

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

AMERANTH, INC., a Delaware corporation,

Plaintiff,

v.

CHOWNOW, INC., a Delaware corporation,

Defendant.

CHOWNOW, INC., a Delaware corporation,

Counter-claimant,

v.

AMERANTH, INC., a Delaware corporation,

Counter-defendant.

) Case No.: 3:20-cv-02167-BEN-BLM

) **ORDER DENYING PLAINTIFF'S MOTION TO:**

) **(1) DISMISS THE COUNTERCLAIM FOR (A) FAILURE TO STATE A CLAIM AND (B) LACK OF SUBJECT MATTER JURISDICTION AND**

) **(2) REMAND TO STATE COURT PURSUANT TO 28 U.S.C. § 1447(c)**

) **[ECF No. 12, 13, 15, 19, 20, 24, 28, 29, 30]**

I. INTRODUCTION

Plaintiff/Counter-defendant Ameranth, Inc., a Delaware corporation (“Plaintiff” or “Ameranth”) brings this action for breach of a patent licensing agreement against Defendant/Counter-claimant ChowNow, Inc., a Delaware corporation (“Defendant” or “ChowNow”). ECF No. 1; *see also* ECF No. 12-1 at 6:3-4.

1 Before the Court are the following Motions: Plaintiff's Motion to (1) Dismiss for (a)
2 Failure to State a Claim for Relief and (b) Lack of Subject Matter Jurisdiction and (2)
3 Remand to State Court, ECF No. 12 (the "Motions"). Defendant opposed both motions.
4 ECF No. 19. Plaintiff replied. ECF No. 24. The Motions were submitted on the papers
5 without oral argument pursuant to Civil Local Rule 7.1(d)(1) and Rule 78(b) of the Federal
6 Rules of Civil Procedure. ECF No. 25. After considering the papers submitted, supporting
7 documentation, and applicable law, the Court **DENIES** both of Plaintiff's Motions.

8 **II. BACKGROUND**

9 A judge in this district recently noted that this is by no means the first patent
10 infringement case brought by Ameranth and will undoubtedly not be the last. *See, e.g.,*
11 *Ameranth, Inc. v. Domino's Pizza, Inc.*, No. 3:12-cv-00733-DMS-WVG, 2021 WL
12 409725, at *1 (S.D. Cal. Feb. 5, 2021), *reconsideration denied*, No. 12CV0733 DMS
13 (WVG), 2021 WL 1853553 (S.D. Cal. May 10, 2021) (listing forty-three (43) patent
14 infringement cases filed by Ameranth in the Southern District of California).¹ The instant
15 case arises from Ameranth's ownership of several patents licensed to Defendant. *See*
16 *generally* ECF No. 1. Defendant eventually ceased paying royalties to Plaintiff on the basis
17 that, *inter alia*, it believed it did not practice the patents covered by the underlying license
18 agreement and most of those patents had been declared invalid. *Id.* Plaintiff contends that
19 Defendant's failure to continue paying royalties constitutes a breach of the agreements
20 between the parties. *Id.*

21
22 ¹ The Court takes judicial notice of the fact that as of the date of this order, PACER
23 shows a total of 52 cases in which the plaintiff is Ameranth, Inc. FED. R. EVID. 201(b)
24 (1)-(2) (providing that at any stage of a proceeding, courts may take judicial notice of (1)
25 facts not subject to reasonable dispute and "generally known within the trial court's
26 territorial jurisdiction" and (2) adjudicative facts, which "can be accurately and readily
27 determined from sources whose accuracy cannot reasonably be questioned"); *see*
28 *also Asdar Group v. Pillsbury, Madison & Sutro*, 99 F.3d 289, 290 n.1 (9th Cir. 1996)
(taking judicial notice of court records); *Langer v. Kiser*, 495 F. Supp. 3d 904, 911 (S.D.
Cal. 2020) (taking judicial notice of the fact that "PACER shows a total of 1,498 cases in
which the plaintiff is named 'Chris Langer' throughout all courts on PACER").

1 **A. Statement of Facts**²

2 Plaintiff is a San Diego-based online and mobile food ordering technology and
3 software company that provides web and mobile data synchronization solutions as part of
4 its food and beverage technology systems to restaurants throughout the United States.
5 Complaint, ECF No. 1-2 (“Compl.”) at 3:6-9³; *see also* Motion to Dismiss and Remand,
6 ECF No. 12-1 (“Mot.”) at 7:12-14. The United States Patent and Trademark Office
7 (“USPTO”) issued multiple utility patents to Plaintiff, including Patent Nos. 6,384,850 (the
8 “850 Patent”), 6,871,325 (the “325 Patent”), 6,982,733 (the “733 Patent”), 8,146,077 (the
9 “077 Patent”), 9,009,060 (the “060 Patent”), and 9,747,651 (the “651 Patent”)
10 (collectively, the Licensed Patents”). Plaintiff also has other related patent applications
11 pending. Mot. at 7:14-17; *see also* Opposition to Motion to Dismiss and Remand, ECF
12 No. 19 (“Oppo.”) at 7:25-28. These patents pertain to a “synchronous communications
13 system and method for generation of computerized menus.” Cross-Complaint, ECF No.
14

15 ² In its order, the Court primarily relies on facts stated in both Plaintiff’s Motions as
16 well as Defendant’s Opposition given these appear to be facts neither party disputes. The
17 majority of the facts set forth are also taken from the operative pleadings Plaintiff seeks to
18 dismiss or disputes (*e.g.*, Defendant’s notice of removal and Defendant’s counterclaims),
19 and for purposes of ruling on Plaintiffs’ Motions, the Court assumes the truth of the
20 allegations pled and liberally construes all allegations in favor of the non-moving party.
21 *Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir. 2008).
22 Additional facts were also taken from the relevant licensing agreements and documents
23 relied upon in the pleadings. *See, e.g., Rosen v. Uber Techs., Inc.*, 164 F. Supp. 3d 1165,
24 1171 (N.D. Cal. 2016) (providing that “[f]or purposes of a Rule 12(b)(6) motion...the court
25 can [also] ‘augment’ the facts and inferences from the body of the complaint with ‘data
26 points gleaned from documents incorporated by reference into the complaint, matters of
27 public record, and facts susceptible to judicial notice”); *Pension Ben. Guar. Corp. v. White
28 Consol. Indus., Inc.*, 998 F.2d 1192, 1196 (3d Cir. 1993) (“Otherwise, a plaintiff with a
legally deficient claim could survive a motion to dismiss simply by failing to attach a
dispositive document on which it relied”).

³ Unless otherwise indicated, all page number references are to the ECF-generated
page number contained in the header of each ECF-filed document. All references to an
ECF-generated filing number preceded by a case number differing from the present case
refer to a filing on the docket in the case number that precedes that “ECF No.” reference.

1 1-4 (“Cross-Compl.”) at 4:11-13. Plaintiff readily admits that it licenses “its patents to
2 dozens of companies in the hospitality industry.” Mot. at 7:17-18.

3 Defendant is also an online and mobile food ordering company that provides food
4 and beverage ordering technology systems and services to restaurants throughout the
5 United States, including in San Diego, California. Compl. at 3, ¶ 4. Defendant provides
6 its local restaurant customers with Software as a Service tools to help them grow their
7 business by allowing them to process an unlimited number of customer orders through their
8 own websites and mobile applications for a fixed monthly cost. Cross-Compl. at 3, ¶ 2.

9 **1. Initial Lawsuit**

10 On May 18, 2012, Plaintiff sued ChowNow in the Southern District of California in
11 *Ameranth, Inc. v. ChowNow, LLC*, Case No. 3:12-cv-01201-JLS-NLS (“*ChowNow I*”),
12 alleging three counts of infringement pertaining to the 850, 325, and 077 patents, arising
13 out of Defendant’s alleged use of Plaintiff’s three aforementioned patents. *ChowNow I*,
14 ECF No. 1; *see also* Mot. at 7:22-23; Oppo. at 7:19-22. This case was voluntarily dismissed
15 pursuant to Rule 41(a)(1) of the Federal Rules of Civil Procedure (“FRCP”), *with*
16 *prejudice*, due to a settlement between the parties. *ChowNow I*, ECF No. 8.

17 **2. ChowNow I Settlement Resulting in Licensing Agreements**

18 On June 22, 2012, as part of the settlement reached in *ChowNow I*, Plaintiff and
19 Defendant entered into an original licensing agreement pursuant to which Plaintiff granted
20 a non-exclusive license⁴ to Defendant to certain patents owned by Plaintiff in consideration
21 for Defendant’s agreement to (1) mark its system with Plaintiff’s patents; (2) submit
22 quarterly reports to Plaintiff of Defendant’s royalty producing activities within the Fields

23
24 ⁴ “In a patent license, a patent owner grants to someone else permission to tread upon
25 the patent owner’s property rights without legal consequence.” Amelia Smith Rinehart,
26 *The Federal Question in Patent-License Cases*, 90 Ind. L.J. 659, 660 (2015) (noting that
27 “[w]hen one of the parties to a patent license decides to seek remedies from the other party
28 for a license harm, . . . [i]n most cases, the patent owner brings her suit against the licensee
in federal court, alleging that the licensee breached the license contract and, as a result,
now infringes the patent” because “[t]he license agreement, by its very nature, implicates
patent issues”).

1 of Use⁵; and (3) make royalty payments to Plaintiff.” Mot. at 8:3-7; Oppo. at 8:9-15; *see*
2 *also* Compl. at 3:13-17; Licensing Agreement, ECF No. 14-1 at 3, § 2.1.1. The licensing
3 agreement (the “Licensing Agreement”) pertained to the 850 Patent, 325 Patent, 733
4 Patent, and 077 Patent. ECF No. 14.

5 This Licensing Agreement does not preclude Plaintiff from suing Defendant for
6 patent infringement arising out of Defendant’s use of the Licensed Patents outside the Field
7 of Use or for Defendant’s discontinuation of royalty payments, which would cause the
8 Agreement to terminate. Other sections of the Agreement, such as Section 2.2.1, governing
9 Plaintiff’s “Release of Claims” confirm this:

10 Ameranth hereby releases and forever discharges, and covenants
11 not to sue ChowNow . . . from any and all claims, causes of action
12 . . . known or unknown, actual or potential, suspected or
13 unsuspected,. . . which Claims have been, or could have been,
made *as of the Effective Date of this Agreement*, or *which might*

14 ⁵ The definition of “Fields of Use” is ultimately not helpful to the issues at hand, but
15 because it is referenced throughout both parties’ briefing as well as this order, the Court
16 notes that both Agreements define the term as pertaining to electronic food ordering:

17 *“Fields of Use”* shall mean use for: (a) hosting menus and
18 receiving and processing orders for food and beverages from
19 consumers, caterers, delivery services, and other third party
20 aggregators and food service providers, and (b) payment/gift
21 card processing via a wireless handheld computing device—
22 including any of the uses in subsections (a)-(b) by any of the
23 following means: (i) online, including on its own and third party
24 websites, (ii) on mobile devices, including through mobile
25 websites and mobile applications, (iii) in call centers operated by
26 ChowNow or third parties, (iv) on platforms such as game
27 consoles, cable boxes, DVD and Blu-Ray players, web enabled
28 televisions, media players, and other web enabled devices, (v) on
web and social media platforms such as Linked-In, Facebook,
My Space, and Four Square, and (vi) on other synchronized
devices or platforms that may be developed in the future.

Licensing Agreement, ECF No. 14-1 at 2q, § 1.2; First Amended Agreement, ECF No. 14-
1 (“FAA”) at 2, § 1.2.

1 *be made at any time in the future, that arise out of*, or relate to,
2 directly or indirectly, the alleged infringement, prior to the
3 Effective Date, of the Licensed Patents by any ChowNow . . .
4 product, device, article of manufacture, service or system used or
5 to be used *in the Field of Use*.

6 Licensing Agreement, ECF No. 14-1 at 3, § 2.2.1 (emphasis added). Thus, the release
7 only applied to infringement occurring before the Agreement within the Field of Use. *See*
8 *id.*; *see also id.* at 5, § 3.1 (providing that “[t]he Patent License grant set forth herein to
9 ChowNow is limited to the Fields of Use”).

10 On December 20, 2013, Plaintiff and Defendant entered into the First Amended
11 License Agreement (the “FAA”), the operative contract in dispute in this lawsuit, which
12 pertains to the same four Licensed Patents, contains similar terms, and provides Defendant
13 with non-exclusive licensing rights in exchange for Defendant’s obligation to pay certain
14 running royalties. Mot. at 8:8-14; Oppo. at 8:16-22; Compl. at 3:21-28. Both the Licensing
15 Agreement and FAA (collectively, the “Agreements”) contain a provision, Section 5.3,
16 stating that “[t]he Royalty Payments shall no longer be due if all claims under the Licensed
17 Patents are finally held invalid and/or the Licensed Patents are held to be unenforceable
18 (after all appeals are exhausted) prior to the due date for such Royalty Payments.”
19 Licensing Agreement, ECF No. 14 at 7, FAA, § 5.3; *see also* Compl. at 4:14-18 (quoting
20 same). Additionally, pursuant to Section 6.3 of the FAA, if one party “materially defaults
21 in the performance of any provision of this Agreement,” the non-defaulting party may
22 provide written notice to the defaulting party, and if the defaulting party fails to cure the
23 default “within sixty (60) days of provision of such notice, the Agreement will terminate.”
24 FAA at 8, § 6.3. Upon termination of the Agreements “for any reason, all rights granted
25 to ChowNow under Section 2 of this Agreement, and any responsibility of ChowNow to
26 make future payments to Ameranth beyond the date of termination, will immediately
27 terminate.” *Id.* at 8, § 6.4. Thus, based on these provisions, if one party, like Defendant,
28 breached the Agreements and failed to cure that breach within sixty days, the Agreements
 terminated, “all bets were off,” and Plaintiff could sue Defendant for patent infringement.

1 **3. Federal Circuit Invalidation of Three of the Licensed Patents**

2 In 2016, the Federal Circuit (1) affirmed the PTAB’s determination that “[c]laims 1-
3 11 of the 850 patent, claims 1-10 of the 325 patent, and claims 1-16 of the 733 patent are
4 all unpatentable under § 101” and (2) reversed the PTAB’s determinations that the other
5 claims were patentable. *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1245 (Fed. Cir.
6 2016).⁶ A few years later, in *Ameranth, Inc. v. Domino’s Pizza, LLC*, 792 F. App’x 780,
7 782, 788 (Fed. Cir. 2019), *cert. denied*, No. 19-1351, 2020 WL 5882297 (U.S. Oct. 5,
8 2020), the Federal Circuit affirmed the district court’s entry of judgment that claims 1, 6-
9 9, 11, and 13-18 of Plaintiff’s 077 Patent were “patent ineligible.” Thus, the
10 aforementioned claims have been adjudicated as unpatentable, and this Court is bound by
11 those rulings. *See, e.g., Pfaff v. Wells Electronics, Inc.*, 5 F.3d 514, 518 (Fed. Cir. 1993)
12 (providing that “where a determination of the scope of patent claims was made in a prior
13 case, and the determination was essential to the judgement there on the issue of
14 infringement, there is collateral estoppel in a later case on the scope of such claims.”).
15 Further, the United States Supreme Court denied Plaintiff’s petition for writ of *certiorari*
16 on October 5, 2020, declining to reverse the ruling of invalidity as to the 077 Patent. ECF
17 No. 18 at 7:18-20. Thus, the only remaining valid patents appear to be the 060 Patent and
18 the 651 Patents, which were not subject to either licensing agreement. *See* ECF No. 14 -
19 14-1. However, the 060 and 651 Patents “claim priority from the applications that issued
20 as the ’077, ’733, and/or ’850 Patents.” Cross-Compl. at 7:18-21. Because these patents
21 claim priority from the 077, 733, and 850 Patents, they fall under the Agreements’ based
22 upon their plain language. However, within the past year, a court in Delaware invalidated
23 the 651 Patent. *See, e.g., Natera, Inc. v. ArcherDX, Inc.*, No. CV 20-125-LPS, 2020 WL
24 6043929, at *7 (D. Del. Oct. 13, 2020) (finding that even after applying Ameranth’s

25 _____
26 ⁶ These adjudications on the merits bind this district with respect to the validity of the
27 claims adjudicated in that case. *Yong v. INS*, 208 F.3d 1116, 1119 n. 2 (9th Cir. 2000)
28 (“[O]nce a federal circuit court issues a decision, the district courts within that circuit
are bound to follow it and have no authority to await a ruling by the Supreme Court before
applying the circuit court’s decision as binding authority....”).

