IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

LONGITUDE LICENSING,	No. C -14-04275-EDL
Plaintiff,	**ORDER GRANTING MOTION TO DISMISS WITHOUT PREJUDICE**
v.	
APPLE INC,	
Defendant.	

I.   Introduction

This is a patent infringement case brought by Plaintiff Longitude Licensing Ltd. against Apple Inc. Apple filed a motion to dismiss Plaintiff's claim of "willful infringement" pursuant to Federal Rules of Civil Procedure 8 and 12(b)(6). After the motion was fully briefed, the Court granted Longitude's request for leave to file a supplemental opposition, and permitted Apple to file a response. A hearing on the motion was held on March 10, 2015. For the reasons stated during the hearing as explained further below, the motion is GRANTED WITH LEAVE TO AMEND.

II.   Background

Plaintiff is a privately owned intellectual property management company that specializes in "maximizing the value of patented intellectual property." First Amended Complaint ("FAC") ¶ 7. Plaintiff's affiliate Longitude Flash Memory Systems S.a.r.l. acquired a portfolio of patents, including the patents in suit, from SanDisk. FAC ¶ 8. Plaintiff is the exclusive licensee from its affiliated company of the SanDisk patent portfolio. FAC ¶ 8. SanDisk is the leading company in the flash memory industry. FAC ¶ 9. SanDisk's products include flash memory cards and embedded solutions used in smart phones, tablets, digital cameras, camcorders, digital media players and other consumer electronic devices. FAC ¶ 9. SanDisk has been in business for more than twenty-five

years and has amassed a patent portfolio of more than 2,600 United States patents. FAC ¶¶ 10-13.

There are thirteen patents at issue in this case, all directed to flash memory systems and various aspects of operating and managing flash memory systems. FAC ¶¶ 16-30. There are six patents entitled "Partial Block Data Programming and Reading Operations in a Non-Volatile Memory." FAC ¶¶ 16-21 (the '424 patent, the '987 patent, the '177 patent, the '421 patent, the '702 patent, and the '490 patent). There are three patents entitled "Flash Memory Data Correction and Scrub Technique." FAC ¶¶ 22-24 (the '835 patent, the '607 patent, and the '095 patent). The '488 patent is entitled "Method for Fast Wake-Up of a Flash Memory System." FAC ¶ 25. The '611 patent is entitled "Power Management Block for Use in a Non-Volatile Memory System." FAC ¶ 26. The '865 patent is entitled "Maintaining Erase Counts in Non-Volatile Storage System." FAC ¶ 27. The '729 patent is entitled "Automated Wear Leveling in Non-Volatile Storage Systems." FAC ¶ 28.

Plaintiff alleges direct and indirect/induced infringement of each patent, as well as willful infringement. At issue in this motion is the sufficiency of Plaintiff's allegations of willful infringement, which include the following:

Apple's Knowledge of the Patents-in-Suit

30. SanDisk has generated an extensive, industry-recognized patent portfolio that covers many aspects of flash memory systems, including the Patents-in-Suit used by Apple and incorporated by Apple into the Accused Products (see below). SanDisk's contribution to flash memory systems and its associated patent portfolio has been very well-known within the electronics industry, including the Patents-in-Suit. Furthermore, the Patents-in-Suit have played a central role in SanDisk's widely known patent licensing and enforcement program for flash memory systems.

31. Upon information and belief, Apple had knowledge of the Patents-in-Suit as part of the SanDisk patent portfolio prior to the transfer of the Patents-in-Suit to Longitude Flash Memory Systems S.a.r.l. Furthermore, Apple acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. Thus, Apple's infringement has been willful. Regardless, Apple had knowledge of the Patents-in-Suit at least as early as the filing of original Complaint in this litigation on September 23, 2014.

FAC ¶ 30-31.

III.   Legal Standard

A complaint will survive a motion to dismiss if it contains "sufficient factual matter . . . to

1 'state a claim to relief that is plausible on its face.'" Ashcroft v. Iqbal, 129 S. Ct. 1937, 1949 (2009)

2 (citing Bell Atlantic Corp. v. Twombly, 127 S. Ct. 1955, 1974 (2007)). The reviewing court's

3 "inquiry is limited to the allegations in the complaint, which are accepted as true and construed in

4 the light most favorable to the plaintiff." Lazy Y Ranch LTD v. Behrens, 546 F.3d 580, 588 (9th

5 Cir. 2008). A court need not, however, accept as true the complaint's "legal conclusions." Iqbal,

6 129 S. Ct. at 1949. "While legal conclusions can provide the framework of a complaint, they must

7 be supported by factual allegations." Id. at 1950. Thus, a reviewing court may begin "by

8 identifying pleadings that, because they are no more than conclusions, are not entitled to the

9 assumption of truth." Id. Courts must then determine whether the factual allegations in the

10 complaint "plausibly give rise to an entitlement of relief." Id. Though the plausibility inquiry "is

11 not akin to a probability requirement," a complaint will not survive a motion to dismiss if its factual

12 allegations "do not permit the court to infer more than the mere possibility of misconduct . . . ." Id.

