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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

THE REDD GROUP, LLC, et al.,

Plaintiffs,

v.

THE GLASS GURU FRANCHISE
SYSTEMS, INC., et al.,

Defendants.

Case No. 12-cv-04070-JST

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

Defendants' Motion to Dismiss Plaintiffs' Corrected Amended Complaint is now before the Court. ECF No. 33. For the reasons discussed below, the Court will grant the motion with respect to Plaintiffs' contributory infringement claim and the state law unfair competition claims, but deny it with respect to Plaintiffs' direct infringement and inducement claims.

I. BACKGROUND

Plaintiff The Redd Group, LLC, filed this action for patent infringement, copyright infringement, and unfair competition against Defendants Daniel Frey and The Glass Guru Franchise Systems, Inc. on August 2, 2012. ECF No. 1. Defendants answered and counterclaimed for a declaratory judgment of invalidity and non-infringement in their favor. ECF Nos. 6, 7. This Court subsequently granted Plaintiff's Motion for Leave to Amend the Complaint, ECF Nos. 18 (Motion), 23 (Order), which added as a party Plaintiff Glass Renu, LLC, and Plaintiffs' stipulated request to file its operative Corrected Amended Complaint (hereinafter, "Complaint"), ECF No. 34.

The Complaint asserts four causes of action: patent infringement in violation of 35 U.S.C. § 271, et seq.; copyright infringement, in violation of 17 U.S.C. § 501, et seq.; California common law unfair competition; and violation of California's Unfair Competition Law, Cal. Bus. & Prof.

1 Code § 17200, et seq..

2 **II. FACTUAL ALLEGATIONS**

3 The court accepts the following allegations as true for the purpose of resolving this Rule
4 12(b)(6) motion. Cahill v. Liberty Mutual Ins. Co., 80 F.3d 336, 337–38 (9th Cir. 1996).

5 Redd Group owns United States Patent Number 8,029,336 (“the ’336 patent”), subject to
6 exclusive licensing rights that Redd Group granted Plaintiff GlassRenu. Compl. ¶ 1-2. Defendant
7 Glass Guru is in the business of window repair for residential and commercial windows systems,
8 as well as automotive windows. Id. ¶ 3. Glass Guru markets itself as a “pioneer” in “new window
9 restoration technologies.” Id.

10 Glass Guru has franchised its business model since at least January 2007. Id. ¶ 4.
11 Defendant Daniel Frey is a “principal” of Glass Guru, and is also involved in other entities that
12 sell window repair products for industrial use. Id. ¶ 5.

13 The ’336 patent was issued October 4, 2011. Titled “Glass Grinding System and Method,”
14 the patent’s five claims relate to a glass grinding method for the removal of scratches on windows
15 and other glass. In 2008, Redd Group had published marketing materials concerning its later-
16 patented glass scratch removal method on GlassRenu’s website. Compl. ¶ 12. Redd Group
17 provided customers of the glass grinding system “written materials, including instruction manuals
18 articulating how to implement the patented process when using the glass-grinding system
19 product.” Id. The Complaint alleges that, subsequent to that publication, Defendant Glass Guru
20 began infringing the ’336 patent and using Redd Group’s copyrightable materials related to the
21 glass grinding method. Id. ¶ 13.

22 In particular, as part of the patent infringement cause of action, the Complaint alleges that
23 on April 9, 2012, Redd Group advised Defendants that GlassRenu was the exclusive licensee of
24 the ’336 glass grinding system. Id. ¶ 15. Glass Guru continued to engage in “making, using,
25 selling, or offering to sell . . . glass scratch removal services and also the sale of the ‘Scratchpro’
26 glass scratch removal product,” which conduct Plaintiffs assert constitutes direct patent
27 infringement in violation of 35 U.S.C. § 271(a). Id. ¶ 16. In addition, Plaintiffs allege that
28 Defendants “actively and knowingly aid and abet others, including purchasers of its ‘Scratchpro’

1 products and its franchisees in the United States, to indirectly infringe the '336 patent" in violation
2 of 35 U.S.C. 271(b). Id. ¶ 17. Finally, Plaintiffs allege that Defendants indirectly infringe the '336
3 patent by advertising and selling components of the patent in the United States in violation of 35
4 U.S.C. § 271(c). Id. ¶ 18.

