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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ACCELERATION BAY LLC,

Plaintiff,

v.

TAKE-TWO INTERACTIVE SOFTWARE,
INC., ROCKSTAR GAMES, INC., and 2K
SPORTS, INC.,

Defendants.

Civil Action No. 16-455-RGA

MEMORANDUM OPINION

Philip A. Rovner and Jonathan A. Choa, POTTER ANDERSON & CORROON LLP, Wilmington, DE; Paul J. Andre, Lisa Kobialka, and James Hannah, KRAMER LEVIN NAFTALIS & FRANKEL LLP, Menlo Park, CA; Aaron M. Frankel and Marcus A. Colucci, KRAMER LEVIN NAFTALIS & FRANKEL LLP, New York, NY, attorneys for Plaintiff.

Jack B. Blumenfeld and Stephen J. Kraftschik, MORRIS, NICHOLS, ARSHT & TUNNELL LLP, Wilmington, DE; Michael A. Tomasulo, Gino Cheng, David K. Lin, and Joe S. Netikosol, WINSTON & STRAWN LLP, Los Angeles, CA; David P. Enzminger and Louis L. Campbell, WINSTON & STRAWN LLP, Menlo Park, CA; Daniel K. Webb and Kathleen B. Barry, WINSTON & STRAWN LLP, Chicago, IL; Michael M. Murray, WINSTON & STRAWN LLP, New York, NY; Andrew R. Sommer, Paul N. Harold, and Joseph C. Masullo, WINSTON & STRAWN LLP, Washington, DC, attorneys for Defendants.

March 23, 2020

/s/ Richard G. Andrews

ANDREWS, U.S. DISTRICT JUDGE:

This is a patent case about three video games: Grand Theft Auto Online, NBA 2K15, and NBA 2K16. Currently before me is the Motion for Summary Judgment of Non-Infringement filed by Defendant Take-Two Interactive Software, Inc. and its subsidiaries, Defendants Rockstar Games, Inc. and 2K Sports, Inc. (D.I. 462). I have considered the parties' briefing (D.I. 463, 472, 477), and I heard oral argument on February 4, 2020 (D.I. 490). Because no reasonable jury could conclude Defendants infringed the asserted patents, it is "game over" for Plaintiff Acceleration Bay, LLC's infringement claims. The Motion for Summary Judgment is granted.

I. BACKGROUND

A. The Patents

Plaintiff alleges online features of the three accused video games infringe five patents: U.S. Patent Nos. 6,701,344 ('344 patent), 6,714,966 ('966 patent), 6,920,497 ('497 patent), 6,732,147 ('147 patent), and 6,910,069 ('069 patent). Plaintiff initially sued Defendants for infringing these patents in 2015. *Acceleration Bay LLC v. Take-Two Interactive Software Inc.*, No. 15-cv-311-RGA (D. Del.). I dismissed that case because Plaintiff lacked standing to assert the patents. No. 15-cv-311-RGA, D.I. 149. Plaintiff resolved the standing issue by reaching a new patent purchase agreement with the Boeing Company, which was the original owner of the patents. (D.I. 1 at 1). The parties agree Plaintiff cannot seek damages for any infringement that occurred before April 2015. (D.I. 463 at 43; D.I. 472 at 14).

Plaintiff asserts the following claims:

- '344: Claims 12, 13, 14, and 15;
- '966: Claims 12 and 13;
- '497: Claims 9 and 16;
- '147: Claim 1; and

- '069: Claims 1 and 11

(D.I. 489). The asserted claims of the '069 and '147 patents are method claims. The '069 claims recite methods for adding participants to a computer network, while the '147 claim recites a method for disconnecting participants from a computer network. The asserted claims of the remaining patents ('344, '966, and '497) recite types of computer networks, systems, services, or components.

The parties refer to the '344, '966, '069, and '147 patents as “topology” patents. The asserted claims of these patents are limited to networks that are “incomplete” and “m-regular.” I construed “m-regular” to mean “[a] state that the network is configured to maintain, where each computer is connected to exactly m neighbor [participants or computers].” (D.I. 256 at 5). Claim 13 of the '344 patent is illustrative:

A distributed game system comprising:

a plurality of broadcast channels, each broadcast channel for playing a game, each of the broadcast channels for providing game information related to said game to a plurality of participants, each participant having connections to at least three neighbor participants, wherein an originating participant sends data to the other participants by sending the data through each of its connections to its neighbor participants and wherein each participant sends data that it receives from a neighbor participant to its neighbor participants, further wherein the network is m-regular, where m is the exact number of neighbor participants of each participant and further wherein the number of participants is at least two greater than m thus resulting in a non-complete graph;
means for identifying a broadcast channel for a game of interest; and
means for connecting to the identified broadcast channel.

Claim 13 of the '966 patent is similar:

An information delivery service comprising:

a plurality of broadcast channels, each broadcast channel for distributing information relating to a topic, each of the broadcast channels for providing said information related to a topic to a plurality of participants, each participant having connections to at least three neighbor participants, wherein an originating participant sends data to the other participants by

sending the data through each of its connections to its neighbor participants and wherein each participant sends data that it receives from a neighbor participant to its neighbor participants, further wherein the network is m-regular, where m is the exact number of neighbor participants of each participant and further wherein the number of participants is at least two greater than m thus resulting in a non-complete graph;
 means for identifying a broadcast channel for a topic of interest; and
 means for connecting to the identified broadcast channel.

While the '069 and '147 patent claims describe methods, they are also limited to “incomplete” and “m-regular” networks.¹ For example, claim 1 of the '147 patent claims:

A method of disconnecting a first computer from a second computer, the first computer and the second computer being connected to a broadcast channel, said broadcast channel forming an m-regular graph where m is at least 3, the method comprising:
 when the first computer decides to disconnect from the second computer, the first computer sends a disconnect message to the second computer, said disconnect message including a list of neighbors of the first computer;
 and
 when the second computer receives the disconnect message from the first computer, the second computer broadcasts a connection port search message on the broadcast channel to find a third computer to which it can connect in order to maintain an m-regular graph, said third computer being one of the neighbors on said list of neighbors.

The '497 patent is the only asserted patent that is not limited to m-regular and incomplete networks. Instead, the asserted claims of the '497 patent recite a “component in a computer system” that uses a “port ordering algorithm” to identify a call-in port and to connect a computer to the network.

B. The Video Games

Take-Two is the parent company of Rockstar Games and 2K Sports. (D.I. 270 ¶ 8).

Rockstar Games publishes Grand Theft Auto V (GTA V), a video game which includes an online

¹ Although the asserted claim of the '069 patent does not explicitly require an “m-regular” or “incomplete” network, I construed the claim to include both limitations. (D.I. 345 at 12, 14-15).

mode called Grand Theft Auto Online (GTAO). (*Id.* ¶ 35). GTA V is an action-adventure game in which players inhabit the roles of characters in the criminal underbelly of Los Santos, a fictionalized version of Los Angeles. (D.I. 464, Ex. A-1, “Medvidović Report” ¶ 66). In GTAO, players can roam freely through Los Santos or they can compete with other players in defined games, such as heists, races, or shoot outs. (*Id.* ¶ 67). Acceleration Bay alleges both forms of online play infringe its patents. (*Id.*).

NBA 2K15 and NBA 2K16 are basketball games published by 2K Sports. Both games feature single-player and online multiplayer modes. (*Id.* ¶ 69). In the online modes, players can compete on a single court or on large shared locations with multiple courts. These online multicourt modes can include up to 100 players at a time (10 games of 5-on-5 players). (*Id.* ¶183). Although the multicourt modes have different names, such as “MyPark,” “ProAm,” and “Rec Hall,” Plaintiff alleges the underlying networks are the same and all infringe its patents. (D.I. 472 at 7 & n.4). Plaintiff does not accuse the single player or single-court multiplayer modes of infringement. (*Id.*).

II. LEGAL STANDARDS

A. Summary Judgment

“The court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” FED. R. CIV. P. 56(a). The moving party has the initial burden of proving the absence of a genuinely disputed material fact relative to the claims in question. *Celotex Corp. v. Catrett*, 477 U.S. 317, 330 (1986). Material facts are those “that could affect the outcome” of the proceeding, and “a dispute about a material fact is ‘genuine’ if the evidence is sufficient to permit a reasonable jury to return a verdict for the nonmoving party.” *Lamont v. New Jersey*, 637 F.3d 177, 181 (3d Cir.

2011) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)). The burden on the moving party may be discharged by pointing out to the district court that there is an absence of evidence supporting the non-moving party's case. *Celotex*, 477 U.S. at 323.

The burden then shifts to the non-movant to demonstrate the existence of a genuine issue for trial. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586–87 (1986); *Williams v. Borough of West Chester, Pa.*, 891 F.2d 458, 460–61 (3d Cir. 1989). A non-moving party asserting that a fact is genuinely disputed must support such an assertion by: “(A) citing to particular parts of materials in the record, including depositions, documents, electronically stored information, affidavits or declarations, stipulations . . . , admissions, interrogatory answers, or other materials; or (B) showing that the materials cited [by the opposing party] do not establish the absence . . . of a genuine dispute” FED. R. CIV. P. 56(c)(1).

When determining whether a genuine issue of material fact exists, the court must view the evidence in the light most favorable to the non-moving party and draw all reasonable inferences in that party's favor. *Scott v. Harris*, 550 U.S. 372, 380 (2007); *Wishkin v. Potter*, 476 F.3d 180, 184 (3d Cir. 2007). A dispute is “genuine” only if the evidence is such that a reasonable jury could return a verdict for the non-moving party. *Anderson*, 477 U.S. at 247–49. If the non-moving party fails to make a sufficient showing on an essential element of its case with respect to which it has the burden of proof, the moving party is entitled to judgment as a matter of law. *See Celotex Corp.*, 477 U.S. at 322.

B. Patent Infringement

A patent is infringed when a person “without authority makes, uses, offers to sell, or sells any patented invention, within the United States . . . during the term of the patent” 35 U.S.C. § 271(a). “Literal infringement of a claim exists when every limitation recited in the

claim is found in the accused device.” *Kahn v. Gen. Motors Corp.*, 135 F.3d 1472, 1477 (Fed. Cir. 1998). “If any claim limitation is absent from the accused device, there is no literal infringement as a matter of law.” *Bayer AG v. Elan Pharm. Research Corp.*, 212 F.3d 1241, 1247 (Fed. Cir. 2000).

A product that does not literally infringe may still infringe under the doctrine of equivalents. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 37 (1997). The most familiar framework for evaluating equivalence is whether the accused product performs substantially the same function in substantially the same way to obtain substantially the same result. See *Mylan Institutional LLC v. Aurobindo Pharma Ltd.*, 857 F.3d 858, 866 (Fed. Cir. 2017) (citing *Graver Tank & Mfg. Co. v. Linde Air Prod. Co.*, 339 U.S. 605, 608, 609 (1950)). “[T]he doctrine of equivalents must be applied to individual elements of the claim, not to the invention as a whole. It is important to ensure that the application of the doctrine, even as to an individual element, is not allowed such broad play as to effectively eliminate that element in its entirety.” *Warner-Jenkinson Co.* 520 U.S. at 29.

III. DISCUSSION

A. Infringement of the ’344, ’966, and ’497 Patents

1. “Makes,” “Sells,” or “Offers to Sell”

The parties agree that, under my reasoning in *Acceleration Bay LLC v. Activision Blizzard, Inc.*, 324 F. Supp. 3d 470 (D. Del. 2018) and *Acceleration Bay LLC v. Elec. Arts Inc.*, No. 1:16-CV-00454-RGA, 2019 WL 1376036 (D. Del. Mar. 27, 2019), Defendants do not “make,” “sell,” or “offer to sell” the inventions claimed in the ’344, ’966, and ’497 patents. (D.I. 463 at 3; D.I. 472 at 16 n.5). In those cases, I concluded the defendants (other video game developers) did not infringe these patents because the claimed systems only existed when

multiple customers played the games. *Activision*, 324 F. Supp. 3d at 482; *EA*, 2019 WL 1376036 at *4. Plaintiff, however, asks me to reconsider my reasoning in those prior cases, particularly in light of the Federal Circuit’s decision in *Centrak, Inc. v. Sonitor Techs., Inc.*, 915 F.3d 1360 (Fed. Cir. 2019).

To “make” a system under § 271(a), a single entity must combine all the claim elements. *Centillion Data Sys., LLC v. Qwest Commc’ns Int’l, Inc.*, 631 F.3d 1279, 1288 (Fed. Cir. 2011). If a customer, rather than a defendant company, performs the final step to assemble the system, then the defendant has not infringed. *Id.* The asserted ’344 and ’966 claims require a “computer network,” “broadcast channels,” or both. Defendants here, like the defendants in *Activision* and *EA*, make software, not computer networks or broadcast channels. The customers need to introduce those elements to the systems. Additionally, these asserted claims require “participants” who form “connections” with one another. It is therefore the video game players, not Defendants, who assemble the claimed systems.

Similarly, the asserted ’497 claims require a “component in a computer system for locating a call-in port of a portal computer.” Defendants do not make this “component.” Instead, customers use their own hardware, such as an Xbox or personal computer, to locate the “call-in port of a portal computer.” Defendants therefore do not make all the elements of the asserted ’497 claims.

For the same reasons Defendants do not “make” the ’344, ’966, and ’497 claimed systems, they do not “sell” or “offer to sell” them under § 271(a) either. Plaintiff has only alleged Defendants sell software, not hardware. Defendants do not sell the claimed “computer network[s],” “broadcast channels,” or “component[s].” The customers themselves take the final steps to create the accused systems.

Plaintiff cites *Centrak*, in which the Federal Circuit found there was a triable issue of fact of whether the defendant was the “final assembler” of the claimed system. 915 F.3d at 1371. In that case, although the defendant’s product did not include all the elements of the asserted claims, there was evidence that the defendant installed the accused product for its customers. *Id.* “[A]s long as a defendant adds the final limitations to complete a claimed combination, the defendant infringes.” *Id.* at 1372.

Plaintiff here has not alleged Defendants ever installed the video games for customers. (See D.I. 472 at 18). The controlling case is therefore *Centillion*, in which the Federal Circuit found the defendant could not have infringed the patents because the customers installed the accused software themselves. 631 F.3d at 1288. Here, Defendants make the software that allows customers to simulate a basketball game or rob a virtual bank, but it is the customers themselves who form the claimed systems when they connect to each other. The customers, not Defendants, add the “final limitations to complete a claimed combination.” *Centrak*, 915 F.3d at 1372.

Plaintiff has only alleged direct infringement. (D.I. 1, D.I. 472). Thus, it is unnecessary to analyze whether Defendants might be liable for indirect infringement.

2. “Uses” by Testing

Plaintiff argues Defendants “used” the inventions claimed in the ’344, ’966, and ’497 patents when they developed, updated, and tested the video games internally. (D.I. 472 at 12-16). This argument avoids the flaw that dooms Plaintiff’s theory that Defendants infringed by making or selling the inventions. If Defendants’ own employees tested all the elements of the claimed systems, then they, not their customers, were the “final assembler[s].” *Centrak*, 915 F.3d at 1371. Testing a system can constitute an infringing use under § 271(a), but to survive summary

judgment, the plaintiff must “provide evidence sufficient, if unopposed, to prevail as a matter of law.” *Ricoh Co. v. Quanta Computer Inc.*, 550 F.3d 1325, 1336 (Fed. Cir. 2008).

It is not enough for Plaintiff to show that Defendants’ employees probably played the three video games at some point. Rather, Plaintiff acknowledges it must produce evidence that Defendants tested the accused products: 1) in the accused online game modes; 2) on an accused platform; 3) in the United States; and 4) during the damages time period. (D.I. 472 at 12). The parties agree the damages period begins in April 2015 (D.I. 463 at 43; D.I. 472 at 14), and the accused platform must be either an Xbox or a personal computer (D.I. 477 at 2; D.I. 472 at 14).²

Plaintiff has provided evidence that testing of the three games occurred in the United States. In response to an interrogatory, Defendants stated that NBA 2K15 and 2K16 were primarily tested and developed in the United States. (D.I. 473, Ex. 11, Response to Interrogatory No. 6). Defendants also stated that a Rockstar studio in California tested features for GTA O, including online functionality. (*Id.*, First Supplemental Response to Interrogatory No. 6).

It is less clear though that Defendants tested the games in modes that could infringe the asserted patents. All three games have single-player modes that indisputably do not infringe. Additionally, not all versions of online play infringe. The asserted claims of the ’344, ’966, and ’497 patents all require that each participant have “connections to at least three neighbor participants,” and the ’344 and ’966 patent claims require that the number of participants be “at least two greater than m.” Thus, any testing Defendants did of the games with fewer than six participants could not have infringed the ’344 and ’966 patent claims, and testing with fewer than four participants could not have infringed the ’497 patent claims. Furthermore, Plaintiff only

² The games are also available on Sony PlayStation, but any infringing activity on that platform is protected by a license. (D.I. 237 at 5).

accuses the multi-court online mode of the NBA 2K games of infringing, not the single-court online mode. (D.I. 472 at 7, n. 4). Plaintiff alleges that GTA O is programmed so that it tends to “converge” to an infringing mode, but Plaintiff does not claim the game automatically infringes whenever it is played. (D.I. 472 at 3). Because various game modes do not infringe, the fact that Defendants acknowledge generally testing the games does not mean they must have tested them in an infringing mode.

Plaintiff points to an online news article that quotes an anonymous game tester who said testers devoted “tons of time to granular parts of [GTA V].” (D.I. 472 at 16, citing D.I. 473, Ex. 17 [at 187 of 463]). The article does not help Plaintiff. The “piece originally appeared 7/27/15.” (D.I. 473, Ex. 17 [at 184 of 463]). That is less than four months after the beginning of the damages period. The article’s recitation of what anonymous sources said is clearly inadmissible hearsay if offered to prove the truth of what was asserted. Since the only relevance of the statements would be to prove the truth of the assertions, the article has no evidentiary value in terms of creating a disputed material fact. While Defendants surely tested various aspects of their games before releasing them, Plaintiff fails to present evidence that Defendants specifically tested the accused online modes.

Even if Defendants tested the accused modes, Plaintiff needs to show that the testing occurred after April 2015. GTA O and NBA 2K15 were both released before April 2015. (Medvidović Report ¶¶ 66, 68). Thus, any pre-release testing is irrelevant. Plaintiff counters this fact by pointing to updates and patches to all three games that were released during the damages period. (D.I. 472 at 14-15, citing D.I. 473, Exs. 12-16). The fact that Defendants fixed glitches or added features does not, however, imply that they comprehensively tested every feature of the games. Some of the updates involve online play, but that is not enough to show Defendants

tested the accused modes. Even though NBA 2K16 was released during the damages period, Plaintiff does not present evidence of how much testing occurred after April 2015. NBA 2K16 is an updated version of NBA 2K15, and the multiplayer modes are functionally the same. (Medvidović Report ¶ 77). It is entirely possible that Defendants focused most of their testing of NBA 2K16 within the damages period on new features that are not accused here.

It is also possible that Defendants tested the accused modes during the damages period, but just not on an accused platform. All three games are available on the Sony PlayStation, but that platform is outside the scope of this case. (D.I. 237 at 5). Defendants therefore could have tested features on the PlayStation without also testing them on the Xbox or personal computer.

Thus, while Defendants admit testing the three games in the United States, I am unconvinced there is evidence that the U.S. testing involved the accused game modes on an accused platform during the damages period. Plaintiff needed to present evidence that these conditions were all met simultaneously. It has failed to do so.

Plaintiff's argument is, essentially, that TakeTwo is a big company that spends significant time and resources developing these games, and it is implausible that none of its employees tested these games in a way that would infringe the patents. (*See* D.I. 472 at 12-16). That argument, however, asks me (and would ask a jury) to speculate about TakeTwo's internal game-testing procedures. Speculation is not enough to survive summary judgment. "[T]he non-moving party has the duty to set forth specific facts showing that a genuine issue of material fact exists and that a reasonable factfinder could rule in its favor." *Azur v. Chase Bank, USA, Nat. Ass'n*, 601 F.3d 212, 216 (3d Cir. 2010). "The nonmoving party may not avoid summary judgment by relying on speculation or by rehashing the allegations in the pleadings." *Sullivan v. Warminster Twp.*, 765 F. Supp. 2d 687, 697 (E.D. Pa. 2011). As noted by the Court of Appeals in an

analogous situation, “If it was inconceivable to [Plaintiff] that the accused features were not practiced . . . , it should have no difficulty in meeting its burden of proof and introducing testimony.” *Mirror Worlds, LLC v. Apple, Inc.*, 692 F.3d 1351, 1362 (Fed. Cir. 2012) (quoting the district court).

Plaintiff has failed to show there is a genuine dispute of material fact that Defendants “made,” “sold,” “offered to sell,” or “used” the claimed inventions within the damages period. Summary judgment of non-infringement of the ’344, ’966, and ’497 patents is therefore appropriate.

B. Infringement of the ’069 and ’147 Patents

Unlike the claims discussed above, the asserted ’069 and ’147 claims do not recite systems or components. Instead, they recite methods for adding or disconnecting participants from a network. “A finding of direct infringement [of a method claim] requires that all steps of the claim are performed by or attributable to a single entity.” *Medgraph, Inc. v. Medtronic, Inc.*, 843 F.3d 942, 948 (Fed. Cir. 2016). Viewing the evidence in the light most favorable to Plaintiff, it appears Defendants, not their customers, perform the methods for adding or disconnecting participants from the game networks.

The critical question then is whether the accused games meet the m-regular limitation of the ’069 and ’147 claims. I construed “m-regular” to mean “[a] state that the network is configured to maintain, where each computer is connected to exactly m neighbor [participants or computers].” (D.I. 256 at 5). In other words, Plaintiff must show there is a genuine dispute about whether Defendants’ games are “configured to maintain” networks where each participant is connected to exactly the same number of other participants. I conclude Plaintiff has not met this burden.

