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

8
9 Continental Circuits LLC,

No. CV16-2026 PHX DGC

10 Plaintiff,

ORDER

11 v.

12 Intel Corporation, et al.,

13 Defendants.

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16 Defendants Ividen U.S.A. Corp. and Ividen Co. Ltd. (collectively, "Ividen") and
17 Intel Corp. jointly move to dismiss Plaintiff Continental Circuits LLC's second amended
18 complaint (Docs. 128 (sealed version), 133 (redacted version)) under Federal Rule of
19 Civil Procedure 12(b)(6). Docs. 142 (redacted version), 147 (sealed version).¹ The
20 motion has been fully briefed. Docs. 142, 155, 175. For the reasons that follow,
21 Defendants' motion to dismiss will be granted in part and denied in part.

22 **I. Background.**

23 For the second time, Defendants move to dismiss Plaintiff's complaint on the basis
24 of factual insufficiency. Because the Court recounted the facts and procedural history of

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27 ¹ The second amended complaint and the papers related to this motion have been
28 filed under seal. Where possible, the Court has cited the non-redacted, publicly-available
versions of these documents. In the public version of this order, sealed information has
been redacted.

1 this case in detail in its previous order granting Defendants' first motion to dismiss in part
2 (Doc. 112), only a brief review is needed here.

3 Defendant Ividen produces package substrates [REDACTED]. *See*
4 Doc. 133, ¶¶ 51, 110, 154; Doc. 147, at 9.² These substrates are used in computer
5 electronics, including computer processors manufactured by Defendant Intel. *See*
6 Doc. 133, ¶¶ 49-51. The two companies worked together to develop the specifications
7 that Intel expects Ividen's substrates to meet. *Id.*, ¶¶ 52, 55-56.

8 Computer circuit boards like those in Intel's products are made of alternating
9 layers of conductive and non-conductive materials. *See id.*, ¶ 29. When adhesion
10 between the layers is poor, they can separate. *See id.* In the 1990s, four employees of
11 Continental Circuits, Inc., a now-defunct circuit-board manufacturer, invented a "novel
12 surface roughening technique" using etching to create a "non-uniformly roughened
13 surface" that allows for stronger adhesion between layers. *Id.*, ¶¶ 28-29, 120. The four
14 co-inventors applied to patent the surface-roughening technology in 1997, and two
15 patents were issued in 2000 and 2004, respectively. Doc. 52, at 6; *see also* Doc. 133,
16 ¶¶ 12-13. Those patents are not at issue in this case. A continuation application was filed
17 by early 2005, and eventually resulted in issuance of the four patents that are at issue in
18 this action: U.S. Patent Nos. 7,501,582 (2009), 8,278,560 (2012), 8,581,105 (2013), and
19 9,374,912 (2016) (collectively, the "patents-in-suit"). *See* Doc. 133, ¶¶ 14-17, 35-36.

20 Plaintiff Continental Circuits LLC is a non-operating entity that was formed in
21 2016 and owns the patents-in-suit.³ Doc. 49, at 11 n.8; Doc. 133, ¶ 19. The day after the
22 last of the patents-in-suit was issued, Plaintiff initiated this action. *See* Doc. 1. The
23 original and first amended complaints alleged that both Defendants infringed the patents-
24 in-suit directly, indirectly, and willfully. Doc. 95, ¶¶ 120-55.

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27 ² Page citations are to the numbers placed at the top of each page by the Court's
CM/ECF system rather than the documents' original page numbers.

28 ³ Continental Circuits Inc. changed its name in 1997 and dissolved in 2013.
Doc. 49, at 11 n.8; Doc. 52, at 6 n.2.

1 Plaintiff claims that a former employee of Continental Circuits “shared the
2 technology described in the patents-in-suit with Ibiden” in 1997, as Ibiden’s “supplier
3 relationship with Intel” was growing. *Id.*, ¶¶ 29-33. According to Plaintiff, Ibiden and
4 Intel “collaborate[d] . . . to develop specifications for the design of packaging to
5 ultimately be used in Intel products.” *Id.*, ¶ 45. As a result, certain Intel product lines
6 came to “meet or embody the limitations of at least one claim” of each of the patents-in-
7 suit, as did “any Package Substrates manufactured by Ibiden for Intel or others.” *Id.*,
8 ¶¶ 51-100, 103.

9 Plaintiff alleges that both Defendants learned of the pending continuation
10 application that eventually became the patents-in-suit through a 2005 letter from a
11 “representative of Continental Circuits” to the heads of their respective legal departments.
12 *See id.*, ¶¶ 34-37. Plaintiff further asserts that a “representative of Continental Circuits
13 . . . confirmed” in a 2014 conversation with an Ibiden manager “that the technology
14 claimed in the patents-in-suit is still in use.” *Id.*, ¶ 41.

