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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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|---------------------------|---|------------------------------------|
| NOMADIX, INC., |) | Case No. CV 14-08256 DDP (VBKx) |
| |) | |
| Plaintiff, |) | ORDER ON MOTIONS TO DISMISS |
| |) | |
| v. |) | [Dkt. Nos. 34 & 35] |
| |) | |
| HOSPITALITY CORE SERVICES |) | |
| LLC, d/b/a BLUEPRINT RF, |) | |
| |) | |
| Defendant. |) | |
| _____ |) | |

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18 Presently before the Court are two motions to dismiss portions
19 of Plaintiff's First Amended Complaint ("FAC"), which alleges
20 patent infringement. The motions argue invalidity of the asserted
21 patents under 35 U.S.C. § 101 and failure to state a claim for
22 infringement under 35 U.S.C. § 271. (Respectively, Dkt. Nos. 34
23 (the "Sec. 101 Motion") and 35 (the "Sec. 271 Motion").) Having
24 heard oral arguments and reviewed the parties' submissions, the
25 Court adopts the following order.

26 **I. BACKGROUND**

27 Plaintiff holds United States patents numbered 6,636,894 ("the
28 '894 patent"), 6,226,677 ("the '677 patent"), 6,868,399 ("the

1 '399 patent"), 8,156,246 ("the '246 patent"), 8,266,266 ("the '266
2 patent"), 8,266,266 ("the '266 patent"), 8,364,806 ("the
3 '806 patent"), 8,788,690 ("the '690 patent"). (FAC at 3-4.) These
4 patents - especially '399 and '690¹ - disclose methods for charging
5 internet users in places like hotels by redirecting them to a
6 webpage that can interface with a "property management system"
7 ("PMS"), which is a kind of legacy computer system that charges for
8 things like phone calls. (Opp'n to Sec. 101 Mot. at 1-2.) The
9 hotel (or other internet-providing venue) can charge customers for
10 internet service using their traditional PMS, in a manner that is
11 "transparent" to the end user, without the customer having to
12 install special billing software. (Id.)

13 These methods involve the use of pre-existing or "off-the-
14 shelf" components whose patents are not necessarily owned by
15 Plaintiff, with the exception of a "gateway device" manufactured by
16 Plaintiff. (See, e.g., Decl. Alan Laquer, Ex. 1, U.S. Patent No.
17 8,788,690, fig. 3 (showing the "Nomadic router," a gateway device,
18 integrated into a larger system that uses a generic "host device"
19 and "communications device" and implements "standard" interfaces
20 and network algorithms).)

21 Defendant manufactures gateway devices in the United States
22 and sells them in the United States and abroad. (FAC, ¶ 34-36.)
23 The thrust of Plaintiff's infringement allegations appears to be

24
25 ¹These appear to be the primary patents at issue in these
26 motions. (See Sec. 101 Motion at 1; Sec. 271 Motion at 20-23; Sec.
27 271 Reply at 2-3.) However, the Sec. 271 Motion does appear to be
28 directed, in part, at the other patents as well. (See Sec. 271
Mot. at 14 ("The claims for divided infringement under all patents
requiring the Dominion gateway 'in combination with' other
components provided by other parties should therefore be
dismissed.").)

1 that Defendant makes its gateway devices with the intention that
2 they be slotted into systems that infringe on Plaintiff's patented
3 systems, in the place where the "Nomadic router" or other device
4 manufactured by Plaintiff would normally be. (E.g., FAC, ¶ 57
5 ("[W]ith knowledge of the '894 patent, Blueprint RF has provided
6 products and components knowing that they, alone or as material
7 components in combination with other components, infringe the '894
8 patent, and contributed to others' infringement").)
9 Plaintiff also alleges that Defendant directly infringes the
10 patents when it uses such systems in the course of testing the
11 installation of its gateway devices. (E.g., Id. at ¶ 58.)

12 Defendant brings these motions to dismiss arguing that the
13 '399 and '690 patents are invalid, and that the claims FAC as a
14 whole should be dismissed as either inadequately pleaded or not
15 possible as a matter of law. (Respectively, Dkt. Nos. 34 (the
16 "Sec. 101 Motion") and 35 (the "Sec. 271 Motion").)

