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6 IN THE UNITED STATES DISTRICT COURT  
7 FOR THE DISTRICT OF ARIZONA

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9 TSI, Incorporated, a Minnesota  
Corporation,

10 Plaintiff,

11 v.

12 Azbil BioVigilant, Inc., a Delaware  
Corporation,

13 Defendant.  
14

No. CV12-0083-PHX-DGC

**ORDER**

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16 Defendant Azbil BioVigilant, Inc. has filed a motion to dismiss Plaintiff TSI,  
17 Incorporated's amended complaint pursuant to Federal Rule of Civil Procedure 12(b)(6).  
18 Doc. 22. The motion is fully briefed. Docs. 22, 23, 24. Neither party has requested oral  
19 argument. For the following reasons, the Court will deny the motion.<sup>1</sup>

20 **I. Background.**

21 On December 14, 2004, the United States Patent and Trademark Office issued  
22 U.S. Patent No. 6,831,279 (the "'279 patent"), entitled "Laser Diode-Excited Biological  
23 Particle Detection System." Doc. 20, ¶ 11. Plaintiff has acquired all rights, title, and  
24 interest in the '279 patent through assignment from Canada. These rights include the

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27 <sup>1</sup> Defendant previously filed a motion to dismiss (Doc. 15), after which Plaintiff  
28 filed an amended complaint (Doc. 20). Defendant's initial motion to dismiss (Doc. 15) is  
denied as moot. *Ferdik v. Bonzelet*, 963 F.2d 1258, 1262 (9th Cir. 1992) (an amended  
complaint supersedes the original complaint, and after amendment, the court will treat the  
original complaint as nonexistent).

1 rights to sue for past infringement and to all damages for past infringement of the ‘279  
2 patent. *Id.* at ¶ 12. Plaintiff makes and sells biological particle detection systems  
3 embodied by the ‘279 patent, and marks its products with the patent, in compliance with  
4 35 U.S.C. § 287(a). *Id.* at ¶¶ 14, 15.

5 Defendant was given actual notice of the ‘279 patent by a letter dated June 6,  
6 2006. *Id.* at ¶ 16. Defendant markets and sells biological particle detection systems. *Id.*  
7 at ¶ 20. Defendant’s customers include pharmaceutical and medical device companies in  
8 the United States, but these customers are not publicly identified. *Id.* Plaintiff denied  
9 Defendant a license to the ‘279 patent. *Id.* at ¶ 19.

10 Plaintiff claims that Defendant has directly infringed on the ‘279 patent, in  
11 violation of 35 U.S.C. § 271(a). *Id.* at ¶ 22. Plaintiff also claims that Defendant has  
12 indirectly infringed on the ‘279 patent by inducement, in violation of 35 U.S.C. § 271(b),  
13 and by contributory infringement, in violation of 35 U.S.C. § 271(c). *Id.* at ¶¶ 23, 24.  
14 Plaintiff asks the Court to enter judgment that Defendant has willfully infringed the ‘279  
15 patent in violation of 35 U.S.C. § 271, to enjoin Defendant from the patent infringement,  
16 and to award enhanced damages and attorneys’ fees. *Id.* at 6-7.

## 17 **II. Legal Standard.**

18 When analyzing a complaint for failure to state a claim to relief under  
19 Rule 12(b)(6), the well-pled factual allegations are taken as true and construed in the light  
20 most favorable to the nonmoving party. *Cousins v. Lockyer*, 568 F.3d 1063, 1067  
21 (9th Cir. 2009) (citation omitted). Legal conclusions couched as factual allegations are  
22 not entitled to the assumption of truth, *Ashcroft v. Iqbal*, 129 S. Ct. 1937, 1950 (2009),  
23 and therefore are insufficient to defeat a motion to dismiss for failure to state a claim,  
24 *In re Cutera Sec. Litig.*, 610 F.3d 1103, 1108 (9th Cir. 2010) (citation omitted). To avoid  
25 a Rule 12(b)(6) dismissal, the complaint must plead “enough facts to state a claim to  
26 relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007).  
27 This plausibility standard “is not akin to a ‘probability requirement,’ but it asks for more  
28 than a sheer possibility that a defendant has acted unlawfully.” *Iqbal*, 129 S. Ct. at 1949

1 (quoting *Twombly*, 550 U.S. at 556). “[W]here the well-pleaded facts do not permit the  
2 court to infer more than the mere possibility of misconduct, the complaint has alleged –  
3 but it has not ‘show[n]’ – ‘that the pleader is entitled to relief.’” *Id.* at 1950 (quoting Fed.  
4 R. Civ. P. 8(a)(2)).