15 On February 21, 2017, this Court granted in part and denied in part motions to
16 dismiss filed by Defendants. Doc. 112, at 20. In the ensuing months, discovery has
17 continued and Plaintiff has amended its complaint a second time. Docs. 128, 133.
18 Defendants now jointly move to dismiss the second amended complaint in part, arguing
19 that Plaintiff “has still failed to come forward with plausible allegations” to support a
20 number of its claims. Doc. 142, at 6.

21 **II. Legal Standard.**

22 The Court will not grant a motion to dismiss under Rule 12(b)(6) unless the
23 complaint either lacks a cognizable legal theory or fails to allege facts sufficient to
24 support its theory. *Balistreri v. Pacifica Police Dep’t*, 901 F.2d 696, 699 (9th Cir. 1988).
25 If a complaint sets forth a cognizable legal theory, it will survive a motion to dismiss as
26 long as it contains “sufficient factual matter, accepted as true, to ‘state a claim to relief
27 that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell*
28 *Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). A claim is facially plausible when the

1 complaint's factual allegations "allow[] the court to draw the reasonable inference that
2 the defendant is liable for the misconduct alleged." *Id.* "The plausibility standard is not
3 akin to a 'probability requirement,' but it asks for more than a sheer possibility that a
4 defendant has acted unlawfully." *Id.* (quoting *Twombly*, 550 U.S. at 556).

5 **III. Discussion.**

6 In its previous order, the Court dismissed the first amended complaint's direct
7 infringement claims as to Intel's Itanium series processors, chipsets, and wireless
8 network adapters after concluding that Plaintiff had not provided enough facts to make
9 them plausible. Doc. 112, at 10, 20. Plaintiff's second amended complaint no longer
10 advances claims against Intel's wireless network adapters, and Defendants are not
11 seeking dismissal of the newly-pled direct infringement claims against Intel's Itanium
12 processors and chipsets. Doc. 142, at 5 n.1.

13 Defendants move to dismiss Plaintiff's direct infringement claims against *Ibiden*
14 as to unnamed products sold to customers other than Intel. The Court previously
15 dismissed these claims, and will do so again.

16 **A. Direct Infringement Claims against Unidentified *Ibiden* Products.**

17 **1. Section 271(a) Claims.**

18 A direct infringer under 35 U.S.C. § 271(a) "makes, uses, offers to sell, or sells
19 any patented invention[] within the United States or imports into the United States any
20 patented invention during the term of the patent." In its previous order, the Court made
21 clear that the *Twombly/Iqbal* pleading standard, which requires "enough facts to make
22 [Plaintiff's claims] plausible," applies to direct infringement claims. Doc. 112, at 7, 10.
23 Plaintiff's first amended complaint alleged infringement by *Ibiden* products
24 manufactured for unspecified companies other than Intel. *See, e.g.*, Doc. 95, ¶¶ 103
25 (alleging infringement by "any Package Substrates manufactured by *Ibiden* for Intel or
26 others"), 147 (alleging *Ibiden* induced infringement by "Intel and other companies
27 supplied by *Ibiden*"). The Court dismissed these claims because Plaintiff provided "no
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1 facts about those unspecified products, and thus set[] forth no plausible basis for
2 infringement by them.” Doc. 112, at 11.

3 In the second amended complaint, Plaintiff redefines these unnamed products as
4 [REDACTED]
5 [REDACTED] Doc. 128, ¶¶ 61, 104. Rather than
6 adding facts about the products themselves, Plaintiff has added facts, learned in the
7 course of discovery, about [REDACTED]

8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 [REDACTED] Doc. 128, ¶¶ 58-61 (footnote omitted).

19 Plaintiff argues that these additional facts satisfy the “purpose of pleading
20 standards” – to give Defendants “fair notice” of the claims so they can “defend
21 [themselves] effectively.” Doc. 175, at 6 (quoting *Starr v. Baca*, 652 F.3d 1202, 1216
22 (9th Cir. 2011)). But Plaintiff candidly acknowledges that it has not identified the
23 allegedly infringing products or the specific facts that show they infringe. *See* Doc. 170,
24 at 6-8; Doc. 175, at 6-8. Plaintiff attempts to excuse this failure by asserting that *Ibiden*
25 knows which products [REDACTED]
26 [REDACTED], so *Ibiden* can identify the infringing products. Plaintiff
27 states: “While Continental Circuits and the Court may not yet be able to identify those
28 products, *Ibiden* can.” Doc. 175, at 8.

1 This argument misunderstands modern pleading requirements. As the Supreme
2 Court explained: “A claim has facial plausibility when the plaintiff pleads factual content
3 that allows *the court* to draw the reasonable inference that the defendant is liable for the
4 misconduct alleged.” *Iqbal*, 556 U.S. at 678 (emphasis added). Plaintiff provides no
5 facts that enable the Court to draw the reasonable inference that Ibiden produces
6 infringing products for other customers. Indeed, it is apparent from the second amended
7 complaint that Plaintiff does not even know if such products exist. Doc. 155, at 5 n.2.
8 Plaintiff alleges the mere possibility of such infringement, and “where the well-pleaded
9 facts do not permit the court to infer more than the mere possibility of misconduct, the
10 complaint has alleged – but it has not ‘show[n]’ – ‘that the pleader is entitled to relief.’”
11 *Id.* at 679 (alteration in original) (quoting Fed. R. Civ. P. 8(a)(2)).

