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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

APOLLO ENTERPRISE  
SOLUTIONS, INC.,  
  
Plaintiff,  
  
v.  
  
LANTERN CREDIT, LLC F/K/A  
NEW ENGLAND FUNDING  
TECHNOLOGIES, LLC,  
  
Defendant.

Case No.: CV 17-02331-AB (JCx)

**[PROPOSED] ORDER DENYING  
PLAINTIFF’S MOTION TO  
REMAND [13] AND DENYING  
PLAINTIFF’S MOTION TO DISMISS  
DEFENDANT’S FIRST AMENDED  
COUNTERCLAIMS [34]**

**I. INTRODUCTION**

Pending before the Court are two Motions brought by Plaintiff Apollo Enterprise Solutions: Plaintiff’s Motion to Remand, (Dkt. No. 13), and Plaintiff’s Motion to Dismiss Defendant Lantern Credit, LLC’s Amended Counterclaims, (Dkt. No. 34). Defendant filed an Opposition to each Motion, (Dkt. Nos. 23, 37), and Plaintiff replied, (Dkt. Nos. 38, 40). Having considered the papers filed in support of and in opposition to each Motion, and for the following reasons, the Court **DENIES** Plaintiff’s Motions.

1           **II. BACKGROUND**

2           Plaintiff Apollo Enterprise Solutions, Inc. (“Apollo”) is a California corporation  
3 that provides advanced payment and collection solutions to credit issuers and debt  
4 buyers. (*See* Dkt. No. 1, Ex. 2 (“Compl.”) ¶ 6.) One of Apollo’s services,  
5 TrueCollect, “allows creditors to recover delinquent debts fast and efficiently . . . by  
6 combining online payment, debt collection, and debt recovery technologies into one  
7 offering.” (*Id.* at ¶ 7.) Defendant Lantern Credit LLC (“Lantern”) is a financial  
8 technology company that provides interactive credit reports and operates an online  
9 platform focused on the consumer credit market. (Dkt. No. 37, Lantern’s Opposition  
10 to Apollo’s Motion to Dismiss (“MTD Opp’n”) at 1; *see also* Dkt. No. 21, Lantern’s  
11 First Amended Counterclaims (“Counterclaims”) ¶ 11.) On August 1, 2014, Apollo  
12 and Lantern entered into a Master Services Agreement (“MSA”). (Compl. ¶ 8;  
13 Counterclaims ¶ 12; *see also* Counterclaims at Ex. 3.) Under the MSA, Apollo  
14 licensed some of its technologies and agreed to provide certain services relating  
15 thereto to Lantern. (Compl. ¶ 9; Counterclaims ¶¶ 12–13.)

16           In or around October 2015, Lantern stopped paying Apollo the amounts  
17 allegedly due under the MSA. (Compl. ¶ 12; Counterclaims ¶ 24.) As a result,  
18 Apollo filed suit in the Superior Court of California, County of Los Angeles alleging  
19 breach of contract, account stated, services rendered, and open book account. (Compl.  
20 ¶¶ 14–34.) Subsequently, on March 24, 2017, Lantern filed its Answer and  
21 Counterclaims and removed the case to this Court. (*See* Dkt. No. 1.) Lantern’s  
22 original Counterclaims sought a declaration of patent invalidity and noninfringement  
23 and alleged claims for fraudulent inducement, unjust enrichment, breach of contract,  
24 breach of the implied covenant of good faith and fair dealing, and money had and  
25 received. (*See* Dkt. No. 1, Ex. 3.) Apollo filed its initial motion to dismiss on April  
26 14, 2017, (Dkt. No. 12), and the instant Motion to Remand on April 17, 2017, (Dkt.  
27 No. 13). Lantern subsequently filed its First Amended Counterclaims on May 5,  
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1 2017, mooted Apollo's initial motion to dismiss. (See Dkt. No. 21.) Apollo filed the  
2 instant Motion to Dismiss on July 17, 2017. (Dkt. No. 34.)