17 **II. LEGAL STANDARD**

18 An order to survive a motion to dismiss for failure to state a
19 claim, a complaint need only include "a short and plain statement
20 of the claim showing that the pleader is entitled to relief." Bell
21 Atl. Corp. v. Twombly, 550 U.S. 544, 55 (2007) (quoting Conley v.
22 Gibson, 355 U.S. 41, 47 (1957)). A complaint must include
23 "sufficient factual matter, accepted as true, to state a claim to
24 relief that is plausible on its face." Ashcroft v. Iqbal, 556 U.S.
25 662, 678 (2009) (quoting Twombly, 550 U.S. at 570). When
26 considering a Rule 12(b)(6) motion, a court must "accept as true
27 all allegations of material fact and must construe those facts in
28

1 the light most favorable to the plaintiff." Resnick v. Hayes, 213
2 F.3d 443, 447 (9th Cir. 2000).

3 **III. DISCUSSION**

4 **A. Motion to Dismiss on Grounds of Invalidity (the "Sec. 101
5 Motion")**

6 The Court acknowledges the arguments Defendant has advanced in
7 the Sec. 101 Motion. However, patent law is a fact-intensive
8 field. Although the Court has the patents in question before it
9 right now, (Dkt. Nos. 39-1, 39-2), the exact functioning of the
10 patented systems has not yet been fully briefed. Patents are
11 entitled to a presumption of validity, and individual claims in a
12 patent are presumed valid even if other claims in the same patent
13 are ruled invalid. 35 U.S.C. § 282(a). Moreover, while "claim
14 construction is not an inviolable prerequisite to a validity
15 determination under § 101," usually it will "be desirable - and
16 often necessary - to resolve claim construction disputes prior to a
17 § 101 analysis, for the determination of patent eligibility
18 requires a full understanding of the basic character of the claimed
19 subject matter." Bancorp Servs., L.L.C. v. Sun Life Assur. Co. of
20 Canada (U.S.), 687 F.3d 1266, 1273-74 (Fed. Cir. 2012). For this
21 reason, "it will be rare that a patent infringement suit can be
22 dismissed at the pleading stage for lack of patentable subject
23 matter." Ultramercial, Inc. v. Hulu, LLC, 722 F.3d 1335, 1338
24 (Fed. Cir. 2013) cert. granted, judgment vacated sub nom.
25 WildTangent, Inc. v. Ultramercial, LLC, 134 S. Ct. 2870 (2014).

26 The Court therefore declines, at this stage in the litigation,
27 to declare the '399 and '690 patents invalid.

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1 **B. Motion to Dismiss on Grounds of Failure to Adequately Plead**
2 **Infringement Claims (the "Sec. 271 Motion")**

3 Defendant also moves to dismiss Plaintiff's claims on the
4 grounds that they do not properly allege infringement. Like the
5 Sec. 101 Motion, the Sec. 271 Motion raises fact-intensive issues,
6 such as whether Defendant must "use" the entire patented system in
7 order to install its gateway devices, whether Defendant can receive
8 some "benefit" from such testing, whether Defendant's device or
9 features thereof have substantial non-infringing uses, and whether
10 the patents are actually directed to a "method" rather than a
11 physical system. The Court therefore finds that the infringement
12 issues will also be better addressed on a more complete factual
13 record.

14 However, in order to better shape the litigation going
15 forward, the Court rules on the following legal issues.

16 **1. Specific Intent to Induce Infringement**

17 Defendant argues that Plaintiff does not plead sufficient
18 facts to allege induced infringement under 35 U.S.C. § 271(b) or
19 export infringement under 35 U.S.C. § 271(f)(1), because the
20 Plaintiff does not plead a specific intent on Defendant's part to
21 induce infringement. (Sec. 271 Mot. at 15-16; Sec. 271 Reply at 7-
22 8.)

23 The Supreme Court has held that "[e]vidence of active steps
24 ... taken to encourage direct infringement, such as advertising an
25 infringing use or *instructing how to engage in an infringing use*,
26 show an affirmative intent that the product be used to infringe . . .

