

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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BROADSIGN INTERNATIONAL, LLC,

Plaintiff,

-v-

No. 16 CV 04586-LTS

T-REX PROPERTY AB,

Defendant.

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MEMORANDUM OPINION AND ORDER

Plaintiff BroadSign International, Inc. (“Plaintiff” or “BroadSign”) brings this action against Defendant T-Rex Property AB (“Defendant” or “T-Rex”), seeking a declaratory judgment of non-infringement of U.S. Patent No. RE39,470 (“the ‘470 patent”), U.S. Patent No. 7,382,334 (“the ‘334 patent”), and U.S. Patent No. 6,420,603 (“the ‘603 patent”) (collectively, the “Patents-in-Suit”), as well as a declaratory judgment that BroadSign has intervening rights with respect to the ‘470 patent.

The Court has jurisdiction of this action pursuant to 35 U.S.C. §§ 271, et seq., and 28 U.S.C. §§ 1331, 1338, 2201, and 2202.

Defendant moves pursuant to Federal Rule of Civil Procedure 12(b)(1) to dismiss each of Plaintiff’s claims for lack of subject matter jurisdiction. T-Rex asserts that there is no case or controversy between BroadSign and T-Rex.

The Court has reviewed thoroughly all of the parties’ submissions and arguments. For the following reasons, the motion to dismiss is granted.

BACKGROUND

The following recitation of facts is drawn from the Amended Complaint (Docket Entry No. 10, Amended Complaint (“Am. Compl.”)), and from affidavits and exhibits submitted by both parties in connection with this motion practice.¹

Plaintiff supplies “hardware and software solutions to operators of networks of digital displays.” (Am. Compl. ¶ 10.) Defendant is the “assignee and owner of the right, title, and interest in and to the Patents-in-Suit,” which concern the control and coordination of digital displays. (Am. Compl. ¶¶ 8, 9.) Over the last several years, T-Rex has sued “at least five” of BroadSign’s customers, which are various entities that make, use, or sell complete digital signage systems, “for [direct] patent infringement on one or more of the Patents-In-Suit.” (Am. Compl. ¶ 11.) As a result, Plaintiff has received “numerous requests for indemnification” from its customers, who have identified provisions of their respective license agreements that support their requests. (Declaration of Sandra Beauchesne in Opp’n to Def.’s Mot. to Dismiss (“Beauchesne Decl.”), Docket Entry No. 23, ¶¶ 13, 20, Ex. D, I, J.)

On June 21, 2016, BroadSign contacted T-Rex to request a meeting with T-Rex to discuss a potential business agreement after T-Rex had initiated lawsuits against BroadSign’s customers. (Beauchesne Decl. ¶ 15.) In those lawsuits, T-Rex identified as allegedly directly infringing products which were, at least in part, sold and delivered by BroadSign.²

¹ “[W]here jurisdictional facts are placed in dispute, the court has the power and obligation to decide issues of fact by reference to evidence outside the pleadings, such as affidavits,’ in which case ‘the party asserting subject matter jurisdiction has the burden of proving by a preponderance of the evidence that it exists.’” Winfield v. City of New York, No. 15CV5236-LTS-DCF, 2016 WL 6208564, at *3 (S.D.N.Y. Oct. 24, 2016) (citations omitted).

² For example, in an action against Health Media Network (“HMN”), T-Rex did not identify BroadSign by name in the complaint, but “HMN’s counsel advised BroadSign

BroadSign asserts that the parties have “had direct discussions and in-person meetings in which T-Rex has demanded that BroadSign take a license to the [P]atents-in-[S]uit” to stop T-Rex’s suits against BroadSign’s customers. (Am. Compl. ¶ 15.) On June 28, 2016, BroadSign’s President and CEO, as well as its outside patent consultant, traveled to Sweden and met with T-Rex’s principals. (Beauchesne Decl. ¶ 15.) No agreement was reached during that meeting. (Id.) The parties continued communicating via email, phone, and Skype throughout the following weeks. (Declaration of Mats Hylin in Supp. of Mot. to Dismiss (“Hylin Decl.”), Docket Entry No. 27, ¶¶ 11-14.) While the negotiations were ongoing in late June 2016, but before the parties had reached any agreement that T-Rex would not initiate suit against any additional BroadSign customers, T-Rex informed BroadSign that it had sued another of BroadSign’s customers. (Hylin Decl. Exhibit C.) The parties continued their discussions after this notification.

