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UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF CALIFORNIA

ADVANCED STEEL RECOVERY, LLC,

No. 2:16-cv-00148-KJM-EFB

Plaintiff,

v.

ORDER

X-BODY EQUIPMENT, INC., JEWELL  
ATTACHMENTS, LLC, J.D.M.L., INC.,  
dba STANDARD INDUSTRIES, and  
ALLSTATE PAPER & METAL  
RECYCLING CO., INC.,

Defendants.

The matter is before the court on a motion to dismiss and for sanctions brought by defendants X-Body Equipment (X-Body) and Jewell Attachments, LLC (Jewell). Mot., ECF No. 13. Plaintiff Advanced Steel Recovery, LLC (Advanced Steel) opposes, Opp'n, ECF No. 28, and defendants have replied. Reply, ECF No. 36-1. As explained below, the court GRANTS defendants' motion to dismiss with leave to amend and DENIES the motion for sanctions.

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1 I. BACKGROUND

2 A. Factual Allegations

3 Plaintiff owns United States Patent 9,056,731 (the ‘731 Patent) by virtue of an  
4 assignment, which is the patent at issue here. Compl. ¶ 14, ECF No. 1. The ‘731 Patent, titled  
5 “Container Packer System and Method,” was issued on June 16, 2015. *Id.* ¶ 15. It is a  
6 continuation-in-part (CIP) application of United States Patent 8,061,950 (the ‘950 Patent), which  
7 itself was a CIP application of United States Patent 7,744,330 (the ‘330 Patent). The ‘330 Patent  
8 and the ‘950 Patent previously were litigated in another case in this district that was later  
9 appealed to the Federal Circuit (Prior Litigation). *See* Case No. 12-1004-GEB-DAD; *Advanced*  
10 *Steel Recovery, LLC v. X-Body Equip., Inc.*, 808 F.3d 1313 (Fed. Cir. 2015). On appeal, the  
11 Federal Circuit affirmed the district court’s decision that the Acculoader device, the same device  
12 at issue here, did not infringe the asserted claims of the ‘950 Patent literally or under the doctrine  
13 of equivalents.<sup>1</sup> *See generally id.*

14 The ‘731 Patent describes a system and method for packing overseas containers  
15 with materials. Compl. ¶ 16. The system described includes a transfer base and a container  
16 packer. *Id.* The transfer base contains control systems, among other things, to operate the system  
17 and receive the container. *Id.* Defendants make, use, offer to sell, and/or sell a product known as  
18 the Acculoader that infringes at least one claim of the ‘731 Patent. *Id.* Specifically, defendant  
19 Jewell manufactures the Acculoader and sells it to defendant X-Body. *Id.* ¶ 18. X-Body then  
20 resells the Acculoader to users, including defendants Standard Industries and Allstate Paper &  
21 Metal Recycling Co., Inc., who have purchased or otherwise make arrangements to use the  
22 Acculoader for loading various materials into transport containers. *Id.* Plaintiff provided a  
23 written notice to defendants of the ‘731 Patent on July 16, 2015. *Id.* ¶ 17.

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24 <sup>1</sup> “To establish literal infringement, every limitation set forth in a claim must be found in  
25 an accused product, exactly.” *Southwall Techs., Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1575  
26 (Fed. Cir. 1995). To establish infringement under the doctrine of equivalents, a “patentee must  
27 . . . provide particularized testimony and linking argument as to the insubstantiality of the  
28 differences between the claimed invention and the accused device or process, or with respect to  
the function, way, result test when such evidence is presented . . . .” *AquaTex Indus., Inc. v.*  
*Techniche Sols.*, 479 F.3d 1320, 1328 (Fed. Cir. 2007) (citation omitted).

1 Plaintiff has not licensed or authorized defendants, or its dealers, customers, or  
2 affiliates, to sell or use a system within the scope of the claims in the ‘731 Patent. *Id.* ¶ 20.  
3 Defendants have known about the ‘731 Patent since July 16, 2015 and the Prior Litigation, in  
4 which the complaint was filed by plaintiff on April 16, 2012, but have not altered their conduct  
5 with respect to the Acculoader. *Id.* ¶ 22; Compl., *Advanced Steel Recovery, LLC v. X-Body*  
6 *Equipment, Inc.*, No. 12-1004 (E.D. Cal. Apr. 16, 2012), ECF No. 1.

