

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

R. THOMAS CANNARELLA,)	CV 16-6195-RSWL-JEMx
)	
Plaintiff,)	ORDER re:
)	
v.)	DEFENDANTS' MOTION TO
)	DISMISS PURSUANT TO
)	FEDERAL RULE OF CIVIL
)	PROCEDURE 12(b)(6) [27];
VOLVO CAR USA LLC; GREY)	
GLOBAL GROUP INC.; THE BIG)	DEFENDANTS' MOTION TO
PICTURE COMPANY; 1ST AVENUE)	STAY [28]
MACHINE USA, INC.; SCPS)	
UNLIMITED, LLC; BOB)	
PARTINGTON; and DOES 1-10,)	
)	
Defendants.)	

Plaintiff R. Thomas Cannarella ("Plaintiff") claims that Defendants Volvo Car USA LLC ("Volvo"), Grey Global Group Inc. ("Grey Global"), The Big Picture Company ("TBP"), 1st Avenue Machine USA, LLC ("1st Avenue"), SCPS Unlimited, LLC ("SCPS"), and Bob Partington ("Partington") (collectively, "Defendants") improperly infringed his patented system for generating and storing clean energy ("Clean Energy System") and

1 flaunted the infringing technology in a Volvo car
2 commercial. Currently before the Court is: (1)
3 Defendants' Motion to Dismiss Plaintiff's Complaint as
4 to all claims, pursuant to Federal Rule of Civil
5 Procedure 12(b)(6) ("Motion to Dismiss") [27]; and (2)
6 Defendants' Motion to Stay the case pending the outcome
7 of an *inter partes* review ("IPR") proceeding Defendant
8 filed with the United States Patent and Trademark
9 Office ("PTO") ("Motion to Stay") [28].

10 Having reviewed all papers submitted pertaining to
11 these Motions, the Court **NOW FINDS AND RULES AS**
12 **FOLLOWS:** The Court **GRANTS** Defendants' Motion to Dismiss
13 as to all claims in the Complaint **WITHOUT LEAVE TO**
14 **AMEND** the section 1125(a) false advertising, sections
15 17200 & 17500, and unjust enrichment claims. The Court
16 **GRANTS** the Motion to Stay and **STAYS** the proceedings
17 pending the Patent Trial and Appeal Board's ("PTAB")
18 determination in IPR.

19 I. BACKGROUND

20 A. Factual Background

21 Plaintiff is a Professional Engineer with
22 experience in "green energy engineering." Compl. ¶ 11,
23 ECF No. 1. Defendants are various corporate entities
24 and individuals that produced and contributed to
25 commercials featuring a peristaltic energy generation
26 system ("Peristaltic System") that Plaintiff alleges is
27 nearly identical to the Clean Energy System he invented
28 and patented. *Id.* at ¶ 23.

1 Plaintiff realized there was an untapped market to
2 generate and store clean energy from "intermittent
3 pressures existent in the environment," like automobile
4 travel. Id. at ¶ 17. He began working on a system
5 that would take peristaltic compression of
6 fluid-created by pressure from a vehicle passing over
7 flexible tubes—and use the compressed fluid to operate
8 a pneumatic motor or store in a tank for later energy
9 generation. Id. at ¶ 18.

10 On July 31, 2012, the PTO issued Plaintiff United
11 States Patent No. 8,232,661 ("'661 Patent"), titled
12 "System and Method for Generating and Storing Clean
13 Energy." Id. at ¶ 19; Ex. A, ECF No. 1-1. The '661
14 Patent has sixteen different claims, Ex. A at 30, and
15 the technology is described in the abstract as follows:

16 The system for generating and storing clean
17 energy includes a flexible body externally
18 exposed to an intermittent localized pressure.
19 A pair of one-way check valves couple to the
20 flexible body. A first valve is configured to
21 facilitate unidirectional fluid flow into the
22 flexible body and a second valve configured to
23 facilitate unidirectional fluid flow out from
24 the flexible body. A substantially rigid and
25 planar base is positioned between the flexible
26 body and the intermittent localized pressure so
that pressure point peristaltic expansion and
compression cycles along a portion of the
flexible body cause positive fluid displacement
into and out from the flexible body. An energy
generation system in fluid communication with
the flexible body is configured to generate
electrical energy from pressurized fluid
resultant from the peristaltic expansion and
compression cycles.
Ex. A at 1.

27 Plaintiff and his advisors have allegedly invested
28 time and money to design, manufacture, and

1 commercialize the Clean Energy System. Compl. ¶ 21.
2 On August 2, 2011, Plaintiff uploaded a video
3 demonstrating the Clean Energy System features,
4 entitled "Vehicle/Roadway Application of the BNC
5 Charger." Id. Plaintiff claims he has detailed proof
6 of concepts for the BNC Charger (including a roadway
7 embodiment), financial forecasts, and beta site testing
8 estimates. Id.

9 On April 6, 2016, Defendants uploaded a commercial
10 to YouTube, entitled "Highway Robbery | Volvo XC90 T8
11 Twin Engine Hybrid" ("Highway Robbery Commercial").
12 Id. at ¶ 23; Ex. C, available at
13 <https://www.youtube.com/watch?v=c4x0w7juhtw>. In the
14 Highway Robbery Commercial, Defendants feature a
15 Peristaltic System that Plaintiff claims is "nearly
16 identical" to his Clean Energy System, and "falls in
17 the scope of one or more claims in the '661 Patent."
18 Compl. ¶ 23.

19 In the Highway Robbery Commercial, Defendants
20 prominently feature the Volvo XC90 T8 Twin Engine
21 Hybrid vehicle ("Volvo XC90") and claim they "HIJACKED
22 A HIGHWAY IN CALIFORNIA." Id. at ¶¶ 23, 34. Filmed on
23 a highway in Lancaster, the Highway Robbery Commercial
24 shows the Volvo XC90's battery powered by the
25 Peristaltic System and electricity from other cars.
26 Defs.' Mot. to Dismiss ("Mot.") 1:12-13; Compl. Ex C.
27 At one point, the following disclaimer appears along
28 the bottom of the screen: "[p]eristaltic pump energy

1 capture system not available to the general public.”
2 See Ex. C. The Highway Robbery Commercial is marketed
3 to audiences through Volvo’s website, YouTube, and
4 Facebook. Compl. ¶ 36.

5 On April 8, 2016, Defendants uploaded a video to
6 YouTube, entitled “Highway Robbery|Behind the Scenes”
7 (“Behind the Scenes Commercial”) in which they state
8 “SOMETIMES STEALING CAN BE A GOOD THING” and that they
9 “CREATED A TECHNOLOGY TO POWER THE FUTURE,” although
10 per Plaintiff, the Peristaltic System was unable to
11 generate enough energy to fully charge the Volvo XC90
12 in the Highway Robbery Commercial. Id. at ¶¶ 43, 46;
13 available at
14 <https://www.youtube.com/watch?v=pDLR16PvEMk>.

15 Defendants allegedly knew of the ‘661 Patent prior to
16 making the Highway Robbery Commercial or Behind the
17 Scenes Commercial (collectively, “Commercials”), as
18 both feature layout and equipment virtually identical
19 to the ‘661 Patent layout and equipment. Id. at ¶ 44.

