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8 UNITED STATES DISTRICT COURT

9 NORTHERN DISTRICT OF CALIFORNIA

10 SAN FRANCISCO DIVISION

11 DOLBY LABORATORIES, INC.,

12 Plaintiff,

13 vs.

14 INTERTRUST TECHNOLOGIES

15 CORPORATION,

16 Defendant.

Case No. 3:19-cv-03371-EMC

**REDACTED VERSION OF INTERTRUST
TECHNOLOGIES CORPORATION'S
MOTION TO DISMISS DOLBY'S FIRST
AMENDED COMPLAINT FOR LACK OF
SUBJECT MATTER JURISDICTION
AND FAILURE TO STATE A CLAIM;
AND**

**MEMORANDUM OF POINTS AND
AUTHORITIES**

Date: October 17, 2019

Time: 1:30 p.m.

Place: 450 Golden Gate Avenue

San Francisco, CA 94102

Judge: Hon. Edward M. Chen

Courtroom: 5

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INTERTRUST'S MOTION TO DISMISS FIRST AMENDED COMPLAINT

NOTICE OF MOTION AND MOTION

PLEASE TAKE NOTICE that on October 17, 2019, at 1:30 p.m., or as soon thereafter as the matter may be heard, in Courtroom 5 of the United States District Court for the Northern District of California located at 450 Golden Gate Avenue, San Francisco, California 94102, before the Honorable Judge Edward M. Chen, Defendant Intertrust Technologies Corporation (“Intertrust”) will, and hereby does, bring this Motion to Dismiss Dolby’s First Amended Complaint for Lack of Subject Matter Jurisdiction and Failure to State a Claim.

Statement of Requested Relief. Intertrust seeks an order dismissing the “First Amended Complaint for Declaratory Judgment of Non-Infringement” (“FAC”), filed by Plaintiff Dolby Laboratories, Inc. (“Dolby”), on two grounds. First, pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure, Intertrust moves to dismiss the FAC on the ground that there is no subject matter jurisdiction because Dolby has failed to plead an “actual controversy” between the parties under the Declaratory Judgment Act, 28 U.S.C. 2201 *et seq.* Second, Intertrust moves to dismiss the FAC on the ground that its barebones, conclusory allegations fail to state a claim pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure. This motion is based on this Notice of Motion and Motion, the Memorandum of Points and Authorities, and such further evidence and argument as may be submitted prior to or at the hearing before this Court.

DATED: September 9, 2019

Respectfully submitted,

QUINN EMANUEL URQUHART & SULLIVAN, LLP

By /s/ Tigran Guledjian

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Attorneys for Intertrust Technologies Corporation

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MEMORANDUM OF POINTS AND AUTHORITIES

Statement of Issues to Be Decided

This motion presents the following issues for decision:

1. Should Dolby's FAC be dismissed for failure to plead facts sufficient to establish subject matter jurisdiction under the Declaratory Judgment Act because Dolby improperly relies on confidential information disclosed by Intertrust for the purposes of licensing negotiations that Dolby contractually agreed it would not use for any other purpose, and once this improperly included material is ignored as required by law, Dolby has pleaded only sparse, ambiguous, and conclusory allegations regarding its interactions with Intertrust that fail to establish an actual controversy between Dolby and Intertrust and fail to confer standing on Dolby to litigate disputes between Intertrust and Dolby's customers?

2. Should Dolby's FAC be dismissed for failure to state a claim because, after removing the improperly-included material subject to the parties' non-disclosure agreement, Dolby has pleaded only the ultimate conclusions it asks the Court to draw—*i.e.*, that Dolby does not infringe Intertrust's patents—without any factual allegations that would give rise to a plausible claim for a declaration of non-infringement, such as a specific claim limitation that is not met by Dolby's products and the reason it is not met?

Preliminary Statement

Intertrust respectfully requests that Dolby's FAC for a declaratory judgment of non-infringement of 11 Intertrust patents be dismissed because Dolby has (1) failed to plead a cognizable case or controversy, and (2) failed to meet the pleading requirements for a non-infringement claim.

First, Dolby's complaint fails to plead facts sufficient to confer subject matter jurisdiction because it does not plead an "actual controversy" between Dolby and Intertrust under the Declaratory Judgment Act. Federal courts have jurisdiction over declaratory judgment actions only when there is a "substantial" and "definite and concrete" controversy between the parties. Dolby claims that a controversy exists because the parties held meetings and exchanged communications in later 2018 and early 2019 in which Intertrust presented claim charts and asked for royalties from the sale of Dolby's products. The FAC omits, however, that Dolby signed a non-disclosure agreement with Intertrust

1 (“NDA”) that prohibits it from using the information Intertrust shared during these meetings and in
 2 these communications for any purpose other than the discussion of licensing opportunities. As the
 3 United States Court of Appeals for the Federal Circuit has instructed, a plaintiff may not assert a
 4 declaratory relief claim by relying on confidential information obtained from pre-lawsuit settlement
 5 negotiations in violation of a confidentiality agreement. *SanDisk Corp. v. STMicroelectronics, Inc.*,
 6 480 F.3d 1372, 1375 n.1 (Fed. Cir. 2007). This rule makes sense: It allows parties to agree to share
 7 information on specific terms without incurring the risk of a costly declaratory judgment action (such
 8 as the one Dolby is improperly attempting to pursue here in violation of the parties’ NDA).