1 proposed construction to the 651 Patent for an “information management and synchronous
2 communications system for use in the hospital services industry,” the claims are not
3 patentable). As a result, only the 060 Patent appears to remain at issue.⁷

4 **4. ChowNow’s Post-Invalidation Default under the Agreements**

5 Defendant claims that in 2018, it concluded that it finally had sufficient resources to
6 evaluate its alleged use of Plaintiff’s Licensed Patents in the ChowNow Platform, and as a
7 result of this investigation, “ceased making royalty payments to [Plaintiff] after April 30,
8 2018—the payment due date for the first quarter of 2018.” *Oppo*. at 8:24-9:7.

9 On August 31, 2018, Plaintiff served Defendant with a written Notice of Default of
10

11 ⁷ Although the *Natera* decision is from another district court, and as such, is not
12 binding precedent on this Court, the Court accepts its conclusion as to patent invalidity on
13 the basis of the doctrine of defensive non-mutual collateral estoppel. The doctrine of non-
14 mutual defensive collateral estoppel “precludes a plaintiff from contesting an issue it has
15 previously litigated and lost in another case against a different defendant.” *Pharm. Care*
16 *Mgmt. Ass’n v. D.C.*, 522 F.3d 443, 446 (D.C. Cir. 2008) (noting that “[t]he preclusion [in
17 that case] is defensive because the defendant invokes the bar against the plaintiff’s
18 claims”); *see also Sovereign Software LLC v. Victoria’s Secret Direct Brand Mgmt., LLC*,
19 778 F.3d 1311, 1313, 1320 (Fed. Cir. 2015) (holding the invalidity of the asserted claims
20 of two patents-in-suit was established by issue preclusion). The Supreme Court has
21 explicitly held that the defense of issue preclusion applies to a defendant “facing a charge
22 of infringement of a patent that has once been declared invalid,” even though the party
23 asserting the defense was not a party to the action where the patent was
24 invalidated. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349-50
25 (1971); *see also Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1577 (Fed. Cir. 1994).
26 In order to apply issue preclusion, the Federal Circuit requires the party seeking to apply
27 preclusion to meet four conditions: “(1) identity of the issues in a prior proceeding; (2) the
28 issues were actually litigated; (3) the determination of the issues was necessary to the
resulting judgment; and, (4) the party defending against preclusion had a full and fair
opportunity to litigate the issues.” *Sovereign*, 778 F.3d at 1315.

Here, the Court concludes that (1) the validity of the 651 Patent was litigated in the
Natera proceeding; (2) that issue was actually litigated; (3) the U.S. District Court for the
District of Delaware made a determination on the merits; and (4) the party defending
against preclusion, which in this case, would be Plaintiff, had a full and fair opportunity to
litigate the issues in that court. Thus, any attempt to dispute the invalidity of the 651 Patent
is barred by issue preclusion, or more specifically, the doctrine of defensive non-mutual
collateral estoppel.

1 License Agreement for Failure to Pay Royalties. Compl. at 6:4-5. On September 28, 2018,
2 Plaintiff's legal counsel sent another letter to Defendant demanding that the parties engage
3 in mediation by no later than November of 2018, as required by section 9.2.2 of the FAA.
4 Compl. at 6:15-17.

5 On October 11, 2018, Defendant's legal counsel sent Plaintiff a responsive letter.
6 *Id.* at 6:19-20. Subsequently, on November 1, 2018, representatives for both Ameranth
7 and ChowNow met but were unable to resolve their dispute. *Id.* at 7:9-11.

8 The 077, 733, 325, and 850 Patents expired on September 21, 2019. Cross-Compl.
9 at 8:27-28. As Plaintiff notes, "[u]nder section 6.1, the license agreements remain in effect
10 until all of the Licensed Patents expire, unless otherwise terminated earlier."⁸ Mot. at 9:13-
11 14. Plaintiff admits that the remaining 060 Patent "is a continuation in part of the '077
12 Patent, which is one of the patents specifically identified in section 1.3 of the License
13 Agreement," and "[t]hus, the '060 patent is one of the Licensed Patents under the License
14 Agreement" even though the other patents specifically mentioned in the FAA are no longer
15 valid (either due to judicial declaration or expiration). Mot. at 9:25-28. Further, the 060
16 Patent issued on April 24, 2015, before the expiration of the patents preceding it. *See also*
17 Mot. at 15:25-28 (stating that "[i]t is undisputed that, as of the filing date of the Complaint,
18 Ameranth holds patents and patent claims that have not been found invalid or
19 unenforceable, including but not limited to all claims of the '060 patent.").

20 **B. Procedural History**

21 On October 1, 2020, Plaintiff filed suit against Defendant in the San Diego Superior
22 Court, *Ameranth, Inc. v. ChowNow, Inc.*, San Diego Superior Court Case No. 37-2020-
23 00034944-CU-BC-CTL, alleging causes of action for (1) breach of written contract; (2)
24 declaratory relief; and (3) unjust enrichment, while also seeking damages, declaratory
25 relief, and costs. Compl. at 1-12. The declaratory relief sought to require Defendant to
26

27 ⁸ So long as any single patent under a licensing agreement remains valid, the licensee
28 must continue paying royalties until all covered patents have been held invalid or expire.
Brulotte v. Thys Co., 379 U.S. 29, 29 (1964).

1 provide quarterly reports and pay Plaintiff royalty payments through October 1, 2020,⁹
2 which Plaintiff alleges were required under the FAA. Compl. at 11:1-7.

3 On November 4, 2020, Defendant timely filed a General Denial and Statement of
4 Affirmative Defenses in the state court action, asserting affirmative defenses pertaining to
5 Defendant's non-infringement of the Licensed Patents, the invalidity of the Licensed
6 Patents, patent misuse, and preemption by federal law. Answer, ECF No. 1-3 ("Ans.").
7 That same day, Defendant also filed a cross-complaint, seeking declaratory judgments
8 pursuant to 28 U.S.C. § 2201, pleading five causes of action for a declaration of non-
9 infringement of the 077, 060, and 651 Patents as well as a declaration of invalidity of the
10 077 and 060 Patents. Cross-Compl. at 1-31. Also on November 4, 2020, after filing its
11 General Denial and Cross-Complaint in the San Diego Superior Court, Defendant filed a
12 Notice of Removal, asserting that the federal court "has original jurisdiction under 28
13 U.S.C. §§ 1331 and 1338," and that removal is proper "pursuant to 28 U.S.C. §§ 1441(a),
14 1446, and 1454." ECF No. 1 at 4:11-13.

15 On November 19, 2020, Plaintiff timely filed the instant Motions. *See* Mot. On
16 December 7, 2020, Defendant opposed. *See* Oppo. On December 11, 2020, Plaintiff filed
17 its reply. Reply, ECF No. 24 ("Reply").

18 On December 7, 2020, Defendant filed amended counterclaims, containing the same
19 claims for relief as its cross-complaint filed in the superior court while adding eight
20 additional claims for relief for (1) declaration of invalidity as to the 651 Patent; (2)
21 unenforceability of the 077 Patent; (3) declaration of unenforceability of the 060 Patent;
22 (4) declaration of unenforceability of the 651 Patent; (5) bad faith enforcement of patents,
23 15 U.S.C. § 2; (6) bad faith enforcement of patents through a pattern of sham litigation, 15
24 U.S.C. § 2; (7) violation of California's Unfair Competition Law, Cal. Bus. & Prof. Code

25 ⁹ This date is significant as Defendant contends that Plaintiff is waiving its right to
26 future potential royalties because "Ameranth is well aware that its final patent, the '060
27 Patent, is invalid, and it does not want to put the validity of this last patent at issue in federal
28 court, where the other five patents in the family were previously invalidated." Oppo. at
10:11-15.

1 § 17200; and (8) unjust enrichment. ECF No. 18.

2 On February 16, 2021, Defendant filed a Notice of Supplemental Authority in
3 Support of Plaintiff's Motion. ECF No. 28. On June 24, 2021, Defendant provided another
4 Notice Supplemental Authority. ECF No. 29. On June 25, 2021, Plaintiff filed an
5 Objection to Defendant's second Notice of Supplemental Authority. ECF No. 30.

6 **III. LEGAL STANDARD**

7 **A. Motion to Dismiss**

8 **1. Lack of Subject Matter Jurisdiction (FRCP 12(b)(1))**

9 FRCP 12(b)(1) allows a defendant to seek dismissal of a claim or lawsuit by
10 asserting the defense of lack of subject matter jurisdiction. FED. R. CIV. P. 12(b)(1). In
11 patent cases, Federal Circuit precedent governs the determination of whether the court
12 possesses subject matter jurisdiction. *See Minnesota Mining & Mfg. Co. v. Norton Co.*,
13 929 F.2d 670, 672 (Fed. Cir. 1991); *see also 3M Co. v. Avery Dennison Corp.*, 673 F.3d
14 1372, 1377 (Fed. Cir. 2012) (“Whether an actual case or controversy exists so that a district
15 court may entertain an action for a declaratory judgment of non-infringement and/or
16 invalidity is governed by Federal Circuit law.”).

17 Federal courts are courts of limited jurisdiction; however, district courts possess
18 “original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of
19 the United States.” 28 U.S.C. § 1331. Consequently, district courts are presumed to lack
20 jurisdiction unless the Constitution or a statute expressly provides otherwise. *Stock West,*
21 *Inc. v. Confederated Tribes*, 873 F.2d 1221, 1225 (9th Cir. 1989). Article III of the United
22 States Constitution limits the subject matter jurisdiction of federal courts to (1) legal and
23 equitable cases “arising under this Constitution, the Laws of the United States, and Treaties
24 made” and (2) controversies, *inter alia*, to which the United States is a party, between two
25 or more states, and citizens of different states. U.S. CONST. ART. III, § 2. The “case or
26 controversy” requirement of Article III requires courts to find that a case presents a
27 “justiciable” controversy by determining that (1) the plaintiff has demonstrated standing,
28 “including ‘an injury that is concrete, particularized, and imminent rather than conjectural

1 or hypothetical,” and (2) the case is “ripe,” or in order words, “not dependent on
2 ‘contingent future events that may not occur as anticipated, or indeed may not occur at
3 all.” *Trump v. New York*, ---S.Ct.---, No. 20-366, 2020 WL 7408998, at *2 (U.S. Dec. 18,
4 2020); *see also MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 128 n.8 (2007) (noting
5 that standing and ripeness become the same question when a licensee seeks a declaration
6 of invalidity). An appropriate action for declaratory relief qualifies as a case or controversy
7 within Article III. *MedImmune*, 549 U.S. at 118, 128.

8 As to the requirement that a case arises under a law of the United States, generally,
9 federal subject matter jurisdiction exists due to statutory authorization resulting from the
10 presence of a federal question, *see* 28 U.S.C. § 1331, or complete diversity between the
11 parties, *see* 28 U.S.C. § 1332.¹⁰ Additionally, in 2011, Congress enacted the Leahy-Smith
12 American Invents Act (the “AIA”), which amended 28 U.S.C. sections 1338 (“Section
13 1338”) and 1295(a)(1) as well as added section 1454 (“Section 1454”) to provide federal
14 courts “with a broader range of . . . jurisdiction over claims arising under the patent laws
15 *even when asserted in counterclaims.*” *Vermont v. MPHJ Technology Instruments, LLC*,
16 803 F.3d 635, 643-44 (Fed. Cir. 2015). As amended, Section 1338 vests district courts
17 with “original jurisdiction of any civil action” that (1) arises “under any Act of Congress
18 relating to patents, plant variety protection, copyrights and trademarks” or (2) asserts “a
19 claim of unfair competition when joined with a substantial and related claim under the . . .
20 patent . . . or trademark laws.” 28 U.S.C. § 1338(a)-(b). Section 1454, in turn, provides
21 for removal of patent cases to federal court by providing that “[a] civil action in which any
22 party asserts a claim for relief arising under any Act of Congress relating to patents . . .
23 may be removed to the district court of the United States for the district and division
24 embracing the place where the action is pending . . . in accordance with section 1446.”
25 28 U.S.C. § 1454(a)-(b). Further, Section 1338(a) even goes so far as to prohibit states
26

27 ¹⁰ Because both parties to this case are Delaware corporations, no diversity of
28 citizenship exists sufficient to create diversity jurisdiction. *See* 28 U.S.C. § 1332; *see also*
Hertz Corp. v. Friend, 559 U.S. 77, 92-93 (2010).

1 courts from handling patent cases by providing: “No State court shall have jurisdiction over
2 any claim for relief arising under any Act of Congress relating to patents . . .”

3 If a court determines at any time it lacks subject matter-jurisdiction under Article III
4 or a federal statute, it “must dismiss the action.” FED. R. CIV. P. 12(h)(3). “Dismissal for
5 lack of subject matter jurisdiction is appropriate if the complaint, considered in its entirety,
6 on its face fails to allege facts sufficient to establish subject matter jurisdiction.” *In re*
7 *Dynamic Random Access Memory (DRAM) Antitrust Litig.*, 546 F.3d 981, 984-85 (9th Cir.
8 2008). The party seeking to establish federal jurisdiction bears the burden of establishing
9 it. *McNutt v. Gen. Motors Acceptance Corp. of Indiana*, 298 U.S. 178, 189 (1936).

10 **2. Failure to State a Claim (FRCP 12(b)(6))**

11 Under FRCP 12(b)(6), a complaint must be dismissed when a plaintiff’s allegations
12 fail to set forth a set of facts which, if true, would entitle the complainant to relief. *Bell*
13 *Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007); *Ashcroft v. Iqbal*, 556 U.S. 662, 679
14 (2009) (holding that a claim must be facially plausible to survive a motion to dismiss). The
15 pleadings must raise the right to relief beyond the speculative level; a plaintiff must provide
16 “more than labels and conclusions, and a formulaic recitation of the elements of a cause of
17 action will not do.” *Twombly*, 550 U.S. at 555 (citing *Papasan v. Allain*, 478 U.S. 265,
18 286 (1986)). On a motion to dismiss, a court accepts as true a plaintiff’s well-pleaded
19 factual allegations and construes all factual inferences in the light most favorable to the
20 plaintiff. *See Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir.
21 2008). However, a court is not required to accept as true legal conclusions couched as
22 factual allegations. *Iqbal*, 556 U.S. at 678.

23 In evaluating a Rule 12(b)(6) motion, review is ordinarily limited to the contents of
24 the complaint and material properly submitted with it. *Van Buskirk v. Cable News*
25 *Network, Inc.*, 284 F.3d 977, 980 (9th Cir. 2002); *Hal Roach Studios, Inc. v. Richard Feiner*
26 *& Co., Inc.*, 896 F.2d 1542, 1555 n.19 (9th Cir. 1990). However, under the incorporation
27 by reference doctrine, the court may also consider documents “whose contents are alleged
28 in a complaint and whose authenticity no party questions, but which are not physically

1 attached to the pleading” without converting a motion to dismiss to a motion for summary
2 judgment. *Branch v. Tunnell*, 14 F.3d 449, 454 (9th Cir. 1994), *overruled on other grounds*
3 *by Galbraith v. Cnty. of Santa Clara*, 307 F.3d 1119, 1121 (9th Cir. 2002). The court may
4 treat such a document as “part of the complaint, and thus may assume that its contents are
5 true for purposes of a motion to dismiss under Rule 12(b)(6).” *United States v. Ritchie*,
6 342 F.3d 903, 908 (9th Cir. 2003). “Plaintiffs may plead themselves out of court by
7 attaching exhibits inconsistent with their claims because the court may disregard
8 contradictory allegations.” Phillips & Stevenson, *California Practice Guide: Federal Civil*
9 *Procedure Before Trial* § 9:212a (The Rutter Group April 2020); *Johnson v. Fed. Home*
10 *Loan Mortg. Corp.*, 793 F.3d 1005, 1007-08 (9th Cir. 2015) (noting that courts “need not
11 accept as true allegations contradicting documents that are referenced in the complaint”).
12 Courts may also consider any statements made in a pleading or motion, including
13 concessions made in plaintiff’s response to the motion to dismiss as well as in response to
14 any other pleading or motion. FED. R. CIV. P. 10(C).