20 Defendants allegedly marketed that they invented
21 the Peristaltic System through a variety of platforms.
22 On their website, SCPS states that they “produced the
23 entire system” and “delivered and operated the system
24 on set.” Id. at ¶ 33; Compl. Ex. B at 3. And in the
25 Highway Robbery Commercial, Partington is identified as
26 the “Innovation Architect” of the Peristaltic System.
27 Id. at ¶ 39. On May 14, 2016, Partington was the
28 keynote speaker at an event, and per his biography, his

1 "most recent invention is featured in Volvo's 'Highway
2 Robbery' ad for their new electronic car." Id.; Ex. E
3 at 2. He also claims he is the inventor of the energy
4 system, per his Facebook page. Id. at ¶ 40; Ex. F at
5 2. Lastly, after the Commercials' popularity, Grey
6 Global stated in an interview with AdWeek that they
7 developed a "proprietary hydraulic system from scratch"
8 to generate electronic power. Id. at ¶ 41; Ex. G at 3.

9 Since the Commercials' release, Plaintiff alleges
10 that investors have lost interest in helping
11 commercialize his Clean Energy System, to the
12 "detriment of [his] fragile start-up business." Id. at
13 ¶ 35. Moreover, his contacts have allegedly ceased
14 corresponding with him. Id. He adds that the public
15 now improperly associates Defendants' Peristaltic
16 System as a "custom peristaltic pump" Defendants
17 created. Id. at ¶ 42.

18 **B. Procedural Background**

19 On August 17, 2016, Plaintiff filed a Complaint
20 against Defendants alleging the following: (1) direct
21 infringement of the '661 Patent under 35 U.S.C. §
22 271(a); (2) contributory patent infringement of the
23 '661 Patent under 35 U.S.C. §§ 271(c); (3) false
24 advertising under the Lanham Act, 15 U.S.C. § 1125(a);
25 (4) unfair competition under 15 U.S.C. § 1125(a),
26 California Business & Professions Code §§ 17200 and
27 17500 et seq.; and (5) common-law unjust enrichment.
28 See generally Compl.

1 On August 25, 2016, Defendants petitioned for IPR
2 with the PTO pursuant to 35 U.S.C. §§ 102 and 103,
3 seeking review of the validity of claims 1-10 and 12-16
4 in the '661 Patent.¹ Mot. To Stay Ex. A at 1, 66, ECF
5 No. 28-1. On October 12, 2016, the Court permitted
6 Scott M. Lowry of Lowry Blixseth LLP to withdraw as
7 Counsel for Plaintiff, as Plaintiff wished to proceed
8 *pro se* [25, 30].

9 On October 11, 2016, Defendants filed the Motion to
10 Dismiss [27] and the Motion to Stay [28]. Plaintiff's
11 Opposition to both Motions followed on October 25, 2016
12 [31], and Defendants' Replies were filed on November 1,
13 2016 [34, 35].

14 II. DISCUSSION

15 A. Legal Standard

16 1. Motion to Dismiss

17 Federal Rule of Civil Procedure 12(b)(6) allows a
18 party to move for dismissal of one or more claims if
19 the pleading fails to state a claim upon which relief
20 can be granted. Fed. R. Civ. P. 12(b)(6). A complaint
21 must "contain sufficient factual matter, accepted as
22

23 ¹ After a party has filed a petition requesting *inter partes*
24 review, the patent owner has three months to file a preliminary
25 response opposing the request. 35 U.S.C. § 313. Within three
26 months of the time set for the patent owner's response, the PTO
27 will grant the IPR request if "there is a reasonable likelihood
28 that the petitioner would prevail with respect to at least 1 of
the claims challenged in the petition." 35 U.S.C. § 314(a). If
the PTO grants review, a final determination must be issued "not
later than 1 year" after the petition is granted. 35 U.S.C. §
316(a)(11).

1 true, to state a claim to relief that is plausible on
2 its face." Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
3 (internal quotation marks omitted). Dismissal can be
4 based on a "lack of a cognizable legal theory or the
5 absence of sufficient facts alleged under a cognizable
6 legal theory." Balistreri v. Pacifica Police Dep't,
7 901 F.2d 696, 699 (9th Cir. 1990).

8 In ruling on a 12(b)(6) motion, a court may
9 generally consider only allegations contained in the
10 pleadings, exhibits attached to the complaint, and
11 matters properly subject to judicial notice. Swartz v.
12 KPMG LLP, 476 F.3d 756, 763 (9th Cir. 2007). A court
13 must presume all factual allegations of the complaint
14 to be true and draw all reasonable inferences in favor
15 of the non-moving party. Klarfeld v. United States,
16 944 F.2d 583, 585 (9th Cir. 1991). The question
17 presented by a motion to dismiss is not whether the
18 plaintiff will ultimately prevail, but whether the
19 plaintiff has alleged sufficient factual grounds to
20 support a plausible claim to relief, thereby entitling
21 the plaintiff to offer evidence in support of its
22 claim. Iqbal, 556 U.S. at 678; Swierkiewicz v. Sorema
23 N.A., 534 U.S. 506, 511 (2002). While a complaint need
24 not contain detailed factual allegations, a plaintiff
25 must provide more than "labels and conclusions" or "a
26 formulaic recitation of a cause of action's elements."
27 Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555 (2007)
28 (internal citation omitted).

1 2. Stay Pending Inter Partes Review

2 "Courts have inherent power to manage their dockets
3 and stay proceedings, including the authority to order
4 a stay pending conclusion of a PTO [IPR]." Ethicon,
5 Inc. v. Quigg, 849 F. 2d 1422, 1426-27 (Fed. Cir. 1988)
6 (citations omitted). Although the district court is
7 not required to stay judicial proceedings pending IPR,
8 "there is a liberal policy in favor of granting motions
9 to stay proceedings pending the outcome of [IPR],
10 especially in cases that are still in the initial
11 stages of litigation and where there has been little or
12 no discovery." Nanometrics, Inc. v Nova Measuring
13 Instruments, Ltd., No. C 06-2252 SBA, 2007 WL 627920,
14 at *1 (N.D. Cal. Feb. 26, 2007); but see Aylus
15 Networks, Inc. v. Apple, Inc., No. C-13-4700 EMC, 2014
16 WL 5809053, at *1 (N.D. Cal. Nov. 6, 2014) ("courts . .
17 . have denied stay requests when the PTAB has not yet
18 acted on the petition for review" (citations omitted)).

19 The party moving for a stay bears the burden to
20 persuade the court that a stay is appropriate.
21 Netlist, Inc. v. Smart Storage Sys., Inc., No. 13-cv-
22 5889-YGR, 2014 WL 4145412, at *1 (N.D. Cal. Aug. 21,
23 2014). Three factors are significant in analyzing
24 whether to stay proceedings pending IPR: "(1) whether
25 discovery is complete and whether a trial date has been
26 set; (2) whether a stay will simplify the issues in
27 question and trial of the case; and (3) whether a stay
28 would unduly prejudice or present a clear tactical

1 disadvantage to the nonmoving party." Universal
2 Elecs., 943 F. Supp. 2d at 1030-31.