The m-regular limitation is also part of the asserted '344 and '966 claims. Summary judgment is therefore appropriate for those claims on two bases: because Defendants' products do not meet the m-regular limitation, and, as discussed above, because Defendants did not "make," "sell," "offer to sell" or "use" those claimed inventions.

Because the games operate differently, I discuss each in turn.

1. Grand Theft Auto Online

Plaintiff's infringement theory is that the GTAOnline software applies various rules and constraints that cause the gameplay network to "converge to the same number of connections for each participant." (D.I. 472 at 3). In his report, Plaintiff's expert Dr. Nenad Medvidović explained that the GTAOnline software is "configured to have a maximum number of participants, a maximum number of connections, reserved connections, [and] limited available ports." (Medvidović Report ¶ 163). The software also uses "load balancing rules, including prioritized channels, to distribute the flow of data evenly between participants." (*Id.*). Dr. Medvidović concluded the combination of these constraints "drives the formation of an incomplete and m-regular network." (*Id.*). Dr. Michael Mitzenmacher, also a Plaintiff's expert, similarly concluded: "Because these rules and constraints cause the network to converge to the same optimal number of connections, each player tends to send data to the same number of participants during game play." (D.I. 464, Ex. A-2, "Mitzenmacher Report" ¶ 121). These rules and constraints exist when players wander through the online open-world mode and when they compete in specific games, but the limits are more restrictive in the specific games. (Medvidović Report ¶ 163).

Part of Plaintiff's theory is that GTAOnline transfers data based on the players' positions in the virtual world. When two players' avatars are closer together, there is a higher rate of data exchange between those two players. (D.I. 473, Ex. 2, "Conlin Report" ¶ 26). According to Dr.

Mitzenmacher, “when the players are geographically dispersed throughout the gameplay area, the proximity connection rules will cause the network to form m-regular graphs.” (Mitzenmacher Report ¶ 121). At his deposition, Dr. Mitzenmacher further explained that “in the course of players wandering through the environment, there will be various local data available to subsets of players, and there will be the natural configurations when players are distributed geographically where the resulting network will be m-regular Again, I think that just arises naturally. Again, in the course of gameplays, the players are moving throughout the game.” (D.I. 464, Ex. E-5, “Mitzenmacher Tr.” at 173:24-174:5, 175:17-19).

Even viewing this evidence in the light most favorable to Plaintiff, no reasonable jury could find GTAO meets the m-regular limitation. Under my claim construction, a network is not m-regular if the participants just happen to connect to the same number of other participants occasionally. Rather, the network must be “configured to maintain” an m-regular state. In my claim construction opinion, I explained: “My construction does not require the network to have each participant be connected to m neighbors at all times; rather, the network is configured (or designed) to have each participant be connected to m neighbors. In other words, if the network does not have each participant connected to m neighbors, this is fine so long as, when appropriate, it tries to get to that configuration.” (D.I. 244 at 14).

Plaintiff’s experts are not describing a network that meets this construction. They have not identified any source code that directs the participants to connect to the same number of other participants. Dr. Medvidović concluded that the combination of various rules and constraints “drives the formation” of an m-regular network. (Medvidović Report ¶ 163). Dr. Mitzenmacher concluded that each participant “tends” to connect to the same number of other participants. (Mitzenmacher Report ¶ 121). Those descriptions are not enough to show that the network is

“configured to maintain” an m-regular state. It might be true that GTA0 players are sometimes, or even often, connected to the same number of other players. But Plaintiff’s evidence does not suggest it is the default state of the network or that the network is in that state substantially all the time.

My construction does not require Plaintiff to show that the accused networks are m-regular 100 percent of the time. For example, if there is a split-second transition after a player disconnects from the game, that would not be enough to make the network not m-regular. Plaintiff’s evidence, however, suggests far greater variation. Plaintiff has not shown (and does not try to show) that if the network falls out of the m-regular state, the network responds by immediately trying to return to that configuration. Rather, it seems that the network might return to m-regular or it might not, depending on various factors.

A reasonable jury could not find that the “proximity connection rules” make the networks m-regular. The players control their own avatars and choose where to move throughout the game environment. The fact that players share more data when they are near each other does not suggest that the network is m-regular. Instead, it suggests that the players’ actions determine how connections are formed, and the network is not “configured to maintain” any particular state. Dr. Mitzenmacher said at his deposition that the infringing state “just arises naturally [as] . . . the players are moving throughout the game.” (Mitzenmacher Tr. at 175:17-19). But if a system is designed to achieve a desired result, one would not normally say the result “just arises naturally.” The result would be designed, not natural.

The doctrine of equivalents does not save Plaintiff’s infringement theory. Dr. Mitzenmacher concluded GTA0 performs “substantially the same function” as the m-regular claim element because it maintains “a balanced and even topography in the network, which

[allows the game] to relay game data efficiently so as to not overload a particular software application node on the network.” (Mitzenmacher Report ¶ 171). It performs this function in “substantially the same way,” he said, by “optimizing the entire network processing of the network by limiting each participant’s connections.” (*Id.* ¶ 172). He concluded it achieves “substantially the same result” because “data are distributed in a balanced fashion over the network such that no node is overloaded and data are efficiently distributed.” (*Id.* ¶ 173).

This argument, however, effectively reads the m-regular limitation out of the patent. There is no mention of participants connecting to the same number of other participants. The doctrine of equivalents cannot be “allowed such broad play as to effectively eliminate [an] element in its entirety.” *Warner-Jenkinson Co.*, 520 U.S. at 29. The GTAO network and the claimed methods share some of the same general purposes, but that is not enough for infringement. Plaintiff must show there is a genuine dispute about whether “the accused product or process contain elements identical or equivalent to each claimed element of the patented invention.” *Id.* at 39. Plaintiff has not produced evidence that GTAO is identical or equivalent to the m-regular element.

Plaintiff’s doctrine of equivalents argument is especially weak for the ’344, ’966, and ’147 patents because the patentee added the m-regular limitation during prosecution. (D.I. 464, Ex. D-1). The patentee explained to the patent examiner that, unlike a specific prior art reference, the amended patents “require[] that each participant in the network connects to and forms a neighbor bond to exactly m number of neighbors.” (D.I. 464, F-1 at 10, F-2 at 10). Plaintiff is barred by prosecution history estoppel from now attempting to erase that limitation from the patents. “Prosecution history estoppel precludes a patentee from regaining, through litigation, coverage of subject matter relinquished during prosecution of the application for the patent.

Were it otherwise, the inventor might avoid the PTO's gatekeeping role and seek to recapture in an infringement action the very subject matter surrendered as a condition of receiving the patent." *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 734 (2002) (cleaned up).

2. NBA 2K

The only accused mode of the NBA 2K games is the multicourt multiplayer mode, in which up to 100 players compete in multiple basketball games in a large shared area, such as a park or gym. (Medvidović Report ¶ 183). Plaintiff acknowledges this mode is functionally the same in NBA 2K15 and 2K16. (D.I. 472 at 7). Thus, I analyze the two games together. The NBA 2K software uses a "Park Relay Server," which connects to players' computers or consoles and allows them to play each other. (Medvidović Report ¶ 95).

Defendants argue NBA 2K is not m-regular because the Park Relay Server is itself a participant in the network. (D.I. 463 at 27). The human players might each connect to the same number of players, but the server connects to all of them. For example, there might be 40 players in a network each connected to four players, but the Park Relay Server would be connected to all 40 players. In this scenario, the network is not m-regular because one participant (the server) is connected to a different number of neighbors than the other participants are.

Plaintiff counters that the server is not a participant in the game. (D.I. 490 at 90:16-17). This is surely true in the sense that the server is not playing basketball. The server is, however, a participant in the network because it transfers data back and forth between other network participants. These patent claims are directed to network management, so what matters is whether the server is a participant in the network, not whether it is making jump shots or grabbing rebounds. Dr. Mitzenmacher, Plaintiff's own expert, wrote that the relay servers "are

participants in the NBA 2K Mesh Network because they can equally send and receive heartbeat data, lockstep data, gameplay data, and VoIP data to other participants in the network.” (D.I. 464, Ex. A-4, “Mitzenmacher Supplemental Report” ¶ 65). I therefore conclude that there is no genuine dispute that the servers are participants in the NBA 2K networks, and the networks do not literally meet the m-regular limitation of the asserted claims.

Plaintiff argues that even if the NBA 2K games do not literally infringe, they are equivalent to m-regular networks. (D.I. 472 at 9). Dr. Mitzenmacher provides Plaintiff’s infringement theory for the ’147 patent under the doctrine of equivalents:

NBA2K performs substantially the same function because when a player is disconnected, the matchmaking service (i.e., the match server) will maintain a balanced and even topography in the network where each participant has the same number of connections, which allow them to relay game data efficiently so as to not overload a particular software application node on the network.

NBA2K performs this function in substantially the same way by optimizing the entire network processing of the network by limiting each participant’s connections such that each participant’s connections are balanced by limiting incoming participants . . . and removing participants that are no longer active. Further, relaying of modified and/or compressed data via relay servers similarly optimizes and limits each participants’ connections and balances the network.

(D.I. 464, Ex. A-6, “Mitzenmacher Reply Report” ¶¶ 84-85) (cleaned up). This argument, however, fails for the same reason it fails when applied to GTAO. Plaintiff cannot use the doctrine of equivalents to remove inconvenient claim elements, such as the m-regular limitation. *Sze Warner-Jenkinson Co.*, 520 U.S. at 29. For the ’344, ’966, and ’147 patents, prosecution history estoppel prohibits Plaintiff from “seek[ing] to recapture in an infringement action the very subject matter surrendered as a condition of receiving the patent.” *Festo*, 535 U.S. at 734.

Given that the server is itself a participant in the network and is connected to all human players, Dr. Mitzenmacher’s claim that the network maintains a “balanced and even topography

in the network where each participant has the same number of connections” is a conclusory assertion. “Conclusory expert assertions cannot raise triable issues of material fact on summary judgment.” *Sitrick v. Dreamworks, LLC*, 516 F.3d 993, 1001 (Fed. Cir. 2008). Ultimately, a reasonable jury would have to conclude that the architecture of the NBA 2K network, which relies on a central relay server, is fundamentally different from the m-regular networks of the asserted claims, precluding a finding for Plaintiff under the doctrine of equivalents.

IV. Conclusion

For these reasons, I will GRANT Defendants’ Motion for Summary Judgment of Non-Infringement with respect to the asserted claims of the ’344, ’966, ’497, ’147, and ’069 patents. I will enter an Order consistent with this Memorandum Opinion.

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS**

CATHERINE ALEXANDER,)	
)	
Plaintiff,)	
)	
vs.)	Case No. 18-cv-966-SMY
)	
TAKE-TWO INTERACTIVE)	
SOFTWARE, INC. 2K GAMES, INC.,)	
2K SPORTS INC., WORLD WRESTLING)	
ENTERTAINMENT, INC., VISUAL)	
CONCEPTS ENTERTAINMENT,)	
YUKE'S CO., LTD, YUKES LA INC.,)	
)	
Defendants.)	

MEMORANDUM AND ORDER

YANDLE, District Judge:

Plaintiff Catherine Alexander filed this action against Defendants Take-Two Interactive Software, Inc., 2K Games, Inc., 2K Sports Inc., World Wrestling Entertainment, Inc., Visual Concepts Entertainment, Yuke's Co., Ltd., and Yukes LA, Inc., asserting copyright infringement pursuant to 17 U.S.C. § 501. The case is now before the Court for consideration of the Motion to Dismiss filed by Defendants 2K Games, 2K Sports, Take-Two, Visual Concepts, Yuke's, and Yuke's LA (Doc. 89) and the Motion to Dismiss filed by Defendant WWE (Doc. 92). Plaintiff filed a Response (Doc. 97). For the following reasons, Defendants' Motion (Doc. 89) is **GRANTED in PART** and **DENIED in PART** and Defendant WWE's Motion (Doc. 92) is **DENIED**.

Background

Plaintiff makes the following relevant allegations in the Complaint: Plaintiff, a professional tattoo artist, is a resident of the State of Illinois. Defendant Take-Two is a major developer,

publisher and marketer of interactive entertainment and video games. Defendant WWE is an entertainment company that creates and promotes various forms of entertainment media including video games. Defendants 2K Games and 2K Sports are publishers of video games, and Defendants Visual Concepts, Yuke's, and Yukes LA are developers of video games.

Plaintiff alleges that she owns a federal copyright for tattoos she inked on the body of WWE superstar Randy Orton between 2003 and 2008. She inked an upper back tribal tattoo on Orton in 2003, several tribal tattoos on Orton's forearms and upper arms in 2003, and sleeve tattoos on Orton's arms in 2008, consisting of a Bible verse design, dove, a rose, and skulls.

In 2009, Plaintiff contacted WWE about the reproduction of Orton's tattoos on various items for sale by the WWE. In response, WWE offered Plaintiff \$450 for extensive rights to use and reproduce the tattoo designs on WWE products. Plaintiff declined WWE's offer and told WWE that she did not grant any permission for them to reproduce her designs. Plaintiff submitted applications to register copyrights on each of the tattoos in March 2015.

Since October 2015, Defendants have released and promoted wrestling video games titled WWE 2K16, WWE 2K17 and WWE 2K18 (the "video games"), which have been available for sale throughout the United States. Orton is prominently featured in the videogames, including his tattoos. Plaintiff alleges that the videogames constitute willful copyright infringement because the games include clear, detailed and unauthorized reproductions of the tattoos she inked on Orton.

Discussion

Defendants Yuke's, Yuke's LA, and WWE Motions to Dismiss under 12(b)(2)

Defendants first argue that the Yuke's Defendants and WWE must be dismissed for lack of personal jurisdiction. *F.R.C.P.*12(b)(2). Yuke's is a Japanese corporation and Yukes LA is a California corporation with its primary place of business in California. The Yuke's Defendants are not incorporated or headquartered in Illinois, nor do they have knowledge of sales or distribution of

WWE 2K video games to Illinois. WWE is a Delaware corporation with its principle place of business in Connecticut. WWE operates a website accessible throughout the United States that offers various WWE branded products for sale, including the WWE 2K video games.

A Complaint need not include facts alleging personal jurisdiction. But, once the defendant moves to dismiss the Complaint under this Rule 12(b)(2), the plaintiff must demonstrate that personal jurisdiction exists. *Purdue Research Found. v. Sanofi-Synthelabo, S.A.*, 338 F.3d 773, 782 (7th Cir. 2003). If the court rules on the motion without a hearing, the plaintiff need only establish a “*prima facie* case of personal jurisdiction.” *Id.* The court should read the entire Complaint liberally and draw every inference in the plaintiff’s favor. *Cent. States, Se. & Sw. Areas Pension Fund v. Phencorp Reins. Co.*, 440 F.3d 870, 878 (7th Cir. 2006). The court may also consider affidavits from both parties when determining whether a plaintiff has met its burden. *Felland v. Clifton*, 682 F.3d 665, 672 (7th Cir. 2012). While affidavits trump the pleadings in this context, all facts disputed in the affidavits will be resolved in the plaintiff’s favor. *Purdue Research Found.*, 338 F.3d at 782.

A federal court sitting in diversity looks to the personal-jurisdiction laws of the state in which the court sits to determine whether it has jurisdiction. *Hyatt*, 302 F.3d at 713 (citing *Dehmlow v. Austin Fireworks*, 963 F.2d 941, 945 (7th Cir. 1992)). Under Illinois law, the state long-arm statute permits personal jurisdiction over a party to the extent allowed under the due process provisions of the Illinois and United States constitutions. 735 ILCS 5/2-209(c); *Hyatt*, 302 F.3d at 714. There is no operative difference between Illinois and federal due process limits on the exercise of personal jurisdiction. *Hyatt* at 715.

Federal due process permits two categories of personal jurisdiction – general and specific. Specific jurisdiction arises out of a defendant’s suit-related contacts with a state and requires two conditions: (1) the defendant must purposefully direct his activities at the forum state; and (2) the defendant’s forum-related activities must be the cause of the plaintiff’s injury. *Tamburo v. Dworkin*,

601 F.3d 693, 702 (7th Cir. 2010) (citing *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985)). With respect to intentional torts, the court must look to three factors: there must be “(1) intentional conduct (or ‘intentional and allegedly tortious’ conduct); (2) expressly aimed at the forum state; (3) with the defendant’s knowledge that the effects would be felt—that is, the plaintiff would be injured—in the forum state.” *Id.* at 703; *see also Felland v. Clifton*, 682 F.3d 665, 674–75 (7th Cir. 2012) (reiterating the *Tamburo* standard). At the pleading stage, plaintiffs are not required to prove that the defendant has actually committed the tort in order to proceed with the case – allegations in the Complaint will suffice. *Id.* at 676.

In support of its Motion, WWE submitted an affidavit from Edward M. Kiang, WWE’s VP of Interactive Media Licensing (Doc. 92-1). According to Kiang, WWE does not distribute or sell the WWE 2K games through retail outlets. However, WWE does purchase limited quantities of the games at wholesale and offers them for sale through its website and has held 38 promotional events in Illinois featuring Orton between 2016 and 2018. Plaintiff asserts that personal jurisdiction as to WWE is proper in Illinois primarily because she contacted WWE in 2009 about its infringing activities. She argues her communications with WWE coupled with WWE holding live promotional events and selling the video games in question to residents in Illinois establish that WWE expressly directed its activities toward Illinois. The Court agrees.

Copyright infringement is an intentional tort. *See Bucklew v. Hawkins, Ash, Baptie & Co., LLP, and HAB, Inc.*, 329 F.3d 923, 931 (7th Cir. 2003). As to whether WWE expressly aimed its activities at Illinois, WWE concedes that it has promoted live shows in the state, including 38 live promotional events featuring Randy Orton in the past 3 years. Additionally, it directs television programming to Illinois and its website is accessible in the state. As such, the Court finds that WWE expressly aimed its activities at Illinois.

With respect to the third factor, while Kiang denies knowledge that Plaintiff lives in Illinois, Plaintiff alleges that someone at WWE knew or should have known she lives in Illinois and would therefore feel the effects of the copyright infringement in Illinois. Plaintiff's contacts with WWE occurred in 2009 – five years prior to Kiang becoming VP. At that time, Plaintiff informed WWE that she inked the tattoos on Orton and someone from WWE offered her \$450.00 for her work. Kiang's affidavit does not dispute these allegations. Whether he was aware of these alleged facts five years later is immaterial.

Drawing all inferences and factual disputes in Plaintiff's favor, the Court finds that Plaintiff has met her and that this Court has personal jurisdiction over WWE. Accordingly, WWE's Motion to Dismiss under *FRCP* 12(b)(2) (Doc. 92) is **DENIED**.

As to the Yuke's Defendants, Plaintiff contends that Yuke's has purposefully availed itself of the United States' market by developing, promoting, distributing, and marketing the infringing games. However, Plaintiff's allegations are insufficient to establish that these defendants have minimum contacts with Illinois, that they purposefully availed themselves of the benefits and protections of Illinois law, or that there is a real relationship between Illinois and the Yuke's Defendants. Nor has Plaintiff established that Yuke's, a Japanese corporation, has the necessary continuous and systematic general business contacts such that it is essentially "at home" in the United States for purposes of jurisdiction under *FRCP* 4(k)(2). *See Purdue Research Found*, 338 F.3d at 787 (These contacts must be so extensive to be tantamount to [a defendant] being constructively present in the state to such a degree that it would be fundamentally fair to require it to answer in a [forum] court in *any* litigation arising out of *any* transaction or occurrence taking place *anywhere* in the world). Accordingly, this Court does not have personal jurisdiction over the Yuke's Defendants and their Motion to Dismiss under *FRCP* 12(b)(2) (Doc. 89) is **GRANTED**.

Defendants' Motion to Dismiss Under FRCP 12(b)(6)

Defendant also argue that Plaintiff fails to state a claim for copyright infringement under because (1) she does not hold certificates of registration for the tattoos which is a prerequisite to filing suit, and (2) the Amended Complaint is impermissibly vague.

Section 411(a) of the Copyright Act provides that “no civil action for infringement of the copyright in any United States work shall be instituted until ... registration of the copyright claim has been made in accordance with” Title 17 of the United States Code. 17 U.S.C. § 411. Relatedly, “registration ... has been made within the meaning of 17 U.S.C. § 411(a) not when an application for registration is filed, but when the Register has registered a copyright after examining a properly filed application.” *Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC*, 139 S. Ct. 881, 892 (2019). Registration is akin to an administrative exhaustion requirement that the owner must satisfy before suing to enforce ownership rights. *Id.* at 887.

Here, five of Plaintiff’s tattoos were registered on March 13, 2018, prior to Plaintiff filing this lawsuit (*see* Docs. 112-1 to 112-5). The United States Copyright Office Register rejected Plaintiff’s application for the Bible verse tattoo on the basis it lacked the authorship necessary to support a copyright claim (Doc. 112-6). Accordingly, because Plaintiff does not have proper registration for the Bible verse tattoo, Defendant’s Motion to Dismiss is **GRANTED** as to the Bible tattoo and **DENIED** as to the remaining five tattoos.

Defendants also maintain that Plaintiff’s Amended Complaint is vague because it fails to sufficiently state the works Defendants allegedly infringed, fails to state the allegedly infringing conduct of each Defendant, and fails to plead the necessary elements for direct, contributory and vicarious infringement. To survive a Rule 12(b)(6) motion, a plaintiff need only “nudge[] [her] claims across the line from conceivable to plausible.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570, (2007). “A claim has facial plausibility when the plaintiff pleads factual content that allows the court

to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009).