15 **B. Motion to Remand**

16 A motion to remand challenges the propriety of an action’s removal to federal court.
17 28 U.S.C. § 1447. A motion to remand is “the functional equivalent of a defendant’s
18 motion to dismiss for lack of subject-matter jurisdiction” under FRCP 12(b)(1). *See Leite*
19 *v. Crane Co.*, 749 F.3d 1117, 1122 (9th Cir. 2014). “Like plaintiffs pleading subject-matter
20 jurisdiction under Rule 8(a)(1), a defendant seeking to remove an action may not offer
21 mere legal conclusions; it must allege the underlying facts supporting each of the
22 requirements for removal jurisdiction.” *Leite*, 749 F.3d at 1122.

23 “Except as otherwise expressly provided by Act of Congress,” where a plaintiff files
24 in state court a civil action over which the district courts of the United States have original
25 jurisdiction, the defendant may remove that case “to the district court of the United States
26 for the district and division embracing the place where such action is pending.” 28 U.S.C.
27 § 1441(a). However, removing a case does not deprive another party “of his right to move
28 to remand the case.” 28 U.S.C. § 1448. Courts strictly construe the removal statute against

1 removal jurisdiction, and the defendant always has the burden of establishing that removal
2 is proper. *Provincial Gov't of Marinduque v. Placer Dome, Inc.*, 582 F.3d 1083, 1087 (9th
3 Cir. 2009); *Luther v. Countrywide Home Loans Servicing, LP*, 533 F.3d 1031, 1034 (9th
4 Cir. 2008).

5 Where a party bases removal solely on Section 1454, the district (1) *must* “remand
6 all claims that are neither a basis for removal under subsection (a) nor within the original
7 or supplemental jurisdiction of the district court under any Act of Congress,” and “*may*,
8 under the circumstances specified in section 1367(c), remand any claims within the
9 supplemental jurisdiction of the district court under section 1367.” 28 U.S.C. § 1454(d)
10 (emphasis added). District courts may decline to exercise supplemental jurisdiction over
11 related claims where (1) the related “claim raises a novel or complex issue of State law,”
12 (2) “the claim substantially predominates over the claim or claims over which the district
13 court has original jurisdiction,” (3) “the district court has dismissed all claims over which
14 it has original jurisdiction,” or (4) “in exceptional circumstances, there are other
15 compelling reasons for declining jurisdiction.” 28 U.S.C. § 1367(c). “The decision to
16 retain jurisdiction over state law claims is within the district court’s discretion, weighing
17 factors such as economy, convenience, fairness, and comity.” *Brady v. Brown*, 51 F.3d
18 810, 816 (9th Cir. 1995). Further, district courts do not need to “articulate why the
19 circumstances of [the] case are exceptional” to dismiss state-law claims pursuant to 28
20 U.S.C. section 1367(c)(1)-(3). See *San Pedro Hotel Co., Inc. v. City of L.A.*, 159 F.3d 470,
21 478-79 (9th Cir. 1998)).

22 **IV. DISCUSSION**

23 Federal “subject matter jurisdiction in patent cases is, surprisingly, one of the
24 thorniest issues in all of civil procedure.” Paul R. Gugliuzza, *Rising Confusion About*
25 *"Arising Under" Jurisdiction in Patent Cases*, 69 Emory L.J. 459, 461 (2019). With respect
26 to Plaintiff’s complaint, Plaintiff could either (1) file a breach of contract claim for
27 Defendant’s failure to meet its royalty obligations (as it did in the San Diego Superior
28 Court) or (2) sue for patent infringement because Defendant’s breach of the licensing

1 agreement allowed Plaintiff to terminate the Agreements and pursue infringement. *See*
2 FAA, ECF No. 14-1 at 8, §§ 6.3-6.4. In the former, there would be no federal question in
3 the well-pleaded complaint,¹¹ only in Defendant's answer, which would raise defenses of
4 patent invalidity and non-infringement. However, affirmative defenses do not create
5 federal question jurisdiction. *Akiachak Native Cmty. v. United States DOI*, 827 F.3d 100,
6 107 (D.C. Cir. 2016). In the latter, federal question appears in the well-pleaded complaint
7 under 28 U.S.C. § 1338, which grants federal jurisdiction over "any civil action relating to
8 patents." In this case, however, Defendant did not just plead invalidity and non-
9 infringement as an affirmative defense, it also filed counterclaims, which the Court
10 analyzes as if they were their own complaint. *See* FED. R. CIV. P. 8. In those counterclaims,
11 Defendant seeks to invalidate the Licensed Patents, which raises a federal question under
12 the AIA.

13 In its Motions, Plaintiff asks the Court to dismiss Defendant's counterclaims seeking
14 declaratory judgments of patent non-infringement and invalidity pursuant to FRCP
15 12(b)(1) and 12(b)(6) on the grounds that they fail to state a claim for relief. Mot. at 2:7-
16 18. Plaintiff asks the Court to (1) dismiss Defendant's counterclaims for failure to state a
17 claim for relief because Defendant cannot infringe patents that it has a license to use, so it
18 is not plausible that Defendant could infringe on the Licensed Patents; (2) dismiss
19 Defendant's counterclaims for lack of subject matter jurisdiction because the counterclaims
20 seek a declaration of patent non-infringement (claims for relief 1 through 3) and patent
21 invalidity (claims for relief 4 through 6), but Defendant lacks standing to pursue such
22 claims, resulting in the absence of a justiciable case or controversy; and (3) remand the
23 case to the San Diego Superior Court pursuant to 28 U.S.C. § 1447(c) due to the lack of
24 federal subject matter jurisdiction. *Id.* at 2:7-18.

25 Defendant opposes by arguing that infringement is not the issue in this case, rather
26

27 ¹¹ The well-pleaded complaint rule makes the plaintiff the master of his or her
28 complaint by allowing the plaintiff to avoid federal jurisdiction by exclusively relying on
state law. *See Caterpillar, Inc. v. Williams*, 482 U.S. 386, 392 (1987).

1 invalidity is, and if the patents are invalid, Defendant does not owe royalties, meaning that
2 patent law is a central issue to the resolution of Plaintiff's claims for owed royalties. *See*
3 *generally* Oppo. at 6:2-16. Defendant also notes that its filing of Amended counterclaims
4 mooted Plaintiff's Motion to Dismiss. *Id.* at 6:24-28. Plaintiff replies by reiterating that
5 (1) because Defendant's counterclaims present no "forward looking controversy" due to
6 Plaintiff's covenant not to sue for royalties after the date it filed suit, there is no justiciable
7 controversy; (2) Defendant's Amended Counterclaims should not be considered for
8 purposes of determining this motion to remand; (3) Plaintiff's Complaint does not raise
9 issues of federal law; (4) that *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007)
10 did not abrogate the *Super Sack* "covenant not to sue" doctrine or eliminate the *Lear* test;
11 (5) Defendant's Counterclaims do not create a basis for federal jurisdiction because in
12 reality, the counterclaims are affirmative defenses, and federal jurisdiction may not be
13 created from defenses; and (6) the *Splink-It* decision is distinguishable because it "did not
14 involve a covenant not to sue for contractual or infringement liability." *See* Reply at 5-14.

15 First, the Court considers Plaintiff's Motion to Remand the Case because if the Court
16 lacks jurisdiction, it also lacks the authority to decide the motions to dismiss. *See, e.g.*,
17 *H.R. ex rel. Reuter v. Medtronic, Inc.*, 996 F. Supp. 2d 671, 675 n.2 (S.D. Ohio 2014)
18 (noting that the plaintiff's "motion to remand must be resolved before the motion to
19 dismiss, because if remand is appropriate, then the state court should decide the motion to
20 dismiss"). However, because a motion to remand challenges the propriety of an action's
21 removal to federal court, 28 U.S.C. § 1447, the frame of reference when ruling on it is the
22 four corners of the operative pleadings at the time of removal, *see Gracier v. Edwards*
23 *Dental Supply Co.*, 86 F. Supp. 956, 957-58 (N.D. Cal. 1949) (citing 28 U.S.C. § 1447(c);
24 *St. Paul Mercury Indemnity Co. v. Red Cab Co.*, 308 U.S. 283 (1939)). In this case, that
25 frame of reference would be the original complaint and original counterclaims but not the
26 amended counterclaims. Although the issue is complex, the Court finds that a basis for
27 federal question jurisdiction exists, making remand improper.

28 Next, the Court considers Plaintiff's Motion to Dismiss for Lack of Subject Matter

1 Jurisdiction. However, the Court finds that Defendant's Amended Complaint mooted that
2 motion. Thus, the Court **DENIES** that motion as well.

3 **A. Plaintiff's Motion to Remand**

4 A motion to remand may be brought due either to (1) lack of subject matter
5 jurisdiction or (2) any defect in the removal procedure. *See* 28 U.S.C. § 1447(c). Plaintiff
6 does not appear to take issue with the manner in which Defendant removed the action. As
7 such, it appears Plaintiff's grounds for remand arise solely due to an alleged lack of subject
8 matter jurisdiction. Plaintiff challenges the propriety of Defendant's removal by arguing
9 that (1) Plaintiff's underlying complaint does not give rise to claims making removal
10 appropriate; (2) affirmative defenses fail to create a basis for removal as a matter of law;
11 and (3) Plaintiff's counterclaims fail to provide a basis for removal due to Plaintiff's
12 covenant not to sue for future royalties, which defeats creation of the live case or
13 controversy required for the Court to assert Article III jurisdiction. *See generally* Mot.

14 Defendant responds that the Court should deny Plaintiff's Motion to Remand
15 because it properly removed this case given (1) both its non-infringement and invalidity
16 counterclaims (which are not mooted by Plaintiff's limited covenant not to sue) and
17 Plaintiff's originally asserted claims arise under the federal patent laws; (2) claims arising
18 under the patent laws must be brought in a federal court; and (3) even if this Court found
19 that some of Plaintiff's claims do not arise under federal patent law, it would still have
20 supplemental jurisdiction over those claims because Plaintiff's claims "are so related" to
21 Defendant's cross-claims "that they form part of the same case or controversy." *Oppo.*
22 at 12:16-13:2 (citing 28 U.S.C. § 1367(a)); *see also Bahrapour v. Lampert*, 356 F.3d
23 969, 978 (9th Cir. 2004) ("A state law claim is part of the same case or controversy when
24 it shares a common nucleus of operative fact with the federal claims and the state and
25 federal claims would normally be tried together.") (internal quotation marks omitted).

26 Both parties to this case have filed claims seeking declaratory relief. An appropriate
27 action for declaratory relief qualifies as a case or controversy within Article III.
28 *MedImmune*, 549 U.S. at 128. Further, Section 1338 vests district courts with "original

1 jurisdiction of any civil action” that arises “under any Act of Congress relating to patents.”
2 28 U.S.C. § 1338(a)-(b). Section 1454 also provides federal courts “with a broader range
3 of . . . jurisdiction over claims arising under the patent laws *even* when asserted in
4 counterclaims.” *Vermont*, 803 F.3d at 643-44. Thus, the Court finds the issue of whether
5 Plaintiff’s complaint raises federal question jurisdiction does not settle the question
6 because if Defendant’s counterclaims give rise to jurisdiction, removal was still proper.

7 **1. Whether Plaintiff’s Complaint Gives Rise to Federal Jurisdiction**

8 Plaintiff argues that Defendant’s basis for removal was incorrect: Defendant
9 removed on the basis that it is necessary to an adjudication of Plaintiff’s complaint for
10 breach of the of the Agreements is a determination of patent infringement and patent
11 invalidity. Mot. at 13:9-12. However, Plaintiff contends that while the issue of patent
12 validity might be relevant to whether Defendant would owe royalties in the future, “such
13 potential future invalidations do not affect ChowNow’s liability for royalty fees owed for
14 period [sic] *prior to* any such final adjudications of invalidity.” *Id.* at 15:20-23. Thus,
15 according to Plaintiff, “because the causes of action of Ameranth’s complaint are expressly
16 limited to the time *before* October 1, 2020, and because Ameranth has covenanted not to
17 sue for royalties that might otherwise be owed for period [sic] of time *after* October 1,
18 2020, the question of the determination of validity of the Ameranth patents is wholly
19 *irrelevant* to Ameranth’s state law claims, and provides no basis for federal subject matter
20 jurisdiction.” *Id.* at 15:24-16:5. In sum, Plaintiff’s position is that its (1) “complaint
21 expressly alleges that the parties’ rights and obligations under the license agreement are
22 *not* dependent on the issue of whether ChowNow’s product practices the elements of the
23 claims of Ameranth’s patents,”; (2) the Agreements base Defendant’s obligation to pay
24 royalties on whether its activities fall within the Fields of Use rather than on whether
25 Defendant practices the claimed inventions; and (3) as a result, Plaintiff’s state law claims
26 do not necessitate determination of federal issues of patent infringement or validity. *Id.*
27 16:26-17:7 (citing Compl. at ¶ 8).

28 Plaintiff’s first argument asserts that the Agreements base Defendant’s “obligation

1 to pay royalties on ChowNow’s product deployments and commercial activities within the
2 fields of use, and *not* on whether ChowNow practices the claimed inventions.” Mot. at
3 17:2-5. Thus, Ameranth contends that “adjudication of [its] state law claims does *not*
4 necessitate determination of federal issues of patent infringement or validity, and there is
5 no basis to remove this action to federal court on any such ground.” *Id.* at 17:5-7.
6 Defendant responds that Plaintiff’s “strained interpretation of the Amended License
7 Agreement it both wrote and recharacterized in its Complaint is irrelevant at this stage of
8 the litigation because disputes over the merits of a case, particularly contract interpretation,
9 are not relevant to a court’s jurisdictional determination.” *Oppo.* at 20:13-21:2 (citing
10 *Powertech Tech. Inc. v. Tessera, Inc.*, 660 F.3d 1301, 1310 (Fed. Cir. 2011) (holding “that
11 the dispute between PTI and Tessera—as to whether the license agreement requires royalty
12 payments to be tied to valid patent coverage—is sufficient to support declaratory judgment
13 jurisdiction,” while “leav[ing] the merits-based arguments to the district court to consider
14 on remand”); *see also MedImmune*, 549 U.S. at 135–36 (“[E]ven if respondents were
15 correct that the licensing agreement . . . precludes this suit, the consequence would be that
16 respondents win this case on the merits—not that the very genuine contract dispute
17 disappears, so that Article III jurisdiction is somehow defeated.”)). According to
18 Defendant, under *MedImmune* and *Powertech*, federal jurisdiction is present for this case.

19 As a jurisdictional cross-check, the Court may consider the plain language of the
20 Agreements. Where a court does not rely on the interpretation of a contract but rather looks
21 at the plain language of the agreements the parties provide (in a manner similar to the
22 review the Supreme Court performed in *MedImmune*), it may look to such language in
23 ruling on a motion to dismiss. *Id.* (citing *MedImmune*, 549 U.S. at 121 (citing to language
24 of a licensing agreement in a case reviewing a motion to dismiss)). Thus, the Court finds
25 it proper to look to the language of the Agreements, which neither party seems to dispute.

26 The Agreements, state that “[d]uring the term of this Agreement, and subject to full
27 and timely payment of all amounts due to Ameranth[,] . . . Ameranth hereby grants to
28 ChowNow a non-exclusive, non-transferable . . . worldwide license . . . ***under the Licensed***

1 *Patents* within the Field of Use.” FAA at 3, § 2.1.1. In other words, Defendant only owes
2 royalties for practicing Plaintiff’s Licensed Patents within the Fields of Use, but if
3 Defendant performs activities within the Fields of Use without implicating Plaintiff’s
4 Licensed Patents, Defendant would owe no royalties. This reading is bolstered by Section
5 5.2 of the FAA, which states that Defendant is only obligated “to pay [Plaintiff] a running
6 royalty . . . for the Patent License [under the Licensed Patents within the Field of Use]
7 granted in [Section] 2.1 [discussed below] for all activities falling within the Fields of Use.”
8 FAA at 6, § 5.2. Defendant points out that “[b]y its own language, Section 5.2 is intended
9 to be read in conjunction with Section 2.1.1, which clarifies that [Plaintiff] granted
10 [Defendant] a Patent License ‘under the Licensed Patents within the Field [sic] of Use.’”
11 *Oppo*. at 18:28-19:3 (citing FAA at 6, at § 2.1.1). Thus, Defendant argues that Plaintiff’s
12 “own claims arise under federal patent laws” because 28 U.S.C. § 1338(a) makes clear that
13 federal district courts have original jurisdiction of “*any* civil action arising under any Act
14 of Congress *relating to* patents.” *Id.* at 18:3-6.

