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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 SHENZHEN JINGPINCHENG
12 ELECTRONIC TECHNOLOGY CO.,
13 LTD.,

Plaintiff,

14 v.

15 BLISSLIGHTS, LLC, BLISSLIGHTS,
16 INC., BLISS HOLDINGS, LLC, and
17 DOES 1-10,

Defendants.
18

Case No.: 21cv1393-GPC(RBB)

**ORDER GRANTING DEFENDANT
BLISSLIGHTS, LCC'S MOTION TO
DISMISS WITH LEAVE TO AMEND**

[Dkt. No. 5.]

19
20 Before the Court is Defendant Blisslights, LLC's motion to dismiss pursuant to
21 Federal Rule of Civil Procedure 12(b)(1), 12(b)(6) and 9(b). (Dkt. No. 5.) Plaintiff filed
22 an opposition on September 25, 2021. (Dkt. No. 24.) A reply was filed on October 8,
23 2021. (Dkt. No. 25.) The Court finds that the matter is appropriate for decision without
24 oral argument pursuant to Local Civ. R. 7.1(d)(1). Based on the reasoning below, the
25 Court GRANTS Defendant's motion to dismiss with leave to amend.

26 **Background**

27 On August 3, 2021, Plaintiff ShenZhen JingPinCheng Electronic Technology Co.,
28 Ltd. ("Plaintiff") filed a complaint against Defendants Blisslights, LLC; Blisslights, Inc.;

1 and Bliss Holdings, LLC (collectively “Defendants”) seeking declaratory judgment of
2 noninfringement and invalidity of U.S. Patent No. 8,057,045 (“the ’045 Patent”),
3 declaratory judgment of lack of standing by Defendants to assert the ‘045 Patent,
4 interference with business relationship and unfair business practices under California
5 Business & Professions Code sections 17200, 17500. (Dkt. No. 1, Compl.)

6 Plaintiff is a Chinese limited company with its principal place of business in
7 Shenzhen City, Guangdong Province, China and specializes in the research, design, and
8 distribution of lighting products and other consumer electronics products such as the
9 Galaxy Star Projector, the Accused Product. (*Id.* ¶ 2.) Defendant Blisslights, LLC
10 (“Defendant” or “Blisslights”) is a California limited liability company with its principal
11 place of business in Oceanside, CA and is the alleged owner of the ‘045 Patent. (*Id.* ¶ 3.)
12 Defendants Blisslights, Inc. and Bliss Holdings, LLC are California entities that have
13 been suspended from doing business by the Secretary of the State of California for
14 violating various state laws and regulations. (*Id.* ¶¶ 4, 5.) On June 14, 2016, Bliss
15 Holdings LLC was involuntarily petitioned for a Chapter 7 bankruptcy. (*Id.* ¶ 6.)
16 Defendant Blisslights, LLC¹, only, filed a motion to dismiss. (Dkt. No. 5.)

17 Discussion

18 A. Legal Standard on Federal Rule of Civil Procedure 12(b)(1)

19 Federal Rule of Civil Procedure (“Rule”) 12(b)(1) provides for dismissal of a
20 complaint for lack of subject-matter jurisdiction. Fed. R. Civ. P. 12(b)(1). “A Rule
21 12(b)(1) jurisdictional attack may be facial or factual.” *Safe Air for Everyone v. Meyer*,
22 373 F.3d 1035, 1039 (9th Cir. 2004). “In a facial attack, the challenger asserts that the
23 allegations contained in a complaint are insufficient on their face to invoke federal
24 jurisdiction.” *Id.* The Court “resolves a facial attack as it would a motion to dismiss
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27 ¹ Defendant Blisslights, LLC explains that Blisslights, Inc. and Bliss Holdings, LLC were liquidated in
28 bankruptcy and are defunct entities. (Dkt. No. 5 at 10.) Despite the legal status of these entities, the
Court notes that they have not been served.

1 under Rule 12(b)(6): Accepting the plaintiff's allegations as true and drawing all
2 reasonable inferences in the plaintiff's favor, the court determines whether the allegations
3 are sufficient as a legal matter to invoke the court's jurisdiction.” *Leite v. Crane Co.*, 749
4 F.3d 1117, 1121 (9th Cir. 2014) (citation omitted). “[I]n a factual attack,” on the other
5 hand, “the challenger disputes the truth of the allegations that, by themselves, would
6 otherwise invoke federal jurisdiction.” *Safe Air for Everyone*, 373 F.3d at 1039. “In
7 resolving a factual attack on jurisdiction,” the Court “may review evidence beyond the
8 complaint without converting the motion to dismiss into a motion for summary
9 judgment.” *Id.* The Court “need not presume the truthfulness of the plaintiff's
10 allegations” in deciding a factual attack. *Id.* Once the defendant has moved to dismiss
11 for lack of subject matter jurisdiction under Rule 12(b)(1), the plaintiff bears the burden
12 of establishing the Court's jurisdiction. *See Chandler v. State Farm Mut. Auto Ins. Co.*,
13 598 F.3d 1115, 1122 (9th Cir. 2010). Ultimately, the plaintiff has the burden to
14 demonstrate that subject matter jurisdiction exists. *Kokkonen v. Guardian Life Ins. Co. of*
15 *America*, 511 U.S. 375, 377 (1994).

16 In its moving brief, Defendant does not specifically articulate but appears to launch
17 a facial attack on subject matter jurisdiction as it relies on allegations in the Complaint.
18 (Dkt. No. 5.) Then in opposition, Plaintiff argues that Defendant has made a factual
19 attack on subject matter jurisdiction and responds with evidence outside the complaint,
20 (Dkt. No. 24 at 6), to which Defendant replies that it has only made a facial challenge,
21 (Dkt. No. 25 at 2). Because Defendant is not relying on documents outside the complaint
22 in its moving papers, the Court analyzes Defendant’s Rule 12(b)(1) motion as a facial
23 challenge to subject matter jurisdiction and accepts the allegations in the Complaint as
24 true with all reasonable inferences drawn in favor of Plaintiff to determine whether the
25 elements of subject matter jurisdiction have been sufficiently alleged.

26 **B. Legal Standard on Federal Rule of Civil Procedure 12(b)(6)**

27 Rule 12(b)(6) permits dismissal for “failure to state a claim upon which relief can
28 be granted.” Fed. R. Civ. P. 12(b)(6). Dismissal under Rule 12(b)(6) is appropriate

1 where the complaint lacks a cognizable legal theory or sufficient facts to support a
2 cognizable legal theory. *See Balistreri v. Pacifica Police Dep't.*, 901 F.2d 696, 699 (9th
3 Cir. 1990). Under Federal Rule of Civil Procedure 8(a)(2), the plaintiff is required only
4 to set forth a “short and plain statement of the claim showing that the pleader is entitled
5 to relief,” and “give the defendant fair notice of what the . . . claim is and the grounds
6 upon which it rests.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007).

