

United States District Court
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

INNOVATION SCIENCES, LLC	§	
	§	
v.	§	Civil Action No. 4:19-CV-00752
	§	Judge Mazzant
HTC CORPORATION	§	
	§	

MEMORANDUM OPINION AND ORDER

Pending before the Court is Defendant HTC Corporation’s Rule 12(b)(6) Motion to Dismiss for Improper Claim Splitting and Circumvention of Patent Local Rules (Dkt. #7). Having considered the motion and the relevant pleadings, the Court finds that the motion should be denied.

BACKGROUND

The facts of this case and the question presented by Defendant’s motion requires the Court to discuss how this suit is intertwined with another ongoing case involving the same parties: *Innovation Sciences, LLC v. HTC Corporation*, Case No. 4:18-CV-00476 (“*HTC I*”). In *HTC I*, Plaintiff Innovation Sciences brings three counts of patent infringement against Defendant for alleged infringement of U.S. Patent No. 9,912,983 (“the ’983 patent”), U.S. Patent No. 9,942,798 (“the ’798 patent”), and U.S. Patent No. 9,729,918 (“the ’918 patent”). Case No. 4:18-CV-00476, (Dkt. #1). The accused devices in *HTC I* are the HTC U11 and U12 smartphones (“First Accused Devices”). Case No. 4:18-CV-00476, (Dkt. #1 ¶ 16).

This action—“*HTC II*”—asserts infringement of the same three patents. But it asserts infringement against three different HTC devices: the Pixel 2 phone, the Exodus 1 phone, and the HTC 5G Hub (“Second Accused Devices”) (Dkt. #1 ¶ 16). And while Plaintiff’s infringement analysis against the First Accused Devices was limited to the HTC Alexa App and the information communicated by the First Accused Devices to the Amazon cloud, Plaintiff’s infringement

analysis against the Second Accused Devices is limited to the device's operation with Google technology. *See* Case No. 4:18-CV-00476, (Dkt. #1); (Dkt. #1; Dkt. 11 at pp. 4–6).

On December 30, 2019, Defendant filed its Rule 12(b)(6) Motion to Dismiss for Improper Claim Splitting and Circumvention of Patent Local Rules (Dkt. #7). On January 8, 2020, Plaintiff responded (Dkt. #11). Defendant replied on January 15, 2020; Plaintiff filed its sur-reply on January 23, 2020 (Dkt. #14). Defendant also filed two notices of new facts after the briefing had closed: Defendant filed the first notice on March 20, 2020 (Dkt. #21), and it filed the second notice on March 31, 2020 (Dkt. #25). The Court heard argument from the parties regarding this motion on April 1, 2020 (Dkt. #30). The parties also submitted a proposed case schedule in the event that Defendant's motion to dismiss is denied and the Court consolidates all related Innovation-HTC matters (Dkt. #32).

LEGAL STANDARD

The Federal Rules of Civil Procedure require that each claim in a complaint include a “short and plain statement . . . showing that the pleader is entitled to relief.” FED. R. CIV. P. 8(a)(2). Each claim must include enough factual allegations “to raise a right to relief above the speculative level.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007).

A Rule 12(b)(6) motion allows a party to move for dismissal of an action when the complaint fails to state a claim upon which relief can be granted. FED. R. CIV. P. 12(b)(6). When considering a motion to dismiss under Rule 12(b)(6), the Court must accept as true all well-pleaded facts in the plaintiff's complaint and view those facts in the light most favorable to the plaintiff. *Bowlby v. City of Aberdeen*, 681 F.3d 215, 219 (5th Cir. 2012). The Court may consider “the complaint, any documents attached to the complaint, and any documents attached to the motion to dismiss that are central to the claim and referenced by the complaint.” *Lone Star Fund V (U.S.)*,

L.P. v. Barclays Bank PLC, 594 F.3d 383, 387 (5th Cir. 2010). The Court must then determine whether the complaint states a claim for relief that is plausible on its face. “A claim has facial plausibility when the plaintiff pleads factual content that allows the [C]ourt to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Gonzalez v. Kay*, 577 F.3d 600, 603 (5th Cir. 2009) (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)). “But where the well-pleaded facts do not permit the [C]ourt to infer more than the mere possibility of misconduct, the complaint has alleged—but it has not ‘show[n]’—‘that the pleader is entitled to relief.’” *Iqbal*, 556 U.S. at 679 (quoting FED. R. CIV. P. 8(a)(2)).