15 As outlined below, the Court agrees that royalty obligations are contingent upon
16 Defendant practicing the Licensed Patents within the designated Field of Use, which would
17 require the Court to interpret the Licensed Patents as well as whether Defendant performs
18 activities falling within the scope of their claims. A case qualifies as arising under federal
19 law where (1) federal law creates the cause of action or (2) in a “special and small category
20 of cases,” arising under jurisdiction still lies. *Vermont*, 803 F.3d at 645 (quoting *Gunn v.*
21 *Minton*, 568 U.S. 251, 258 (2013)). As to the latter category, which applies to this case,
22 courts find “federal jurisdiction over a state law claim” if, after applying the *Gunn* test, “a
23 federal issue is: (1) necessarily raised, (2) actually disputed, (3) substantial, and (4) capable
24 of resolution in federal court without disrupting the federal-state balance approved by
25 Congress.” *AntennaSys, Inc. v. AQYR Techs., Inc.*, 976 F.3d 1374, 1381 (Fed. Cir. 2020).

26 Many courts, including the Federal Circuit Court of Appeals, have applied the *Gunn*
27 test to determine that a breach of contract claim brought in state court arises under federal
28 law where the case depends on a finding the defendant infringed on the plaintiff’s patents.

1 *See, e.g., Jang v. Boston Sci. Corp.*, 767 F.3d 1334, 1336-38 (Fed. Cir. 2014) (finding, after
2 applying the *Gunn* test, that federal subject matter jurisdiction existed where “[a]lthough
3 this case arises from a [state law breach of contract] claim [for royalties under a patent
4 license], rather than directly as a patent infringement claim, [plaintiff’s] right to relief . . .
5 depends on an issue of federal patent law—whether the [products] sold by [defendants]
6 would have infringed [plaintiff’s patents]”) (internal quotation marks omitted); *Levi*
7 *Strauss & Co. v. Aqua Dynamics Sys.*, No. 15-cv-04718-WHO, 2016 U.S. Dist. LEXIS
8 46738, at *13-14 (N.D. Cal. Apr. 6, 2016) (noting that by applying the *Gunn* test, “courts
9 have repeatedly held that a state-law-based breach of contract claim arises under federal
10 law where it depends on a finding that the defendant has infringed the plaintiff’s patents”).

11 Defendant argues that this case meets all four factors of the *Gunn* test for the “special
12 and small category of cases,” but that only the first factor is in dispute. *Oppo.* at 18:19-22.
13 Defendant also contends that contrary to Plaintiff’s arguments, Plaintiff’s claims
14 “necessarily raise” issues of whether Ameranth’s patents are valid, and if they are, whether
15 Defendant’s platform infringes the Patents-in-Suit. *Id.* at 18:22-24. Plaintiff, on the other
16 hand, relies on the case of *In re Oximetrix, Inc.*, 748 F.2d 637 (Fed. Cir. 1984) as support
17 for why the Court should remand this case. *Reply* at 6:25-7:21. In *Oximetrix*, the Federal
18 Circuit denied the defendant-licensee’s petition for a writ of mandamus seeking an order
19 requiring the district court to vacate its order remanding a case filed by the licensor for
20 breach of contract under a licensing agreement requiring royalty payments. 748 F.2d at
21 640. The breach of contract action was removed to the federal court after trial but prior to
22 the issuance of a statement of decision; however, the district court later granted the
23 plaintiff’s motion to remand finding that federal courts do “not have ‘exclusive jurisdiction
24 over patent claims’ that may arises in a state court action” under the version of Section
25 1338 at that time. *Id.* at 641-42. However, not only is *Oximetrix* distinguishable in that
26 the defendant based its arguments for federal jurisdiction on affirmative defenses rather
27 than counterclaims, but Plaintiff also fails to address the fact that this case preceded the
28 2011 amendments to the AIA, which expanded federal court jurisdiction over patent cases.

1 See, e.g., *Vermont*, 803 F.3d at 643-44 (noting that these changes “were intended to provide
2 federal courts . . . with a broader range of jurisdiction; that is, with jurisdiction over claims
3 arising under the patent laws *even* when asserted in counterclaims, rather than in an original
4 complaint”). Based on the 2011 amendments, any authority remanding a case prior to 2011
5 has questionable application to the case at hand.

6 More importantly, Plaintiff failed to direct the Court to authority directly criticizing
7 *Oximetrix*. For example, in *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*,
8 986 F.2d 476, 479 (Fed. Cir. 1993), the Federal Circuit cited to *Oximetrix* as a prior opinion
9 denying federal jurisdiction but also noted that *Oximetrix* did not involve “a cause of action
10 in which plaintiff’s right to relief depended upon resolution of a substantial question of
11 patent law.” Thus, the *Additive Controls* court held that the district court correctly
12 determined that the plaintiff’s business disparagement claim arose under federal patent law
13 because the plaintiff’s right to relief depended upon the resolution of a substantial patent
14 law question. *Id.* This was because the allegedly disparaging statement was that the
15 plaintiff infringed on the patent-in-suit; however, in order to prove the disparagement case,
16 the plaintiff must provide it did not infringe the patent. *Id.* at 478. As a result, the plaintiff’s
17 right to relief necessarily depended “upon resolution of a substantial question of patent law,
18 in that proof relating to infringement is a necessary element of Alcon’s business
19 disparagement claim.” *Id.* Similarly, in this case, whether Defendant owes Plaintiff
20 royalties for using Plaintiff’s patents necessarily depends upon resolution of a substantial
21 question of patent law in that proof relating to patent validity and infringement are
22 necessary elements of Plaintiff’s claim for breach of contract: If the Licensed Patents are
23 not valid, Defendant does not owe royalties after the date it provide *Lear* notice (described
24 below). If the Defendant does not practice the Licensed Patents, it neither infringes nor
25 owes royalties. Thus, this case is inapposite from the authority relied on by Plaintiff in its
26 Motions to argue its complaint does not raise federal question jurisdiction.¹²

27 ¹² The majority of the non-binding cases Plaintiff cites involved licensing agreements
28

1 This Court finds Plaintiff's Complaint implicates federal question jurisdiction. As
2 described below, federal jurisdiction also exists to adjudicate Defendant's counterclaims.

3 **2. Whether Defendant's Affirmative Defenses and Counterclaims**
4 **Provide a Basis for Federal Subject-Matter Jurisdiction**

5 Plaintiff argues that Defendant's second asserted basis for removal (e.g.,
6 Defendant's own affirmative defenses and cross-complaints) are not a "claim to relief,"
7 and as such, fail to provide a basis for removal. Mot. at 17:19-27 (citing, *inter alia*,

8
9 that did not require the licensee to practice the claims of the patent in order to incur royalty
10 obligations. *See, e.g., Broadband iTV, Inc. v. OpenTV, Inc.*, No. 17-CV-06647-SK, 2018
11 WL 4927935, at *5, 7 (N.D. Cal. Feb. 22, 2018) (granting the plaintiff's motion to remand
12 after dismissing the defendant's declaratory relief claims for non-infringement where the
13 scope of the applicable license agreement was not limited to patent rights but also included
14 copyrights, trademarks, and trade secrets, albeit relying predominantly on law preceding
15 the 2011 amendments to the AIA in arriving at its holding); *Qualcomm*, 2017 WL 5985598,
16 at *1, 21-22 (granting the counterdefendant's partial motion to dismiss a count of the
17 defendants-counterclaimants' counterclaims where "[b]ecause the royalty rates in the
18 SULAs are not contingent on patent invalidity or noninfringement, there is no case or
19 controversy because any declaration of the Nine Additional Patents-in-Suit would not
20 conclusively resolve the dispute regarding royalties owed to Qualcomm"); *Powertech*
21 *Tech., Inc. v. Tessera, Inc.*, No. C 10-945 CW, 2013 WL 12324116, at *12, 19 (N.D. Cal.
22 Apr. 15, 2013) (finding "that, as a result of the supplemental covenant [not to sue], there is
23 no continuing case or controversy in this litigation" and dismissing "the case for lack of
24 jurisdiction" where "the licensing agreement "did not tie the royalty obligation to
25 coverage" of the patents); *Verance Corp. v. Digimarc Corp. (Delaware)*, No. CIV.A. 10-
26 831, 2011 WL 2182119, at *1, 7 (D. Del. June 2, 2011), *dismissed*, 465 Fed. App'x 934
27 (Fed. Cir. 2012) (granting the defendant-licensor's motion to dismiss pursuant to FRCP
28 12(b)(1) where "the License Agreement [was] not contingent on the validity of the patent
and, thus, a declaration of invalidity or non-infringement would not obviate Verance's
royalty obligation under its terms as a matter of federal patent law"). Thus, the
aforementioned cases found jurisdiction did not exist while noting that the obligation to
pay royalties did not depend on the validity of the patents. In *MedImmune*, on the other
hand, the Supreme Court held that the case and controversy requirements had been met by
a licensee's claim for declaratory judgment as to patent invalidity and the licensing
agreement itself provided that royalties were not owed if the patents were declared invalid.
549 U.S. at 130-31. In this case, just as in *MedImmune*, the plain language of the
Agreements indicates royalties are not owed if the Licensed Patents are invalid. *See* FAA
at 7, § 5.3; *see also* Compl. at 4:14-18 (quoting same).

1 *Comm'ty v. U.S. Dept. of Labor*, 827 F.3d 100, 107 (D.C. Cir. 2016) (noting that
2 “affirmative defenses made ‘[i]n respon[se] to a pleading’ are not themselves claims for
3 relief”). Plaintiff elaborates that Defendant “fails to state claims for non-infringement and
4 lacks standing to assert such claims in light of its status as a licensee.” *Id.* at 17:13-14.
5 According to Plaintiff, no justiciable controversy exists regarding patent validity because
6 it “has covenanted not to sue ChowNow for any royalty obligations beyond October 1,
7 2020, and ChowNow never complied with the ‘*Lear* doctrine’ by challenging the validity
8 of Ameranth’s patents prior to October 1, 2020 (the only period for which Ameranth seeks
9 recovery of royalties).” *Id.* at 17:14-19. The Court addresses whether Defendant’s
10 affirmative defenses create a basis for federal jurisdiction followed by whether Defendant’s
11 counterclaims provide a basis for federal jurisdiction as well.

12 a. *Affirmative defenses*

13 Section 1454 provides for removal of patent cases to federal court by providing that
14 “[a] civil action in which any party asserts a claim for relief arising under any Act of
15 Congress relating to patents.” 28 U.S.C. § 1454(a)-(b). As Plaintiff points out, the statute
16 does not address whether affirmative defenses create a removable controversy. Mot. at
17 17:23-25. Plaintiff argues that “[i]t is well settled law that a case may *not* be removed to
18 federal court on the basis of a federal defense.” *Id.* at 17:25-27 (citing *Caterpillar*, 482
19 U.S. at 393). However, Defendant does not base its removal on its affirmative defenses.
20 See ECF No. 1 at 4, ¶ 12. Rather, Defendant pleads that it “has asserted Cross-Claims [sic]
21 for relief and affirmative defenses arising under an Act of Congress relating to patents, and
22 removal . . . is authorized by at least 28 U.S.C. § 1454, which allows patent law
23 counterclaims, or in this case, cross-claims, to serve as a basis for removal to federal court.”
24 *Id.* In other words, although Defendant references the fact that it has pled affirmative
25 defenses, it relies only on its counterclaims as the basis for removal. Thus, the Court rejects
26 Plaintiff’s argument that Defendant relied on its affirmative defenses as a basis for removal.

27 Plaintiff advances a similar but different argument that Plaintiff’s counterclaims for
28 non-infringement and invalidity are actually affirmative defenses, so the Court should

1 dismiss the counterclaims as redundant of Defendant's affirmative defenses. Mot. at
2 17:22-28. Plaintiff argues that "[i]f the question of whether [Defendant]'s products
3 practiced the claims of [Plaintiff]'s patents was relevant to the issue of [Defendant]'s claim
4 to collect royalties under the License Agreement (which it is *not*), it would be properly
5 raised as an affirmative defense, not a cross-complaint." *Id.* at 19:23-18 (citing *C.J.L.*
6 *Constr., Inc. v. Universal Plumbing*, 18 Cal. App. 4th 376, 391-92 (1993) ("Given . . . the
7 fact that declaratory relief by means of a cross-complaint may be denied when the same
8 issue is raised by an affirmative defense, . . . absent something more than the allegations in
9 the amended cross-complaint in this case, such a claim may not be pursued where the
10 employer has not intervened in the civil suit.").¹³ Plaintiff elaborates that because
11 affirmative defenses fail to provide a basis for federal jurisdiction, the Court should remand
12 the case. *Id.* at 17:22-28. Defendant does not respond to this specific argument addressing
13 whether its counterclaims are really affirmative defenses but rather generally argues that
14 its counterclaims provide a basis for federal question jurisdiction. *See generally* *Oppo*.

15 "Patent invalidity can be a counterclaim and/or an affirmative defense to patent
16 infringement." *Deniece Design, LLC v. Braun*, 953 F. Supp. 2d 765, 773 (S.D. Tex. 2013).
17 Claims for patent invalidity qualify as compulsory counterclaims in response to a claim
18 arising under patent law. *In re Rearden LLC*, 841 F.3d 1327, 1331 (Fed. Cir. 2016).
19 Meanwhile, invalidity also qualifies as "an affirmative defense that 'can preclude
20 enforcement of a patent against otherwise infringing conduct.'" *Commil USA, LLC v.*
21 *Cisco Sys., Inc.*, 575 U.S. 632, 644 (2015) (quoting 6A Chisum on Patents § 19.01, p. 19-
22 5 (2015)). Even though invalidity and non-infringement counterclaims are compulsory in
23 response to a complaint raising patent issues, some courts have noted the absence of
24 "authority that allows parties to assert an affirmative counterclaim for declaratory relief . . .
25

26 ¹³ The case Plaintiff relies on for this proposition is a California workers' compensation
27 case that is inapposite, and also said "declaratory relief by means of a cross-complaint *may*
28 [not must] be denied when the same issue is raised by an affirmative defense." *C.J.L.*, 18
Cal. App. 4th at 391-92.

1 . while simultaneously asserting an affirmative defense on precisely the same grounds.”
2 *L-3 Commc'ns Corp. v. Jaxon Eng'g & Maint., Inc.*, 69 F. Supp. 3d 1136, 1145 (D. Colo.
3 2014) (noting the defendant’s “counterclaim sought only declaratory relief, making it
4 essentially indistinguishable from an affirmative defense,” and therefore, because it was
5 duplicative from the pending affirmative defense, it was “properly dismissed”). Instead,
6 FRCP 8(c) permits courts to treat a counterclaim as an affirmative defense where a party
7 has mistakenly designates a defense as a counterclaim.¹⁴ FED. R. CIV. P. 8(c)(2) (“If a party
8 mistakenly designates a defense as a counterclaim, or a counterclaim as a defense, the court
9 must, if justice requires, treat the pleading as though it were correctly designated, and may
10 impose terms for doing so.”); *see also Rayman v. Peoples Savings Corp.*, 735 F. Supp. 842,
11 851-53 (N.D. Ill. 1990) (denying the defendant’s motion for leave to file a declaratory
12 judgment counterclaim in a securities case because it was really an affirmative defense cast
13 as a counterclaim).

14 This Court finds it would be improper to treat Defendant’s counterclaims as
15 affirmative defenses, and subsequently, remand to the state court for three reasons. First,
16 “[u]nlike an affirmative defense, a counterclaim for patent invalidity survives the dismissal
17 of patent infringement claims and presents a standalone issue.” *Epic Games, Inc. v.*
18 *Acceleration Bay LLC*, No. 4:19-CV-04133-YGR, 2020 WL 1557436, at *1 (N.D. Cal.
19 Apr. 1, 2020) (citing *Cardinal Chem. Co. v. Mortin Int’l, Inc.*, 508 U.S. 83, 100-03 n.11
20 (1993) (“Although it is often more difficult to determine whether a patent is valid than
21 whether it has been infringed, . . . [a] company once charged with infringement must remain
22 concerned about the risk of similar charges if it develops and markets similar products in

23 ¹⁴ FRCP 8(a)(1) requires that for a pleading, such as a complaint or counterclaim, to
24 state a claim for relief, it must contain a short and plain statement of the claim showing the
25 pleader is entitled to relief as well as the grounds for the court’s jurisdiction. In responding
26 to a pleading, however, the responding party must (1) “state in short and plain terms its
27 defenses to each claim asserted against it” and (2) “admit or deny the allegations asserted
28 against it by an opposing party.” FED. R. CIV. P. 8(b)(1). Thus, under FRCP 8, “affirmative
defenses made ‘in response to a pleading’ are not themselves claims for relief.” *Akiachak*,
827 F.3d at 107.