### 5 **III. Discussion.**

6 Defendant challenges the sufficiency of Plaintiff’s indirect infringement claims  
7 under §§ 271(b) and (c).<sup>2</sup> Doc. 22, at 4. Specifically, Defendant argues that Plaintiff has  
8 not pled direct infringement by a third party, how the third party has directly infringed,  
9 and how Defendant induces or contributes to the infringement. *Id.* at 2.

#### 10 **A. Direct Infringement by a Third Party.**

11 As the first step toward establishing Defendant’s vicarious liability under either an  
12 active inducement of infringement or contributory infringement theory, Plaintiff must  
13 prove direct infringement of the ‘279 patent. *See Joy Tech., Inc. v. Flakt, Inc.*, 6  
14 F.3d 770, 774 (Fed. Cir. 1993); *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363  
15 F.3d 1263, 1274 (Fed. Cir. 2004); *Carborundum Co. v. Molten Metal Equip. Innovations,*  
16 *Inc.*, 72 F.3d 872, 876 n.4 (Fed. Cir. 1995) (“Absent direct infringement of the claims of  
17 a patent, there can be neither contributory infringement nor inducement of  
18 infringement.”). Plaintiff alleges that the third parties who are directly infringing the  
19 ‘279 patent are Defendant’s customers “that include, for example, companies in the  
20 pharmaceutical and medical device industries in the United States.” Doc. 20, ¶ 20.  
21 Defendant “does not publicly identify its customers; a reasonable opportunity for  
22 discovery is therefore needed in order to identify [Defendant’s] customers by name.” *Id.*  
23 Plaintiff claims that Defendant’s customers directly infringe the ‘279 patent by using  
24 Defendant’s systems. *Id.* at ¶¶ 23, 24.

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28 <sup>2</sup> Defendant does not challenge the section 271(a) direct infringement claim.  
Doc. 24, at 3 n.1.

1 Defendant argues that Plaintiff must identify at least one third party who directly  
2 infringes the '279 patent.<sup>3</sup> Doc. 22, at 4. Defendant cites *Joy Technologies* and *Arris*  
3 *Group*, but neither of these cases requires identification of third party infringers by name.  
4 *See Joy Tech.*, 6 F.3d 770; *Arris Grp., Inc. v. British Telcomm. PLC*, 639 F.3d 1368 (Fed.  
5 Cir. 2011). “A defendant’s liability for indirect infringement must relate to the identified  
6 instances of direct infringement.” *Dynacore*, 363 F.3d at 1274. “Plaintiffs who identify  
7 *individual* acts of direct infringement must restrict their theories of vicarious liability –  
8 and tie their claims for damages or injunctive relief – to *the identified act*.” *Id.* (emphasis  
9 in original). “Plaintiffs who identify an entire category of infringers (e.g., the defendant’s  
10 customers) may cast their theories of vicarious liability more broadly, and may  
11 consequently seek damages or injunctions across the entire category.” *Id.* Here, Plaintiff  
12 permissibly identified a category of infringers: Defendant’s customers, including  
13 companies in the pharmaceutical and medical device industries in the United States.

14 Defendant also argues that Plaintiff must set forth facts indicating *how*  
15 Defendant’s customers directly infringed, and that mere “use” of Defendant’s systems is  
16 insufficient to establish direct infringement. Doc. 22, at 2, 4. Defendant relies primarily  
17 on *DR Systems*, in which the plaintiff accused the defendant of “knowingly and  
18 intentionally induced infringement” through “the sale, offer for sale, and importation” of  
19 the accused medical imaging systems, with the direct infringers including “the physicians  
20 who use [the defendant’s] infringing medical imaging systems.” *DR Systems, Inc. v.*  
21 *Avreo, Inc.*, No. 11-cv-0932 BEN (WVG), 2011 WL 4850171, at \*3 (S.D. Cal. Oct. 12,  
22 2011). The court concluded that the plaintiff had not alleged any facts “concerning how  
23 [the defendant] induced the physicians’ direct infringement of the medical imaging  
24 systems.” *Id.* The court took no issue, however, with the physicians’ use of the accused

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26 <sup>3</sup> Defendant later appears dismissive of this argument. *See* Doc. 24, at 8  
27 (“[Plaintiff] spends most of its brief debating whether it needs to specifically identify  
28 [Defendant’s] customers by name. . . . The issue is not whether [Plaintiff] must identify  
a third party infringer by name, but rather whether [Plaintiff’s] indirect infringement  
claims are ‘enough to raise a right to relief above the speculative level.’”) (quoting  
*Twombly*, 550 U.S. at 555).

