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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

WISTRON CORPORATION, *et al.*,

No. C-10-4458 EMC

Plaintiffs,

v.

**ORDER GRANTING IN PART AND
DENYING IN PART DEFENDANTS'
MOTION TO DISMISS**

PHILLIP M. ADAMS & ASSOCIATES,
LLC, *et al.*,

(Docket No. 12)

Defendants.

Plaintiffs Wistron Corporation, Wistron Infocomm Corporation, Wistron Infocomm Technology, AOpen Incorporated, and AOpen America Incorporated (collectively “Plaintiffs”) initiated this lawsuit against Defendants Phillip M. Adams & Associates, LLC (“PMAA”), AFTG-TG LLC (“AFTG”), and Phillip M. Adams (collectively referred to as “Defendants”) seeking: (1) a declaratory judgment that Plaintiffs are not infringing patents¹ invented by Dr. Adams and owned by PMAA (“the PMAA patents”) (First Amended Complaint (“FAC”) at 12:1-2), (2) a declaratory judgment that they are not infringing the patents² (“the AFTG patents”) invented by Dr. Adams and now owned by AFTG (FAC at 12:1-2), and (3) a declaratory judgment that these patents-in-suit are invalid and unenforceable, and (4) an injunction to restrain Defendants from suing or threatening suit against Plaintiffs for infringement. FAC at 12:12-16.

¹ United States Patent Nos. 5,379,414, 5,983,002; 6,195,767; 6,401,222; 6,687,858; 7,251,752; 7,069,475; and 7,409,601

² United States Patent Nos. 6,691,181; 7,249,203; 6,842,802; 7,366,804; and 7,653,766.

1 Pending before the Court is Defendants’ motion to dismiss the First Amended Complaint or
2 in the alternative to transfer this case to the District of Wyoming. Having considered the parties’
3 briefs and accompanying submissions, as well as the oral arguments of counsel, the Court hereby
4 **GRANTS IN PART** and **DENIES IN PART** the motion to dismiss or transfer.

5 **I. FACTUAL & PROCEDURAL BACKGROUND**

6 Plaintiff Wistron Corporation (“Wistron Corp.”) is a Taiwan corporation “in the business of
7 designing, developing and manufacturing computer products such as notebook computers . . . under
8 their own brand name,” and selling these products throughout the United States. FAC ¶ 2. Plaintiff
9 Wistron Infocomm (Texas) Corporation is a Texas corporation, a wholly-owned subsidiary of
10 Wistron Corp., and provides “after-sales repair and servicing of products for which Wistron Corp.
11 was the original manufacturer.” FAC ¶ 3. Plaintiff Wistron Infocomm Technology (America)
12 Corporation is also a Texas corporation, a wholly-owned subsidiary of Wistron Corp., and provides
13 sales support to customers in North America. FAC ¶ 4.

14 AOpen Incorporated is a Taiwan corporation that sells and manufactures computer products
15 throughout the United States. FAC ¶ 5. Plaintiff AOpen America Incorporated (“AOpen America”)
16 is a California corporation and wholly-owned subsidiary of AOpen Inc. FAC ¶ 6. AOpen America
17 manufactures ultra small-form-factor (uSFF) computer components and customizable platforms, and
18 provides a digital signage solution. *Id.*

19 Defendant Dr. Phillip Adams, a Wyoming resident, is the owner and head of the defendant
20 companies PMAA and AFTG, which function only as patent holding companies for him. FAC ¶¶ 7-
21 9. Dr. Adams assigned ownership of the patents-in-issue to either PMMA or AFTG. *Id.* at ¶¶ 10-11.

22 In their First Amended Complaint, Plaintiffs allege as follows. On June 22, 2010,
23 Defendants sent letters to Wistron and AOpen³ stating that Defendants would embark on a patent
24 infringement lawsuit. FAC ¶ 18; *see also* Mot. to Dismiss at 11. The purpose of these letters,
25 Plaintiffs aver, was to disrupt the sales of Wistron and AOpen products, such as notebook

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28 ³ The Complaint defines all the Wistron companies collectively as “Wistron” and the AOpen
companies collectively as “AOpen.”

1 computers. *Id.* Defendants demanded that Wistron and AOpen enter into royalty-bearing licenses
2 for the PMAA and AFTG patents. *Id.* If the Plaintiffs did not, Defendants threatened that they
3 would be subjected to substantial liabilities. *Id.* at ¶ 19. On or around August 20, 2010, Defendants
4 sent letters to Wistron and AOpen alleging that both companies manufactured infringing products,
5 and that Wistron and AOpen were independently liable for the infringement of the PMAA and
6 AFTG patents. *Id.* at 21.

7 On October 1, 2010, Plaintiffs filed the Complaint herein seeking a declaratory judgment of
8 non-infringement. *See* Compl. (Docket No. 1); FAC ¶ 22. Shortly thereafter, on October 18, 2010,
9 AFTG and PMAA filed Complaints for Patent Infringement against thirty-five defendants, including
10 all of the Wistron and AOpen plaintiffs herein, in the United States District Court for the District of
11 Wyoming (“the Wyoming Action”). *See* Ratinoff Decl., Exhs. 1, 34-37. In that action, Defendants
12 alleged that the Wistron and AOpen defendants, among others, infringed each of the patents-in-suit
13 “through, among other activities, the manufacture, use, importation, sale and/or offer for sale of
14 computer chips, motherboards, computers and other products, as well as using infringing methods
15 including but not limited to testing of Defendants’ products as a part of the manufacturing process.”
16 FAC, Exh. A ¶ 52 (“Complaint for Patent Infringement”); Ratinoff Decl., Exh. 1 ¶ 52 (same).

17 Plaintiffs thereafter filed their First Amended Complaint, alleging, *inter alia*, that the PMAA
18 and AFTG patents are either invalid or unenforceable. FAC ¶ 28 (Docket No. 6). Plaintiffs further
19 claim that PMAA and AFTG filed the Wyoming Action not only as a retaliation of Plaintiffs’ instant
20 suit, but also as a “means of improper forum shopping and to wrongfully divest this Court of
21 jurisdiction to hear the complete case and controversy between the parties.” FAC ¶ 29. On
22 February 23, 2011, Judge Freudenthal, presiding over the Wyoming Action, ordered that
23 Defendants’ claims against Plaintiffs be dismissed without prejudice for lack of personal jurisdiction
24 because “there is no evidence or allegation that the infringing technologies or products actually
25 reached Wyoming.” Pls.’ Statement of Recent Decision, Exh. A (Docket No. 24). The Wyoming
26 Action was proceeded by another suit alleging infringement of some of the patents-in-suit against a
27 number of defendants, some of whom were located in California (the “Winbond” action). *See*
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1 Ratinoff Decl., Exh 1. (complaint in Wyoming Action referencing the Winbond action); Ratinoff
2 Decl., Exhs. 26 (describing lawsuits including Winbond litigation); 16-24 (website excerpts
3 indicating that companies sued are California corporations)).

