IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

SOUND VIEW INNOVATIONS, LLC, Plaintiff, v. WALMART INC. and VUDU, INC., Defendants.	)	Civil Action No. 19-660-CFC-CJB
SOUND VIEW INNOVATIONS, LLC, Plaintiff, v. CIGNA CORP. and CIGNA HEALTH AND LIFE INSURANCE CO., Defendants.	)	Civil Action No. 19-964-CFC-CJB

REPORT AND RECOMMENDATION

Pending before the Court in these patent infringement cases are Defendants Walmart Inc., Vudu, Inc. (collectively, the "Walmart Defendants"), Cigna Corp. and Cigna Health and Life Insurance Company's (collectively, the "Cigna Defendants" and together with the Walmart Defendants, "Defendants") motions to dismiss for failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6) (the "Motions"). (Civil Action No. 19-660-CFC-CJB (the "Walmart Action"), D.I. 10; Civil Action No. 19-964-CFC-CJB (the "Cigna Action"), D.I. 12) In their Motions, Defendants argue for dismissal on the grounds that: (1) certain patents asserted by Plaintiff Sound View Innovations, LLC ("Sound View" or "Plaintiff") are directed to patent-ineligible subject matter pursuant to 35 U.S.C. § 101 ("Section 101"); and that (2) Sound View is collaterally estopped from asserting certain other patents in these litigations.[1] This Report and

[1] These cases have been referred to the Court to hear and resolve all pretrial matters, up to and including expert discovery. (Civil Action No. 19-660-CFC-CJB, Docket Item,

Recommendation will address the Motions as they relate to the issue of collateral estoppel only.[2] For the reasons that follow, the Court recommends that, as to that issue, the Motions be DENIED.

I. BACKGROUND[3]

In the Walmart Action, Sound View asserts five patents against the Walmart Defendants, including United States Patent No. 5,806,062 (the "'062 patent"). (Civil Action No. 19-660-CFC-CJB, D.I. 1 at ¶ 3) In the Cigna Action, Sound View asserts five patents against the Cigna Defendants, including the '062 patent and United States Patent No. 6,125,371 (the "'371 patent"). (Civil Action No. 19-964-CFC-CJB, D.I. 1 at ¶ 3)

The claims from the '062 and '371 patents that Sound View specifically asserted in its complaints in these actions have previously been found invalid in other proceedings. Specifically, Sound View asserts claim 14 of the '062 patent against both sets of Defendants.

April 22, 2019; Civil Action No. 19-964-CFC-CJB, Docket Item, June 5, 2019) The Walmart Defendants' Motion was fully briefed by July 22, 2019, (Civil Action No. 19-660-CFC-CJB, D.I. 20), and the Cigna Defendants' Motion was fully briefed by August 23, 2019, (Civil Action No. 19-964-CFC-CJB, D.I. 18). The Court heard argument on the Motions on December 17, 2019. (Civil Action No. 19-660-CFC-CJB, D.I. 60; Civil Action No. 19-964-CFC-CJB, D.I. 63 (hereinafter, "Tr.")) The Court also heard argument regarding a motion to dismiss in related case: *Sound View Innovations, LLC v. Delta Air Lines, Inc.*, Civil Action No. 19-659-CFC-CJB, in which Defendant Delta Air Lines, Inc. ("Delta") argues that the patents asserted against it are directed to patent-ineligible subject matter pursuant to 35 U.S.C. § 101. (Civil Action No. 19-659-CFC-CJB, D.I. 9) Delta's motion does not raise the issue of collateral estoppel as grounds for dismissal, and the Court therefore does not consider Delta's motion in this Report and Recommendation.

[2] The Court will address Defendants' arguments relating to Section 101 in a subsequent Report and Recommendation.

[3] The Court here writes primarily for the parties, who are well familiar with the issues in these cases and who, in light of some recent related discovery disputes, desire a prompt resolution on the collateral estoppel issue. (*See, e.g.*, Civil Action No. 19-964-CFC-CJB, D.I. 59)

(Civil Action No. 19-660-CFC-CJB, D.I. 1 at ¶ 85; Civil Action No. 19-964-CFC-CJB, D.I. 1 at ¶ 125) On April 30, 2019, the Honorable John A. Kronstadt of the United States District Court for the Central District of California issued an order in *Sound View Innovations, LLC v. Hulu, LLC*, Civil Action No. 17-4146 JAK (PLAx) granting Hulu, LLC's "Motion for Partial Summary Judgment of Invalidity and Noninfringement of" the '062 patent, in which the *Hulu* Court held that claim 14 of the '062 patent is patent-ineligible under Section 101 (the "*Hulu* Order"). (Civil Action No. 19-660-CFC-CJB, D.I. 11, ex. A at 4-12) Sound View also asserts claim 8 of the '371 patent against the Cigna Defendants. (Civil Action No. 19-964-CFC-CJB, D.I. 1 at ¶ 142) In a trio of decisions issued on April 9, 2019, the United States Patent and Trademark Office's Patent Trial and Appeal Board ("PTAB") found by a preponderance of the evidence that claims 1-3 and 8-10 of the '371 patent are unpatentable under 35 U.S.C. § 103 in connection with *inter partes review* proceedings (the "PTAB Decisions"). (Civil Action No. 19-964-CFC-CJB, D.I. 13, exs. B-D)