5 The Complaint asserts the second cause of action for copyright infringement based on
6 Defendants' production and dissemination of Redd Group's copyrighted materials relating to the
7 '336 patent's glass grinding scratch removal system because "the method, instructions, and
8 marketing materials for Defendants' product are substantially similar to the protectable elements
9 of" Redd Group's copyrighted materials. Id. ¶ 26.

10 Plaintiffs seek a judgment that Defendants have infringed the '336 patent, an injunction
11 preventing Defendants from infringing further, pre-judgment interest, post-judgment interest,
12 destruction or impoundment of all misappropriated copyrighted works, compensatory damages,
13 treble damages, punitive damages, and a judgment that this is an exceptional case within the
14 meaning of 35 U.S.C. § 285, accompanied by an award of fees and costs.

15 Defendants moved to dismiss the Complaint on April 29, 2013. ECF No. 33. The Motion
16 was fully briefed (although Defendants did not file a reply in support of the Motion), and the
17 Court held a hearing on June 20, 2013.

18 **III. LEGAL STANDARDS**

19 On a motion to dismiss, courts accept the material facts alleged in the complaint, together
20 with all reasonable inferences to be drawn from those facts, as true. Navarro v. Block, 250 F.3d
21 729, 732 (9th Cir. 2001). Rule 8(a)(2) of the Federal Rules of Civil Procedure "generally requires
22 only a plausible 'short and plain' statement of the plaintiff's claim." Skinner v. Switzer, --- U.S. ---
23 --, 131 S. Ct. 1289, 1296 (2011). However, "the tenet that a court must accept a complaint's
24 allegations as true is inapplicable to threadbare recitals of a cause of action's elements, supported
25 by mere conclusory statements." Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009). To survive a
26 motion to dismiss, a plaintiff must plead "enough facts to state a claim to relief that is plausible on
27 its face." Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 570 (2007). Plausibility does not mean
28 probability, but it requires "more than a sheer possibility that a defendant has acted unlawfully."

1 Iqbal, 556 U.S. at 687. “A claim has facial plausibility when the plaintiff pleads factual content
2 that allows the court to draw the reasonable inference that the defendant is liable for the
3 misconduct alleged.” Id.

4 In patent cases, purely procedural issues of law are governed by the law of the regional
5 circuit. K-Tech Telecom., Inc. v. Time Warner Cable, Inc., 714 F.3d 1277, 1282 (Fed. Cir. 2013).
6 In the Ninth Circuit, to be entitled to the presumption of truth, a complaint’s allegations “must
7 contain sufficient allegations of underlying facts to give fair notice and to enable the opposing
8 party to defend itself effectively.” Starr v. Baca, 652 F.3d 1202, 1216 (9th Cir. 2011), cert. den’d,
9 --- U.S. ----, 132 S.Ct. 2101 (2012). “If there are two alternative explanations, one advanced by
10 defendant and the other advanced by plaintiff, both of which are plausible, plaintiff’s complaint
11 survives a motion to dismiss under Rule 12(b)(6). A plaintiff’s complaint may be dismissed only
12 when the defendant’s plausible alternative explanation is so convincing that the plaintiff’s
13 explanation is implausible.” Starr, 652 F.3d at 1216 (original emphasis).

14 **IV. ANALYSIS**

15 **A. Patent Infringement**

16 Defendants move to dismiss Plaintiffs’ patent infringement claim on the basis that
17 Plaintiffs have failed to meet the pleading standards for direct and indirect infringement claims.

18 **1. Direct Infringement**

19 Form 18 of the Federal Rules of Civil Procedure sets forth a sample complaint for direct
20 patent infringement and requires: “(1) an allegation of jurisdiction; (2) a statement that the plaintiff
21 owns the patent; (3) a statement that defendant has been infringing the patent ‘by making, selling,
22 and using [the device] embodying the patent’; (4) a statement that the plaintiff has given the
23 defendant notice of its infringement; and (5) a demand for an injunction and damages.” K-Tech,
24 714 F.3d at 1283 (citing Fed. R. Civ. P. Form 18).