3 **B. Discussion**

4 1. Motion to Dismiss

5 a. *Direct Patent Infringement (35 U.S.C. §*
6 *271(a))*

7 Plaintiff alleges that, pursuant to 35 U.S.C. §
8 271(a), Defendants are directly and/or indirectly
9 infringing his '661 Patent by "making using, offering
10 to sell, selling and/or importing" a commercial version
11 of the Peristaltic System. Compl. ¶¶ 45, 50-51. These
12 acts are willful, and this system allegedly infringes
13 Plaintiff's Clean Energy System. Id. at ¶ 51.

14 Before deciding whether Plaintiff has adequately
15 pled direct patent infringement, the Court briefly
16 discusses the governing legal standard. The applicable
17 legal standard for a Rule 12(b)(6) motion to dismiss on
18 a direct patent infringement claim has recently
19 undergone a shift. Previously, courts would analyze
20 whether a party sufficiently pled a patent infringement
21 claim by "comparing the allegations in the complaint
22 with Form 18 of the Federal Rules of Civil Procedure."²

23

24 ² Form 18 sets forth sample allegations for a direct patent
25 infringement claim like Plaintiff's: (1) an allegation of
26 jurisdiction; (2) a statement that the plaintiff owns the patent;
27 (3) a statement that defendant has been infringing the patent 'by
28 making, selling, and using [the device] embodying the patent;'
of its infringement; and (5) a demand for an injunction and
damages.

1 E.Digital Corp. v. iBaby Labs, Inc., No.
2 15-cv-05790-JST, 2016 4427209, at *2 (N.D. Cal. Aug.
3 22, 2016); see In re Bill of Lading Transmission &
4 Processing Sys. Patent Litig., 681 F.3d 1323 (Fed. Cir.
5 2012). This practice arose in large part from Federal
6 Rule of Civil Procedure 84, which provided: “[t]he
7 forms contained in the Appendix of Forms are sufficient
8 under the rules and are intended to indicate the
9 simplicity and brevity of statement which the rules
10 contemplate.” Effective December 1, 2015, Rule 84 was
11 abrogated, along with accompanying forms like Form 18.
12 Supreme Court of the United States, Order Regarding
13 Amendments to the Federal Rules of Civil Procedure
14 (U.S. Apr. 29, 2015),
15 (<https://www.supremecourt.gov/orders/courtorders/frcv15>
16 [update](https://www.supremecourt.gov/orders/courtorders/frcv15))_1823.pdf.)

17 In the void left by Rule 84 and Form 18, district
18 courts have decided that direct patent infringement
19 claims in a Motion to Dismiss are now governed by the
20 Twombly/Iqbal pleading standards, and must recite at
21 least a facially plausible claim to relief. Simply
22 put, “the normal Twombly and Iqbal rules now apply with
23 equal force in the patent realm.” TeleSign Corp. v.
24 Twilio, Inc., CV 16-2106 PSG (Ssx), 2016 WL 4703873, at
25 *2 (C.D. Cal. Aug. 3, 2016) (collecting cases).

26 In spite of the greater specificity now demanded of
27 a direct patent infringement claim, Plaintiff’s
28 Complaint regresses to the minimal assertions

1 previously acceptable under the Rule 84/Form 18 regime.
2 Under section 271(a), "whoever without authority makes,
3 uses, offers to sell, or sells any patented invention,
4 within the United States . . . infringes the patent."
5 Plaintiff regurgitates this language, stating that
6 Defendants are "making, using, [and] offering to sell"
7 their Peristaltic System infringing his '661 Patent.
8 Compl. ¶ 50. "[I]t is clear that Plaintiff's
9 allegations are too conclusory when they merely allege
10 that each Defendant is directly infringing 'by making,
11 using, selling, offering to sell, or importing'
12 technology that infringes Plaintiff's method patent."
13 Proxyconn Inc. v. Microsoft Corp., No. CV-11-1681-DOC-
14 ANx, 2012 WL 1835680, at *4 (C.D. Cal. May 16, 2012).

15 At first blush, Plaintiff's Complaint would
16 previously have been safe under Form 18, as he states
17 he is the owner of the '661 Patent, Compl. ¶ 19, and
18 demands damages and an injunction under 35 U.S.C. §§
19 283, 284. Id. at 53-54. But overall, Plaintiff's
20 Complaint does not measure up, even under Form 18's
21 more forgiving standard. For instance, Form 18
22 requires an allegation that Plaintiff gave Defendants
23 notice of their infringement. Beyond remarking that he
24 contacted Defendants after the Highway Robbery
25 Commercial to "inquire" who designed and developed the
26 energy system, id. at ¶¶ 24-25, Plaintiff—from the four
27 corners of his Complaint—did not provide said notice of
28 Defendants' infringement.

1 Likewise, Plaintiff's Complaint fails to state a
2 claim for relief under the heightened Twombly/Iqbal
3 pleading standards. Defendants argue that Plaintiff's
4 direct infringement claim lacks factual allegations
5 showing how Defendants' Peristaltic System "embod[ies]
6 or practice[s] each and every element of any one of the
7 asserted claims." Mot. 15:5-6. The Court agrees.
8 "[I]n the post-Form 18 world, a plaintiff must include
9 allegations sufficient to permit the court to infer
10 that the accused product infringes each element of at
11 least one claim." TeleSign Corp., 2016 4703873, at *3
12 (internal quotations omitted).

13 Plaintiff's allegations keep Defendants—and the
14 Court—in the dark as to how the Peristaltic System
15 infringes what, if any, elements and/or claim(s) of the
16 '661 Patent. In the Complaint, Plaintiff states that
17 Defendants' Peristaltic System is "nearly identical" to
18 his '661 Patent, and "falls within the scope of one or
19 more claims of the '661 Patent." Compl. ¶ 23. This
20 cursory line, buried in eighteen pages of the
21 Complaint, provides no roadmap as to which of the
22 sixteen claims in the '661 Patent, and their
23 corresponding elements, are performed by the
24 Peristaltic System. While it would be desirable for
25 Plaintiff to identify every asserted claim that
26 Defendants' Peristaltic System performs, Plaintiff can
27 skate by on pleading infringement of *at least* one
28 claim. Atlas IP LLC v. Pac. Gas & Elec. Co., No.

1 15-cv-05469-EDL, 2016 1719545, *5 (N.D. Cal. Mar. 9,
2 2016). Plaintiff's allegation is even more fraught
3 with ambiguity than the Atlas plaintiff's overly broad
4 effort to claim that multiple products performed all
5 elements of one claim. Cf. Atlas, 2016 1719545, at *2
6 (reciting some elements of a representative claim and
7 generally describing an accused product—without tying
8 its operation to any claim—is inadequate under a motion
9 to dismiss). As such, Plaintiff fails to state a claim
10 for relief on his section 271(a) direct infringement
11 claim.

12 i. *Indirect Patent Infringement*

13 There are two theories of indirect patent
14 infringement: (1) induced infringement under 35 U.S.C.
15 § 271(b); and (2) contributory infringement under
16 section 271(c). Emblaze Ltd v. Apple Inc., No. C 11-
17 01079 SBA, 2012 WL 5940782, at *5 (N.D. Cal. Nov. 27,
18 2012). In his direct infringement section 271(a)
19 allegations, Plaintiff adds that Defendants are
20 "indirectly" infringing his Clean Energy System.
21 Compl. ¶ 50.³

22 To prevail on an indirect infringement claim, "the
23 patentee must establish first that there has been
24

25 ³ Plaintiff appears only to allege indirect infringement
26 under a section 271(c) contributory infringement theory rather
27 than under section 271(b) induced infringement, but to the extent
28 Plaintiff asserts an induced infringement claim, he has failed to
raise facts showing how Defendants "actively induced infringement
with the knowledge that the induced acts constitute patent
infringement." Emblaze, 2012 WL 5940782, at *7.