### 3 **III. LEGAL STANDARD**

#### 4 **a. Federal Rule of Civil Procedure 12(b)(1)**

5 Under Federal Rule of Civil Procedure ("Rule") 12(b)(1), a complaint must be  
6 dismissed if the Court lacks subject matter jurisdiction to adjudicate the claims. Once  
7 subject matter jurisdiction is challenged, the burden of proof is placed on the party  
8 asserting that jurisdiction exists. *Scott v. Breeland*, 792 F.2d 925, 927 (9th Cir. 1986)  
9 (holding that "the party seeking to invoke the court's jurisdiction bears the burden of  
10 establishing that jurisdiction exists"). Accordingly, the Court will presume lack of  
11 subject matter jurisdiction until the proponent proves otherwise in response to the  
12 motion to dismiss. *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377  
13 (1994).

14 In evaluating a Rule 12(b)(1) motion, the question of whether the Court must  
15 accept the complaint's allegations as true turns on whether the challenge is facial or  
16 factual. A facial attack is one in which subject matter jurisdiction is challenged solely  
17 on the allegations in the complaint, attached documents, and judicially noticed facts.  
18 *Safe Air for Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004). In a facial  
19 attack, the moving party asserts that the lack of federal subject matter jurisdiction  
20 appears on the "face of the complaint." *Warren v. Fox Family Worldwide, Inc.*, 328  
21 F.3d 1136, 1139 (9th Cir. 2003). In the case of a facial attack, the Court is required to  
22 accept as true all factual allegations set forth in the complaint. *Whisnant v. United*  
23 *States*, 400 F.3d 1177, 1179 (9th Cir. 2005).

24 In contrast, a factual attack (or a "speaking motion") is one in which subject  
25 matter jurisdiction is challenged as a matter of fact, and is based on evidence outside  
26 of the pleadings. *Safe Air*, 373 F.3d at 1039. In assessing the validity of a factual  
27 attack, the Court is not required to presume the truth of the plaintiff's factual  
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1 allegations. *Id.* at 1039. Plaintiff’s challenge to the Court’s jurisdiction is based on  
2 Defendant’s alleged failure to plead facts sufficient to satisfy the requirements of the  
3 Declaratory Judgment Act; accordingly, the Court treats the instant motion as a facial  
4 attack.

5 **b. Declaratory Judgment Act**

6 A federal court only has jurisdiction to award declaratory relief where there  
7 exists an actual controversy. *Am. States Ins. Co. v. Kearns*, 15 F.3d 142, 143 (9th Cir.  
8 1994) (citing *Wickland Oil Terminals v. ASARCO, Inc.*, 792 F.2d 887, 893 (9th Cir.  
9 1986)). The Supreme Court has established that this requirement mirrors Article III’s  
10 constitutional case or controversy requirement. *Aetna Life Ins. Co. v. Haworth*, 300  
11 U.S. 227, 240 (1937). While the Supreme Court has not fashioned a concrete test for  
12 determining whether a suit for a declaratory judgment raises an actual controversy, it  
13 has explained that there must exist “a substantial controversy, between parties having  
14 adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a  
15 declaratory judgment.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127  
16 (2007) (quoting *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273  
17 (1941)). Ultimately, “[t]he difference between definite, concrete and substantial  
18 controversies which are justiciable, and hypothetical, abstract, or academic ones  
19 which are not justiciable, is one of degree, to be determined on a case by case basis.”  
20 *Muller v. Olin Mathieson Chem. Corp.*, 404 F.2d 501, 504 (2d Cir. 1968); *see also*  
21 *Maryland Cas.*, 312 U.S. at 273 (question “is necessarily one of degree”). Further, as  
22 the declaratory judgment plaintiff, Lantern bears the burden of proving by a  
23 preponderance of the evidence that an actual controversy exists between the parties.  
24 *Shell Oil Co. v. Amoco Corp.*, 970 F.2d 885, 887 (Fed. Cir. 1992).

1           **IV.   DISCUSSION**

2                   **a.   Request for Judicial Notice**

3           Apollo asks the Court to take judicial notice of a screen shot of  
4 “Laterncredit.com.” (Dkt. No. 41 (“RJN”) at 2.) Pursuant to Federal Rule of  
5 Evidence 201, “[a] court shall take judicial notice if requested by a party and supplied  
6 with the necessary information.” Fed. R. Evid. 201(d). An adjudicative fact may be  
7 judicially noticed if it is “not subject to reasonable dispute in that it is either (1)  
8 generally known within the territorial jurisdiction of the trial court or (2) capable of  
9 accurate and ready determination by resort to sources whose accuracy cannot  
10 reasonably be questioned.” Fed. R. Evid. 201(b).