1 the future”). In other words, the issue of whether Defendant practices Plaintiff’s Licensed
2 Patents, which the Court must determine in order to decide the royalty dispute, is distinct
3 from whether those Licensed Patents are valid. Thus, even if the Court concludes that
4 Defendant does not practice the Licensed Patents, Defendant’s counterclaims seeking a
5 declaration of invalidity would survive and require a determination by the Court despite its
6 resolution of the infringement issues. *See Cardinal*, 508 U.S. at 100-03. This is because
7 “[a]n unnecessary ruling on an affirmative defense is not the same as the necessary
8 resolution of a counterclaim for a declaratory judgment.” *Cardinal*, 508 U.S. at 93-94.
9 Second, “[t]he Supreme Court has expressed a preference for deciding issues of patent
10 validity independent of any infringement claim in order to prevent wasteful re-litigation
11 and provide final resolution to accused infringers.” *Epic*, 2020 WL 1557436, at *3 (citing
12 *Cardinal*, 508 U.S. at 100-01 (noting that “the opportunity to relitigate might, as a practical
13 matter, grant monopoly privileges to the holders of invalid patents”)); *see also* Robert B.
14 Orr, *The Doctrine of Licensee Repudiation in Patent Law*, 63 Yale L.J. 125, 125 (1953)
15 (“The public has an interest in the adjudication of patents of questionable validity and the
16 law provides procedures whereby private persons may advance this interest.”). Thus,
17 policy reasons support the Court determining the issues at hand and avoiding further
18 litigation between the parties.

19 In *Epic Games, Inc. v. Acceleration Bay LLC*, the Northern District of California
20 denied a defendant’s motion to strike the plaintiff’s counterclaims-in-reply while holding
21 that a finding of noninfringement did not moot a counterclaim of invalidity where the
22 counterclaim “merely repeated the affirmative defense of invalidity.” 2020 WL 1557436,
23 at *1. The *Epic* court held that the plaintiff’s “counterclaims for patent invalidity [were]
24 redundant of its second affirmative defense of patent invalidity under Federal Rule 12(f).”
25 2020 WL 1557436, at *3. It reasoned that the plaintiff asserted no new matters that it did
26 not *implicitly* assert through its affirmative defense and addressed the same claims in the
27 same patents asserted in the defendant’s infringement counterclaim. *Id.* However, the
28 court also noted that “precisely because the issues raised by Epic Games’ counterclaims-

1 in-reply [were] redundant of its affirmative defenses, striking the counterclaims would be
2 futile.” *Id.* Thus, the Court denied the defendant’s motion to strike or reclassify the
3 plaintiff’s counterclaims-in-reply. *Id.* at *4.

4 In *Epic*, the potential infringing party filed suit first, seeking a declaration of non-
5 infringement, whereas in this case, Plaintiff filed suit, and then, the potential infringing
6 party (ChowNow) filed counterclaims seeking a declaratory judgment of non-
7 infringement. 2020 WL 1557436, at *1. Thus, *Epic* is inapposite to the case at hand for
8 several reasons, including but not limited to the fact that the *Epic* plaintiff originally filed
9 suit in federal court, and the case litigated patent infringement issues as opposed to the
10 contractual licensing issues between Ameranth and ChowNow. 2020 WL 1557436, at *1.

11 In this case, Defendant’s original Answer filed on November 4, 2020, includes a
12 Third Affirmative Defense for Non-Infringement of Patents, which pleads that Ameranth
13 is not entitled to any payment under the Agreements because ChowNow has not infringed
14 any valid or invalid claim of any patent owned by or licensed to Plaintiff. Ans. at 3-4. Its
15 Fourth Affirmative Defense for Invalidity of Patents pleads that Ameranth is also not
16 entitled to any royalty payments under the Agreements because each of the Licensed
17 Patents is invalid. *Id.* at 3-4. That same day, Defendant also filed its original
18 Counterclaims, which included four claims seeking a declaratory judgment of invalidity of
19 each of the Licensed Patents pursuant to the Declaratory Judgment Act of 1934, 28 U.S.C.
20 § 2201 (the “DJA”), along with two claims for invalidity of the two Licensed Patents that
21 had not yet been declared invalid, also pursuant to the DJA. Cross-Compl. at 21-30. The
22 Prayer for Relief seeks a declaratory judgment that pursuant to the DJA, (1) Defendant
23 does not and has not directly or indirectly infringed the Licensed Patents, and (2) the 060
24 and 651 Patents are invalid for failure to comply with the one of more of the requirements
25 of the AIA. Cross-Compl. at 30. Thus, the final reason it would be improper to treat
26 Defendant’s counterclaims as affirmative defenses is that Defendant’s affirmative
27 defenses, although raising the issues of infringement and invalidity, do not seek affirmative
28 relief. Defendant’s counterclaims, on the other hand, seek affirmative relief that the Court

1 declare the remaining Licensed Patents invalid, which would both prevent Plaintiff from
2 (1) seeking to license the remaining patent to Defendant in the future and (2) pursuing
3 Defendant for patent infringement as to that remaining Licensed Patent.

4 In sum, because Defendant’s counterclaims respond to different issues (*i.e.*, potential
5 infringement liability in the future) than Defendant’s affirmative defenses, which respond
6 to potential royalty obligations, the Court finds those counterclaims distinct enough to
7 continue as separate claims rather than re-classifying them as affirmative defenses. Next,
8 the Court addresses whether those counterclaims provide a basis for federal jurisdiction in
9 the fact of Plaintiff’s arguments to the contrary.

10 b. Counterclaims

11 Plaintiff argues that Defendant’s counterclaims for declaratory relief as to non-
12 infringement of Plaintiff’s patents fail to create federal question jurisdiction for three
13 reasons: First, because a patent license is a complete defense to infringement, Defendant’s
14 active license to each of the Licensed Patents it challenges prevents it from infringing any
15 of Plaintiff’s Licensed Patents, negating the need to bring a declaratory action for non-
16 infringement. Mot. at 18:3-10; Reply at 9:19-27. Second, Plaintiff contends that under the
17 Agreements, which give rise to the instant dispute, “the obligation to pay royalties does *not*
18 depend on whether ChowNow’s products practice the claims of the patents,” only whether
19 Defendant deploys products or conducts activities within the defined “fields of use.” *Id.* at
20 18:11-17. Plaintiff avers that because Defendant fails to state a claim for declaratory relief
21 of non-infringement given it never alleges in its counterclaims that the Agreements require
22 it to practice the elements of Plaintiff’s claims as a condition to its obligations to pay
23 royalties, and even if it did, such a determination does not resolve the legal controversy—
24 *i.e.*, whether Defendant owes royalties to Plaintiff. *Id.* at 18:21-25. Third, Plaintiff argues
25 that Defendant cannot sustain its cross-complaints for declaratory relief as to invalidity
26 because it never provided Plaintiff with *Lear* notice—or notice it was withholding royalty
27 payments under the license agreement on the grounds that it had determined that the patents
28 were invalid—before October 1, 2020 (the date Plaintiff filed suit in the Superior Court),

1 and Plaintiff has given Defendant a covenant not to sue for any period of time *after* October
2 1, 2020. *Id.* at 6:22-24; 19:13-16. Defendant opposes by pointing out that Plaintiff does
3 not contest that Defendant’s counterclaims arise under patent laws but rather only
4 challenges Defendant’s standing to bring those claims. *Oppo.* at 24:1-3. Defendant argues,
5 however, that the Court should deny Plaintiff’s Motion to remand because (1) Defendant’s
6 counterclaims unquestionably present justiciable federal questions under the patent laws that
7 can only be heard in federal court and (2) Plaintiff’s limited covenant not to sue Defendant
8 for future royalties does not negate the Court’s jurisdiction. *Id.* at 24:5-9.

9 The Court finds Plaintiff’s first argument unpersuasive. Plaintiff is correct that a
10 patent license qualifies as a complete defense to infringement. *Monsanto Co. v. Scruggs*,
11 459 F.3d 1328, 1334 (Fed. Cir. 2006); *see also* 35 U.S.C. § 271(a) (providing that
12 infringement only arises when a person “*without authority* makes, uses, offers to sell, or
13 sells any patented invention, within the United States”) (emphasis added). However, given
14 the Agreements clearly state that the defense to infringement only applies so long as
15 Defendant pays royalties, Defendant’s cessation of royalty payments opens it up to liability
16 for infringement.¹⁵ For example, in *Medtronic, Inc. v. Mirowski Fam. Ventures, LLC*, 571
17 U.S. 191, 197 (2014), the court found federal subject matter jurisdiction over a similar

18
19 ¹⁵ Both parties appear to concede that no royalties are owed before April 1, 2018. *See*
20 *Oppo.* at 9:5-7 (“ChowNow ceased making royalty payments to Ameranth after April 30,
21 2018—the payment due date for the first quarter of 2018”); *see also* *Mot.* at 10:10-15
22 (providing that Defendant owed a report of and royalty payment for the second quarter of
23 2018, covering April 1 through June 30, 2018) on July 31, 2018). Thus, it appears both
24 parties agree that the period of disputed royalties owed pertains only to the period of April
25 1, 2018 through October 1, 2020. *See* *Compl.* at 12:7-12. However, the Complaint also
26 seeks “a further judicial declaration that ChowNow has miscalculated, under-reported, and
27 underpaid royalties due under the First Amended License Agreements for prior periods of
28 time within the last 4 years, and owes additional royalties to Ameranth for such time
periods.” *Compl.* at 12:9-12. This means that Plaintiff’s complaint, on its face, seeks
royalties due for the past four years. *Id.* However, according to the licensing agreement
itself, no such royalties are owed if the Licensed Patents are invalid. *Id.* Defendant’s
Cross-Complaint “that this Court deny the relief sought by Ameranth in its Complaint and
Prayer.” *Cross-Compl.* at 30:24.

1 dispute, albeit one that did not involve a covenant not to sue. The plaintiff-licensee,
2 designed, made, and sold medical devices, while the defendant-licensor, owned patents
3 related to implantable heart stimulators. *Id.* at 194. The parties entered into a license
4 agreement similar to the Agreements in this case. *Id.* at 194-95. After a dispute arose, the
5 plaintiff-licensee brought a declaratory judgment action in the Delaware District Court,
6 seeking a declaration that its products did not infringe on the defendant's patents, and the
7 defendant's patents were invalid. *Id.* at 195. The Supreme Court held that (1) the federal
8 court had jurisdiction of the dispute and (2) the plaintiff, as the licensee, did not have the
9 burden of proof in the declaratory judgment action. *Id.* It reasoned that the hypothetical
10 threatened action of the defendant-licensor suing the plaintiff-licensee for patent
11 infringement "is properly characterized as an action 'arising under an Act of Congress
12 relating to patents.'" *Id.* at 198. "The patent licensing agreement specifie[d] that, if [the
13 plaintiff] stop[ped] paying royalties, [the defendant could] terminate the contract and bring
14 an ordinary patent infringement action." *Id.* at 197. If that occurred, "[s]uch an action
15 would arise under federal patent law because 'federal patent law creates the cause of
16 action.'" *Id.* at 198.

17 Similar to *Medtronic*, in this case, the FAA provides that if a breaching party fails
18 to cure a default within sixty (60) days of notice, the Agreement self-terminates, FAA at 8,
19 §§ 6.3-6-4, meaning the breaching party, Defendant, is open to liability for patent
20 infringement again. On August 31, 2018, Plaintiff provided a formal "Notice of Default
21 of License Agreement for Failure to Pay Royalties." *See* ECF No. 12-3 at 54. The FAA
22 clearly states that "[i]f [a] default is not cured within sixty (60) days of provision of such
23 notice, . . . the Agreement shall **automatically** terminate at the end of that [60 day] period."
24 FAA at 8, ¶ 6.3 (emphasis added). Thus, the FAA terminated sixty (60) days after the
25 August 31, 2018 Notice of Default, or in other words, on October 30, 2018. Accordingly,
26 while Plaintiff can sue Defendant for patent infringement from October 30, 2018 to the
27 present, Plaintiff's covenant not to sue for royalties from October 1, 2020 is meaningless.
28 Plaintiff had no right to royalties on that date given the FAA stated it automatically

1 terminated after a failure to cure within sixty (60) days of notice. Further, it also means
2 that royalty obligations could only run from April 1, 2018 through October 30, 2018. Thus,
3 the Agreements no longer provide a defense to such infringement. As in *Medtronic*,
4 Defendant faces hypothetical threatened action by Plaintiff for patent infringement. 571
5 U.S. at 197-98. This “hypothetical threatened action” seems even more likely in light of
6 Ameranth’s pattern of litigation. Consequently, the threat of a lawsuit for patent
7 infringement by Ameranth, sometimes referred to as a patent troll,¹⁶ gives rise to federal
8 question jurisdiction over ChowNow’s counterclaims, which like the *Medtronic* plaintiff’s
9 complaint, seek a declaratory judgment of invalidity of the Licensed Patents and non-
10 infringement.

11 As to Plaintiff’s second argument that the Agreements do not make Defendant’s
12 royalty obligations dependent on Defendant practicing the Licensed Patents, that argument
13 is likewise unpersuasive. As noted, the term “Fields of Use” references and incorporates
14 the Licensed Patents, meaning Defendant’s obligation to pay royalties depends on whether
15 it practices the Licensed Patents. More importantly, in examining the Agreements, the
16

17 ¹⁶ A “nonpracticing entity” has been defined as “[a] person or company that acquires
18 patents with no intent to use, further develop, produce, or market the patented invention.”
19 Garner, Brian A., *Black’s Law Dictionary*, NONPRACTICING ENTITY, (11th ed. 2019).
20 “When a nonpracticing entity focuses on aggressively or opportunistically enforcing the
21 patent against alleged infringers, it is also termed (pejoratively) a *patent troll*.” *Id.*
22 Whether Ameranth qualifies as a “patent troll” has been raised by both the media, *see, e.g.*,
23 [https://reformingretail.com/index.php/2020/04/23/patent-troll-ameranth-disgustingly-
24 seeks-to-benefit-from-online-ordering-popularity-during-covid-19/](https://reformingretail.com/index.php/2020/04/23/patent-troll-ameranth-disgustingly-seeks-to-benefit-from-online-ordering-popularity-during-covid-19/) (describing Plaintiff’s
25 extensive litigation history, dating back to 2007, and how it seeks to benefit from an
26 increase in online ordering due to the COVID-19 pandemic), as well as in other courts. *See*
27 *Ameranth Inc v. Genesis Gaming Solutions Inc et al.*, Case No. 8:11-cv-00189-AG-RNB.
28 Ameranth even filed a motion in limine to exclude evidence that it was a patent troll in
another case. *See, e.g., id.* at ECF No. 11 (Motion in Limine No. 11 to Exclude Evidence
and Argument (1) that Ameranth is a “Patent Troll”, “Non-Practicing Entity”, “Patent
Assertion Entity” or the Like, and (2) Referencing Ameranth’s Licensing or Litigation
Activities other than those at Issue in the Present Case); *see also* ECF No. 408 (Minutes of
Pretrial Conference/Motions in Limine). However, because the parties settled prior to trial,
all motions in limine were vacated, so the court did not rule on this issue. *See id.*

1 Court notes that they contain a provision, Section 9.2.3, which provides that “[t]he Parties
2 agree that any dispute . . . shall be determined by the state or *federal courts* located in San
3 Diego, California, and the Parties expressly consent to personal jurisdiction and venue
4 before such courts.” ECF No. 14-1 at 10-11. Thus, it would appear Plaintiff’s contesting
5 federal court jurisdiction breaches its own agreement under which it seeks relief.

6 Plaintiff’s third argument raises more complex issues addressing whether (1)
7 Defendant’s standing to bring this lawsuit, (2) Defendant provided proper *Lear* notice, and
8 (3) Plaintiff’s covenant not to sue defeats federal subject matter jurisdiction. The Court
9 addresses each argument below. However, the Court ultimately concludes that each
10 argument fails to defeat federal subject matter jurisdiction.

