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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

ATLAS IP LLC,
Plaintiff,
v.
PACIFIC GAS AND ELECTRIC CO.,
Defendant.

Case No. 15-cv-05469-EDL

**ORDER GRANTING MOTION TO
DISMISS WITHOUT PREJUDICE**

I. Introduction

Plaintiff Atlas IP LLC filed this patent infringement action against Pacific Gas and Electric Company (“PG&E”) on November 30, 2015. PG&E moves to dismiss the complaint pursuant to Rule 12(b)(6) for failure to state a claim. The Court held oral argument on February 23, 2015, and ordered the parties to submit a supplemental joint letter addressing the issues raised during oral argument. Having considered the parties’ briefs, the arguments made at the hearing, and the subsequent joint letter, the complaint is hereby dismissed without prejudice. Plaintiff shall file an amended complaint, if any, within two weeks of the date of this Order.

II. Background

Plaintiff is the owner by assignment of U.S. Patent No. 5,371,734 (the “’734 Patent”) entitled Medium Access Control Protocol for Wireless Network. See Compl. ¶ 2; Ex. A. The Complaint quotes portions of what it refers to as “[r]epresentative claim 1” of the ’734 Patent. Compl. ¶ 4. The Complaint also defines a network of smart meters that communicate to an access point over a neighborhood area network using a communication module as the “accused products.” Compl. ¶ 6-8. The Complaint describes the operations of the accused products, but does not specifically link this description to claim 1 of the ’734 Patent. See generally Compl. ¶ 8-

1 19. The Complaint asserts a single claim for patent infringement, without explicitly stating
2 whether the claim is for direct or contributory infringement and whether the infringement is literal
3 or under the doctrine of equivalents. See Compl. ¶ 24-26.

4 The '734 Patent expired almost three years ago and was the subject of a pending *inter*
5 *partes* review ("IPR") at the time this complaint was filed. See Defendant's Request for Judicial
6 Notice ("RJN") Exhibit 2.¹ In the IPR, Atlas contended that the validity of the challenged claims
7 (independent claims 6, 11, 14, and 21) turned on a single claim construction issue then on appeal
8 before the Federal Circuit. See RJN, Ex. 2 at 9-10. A month before Atlas filed this case, the
9 Federal Circuit rejected Atlas' claim construction. See *Atlas IP, LLC v. Medtronic, Inc.*, Nos.
10 2015-1071, 2015-1105, 2015 WL 6550622, at *7-9 (Fed. Cir. Oct. 29, 2015); *Atlas IP, LLC v. St.*
11 *Jude Med. S.C., Inc.*, 804 F.3d 1185 (Fed. Cir. 2015). Three days after this litigation commenced,
12 the PTAB applied the Federal Circuit's claim constructions to invalidate claims 6, 11, 14, and 21
13 in light of prior art. See PG&E's RJN, Ex. 2 at 10-11, 29.

14 **III. Legal Standard**

15 Prior to December 1, 2015, the Federal Circuit directed lower courts to judge direct patent
16 infringement allegations by whether they met the standard set forth in Form 18 of the Appendix of
17 Forms to the Federal Rules of Civil Procedure, not by whether they satisfy the Supreme Court's
18 more stringent pleading jurisprudence in *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007) and
19 *Ashcroft v. Iqbal*, 129 S.Ct. 1937 (2009). See *In re Bill of Lading Transmission & Processing*
20 *Sys. Patent Litig.*, 681 F.3d 1323, 1333-35 (Fed. Cir. 2012). Form 18 only required: "(1) an
21 allegation of jurisdiction; (2) a statement that the plaintiff owns the patent; (3) a statement that
22 defendant has been infringing the patent 'by making, selling, and using [the device] embodying
23 the patent'; (4) a statement that the plaintiff has given the defendant notice of its infringement; and
24

25 ¹ PG&E requests that the Court take judicial notice of the Final Written Decision of the Patent
26 Trial and Appeal Board ("PTAB") in *St. Jude Medical, Inc. v. Atlas IP LLC*, Case IPR2014-
27 00916, dated December 3, 2015. Atlas does not oppose this request. "Judicial notice is properly
28 taken of orders and decisions made by other courts and administrative agencies." *Papai v. Harbor*
Tug & Barge Co., 67 F.3d 203, 207, n.5 (9th Cir. 1995), rev'd on other grounds, 520 U.S. 548
(1997).