12 Plaintiff alleges that the unnamed products are [REDACTED]
13 as the Intel products identified in the second amended complaint, but Plaintiff does not
14 allege facts showing that [REDACTED] yields products with the same
15 allegedly-infringing features as the named products. Absent such facts, Plaintiff is left in
16 the same position as before: the second amended complaint, like the first, “contains no
17 facts about those unspecified products.” Doc. 112, at 11. As Defendants point out,
18 “[t]here are no images of substrates of non-Intel products, nor any allegations of common
19 materials, specifications, or parameters” between the named and unnamed products.
20 Doc. 155, at 5-6.

21 “[M]ost courts have, in the wake of *Twombly* and *Iqbal*, required some level of
22 specificity regarding the accused product Indeed, many courts have even required an
23 exact identification.” *FootBalance Sys. Inc. v. Zero Gravity Inside, Inc.*, No. 15-1058,
24 2016 WL 903681, at *4 (S.D. Cal. Feb. 8, 2016) (quoting *Wistron Corp. v. Phillip M.*
25 *Adams & Assocs., LLC*, No. 10-4458, 2011 WL 4079231, at *4 (N.D. Cal. Sept. 12,
26 2011) (rejecting “generic descriptions” such as “computer chips, motherboards,
27 computers”). The general consensus in this Circuit is that “the accused products must be
28 identified with ‘at least minimal specificity.’” *Anza Tech., Inc. v. Novatel Wireless, Inc.*,

1 No. 16-585, 2016 WL 7555397, at *3 (S.D. Cal. Nov. 4, 2016) (quoting *Avocet Sports*
2 *Tech., Inc. v. Garmin Int'l, Inc.*, No. 11-4049, 2012 WL 1030031, at *2 (N.D. Cal. Mar.
3 22, 2016)).⁴

4 Plaintiff contends that it need only “notif[y] Ibidem that it is also accusing of
5 infringement any other package substrates that are not more than colorably different than
6 the specifically named Intel products, regardless of [the] particular customer.” Doc. 175,
7 at 6. In addition to the requirement that Plaintiff plead facts from which the Court can
8 reasonably infer infringement, something the “colorable differences” allegation does not
9 do, the “colorable differences” standard can be found in two areas of patent law,
10 contempt and preclusion, both of which presuppose an existing judgment of
11 infringement. *See TiVo Inc. v. EchoStar Corp.*, 646 F.3d 869, 881-82 (Fed. Cir. 2011)
12 (contempt for violation of injunction); *Hallco Mfg. Co. v. Foster*, 256 F.3d 1290, 1296-98
13 (Fed. Cir. 2001) (claim preclusion issue). The Court declines Plaintiff’s invitation to
14 adopt the “colorable differences” standard as a substitute for the minimal level of fact
15 pleading required by *Twombly* and *Iqbal*. Plaintiff’s allegations would fail under its own
16 standard in any event – the second amended complaint contains no facts to show how and
17 why the named and unnamed products are similar.⁵ The second amended complaint’s

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19 ⁴ *Compare Glob. Tech Led, LLC v. Every Watt Matters, LLC*, No. 15-61933, 2016
20 U.S. Dist. LEXIS 183122, at *12-14 (S.D. Fla. July 29, 2016) (denying motion to dismiss
21 where products were identified as “LED Retrofit Kits or LED Retro Kits,” but not
22 identified by product number), *with LaserDynamics USA, LLC v. Cinram Grp., Inc.*,
23 No. 15-1629, 2015 WL 6657258, at *4 (S.D.N.Y. Oct. 30, 2015) (although “[a] patent
24 allegation that pleads ‘a specific product that allegedly infringes [an identified] patent by
25 virtue of certain specific characteristics’ is sufficient to meet the *Twombly* standard,” the
26 complaint’s “‘at least’ and ‘infringing methods’ language fail[ed] to plead a plausible
27 claim for infringement as to the universe of unidentified products and methods” (second
alteration in original) (citation omitted)), *Infineon Techs. AG v. Volterra Semiconductor*
Corp., No. 11-6239, 2012 WL 3939353, at *3 (N.D. Cal. Sept. 10, 2012) (granting
motion to dismiss “to the extent said [direct infringement] counts are based on references
to ‘other products’”), *and Round Rock Research, LLC v. Oracle Corp.*, No. 11-332, 2011
WL 11761563, at *3 (E.D. Tex. Oct. 25, 2011) (unlike allegations as to two named
technologies, “the language ‘including, but not limited to,’ fail[ed] to inform Defendants
of other products that might be accused of infringement”), *report and recommendation*
adopted, 2011 WL 5837246 (E.D. Tex. Nov. 21, 2011).