11 i. Standing

12 The Declaratory Judgments Act of 1934 provides that “[i]n a case of actual
13 controversy within its jurisdiction, . . . any court of the United States, upon the filing of an
14 appropriate pleading, may declare the rights and other legal relations of any interested party
15 seeking such declaration, whether or not further relief is or could be sought.” 28 U.S.C. §
16 2201(a); *see also Aetna Life Ins. Co. of Hartford, Conn. v. Haworth*, 300 U.S. 227, 239-40
17 (1937) (noting that the DJA “in its limitation to ‘cases of actual controversy,’ manifestly
18 has regard to the constitution provision [*i.e.*, Article III] and is operative only in respect to
19 controversies which are such in the constitutional sense”). The party seeking a declaratory
20 judgment carries the burden of showing a justiciable case and controversy existed at the
21 time the party filed for declaratory relief as well as throughout the case. *Benitec Austl.,*
22 *Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1344, 1346 (Fed. Cir. 2007) (concluding that the
23 declaratory judgment plaintiff lacked standing because it admitted that it did not anticipate
24 pursuing any infringing activity for several years, “if ever”). While a specific threat of
25 infringement litigation is not required, where “‘a party has actually been charged with
26 infringement of the patent, there is, *necessarily*, a case or controversy adequate to support
27 jurisdiction’ at that time.” *Id.* at 1344.

28 Plaintiff argues that Defendant “has no standing to seek declaratory relief for

1 invalidity of the licensed patents for any time period *after* the filing date of the complaint
2 (October 1, 2020) because [Plaintiff] has expressly covenanted not to sue [Defendant] for
3 royalties or other fees for any period of time or events occurring *beyond* the date of filing
4 of the Complaint.” Mot. at 21:13-17. Plaintiff contends that “[p]ursuant to the Federal
5 Circuit’s decision in *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, 57 F.3d 1054,
6 1058-59 (Fed. Cir. [1995]), a patentee can eliminate any justiciable issue about patent
7 validity by covenanting not to sue the putative infringer” because “[s]uch a covenant not
8 to sue eliminates any ‘case or controversy’ regarding patent validity,” thereby divesting
9 “this Court of subject matter jurisdiction to entertain a cross-complaint for declaratory
10 relief of invalidity.” *Id.* at 21:17-22:4. Thus, Plaintiff argues no case or controversy as to
11 patent validity or infringement exists before the filing date of the complaint (due to the
12 alleged improper *Lear* notice) or after the filing of the complaint (due to the covenant not
13 to sue), resulting in Defendant lacking standing to maintain any declaratory relief claims
14 for non-infringement or invalidity. *Id.* at 22:4-6.

15 In 1995, in *Super Sack Mfg. Corp. v. Chase Packaging Corp.*, the Federal Circuit
16 created what Plaintiff refers to as the “covenant not to sue doctrine,” which allowed a patent
17 holder to eliminate a potential dispute over patent validity or infringement—thereby also
18 eliminating federal question jurisdiction—by covenanting not to sue for patent
19 infringement. 57 F.3d 1054, 1060 (Fed. Cir. 1995). The *Super Sack* plaintiff-patent owner
20 brought an infringement lawsuit against a competitor-defendant for infringement of two
21 patents. *Id.* at 1055. In response, the defendant, like ChowNow, filed a counterclaim
22 seeking declaratory judgments of both noninfringement and invalidity. *Id.* The plaintiff,
23 like Ameranth, filed a motion to dismiss the counterclaim stating that it was
24 “unconditionally agree[ing] not to sue [the defendant] for infringement as to any claim of
25 the patents-in-suit based upon the products currently manufactured and sold by [the
26 defendant].” *Id.* at 1056. The plaintiff argued that this removed “any apprehension by [the
27 defendant] that it will face claims of infringement regarding the patents-in-suit,”
28 eliminating any actual case or controversy pertaining to patent law while also divesting the

1 federal court of jurisdiction. *Id.* The Federal Circuit affirmed the lower court’s dismissal
2 of the case, agreeing that a plaintiff patent owner’s withdrawal of infringement allegations
3 and promise not to assert its patents against the defendant had rendered the controversy in
4 the case moot, meaning that if the court issued an opinion, it would be “rendering a
5 forbidden advisory opinion.” *Id.* at 1060.

6 Plaintiff argues that this doctrine remains good law, Reply at 8:19-9:16. while
7 Defendant argues it has been abrogated by the Supreme Court, Oppo. at 21:4-26.
8 Following *Super Sack*, until 2007, “it had been the law of the Federal Circuit that a patent
9 owner’s unqualified covenant not to sue a competitor for infringement divested that
10 competitor of standing to sue for declaratory relief, and thereby the court of subject matter
11 jurisdiction.” *Apotex, Inc. v. Novartis AG*, Civil Action No. 3:06-CV-698, 2007 U.S. Dist.
12 LEXIS 98357, at *11 (E.D. Va. Aug. 31, 2007). The rationale behind this arose from the
13 belief that a justiciable case or controversy required the plaintiff to “be under a reasonable
14 apprehension of defending an imminent suit,” but so as long as “an unqualified covenant
15 not to sue” existed, the plaintiff was not in apprehension of an imminent suit, and therefore,
16 lacked standing. *Id.* at *11-12. However, “[t]hat is no longer the standard.” *Id.* at *12.
17 Thus, the Court disregards Plaintiff’s argument that its covenant not to sue justifies this
18 Court finding it has no jurisdiction over this case without further analysis.

19 In 2007, the United States Supreme Court held in *MedImmune, Inc. v. Genentech,*
20 *Inc.*, 549 U.S. 118, 137 (2007), that standing pursuant to the DJA, and by explicit reference,
21 the AIA, see 35 U.S.C. § 271(e)(5), is coextensive with the constitutional limitations of
22 Article III, meaning the Federal Circuit’s “reasonable apprehension of imminent” suit
23 standard has been abrogated. See also *Teva*, 482 F.3d at 1338-39. The *MedImmune*
24 plaintiff-licensee manufactured a drug used to prevent respiratory tract disease in children
25 and entered into a patent licensing agreement with the defendant covering one of the
26 defendant’s existing patents as well as a pending patent application. 549 U.S. at 121. The
27 plaintiff agreed to pay royalties on sales of the defendant’s licensed products while the
28 defendant granted the plaintiff “the right to make, use, and sell them.” *Id.* at 121. The

1 agreement defined licensed products as the covered patents, “which have neither expired
2 nor been held invalid by a court or other body of competent jurisdiction from which no
3 appeal has or may be taken.” *Id.* at 121. After the patent application matured into a patent,
4 the plaintiff believed the new patent did not fall under the licensing agreement, and as
5 result, the plaintiff did not owe royalties on it. *Id.* at 121-22. It also contended the patent
6 was invalid and unenforceable as well as that its claims were not infringed by the plaintiff’s
7 products. *Id.* A dispute arose, and the plaintiff filed suit for declaratory relief, seeking a
8 declaration that the patents it licensed from the defendant were invalid or its products did
9 not infringe the patents. *Id.* at 122-25.

10 The Supreme Court held that nothing in Article III’s case or controversy requirement
11 meant that the licensee had to break or terminate a licensing agreement before seeking a
12 declaratory judgment that the underlying patent in the agreement is invalid, unenforceable,
13 or not infringed. 549 U.S. at 137. Consequently, it concluded that the Federal Circuit
14 Court of Appeals erred in affirming dismissal of the case for lack of subject-matter
15 jurisdiction, where the dismissal was based on the reasoning that “a patent licensee in good
16 standing cannot establish an Article III case or controversy with regard to validity,
17 enforceability, or scope of the patent because the license agreement ‘obliterate[s] any
18 reasonable apprehension’ that the licensee will be sued for infringement.” *Id.* at 122. It
19 reasoned “that ‘the requirements of [a] case or controversy are met where payment of a
20 claim is demanded as of right and where payment is made, but where the involuntary or
21 coercive nature of the exaction preserves the right to recover the sums paid or to challenge
22 the legality of the claim.’” *Id.* at 131. It also noted that “[p]romising to pay royalties on
23 patents that have not been held invalid does not amount to a promise *not to seek* a holding
24 of their invalidity.” *Id.* at 135.

25 Thus, *MedImmune* replaced the imminent suit test. *Micron Technology, Inc. v.*
26 *Mosaid Technologies, Inc.*, 518 F.3d 897, 901 (Fed. Cir. 2008). Instead, *MedImmune*
27 established the standard for declaratory judgment justiciability, holding that a justiciable
28 Article III case or controversy exists where “the facts alleged, under all the circumstances,

1 show that there is a substantial controversy, between parties having adverse legal interests,
2 of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.”
3 *MedImmune*, 549 U.S. at 127 (quoting *Md. Cas. Co. v. P. Coal & Oil Co.*, 312 U.S. 270,
4 273 (1941)). Under the *MedImmune* standard, courts analyze whether a counterclaimant
5 basing federal jurisdiction off of a declaratory judgment claim meets the party’s burden by
6 showing (1) a case or controversy of sufficient immediacy and reality and (2) that a
7 declaratory judgment as to the patents-in-suit would affect the legal relationship between
8 the counter-claimant and counter-defendant by finally and conclusively resolving the
9 underlying controversy. *Id.*; see also *Qualcomm*, 2017 WL 5985598, at *20.

10 Plaintiff contends that “*Medimmune* simply held that a patent licensee had standing
11 to file claims for declaratory relief challenging validity of licensed patents and whether its
12 product practices the licensed patents without first breaching the license payment by
13 withholding payment *where, if the licensee ceased making payments under the license*
14 *agreement, it might be sued for patent infringement by the patent holder.*” Reply at 8:8-
15 13. Plaintiff argues that *MedImmune*’s holding does not apply to this case, meaning the
16 Court should apply *Super Sack* instead, for three reasons: First, unlike the *MedImmune*
17 licensee, who continued paying royalties under protest while challenging the patents-in-
18 suit, Defendant has already breached the Agreements by ceasing royalty payments and has
19 been sued in state court for doing so. *Id.* at 8:19-9:1; see also *Oppo*. at 16:27-28. Second,
20 Plaintiff argues that *MedImmune* is distinguishable because the *MedImmune* patent license
21 required the licensee’s products to practice the claims of the Licensed Patents, but the
22 Agreements at issue in this case do not. Reply at 8:23-28, 9:2-4. As already noted, the
23 Court finds the Agreements do require ChowNow to practice the Licensed Patents in order
24 for ChowNow to bear responsibility for royalties, so this argument fails to distinguish
25 *MedImmune*. Third, Plaintiff asserts that unlike the *MedImmune* licensee, ChowNow
26 “does not face the threat—real or potential—of being sued by Ameranth for patent
27 infringement, now or in the future, because Ameranth has expressly covenanted not to sue
28 ChowNow for such a claim.” *Id.* at 9:4-7. As also already noted, the covenant to sue only

1 covered agreeing not to pursue royalties, but it did not covenant not to sue for patent
2 infringement. Thus, this argument also fails to distinguish *MedImmune*. As such, the Court
3 proceeds to apply *MedImmune* to the present controversy.

4 The *MedImmune* “all the circumstances” analysis is “calibrated to the particular
5 facts of each case.” *Matthews Int’l Corp. v. Biosafe Eng’g, LLC*, 695 F.3d 1322, 1328
6 (Fed. Cir. 2012). Courts have not developed a bright-line rule applicable to patent cases,
7 but rather “Article III jurisdiction may be met where the patentee takes a position that puts
8 the declaratory judgment plaintiff in the position of either pursuing arguably illegal
9 behavior or abandoning that which he claims a right to do.” *SanDisk Corp. v.*
10 *STMicroelectronics, Inc.*, 480 F.3d 1372, 1380-81 (Fed. Cir. 2007). Since *MedImmune*,
11 the Federal Circuit has held that, in the context of patent disputes, an “actual controversy”
12 requires “an injury in fact traceable to the patentee,” which exists only if the plaintiff
13 alleges “both (1) an affirmative act by the patentee related to the enforcement of his patent
14 rights and (2) meaningful preparation to conduct potentially infringing activity.”
15 *ActiveVideo Networks, Inc. v. Trans Video Elecs., Ltd.*, 975 F. Supp. 2d 1083, 1087 (N.D.
16 Cal. 2013) (finding there was “no dispute regarding the second factor because AV already
17 makes the products that are being accused of infringing”); *Qualcomm*, 2017 WL 5985598,
18 at *15 (holding that “there is no dispute as to the second factor because Apple long engaged
19 in the sale and, through its Contract Manufacturers, the production of iPhones and iPads”).

20 Courts have found the first step satisfied where a patent holder files a lawsuit in state
21 court seeking royalty payments owed in connection with use of the patent holder’s patents.
22 *Beverly Hills Teddy Bear Co., Inc. v. GennComm, LLC*, No. CV-2002849-CJCJEMX,
23 2020 WL 7049537, at *2 (C.D. Cal. Oct. 1, 2020) (noting that the “[t]he first element is
24 also satisfied” because the patent holder had “already filed a lawsuit in state court seeking
25 the royalty payments owed by [the licensee] in connection with its alleged use of [the patent
26 holder’s] patents”). Further, “[p]rior litigious conduct is one circumstance to be considered
27 in assessing whether the totality of circumstances creates an actual controversy.” *Hewlett-*
28 *Packard Co. v. Accelaron LLC*, 587 F.3d 1358, 1364 (Fed. Cir. 2009). In this case,

1 Ameranth has already filed suit seeking royalty payments in connection with its Licensed
2 Patents. Ameranth also has an extensive history of prior litigious conduct. Thus, Ameranth
3 has taken affirmative acts to enforce its patent rights in satisfaction of the first step.

4 A declaratory judgment plaintiff satisfies the second step where a license holder
5 refuses to pay royalties owed under a license agreement. *See, e.g., Beverly Hills Teddy*
6 *Bear Co., Inc. v. GennComm, LLC*, No. CV2002849CJCJEMX, 2020 WL 7049537, at *2
7 (C.D. Cal. Oct. 1, 2020) (“Here, the second element is clearly satisfied as BH Teddy has
8 refused to pay GennComm the royalties agreed to under the Agreement.”); *see also*
9 *MedImmune*, 549 U.S. at 128 (“There is no dispute that [a justiciable controversy would
10 have existed] if petitioner had taken the final step of refusing to make royalty payments
11 under the [] license agreement.”). Thus, where an accused party, like ChowNow, contends
12 that it has the right to engage in the accused activity without a license, “an Article III case
13 or controversy will arise and the party need not risk a suit for infringement by engaging in
14 the identified activity before seeking a declaration of its legal rights.” *Dow Jones & Co. v.*
15 *Ablaise Ltd.*, 606 F.3d 1338, 1346-47 (Fed. Cir. 2010) (citing *Revolution Eyewear*, 556
16 F.3d at 1297); *see also Hero Nutritionals, Inc. v. Vitastix, Inc.* 2010 WL 11580048, at *4
17 (C.D. Cal. Apr. 23, 2010) (explaining that when the plaintiff refused to pay royalties under
18 the license agreement because the underlying patent was invalid, the plaintiff’s challenge
19 to the patent was justiciable because “if Plaintiff successfully challenges the validity of
20 Defendant’s patent, the parties’ License Agreement will be effectively undermined”);
21 *Precision Shooting Equip. Co. v. Allen*, 646 F.2d 313, 314, 318-19 (7th Cir. 1981) (finding
22 “there is sufficient controversy for jurisdiction” in a dispute between parties to a licensing
23 agreement where the licensee challenges the validity of the licensor’s patent in a
24 declaratory judgment action; noting that “if it is determined that [the licensee] is paying
25 royalties for nothing, its post-challenge royalties will likewise be in safekeeping for return
26 by the court.”). Here, ChowNow has taken meaningful preparation to conduct potentially
27 infringing activity in satisfaction of the second step. Thus, an actual controversy exists
28 under the *MedImmune* test. However, the Court must still address whether after applying

1 *MedImmune*, Ameranth’s covenant not to sue defeats a case or controversy.