4 On April 6, 2011 this Court held a hearing on the pending motion to dismiss or transfer this
5 action.

6 II. DISCUSSION

7 In their motion to dismiss, Defendants allege that this Court lacks personal jurisdiction over
8 them, such that the suit must be dismissed pursuant to Rule 12(b)(2).⁴ Second, Defendants argue
9 that the suit should be dismissed for failure to state a claim upon which relief can be granted under
10 Rule 12(b)(6) because Plaintiffs' Complaint "tenders only naked assertions completely devoid of
11 further factual enhancement." Mot. to Dismiss at 18. Finally, Defendants seek dismissal for failure
12 to join a required party under Rule 19(a). Each of these arguments is addressed herein.

13 A. Motion to Dismiss for Lack of Personal Jurisdiction

14 Defendants move to dismiss the First Amended Complaint based on a lack of personal
15 jurisdiction. *See* Fed. R. Civ. P. 12(b)(2). Plaintiff bears the burden of making a prima facie
16 showing of general or specific jurisdiction over each and every defendant it has sued. *See Calder v.*
17 *Jones*, 465 U.S. 783, 790 (1984); *Data Disc, Inc. v. Sys. Tech. Associates, Inc.*, 557 F.2d 1280, 1285
18 (9th Cir. 1977) ("[T]he party seeking to invoke the jurisdiction of the federal court has the burden of
19 establishing that jurisdiction exists. . . . [Absent a material dispute as to jurisdictional facts,] "a
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21 ⁴ Defendants purport to bring, *inter alia*, a "Motion to Dismiss for Lack of Subject Matter
22 Jurisdiction" pursuant to Federal Rule of Civil Procedure 12(b)(1). *See* Mot. to Dismiss at iv (Table
23 of Contents). In fact, Defendants concede that the Court has subject matter jurisdiction. *See* Joint
24 Case Mgmt. Statement at 7:7-9 (Docket No. 27), and make no such argument in the body of their
25 brief. To the extent Defendants make an argument with respect to subject matter jurisdiction, it is
26 limited to their alternative argument that the Court should decline to apply the "first-to-file" rule and
27 should transfer this action to Wyoming. Mot. to Dismiss at 14-16 ("Motion to Transfer"). In light
28 of Judge Freudenthal's dismissal order, however, Defendants conceded at the hearing herein that
such a transfer no longer makes sense, and effectively withdrew their transfer request. The Court
finds that it has subject matter jurisdiction over Plaintiffs' claim for declaratory relief pursuant to 28
U.S.C. §§ 1331, 1338(a) and the Federal Judgment Act, 28 U.S.C. §§ 2201, 2202 based upon
Plaintiffs' allegations of Defendants' threatened (and now actualized) infringement action. *See* FAC
¶¶ 14, 19, 21. *See generally Fina Research, SA v. Barioid, Ltd.*, 141 F.3d 1479, 1481 (Fed. Cir.
1998) (requiring party seeking declaratory relief to establish a reasonable apprehension of litigation
based on an "explicit threat or other action by the patentee").

1 plaintiff must make only a prima facie showing of jurisdictional facts through submitted materials in
2 order to avoid [dismissal].”). Where “a plaintiff’s proof is limited to written materials, it is
3 necessary only for these materials to demonstrate facts which support a finding of jurisdiction in
4 order to avoid a motion to dismiss.” *Data Disc*, 557 F. 2d at 1285 (citations omitted); *Electronics*
5 *for Imaging, Inc. v. Coyle*, 340 F.3d 1344, 1349 (Fed. Cir. 2003).⁵ In determining whether Plaintiffs
6 have made a prima facie showing of personal jurisdiction, the Court construes the pleadings and
7 affidavit in the light most favorable to Plaintiff. *Graphic Controls Corp. v. Utah Med. Prods., Inc.*,
8 149 F.3d 1382, 1383 n.1 (Fed. Cir. 1998).

9 In deciding whether the Court has jurisdiction over an out-of-state defendant, the Court looks
10 to Federal Circuit precedent. See *Breckenridge Pharms., Inc. v. Metabolife Labs., Inc.*, 444 F.3d
11 1356, 1363 (Fed. Cir. 2006) (citing *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1201
12 (Fed. Cir. 2003)); *Deprenyl Animal Health, Inc. v. Univ. of Toronto Innovations Foundation*, 297
13 F.3d 1343, 1348 (Fed. Cir. 2002) (“Federal Circuit law governs the issue of personal jurisdiction in
14 patent-related cases.”); *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1358
15 (Fed. Cir. 1998). The analysis set forth in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 475-77
16 (1985) is at the heart of the personal jurisdiction analysis applied in both the Ninth Circuit and the
17 Federal Circuit, and both Circuits apply the same three-part test when applying the minimum
18 contacts standard set forth by the Supreme Court. See, e.g., *Akro Corp. v. Luker*, 45 F.3d 1541,
19 1545-46 (Fed.Cir.1995). As such, district courts have cited both Ninth Circuit and Federal Circuit
20 precedent with respect to personal jurisdiction. See, e.g., *McKenzie v. Hero Indus.*, 2009 U.S. Dist.
21 LEXIS 67932, 7-8 (D. Ariz. July 29, 2009) (citing *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*,

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24 ⁵ If important jurisdictional facts are contested, the Court may permit discovery to aid the
25 jurisdictional determination or hold a preliminary hearing to resolve contested issues. *Data Disc*,
26 557 F. 2d at 1285 (noting that a plaintiff “put to his full proof . . . must establish the jurisdictional
27 facts by a preponderance of the evidence”). Although some jurisdictional facts are contested here,
28 neither party has requested a separate hearing to resolve the dispute, and the Court declines to order
one *sua sponte*. As explained herein, the Court finds the pleadings and papers to be a sufficient
basis to rule on jurisdiction. In so finding, the Court assumes that the pleadings and moving papers
sub judice comply with Federal Rule 11(b)(3).

1 223 F.3d 1082, 1087 (9th Cir. 2000)). Nonetheless, the Court relies primarily on Federal Circuit
2 precedent herein.

3 In analyzing personal jurisdiction, the court engages in a two-step inquiry: (1) whether the
4 state’s long-arm statute extends to this defendant; and (2) whether the assertion of personal
5 jurisdiction would violate due process. *Deprenyl Animal Health*, 297 F.3d at 1348; *Inamed Corp. v.*
6 *Kuzmak*, 249 F.3d 1356, 1359 (Fed. Cir. 2001). “Because California’s long-arm jurisdictional
7 statute is coextensive with the limits of due process, the two inquiries collapse into a single inquiry:
8 whether jurisdiction comports with due process.” *Inamed*, 249 F.3d at 1360. The focus here is thus
9 on due process.