To establish copyright infringement, a plaintiff must prove two elements: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.” *Design Basics, LLC v. Lexington Homes, Inc.*, 858 F.3d 1093, 1099 (7th Cir. 2017). Liability for contributory infringement will be imposed when a defendant, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another. *Myers v. Harold*, 279 F. Supp. 3d 778, 796 (N.D. Ill. 2017). To prevail on a claim for vicarious copyright infringement, a plaintiff must establish that “the defendant has (1) the right and ability to supervise the infringing conduct and (2) a direct financial interest in the infringing activity.” *GC2 Inc. v. Int'l Game Tech. PLC*, 255 F. Supp. 3d 812, 824 (N.D. Ill. 2017) (quoting *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657, 673 (9th Cir. 2017)). A defendant can be liable for vicarious copyright infringement even without knowledge of the infringement. *Metro-Goldwyn-Mayer Studios*, 545 U.S. at 931 n.9. Nothing prevents Plaintiff from pleading alternative or even inconsistent direct and vicarious copyright infringement claims. *See GC2 Inc.*, 255 F. Supp. 3d at 826.

Plaintiff’s allegations are sufficient to meet *FRCP* 8's liberal pleading requirements. Plaintiff holds certificates of registration for five tattoos and she alleges her tattoos are prominently displayed on Orton in the video games. She describes the original tattoos allegedly infringed upon. She also alleges that each defendant had either a developmental, marketing or promotional role in the bringing the infringing video games to market. (Doc. 76, ¶¶ 41-43; 16-20). Dismissal for failure to state a claim is proper only if the plaintiff can prove no set of facts in support of her claims which would entitle her to relief. There are sufficient factual allegations in Plaintiff’s Amended Complaint to allow her claims to proceed against the defendants as to the remaining five registered tattoos.

Conclusion

For the forgoing reasons, Defendants Take-Two Interactive Software, Inc., 2K Games, Inc., 2K Sports Inc., Visual Concepts Entertainment, Yuke's Co., Ltd., and Yukes LA, Inc. Motion to Dismiss pursuant to *FRCP* 12(b)(2) and *FRCP* 12(b)(6) is **GRANTED in part** and **DENIED in part**. Defendants Yuke's Co., Ltd. and Yukes LA, Inc. are **DISMISSED** for lack of personal jurisdiction and Plaintiff's copyright claim as to the Bible tattoo is **DISMISSED with prejudice** for failure to obtain a certificate of registration. The remainder of the Motion is **DENIED**. Defendant World Wrestling Entertainment, Inc.'s Motion under *FRCP* 12(b)(2) is **DENIED**.

IT IS SO ORDERED.

DATED: March 18, 2020



STACI M. YANDLE
United States District Judge

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF ILLINOIS**

CATHERINE ALEXANDER,)
)
Plaintiff,)
)
vs.) **Case No. 18-cv-966-SMY**
)
TAKE-TWO INTERACTIVE)
SOFTWARE, INC. 2K GAMES, INC.,)
2K SPORTS INC., WORLD)
WRESTLING ENTERTAINMENT, INC.,)
VISUAL CONCEPTS)
ENTERTAINMENT, YUKE'S CO., LTD,)
YUKES LA INC.,)
)
Defendants.)

MEMORANDUM AND ORDER

YANDLE, District Judge:

Plaintiff Catherine Alexander filed the instant lawsuit against Defendants Take-Two Interactive Software, Inc., 2K Games, Inc., 2K Sports Inc., Visual Concepts Entertainment (the “Take-Two Defendants”), and World Wrestling Entertainment, Inc. (“WWE”) asserting copyright infringement under 17 U.S.C. § 501. The case is now before the Court for consideration of Plaintiff’s Motion for Partial Summary Judgment (Doc. 139) and the Motion for Summary Judgment filed by the Take-Two Defendants (Doc. 141). The parties have filed responses (Docs. 170 and 215). For the following reasons, Plaintiff’s Motion is **GRANTED**, and Defendants’ Motion is **DENIED**.¹

¹ Defendant WWE's motion to join the motion for summary judgment filed by the Take-Two Defendants (Doc. 138) and Plaintiff's Motion to Supplement Summary Judgment Evidence with Recent Deposition Transcript of Defendant WWE (Doc. 207) are **GRANTED**.

Material Facts

Catherine Alexander is a former tattoo artist who inked six tattoos on WWE professional wrestler Randy Orton between 2002 and 2008 (Doc. 142-17, at pp. 93, 97-98, 110, 113; Doc. 142-5, at ¶¶ 8, 10, 12-17). The tattoos include tribal tattoos on Orton's forearm, a Bible verse on his arm, a dove, a rose, and a skull. *Id.* at p. 124; Doc. 142-5, at ¶¶ 10, 12. Orton had a "tribal design" on his back created by another tattooist which Alexander also extended at Orton's request (Doc. 142-17, pp. 93, 97-98, 110, 113, 124).

Defendant Take-Two is the creator of the *WWE 2K* series of video games (Doc. 142-1 at ¶ 2). *WWE 2K* is a realistic depiction of WWE wrestling and includes elements that appear in real world wrestling (Doc. 142-18, at pp. 71-72; Doc. 142-20, at p. 43; pp. 106-107). To depict Orton in *WWE 2K* as he appears in real life, Take-Two replicated his likeness, including the Alexander tattoos (Doc. 142-20, at p. 43, pp. 106-107). Take-Two accomplished this by copying Orton's tattoos and reproducing them digitally in the video games. *Id.* at 154. This process is referred to as "photo reference" in the video game industry and required no artistic input other than a "rote" recreation of a reference photograph of Orton's tattoos. *Id.* at 149. The in-game reproduction of Orton in *WWE 2K* games is neither a photograph, video, nor live broadcast; it is a digitally created, authentic, re-creation of photographs of Orton (Doc. 142-20, pp. 139-144).

Take-Two obtained a license to portray Orton's likeness in *WWE 2K* from WWE, which itself was licensed by Orton (Doc. 142-5, at ¶ 22; Doc. 142-1, at ¶ 7; Doc. 145-22, Doc. 145-23). WWE's agreement with Take-Two obligated WWE to approve or disapprove of the subject video games before Take-Two could release and market the games. (Doc. 217-1, pp. 24-25; pp. 36-44). WWE's review process included reviewing Orton's tattoos to make sure they were accurate. *Id.* at pp. 68-73. WWE would have rejected Orton's videogame persona if it appeared without his

tattoos or appeared with tattoos that were different than Orton's actual tattoos as WWE would not have considered it an accurate depiction of Orton. *Id.*

Alexander has not worked in the tattoo industry full time since 2009 and has never licensed any tattoo to be included in video games or anywhere else. (Doc. 142-17, at pp. 179-181, 188). During her deposition, Alexander testified she has never told a client they needed her permission to appear in different media, such as photographs, tv shows, or videogames (Doc. 142-17, pp. 65-66, pp. 182-183), nor has she ever given permission to any of her clients to use copies of her tattoo work in video games. *Id.*, at 204. She would "take issue" if any client were to replicate her tattoos in a manner other than in photos or videos, including using her tattoo works to print and sell other commercial items, such as T-shirts. *Id.*, at 203.

In 2009, Alexander contacted WWE's legal department to negotiate about a possible faux sleeve product depicting her tattoo works (Doc. 215-3, p. 25). A WWE representative laughed at her and stated she had no grounds and that they could do what they wanted with Orton's images because he was their wrestler. *Id.* at pp. 30-31. WWE then offered Alexander \$450 for extensive rights to use and produce the tattoo designs on WWE products. Alexander declined the offer and advised WWE that she did not grant it any permission to copy, duplicate, or otherwise reproduce any of her designs. Defendants have released and promoted wrestling video games titled "WWE 2K16", "WWE 2K17", and "WWE 2K18" which feature Orton. *Id.* at p. 205.

Discussion

Alexander moves for partial summary judgment on the issue of copying. Defendants move for summary judgment, arguing Alexander's copyright claim fails as a matter of law for three independent reasons: Take-Two's use of the tattoos was authorized by an implied license; the fair use doctrine insulates their utilization of the tattoos in the *WWE 2K* videogames; and the tattoos

are a *de minimis* part of *WWE 2K*. Defendants further argue Alexander cannot prove actual damages.

Summary judgment is proper only if the moving party can demonstrate that there is no genuine issue as to any material fact. Fed. R. Civ. P. 56(a); *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). The moving party is entitled to summary judgment where the non-moving party “has failed to make a sufficient showing on an essential element of her case with respect to which she has the burden of proof.” *Celotex*, 477 U.S. at 323. If the evidence is merely colorable, or is not sufficiently probative, summary judgment may be granted. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249–50 (1986). Any doubt as to the existence of a genuine issue of material fact must be resolved against the moving party. *Lawrence v. Kenosha County*, 391 F.3d 837, 841 (7th Cir. 2004).

Alexander’s Motion for Partial Summary Judgment (Doc. 139)

The owner of a copyright has the exclusive right to reproduce the copyrighted work. 17 U.S.C. § 106(1). Copyright infringement occurs when anyone violates the exclusive rights of a copyright owner. 17 U.S.C. § 501(a). “A plaintiff alleging copyright infringement must establish two elements: (1) ownership of a valid copyright, and (2) copying of the constituent elements of the work that are original.” *Design Basics, LLC v. Lexington Homes, Inc.*, 858 F.3d 1093, 1099 (7th Cir. 2017).

“Some minimal degree of creativity,” or “the existence of ... intellectual production, of thought, and conception” is required for copyright protection. *JCW Investments, Inc. v. Novelty, Inc.*, 482 F.3d 910, 914–15 (7th Cir. 2007) (quoting *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 362 (1991)). Copyright protection begins at the moment of creation of “original works of authorship fixed in any tangible medium of expression,” including

“pictorial, graphic, and sculptural” works and sound recordings. 17 U.S.C. § 102(a). A work is “fixed” in a tangible medium of expression “when its embodiment in a copy ... is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.” *JCW Investments*, 482 F.3d at 915; 17 U.S.C. § 101. A certificate of copyright is “*prima facie* evidence” of the copyright’s validity. *Id.*; 17 U.S.C. § 410(c). If a plaintiff establishes a valid copyright, copying of the protected work by a defendant can be proven either by direct evidence or inferred where the defendant had access to the copyrighted work and the work is substantially similar to the copyrighted work. *Id.*; *see also Susan Wakeen Doll Co., Inc. v. Ashton Drake Galleries*, 272 F.3d 441, 450 (7th Cir. 2001).

Alexander argues there is no dispute of material facts as to the issue of copying because Defendants have admitted to copying her original copyrighted tattoo artworks without permission. Defendants admit to copying Alexander’s tattoos in their entirety in order to depict Orton in *WWE 2K* as he appears in real life (factual copying). However, citing Second and Fifth Circuit decisions, they argue Alexander cannot establish legally actionable copying, which she must also prove.

Defendants’ argument is contrary to Seventh Circuit copyright law under which Alexander only needs to show that Defendants used her property; the burden of proving the use was authorized falls squarely on Defendants. *See Muhammad-Ali v. Final Call, Inc.*, 832 F.3d 755, 761 (7th Cir. 2016) (The burden is on the alleged infringer to show that the use was authorized – not on the plaintiff to show it was not). It is undisputed that Alexander holds valid copyrights for the five tattoos at issue and that Defendants copied her copyrighted works. Accordingly, Alexander’s Motion for Partial Summary Judgment as to the copying element is **GRANTED**.

Defendants' Motion for Summary Judgment (Doc. 141)

Because Defendants admit to copying Alexander's copyrighted tattoos, they are liable for copyright infringement unless they can establish an affirmative defense to their usage. In that vein, Defendants assert three affirmative defenses to their utilization of the tattoos. First, Defendants claim the use of the tattoos was authorized by an implied license. Next, they contend the use of the tattoos is protected by the fair use doctrine. Finally, Defendants argue the use of the tattoos is *de minimis*.

Implied License

A copyright owner holds exclusive rights to copy or distribute copies of their work. 17 U.S.C. § 106; *Final Call*, 832 F.3d at 762. The owner may authorize another person to do so through an exclusive written license, 17 U.S.C. § 101, or a nonexclusive oral or implied license. *I.A.E., Inc. v. Shaver*, 74 F.3d 768, 775 (7th Cir. 1996). An implied nonexclusive license does not transfer ownership of the copyright to the licensee. *Final Call*, 832 F.3d at 762. It merely permits the use of a copyrighted work in a particular manner. *Id.* An implied license is created when “(1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute her work. *Id.* at 776 (citing *Effects Assocs., Inc. v. Cohen*, 908 F.2d 555, 558 (9th Cir. 1990)). A factfinder may look to objective evidence of the copyright owner's intent in determining the existence of an implied license. *Id.*

According to Defendants, Alexander impliedly licensed Orton to disseminate and display the tattoos as part of his likeness. They contend that Alexander created the tattoos at Orton's request and never told him that further use of the tattoos would be infringement. Orton granted WWE the right to license his likeness to third parties and WWE then licensed Take-Two to use

Orton's likeness in the *WWE 2K* games. The first and second prongs of the analysis are not contested; the dispute surrounds Alexander's intent and the scope of any implied license.

By Declaration, Orton states that he understood the tattoos were his personal expression and that Alexander never told him he needed her permission any time his likeness would be shown with his tattoo visible. Alexander testified that she has never given permission to any of her clients to use copies of her tattoo works in videogames and argues that Defendants are conflating Orton's rights to his own likeness and right to appear in media with an implied license to use her copyrights in unlimited and other commercial ways, such as in video games.

It is unclear whether Alexander and Orton discussed permissible forms of copying and distributing the tattoo works or whether any implied license included sublicensing rights such that Orton could give permission for others to copy Alexander's tattoo works. Thus, the evidence raises a triable issue of fact as to the existence and scope of an implied license and Defendants' motion is denied as to this affirmative defense.

Fair Use

The broad exclusive rights afforded copyright owners do not extend to certain forms of copying which are considered indispensable to education, journalism, history, criticism, humor and other informative endeavors. The doctrine of fair use encapsulates this category of permissible copying. 17 U.S.C. § 107; *see also Kienitz v. Sconnie Nation LLC*, 766 F.3d 756, 758 (7th Cir. 2014). Under the doctrine, using another's copyrighted work is "fair" for such purposes as "criticism, comment, news reporting, teaching, scholarship, or research" and is therefore "not an infringement of copyright." *Id.*; *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 578 (1994).

In determining whether the doctrine applies, courts consider the following non-exhaustive factors: (1) the purpose and character of the use, including whether such use is of a commercial

nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C. § 107; *see Brownmark Films, LLC v. Comedy Partners*, 682 F.3d 687, 692–93 (7th Cir. 2012). “Fair use is a mixed question of law and fact, which means that it may be resolved on summary judgment if a reasonable trier of fact could reach only one conclusion--but not otherwise.” *Ty, Inc. v. Publ'ns Int'l*, 292 F.3d 512, 516 (7th Cir. 2002) (quoting *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 560 (1985))

The inquiry into the purpose and character of the use entails an examination of the extent to which the use is complementary rather than merely substitutive of the original work and whether the use is for a nonprofit educational purpose, as opposed to a commercial purpose. A use is appropriate or “fair” where a defendant changes a plaintiff’s copyrighted work or uses the work in a different context such that the plaintiff’s work is transformed into a new creation. Here, Defendants contend that Take Two’s use of the copyrighted tattoos is “transformative; that Alexander inked the tattoos at Orton’s request to reflect his personal expression whereas Defendants depicted the tattoos in *WWE 2K* to depict Orton realistically. More specifically, relying on *Bill Graham Archives v. Dorling Kindersley Ltd.*, 448 F.3d 605, 607 (2d Cir. 2006), they contend their use is transformative because the size of the tattoos are small and difficult to observe, the videogame is an entire virtual world whereby the tattoos are an element utilized to create a “fun, lush experience for game users,” and the tattoos are a tiny fraction of the videogames.

In *Bill Graham*, the Second Circuit Court of Appeals affirmed summary judgment in favor of the defendant publishers of *Grateful Dead: The Illustrated Trip*, a 480–page coffee table book that provides a history of the Grateful Dead through the use of a timeline and over 2000 images.

Bill Graham, 448 F.3d at 606. The plaintiff claimed to own the copyright to seven of the images which the defendants reproduced without permission. *Id.* at 607. The court concluded that the first factor weighed in the defendants' favor because their purpose in using the copyrighted image (as historical artifacts to document the Grateful Dead concert events featured in the book's timeline) was plainly different from the plaintiff's dual purposes of artistic expression and promotion – the images were originally used as concert posters to generate public interest in the band's upcoming events. *Id.* at 609.

Unlike in *Bill Graham*, there is a factual dispute in this case as to Defendants' purpose in using the tattoo works. Alexander contends she created the tattoos for the purpose of displaying them on Orton's body and that Defendants used the tattoos for the same purpose; to display them on Orton's body in the videogames. Alexander also disputes Defendants' characterization of the size of the tattoos and maintains they are prominently displayed and clearly visible in the videogames. These are material factual disputes.

The second factor focuses on the nature of the copyrighted work. 17 U.S.C. § 107(2). "In general, the more creative the work, the more protection it should be accorded from copying; correlatively, the more informational or functional the plaintiff's work, the broader should be the scope of the fair use defense." (internal quotation omitted). *Neri v. Monroe*, 2014 WL 793336, at *7 (W.D. Wis. Feb. 26, 2014) *aff'd*, 567 Fed.Appx. 465 (7th Cir. 2014). Defendants argue the tattoos are not, or at best minimally, protected by copyright law. The Court disagrees. Alexander has a copyright for five of Orton's tattoos. The art of creating a tattoo naturally entails creative and expressive efforts. Although Orton gave Alexander direction and input as to the tattoos, it was Alexander's creativity and design choices that were ultimately inked.

The third factor involves consideration of the portion of the work used by the alleged infringers “in relation to the copyrighted work as a whole” in order to determine whether the portion used was reasonable given the purpose of copying. 17 U.S.C. § 107(3). *See, Campbell*, 510 U.S. at 586–87 (“the extent of permissible copying varies with the purpose and character of the use.”). Thus, the focus is not on how much of the work was taken, but the extent to which the protected elements were copied from the original and whether that amount was needed to further the purpose of the use. *Neri*, 2014 WL 793336, at *7. Defendants assert that it was necessary to copy each tattoo in its entirety in order to depict real life accurately. But Alexander argues that Defendants made no attempt to copy just those elements of the tattoo works necessary to create the realism Defendants’ sought. Although wholesale copying does not preclude fair use *per se*, it militates against a finding of fair use. *Id. See also, Kelly*, 336 F.3d at 820.

The fourth factor, the effect of the use upon the potential market for or value of the copyrighted work, “requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also whether unrestricted and widespread conduct of the sort engaged in by the defendant ... would result in a substantially adverse impact on the potential market for the original.” *Campbell*, 510 U.S. at 590. The ‘market’ in fair use cases includes the potential market for not only the original work, but also derivative uses and licensing rights.” *Red Label Music Publ'g, Inc.*, 388 F. Supp. 3d at 987. Defendants argue that Alexander is attempting to create a market in this case that has never existed before and would not be reasonable or likely to be developed – a market for licensing tattoos. Alexander maintains that Defendants’ use will create a trend whereby other video game manufacturers, and others similarly situated, take advantage of and fail to pay licensing fees for copyrighted works (above and beyond just tattoos) unilaterally deemed necessary to create “realism.”

Market harm is a matter of degree and the importance of this factor varies depending on the amount of harm and relative strength of the showing on the other factors.” *Id.* at 590 n.21. Here, as previously noted, the remaining factors do not weigh in favor of fair use as a matter of law. As such, Defendants’ fair use defense cannot be properly resolved on summary judgment.

De Minimis Use

Defendants also argue that Alexander’s copyright claim fails because Take-Two’s use of the tattoos is *de minimis*. More specifically, Defendants assert that Orton is one of many wrestlers in *WWE 2K*, that it is difficult to see his tattoos during the videogame, and that the tattoos are a small percentage of the videogame data.

The *de minimis* defense, recognized in some circuits, protects a defendant from liability for technical copyright violations if the copying is “so trivial as to fall below the quantitative threshold of substantial similarity, which is always a required element of actionable copying.” *See Ringgold v. Black Entertainment Television, Inc.*, 126 F.3d 70, 77 (2d Cir. 1997). The qualitative component concerns the degree of similarity between the two works, focusing on “whether an average lay observe would recognize the alleged copy as having been appropriated from the copyrighted work.” *Knitwaves, Inc. v. Lollytogs Ltd. (Inc.)*, 71 F.3d 996, 1002 (2d Cir. 1995) (internal quotation marks, citation, and alterations omitted). “The quantitative component generally concerns the amount of the copyrighted work that is copied, a consideration that is especially pertinent to exact copying.” *Ringgold*, 126 F.3d at 75 (internal citation omitted).

Whether the Seventh Circuit recognizes this defense to copyright infringement claims is an open question. The parties cite no Seventh Circuit decisions applying the defense and this Court is aware of none. Given the overlap between the defense and actionable copying, which Alexander is not required to prove to sustain her case in this circuit, the Court doubts the defense is viable

generally. That said, the Court finds Defendants' specific *de minimis* argument unavailing. The defense has been successfully invoked to allow copying of a small and usually insignificant portion of the copyrighted works, not the wholesale copying of works in their entirety as occurred here. Accordingly, Defendants' motion is also denied as to this affirmative defense.

Damages

"The Copyright Act permits a copyright owner to recover actual damages suffered as a result of the infringing activity and any profits of the infringer resulting from the infringement that are not otherwise taken into account in calculating actual damages." *Bell v. Taylor*, 827 F.3d 699, 709 (7th Cir. 2016) (quoting *McRoberts Software, Inc. v. Media 100, Inc.*, 329 F.3d 557, 566 (7th Cir. 2003)). Actual damages are "usually determined by the loss in the fair market value of the copyright, measured by the profits lost due to the infringement or by the value of the use of the copyrighted work to the infringer." *Id.* A jury may consider either a hypothetical lost license fee or the value of the infringing use to the infringer to determine actual damages, provided the amount is not based on "undue speculation." *Id.* At minimum, the plaintiff must prove a causal connection or nexus between the infringement and defendant's gross revenues. *See Bell*, 827 F.3d at 710.

Defendants argue they are entitled to summary judgment because Alexander cannot show that she is entitled to actual damages or Take-Two's profits. While Alexander testified that she was not aware of any business she lost due to the depiction of the tattoos in *WWE 2K*, she may establish actual damages using either a hypothetical lost license fee or the value of the infringing use to the infringer.

