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4 UNITED STATES DISTRICT COURT  
5 NORTHERN DISTRICT OF CALIFORNIA  
6 SAN JOSE DIVISION

7  
8 MAX SOUND CORPORATION and  
VEDANTI SYSTEMS LIMITED,

9 Plaintiffs,

10 v.

11 GOOGLE, INC.; YOUTUBE, LLC; and  
12 ON2 TECHNOLOGIES, INC.,

13 Defendants.

Case No. [5:14-cv-04412-EJD](#)

**ORDER DENYING MOTION TO  
DISMISS**

Re: Dkt. No. 28

14 Plaintiff Max Sound Corp. (“Plaintiff”) filed the instant patent infringement action against  
15 Defendants Google, Inc. (“Google”), YouTube, LLC (“YouTube”), and On2 Technologies, Inc.  
16 (“On2”) (collectively, “Defendants”). Most recently, Plaintiff added patent owner Vedanti  
17 Systems Limited (“VSL”) as a defendant. Presently before the Court is Defendants’ Motion to  
18 Dismiss Plaintiff’s First Amended Complaint. See Dkt. No. 28 (“Mot.”). After fully reviewing  
19 the parties’ papers and holding oral argument, the Court DENIES Defendants’ Motion to Dismiss.

20 **I. BACKGROUND**

21 VSL, a British company, is the patent owner for United States Patent No. 7,974,339  
22 entitled “Optimized Data Transmission System and Method” (the “’339 Patent”). Dkt. No. 23,  
23 First Am. Compl. (“FAC”) at ¶ 1, 5, 14; Exh. 1. The ‘339 Patent was issued by the United States  
24 Patent and Trademark Office (the “PTO”) on July 5, 2011. Id. at ¶ 13. Plaintiff allegedly entered  
25 into a contract with VSL whereby Plaintiff would have a worldwide license to VSL’s Optimized  
26 Data Transmission System and Method technology, including the technology claimed in the ‘339  
27 Patent, for all fields of use. Id. at ¶ 15. Moreover, pursuant to the agreement, Plaintiff was also

1 allegedly provided with the exclusive right to enforce VSL's patent rights on VSL's behalf,  
2 including an infeasible right to exclude Defendants from practicing the patent. Id.

3 Plaintiff alleges that in 2001, the available technology for delivering digitized video relied  
4 solely on compression, i.e., the encoding of digital information by reducing the number of bits in  
5 the representation, by identifying and deleting unnecessary bits. Id. at ¶¶ 25, 28. This type of  
6 technology resulted in jittery, low-quality video and sound for large-sized video files. Id. at ¶ 27.  
7 To improve on this technology, two inventors conceived of and reduced to practice the  
8 technological concepts that ultimately became a video codec,<sup>1</sup> and the inventions disclosed in the  
9 '339 Patent. Id. at ¶¶ 25, 29. The VSL codec was created by VSL employees and personnel  
10 working under the direction of one of the inventors. Id. at ¶ 29. The VSL codec implemented a  
11 proprietary and unique system of optimizing data transmission using methods for key frame  
12 partitioning, slicing and analyzing pixel variation of video content to significantly reduce the  
13 volume of digital video files, while minimizing any resulting loss of video quality. Id. at ¶ 30.  
14 The U.S. patent application that resulted in the issuance of the '339 patent was filed on January  
15 16, 2002. Id. at ¶ 32.