7 A complaint may survive a motion to dismiss only if, taking all well-pleaded
8 factual allegations as true, it contains enough facts to “state a claim to relief that is
9 plausible on its face.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*,
10 550 U.S. at 570). “A claim has facial plausibility when the plaintiff pleads factual
11 content that allows the court to draw the reasonable inference that the defendant is liable
12 for the misconduct alleged.” *Id.* “Threadbare recitals of the elements of a cause of
13 action, supported by mere conclusory statements, do not suffice.” *Id.* “In sum, for a
14 complaint to survive a motion to dismiss, the non-conclusory factual content, and
15 reasonable inferences from that content, must be plausibly suggestive of a claim entitling
16 the plaintiff to relief.” *Moss v. U.S. Secret Serv.*, 572 F.3d 962, 969 (9th Cir. 2009)
17 (quotations omitted). In reviewing a Rule 12(b)(6) motion, the Court accepts as true all
18 facts alleged in the complaint, and draws all reasonable inferences in favor of the
19 plaintiff. *al-Kidd v. Ashcroft*, 580 F.3d 949, 956 (9th Cir. 2009).

20 Where a motion to dismiss is granted, “leave to amend should be granted ‘unless
21 the court determines that the allegation of other facts consistent with the challenged
22 pleading could not possibly cure the deficiency.’” *DeSoto v. Yellow Freight Sys., Inc.*,
23 957 F.2d 655, 658 (9th Cir. 1992) (quoting *Schreiber Distrib. Co. v. Serv-Well Furniture*
24 *Co.*, 806 F.2d 1393, 1401 (9th Cir. 1986)). In other words, where leave to amend would
25 be futile, the Court may deny leave to amend. *See DeSoto*, 957 F.2d at 658; *Schreiber*,
26 806 F.2d at 1401.

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1 **C. Legal Standard on Federal Rule of Civil Procedure 9**

2 Where a claim alleges fraud or is grounded in fraud, Rule 9(b) requires a plaintiff
3 to “state with particularity the circumstances constituting fraud or mistake.” Fed. R. Civ.
4 P. 9(b). However, “[m]alice, intent, knowledge, and other conditions of a person's mind
5 may be alleged generally.” *Id.* A party must set forth “the time, place, and specific
6 content of the false representations as well as the identities of the parties to the
7 misrepresentation.” *Odom v. Microsoft Corp.*, 486 F.3d 541, 553 (9th Cir. 2007)
8 (internal quotation marks omitted). Allegations of fraud must be “specific enough to give
9 defendants notice of the particular misconduct which is alleged to constitute the fraud
10 charged so that they can defend against the charge and not just deny that they have done
11 anything wrong.” *Semegen v. Weidner*, 780 F.2d 727, 731 (9th Cir. 1985); *see also*
12 *Cooper v. Pickett*, 137 F.3d 616, 627 (9th Cir. 1997) (noting that particularity requires
13 plaintiff to allege the “who, what, when, where, and how” of the alleged fraudulent
14 conduct).

15 **D. First and Second Causes of Action – Declaratory Judgment Act Standing**

16 On the first two causes of action for declaratory relief, Defendant argues that the
17 conclusory allegations in the Complaint do not establish an actual case or controversy
18 between the parties and fail to claim that Plaintiff’s lost sales would have been made
19 within the United States. (Dkt. No. 5 at 16-17.) Plaintiff responds that it has alleged a
20 case or controversy based on patent infringement claims made by Defendant to
21 Amazon.com² and that this case is about sales in the United States. (Dkt. No. 24 a 10-
22 12.)

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25 ² In support of subject matter jurisdiction, Plaintiff, claiming that Defendant is raising a factual
26 challenge, relies on the declaration of Weir Huang, Plaintiff’s business executive, in order to buttress its
27 Article III standing allegations, (Dkt. No. 24, Huang Decl. at 28-29). (Dkt. No. 24 at 6 n. 2; *id.* at 9 n.
28 3.) However, because Defendant brings a facial challenge to subject matter jurisdiction, the Court may
not consider matters outside the Complaint and declines to consider Huang’s declaration. However,
because the Court grants Plaintiff leave to amend, Plaintiff may include these additional facts to support
subject matter jurisdiction in the amended complaint

1 The Declaratory Judgment Act (“DJA”) provides that “[i]n a case of actual
2 controversy within its jurisdiction . . . any court of the United States, upon the filing of an
3 appropriate pleading, may declare the rights and other legal relations of any interested
4 party seeking such declaration, whether or not further relief is or could be sought.” 28
5 U.S.C. § 2201(a). The DJA’s standing requirement refers to Article III’s case and
6 controversy for justiciable claims. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 119,
7 126-27, (2007) (citing *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)). To
8 satisfy Article III’s standing requirements, a plaintiff must demonstrate that “the facts
9 alleged, under all the circumstances, show that there is a substantial controversy, between
10 parties having adverse legal interests, of sufficient immediacy and reality to warrant the
11 issuance of a declaratory judgment.” *Id.* at 127.

12 The DJA allows potential infringers to bring claims against patent holders if there
13 is an actual case or controversy between the parties. *Matthews Int’l Corp. v. Biosafe*
14 *Eng’g, LLC*, 695 F.3d 1322, 1327–28 (Fed. Cir. 2012). In patent cases, the Federal
15 Circuit has held that for a plaintiff to establish it has Article III standing in a declaratory
16 judgment action, a plaintiff must allege “(1) an affirmative act by the patentee related to
17 the enforcement of his patent rights, [citation omitted] and (2) meaningful preparation to
18 conduct potentially infringing activity, [citation omitted].” *Ass’n for Molecular*
19 *Pathology v. U.S. Patent and Trademark Office*, 689 F.3d 1303, 1318 (Fed. Cir. 2012),
20 *reversed on other grounds by Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*,
21 569 U.S. 576 (2013)). The Federal Circuit has required “conduct that can be reasonably
22 inferred as demonstrating intent to enforce a patent.” *Hewlett–Packard Co. v. Acceleron*
23 *LLC*, 587 F.3d 1358, 1363 (Fed. Cir. 2009). The plaintiff seeking declaratory judgment
24 bears the burden of showing the existence of an “actual controversy” sufficient to confer
25 Article III jurisdiction. *Organic Seed Growers & Trade Ass’n v. Monsanto Co.*, 718 F.3d
26 1350, 1354-55 (Fed. Cir. 2013). A patent infringement matter must be dismissed if
27 Article III standing is not proper at the time of the filing of the suit. *Schreiber Foods,*
28 *Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005).