28 ⁵ An allegation that the products are similar without specific facts to make the
comparison concrete is insufficient. *See* Doc. 112, at 10 (rejecting as impermissibly
conclusory Plaintiff’s allegations in the first amended complaint that cross-section images

1 § 271(a) direct infringement allegations as to unnamed Ividen products made for
2 unidentified non-Intel customers will be dismissed.

3 **2. Section 271(g) Claims.**

4 In addition to its product claims, Plaintiff also raised method claims of direct
5 infringement against Ividen under 35 U.S.C. § 271(a) and (g) in its first amended
6 complaint. Doc. 95, ¶¶ 115-17, 123-26, 142-45. This Court dismissed the § 271(a)
7 method claims but did not address the § 271(g) claims, which Defendants elected not to
8 challenge at that time.⁶ Doc. 110, at 16:13-19; Doc. 112, at 11-13. Defendants now
9 move to dismiss the § 271(g) method claims in the second amended complaint that
10 pertain to “unidentified products for unidentified customers.” Doc. 142, at 9; *see Gundy*
11 *v. Cal. Dep’t of Corr. & Rehab.*, No. 12-1020, 2013 U.S. Dist. LEXIS 18185, at *15-16
12 (E.D. Cal. Feb. 8, 2013) (because an amended complaint supersedes its predecessors, the
13 moving party may in a subsequent motion to dismiss “raise new arguments that were
14 previously available”).

15 Section 271(g) provides that “[w]hoever without authority imports into the United
16 States or offers to sell, sells, or uses within the United States a product which is made by
17 a process patented in the United States shall be liable as an infringer, if the importation,
18 offer to sell, sale, or use of the product occurs during the term of such process patent.”
19 Defendants argue that Plaintiff “must allege that some . . . product [resulting from a
20 patented process] was imported or sold into the United States,” and yet Plaintiff has not
21 “identif[ied] any such product, sold to any customer, beyond the Ividen products
22 incorporated into Intel products.” Doc. 142, at 9.

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25 of six of the product lines were “representative” of the other three, and that there was “no
26 material difference in the substrate layers between any versions of the Accused
27 Instrumentalities” (quoting Doc. 95, ¶¶ 108-09)). The allegations of the second amended
28 complaint do not even get that far – they claim [REDACTED], not the *products*, are
“not colorably different” from one another. Doc. 128, ¶¶ 59 n.1, 61, 111.

⁶ Plaintiff has not renewed its § 271(a) method claims. Doc. 142, at 5 n.1. Also
not at issue here are Plaintiff’s § 271(g) claims against Intel (Doc. 133, ¶¶ 140-41).

1 “Liability under § 271(g) is subject to the same pleading standard as direct
2 infringement under § 271(a).” *Anza Tech., Inc. v. D-Link Sys., Inc.*, No. 16-1263, 2016
3 WL 8732647, at *4 (S.D. Cal. Nov. 4, 2016). As with the allegations under § 271(a), the
4 second amended complaint does not plead facts from which the Court reasonably can
5 infer that Ividen has made infringing products by use of a patented process and shipped
6 them into the United States. The complaint does not identify any such products.

7 Courts have recognized that, in a § 271(g) claim, “the accused products must be
8 identified with ‘at least minimal specificity’ so as to adequately put the defendant on
9 notice of the claims against it and the grounds upon which those claims rest.” *Id.*
10 (collecting cases). In *D-Link*, the defendant moved to dismiss the plaintiff’s § 271(g)
11 claims, arguing that the complaint “fail[ed] to identify even one specific product
12 allegedly imported by Defendant into the United States that has been made using the
13 allegedly infringing method.” *Id.* The plaintiff responded that the complaint contained
14 enough detail to put the defendant on notice, i.e., “an identifiable category of
15 [‘electronics hardware’] products” and the “specific method alleged to infringe – the flip
16 chip bonding process.” *Id.* The court disagreed, holding that the plaintiff “fail[ed] to
17 sufficiently identify the Accused Products.” *Id.*, at *5. Relevant here, the complaint
18 “fail[ed] to provide sufficient factual information to allow Defendant to identify the
19 specific chips made by the infringing process.” *Id.* In holding that “[s]uch broad
20 allegations fail to give Defendant notice of what *specific products or aspects of its*
21 *products* allegedly infringe,” the court emphasized the importance of identifying the
22 accused product; a brief description of the process used to make it is not enough.⁷ *Id.*

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24 ⁷ Unlike the plaintiffs in *D-Link* and *LaserDynamics*, Plaintiff here does not
25 expressly allege that the process underlying its § 271(g) claim infringed its patents. *See*
26 Doc. 128, ¶¶ 58-61, 111. A claim that a process [REDACTED] infringes a patent requires
27 enough facts to “allow a reasonable inference that all steps of the claimed method are
28 performed.” *Lyda v. CBS Corp.*, 838 F.3d 1331, 1339 (Fed. Cir. 2016). The description
[REDACTED] – does not do so.
Absent facts alleging infringement, Plaintiff is left with nothing more than the clearly

1 (emphasis added). Compare Doc. 128, ¶ [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED].

