IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

PERSONALIZED MEDIA COMMUNICATIONS, LLC,	§ § §	
Plaintiff,	§ §	
v.	§ §	Case No. 2:15-cv-1366-JRG-RSP
APPLE INC.,	§ §	
Defendant.	§ §	

REPORT AND RECOMMENDATION

Before the Court is Defendant Apple Inc.'s ("Apple") Rule 12(b)(6) Motion to Dismiss for Failure to State a Claim. (Dkt. No. 34.) Apple contends that all claims in the four asserted patents are patent-ineligible under § 101. Apple further contends issue preclusion bars Plaintiff Personalized Media Communications, LLC ("PMC") from asserting the claims in U.S. Patent No. 8,559,635 (the "'635 patent") and U.S. Patent No. 8,191,091 (the "'091 patent") are patent-eligible. The Court has considered the arguments and finds that Apple's Motion to Dismiss (Dkt. No. 34) should be **DENIED**.

RULE 12(b)(6) STANDARD

Rule 8(a) requires "a short and plain statement of the claims showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a)(2). Rule 12(b)(6) permits a party to move to dismiss a claim if the pleader does not meet the conditions of Rule 8(a) and has "fail[ed] to state a claim upon which relief can be granted." Fed. R. Civ. P. 12(b)(6). When considering a Rule 12(b)(6) motion a court must assume that all well-pled facts are true and view them in the light most favorable to the non-moving party. *See Bowlby v. City of Aberdeen*, 681 F.3d 215, 218 (5th Cir. 2012). The Court must decide whether those facts state a claim for relief that is plausible on its

face. *See Bell Atl. Corp. v. Twombly*, 550 U.S. 554, 570 (2007). "A claim has facial plausibility when the pleaded factual content allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Bowlby*, 681 F.3d at 217 (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)).

COLLATERAL ESTOPPEL

I.   LEGAL STANDARD

In a patent infringement case, Fifth Circuit law provides the standard for issue preclusion and Federal Circuit law provides the standard on substantive issues of patent law. *See Soverain Software LLC v. Victoria Secret Direct Brand Mgmt.*, 778 F.3d 1311, 1314 (Fed. Cir. 2015). The Fifth Circuit has held collateral estoppel applies if: "(1) the issue under consideration is identical to that litigated in the prior action; (2) the issue was fully and vigorously litigated in the prior action; (3) the issue was necessary to support the judgment in the prior case; and (4) there is no special circumstance that would make it unfair to apply the doctrine." *Winters v. Diamond Shamrock Chemical Co.*, 149 F.3d 387, 391 (5th Cir. 1998); *see State Farm Mut. Auto Ins. Co. v. LogisticCare Sols., LLC*, 751 F.3d 684, 689 (Fed. Cir. 2014) (listing the elements of collateral estoppel).

II.   ANALYSIS

Apple states that collateral estoppel bars PMC from asserting that the claims in the '635 patent and the '091 patent are patent-eligible under § 101. Apple notes that a Delaware court in *Personalized Media Communications, LLC v. Amazon.com, Inc.*, found that claim 1 of U.S. Patent No. 7,801,304 (the "'304 patent") was representative of all claims in the '304 patent. The Delaware court then found that claim 1 of the '304 patent was patent-ineligible under § 101. *See*

Personalized Media Communications, LLC v. Amazon.com, Inc., 161 F. Supp. 3d 325, 332–333 (D. Del. 2015).

Apple contends that claim 1 of the '304 patent is indistinguishable from the claims in the '635 patent and the '091 patent in this case. Specifically, Apple point out that "[c]laim 2 of the '635 patent asserted by PMC . . . is virtually ***word-for-word*** identical to [] claim 1 of the '304 patent . . . ." (Dkt. No. 34 at 11.) Apple also asserts that claim 1 of the '304 patent is materially identical to claim 1 of the '635 patent and claim 13 of the '091 patent. (*See* Dkt. No. 34 at 12–14.) Apple contends because claim 1 of the '304 patent, claim 1 of the '635 patent, and claim 13 of the '091 patent are similar, the issue of the patent-eligibility of the claims in the '635 patent and the '091 patent were argued and decided by the Delaware court. Apple contends for this reason that collateral estoppel bars PMC from asserting that the '635 patent and the '091 patent are directed to patent-eligible subject matter.