1 **1. Affirmative Act**

2 The Complaint alleges that “Defendants have . . . taken steps . . . to assert the ‘045
3 Patent against Plaintiff” and relies on Exhibit B to the complaint, a patent infringement
4 complaint Defendant made with Amazon.com. (Dkt. 1, Compl. ¶ 11.) Exhibit B to the
5 Complaint is an undated communication from Amazon.com to an unidentified seller
6 providing notice that Amazon.com had received a report from Blisslights that two
7 products listed under ASIN Nos. B096XGNTBD and B080DNVLKMF infringe its
8 patent rights and encouraged the seller to “work directly with the rights owner to resolve
9 the dispute.” (Dkt. No. 1-2 at 21.)

10 Defendant argues that these summary claims to support Article III standing are
11 conclusory and that Exhibit B fails to identify the seller or show the referenced ASIN
12 Nos. are in fact Plaintiff’s products. (Dkt. No. 5 at 17.) Plaintiff contends that the
13 Complaint alleges that Defendants took steps in this district to assert the ‘045 Patent
14 against Plaintiff. (Dkt. No. 24 at 11.)

15 The Federal Circuit has indicated that, for an affirmative act, “more is required
16 than ‘a communication from a patent owner to another party, merely identifying its patent
17 and the other's product line.’ [But] [h]ow much more is required is determined on a case-
18 by-case analysis.” *3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1378-79 (Fed. Cir.
19 2012). Obviously when “a party has actually been charged with infringement of the
20 patent, there is, *necessarily*, a case or controversy adequate to support [Article III
21 standing.]” *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83, 96 (1993) (emphasis in
22 original). However, an “explicit threat is not necessary. Indeed, there need not be any
23 kind of threat. So long as there is an actual charge of infringement, or even an effective
24 charge of infringement, that is enough to give rise to a case or controversy, particularly
25 where a specific infringing product is identified by the patentee.” *ActiveVideo Networks,*
26 *Inc. v. Trans Video Elecs., Ltd.*, 975 F. Supp. 2d 1083, 1091 (N.D. Cal. 2013). For
27 example, in *Dror v. Kenu, Inc.*, Case No. 19-cv-03043-LB, 2019 WL 5684520 (N.D. Cal.
28 Nov. 1, 2019), the district court found subject matter jurisdiction was alleged in a

1 declaratory judgment complaint where the plaintiff had sold its product on Amazon, but
2 Amazon removed the product over concerns of patent infringement alleged by the
3 patentee and refused to relist the product. *Id.* at *2, 5, 7. In subsequent correspondence
4 between the plaintiff and the patentee, the patentee stated it remained “firm” in its belief
5 that the plaintiff's product infringed, and further stated “[a]lthough we had not been
6 planning to file suit against Store in view of the Amazon takedown, please be aware that
7 Kenu will not hesitate to seek prompt and effective judicial relief should this matter be
8 pressed further.” *Id.* at *7 n. 42, 43. The court concluded there was a justiciable
9 controversy because Plaintiff was not only charged with infringing the defendant’s
10 patent, but there was also a threat to sue if the plaintiff pressed the matter. *Id.* at *7.

11 Further, “[w]hen the conduct of the patentee can be ‘reasonably inferred as
12 demonstrating intent to enforce a patent’ against the declaratory judgment plaintiff,
13 subject matter jurisdiction will arise, even when that intent is demonstrated implicitly.”
14 *Amazon.com, Inc. v. Straight Path IP Grp. Inc.*, Case No. 5:14-cv-04561-EJD, 2015 WL
15 3486494, at * 3 (N.D. Cal. May 28, 2015) (quoting *Hewlett-Packard Co. v. Accelaron*
16 *LLC*, 587 F.3d 1358, 1363–64 (Fed. Cir. 2009) (jurisdiction sufficiently alleged despite
17 the patentee's assertions “that it never approached Amazon regarding licensing, never
18 accused Amazon of infringement’ when the patentee's infringement claims against third
19 parties were based on the third party's 'use of Amazon's products.’”)).

20 Here, the Complaint’s allegation that Defendant has taken steps to assert the ‘045
21 Patent is conclusory and provides no facts to describe these steps. Moreover, Exhibit B
22 attached to the Complaint provides no support because it is not dated, does not allege
23 who the recipient of the communication is and does not specifically identify Plaintiff’s
24 products as infringing. (*See* Dkt. No. 1-2 at 21.) Accordingly, the Court concludes that
25 Plaintiff has failed to allege that Defendant took an affirmative act concerning
26 enforcement of its patent rights.

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1 **2. Meaningful Preparation to Conduct Potentially Infringing Activity**

2 Defendant also asserts that Plaintiff has not alleged that it engaged in any
3 meaningful preparation to make, use, distribute, sell or offer to sell its products in the
4 United States. (Dkt. No. 5 at 17.) In opposition, Plaintiff argues it is obvious that it has
5 alleged potentially infringing conduct in the United States because Defendant is a
6 company in California, that caused Plaintiff’s products, listed with Amazon.com, a
7 Delaware corporation residing in Seattle, WA, to become unavailable to its customers in
8 the United States. (Dkt. No. 24 at 13.)

9 “[I]t is elementary patent law that the patent is coextensive with the borders of
10 sovereignty which granted it. Thus, the owner of a United States patent is protected
11 against infringement only in the United States and its territories, and infringement thereof
12 cannot be predicated on acts consummated in a foreign country.” *Dr. Beck & Co.*
13 *G.M.G.H. v. Gen. Elec. Co.*, 210 F. Supp. 86, 92 (S.D.N.Y. 1962), *aff’d*, 317 F.2d 538
14 (1963).

15 Here, the Complaint, itself, presents no allegation that Plaintiff engaged in any
16 meaningful preparation to conduct potentially infringing activity in the United States.
17 Therefore, the second factor to support Article III standing is not sufficiently alleged.

18 In conclusion, the Court GRANTS Defendant’s motion to dismiss the first two
19 cause of action for declaratory judgment for lack of subject matter jurisdiction under Rule
20 12(b)(1). Even though the Court grants dismissal on the first two causes of action, the
21 Court considers Defendant’s additional arguments on the second cause of action based on
22 inequitable conduct.

23 Prior to addressing the remainder issues in Defendant’s motion, the Court must
24 highlight the difficulty in reviewing the parties’ papers. On many of the causes of action
25 or claims that Defendant moves to dismiss, neither party clearly articulates the legal
26 standard necessary to state many of the claims or causes of action. Instead, the parties
27 delve straight into arguing the facts underlying each cause of action without providing the
28 legal landscape and only occasionally cite to caselaw to support an element of a cause of

1 action. Moreover, the parties fail to provide factual context to support their arguments.
2 This method of briefing is not helpful to the Court. Because the Court grants dismissal of
3 the complaint with leave to amend, the Court admonishes the parties that, in any future
4 motions, the parties must provide the relevant law, and the applicability of the facts to the
5 law.