In their Motions, Defendants argue that, in light of the *Hulu* Order and the PTAB Decisions, Sound View is collaterally estopped from asserting these invalidated claims against them in these actions. (Civil Action No. 19-660-CFC-CJB, D.I. 11 at 3-5; D.I. 20 at 1-3; Civil Action No. 19-964-CFC-CJB, D.I. 13 at 3-6; D.I. 18 at 1-3) Because collateral estoppel applies, Defendants assert that dismissal of the claims as to these patents is warranted, as Sound View fails to "'state a claim to relief that is plausible on its face'" with respect to these claims. (*See* Civil Action No. 19-964-CFC-CJB, D.I. 13 at 6) Sound View, for its part, argues that collateral estoppel does not bar Sound View's claims of infringement with respect to the '062 and '371 patents, and that the cases as to these patents should instead be stayed pending appeals of the

Hulu Order and PTAB Decisions. (Civil Action No. 19-660-CFC-CJB, D.I. 18 at 2-5; Civil Action No. 19-964-CFC-CJB, D.I. 17 at 1-4)

II. STANDARD OF REVIEW

A. Motion to Dismiss Under Rule 12(b)(6)

The standard of review here is the familiar two-part analysis applicable to motions made pursuant to Rule 12(b)(6). First, the court separates the factual and legal elements of a claim, accepting "all of the complaint's well-pleaded facts as true, but [disregarding] any legal conclusions." *Fowler v. UPMC Shadyside*, 578 F.3d 203, 210-11 (3d Cir. 2009). Second, the court determines "whether the facts alleged in the complaint are sufficient to show that the plaintiff has a 'plausible claim for relief.'" *Id.* at 211 (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009)). In assessing the plausibility of a claim, the court must "'construe the complaint in the light most favorable to the plaintiff, and determine whether, under any reasonable reading of the complaint, the plaintiff may be entitled to relief.'" *Id.* at 210 (quoting *Phillips v. Cty. of Allegheny*, 515 F.3d 224, 233 (3d Cir. 2008)).

B. Collateral Estoppel

The doctrine of collateral estoppel (also known as issue preclusion) precludes a party from relitigating an issue that has previously been decided in another judicial proceeding. *Anderson v. Gen. Motors LLC*, Civ. No. 18-621-LPS, 2019 WL 4393177, at *4 (D. Del. Sept. 13, 2019). Under the law of the United States Court of Appeals for the Third Circuit, collateral estoppel applies if: (1) the identical issue was previously adjudicated; (2) the issue was actually litigated; (3) the previous determination of the issue was necessary to the decision; and (4) the party being precluded from relitigating the issue was fully represented in the prior action. *Stone v. Johnson*, 608 F. App'x 126, 127 (3d Cir. 2015); *Jean Alexander Cosmetics, Inc. v. L'Oreal*

USA, Inc., 458 F.3d 244, 249 (3d Cir. 2006).[4] The Third Circuit also considers whether the party being precluded had a full and fair opportunity to litigate the issue in question in the prior action, and whether the issue was determined by a final and valid judgment. *Free Speech Coal., Inc. v. Attorney Gen. of U.S.*, 677 F.3d 519, 541 (3d Cir. 2012); *Jean Alexander*, 458 F.3d at 249.

III. DISCUSSION

In the parties' briefing, the only element of collateral estoppel in dispute here is whether the *Hulu* Order and PTAB Decisions constitute final judgments. Therefore, the Court's analysis focuses on this issue.

There is no bright-line rule regarding what constitutes a "final judgment" for issue preclusion purposes. *Free Speech Coal.*, 677 F.3d at 541. However, "a prior adjudication of an issue in another action must be sufficiently firm to be accorded conclusive effect." *Id.* (internal quotation marks and citation omitted). "[F]inality for purposes of issue preclusion is a more pliant concept than it would be in other contexts, and [it] may mean little more than that the litigation of a particular issue has reached such a stage that a court sees no really good reason for permitting it to be litigated again." *Id.* (internal quotation marks and citation omitted). To determine whether a prior ruling was "sufficiently firm" for preclusion purposes, courts should consider factors including, but not limited to, the following: (1) whether the parties were fully heard; (2) whether a reasoned opinion was filed; and (3) whether that decision could have been, or actually was, appealed. *Id.* None of these factors alone are dispositive. *Id.*

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[4] The law of the regional circuit applies to the issue of collateral estoppel. *See, e.g.*, *Allergan, Inc. v. Sandoz, Inc.*, 681 F. App'x 955, 959 (Fed. Cir. 2017); *Ho Keung Tse v. Apple Inc.*, 635 F. App'x 864, 866 (Fed. Cir. 2015).

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