9 Stripped of the improper allegations based on the parties’ confidential licensing discussions
 10 subject to the NDA, Dolby’s FAC does not contain sufficient allegations to support a declaratory
 11 relief claim. The only remaining allegations plead that (1) Intertrust directed letters to Dolby
 12 *customers* alleging that the *customers* were infringing certain Intertrust patents by rendering movies
 13 using unlicensed DCI-compliant digital projection equipment, (2) Dolby sells DCI-compliant media
 14 server products, and (3) Intertrust directed communications to Dolby relating to patent royalties based
 15 on Dolby’s DCI-compliant media server products as used in digital cinema applications. Those
 16 allegations, even accepted as true, do not constitute a cognizable actual controversy between Intertrust
 17 and Dolby. Without improperly relying on confidential information subject to Dolby’s and
 18 Intertrust’s NDA, Dolby cannot allege that Intertrust accused Dolby of infringement, nor can such an
 19 accusation be reasonably inferred from the few allegations that fall outside the scope of the parties’
 20 confidential NDA-protected discussions. Further, Dolby’s FAC does not adequately plead a
 21 controversy between Intertrust and Dolby’s *customers* sufficient to confer standing on *Dolby*. In any
 22 event, even if Dolby had (barely) managed to plead enough facts to support the finding of an actual
 23 controversy (and it has not), the Court should still decline to hear Dolby’s claims because the
 24 allegations that fall outside of the scope of the parties’ confidential discussions are so scant,
 25 ambiguous, and conclusory that they do not even enable the Court to determine if Dolby’s claims
 26 warrant the expenditure of significant judicial resources to resolve them.

27 Second, Dolby’s allegations of non-infringement are plainly inadequate because, once the
 28 material subject to the parties’ confidential agreement is excluded from consideration as it must be,

Dolby pleads only the conclusory allegation of the ultimate conclusion that they seek: “Dolby is not infringing and has not infringed, directly or indirectly, literally or under the doctrine of equivalents, willfully or otherwise, any claim of [the Patents-in-Suit].” Although Dolby’s complaint brands several Dolby products as allegedly “Accused Products,” merely identifying a product and a patent and alleging that the product does not infringe the patent is insufficient to state a claim for a declaratory judgment of non-infringement. Rather, the plaintiff must identify and explain—at absolute bare minimum—why at least one specific limitation is not practiced by the accused product or its use. Without relying on Intertrust’s confidential information, Dolby has not identified even a single limitation of any claim that it contends is not practiced by its products or their use, much less alleged why the limitation is not met.

Relevant Factual Background

A. Dolby’s First Amended Complaint

On June 13, 2019, Dolby filed this declaratory judgment action against Intertrust, seeking declarations that “Dolby is not infringing and has not infringed” any claim of 11 patents, each of which is assigned to Intertrust (the “Patents-in-Suit”). Dkt. No. 1 ¶¶ 10-20, 29-61. On August 9, 2019, Intertrust filed a motion to dismiss the complaint on the grounds that it did not allege (1) facts sufficient to show there is an actual controversy between Intertrust and Dolby justifying declaratory relief and (2) facts sufficient to support Dolby’s claims that it is not infringing Intertrust’s patents. Dkt. No. 25. On August 23, 2019, rather than file an opposition to Intertrust’s motion to dismiss, Dolby filed its FAC, Dkt. No. 31-4, along with a motion to seal portions thereof.¹

In relevant part, the FAC alleges that:

- “[I]n or around April of 2018, Intertrust, through its litigation counsel . . . , directed communications . . . to customers of Dolby and Doremi media server products, . . . alleging that the customers were infringing the Patents-in-Suit by rendering movies using ‘unlicensed’ digital cinema equipment compliant with requirements promulgated by DCI [Digital Cinema Initiatives, LLC], as set forth in the DCSS [Digital Cinema System Specification].” FAC ¶ 26.

¹ On August 29, 2019, Intertrust filed a declaration in support of the motion to seal. Dkt. No. 34.

- 1 • As part of infringement allegations contained, the letters reference the “digital cinema theater
2 system framework specified by DCI in the DCSS, including security elements, such as the
3 ‘Security Manager (SM).’” *Id.* ¶ 27. Dolby notes that it sells “Doremi and Dolby branded DCI
4 compliant media server products containing such media blocks” (the “Dolby Accused Products”)
5 and list several examples. *Id.*
- 6 • Dolby’s customers sent letters to Dolby requesting indemnification for infringement related to the
7 “Dolby Accused Products.” *Id.* ¶ 28.
- 8 • “Subsequently, Intertrust directed communications to Dolby regarding licensing of the Patents-in-
9 Suit” *Id.* ¶ 29. [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
- 16 • Dolby later informed Intertrust that it “did not agree that compliance with the DCI specification
17 showed infringement of Intertrust’s Patents-in-Suit” and, concurrently with filing this declaratory
18 judgment action, that it “declines to take a license.” *Id.* ¶ 32.
- 19 • “In the past, Intertrust has initiated litigation asserting at least some of the Patents-in-Suit,”
20 including against Apple, in this District. *Id.* ¶ 34.

21 B. The Dolby-Intertrust Non-Disclosure Agreement

22 Notably, the FAC fails to mention that, before any of the communications or meetings between
23 Dolby and Intertrust described in the FAC occurred, Intertrust and Dolby signed a non-disclosure
24 agreement (“NDA”) that went into effect on November 12, 2018. Declaration of Jeff McDow in
25 Support of Motion to Dismiss for Lack of Subject Matter Jurisdiction, filed concurrently herewith, Ex.
26 1. The agreement was entered into for the purpose of furthering the parties “discuss[ion of] one or
27 more potential business opportunities,” in this case, the proposed licensing of Intertrust’s patents by
28 Dolby and the settlement of any potential claims that Dolby had infringed those patents. *Id.* ¶¶ 2-3 &

Ex. 1 ¶ 1. Under the NDA, “any information” that the parties disclosed related to this purpose was considered “Confidential Information. *Id.*, Ex. 1 ¶ 2 (emphasis added). The NDA further prohibits Dolby from using Confidential Information “for any purpose other than” in furtherance of the parties’ negotiations regarding licensing and settlement. *Id.* Ex. 1 ¶ 4 (emphasis added).