2 The parties dispute whether *MedImmune* abrogated *Super Sack*’s covenant not to sue
3 doctrine, which holds that a patent holder’s covenant not to sue for patent infringement
4 divests the district court of federal subject matter jurisdiction over claims of patent
5 invalidity because the covenant eliminates any case or controversy between the parties.
6 See *Oppo*. at 21:4-26 (arguing *MedImmune* abrogated the holding in *Super Sack* and
7 “dramatically altered the applicable standard, making it easier for claimants to gain
8 Declaratory Judgment Act standing”); Reply at 8:19-9:16 (arguing that “*MedImmune* did
9 not abrogate the *Super Sack* procedure to eliminate a potential dispute over patent validity
10 or infringement by providing a covenant not to sue). While *Super Sack* has not been
11 entirely overruled, it has been clarified. See, e.g., *Benitec*, 495 F.3d at 1346 (“Although
12 neither *Super Sack* nor *Amana* has been expressly overruled, both applied the disapproved
13 ‘reasonable apprehension of imminent suit’ test.”); see also *Cat Tech LLC v. TubeMaster,*
14 *Inc.*, 528 F.3d 871, 880 (Fed. Cir. 2008) (noting that “[i]n the wake of *MedImmune*, several
15 opinions of this court have reshaped the contours of the first prong of our declaratory
16 judgment jurisprudence,” and “*MedImmune* articulated a ‘more lenient legal standard’ for
17 the availability of declaratory judgment relief in patent cases”). Defendant argues that
18 Plaintiff fails to meet the formidable burden of showing that “it is absolutely clear that the
19 allegedly wrongful behavior could not reasonably be expected to recur” because it fails to
20 show that (1) Plaintiff could not reasonably be expected to resume its patent enforcement
21 efforts against Defendant or (2) it is absolutely clear that Plaintiff will not sue Defendant
22 in the future for issues related to the Licensed Patents. *Oppo*. at 22:3-7, 23:13-17.

23 “Whether a covenant not to sue will divest the trial court of jurisdiction depends on
24 what is covered by the covenant.” *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556
25 F.3d 1294, 1297 (Fed. Cir. 2009); see also *Oppo*. at 22:13-16 (citing same). For instance,
26 in *Revolution Eyewear*, the court distinguished cases where “the covenants covered the
27 current products whether they were produced and sold before or after the covenant, and the
28 courts found [the] absence of continuing case or controversy” from the plaintiff’s covenant,

1 which “offered no covenant on the current products, stating that it is not obligated to
2 ‘repudiate suit for future infringement.’” *Id.* “[B]y retaining that right [to sue on current
3 products], Revolution preserved this controversy at a level of ‘sufficient immediacy and
4 reality’ to allow Aspex to pursue its declaratory judgment counterclaims.” *Id.* Similarly,
5 in *Honeywell Int’l Inc. v. Universal Avionics Sys. Corp.*, 488 F.3d 982, 995-96 (Fed. Cir.
6 2007), the Federal Circuit noted that the plaintiff failed to make a blanket withdrawal by
7 refusing to withdraw some of the claims and had also sued one of the defendants for
8 infringement of those claims in another suit. Thus, the district court had appropriately
9 retained jurisdiction over the patents in suit because the failure to withdraw all claims
10 created a reasonable apprehension of suit for infringement. *Id.*

11 Here, as Defendant points out, Plaintiff’s covenant not to sue “only guarantees that
12 Ameranth will not sue ChowNow in the future ‘for royalties or other fees.’” *Oppo*. at
13 22:16-17 (citing McNally Decl. at ¶ 14). It says nothing of whether it will sue for patent
14 infringement. Defendant contends that it only entered into the Agreements to end a patent
15 infringement lawsuit previously filed by Plaintiff, so because the covenant to sue “does not
16 include an irrevocable and unconditional *guarantee* that Ameranth will not sue ChowNow
17 for any alleged past or future *patent infringement*,” it is facially deficient and cannot serve
18 as the basis of mooted ChowNow’s *non-infringement* and invalidity Cross-Claims. *Id.* at
19 22:17-24. Defendant also points out that the covenant not to sue fails to address the impact
20 the covenant would have on successors to Plaintiff’s patents, who could also sue Defendant
21 for patent infringement; Defendant’s successors and/or subsidiaries, who could potentially
22 be sued by Plaintiff or its successors; and Defendant’s customers and other third-parties,
23 “who are expressly provided for in the Amended License Agreement, and Ameranth
24 previously accused of infringement.” *Id.* at 22:25-23:1. Thus, Defendant argues that
25 Plaintiff’s “covenant not to sue is not unconditional and irrevocable, and Ameranth’s
26 actions in related patent-infringement litigations lend support to the belief that Ameranth
27 could exploit the conditional nature of the covenant not to sue if it ever so desired.” *Id.* at
28 23:7-10 (citing *In re Ameranth Cases*, No. 3:11-cv-01810 (S.D. Cal. 2020)). The Court

1 agrees. The covenant not to sue is limited like the *Revolution* and *Honeywell* covenants.
2 Plaintiff's complaint pleading the covenant not to sue shows the covenant only addresses
3 royalties, not patent infringement:

4 Ameranth does not seek to recover royalties for any period of
5 time or events occurring beyond October 1, 2020, the date of
6 filing of the Complaint. Ameranth specifically waives the right
7 to seek recovery of running royalties or other license fees due
8 from ChowNow pursuant to the First Amended Agreement for
9 any period of time or events occurring *beyond* the date of filing
of the Complaint, and covenants not to sue ChowNow for any
running royalties or other license fees for any period of time or
events occurring *beyond* the date of filing of the Complaint.

10 Compl. at 9, ¶ 24.

11 The Agreements indicate that once Defendant stopped paying royalties, the
12 Agreements terminate, *see* ECF No. 14-1 at 8, ¶ 6.3, and Plaintiff can sue Defendant for
13 patent infringement again, and in fact, would not have the ability to even seek royalties
14 once the Agreements terminate. In other words, Plaintiff has only pointed out that it has
15 waived rights it never had in the first place. Thus, Plaintiff's covenant not to sue does not
16 negate the Court's ability to find an Article III case or controversy in this case.

17 In sum, the Court finds that Plaintiff's covenant not to sue does not defeat the
18 existence of a case or controversy sufficient to give Defendant standing to pursue its
19 counterclaims seeking declaratory judgments of non-infringement and invalidity.
20 Plaintiff's arguments to the contrary are unavailing in light of post-*MedImmune* authority
21 protecting licensees from abusive licensees abusive licensing and patent practices. *See*,
22 *e.g.*, Michael Risch, *Patent Challenges and Royalty Inflation*, 85 Ind. L.J. 1003, 1057, n.39
23 (2010) (noting that "[t]he post-*MedImmune* Federal Circuit has been able to protect patent
24 holders from abusive practices," and as a result, "[a] licensee can also seek declaratory
25 judgment that it does not practice the patent and thus is not liable for royalties."). Having
26 concluded that a case or controversy exists the Court must still address Plaintiff's
27 arguments as to whether Defendant provided proper *Lear* notice.

28 ii. Lear notice

1 Plaintiff argues that Defendant has no standing to pursue its counterclaims for
2 declaratory relief as to invalidity because it never provided Plaintiff with *Lear* notice (*i.e.*,
3 notice it was withholding royalty payments under the Agreement on the grounds that it had
4 determined that the Licensed Patents were invalid) before October 1, 2020 (the date
5 Plaintiff filed suit in the Superior Court), and Plaintiff has given Defendant a covenant not
6 to sue for any period of time *after* October 1, 2020. Mot. at 6:22-24; 19:13-16. Absent
7 standing, the Court would need to remand the case or dismiss it. Defendant opposes by
8 arguing that Plaintiff’s arguments regarding *Lear* notice fail for three reasons: (1)
9 Defendant’s 2018 correspondence met the standards for invoking rights under *Lear*; (2)
10 even under Plaintiff’s “mistaken understanding” of what *Lear* requires, Defendant’s “2018
11 correspondence at least creates fact questions that cannot be decided without any discovery
12 at this stage of the litigation”; and (3) regardless of whether Defendant’s 2018
13 correspondence invoked its *Lear* rights, Plaintiff’s covenant not to sue does not eliminate
14 any controversy after the date of Ameranth’s suit, and therefore, does not moot
15 ChowNow’s invalidity cross-claims. Oppo. at 15:20-16:3.

16 In 1969, the Supreme Court, in *Lear, Inc. v. Adkins*, 395 U.S. 653, 673 (1969), made
17 clear that with respect to a breach of contract claim arising out of a licensing agreement,
18 the licensee need not repudiate the licensing agreement—thereby subjecting itself to
19 liability for infringement—in order to challenge the validity of a patent. *Id.* In doing so,
20 it overruled the doctrine of licensee estoppel, which previously prevented a patent licensee
21 from challenging the validity of a patent to which it possessed a license to use. *Id.* Plaintiff
22 argues that *Lear* notice, which the Court describes below, is relevant to determination of
23 federal subject matter jurisdiction because no case or controversy exists between the
24 licensor and licensee as to the validity of the licensed patents or obligation to pay royalties
25 until the licensee challenges the licensed patents. Thus, by failing to provide proper *Lear*
26 notice until filing its Amended Counterclaims, Defendant lacked standing at the time
27 Plaintiff filed suit as well as at the time of removal.

28 *Lear* involved a patent licensing agreement containing similar terms to the

1 Agreements in this case: If the UPSTO refused to issue a patent or held any of the patents
2 covered by the agreement invalid, the defendant-licensee could terminate the agreement.
3 395 U.S. at 656-57. Eventually, the defendant ceased paying royalties, and the plaintiff-
4 licensor, like Ameranth, sued for breach of the patent licensing agreement. *Id.* at 660. The
5 Supreme Court held that a party seeking to repudiate a licensing agreement, like the *Lear*
6 plaintiff and ChowNow, need not comply with the licensing agreement by continuing to
7 pay royalties until the patent claim is declared invalid, even where an agreement expressly
8 states royalties are owed until the patent claim is held invalid. *Id.* at 673-74 (holding “that
9 *Lear* must be permitted to avoid the payment of all royalties accruing after Adkins’ 1960
10 patent issued if *Lear* can prove patent invalidity”). As applies to this case, *Lear* means
11 ChowNow had a right to cease paying royalties while challenging the Licensed Patents and
12 did not need to continue such payments until the final determination on the validity of those
13 patents, even if the Agreements state otherwise.

14 One year later, in 1997, the Federal Circuit, in *Studiengesellschaft Kohle, M.B.H. v.*
15 *Shell Oil Co.*, began requiring what is known as “*Lear* notice,” pursuant to which “a
16 licensee . . . cannot invoke the protection of the *Lear* doctrine until it¹⁷ (i) actually ceases
17 payment of royalties, and (ii) provides notice to the licensor that the reason for ceasing
18 payment of royalties is because it has deemed the relevant claims to be invalid.” 112 F.3d
19 1561, 1568 (Fed. Cir. 1997); *see also Dodocase VR, Inc. v. MerchSource, LLC*, No. 17-
20 CV-07088-JCS, 2020 WL 475494, at *4 (N.D. Cal. Jan. 29, 2020) (holding that “Defendant
21 MerchSource satisfies the *Kohle* requirements because Defendant MerchSource (i) actually
22 ceased payment of royalties, and (ii) provided notice to Plaintiff Dodocase on October 5,
23 2015 that the reason for ceasing payment was that it concluded that the relevant claims
24 are invalid”). While “a licensee need not institute suit challenging the validity of

25 ¹⁷ Plaintiff points out that it is not enough for someone else to challenge a licensed
26 patent for the licensee to avoid paying royalties; rather, the licensee seeking to refrain from
27 making royalty payments must challenge the patent. *Studiengesellschaft*, 112 F.3d at 1568;
28 *see also* Mot. at 21:21-26. This means ChowNow cannot seek to avoid royalties based on
the date another party challenged any of the Licensed Patents.

1 the patent,” it “must clearly notify the licensor that the licensee is challenging
2 the patent’s validity.” *Id.* at 936-47. *Studiengesellschaft* also clarified that the *Lear*
3 doctrine does not prevent a patent owner from recovering royalties up until the date the
4 licensee first challenges the validity of the patent. 112 F.3d at 1568; *see also Go Medical*
5 *Industries, Pty., Ltd. v. Inmed Corp.*, 471 F.3d 1264, 1273 (Fed. Cir. 2006) (holding that
6 the court erred in relieving the licensee of its obligation to pay royalties after a finding of
7 invalidity during another lawsuit because that invalidity finding was still pending appeal,
8 and thus, “had no effect on the contractual relationship” between the plaintiff and the
9 defendant even though the agreement tied its duration to the life of the patent-in-suit).

10 Plaintiff argues that an October 11, 2018 letter sent by Defendant stated that its
11 decision to cease paying royalties was based on a determination that its products did not
12 practice the claims of Plaintiff’s Licensed Patents within the Field of Use as defined by the
13 FAA “and not on the basis of validity.” Mot. at 10:24-11:2; Oppo. at 3:28. Defendant
14 responds that even if the Licensed Patents were or are valid, it is of no import because its
15 products and services do not practice the Licensed Patents. *See* Exhibit 3 to Mot., ECF
16 No. 12-3 at 8-9.

17 The actual letter itself states that it believes “the question of validity of this patent is
18 immaterial, *at the present time*, to ChowNow’s decision to cease royalty payments,” *see*
19 Exhibit 3 to Mot., ECF No. 12-3 at 8-9 (emphasis added), but not necessarily that it did not
20 factor into the decision in any respect. In fact, the letter explicitly noted that the 850, 325,
21 733, and 077 Patents had all been invalidated. *Id.* It also stated that Plaintiff had identified
22 the 060 and 651 Patents, which Defendant “reviewed and reached the same conclusion of
23 no infringement.” *Id.* It concluded by stating that if Plaintiff believed its platform
24 employed an “an enforceable and valid claim of Ameranth’s patents,” then, Plaintiff should
25 provide Defendant “with any such claim chart for us to evaluate.” *Id.* Because licensees
26 pay royalties to allow them to practice patents without being sued for patent infringement,
27 if a licensee does not practice the patents subject to the licensing agreement, the need for
28 royalty payments disappears. In sum, the letter at issue, while noting it was not basing the

1 decision to cease royalty payments on the basis of a belief of invalidity “at the present
2 time,” also asserted that the Licensed Patents had already been declared invalid and were,
3 in fact, invalid. *See Dodocase*, 2020 WL 475494, at *4 (providing that “it is undisputed
4 that on October 5, 2017, Defendant MerchSource sent Plaintiff Dodocase a letter stating
5 that Defendant MerchSource had concluded that “all relevant claims are invalid under 35
6 U.S.C. § 102 and/or § 103.”). This letter also clearly advised that Defendant would not
7 paying royalties on any products sold thereafter. This satisfies the requirements to (1)
8 actually cease payment of royalties and (2) provide notice that the reason for ceasing
9 payment was that it concluded that the relevant claims were invalid. *See Dodocase*, 2020
10 WL 475494, at *4 (holding the defendant met the requirements because it “(1) actually
11 ceased payment of royalties, and (ii) provided notice to Plaintiff. . . on October 5, 2015 that
12 the reason for ceasing payment was that it concluded that the relevant claims are invalid.”).

13 Further, unlike in *Studiengesellschaft*, where the licensee continued to pay some
14 royalties while hiding the fact that it was withholding royalties on certain products,
15 Defendant has withheld all royalties. *Oppo*. at 16:17-22. Defendant argues this distinction
16 is important because “[i]t was in that *nonrepudiating* context that the Federal Circuit stated
17 that [the defendant] could not ‘invoke the protection of the *Lear* doctrine until it (i) actually
18 ceases payment of royalties, and (ii) provides notice to the licensor that the reason for
19 ceasing payment of royalties is because it has deemed the relevant claims to be held
20 invalid.” *Id.* at 16:22-17:2. Defendant contends that in this case, it has clearly satisfied
21 both *Studiengesellschaft* requirements by (1) already ceasing royalty payments to
22 Ameranth and (2) expressly telling Ameranth it was ceasing doing so, in part, because it
23 believed the Licensed Patents were invalid. *Id.* at 17:3-9. Defendant also argues that “[t]he
24 fact that ChowNow had multiple reasons for not paying Ameranth is irrelevant to whether
25 ChowNow properly invoked its rights under *Lear*.” *Id.* at 17:14-16. This is because
26 “Supreme Court held that MedImmune could invoke its *Lear* rights even though it raised
27 *three* grounds for believing it owed no royalties, *i.e.*, that the ‘patent was [1] invalid and
28 [2] unenforceable, and that its claims were in any event [3] not infringed.’” *Id.* at 17:16-

1 20 (citing *MedImmune*, 549 U.S. at 122) (reference numerals added). Thus, Defendant
2 argues that “[a]t the very least, this record creates a factual question as to whether
3 ChowNow invoked its *Lear* rights as required under *MedImmune* and/or
4 [*Studiengesellschaft*], thus precluding remand on that basis.” *Id.* at 17:20-22.