6 **E. Second Cause of Action – Declaratory Judgment of Unenforceability³ Based**
7 **on Inequitable Conduct**

8 Defendant also moves to dismiss the second cause of action for declaratory
9 judgment of unenforceability under Rule 9(b) and the standard laid out in *Exergen Corp.*
10 *v. Wal-Mart Stores, Inc.*, 575 F.3d 1312 (9th Cir. 2009) for the five instances of alleged
11 inequitable conduct by Blisslights before the Patent Office.⁴ (Dkt. No. 5 at 17-18.)
12 Plaintiff alleges it has alleged facts to support inequitable conduct that renders the ‘045
13 Patent unenforceable. (Dkt. No. 24 at 14-15.)

14 “Inequitable conduct is an equitable defense to patent infringement that, if proved,
15 bars enforcement of a patent.” *Therasense Inc. v. Becton Dickinson and Co.*, 649 F.3d
16 1276, 1285 (Fed. Cir. 2011) (*en banc*). Inequitable conduct consists of three elements:
17 (1) “the patent applicant made misrepresentations or omissions material to patentability,”
18 (2) the applicant “did so with the specific intent to mislead or deceive the [Patent
19 Office],” and (3) “that deceptive intent was the single most reasonable inference to be
20 drawn from the evidence.” *Ohio Willow Wood Co. v. Alps S., LLC*, 813 F.3d 1350, 1357
21 (Fed. Cir. 2016). On materiality, a party must show that the patentee “withheld or
22 misrepresented information that, in the absence of the withholding or misrepresentation,
23 would have prevented a patent claim from issuing.” *Id.* at 1357; *see also Therasense*, 649
24 F.3d at 1291 (“in assessing the materiality of a withheld reference, the court must

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27 ³ Even though the cause of action is labeled declaratory judgment of invalidity, (Dkt. No. 1, Compl. at
28 6), it should be labeled declaratory judgment of unenforceability

⁴ United States Patent and Trademark Office.

1 determine whether the PTO would have allowed the claim if it had been aware of the
2 undisclosed reference.”). Specific intent to commit acts constituting inequitable conduct
3 may be inferred from indirect and circumstantial evidence. *Therasense*, 649 F.3d at
4 1290.

5 “[I]nequitable conduct, while a broader concept than fraud, must be pled with
6 particularity under Rule 9(b).” *Ferguson Beauregard/Logic Controls, Div. of Dover*
7 *Resources, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003). To plead
8 inequitable conduct in patent cases under Rule 9(b), “the pleading must identify the
9 specific who, what, when, where, and how of the material misrepresentation or omission
10 committed before the PTO. Moreover, although ‘knowledge’ and ‘intent’ may be averred
11 generally, a pleading of inequitable conduct under Rule 9(b) must include sufficient
12 allegations of underlying facts from which a court may reasonably infer that a specific
13 individual (1) knew of the withheld material information or of the falsity of the material
14 misrepresentation, and (2) withheld or misrepresented this information with a specific
15 intent to deceive the PTO.” *Exergen Corp. v. Walmart Stores, Inc.*, 575 F.3d 1312, 1328-
16 29 (Fed. Cir. 2009). A complaint that “simply avers the substantive elements of
17 inequitable conduct, without setting forth the particularized factual bases for the
18 allegation, does not satisfy Rule 9(b).” *Id.* at 1326-27.

19 Plaintiff relies on 37 C.F.R. § 1.56 to support its inequitable conduct claims. (Dkt.
20 No. 1, Compl. ¶¶ 49, 50; Dkt. No. 24 at 15.) That section provides that “[e]ach
21 individual associated with the filing and prosecution of a patent application has a duty of
22 candor,” including “a duty to disclose to the Office all information known to that
23 individual to be material to patentability.” 37 C.F.R. § 1.56(a). The Court notes that §
24 1.56(a) also states that “[t]here is no duty to submit information which is not material to
25 the patentability of any existing claim.” *Id.* Finally, relevant to this case, “no patent will
26 be granted on an application in connection with which fraud on the Office was practiced
27 or attempted or the duty of disclosure was violated through bad faith or intentional
28 misconduct. *Id.* It is to be noted that this section only applies to individuals associated

1 with the filing or prosecution of a patent application which include the inventor, an
2 attorney or agent, or any other person who is substantively involved in the preparation or
3 prosecution of the application. *Id.* § 1.56(c). Thus, “[t]he duty of disclosure applies only
4 to individuals, not to organizations. For instance, the duty of disclosure would not apply
5 to a corporation or institution.” Manual of Patent Examining Procedure (“MPEP”) §
6 2001.01. To the extent that certain inequitable conduct allegations, such as failure pay
7 patent maintenance fees, fail to specify which individual acted in bad faith, they must be
8 dismissed.

9 **1. Inequitable Conduct – Failure to Disclose Relevant Prior Art,**
10 **(Dkt. No. 1, Compl. ¶¶ 63-72)**

11 First, the Complaint alleges that Defendant and its counsel failed to disclose
12 relevant and material prior art in the prosecution of the ‘045 Patent. (Dkt. No. 1, Compl.
13 ¶ 63.) Specifically, Plaintiff claims that during the prosecution of the ‘045 Patent from
14 August 12, 2009 to October 26, 2011, Defendant and its attorneys, Shelley M. Cobos
15 (“Cobos”), Gordon E. Gray III, Norman Lee, and Jacob W. Neu, knew of numerous prior
16 art references concerning the patentability of the claims in the ‘045 Patent but failed to
17 disclose these relevant prior art references by not filing an Information Disclosure
18 Statement (“IDS”) with the Patent Office. (*Id.* ¶ 63.) During the prosecution of the ‘345
19 Patent,⁵ the parent patent of the ‘045 Patent, Defendant and counsel Cobos filed an IDS
20 with the Patent office disclosing some relevant prior art references. (*Id.* ¶ 64.) At that
21 time, the Patent Office initially rejected all the claims of the ‘345 Patent based on at least
22 six⁶ prior art references, U.S. Patent Nos. 3,707,786; 5,649,827; 6,623,126; 2,230,039;
23 4,497,582; and 4,588,384. (*Id.* ¶ 65.) In fact, on July 9, 2009, Defendant and its counsel
24 had an interview with a patent examiner about the ‘345 Patent concerning how these prior
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26 ⁵ Defendant acknowledges that the ‘345 Patent is the parent patent of the ‘045 Patent. (Dkt. No. 5 at 18
27 n. 2.)

28 ⁶ The Complaint states there were seven prior art references; however, only six are listed. (Dkt. No. 1,
Compl. ¶ 65.)

1 art references rendered all claims obvious. (*Id.* ¶ 66.) Because Defendant and its counsel
2 were aware of and failed to disclose the existence of relevant prior art references in the
3 prosecution of the ‘045 Patent, they breached their duties to disclose relevant prior art
4 references to the Patent Office. (*Id.* ¶¶ 68, 69.) Plaintiff alleges that Defendant
5 prosecuted the ‘045 Patent as a child of the ‘345 Patent in order to intentionally hide prior
6 art references from the Patent Office because it was eager to monopolize the market. (*Id.*
7 ¶ 71.) Because Defendant failed to disclose and intentionally hid these prior art
8 references, the ‘045 Patent would not have issued. (*Id.* ¶ 72.)