Argument

I. THE FAC MUST BE DISMISSED BECAUSE IT FAILS TO PLEAD FACTS SUFFICIENT TO ESTABLISH SUBJECT MATTER JURISDICTION

A motion to dismiss under Rule 12(b)(1) of the Federal Rules of Civil Procedure tests the subject matter jurisdiction of the court. *See, e.g., Savage v. Glendale Union High Sch.*, 343 F.3d 1036, 1039-40 (9th Cir. 2003). The plaintiff bears the burden of establishing the court’s jurisdiction. *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994). A Rule 12(b)(1) motion may make a facial or a factual attack on the existence of subject matter. *White v. Lee*, 227 F.3d 1214, 1242 (9th Cir. 2000)). This motion presents a factual attack. In a factual attack, “the district court may review evidence beyond the complaint without converting the motion to dismiss into a motion for summary judgment.” *Safe Air for Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004). In a factual attack, “[t]he court need not presume the truthfulness of the plaintiff’s allegations.” *Id.*²

Dolby seeks relief under the Declaratory Judgment Act (FAC ¶¶ 1, 5), which provides that “[i]n a case of actual controversy within its jurisdiction ... any court of the United States ... may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.” 28 U.S.C. § 2201(a). A party alleging subject matter jurisdiction exists by invoking the Declaratory Judgment Act bears the burden of showing an “actual controversy.” *Crossbow Tech., Inc. v. YH Tech.*, 531 F. Supp. 2d 1117, 1120 (N.D. Cal. 2007). Subject matter jurisdiction exists only if “there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant” the issuance of a declaratory

² Intertrust’s motion to dismiss the original complaint included a facial attack on subject matter jurisdiction (Dkt. No. 25 at 4-5), which requires a court to “determin[e] whether the allegations [in the complaint] are sufficient as a legal matter to invoke the court’s jurisdiction” without relying on other evidence submitted by the parties. *Leite v. Crane Co.*, 749 F.3d 1117, 1121 (9th Cir. 2014). Intertrust pursues this factual attack against the FAC because Dolby failed to mention or attach the parties’ NDA.

judgment. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (citing *Md. Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). This controversy must be “‘definite and concrete, touching the legal relations of parties having adverse legal interests,’ ... ‘real and substantial’ and ‘admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.’” *Id.* The Declaratory Judgment Act is permissive, not mandatory, by providing that a court “may” exercise jurisdiction where such a controversy exists, which has been interpreted to give courts “unique and substantial discretion in deciding whether to declare the rights of litigants.” *Id.* at 136; 28 U.S.C. § 2201(a).

In patent cases, an actual controversy requires evidence of “both (1) an affirmative act by the patentee related to the enforcement of his patent rights and (2) meaningful preparation to conduct potentially infringing activity.” *Ass’n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1318 (Fed. Cir. 2012) (citations omitted), *rev’d in part on other grounds by Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576 (2013).³ The FAC suggests Dolby seeks to allege two possible “affirmative acts”: (i) an affirmative act directed toward Dolby; and (ii) affirmative acts directed toward Dolby’s customers. Both efforts fail. Dolby cannot prove any affirmative act by Intertrust related to the enforcement of its patent rights against Dolby without violating the parties’ NDA and improperly relying on information that the parties agreed could not be used for the purpose of bringing a declaratory relief claim. Nor can Dolby allege any affirmative acts directed toward Dolby’s customers that are sufficient to confer standing on *Dolby* itself.

A. Dolby Cannot Rely on Information That Intertrust Disclosed Pursuant to a Non-Disclosure Agreement to Establish Subject Matter Jurisdiction

The Federal Circuit has instructed that when pursuing licensing discussions with a potential infringer, a patent-holder may “avoid the risk of a declaratory judgment action” by entering into a “suitable confidentiality agreement” with the other party. *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1375 n.1 (Fed. Cir. 2007). The purpose of the *SanDisk* rule is “to avoid the risk of costly litigation, such as a declaratory judgement action in a noninfringement suit” by preventing the

³ The second factor, Dolby’s meaningful preparation to conduct potentially infringing activity, is undisputed for purposes of this motion.

1 allegedly infringing party from “disclos[ing] communications received during settlement
 2 negotiations.” *Osteotech, Inc. v. Regeneration Techs., Inc.*, 2008 WL 4449564, at *4 (D.N.J. Sept. 25,
 3 2008). If a party ignores their contractual obligations and files a declaratory judgment action based on
 4 confidential information disclosed during settlement discussions (as Dolby has done here), that
 5 information cannot be used as a basis for finding that there is an “actual controversy” sufficient to
 6 support a claim. *See 3M Co. v. Avery Dennison Corp.*, 673 F.3d 1372, 1375 n.2 (Fed. Cir. 2012)
 7 (noting plaintiff’s concession that communications “covered by a confidentiality agreement []
 8 precluded their use as a basis to support a declaratory judgment action”).