1 (5) a demand for an injunction and damages.” Id. The Federal Circuit held that “Form 18 and the
2 Federal Rules of Civil Procedure do not require a plaintiff to plead facts establishing that each
3 element of an asserted claim is met” and “a plaintiff need not even identify which claims it asserts
4 are being infringed.” Id.

5 However, amendments to the Federal Rules of Civil Procedure that took effect on
6 December 1, 2015 abrogated Rule 84, which provided that “[t]he forms in the Appendix suffice
7 under these rules and illustrate the simplicity and brevity that these rules contemplate” and the
8 Appendix of Forms, including Form 18. Under the amended rules, allegations of direct
9 infringement are now subject to the pleading standards established by Twombly and Iqbal,
10 requiring plaintiffs to demonstrate a “plausible claim for relief.” The Supreme Court’s Order
11 accompanying the submission of the amendments to Congress stated that the amendments “shall
12 take effect on December 1, 2015, and shall govern in all proceedings in civil cases thereafter
13 commenced and, insofar as just and practicable, all proceedings then pending.” Supreme Court of
14 the United States, Order regarding amendments to the Federal Rules of Civil Procedure (Apr. 29,
15 2015).

16 PG&E argues that Iqbal and Twombly should apply to this complaint, which was filed one
17 day before the rules amendments abrogating Form 18 went into effect. Atlas does not dispute that
18 the amended rules apply or argue that its complaint is sufficient merely because it complies with
19 Form 18. Instead, Atlas argues that its complaint is sufficient under Iqbal and Twombly. Atlas
20 does not contend that it is prejudiced by application of the amended rules, and it is just and
21 practicable to apply them here.

22 A complaint will survive a motion to dismiss if it contains “sufficient factual matter . . . to
23 ‘state a claim to relief that is plausible on its face.’” Ashcroft v. Iqbal, 129 S. Ct. 1937, 1949
24 (2009) (citing Bell Atlantic Corp. v. Twombly, 550 U.S. 544 (2007)). The reviewing court’s
25 “inquiry is limited to the allegations in the complaint, which are accepted as true and construed in
26 the light most favorable to the plaintiff.” Lazy Y Ranch LTD v. Behrens, 546 F.3d 580, 588 (9th
27 Cir. 2008). A court need not, however, accept as true the complaint’s “legal conclusions.” Iqbal,
28 129 S. Ct. at 1949. “While legal conclusions can provide the framework of a complaint, they must

1 be supported by factual allegations.” Id. at 1950. Thus, a reviewing court may begin “by
2 identifying pleadings that, because they are no more than conclusions, are not entitled to the
3 assumption of truth.” Id. Courts must then determine whether the factual allegations in the
4 complaint “plausibly give rise to an entitlement of relief.” Id. Though the plausibility inquiry “is
5 not akin to a probability requirement,” a complaint will not survive a motion to dismiss if its
6 factual allegations “do not permit the court to infer more than the mere possibility of misconduct .
7 . . .” Id. at 1949 (internal quotation marks omitted) & 1950. That is to say, plaintiffs must “nudge
8 [] their claims across the line from conceivable to plausible.” Twombly, 550 U.S. at 570.

9 As the change in the pleading standard for direct patent infringement claims is so recent,
10 there is a dearth of caselaw on point. Plaintiff cites Bender v. LG Electronics USA Inc., 2010 WL
11 889541 (N.D. Cal. March 11, 2010), decided prior to the change, for the position that sufficient
12 patent infringement allegations include, “at a minimum, a brief description of what the patent at
13 issue does, and an allegation that certain named and specifically identified products or product
14 components also do what the patent does, thereby raising a plausible claim that the named
15 products are infringing.” Id. at *6. However, Bender granted a motion to dismiss the patent
16 infringement complaint at issue because the complaint did not identify any specific product or
17 component, and made this observation in the context of the minimum detail any amended
18 complaint would have to include.

