

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

CANATELO, LLC,

Plaintiff,

v.

AVIGILON CORPORATION,

Defendant.

Civil No.: 3:12-cv-01431-JAG

JURY TRIAL DEMANDED

DEFENDANT AVIGILON CORP.'S MOTION TO DISMISS

TO THE HONORABLE COURT:

Pursuant to Federal Rule of Civil Procedure 12(b)(6), Defendant Avigilon Corporation (“Avigilon”) respectfully moves the Court for an Order dismissing the Complaint for Infringement of Patent (Dkt. 1) (“Complaint”) for failure to state a claim upon which relief can be granted.

I. INTRODUCTION

The Complaint filed by Plaintiff Canatelo, LLC (“Plaintiff” or “Canatelo”) accuses Avigilon of indirect patent infringement (causing someone else to infringe a patent) under 35 U.S.C. §§ 271(b) and (c). No one can be liable for indirect patent infringement unless, when they engaged in the accused actions, they **knew** of the patent and **knew** that their actions encouraged actual infringement of that patent. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2065-2068 (2011). In short, Plaintiff must plead both knowledge and intent.

Plaintiff’s suit, however, was filed without notice to Avigilon. Its Complaint alleges no pre-suit notice or pre-suit knowledge. It was filed before a cause of action even accrued. Because Plaintiff fails to plead that Avigilon knew of the asserted patents pre-suit, let alone

intended to cause another to infringe these patents, Plaintiff has failed to state a claim for indirect patent infringement.

Plaintiff's suit also accuses Avigilon of direct infringement of "method" claims, specifically claims directed to "a method of monitoring a facility" or "a method of operating a video surveillance system." No one can directly infringe a method patent claim without actually performing the method in the United States. Avigilon is located in Canada. The Complaint alleges no facts making it plausible that Avigilon performs any method in the United States.

Accordingly, Avigilon requests that the Court dismiss the Complaint against it pursuant to Rule 12(b)(6) for failure to state a claim upon which relief can be granted.

II. BACKGROUND

The Complaint accuses Avigilon of directly and/or indirectly infringing "at least claims 1-10 and 13" of U.S. Patent No. 7,310,111 ("the '111 patent") and "one or more of Claims 1-37" of U.S. Patent No. 6,476,858 ("the '858 patent"). (Dkt. 1 at ¶¶ 31-33, 36-37, and 44-45.) Plaintiff attached the '111 patent and '858 patent (collectively, the "patents-in-suit") to the Complaint. (Dkts. 1-4 and 1-5.)

A. The Asserted "System" Claims

Asserted independent "system" or "computer" claims 1 and 7 of the '111 patent and claim 26 of the '858 are directed toward systems that generally includes the following elements: 1) a computer; 2) video cameras or video inputs; 3) a connection to the Internet; 4) a way for the computer to detect motion in a video stream; 5) a mask that limits the areas where motion will be detected in that video stream; and 6) upon detection of motion in the video, automatic generation of an email and a separate alarm message.

B. The Asserted "Method" Claims

The asserted "method" claims of the patents-in-suit can be summarized as:

applying a mask that limits the areas in a video stream where motion will be detected; using a computer to detect motion in that video stream; compressing portion of the video stream in which motion was detected; transmitting that compressed portion of the video stream in an email; and transmitting an alarm message separate from the e-mail. (*See* '858 Pat. Claim 28; '111 Pat. Claim 13.)

III. **ARGUMENT**

A. **To Avoid Dismissal, A Complaint Must Plead Facts That Raise The Right To Relief Beyond The Speculative Level**

To satisfy minimal pleading requirements, Plaintiff must plead “a short and plain statement of the claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2). In *Twombly*, the Supreme Court explained that “a plaintiff’s obligation to provide the ‘grounds’ of his ‘entitlement to relief’ requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007). “To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*, 550 U.S. at 570).

Furthermore, “[w]hile legal conclusions can provide the framework of a complaint, they must be supported by factual allegations.” *Id.* at 679. For the purpose of a motion to dismiss, all factual allegations are assumed to be true. *Twombly*, 550 U.S. at 555-56. A court need not accept as true conclusory legal allegations cast in the form of facts. *See id.* “Threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice.” *Iqbal*, 556 U.S. at 678.