9 Defendant contends that, as a matter of law, this allegation fails to state a claim
10 because the Manual of Patent Examining Procedure (“MPEP”) § 609.02 provides that,

11 When filing a continuing application that claims benefit under 35 U.S.C. 120
12 to a parent application (other than an international application that
13 designated the U.S.), it will not be necessary for the applicant to submit an
14 information disclosure statement in the continuing application that lists the
15 prior art cited by the examiner in the parent application unless the applicant
16 desires the information to be printed on the patent issuing from the
17 continuing application (for continued prosecution applications filed under 37
18 CFR 1.53(d), see subsection A.1. below). The examiner of the continuing
19 application will consider information which has been considered by the
20 Office in the parent application.

21 Manual of Patent Examining Procedure (“MPEP”) § 609.02(I) (underlining in original).

22 In opposition, Plaintiff cites to the next provision in the MPEP, § 609.02⁷, which

23 ⁷ 2. Continuation Applications, Divisional Applications, or Continuation-In-Part
24 Applications Filed Under 37 CFR 1.53(b)

25 For these types of applications, in order to ensure consideration of information previously
26 submitted, but not considered, in a parent application, applicant must resubmit the
27 information in the continuing application in compliance with 37 CFR 1.97 and 37 CFR
28 1.98. Pursuant to 37 CFR 1.98(d), if the IDS submitted in the parent application complies
with 37 CFR 1.98(a) to (c), copies of the patents, publications, pending U.S. applications,
or other information submitted in the parent application need not be resubmitted in the
continuing application.

Manual of Patent Examining Procedure (“MPEP”) § 609.02(II)(A)(2).

1 provides that where information previously submitted but not “considered” by the Patent
2 Office in a parent application, the applicant must resubmit the information in the
3 continuing application. (Dkt. No. 24 at 16 & n.4.) According to Plaintiff, “considered”
4 means that the examiner places her initials next to a prior art referenced listed on the
5 applicant’s IDS. (*Id.*) In reply, Defendant argues that the six prior art references were
6 cited by the examiner on the face of the ‘345 Patent⁸, (Dkt. No. 5-2 at 2). Therefore, it
7 did not have to re-disclose the prior art references in the continuation ‘045 Patent. (Dkt.
8 No. 25 at 6.)

9 Here, the Court is unable to determine as a matter of law whether the examiner of
10 the ‘345 Patent “considered” the prior art references at issue in this case because there is
11 a disputed issue of fact what “considered” means. Therefore, the Court would deny
12 Defendant’s motion to dismiss this claim.

13 Next, the Complaint alleges that Defendant failed to disclose “numerous additional
14 prior art references” based on its prosecution of the ‘045 and ‘345 Patents in China, the
15 European Union, Austria and Japan that are materially relevant to the patentability of the
16 claims in the ‘045 Patent and the ‘345 Patent. (Dkt. No. 1, Compl. ¶ 67.) Moreover, it
17 alleges that Defendant and its counsel knew about these relevant prior art references. (*Id.*
18 ¶ 68.)

19 Defendant maintains that as to the Unidentified Prior Art References, the
20 Complaint fails to comply with Rule 9(b) and *Exergen* requirements. The Court agrees.
21 The allegations concerning “unidentified” prior art references necessarily fail to satisfy
22 the Rule 9(b) standard for inequitable conduct in patent cases because they are not
23 identified. In addition, paragraph 67 merely alleges the substantive elements of an
24 inequitable claim without any supporting facts to identify “what” specific prior art was
25 not disclosed to the Patent Office; “where” the material information can be found within
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28 ⁸ On a motion to dismiss, the Court may consider the ‘345 Patent as it is incorporated by reference in the
Complaint. See *United States v. Ritchie*, 342 F.3d 903, 908 (9th Cir. 2003).

1 the references; “why the prior art is material, and “how” an examiner would have used
2 this information to determine patentability of the claims. *See Exergen*, 575 F.3d at 1327,
3 1329-30. Moreover, the Complaint does not give rise to a reasonable inference of
4 scienter including a specific intent to deceive the Patent Office. *Id.* at 1330.
5 Accordingly, the Court GRANTS Defendant’s motion to dismiss the claim relating to the
6 unidentified prior art references.

7 **2. Inequitable Conduct – Failure to Submit Written Statement of an**
8 **Interview with an Examiner, (Dkt. No. 1, Compl. ¶¶ 73-75).**

9 The Complaint alleges that on July 9, 2009, Defendant and its counsel Cobos
10 conducted an interview with the patent examiner about how “these references materially
11 prevented the claims of the ‘045 Patent from becoming patentable.” (Dkt. No. 1, Compl.
12 ¶ 74.) Defendant knew about its duty to submit a complete written statement, under 37
13 C.F.R. § 1.133, yet did not submit the statement to the Patent Office and breached its
14 duty to disclose to the Patent Office about the patentability of the claims in the ‘345
15 Patent which affected the patentability of the ‘045 Patent. (*Id.* ¶ 75.)

16 On this issue, Defendant asserts that Plaintiff’s allegation is deficient because it
17 claims that the ‘045 Patent is unenforceable based on Defendant’s failure to submit a
18 written statement, per 37 C.F.R. § 1.133(b)⁹, of an examiner interview concerning the
19 prosecution of the ‘345 Patent. (Dkt. No. 5 at 20-22.) Plaintiff does not explain how
20 failure to file a written statement in the prosecution of the ‘345 Patent affects the
21 patentability of the ‘045 Patent. (*Id.*) Moreover, the allegation fails to comply with Rule
22 9(b). (*Id.*) In response, Plaintiff argues that the allegations relating to this inequitable
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26 ⁹ 37 C.F.R. § 1.133(b) provides that “[i]n every instance where reconsideration is requested in view of
27 an interview with an examiner, a complete written statement of the reasons presented at the interview as
28 warranting favorable action must be filed by the applicant. An interview does not remove the necessity
for reply to Office actions as specified in §§ 1.111 and 1.135.”

1 conduct are simple. (Dkt. No. 24 at 17.) It then presents facts outside the Complaint, and
2 without evidentiary support, to support its argument. (*Id.*)

3 First, the Court may not consider Plaintiff’s additional facts as they are outside the
4 Complaint. Moreover, simply reciting the allegations in the Complaint in its opposition
5 fails to explain the significance of how Defendant’s failure to submit a written statement
6 in the prosecution of the ‘345 Patent affects the enforceability of the ‘045 Patent.
7 Moreover, the Complaint fails to allege the specific intent element of inequitable conduct.
8 Thus, the Court GRANTS Defendant’s motion to dismiss.

