

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

3
4 APPLE INC.,

No. C 14-2838 CW

5 Plaintiff,

ORDER GRANTING IN
PART DEFENDANTS'
MOTIONS TO SEVER,
TRANSFER, AND
DISMISS (Docket
Nos. 25, 26)

6 v.

7 WI-LAN INC.; and OPEN NETWORK
8 SOLUTIONS, INC.,

9 Defendants.

10 _____/

11 Plaintiff Apple Inc. brought this action against Defendants
12 Wi-LAN Inc. and Open Network Solutions, Inc. (ONS), seeking
13 declaratory judgment of non-infringement, invalidity, and
14 unenforceability of seven patents.¹ Each Defendant moves to sever
15 its case from that of the other Defendant, to transfer, and to
16 dismiss certain claims. Plaintiff opposes the motions. After
17 considering the parties' submissions and oral argument, the Court
18 GRANTS Wi-LAN's motion (Docket No. 25) to sever and transfer and
19 to dismiss one count with leave to amend; and GRANTS ONS's motion
20 (Docket No. 26) to sever and to dismiss one count with leave to
21 amend, and denies its motion to transfer.

22 BACKGROUND

23 The following facts are alleged in the amended complaint.
24 Apple is a corporation located in Cupertino, California, which

25 _____

26 ¹ At issue are United States Patent Nos. 8,457,145;
27 8,462,723; 8,462,761; 8,615,020; and 8,537,757 (collectively, the
28 Wi-LAN patents-in-suit); and United States Patent Nos. 6,745,259
and 6,907,476 (collectively, the ONS patents-in-suit).

1 manufactures computers, mobile phones, tablets, portable digital
2 media players, and other consumer electronics products.

3 Wi-LAN is a Canadian corporation with its principal place of
4 business in Ottawa, Ontario, Canada. ONS is a wholly-owned
5 subsidiary of Wi-LAN, incorporated in Delaware just five months
6 ago.² Both Wi-LAN and ONS are primarily in the business of
7 acquiring and asserting patents.

8 Before Apple initiated this case, Wi-LAN had sued Apple four
9 times: Wi-LAN Inc. v. Acer, Inc., et al., Case No. 2:07-cv-473
10 (E.D. Texas); Wi-LAN Inc. v. Apple Inc., Case No. 6:11-cv-453
11 (E.D. Texas); Wi-LAN Inc. v. Apple Inc., Case No. 6:12-cv-920
12 (E.D. Texas); and Wi-LAN USA, Inc. v. Apple Inc., Case No. 1:12-
13 cv-24318 (S.D. Fla.). The case initially brought in the Southern
14 District of Florida has since been transferred on Apple's motion
15 to the Southern District of California,³ where it has been
16 assigned the case number 13-cv-798-DMS(BLM) (the 2013 CASD case).

17 On June 13, 2014, ONS sent a letter to Apple alleging that
18 several Apple products, including Apple TV, the iPhone, the iPad,
19 and the iPod Touch, "fall with[in] the scope of the claims" of the
20 ONS patents-in-suit, and asking Apple to respond by June 27, 2014.
21 Am. Compl. ¶ 18; Decl. Scarsi Ex. D (Docket No. 35-4) (ONS Notice
22 Letter). On June 16, 2014, Wi-LAN sent an email to Apple alleging
23

24 _____
25 ² ONS represents that its corporate headquarters are in Costa
26 Mesa, California.

27 ³ Wi-LAN USA, Inc. v. Apple Inc., 2013 U.S. Dist. LEXIS 47509
28 (S.D. Fla.) (ordering transfer to Southern District of
California).

1 that various Apple products infringed the Wi-LAN patents-in-suit.
2 Am. Compl. ¶ 15; Decl. Scarsi Ex. I (Docket No. 35-9).