B. Plaintiff Fails To State A Claim For Indirect Infringement

Indirect patent infringement¹ is an intentional tort. It requires knowledge of the patent and intent to cause another to infringe the patent. *Global-Tech*, 131 S.Ct. at 2065-68. Plaintiff is required to show sufficient facts that its indirect infringement claim is plausible. *Twombly*, 550 U.S. at 555.

The day before the filing of Plaintiff's Complaint, Avigilon was unaware of the asserted patents. Without knowledge of the patents, Avigilon could not have possessed an intent to cause someone else to infringe the patents.

Plaintiff did not plead pre-suit knowledge and intent. Treating Plaintiff's allegations as true, no act of indirect infringement by Avigilon could have possibly taken place because Avigilon: 1) did not have knowledge, and 2) did not have intent. In short, Plaintiff filed its indirect infringement action before any cause of action accrued.

Lack of pre-suit knowledge of the asserted patents, by itself, justifies dismissal of the Complaint. *See, e.g., Proxyconn Inc. v. Microsoft Corp.*, No. SACV 11-1681, 2012 WL 1835680, at *5-7 (C.D. Cal. May 16, 2012) (dismissing indirect infringement claims because improper to "bootstrap the knowledge Defendants now have based on Plaintiff's filing of the Complaint onto defendant's acts before Plaintiff filed its complaint"); *Xpoint Techs., Inc. v. Microsoft Corp.*, 730 F. Supp. 2d 349, 357 (D. Del. 2010) (dismissing indirect infringement allegations in an amended complaint: "knowledge after filing of the present action is not sufficient for pleading the requisite knowledge for indirect infringement"); *Avocet Sports Tech. v. Garmin Int'l.*, No. C 11-04049, 2012 WL 1030031, at *4 (N.D. Cal. March 22, 2012) (dismissing indirect infringement allegations because defendant had no knowledge of the patent

¹ Induced infringement under §271(b) and contributory infringement under §271(c) are together referred to as indirect infringement because the liability arises indirectly, by the accused party causing a third party to infringe the patent.

prior to the Complaint); *contra*, *Groupon Inc. v. MobGob LLC*, No. 10 C 7456, 2011 WL 2111986, at *3 (N.D. Ill. May 25, 2011) (denying motion to dismiss by inferring knowledge and intent). The Court should dismiss the Complaint for this reason alone.

The Court should also dismiss the Complaint for another reason. Irrespective of whether a cause of action had accrued at the time Plaintiff filed suit, merely reciting knowledge and intent does not satisfy Plaintiff's requirement to state a claim. A naked assertion of knowledge of the patent and intent to cause infringement is insufficient to state a claim for the same reason that a naked assertion of conspiracy is insufficient. *See Twombly*, 550 U.S. at 557 (“a naked assertion of conspiracy in a § 1 complaint . . . gets the complaint close to stating a claim, but without some further factual enhancement it stops short of the line between possibility and plausibility of entitlement to relief.”) (internal quotes omitted).

The plausibility pleading standard “asks for more than a sheer possibility that a defendant has acted unlawfully. Where a complaint pleads facts that are merely consistent with a defendant's liability, it stops short of the line between possibility and plausibility of entitlement to relief.” *Iqbal*, 556 U.S. at 678 (internal cites and quotations omitted). The facts of *Iqbal* and *Twombly* are instructive.

For example in *Iqbal*, the complaint asserted that Iqbal was arrested because of Ashcroft's intent to discriminate against Arab Muslim men. *Id.* at 668-69. Iqbal pled *inter alia* that the FBI had arrested thousands of Arab Muslim men after September 11, 2001. *Id.* at 681. Taken as true, this alleged fact was consistent with the notion that Defendant Ashcroft acted with discriminatory intent. *Id.* But a factual allegation that is merely consistent with discriminatory intent was not enough in view of more likely explanations. *Id.* Because 19 Arab Muslim men perpetrated the attack, it would be of no surprise that legitimate law enforcement efforts to arrest

those linked to the attack would have a disparate impact on Arab Muslims. *Id.* In view of this more likely explanation, Iqbal's allegation was insufficient to plausibly establish discriminatory intent. *Id.* at 682 ("As between that obvious alternative explanation for the arrests, and the purposeful, invidious discrimination respondent asks us to infer, discrimination is not a plausible conclusion.") (internal quotes and citation omitted).