11           Apollo argues that because the website is publicly available, the website’s  
12 authenticity is not in dispute and is capable of “accurate and ready determination.”  
13 (RJN at 2, 3 (citing *Prime Healthcare Servs. Inc. v. Humana Ins. Co.*, 230 F. Supp. 3d  
14 1194, 1201 (C.D. Cal. 2017).) The screenshot at issue is from a publicly available  
15 website, and is thus a matter in the public realm. When a court takes judicial notice of  
16 publications like websites and newspaper articles, the court merely notices what was  
17 in the public realm at the time, not whether the contents of those articles were in fact  
18 true. *Heliotrope Gen. Inc. v. Ford Motor Co.*, 189 F.3d 971, 981 n.118 (9th Cir.  
19 1999).

20           “Two related concerns, however, generally caution against taking judicial  
21 notice of websites. First, as the Seventh Circuit recognized, the internet contains an  
22 unlimited supply of information with varying degrees of reliability, permanence, and  
23 accessibility.” *United States v. Kane*, No. 2:13-CR-250-JAD-VCF, 2013 WL  
24 5797619, at \*9 (D. Nev. Oct. 28, 2013) (citing *Pickett v. Sheridan Health Care*  
25 *Center*, 664 F.3d 632, 648 (7th Cir. 2011)). Corporate websites, in particular, are  
26 often marketing tools that contain more “puffery” than fact. *Victaulic Co. v. Tieman*,  
27 499 F.3d 227, 236 (3rd Cir. 2007). Before taking judicial notice of facts contained in  
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1 websites, the Third and Seventh Circuits advise authenticating printouts of the  
2 webpage under Rule 901, supporting the printouts with affidavits, or holding a hearing  
3 on the facts to be noticed in order to give the opposing party an opportunity to  
4 respond. *Kane*, 2013 WL 5797619, at \*9; *Pickett*, 664 F.3d at 648.

5 In this case, the general concerns raised by taking judicial notice of websites are  
6 minimized because the document is a screenshot of Lantern’s own website. *See Prime*  
7 *Healthcare Servs. Inc.*, 230 F. Supp. 3d at 1201–02. The information is published by  
8 the defendant itself, and is relevant to the issues raised. Moreover, Lantern, rather  
9 than a third party, as control over the information published on its own website.  
10 Lastly, Lantern does not oppose this request. Accordingly, Apollo’s request for  
11 Judicial Notice is **GRANTED**.

12 **b. Subject Matter Jurisdiction**

13 Apollo argues that the Court lacks subject matter jurisdiction over Lantern’s  
14 first and second counterclaims, which seek a declaratory judgment of patent invalidity  
15 and noninfringement, respectively. (Dkt. No. 34 (“MTD”) at 7.) Apollo contends that  
16 no “immediate and real controversy” exists between the parties on this issue because,  
17 even if Apollo had threatened to sue Lantern for infringement, any such threat was  
18 withdrawn when Apollo filed its Complaint and did not include a claim for  
19 infringement. (MTD at 10.) Apollo asserts that the alleged controversy is of  
20 “Lantern’s own creation”; indeed, Apollo claims it simply wants to *enforce* the MSA,  
21 not terminate it. (MTD at 6.)

22 Lantern argues that Apollo’s Chairman and CEO “directly accused Lantern of  
23 infringing Apollo’s patents and threatened Lantern with an infringement action.”  
24 (MTD Opp’n at 5.) Lantern also claims that prior to this threat, in September 2015,  
25 Apollo sent multiple notices and invoices demanding Lantern pay “over \$1.9 million  
26 in patent license fees, [schedule of work] invoices, and other maintenance fees for  
27 work on the and other ‘products’ purportedly embodied by the patents licensed under  
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1 the MSA.” (Counterclaims ¶ 25.) Therefore, Lantern asserts that it was in reasonable  
2 apprehension of an infringement suit and that a real and substantial controversy exists.

3 “Rather than a purely subjective fear or the mere existence of a potentially  
4 adverse patent alone, the alleged injury at the root of most justiciable declaratory  
5 judgment controversies in the patent context is a ‘restraint on the free exploitation of  
6 non-infringing goods,’ or an imminent threat of such restraint.” *Prasco, LLC v.*  
7 *Medicis Pharm. Corp.*, 537 F.3d 1329, 1339 (Fed. Cir. 2008) (citing *Caraco Pharm.*  
8 *Labs. Ltd. v. Forest Labs.*, 527 F.3d 1278, 1291 (Fed. Cir. 2008)).