On July 9, 2016, T-Rex sent a draft license agreement to BroadSign, under which, “in exchange for an undetermined payment by BroadSign, T-Rex would give BroadSign a fully paid[-]up[,], non-exclusive license to practice [the Patents-In-Suit],” as well as “all other Patents that are now owned or controlled by T-Rex on the United States and Canada . . . ,” and which would protect BroadSign’s customers “to the extent they operate digital display systems consisting of BroadSign’s products.” (Beauchesne Decl. ¶ 16 (citing Exhibit P, Docket Entry

that’ HMN’s [allegedly infringing] platform for its digital advertising network is the software that it has licensed from BroadSign.” (Beauchesne Decl. ¶ 7.) In its suit against JCDecaux, T-Rex specifically alleges that BroadSign’s “Showscreens,” the “Mallscape network,” “digital billboards,” and “digital airport advertising network, including the Prestige network” infringe each of the three Patents-In-Suit. (Beauchesne Decl. ¶ 9.) BroadSign sold the hardware and software comprising these products to JCDecaux. (Id.)

No. 23-43).) The accompanying email stated that T-Rex was “[amenable] to receiving edits and input from BroadSign concerning the licensing agreement.” (Hylin Decl., ¶ 15.) Plaintiff asserts Defendant sent that agreement “without prior discussion [between the parties] of a license.” (Beauchesne Decl. ¶ 16.) T-Rex alleges that BroadSign requested the draft agreement and that BroadSign’s CEO threatened to sue T-Rex. (Hylin Decl. ¶¶ 3, 10.) Plaintiff proffers that BroadSign interpreted the proposed license agreement as a “demand[] by T-Rex that BroadSign take a license to the [P]atents-in-[S]uit to prevent [the initiation of] further patent infringement actions against BroadSign’s customers.” (Am. Compl. ¶ 16.) Plaintiff allegedly considered the proposed license agreement, “coupled with” the news of a[n additional,] recently-filed patent infringement action against yet another BroadSign customer³, to be “a veiled threat that if BroadSign did not take a license, T-Rex would continue to sue BroadSign's customers and perhaps BroadSign itself.” (Beauchesne Decl. ¶¶ 17-18.)

BroadSign communicated its dissatisfaction with this course of events in a July 17, 2016, email, to which T-Rex responded, apologizing for potential misunderstandings and seeking further “constructive dialogue.” (Hylin Decl. ¶ 16, Ex. F.) Communications between the parties ended shortly thereafter. (Hylin Decl. ¶ 16.) BroadSign filed this action for declaratory judgment on September 15, 2016.

³ Since the parties first initiated their discussions on June 21, 2016, T-Rex has sued at least two additional BroadSign customers, bringing the total number of suits to seven. (Beauchesne Decl. ¶ 4.)

DISCUSSION

Motion to Dismiss Standard

Federal Rule of Civil Procedure 12(b)(1) authorizes dismissal of a complaint for lack of subject matter jurisdiction “when the district court lacks the statutory or constitutional power to adjudicate it.” Arar v. Ashcroft, 532 F.3d 157, 168 (2d Cir. 2008) (vacated on other grounds) (internal citations and quotation marks omitted). “The Court’s first inquiry must be whether it has the constitutional or statutory authority to adjudicate a case. If there is no subject matter jurisdiction, the Court lacks power to consider the action further.” ICOS Vision Sys. Corp., N.V. v. Scanner Techs. Corp., 699 F. Supp. 2d 664, 668 (S.D.N.Y. 2010) (citation omitted).

In reviewing a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(1), “the court must take all facts alleged in the complaint as true and draw all reasonable inferences in favor of plaintiff.” Morrison v. National Australia Bank Ltd., 547 F.3d 167, 170 (2d Cir. 2008) (quoting Natural Res. Def. Council v. Johnson, 461 F.3d 164, 171 (2d Cir. 2006)). However, “[a] plaintiff asserting subject matter jurisdiction has the burden of proving by a preponderance of the evidence that it exists,” Morrison, 547 F.3d at 170 (quoting Makarova v. United States, 201 F.3d 110, 113 (2d Cir. 2000)), and such a showing may not be “made by drawing from the pleadings inferences favorable to the party asserting” subject matter jurisdiction. Morrison, 547 F.3d at 170 (quoting APWU v. Potter, 343 F.3d 619 623 (2d Cir. 2000)). In determining whether subject matter jurisdiction of the claims exists, the court “may consider evidence outside the pleadings.” Morrison, 547 F.3d at 170.

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