9 Here, all of the significant allegations in the FAC that purport to show an “affirmative” act of
 10 enforcement by Intertrust describe meetings and communications that were covered by the NDA; the
 11 NDA went into effect on November 2018, months prior to the specific communications and meetings
 12 between Intertrust and Dolby alleged by Dolby in the FAC. All of these allegations must be ignored
 13 entirely for purposes of determining whether there is an actual controversy between the parties,
 14 including [REDACTED]

15 [REDACTED]
 16 [REDACTED]
 17 [REDACTED] FAC ¶¶ 29-30; *see Avery Dennison Corp.*, 673 F.3d at 1375 n.2;
 18 *Intel Corp. v. Tela Innovations, Inc.*, 2018 WL 4859314, at *3 (N.D. Cal. Oct. 5, 2018) (plaintiff
 19 “acknowledge[d] that it cannot use post-NDA discussions to establish subject matter jurisdiction”);
 20 *Makita Corp. v. Milwaukee Elec. Tool Corp.*, 2009 WL 10674444, at *5 (C.D. Cal. May 11, 2009)
 21 (plaintiff acknowledged that confidential agreement prevented plaintiff from relying on information
 22 disclosed in meeting with defendant for purposes of bringing a declaratory judgment action).

23 B. Stripped of References to Improperly Disclosed Confidential Information, The FAC
 24 Does Not Allege an “Affirmative Act” of Enforcement Against Dolby

25 The Federal Circuit has observed that an affirmative act creating a “definite and concrete”
 26 dispute requires more than “‘a communication from a patent owner to another party, merely
 27 identifying its patent and the other party’s product line.’ How much more is required is determined on
 28 a case-by-case analysis.” *Avery Dennison Corp.*, 673 F.3d at 1378-79 (internal citations omitted)

(quoting *Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1362 (Fed. Cir. 2009)). This Court has previously catalogued factors courts have typically considered in conducting this “case-by-case analysis,” including:

1. the strength of any threatening language in communications between the parties;
2. the depth and extent of infringement analysis conducted by the patent holder;
3. whether the patent holder imposed a deadline to respond;
4. any prior litigation between the parties;
5. the patent holder’s history of enforcing the patent at issue;
6. whether the patent holder’s threats have induced the alleged infringer to change its behavior;
7. the number of times the patent holder has contacted the alleged infringer;
8. whether the patent holder is simply a holding company with no source of income other than enforcing patent rights;
9. whether the patentee refused to give assurance it will not enforce its patent;
10. whether the patent holder has identified a specific patent and specific infringing products;
11. the extent of the patent holder’s familiarity with the product prior to suit;
12. the length of time that transpired after the patent holder asserted infringement; and
13. whether communications initiated by the declaratory judgment plaintiff have the appearance of an attempt to create a controversy in anticipation of filing suit.

ActiveVideo Networks, Inc. v. Trans Video Elecs., Ltd., 975 F. Supp. 2d 1083, 1087-88 (N.D. Cal. 2013) (Chen, J.).

Setting aside the improper references to information that was disclosed in communications and meetings that were subject to the NDA—which, as explained above, must be ignored entirely for purposes of determining whether subject matter jurisdiction exists—the FAC includes only a handful of vague and conclusory assertions regarding the interactions between Dolby and Intertrust. The first,

1 contained within an allegation related to personal jurisdiction, is an assertion that “Intertrust
 2 purposefully directed allegations of patent infringement to Dolby in this District by directing
 3 communications to Dolby and meeting with Dolby in this District, and in such communications and
 4 meeting, alleging that Dolby infringes one or more claims of the Patents-in-Suit.” FAC ¶ 7. This
 5 conclusory allegation does not meet Dolby’s burden of pleading “facts, not mere legal conclusions” to
 6 plead federal subject matter jurisdiction. *Leite*, 749 F.3d at 1121; *Crow Creek Sioux Tribe v. United*
 7 *States*, 900 F.3d 1350, 1354-55 (Fed. Cir. 2018) (“plausibility” requirement applicable to motions to
 8 dismiss under Rule 12(b)(6) also applies to challenges to subject matter jurisdiction under Rule
 9 12(b)(1) and, accordingly, “[t]hreadbare recitals of the elements . . . , supported by mere conclusory
 10 statements, do not suffice”). Absent more specific details about the communications and the
 11 meetings, all of which are protected by the NDA, this allegation is not sufficient to plead the existence
 12 of subject matter jurisdiction. *Makita Corp*, 2009 WL 10674444, at *4 (merely alleging the “fact
 13 alone” that a meeting took place, without being able to rely on the information exchanged at that
 14 meeting because of a confidentiality agreement, “provides the Court with little means to evaluate if
 15 the relationship between the parties had developed into a sufficiently concrete and definite dispute”).

16 The other allegations regarding Dolby’s interactions with Intertrust, reprinted *without* the
 17 allegations that Dolby has made in violation of the NDA (as conceded by Dolby’s own administrative
 18 motion to seal the excluded portions), state:

19 Subsequent to contacting Dolby’s customers, Intertrust directed
 20 communications to Dolby regarding licensing of the Patents-in-Suit,
 21 including multiple emails and several in-person meetings. [***Material***
disclosed in violation of the NDA removed]

22 Intertrust’s communications with Dolby regarding patent royalties also
 23 included discussions specifically directed to Dolby’s Doremi and
 24 Dolby branded DCI-compliant media server products as used in digital
 25 cinema applications (collectively, the “Dolby Accused Products”).
 26 [***Material disclosed in violation of the NDA removed***]

27 In particular, [***material disclosed in violation of the NDA removed***]

28 [***Material disclosed in violation of the NDA removed***] Dolby rejected
 Intertrust’s royalty demands, and communicated to Intertrust that it did
 not agree that compliance with the DCI specification showed
 infringement of Intertrust’s Patents-in-Suit. Dolby further responded to
 Intertrust concurrent with filing of this action that, among other things,

Dolby does not infringe the Patents-in-Suit, and that Dolby declines to take a license. . . .