9 **3. Inequitable Conduct – Failure to Pay Maintenance Fees for the ‘345**
10 **Patent, (Dkt. No. 1, Compl. ¶¶ 76-79)**

11 Defendant next claims that Plaintiff’s allegation that late-paid maintenance fees for
12 the ‘345 Patent makes the ‘045 Patent unenforceable is without merit. While Defendant
13 acknowledges that it failed to pay the maintenance fees for the ‘345 Patent, it submitted
14 those fees with a declaration stating the failure to pay the fees was unintentional. (Dkt.
15 No. 5 at 22-23). Moreover, because the fees were paid years after the ‘045 Patent was
16 issued, the claim is without merit.

17 The Complaint alleges that Defendant failed to pay the required maintenance fees
18 to maintain the ‘345 Patent and later claimed the failures were unintentional. (Dkt. No. 1,
19 Compl. ¶ 76.) Defendant’s failure to pay the maintenance fees was not unintentional
20 because Defendant knew that the claims in the ‘345 Patent were less valuable and also
21 similar to those in the ‘045 Patent and they intentionally chose not to continue
22 maintaining the ‘345 Patent. (*Id.* ¶ 77.) It was only when the validity of the ‘045 Patent
23 was challenged that Defendant resumed paying the maintenance fee for the ‘345 Patent.
24 (*Id.* ¶ 78). Therefore, Defendant falsely declared that its failure to pay the maintenance
25 fees was unintentional even though it knew those statements were false. (*Id.*)

26 Here, both parties fail to cite the statute requiring maintenance fees, the
27 significance of the failure to pay the maintenance, and any case law to support their
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1 arguments. They merely dispute the factual basis for this claim which is not proper on a
2 motion to dismiss.¹⁰

3 Maintenance fees must be paid at 3 ½ years, 7 ½ years, and 11 ½ years after grant
4 of a patent and each with a six-month grace period, in order to keep the patent in force.”
5 35 U.S.C. § 41(b). Otherwise, “the patent shall expire as of the end of such grace
6 period.” *Id.* § 41(b)(2). The Patent Office may accept payment of maintenance fees after
7 the six-month grace period “if the delay is shown to the satisfaction of the Director to
8 have been unintentional.” *Id.* § 41(c). “If the Director accepts payment of a maintenance
9 fee after the 6-month grace period, the patent shall be considered as not having expired at
10 the end of the grace period.” *Id.*

11 As discussed above, the Complaint does not name the individual who filed the
12 statement. *See* 37 C.F.R. § 1.56(c). Next, the Complaint fails to allege that the purported
13 false declaration was material to the patentability of the ‘045 Patent and fails to allege the
14 specific intent element to support a claim of inequitable conduct. Accordingly, the Court
15 GRANTS Defendant’s motion to dismiss.

16 **4. Inequitable Conduct – False Statements Made in Reissue Applications,**
17 **(Dkt. No. 1, Compl. ¶¶ 80-90)**

18 The Complaint alleges that Defendant presented false declarations with the Patent
19 Office when prosecuting two reissue patent applications of the ‘045 Patent: reissue patent
20 application no. 16/684,462, (‘462 Reissue Application), and reissue patent application no.
21 17/345,435, (‘435 Reissue Application). (Dkt. No. 1, Comp. ¶ 80.) According to
22 Plaintiff, in the ‘462 Reissue Application, when Defendant and its counsel attempted to
23 change the phrase “diffractive optical source” to “diffractive optical element”, the Patent
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27 ¹⁰ In a footnote, Defendant asks the Court to take judicial notice of the petitions for acceptance of
28 unintentional late payment of the maintenance fees for the ‘345 Patent and the ‘747 Provisional
Applications. (Dkt. No. 5 at 22 n. 4.) The Court DENIES Defendant’s request for judicial notice as
moot as the Court did not consider those documents in its ruling.

1 Office rejected all claims in the Application. (*Id.* ¶¶ 81, 82.) The inventor submitted a
2 declaration explaining the purported change. (*Id.* ¶ 83.) Because of the rejection,
3 Defendant expressly abandoned all claims in the ‘462 Reissue Application. (*Id.* ¶ 82.)
4 But then in the ‘435 Reissue Application, Defendant and its counsel attempted to make
5 the same change, but this time, the inventor provided a different explanation. (*Id.* ¶¶ 85,
6 86.) The Complaint claims the two inventor declarations cannot be reconciled for
7 requesting the same change. (*Id.* ¶ 87.) Therefore, Plaintiff complains that Defendant
8 made false statements to the Patent Office during the the two reissue applications. (*Id.* ¶
9 90.)

10 In its moving papers, Defendant contends that any issue related to the ‘435 Reissue
11 Application is not ripe since it is pending before the Patent Office and the ‘462 Reissue
12 Application was ultimately abandoned. (Dkt. No. 5 at 23.) Plaintiff disagrees without
13 much explanation or argument. (Dkt. No. 24 at 19-20.) In reply, Defendant further
14 contends that the alleged false inventor declarations supporting two reissue applications
15 for the ‘045 Patent, a patent issued years before, cannot support an inequitable conduct
16 challenge of the ‘045 Patent.

17 The Court agrees. Charges of inequitable conduct before the Patent Office that
18 would render a patent unenforceable contemplates that it concerns conduct leading up to
19 the issuance of the patent. *See e.g., SSIH Equipment, S.A. v. U.S. Int’l Trade Comm’n*,
20 718 F.2d 365, 378-79 (Fed. Cir. 1983) (rejecting “as a matter of law” claim of
21 unenforceability based on inequitable conduct alleged to have occurred three years after
22 patent issued, and where such conduct concerned allegedly “interrrelated” patents for
23 different inventions). Plaintiff provides no legal authority to support its argument that
24 inequitable conduct based on the filing of two different inventor declarations filed in
25 reissue applications years after the ‘045 Patent issued would affect its enforceability.
26 Therefore, Plaintiff has failed to allege how the false declarations are material to
27 patentability and also failed to allege specific intent. Accordingly, the Court GRANTS
28 Defendant’s motion to dismiss.

1 **5. Inequitable Conduct – False Statements About Entitlement to Priority**
2 **Date of an Earlier-Filed Provisional Patent Application, (Dkt. No. 1,**
3 **Compl. ¶¶ 91-95)**

4 Lastly, the Complaint alleges that in prosecuting the ‘045 Patent and the two
5 reissue applications, Defendant and its counsel falsely declared that the ‘045 Patent was
6 entitled to a priority date of June 21, 2006 which is the date of the ‘747 Provisional
7 Application. (Dkt. No. 1, Compl. ¶ 91.) It alleges that the ‘747 Provisional Application
8 does not disclose a “diffractive optional source”, an “interferential wheel positioned
9 between [a] non-coherent lights source and [a] condenser len[],” and “a motor for rotating
10 the inferential wheel, wherein the at least one non-coherent light source, the interferential
11 wheel, the first condenser lends, and the motor generate a cloud-like effect when supplied
12 with power from the power supply.” (*Id.* ¶ 92.) Based on these assertions, Plaintiff
13 alleges that the ‘045 Patent is not entitled to the priority date of June 21, 2006. (*Id.* ¶ 93.)
14 Further, Plaintiff claims that Defendant and its counsel knew that the ‘045 Patent was not
15 entitled to the priority date of the ‘747 Provisional Application but made the false
16 declarations with the Patent Office to fraudulently obtain patent coverage. (*Id.* ¶ 95.)