There is disputed evidence regarding the value of the copyright tattoo works to the videogames. Defendants argue the evidence establishes that consumers do not purchase *WWE 2K* because of the tattoos. But other evidence shows that consumers did purchase *WWE 2K* for its

authenticity to the wrestlers' appearance. In particular, Defendants admit that consumer response is a consideration to their development of *WWE 2K* and the design choices made. They also acknowledge that consumers expect there to be authenticity in the videogames and that WWE would have rejected Orton's videogame persona if it appeared without his tattoos or appeared with tattoos that were different than Orton's actual tattoos. Additionally, Alexander's expert addresses the importance of authenticity to drive sales and profits. Thus, an issue of material fact exists as to whether Alexander suffered actual damages based on the value of the infringing use, defeating summary judgment.

IT IS SO ORDERED.

DATED: September 26, 2020



STACI M. YANDLE
United States District Judge

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

----- x
AM GENERAL LLC,

Plaintiff,

-against-

ACTIVISION BLIZZARD, INC., ACTIVISION
PUBLISHING, INC., and MAJOR LEAGUE GAMING
CORP.,

Defendants.
----- x

MEMORANDUM DECISION
AND ORDER

17 Civ. 8644 (GBD)

GEORGE B. DANIELS, United States District Judge:

Plaintiff AM General LLC (“AMG”) brings this action against Defendants Activision Blizzard, Inc. and Activision Publishing, Inc. (collectively, “Activision”) and Major League Gaming Corp. (“MLG”) for trademark infringement, trade dress infringement, unfair competition, false designation of origin, false advertising, and dilution under the Lanham Act, 15 U.S.C. §§ 1114, 1125, and 1125(c), respectively. (Compl., ECF No. 1, ¶¶ 82–147.) AMG also raises pendant New York state law claims for trademark infringement, unfair competition, false designation of origin, trade dress infringement, false advertising, and dilution. (*Id.* ¶¶ 148–81.)

On May 31, 2019, Defendants moved for summary judgment on all of AMG’s claims pursuant to Federal Rule of Civil Procedure 56. (Defs. Activision and MLG’s Notice of Mot. for Summ. J., ECF No. 131.) On the same day, Plaintiff moved for partial summary judgment on Defendants’ laches claim pursuant to Federal Rule of Civil Procedure 56(a). (Pl. AMG’s Notice of Mot. for Partial Summ. J., ECF No. 138.) Subsequently, Defendants filed a motion to strike (1) certain portions of Plaintiff’s Rule 56.1 statement of material facts and (2) the “experiment” contained in the rebuttal report of Plaintiff’s expert, Dr. Yoran Wind (“MTS I”). (*See* Mem. of Law of Defs. Activision and MLG’s in Supp. of Their Mot. to Strike Pl. AMG’s Local Rule 56.1

Statement and Wind Rebuttal Report, ECF No. 163.) Shortly thereafter, Defendants filed a motion to strike (1) certain portions of Plaintiff's opposition to Defendants' Rule 56.1 statement of material facts and counterstatement of additional facts, (2) the survey undertaken by Plaintiff's expert, Dr. Wind, and (3) documents submitted by Plaintiff in opposition to Defendants' motion for summary judgment ("MTS II"). (See Mem. of Law in Supp. of Defs. Activision and MLG's Mot. to Strike, ECF No. 194.)

Defendants' motion for summary judgment is GRANTED. Plaintiff's motion for partial summary judgment is DENIED. Defendants' motions to strike are DENIED, except GRANTED in part to strike those documents which were not produced during discovery.¹

I. FACTUAL BACKGROUND

A. The Parties.

In 1983, the U.S. Department of Defense first awarded AMG a contract to build the High Mobility Multipurpose Wheeled Vehicle. (Pl. AMG's Response to Defs. Activision and MLG's Statement of Undisputed Facts and Counterstatement of Additional Facts ("Pl.'s Counter 56.1"), ECF No. 175, ¶ 20.) Since then, the vehicle—known colloquially as the "Humvee"—has been "the backbone of U.S. defense tactical vehicle fleets around the world" and "an essential part of

¹ For reasons stated in Part III(A)(2)(f), *infra*, Defendants' motion to strike portions concerning a letter sent by the Beanstalk Group to Activision in 1998 contained in Plaintiff's opposition to Defendants' Rule 56.1 statement is GRANTED. Beyond that, MTS II is DENIED as to Dr.'s Wind's survey because any defects that Defendants claim exist in Dr. Wind's report go to the weight of the evidence rather than to its admissibility. See *McCulloch v. H.B. Fuller Co.*, 61 F.3d 1038, 1044 (2d Cir. 1995) (citation omitted) ("Disputes as to the strength of [an expert's] credentials, faults in his use of differential etiology as a methodology, or lack of textual authority for his opinion, go to the weight, not the admissibility, of his testimony."). Finally, MTS II is GRANTED as to certain of the documents submitted by Plaintiff in opposition to Defendants' motion for summary judgment given that Plaintiff never produced such documents during discovery. Indeed, Plaintiff concedes and "asks the Court to strike documents AM General filed in opposition to Activision's motion on the grounds that AM General did not produce them in discovery." (Pl. AMG's Mem. of Law in Opp'n to Defs.' Second Mot. to Strike, ECF No. 206, at 7.)

U.S. military operations.” (Defs. Activision and MLG’s Mem. of Law in Support of Mot. for Summ. J. (“Defs.’ Mem.”), ECF No. 139, at 6 (quoting Pl. AMG’s Statement of Undisputed Material Facts in Support of Pl. AMG’s Mot. for Partial Summ. J., ECF No. 143, ¶ 23).) From Panama to Somalia, and to this day in Iraq and Afghanistan, the Humvee has become an iconic and a ubiquitous symbol of the modern American military. (Defs.’ Mem. at 6; Pl. AMG’s Mem. of Law in Opp’n to Mot. for Summ. J. (“Pl.’s Mem.”), ECF No. 171, at 3.) AMG continues to produce Humvees for the U.S. armed forces and the militaries of over 50 countries. (Compl. ¶¶ 15–16.)

Since the early 1990s, AMG has also granted licenses to other companies to use the Humvee trademark “on or in connection with a wide variety of products,” including toys and at least four video games. (Compl. ¶¶ 25–31.) Humvees have also appeared in a wide variety of other media, including Hollywood blockbusters, such as *Jurassic Park* and *The Avengers*, television series, such as *24*, *The Simpsons*, *The Walking Dead*, and *Long Road Home*, and Academy Award-winning dramas, such as *The Hurt Locker*. (Defs.’ Mem. at 7.) Additionally, a number of video games, manufactured by video game developers other than Defendants, have featured Humvees. (*Id.* at 8.)

Call of Duty is one of the “most popular and well-known video game franchises in the world” with over 130 million units sold. (Rule 56.1 Statement of Undisputed Facts in Supp. of Mot. of Defs. Activision and AMG for Summ. J. (“Defs.’ 56.1”), ECF No. 158, ¶ 2.) Indeed, the *Call of Duty* franchise—which is a first-person shooter series developed, produced, and distributed by Activision—is characterized by its realism, cinematic set-pieces, and fast-paced multiplayer mode. (*Id.* ¶¶ 7–10; Compl. ¶¶ 3–4; Defs.’ Mem. at 4–5.) While various consumers play *Call of Duty* from the comfort of their own homes, both through single-player campaigns and in online

multiplayer mode, others compete in tournaments hosted by organizations, such as MLG. (*Id.* at 3; Defs.’ 56.1 ¶ 89.)

B. Alleged Infringing Conduct: Humvees and *Call of Duty*.

Humvees are depicted in nine *Call of Duty* games for varying durations. (Pl.’s Mem. at 4; Defs.’ Mem. at 9–10.) In particular, whereas sometimes they appear briefly in the background or are mentioned in passing through dialogue, at other times, players ride in a Humvee for several minutes during a scene or level. (Pl.’s Counter 56.1 ¶¶ 56–62.) Further, at times, the player can even “assum[e] control of the [Humvee],” including by firing a turret-mounted machine gun. (Pl.’s Counter 56.1 ¶ 3.) In certain instances, the player cannot progress to the next level without interacting with the Humvee. (Pl.’ Counter 56.1 ¶ 56.) Humvees are also shown in several trailers for the games and in *Call of Duty*-branded strategy guides. (Defs.’ Mem. at 10–11.) Defendants also licensed a toy company to manufacture *Call of Duty*-branded construction sets, two of which include toy vehicles. (Compl. ¶ 8.) According to AMG, they bear the distinctive elements of the Humvee’s trade dress. (*Id.* ¶¶ 54–55.) Plaintiff asserts that Defendants did not receive authorization from AMG for such uses. (*Id.* ¶ 102.)

As to an instruction manual included inside each disk case for *Call of Duty 4: Modern Warfare*, Activision included the following language:

All title, ownership rights and intellectual property rights in and to this Program (including but not limited to any patches and updates) and any and all copies thereof (including but not limited to any titles, computer code, themes, objects, characters, character names, stories, dialog, catch phrases, locations, concepts, artwork, animation, sounds, musical compositions, audio-visual effects, methods of operation, moral rights, any related documentation, and “applets” incorporation into this Program) are owned by Activision, affiliates of Activision or Activision’s licensors.

(Decl. of Cory D. Struble (“Struble Decl.”), Ex. 118 (*Call of Duty 4: Modern Warfare*), ECF No. 141-10, at AMG0075793.) Similar language appears in comparable sections of the instruction

booklets accompanying *Call of Duty: Modern Warfare 2*, *Call of Duty: Modern Warfare 3*, and *Call of Duty: Black Ops II*. (See Struble Decl., Ex. 119 (*Call of Duty: Modern Warfare 2*), ECF No. 141-11, at AMG0075815; Struble Decl., Ex. 120 (*Call of Duty Modern Warfare 3*), ECF No. 141-12, at AMG0075835; Struble Decl., Ex. 117 (*Call of Duty: Black Ops II*), ECF No. 141-9, at AMG0075777.)

C. Plaintiff's Letters.

In 1998, the Beanstalk Group—a third-party that served at the time as a licensing agent for AMG—sent a letter² to Activision regarding the video game *Sin*, which is unaffiliated with the *Call of Duty* franchise (the “1998 letter”). (Pl.’s Counter 56.1 ¶¶ 53–54.) According to AMG, in the 1998 letter, the Beanstalk Group “complained to Activision about its use of the [Humvee] Trade Dress in a video game called *Sin*.” (*Id.* ¶ 54.) AMG cites the 1998 letter for the proposition that Activision “agreed to remove [Humvee] vehicles from the video game *Sin*.” (*Id.* ¶ 55.)

On or about June 20, 2016, counsel for Global Icons, LLC—an outside licensing agency contracted by AMG—sent a cease-and-desist letter to Defendants objecting to the appearances of Humvees in *Call of Duty* games and toys. (Compl. ¶¶ 78–79.) Shortly thereafter, on November 4, 2016, Defendants released *Call of Duty: Modern Warfare Remastered*, which included scenes with Humvees. (Pl.’s Counter 56.1 ¶ 5.) Subsequently, AMG initiated this action on November 7, 2017. (See Compl.)

II. LEGAL STANDARDS

Summary judgment is appropriate when there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. *See* Fed. R. Civ. P. 56(a). “An issue of

² The 1998 letter, which includes a purported conversation between a representative from Beanstalk Group and a representative from Activision, is under seal with this Court. (See Struble Decl., Ex. 121 (1998 Letter), ECF No. 141-13.)

fact is ‘genuine’ if ‘the evidence is such that a reasonable jury could return a verdict for the nonmoving party.’” *Gayle v. Gonyea*, 313 F.3d 677, 682 (2d Cir. 2002) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986)). A fact is material when it “might affect the outcome of the suit under the governing law.” *Id.* (quoting *Anderson*, 477 U.S. at 248) (internal quotation marks omitted).

“The party seeking summary judgment has the burden to demonstrate that no genuine issue of material fact exists.” *See Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 286 (2d Cir. 2002). In turn, to defeat a motion for summary judgment, the opposing party must raise a genuine issue of material fact. *See Caldarola v. Calabrese*, 298 F.3d 156, 160 (2d Cir. 2002) (explaining that the nonmoving party “must come forward with specific facts showing that there is a genuine issue for trial”). To do so, the opposing party “must do more than simply show that there is some metaphysical doubt as to the material facts,” *id.* (quoting *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986)), and it “may not rely on conclusory allegations or unsubstantiated speculation,” *Fujitsu Ltd. v. Fed. Express Corp.*, 247 F.3d 423, 428 (2d Cir. 2001) (quoting *Scotto v. Almenas*, 143 F.3d 105, 114 (2d Cir. 1998)) (internal quotation marks omitted). Rather, the opposing party must produce admissible evidence that supports its pleadings. *See First Nat’l Bank of Ariz. v. Cities Serv. Co.*, 391 U.S. 253, 289–90 (1968). In this regard, “[t]he ‘mere existence of a scintilla of evidence’ supporting the non-movant’s case is also insufficient to defeat summary judgment.” *Niagara Mohawk Power Corp. v. Jones Chem., Inc.*, 315 F.3d 171, 175 (2d Cir. 2003) (quoting *Anderson*, 477 U.S. at 252).

In determining whether a genuine issue of material fact exists, the court must construe the evidence in the light most favorable to the opposing party and draw all reasonable inferences in that party’s favor. *See id.* However, “a court must not weigh the evidence, or assess the credibility

of witnesses, or resolve issues of fact.” *Victory v. Pataki*, 814 F.3d 47, 59 (2d Cir. 2016) (citation and internal quotation marks omitted). Summary judgment is therefore “improper if there is any evidence in the record that could reasonably support a jury’s verdict for the non-moving party.” *Marvel*, 310 F.3d at 286.

III. DEFENDANTS’ MOTION FOR SUMMARY JUDGMENT IS GRANTED

A. Federal and New York Trademark Infringement Claims.

Where the defendant’s product is artistic or expressive, courts have interpreted the Lanham Act narrowly in order to avoid suppressing protected speech under the First Amendment. *See Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989) (explaining). The court in *Rogers* articulated a two-prong test that allows artistic or expressive works to make use of trademarks under most circumstances without facing liability under the Lanham Act. The court found that the “balance [between trademark interests and First Amendment speech interests] will normally not support application of the [Lanham] Act unless [the use of the trademark] has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless [the use of the trademark] explicitly misleads as to the source or the content of the work.” *Rogers*, 875 F.2d at 999. Although *Rogers* dealt only with a potentially confusing title, the Second Circuit has since held that “the *Rogers* balancing approach is generally applicable to Lanham Act claims against works of artistic expression.” *Cliff Notes v. Bantam Doubleday Dell Publ’g Grp.*, 886 F.2d 490, 495 (2d Cir. 1989).

Under the first prong of the *Rogers* test, courts must determine whether the use of the trademark has any “artistic relevance to the underlying work whatsoever.” *Rogers*, 875 F.2d at 999. This requirement, though real, is not unduly rigorous out of the understanding that the “overextension of Lanham Act restrictions . . . might intrude on First Amendment values.” *Id.* at 998. *See Louis Vuitton Malletier S.A. v. Warner Bros. Entm’t*, 868 F. Supp. 2d 172, 178 (S.D.N.Y. 2012) (describing the artistic relevance threshold as “purposely low”). In *Rogers*, for example, the

contested film's title—"Ginger and Fred"—possessed artistic relevance because "the central characters in the film [we]re named 'Ginger' and 'Fred,' and these names . . . ha[d] genuine relevance to the film's story." *Rogers*, 875 F.2d at 1001. Accordingly, no more rigorous examination of artistic merit was required or even appropriate.

If the contested use has artistic relevance, then the court must proceed to the second prong of the *Rogers* test and determine whether the use "explicitly misleads as to the source or the content of the work." *Rogers*, 875 F.2d at 999. It is not enough that a likelihood of confusion exists; rather, "the finding of likelihood of confusion must be particularly compelling to outweigh the First Amendment interest recognized in *Rogers*." *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1379 (2d Cir. 1993). Such evaluation of misleadingness "must be made, in the first instance, by application of the venerable *Polaroid* factors." *Id.* See also *DeClemente v. Columbia Pictures Indus., Inc.*, 860 F. Supp. 30, 51 (E.D.N.Y. 1994) ("The analysis to determine consumer confusion and misleading under the balancing test of *Rogers* is conducted by applying the eight[-]factor test for consumer confusion set forth in *Polaroid* [*v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)]."). Notably, "the finding of likelihood of confusion must be particularly compelling to outweigh the First Amendment interest recognized in *Rogers*." *Twin Peaks*, 996 F.2d at 1379; see *Cliff Notes v. Bantam Doubleday Dell Publ'g Grp.*, 886 F.2d 490, 494 (2d Cir. 1989) (courts must "strike the balance between the two competing considerations of allowing artistic expression and preventing consumer confusion").

A comparison of two cases—namely, *Louis Vuitton* and *Simon & Schuster*—illustrates how courts employ the *Rogers* framework to weigh trademark concerns against First Amendment interests. In *Louis Vuitton*, a character in the defendant's film, *The Hangover: Part II*, humorously mispronounced his knockoff Louis Vuitton bag as a "Lewis Vuitton." *Louis Vuitton*, 868 F. Supp.

2d at 174–75. The plaintiff filed an action, claiming that the defendant had “affirmatively misrepresent[ed]” that the knockoff was one of the plaintiff’s products. *Id.* at 175. Such a use, the plaintiff asserted, likely confused the public into believing that the plaintiff had “sponsored and approved” the use of the knockoff. *Id.* As the court explained, the film’s use of the bag had artistic relevance: its flaunting and subsequent mispronunciation revealed that the character was “snobbish” and “socially inept,” and “introduce[d] the comedic tension between [two characters] that appear[ed] throughout the [f]ilm.” *Id.* at 178. And even if there *were* some confusion as to whether this scene “impl[ied] that [the plaintiff] approved the use of the [knockoff] bag in the [f]ilm,” the court held that “the public’s interest in avoiding consumer confusion . . . [wa]s not so great as to overcome the significant threats to free expression from holding [the defendant] liable for its noncommercial speech in this case.” *Id.* at 183. Thus, the court rejected the plaintiff’s trademark claim. *Id.*

In contrast, the court in *Simon & Schuster* held that the presence of many of the *Polaroid* factors outweighed a meager invocation of the First Amendment. *Simon & Schuster, Inc. v. Dove Audio, Inc.*, 970 F. Supp. 279, 301 (S.D.N.Y. 1997). The plaintiff, publisher of “The Book of Virtues” both in print and as an audiobook, sued the defendant for publishing “The Children’s Audiobook of Virtues,” an audiobook, and planning to publish “The Children’s Book of Virtues,” a print book. *Id.* at 282. The court found that at least five of the eight *Polaroid* factors favored the plaintiff. *Id.* at 297–300. Subsequently, the court held that the defendant had “reflexively invoked the First Amendment without offering a persuasive explanation of why free speech interests are seriously threatened by Lanham Act liability in this case.” *Id.* at 300. The court explained that “[u]nlike the film title in *Rogers*, [the defendant’s] title [wa]s not an ‘integral element’ of its books and their creator’s ‘artistic expressions.’ Rather, the evidence show[ed] that

[the defendant] deliberately gave its children's story books confusingly similar titles in a blatant and ill-conceived effort to piggy-back on the goodwill associated with [the plaintiff's] best-selling title." *Id.* at 300–01 (quoting *Rogers*, 875 F.2d at 1001).

It can be inferred from *Louis Vuitton* and *Simon & Schuster* that an artistically relevant use will outweigh a moderate risk of confusion where the contested user offers a "persuasive explanation" that the use was an "integral element" of an artistic expression rather than a willful attempt to garnish the trademark owner's goodwill for profit. *Id.* An "integral element" does *not* have to be a "but-for" aspect of the work. It was *metaphysically* possible for Defendants to have produced video games without the presence of Humvees, just as it was *technically* possible for the film in *Rogers* to have had a different title or for the film in *Louis Vuitton* to have deleted the scene with the knockoff bag. *Cf. Matsushita Elec. Indus. Co, LTD v. Zenith Radio Corp.*, 475 U.S. 574, 586, 475 U.S. at 586 (noting that the opposing party needs more than "some metaphysical doubt as to the material facts" to avoid summary judgment). Instead, an integral element is one that "communicate[s] ideas—and even social messages," either "through many familiar literary devices (such as characters, dialogue, plot, and music)" or "through features distinctive to the medium (such as the player's interaction with the virtual world)." *Brown v. Entm't Merchs. Ass'n*, 564 U.S. 786, 790 (2011); *see also Yankee Publ'g Inc. v. News America Publ'g Inc.* 809 F. Supp. 267, 275 (S.D.N.Y. 1992) ("the First Amendment confers a measure of protection for the unauthorized use of trademarks when that use is a part of the expression of a communicative message"); *Rogers*, 875 F.2d at 1001 (explaining that where the title effectively satirized the "gaudiness and banality of contemporary television," it was "an integral element of the film and the film-maker's artistic expressions").

The elements of a successful New York common law claim of trademark infringement parallel the elements required for a Lanham Act trademark infringement claim. *See Van Praagh v. Gratton*, 993 F. Supp. 3d 293, 302 (E.D.N.Y. 2014) (citing *Allied Interstate LLC v. Kimmel & Silverman P.C.*, No. 12 Civ. 4204 (LTS) (SN), 2013 WL 4245987, at *5 (S.D.N.Y. Aug. 12, 2013)); *Allied Maint. Corp. v. Allied Mech. Trades, Inc.*, 369 N.E.2d 1162, 1165 (N.Y. 1977). As such, both state and federal trademark infringement claims will be assessed together.