1 direct infringement." Ziptronix, Inc. v. Omnivision
2 Techs., Inc., No. C 10-5525 SBA, 2011 WL 5416187, at *4
3 (N.D. Cal. Nov. 8, 2011). Plaintiff has failed to
4 elicit facts supporting direct infringement, as
5 discussed above. But even assuming Plaintiff had set
6 forth a plausible claim for direct infringement, the
7 indirect infringement claim cannot survive a motion to
8 dismiss. Plaintiff argues that Defendants knew of the
9 '661 Patent at least before making the Commercials
10 because both videos "show and reference layout and
11 equipment virtually identical to the layout and
12 equipment disclosed in the '661 Patent." Compl. ¶ 44.
13 While the Court should draw all reasonable inferences
14 in favor of Plaintiff (the non-moving party), inferring
15 Defendants' knowledge from this one allegation would
16 lead to "[f]erretting out the most likely reason for []
17 defendants' actions . . . [and this] "is not
18 appropriate at the pleadings stage." Watson Carpet &
19 floor Covering, Inc. v. Mohawk Indus., Inc., 658 F.3d
20 452, 458 (6th Cir. 2011).

21 b. *Contributory Patent Infringement* (35
22 *U.S.C. § 271(c)*)

23 Plaintiff alleges that "third parties have used"
24 Defendants' allegedly infringing Peristaltic System,
25 and Defendants have contributed to third parties'
26 infringement of his '661 Patent by continuing to make
27 and use its Peristaltic System. Compl. ¶ 56-57.

28 Contributory infringement arises "if a party sells

1 or offers to sell, a material or apparatus for use in
2 practicing a patented process, and that material or
3 apparatus is material to practicing the invention, has
4 no substantial non-infringing uses, and is known by the
5 party to be especially made or especially adapted for
6 use in an infringement of such patent." In re Bill of
7 Lading, 681 F.3d at 1336 (citing 35 U.S.C. §
8 271(c))(internal quotations omitted).

9 To be fair, Plaintiff has averred that Defendants
10 sold a "commercial version" of their energy system in
11 the United States. Compl. ¶ 45. But Plaintiff does
12 not allege where and how Defendants sold a component of
13 a patented machine or what, if any, material or
14 apparatus was used. Indeed, Plaintiff appears to
15 parrot the language of section 271(c), as he did for
16 his direct infringement claim. This boilerplate
17 language smacks of Rule 84/Form 18 leniency, which is
18 not applicable to contributory infringement claims.⁴

19 The Complaint also fails to plead factual
20 allegations regarding which component of Defendants'
21 Peristaltic System is a "material part" of the
22 invention claimed in the '661 Patent. Fujitsu Ltd. v.
23 Netgear Inc., 620 F.3d 1321, 1326 (Fed. Cir. 2010)).

24
25 ⁴ Twombly/Iqbal pleading standards also apply to Defendants'
26 indirect infringement and contributory infringement claims, as
27 "[f]orm 18 [did not previously] determine the sufficiency of
28 pleading for claims of indirect infringement." Superior Indus.,
LLC v. Thor Global Enter. Ltd., 700 F.3d 1287, 1295 (Fed. Cir.
2012).

1 In Enthone Inc. v. BASF Corp., 126 F. Supp. 3d 281, 289
2 (N.D.N.Y. 2015), plaintiff alleged that defendant's
3 electrolytic copper plating products "constitute a
4 material part of the invention claimed in the '786
5 Patent." The plaintiff insisted that it provided a
6 "detailed recitation of how and why the specific
7 suppressor in [defendant's] accused products infringes
8 the Patents-In-Suit." Id. at 288. The court was not
9 persuaded. Although plaintiff pointed to parts of the
10 complaint where it described the functioning process of
11 the specific suppressors, there was no allegation that
12 "superfilling cannot be accomplished absent the
13 specific suppressor agent." Id. at 289 (internal
14 quotations omitted). Plaintiff's Complaint cannot even
15 get off the ground, as it is bereft of even a minimal
16 statement identifying the material part of the
17 Peristaltic System. And unlike the plaintiff in
18 Enthone, Plaintiff does not even try to describe the
19 functioning process of his Clean Energy System, let
20 alone how its operation is worthless without some
21 material part.

22 Finally, Plaintiff's contributory infringement
23 claim is untenable, as he fails to allege any
24 substantial non-infringing use of Defendants'
25 "component." The inquiry "focuses on whether the
26 accused product can be used for purposes *other than*
27 infringement." In re Bill of Lading, 681 F.3d at 1388
28 (emphasis in original). A "substantial, non-infringing

1 use is any use that is not unusual, far-fetched,
2 illusory, impractical, occasional, aberrant or
3 experimental." Id. at 1337.

4 Nowhere in the Complaint, let alone in the specific
5 allegations under section 271(c), does Plaintiff even
6 state that Defendants' Peristaltic System lacks
7 substantial non-infringing uses. At the very least,
8 Plaintiff could have indicated that Defendants'
9 Peristaltic System components had no substantial
10 noninfringing use other than to practice the '661
11 Patent's claimed methods. Instead, Plaintiff rests on
12 the formulaic recitation that the Peristaltic System is
13 "nearly identical" to the '661 Patent.

14 "Like induced infringement, contributory
15 infringement requires knowledge of the patent in suit
16 and knowledge of patent infringement." Commil USA, LLC
17 v. Cisco Sys., Inc., 135 S. Ct. 1920, 1926 (2015). As
18 previously mentioned, Plaintiff has not sufficiently
19 pled the knowledge element in either the indirect
20 infringement or contributory infringement claims.

21 c. *Lanham Act False Advertising (15 U.S.C. §*
22 *1125(a))*

23 Plaintiff avers that Defendants' Commercials
24 constitute a false advertisement under section
25 1125(a)(1)(B)⁵ of the Lanham Act, as they

26

27 ⁵ Section 1125(a)(1)(B) provides: "Any person who, on or in
28 connection with any goods or services, or any container for
goods, uses in commerce any word, term, name, symbol, or device,

1 "misrepresent[] the nature, characteristics and
2 qualities of [Defendants' Peristaltic System], and/or
3 [are] designed to deceive a substantial segment of
4 consumers into believing that Defendants have
5 successfully made and used a peristaltic energy
6 generation system that can reliably charge the [Volvo
7 XC90]." Compl. ¶ 60.

8 A claim for false advertising under the Lanham Act
9 consists of the following: (1) defendants' false
10 statement of fact in a commercial advertisement about
11 its own or another's product; (2) the statement
12 actually or tended to deceive a substantial segment of
13 its audience; (3) the deception is material and is
14 likely to influence a purchasing decision; (4)
15 defendants caused the false statement to enter
16 interstate commerce; and (5) the plaintiff is or is
17 likely to be injured due to the false statement,
18 whether through direct diversion of sales or by a
19 lessening of goodwill associated with plaintiff's
20 products. Skydive Ariz., Inc. v. Quattrocchi, 673 F.3d
21 1105, 1110 (9th Cir. 2012).