3 Apple initiated this case on June 19, 2014, by filing its
4 complaint against Wi-LAN; later that same day, Apple filed its
5 amended complaint asserting claims against both Wi-LAN and ONS.
6 On June 23, 2014, Wi-LAN sued Apple in the United States District
7 Court for the Southern District of California, alleging
8 infringement of the same five Wi-LAN patents that are at issue in
9 this case. Wi-LAN, Inc. v. Apple Inc., No. 14-cv-1507-DMS(BLM)
10 (S.D. Cal.) (the 2014 CASD case).⁴

11 Wi-LAN moves (1) to sever Apple's claims against it from
12 Apple's claims against ONS; (2) to transfer Apple's claims against
13 it to the Southern District of California; and (3) to dismiss
14 Apple's claim for unenforceability due to unclean hands for
15 failure to state a claim upon which relief can be granted.

16 ONS moves (1) to dismiss Apple's claims against it for lack
17 of declaratory judgment jurisdiction; (2) to dismiss Apple's claim
18 for unenforceability due to unclean hands for failure to state a
19 claim upon which relief may be granted; (3) to sever Apple's
20 claims against it from Apple's claims against Wi-LAN; and (4) to
21 transfer Apple's claims against it to the District of Delaware.

22
23 ⁴ In the Southern District of California, that case was
24 reassigned to the Hon. Dana M. Sabraw as related to the 2013 CASD
25 case. Wi-LAN, Inc., No. 14-cv-1507-DMS(BLM), Report of Clerk and
26 Order (Docket No. 7). Apple has moved to dismiss the 2014 CASD
27 case on the basis that its lawsuit in this Court was the first-
28 filed action. Id., Mot. Dismiss (Docket No. 18). That motion is
set for decision without oral argument, and the parties have been
instructed to advise that court of this Court's ruling on the
present motions. Id., Order (Docket No. 23).

1 DISCUSSION

2 I. ONS's Motion to Dismiss for Lack of Declaratory Judgment
3 Jurisdiction

4 ONS argues that, because it gave Apple until June 27, 2014,
5 to respond to the ONS Notice Letter, there was no "substantial
6 conflict" of "sufficient immediacy and reality" to create an
7 actual controversy when Apple filed suit on June 19, 2014, and
8 therefore, the Court lacks declaratory judgment jurisdiction.

9 The Declaratory Judgment Act provides, "In a case of actual
10 controversy within its jurisdiction, any court of the United
11 States . . . may declare the rights and other legal relations of
12 any interested party seeking such declaration, whether or not
13 further relief is or could be sought." 28 U.S.C. § 2201. The
14 "actual controversy" requirement of the Declaratory Judgment Act
15 is the same as the "case or controversy" requirement of Article
16 III of the United States Constitution. Teva Pharm. USA, Inc. v.
17 Novartis Pharm. Corp., 482 F.3d 1330, 1337 (Fed. Cir. 2007). The
18 declaratory judgment plaintiff must establish that the "facts
19 alleged under all the circumstances show that there is a
20 substantial controversy between parties having adverse legal
21 interests of sufficient immediacy and reality to warrant the
22 issuance of declaratory judgment." Micron Tech., Inc. v. Mosaid
23 Techs., Inc., 518 F.3d 897, 901 (Fed. Cir. 2008) (citing
24 MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 127 (2007)). In
25 a patent case, "whether there has been potentially infringing
26 activity or meaningful preparation to conduct potentially
27 infringing activity[]" remains an important element in the
28 totality of circumstances which must be considered in determining

1 whether a declaratory judgment is appropriate.'" Prasco, LLC v.
2 Medicis Pharm. Corp., 537 F.3d 1329, 1336 n.4 (Fed. Cir. 2008)
3 (quoting Cat Tech LLC v. TubeMaster, Inc., 528 F.3d 871, 880 (Fed.
4 Cir. 2008)).

5 Here, the totality of the circumstances--specifically, ONS's
6 history of recent litigation asserting infringement of the ONS
7 patents-in-suit and the content of the ONS Notice Letter--
8 demonstrates that there was an actual controversy when Apple filed
9 this suit.

10 First, the ONS Notice Letter names several specific Apple
11 products that it alleges "fall within the scope of the claims of
12 the '476 and '259 patents," ONS Notice Letter at 1, and there is
13 no dispute that Apple has engaged in potentially infringing
14 activity.