1. Artistic Relevance

Starting at the first prong of the *Rogers* test, Defendants' uses of Humvees in *Call of Duty* games have artistic relevance. Featuring actual vehicles used by military operations around the world in video games about simulated modern warfare surely evokes a sense of realism and lifelikeness to the player who "assumes control of a military soldier and fights against a computer-controlled or human-controlled opponent across a variety of computer-generated battlefields." *Novalogic, Inc. v. Activision Blizzard*, 41 F. Supp. 3d 885, 890 (C.D. Cal. 2013). The reasoning articulated by the court in *Novalogic* is highly persuasive in this regard. Specifically, the court applied the *Rogers* framework to a motion for summary judgment in a dispute over contested uses in a *Call of Duty* game. *See id.* at 898–99. Upon reviewing a copy of the *Call of Duty* game, the court explained that the uses of the plaintiff's name and logo "easily met the artistic relevance requirement under *Rogers*" because they gave players "a sense of a particularized reality of being part of an actual elite special forces operation and serve[d] as a means to increase specific realism of the game." *Id.* at 900; *see also Mil-Spec Monkey, Inc. v. Activision Blizzard, Inc.*, 74 F. Supp. 3d 1134, 1136 (N.D. Cal. 2014) (similar). The same is true here with respect to Humvees. Accordingly, any reasonable juror would conclude that the presence of Humvees in *Call of Duty*

games possesses an artistic value that is at least “above zero.” *Communico, Ltd. v. DecisionWise, Inc.*, No. 14 Civ. 1887 (RNC), 2018 WL 1525711, at *8 (D. Conn. Mar. 28, 2018)

2. *Polaroid Factors*

Proceeding to the second prong of the *Rogers* test, Defendants’ uses of Humvees in the *Call of Duty* games are not explicitly misleading. As the court in *Rogers* recognized, a survey documenting confusion is not dispositive. *See Rogers*, 875 F.2d at 1001 (“The survey evidence, even if its validity is assumed, . . . is so outweighed by the interests in artistic expression as to preclude application of the Lanham Act.”). Indeed, “no amount of evidence showing *only* consumer confusion can satisfy the ‘explicitly misleading’ prong of the *Rogers* test because such evidence goes only to the ‘impact of the use’ on a consumer.” *Twentieth Century Fox Television v. Empire Distribution Inc.*, 161 F. Supp. 3d 902, 909 (C.D. Cal. 2016) (emphasis added) (quoting *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235, 1245–46 (9th Cir. 2013)). Instead, “the venerable *Polaroid* factors” must be applied. *Twin Peaks*, 996 F.2d at 1379. “No one of the *Polaroid* factors is dispositive, and the list is not exhaustive; ‘the analysis of the factors is not a mechanical process.’” *Estee Lauder Inc. v. The Gap*, 108 F.3d 1503, 1510 (2d Cir. 1997) (quoting *Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 391 (2d Cir. 1995)).

a. Strength of Plaintiff’s Mark

The first *Polaroid* factor is “the strength of [the plaintiff’s] mark.” *Polaroid*, 287 F.2d at 495. Courts considering this factor “focu[s] on the ‘distinctiveness of the mark, or more precisely, its tendency to identify the goods’ as coming from a particular source.” *Museum of Modern Art v. MOMACHA IP LLC*, 339 F. Supp. 3d 361, 373 (S.D.N.Y. 2018) (quoting *Lang v. Ret. Living Publ’g Co.*, 949 F.2d 576, 581 (2d Cir. 1991)). Additionally, courts consider both “the mark’s inherent distinctiveness, based on the characteristics of the mark itself, and its acquired

distinctiveness, based on associations the mark has gained through use in commerce.” *Akiro LLC v. House of Cheatham, Inc.*, 946 F. Supp. 2d 324, 333 (S.D.N.Y. 2013) (citing *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 743–44 (2d Cir. 1998)). Here, Defendants do not challenge the strength of Plaintiff’s mark—instead, they contest its relevancy. (See Reply Mem. of Defs. Activision and MLG’s in Further Supp. of Mot. for Summ. J. (“Defs.’ Reply Mem.”), ECF No. 195, at 9.) Accordingly, the first *Polaroid* factor weighs in Plaintiff’s favor.

b. Degree of Similarity

The second *Polaroid* factor is “the degree of similarity between the two marks.” *Polaroid*, 287 F.2d at 495. “[T]he test . . . is whether confusion is probable among numerous customers who are ordinarily prudent.” *Estee Lauder*, 108 F.3d at 1511. “[If] the marks are used for different purposes and are presented to the public differently, even though they say the same thing, they are dissimilar and no issue of fact is created.” *DeClemente*, 860 F. Supp. at 47. Here, Plaintiff and Defendants use Humvees “for different purposes.” *Id.* Plaintiff contends that Defendants replicated the Humvee design in its games with the “admitted intention that consumers would recognize it” as a Humvee, but recognition is not confusion. (Pl.’s Mem. at 19.) While both parties have the general “purpose” of selling products for profit, Plaintiff’s purported concept of shared purpose is far too abstract to argue reasonable confusion. Put simply, Plaintiff’s purpose in using its mark is to sell vehicles to militaries, while Defendants’ purpose is to create realistically simulating modern warfare video games for purchase by consumers. (Compare Compl. ¶ 14 (“AM General designs, engineers, manufactures, supplies, and supports specialized vehicles for military and commercial customers.”), with *id.* ¶ 4 (“Defendant Activision Blizzard, Inc. is an interactive entertainment company and video game developer. Defendant Activision Blizzard, Inc. earns

revenue through the sale, distribution, and licensing of content related to its video games.”). Thus, the second *Polaroid* factor weighs in Defendants’ favor.

c. Proximity

The third *Polaroid* factor is “the proximity of the products.” *Polaroid*, 287 F.2d at 495. This factor “focuses on whether the two products compete with each other,” with special attention devoted to assessing whether goods “serve the same purpose, fall within the same general class, or are used together.” *Lang*, 949 F.2d at 582. Proximity may be measured both in terms of “market proximity” and “geographic proximity.” *Brennan’s, Inc. v. Brennan’s Rest., L.L.C.*, 360 F.3d 125, 134 (2d Cir. 2004). Here, the products are far from proximate. Specifically, Plaintiff’s vehicles and Defendants’ video games do not “serve the same purpose” nor “fall within the same general class,” and certainly are not “used together.” *Lang*, 949 F.2d at 582.

In an attempt to salvage this factor in its favor, Plaintiff asserts that “[i]t is also in the business of licensing-out the rights to depict [Humvees] in video games and toys.” (Pl.’s Mem. at 21). However, the competitive proximity inquiry focuses on a user’s “central purpose” and “focus” rather than a “sporadic and marginal aspect of [the user’s] purposes.” *Girl Scouts of U.S. of Am. v. Bantam Doubleday Dell Publ’g Grp.*, 808 F. Supp. 1112, 1126–27 (S.D.N.Y. 1992). Where Plaintiff’s business is solely focused on automobiles, a reasonable jury would view its forays into video game licensing as merely a “sporadic and marginal aspect” of its business rather than its “central purpose” and “focus.” *Id.* (See Compl. ¶ 14 (“AM General designs, engineers, manufactures, supplies, and supports specialized vehicles for military and commercial customers. It is best known today for its global leadership in the design and production of, and support for, the [Humvee].”).) The third *Polaroid* factor therefore points in Defendants’ favor.

d. Bridging the Gap

The fourth *Polaroid* factor is “the likelihood that the prior owner will bridge the gap.” *Polaroid*, 287 F.2d at 495. “‘Bridging the gap’ refers to the likelihood that the senior user will enter the junior user’s market in the future, or that consumers will perceive the senior user as likely to do so.” *Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 387 (2d Cir. 2005) (citing *Sports Auth., Inc. v. Prime Hosp. Corp.*, 89 F.3d 955, 963 (2d Cir. 1996)). When “First Amendment considerations figure strongly in [a] case, however, the weight of this factor must be minimal.” *Girl Scouts*, 808 F. Supp. at 1127. Plaintiff has presented no evidence that it is likely to enter the video game industry let alone evidence that consumers would expect it to do so. As such, the fourth *Polaroid* factor tips in Defendants’ favor.

e. Evidence of Actual Confusion

The fifth *Polaroid* factor is “actual confusion.” *Polaroid*, 287 F.2d at 495. Courts “consider the evidence that consumers are actually confused as to the origin of a particular product or service or as to whether the junior user of a mark is sponsored by or affiliated with the senior user.” *Disney Enters. v. Sarelli*, 322 F. Supp. 3d 413, 435 (S.D.N.Y. 2018). Importantly, “[e]ven assuming that factor (5), actual confusion, favors [Plaintiff], *Rogers* teaches that mark owner’s must accept ‘some’ confusion when outweighed by free speech interests.” *Louis Vuitton*, 868 F. Supp. 2d at 184 n.19 (quoting *Rogers*, 875 F.2d at 1001)). Here, there is no evidence of actual confusion. As evidence of actual confusion Plaintiff proffers a survey³ which, it argues, “found that 16% of consumers shown actual video game play from Activision’s games were confused as to AM General’s association with *Call of Duty*.” (Pl.’s Mem. at 23 (emphasis deleted).)

³ As discussed previously, Defendants’ motion to strike Dr.’s Wind’s survey is denied because any defects that Defendants claim exist in Dr. Wind’s expert report go to the weight of the evidence, not to its admissibility. See *McCulloch*, 61 F.3d at 1044.

Less than 20 percent confusion regarding two companies’ “association” (Pl.’s Mem. at 23) is at most *some* confusion. Further, “*Rogers* teaches that mark owner’s must accept ‘some’ confusion when outweighed by free speech interests.” *Louis Vuitton*, 868 F. Supp. 2d at 184 n.19 (quoting *Rogers*, 875 F.2d at 1001)). Even the most favorable reading of the sole survey upon which Plaintiff relies does not hurdle this requirement. See *Twin Peaks*, 996 F.2d at 1379 (“[T]he finding of likelihood of confusion must be *particularly compelling* to outweigh the First Amendment interest recognized in *Rogers*.”) (emphasis added). Accordingly, while the fifth *Polaroid* factor only slightly weighs in Plaintiff’s favor, the countervailing First Amendment considerations counsel against according it undue importance in this context.

f. Good Faith

The sixth *Polaroid* factor is the “defendant’s good faith in adopting its own mark.” *Polaroid*, 287 F.2d at 495. “This factor considers whether the defendant adopted its mark with the intention of capitalizing on [the] plaintiff’s reputation and goodwill and [on] any confusion” between the two products. *Hypnotic Hats, Ltd. v. Wintermantel Enters., LLC*, 335 F. Supp. 3d 566, 591 (S.D.N.Y. 2018) (alterations in original) (quoting *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 460 (2d Cir. 2004)). While “[b]ad faith may be inferred from the junior user’s actual or constructive knowledge of the senior user’s mark,” the gravamen of bad faith is “the intent to sow confusion between the two companies’ products.” *Star Indus.*, 412 F.3d at 388–89; see also *Radio Channel Networks, Inc. v. Broadcast.Com, Inc.*, No. 98 Civ. 4799 (RPP), 1999 WL 124455, at *5 (S.D.N.Y. Mar. 8, 1999), *aff’d*, 201 F.3d 432 (2d Cir. 1999) (“[E]ven assuming that plaintiff is able to prove that defendant knew of plaintiff’s mark, it must allege something more than mere knowledge of the claimed mark on the part of the defendant.”). “Although deliberate copying may indicate that the defendant acted in bad faith, the District Court is not required to draw that

inference where there is evidence to the contrary.” *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 118 (2d Cir. 2009) (citation omitted). Finally, “[t]he fact that, prior to the commencement of the lawsuit, defendant did not abandon its project at plaintiff’s suggestion, does not itself evidence a lack of good faith.” *Andy Warhol Enters., Inc. v. Time Inc.*, 700 F. Supp. 760, 766 (S.D.N.Y. 1988).

In order to demonstrate bad faith, Plaintiff relies largely on the 1998 letter. (Pl.’s Mem. at 24 (citing Pl. AMG’s Mem. of Law in Supp. of Mot. for Partial Summ. J. (“Pl.’s Partial Summ. J. Mem.”), ECF No. 142, at 15–16).) However, where the 1998 letter would be inadmissible at trial, this Court need not consider it at summary judgment.⁴ *See First Nat’l Bank of Ariz.*, 391 U.S. at 289–90; *Jackson v. Fed. Exp.*, 766 F.3d 189, 194 (2d Cir. 2014); *Pacenza v. IBM Corp.*, 363 F. App’x 128, 130 (2d Cir. 2010).

Apart from the 1998 letter, Plaintiff points to (1) a handful of statements by Defendants’ employees in “documents, emails, and witness testimony,” (Pl.’s Mem. at 24 (citing Pl.’s Partial Summ. J. Mem. at 18–20)); (2) the presence of Humvees decorated with *Call of Duty* logos at several in-person promotional events, (*see id.* at 2); and (3) the statements in several user guides included inside the *Call of Duty* games which, Plaintiff argues falsely tell consumers that Activision either owns or licenses the Humvee IP. (*Id.* at 28.) However, these three clutches of

⁴ First, Defendants did not “manifest[t] that it adopted or believed [the 1998 letter] to be true.” Fed. R. Evid. 801(D)(2)(B). Since there is no indication that Defendants responded to Plaintiff’s letter, the only basis for adoption would be admission by silence. “In most circumstances silence is so ambiguous that it is of little probative force.” *United States v. Hale*, 422 U.S. 171, 176 (1975). A recipient’s failure to reply to a letter does not demonstrate acquiescence unless it was reasonable under the circumstances for the sender to expect a response. *See Hellenic Lines Ltd. v. Gulf Oil Corp.*, 340 F.2d 398, 401 (2d Cir. 1965). Particularly, the 1998 letter came from a third-party licensing agent—hardly a likely source of potential liability such that it would have been “natural under the circumstances [for Defendants] to object” to any potential mischaracterizations in the letter. *Hale*, 422 U.S. at 176. Nor was the 1998 letter akin to the 2016 cease-and-desist letter sent by counsel for Global Icons (on behalf of AMG). (*see* Compl. ¶ 79). The latter would have alerted Defendants to seek legal advice in a way that the former would not have.

circumstantial evidence, even if afforded the benefit of all reasonable inferences in Plaintiff's favor, *Niagara Mohawk*, 315 F.3d at 175 (quoting *Anderson*, 477 U.S. at 252), do not demonstrate a desire to "sow confusion *between* the two companies' products," *Star Indus.*, 412 F.3d at 388 (emphasis added). For instance, the user guide statements do not affirmatively tell consumers that Activision either owns or licenses the Humvee IP. All that reasonably may be said is that a paragraph in miniscule type buried in a user guide—a paragraph which does not allude to, let alone mention, Humvees *at all*—does not "tell consumers" much of anything. Indeed, such back-end boilerplate provides no basis for "confusion *between* the two companies' products." *Id.* (emphasis added). Accordingly, the sixth *Polaroid* factor tips in Defendants' favor.

g. Quality of Defendants' Products

The seventh *Polaroid* factor is "the quality of defendant's product." *Polaroid*, 287 F.2d at 495. "If the quality of a junior user's product or service is low compared to the senior user, 'there is an increased chance of actual injury when there is confusion.'" *Flushing Bank v. Green Dot Corp.*, 138 F. Supp. 3d 561, 591 (S.D.N.Y. 2015) (quoting *Savin*, 391 F.3d at 461). At the same time, however, a greater disparity in quality makes confusion less likely. *Id.* Put otherwise, a larger gap in quality between users increases the magnitude but decreases the likelihood of harm. Here, neither side has presented evidence that one party's product is superior to the other party's product. As such, this factor favors Defendants. *See Schutte Bagclosures Inc. v. Kwik Lok Corp.*, 193 F. Supp. 3d 245, 274 (S.D.N.Y. 2016).

h. Consumer Sophistication

The eighth *Polaroid* factor is "the sophistication of the buyers." *Polaroid*, 287 F.2d at 495. One problem for Plaintiff on this point is that the purchasers of Humvees—that is, some 50 militaries from around the world, including the U.S. Armed Forces—are not buying *Call of*

Duty games, and vice versa. (Compl. ¶¶ 15–16.) Thus, there is no risk whatsoever that someone will buy the wrong product by accident out of sheer confusion about who built or distributed the product. Indeed, the court in *Louis Vuitton* noted that “moviegoers are sophisticated enough to know that the mere presence of a brand name in a film, especially one that is briefly and intermittently shown, does not indicate that the brand sponsored the movie.” *Louis Vuitton*, 868 F. Supp. 2d at 184 n.19. There is no reason to believe that video game players are any less astute. Accordingly, the eighth *Polaroid* factor tips in Defendants’ favor.

i. Balancing the Polaroid Factors

On balance, the *Polaroid* factors weigh in Defendants’ favor. The only *Polaroid* showings made by Plaintiff are the strength of its mark and a less than 20 percent risk of confusion. As such, Plaintiff has failed to demonstrate that the contested uses “explicitly mislea[d] as to the source or the content of the work.” *Rogers*, 875 F.2d at 999.

3. *Rogers Balancing Test*

To the extent that any of the *Polaroid* factors are satisfied—such that a modicum of confusion might be present—Plaintiff nonetheless has failed to present sufficient evidence to defeat summary judgment. The *Rogers* balancing inquiry examines whether the contested user has offered a “persuasive explanation” regarding the use’s status as an “integral element” of the artistic expression. *Simon & Schuster*, 970 F. Supp. at 300–01 (quoting *Rogers*, 875 F.2d at 1001). Defendants have offered a persuasive explanation: the uses of Humvees in the *Call of Duty* games enhance the games’ realism. Both parties agree that at least “some of the vehicles in the *Call of Duty* Games are representative of those that a real-life soldier would expect to see in the time and place depicted.” (Pl.’s Counter 56.1 ¶ 19 (some emphasis deleted).) Both parties also agree that U.S. and foreign militaries use Humvees in operations around the world. (*Id.* ¶¶ 23–26.) If realism

is an artistic goal, then the presence in modern warfare games of vehicles employed by actual militaries undoubtedly furthers that goal. The inclusions of Humvees in the foreground or background of various scenes—including several instances of players using Humvees to advance to the next level—are integral elements of a video game because they “communicate ideas . . . through features distinctive to the medium (*such as the player’s interaction with the virtual world*).” *Brown v. Entm’t Merchs. Ass’n*, 564 U.S. 786, 790 (2011) (emphasis added). Further, assuming *arguendo* that realism is the *only* artistic interest that *Call of Duty* games possess—an assumption potentially belied by the presence of narrative campaign modes in all of the challenged games—it is also true that realism can have artistic merit in itself. *See United States v. One Book Entitled Ulysses by James Joyce*, 72 F.2d 705, 706 (2d Cir. 1934) (A. Hand, J.) (demonstrating that novel accused of obscenity “as a whole ha[d] a realism characteristic of the present age” and was a “sincere portrayal with skillful artistry,” which accordingly, gave the novel an “artistic merit”).

Based on the undisputed facts regarding Humvees’ widespread use by modern militaries coupled with other evidence that Defendants have submitted and cited on their behalf, *see* Defs.’ Reply Mem. at 6 (citing Defs.’ 56.1 ¶¶ 14–19), Defendants have satisfied their initial burden of production under Federal Rule of Civil Procedure 56. The evidence submitted “negates an essential element of [Plaintiff’s] claim,” *Nick’s Garage, Inc. v. Progressive Cas. Ins. Co.*, 875 F.3d 107, 114 (2d Cir. 2017) (quoting *Farid v. Smith*, 850 F.2d 917, 924 (2d Cir. 1988)), insofar as it negates Plaintiff’s claim that the uses of the Humvees are “a blatant and ill-conceived effort to piggy-back on the goodwill associated with” Humvees rather than “an ‘integral element’ of [the *Call of Duty* games] and their creator’s ‘artistic expressions.’” *Simon & Schuster*, 970 F. Supp. at 301 (quoting *Rogers*, 875 F.2d at 1001).

In response, Plaintiff offers “conclusory allegations,” *Fujitsu*, 247 F.3d at 428, “unsubstantiated speculation,” *id.*, and “[t]he mere existence of a scintilla of evidence.” *Anderson*, 477 U.S. at 252. Plaintiff challenges Defendants’ claims of realism and artistic relevance *only* “to the extent that the proffered statement of fact is meant to suggest that [Defendants’] use of the [Humvee] was motivated by artistic rather than commercial considerations.” (Pl.’s Counter 56.1 ¶¶ 14, 16.) However, merely insinuating that a commercial motivation might exist is not enough—an artist can sell her art without the First Amendment abandoning her. *See City of Lakewood v. Plain Dealer Publ’g Co.*, 486 U.S. 750, 755–56 n.5 (1988) (“[T]he degree of First Amendment protection is not diminished merely because the newspaper or speech is sold rather than given away.”). Instead, Plaintiff must present admissible evidence that Defendants’ invocation of the First Amendment was pretextual. *See Simon & Schuster*, 970 F. Supp. at 300 (finding that there is no First Amendment protection afforded when Defendant appears to have “reflexively invoked the First Amendment without offering a persuasive explanation of why free speech interests are seriously threatened by Lanham Act liability in this case”). Apart from innuendo and “unsubstantiated speculation,” *Fujitsu*, 247 F.3d at 428, Plaintiff has failed to present evidence that Defendants’ sole interests were commercial.

Unable to offer anything more than “some metaphysical doubt as to the material facts” offered by Defendants, *Matsushita*, 475 U.S. at 586, Plaintiff is unable to “overcome the presumption of *Rogers*.” *Twin Peaks*, 996 F.2d at 1379. Accordingly, Defendants’ motion for summary judgment is granted dismissing trademark infringement claims under the Lanham Act. As a result, Plaintiff’s pendant state law trademark infringement claim fails as well. *See Van Praagh*, 993 F. Supp. 3d at 302.