22 ///

23 ///

24

25

26 or any combination thereof, or any false designation of origin,
27 false or misleading description of fact, or false or misleading
28 representation of fact, which . . . (B) in commercial advertising
or promotion, misrepresents the nature, characteristics,
qualities or geographic origin of his or her or another person's
goods, services, or commercial activities."

1 i. *False Statement of Fact*

2 To establish falsity under section 1125(a), a
3 plaintiff must show either that the advertisement was
4 literally false, or that it was true but likely to
5 mislead consumers. Southland Sod Farms v. Stover Seed
6 Co., 108 F.3d 1134, 1139 (9th Cir. 1997).

7 Per Plaintiff, Defendants' Peristaltic System
8 cannot charge the Volvo XC90 in the time suggested in
9 the commercial, nor do Defendants present calculations,
10 evaluations, or analysis to substantiate these
11 statements. Compl. ¶ 61. The Complaint also
12 identifies several other categories of purportedly
13 false statements made about Defendants' Peristaltic
14 System: (1) claims of inventorship; (2) statements to
15 the media; (3) and statements made about the
16 Peristaltic System during the Commercials.

17 Defendants argue that in the Commercials, they
18 never made representations about the performance or
19 reliability of their Peristaltic System. Mot. 8:17-19.
20 In fact, the system was a "single-use prop" engineered
21 exclusively for advertising the Volvo CX90. Id. at
22 8:19-20. The Court agrees. In the Highway Robbery
23 Commercial, text along the bottom of the screen informs
24 the viewer that "[the] [p]eristaltic pump energy
25 capture system [is] not available to the general
26 public." See Compl. ¶ 23; Ex. C, available at

27 ///

28 ///

1 <https://www.youtube.com/watch?v=c4x0w7juhtw>.⁶

2 It is difficult to reconcile Defendants'
3 disclaimer—that the Peristaltic System is not for
4 sale—with section 1125(a)'s requirement that the false
5 statement is tied to goods, services, or items used in
6 commerce. Indeed, the end of the commercial
7 "introduc[es] the 400HP, XC90 T8 Plug-In Hybrid," not
8 the Peristaltic System. Even taking Plaintiff's
9 allegation—that Defendants cannot reliably charge the
10 Volvo XC90 in the time indicated—at face value, and
11 assuming that this statement was likely to mislead
12 viewers into thinking the Peristaltic System rapidly
13 charges the car, other statements in the Commercials
14 dispel these alleged misrepresentations. Compl. ¶ 61.
15 The Highway Robbery Commercial is styled as more of a
16 viral marketing video where Defendants use the
17 Peristaltic System as a gimmick to showcase the Volvo
18 XC90 and its potential to charge.

19 Plaintiff's other allegedly false statements also
20 cannot survive the Motion to Dismiss, as they are
21 typically non-actionable for a false advertising claim.

22
23 ⁶ In a motion to dismiss, the "incorporation by reference"
24 doctrine permits the court to consider documents outside the
25 complaint or the attached exhibits; for instance, when the
26 "plaintiff's claim depends on the contents of a document . . .
27 even though the plaintiff does not explicitly allege the contents
28 of that document in the complaint." Knieval v. ESPN, 393 F.3d
1068, 1076-77 (9th Cir. 2005). Under the incorporation by
reference doctrine, the Court refers to the disclaimer in the
full Highway Robbery Commercial, as it is part of the
commercial's overall content, which is essential to Plaintiff's
claims.

1 For instance, Plaintiff avers that Partington "falsely
2 states" on his Facebook page that he is the inventor of
3 Defendants' Peristaltic System. Compl. ¶ 40; Ex. F at
4 2. He also is identified in the Highway Robbery
5 Commercial as the Peristaltic System's "Innovation
6 Architect," Compl. ¶ 39, and his biography at a recent
7 keynote address indicates that his "most recent
8 invention" was featured in the Commercials. Id. at ¶
9 39; Ex. E at 2.

10 Courts have rejected false advertising claims, like
11 Plaintiff's, based on statements that one is the
12 inventor or producer of "innovative" technology. See
13 Baden Sports, Inc. v. Molten USA, Inc., 556 F.3d 1300,
14 1303, 1307 (Fed. Cir. 2009) (the statement, "dual
15 cushion technology [in basketballs was] a Molten
16 innovation," was insufficient to establish a false
17 advertising claim because general averments of
18 ownership and authorship are not a nature,
19 characteristic, or quality, as used in section
20 1125(a)(1)(B)); see also Sybersound Records, Inc. v.
21 UAV Corp., 517 F.3d 1137, 1145 (9th Cir. 2008)
22 (upholding dismissal of a section 1125(a) false
23 advertising claim, as the "licensing status" of a
24 copyright work, similar to claimed inventorship, is not
25 akin to the "nature, characteristics, or qualities" of
26 a product).

27 In essence, Plaintiff tries to cobble together
28 varied statements—that Partington is the "inventor" of

1 the Peristaltic System—in support of his false
2 advertising claim. At this stage in the pleadings,
3 threadbare mentions of Partington as the inventor or
4 innovator, without more, are insufficient to surmount
5 compelling caselaw foreclosing a false advertisement
6 claim on nearly identical arguments.

7 Plaintiff has also failed to allege a false
8 statement of fact in the Commercials or their
9 associated marketing. Per Plaintiff, Grey Global's CEO
10 falsely stated in an interview with AdWeek that Grey
11 Global "develop[ed] [their] own proprietary hydraulic
12 system from scratch" Compl. ¶ 10; Ex. G at 3.

13 Commercial advertising can be actionable under the
14 Lanham Act if the statement is: (1) commercial speech;
15 (2) by plaintiff's commercial competitor; (3) for the
16 purpose of influencing customers to buy defendant's
17 goods or services; and (4) sufficiently disseminated to
18 the relevant purchasing public to constitute
19 advertising. Rice v. Fox Broad. Co., 330 F.3d 1170,
20 1181 (9th Cir. 2003).

21 Grey Global's statements tend more towards the
22 noncommercial, protected end of the spectrum. It is
23 true that the AdWeek article was sufficiently
24 disseminated to the purchasing public, but the
25 statements do not necessarily refer to a commercial
26 product, and it is unclear whether Defendants are
27 Plaintiff's commercial competitor. Indeed, the article
28 can be construed as promotional material generating

1 interest in the viral video and its production, not
2 "typical advertising" material. Nat'l Servs. Group,
3 Inc. v. Painting & Decorating Contractors of Am., Inc.,
4 SACV06-563CJC(ANX), 2006 WL 2035465, at *5 (C.D. Cal.
5 July 18, 2006). The article discusses Grey Global's
6 development of the "proprietary hydraulic system" not
7 to promote the Peristaltic System as a commercial
8 product, but rather to promote the Volvo XC90. Indeed,
9 nowhere in the article is the Peristaltic System
10 referenced as a consumable product. Moreover,
11 Defendants follow-up the purportedly false commercial
12 statement with one that is more so a non-actionable,
13 public-interest type of comment: "[w]e're posing big
14 questions as we seek out new, fresh ways . . . [to]
15 enable the future of driving." Compl. Ex. H at 2; Cf.
16 Painting & Decorating Contractors, 2006 WL 2035465, at
17 *1, *5 (finding non-commercial speech where the
18 advertisement "discuss[ed] issues affecting the
19 painting industry" and informed members of their
20 economic interests.)