5 The court in *D-Link* rejected the same argument Plaintiff makes here: that
6 “Defendant, rather than Plaintiff, knows precisely” the products “that are implicated.”
7 2016 WL 8732647, at *5 (internal quotation marks and citation omitted). The plaintiff
8 “simply fail[ed] to satisfy [the *Twombly/Iqbal*] standard” requiring that the accused
9 products be identified with “some level of specificity,” and was not permitted to “use the
10 discovery process to narrow its infringement contentions.” *Id.* (quoting *Footbalance*,
11 2016 WL 903681, at *4); see also *Iqbal*, 556 U.S. at 678-79 (“Rule 8 . . . does not unlock
12 the doors of discovery for a plaintiff armed with nothing more than conclusions.”).
13 Because the obligation rests on Plaintiff to plead its claims with the requisite specificity,
14 and Plaintiff has not done so, the § 271(g) claims as to unidentified products sold to
15 customers other than Intel will be dismissed.

16 **B. Induced Infringement Claims against Intel.**

17 Plaintiff’s first amended complaint raised claims of indirect infringement, both
18 induced and contributory, against both Defendants.⁸ Doc. 95, ¶¶ 128, 132, 147, 151.
19 Because direct infringement is a necessary condition of both induced and contributory
20 infringement, *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 687 (Fed.
21 Cir. 1986), the Court’s previous order dismissed all of the indirect infringement claims
22 that depended on a finding of direct infringement. Doc. 112, at 13. Any indirect
23 infringement claims related to the unnamed *Ibiden* products intended for customers other
24 than Intel will be dismissed on the same ground.

25 _____
26 insufficient allegation that the products accused under § 271(g) are “made by a process
claimed in the Patents-in-Suit.” Doc. 133, ¶ 156.

27 ⁸ The Court in its previous order found Plaintiff’s contributory infringement
28 allegations to be sufficient as to *Ibiden* but insufficient as to Intel. Doc. 112, at 18. The
second amended complaint does not include contributory infringement claims against
Intel.

1 Under 35 U.S.C. § 271(b), “[w]hoever actively induces infringement of a patent
2 shall be liable as an infringer.” Inducement has three elements: (1) knowledge of the
3 patent, (2) knowing inducement of the infringing acts, and (3) specific intent to
4 encourage another to infringe the patent. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293,
5 1305-06 (Fed. Cir. 2006) (en banc). Plaintiff’s inducement claims against Ividen
6 survived Defendants’ first set of motions to dismiss. Doc. 112, at 15-16. As to Intel,
7 however, the Court found that meetings between Intel and Continental Circuits in the late
8 1990s regarding circuit-board design and manufacture, correspondence between an Intel
9 employee and a Continental Circuits representative in early 2005 about the continuation
10 application, and Intel’s general sophistication regarding the patent system were not
11 sufficient to show knowledge of the patents-in-suit. *Id.*, at 16-17. The Court noted that
12 this was a close question. *Id.*, at 16.

13 The second amended complaint includes the following allegations regarding
14 Intel’s knowledge of the patents-in-suit:

15 23. Continental Circuits Inc. manufactured printed circuit boards
16 for large companies such as Intel, Motorola, and others.

17 24. In the 1996 to 1998 timeframe, representatives from
18 Continental Circuits Inc. held multiple meetings with representatives of
19 Intel to discuss, inter alia, design rules and manufacturing reliability of
20 printed circuit boards.

21 25. Intel and the inventors of the Patents-in-Suit coordinated
22 together on Continental Circuits Inc.’s Photolink, a product which came to
23 embody the patented inventions.

24 26. Continental Circuits Inc.’s products were widely distributed
25 in the printed circuit board market.

26 * * *

27 30. Jeff Long, a sales representative at Continental Circuits Inc.
28 in the mid-1990s, learned of the technology covered by the Patents-in-Suit
during his tenure working with the company.

1 31. Unbeknownst to Continental Circuits Inc., in approximately
2 1997, Mr. Long entered into a business arrangement with Ividen while still
3 employed by Continental Circuits Inc.

4 * * *

5 33. Without permission from Continental Circuits Inc., Mr. Long
6 shared the technology described in the Patents-in-Suit with Ividen and
7 began directing business away from Continental Circuits Inc. to Ividen.

8 34. Ividen's supplier relationship with Intel grew significantly in
9 the late 1990s.