15 In addition, "the Federal Circuit and several other courts
16 have held that a patentee's history of litigation with other
17 parties is an appropriate factor for courts to consider in
18 determining whether subject matter jurisdiction exists under the
19 Declaratory Judgment Act." Pharmanet, Inc. v. DataSci LLC, 2009
20 U.S. Dist. LEXIS 11661, at *19 (D.N.J.) (citing, inter alia,
21 Prasco, 537 F.3d at 1341)). Here, ONS acknowledges that between
22 May 16, 2014, and June 19, 2014, the date on which Apple initiated
23 this case, ONS filed sixteen suits in the District of Delaware
24 alleging infringement of the ONS patents-in-suit.⁵

25
26 ⁵ In addition, ONS filed a seventeenth suit in Delaware the
27 same day that Apple filed this suit, as well as two more suits in
28 the following week, for a total of nineteen suits alleging
infringement of the ONS patents-in-suit.

1 District courts have found that notice letters similar to the
2 ONS Notice Letter were sufficient to create an actual controversy.
3 For example, in Pharmanet, the defendant's attorney sent the
4 plaintiffs a letter that identified a patent that the defendant
5 owned, offered to license that patent to the plaintiff, and
6 provided a date by which the defendant expected the plaintiff to
7 respond. 2009 U.S. Dist. LEXIS 11661, at *5-6. Rather than
8 responding, the plaintiff filed suit seeking declaratory judgment
9 of non-infringement and invalidity. Id. at 6-7. Notwithstanding
10 the fact that the deadline in the defendant's notice letter had
11 not passed when the lawsuit was filed, the district court found
12 that it was "objectively reasonable for a reader to perceive that
13 failure to respond by that date would result in the filing of an
14 infringement suit against them." Id. at *27-28. Ultimately, the
15 Pharmanet court held that the defendant's notice letter, combined
16 with the defendant's prior litigation involving the patent at
17 issue and other factors, was "sufficient to establish an Article
18 III case or controversy between the parties." Id. at *28-29.

19 Similarly, in Crutchfield New Media, LLC v. Charles E. Hill &
20 Assocs., Inc., 2007 U.S. Dist. LEXIS 33264 (S.D. Ind.), the
21 defendant sent a letter to the plaintiff that (1) provided
22 information about certain patents that it owned and litigation it
23 had pursued concerning those patents, and (2) provided a deadline
24 for the plaintiff to take a license under those patents. Id. at
25 *2. The district court found that the contents of that letter
26 "indicate to any reasonable reader that a substantial controversy
27 exists between parties with adverse legal interests and it is of
28

1 sufficient immediacy and reality to warrant the issuance of a
2 declaratory judgment." Id. at *6.

3 The ONS Notice Letter is substantially similar to the notice
4 letters at issue in Pharmanet and Crutchfield: it (1) advised
5 Apple that ONS has retained counsel, (2) identified specific
6 patents and alleged that various Apple products "fall within the
7 scope of the claims" of those patents, (3) offered an opportunity
8 to "discuss" those patents, and (4) provided a deadline by which
9 ONS expected a response. Therefore, the Court finds that the ONS
10 Notice Letter, considered in the context of ONS's recent Delaware
11 litigation asserting infringement of the ONS patents-in-suit,
12 created an actual controversy sufficient to establish declaratory
13 judgment jurisdiction, and ONS's motion to dismiss Apple's
14 declaratory judgment claims is DENIED.

15 II. Motions to Sever

16 Each Defendant argues that Apple's claims against it are
17 improperly joined with claims against the other Defendant and
18 should be severed.

19 Parties may be joined as defendants only if "(A) any right to
20 relief is asserted against them jointly, severally, or in the
21 alternative with respect to arising out of the same transaction,
22 occurrence, or series of transactions or occurrences; and (B) any
23 question of law or fact common to all defendants will arise in the
24 action." Fed. R. Civ. P. 20(a)(2). As a practical matter, this
25 means that claims involving different parties cannot be joined
26 together in one complaint if the facts giving rise to the claims
27 are not factually related in some way--that is, if there is not
28 "similarity in the factual background." Coughlin v. Rogers, 130

1 F.3d 1348, 1350 (9th Cir. 1997). General allegations are not
2 sufficient to support similarity when the specifics are different.