21 Even if Grey Global's statement was made to
22 influence customers or stemmed from an "economic or
23 commercial motivation" to have customers buy Volvo's
24 products—whether the Volvo XC90 or the Peristaltic
25 System—the statement is bookended by statements hyping
26 up public interest in the Highway Robbery stunt, or
27 non-actionable statements of puffery referring to the
28 Volvo XC90 as a "twin-engine thief that steals power

1 from other vehicles." Because the "commercially-
2 motivated statements [are] inextricably intertwined
3 with otherwise fully protected speech," Painting &
4 Decorating Contractors, 2006 WL 2035465, at *5, they
5 may be non-actionable for purposes of a Motion to
6 Dismiss.

7 Plaintiff also alleges that Defendants perpetuated
8 false statements by stating that "[Defendants] CREATED
9 A TECHNOLOGY TO POWER THE FUTURE," even though
10 Defendants' Peristaltic System "could not generate
11 enough energy to fully charge the [Volvo XC90] in the
12 manner represented in the [Commercials]." Compl. ¶¶
13 43, 46. Defendants charge that the statements at issue
14 are mere puffery, not actionable under the Lanham Act.
15 Mot. 10:1-2.

16 "District courts often resolve whether a statement
17 is puffery when considering a motion to dismiss."
18 Cook, Perkiss, & Liehe, Inc. v. N. Cal. Collection
19 Serv. Inc., 911 F.2d 242, 245 (9th Cir. 1990). The
20 touchstone of whether an advertising statement is
21 puffery is whether the claims are "either vague or
22 highly subjective." Sterling Drug, Inc. v. FTC, 741
23 F.2d 1146, 1150 (9th Cir. 1984). "The common theme [in
24 puffery cases] is that consumer reliance will be
25 induced by specific rather than general assertions."
26 Cook, 911 F.2d at 246.

27 Defendants' representation, that they created a
28 "TECHNOLOGY TO POWER THE FUTURE," is nonactionable

1 puffery, primarily because it is "exaggerated
2 advertising, blustering, and boasting upon which no
3 reasonable buyer would rely." Southland Sod Farms, 108
4 F.3d at 1145. The Complaint does circle the issue of
5 falsity when it states that Defendants made this
6 statement despite their Peristaltic System's inability
7 to fully charge the Volvo XC90. Compl. ¶ 46. But
8 Plaintiff cannot ground this boastful, generalized
9 statement—that is not actually about the Peristaltic
10 System's services—with allegations that a reasonable
11 consumer would actually rely upon this statement
12 regarding the Peristaltic System's functionality. Cf.
13 L.A. Taxi Cooperative, Inc. v. Uber Techs., Inc., 114
14 F. Supp. 3d 852, 861 (N.D. Cal. 2015) (statement that
15 Uber is "GOING THE DISTANCE TO PUT PEOPLE FIRST" is
16 exaggerated slogan upon which a consumer would not
17 reasonably rely because it did not make a specific
18 claim about Uber's services).

19 The overall flavor of Plaintiff's false advertising
20 claim is to use the magic word "false" and then slap
21 down verbatim quotes Defendants made in the commercial,
22 on social media, and in advertisements. This is
23 precisely the formulaic recitation of elements that
24 counsels in favor of granting Defendants' Motion to
25 Dismiss.

26 ii. *Remaining False Advertising Factors*

27 Although Plaintiff's false advertising claim
28 collapses by virtue of his failure to plead a "false

1 statement of fact," the Court nonetheless briefly
2 addresses why he has failed to state a claim under the
3 remaining elements.

4 Plaintiff alleges that Defendants' Commercials are
5 "designed to deceive a substantial segment of consumers
6 into believing that the Defendants have successfully
7 made and used a peristaltic energy generation system
8 that can reliably charge the Volvo XC90." Compl. ¶ 61.
9 When representations are literally false, "the
10 statements carry with them the presumption that
11 consumers relied on and were deceived by them." U-Haul
12 Int'l, Inc. v. Jartran, Inc., 793 F.2d 1034, 1040-41
13 (9th Cir. 1986). Again, Plaintiff fails to bridge the
14 gap between the Commercials that were a viral stunt
15 advertising the Volvo CX90 and his allegation that
16 Defendants are perpetuating a falsity about the
17 Peristaltic System (which is not even offered for sale
18 and serves as more of a gimmick for a car
19 advertisement).

20 Plaintiff provides the unsupported legal conclusion
21 that the deception is "material in that it "has
22 influence[] and will continue to influence, consumer
23 purchasing decisions." Stahl Law Firm v. Judicate
24 West, C13-1668 THE, 2013 WL 6200245, at *7 (N.D. Cal.
25 Nov. 27, 2013) (misleading statements were "material,
26 in that they were likely to influence" was little more
27 than a legal conclusion without supporting factual
28 allegations).

1 Plaintiff has also failed to allege facts showing
2 injury, whether through direct diversion of sales or
3 lessening of goodwill. Plaintiff conclusorily states
4 that he will receive injury to his "business,
5 relationships, reputation, and goodwill," but nowhere
6 does he set forth factual allegations regarding direct
7 diversion of sales. Compl. ¶ 65. Also problematic for
8 Plaintiff is the fact that the Peristaltic System has
9 not been offered for sale. Even if it was, Plaintiff
10 has not alleged a commercial injury flowing from
11 hypothetical sales. Plaintiff's allegations are
12 markedly barren even in comparison to the allegations
13 in Stahl, 2013 WL 6200245, at *7 (granting motion to
14 dismiss where plaintiff claimed it was likely to be
15 injured by a competitor, as both compete in the same
16 San Francisco market, and "vie for sales of mediation
17 services.") Plaintiff is on even worse footing than
18 the plaintiff in Stahl, as he has not even alleged how
19 he competes with Defendant, let alone how any of the
20 allegedly false statements divert sales. Compl. ¶ 35
21 ("interest from [Plaintiff's] partners/investors has
22 significantly slowed down . . . additional contacts
23 have since largely ceased corresponding with
24 Plaintiff."). Based on the above, the Court grants
25 Defendants' Motion to Dismiss as to the section 1125(a)
26 false advertising claim.

27 ///

28 ///

1 d. *Unfair Competition*

2 The Ninth Circuit has held that "actions pursuant
3 to state common law claims of unfair competition and
4 actions pursuant to California Business and Professions
5 Code § 17200 are substantially congruent to claims made
6 under the Lanham Act." Cleary v. News Corp., 30 F.3d
7 1255, 1262-63 (9th Cir. 1994) (internal quotations
8 omitted); Japan Telecom., Inc. v. Japan Telecom Am.
9 Inc., 287 F.3d 866, 875 (9th Cir. 2002) (plaintiff's
10 "California unfair competition claim fails because its
11 related Lanham Act claims fail").