1 . . ." Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 545 U.S.
2 913, 936 (2005).²

3 Here, Plaintiff has alleged that Defendant provides
4 instructions to its customers "instructing them to use the . . .
5 Dominion gateways' captive portal feature and PMS-billing feature."
6 (FAC, ¶ 45.) Similarly, Plaintiff alleges that Defendant provides
7 instructions to end-users on how to obtain internet access and that
8 Defendant trains hotel employees to assist guests to obtain network
9 access. (Id.) Taken with the other allegations that obtaining
10 such internet access requires the infringing use of the patented
11 systems as a whole, (e.g., id. at ¶ 73-74), these pleadings suffice
12 to allege that Defendant took "active steps" to encourage
13 infringement, and therefore they are sufficient to allege "an
14 affirmative intent that the product be used to infringe."
15 Grokster, 545 U.S. at 936.

16 **2. Affirmative Defenses**

17 Defendant also argues that it has "good-faith defenses" to
18 Plaintiff's allegations of induced infringement - namely, that the
19 patents are invalid - and that Plaintiff has not addressed those
20 defenses in its FAC. However, a plaintiff "is not required to
21 plead on the subject of an anticipated affirmative defense."
22 United States v. McGee, 993 F.2d 184, 187 (9th Cir. 1993). All
23 Plaintiff need do or should do at the pleading stage is to allege
24 facts which, if true, would plausibly state a claim for relief.

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27 ²Grokster is a copyright rather than a patent case, but the
28 Federal Circuit cites it for the standard in patent cases as well.
DSU Med. Corp. v. JMS Co., 471 F.3d 1293, 1305 (Fed. Cir. 2006).

1 **3. Whether to Consider "Features" of Defendant's Device, Or Only**
2 **the Whole Device, When Assessing "Substantial Non-Infringing**
3 **Uses"**

4 A claim for contributory infringement is a claim that the
5 defendant sells a component "especially made or especially adapted
6 for use in" a machine or process that infringes a patent. 35
7 U.S.C. § 271(c). The defendant is not liable for contributory
8 infringement, however, if the component in question is "suitable
9 for substantial noninfringing use." *Id.* Defendant argues that
10 Plaintiff does not plead sufficient facts to allege contributory
11 infringement under 35 U.S.C. § 271(c), because the FAC does not
12 plausibly allege that Defendant's gateway devices have no
13 substantial non-infringing uses.

14 The parties seem to agree that this question turns on the
15 level of analysis: Defendant's gateways, *taken as a whole device*,
16 may have substantial non-infringing uses, because they can be used
17 to access the internet or other networks even if their "captive
18 portal" and "PMS billing" features are not used. (Sec. 271 Mot. at
19 17 & n.18) On the other hand, Plaintiff argues that the captive
20 portal and PMS billing *features* of the gateway are especially
21 adapted for infringing uses and do not have substantial non-
22 infringing uses. Plaintiff further argues that Defendant cannot
23 escape liability for contributory infringement by embedding
24 infringing features in a larger product that has non-infringing
25 uses, citing Ricoh Co. v. Quanta Computer Inc., 550 F.3d 1325, 1338
26 (Fed. Cir. 2008).

27 Defendant argues that Ricoh does not apply, because "the non-
28 infringing uses are integral gateway operations," and so do not

1 constitute an "additional, separable feature" that is non-
2 infringing. (Sec. 271 Reply at 10 (quoting Ricoh, 550 F.3d at
3 1337).) Apart from this being partly a factual claim (no party has
4 yet produced evidence showing what operations are "integral" to
5 gateway operation), as a rule of law it produces an untenable
6 result. Under Defendant's theory, a manufacturer may build a
7 device with specific features clearly designed to enable
8 infringement of a patent - features utterly unnecessary to its non-
9 infringing uses - and escape liability for contributory
10 infringement to the extent that there are non-infringing features
11 that are "integral" to the functioning of the larger product.

12 For this proposition, Defendant cites to Vita-Mix Corp. v.
13 Basic Holding, Inc., 581 F.3d 1317 (Fed. Cir. 2009). In Vita-Mix,
14 the defendant manufactured a blender equipped with a "stir stick"
15 that could be used in either an infringing way or a non-infringing
16 way. Id. at 1327-28. The plaintiff argued that the non-infringing
17 use was separate from the stir stick itself, because it relied on
18 "additional, separable features" of the blender, such as a "ball
19 and socket joint, interrupted ribbing, and rubber o-ring." Id.
20 The court held that those features were not "separable," but were
21 "directly related" and "useful only" to the non-infringing use of
22 *the stir stick*. Id. Thus the court found that the non-infringing
23 use of the stir stick - the *feature* in question - was not
24 insubstantial.