1 systems as being insufficient to constitute direct infringement. Furthermore,  
2 section 271(a) provides that “whoever without authority makes, *uses*, offers to sell, or  
3 sells any patented invention, within the United States . . . infringes the patent.” 35 U.S.C.  
4 § 271(a). Because the definition of direct infringement includes the use of an accused  
5 system, and because Plaintiff has not provided any authority to the contrary, the Court  
6 concludes that Plaintiff has sufficiently pled direct infringement by a third party.

7 **B. Inducement of Infringement.**

8 Section 271(b) provides that “[w]hoever actively induces infringement of a patent  
9 shall be liable as an infringer.” 35 U.S.C. § 271(b). “[I]nducement requires that the  
10 alleged infringer knowingly induced infringement and possessed specific intent to  
11 encourage another’s infringement.” *Wordtech Sys., Inc. v. Integrated Networks*  
12 *Solutions, Inc.*, 609 F.3d 1308, 1315 (Fed. Cir. 2010) (quoting *DSU Med. Corp. v.*  
13 *JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (en banc)). Plaintiff alleges that, “by  
14 marketing and selling its biological particle detection systems, [Defendant] has  
15 encouraged and is encouraging its customers to use its biological particle detection  
16 systems and, thus, to directly infringe the ‘279 patent. This is also shown from  
17 [Defendant’s] website, which, for example, advertises [Defendant’s] systems as rapid  
18 biological detection systems that allow the user to detect the intrinsic fluorescence of  
19 airborne particles.” Doc. 20, ¶ 23.

20 Defendant argues that Plaintiff has not demonstrated *how* it induced infringement  
21 merely by alleging that Defendant markets and sells the systems at issue. Doc. 22, at 5.  
22 Defendant again relies on *DR Systems*, but Plaintiff alleges more than the “sale” or “offer  
23 for sale” of the accused systems. *Cf. DR Systems*, 2011 WL 4850171, at \*3. Plaintiff  
24 claims that Defendant has advertised the accused systems on its website as “rapid  
25 biological detection systems.” Doc. 20, ¶ 23. “[L]iability for active inducement may be  
26 found ‘where evidence goes beyond a product’s characteristics or the knowledge that it  
27 may be put to infringing uses, and shows statements or actions directed to promoting  
28 infringement.’” *Ricoh Co., Ltd. V. Quanta Computer Inc.*, 550 F.3d 1325, 1341 (Fed.

1 Cir. 2008) (quoting *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913,  
2 935 n.10 (2005) (stating that this reasoning applies to § 271(b)). As the Supreme Court  
3 explained in *Grokster* in the context of infringement under copyright laws, “[e]vidence of  
4 active steps . . . taken to encourage direct infringement, such as advertising an infringing  
5 use or instructing how to engage in an infringing use, show an affirmative intent that the  
6 product be used to infringe.” *Grokster*, 545 U.S. at 936. Defendant’s advertisement of  
7 the accused systems on its website directly promotes use of Defendant’s product in an  
8 infringing manner. See *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus.*, 145  
9 F.3d 1303, 1312 (Fed. Cir. 1998) (affirming holding that advertisements of infringing  
10 device induced others to infringe).

11 Defendant points to Claim 20 of the ‘279 patent, which “requires the end user  
12 (e.g., a customer) to analyze a particle . . . and then make a determination as to ‘whether  
13 that particle is biologically viable.’” Doc. 22, at 5 (citation omitted). Defendant claims  
14 that Plaintiff has not pled any facts that Defendant’s customers ever make this  
15 determination with Defendant’s systems. *Id.* at 6. To the contrary, Plaintiff has alleged  
16 that Defendant’s customers directly infringe “by using such biological particle detection  
17 systems, which are embodiments of the ‘279 patent,” and that Defendant markets its  
18 systems as “rapid biological detection systems that allow the user to detect the intrinsic  
19 fluorescence of airborne particles.” Doc. 20, ¶ 23. While this language may not mirror  
20 the language in Claim 20, Defendant’s website advertising is still relevant as evidence of  
21 its intent to induce infringement. See *Ricoh*, 550 F.3d at 1342 (“That the presentation  
22 may have failed to communicate any information regarding the patented methods or the  
23 possibility of infringement does not render it irrelevant as evidence of [Defendant’s]  
24 intent.”). To the extent that Defendant cites Claim 20 to show that its customers used its  
25 systems for a purpose other than what is protected by the ‘279 patent, the Court will  
26 address that argument at the summary judgment stage with the benefit of further factual  
27 development.