12 Even if the Court were to measure whether Plaintiff
13 has stated a claim under section 17200 of California's
14 Unfair Competition Law ("UCL"), Plaintiff would still
15 fail under the Twombly/Iqbal pleading requirements.
16 Plaintiff must show either an (1) unlawful, unfair, or
17 fraudulent business act or practice; or (2) unfair,
18 deceptive, or misleading advertising. Raymond James
19 Fin. Servs., 340 F.3d 1033, 1043 (9th Cir. 2003).
20 Plaintiff does little more than formulaically recite
21 these elements, and largely rests his factual
22 allegations on statements the Court has already
23 determined are insufficiently false or deceptive.
24 Compl. ¶ 65 ("Defendant's false and misleading
25 advertising constitute . . . deceptive and unfair
26 competition . . . under Cal. Bus. & Prof. Code §§ 17200
27 and 17500.") This is not enough to survive a Motion to
28 Dismiss.

1 e. *Unjust Enrichment*

2 Plaintiff's unjust enrichment claim states that
3 Defendants' misappropriation of the '661 Patent and
4 false advertising have caused Defendants to benefit
5 from increased sales, profits, market share, consumer
6 base, reputation, and goodwill in the "green
7 technology" industry to Plaintiff's detriment. Compl.
8 ¶¶ 69, 70.

9 Plaintiff's unjust enrichment claim fares no better
10 than his unfair competition claim. For starters, the
11 unjust enrichment and unfair competition claims hinge
12 on the same facts, such that failure of a state-law
13 unfair competition or false advertising claim may
14 foreclose restitutionary relief under unjust
15 enrichment. See Girard v. Toyota Motor Sales, U.S.A.,
16 Inc., 316 F. App'x 561, 563 (9th Cir. 2008). And the
17 Federal Circuit has stated that a state-law unjust
18 enrichment claim is preempted by federal patent law.
19 Ultra-Precision Mfg. v. Ford Motor Co., 411 F.3d 1369,
20 1379 (Fed. Cir. 2005).⁷ As such, the unjust enrichment
21

22 ⁷ Plaintiff's unjust enrichment claim still fails even
23 without the preemption and failed unfair-competition arguments.
24 Per California law, the elements of unjust enrichment are: (1)
25 receipt of a benefit; and (2) unjust retention of the benefit at
26 the expense of another. In re ConAgra Foods, Inc., 908 F. Supp.
27 2d 1090, 1113 (C.D. Cal. 2012). Defendants' purported benefit
28 is increased sales, market share, and reputation from using the
'661 Patent technology at the expense of Plaintiff's goodwill and
sales. Plaintiff's Complaint is flawed for the same reasons as
in the "economic injury" element of the false advertising claim:
the Complaint does not show how Defendants' received a benefit
when they purportedly did not offer their Peristaltic System for

1 claim should be dismissed for failure to state a claim.

2 f. *Leave to Amend*

3 Federal Rule of Civil Procedure 15(a) provides that
4 a party may amend their complaint once "as a matter of
5 course" before a responsive pleading is served. Fed.
6 R. Civ. P. 15(a). After that, the "party may amend the
7 party's pleading only by leave of court or by written
8 consent of the adverse party and leave shall be freely
9 given when justice so requires." *Id.* "Rule 15's
10 policy of favoring amendments to pleadings should be
11 applied with 'extreme liberality.'" United States v.
12 Webb, 655 F.2d 977, 979 (9th Cir. 1981) (internal
13 quotations omitted). But if in a motion to dismiss,
14 any amendment to the pleadings would be futile, leave
15 to amend should not be granted. Bush v. Liberty Life
16 Assurance Company of Boston, 77 F. Supp. 3d 900, 906-07
17 (N.D. Cal. 2015).

18 While Rule 15's policy of favoring amendments "is
19 applied even more liberally to *pro se* litigants,"
20 Eldridge v. Block, 832 F.2d 1132, 1135 (9th Cir. 1987),
21 the Court has strong misgivings that—for his false
22 advertising and related state-law claims—Plaintiff will
23 be able to surmount the fact that Defendants'
24 Peristaltic System has not been offered for sale or the
25 fact that the false advertising claim is mired with
26 non-actionable statements. Cf. Partington v. Bugliosi,

27

28 sale, nor does it show how benefits were diverted from Plaintiff.

1 56 F.3d 1147 (9th Cir. 1995) (affirming dismissal of
2 false light claims, as they were non-actionable under
3 the First Amendment). Affording Plaintiff the chance
4 to amend his Complaint is likely to raise even more
5 baseless allegations, is unlikely to cure the current
6 deficiencies, and even more unlikely to render
7 Plaintiff's Complaint "plausible on its face." ZL
8 Techs., Inc. v. Gardner, Inc., No. CV 09-02393 JF (RS),
9 2009 WL 3706821, at *13 (N.D. Cal. Nov. 4, 2009). As
10 such, leave to amend will be denied as to the section
11 1125(a) false advertising claim. And because "the
12 Court can discern no way in which additional factual
13 allegations could cure the deficiencies" in the related
14 state-law unfair competition and unjust enrichment
15 claims, the Court also denies leave to amend as to
16 those claims. Id. at *n.7.

17 g. *Settlement Discussions*

18 In their Motion to Dismiss, Defendants request
19 that, pursuant to Federal Rule of Civil Procedure
20 12(f),⁸ the Court strike paragraphs 24-32 of Plaintiff's
21 Complaint, which detail the parties' alleged settlement
22 negotiations in the lawsuit. Mot. 17:5-7. Because the
23 Court grants Defendants' Motion to Dismiss as to all
24 claims, and thus Plaintiff's Complaint in its entirety,
25 the Court **DENIES** Defendants' Motion to Strike as **MOOT**.

26

27 ⁸ According to Rule 12(f), "The court may strike from a
28 pleading an insufficient defense or any redundant, immaterial,
impertinent, or scandalous matter."

1 2. Motion to Stay

2 The Court now decides whether to grant Defendants'
3 Motion to Stay, based on the three factors: (1) stage
4 of litigation; (2) simplification of issues; and (3)
5 undue prejudice or clear tactical advantage.

6 a. *Stage of the Litigation*

7 The first issue is whether the litigation has
8 progressed significantly such that a stay would be
9 disfavored. The status of discovery, claim
10 construction, trial setting, and the Court's
11 expenditure of resources are all relevant
12 considerations. See Universal, 943 F. Supp. 2d at
13 1031-32.

14 This factor weighs soundly in favor of granting the
15 Motion to Stay. The case is in its procedural infancy,
16 as the Complaint was filed on August 17, 2016, and only
17 the Motion to Dismiss and Motion to Stay have been
18 filed thus far. No discovery has taken place, the
19 Court has not even issued a Scheduling Order setting
20 dates for claim construction and a Markman hearing, and
21 Defendants wasted little time filing their IPR petition
22 on August 25, less than a week after Plaintiff filed
23 the Complaint. If anything, this is the quintessential
24 patent case in the infancy of its proceedings, and
25 courts have concluded this factor weighs in favor of a
26 stay even when the parties are significantly more
27 immersed in litigation. See PersonalWeb Techs., LLC v.
28 Apple Inc., 69 F. Supp. 3d 1022 (N.D. Cal. 2014)(stage-

1 of-litigation factor weighed in favor of stay even when
2 parties exchanged over 150 written discovery requests
3 and took over a dozen depositions because the parties
4 had yet to undertake the more significant, costly
5 stages of litigation).