Under Federal Circuit law, collateral estoppel can apply when an issue is fully argued, finally decided, and necessary to a prior judgment. A ruling on an issue in a prior judgment can have preclusive effect even if the issue is raised in a later case involving different patents and different claims. *See Ohio Willow Wood Co. v. Alps S., L.L.C.*, 735 F.3d 1333, 1342 (Fed Cir. 2013). This is because "[i]t is the issues litigated, not the specific claims around which the issues were framed, that is determinative" of whether collateral estoppel should apply. *Aspex Eyewear, Inc. v. Zenni Optical Inc.*, 713 F.3d 1377, 1382 (Fed. Cir. 2013). For example, as to a prior judgement of obviousness, "[i]f the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity, collateral estoppel applies." *Ohio Willow*, 735 F.3d at 1342.

The Court finds that collateral estoppel does not bar PMC from arguing that claim 1 of the '635 patent and claim 13 of the '091 patent are patent-eligible under § 101. Apple has not shown that claim 1 of the '635 patent and claim 13 of the '091 patent are materially the same as the claim the Delaware court found ineligible in *Personalized Media Communications, LLC v. Amazon.com, Inc.* (*See* Dkt. No. 34 at 12–14.)

First, Apple paraphrases the elements of claim 1 of the '635 patent and contends that they are only "minor wording differences" from the elements of the claim the Delaware court found patent-ineligible. Apple further contends that these "minor differences" make "claim 1 of the '635 patent [] actually **broader** than invalidated claim 1 of the '304 patent." (Dkt. No. 34 at 13.) PMC responds by pointing out that, for example, claim 1 of the '635 patent, unlike claim of the '304 patent, recites "form[ing] decrypted programming based on said control signal." (Dkt. No. 83 at 11.) PMC contends this element makes a difference in the patent-eligibility analysis because "form[ing] decrypted programming" can "go[] beyond the step of 'decrypting' and [can] further require[] additional post-decryption processing, such as reassembly of decrypted information in order to make the 'decrypted programming' ready for presentation." (Dkt. No. 83 at 11.)

The Court finds Apple has not shown how claim 1 of the '304 patent and claim 1 of the '635 patent are materially the same. The Delaware court carefully held that claim 1 of the '304 patent was directed to the abstract idea of "decryption." PMC's expert contends that claim 1 of the '635 patent, however, contains a "to form decrypted programming" element which causes the claim to be directed to something other than "decryption." On a motion to dismiss all factual disputes must be resolved in favor of the plaintiff. Accordingly, the Court finds that Apple has not shown that claim 1 of the '304 patent and claim 1 of the '635 patent are materially the same

despite at least this difference. Thus, the Court finds that the Delaware court's ruling on claim 1

the '304 patent does not collaterally estop PMC from arguing that claim 1 of the '635 patent is

patent-eligible under § 101.

Second, Apple provides a high-level description of the elements of claim 13 of the '091

patent and asserts those elements are analogous to the elements of claim 1 of the '304 patent

which the Delaware court found patent-ineligible. (Dkt. No. 34 at 13–14.) PMC contends in

response that "[c]laim 13 of the '091 Patent also includes two method steps that are

completely absent from claim 1 of the '304 Patent, and as a result claim 13 'recites a

significantly different decryption procedure in which the receiver station must first

determine how to locate 'a first decryption key' and then locate the key accordingly (i.e.,

'based on said step of determining').'" (Dkt. No. 83 at 10.)

The Court finds Apple has not shown how claim 1 of the '304 patent and claim 13 of the

'091 patent are materially the same. The Delaware court held that claim 1 of the '304 patent was

directed to the idea of "decryption." PMC points out that claim 13 of the '091 patent recites

elements directed to locating a "first decryption key." A claim directed to "decryption" and one

directed to locating a "decryption key" can be seen as related but distinct claims. Since, on a

motion to dismiss all factual disputes must be resolved in favor of the plaintiff, the Court finds

Apple has not shown that claim 1 of the '304 patent and claim 13 of the '091 patent are

materially the same despite this difference. The Court finds that the Delaware court's ruling on

the '304 patent does not collaterally estop PMC from arguing that claim 13 of the '091 patent is

patent-eligible under § 101.

Finally, the Court agrees with Apple that claim 1 of the '304 patent and claim 2 of the

'635 patent are nearly identical. The Court, however, finds that it is unable to determine whether

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.

fastcase®
Smarter legal research.