7 B. Procedural History

8 On January 25, 2016, plaintiff filed the complaint in this action for monetary  
9 damages, alleging defendants infringed the ‘731 Patent within the meaning of 35 U.S.C § 284,  
10 from at least July 16, 2015, when defendants were notified of the existence of the ‘731 Patent, if  
11 not as early as June 16, 2015, the issue date of the ‘731 Patent. Compl. ¶ 23. Plaintiff also seeks  
12 a permanent injunction to prevent defendants’ further violation of the ‘731 Patent, and attorneys’  
13 fees and costs. *Id.* On March 22, 2016, defendants filed the pending motion, supported by  
14 declarations and exhibits.

15 II. RULE 12(b)(6) MOTION TO DISMISS OR RULE 56 SUMMARY JUDGMENT  
16 MOTION

17 A. Parties’ Arguments

18 The threshold issue here is whether defendants can move to dismiss on the basis  
19 that defendants’ alleged violation of the patent predated the patent’s priority date. Plaintiff argues  
20 defendant’s motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) should be denied,  
21 because defendants’ argument is a factual issue that cannot be resolved at the motion to dismiss  
22 stage. Opp’n at 6. Plaintiff further argues the Rule 12(b)(6) motion to dismiss should not be  
23 converted to a Rule 56 motion for summary judgment, despite defendant’s submission of  
24 materials outside the complaint, because claim construction and expert discovery are required to  
25 resolve the issue of priority date, and even if not, a substantial continuance should be provided for  
26 plaintiff to respond to the motion if so converted. Opp’n at 9–10. Defendant agrees the motion  
27 need not be converted. Reply at 8. Defendant argues plaintiff’s claims are not plausible based on  
28 the complaint, its attachments, and matters properly subject of judicial notice. *Id.* Finally, both

1 plaintiff and defendants also address the determination of a priority claim, which the court will  
2 not address at this point for reasons explained below.

3 B. Legal Standards in Patent Cases

4 A complaint need contain only a “short and plain statement of the claim showing  
5 that the pleader is entitled to relief,” Fed. R. Civ. P. 8(a)(2), not “detailed factual allegations,”  
6 *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007). But this rule demands more than  
7 unadorned accusations; “sufficient factual matter” must make the claim at least plausible.  
8 *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). A party may thus move to dismiss for “failure to  
9 state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). The motion may be  
10 granted only if the complaint lacks a “cognizable legal theory” or if its factual allegations do not  
11 support a cognizable legal theory. *Hartmann v. Cal. Dep’t of Corr. & Rehab.*, 707 F.3d 1114,  
12 1122 (9th Cir. 2013). In making this context-specific evaluation, this court “must presume all  
13 factual allegations of the complaint to be true and draw all reasonable inferences in favor of the  
14 nonmoving party.” *Usher v. City of Los Angeles*, 828 F.2d 556, 561 (9th Cir. 1987). This rule  
15 does not apply to “a legal conclusion couched as a factual allegation,” *Papasan v. Allain*,  
16 478 U.S. 265, 286 (1986) *quoted in Twombly*, 550 U.S. at 555, nor to “allegations that contradict  
17 matters properly subject to judicial notice” or to material attached to or incorporated by reference  
18 into the complaint. *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988–89 (9th Cir. 2001).

19 In deciding a motion to dismiss, “courts generally consider only the allegations  
20 contained in the complaint, exhibits attached to the complaint and matters of public record” when  
21 reviewing a motion to dismiss. *Outdoor Media Group, Inc. v. City of Beaumont*, 506 F.3d 895,  
22 899–900 (9th Cir. 2007) (citing *Swartz v. KPMG LLP*, 476 F.3d 756, 763 (9th Cir. 2007)). Rule  
23 12(d) addresses the use of materials which are outside the pleadings in motions to dismiss under  
24 Rule 12(b)(6). Fed. R. Civ. P. 12(d); *see also Olsen v. Idaho State Bd. of Medicine*, 363 F.3d  
25 916, 922 (9th Cir. 2004). When such materials are presented, the motion is treated as one for  
26 summary judgment. *Olsen*, 363 F.3d at 922. However, certain additional materials may be  
27 considered without converting the motion to dismiss into a motion for summary judgment. While  
28 a court is generally limited to the four corners of the complaint, the court may consider exhibits