25 The Forms in the Federal Rules Appendix, such as Form 18, satisfy the federal pleading
26 rules “and illustrate the simplicity and brevity that these rules contemplate.” Id. (quoting Fed. R.
27 Civ. P. 84; In re Bill of Lading Transmission & Processing Sys. Pat. Litig., 681 F.3d 1323, 1334
28 (Fed. Cir. 2012)). Rule 84 and the Advisory Committee Notes to the 1946 amendment of Rule 84

1 make clear that “proper use of a form contained in the Appendix of Forms effectively immunizes a
2 claimant from attack regarding the sufficiency of the pleading.” Id. That immunizing effect is not
3 altered by variations in regional circuit law, because the Federal Rules cannot be amended by
4 judicial interpretation. See id. n. 1 (“Form 18 is a national form, and any argument that we should
5 interpret it differently” based on circuit law “is without merit.”); Twombly 550 U.S. at 569 n. 14
6 (noting no change in pleading standard because amendment to Federal Rules may not be
7 accomplished by judicial interpretation). Accordingly, “to the extent any conflict exists between
8 Twombly (and its progeny) and the Forms regarding pleadings requirements, the Forms control.”
9 K-Tech, 714 F.3d at 1283. Nevertheless, “an implausible claim for patent infringement rightly
10 should be dismissed.” Id. at 1284.

11 Defendants do not contest that the Complaint literally satisfies the requirements of Form
12 18. The Complaint contains: an allegation of jurisdiction; a statement that Redd Group owns the
13 ’336 patent; a statement that Defendants have been infringing the patent “by making, selling, and
14 using” glass scratch removal products such as Scratchpro, which “embody the patented
15 invention”; a statement that Plaintiffs have notified Defendants of their infringement; and a
16 demand for an injunction and damages. See Fed. R. Civ. P. Form 18. Defendants instead argue
17 that, because the ’336 patent is a method patent, Plaintiffs must satisfy an additional pleading
18 requirement: the Complaint must contain allegations that Defendants “have performed each step of
19 the method claimed in the ’336 patent.” Mot., ECF No. 33 p. 5:19-20. Per Defendants, the
20 Complaint lacks an explanation of “how selling a product could possible directly infringe
21 Plaintiffs’ patented method.” Id. p. 5:16-17.

22 Defendants do not point to any authority that imposes the additional pleading requirement
23 they rely upon here. Though a plaintiff alleging infringement of a method patent must ultimately
24 prove that the infringer performed each step of the claimed method, see Muniauction, Inc. v.
25 Thomson Corp., 532 F.3d 1318, 1328 (Fed. Cir. 2008), the ultimate burden of proof does not
26 apply at the pleading stage. Indeed, the Federal Circuit’s decision in Bill of Lading squarely
27 forecloses Defendants’ argument. There, the Federal Circuit held, based on Form 18, that patent
28 plaintiffs need not “plead facts establishing that each element of an asserted [patent] claim is met.”

1 In re Bill of Lading, 681 F.3d at 1335. “Indeed, a plaintiff need not even identify which claims it
2 asserts are being infringed.” Id. Nor must a plaintiff identify the specific product that infringes
3 the patent. K-Tech, 714 F.3d at 1286. Thus, while a method patent plaintiff must ultimately
4 prove infringement of each step in the claimed order, “nothing in Twombly or Iqbal demands this
5 level of factual specificity at the pleading stage. Such a requirement would be dangerously close
6 to requiring a plaintiff to prove he is entitled to relief at the pleading stage.” In re Bill of Lading,
7 681 F.3d at 1342. “[W]hat is necessary is that facts, when considered in their entirety and in
8 context, lead to the common sense conclusion that a patented method is being practiced.” Id. at
9 1343.

10 Here, the Court finds that Plaintiffs have adequately stated a claim for direct infringement
11 of the ’336 patent. In addition to complying with the requirements of Form 18, the Complaint
12 identifies the specific product that Plaintiffs believe involves the practice of the method claimed
13 by the ’336 patent. Nothing more is required to provide Defendants notice of the claims asserted
14 against them.

15 **2. Indirect Infringement**

16 There are two types of indirect patent infringement: inducement and contributory
17 infringement. 35 U.S.C. §§ 271(b)-(c). “There can be no inducement or contributory
18 infringement without an underlying act of direct infringement.” Linear Tech. Corp. v. Impala
19 Linear Corp., 379 F.3d 1311, 1326 (Fed. Cir. 2004).

20 To state a claim for indirect infringement, “a plaintiff need not identify a specific direct
21 infringer if it pleads facts sufficient to allow an inference that at least one direct infringer exists.”
22 In re Bill of Lading, 681 F.3d at 1336. In the context of method claims, a party is liable for
23 inducement or contributory infringement “if it sells infringing devices to customers who use them
24 in a way that directly infringes the method claim.” Linear Tech., 379 F.3d at 1326.