3 Id.

4 Federal Rule of Civil Procedure 21 provides, "On motion or on
5 its own, the court may at any time, on just terms, add or drop a
6 party. The court may also sever any claim against a party." A
7 court, in its discretion, may sever parties, "so long as no
8 substantial right will be prejudiced by the severance." Coughlin,
9 130 F.3d at 1350. The court may sever the claims against a party
10 in the interest of fairness and judicial economy and to avoid
11 prejudice, delay or expense. Coleman v. Quaker Oats Co., 232 F.3d
12 1271, 1296-97 (9th Cir. 2000).

13 Apple argues that its non-infringement and invalidity claims
14 "will raise common issues of law and fact" because certain Apple
15 products are alleged to infringe both Wi-LAN patents-in-suit and
16 ONS patents-in-suit. It further argues that its unclean hands
17 claim against both Defendants arises out of the same transaction
18 or occurrences. However, the Court dismisses that claim against
19 ONS, see Part IV, infra, so it does not serve as a basis to
20 warrant joinder of Apple's non-infringement and invalidity claims
21 against Wi-LAN and ONS.

22 Defendants' motions to sever are GRANTED, and Apple's claims
23 against ONS are hereby SEVERED from this action.

24 III. Motions to Transfer

25 A. Wi-LAN's Motion to Transfer to the Southern District of
26 California

27 Wi-LAN argues (1) that the first-to-file rule requires
28 transfer of Apple's case against it to the Southern District of

1 California; and, in the alternative, (2) that transfer is
2 appropriate under 28 U.S.C. § 1404(a).

3 1. The First-to-File Rule

4 "There is a generally recognized doctrine of federal comity
5 which permits a district court to decline jurisdiction over an
6 action when a complaint involving the same parties and issues has
7 already been filed in another district." Pacesetter Sys., Inc. v.
8 Medtronic, Inc., 678 F.2d 93, 94-95 (9th Cir. 1982). This
9 doctrine, known as the first-to-file rule, "gives priority, for
10 purposes of choosing among possible venues when parallel
11 litigation has been instituted in separate courts, to the party
12 who first establishes jurisdiction." Northwest Airlines, Inc. v.
13 Am. Airlines, Inc., 989 F.2d 1002, 1006 (8th Cir. 1993). In
14 applying the first-to-file rule, a court looks to three threshold
15 factors: "(1) the chronology of the two actions; (2) the
16 similarity of the parties; and (3) the similarity of the issues."
17 Z-Line Designs, Inc. v. Bell'O Int'l LLC, 218 F.R.D. 663, 665
18 (N.D. Cal. 2003).

19 When cases between the same parties raising the same issues
20 are pending in two or more federal districts, the general rule is
21 to favor the forum of the first-filed action, regardless of
22 whether it is a declaratory judgment action. Micron Tech, 518
23 F.3d at 904. The court of the actual first-filed case should rule
24 on motions to dismiss or transfer based on exceptions to the
25 first-to-file rule or on the convenience factors. See id. Here,
26 the parties dispute which is the first-filed action. Apple argues
27 that the first-filed action is the present suit, which was filed
28 before Wi-LAN filed the 2014 CASD case. Wi-LAN argues that the

1 2014 CASD case is the first-filed action because it is related to
2 the 2013 CASD case, which predates the present suit (and which was
3 initially filed in 2012 in the Southern District of Florida).

4 Although the earlier 2013 CASD case involves the same
5 parties⁶ and similar patents, that does not render the 2014 CASD
6 case first-filed over this case. This case was filed first of the
7 two, and this Court will proceed to determine whether it should
8 nonetheless be transferred to the Southern District of California
9 based on an exception to the rule or based on the convenience
10 factors under 28 U.S.C. § 1404(a). The first-to-file rule "serves
11 the purpose of promoting efficiency well and should not be
12 disregarded lightly." Church of Scientology of Calif. v. U.S.
13 Dep't of Army, 611 F.2d 738, 750 (9th Cir. 1979). The rule favors
14 the forum of the first-filed case "unless consideration of
15 judicial and litigant economy, and the just and effective
16 disposition of disputes, requires otherwise." Elecs. for Imaging,
17 Inc. v. Coyle, 394 F.3d 1341, 1347 (Fed. Cir. 2005). No such
18 exception to the first-to-file rule is found here.