13 at 1949 (internal quotation marks omitted) & 1950. That is to say, plaintiffs must "nudge[] their

14 claims across the line from conceivable to plausible." Twombly, 550 U.S. at 570.

15 **IV.   Discussion**

16   Apple argues that Longitude's FAC fails to plausibly plead a claim of willful infringement

17 because it does not identify any particular patents or any facts supporting Apple's alleged knowledge

18 of the asserted patents prior to this lawsuit being filed. Longitude counters that its allegations are

19 sufficient, or alternatively requests leave to amend.

20   Claims of willful patent infringement require an allegation that the defendant had knowledge

21 of the asserted patents and its alleged infringement of those patents before the lawsuit was filed. See

22 Radware, Ltd. v. A10 Networks, Inc., 2013 WL 5373305, at *6 (N.D.Cal. Sept. 24, 2013); see also

23 FuzzySharp Tech., Inc. v. Nvidia Corp., 2013 WL 4766877, at *3 (N.D. Cal. Sept. 4, 2013). The

24 complaint at least "must make out the barest factual assertion of knowledge of an issued patent."

25 Robert Bosch Healthcare Sys., Inc. v. Express MD Solutions, LLC, 2012 WL 2803617, at *3

26 (N.D.Cal. July 10, 2012) (quoting IpVenture, Inc. v. Cellco Partnership, 2011 WL 207978, at *2

27 (N.D.Cal. Jan. 21, 2011). A "bare recitation of the required legal elements for willful infringement"

28 is insufficient. Id. Similarly, a mere "allegation of 'actual knowledge,' without more," is not

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1   enough to state a claim for willful infringement." Id. (quoting Vasudevan Software, Inc. v. TIBCO

2   Software, Inc., 2012 WL 1831543, at *4 (N.D.Cal. May 18, 2012).

3   Apple persuasively argues that the FAC fails to adequately allege willful infringement

4   because paragraph 31 of the FAC simply alleges that Apple "had knowledge of the Patents-in-Suit

5   as part of the SanDisk patent portfolio" prior to the lawsuit. At best, this allegation is ambiguous

6   because it is unclear whether the assertion is that Apple had knowledge of the SanDisk patent

7   portfolio generally, or the asserted patents specifically. If interpreted as an allegation that Apple had

8   knowledge of SanDisk's patent portfolio generally, this is insufficient to allege Apple's pre-lawsuit

9   knowledge of the specific patents-in-suit. Even if it could be construed as a general allegation that

10   Apple had knowledge of the patents-in-suit prior to the lawsuit, it fails as a recitation of the legal

11   standard for willful infringement without underlying factual support. See Robert Bosch Healthcare

12   Sys., Inc., 2012 WL 2803617, at *3 (granting motion to dismiss willful infringement claim based on

13   a "mere allegation, without more" that the plaintiff had informed the defendant of the patents-in-suit

14   and the defendant's infringement of those patents where there was "no evidentiary detail[]

15   whatsoever" to support the willful infringement claim); U.S. Ethernet Innovations, LLC v. Netgear,

16   Inc., 2013 WL 4112601, at *4 (N.D.Cal. Aug. 12, 2013) (dismissing willful infringement claim

17   based on allegation of "actual or constructive knowledge" of asserted patent).

18   Longitude contends that Apple's focus on paragraph 31 is too narrow, and other portions of

19   the FAC support its willful infringement claim. Specifically, Longitude relies on paragraph 30,

20   which states that, "SanDisk's contribution to flash memory systems and its associated patent

21   portfolio has been very well-known within the electronics industry, including the Patents-in-Suit.