10 For a court to exercise personal jurisdiction over a nonresident defendant, due process
11 requires that the defendant “have certain minimum contacts with [the forum state] such that the
12 maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’”
13 *International Shoe Company v. Washington*, 326 U.S. 310, 316 (1945); *see also* Cal. Civ. Proc. §
14 410.10 (“A court of this state may exercise jurisdiction on any basis not inconsistent with the
15 Constitution of this state or the United States.”). The requisite contacts are present “where the
16 defendant ‘deliberately’ has engaged in significant activities within a state . . . or has created
17 ‘continuing obligations’ between himself and residents of the forum.” *Burger King Corp.*, 471 U.S.
18 at 475-76 (quoting *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 781 (1984), and *Travelers*
19 *Health Ass’n v. Virginia*, 399 U.S. 643, 648 (1950)) (internal citations omitted). Personal
20 jurisdiction may be exercised where the defendant “deliberately has engaged in significant activities
21 within the State, or has *created continuing obligations between himself and residents of the forum*,
22 [because] he manifestly has availed himself of the privilege of conducting business there, and
23 because his activities are shielded by the benefits and protections of the forum’s laws.” *Akro Corp.*
24 *v. Luker*, 45 F. 3d at 1545 (emphasis in original) (quoting *Burger King*, 471 U.S. at 476). Mere
25 random, fortuitous, or attenuated connections with the forum state, however, fall short of the
26 minimum contacts threshold. *Burger King*, 471 U.S. at 475.

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1 There are two forms of personal jurisdiction: general jurisdiction and specific jurisdiction.
2 *See Deprenyl Animal Health*, 297 F.3d at 1350 (observing that general jurisdiction arises only when
3 a defendant maintains “continuous and systematic contacts with the forum state”). Plaintiffs do not
4 argue that the Court has general jurisdiction over Defendants. Instead, Plaintiffs contend that
5 specific jurisdiction over Defendants exists by virtue of their patent-related activities in California.
6 Opp’n at 1. The Court accordingly turns to an analysis of specific jurisdiction.

7 Specific jurisdiction exists where the cause of action arises out of or relates to a defendant’s
8 contacts with the forum state, even if those contacts are isolated and sporadic. *Trintec Indus. v.*
9 *Pedre Promotional Prods.*, 395 F.3d 1275, 1279 (Fed. Cir. 2005). The Court considers three factors
10 in determining whether the exercise of specific personal jurisdiction over an out-of-state defendant
11 comports with due process: (1) whether the defendant “purposefully directed” its activities at
12 residents of the forum; (2) whether the claim “arises out of or relates to” the defendant’s activities in
13 the forum; and (3) whether the exercise of jurisdiction is “reasonable and fair.” *Deprenyl Animal*
14 *Health*, 297 F.3d at 1351. *See also Akro Corp.*, 45 F. 3d at 1545-46 (finding specific jurisdiction
15 over a nonresident patent holder based substantially upon correspondence between the parties);
16 *Breckenridge Pharms., Inc. v. Metabolife Labs., Inc.*, 444 F.3d 1356, 1363 (Fed. Cir. 2006); *Brayton*
17 *Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1128 (9th Cir. 2010) (“The first prong is
18 satisfied by either purposeful availment or purposeful direction . . .”). “If the plaintiff succeeds in
19 satisfying both of the first two prongs, the burden then shifts to the defendant to ‘present a
20 compelling case’ that the exercise of jurisdiction would not be reasonable.” *Schwarzenegger v. Fred*
21 *Martin Motor Co.*, 374 F.3d 797, 802 (9th Cir. 2004) (quoting *Burger King Corp. v. Rudzewicz*, 471
22 U.S. at 477); *Breckenridge*, 444 F.3d at 1363. “[J]urisdiction may not be avoided merely because
23 the defendant did not *physically* enter the forum state.” *Burger King*, 471 U.S. at 476 (emphasis in
24 original) (finding personal jurisdiction where the defendant franchisees “reached out beyond” the
25 borders of their state to negotiate the franchise agreement at issue). *See generally Avocent*
26 *Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1343-1344 (Fed. Cir. 2008) (“All considerations
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1 must be weighed, not in isolation, but together, in deciding whether the forum can, and should,
2 entertain the suit.”)

3 1. Purposeful Direction

4 The Court must first decide whether Defendants purposefully directed relevant activities to
5 residents in the forum state. *Inamed Corp. v. Kuzmak*, 249 F. 3d 1356, 1360 (Fed. Cir. 2001). “A
6 foreign act that is both aimed at and has an effect in the forum state satisfies the purposefully
7 directed portion of the specific jurisdiction test.” *McKenzie v. Hero Indus.*, 2009 U.S. Dist. LEXIS
8 67932, 7-8 (D. Ariz. July 29, 2009) (citing *Bancroft & Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d
9 1082, 1087 (9th Cir. 2000)). “The relevant inquiry for specific personal jurisdiction purposes then
10 becomes to what extent has the defendant patentee purposefully directed such enforcement activities
11 at residents of the forum.” *Avocent Huntsville*, 552 F. 3d at 1332 (internal quotations and brackets
12 omitted).

13 Plaintiffs catalog a lengthy list of contacts Defendants (Dr. Adams in particular) have had
14 with California residents, including:

- 15 1. Defendants’ licensing agreement for a number of the patents-in-suit with HP, which
16 is headquartered in California. *See* Exh. 53 ¶ 6; Exh. 52 ¶ 20. *See* Hewlett-Packard
17 Company Corporate Headquarters,
18 <http://www8.hp.com/us/en/hp-information/about-hp/headquarters.html> (last visited
19 March 2, 2011).
- 20 2. Dr. Adams’ consulting work for HP, for which he received \$27.5 million in fees (*see*
21 Ratinoff Decl., Exhs. 57 (LA Times Article) and 53 ¶ 6 (Declaration of Dr. Adams
22 describing his “limited correspondence” with HP and Compaq: “whenever there was
23 an issue about the technology, I would fly to HP and Compaq to resolve those issues
24 or have telephone conferences with their technical people”)),
- 25 3. Defendants’ enforcement of their patents and HP license agreement in sending
26 warning letters to Wistron and AOpen and suing AOpen America, a California
27 corporation in the Wyoming Action (*see* FAC ¶ 18; Ratinoff Decl., Exh. 1),
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- 1 4. Defendants’ further enforcement of their patents and HP license agreement in suing
2 various companies in both the Winbond litigation and the Wyoming Action, both of
3 which involved numerous California corporations, for infringement of various patents
4 owned by Defendants including the patents-in-suit (Motion to Dismiss at 1, ¶ 5,
5 5. Defendants’ attempts to negotiate licenses of his patents with at least thirteen
6 California-based companies prior to the Wyoming Action (*see* Ratinoff Decl., Exh. 1
7 ¶¶ 1, 2),
8 6. PMAA’s May 2010 settlement agreement with California-based Sony Electronics
9 Corporation (“Sony”) providing, in part, that Sony would gain ownership of two
10 patents-in-suit⁶ (*see* Dumke Decl., ¶ 17; Ratinoff Decl., Exh. 23), and
11 7. Dr. Adams’ *qui tam* action in the California Superior Court for the County of San
12 Francisco related to the patents-in-suit⁷ (*see* Ratinoff Decl., Exh. 52 ¶¶ 26-31
13 (Complaint describing *qui tam* action)). *See* Opp’n at 1.