25 But what Vita-mix did not hold is that a feature with no
26 substantial non-infringing use cannot be evaluated as a separate
27 component if it relies on other, non-infringing features that are
28 "integral" to the functioning of the device as a whole. To use the

1 blender in Vita-mix as an analogy, nothing in that case suggests
2 that the stir stick cannot be evaluated as a separate feature
3 solely because it works in conjunction with the blending feature of
4 the machine, which is non-infringing. Such a reading of Vita-mix
5 would seem to vitiate Ricoh: in *most* cases involving complex
6 electronic machinery the infringing feature is likely to rely on
7 certain underlying operations, such as a power supply or an
8 operating system, that enable non-infringing uses as well.

9 Additionally, although Ricoh spoke of a "separable" non-
10 infringing feature, 550 F.3d at 1337, later cases confirm that the
11 key inquiry is whether the *infringing* feature is separable from the
12 product into which it has been "embedded." In i4i Ltd. P'ship v.
13 Microsoft Corp., the Federal Circuit found that an embedded XML
14 editor, rather than Microsoft Word as a whole, was the relevant
15 "material or apparatus" under the statute because "some versions of
16 Word 2003 included the custom XML editor, while others did not."
17 598 F.3d 831, 849 (Fed. Cir. 2010). Similarly, in Lucent
18 Technologies, Inc. v. Gateway, Inc., the court found that a date-
19 picking tool, and not Microsoft Outlook as a whole, could infringe
20 a patent, because Microsoft could have sold Outlook without the
21 date-picker and "offered the date-picker for sale as a separate
22 download." 580 F.3d 1301, 1320 (Fed. Cir. 2009).

23 Thus, if the "captive portal" and "PMS billing" features have
24 no substantial non-infringing use, and if they are so isolated from
25 the non-infringing uses of the gateway device as a whole that the
26 device could be sold without those features, then those features
27 can be the relevant "components" or "apparatuses" for purposes of
28 analyzing substantial non-infringing uses under § 271(c).

1 Whether these conditions are met is, of course, a factual
2 determination best left for later in the litigation.

3 **4. Whether All Components of the System Must Be Exported**

4 A claim for export infringement lies under § 271(f)(1) when a
5 defendant exports "all or a substantial portion of the components
6 of a patented invention" and actively induces their combination
7 into a patented system outside the United States.

8 Defendant argues that Plaintiff has not alleged that Defendant
9 exported "multiple components" for assembly abroad. (Sec. 271
10 Motion at 18:19-20.) To the extent that Defendant is arguing that
11 § 271(f)(1) requires that a defendant have, itself, exported
12 multiple components, that argument is not correct. Sec. 271(f)(1)
13 only requires the defendant to have exported a "substantial
14 portion" of the components of a patented system to be assembled
15 outside the United States. "Substantial portion" is not defined by
16 the statute, but the Federal Circuit has held that "liability under
17 § 271(f)(1) may attach for export of a single component" - at least
18 when the component is a "main" and "major" component of the
19 patented device and the device "would be inoperable" without it.
20 Promega Corp. v. Life Technologies Corp., 773 F.3d 1338, 1356 (Fed.
21 Cir. 2014).

22 In its reply, Defendant argues instead that *all* the components
23 of the infringing system must be exported from the United States,
24 whether manufactured or sold by the defendant or not: "The Federal
25 Circuit has specifically held that *both components* of the
26 infringing combination must be exported 'for assembly' abroad . . .
27 ." (Sec. 271 Reply at 14:14-15 (citing Pellegrini v. Analog
28 Devices, Inc., 375 F.3d 1113, 1117 (Fed. Cir. 2004).) But this

1 seems to be a misreading of Pellegrini, which held that the
2 *defendant's* product must be physically exported from the United
3 States but said nothing about components manufactured and sold
4 abroad by others. 375 F.3d at 1117-18.

5 Plaintiff need not allege that all components in the system
6 were exported from the United States; the key question is whether
7 Defendant exported *its* products for integration into an infringing
8 abroad.

9 **IV. CONCLUSION**

10 The motions to dismiss are DENIED.

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12 IT IS SO ORDERED.

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14 Dated: April 3, 2015

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DEAN D. PREGERSON
United States District Judge

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