17 Again, without sufficient factual basis or legal guidance, the parties dive into the
18 factual dispute relating to this cause of action. Defendant moves to dismiss without
19 providing guidance as to the legal standard on this claim. Plaintiff’s opposition does not
20 shed light on its claim and does not provide legal authority to support its argument and/or
21 explain the significance of its allegations. Moreover, the Complaint fails to allege
22 specific intent or how these false statements regarding the asserted priority date are
23 material to patentability. Given these numerous deficiencies, the Court GRANTS the
24 motion to dismiss this claim.

25 **F. Third Cause of Action – Declaratory Judgment that Defendant’s Lack**
26 **Standing to Assert ‘045 Patent**

27 The third cause of action seeks “Declaratory Judgment of Lack of Standing by
28 Defendants to Assert U.S. Patent No. 8,057,045.” (Dkt. No. 1, Compl. at 18.) The

1 Complaint presents a factual challenge to Defendant’s ownership of the ‘045 Patent based
2 on declarations filed in the involuntary bankruptcy petitions. (*Id.* ¶¶ 97-115.) While not
3 raised by Defendant, the Court has a continuing duty to confirm its jurisdictional power
4 and is “obliged to inquire sua sponte whenever a doubt arises as to [its] existence,” *Mt.*
5 *Healthy City Sch. Dist. Bd. of Educ. v. Doyle*, 429 U.S. 274, 278 (1977); thus, the Court
6 concludes that its ruling on the first two causes of action for declaratory judgment relief
7 also applies to the third cause of action. Therefore, the third cause of action must be
8 dismissed for lack of subject matter jurisdiction. Even though the third cause of action
9 must be dismissed for lack of subject matter jurisdiction, the Court will proceed to
10 address the substance of Defendant’s motion to dismiss.

11 Once more, the parties have failed to address the legal standard to apply in
12 reviewing this cause of action, and instead, proceed to litigate the facts underlying the
13 cause of action asking the Court to resolve factual disputes by considering bankruptcy
14 court documents attached to the Complaint. (Dkt. No. 5 at 26-28; Dkt. No. 24 at 22-24).
15 While the Court may consider documents attached to a complaint on a motion to dismiss,
16 *see United States v. Ritchie*, 342 F.3d 903, 908 (9th Cir. 2003), it may not use documents
17 attached to the complaint to resolve factual disputes. *See Lee v. City of Los Angeles*, 250
18 F.3d 668, 690 (9th Cir. 2001) (“On a Rule 12(b)(6) motion to dismiss, when a court takes
19 judicial notice of another court’s opinion, it may do so ‘not for the truth of the facts
20 recited therein, but for the existence of [the document], which is not subject to reasonable
21 dispute over its authenticity.’”); *see also Khoja v. Orexigen Therapeutics, Inc.*, 899 F.3d
22 988, 1014 (9th Cir. 2018) (“Although incorporation by reference generally permits courts
23 to accept the truth of matters asserted in incorporated documents, we reiterate that it is
24 improper to do so only to resolve factual disputes against the plaintiff’s well-pled
25 allegations in the complaint.”). Therefore, at this stage of the proceedings, the Court
26 finds it inappropriate to consider the contents to the bankruptcy filings to resolve the
27 parties’ disputed facts. On a motion to dismiss, the moving party must articulate the
28 elements of the cause of action and then explain why the complaint fails to plausibly

1 allege an element of the cause of action. Defendant has failed to do so. Accordingly, if
2 the third cause of action had not been dismissed for lack of subject matter jurisdiction, the
3 Court would have denied the motion to dismiss the third cause of action.

4 **G. Fourth Cause of Action – Interference with Business Relationship; and Fifth**
5 **Cause of Action – Unfair Business Practices, Cal. Bus. & Prof. Code sections**
6 **17200, 17500**

7 **1. Patent Law Preemption**

8 Defendant moves to dismiss the state law claims of interference with business
9 relationship and UCL claim as preempted by patent law because the Complaint does not
10 allege that Defendant acted in bad faith in asserting the ‘045 Patent against Plaintiff.
11 (Dkt. No. 5 at 29-30.) Plaintiff avers that it has sufficiently alleged bad faith to avoid
12 patent preemption. (Dkt. No. 24 at 24-25.) Defendant does not reply to Plaintiff’s
13 argument. (*See* Dkt. No. 25.)

14 The fourth and fifth causes of action similarly claim that because Defendant, by
15 making false patent infringement claims to Amazon.com,¹¹ it tortiously interfered with
16 Plaintiff’s business relationship with one or more customers or buyers of its products
17 listed on Amazon.com. (Dkt. No. 1, Compl. ¶¶ 117-22; 125.)

18 “State tort claims against a patent holder, including tortious interference claims,
19 based on enforcing a patent in the marketplace, are ‘preempted’ by federal patent laws,
20 unless the claimant can show that the patent holder acted in ‘bad faith’ in the publication
21 or enforcement of its patent.” *800 Adept, Inc. v. Murex Secs., Ltd.*, 539 F.3d 1354, 1369
22 (Fed. Cir. 2008) (citing *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1355 (Fed. Cir.
23 1999)). To avoid patent law preemption, “bad faith must be alleged and ultimately
24 proven, even if bad faith is not otherwise an element of the tort claim.” *Zenith Elecs.,*
25 *Corp.*, 182 F.3d at 1355. “[I]f the patentee knows that the patent is invalid,

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28 ¹¹ The Court considers the allegations in the Complaint and does not rely on Exhibit B on this issue.

1 unenforceable, or not infringed, yet represents to the marketplace that a competitor is
2 infringing the patent, a clear case of bad faith representations is made out.” *Id.* at 1354.

3 Here, the fourth and fifth claims allege, *inter alia*, that Defendant misrepresented
4 and failed to disclose the invalidity of the ‘045 Patent, hid relevant prior art references
5 from the Patent Office despite its affirmative duty to disclose these prior art references,
6 and presented conflicting and false declarations when prosecuting the two reissue
7 applications. (Dkt. No. 1, Compl. ¶¶ 119, 125.) These allegations plausibly allege
8 Defendant acted in bad faith by publicizing its false patent infringement claim with
9 Amazon.com. Accordingly, the Court DENIES Defendant’s motion to dismiss the state
10 law claims as preempted.