16 Plaintiff alleges that during the mid-to-late 2000s, video compression and streaming  
17 technology had become integral to Google products, including the YouTube.com website, the  
18 Chrome web browser, and the Android mobile device operating system. Id. at ¶ 33. In March  
19 2010, VSL's CEO Alpesh Patel communicated with Google's Nikesh Arora to discuss licensing  
20 VSL's video technology and/or the possible acquisition of VSL and the '339 Patent. Id. at ¶ 51.  
21 In April 2010, Mr. Patel and Google's Vice President of New Business Development Megan  
22 Smith executed a non-disclosure agreement for the purpose of engaging in negotiations regarding  
23 VSL's technology. Id. at ¶ 52. During the course of the negotiations and pursuant to the non-  
24 disclosure agreement, VSL allegedly provided a working VSL codec to Google for testing and  
25 analysis, and provided copies of VSL's patents, patent application (including the patent

26  
27 <sup>1</sup> A "codec" is a device or computer program capable of encoding or decoding a digital data  
stream or signal. FAC at ¶ 17.

1 application that led to the ‘339 Patent), and claim charts comparing the inventions claimed in the  
2 ‘339 Patent to the H.264 video codec used by Google. Id. at ¶ 54. By December 2010,  
3 negotiations between the parties had stalled, and the parties terminated discussions. Id. at ¶ 56.  
4 On December 16, 2010, Google’s employees allegedly shipped back to VSL materials that VSL  
5 had provided pursuant to the non-disclosure agreement. Id. at ¶ 57.

6 Plaintiff alleges that Defendants incorporated the ‘339 Patent technology into products  
7 they made, used, sold, offered for sale, and/or imported, including VP8, VP9, WebM, H.264,  
8 YouTube, Google AdSense, Google Play, Android, Google TV, Chromebook, Google Drive,  
9 Google Chromecast, Google Play-per-view, Google Glasses, Google+, Google’s Simplify, Google  
10 Maps and Google Earth. Id. at ¶¶ 1, 62-63. Plaintiff further alleges that Google and On2  
11 incorporated various claims of the ‘339 Patent into patent applications without disclosing to the  
12 PTO the ‘339 Patent or its underlying application as prior art, or its previous inventors. Id. at ¶ 59.

13 Plaintiff commenced the instant action on October 1, 2014 alleging a single claim of patent  
14 infringement against Defendants. See Dkt. No. 1. In December 2014, Defendants filed a motion  
15 to dismiss based on Plaintiff’s improper joinder of VSL as an involuntary co-plaintiff. See Dkt.  
16 No. 15. In January 2015, Plaintiff filed its First Amended Complaint and named VSL as a  
17 defendant. See Dkt. No. 23. Defendants filed the instant Motion to Dismiss pursuant to Federal  
18 Rule of Civil Procedure 12(b)(6). See Dkt. No. 28. The matter has been fully briefed, and oral  
19 argument was held on April 30, 2015. See Dkt Nos. 37, 49, 73.

## 20 **II. LEGAL STANDARD**

21 Federal Rule of Civil Procedure 8(a) requires a plaintiff to plead each claim with sufficient  
22 specificity to “give the defendant fair notice of what the . . . claim is and the grounds upon which  
23 it rests.” Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555 (2007) (internal quotations omitted). A  
24 complaint which falls short of the Rule 8(a) standard may be dismissed if it fails to state a claim  
25 upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). “Dismissal under Rule 12(b)(6) is  
26 appropriate only where the complaint lacks a cognizable legal theory or sufficient facts to support  
27 a cognizable legal theory.” Mendiondo v. Centinela Hosp. Med. Ctr., 521 F.3d 1097, 1104 (9th

1 Cir. 2008). Moreover, the factual allegations “must be enough to raise a right to relief above the  
2 speculative level” such that the claim “is plausible on its face.” Twombly, 550 U.S. at 556-57.

3 When deciding whether to grant a motion to dismiss, the court generally “may not consider  
4 any material beyond the pleadings.” Hal Roach Studios, Inc. v. Richard Feiner & Co., 896 F.2d  
5 1542, 1555 n.19 (9th Cir. 1990). However, the court may consider material submitted as part of  
6 the complaint or relied upon in the complaint, and may also consider material subject to judicial  
7 notice. See Lee v. City of Los Angeles, 250 F.3d 668, 688-89 (9th Cir. 2001).