B. Federal and New York Trade Dress Claims.

“To plead a claim of trade dress infringement involving the appearance of a product, [a plaintiff] must allege that (1) the claimed trade dress is non-functional; (2) the claimed trade dress has secondary meaning; and (3) there is a likelihood of confusion between the plaintiff’s good and the defendant’s.” *Sara Designs, Inc. v. A Classic Time Watch Co. Inc.*, 234 F. Supp. 3d 548, 555 (S.D.N.Y. 2017) (alteration in original) (quoting *Sherwood 48 Assocs. v. Sony Corp. of Am.*, 76 F. App’x 389, 391 (2d Cir. 2003)). Courts determine likelihood of confusion by applying the *Polaroid* factors. *See, e.g., Best Cellars, Inc. v. Wine Made Simple, Inc.*, 320 F. Supp. 2d 60, 73 (S.D.N.Y. 2003). (“The likelihood of consumer confusion is determined by considering the eight non-exhaustive factors originally elaborated in *Polaroid* . . .”).

Trade dress infringement claims under New York state common law contain the same elements as trade dress infringement claims pursuant to the Lanham Act. *See Sports Traveler, Inc. v. Advance Magazine Publishers, Inc.*, 25 F. Supp. 2d 154, 166 (S.D.N.Y. 1998) (“The analysis for trade dress infringement is the same under both the Lanham Act and New York State common law.”). Thus, the two trade dress infringement claims will be considered together.

Assuming *arguendo* that a Humvee’s trade dress is non-functional and has secondary meaning, Plaintiff still fails to demonstrate a likelihood of confusion according to the *Polaroid* analysis performed above. Given the improbability of confusion between a vehicle and a video game—or, in the case of the contested toys, between a plastic figurine and a full-blown military machine—this Court grants Defendants’ motion for summary judgment on Plaintiff’s federal and New York trade dress claims.

C. Federal and New York Unfair Competition Claims.

“A Lanham Act unfair competition claim examines ‘whether the public is likely to be misled into believing that the defendant is distributing products manufactured or vouched for by the plaintiff.’” *Int’l Diamond Imps., Inc. v. Oriental Gemco (N.Y.), Inc.*, 64 F. Supp. 3d 494, 513 (S.D.N.Y. 2014) (quoting *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76, 79 (2d Cir. 1981)). Just as with a trademark infringement claim, a Lanham Act unfair competition claim requires showing “(1) that [the plaintiff] has a valid mark that is entitled to protection under the [Lanham] Act and (2) that [the d]efendant[’s] actions are likely to cause confusion as to the origin of the mark.” *Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003); *see also L’Oreal USA, Inc. v. Trend Beauty Corp.*, No. 11 Civ. 4187 (RA), 2013 WL 4400532, at *14 (S.D.N.Y. Aug. 15, 2013). The same *Polaroid* factors relevant to trademark infringement claims also help establish a likelihood of confusion in unfair competition cases, *see Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 871 (2d Cir. 1986), and the *Rogers* balancing test governs in order to address First Amendment concerns, *see Twin Peaks*, 996 F.2d at 1378–80 (applying *Rogers* to a Lanham Act unfair competition claim).

“An unfair competition claim under New York common law requires all the elements of a Lanham Act unfair competition claim plus a showing of bad faith.” *C=Holdings B.V. v. Asiarim Corp.*, 992 F. Supp. 2d 223, 244 (S.D.N.Y. 2013) (citation omitted).

Although neither party disputes the validity of Plaintiff’s mark, Plaintiff fails to show a likelihood of confusion under the *Polaroid* factors. Any degree of confusion that does exist is outweighed by the First Amendment interests reflected in the *Rogers* balancing test. Insofar as a New York unfair competition claim requires, at a minimum, satisfaction of all of the elements of a federal claim, this Court need not reach the question of whether Plaintiff has made a showing of

bad faith. *See C=Holdings*, 922 F. Supp. 2d at 244. Therefore, Defendants’ motion for summary judgment is granted with respect to Plaintiff’s federal and state unfair competition claims.

D. Federal and New York False Designation of Origin Claims.

Under the Lanham Act, a plaintiff makes out a false designation of origin claim upon showing that the defendant “attempt[ed] to sell its product with a false designation that suggests the product originated from the plaintiff.” *Pulse Creations, Inc. v. Vesture Group, Inc.*, 154 F. Supp. 3d 48, 57 (S.D.N.Y. 2015) (quoting *Sun Trading Distrib. Co., Inc. v. Evidence Music, Inc.*, 980 F. Supp. 3d 722, 727 (S.D.N.Y. 1997)). Such false designation must be “likely to cause consumers [to have] ‘confusion as to the origin or sponsorship of defendant’s goods.’” *Id.* at 56 (quoting *Victorinox AG v. B & F Sys., Inc.*, 114 F. Supp. 3d 132, 139 (S.D.N.Y. 2015)).

False designation of origin claims under New York state law are evaluated under the “same standards” as those under the Lanham Act. *Disney*, 322 F. Supp. 3d at 430.

The only thing remotely close to a “false designation” is the legalese buried inside several games’ user guides. For the reasons discussed above in the *Polaroid* analysis, Plaintiff has not reasonably shown that these statements are “likely to cause consumers [to have] ‘confusion as to the origin or sponsorship of defendant’s goods.’” *Pulse Creations*, 154 F. Supp. at 56 (quoting *Victorinox*, 114 F. Supp. 3d at 139). Defendants’ motion for summary judgment on Plaintiff’s federal and New York false designation of origin claims therefore is granted.

E. Federal False Advertising Claim.

“To prevail on a Lanham Act false advertising claim, a plaintiff must establish that the challenged message is (1) either literally or impliedly false, (2) material, (3) placed in interstate commerce, and (4) the cause of actual or likely injury to the plaintiff.” *Church & Dwight Co., Inc. v. SPD Swiss Precision Diagnostics, GmbH*, 843 F.3d 48, 65 (2d Cir. 2016) (citation omitted).

“[U]nder a ‘literal falsity’ theory, a plaintiff must show that the challenged advertisement is ‘false on its face’ or ‘explicitly false.’” *Merck Eprova AG v. Brookstone Pharms., LLC*, 920 F. Supp. 2d 404, 417 (S.D.N.Y. 2013) (quoting *Johnson & Johnson Vision Care, Inc. v. Ciba Vision Corp.*, 348 F. Supp. 2d 165, 178 (S.D.N.Y. 2004)). “That is, the message must be unambiguous.” *Id.* (citing *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497 F.3d 144, 158 (2d Cir. 2007)).

None of the advertisements complained of by Plaintiffs, (*see* Compl. ¶¶ 47–53), contain a literally or impliedly false statement, nor has Plaintiff provided any evidence that it has suffered a corresponding “actual or likely injury.” *Church & Dwight Co.*, 843 F.3d at 65 (citing *Gnosis*, 760 F.3d at 255–56). As such, Defendants’ motion for summary judgment on Plaintiff’s federal false advertising claim is granted.

F. New York False Advertising Claim.

A plaintiff mounting a false advertising claim under New York law “must show: (1) that the defendant’s conduct is consumer-oriented; (2) that the defendant is engaged in a deceptive act or practice; and (3) that the plaintiff was injured by this practice.” *Blockchain Lux. S.A. v. Paymium, SAS*, No. 18 Civ. 8612 (GBD), 2019 WL 4199902, at *11 (S.D.N.Y. Aug. 7, 2019) (quoting *Heskiaoff v. Sling Media, Inc.*, 119 F. App’x 28, 31 (2d Cir. 2017)).

Plaintiff has not provided any admissible evidence that (1) Defendants’ actions or practices were deceptive or (2) Plaintiff suffered any actual injury as a result of a Defendants’ actions. Accordingly, Defendants’ motion for summary judgment on Plaintiff’s New York false advertising claim is granted.

G. Federal and New York Trademark Dilution Claims.

Federal trademark dilution claims require showing that “(1) the mark is famous; (2) defendant’s use of the mark is made in commerce; (3) the defendant used the mark after the mark

is famous; and (4) the defendant's use of the mark is likely to dilute the quality of the mark by blurring or tarnishment." *DigitALB, Sh.a v. Setplex, LLC*, 284 F. Supp. 3d 547, 557 (S.D.N.Y. 2018) (citation omitted). Importantly, the "risk [of] some dilution of the identifying or selling power of the mark . . . is generally tolerated in the interest of maintaining broad opportunities for expression." *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 44 (2d Cir. 1994) (citing *Rogers*, 875 F.2d at 1000); see also *United We Stand Am., Inc. v. United We Stand Am. N.Y., Inc.*, 128 F.3d 86, 91 (2d Cir. 1997) ("[E]ven if plaintiff suffered some trademark dilution, defendants' right under the First Amendment to use plaintiff's mark to communicate the message might prevail over plaintiff's rights under the trademark law to avoid all dilution.") (citing *Rogers*, 875 F.2d at 999 and *Yankee Publ'g*, 809 F. Supp. at 275–76).

The legal standard for New York trademark dilution claims is "essentially the same" as that applied to federal trademark dilution claims. *Twentieth Century Fox Film Corp. v. Marvel Enters., Inc.*, 220 F. Supp. 2d 289, 297 (S.D.N.Y. 2002). As discussed with respect to the *Polaroid* factor of the quality of Defendants' product, see Part III(A)(2)(g), *supra*, Plaintiff has failed to show that the presence of Humvees in the *Call of Duty* games will tarnish or blur Plaintiff and Defendants' trademarks. To the extent that any dilution *might* occur, it must be "tolerated in the interest of maintaining broad opportunities for expression." *Deere & Co.*, 41 F.3d at 44 (citing *Rogers*, 875 F.2d at 1000). In view of the above application of the *Rogers* framework, Defendants' motion for summary judgment on Plaintiff's federal and New York trademark dilution claims is granted.

IV. PLAINTIFF'S PARTIAL MOTION FOR SUMMARY JUDGMENT IS DENIED

"Laches is an equitable defense available to a defendant who can show 'that the plaintiff has inexcusably slept on [its] rights so as to make a decree against the defendant unfair,' and that

the defendant ‘has been prejudiced by the plaintiff’s unreasonable delay in bringing the action.’” *Zuckerman v. Metro. Museum of Art*, 928 F.3d 186, 190 (2d Cir. 2019) (modification in original) (quoting *Merrill Lynch Inv. Managers v. Optibase Ltd.*, 337 F.3d 125, 132 (2d Cir. 2003)). The laches determination is a “factual question that requires the court to weigh the equities of each case.” *Leopard Marine & Trading, Ltd. v. Easy St., Ltd.*, 896 F.3d 174, 194–95 (2d Cir. 2018) (citation omitted). If a plaintiff has no remaining claims against a defendant, the court need not reach the issue of whether laches applies. *See Valentine v. Metro. Life Co.*, No. 85 Civ. 3006 (CSH), 2005 WL 1278524, at *3 n.2 (S.D.N.Y. May 31, 2005).

Because Plaintiff has no remaining claims against Defendants, this Court need not reach the issue of whether laches applies. *See id.* at *3 n.2. Accordingly, Plaintiff’s motion for partial summary judgment is denied.

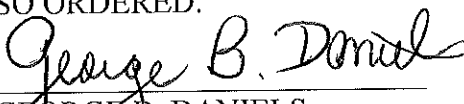
V. CONCLUSION

Defendants’ motion for summary judgment, (ECF No. 131), is GRANTED.. Plaintiff’s motion for partial summary judgment, (ECF No. 138), is DENIED. Defendants’ motions to strike, (ECF Nos. 162 and 193), are DENIED, except GRANTED in part to strike those documents which were not produced during discovery.

The Clerk of Court is directed to close the motions accordingly.

Dated: New York, New York
March 31, 2020

SO ORDERED.



GEORGE B. DANIELS
United States District Judge

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Figure 2



Figure 3

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Figure 6



Figure 7

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Title	ATARI INTERACTIVE, INC. v. HYPERKIN INC.		

Present: The Honorable CHRISTINA A. SNYDER

Catherine Jeang

Not Present

N/A

Deputy Clerk

Court Reporter / Recorder

Tape No.

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

Proceedings: (IN CHAMBERS) - DEFENDANT’S MOTION FOR SUMMARY JUDGMENT (Dkt. [41], filed June 1, 2020)

I. INTRODUCTION

Plaintiff Atari Interactive, Inc. (“Atari Interactive”) filed this action against defendant Hyperkin Inc. (“Hyperkin”) on January 25, 2019. Dkt. 1 (“Compl.”). Atari Interactive asserts claims for: (1) false designation of origin, in violation of 15 U.S.C. § 1125(a); (2) common law unfair competition; and (3) trademark dilution, in violation of 15 U.S.C. § 1125(c). Id. Hyperkin filed an answer on March 21, 2019. Dkt. 14 (“Answ.”). The gravamen of Atari Interactive’s claims is that Hyperkin’s videogame console and joystick controller infringe Atari Interactive’s trade dress in Atari Interactive’s own console and joystick controller. Id.

Hyperkin filed a motion for summary judgment on June 1, 2020, dkt. 41 (“Mot.”), and a statement of uncontroverted facts and conclusions of law on June 2, 2020, dkt. 42 (“SUF”). On June 15, 2020, Atari Interactive filed an opposition, dkt. 43 (“Opp.”), a statement of genuine disputed facts, dkt. 43-1 (“SGDF”), and a statement of additional uncontroverted facts, dkt. 43-1 (“AUF”). On June 29, 2020, Hyperkin filed a reply, dkt. 44 (“Reply”), and an opposition to Atari Interactive’s AUF, dkt. 44-1 (“AUF Opp.”).

The Court took Hyperkin’s motion under submission on July 17, 2020. Dkt. 47. Having carefully considered the parties’ arguments, the Court finds and concludes as follows.

II. BACKGROUND

Unless otherwise noted, the Court references only those facts that are uncontroverted and as to which evidentiary objections have been overruled.

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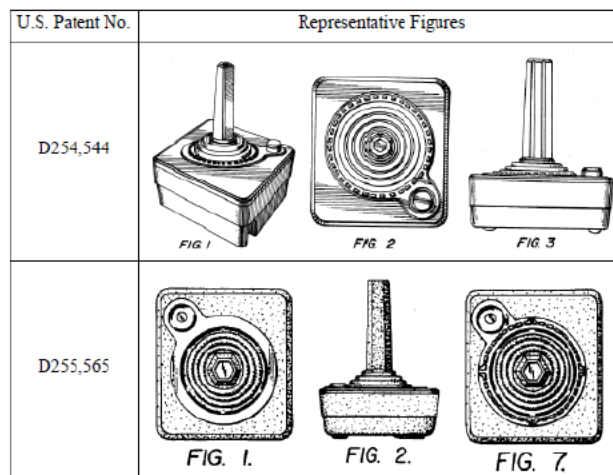
A. The Atari 2600 Game Console and Joystick Controller

Atari Inc., a well-known videogame company, was founded in California in 1972. SUF No. 6. In 1977, Atari Inc. began selling the Atari 2600 videogame console (“the 2600 Console”) and the Atari 2600 joystick controller (“the 2600 Joystick”). *Id.* No. 7. Users controlled the 2600 Console by using the 2600 Joystick. The 2600 Console and the 2600 Joystick are pictured below:



Dkt. 41-2 at 11.

In 1980, the United States Patent and Trademark Office (“PTO”) issued two design patents, U.S. Patent Nos. D254,544 and D255,565, to Atari Inc. which covered the 2600 Joystick’s ornamental design. SUF No. 57. The design patents contain the following illustrations depicting the 2600 Joystick’s ornamental design:



Dkt. 43-10. The parties agree that Atari Inc.’s design patents covering the 2600 Joystick have expired.

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The original 2600 Console featured “wood grain in order to match other home electronics from the 1970s.” SUF No. 10. By 1982, Atari Inc. discontinued using wood grain in its 2600 Console, releasing an all-black version nicknamed the “Darth Vader.” SUF No. 23. The 2600 Console subsequently “went through various iterations” including the “Atari 2600 Jr.” and the “Atari 2800.” These various iterations of the 2600 Console are pictured below:



Dkt. 43-21. Some experts in the field have described the 2600 Console as “the most popular system of its day.” Id.

B. Plaintiff Atari Interactive Acquires the Atari Brand

Corporate ownership of the Atari brand—and of the intellectual property rights regarding the 2600 Console and the 2600 Joystick—has changed over time. For example, on July 1, 1984, Atari Inc. entered into an asset purchase agreement with Tramel Technology, Ltd. (“Tramel Technology”). See Dkt. 43-23 (“Tramel Agmt.”). The agreement indicated that Atari Inc. had “been engaged primarily in the business of designing, manufacturing and selling home computers and related software, consumer video games and game program cartridges and coin-operated electronic video games.” Id. at 7. The agreement further provided that “[t]he assets being sold to [Tramel Technology] consist of all of the assets, properties, rights and business of” Atari Inc. Id. at 9. Tramel Technology thereafter changed its name to “Atari Corp.” See Dkt. 43-24.

In 1986, Atari Corp. changed its name to “Atari Corporation.” Dkt. 43-25. Atari Corporation subsequently ceased selling the 2600 Console and the 2600 Joystick in 1992. SUF No. 42. Through a merger, JTS Corporation (“JTS”) thereafter acquired Atari Corporation in 1996. SUF No. 48.

On February 23, 1998, HIAC XI Corp. (“HIAC”), a subsidiary of Hasbro, Inc. (“Hasbro”), acquired the Atari brand from JTS. Dkt. 43-27 (“Hasbro Agmt.”) at 9. The purchase agreement included “[a]ll right, title, and interest in and to the Seller’s Products” as well as “[a]ll Intellectual Property associated with the Seller’s Products[.]” Hasbro

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Agmt. at 9. The agreement further defined “Intellectual Property” as: “any or all of the following and all statutory and/or common law rights throughout the world in, arising out of, or associated therewith: (i) all patents and applications[:]; . . . (v) all trade names, logos, trademarks and service marks, trademark and service mark registrations and applications together with the good will of the business symbolized by the names and the marks; . . . and (x) all goodwill associated with any of the foregoing.” Hasbro Agmt. at 10.

HIAC subsequently changed its name to Atari Interactive, Inc., on May 7, 1998. See Dkt. 43-28 at 5. Infogrames Entertainment SA, a French company, purchased Hasbro Interactive and its subsidiaries in 2000, gaining a controlling interest in Atari Interactive. See Dkt. 43-29; AUF No. 13. Infogrames began using the name “Atari Interactive, Inc.” in 2003.¹ SUF No. 53.

C. Atari Interactive’s Commercial Activities Since the Early 2000s

Between 1996 to 2004, neither JTS, HIAC, Infogrames, nor Atari Interactive designed, manufactured, released, or sold any standalone videogame console systems or any videogame console products. SUF Nos. 54–55. Atari Interactive’s Director of Licensing, Casandra Brown, attests, however, that in 2002, “Atari Interactive partnered with a prominent toy and consumer products company, Jakks Pacific, to develop and promote a ‘Plug and Play’ joystick modeled off the original 2600 joystick design.” Dkt. 43-5, Declaration of Casandra Brown (“Brown Decl.”) ¶ 8.

“The Plug and Play is a joystick that can be plugged into a television and plays well-known Atari games without the need for an accompanying console.” Brown Decl. ¶ 8. The Plug and Play “has continued to be promoted, offered for sale, and sold nationwide from 2002 to the present, including through major online and brick-and-mortar retailers such as Walmart, Target, Costco, Kohl’s, and Amazon[.]” Id. ¶ 9. The Plug and Play and examples of its packing are pictured below:

¹ Plaintiff Atari Interactive, Inc. is the specific corporate entity that is the plaintiff in this action. It avers that it was previously a subsidiary of Hasbro, that it acquired its interest in the Atari brand through the JTS-Hasbro transaction in 1998, and that it was party to the Hasbro-Infogrames transaction in 2000.

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Dkt. 43-33.

In 2005, Atari Interactive began licensing the “Atari Flashback” series of consoles and joysticks which are modeled off of the 2600 Console and the 2600 Joystick. Brown Decl. ¶¶ 10–12. “The Atari Flashback console and joystick enable[a] users to play a library of classic Atari games all through one device and without the need for separate cartridges or discs.” *Id.* ¶ 10. Atari Interactive’s Flashback series has been “promoted, offered for sale, and sold nationwide . . . through major online and brick-and-mortar retailers such as Walmart, Target, Costco, Kohl’s, and Amazon[.]” *Id.* ¶ 12. The Atari Flashback 2 and its packaging are pictured below:



Dkt. 43-34. Since the Atari Flashback 2’s release, Atari Interactive has continually updated the Flashback series, “which is now up to its tenth edition.” Brown Decl. ¶ 11.

In addition to licensing retro-style consoles and joysticks modeled after the 2600 Console and the 2600 Joystick, Atari Interactive has marketed and promoted the 2600 Console and the 2600 Joystick in other ways. For example, “Atari Interactive has also licensed and promoted its games for use on other popular gaming systems.” Brown Decl. ¶ 13. “In several instances, Atari Interactive has featured the 2600 joystick design on the cover of or in promotional materials related to Atari games.” *Id.* Examples of the covers

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of Atari games that Atari Interactive has licensed for use on the Nintendo Switch, Sony PlayStation 4, and Microsoft Xbox One videogame systems are pictured below:



Dkts. 43-36, 43-37.

Moreover, “[f]or over a decade, Atari Interactive has licensed products such as apparel and consumer products that depict or incorporate the 2600 joystick design.”² AUF No. 23. Atari Interactive promotes and sells these products through multiple channels, including through its own website, through third-party websites, and at industry trade shows.³ AUF Nos. 24–25. Examples of these products are pictured below:

² Hyperkin objects to this assertion on hearsay, original evidence, and relevancy grounds. See AUF Opp. No. 23. The Court **OVERRULES** these objections. Hyperkin also disputes Atari Interactive’s assertion that Atari Interactive’s apparel and consumer products “depict or incorporate the 2600 joystick design,” since, according to Hyperkin, “the depictions are not consistent” and “Atari Corp. abandoned the 2600 joystick in 1992, and [Atari Interactive] has not sold replacements.” Id.