6 The Court is also satisfied that staying the case
7 is not premature, even though the PTO has yet to grant
8 the petition and institute IPR proceedings, let alone
9 reach the merits of the IPR. "It is not uncommon for
10 [courts] to grant stays pending reexamination prior to
11 the PTO deciding to reexamine the patent." Pragmatus
12 AV, LLC v. Facebook, Inc., No. 11-CV-02168-EJD, 2011 WL
13 4802958, at *3 (N.D. Cal. Oct. 11, 2011) (collecting
14 cases).

15 b. *Simplification of Issues*

16 The next issue is whether granting the stay will
17 simplify the issues in question and trial of the case.
18 A stay is favored where "the outcome of the
19 reexamination would be likely to assist the court in
20 determining patent validity and, if the claims were
21 canceled in the reexamination, would eliminate the need
22 to try the infringement issue." Evolutionary
23 Intelligence, LLC v. Apple, Inc., No. C 13-04201 WHA,
24 2014 WL 93954, at *2 (N.D. Cal. Jan. 9, 2014)
25 (citations omitted).

26 Here, the '661 Patent has sixteen claims and
27 Defendants have petitioned for IPR of claims 1-10 and
28 12-16. Mot. to Stay Ex. A at 64. While a patentee

1 loses any cause of action based on a canceled claim,
2 this is more so true when a party has sought PTO review
3 of all asserted claims in the patent-in-suit. See
4 Verinata Health, Inc. v. Ariosa Diagnostics, Inc., No.
5 C 12-05501 SI, 2014 WL 121640, at *2 (N.D. Cal. Jan.
6 13, 2014). But a court can still conclude that issues
7 will be simplified even when not all claims are
8 reviewed. Limestone v. Micron Tech., SA CV 15-0278-DOC
9 (RNBx), 2016 WL 3598109, at *4 (C.D. Cal. Jan. 12,
10 2016) ("Because Defendants have petitioned for review
11 of nearly all claims [twenty-three of twenty-six]
12 asserted in the action, the [IPR] has the potential to
13 significantly narrow the scope and complexity of the
14 litigation.")

15 The IPR determination will also prevent unnecessary
16 waste of court and party resources. It will resolve
17 whether Plaintiff's patent infringement claims can
18 stand, as they are inextricably bound with the IPR's
19 resolution of the patent validity. And because Volvo
20 and Grey Global agreed to be bound by the IPR results
21 and that statutory estoppel would attach, they will not
22 be able to reargue invalidity on the grounds the PTO
23 rejects, thus preventing unnecessary litigation post-
24 IPR. Mot. to Stay 1:27-2:4. Although the pending
25 status of the IPR clouds the simplification-of-issues
26 inquiry, review of nearly all claims for the sole
27 patent at issue in this case at least tips this factor
28 in favor of granting the Motion to Stay.

1 c. *Undue Prejudice or Clear Tactical*
2 *Advantage*

3 The Court considers "whether a stay would unduly
4 prejudice or present a clear tactical disadvantage to
5 the nonmoving party." Universal, 943 F. Supp. 2d at
6 1034 (citations omitted). A court can also consider
7 four sub-factors: "(1) the timing of the review
8 request; (2) the timing of the request for stay; (3)
9 the status of the review proceedings; and (4) the
10 relationship of the parties." Davol, Inc. v. Atrium
11 Med. Corp., No. 12-958-GMS, 2013 WL 3013343, at *2 (D.
12 Del. June 17, 2013).

13 As discussed above, Defendants filed the petition
14 for review less than a week after Plaintiff's
15 Complaint, and filed the Motion to Stay on October 11,
16 less than two months after the Complaint was filed.
17 This is a far cry from waiting for "the eve of trial or
18 after protracted discovery" to file the petition. KLA-
19 Tencor Corp. v. Nanometrics, Inc., 2006 WL 708661, at
20 *3 (N.D. Cal. Mar. 16, 2006).

21 Plaintiff argues that he will have to wait eighteen
22 months for an IPR disposition, which is not a "minimal
23 delay." Opp'n 22:10. But "[p]rotracted delay is
24 always a risk inherent in granting a stay," and
25 "general prejudice of having to wait for resolution is
26 not a persuasive reason to deny the motion for stay."
27 Sorensen ex rel. Sorensen Research and Development
28 Trust v. Black & Decker Corp., No. 06cv1572 BTM (CAB),

1 2007 WL 2696590, at *4 (S.D. Cal. Sept. 10, 2007).

2 As is relevant to this factor, the parties dispute
3 their relationship; that is, whether Plaintiff is a
4 non-practicing entity ("NPE") or Defendants' direct
5 competitor. Plaintiff argues that he is not an NPE.
6 As such, were the case to be stayed, he would incur
7 increased overhead costs, "loss of interested
8 investors/partners," and vulnerability to other
9 competitors "stealing" and developing his technology.
10 Opp'n 21:17-28. If the parties are not direct
11 competitors, "there is a reasonable chance that delay
12 in adjudicating the alleged infringement will have
13 outsized consequences to the party asserting
14 infringement has occurred, including the potential for
15 loss of market share and an erosion of goodwill."
16 Audatex N. Am. Inc. v. Mitchell Int'l. Inc., 46 F.
17 Supp. 2d 1019, 1025 (S.D. Cal. 2014).

18 Even if the parties are direct competitors,
19 Plaintiff's argument that he will suffer loss of
20 profits, market share, and goodwill is weak. The
21 evidence presented suggests that Plaintiff is an NPE.
22 His insistence that he is not is at odds with the fact
23 that he does not currently have a product line on the
24 market. Opp'n 3:25-26. And while he claims that he
25 has made "efforts . . . to commercialize [his] patented
26 invention," he lacks evidence of any Clean Energy
27 System sales to date. Id. at 5:7-8; see Rite-Hite
28 Corp. v. Kelley Co., Inc., 56 F.3d 1538, 1548 (Fed Cir.

1 1995) ("if the patentee is not selling a product, by
2 definition there can be no lost profits").

3 And a plaintiff's threadbare assertion that it has
4 developed products—even though it has not yet sold
5 them—is not enough to overcome its status as an NPE.
6 Evolutionary Intelligence, C-13-03587 DMR, 2013 WL
7 6672451, at *8 (plaintiff's declaration that it was
8 undertaking product development, licensing efforts, and
9 capital financing related to the asserted patents did
10 not cut against its status as an NPE, thus weakening
11 claims of tactical disadvantage).

12 Here, as in Evolutionary Intelligence, Plaintiff
13 ties his NPE argument to his efforts to commercialize
14 his '661 Patent. Opp'n 3:25. Plaintiff provides a
15 laundry list of these efforts, from marketing
16 development to attempting to procure capital financing,
17 to other product development. Opp'n 4:10-28; Compl. ¶
18 21. But Plaintiff's assertions, absent evidence of
19 "research, design, or testing related to product
20 development," 2013 WL 6672451, at *8, fails to convince
21 the Court that Plaintiff actually practices the '661
22 Patent. As in Evolutionary Intelligence, the Court
23 should find that Plaintiff's claims of goodwill and
24 marketplace harm are speculative at best, because he is
25 an NPE. Accordingly, the third factor weighs in favor
26 of granting the Motion to Stay.

27 Based on the three-factor test, all three factors
28 weigh in favor of a stay.