8 In addition, the court must generally accept as true all “well-pleaded factual allegations.”  
9 Ashcroft v. Iqbal, 556 U.S. 662, 664 (2009). The court must also construe the alleged facts in the  
10 light most favorable to the plaintiff. Love v. United States, 915 F.2d 1242, 1245 (9th Cir. 1988).  
11 However, “courts are not bound to accept as true a legal conclusion couched as a factual  
12 allegation.” Id.

### 13 **III. DISCUSSION**

14 During the prosecution of the ‘339 Patent, the PTO omitted the language “optimization  
15 instead of data compression” from the issued claims:

16 Claim 1. A system for transmitting data ~~optimization instead of data~~  
~~compression~~ transmission comprising:

17 ...

18 Claim 7. A method for transmitting data ~~optimization instead data~~  
~~compression~~ comprising:

19 ...

20 Claim 10. A method for transmitting data ~~optimization instead of~~  
~~data compression~~ comprising:

21 ...

22 Mot. at 3. Since this language is missing from the issued claims, Defendants contend that this  
23 action should be dismissed because the issued claims are invalid as indefinite under 35 U.S.C. §  
112 for failure to claim what the inventors regard as their invention. Id. at 1.

24 The second paragraph of 35 U.S.C. § 112 provides:

25 The specification shall conclude with one or more claims  
26 particularly pointing out and distinctly claiming the subject matter  
which the inventor or a joint inventor regards as the invention.

27 (“§ 112, ¶ 2”). In patent law, this is known as the requirement of definiteness. See Nautilus, Inc.

1 v. Biosig Instruments, Inc., 134 S. Ct. 2120, 2125 (2014). If there is a lack of definiteness, then  
2 the patent or any claim is invalid. See id.

3 In the recent decision Nautilus, Inc. v. Biosig Instruments, Inc., the Supreme Court set  
4 forth the standard for the definiteness requirement: “A patent is invalid for indefiniteness if its  
5 claims, read in light of the specification delineating the patent, and the prosecution history, fail to  
6 inform, with reasonable certainty, those skilled in the art about the scope of the invention.” Id. at  
7 2124. The Supreme Court also highlighted three aspects of the § 112, ¶ 2 inquiry: (1)  
8 “definiteness is to be evaluated from the perspective of someone skilled in the relevant art;” (2) “in  
9 assessing definiteness, claims are to be read in light of the patent’s specification and prosecution  
10 history;” and (3) “definiteness is measured from the viewpoint of a person skilled in the art at the  
11 time the patent was filed.” Id. at 2128. The Supreme Court has further stated that the definiteness  
12 requirement entails a delicate balance where on the one hand, the requirement must take into  
13 account the inherent limitations of language, and on the other hand, a patent must be precise  
14 enough to afford clear notice of what is claimed. Id. at 2128-29.

15 In its motion, Defendants argue that during prosecution of the ‘339 Patent, the applicants  
16 consistently stated that they regarded their invention as pertaining to the transmission of data that  
17 has been optimized without using compression. Mot. at 7-8. Defendants contend that while the  
18 examiner entered an amendment to add the “data optimization instead of compression” language  
19 to the independent claims, the PTO ultimately failed to include this language to the issued claims.  
20 Id. at 8-9. Consequently, Defendants argue that the issued claims of the ‘339 Patent are broader  
21 than the claims entered by the examiner, and are invalid because they do not reflect what the  
22 applicants regarded as their invention—that the transmission of data was optimized without using  
23 compression. Id. at 9 (emphasis added). They contend that the “instead of compression” language  
24 is the fundamental aspect of the ‘339 Patent invention. Id. at 9-10.

25 In opposition, Plaintiff argues that the issued claims are valid because they were  
26 determined to be patentable without the “data optimization instead of compression” language, and  
27 Defendants have failed to point to anything in the record suggesting that the omitted language was

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