³ Hyperkin objects to Atari Interactive’s assertion regarding Atari Interactive’s trade show activities on hearsay, original evidence, and relevancy grounds. See AUF Opp. No. 25. The Court **OVERRULES** these objections. Moreover, Hyperkin disputes Atari Interactive’s assertion regarding Atari Interactive’s website on the grounds that Atari Interactive’s website “does not show any joysticks for sale that are compatible with the original Atari 2600 game machine.” AUF Opp. No. 24. Hyperkin also disputes Atari Interactive’s assertions regarding its sale of promotional products at trade shows and on

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Dkt. 43-38.

D. Atari Interactive Declares Chapter 11 Bankruptcy in 2013

Atari Interactive declared Chapter 11 bankruptcy in 2013. SUF No. 64. The parties dispute whether Atari Interactive did in fact—or was legally required to—list its purported trade dress rights in the 2600 Console and the 2600 Joystick in its bankruptcy asset schedules during its bankruptcy proceedings. Hyperkin contends Atari Interactive “failed to identify any trade dress rights” in “the bankruptcy asset schedules[.]” SUF No. 65.

Atari Interactive’s Chief Executive Officer, Frederic Chesnais, asserts, however, that “Atari Interactive’s bankruptcy schedules did list a variety of games that either depicted or incorporated the 2600 joystick trade dress, and any failure to specifically separate the joystick trade dress from other related intellectual property rights certainly did not reflect any intent to waive such rights, nor any understanding that Atari Interactive did not hold such rights.” Dkt. 43-14, Declaration of Frederic Chesnais (“Chesnais Decl.”) ¶ 13. Chesnais states that “[a]fter the 2013 reorganization, [he] led an initiative to return Atari Interactive and its affiliates back to profitability and growth.” *Id.* ¶ 5. According to Chesnais, “[t]hat initiative has succeeded, and the Atari Group is now profitable and has been engaged in a variety of new and exciting projects for several years.” *Id.*

Atari Interactive’s website because, according to Hyperkin, “[t]he depictions presented are not consistent and lack elements of the claimed trade dress,” “Atari Corp. abandoned the 2600 joystick in 1992, and [Atari Interactive] has not sold replacements.” AUF Opp. Nos. 24–25.

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E. Hyperkin’s CirKa A77 Joystick and Retron77 Console

Since its founding in 2007, Hyperkin has “developed various retro products to play games for products that can no longer be found on the market.” SUF Nos. 77, 79. In 2016, “Hyperkin began advertising and selling a joystick modeled off the old Atari 2600 joystick[.]” AUF No. 34. Hyperkin sourced this joystick through a Chinese manufacturer, naming the product the “A77.” AUF No. 35; SUF No. 90. According to Hyperkin, its A77 Joystick is “marked with Hyperkin’s trademark, “‘CirKa’ and packaged in highly distinctive packaging[.]” Dkt. 41-3, Declaration of Steven Mar (“Mar Decl.”) ¶ 11. Hyperkin’s A77 CirKa Joystick and packing are pictured below:



Mar Decl., Exhs. A, C.

Hyperkin began marketing its Retron 77 console (“the Retron Console”) in 2017, offering it for sale in July 2018. Mar Decl. ¶ 18. Unlike “game systems that play some old Atari 2600 games” and which “include games preloaded into the system,” the Retron77 Console allows “people . . . to play their old Atari 2600 cartridges, [sic] on a modern television.” Mar Decl. ¶¶ 18–19. According to Hyperkin, it “used its federally registered Hyperkin trademark and federally registered Retron trademark on the Retron77 packing to make sure customers knew that it was a Hyperkin product.” *Id.* ¶ 23.

F. Negotiations Between Atari Interactive and Hyperkin

The parties agree that in 2016 or 2017, Hyperkin approached Atari Interactive to try to obtain a license from Atari Interactive. The parties dispute, however, the potential license’s scope. According to Atari Interactive, “Hyperkin approached Atari Interactive

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... to try to obtain a license to sell its imitation Atari joystick and console.”⁴ AUF No. 36. Hyperkin contends, however, that “Hyperkin never asked [Atari Interactive] for any sort of license for the A77.” Dkt. 44-3, Reply Declaration of Steven Mar (“Reply Mar Decl.”) ¶ 3. Instead, Hyperkin asserts that it “approached [Atari Interactive] about the possibility of making a console that could play original cartridges” and that Hyperkin “was interested in licensing games from [Atari Interactive] so that the consoles would ship with built-in games.” *Id.* The parties ultimately did not come to an agreement.

On June 20, 2017, Atari Interactive’s counsel sent Hyperkin a cease-and-desist letter. Dkt. 43-16. The letter indicated that Hyperkin “has developed, is promoting[,] . . . and is . . . offering for sale . . . what appears to be a console platform compatible with legacy Atari cartridge games[.]” *Id.* at 2. In addition, Atari Interactive accused Hyperkin of “prominently displaying registered trademarks and other intellectual properties owned by Atari, including without limitation the Atari ‘Fuji’ logo and the classic Atari joystick[.]” *Id.* Hyperkin’s counsel responded to Atari Interactive’s cease-and-desist letter on July 10, 2017, stating that Hyperkin “believes it has the right to sell products such as the CirKa A77 Joystick Controller.” Dkt. 43-17.

G. Atari Interactive’s Future VCS Console

“Atari Interactive has been actively creating, promoting, and readying to launch a new gaming system that puts a 21st Century spin on the original 2600 designs” and which “include[s] a modernized version of the 2600 joystick design[.]” Brown Decl. ¶ 18. Atari Interactive’s future console and joystick are pictured below:



See Dkt. 43-8, Expert Report of Tim Lapetino (“Lapetino Report”) ¶¶ 24–25.

⁴ The Court **OVERRULES** Hyperkin’s objections that Atari’s statement “itself is vague, ambiguous and misleading in its use of the term ‘Atari.’” AUF Opp. No. 36.

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III. LEGAL STANDARD

Summary judgment is appropriate where “there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). The moving party bears the initial burden of identifying relevant portions of the record that demonstrate the absence of a fact or facts necessary for one or more essential elements of each claim upon which the moving party seeks judgment. See Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986).

If the moving party meets its initial burden, the opposing party must then set out “specific facts showing a genuine issue for trial” in order to defeat the motion. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250 (1986); see also Fed. R. Civ. P. 56(c), (e). The nonmoving party must not simply rely on the pleadings and must do more than make “conclusory allegations [in] an affidavit.” Lujan v. Nat’l Wildlife Fed’n, 497 U.S. 871, 888 (1990); see also Celotex, 477 U.S. at 324. Summary judgment must be granted for the moving party if the nonmoving party “fails to make a showing sufficient to establish the existence of an element essential to that party’s case, and on which that party will bear the burden of proof at trial.” Id. at 322; see also Abromson v. Am. Pac. Corp., 114 F.3d 898, 902 (9th Cir. 1997).

In light of the facts presented by the nonmoving party, along with any undisputed facts, the Court must decide whether the moving party is entitled to judgment as a matter of law. See T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors Ass’n, 809 F.2d 626, 631 & n.3 (9th Cir. 1987). When deciding a motion for summary judgment, “the inferences to be drawn from the underlying facts . . . must be viewed in the light most favorable to the party opposing the motion.” Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986) (citation omitted); Valley Nat’l Bank of Ariz. v. A.E. Rouse & Co., 121 F.3d 1332, 1335 (9th Cir. 1997). Summary judgment for the moving party is proper when a rational trier of fact would not be able to find for the nonmoving party on the claims at issue. See Matsushita, 475 U.S. at 587.

IV. DISCUSSION

Atari Interactive’s false designation of origin, dilution, and unfair competition claims are based on Atari Interactive’s alleged trade dress rights. “In addition to protecting registered marks, the Lanham Act, in § 43(a), gives a producer a cause of action for the use by any person of ‘any word, term, name, symbol, or device, or any combination thereof which is likely to cause confusion as to the origin, sponsorship, or approval of his or her goods.’” Wal-Mart Stores, Inc. v. Samara Bros., 529 U.S. 205, 209 (2000) (citing 15 U.S.C.

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§ 1125(a)) (internal alterations omitted). Accordingly, the Lanham Act’s protections also extend “to the design of a product as a form of trade dress.” Moldex-Metric, Inc. v. McKeon Prod., Inc., 891 F.3d 878, 881 (9th Cir. 2018). “Trade dress is the ‘total image of a product,’ including features such as size, shape, color, texture, and graphics.” Id. (internal citation omitted). “Unregistered trade dress . . . may be protected under the Lanham Act.” Id. “To sustain a claim for trade dress infringement,” a plaintiff must establish: “(1) that its claimed dress is nonfunctional; (2) that its claimed dress serves a source-identifying role either because it is inherently distinctive or has acquired secondary meaning; and (3) that the defendant’s product or service creates a likelihood of consumer confusion. Clicks Billiards, Inc. v. Sixshooters, Inc., 251 F.3d 1252, 1258 (9th Cir. 2001).

Hyperkin moves for summary judgment as to each of Atari Interactive’s claims, as well as for partial summary judgment as to the issues of likelihood of confusion, functionality, and fame. See Mot. The Court notes, however, that “[b]ecause of the factual nature of trademark disputes, summary judgment is disfavored in the trademark arena.” Levi Strauss & Co. v. GTFM, Inc., 196 F. Supp. 2d 971, 974 (N.D. Cal. 2002) (citing Interstellar Starship Servs., Ltd. v. Epix Inc., 184 F.3d 1107, 1109 (9th Cir. 1999)). With these principles in mind, the Court addresses Hyperkin’s arguments in turn.

A. Atari Interactive’s Standing

Hyperkin argues that Atari Interactive “does not have standing to assert a trade dress infringement claim because it did not acquire any rights from [the predecessor] Atari Companies[.]” Mot. at 5. The Court does not find Hyperkin’s argument availing.

Hyperkin argues that “[t]he party claiming ownership of an unregistered mark must have been the first to use the mark in the sale of goods.” Mot. at 5. Hyperkin further asserts that “it is indisputable that Atari Inc. was the first to use the claimed trade dress by selling the original 2600 Console and Joystick” and that Atari Interactive cannot “show a chain of assignments of unregistered, existing trade dress from Atari Inc., to Atari Corp., to JTS, to Hasbro, and then to [Atari Interactive] and that the trade dress was not abandoned.” Id. at 6. The Court disagrees.

To the extent that Hyperkin challenges Atari Interactive’s standing to enforce trade dress rights regarding the 2600 Console and the 2600 Joystick simply because Atari Inc., Atari Interactive’s predecessor in interest, created the 2600 Console and the 2600 Joystick, Hyperkin’s argument is unpersuasive. See, e.g., Comm. for Idaho’s High Desert, Inc. v. Yost, 92 F.3d 814, 820 (9th Cir. 1996) (noting that party could enforce protected trade name “Committee for Idaho’s High Desert” even where it was not “the first user of the

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name” and explaining that, “as a practical matter, CIHD appears to be the direct and immediate successor of any individuals who used the name between 1978 and 1981.”); Gen. Motors Corp. v. Let’s Make A Deal, 223 F. Supp. 2d 1183, 1191 (D. Nev. 2002) (noting that “plaintiff and its predecessors have been using these marks and trade dress since 1981.”); Tamway Corp. v. Sunglass Hut Int’l, 173 F.3d 862 (9th Cir. 1999) (unpublished opinion) (“Tamway has standing to sue if it can establish that Metro, its purported predecessor in interest, assigned the MINIREADER trademark and trade dress rights to Tamway.”). Indeed, Atari Interactive submits documents detailing the chain of title of assets, including intellectual property rights, associated with the Atari brand from Atari Inc. to Atari Corp. to JTS to Hasbro and then to Infogrames. See Dkts. 43-23, 43-24, 43-25, 43-26, 43-27, 43-28, 43-29, 43-30, 43-31. Nor does the Court find compelling Hyperkin’s claim—for which it provides no authority—that Atari Interactive “itself failed to consider itself the owner of any trade dress rights” because it purportedly did not list these rights in the asset schedules it filed during its bankruptcy proceeding. See In re Electro-Motor, Inc., 390 B.R. 859, 869 (Bankr. E.D. Tex. 2008) (rejecting argument that debtor’s failure to list intellectual property or trade secrets on debtor’s schedule of assets during bankruptcy proceeding precluded debtor from suing to enforce intellectual property rights in subsequent adversary case, explaining “[t]hat assertion is also without merit.”).

Similarly, the disputed record precludes the grant of summary judgment to Hyperkin on the basis that any trade dress rights in the 2600 Console and the 2600 Joystick were “abandoned.”⁵ “Under the Lanham Act, a trade dress is not protectable if it has been abandoned.” Ferrari S.p.A. Esercizio Fabbriche Automobili E Corse v. McBurnie Coachcraft Inc., No. 86-cv-1812-B-IEG, 1988 WL 391519, at *4 (S.D. Cal. Aug. 31, 1988). Abandonment of a mark may occur in two ways. See 15 U.S.C. § 1127. First, abandonment of a mark occurs when “its use has been discontinued with intent not to

⁵ Hyperkin argues that Atari Interactive and its predecessors abandoned any trade dress rights in the 2600 Console, since the original 2600 Console featured a wood grain design, but the original console was subsequently replaced by other devices, including the all-black Darth Vader 2600 Console and the 2600 Jr., that differed in design. Mot. at 6. Atari Interactive’s opposition brief indicates, however, that it “will base its case at trial on (a) Hyperkin’s A77 joystick design; and (b) Hyperkin’s promotion of its Retron77 console in conjunction with the A77 joystick design.” Opp. at 3 n.1. Put differently, Atari Interactive states that it “will not claim liability based on the Retron77 console in isolation” and that “[t]o the extent that the complaint indicates otherwise, [it now] clarifies the scope of its claims for trial.” Id.

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resume such use.” 15 U.S.C. § 1127. “Intent not to resume may be inferred from circumstances,” and “[n]onuse for 3 consecutive years shall be prima facie evidence of abandonment.” *Id.* Second, abandonment occurs “[w]hen any course of conduct of the owner. . . causes the mark to . . . lose its significance as a mark.” *Id.*

It is undisputed that Atari Corporation ceased selling the 2600 Console and the 2600 Joystick in 1992. SUF No. 42. It is also undisputed that between 1996 to 2004, neither JTS, HIAC, Infogrames, nor Atari Interactive designed, manufactured, released or sold any standalone videogame console systems or any videogame console products. SUF Nos. 54–55. However, “[a]bandonment is a question of fact.” *Levi Strauss*, 196 F. Supp. 2d at 976 (citing *Rivard v. Linville*, 133 F.3d 1446, 1449 (Fed. Cir.)). And, “[i]t is axiomatic in trademark law that the standard test of ownership is priority of use.” *Halicki Films, LLC v. Sanderson Sales & Mktg.*, 547 F.3d 1213, 1226 (9th Cir. 2008) (internal citation omitted). Thus, “the first party to use an abandoned trademark in a commercially meaningful way, after its abandonment, is entitled to exclusive use and ownership of the trademark and trade dress.” *California Cedar Prod. Co. v. Pine Mountain Corp.*, 724 F.2d 827, 828 (9th Cir. 1984); accord 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 17:2 (5th ed., June 2020 Update) (“Once abandoned, a mark may be seized immediately and the person so doing so may build up rights against the whole world.”). The finder of fact could reasonably determine, based on Atari Interactive’s sale of the Plug and Play in 2002 and the Flashback 2 in 2005—both of which predated Hyperkin’s sale of the CirKa A77 Joystick in 2016 and its sale of the Retron77 Console in 2017—that Atari Interactive resumed use of the trade dress, assuming *arguendo* that its trade dress in the 2600 Console and 2600 Joystick was abandoned.⁶

⁶ The Court notes that “[a] party cannot claim that use subsequent to abandonment of a mark has revived the rights obtained by the earlier use.” J. Thomas McCarthy, 3 *McCarthy on Trademarks and Unfair Competition* § 17:3 (5th ed., June 2020 Update). Although “a resumption of use . . . cannot cure the preceding abandonment,” a party can resume using a mark, and “[s]uch a resumption represents a new and separate use with a new date of first use.” *Id.* For that reason, the Court finds unavailing Hyperkin’s additional arguments that: (1) Atari Interactive “cannot defend against a claim of abandonment by relying on some residual goodwill generated through post-abandonment sales”; and (2) that “[s]ince Atari Corp., JTS, and Hasbro did not sell the 2600 Console and Joystick at the time any assignments occurred, any such assignments would not be accompanied by the goodwill in the products, and thus would be invalid assignments in gross.” Mot. at 10.

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Hyperkin further argues that Atari Interactive and its predecessors abandoned any trade dress in the 2600 Console and the 2600 Joystick because, according to Hyperkin, “every Atari company failed to stop numerous third-party sales of joysticks identical to the 2600 Joysticks.” Mot. at 7. However, the failure of an owner of a mark to prosecute infringers is “relevant to the strength of the mark, not abandonment.” adidas-Am., Inc. v. Payless Shoesource, Inc., 546 F. Supp. 2d 1029, 1078 (D. Or. 2008); accord J. Thomas McCarthy, 3 McCarthy on Trademarks and Unfair Competition § 17:17 (5th ed., June 2020 Update) (“In the typical trademark dispute, the relevance of failure to prosecute others is not ‘abandonment,’ but the ‘strength’ of the senior user’s mark.”). Indeed, “[t]he owner of a mark is not required to police every conceivably related use thereby needlessly reducing non-competing commercial activity and encouraging litigation in order to protect a definable area of primary importance.” Playboy Enterprises, Inc. v. Chuckleberry Pub., Inc., 486 F. Supp. 414, 422–23 (S.D.N.Y. 1980). Moreover, the parties each submit conflicting evidence regarding whether Atari Interactive has enforced its alleged trade dress rights in the 2600 Console and the 2600 Joystick against other purported infringers. For example, Hyperkin indicates that it “searched online and on Amazon.com and found that there were many companies selling generic retro 2600 style joysticks.” Mar Decl. ¶ 9. On the other hand, Atari Interactive’s Chief Executive Officer, Frederic Chesnais, attests that Atari Interactive has taken action against alleged infringers, including: (1) sending a cease-and-desist to Hyperkin; (2) bringing suit against “various companies selling products depicting the 2600 joystick” including “a case we settled with SunFrog, a case that resulted in a default judgment against RageOn, as well as pending cases against Redbubble, ooShirts, and Teespring”; and (3) sending cease-and-desist letters to “two other companies, Innex and Video Game Advantage[.]” Chesnais Decl. ¶ 11. These factual disputes preclude the Court from granting summary judgment on this issue.

B. Functionality of 2600 Joystick

Hyperkin next moves for partial summary judgment on the issue of the 2600 Joystick’s functionality. Mot. at 16. According to Hyperkin, “[s]ince there is no registered trade dress, Atari bears the burden of proving that the trade dress is nonfunctional.” Id. at 17. Hyperkin urges that Atari Interactive “cannot meet its burden of proof because of an expired utility patent.” Id.

“No protection under the Lanham Act is available if the claimed trade dress is functional.” Moldex-Metric, 891 F.3d at 881. “This requirement makes it very difficult for sellers to use trademark rights to monopolize designs of products.” Blumenthal Distrib., Inc. v. Herman Miller, Inc., 963 F.3d 859, 864 (9th Cir. 2020). For unregistered

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trade dress, the party that seeks protection under the Lanham Act “has the burden of proving that the matter sought to be protected is not functional.” 15 U.S.C. § 1125(a)(3). “The trademark statutes do not define functionality.” Moldex-Metric, 891 F.3d at 881. However, “[i]n TrafFix Devices, Inc. v. Marketing Displays, Inc., the Supreme Court split functionality into two types, each with its own legal test.” Blumenthal, 963 F.3d at 865 (citing 532 U.S. 23, 32–33 (2001)). “The two types are ‘utilitarian functionality,’ which is based on how well the product works, and ‘aesthetic functionality,’ which is based on how good the product looks.” Blumenthal, 963 F.3d at 865 (citing Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc., 457 F.3d 1062, 1067 (9th Cir. 2006)). “If the claimed trade dress has either type of functionality, it is unprotectable.” Blumenthal, 963 F.3d at 865.

In addition, a “plaintiff may define its claimed trade dress as the ‘overall appearance’ of its product,” and “such claimed trade dresses are subject to the tests for utilitarian and aesthetic functionality, just like any other claimed trade dresses.” Blumenthal, 963 F.3d at 866. “[A]s a matter of law, a product’s ‘overall appearance’ is functional, and thus unprotectable, where the whole product is ‘nothing other than the assemblage of functional parts,’ and ‘even the arrangement and combination’ of those parts is designed to make the product more functional.” Id. at *5 (citing Leatherman Tool Grp., Inc. v. Cooper Indus., Inc., 199 F.3d 1009, 1013 (9th Cir. 1999)). “Consistent with that rule, . . . the proper standard for whether a claimed trade dress consisting of an ‘overall appearance’ is functional is whether protecting the trade dress threatens to eliminate a substantial swatch of competitive alternatives in the market.” Blumenthal, 963 F.3d at 866.

Hyperkin does not specifically indicate whether its functionality challenge is based on “utilitarian functionality” or “aesthetic functionality.” Citing Disc Golf Ass’n, Inc. v. Champion Discs, Inc., 158 F.3d 1002 (9th Cir. 1998), Hyperkin argues that “[f]our factors are typically considered to determine functionality[.]” Mot. at 17. “The Disc Golf factors are: (1) whether the design yields a utilitarian advantage; (2) whether alternative designs are available; (3) whether advertising touts the utilitarian advantages of the design; and (4) whether the particular design results from a comparatively simple or inexpensive method of manufacture.” Blumenthal, 963 F.3d at 865 (internal citation omitted). Because Hyperkin invokes the four factors that the Ninth Circuit articulated in Disc Golf, and because courts consider those factors in the context of utilitarian functionality, the Court construes Hyperkin’s argument as one based on utilitarian functionality. See Blumenthal, 963 F.3d at 865 (“To determine whether [utilitarian functionality] is satisfied, we use the four-factor test from [Disc Golf].”). The Court addresses Hyperkin’s arguments regarding functionality in turn.