11 **2. Failure to State a Claim**

12 **i. Interference with Business Relationship**

13 Defendant next argues that the fourth cause of action fails to state a claim. (Dkt.
14 No. 5 at 30-31.) Plaintiff disagrees explaining that the Complaint alleges inequitable
15 conduct by Defendant before the Patent Office that violates the Code of Federal
16 Regulations and patent statute. (Dkt. No. 24 at 25.)

17 The Complaint labels the fourth cause of action as “Interference with Business
18 Relationship” which the Court construes as intentional interference with prospective
19 economic advantage. “Intentional interference with prospective economic advantage has
20 five elements: (1) the existence, between the plaintiff and some third party, of an
21 economic relationship that contains the probability of future economic benefit to the
22 plaintiff; (2) the defendant’s knowledge of the relationship; (3) intentionally wrongful
23 acts designed to disrupt the relationship; (4) actual disruption of the relationship; and (5)
24 economic harm proximately caused by the defendant's action.” *Roy Allan Slurry Seal,*
25 *Inc. v. American Asphalt South, Inc.*, 2 Cal. 5th 505, 512 (2017) (citing *Korea Supply Co.*
26 *v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1164-65 (2003)). A plaintiff alleging
27 interference with a prospective relationship is also required “to allege an act that is
28 wrongful independent of the interference itself.” *CRST Van Expedited, Inc. v. Werner*

1 *Enters., Inc.* 479 F.3d 1099, 1108 (9th Cir. 2007). An “act is independently wrongful if it
2 is unlawful, that is, if it is proscribed by some constitutional, statutory, regulatory,
3 common law, or other determinable legal standard.” *Korea Supply Co.*, 29 Cal. 4th at
4 1159.

5 Defendant simply argues that the Complaint “is devoid of any well-plead facts that
6 Blisslights committed a wrongful act or that such wrongful act caused economic harm.”
7 (Dkt. No. 5 at 31.) Yet, the Complaint clearly alleges conduct by Defendant that
8 allegedly violates the Federal Code of Regulations and the Manual of Patent Examining
9 Procedure. (Dkt. No. 1, Compl. ¶¶ 49-52; 73.) Moreover, Plaintiff alleges that this
10 conduct caused it economic harm. (*Id.* ¶¶ 117, 122.) According, Defendant’s
11 unsupported argument is without merit, and the Court DENIES the motion to dismiss the
12 fourth cause of action.

13 **ii. UCL Claim**

14 On the UCL claim,¹² Defendant claims that Plaintiff has not alleged any facts that
15 it is entitled to restitution under the UCL because it has not pled that Defendant took any
16 money in which Plaintiff had an identifiable interest, and to the extent it alleges it lost
17 sales, those are damages, not restitution. (Dkt. No. 5 at 31-33.) Plaintiff responds that
18 Defendant’s conduct has caused it damages because Defendant has obtained ill-gotten
19 profits and asks “Defendants to make full restitution and disgorgement of all monies
20 wrongfully obtained directly or indirectly from Plaintiff as a result of the conduct
21 described in this Complaint.” (Dkt. No. 1, Compl. ¶ 128.)

22 “The object of restitution is to restore the status quo by returning to the plaintiff
23 funds in which he or she has an ownership interest.” *Korea Supply Co.*, 29 Cal. 4th at
24 1149. In *Korea Supply*, the California Supreme Court announced two theories to support
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27 ¹² On this claim, Defendant also argues that Plaintiff has failed to allege facts to support each prong of
28 the UCL claim. (Dkt. No. 5 at 31-32.) However, because Plaintiff has not alleged a proper basis for
restitution which is dispositive of the issue, the Court declines to consider Defendant’s additional
arguments on whether Plaintiff sufficiently alleged the three prongs of the UCL.

1 a claim for restitution: first, the court looks at whether the plaintiff is seeking the return
2 of money or property that was once in its possession. *Id.* Second, the court considers
3 whether the plaintiff has a “vested interest in the money it seeks to recover.” *Id.* A
4 “vested” interest is one that is “unconditional,” “absolute,” and “not contingent.” *Nat’l*
5 *Rural Telecomms. Co-op. v. DIRECTV, Inc.*, 319 F. Supp. 2d 1059, 1080 (C.D. Cal.
6 2003) (citing Black’s Law Dictionary). “Compensation for a lost business opportunity is
7 a measure of damages and not restitution to the alleged victims.” *Korea Supply Co.*, 29
8 Cal. 4th at 1151 (quoting *MAI Sys. Corp. v. UIPS* 856 F. Supp. 538, 542 (N.D. Cal.
9 1994)).

10 Here, Plaintiff claims it is seeking the loss of its profits due to Defendant’s false
11 claim of ownership of the ‘045 Patent which has “brought Defendant ill-gotten profits.”
12 (Dkt. No. 24 at 27.) Plaintiff’s claim for lost profits from its customers is essentially a
13 measure of damages for the tort of interference with prospective economic advantage,
14 and not restitution under the UCL. *See Korea Supply*, 29 Cal. 4th at 1151 (rejecting
15 plaintiff’s theory of damages not seeking disgorgement of all defendant’s profits but
16 seeking the amount it allegedly would have obtained as a commission had it been
17 awarded the contract); *see also Tortilla Factory, LLC v Better Booch, LLC*, Case No.
18 2:18-cv-02980-CAS(SKx), 2018 WL 4378700, at *10 (C.D. Cal. Sept. 13, 2018)
19 (dismissing restitution damages as it was based diverted profits to the defendant and did
20 not demonstrate plaintiff was once in “possession of property wrongfully acquired by [the
21 defendant], or that it had a vested interest in [the defendant’s] allegedly wrongfully
22 obtained profits.”). Because Plaintiff is essentially seeking damages and has not
23 sufficiently alleged it is entitled to restitution, the Court GRANTS Defendant’s motion to
24 dismiss the UCL claim.

25 **H. Leave to Amend**

26 In the event the Court dismisses any causes of action, Plaintiff seeks leave to
27 amend. (Dkt. No. 24 at 27.) Because granting leave to amend would not be futile in this
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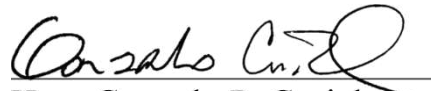
1 case, the Court GRANTS Plaintiffs' request for leave to file an amended complaint. *See*
2 *DeSoto*, 957 F.2d at 658; *Schreiber*, 806 F.2d at 1401.

3 **Conclusion**

4 Based on the reasoning above, the Court GRANTS Defendant's motion to dismiss
5 with leave to amend. Plaintiff shall file an amended complaint within 14 days of the
6 Court's order.

7 IT IS SO ORDERED.

8 Dated: November 10, 2021

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10 Hon. Gonzalo P. Curiel
United States District Judge

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