9 A patentee can cause such an injury in a variety of ways, for example, by  
10 creating a reasonable apprehension of an infringement suit, *e.g.*, *Arrowhead Indus.*  
11 *Water*, 846 F.2d at 737, demanding the right to royalty payments, *e.g.*, *MedImmune*,  
12 549 U.S. at 136, or creating a barrier to the regulatory approval of a product that is  
13 necessary for marketing, *e.g.*, *Caraco*, 527 F.3d at 1292–94. *See also Arrowhead*  
14 *Indus. Water*, 846 F.2d at 735 (describing the type of “sad and saddening scenario”  
15 that led to enactment of the Declaratory Judgment Act in which the “patent owner  
16 attempts extrajudicial patent enforcement with scare-the-customer-and-run tactics that  
17 infect the competitive environment of the business community with uncertainty and  
18 insecurity”).

19 Lantern claims Apollo threatened to bring an infringement action against it.  
20 This threat, coupled with Apollo’s demands that Lantern pay the fees required under  
21 the MSA, are sufficient to establish a real and substantial controversy as contemplated  
22 by the Declaratory Judgment Act. *See, e.g., Bancroft & Masters, Inc. v. Augusta Nat’l*  
23 *Inc.*, 223 F.3d 1082, 1085 (9th Cir. 2000) (finding declaratory judgment jurisdiction  
24 based on trademark owner’s cease and desist letter despite the fact that trademark  
25 owner offered to waive all trademark infringement and related claims); *Prasco*, 537  
26 F.3d at 1336 (noting that a demand of royalty payments is one way to establish a case  
27 or controversy); *3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1376 (Fed. Cir.  
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1 2012) (finding that engaging in informal discussions could be sufficient to create a  
2 justiciable controversy even if the defendant did not provide a detailed infringement  
3 analysis). Accordingly, Apollo’s Motion to Dismiss for Lack of Subject Matter  
4 Jurisdiction is **DENIED**.

5 **c. Removal Under Section 1454**

6 Lantern asserts that removal is proper under both the general removal statute,  
7 28 U.S.C. § 1441, and the patent-specific statutes, 28 U.S.C. §§ 1338 and 1454. (Dkt.  
8 No. 23 (“Remand Opp’n”) at 1, 6, 13.) The Court does not address the propriety of  
9 removal under the general removal statute or under Section 1338 since it concludes  
10 that removal is proper under Section 1454. This latter statute was newly added to the  
11 body of federal jurisdiction statutes as part of the America Invents Act (“Act”).  
12 Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011). The  
13 removal statute provides that

14 (a) In General.—A civil action in which any party asserts a claim for relief  
15 arising under any Act of Congress relating to patents . . . may be removed to the  
16 district court of the United States for the district and division embracing the  
17 place where the action is pending.

18 (b) Special Rules.—The removal of an action under this section shall be made  
19 in accordance with section 1446, except that if the removal is based solely on  
20 this section—

21 (1) the action may be removed by any party; and

22 (2) the time limitations contained in section 1446(b) may be extended at  
23 any time for cause shown.

24 (c) Clarification of Jurisdiction in Certain Cases.—The court to which a civil  
25 action is removed under this section is not precluded from hearing and  
26 determining any claim in the civil action because the State court from which the  
27 civil action is removed did not have jurisdiction over that claim.  
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1 (d) Remand.—If a civil action is removed solely under this section, the district  
2 court—

3 (1) shall remand all claims that are neither a basis for removal under  
4 subsection (a) nor within the original or supplemental jurisdiction of the  
5 district court under any Act of Congress; and

6 (2) may, under the circumstances specified in section 1367(c), remand  
7 any claims within the supplemental jurisdiction of the district court under  
8 section 1367.

9 28 U.S.C. § 1454.