25 Defendants argue that Plaintiffs have failed to allege any indirect infringement claim —
26 whether inducement or contributory infringement — because the Complaint “does not contain any
27 facts that create an inference that a specific direct infringer actually exists. As discussed above,
28 Plaintiffs have adequately pleaded a cause of action for direct infringement by complying with

1 Form 18. See also, Compl. ¶ 16. Thus, Defendants’ challenge on that ground fails.

2 Defendants also make arguments specific to Plaintiffs’ inducement and contributory
3 infringement claims, as set forth below.

4 a. Inducement

5 A party indirectly infringes a patent via inducement if it “actively induces infringement of
6 a patent.” 35 U.S.C. § 271(b). To state a claim for inducement, a complaint must “must contain
7 facts plausibly showing that [defendants] specifically intended their customers to infringe the . . .
8 patent [at issue] and knew that the customer’s acts constituted infringement.” In re Bill of
9 Lading, 681 F.3d at 1339. Defendants contend that Plaintiffs’ Complaint does not meet this
10 requirement.

11 The Complaint alleges that Defendants have sold “Scratchpro,” an infringing product, and
12 that they have actively and knowingly aided others, including purchasers of “Scratchpro,” to
13 infringe the ’336 Patent. Compl. ¶¶ 16, 17. This satisfies the pleading requirement in Bill of
14 Lading.

15 b. Contributory Infringement

16 “Contributory infringement occurs if a party sells or offers to sell, a material or apparatus
17 for use in practicing a patented process, and that ‘material or apparatus’ is material to practicing
18 the invention, has no substantial non-infringing uses, and is known by the party ‘to be especially
19 made or especially adapted for use in an infringement of such patent.’” In re Bill of Lading, 681
20 F.3d at 1337; 35 U.S.C. § 271(c). A substantial non-infringing use is any use that is “not unusual,
21 far-fetched, illusory, impractical, occasional, aberrant, or experimental.” Vita-Mix Corp. v. Basic
22 Holdings, Inc., 581 F.3d 1317, 1327–29 (Fed. Cir. 2009). “Where the product is equally capable
23 of, and interchangeably capable of both infringing and substantial non-infringing uses, a claim for
24 contributory infringement does not lie.” In re Bill of Lading, 681 F.3d at 1338.

25 Plaintiffs appear to concede that they have not adequately alleged a contributory
26 infringement claim. Contributory infringement of method claims requires allegations that
27 Defendants sold or offered to sell a “material or apparatus” for use in the patented process. An
28 essential element of the claim is that the material or apparatus have no substantial non-infringing

1 uses.

2 Plaintiffs argue that Scratchpro “has no apparent non-infringing uses. The product by its
3 very name supports this inference.” ECF No. 38 p. 10. The Court is not persuaded by that
4 argument. See In re Bill of Lading, 681 F.3d at 1338 (Fed. Cir. 2012) (“These allegations are
5 tailored too narrowly; they say nothing more than ‘if you use this device to perform the patented
6 method, the device will infringe and has no noninfringing uses.’”). The Complaint must contain
7 sufficient factual allegations from which the Court can reasonably infer that Scratchpro has no
8 substantial non-infringing uses — an inference the Court can only make if the Complaint explains
9 how Scratchpro relates to the ’336 patent. Although those allegations are unnecessary to state a
10 claim for direct infringement, Plaintiffs must make them in order adequately to state a claim for
11 contributory infringement. See In re Bill of Lading, 681 F.3d at 1336 (“We agree with several
12 district courts that have addressed this issue that Form 18 should be strictly construed as
13 measuring only the sufficiency of allegations of direct infringement, and not indirect
14 infringement.”). The Court will therefore dismiss Plaintiffs’ contributory infringement claims
15 with leave to amend.¹

16 **B. Copyright Infringement**

17 Defendants move to dismiss Plaintiffs’ second cause of action for copyright infringement
18 because the Complaint does not allege the pre-registration or registration of the copyrighted works
19 at issue as required by 17 U.S.C. § 411(a). Defendants also move to dismiss that claim on the
20 grounds that Plaintiffs inadequately describe which materials infringe Plaintiffs’ copyright.