10 35. In early 2005, a representative of Continental Circuits
11 contacted Mr. David Simon, Chief Legal Counsel for Intel, informing Mr.
12 Simon of the '870 patent, the '069 patent, and the continuation application
13 that led to the issuance of the '582, '560, '105, and '912 patents, enclosing
14 a copy of the patents and application, and expressing an interest in licensing
15 of the portfolio to Intel.

16 * * *

17 38. On March 2, 2005, Ms. Martha Peralez, Outside Submissions
18 Coordinator for Intel, responded to the letter of Paragraph 35, stating that
19 "[a]n Intel attorney is reviewing the matter."

20 39. On April 21, 2005, Ms. Peralez sent an additional letter,
21 stating that "Intel has determined not to pursue this matter."

22 40. The Patents-in-Suit have been publicly available from the
23 United States Patent Office website since their respective dates of issuance.

24 41. Defendants are familiar with the United States patent system,
25 having filed for and been granted U.S. patents of their own.

26 42. Defendants are familiar with the process of searching for and
27 identifying issued U.S. patents.

28 43. As of early 2005, Defendants were aware of the non-uniform
roughening techniques and other patented features, such as those described
in Paragraph 38, taught by the patent family and continuation patent
application and that representatives of Continental Circuits intended to
continue prosecuting the continuation application that led to the issuance of
the '582, '560, '105, and '918 patents.

1 44. Having been made aware in early 2005 of the continuation
2 application that led to the issuance of the '582, '560, '105, and '918
3 patents, Defendants deliberately took no steps to learn whether the
4 continuation application led to issued patents.

5 45. [REDACTED]
6 [REDACTED]
7 [REDACTED]

8 Docs. 128, 133.

9 The Court admits that it views the sufficiency of these allegations as a very close
10 question. On one hand, the allegations clearly suggest that Intel knew of Continental
11 Circuits' technology. This can be inferred reasonably from Intel's multiple meetings
12 with Continental Circuits personnel in 1996-1998 regarding circuit board design and
13 reliability, Intel's coordination with Continental Circuits on the Photolink product that
14 came to embody the technology, and Intel's growing relationship with Ividen in the late
15 1990s – after Ividen acquired the technology from Jeff Long. The Court is less certain,
16 however, that Plaintiff's allegations plausibly show that Intel knew the technology was
17 covered by the patents-in-suit – the key knowledge required for inducement. To support
18 such knowledge, Plaintiff alleges that the 2005 communication alerted Intel to the fact
19 that Continental Circuits had patented and was seeking to further patent the technology,
20 that Intel fully understood this business and the nature of the relevant patents, that Intel
21 had the capacity to learn of the patents once they were issued, and that Intel worked
22 closely with Ividen on the allegedly infringing make-up of its own products, [REDACTED]

23 [REDACTED]. While
24 none of these facts actually shows knowledge, they certainly suggest that Intel was
25 embracing technology it learned of from Continental Circuits, and at a time when it knew
26 Continental Circuits was seeking to patent the technology. Because knowledge can be
27 shown by circumstantial evidence, *Simplivity Corp. v. Springpath, Inc.*, No. 15-13345,
28 2016 WL 5388951, at *10 (D. Mass. July 15, 2016), and Plaintiff's allegations need not

1 make knowledge probable, only plausible, *Iqbal*, 556 U.S. at 678, the Court concludes,
2 for purposes of this motion to dismiss, that Plaintiff has plausibly pled knowledge.

3 In light of this conclusion, the Court need not address the parties' arguments
4 regarding willful blindness and post-suit knowledge.⁹

5 Because the allegations in the second amended complaint support a reasonable
6 inference that Intel had pre-suit knowledge of the patents-in-suit, the allegations also
7 support a reasonable inference of intent to encourage *Ibiden* to infringe. Accordingly,
8 Defendant's motion to dismiss Plaintiff's claims of induced infringement against Intel
9 will be denied.

10 C. Willfulness.

11 Defendants move to dismiss Plaintiff's willfulness claims on the grounds that the
12 Supreme Court's recent decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136
13 S. Ct. 1923 (2016), requires facts showing egregiousness, and Plaintiff has not pled such
14 facts. Doc. 142 at 17. Plaintiff responds that it is not required to plead egregiousness at
15 all. Plaintiff argues that "first, willfulness is determined, *and then*, egregiousness is
16 analyzed to determine *how much* to enhance damages." Doc. 175 at 15.

