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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

PAGEMELDING, INC.,

Plaintiff,

v.

ESPN, INC.,

Defendant.

No. C 11-06263 WHA

**ORDER DENYING PLAINTIFF'S MOTION
FOR LEAVE TO FILE FIRST AMENDED
COMPLAINT AND VACATING HEARING**

INTRODUCTION

In this patent-infringement action, plaintiff moves for leave to file a first amended complaint. For the following reasons, the motion is **DENIED**.

STATEMENT

Plaintiff PageMelding, Inc. is a Delaware corporation with its principal place of business in Sonoma, California. Defendant ESPN, Inc. is a Delaware corporation, with its principal place of business in Bristol, Connecticut. Plaintiff is the owner of United States Patent No. 6,442,577. The '577 patent "enables internet service [ISPs] and content providers [ICPs] to form mutually beneficial collaborations wherein website content is customized in accordance with those collaborations," as opposed to regular websites in which the content presented is the same for all visitors, or premium websites where users pay a fee or have passwords in order to access the websites. According to plaintiff, the '577 patent enables websites to be customized for certain ISPs or other organizations, so that the content displayed to the visitor is determined by the ISP

1 or the organization through which the visitor accesses the web page. These customized web
2 pages are called “dynamically formed websites.” For example, an ICP — *e.g.*, defendant
3 ESPN — can form a partnership with an ISP — *e.g.*, AT&T or Charter Communications — by
4 which customers of either ISP will see an ESPN website differently depending on the identity of
5 the customers’ ISP (First Amd. Compl. ¶¶ 1–7).

6 Plaintiff contends that defendant ESPN, Inc. has infringed at least claims 1 and 7 of the
7 ’577 patent, the method claims, and claims 17 and 22 of the ’577 patent, the apparatus which
8 contains and executes the method claims. Plaintiff asserts that examples of defendant’s
9 infringement include, but are not limited to, defendant’s ESPN3 and WatchESPN websites and
10 alleges both direct and indirect infringement. Plaintiff’s initial complaint was dismissed
11 pursuant to Rule 12(b)(6) for failure to state a claim (Dkt. No. 38). Plaintiff now moves for
12 leave to file a first amended complaint. This order follows full briefing.

13 ANALYSIS

14 Under Rule 15, leave to amend should be given when justice so requires. The underlying
15 purpose of Rule 15 is to facilitate decisions on the merits, rather than on the pleadings or
16 technicalities. *United States v. Webb*, 655 F.2d 977, 979 (9th Cir. 1981). In the absence of
17 an apparent reason, such as undue delay, bad faith, undue prejudice, or futility of amendment,
18 leave should be “freely given.” *Foman v. Davis*, 371 U.S. 178, 182 (1962). In assessing these
19 factors, all inferences should be made in favor of granting the motion. *Griggs v. Pace Am.*
20 *Group, Inc.*, 170 F.3d 877, 880 (9th Cir. 1999).

21 Defendant challenges plaintiff’s motion on the ground that amendment would be futile.
22 Therefore, this order need not consider issues of undue delay, bad faith, or undue prejudice.

23 1. FUTILITY.

24 “A motion for leave to amend may be denied if it appears to be futile or legally
25 insufficient . . . [The] proper test to be applied when determining the legal sufficiency of a
26 proposed amendment is identical to the one used when considering the sufficiency of a pleading
27 challenged under Rule 12(b)(6).” *Miller v. Rykoff-Sexton, Inc.*, 845 F.2d 209, 214 (9th Cir.
28 1988). “To survive a motion to dismiss, a complaint must contain sufficient factual matter,

1 accepted as true, ‘to state a claim to relief that is plausible on its face.’” *Ashcroft v. Iqbal*,
2 129 S. Ct. 1937, 1949 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)).
3 A claim is facially plausible when there are sufficient factual allegations to draw a reasonable
4 inference that the defendants are liable for the misconduct alleged. While a court “must take
5 all of the factual allegations in the complaint as true,” it is “not bound to accept as true a legal
6 conclusion couched as a factual allegation.” *Id.* at 1949–50. A “formulaic recitation of a cause
7 of action’s elements” is not enough. *Twombly*, 550 U.S. at 555.

8 **A. Direct Infringement.**

9 Section 271(a) of the United States Patent Act states that “whoever without authority
10 makes, uses, offers to sell, or sells any patented invention, within the United States or imports
11 into the United States any patented invention during the term of the patent therefor, infringes the
12 patent.” 35 U.S.C. 271(a).

13 Plaintiff’s amended complaint does little to remedy the deficiencies identified in the
14 original order granting dismissal. While it is true that the new complaint further elucidates
15 how plaintiff’s patent operates, it does little in the way of alleging how defendant’s infringe
16 the patent. The amended complaint states that defendant engaged in agreements with ISPs —
17 including AT&T — to provide customized web pages. It further alleges that ESPN is a “second
18 type network node” as defined by the patent, and that ISPs such as AT&T qualify as “first type
19 network nodes” as defined by the patent, but does not state why. Plaintiff’s amended complaint
20 alleges that the method by which ESPN creates personalized websites for ISPs like AT&T is
21 identical to the way in which the ’577 patent, through claims 1 and 7, teaches the creation for
22 such websites, but again does not say *why* or *how*. The amended complaint also alleges that
23 ESPN performs all of the steps involved in the relevant claims in order to produce the
24 customized web pages by engaging in agreements with ISPs to become “Participating Providers”
25 to create customized web pages. Then, ESPN’s software and hardware identify the users visiting
26 ESPN’s websites, and based on that identity, it creates different web pages for the users to see,
27 depending on the agreement with the ISP. Finally, plaintiff has identified at least four examples
28 of web pages that are the result of ESPN’s use the method patent (First Amd. Compl. ¶¶ 20–33).