19 In contrast, PG&E relies on indirect infringement complaints that were not previously
20 subject to Form 18 and instead already evaluated under Iqbal and Twombly. For example, in Elan
21 Microelectronics Corp. v. Apple, Inc., 2009 WL 2972374, at *2 (N.D. Cal. Sept. 14, 2009), the
22 court held that “a bare assertion, made ‘on information and belief’” that Elan “has been and is
23 currently, directly and/or indirectly infringing” the specified patents “through its design,
24 marketing, manufacture and/or sale of touch sensitive input devices or touchpads, including but
25 not limited to the Smart-Pad” was an insufficient recital of elements supported only by conclusory
26 statements. Id. The complaint in Elan was more threadbare and equivocal as to the alleged
27 infringement than the complaint here, but supports PG&E’s point that simply reciting some of the
28 elements of a representative claim and then describing generally how an accused product operates,

1 without specifically tying the operation to any asserted claim or addressing all of the claim
2 requirements, is insufficient. PG&E also relies on Twombly itself, where the Court upheld a
3 lower court decision dismissing an antitrust complaint that set forth detailed facts because the facts
4 allegedly showing an illegal agreement were also consistent with the unilateral reactions of each
5 party, so there was an insufficient showing of plausibility. Twombly, 550 U.S. at 566.

6 Here, the complaint recites only some of the elements of the sole asserted claim, and
7 provides only a threadbare description of the alleged abilities of the accused device. While Atlas
8 need not provide all of the details that PG&E contends are required, the Court concludes that the
9 current complaint fails to state a plausible claim for direct infringement.

10 **IV. Discussion**

11 **A. The Failure to State a Plausible Claim for Infringement**

12 PG&E argues that the complaint is devoid of sufficient allegations to make infringement of
13 claim 1 plausible, as opposed to merely possible. During oral argument, the parties agreed that
14 claim 1, the only asserted claim, is an “apparatus” (or “device” or “system”) claim, as opposed to a
15 “method” claim. In evaluating the sufficiency of the complaint, the parties focus on three claim
16 limitations of claim 1: a “hub transmitting cycle establishing information to the remotes to
17 establish the communication cycle and a plurality of predeterminable intervals during each
18 communication cycle” (the “cycle establishing information” limitation); “a hub transmitting a
19 frame containing the cycle establishing information also establishing the predetermined intervals
20 during the outbound and inbound portions of the communication cycle” (the “frame” limitation);
21 and “remotes powering off their receivers during times other than those intervals when the remote
22 is expected to receive a frame from the hub, by using the cycle establishing information
23 transmitted from the hub” (the “powering off” limitation).

24 First, PG&E contends that the complaint merely alleges that the accused smart meter has
25 the “ability” to power off its receiver, not that it actually does so, even though claim 1 requires a
26 receiver to be configured such that it *actually* powers off “by using the cycle establishing
27 information transmitted from the hub.” Compare Compl. ¶ 18 to Compl. Ex. A claim 1 at 45:36.
28 PG&E also argues that there is no mention in the complaint of whether the alleged powering off is

1 done by “using cycle establishing information,” so the allegations are insufficient read out most of
2 the elements of the claim.

3 Atlas counters that, as an apparatus claim, claim 1 recites capability as opposed to
4 operation, so an accused device need only be capable of operating in the described mode. Thus,
5 according to Atlas, its allegation that the accused device “has the ability” to power off its receiver
6 is sufficient. See Compl. ¶ 18. It points out that another court examining the ’734 Patent stated
7 that the preamble and claims “describe capabilities that an accused product must have” and that
8 claim language providing that “[a] communicator for wirelessly transmitting frames to and
9 receiving frames from at least one additional communicator’ describes the purpose of the
10 communicator device. . . .” See Atlas IP, LLC v. Medtronic, Inc., 2014 WL 5040317, at *8-9
11 (S.D. Fla. Oct. 8, 2014). Atlas argues that this case shows that mere allegation of an “ability” is
12 sufficient to allege infringement here. However, the court’s statement there addressed the role of
13 the preamble and claims in patents generally, and rejected an argument by defendant Medtronic
14 that there could be no infringement until an accused system was turned on and operational, which
15 is a different context than the one presently before the Court. The Atlas IP, LLC v. Medtronic,
16 Inc. decision did not directly address whether the limitations of claim 1 could be satisfied by an
17 accused device alleged to have the ability to perform them, absent any allegation that the accused
18 device actually performs all of the relevant steps of the claim.