14 Additionally, the potential injury to AOpen America resulting from Defendants’ enforcement
15 activity would arguably occur in California where AOpen America is located. *See Bancroft &*
16 *Masters, Inc. v. Augusta Nat’l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000) (conduct targeted at a
17 plaintiff whom the defendant knows to be a resident of the forum state is “expressly aimed” at that
18 state for purposes of this analysis); *Vishay Intertechnology, Inc. v. Delta International Corp.*, 696
19 F.2d 1062, 1067-68 (4th Cir. 1982) (under the North Carolina long-arm statute, tortious conduct
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22 ⁶ U.S. Patent Nos. 5,379,414 and 6,195,767.

23 ⁷ Dr. Adams alleged that Hewlett-Packard and 38 other corporate defendants violated the
24 False Claims Act by selling computers with defective floppy disk controllers to the State of
25 California and its political subdivisions. Ratinoff Decl., Exh. 54 (Order of Dismissal). Dr. Adams
26 brought this action on the advice of counsel “[i]n an effort to bring attention to the [d]efect
27 [remedied by his patented inventions].” Ratinoff Decl., Exh. 52 ¶ 26. Thereafter, Dr. Adams
28 withdrew as a relator and the State of California sought a temporary restraining order enjoining him
from engaging in a license agreement with HP. *See id.* ¶ 33. Evidently, Dr. Adams presented his
patents as a solution to the defective disk controllers. The Court ultimately denied injunctive relief,
and Dr. Adams successfully negotiated a licensing agreement with HP. *Id.* ¶¶ 41-47.

1 occurring in numerous states injures a corporate plaintiff at its principal place of business, where it
2 loses profits); *Thermal Components Co. v. Griffith*, 98 F. Supp. 2d 1224, 1228 (D. Kan. 2000).

3 Defendants dispute Plaintiffs' characterization of their other contacts with this forum. They
4 contend that their California contacts can "hardly be viewed as repeated and systematic" because,
5 *inter alia*, "Dr. Adams has not traveled to California for the purpose of doing business in nearly a
6 decade." Reply at 1:18-24. Defendants further claim that "it has been at least 7 years since Dr.
7 Adams or PMAA have had any contact with California," and that "AFTG has never had any
8 contacts with California." Reply at 2:6-10. Indeed, Defendants couch Dr. Adams' behavior and
9 policy with respect to this forum not as one of purposeful direction or purposeful availment, but of
10 purposeful *avoidance*. See Reply at 4 ("Dr. Adams has purposefully avoided any engagement with
11 the State of California since acting as a relator in 1998" and "[i]t has been nearly 10 years since Dr.
12 Adams, or his entities, conducted any business in California, including any trip to assist HP" such
13 that he has shed the "taint" of this jurisdiction "over the last decade of intentional avoidance.").

14 As Defendants contend, merely sending cease-and-desist letters in the absence of physical
15 presence in the forum, "without more," does not establish personal jurisdiction. See Mot. to Dismiss
16 at 6 (citing *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360-61 (Fed. Cir.
17 1998) ("A patentee should not subject itself to personal jurisdiction in a forum solely by informing a
18 party who happens to be located there of suspected infringement.")). See *Breckenridge*, 444 F. 3d
19 1356, 1366 (Fed. Cir. 2006) ("[T]he crux of the due process inquiry should focus first on whether
20 the defendant has had contact with parties in the forum state beyond the sending of cease and desist
21 letters or mere attempts to license the patent at issue."). Accord *Hildebrand v. Steck Mfg. Co.*, 279
22 F.3d 1351, 1356 (Fed. Cir. 2002); *Inamed*, 249 F.3d at 1361. But Plaintiffs have identified
23 something "more" than sending a warning letter. They point to "Defendants' licensing of at-issue
24 patents to entities in California with an obligation to enforce the patents." Opp'n at 9 (citing *Akro*,
25 45 F.3d at 1548-49). The California contacts described above evidence that enforcement effort.
26 Relying on *Akro*, Plaintiffs argue that Defendants' systematic enforcement of these patents pursuant
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1 to its licensing obligation with a California company against an alleged California infringer satisfies
2 the purposeful direction prong here.⁸ Opp’n at 9-10. The Court agrees.

3 In *Akro*, the plaintiff sought a declaratory judgment in Ohio against patent holder Luker, who
4 was a California resident. Luker’s Ohio contacts, as described by *Akro* based upon Luker’s letters,
5 included (1) an initial accusatory letter sent to the plaintiff in Ohio followed by letters to the
6 plaintiff’s counsel in another state, and (2) an exclusive license to the plaintiff’s competitor in the
7 floor-mat business, Pretty Products, also located in Ohio. *Akro*, 45 F.3d at 1546. The district court
8 concluded that the warning letters “were, for purposes of our due process inquiry, directed to *Akro*
9 in Ohio.” *Id.* at 1546. The letters also explained that, pursuant to its license agreement with Pretty
10 Products, Luker was obligated to defend against any infringement of the patent, and Pretty Products
11 was empowered to sue infringing parties on Luker’s behalf. *Id.* at 1543. The district court found
12 these contacts to be sufficient to confer specific personal jurisdiction upon the court. The Federal
13 Circuit agreed, reasoning that “the plaintiff need not be the forum resident toward whom any, much
14 less all, of the defendant’s relevant activities were purposefully directed.” *Id.* at 1547 (citing *Calder*
15 *v. Jones*, 465 U.S. 783 (1984); *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984)). The Court
16 explained that “[b]ecause Luker purposefully directed activities regarding the [patent] toward
17 residents of Ohio, those activities are related to *Akro*’s cause of action, and Luker failed to
18 demonstrate that jurisdiction over him would be unconstitutionally unreasonable.” *Id.* at 1549.

