Article III standing, a plaintiff must show: (1) she has suffered an "injury in fact" that is (a) concrete and particularized and (b) actual or imminent, not conjectural or hypothetical; (2) the injury is fairly traceable to the defendant's challenged action; and (3) it is likely, as opposed to merely speculative, that the injury will be redressed by a favorable decision. *See, e.g., Nuclear Info. & Res. Serv. v. Nuclear Regulatory Comm'n*, 457 F.3d 941, 949 (9th Cir. 2006); *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992).

## **B. Rule 12(b)(6)**

Under Rule 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 complaint may be dismissed for failure to state a claim for one of two reasons: (1) lack of a cognizable legal theory; or (2) insufficient facts under a cognizable legal theory. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007); *see also Mendiondo v. Centinela Hosp. Med. Ctr.*, 521 F.3d 1097, 1104 (9th Cir. 2008) (“Dismissal under Rule 12(b)(6) is appropriate only where the complaint lacks a cognizable legal theory or sufficient facts to support a cognizable legal theory.”). The court must construe the complaint in the light most favorable to the plaintiff, accept all allegations of material fact as true, and draw all reasonable inferences from well-pleaded factual allegations. *Gompper v. VISX, Inc.*, 298 F.3d 893, 896 (9th Cir. 2002); *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001), *amended on denial of reh’g*, 275 F.3d 1187 (9th Cir. 2001); *Cahill v. Liberty Mutual Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996).

The court is not required to accept as true legal conclusions couched as factual allegations. *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). Where a plaintiff facing a 12(b)(6) motion has pleaded “factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged,” the motion should be denied. *Id.*; *Sylvia Landfield Trust v. City of Los Angeles*, 729 F.3d 1189, 1191 (9th Cir. 2013). But if “the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct, the complaint has alleged – but it has not show[n] . . . the pleader is entitled to relief.” *Iqbal*, 556 U.S. at 679 (citations omitted).

## **III. Discussion**

### **A. Copyright Infringement Claim (Count 9)**

NantWorks’ copyright infringement claim is based on its mobile check deposit software, known as its “Advanced Mobile Deposit Software.” *See* FAC ¶ 187. Bank of America argues that NantWorks lacks standing to assert this claim for copyright infringement because the FAC establishes that NantWorks does not own the copyright to the Advanced Mobile Deposit Software. *See* Motion at 6.

Section 501(b) of the 1976 Copyright Act provides that “[t]he legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it.” 17 U.S.C. § 501(b). Accordingly, “[t]o be entitled to sue for copyright infringement,

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