19 Atlas also relies on Finjan, Inc. v. Secure Computing Corp., 626 F.3d 1197, 1204 (Fed.
20 Cir. 2010). Like Atlas IP, LLC v. Medtronic, Inc., Finjan addressed whether there could be
21 infringement when functions that existed in an accused product were disabled but capable of being
22 re-enabled. The Court determined that there could be infringement because the functions existed
23 in the product when it was sold, even if they were disabled, “in the same way that an automobile
24 for propulsion exists in a car even when the car is turned off.” Id. at 1205. In contrast, here there
25 is no allegation that the accused device is actually capable of performing the functions of
26 powering off by using cycle establishing information, or that it contains this function but the
27 function is disabled.

28 To support its position, PG&E relies on ACCO Brands, Inc. v. ABA Lock Mfr. Co., Ltd.,

1 501 F.3d 1307, 1313 (Fed. Cir. 2007), where the Federal Circuit overturned a jury verdict of
2 infringement where the accused product could be operated in both an infringing and non-
3 infringing manner, and the record was devoid of any evidence that any consumer actually used it
4 in an infringing manner. PG&E argues that similarly here, there is no allegation that the accused
5 device is actually configured to power off receivers using cycle establishing information, and
6 instead the complaint merely alleges that it has the “ability to power off its receiver during times
7 other than when it is receiving data.” Compl. ¶ 18. However, ACCO is somewhat distinguishable
8 in that the issue there was *induced* infringement, which required that the patentee establish “first
9 that there has been direct infringement, and second that the alleged infringer knowingly induced
10 infringement and possessed specific intent to encourage another’s infringement.” Id. at 1312. To
11 establish the requisite direct infringement, the patentee needed to “either point to specific instances
12 of direct infringement or show that the accused device necessarily infringes the patent in suit.” Id.
13 at 1313. In ACCO, there was no evidence of any user operating the accused device in an
14 infringing manner and it was undisputed that the device could operate in both an infringing and a
15 non-infringing way. Id. In contrast, there is no issue of induced infringement here and it is
16 unclear whether the accused device can be operated in both an infringing and a non-infringing
17 manner.

18 Nevertheless, even if the Court were to conclude at this juncture that alleging an “ability”
19 to power off were otherwise sufficient to state a claim for infringement of the powering off
20 limitation, the complaint is devoid of any allegation that the accused device has the ability to
21 power off “by using the cycle establishing information transmitted from the hub.” Because the
22 complaint entirely fails to address this necessary element of claim 1, the claim fails as pled.

23 With respect to the “transmitting cycle establishing information” limitation, the Federal
24 Circuit has construed this limitation to mean that “the starting time and duration of the cycle and
25 of remote-transmission intervals within each cycle must be communicated by the hub to the
26 remotes before the time at which remotes may begin transmitting” and need not be transmitted
27 before the start of the communication cycle. Atlas IP, LLP v. St. Jude Med. Inc., 804 F.3d 1185,
28 1186, 1188 (Fed. Cir. 2015). Atlas’ allegation in paragraph 12 is consistent with this construction,

1 and PG&E does not argue to the contrary. See Complaint ¶ 12 (the accused “access point
2 transmits at least one frame of data to a smart meter that initiates a communication session, and
3 which allows the smart meter to calculate the duration of the communication session and its
4 constituent intervals before the smart meter transmits to the access point during the
5 communication session”).