19 In the case at bar, Plaintiff AOpen America, a California corporation, allegedly received
20 Defendants’ warning letters in California and was in fact sued in Defendants’ Wyoming Action.
21 Although Defendants state they never sent a warning letter to AOpen America (only to its parent
22 corporation), Defendants did file the Wyoming Action naming AOpen America as a defendant. *See*

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24 ⁸ Plaintiffs contend, and Defendants do not dispute, that “the jurisdictional contacts of one
25 [defendant] are the jurisdictional contacts of the others” here because AFTG and PMAA “function
26 as patent holding companies and nothing more than the alter egos of Dr. Adams.” Opp’n at 9 n.7
27 (citing *Dainippon Screen Mfg. Co. v. CFMT, Inc.*, 142 F.3d 1266, 1271 (Fed. Cir. 1998) (finding
28 personal jurisdiction over an alter ego created to hold patents) and *Harris Rutsky & Co. Ins. Servs. v.*
Bell & Clements, Ltd., 328 F.3d 1122, 1134 (9th Cir. 2002) (holding that an alter ego’s contacts may
be imputed to its parent corporation); FAC ¶¶ 7-9. Notably, Dr. Adams manages AFTG and PMAA,
and “[t]hese entities are the current owners of many of Dr. Adams’ patents and the means by which
Dr. Adams does business.” Reply at 1:7-15 (Docket No. 23).

1 Ratinoff Decl., Exh. 1 (“Complaint for Patent Infringement” naming both AOpen, Inc. and AOpen
2 America as defendants in *AFTG-TG, LLC v. Gigabyte Tech. Co. Ltd., et al.*, No. 10-cv-0228 (D.
3 Wyo. 2010)). By suing AOpen America, Defendants directed activity toward a resident of this state.
4 In contrast to a warning letter which creates a reasonable apprehension of litigation, the Wyoming
5 Action presented the *actuality* of litigation for AOpen America.

6 More importantly, like Luker, Defendants have incurred an obligation to enforce at least
7 some of the patents-in-suit pursuant licensing agreements with Hewlett-Packard Company (“HP”), a
8 California corporation. Defendants concede in their moving papers that the terms of an agreement
9 with HP “forced” PMAA “to file suit against numerous companies in the computer industry for . . .
10 infringement of patented technology owned by PMA[A]” Mot. to Dismiss at 1, ¶ 5. Likewise,
11 the complaints in the Wyoming Action state: “In May of 2005, in compliance with the terms of the
12 Hewlett Packard and Compaq license agreements, Adams was forced to file suit against numerous
13 companies in the computer industry for the theft of trade secrets and infringement of patented
14 technology owned by Adams (the ‘Winbond Litigation’).” FAC, Exh. A ¶ 8. The Wyoming
15 complaint alleges that the infringement by Plaintiffs herein was occasioned by the Plaintiffs’
16 knowing incorporation into their products infringing chips that were the subject of the prior
17 Winbond litigation which, as noted above, also involved some California defendants. FAC, Exh. A
18 ¶ 9. At the April 6, 2011 hearing, Defendants conceded that the Wyoming Action against Plaintiffs
19 was brought, at least in part, pursuant to Defendants’ obligations under its license agreements with
20 HP. Furthermore, in addition to suing Plaintiffs herein, Dr. Adams filed suits alleging infringement
21 of several of the patents-in-suit against other California-based computer companies.

22 Plaintiffs are correct in asserting that enforcement actions taken pursuant to a California
23 licensing agreement against California residents satisfies the first prong of personal jurisdiction
24 under *Akro* and *Breckenridge Pharms.* See *Breckenridge Pharms.*, 444 F.3d at 1366 (holding that
25 personal jurisdiction may be exercised where resident exclusive licensee and licensor agreed, *inter*
26 *alia*, to “cooperate reasonably in any enforcement action” and that licensor would “provide

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1 consultation” with respect to “the science, medicine and marketing of . . . related products, from
2 time to time”). This is so irrespective of Defendants’ lack of physical presence in the state.

3 Pointing to *Red Wing, supra*, 148 F.3d 1355, Defendants argue that their contacts with this
4 forum are insufficient to establish personal jurisdiction. In *Red Wing*, however, none of the
5 licensees in question resided in the forum state; they merely conducted business there. *Red Wing*,
6 148 F.3d at 1361. Although the patent holder received royalties for sales made in the forum state, it
7 “exercised no control over the sales activities of its licensees” and “had no dealings with its
8 licensees [in the forum state].” *Id.* at 1358. The licensees’ business in the forum state therefore
9 amounted to “unilateral activity . . . not attributable to the defendant.” *Id.* (quoting *Burger King*, 471
10 U.S. at 475 n.17) (internal quotation marks omitted). The Federal Circuit therefore concluded that
11 an exercise of personal jurisdiction over the defendant “would not comport with principles of
12 fairness.” *Id.* at 1361.

13 Unlike the licensees in *Red Wing Shoe*, at least one licensee at issue here, HP, does not
14 merely conduct business in California; it is headquartered in California. Ratinoff Decl., ¶ 19, Exh.
15 17. *Cf. Breckenridge*, 444 F.3d 1356, 1366 (Fed. Cir. 2006) (noting that a defendant is subject to
16 “personal jurisdiction in the forum state if the exclusive licensee (or licensee equivalent) with which
17 it has established a relationship is not headquartered in the forum state, but nonetheless conducts
18 business there”) (citation omitted). Defendants’ business dealings and license agreements go far
19 beyond the mere receipt of royalty income from California. *Cf. Red Wing Shoe*, 148 F.3d at 1357-58
20 (noting that the licensor had no dealings with its resident licensees beyond the receipt of royalty
21 income).

22 Defendants’ reliance on *Silent Drive, supra*, 326 F.3d 1194, is similarly misplaced. In *Silent*
23 *Drive*, plaintiff Silent Drive, an Iowa corporation seeking a declaratory judgment of non-
24 infringement, raised multiple arguments in support of an exercise of jurisdiction over the defendant
25 Texas corporation in Iowa district court. 326 F.3d at 1197. The defendant sent two letters to Silent
26 Drive, along with a copy of its patent, informing it of an injunction obtained in Texas. *Id.* at
27 1198-99. Besides the cease and desist letters, the defendant’s only contact with Iowa was that it had
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1 issued a news release describing the injunction and patent and sent a copy of the news release to a
2 potential customer of Silent Drive in Iowa. *Id.* at 1199. Although it ultimately found jurisdiction on
3 other grounds not relevant here, the Federal Circuit concluded that an exercise of jurisdiction based
4 on the letters would offend due process because they primarily concerned an injunction obtained for
5 misappropriation of trade secrets, which was unrelated to the patent at issue. *Id.* at 1202.