FAC ¶¶ 29-32. Notably, once the confidential information subject to the NDA is removed, these paragraphs stop short of alleging that Intertrust accused Dolby of infringing its patents, directly or indirectly, and shed little light on the nature of the interactions between Dolby and Intertrust. These allegations are insufficient to plead a substantial controversy. *See, e.g., BroadSign Int’l, LLC v. T-Rex Prop. AB*, No. 16 CV 04586-LTS, 2018 WL 357317, at *4 (S.D.N.Y. Jan. 10, 2018) (declaratory judgment plaintiff failed to allege a substantial controversy between the plaintiff and defendant because “[e]ven if [Defendant] did ‘demand’ that Plaintiff consider the license agreement it proposed ‘to prevent []the initiation of] further patent infringement actions against [Plaintiff’s] customers, as Plaintiff asserts, there is no indication of any discussion or threat of litigation against Plaintiff.”). Although Dolby’s allegations are even less detailed, here, as in *BroadSign International*, “there is no indication of any discussion or threat of litigation against Plaintiff,” or even any “demand.” *Id.*

Moreover, these allegations provide no information that would allow the Court to evaluate at least ten of the thirteen factors it identified in *ActiveVideo Networks* as informing the case-by-case analysis required to determine subject matter jurisdiction, namely: “the strength of any threatening language in communications between the parties”; “the depth and extent of infringement analysis conducted by the patent holder”; “whether the patent holder imposed a deadline to respond”; “any prior litigation between the parties”; “whether the patent holder’s threats have induced the alleged infringer to change its behavior”; “the number of times the patent holder has contacted the alleged infringer”; “whether the patent holder is simply a holding company with no source of income other than enforcing patent rights”; “whether the patentee refused to give assurance it will not enforce its patent”; “the extent of the patent holder’s familiarity with the product prior to suit”; and “the length of time that transpired after the patent holder asserted infringement.”⁴ 975 F. Supp. 2d at 1087-88.

⁴ The only allegations that suggest a date by which an accusation of infringement may have occurred are ones that Dolby is precluded from relying on based on the NDA. FAC ¶ 29.

As to the remaining three factors, at least two do not support the existence of a substantial controversy. “[W]hether communications initiated by the declaratory judgment plaintiff have the appearance of an attempt to create a controversy in anticipation of filing suit,” *ActiveVideo Networks*, 975 F. Supp. 2d at 1088, is ambiguous at best based on the allegations that are not made in violation of the NDA. Although Dolby alleges that Intertrust communicated with it regarding “patent royalties,” FAC ¶ 30, the only mention of patent infringement or a licensing offer in these allegations is in reference to communications from Dolby to Intertrust, including a communication “concurrent with [the] filing” of this suit. *Id.* ¶ 32. “[W]hether the patent holder has identified a specific patent and specific infringing products,” *ActiveVideo Networks*, 975 F. Supp. 2d at 1088, is also ambiguous based on the non-confidential allegations; although Dolby contends Intertrust communicated with it regarding the Patents-in-Suit and “Dolby’s Doremi and Dolby branded DCI compliant media server products as used in digital cinema applications,” FAC ¶ 30, the complaint is opaque regarding the specificity of these communications. Only the third remaining factor, “the patent holder’s history of enforcing the patent at issue,” *ActiveVideo Networks*, 975 F. Supp. 2d at 1087 (emphasis added)—which is not based on Intertrust’s interactions with Dolby at all—is meaningfully illuminated by Dolby’s FAC, which separately alleges that Intertrust sued to enforce three of the Patents-in-Suit against Apple six years ago. *Id.* ¶ 34. Even this tenuous allegation, however, applies to only three of the eleven Patents-in-Suit.

Taken as a whole, the non-conclusory, non-confidential allegations of Dolby’s complaint allege that Intertrust has accused some of its customers of infringement (which, as discussed below, is insufficient to confer subject matter jurisdiction in a declaratory judgment suit by Dolby); Intertrust has communicated with Dolby, including regarding patent royalties and a category of Dolby products; and Dolby has denied any patent infringement. These allegations, accepted as true, are simply insufficient to plead a “substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127.

C. The FAC Does Not Allege Any Basis for Dolby to Claim that “Affirmative Acts”
Against Its Customers Are Affirmative Acts Against Dolby

To the extent that Dolby seeks to manufacture subject matter jurisdiction from an “affirmative act” against Dolby’s *customers*, it fares no better. The FAC alleges only that Intertrust informed certain Dolby customers that they were infringing the Patents-in-Suit “by rendering movies using ‘unlicensed’ digital cinema equipment promulgated by DCI, such as set forth in the DCSS.” FAC ¶ 26. Notably, this allegation is itself bare and insufficient to plead an affirmative act. Even assuming, solely for the purposes of this argument, however, that this single allegation is sufficient to allege affirmative acts by Intertrust against Dolby’s customers, Dolby has not alleged any facts that would give it standing to seek a declaratory judgment of non-infringement on the basis of any actual dispute between Intertrust and Dolby’s customers.