1 Finally, Plaintiff has alleged sufficient facts to show that Defendant “knowingly  
2 induced” infringement by its customers. *Wordtech*, 609 F.3d at 1315. Plaintiff claims  
3 that “[Defendant] was given actual notice of the ‘279 patent by a letter dated June 6,  
4 2006,” and that Defendant previously sought a license to the ‘279 patent. Doc. 20, ¶¶ 16,  
5 19. Construing the facts in the light most favorable to Plaintiff, the Court concludes that  
6 Plaintiff has pled enough facts to show that Defendant knew of the ‘279 patent and took  
7 active steps to induce infringement. The Court will deny Defendant’s motion to dismiss  
8 the section 271(b) inducement of infringement claim.

9 **C. Contributory Infringement.**

10 Section 271(c) provides:

11 Whoever offers to sell or sells within the United States or imports into the  
12 United States a component of a patented machine, manufacture,  
13 combination or composition, or a material or apparatus for use in practicing  
14 a patented process, constituting a material part of the invention, knowing  
15 the same to be especially made or especially adapted for use in an  
16 infringement of such patent, and not a staple or commodity of commerce  
suitable for substantial noninfringing use, shall be liable as a contributory  
infringer.

17  
18 35 U.S.C. § 271(c). Under this section, a party who sells a component with knowledge  
19 that the component is especially designed for use in a patented invention, and is not a  
20 staple article of commerce suitable for substantial noninfringing use, is liable as a  
21 contributory infringer. *Wordtech*, 609 F.3d at 1316; *see Ricoh*, 550 F.3d at 1337. To  
22 establish contributory infringement, a plaintiff must show the following elements: (1) that  
23 there is direct infringement, (2) that the accused infringer had knowledge of the patent,  
24 (3) that the component has no substantial noninfringing uses, and (4) that the component  
25 is a material part of the invention. *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1326  
26 (Fed. Cir. 2010).

27 As discussed above, Plaintiff has sufficiently pled that Defendant’s customers  
28 directly infringed by using Defendant’s systems and that Defendant had knowledge of the

1 patent.<sup>4</sup> See Doc. 20, ¶¶ 16, 18, 24. Defendant does not initially challenge the third and  
2 fourth elements of Plaintiff's contributory infringement claim (see Doc. 22), but waits  
3 until its reply to do so (see Doc. 24, at 9 (arguing that Plaintiff has not alleged that  
4 Defendant's biological detection systems constitute a material part of the '279 patent, that  
5 Defendant knew its systems were especially made or adapted for use to infringe the '279  
6 patent, and that Defendants' systems are not suitable for substantial non-infringing use, to  
7 make a claim for contributory infringement)). It is well established, however, that  
8 "courts will not consider arguments raised for the first time in a reply brief." *Bach v.*  
9 *Forever Living Prod. U.S., Inc.*, 473 F. Supp. 2d. 1110, 1122 n.6 (9th Cir. 2007); *Lentini*  
10 *v. Cal. Ctr. for the Arts, Escondido*, 370 F.3d 837, 843 n.6 (9th Cir. 2004). The Court  
11 will deny the motion to dismiss the section 271(c) contributory infringement claim.

12 **IT IS ORDERED:**

- 13 1. Defendant's initial motion to dismiss (Doc. 15) is **denied** as moot.
- 14 2. Defendant's motion to dismiss the first amended complaint (Doc. 22) is  
15 **denied**.
- 16 3. The Court will schedule a case management conference by separate order.

17 Dated this 1st day of May, 2012.

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21 David G. Campbell  
22 United States District Judge  
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27 <sup>4</sup> Plaintiff must ultimately show that Defendant knew that its systems were "both  
28 patented and infringing." *Fujitsu*, 620 F.3d at 1330 (quoting *Golden Blount, Inc. v.*  
*Robert H. Peterson Co.*, 365 F.3d 1054, 1061 (Fed. Cir. 2004)).