17 Since *Halo* abrogated the "objective recklessness" standard, the law concerning
18 willfulness has been in a state of flux, and *Halo*'s "effect on the pleading standard for
19 willful infringement remains unclear." *Bobcar Media, LLC v. Aardvark Event Logistics,*
20 *Inc.*, No. 16-885, 2017 WL 74729, at *5-6 (S.D.N.Y. Jan. 4, 2017). Courts (including
21 this one in its previous order) have universally – either in word or deed – required
22 plaintiffs to plead facts showing willfulness. *See, e.g., Finjan, Inc. v. Cisco Sys.*,
23 No. 17-72, 2017 WL 2462423, at *5 (N.D. Cal. June 7, 2017) (dismissing willfulness
24 claims because, even if plaintiff had established knowledge, the amended complaint
25 "d[id] not contain sufficient factual allegations to make it plausible that [defendant]

26
27 ⁹ The Court notes that a majority of cases have held that an inducement claim may
28 survive where the defendant first learns about the patents through the complaint, but the
plaintiff's damages will be limited accordingly. *See Windy City Innovations, LLC v. Microsoft Corp.*, 193 F. Supp. 3d 1109, 1116 (N.D. Cal. 2016) (collecting cases).

1 engaged in ‘egregious’ conduct that would warrant enhanced damages under *Halo*’);
2 *Novitaz, Inc. v. inMarket Media, LLC*, No. 16-6795, 2017 WL 2311407, at *5 (N.D. Cal.
3 May 26, 2017) (granting motion to dismiss where plaintiff “ma[de] no factual allegations
4 regarding [defendant]’s knowledge or intent to infringe”); *Bio-Rad Labs. Inc. v. Thermo*
5 *Fisher Sci. Inc.*, No. 16-358, --- F. Supp. 3d ----, 2017 WL 438733, at *1-2 (D. Del. Feb.
6 1, 2017) (finding “alleged facts” sufficient and denying motion to dismiss); *CG Tech.*
7 *Dev., LLC v. FanDuel, Inc.*, No. 16-801, 2017 WL 58572, at *6 (D. Nev. Jan. 4, 2017)
8 (dismissing where “Plaintiffs have not sufficiently alleged willful infringement”); *Bobcar*
9 *Media*, 2017 WL 74729, at *6 (denying motion to dismiss where the “allegations
10 plausibly suggest that [defendant]’s actions were subjectively willfull [sic]”); *Nanosys*,
11 2016 WL 4943006, at *8 (dismissing willfulness claims without prejudice, but warning
12 that plaintiff’s amended complaint must “allege additional facts upon which they can
13 bolster allegations showing willfulness”). In *Novitaz*, the court rejected the argument
14 Plaintiff makes here – that it “is not required to plead willfulness,” which is simply “a
15 factor that the Court may consider in determining whether or not to enhance damages.”
16 2017 WL 2311407, at *5 (quoting Opp’n, at 1 n.2). The court explained that
17 “willfulness . . . is still a factual determination that a court must make, and district courts
18 have continued, post-*Halo*, to treat it as a separate claim that can be subject to a motion to
19 dismiss.” *Id.* (citing, inter alia, Doc. 112).

20 More uncertain is the quantum of culpability that a plaintiff must plead. Several
21 courts have required facts showing “egregious” conduct. *See, e.g., Finjan*, 2017 WL
22 2462423, at *5; *FanDuel*, 2017 WL 58572, at *6; *CG Tech. Dev., LLC v. Big Fish*
23 *Games, Inc.*, No. 16-857, 2016 WL 4521682, at *14 (D. Nev. Aug. 29, 2016); *Varian*
24 *Med. Sys., Inc. v. Elekta AB*, No. 15-871, 2016 WL 3748772, at *8 (D. Del. July 12,
25 2016). Others have expressly declined to require such facts. *See Bobcar Media*, 2017
26 WL 74729, at *6 (allegations showing defendant’s conduct was “subjectively willfull
27 [sic]” are “enough under *Halo*”). Some require “allegations showing willfulness beyond
28 a claim of mere knowledge.” *See Nanosys*, 2016 WL 4943006, at *8. Other courts have

1 suggested that knowledge *can* suffice, at least under some circumstances. *See Bio-Rad*,
2 2017 WL 438733, at *2 (willfulness sufficiently alleged where “it is plausible that
3 [defendant] intentionally *or knowingly* infringed the patent-in-suit” (emphasis added));
4 *Glob. Tech Led, LLC v. Every Watt Matters, LLC*, No. 15-61933, 2016 U.S. Dist. LEXIS
5 183122, at *14-17 (S.D. Fla. July 29, 2016) (“[A]n infringer’s intent or knowledge of the
6 infringement may warrant punitive damages depending on ‘the particular circumstances
7 of each case.’” (quoting *Halo*, 136 S. Ct. at 1933)).¹⁰

8 The Court continues to conclude that willfulness must be pled, and that allegations
9 of knowledge alone are insufficient. *See Halo*, 136 S. Ct. at 1936 (Breyer, J., concurring)
10 (“[T]he Court’s references to ‘willful misconduct’ do not mean that a court may award
11 enhanced damages simply because the evidence shows that the infringer knew about the
12 patent *and nothing more.*”). “It is ‘circumstanc[e]’ that transforms simple knowledge
13 into such egregious behavior, and that makes all the difference.” *Id.* (alteration in
14 original) (quoting majority opinion). Plaintiff has pled no facts to suggest such
15 circumstances here. The second amended complaint adds the word “egregious” to its
16 allegations that Defendants’ “infringement of the Patents-in-Suit has been and continues
17 to be *egregious*, willful, wanton, malicious, in bad faith, deliberate, consciously
18 wrongful, and/or flagrant” (Doc. 133, ¶¶ 148, 166 (emphasis added)), but this is merely a
19 conclusion, which is not sufficient. *Iqbal*, 556 U.S. at 678-79.