A “supplier has standing to commence a declaratory judgment action if (a) the supplier is obligated to indemnify its customers from infringement liability, or (b) there is a controversy between the patentee and the supplier as to the supplier’s liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers.” *Arris Grp., Inc. v. British Telecomms. PLC*, 639 F.3d 1368, 1375 (Fed. Cir. 2011). Neither condition is alleged here. Dolby does not allege that it has any duty to indemnify its customers, *cf.* FAC ¶ 28 (alleging only that Dolby/Doremi customers have “requested” indemnification), and, as demonstrated above, Dolby’s allegations regarding its communications with Intertrust fail to describe an actual controversy, much less one based specifically on allegations of indirect infringement by Dolby based on its customers’ alleged direct infringement. *Id.* ¶¶ 26-27; *accord Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 904-05 (Fed. Cir. 2014) (“[I]n determining whether there is a case or controversy of sufficient immediacy to establish declaratory judgment jurisdiction we look to the elements of the potential cause of action. . . . [T]o establish a substantial controversy regarding inducement, there must be allegations by the patentee or other record evidence that establish at least a reasonable potential that such a claim could be brought.”); *In re RAH Color Techs. LLC Patent Litig.*, No. 18-CV-07465-SI, 2019 WL 2342191, at *5 (N.D. Cal. June 3, 2019) (finding allegations regarding claim charts defendant provided to plaintiff’s customers—without attaching the claim charts themselves—and

1 listing how many references to plaintiff’s product or literature the claim charts contain insufficient to
 2 establish a reasonable potential that defendant could bring a claim against plaintiff for indirect
 3 infringement).⁵

4 D. Even If the FAC Pleaded a “Definite and Concrete” Dispute (and It Does Not), the
 5 Court Should Exercise Its “Unique and Substantial Discretion” to Dismiss This Action

6 As noted above, the Declaratory Judgment Act affords federal courts “unique and substantial
 7 discretion in deciding whether to declare the rights of litigants.” *MedImmune*, 549 U.S. at 136.
 8 Accordingly, “district courts possess discretion in determining whether and when to entertain an
 9 action under the Declaratory Judgment Act, even when the suit otherwise satisfies subject matter
 10 jurisdictional prerequisites.” *Wilton v. Seven Falls Co.*, 515 U.S. 277, 282 (1995); *Leadsinger, Inc. v.*
 11 *BMG Music Publ’g*, 512 F.3d 522, 533 (9th Cir. 2008) (“Federal courts do not have a duty to grant
 12 declaratory judgment; therefore, it is within a district court’s discretion to dismiss an action for
 13 declaratory judgment.”). “The reason for giving this discretion to the district court is to enable the
 14 court to make a reasoned judgment whether the investment of judicial time and resources in a
 15 declaratory action will prove worthwhile in resolving a justiciable dispute.” *Takeda Pharm. Co. v.*
 16 *Mylan Inc.*, 62 F. Supp. 3d 1115, 1126 (N.D. Cal. 2014) (quoting *Minn. Mining & Mfg. Co. v. Norton*
 17 *Co.*, 929 F.2d 670, 672 (Fed. Cir. 1991)). Here, Dolby’s barebones complaint includes so few factual
 18 non-confidential allegations—and the ones it does include are so ambiguous—that it is impossible to
 19 determine whether this case presents a worthwhile “investment of judicial time and resources.” *Id.*
 20 Even if the complaint sufficiently pleaded a substantial controversy (which it does not, *see* §§ I.A. &
 21 I.B, *supra*), the parties’ NDA reflects the clear intention that their pre-suit interactions should not give
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 23

24 ⁵ In *In re RAH Color Technologies Patent Litigation*, the district court provided an example of an
 25 allegation that was insufficient to plead subject matter jurisdiction for a declaratory judgment action of
 26 no induced infringement: “For instance, the SAC alleges that in the final infringement contentions
 27 RAH served on Xerox [a customer sued by RAH], the claim charts regarding the ‘870 and ‘008
 28 patents refer to EFI or its products or product literature ‘69 times in 35 pages purportedly to show that
 the claim limitations of asserted claims in the ‘870 and ‘008 patents are found in the accused EFI print
 servers and software.” 2019 WL 2342191, at *5. Dolby’s FAC provides nothing even close to this
 level of specific allegations that were still deemed insufficient to confer subject matter jurisdiction.

1 rise to a declaratory judgment action that the Court would be well within its discretion to decline to
2 exercise its jurisdiction here.

3 II. THE FAC MUST BE DISMISSED BECAUSE ITS BALD ASSERTIONS THAT DOLBY
4 DOES NOT INFRINGE THE PATENTS-IN-SUIT FAIL TO STATE A CLAIM

5 A. The *Iqbal*/*Twombly* Pleading Standard Applies to Dolby's Complaint for Declaratory
6 Judgement of Non-Infringement

7 To survive a motion to dismiss under Rule 12(b)(6) of the Federal Rules of Civil Procedure, "a
8 complaint must contain sufficient factual matter, accepted as true, to state a claim to relief that is
9 plausible on its face." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (internal quotations omitted); *see*
10 *also Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). A complaint fails to state a claim when
11 there is a "lack of a cognizable legal theory or the absence of sufficient facts alleged under a
12 cognizable legal theory." *Conservation Force v. Salazar*, 646 F.3d 1240, 1242 (9th Cir. 2011)
13 (quoting *Balistreri v. Pacifica Police Dep't.*, 901 F.2d 696, 699 (9th Cir. 1988)). Although a court
14 must accept as true all well-pleaded allegations of material fact in the complaint, *Daniels-Hall v. Nat'l*
15 *Educ. Ass'n*, 629 F.3d 992, 998 (9th Cir. 2010), it is not required to credit "allegations that are merely
16 conclusory, unwarranted deductions of fact, or unreasonable inferences." *In re Gilead Scis. Sec.*
17 *Litig.*, 536 F.3d 1049, 1055 (9th Cir. 2008) (quoting *Sprewell v. Golden State Warriors*, 266 F.3d 979,
18 988 (9th Cir. 2001)); *Iqbal*, 556 U.S. at 681 (bare assertions that amount to nothing more than a
19 "formulaic recitation of the elements" of a claim "are conclusory and not entitled to be assumed
20 true"). If the facts alleged do not support a reasonable inference of liability, the claim must be
21 dismissed. *See Iqbal*, 556 U.S. at 678-79.