Here, Avigilon was selling their products for many years before this lawsuit was filed. Its sales over those many years could not possibly constitute indirect infringement because there was no knowledge and intent. It would be of no surprise that Avigilon's legitimate business over those many years would result in the sale of products.

After Plaintiff filed its suit, Avigilon learned of the patent and Plaintiff's allegations. Mere knowledge of the patent in these circumstances is insufficient to plausibly establish Avigilon's intent to cause their customers to infringe. The obvious and more likely explanation for why Avigilon continues to sell its products post-suit is the same as it was before the lawsuit—to continue its business. As between that obvious alternative for Avigilon's post-suit conduct, and the purposeful, invidious intent to cause infringement that Plaintiff asks the Court to infer, intent to cause infringement is not a plausible conclusion. *See Iqbal*, 556 U.S. at 682. A bare allegation of knowledge and bad intent is not enough to make bad intent plausible.

The Complaint did not, for example, cite to any admissions by Avigilon suggesting infringement of a valid claim, or any copying by Avigilon of a product or method patented by these patents, or any court declaration of validity of the patents. In sum, accepting as true Plaintiff's limited non-conclusory factual allegations, they are no better than the allegations the Supreme Court rejected in *Iqbal* and *Twombly*. In short, Plaintiff's Complaint pleads no facts, as

distinct from legal conclusions, making it plausible that Avigilon has continued its business activities for the purpose of causing infringement of a valid patent.

C. Plaintiff Fails To State A Claim For Contributory Infringement

There is an additional reason for the Court to dismiss Plaintiff's contributory infringement claim. Pursuant to Section 271(c), an accused infringer may be liable for contributory infringement only if Avigilon's products are "especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use" 35 U.S.C. § 271(c). Plaintiff mouths the words "staple article" and "commodity of commerce" but alleges no non-conclusory facts to plausibly establish these elements of contributory infringement.

The Complaint does not allege any facts in support of its bare conclusion that any Avigilon-supplied "component" or "material or apparatus" is a "non-staple article" that is "especially made or especially adapted for use in an infringement," let alone that it lacks substantial non-infringing uses, and alleges no facts to make even its limited conclusion plausible. *See Tech. Licensing Corp. v. Technicolor USA, Inc.*, No. 2:03-1329, 2010 WL 4070208, at *3 (E.D. Cal. Oct. 18, 2010) (dismissing contributory infringement claim because the pleading failed to allege "defendant's knowledge of a combination's infringement and lack of substantial noninfringing uses"); *Halton Co. v. Streivor, Inc.*, No. C 10-00655, 2010 WL 2077203, at *2 (N.D. Cal. June 9, 2010) (dismissing contributory infringement claim where complaint failed to explain how any accused product was a "component of a patented machine ... constituting a material part of the [patented] invention" or that the accused product was not capable of "substantial noninfringing use.").

D. Plaintiff Fails To State A Claim For Direct Infringement Of Method Claims

Infringement of a “process” or “method” claim requires all the steps to be performed in the United States. *See NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005); *E-Pass Techs., Inc. v. 3Com Corp.*, 473 F.3d 1213, 1223 (Fed. Cir. 2007). The sale or other distribution of tools allegedly used by others to perform a patented method does not directly infringe a method patent claim. *See Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993) (“The law is unequivocal that the sale of equipment to perform a process is not a sale of the process within the meaning of section 271(a). . . . [A] method or process claim is directly infringed only when the process is performed.”).

Here, the Complaint alleges direct infringement by Avigilon of five method claims: claim 13 of the ’111 patent and claims 28, 29, 30, and 37 of the ’858 patent. The Complaint, however, fails to plead *any* facts showing that Avigilon has allegedly “used” or “practiced” the claimed methods *in the United States*.

Indeed, the facts pled by Plaintiff support the opposite conclusion. Plaintiff correctly pleads that Avigilon is located in Vancouver, B.C. Naturally, methods performed by Avigilon would be performed in Canada.

Nowhere is there a factual allegation that Avigilon itself performs a patented method in the United States. For at least these reasons, the Complaint fails to state a plausible claim for direct infringement of the method claims.

WHEREFORE, pursuant to the above stated reasons, the Court should dismiss the Complaint for failure to state a claim upon which relief can be granted.

I CERTIFY that today, I presented the foregoing to the Clerk of the Court for filing and uploading to the CM/ECF system which will send electronic notification of such filing to all counsel of record.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 4th day of September, 2012.

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