6 Unlike the letters in *Silent Drive*, Defendants’ warning letters here concerned “several of Dr.
7 Adams’ patents” and not an unrelated judgment. *See, e.g.*, Ratinoff Decl., Exh. 27 (June 21, 2010
8 letter to Wistron Corp.). The letters refer to patent cases litigated by Dr. Adams, and are
9 accompanied by copies of three judgments in patent cases. *Id.* Moreover, the complaint filed in the
10 Wyoming Action alleges infringement by Plaintiffs herein of the patents-in-suit. Even if Dr. Adams
11 has never had an office, bank account, or employee in California, his other California contacts, most
12 notably his patent licensing with and enforcement activities against California companies, are more
13 extensive than the solitary press release in *Silent Drive*.

14 The contacts in the instant case are far more akin to those of *Akro* than *Silent Drive* or *Red*
15 *Wing*. Like the patent holder in *Akro*, Defendants entered into a long-term contract with a California
16 entity, HP, that created an ongoing obligation to enforce the patents-in-suit. *See* Mot. to Dismiss at
17 1, ¶ 5; FAC, Exh. A. ¶ 8; Ratinoff Decl., Exhs. 1 ¶ 8, 36 ¶ 8. As described above, Defendants have
18 engaged in a wide range of activities directed at California residents in connection with enforcement
19 of their patents and in compliance with their California licensing obligation. In short, Defendants
20 purposefully directed their activities to California residents. *See Breckenridge*, 444 F.3d 1356, 1366
21 (A party may be subject to personal jurisdiction as a consequence of “its relationship with its
22 exclusive forum state licensee if the license agreement, for example, requires the defendant-licensor,
23 and grants the licensee the right, to litigate infringement claims.”) (citing *Akro*, 45 F.3d at 1546). *Cf.*
24 *Burger King*, 471 U.S. at 479 (noting the jurisdictional significance “prior negotiations and
25 contemplated future consequences, along with the terms of the contract and parties’ actual course of
26 dealing”); *Juniper Networks, Inc. v. Altitude Capital Partners, L.P.*, No. 09-3449, 2010 WL
27 5141839, *6 (N.D. Cal. Dec. 13, 2010) (finding specific jurisdiction over defendant based, in part,
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1 on its imputed contacts including “substantial dealings with” and assignment of many rights to the
2 patents-in-suit to a company whose principal place of business is in Berkeley, California).

3 2. Plaintiffs’ Claims Arise Out of or Relate to Defendants’ Contacts With California

4 The next question this Court must answer is whether Plaintiffs’ claims arise out of or are
5 sufficiently related to Defendants’ forum related activities. *See Schwarzenegger*, 374 F.3d at 802;
6 *Inamed Corp. v. Kuzmak*, 249 F.3d at 1362. The Court finds they are. This suit for declaratory and
7 injunctive relief was brought in anticipation of and in response to (by the time First Amended
8 Complaint was filed) Defendants’ enforcement of the patents-in-suit. That suit is part of
9 Defendants’ broad and extensive enforcement of its California licensing agreement with HP directed
10 in substantial part to California residents. For all these reasons, the instant action arises out of and is
11 related to Defendants’ contacts with California.

12 3. Fair Play and Substantial Justice

13 Even where sufficient contacts with the forum state exist to establish specific jurisdiction,
14 asserting jurisdiction may be inappropriate if it would be unfair. *See, e.g., Patent Rights Prot. Grp.,*
15 *LLC v. Video Gaming Techs., Inc.*, 603 F.3d 1364, 1369 (Fed. Cir. 2010). However, “[w]here, as
16 here, a defendant has directed its activities at residents of the forum state, the defendant cannot
17 defeat jurisdiction based on fairness considerations unless it ‘presents a compelling case that the
18 presence of some other considerations would render jurisdiction unreasonable.’” *Juniper Networks,*
19 *2010 WL 5141839 at *7* (quoting *Burger King*, 471 U.S. at 477 (brackets omitted)). *See Inamed*
20 *Corp. v. Kuzmak*, 249 F.3d 1356, 1363 (Fed. Cir. 2001). “This standard is met only in rare situations
21 in which the plaintiff’s interest and the state’s interest in adjudicating the dispute in the forum are so
22 attenuated that they are clearly outweighed by the burden of subjecting the defendant to litigation
23 within the forum.” *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (brackets
24 and internal quotation omitted). In determining whether this one of those rare situations, the Court
25 considers (1) the burden on the defendant, (2) the interests of the forum state, (3) Plaintiffs’ interest
26 in obtaining relief, (4) the interstate judicial system’s interest in efficiently resolving controversies,

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1 and (5) the shared interest of all states in furthering substantive social polities. *See Autogenomics,*
2 *Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1025 (Fed. Cir. 2009).

3 Defendants argue that exercising jurisdiction would be unreasonable because Dr. Adams has
4 no contacts in the forum state. Mot. to Dismiss at 9. Second, defending a suit in California would
5 be burdensome to the Defendants because evidence related to the development of the patents is
6 found elsewhere. Mot. to Dismiss at 9. In response, Plaintiffs contend that the exercise of personal
7 jurisdiction in the present matter is fair and reasonable for two reasons. First, Defendants “have
8 proven themselves financially capable of engaging in protracted negotiations and litigation with
9 California-based entities.” Opp’n at 12. Second, California has an interest in adjudicating the
10 dispute to prevent harm to its residents. *Id.*

11 The Court finds Defendants’ arguments, which mostly reiterate arguments made with respect
12 to the first two prongs of the specific jurisdiction test, unpersuasive. First, as discussed above,
13 Defendants have substantial contacts with California sufficient to support personal jurisdiction, and
14 there is a causal relationship between these contacts and Plaintiffs’ suit. Given Defendants’
15 extensive licensing and enforcement activities with California residents, it would not be unfair to
16 require them to litigate in this Court. Second, it is likely that relevant evidence will be found in
17 numerous locations and will not be solely in *e.g.*, Utah or Wyoming. Third, Defendants have made
18 no showing they are financially unable to defend themselves in this venue. Finally, given the
19 number of California companies including AOpen America which have been subject to Defendants’
20 enforcement effort, California has an interest in adjudicating this dispute.

21 The Court finds that Defendants have failed to carry their burden of demonstrating the
22 exercise of jurisdiction would be unreasonable, and holds that exercising personal jurisdiction does
23 not violate due process under *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945).

24 For the above reasons, the Court **DENIES** Defendants’ motion to dismiss under Rule
25 12(b)(2) for lack of personal jurisdiction.

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1 B. Motion to Dismiss for Failure to State a Claim for Relief

2 Defendants also move to dismiss all claims pursuant to Rule 12(b)(6). Under Federal Rule of
3 Civil Procedure 12(b)(6), a party may move to dismiss based on the failure to state a claim upon
4 which relief may be granted. *See* Fed. R. Civ. P. 12(b)(6).