22 To plead a direct infringement claim that passes muster under *Iqbal* and *Twombly*, a plaintiff
23 must allege facts indicating how the defendant's accused products practice each of the limitations
24 found in at least one asserted claim. *See, e.g., Digital Corp. v. iBaby Labs, Inc.*, No. 15-cv-05790-
25 JST, 2016 WL 4427209, at *3-4 (N.D. Cal. Aug. 22, 2016) (dismissing direct infringement claim
26 where plaintiff failed to allege facts showing that the accused products practiced *all* limitations of an
27 exemplary asserted claim); *Scripps Research Inst. v. Illumina, Inc.*, No. 16-cv-661 JLS-BGS, 2016
28

1 WL 6834024, at *6 (S.D. Cal. Nov. 21, 2016) (dismissing infringement claim where allegations did
2 not explain how the accused product met the claim limitations).

3 A claim for declaratory relief of non-infringement is essentially the “mirror image” of an
4 infringement claim, *Comcast Cable Commc’ns, LLC v. OpenTV, Inc.*, 319 F.R.D. 269, 273 (N.D. Cal.
5 2017), and courts have accordingly held declaratory judgment plaintiffs (and counterclaimants) to the
6 same pleading standard. *See, e.g., id.*; *The Beer Barrel, LLC v. Deep Wood Brew Prods., LLC*, No.
7 2:16-cv-00440-DN-BCW, 2016 WL 5936874, at *5 (D. Utah Oct. 12, 2016); *Tannerite Sports, LLC v.*
8 *Jerent Enters., LLC*, No. 6:15-cv-00180-AA, 2016 WL 1737740, at *5 (D. Or. May 2, 2016); *RAH*
9 *Color Techs. LLC v. Ricoh USA Inc.*, 194 F. Supp. 3d 346, 352 (E.D. Pa. 2016); *Deerpoint Grp., Inc.*
10 *v. Acqua Concepts, Inc.*, No. 1:14-cv-01503-SAB, 2014 WL 7178210, at *3-4 (E.D. Cal. Dec. 16,
11 2014); *PageMelding, Inc. v. ESPN, Inc.*, No. C 11-06263 WHA, 2012 WL 3877686, at *2 (N.D. Cal.
12 Sept. 6, 2012). Thus, to meet the *Iqbal/Twombly* pleading standard, a complaint for declaratory
13 judgment of non-infringement “should include specific factual allegations about how [the plaintiff’s]
14 products do not infringe [the defendant’s] patents rather than a single conclusory statement that ‘[the
15 plaintiff’s] Products do not and have not infringed on any valid and enforceable claim of Defendants’
16 Patents.’” *The Beer Barrel*, 2016 WL 5936874, at *5.⁶

17 The *Iqbal/Twombly* standard also applies to claims seeking a declaratory judgment of no
18 indirect infringement, including induced and contributory infringement. *See, e.g., PageMelding*, 2012
19 WL 3877686, at *2-3 (citing *In re Bill of Lading*, 681 F.3d at 1336); *TSMC Tech., Inc. v. Zond, LLC*,
20 No. 14-721-LPS-CJB, 2015 WL 661364, at *6 n.11 (D. Del. Feb. 13, 2015) (citations omitted).

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23 ⁶ Prior to December 1, 2015, Form 18 of the Appendix of Forms to the Federal Rules of Civil
24 Procedure governed the pleading standard for both direct infringement claims and claims for
25 declaratory judgment of no direct infringement. *See, e.g., In re Bill of Lading Transmission and*
26 *Processing Sys. Patent Litig.*, 681 F.3d 1323, 1334-36 (Fed. Cir. 2012). With the Supreme Court’s
27 abrogation of Rule 84 of the Federal Rules of Civil Procedure (which had endorsed the Appendix of
28 Forms), courts now overwhelmingly apply the *Iqbal/Twombly* pleading standard to both direct
infringement claims and claims for declaratory judgment of no direct infringement. *See, e.g.,*
e.Digital Corp., 2016 WL 4427209, at *2-3; *Windy City Innovations, LLC v. Microsoft Corp.*, 193 F.
Supp. 3d 1109, 1114 (N.D. Cal. 2016); *The Beer Barrel*, 2016 WL 5936874, at *5; *Tannerite Sports*,
2016 WL 1737740, at *5; *RAH Color Techs. LLC v. Ricoh USA Inc.*, 194 F. Supp. 3d. at 352-53.