20 While some courts have found allegations of continued infringing activities
21 sufficient to plead willfulness, such situations involved existing patents, coupled with
22 multiple instances of express notice of the alleged infringement. *See Bobcar Media*,
23 2017 WL 74729, at *6. This case, which involved a pending continuation application
24 and no allegations of notice, is distinguishable. *See State Indus., Inc. v. A.O. Smith*
25 *Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985) (notice letter disclosing continuation

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27 ¹⁰ The courts are in agreement that “[k]nowledge of the patent alleged to be
28 willfully infringed continues to be a prerequisite to enhanced damages.” *Cf. WBIP, LLC*
v. Kohler Co., 829 F.3d 1317, 1341 (Fed. Cir. 2016); *see also Scripps Research Inst. v.*
Illumina, Inc., No. 16-661, 2016 WL 6834024, at *7 (S.D. Cal. Nov. 21, 2016)
(dismissing willfulness claims where plaintiff failed to plead knowledge).

1 application did not create inference of knowledge because “[f]iling an application is no
2 guarantee any patent will issue and a very substantial percentage of applications never
3 result in patents”); *FanDuel*, 2017 WL 58572, at *6 (dismissing willfulness claims where
4 the relevant allegations concerned “a pre-suit Notice Letter that did not identify [the
5 patents-in-suit] but only other patents that were part of a much larger portfolio”
6 (quotation marks omitted)). Contrary to Plaintiff’s argument, the allegations concerning
7 “the pre-suit relationship between the parties” do not create a reasonable inference that
8 “Defendants’ actions go beyond those ‘in a typical infringement case.’” Doc. 175, at 16
9 (quoting *Halo*, 136 S. Ct. at 1932). Plaintiff’s willfulness claims are not plausible as to
10 either Defendant, and the motion to dismiss will be granted.¹¹

11 **D. Denial of Leave To Amend.**

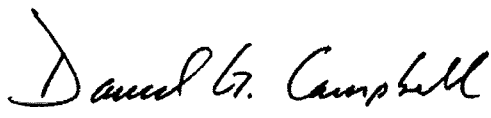
12 Plaintiff has had three opportunities to plead its claims. Docs. 1, 95, 133. In
13 addition, before filing the current motion to dismiss, Defendants conferred with Plaintiff
14 about perceived deficiencies in the second amended complaint and Plaintiff declined to
15 amend the complaint further. Doc. 142, at 5. Because Plaintiff has had ample
16 opportunity to plead viable claims and this case is now well underway, the Court will not
17 grant further leave to amend.

18 **IT IS ORDERED** that Defendants’ motion to dismiss (Docs. 142 (redacted
19 version), 147 (sealed version)) is **granted in part and denied in part**. The motion is
20 granted as to Plaintiff’s (a) direct infringement claims against *Ibiden* as to unnamed
21 products sold to customers other than Intel, (b) indirect infringement claims related to the

22
23 ¹¹ The Federal Circuit recently suggested that post-suit conduct alone can support
24 a finding of willfulness. *Cf. Mentor Graphics Corp. v. EVE-USA, Inc.*, 851 F.3d 1275,
25 1295 (Fed. Cir. 2017) (patentee seeking enhanced damages should not have been barred
26 from presenting evidence of willful infringement that relied exclusively on post-suit
27 conduct). But some courts have held that the “proper remedy” for “reckless” post-
28 complaint behavior is “to ask the Court for a preliminary injunction, not to simply seek
enhanced damages” in an amended complaint. *See FanDuel*, 2017 WL 58572, at *6; *see*
also McRO, Inc. v. Namco Bandai Games Am., Inc., 23 F. Supp. 3d 1113, 1123 (C.D.
Cal. 2013). The Court need not decide this issue. Assuming a claim based exclusively
on post-suit willfulness is available, it must still be pled. *See Monolithic Power Sys., Inc.*
v. Silergy Corp., 127 F. Supp. 3d 1071, 1076 (N.D. Cal. 2015) (required showing is the
same for pre-and post-suit willfulness). As explained above, Plaintiff has pled no facts to
support a claim of either pre- or post-suit willfulness.

1 unnamed Ividen products intended for customers other than Intel, and (c) willfulness
2 claims against both Defendants. The motion is denied as to Plaintiff's induced
3 infringement claims against Intel.

4 Dated this 16th day of June, 2017.

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8 David G. Campbell
9 United States District Judge
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