1 Plaintiff also alleges that ESPN maintains an apparatus comprised of hardware and
2 software which perform the above functions. Plaintiff claims this apparatus infringes claims
3 17 and 22 of the '577 patent by receiving service requests from a internet user, identifying the
4 user's ISP, and executing the method for creating the customized web page which is ultimately
5 displayed to the user (*id.* at ¶ 31).

6 Defendant contends that plaintiff's amended complaint still fails to state the *how* and
7 *why* defendant's web pages infringe the '577 patent and therefore, granting leave to amend
8 would be futile. Defendant argues that the proposed amended complaint "does not make any
9 attempt to explain *how* such content within ESPN's web pages is customized." Defendant is
10 correct. Essentially, plaintiff's amended complaint boils down to the following accusation:
11 Plaintiff owns the '577 patent. The patent discloses a method of creating websites by identifying
12 a user's ISP. Defendant does the same thing. Fatal to plaintiff's complaint is the fact that the
13 '577 is a method patent. Plaintiff has made no attempt to explain why it hasn't attempted to
14 reverse engineer defendant's publicly available information, nor that such an attempt would be
15 futile. All plaintiff has done is visited defendant's website through several different ISPs,
16 witnessed the end product, and alleged infringement. Plaintiff must engage in a good faith
17 investigation, consistent with Rule 11, as to *how* defendant accomplishes the creation of
18 customized web pages. Merely explaining how plaintiff's patent works and stating that
19 defendant produces a similar end product, is not enough. There are many ways to reach a
20 destination and not everyone necessarily traveled the same path. Plaintiff has made no assertion
21 that it owns customized web pages. Just because defendant creates an end product similar to that
22 created by plaintiff's patent does not give rise to a reasonable inference of infringement.
23 Plaintiff's pleading approach still smacks too much of "shoot first and ask questions later."

24 Therefore, plaintiff's motion for leave to file a first amended complaint alleging direct
25 infringement is **DENIED**.

26 **B. Indirect Infringement.**

27 There are two theories under which a party may be held liable for indirect infringement:
28 (1) induced infringement under 35 U.S.C. 271(b) and (2) contributory infringement under

1 35 U.S.C. 271(c). “Liability for either active inducement of infringement or for contributory
2 infringement is dependent upon the existence of direct infringement.” *Joy Technologies, Inc. v.*
3 *Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993). Plaintiff has alleged both (First Amd. Compl.
4 ¶¶ 35–52).

5 Induced infringement under 35 U.S.C. 271(b) requires the direct infringement by another
6 entity “and that the alleged infringer knowingly induced infringement and possessed specific
7 intent to encourage another’s infringement.” *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831,
8 851 (Fed. Cir. 2010). Because plaintiff has failed to allege direct infringement by defendant
9 ESPN, any similar allegation that a third party infringes is equally deficient.

10 “A party is liable for contributory infringement if that party sells, or offers to sell, a
11 material or apparatus for use in practicing a patented process. That material or apparatus must
12 be a material part of the invention, have no substantial noninfringing uses, and be known (by the
13 party) to be especially made or especially adapted for use in an infringement of such patent.”
14 *Id.* at 850–51 (internal quotations omitted).

15 Plaintiff has also failed to sufficiently allege contributory infringement. *First*, and as
16 mentioned above, plaintiff has failed to allege direct infringement. One cannot contributorily
17 infringe where no direct infringement has occurred. *Joy Technologies*, 6 F.3d at 774.
18 *Second*, even if plaintiff were to have sufficiently alleged direct infringement, fatal to plaintiff’s
19 complaint is that it does not allege that defendant actually sells the apparatus used for executing
20 the method. In fact, the complaint states that defendant “continues to *use* the accused ESPN
21 apparatus on its websites” and offers to sell the produced “website *content*” (First Amd. Compl.
22 ¶ 49) (emphasis added). Again, plaintiff has not claimed intellectual property rights in the end
23 product, but only in the method and apparatus for executing the method. Using the apparatus
24 and selling the apparatus are two different things and, absent an allegation that the apparatus
25 itself is offered for sale, plaintiff fails to assert a claim for contributory infringement.

26 Therefore, plaintiff’s motion for leave to file a first amended complaint alleging indirect
27 infringement is **DENIED**.

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CONCLUSION

For the foregoing reasons, plaintiff's motion to file a first amended complaint is **DENIED**. The hearing scheduled for May 3, 2012, is **VACATED**. Plaintiff may seek leave to amend and will have **FOURTEEN CALENDAR DAYS** from the date of this order to file a motion, noticed on the normal 35-day track, for leave to file an amended complaint. A proposed amended complaint must be appended to the motion. The motion should clearly explain how the amendments to the complaint cure the deficiencies identified herein.

IT IS SO ORDERED.

Dated: April 30, 2012.



WILLIAM ALSUP
UNITED STATES DISTRICT JUDGE