19 2. Transfer Pursuant to 28 U.S.C. § 1404(a)

20 Title 28 U.S.C. § 1404(a) provides, "For the convenience of
21 the parties and witnesses, in the interest of justice, a district
22 court may transfer any civil action to any other district or
23 division where it might have been brought." A district court has
24 broad discretion to adjudicate motions for transfer on a case-by-
25

26 ⁶ Both Wi-LAN, Inc. (Defendant in the present case) and Wi-
27 LAN USA, Inc. are plaintiffs in the 2014 CASD case; however,
28 neither party alleges that this distinction constitutes a material
difference in the makeup of the parties in these actions.

1 case basis, considering factors of convenience and fairness. See
2 Stewart Org. Inc. v. Ricoh Corp., 487 U.S. 22, 29 (1988); Sparling
3 v. Hoffman Constr. Co., 864 F.2d 635, 639 (9th Cir. 1988). Under
4 § 1404(a), the district court may consider: (1) the location where
5 the relevant events occurred, (2) the forum that is most familiar
6 with the governing law, (3) the plaintiff's choice of forum,
7 (4) the respective parties' contacts with the forum, (5) the
8 contacts relating to the plaintiff's cause of action in the chosen
9 forum, (6) the differences in the costs of litigation in the two
10 fora, (7) the availability of compulsory process to compel
11 attendance of unwilling non-party witnesses, and (8) the ease of
12 access to sources of proof. Jones v. GNC Franchising, Inc., 211
13 F.3d 495, 498 (9th Cir. 2000). The party seeking transfer bears
14 the burden of proof and generally "must make a strong showing of
15 inconvenience to warrant upsetting the plaintiff's choice of
16 forum." Decker Coal v. Commonwealth Edison Co., 805 F.2d 834, 843
17 (9th Cir. 1986).

18 Where transfer under § 1404(a) would promote judicial
19 economy, such transfer may be "in the interest of justice."
20 London & Hull Mar. Ltd. v. Eagle Pac. Ins. Co., 1996 U.S. Dist.
21 LEXIS 22893, *12-13 (N.D. Cal.). Here, the Court finds that
22 judicial economy and the interests of justice, as well as the
23 second, seventh, and eighth GNC Franchising factors, favor
24 transfer to the Southern District of California.

25 The second GNC Franchising factor, which forum is more
26 familiar with the governing law, strongly favors transfer.
27 Although both the Northern District of California and the Southern
28 District of California are familiar with patent law, the Southern

1 District is much more familiar with the law as applied to the
2 patents at issue. Of the five Wi-LAN patents-in-suit, one is a
3 continuation of one of the patents in the 2013 CASD case, and
4 three others are continuations in part of that same patent. Thus,
5 four of the five Wi-LAN patents-in-suit in the present case share
6 the same or substantially the same patent specifications and
7 drawings with one of the 2013 CASD case patents, and involve
8 overlapping claims. Apple acknowledges that "[m]ost of the Wi-LAN
9 Patents-In-Suit are included in the same patent family as one of
10 the patents at issue in" the 2013 CASD case. Am. Compl. ¶ 15. In
11 presiding over the 2013 CASD case, Judge Sabraw has developed a
12 familiarity with the technical issues and has issued a Markman
13 ruling. The Southern District's familiarity with the technical
14 issues in this case makes the Southern District a more efficient
15 venue for judicial economy.

16 In addition, the seventh and eighth GNC Franchising factors,
17 the availability of compulsory process and the ease of access to
18 sources of proof, strongly favor transfer. As Apple acknowledged
19 when it sought transfer of the 2013 CASD case from Florida, many
20 of the inventors and other witnesses reside in the Southern
21 District of California--the same inventors and other witnesses
22 that Apple now proposes to bring to the Northern District of
23 California. "The convenience of non-party witnesses should be
24 given significant consideration because they may be compelled to
25 testify unwillingly." Ambriz v. Matheson Tri-Gas, 2014 U.S. Dist.
26 LEXIS 79660, at *8 (N.D. Cal.) (citing Strigliabotti v. Franklin
27 Res., Inc., 2004 U.S. Dist. LEXIS 31965, at *17 (N.D. Cal.)).