5 The Court agrees that under *MedImmune*, a repudiating licensee can provide
6 multiple reasons for repudiating a license agreement, as ChowNow did here, which means
7 ChowNow provided adequate *Lear* notice.

8 iii. *Ameranth v. Splick-It, Inc.*

9 In the Notice of Removal, Defendant also cited to the *Splick-It* case, in which the
10 contract involved a license agreement covering the 077 Patent, and the district court denied
11 Ameranth’s motions to remand and dismiss similar to the Motions here. ECF No. 1 at
12 5:13-6:6. Plaintiff argues that even though Defendant’s Notice of Removal refers to the
13 *Splick-It* Action, *Splick-It* is distinguishable for four reasons warranting this Court arriving
14 at a different outcome. Mot. at 24:4-7. Plaintiff contends that these differences require the
15 Court to dismiss Defendant’s cross-complaints for declaratory relief because Defendant
16 has no standing, resulting in the Court lacking jurisdiction over the case and requiring
17 remand pursuant to 28 U.S.C. § 1447(c). *Id.* at 24:4-7. Defendant opposes by arguing that
18 Plaintiff’s attempts to distinguish *Splick-It* is unavailing because that case “is nearly
19 identical, both factually and procedurally, to this case.” *Oppo.* at 24:11-13.

20 On April 26, 2017, Ameranth filed an action against the defendant, Splick-It, Inc.
21 (“Splick-It”), in the San Diego Superior Court alleging two claims for (1) breach of contract
22 and (2) declaratory relief, alleging that the defendant “breached the 1st Amended License
23 Agreement by failing to provide the reports and royalties required by the 1st Amended
24 License Agreement, while still using the family of Ameranth hospitality patents.” 3:17-
25 cv-01093-DMS-WVG, ECF No. 1 at 9-13 (the “*Spick-It*”); *see also Ameranth, Inc. v.*
26 *Splick-It, Inc.*, No. 17-cv-01093-DMS-WVG, 2017 WL 11422186, at *1 (S.D. Cal. Aug.
27 4, 2017) (Sabraw, Chief J.) (denying Ameranth’s motion to remand); *see also Ameranth,*
28 *Inc. v. Splick-It, Inc.*, No. 17-cv-01093-DMS-WVG, 2017 WL 11422187, at *1 (S.D. Cal.

1 Aug. 18, 2017) (Sabraw, Chief J.) (denying Ameranth’s motion to dismiss). On May 26,
2 2017, Splick-It filed an answer and cross-complaint, alleging, *inter alia*, that Ameranth’s
3 patents—including but not limited to the 060 and 077 Patents at issue in this case—were
4 not infringed, invalid, and unenforceable. *Splick-It*, 2017 WL 11422186, at *1. After filing
5 its cross-complaint, Splick-It also removed the case to the Southern District of California.
6 *Id.* In June 2017, Plaintiff filed a Motion to Dismiss, *see Spick-It* Action, at ECF No. 16,
7 Motion to Remand, *id.* at ECF No. 12. The court, however, denied the motion to dismiss
8 and motion to remand, *id.* at ECF Nos. 27, 28.

9 In denying the motion to remand, the court reasoned that the facts underlying
10 Ameranth’s state law claims would “involve an inquiry into whether Splick-It is practicing
11 the inventions claimed in the ‘077 Patent.” *Splick-It*, 2017 WL 11422186, at *3. Thus,
12 because the “issue, infringement of the ‘077 Patent, [was] currently being litigated in this
13 Court, . . . it would be more economical and efficient to litigate the issue as to Splick-It
14 here, as well.” *Id.* In denying the motion to dismiss for lack of subject-matter jurisdiction,
15 the *Splick-It* court held that “as in *Powertech*, the dispute between Splick-It and Ameranth
16 about ‘whether the license agreement requires royalty payments to be tied to valid patent
17 coverage—[was] sufficient to support declaratory judgment jurisdiction.’” *Splick-It*, 2017
18 WL 11422187, at *3.

19 Plaintiff argues that *Splick-It* is distinguishable for four reasons: First, Plaintiff
20 points out that the license agreement in *Splick-It* “was a license to *use and practice* the
21 Ameranth patents,” and the *Splick-It* court “relied upon the linkage between practice of the
22 patented inventions and obligation to pay royalties to find that adjudication of [Plaintiff]’s
23 state law claims ‘will involve an inquiry into whether Splick-It is practicing the inventions
24 claimed in the ‘077 Patent.’” Mot. at 22:14-23:2 (citing *Splick-It*, 2017 WL 11422186,
25 *3). Because “no such linkage exists here” requiring that Defendant must use or practice
26 the patents in order to be liable for royalties, Plaintiff argues *Splick-It* does not warrant this
27 Court finding jurisdiction over this case. *Id.* at 23:2-6 (quoting *Splick-It*, 2017 WL
28 11422186, at *3). Defendant responds that “Judge Sabraw made no such ‘linkage.’” Oppo.

1 at 25:4-5. In fact, Defendant points out that “Judge Sabraw *did not even address* this
2 argument in any way, shape, or form in his order denying Ameranth’s motion to remand,”
3 and “[i]n fact, the words ‘pay,’ ‘royalty,’ and ‘linkage’ do not appear in Judge Sabraw’s
4 order.” Oppo. at 25:5-8 (citing *Splick- It*, 2017 WL 11422186, at *1-3). In a way, both
5 parties are correct: *Splick-It* did discuss whether the defendant practiced Ameranth’s
6 patents-in-suit. *See Splick-It, Inc.*, 2017 WL 11422186, at *3. However, it never discussed
7 *Splick-It*’s practicing of Ameranth’s patents with respect to *Splick-It*’s royalty obligations
8 in the manner Plaintiff suggests. *See id.*

9 Second, Plaintiff argues unlike this case, where the Agreements arose as the result
10 of a settlement agreement between the parties to a lawsuit filed by Ameranth against
11 ChowNow for patent infringement, in *Splick-It*, Ameranth had never sued *Splick-It* for
12 patent infringement, so the license did not result from the settlement of a patent dispute.
13 *Id.* at 23:7-17. Defendant responds that whether the license agreement at issue resulted
14 from a complaint for patent infringement “is a distinction that, legally, makes no
15 difference.” Oppo. at 25:9-13. The Court agrees.

16 Third, Plaintiff argues that in *Splick-It*, its complaint against *Splick-It* sought
17 royalties both before, during, and after the lawsuit began, seeking royalties through the end
18 of the term of the license agreement, where in this case, Plaintiff limits the royalties it seeks
19 through the date it filed the original complaint. Mot. at 23:18-24. Similarly, Plaintiff’s
20 final argument contends that in *Splick-It*, it never provided the defendant with a covenant
21 not to sue for any periods of time beyond the filing date of its complaint against the
22 defendant, whereas in this case, Plaintiff has covenanted not to sue for any royalties or fees
23 after October 1, 2020. *Id.* at 23:25-24:3. Defendant responds to both arguments by stating
24 that Plaintiff’s “covenant is so limited that it does not affect this Court’s jurisdiction, and
25 Ameranth’s attempt to manipulate facts to reach a different outcome from *Splick-It* should
26 be rejected.” Oppo. at 25:16-21. Although Plaintiff attempts to distinguish this case from
27 *Splick-It*, this Court finds that these arguments that *Splick-It* is distinguishable actually
28

1 prove that Plaintiff learned from the 2017 *Splick-It* decision¹⁸ by taking the reasons offered
 2 by the *Splick-It* court for finding jurisdiction and making a conscious effort to make those
 3 reasons inapplicable to this case—for example, by covenanting not to sue for royalties after
 4 it filed suit. *See, e.g.*, Reply at 14:10-11 (noting that this case differs from *Splick-It* because
 5 “*Splick-It* did not involve a covenant not to sue for future contractual or infringement
 6 liability”). However, because the Court has already noted that Plaintiff’s covenant not to
 7 sue is meaningless in light of the Agreements, these distinctions do not warrant a different
 8 outcome in this case.

9 Plaintiff’s Motion to Remand is **DENIED** because the Complaint and Defendant’s
 10 counterclaims give rise to a justiciable Article III case or controversy relating to patent law.
 11

12 ¹⁸ In fact, the Court notes that Ameranth is currently represented by the same counsel
 13 it had in *Splick-It*. *See Splick-It*, 2017 WL 1142186 *1. Plaintiff’s counsel is reminded of
 14 their obligations: “By presenting to the court a . . . written motion . . . an attorney . . .
 15 certifies that to the best of the person’s knowledge, information, and belief, formed after
 16 an inquiry reasonable under the circumstances . . . the claims, defenses, and other legal
 17 contentions are warranted by existing law or by a nonfrivolous argument for extending,
 18 modifying, or reversing existing law or for establishing new law.” FED. R. CIV. P. 11(B)(2).
 In this case, in light of (1) the number of cases filed by Plaintiff and (2) denial of previous
 motions to dismiss and remand in this district court, the Court questions Plaintiff’s
 circumspection in filing the instant motions.

19 The AIA provides that reasonable attorney’s fees may be awarded to the prevailing
 20 party in “exceptional cases.” 35 U.S.C. § 285. A case is “exceptional” if it stands out from
 21 others with respect to either: (1) the substantive strength of a party’s litigating position, or
 22 (2) the unreasonable manner in which the case was litigated. *Octane Fitness, LLC v. ICON*
 23 *Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). “[A] pattern of litigation *abuses*
 24 characterized by the repeated filing of patent infringement actions *for the sole purpose of*
 25 *forcing settlements*, with no intention of testing the merits of one’s claims, is relevant to a
 26 district court’s exceptional case determination under § 285.” *Thermolife Int’l LLC v. GNC*
 27 *Corp.*, 922 F.3d 1347, 1363 (Fed. Cir. 2019). Courts must discourage such behavior
 28 because some patent holders, known as nonpracticing entities or patent trolls, “with broad
 claims on platform technologies may try to use those claims to discourage competitors
 through licensing restrictions and litigation against technologies on similar products.”
 Keith E. Maskus, *Reforming U.S. Patent Policy: Getting the Incentives Right*, COUNCIL
 ON FOREIGN RELATIONS, CSR No. 19, at 19 (Nov. 2006), available at http://www.cfr.org/content/publications/attachments/Patent_CSR.pdf.

1 **B. Plaintiff's Motion to Dismiss the Cross-Complaints for Failure to State a**
2 **Claim and Lack of Subject Matter Jurisdiction are Denied as Moot.**

3 Plaintiff filed its Motion to Dismiss on November 19, 2020, which sought to dismiss
4 Plaintiff's counterclaims. *See* Mot. However, on December 7, 2020, Defendant filed
5 amended counterclaims, containing eight additional claims for relief. ECF No. 18. "It is
6 well-established in our circuit that an 'amended complaint supersedes the original, the
7 latter being treated thereafter as non-existent.'" *Ramirez v. Cty. of San Bernardino*, 806
8 F.3d 1002, 1008 (9th Cir. 2015) (reversing the district court's granting of the defendants'
9 motion to dismiss the superseded first amended complaint and the resulting dismissal of
10 the case because the timely filed second amended complaint mooted the motion to dismiss
11 targeted at Plaintiff's first amended complaint, which was no longer in effect). Here,
12 Defendant filed its original counterclaims on November 4, 2020, *see* Cross-Compl., which
13 Plaintiff responded to with the instant motion to dismiss filed on November 19, 2020, *see*
14 ECF No. 12. FRCP 15(a)(1) allows a party to amend its pleading once as a matter of course
15 within 21 days of serving the original pleading, or "[i]f the pleading is one to which a
16 responsive pleading is required, 21 days after service of a responsive pleading or 21 days
17 after service of a motion under Rule 12(b), whichever is earlier." Thus, in response to
18 Plaintiff's motion to dismiss the counterclaims, Defendant filed its Amended
19 Counterclaims, on December 7, 2020. ECF No. 18. Because Defendant filed the Amended
20 Counterclaims within 21 days of Plaintiff filing the Motion to Dismiss the original
21 Counterclaims, FRCP 15(a) allowed Defendant to amend the Counterclaims "as of course,"
22 or without leave of court, thereby mooting Plaintiff's Motion to Dismiss. *See, e.g., Apollo*
23 *Enter. Sols., Inc. v. Lantern Credit, LLC*, No. 17-cv-02331-AB-JCX, 2018 WL 437472, at
24 *1 (C.D. Cal. Jan. 16, 2018) (noting that the defendant "subsequently filed its First
25 Amended Counterclaims on May 5, 2017, mooting Apollo's initial motion to dismiss").

26 In sum, Plaintiff's Motion to Dismiss sought to dismiss Defendant's original
27 counterclaims, filed on November 4, 2020, *see* Cross-Compl., which are no longer
28 operative due to Defendant's filing of the Amended Counterclaims, on December 7, 2020,

1 see ECF No. 18. Thus, granting Defendant’s Motion to Dismiss would have no effect
2 within the confines of this case. See, e.g., *Tur v. YouTube, Inc.*, 562 F.3d 1212, 1214 (9th
3 Cir. 2009) (“[A]n issue is moot when deciding it would have no effect within the confines
4 of the case itself.”).

5 **C. Plaintiff’s Objections to Defendant’s Notices of Supplemental Authority**

6 Plaintiff objects to Defendant’s Notices of Supplemental Authority, ECF Nos. 28,
7 29, which provided the Court with opinions from Chief Judge Dana Sabraw in *Ameranth,*
8 *Inc. v. Domino’s Pizza, Inc.*, No. 12-cv-0733-DMS-WVG, 2021 WL 409725, at *1 (S.D.
9 Cal. Feb. 5, 2021), finding this case exceptional for purposes of 35 U.S.C. § 285. Plaintiff
10 objects to these notices, and the orders attached to them, as “not relevant to the controlling
11 legal issues.” ECF No. 30 at 2:12-17. The Court agrees and disregards these notices in its
12 consideration of the Motions. The orders provided to the Court have nothing to do with
13 the jurisdictional issues before the Court.

14 **V. CONCLUSION**

15 Plaintiff argues that “[t]his is a garden variety state law action for breach of
16 ChowNow’s contractual duty to pay royalties to Ameranth under a written license
17 agreement,” so “[i]t belongs in San Diego County Superior Court, the venue in which
18 Ameranth properly filed the complaint. Mot. at 24:9-12. Plaintiff accuses Defendant of
19 attempting “to make a federal case out of this suit on several grounds, none of which are
20 well-taken” because Plaintiff’s “causes of action include no federal claims and do not
21 depend upon determination of any patent law or other federal issues, and therefore provide
22 no basis for removal.” Mot. at 24:13-16. However, because the Agreements self-
23 terminated, they provide no defense to a claim by Ameranth for infringement from the date
24 of termination (*i.e.*, October 30, 2018) onwards. Further, the plain language of the
25 Agreements shows royalties are due dependent on whether ChowNow practices the
26 Licensed Patents, requiring the Court to determine the claims of the Licensed Patents as
27 well as their validity. Finally, Plaintiff argues that Defendants’ “cross-complaints for
28 declaratory relief of invalidity are likewise defective because [Defendant] never provided

1 *Lear* notice that it was challenging the validity of the patents prior to the initiation of this
2 lawsuit, and [Plaintiff] has unconditionally covenanted not to sue [Defendant] for royalties
3 or other fees for any period of time after the filing of the lawsuit.” Mot. at 24:21-26.
4 However, the Court has determined that ChowNow provided adequate *Lear* notice, and
5 Ameranth’s covenant not to sue for royalties does not address its desire or intent to sue for
6 patent infringement, which it has done in the past. Thus, a controversy exists sufficient to
7 create federal subject matter jurisdiction under the Declaratory Judgment Act.

8 Thus, for the above reasons, the Court:


9 1. **DENIES** Plaintiff’s Motion to (a) Dismiss the Cross-Complaint for (i) Failure
10 to State a Claim and (ii) Lack of Subject Matter Jurisdiction and (b) Remand to State Court,
11 ECF No. 12.

12 2. **SUSTAINS** Plaintiff’s Objections to Defendant’s Notices of Supplemental
13 Authority.

14 3. Any response to Defendant’s Amended Counterclaims must be filed within
15 ten (10) days of this order.

16 **IT IS SO ORDERED.**

17 DATED: August 18, 2021



HON. ROGER T. BENITEZ
United States District Judge