In *Iqbal*, the Supreme Court established a two-step approach for assessing the sufficiency of a complaint in the context of a Rule 12(b)(6) motion. First, the Court should identify and disregard conclusory allegations, for they are “not entitled to the assumption of truth.” *Iqbal*, 556 U.S. at 664. Second, the Court “consider[s] the factual allegations in [the complaint] to determine if they plausibly suggest an entitlement to relief.” *Id.* “This standard ‘simply calls for enough facts to raise a reasonable expectation that discovery will reveal evidence of the necessary claims or elements.’” *Morgan v. Hubert*, 335 F. App’x 466, 470 (5th Cir. 2009) (citation omitted). This evaluation will “be a context-specific task that requires the reviewing court to draw on its judicial experience and common sense.” *Iqbal*, 556 U.S. at 679.

Thus, “[t]o survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Id.* at 678 (quoting *Twombly*, 550 U.S. at 570).

ANALYSIS

I. The Rule Against “Claim Splitting”

When a case turns on general principles of claim preclusion, the law of the regional circuit in which the district court sits applies. *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed.

Cir. 2008). But where the claim-preclusion issue is whether two claims for patent infringement are identical, Federal Circuit law applies without reference to regional circuit law. *Id.*; *see also Nystrom v. Trex Co.*, 580 F.3d 1281, 1285 (Fed. Cir. 2009) The latter is the situation here—Defendant asserts that Plaintiff is engaged in “claim splitting” by filing a second lawsuit alleging infringement of the same patents against the same functionality (Dkt. #7 at p. 6). *See In re ASM Int’l, N.V.*, 774 F. Appx. 650, 653 (Fed. Cir. 2019) (“Generally, the claim-splitting doctrine is a form of claim preclusion . . .”).

In applying the doctrine of claim preclusion, courts applying Federal Circuit law are guided by the Restatement (Second) of Judgments. *Acumed*, 525 F.3d at 1323. That means that a claim is defined by the transactional facts from which it arises—with regard to a patent, that means the structure of the device or devices in issue. *Id.* at 1324 (quoting *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 479 (Fed. Cir. 1991)). So, unless the accused device in the action before the Court is “essentially the same” as the accused device in a prior action, claim preclusion does not apply. *Id.* And it is the party asserting claim preclusion that has the burden of showing the accused devices are “essentially the same,” which means the party asserting claim preclusion must show that any differences between the devices are “merely colorable” or “unrelated to the limitations in the claim of the patent.” *Id.* (quoting *Foster*, 947 F.2d at 480).

II. HTC II Is Not Barred by Claim Preclusion

Defendant has not carried its burden of showing that Plaintiff has impermissibly split its claims. Defendant—relying heavily on *Adaptix, Inc. v. AT&T Mobility LLC*, 6:12-CV-120, 2015 WL 12696204 (E.D. Tex. May 12, 2015) (Craven, M.J.)—argues that Plaintiff accuses essentially the same products in both lawsuits. Defendant asserts that just like the plaintiff in *Adaptix* did, Plaintiff has alleged infringement of different devices for essentially the same reason in two lawsuits (Dkt. #7 at p. 18). Defendant submits that although differences do exist between the First

Accused Products and the Second Accused Products, those differences are immaterial to the infringement inquiry (Dkt. #7 at p. 18). Specifically, Defendant argues that the First Accused Products and the Second Accused Products both allegedly infringe for the same reasons: both products use video conversion and smart-home functionality claimed in the patents (Dkt. #7 at p. 18). The only differences are colorable, Defendant argues, and are that the devices are physically different and the alleged method of infringement relies on different smart-home assistants (Dkt. #7 at p. 20).

In *Adaptix*, the plaintiff filed multiple suits for patent infringement against a series of wireless carriers and handset manufacturers. 2015 WL 12696204, at *1. Several of those suits were transferred to the Northern District of California (“the California Cases”). *Id.* at *2. Judge Grewal entered final judgment for the defendants in the California Cases on all of the plaintiff’s claims for infringement; Judge Grewal also ruled that four of the asserted claims were invalid. *Id.* at *3. The Defendants moved for summary judgment on preclusion grounds in the Eastern District of Texas, arguing that the only remaining claims were a subset of the patent claims on which the California court granted summary judgment of non-infringement. *Id.* The court agreed. *Id.* at *1.

The court noted that although the accused handsets in the California Cases were different, the plaintiff’s infringement contentions were identical in both sets of cases. *Id.* at *13. And the plaintiff did not dispute that it had sought relief in the California Cases under the same theory of direct infringement that it was pursuing in the Eastern District of Texas, which was that “the accused devices operating on the accused carrier networks allegedly infringe[d] through their use of Mode 3 CQI reporting as defined in the 3GPP LTE industry standard.” *Id.* In fact, the plaintiff could not identify any difference between “the LG/Pantech handsets in these cases and the Apple/HTC handsets in the California cases,” let alone any differences related to the limitations in

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