22   Furthermore, the Patents-in-Suit have played a central role in SanDisk's widely known patent

23   licensing and enforcement program for flash memory systems." FAC ¶ 30; see also FAC ¶ 8, 10, 13

24   (relating to extent of SanDisk's licensing and royalty revenue); Opp. at 6 n.1 (citing unrelated

25   litigation involving the patents-in-suit that did not involve Apple). However, neither the breadth of

26   SanDisk's patent portfolio nor its licensing revenue show that Apple had knowledge of the specific

27   patents-in-suit before this lawsuit was filed. Cf. Pacing Tech, LLC. v. Garmin Int'l Inc., 2013 WL

28   444642 (S.D.Cal. Feb. 5, 2013) (allegations that defendant regularly performed prior art and patent

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1 searches as part of its numerous patent applications insufficient to support reasonable inference of

2 pre-suit knowledge of asserted patent). Longitude also relies on paragraphs 34 and 35, which state

3 that "[w]ith knowledge of the '424 Patent, Apple designs the accused products . . .," arguing that

4 these allegations show Apple's knowledge of the asserted patents. However, they do not show "pre-

5 lawsuit" knowledge, a requirement for willful infringement.

6   In sum, Longitude's barebones allegation of direct knowledge, and vague allegations of

7 constructive knowledge based on participation in the same market, are insufficient to state a claim

8 for willful infringement. Apple's motion to dismiss is GRANTED.[1]

9 **V.   Leave to Amend**

10   Longitude requests leave to amend its complaint to add facts supporting its willful

11 infringement claim. In an effort to show that amendment would not be futile, Longitude relies on

12 documents submitted under a declaration of counsel relating to a case of insider trading by a former

13 SanDisk executive who apparently revealed some confidential negotiations regarding a legal dispute

14 between San Disk and Apple. See Declaration of John D. Beynon Exhs. 1-3. These documents are

15 not appropriate for judicial notice. Further, other than a "guess" by a blogger (Ex. 3 at 6), there is no

16 indication that the dispute revealed by the insider trader was even related to patents so it is unclear

17 how these proffered new facts show that Apple had pre-suit knowledge of the asserted patents to

18 support a willful infringement claim. Longitude also references litigation of the asserted patents that

19 did not involve Apple to support an inference that Apple had knowledge of the patents-in-suit, but it

20 is unclear how this unrelated litigation shows Apple's knowledge without more.

21   In its supplemental opposition, Longitude further argues that Apple's recent responses to its

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23   [1]In its moving papers, Apple also argued that Longitude's allegation that it "acted despite an
24 objectively high likelihood that its actions constituted infringement if a valid patent" is insufficient
    because it simply recites the legal standard without providing any factual support. Apple argued that
    the complaint must plead facts demonstrating that it acted with objective recklessness, citing In re
25 Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007); Fortinet Inc. v. FireEye Inc., 2014 WL
    4955087 (N.D.Cal. Sept. 30, 2014); and Bascom Research LLC v. Facebook, Inc., 2013 WL 968210
26 (N.D.Cal. Mar. 12, 2013). However, other cases in this district have not required allegations of an
    "objectively high likelihood of infringement" to survive a motion to dismiss. See FuzzySharp Tech., Inc.
27 v. Nvidia Corp., 2013 WL 4766877, at *8-9 (N.D. Cal. Sept. 4, 2013). On Reply, Apple acknowledged
    this split of authority and abandoned this argument, focusing instead on the lack of allegations
28 concerning its knowledge of the asserted patents discussed above. See Reply at 2 n. 1

1 Requests for Admission undermine its motion to dismiss. Specifically, Longitude focuses on

2 Apple's response to its request that Apple "[a]dmit that Apple and SanDisk have engaged in

3 negotiations to grant Apple rights to practice one or more of the Patents-in-Suit." See Beynon Supp.

4 Decl. Ex. 2. Apple did not admit or deny the Request and instead objected generally. Id. According

5 to Longitude, this non-response constitutes a failure to deny pre-filing knowledge of the asserted

6 patents and confirms that Longitude can state a plausible claim for willful infringement. Apple

7 correctly responds that its responses to Requests for Admission cannot be considered in connection

8 with this motion to dismiss because the analysis is limited to the pleading as currently drafted.

9 Further, since Apple has not admitted or denied pre-suit negotiations with SanDisk relating to the

10 asserted patents, the discovery responses do not shed light on the issue even if they could be

11 considered.

12   It is unclear whether Longitude will be able to plead a claim for willful infringement.

13 However, the Court cannot conclude at this early stage that amendment would necessarily be futile,

14 and therefore Longitude has until March 17, 2015 to file an amended pleading if it determines in

15 good faith that it has a proper factual underlying basis for the claim.

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17   **IT IS SO ORDERED.**

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Dated: March 13, 2015

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                                                 ELIZABETH D. LAPORTE
                                                 United States Magistrate Judge

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