1 attached to the complaint, *see Hal Roach Studios, Inc. v. Richard Feiner & Co., Inc.*, 896 F.2d  
2 1542, 1555 n.19 (9th Cir. 1989), and documents incorporated by reference into the complaint.  
3 *See Van Buskirk v. Cable News Network, Inc.*, 284 F.3d 977, 980 (9th Cir. 2002). Documents  
4 upon whose contents the complaint necessarily relies—even if the complaint does not explicitly  
5 allege their contents—and whose authenticity and relevance are uncontested, are considered  
6 incorporated by reference. *See Coto Settlement v. Eisenberg*, 593 F.3d 1031, 1038 (9th Cir.  
7 2010); *Knieval v. ESPN*, 393 F.3d 1068, 1076–77 (9th Cir. 2005). The court may, in addition,  
8 take into account material that is properly the subject of judicial notice. *Lee v. City of Los*  
9 *Angeles*, 250 F.3d 668, 688–89 (9th Cir. 2001). Judicial notice may be taken of a fact not subject  
10 to reasonable dispute because it either is generally known within the trial court's territorial  
11 jurisdiction, or can be readily determined from sources whose accuracy cannot reasonably be  
12 questioned. Fed. R. Evid. 201(b).

13           With respect to a Rule 12(b)(6) motion to dismiss patent claims, determination of a  
14 priority claim raises a question of law based on undisputed facts. *Amkor Tech v. Int'l Trade*  
15 *Comm'n*, 692 F.3d 1250, 1254 (Fed. Cir. 2012); *Bradford Co. v. Conteyor North America, Inc.*,  
16 603 F.3d 1262 (Fed. Cir. 2010). Accordingly, the issue raised by defendants' motion—whether  
17 plaintiff's claim is barred because sales occurred and publications describing the defendants'  
18 Acculoader product were distributed more than a year before the '731 patent application filed on  
19 November 22, 2011—could in some cases be decided on a motion to dismiss depending on the  
20 allegations in plaintiff's complaint and matters properly susceptible of judicial notice.

21           Here, however, defendants have presented matters outside the pleadings.  
22 Although as noted, a court may consider matters by way of judicial notice without converting a  
23 motion to dismiss into a motion for summary judgment, *United States v. Ritchie*, 342 F.3d 903,  
24 907 (9th Cir. 2003), defendants have instead presented the declaration of Robert Harkins, counsel  
25 for defendants X-Body and Jewell, in an attempt to clarify and supplement the judicially  
26 noticeable factual record on the motion to dismiss. A court, in its discretion, may consider  
27 matters outside the pleadings, but if it does so, the motion must be converted to one for summary  
28 judgment under Federal Rule of Civil Procedure 56, and all parties must be given a reasonable

1 opportunity to respond to the extra-record material. Fed. R. Civ. P. 12(d); *see also Ritchie*, 342  
2 F.3d at 907. If the court does not convert the motion to dismiss into a motion for summary  
3 judgment, the court declines to consider matters outside the pleadings that are not judicially  
4 noticeable. *See Wiles v. Scott*, No. 12-5722, 2012 WL 7619807, at \*3 (W.D. Wash. Dec. 19,  
5 2012), *report and recommendation adopted*, No. 12-5722, 2013 WL 750777 (W.D. Wash. Feb.  
6 27, 2013).

7 C. Discussion

8 Given the early stage of this case, the lack of discovery, and the sparse record  
9 before the court, the court declines to convert defendants' Rule 12(b)(6) motion to dismiss into a  
10 Rule 56 motion for summary judgment. The court does not consider the content of the Harkins  
11 declaration, or the declaration of William Jon Maul submitted in support of the motion for  
12 sanctions. The five exhibits attached to the Maul declaration, consisting of photographs of the  
13 Acculoader and an email, also are not considered as they are not subject to judicial notice under  
14 Federal Rule of Evidence 201. Regarding the Harkins declaration's attachments, Exhibit 1, is a  
15 copy of the Federal Circuit opinion on a related case; Exhibit 2 is a copy of the Federal Circuit  
16 mandate from the related case; Exhibit 3 is a copy of the '950 patent; and Exhibit 4 is a copy of  
17 the file history for the '731 patent. These exhibits are matters of public record and are susceptible  
18 of judicial notice under Rule 201. *Lee*, 250 F.3d at 690 (a court may take judicial notice of the  
19 existence of another court's opinion); *Coinstar, Inc. v. Coinbank Automated Sys., Inc.*, 998 F.  
20 Supp. 1109, 1114 (N.D. Cal.1998) (granting defendant's request for judicial notice of two patents  
21 and documents from the file history of one of the patents). Plaintiff's request for judicial notice  
22 of the '330 and '950 patents also is granted. *See* ECF No. 28-1.