21 Plaintiffs concede the registration deficiency and seek leave to amend the Complaint to
22

23 ¹ On amendment, Plaintiffs shall separate their claims for direct infringement, inducement, and
24 contributory infringement into separate causes of action. These are separate claims with separate
25 elements. “The Patent Act codified inducement of infringement in section 271(b) and contributory
26 infringement in section 271(c), dividing what had previously been a single notion of secondary
27 liability for patent infringement into two separate causes of action, and drawing a distinction
28 between direct and indirect infringement.” Lynda J. Oswald, The Intent Element of “Inducement
to Infringe” Under Patent Law: Reflections on Grokster, 13 Mich. Telecomm. & Tech. L. Rev.
225, 228 (2006).

1 include that allegation. ECF No. 38 p. 11. However, Plaintiffs do not respond to Defendants’
2 argument that the Complaint must identify the allegedly infringing materials, though amendment
3 with respect to the registration of the works at issue should clarify the scope of Plaintiffs’
4 copyright claims. For the foregoing reasons, the court GRANTS Defendants’ Motion to Dismiss.
5 Plaintiffs shall have leave to amend the Complaint to address the registration issue and identify
6 which of Defendants’ materials allegedly infringe Plaintiffs’ copyright.

7 **C. Unfair Competition Claims**

8 Defendants move to dismiss Plaintiffs’ third and fourth causes of action for violation of
9 state unfair competition law on the grounds that the Copyright Act preempts them.

10 The Copyright Act of 1976 expressly preempts state claims where the plaintiff’s work
11 “come[s] within the subject matter of copyright” and the state law grants “legal or equitable rights
12 that are equivalent to any of the exclusive rights within the general scope of copyright.” 17 U.S.C.
13 § 301(a). “For preemption purposes, ideas and concepts that are fixed in a tangible medium fall
14 within the scope of copyright . . . despite the exclusion of fixed ideas from the scope of actual
15 federal copyright protection.” Montz v. Pilgrim Films & Television, Inc., 649 F.3d 975, 979 (9th
16 Cir. 2011) cert. den’d, 132 S. Ct. 550 (2011). The key inquiry in preemption cases is therefore
17 “whether the asserted state right is equivalent to any of the exclusive rights within the general
18 scope of copyright.” Id. “To survive preemption, a state cause of action must assert rights that are
19 qualitatively different from the rights protected by copyright.” Id.

20 Here, Plaintiffs argue that their unfair competition claims “are not exclusively tethered to
21 the copyright infringement claim” because “Defendants engaged in a number of acts other than
22 copyright infringement that constitute unfair or unlawful competition or business practices.” ECF
23 No. 38 p. 12. For example, Plaintiffs argue that the Complaint asserts claims for misappropriation
24 of Plaintiffs’ “efforts,” and that Defendants “are exploiting Plaintiffs’ patented technology and
25 reputation.” Id.

26 Those arguments are insufficient to avoid preemption because they do not add an “extra
27 element” that changes the nature of the unfair competition claims such that they can survive
28 preemption. Montz, 649 F.3d 975, 980–81. For precisely that reason, the Ninth Circuit held in

1 Del Madera Properties v. Rhodes & Gardner, Inc., 820 F.2d 973, 977 (9th Cir. 1987), overruled on
2 other grounds by Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994), that unfair competition claims are
3 preempted by the Copyright Act.

4 Accordingly, the Court GRANTS Defendants' Motion to Dismiss Plaintiffs' third and
5 fourth causes of action without leave to amend.

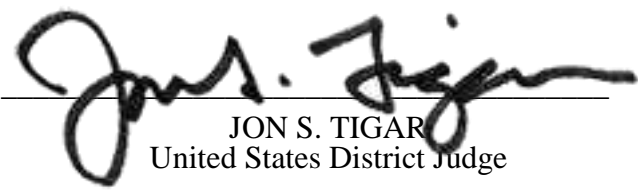
6 **V. CONCLUSION**

7 For the foregoing reasons, the Defendants' Motion to Dismiss is DENIED with respect to
8 Plaintiffs' direct infringement claim and inducement claim, GRANTED WITH LEAVE TO
9 AMEND as to Plaintiffs' contributory infringement claim, and GRANTED WITHOUT LEAVE
10 TO AMEND as to Plaintiffs' common law and statutory unfair competition claims.

11 Plaintiffs may file an amended complaint by no later than 30 days from the date of this
12 Order.²

13 **IT IS SO ORDERED.**

14 Dated: July 8, 2013


JON S. TIGAR
United States District Judge

27 _____
28 ² Failure to file either an amended complaint or a notice of submission to the Court's dismissal of those claims may constitute violation of a court order, subject to appropriate sanctions up to and including involuntary dismissal of the relevant causes of action.