5 1. Pleading Standard

6 “Federal Rule of Civil Procedure 8(a)(2) requires only a ‘short and plain statement of the
7 claim showing that the pleader is entitled to relief,’ in order to ‘give the defendant fair notice of what
8 the claim is and the grounds upon which it rests.’” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544,
9 554 (2007) (quoting Fed. R. Civ. P. 8(a)(2)). A motion to dismiss under Rule 12(b)(6) tests the
10 sufficiency of a complaint or counterclaim, facilitating dismissal to the extent the pleading fails to
11 state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). The pleading is construed
12 in the light most favorable to the non-moving party and all material allegations in it are taken to be
13 true. *Sanders v. Kennedy*, 794 F.2d 478, 481 (9th Cir.1986). However, even under the liberal
14 pleading standard of Federal Rule of Civil Procedure 8(a)(2), “a plaintiff’s obligation to provide the
15 grounds of his entitlement to relief requires more than labels and conclusions, and a formulaic
16 recitation of the elements of a cause of action will not do.” *Twombly*, 550 U.S. at 555 (citing
17 *Papasan v. Allain*, 478 U.S. 265, 286 (1986) (internal brackets and quotation marks omitted)).
18 Hence, the Court need not assume unstated facts, nor will it draw unwarranted inferences. *Ashcroft*
19 *v. Iqbal*, 129 S. Ct. 1937, 1950 (2009) (“Determining whether a complaint states a plausible claim
20 for relief . . . [is] a context-specific task that requires the reviewing court to draw on its judicial
21 experience and common sense.”); *Cousins v. Lockyer*, 568 F.3d 1063, 1067 (9th Cir. 2009); *Sprewell*
22 *v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001) (“Nor is the court required to accept as
23 true allegations that are merely conclusory, unwarranted deductions of fact, or unreasonable
24 inferences.”).

25 Under *Twombly*, a plaintiff (or counterclaimant) must not merely allege conduct that is
26 conceivable but must instead allege “enough facts to state a claim to relief that is plausible on its
27 face.” *Id.* at 570. “A claim has facial plausibility when the plaintiff pleads factual content that
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1 allows the court to draw the reasonable inference that the defendant is liable for the misconduct
2 alleged.” *Iqbal*, 129 S. Ct. at 1949 (citing *Twombly*, 550 U.S. at 556). “The plausibility standard is
3 not akin to a probability requirement, but it asks for more than a sheer possibility that a defendant
4 has acted unlawfully. . . . When a complaint pleads facts that are merely consistent with a
5 defendant’s liability, it stops short of the line between possibility and plausibility of entitlement to
6 relief.” *Id.* (quoting *Twombly*, 550 U.S. at 556-57) (internal quotation marks omitted). In sum, if the
7 facts alleged foster a reasonable inference of liability – stronger than a mere possibility – the claim
8 survives; if they do not, the claim must be dismissed. *See Iqbal*, 129 S. Ct. at 1949-50.

9 2. Analysis

10 Defendants argue that the First Amended Complaint contains “only naked assertions
11 completely devoid of further factual enhancement.” Mot. to Dismiss at 20. They contend that
12 Plaintiffs fail to specify the grounds for their claims of patent invalidity and fail to identify the
13 products for which they seek a finding of non-infringement. *Id.*

14 In response, Plaintiffs point out that they have identified the statutory basis for each claim of
15 invalidity. In particular, the First Amended Complaint alleges that each patent-in-suit fails “to
16 satisfy the conditions and requirements for patentability as set forth *inter alia*, in Sections 101, 102,
17 103, and/or 112 of Title 35 of the United States Code.” FAC ¶¶ 34, 38, 42, 46, 50, 54, 58, 62, 66,
18 70, 74, 78, 82, 86.

19 Even after *Twombly* and *Iqbal*, courts have upheld such pleadings as sufficient. *See, e.g.*,
20 *Pfizer v. Apotex, Inc.*, 726 F. Supp. 2d 921, 937-938 (N.D. Ill. 2010) (allegations that list the
21 statutory provisions are sufficient to place party on notice of claims of failure to satisfy conditions of
22 patentability and the grounds for such claims); *Elan Pharma Int’l Ltd. v. Lupon Ltd.*, 2010 WL
23 1372316, at *4 (D.N.J. March 31, 2010).

24 The Court agrees with those decisions particularly since, as Plaintiffs correctly note,
25 requiring a heightened pleading of invalidity would circumvent this Court’s Patent Local Rules
26 which require detailed disclosures as to invalidity contentions soon after the suit is filed. Opp’n at
27 24-25. Patent L.R. 3-5 requires that in patent cases for declaratory judgment of invalidity, invalidity
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1 contentions be served shortly after the defendant serves its answers or after the Initial Case
2 Management Conference (unless the defendant files a counterclaim for infringement in which case
3 the plaintiff must serve its invalidity contentions shortly after receiving the other party's
4 infringement contentions). *See* Patent L.R. 3-3. By requiring the party claiming invalidity to flesh
5 out and support its invalidity contentions early on, the Patent Local Rules fulfill the function of
6 *Twombly* and *Iqbal*. *See Elan Pharma Int'l Ltd., supra*, 2010 WL 1372316, at *5 (12(b)(6) motion
7 "suggests a factual disclosure that the Federal Circuit did not require, and a disclosure that, if
8 required here, would make [the district court's Patent Local Rules] superfluous."). *See generally*
9 *Baker Hughes Oilfield Operations, Inc. v. Summerline Asset Mgmt., LLC*, 2010 Bankr. LEXIS 1582,
10 4-6 (Bankr. W.D. Tex. May 9, 2010) (*Twombly* is meant to "weed out frivolous litigation where
11 insufficient facts are alleged to form the basis for a claim," but "should not be read to raise the
12 pleading requirement to that of a summary judgment."); *Howard v. Whiteside*, No. 10-13, 2010 U.S.
13 Dist. LEXIS 36359, at *12, *17 (E.D. Mo. Apr. 13, 2010) (plaintiff's factual allegations sufficient to
14 support declaratory judgment action despite lack of detail).

15 Plaintiffs' claim for a declaratory judgment of noninfringement which fails to identify any
16 specific products is more problematic. It is true that one purpose of the complaint is to provide
17 reasonably detailed notice of the claims asserted (*see Grid Systems Corp. v. Texas Instruments Inc.*,
18 771 F. Supp. 1033, 1037 (N.D. Cal. 1991), and that here because Defendants threatened suit against
19 the Plaintiffs over the patents *sub judice*, we should presume that Defendants know which products
20 infringe.⁹ Nonetheless, without identifying the accused products, there simply is no way to
21 adjudicate an infringement claim. Absent identification of the products accused of infringement,
22 there is no concrete case or controversy or sufficient specificity to satisfy *Twombly* and *Iqbal*. *Cf.*
23 *MedImmune, Inc. v. Genentech, Inc.*, 127 S.Ct. 764, 771 (2007) ("Basically, the question in each
24 case is whether the facts alleged, under all the circumstances, show that there is a substantial
25 controversy, between parties having adverse legal interests, of sufficient immediacy and reality to

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27 ⁹ It bears noting that the allegations of Defendants' complaint in the Wyoming action are no
28 more specific than Plaintiffs' declaratory relief claim herein. *See* FAC, Exh. A ¶¶ 9-16, 52-54;
Ratinoff Decl., Exh. 36 ¶¶ 9, 16-18.