23 III. ANALYSIS: DISMISSAL

24 Defendants argue that plaintiff's claim is barred because sales of and publications  
25 describing the defendants' Acculoader occurred more than a year before plaintiff's '731 Patent  
26 application was filed. This argument raises two questions: (1) when did defendants allegedly start  
27 to infringe the '731 patent, and (2) whether plaintiffs are alleging a priority date earlier than the  
28 filing date of the '731 patent.

1 Plaintiff alleges defendants make, use, offer to sell, and/or sell the Acculoader  
2 product and that it infringes at least one claim of the ‘731 Patent. Compl. ¶ 16. The complaint  
3 generally alleges “subsequently to the issuance of the ‘731 Patent, [d]efendants have infringed the  
4 ‘731 Patent by making, using, importing, offering to sell . . . the Acculoader . . . .” *Id.* ¶ 26. The  
5 complaint alleges no facts as to when the infringement began. *Quantum Loyalty Sys., Inc. v. TPG*  
6 *Rewards, Inc.*, No. 09-022, 2009 WL 5184350, at \*8 (D. Del. Dec. 23, 2009), *report and*  
7 *recommendation adopted as modified*, No. 09-22, 2010 WL 1337621 (D. Del. Mar. 31, 2010)  
8 (denying defendant’s motion to dismiss plaintiff’s claim of patent infringement for not alleging  
9 any facts as to when infringement began or whether infringement has continued during litigation  
10 without prejudice to renewal following the completion of discrete discovery on issue of product  
11 identification). Plaintiff attaches to the complaint a user manual for the Acculoader. *See* Compl.,  
12 Ex. 2. Though stamped with the date July 28, 2010, there is no explanation in the user manual or  
13 otherwise in the complaint to clarify what the date signifies. Plaintiff alleges that “subsequent to  
14 the issuance of the ‘731 Patent” defendants infringed the patent, *id.* ¶ 26, but the issuance date of  
15 the ‘731 Patent was June 16, 2015, *id.* ¶ 15. It is not clear from the face of the complaint whether  
16 plaintiff’s position is that the ‘731 patent is entitled to a date earlier than that patent’s date of  
17 filing. *See PowerOasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1305–06 (Fed. Cir. 2008)  
18 (plaintiff carries burden to show it is entitled to claim priority based on an earlier filing date). In  
19 their briefs, the parties dispute whether the claims asserted are entitled to the filing date of the  
20 application for the ‘330 Patent, which was June 13, 2008. *See* Opp’n at 3; Mot. at 5.

21 The court does not reach the issue of priority date of the patent claim at issue,  
22 because plaintiff has not alleged when exactly defendants began to infringe the ‘731 patent. The  
23 court also finds the motion for sanctions to be premature.

24 Federal Rule of Civil Procedure 15(a)(2) provides, “[t]he court should freely give  
25 [leave to amend its pleading] when justice so requires,” and the Ninth Circuit has “stressed Rule  
26 15’s policy of favoring amendments.” *Ascon Properties, Inc. v. Mobil Oil Co.*, 866 F.2d 1149,  
27 1160 (9th Cir. 1989). Defendants’ motion to dismiss is GRANTED but with leave to amend in  
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1 light of plaintiff's arguments in its briefing, which suggest amendment may be possible,  
2 consonant with Federal Rule of Civil Procedure 11.

3 IV. PRETRIAL SCHEDULING

4 Discovery is opened for the limited purpose of discovering information related to  
5 priority of claim, for a ninety (90) day period from the filed date of this order. The parties are  
6 ORDERED to file a stipulation defining the scope of this discovery within twenty-one (21) days  
7 of the date of this order. Defendants may renew their motion to dismiss within thirty (30) days  
8 after the close of the limited discovery period. The court will schedule the balance of the case  
9 after the resolution of any renewed converted motion.

10 V. CONCLUSION

11 Defendants' motion to dismiss is GRANTED with leave to amend and defendants'  
12 motion for sanctions is DENIED. Plaintiff is ORDERED to file a first amended complaint within  
13 fourteen (14) days of the date of this order. The parties are ORDERED to file a stipulation as to  
14 the scope of the limited discovery allowed above within twenty-one (21) days of the date of this  
15 order. Defendants may renew their motion to dismiss within thirty (30) days after the close of the  
16 limited discovery period.

17 IT IS SO ORDERED.

18 DATED: August 8, 2016.

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22 UNITED STATES DISTRICT JUDGE  
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