1 Although Plaintiff's choice of forum is given weight, the
2 Court finds that these factors outweigh Plaintiff's choice in this
3 case. Wi-LAN's motion to transfer is GRANTED. After severance of
4 the claims against ONS, Apple's claims against Wi-LAN will be
5 TRANSFERRED to the Southern District of California.

6 B. ONS's Motion to Transfer to the District of Delaware

7 ONS argues that transfer of the claims against it to the
8 District of Delaware is appropriate under 28 U.S.C. § 1404(a) and
9 would promote efficiency by allowing Apple's non-infringement and
10 invalidity claims to be consolidated with ONS's various
11 infringement lawsuits against other defendants, all of which
12 concern the same ONS patents-in-suit.

13 Although transfer to a court familiar with the patents-in-
14 suit may promote efficiency, that alone is not dispositive.
15 Micron Tech, 518 F.3d at 905; see also MedImmune, LLC v. PDL
16 BioPharma, Inc., 2009 U.S. Dist. LEXIS 36765, at *9 (N.D. Cal.)
17 (same); ICU Med., Inc. v. Rymed Techs., Inc., 2008 U.S. Dist.
18 LEXIS 4983, at *13 (D. Del.) (same). In MedImmune, a court in
19 this District denied a motion to transfer to the District of
20 Delaware, where a case involving some of the same patents (but
21 brought by PDL BioPharma against a different defendant) remained
22 in its early stages. 2009 U.S. Dist. LEXIS 36765, at *10. Here,
23 ONS's motion to transfer is similar to that in MedImmune, where
24 the potential transferee court may be familiar with the patents at
25 issue but not with all of the parties. Wi-LAN's motion to
26 transfer differs, because the Southern District of California
27 already is familiar with both the patents and the parties.
28

1 Although, as ONS argues, transfer of Apple's claims against
2 ONS to the District of Delaware might avoid conflicting claim
3 constructions, should that court complete its claim constructions
4 first this Court would "accord deference to the prior claim
5 construction ruling as persuasive authority." Id. at *10 (citing
6 Mendenhall v. Cedarapids, Inc., 5 F.3d 1557, 1570 (Fed. Cir.
7 1993)). In addition, ONS argues that litigation in a single
8 district would be more convenient for both the parties and the
9 witnesses than litigation in two widely separated districts.
10 However, both Apple and ONS have their headquarters in California,
11 and Apple represents that many of its potential witnesses are in
12 California.

13 Ultimately, whatever marginal convenience might be achieved
14 by transfer of this case to the District of Delaware is not
15 sufficient to overcome the presumption in favor of a plaintiff's
16 choice of forum, and the motion to transfer Apple's claims against
17 ONS to Delaware is DENIED.

18 IV. Motions to Dismiss Apple's Count XV (Unenforceability due to
19 Unclean Hands) Pursuant to Rule 12(b)(6)

20 Wi-LAN and ONS both argue that Apple has failed to allege
21 facts sufficient to state a claim for unenforceability due to
22 unclean hands.

23 A complaint must contain a "short and plain statement of the
24 claim showing that the pleader is entitled to relief." Fed. R.
25 Civ. P. 8(a). On a motion under Rule 12(b)(6) for failure to
26 state a claim, dismissal is appropriate only when the complaint
27 does not give the defendant fair notice of a legally cognizable
28 claim and the grounds on which it rests. Bell Atl. Corp. v.

1 Twombly, 550 U.S. 544, 555 (2007). In considering whether the
2 complaint is sufficient to state a claim, the court will take all
3 material allegations as true and construe them in the light most
4 favorable to the plaintiff. NL Indus., Inc. v. Kaplan, 792 F.2d
5 896, 898 (9th Cir. 1986). However, this principle is inapplicable
6 to legal conclusions; "threadbare recitals of the elements of a
7 cause of action, supported by mere conclusory statements," are not
8 taken as true. Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
9 (citing Twombly, 550 U.S. at 555).