1 warrant the issuance of a declaratory judgment.”) (internal quotations and citations omitted);
2 *Panavise Prods., Inc. v. Nat’l Prods., Inc.*, 306 Fed. Appx. 570, 572-574 (Fed. Cir. 2009) (noting
3 that “[i]n analyzing jurisdictional questions in declaratory judgment actions, there is no bright-line
4 rule” and finding that the “mere allegation” that a product “potentially” infringes a patent falls short
5 of establishing a controversy, “when viewed under the totality of the circumstances.”). If Plaintiffs
6 are concerned about particular products, they may seek to amend the complaint and provide greater
7 specificity in seeking declaratory relief. In addition, Defendants may well decide to file a
8 counterclaim herein and advance specific infringement claims, thereby avoiding the risk of having
9 such claims barred as compulsory counterclaims under Fed. R. Civ. P. 13(a)(1). *See Avocent*
10 *Huntsville Corp. v. Aten Int’l Co.*, 552 F.3d 1324, 1346 (Fed. Cir. 2008) (noting that patent
11 infringement claims are compulsory counterclaims in declaratory judgment actions asserting
12 invalidity); *Polymer Indus. Prod. Co. v. Bridgestone/Firestone, Inc.*, 347 F.3d 935, 938 (Fed. Cir.
13 2003) (holding that patent infringement claims are compulsory counterclaims in declaratory
14 judgment actions asserting non-infringement and invalidity).

15 For these reasons, the Court finds Plaintiffs sufficiently state a claim for declaratory relief on
16 invalidity but do not state a claim for declaratory relief on infringement. The Court therefore grants
17 in part and denies in part Defendants’ Motion to Dismiss under Rule 12(b)(6).

18 C. Motion to Dismiss for Failure to Join A Necessary Party

19 Defendants argue that Plaintiffs have failed to include a required party, Sony Electronics
20 Corporation (“Sony”). Mot. to Dismiss at 18. According to Defendants, Sony is a necessary party
21 because ownership of two patents-in-suit¹⁰ was transferred from Dr. Adams to Sony in Spring 2010
22 pursuant to a settlement agreement. Mot. to Dismiss at 18; Ratinoff Decl., Exhs. 23, 25.

23 Federal Rule of Civil Procedure 19(a) requires joinder of persons whose absence would
24 preclude the grant of complete relief or whose absence would impede their ability to protect their
25 interests or would subject any of the parties to the danger of inconsistent obligations.

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28 ¹⁰ U.S. Patents 5,379,414 and 6,195,767.

1 A necessary party is one “having an interest in the controversy, and
2 who ought to be made [a] party, in order that the court may act on that
3 rule which requires it to decide and finally determine the entire
4 controversy, and do complete justice, by adjusting all the rights
involved in it.” This standard is met when failure to join will lead to
separate and redundant actions.

5 *IBC Aviation Servs. v. Compania Mexicana De Aviacion, S.A. de C.V.*, 125 F. Supp. 2d 1008, 1011
6 (N.D. Cal. 2000). See generally *Shields v. Barrow*, 58 U.S. 130 (1854) (distinguishing between a
7 “necessary” party and an “indispensable” party.). The Federal Circuit has held that “where . . . an
8 exclusive license transfers less than ‘all substantial rights’ to the patents to the exclusive licensee,
9 the exclusive licensee may still be permitted to bring suit against infringers, but the patent owner is
10 an indispensable party who must be joined.” *Alfred E. Mann Foundation for Scientific Research v.*
11 *Cochlear Corp.*, 604 F. 3d 1354, 1359 (Fed. Cir. 2010). Cf. *Abbott Laboratories v. Diamedix Corp.*,
12 47 F. 3d 1128, 1133 (Fed. Cir. 1995) (“The right to sue for infringement is ordinarily an incident of
13 legal title to the patent.”).

14 The Court finds that Sony, as owner of the ‘414 and ‘767 patents, is an indispensable party.
15 It has an interest in this suit challenging to the validity of these patents, and disposition herein may
16 as a practical matter impair or impede its ability to protect that interest. It bears noting that there is
17 no reason to believe that Sony’s interests are adequately protected here. See *Dainippon Screen Mfg.*
18 *Co. v. CFMT, Inc.*, 142 F.3d 1266, 1272 (Fed. Cir. 1998) (citing *In re Allustiarte*, 786 F.2d 910, 919
19 (9th Cir. 1986) (discussing prejudice to absent patent holder in indispensability analysis under Rule
20 19(b)). The parties provide no indication that Defendants herein have retained enforcement
21 authority or control with respect to Sony’s patents.

22 Plaintiffs must therefore join Sony to the extent they seek relief with respect to the two
23 patents now owned by Sony. See *Independent Wireless Telephone Co. v. Radio Corp. of America*,
24 269 U.S. 459, 468 (1926) (in a patent infringement suit brought by an exclusive licensee, “the
25 presence of the owner of the patent as a party is indispensable . . . to give jurisdiction under the
26 patent laws” to avoid multiple lawsuits and liabilities against the alleged infringer, and to
27 ensure that a patent is not invalidated or held unenforceable without the patentee’s participation).
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1 See also *Evident Corp. v. Church & Dwight Co.*, 399 F.3d 1310, 1314 (Fed. Cir. 2005) (accord);
2 Opp'n at 6 n.4).

3 The Court accordingly **GRANTS** Defendants' motion to dismiss the complaint as to U.S.
4 Patents 5,379,414 and 6,195,767, for failure to join Sony, a necessary party.

5 **III. CONCLUSION**


6 For the reasons discussed above, the Court hereby **GRANTS** in part and **DENIES** in part
7 Defendants' Motion to Dismiss. In particular, the Court dismisses without prejudice Plaintiffs'
8 claims for declaratory relief on infringement. The Court also dismisses without prejudice Plaintiffs'
9 claim with respect to Patent Nos. 5,379,414 and 6,195,767 pursuant to Rule 12(b)(7). The motion to
10 dismiss is otherwise **DENIED**.

11 Should Plaintiffs seek to amend the complaint to address the dismissed claims, they shall
12 have 30 days from the date of this order to file an amended complaint.

13 This order disposes of Docket No. 12.

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15 IT IS SO ORDERED.

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17 Dated: April 28, 2011

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19 EDWARD M. CHEN
20 United States Magistrate Judge
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