6 However, PG&E points out that it also challenges the complaint based on another element
7 of claim 1 relating to “a hub transmitting a frame containing the cycle establishing information
8 also establishing the predetermined intervals during the outbound and inbound portions of the
9 communication cycle . . .” (the “frame” limitation). The Federal Circuit has not addressed this
10 additional frame limitation, since it is only contained in claim 1 and the Federal Circuit decision
11 that Atlas relies on construed only claims 11 and 14. While the complaint recites the cycle
12 establishing limitation construed by the Federal Circuit, the complaint does not speak to the frame
13 limitation, i.e., whether the hub also transmits a frame that includes cycle establishing information
14 and establishes predetermined intervals during outbound and inbound portions of the
15 communication cycle. This limitation is important because it is the only limitation in claim 1 not
16 present in the other claims that the PTAB invalidated. The complaint is silent as to the frame
17 limitation, and fails on this basis as well.

18 Atlas is granted leave to amend its complaint within two weeks of the date of this Order to
19 address these pleading deficiencies.

20 **B. The Complaint Need Only State A Plausible Claim of Infringement**

21 PG&E also argues that the complaint as pled deprives it of fair notice because the
22 complaint does not precisely specify which patent claims it is asserting, if any, other than claim 1,
23 instead simply identifying claim 1 as a “representative claim.” PG&E correctly points out that
24 several of the claims in the ’734 Patent, including claims 6, 11, 14 and 21, have been declared
25 invalid, so Atlas cannot plausibly rely on those claims.² However, there is no dispute that claim
26

27 ² Plaintiff states that it has moved for a rehearing on the invalidity of claims 6, 11, 14 and 21
28 before the PTAB, and confirms that it will not assert any claim in this matter that has been finally
adjudicated as invalid. Opp. at 3.

1 1, the only claim specifically identified in the complaint, has not been declared invalid by the
2 PTAB.

3 Atlas counters that there is no requirement that a patent infringement complaint identify
4 every asserted claim from the outset, and it is not required to identify asserted claims until the
5 deadline set forth in the Northern District of California’s Local Patent Rule 3-1(a). See Patent
6 Local Rule 3-1(a) (“Not later than 14 days after the Initial Case Management Conference, a party
7 claiming patent infringement shall serve on all parties a ‘Disclosure of Asserted Claims and
8 Infringement Contentions’ . . . [including] . . . [e]ach claim of each patent in suit that is allegedly
9 infringed by each opposing party . . .”). PG&E contends that the patent local rules cannot trump
10 the pleading requirements of Iqbal and Twombly, and it should not be put to the burden and
11 expense of discovery before Atlas has even specified which claims it is relying on for its patent
12 infringement case.

13 Iqbal and Twombly only require Plaintiff to state a plausible claim for relief, which can be
14 satisfied by adequately pleading infringement of one claim, so the level of detail sought by PG&E
15 does not appear to be mandatory, even if desirable. Further, PG&E’s expressed concern about
16 discovery should be alleviated by the requirement of amended Rule 26(b)(1) that it be relevant, not
17 to the subject matter generally, but to the claims in suit specifically, and proportional to the needs
18 of the case. See Fed. R. Civ. P. 26(b)(1). Currently, only claim 1 of the ’734 Patent is actually
19 asserted, so the scope of discovery would be limited accordingly. Further, the disclosures required
20 by the Patent Local Rules will soon provide more detailed notice. The complaint will not be
21 dismissed on this basis.

22 **C. Atlas Concedes That It Is Only Asserting Literal Infringement**

23 Finally, PG&E argues that the complaint as pled deprives it of fair notice because it fails to
24 specify whether the purported infringement was direct or indirect, and literal or under the doctrine
25 of equivalents. Atlas responds that it intentionally omitted allegations supporting a claim of
26 indirect infringement, and “the complaint in this matter is limited to direct infringement, and there
27 should be no confusion on the Defendant’s part.” Opp. at 4. This unequivocal statement that the
28 sole claim is for direct infringement is sufficient to bind Atlas going forward, so this issue is moot.

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As Atlas will be a required to file an amended complaint to pursue this litigation, for the sake of clarity any amended complaint should specify that the claim is for direct infringement.

IT IS SO ORDERED.

Dated: March 9, 2016


ELIZABETH D. LAPORTE
United States Magistrate Judge