10 When granting a motion to dismiss, the court is generally
11 required to grant the plaintiff leave to amend, even if no request
12 to amend the pleading was made, unless amendment would be futile.
13 Cook, Perkiss & Liehe, Inc. v. N. Cal. Collection Serv. Inc., 911
14 F.2d 242, 246-47 (9th Cir. 1990). In determining whether
15 amendment would be futile, the court examines whether the
16 complaint could be amended to cure the defect requiring dismissal
17 "without contradicting any of the allegations of [the] original
18 complaint." Reddy v. Litton Indus., Inc., 912 F.2d 291, 296 (9th
19 Cir. 1990).

20 A. Wi-LAN's Motion

21 A plaintiff alleging unenforceability for unclean hands in a
22 patent action must allege facts demonstrating "bad faith and an
23 improper purpose." Reid-Ashman Mfg. v. Swanson Semiconductor
24 Serv. LLC, 2007 U.S. Dist. LEXIS 37665, at *22 (N.D. Cal.) (citing
25 Glaverbel Societe Anonyme v. Northlake Mktg. & Supply, 45 F.3d
26 550, 1558 (Fed. Cir. 1995)).

27 Apple alleges that "Wi-LAN has engaged in a pattern and
28 practice of improper activity to acquire, license, and assert its

1 patents in bad faith, including by making claims of patent
2 infringement with knowledge that the patents are not actually
3 infringed or are invalid." Am. Compl. ¶ 84. However, Apple's
4 amended complaint merely alleges that Wi-LAN has been unsuccessful
5 in two prior patent suits against Apple, and that four other suits
6 have not yet been decided. Id. at ¶ 85. There are no facts
7 alleged in the amended complaint that would suggest that any of
8 those suits were brought in bad faith or for an improper purpose.

9 Apple's mere recitation of the elements of an unclean hands
10 claim, without any factual allegations whatsoever, is not
11 sufficient to state a claim against Wi-LAN. Therefore, Wi-LAN's
12 motion to dismiss this claim is GRANTED. However, Apple is
13 granted leave to amend in order to plead sufficient facts to
14 support its claim that Wi-LAN engaged in conduct comprising
15 unclean hands, if it can truthfully do so.

16 B. ONS's Motion

17 In its amended complaint, Apple alleges no specific facts
18 accusing ONS of acting in bad faith or with improper purpose.
19 Instead, Apple merely generally alleges that:

20 ONS, as a subsidiary, is subject to the direction
21 and control of Wi-LAN. Wi-LAN's conduct
22 comprising unclean hands (as described herein) is
23 therefore attributable to ONS, rendering the ONS
patents unenforceable in this action.

24 Am. Compl. ¶ 86.

25 Again, the mere recitation of the elements of an unclean
26 hands claim, without any factual allegations whatsoever, is not
27 sufficient to state a claim. ONS's motion to dismiss this claim
28 is GRANTED. However, Apple is granted leave to amend in order to

1 plead sufficient facts to support its claim that ONS engaged in
2 conduct comprising unclean hands, if it can truthfully do so.

3 CONCLUSION

4 For the reasons set forth above, Wi-LAN's motion to sever and
5 transfer, and to dismiss the unclean hands cause of action (Docket
6 No. 25), is GRANTED. Within seven days of the date of this order,
7 Apple shall file a second amended complaint in this case asserting
8 only its claims against Wi-LAN, and Apple is granted leave to
9 allege in that amended complaint specific facts showing that Wi-
10 LAN engaged in conduct comprising unclean hands. Upon filing of
11 the second amended complaint, the Court will transfer it to the
12 Southern District of California.

13 In addition, ONS's motion to sever, transfer, and dismiss
14 (Docket No. 26) is GRANTED in part and DENIED in part. The motion
15 to sever is granted; the motion to transfer is denied; and the
16 motion to dismiss the unclean hands claim is granted with leave to
17 amend. If Apple wishes to pursue claims against ONS, it shall,
18 within seven days of the date of this order, file a new complaint
19 (with a notice of related case referring to the present action);
20 Apple is granted leave to allege in that complaint specific facts
21 showing that ONS engaged in conduct comprising unclean hands.

22 IT IS SO ORDERED.

23
24 Dated: 9/11/2014


CLAUDIA WILKEN
United States District Judge