B. Dolby's FAC Fails to Allege Sufficient Facts to State a Claim Under the Iqbal/Twombly Pleading Standard

Dolby's FAC fails to state a claim for a declaratory judgment of non-infringement because all of the substantive allegations regarding its theories of non-infringement for the Patents-in-Suit are based on "Intertrust claim charts," which as discussed above, Dolby is expressly barred from relying on under the NDA and which are a nullity for purposes of determining the adequacy of the allegations. See FAC ¶¶ 38, 43, 48, 53, 58, 63, 68-69, 74, 79, 84, 89. Without these allegations, the FAC contains only a series of bald assertions that "Dolby is not infringing and has not infringed, directly or indirectly, literally or under the doctrine of equivalents, willfully or otherwise, any claim of [the Patents-in-Suit]." FAC ¶¶ 37, 42, 47, 52, 57, 62, 67, 73, 78, 83, 88. Although the FAC identifies various purportedly accused products, *id.* ¶ 27, the FAC does not identify a single limitation of a single claim that Dolby alleges is not met by a specific accused product (or even its products more generally) or the use of an accused product, much less explain why that limitation is not met by an accused product or its use except by relying on the Intertrust claim charts covered by the NDA. Because these allegations do not reasonably support an inference of non-infringement, the complaint must be dismissed. See *Iqbal*, 556 U.S. at 678-79; *Deerpont*, 2014 WL 7178210, at *4 ("Conclusory statements and recitation of the elements of a claim are not sufficient to state a cognizable claim." (citing *Iqbal*, 556 U.S. at 678)).

Courts have consistently dismissed claims for declaratory judgment of non-infringement based on allegations that are substantively identical to, and even considerably more substantive, than the allegations in Dolby's FAC. See, e.g., *Comcast Cable*, 319 F.R.D. at 272-73 (allegations identifying the accused services and limitations they did not meet were insufficient to state a plausible claim for relief because "it is impossible to infer . . . even a general idea of what the [accused] services are, much less how they fail to meet the [cited] limitation[s]"); *RAH Color Techs. LLC v. Ricoh USA Inc.*, 194 F. Supp. 3d at 351-53 (allegations that defendant "has not infringed and does not infringe, either directly, indirectly, contributor[il]y, or by inducement, any valid and enforceable claim of the [asserted] patent either literally or under the doctrine of equivalents, willfully, or otherwise" were insufficient to plead a counterclaim for declaratory judgment of non-infringement); *The Beer Barrel*,

1 2016 WL 5936874, at *5 (description of the plaintiff’s products and a conclusory allegation that they
2 did not infringe any of the defendant’s patents insufficient to state a claim); *Deerpoint*, 2014 WL
3 7178210, at *4 (allegations reciting sixteen “reasons” to find no infringement or invalidate the
4 patent—*e.g.*, “as shown by the file wrappers, . . . [patentee] is estopped from claiming that the patents
5 cover or include any apparatus or device or product or method manufactured, used, or sold by [the
6 declaratory judgment plaintiff]”—were simply “conclusory statements with no supporting factual
7 allegations” and insufficient to state a plausible claim for relief).

8 Dolby’s FAC similarly falls short of stating a claim for indirect infringement because it fails to
9 allege facts that, if true, would establish that it did not indirectly infringe. *See, e.g., PageMelding*,
10 2012 WL 3877686, at *3 (no claim stated for indirect non-infringement because “ESPN has not
11 alleged any facts, that if true, would lead to a reasonable inference that it did not intend another party
12 to infringe the patent-at-issue.”); *In re RAH Color Techs. LLC Patent Litig.*, 2019 WL 2342191, at *6
13 (observing that “a supplier suing for declaratory of no induced infringement” could plead its claim “by
14 providing [patentee-prepared] claim charts that allege direct infringement by the supplier’s customer
15 and that cite to supplier-provided ‘user guides and documentation for each claim element’” (quoting
16 *Datatern*, 755 F.3d at 905)); *see also DataTern*, 755 F.3d at 906 (patentee-supplied claim charts
17 insufficient to create actual controversy regarding contributory infringement because, “[f]or example,
18 they do not imply or suggest that [the supplier’s product] is not ‘a staple article or commodity of
19 commerce suitable for substantial non-infringing use,’” as would be required for patentee to plead
20 claim of contributory infringement against supplier) (citing 35 U.S.C. § 271(c) (2012)). Although
21 Dolby need not admit these additional elements of indirect infringement, it must plead some non-
22 confidential factual basis to suggest that Intertrust contends these elements are met. Dolby has not
23 done so.

24 Completely devoid of *any* non-confidential factual allegations explaining what Dolby’s
25 products are and why they do not practice even a single limitation of the claims of the Asserted
26 Patents, Dolby’s FAC relies solely on conclusory allegations that it is entitled to a declaratory
27 judgment of non-infringement because it does not infringe Intertrust’s patents. These allegations
28 plainly fail to plead a plausible non-infringement claim under *Iqbal* and *Twombly*. *See, e.g., Comcast*

1 *Cable*, 319 F.R.D. at 274 (“The simple fact is that Comcast knows how its own products and services
2 work and can easily show in its pleadings how, specifically, a single claim limitation is absent from
3 each accused product or service. It must comply fully with the requirements of *Twombly/Iqbal* as to
4 all counts[.]”). Dolby’s FAC should be dismissed on the additional ground that it fails to state a claim.

5 Conclusion

6 This is now Dolby’s second unsuccessful attempt to plead non-infringement claims under the
7 Declaratory Judgement Act. Moreover, it is likely that Dolby *cannot* plead subject matter jurisdiction
8 in view of the parties’ NDA, which prohibits the use of the parties’ post-NDA communications for
9 this purpose. For all of the foregoing reasons, Intertrust respectfully submits that the Court should
10 dismiss Dolby’s FAC and this premature action in its entirety and without leave to amend, absent
11 some showing that Dolby can allege jurisdiction if afforded a third opportunity.

12
13 DATED: September 9, 2019

Respectfully submitted,

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