10 The Act also amended 28 U.S.C. § 1338(a), the statute conferring on district  
11 courts “original jurisdiction of any civil action arising under any Act of Congress  
12 relating to patents,” to provide that “[n]o State court shall have jurisdiction over any  
13 claim for relief under any Act of Congress relating to patents[.]” 28 U.S.C. § 1338(a).  
14 Together with the amendment to 28 U.S.C. § 1295(a)(1), which extended the Federal  
15 Circuit’s jurisdiction to “compulsory counterclaim[s] arising under . . . any Act of  
16 Congress relating to patents,” these patent-related changes are commonly known as  
17 the “Holmes Group fix.” Joe Matal, *A Guide to the Legislative History of the America*  
18 *Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 539 (2012). This “fix” was adopted in  
19 response to an earlier decision by the Supreme Court, which held that a counterclaim  
20 by a defendant cannot serve as the basis for “‘arising under’ jurisdiction” under 28  
21 U.S.C. § 1295(a)(1). *See Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535  
22 U.S. 826, 831 (2002). Rejecting *Holmes*, the three statutes “provide[d] federal  
23 courts . . . with a broader range of jurisdiction; that is, with jurisdiction over claims  
24 arising under the patent laws even when asserted in counterclaims.” *Vermont v.*  
25 *MPHJ Tech. Invs., LLC (“MPHJ”)*, 803 F.3d 635, 644 (Fed. Cir. 2015).

26 Thus, Section 1454 permits the defendant to remove the action to federal court  
27 on the basis that either the plaintiff’s claims or the defendant’s counterclaims “arise  
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1 under” an Act of Congress related to patents. 28 U.S.C. § 1454; *MPHJ*, 803 F.3d at  
2 644. As a preliminary matter, courts interpret the term “arising under” in Section  
3 1454 in a manner similar to the more established interpretation in Sections 1331 and  
4 1338 of the same act. *See Gunn v. Minton*, 568 U.S. 251 (2013). This term of art  
5 refers most often to “federal law creat[ing] the cause of action asserted.” *Id.*

6 Among claims created by state law, however, there is a “‘special and small  
7 category’ of cases” that fall within the scope of “arising under” federal jurisdiction.  
8 *Id.* (quoting *Empire Healthchoice Assurance, Inc. v. McVeigh*, 547 U.S. 677, 699  
9 (2006)). For a claim to fit within this category, a federal issue must be: “(1)  
10 necessarily raised, (2) actually disputed, (3) substantial, and (4) capable of resolution  
11 in federal court without disrupting the federal-state balance approved by Congress.”  
12 *Id.* at 1065 (citing *Grable & Sons Metal Prods., Inc. v. Darue Eng’g & Mfg.*, 545 U.S.  
13 308, 313–14 (2005)).

14 Here, Lantern asserts counterclaims for declaratory judgment of non-  
15 infringement and patent invalidity, among others. (Dkt. No. 21 (“Am.  
16 Counterclaims”) at 10–12.) These claims are brought under the Declaratory  
17 Judgement Act and specifically concern Apollo’s patents; the Court will have to  
18 interpret the patents to determine whether Lantern’s business infringes the patents and  
19 whether the patents are valid. These issues clearly arise under “an Act of Congress  
20 relating to patents.” Thus, removal pursuant to Section 1454 was proper. *See*  
21 *Alexsam, Inc. v. Green Dot Corp.*, No. 2:15–cv–05742–CAS(PLAx), 2015 WL  
22 6520917, at \*4 (C.D. Cal. Sept. 28, 2015) (counterclaim for declaratory judgment  
23 served as basis for removal under § 1454). Accordingly, Apollo’s Motion to Remand  
24 is **DENIED**.

#### 25 **d. Attorneys’ Fees**

26 Apollo requests attorneys’ fees in connection with its Motion to Remand. (Dkt.  
27 No. 13 (“Remand Mot.”) at 15.) Since the Court denied Apollo’s Motion, fees are not  
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1 appropriate. *See* 28 U.S.C. § 1447(c) (providing that, *upon remand*, a court may  
2 exercise its discretion to award attorney fees “incurred as a result of the removal”).

3 **V. CONCLUSION**

4 For the foregoing reasons, the Court **DENIES** Apollo’s Motion to Dismiss,  
5 (Dkt. No. 34), and **DENIES** Apollo’s Motion to Remand, (Dkt. No. 13). Further, the  
6 Court **DENIES as moot** Lantern’s Motion to Amend the Pretrial Scheduling Order  
7 pending a ruling on the jurisdictional dispute resolved herein. (Dkt. No. 45.)  
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9 **IT IS SO ORDERED.**

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11 Dated: January 16, 2018



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13 HONORABLE ANDRÉ BIROTTE JR.  
14 UNITED STATES DISTRICT COURT JUDGE  
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