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1. Utilitarian Advantage

Here, Atari Interactive identifies the elements of its trade dress in the 2600 Joystick as, *inter alia*, “the rectangular base with a hexagonal joystick mounted near the center, a single prominent red button located at the top left corner of the base, and a dashed circle circumscribing the base of the joystick[.]” Compl. ¶ 13; see also Opp. at 21 (describing design elements of “Joystick Trade Dress” as “the black and orange colors, rectangular housing, hexagonal joystick, button, and rubber boot with concentric rings.”).⁷ These elements are pictured below:



Compl. ¶ 13.

Hyperkin argues that “[s]ince all the elements of the asserted trade dress were included in the utility patent, or are admittedly functional, there can be no trade dress protection for the joystick.” Mot. at 19. On September 14, 1982, Atari Inc., Atari Interactive’s predecessor, obtained a utility patent, U.S. Patent No. 4,349,708 (“the utility patent”), which encompasses certain elements of the 2600 Joystick. SUF No. 171. A portion of the utility patent entitled “Summary of the Invention” indicates that: (1) “[t]he present invention provides a joystick controller in which a conventional handle is moveable radially with respect to its axis”; (2) “the present invention relies on a simple unitary resilient member to provide all of the spring action necessary” which is “thus far more reliable from a construction standpoint and a use standpoint, as well as being less expensive to construct”; and (3) a “resilient boot is fastened to the handle to maintain it in its nominal centered position when it is not being manually actuated.” Dkt. 41-2 at 403. Claim 13 of the utility patent also describes the use of a “firing button projecting above the exposed surface of the housing unit[.]” Id. at 405. Portions of the utility patent therefore appear to

⁷ The parties also refer to the dashed circle circumscribing the base of the joystick as “the compass rose.”

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refer to elements which also form the basis for Atari Interactive’s claimed trade dress, including the rectangular housing, the joystick which is centrally situated with respect to the base, the rubber boot, and the firing button. Further, the finder of fact could conclude that the utility patent’s summary—which states that “[t]he present invention . . . avoids the necessity of both wire springs and plastic springs,” “is more reliable from a construction standpoint and a use standpoint,” and is “less expensive to construct”—indicate that these elements, which form the bases for Atari Interactive’s claimed trade dress, confer some utilitarian advantage. See Blumenthal, 963 F.3d at 865 (“A claimed trade dress has utilitarian functionality if it is essential to the use or purpose of a product or affects its cost or quality.”).

On the other hand, “functionality is generally viewed as an intensely factual issue.” Millennium Labs., Inc. v. Ameritox, Ltd., 817 F.3d 1123, 1129 (9th Cir. 2016) (internal citations and alterations omitted). And while, “with respect to the factor of utilitarian advantage, the existence of an expired utility patent is weighty evidence of functionality, . . . that fact alone is not dispositive.” Disc Golf, 158 F.3d at 1006. To the contrary, a “utility patent must be examined closely to ensure that the disclosure of the configuration is primarily functional and not merely incidental.” Id. (internal citation omitted). Thus, a plaintiff seeking to enforce its trade dress may establish that its claimed trade dress is nonfunctional even where elements of the claimed trade dress appear in an expired utility patent. See Clamp Mfg. Co. v. Enco Mfg. Co., 870 F.2d 512, 516–17 (9th Cir. 1989) (noting that “considerable support exists for a determination of functionality” where “[a]n expired utility patent exists” but that plaintiff could nonetheless establish claimed trade dress was nonfunctional). The disputed record before the Court prevents the Court from making this determination at the summary judgment stage.⁸

⁸ As an example—and despite the fact that Atari Interactive’s predecessor previously received a utility patent covering the 2600 Joystick—Frederic Chesnais, Atari Interactive’s Chief Executive Officer, asserts that “[b]ased on my decades of experience in the video game industry, I know that the 2600 joystick design does not yield a utilitarian advantage” and that “compared to modern joysticks, the 2600 joystick design is simplistic.” Chesnais Decl. ¶ 10. The Court finds unavailing Hyperkin’s argument that Chesnais’ statement should be stricken as a violation of the “sham affidavit” rule, simply because Chesnais acknowledged, during deposition, that the joystick for the yet-to-be-released, future Atari console features a “redesigned . . . rubber boot” that “allow[s] for flexibility and manual ability[.]” Dkt. 44-2 at 44.

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The Court’s determination that the existence of the expired utility patent does not, itself, require the grant of summary judgment to Hyperkin on the issue of functionality is bolstered by the fact that the PTO previously issued two *design* patents to Atari’s predecessor which cover the 2600 Joystick’s design. A “design patent protects the way an article looks. In contrast, a utility patent protects the way an article is used and works.” A-1 Elecs. Inc. v. Pang Chang, No. 02-cv-8579-DSF-CW, 2004 WL 7334928, at *2 (C.D. Cal. Mar. 1, 2004). Thus, while the existence of a utility patent is evidence that the features therein claimed as trade dress are functional, “[t]he existence of a design patent may be some evidence of non-functionality.” In re R.M. Smith, Inc., 734 F.2d 1482, 1485 (Fed. Cir. 1984); Jenny Yoo Collection, Inc. v. Watters Designs, Inc., No. 3:17-cv-3197-M, 2018 WL 3330025, at *3 (N.D. Tex. June 6, 2018) (“Because a design patent is granted only for non-functional designs, it can serve as evidence that a plaintiff’s trade dress is nonfunctional.”); accord Govino, LLC v. WhitePoles LLC, No. 4:16-cv-06981-JSW-KAW, 2017 WL 6442187, at *9 (N.D. Cal. Nov. 3, 2017) (“the fact that govino obtained four design patents for various drinking glass and decanter designs incorporating the govino Trade Dress is further evidence of non-functionality.”). That the PTO issued both utility and design patents encompassing the 2600 Joystick further highlights the existence of a triable issue—the functionality of Atari Interactive’s claimed trade dress in the 2600 Joystick—which the Court cannot determine, as a matter of law, at this juncture. See Fuji Kogyo Co. v. Pac. Bay Int’l, Inc., 461 F.3d 675, 684 (6th Cir. 2006) (“while the product described in the ‘714 design patent is almost identical to that in the ‘488 utility patent, the utility patent presents a presumption of functionality and the design patent presents a presumption of nonfunctionality. Clearly, the variety of intellectual property in this case demonstrates that the issue cannot be decided through evidentiary presumptions. This type of contradiction cannot be resolved without a trial.”).

Hyperkin also argues that each of the individual elements of Atari Interactive’s claimed trade dress are functional such that “there can be no trade dress protection for the joystick.” Mot. at 18. Hyperkin asserts that: (1) the 2600 Joystick’s “hexagonal shape is functional since it provides contour and texture to aid grip”; (2) “[t]he concentric rings help center the joystick”; (3) “[t]he base was rectangular to fit into Atari Inc.’s console”; and (4) “the dashed circle was functional because it let users know the directions for the joystick.” Id. at 18–19. However, “a product’s overall appearance is necessarily functional if *everything* about it is functional, not merely if *anything* about it is functional.” Blumenthal, 963 F.3d at 867 (emphases in original).

For example, in Clicks, the Ninth Circuit determined that a pool hall “presented sufficient evidence of the arbitrariness and non-functional nature of its design decisions

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and the availability of alternative designs to clear the summary judgment hurdle” where the pool hall claimed trade dress in its overall appearance. 251 F.3d at 1261. In that case, the Ninth Circuit identified “various arbitrary elements” of the pool hall’s trade dress including “the size, placement, and layout of the pool tables; *the color combination*, including the contrast between the carpet and the dark wood; the lighting; the neon beer signs, bar tap handles, and the like; the cue racks; the selection of video games; the floor covering; the wall treatment; the drink rails; and the millwork.” *Id.* (emphasis added). The Ninth Circuit explained that “[t]o be sure, many of these elements, considered in isolation, may be functional. The issue, however, is whether, taken as a whole, *the overall look and feel* of the establishment *is functional*.” *Id.* (emphases added).

At bottom, “in evaluating functionality as well as the other elements of a trade dress claim, it is crucial that” the Court “focus *not* on the individual elements, but rather on the overall visual impression that the combination and arrangement of those elements create.” *Clicks*, 251 F.3d at 1259 (emphasis in original). Here, even assuming that *individual* elements of Atari Interactive’s claimed trade dress in the 2600 Joystick are functional—such as the 2600 Joystick’s hexagonal shape, rectangular base, concentric rings, rubber boot and dashed circles—whether the combination, configuration, and black and red color scheme⁹ of these elements, somehow improves the 2600 Joystick’s use so as to render the 2600 Joystick’s “overall appearance” functional is a question for the fact finder. *See Moldex-Metric*, 891 F.3d at 882, 887 (determining that functionality of plaintiff manufacturer’s green ear plugs “is a question for the jury” where defendant argued that green color of manufacturer’s ear plugs “achiev[ed] the function of allowing ear plugs to be seen during safety compliance checks” but manufacturer argued that green color did not improve use of ear plugs because “numerous color shades are equally or more visible than its bright green color and would result in the same function of visibility during compliance checks[.]”); *cf. Talking Rain Beverage Co. Inc. v. S. Beach Beverage Co.*, 349 F.3d 601, 604 (9th Cir. 2003) (finding that “bike bottle design yields a utilitarian advantage” because “bottle fits easily into a bicycle bottle holder,” the bottle’s “grip area helps the bottle to retain its shape for reuse,” and “the grip area makes the bottle easier to grip, particularly for bicyclists and other users who might use the bottle while exercising.”).

⁹ The United States Supreme Court has determined “that color alone, at least sometimes, can meet the basic legal requirements for use as a trademark. It can act as a symbol that distinguishes a firm’s goods and identifies their source, without serving any other significant function.” *Qualitex Co. v. Jacobson Prod. Co.*, 514 U.S. 159, 166 (1995).

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2. Remaining Golf Disc Factors

The parties dispute whether the remaining Golf Disc factors favor a finding that the 2600 Joystick is nonfunctional so as to create a genuine issue for trial. For example, as to the second Golf Disc factor, Atari Interactive submits evidence indicating that there are numerous alternative videogame controller designs available to its competitors. Atari Interactive points to the controllers used in connection with other videogame systems, such as the controller used with Nintendo’s Nintendo Entertainment System, SEGA’s Mega Drive six-button controller, Nintendo’s N64 controller, Sony’s Playstation Dualshock Controller, and Microsoft’s Xbox 360 controller:



Dkt. 43-20.

In response, as to the third Golf Disc factor, which considers whether advertising touts the utilitarian advantages of the design, Hyperkin asserts that Atari Interactive “could have, but failed to, present advertisements touting the ornamental nature of the features, articles extolling the beauty or recognizability of the elements, or customer testimony praising the joystick’s appearance.” Reply at 22. Hyperkin points out that the only evidence that Atari Interactive submits to demonstrate that its advertisements do *not* tout the 2600 Joystick’s utilitarian advantages appears to be the declaration of Frederic Chesnais, Atari Interactive’s own Chief Executive Officer, who attests that “Atari Interactive has never advertised the functional advantages of the 2600 joystick design.” Chesnais Decl. ¶ 10. According to Hyperkin, then, Atari Interactive “has done nothing more than point to . . . [the] lack of functional advertising, as evidence of non-functionality.” Reply at 23. The Court, however, notes the “difficulties inherent in requiring a party to prove a negative[.]” Uschold v. Carriage Servs., Inc., No. 17-cv-04424-JSW, 2020 WL 1466172, at *6 (N.D. Cal. Mar. 6, 2020) (internal citation and alteration omitted). In addition, while Hyperkin asserts that Atari Interactive failed to present advertisements touting the 2600 Joystick’s ornamental features, Hyperkin does not present evidence that Atari Interactive has advertised the 2600 Joystick’s utilitarian features either. Cf. Talking Rain, 349 F.3d at 603–604 (finding that no genuine issue existed regarding whether plaintiff water bottle manufacturer’s bottle was functional where its “advertising tout[ed] its bottle’s utilitarian features,” “refer[red] to its bottle as the ‘Grip Bottle,’” and

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used “Get a Grip!” slogan, explaining that “at least one meaning of its advertising is that the bottle is easy to grip.”).

As to the fourth Disc Golf factor, the Ninth Circuit has concluded that “[a] functional benefit may arise if the design achieves economies in manufacture or use.” Disc Golf, 158 F.3d at 1009 (internal citation and quotation marks omitted). Neither party appears to argue whether this factor favors a finding that Atari Interactive’s claimed trade dress in the 2600 Joystick is functional.

Ultimately, in determining whether a party’s claimed trade dress is functional, “[n]o one factor is dispositive; all should be weighed collectively[.]” Disc Golf, 158 F.3d at 1006. And, “[t]he issue of functionality has been consistently treated as a question of fact.” Vuitton Et Fils S.A. v. J. Young Enterprises, Inc., 644 F.2d 769, 775 (9th Cir. 1981). For these reasons, the Court declines to grant summary judgment to Hyperkin on the issue of the 2600 Console’s functionality.

C. Distinctiveness of 2600 Joystick Design

In order to establish trade dress rights, a plaintiff must also establish “that its claimed dress serves a source-identifying role either because it is inherently distinctive or has acquired secondary meaning[.]” Clicks, 251 F.3d at 1258. A mark “is inherently distinctive if its intrinsic nature serves to identify a particular source.” Wal-Mart, 529 U.S. at 210 (citing Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992)). “To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of a product feature or term is to identify the source of the product rather than the product itself.” Inwood Labs., Inc. v. Ives Labs., Inc., 456 U.S. 844, 851 n.11 (1982). Following the Supreme Court’s decision in Wal-Mart, “[t]o succeed on a trade dress infringement based on product design, the plaintiff must show that her design has attained secondary meaning.” Art Attacks Ink, LLC v. MGA Entm’t Inc., 581 F.3d 1138, 1145 (9th Cir. 2009). Put differently, “product design trade dress c[an] never be inherently distinctive and always require[s] proof of secondary meaning.” J. Thomas McCarthy, 1 McCarthy on Trademarks and Unfair Competition § 8:11 (5th ed., June 2020 Update).

Here, the parties appear to agree that Atari Interactive must establish that its claimed dress in the 2600 Joystick has acquired secondary meaning. But they disagree as to whether triable issues exist regarding whether the 2600 Joystick has acquired secondary meaning. The Court addresses the parties’ arguments in turn.

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1. Genuine Disputes Exist Regarding Whether the 2600 Joystick has Become Generic

Hyperkin argues that Atari Interactive “cannot establish acquired distinctiveness in the joystick design because it became generic.” Mot. at 7. According to Hyperkin, “the 2600 joystick design is generic due to every Atari company’s failure to police the claimed trade dress, leading to numerous third-party sales of generic product.” *Id.* at 8. Hyperkin further urges that “the 2600 Joystick design became so generic that it was used for non-Atari products.” *Id.*

Hyperkin relies on the Ninth Circuit’s opinion in Freecycle Network, Inc. v. Oey, 505 F.3d 898 (9th Cir. 2007). In that case, the Ninth Circuit reasoned that “[w]here the majority of the relevant public appropriates a trademark term *as the name of a product (or a service)*, the mark is a victim of ‘genericide’ and trademark rights generally cease.” *Id.* at 905 (emphasis added). The Ninth Circuit explained that “[s]uch genericide can occur as a result of a trademark owner’s failure to police the mark, resulting in widespread usage by competitors leading to a perception of genericness among the public, who sees many sellers using the same term.” *Id.* (internal citation omitted). Thus, “[g]enericide has spelled the end for countless formerly trademarked terms, including ‘aspirin,’ ‘escalator,’ ‘brassiere,’ and ‘cellophane.’” *Id.*

Hyperkin’s argument regarding the alleged “genericide” of the 2600 Joystick is unpersuasive. First, the Ninth Circuit’s discussion of “genericide” has typically been in the context of a mark that is a word or term. See Freecycle, 505 F.3d at 905 (noting, with respect to plaintiff’s claimed mark in the term “freecycle,” that “[s]ome trademarks enter our public discourse and become an integral part of our vocabulary.”) (internal citation omitted); Elliott v. Google, Inc., 860 F.3d 1151, 1156 (9th Cir. 2017) (“Genericide occurs when the public appropriates a trademark and uses it as a generic name for particular types of goods or services irrespective of its source.”); accord San Diego Comic Convention v. Dan Farr Prods., 336 F. Supp. 3d 1172, 1179 (S.D. Cal. 2018) (discussing “genericide” in context of claimed mark in “Comic Con” name and noting that “[g]eneric terms are not protectable because they do identify the source of a product.”). By contrast, at issue in this case is Atari Interactive’s claimed trade dress in the overall appearance of the 2600 Joystick and its design, not Atari Interactive’s claimed rights in a word mark. And, assuming *arguendo* that “genericide” could apply in product design context, “[w]hether a mark is generic is a question of fact.” Advertise.com, Inc. v. AOL Advert., Inc., 616 F.3d 974, 977 (9th Cir. 2010). Moreover, Hyperkin’s “genericide” argument is premised on Atari Interactive’s alleged failure to police other purported infringers. But in declining to grant

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summary judgment to Hyperkin on the issue of abandonment, the Court has already determined that the disputed record precludes the Court from deciding—at the summary judgment stage and as a matter of law—the extent to which Atari Interactive has policed other alleged infringers.

2. Genuine Disputes Exist Regarding Whether the 2600 Joystick has Secondary Meaning

The parties likewise dispute whether the 2600 Joystick has attained secondary meaning. “Secondary meaning is required to establish the distinctiveness element of a design trade dress claim.” OTR Wheel Eng’g, Inc. v. W. Worldwide Servs., Inc., 897 F.3d 1008, 1022 (9th Cir. 2018). “The trade dress of a product or service attains secondary meaning when the purchasing public associates the dress with a particular source.” Fuddruckers, Inc. v. Doc’s B.R. Others, Inc., 826 F.2d 837, 843 (9th Cir. 1987). “A plaintiff may establish secondary meaning through direct and circumstantial evidence.” Cont’l Lab. Prod., Inc. v. Medax Int’l, Inc., 114 F. Supp. 2d 992, 999 (S.D. Cal. 2000). “Direct evidence, such as consumer surveys and direct consumer testimony, often provides the strongest evidence of secondary meaning.” CytoSport, Inc. v. Vital Pharm., Inc., 617 F. Supp. 2d 1051, 1079 (E.D. Cal.) (internal citation omitted). “A plaintiff may also establish secondary meaning through circumstantial evidence, such as: exclusivity, manner, and length of use, amount and manner of advertising, amount of sales and the number of customers, and plaintiff’s established place in the market.” Cont’l Lab. Prod., 114 F. Supp. 2d at 1000 (internal citations omitted). In addition, “[e]vidence of deliberate copying may . . . support an inference of secondary meaning.” Id. (internal citation omitted).

Hyperkin makes a number of arguments as to why, in its view, Atari Interactive fails to raise a genuine dispute regarding whether the 2600 Joystick Console has attained secondary meaning. Hyperkin first asserts that “there are no surveys or consumer declarations.” Mot. at 9. Indeed, it is undisputed that Atari Interactive and its expert, Tim Lapetino, did not perform any surveys in this case. See SUF Nos. 75–76. And, the Ninth Circuit has indicated that “[a]n expert survey of purchasers can provide the most persuasive evidence of secondary meaning.” Vision Sports, Inc. v. Melville Corp., 888 F.2d 609, 615 (9th Cir. 1989). But the Ninth Circuit has also subsequently made “clear . . . that survey evidence is only one of the most persuasive ways to prove secondary meaning, and not a requirement for such proof.” Yost, 92 F.3d at 822; accord J. Thomas McCarthy, 2 McCarthy on Trademarks and Unfair Competition § 15:30 (5th ed., June 2020 Update)

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(“Survey data is direct evidence of secondary meaning. But survey evidence is not required.”).

Atari Interactive points to sufficient evidence in the record to raise a genuine dispute regarding whether the 2600 Joystick has acquired secondary meaning. For example, in connection with its motion for summary judgment, Hyperkin submits the declaration of its Chief Executive Officer, Steven Mar. See Mar Decl. Mar attests that it “decided to sell” its CirKa A77 Joystick “because its customers began asking whether Hyperkin carried replacement joystick controllers for the old Atari 2600 systems.” Id. ¶ 6. Moreover, during deposition, Mar testified that “[p]eople who are intro retro gaming” would recognize the 2600 Joystick. Dkt. 43-11, Deposition of Steven Mar (“Mar Dep. Tr.”) at 95:13–18. From this evidence, a jury could reasonably conclude that because consumers specifically recognize the 2600 Joystick, they attribute the 2600 Joystick to a particular source, even if they do not necessarily know that source is Atari Interactive or its predecessors. See Sazerac Co., Inc. v. Fetzer Vineyards, Inc., 251 F. Supp. 3d 1288, 1303 (N.D. Cal. 2017) (“Consumers need not be able to identify the source of the product by name.”); Maljack Prods., Inc. v. GoodTimes Home Video Corp., 81 F.3d 881, 887 (9th Cir. 1996) (explaining that the secondary meaning of a mark is established through proof that the public associates the mark “with a single source, even if that source is anonymous”).

In addition, the CirKa A77 Joystick’s packaging indicates that the CirKa A77 Joystick is an “Atari Style” joystick controller:



Mar Decl., Exh. A. Based on Hyperkin’s own branding of the CirKa A77 Joystick as “Atari Style,” the finder of fact could reasonably conclude that Atari Interactive’s claimed trade dress has attained secondary meaning. See, e.g., Brighton Collectibles, Inc. v. Coldwater Creek Inc., No. 06-cv-01848-H-POR, 2009 WL 10671818, at *6 (S.D. Cal. Apr. 22, 2009)

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(determining that defendant retailer’s internal emails, including, *inter alia*, a request for “more ‘brighton-y’ look for Fall,” are “relevant to prove secondary meaning, as they tend to show that Brighton products have a distinct look that is well-known.”); Faberge, Inc. v. Saxony Prod., Inc., 605 F.2d 426, 428 (9th Cir. 1979) (“the trial court properly considered indirect evidence of secondary meaning, including . . . the fact that Saxony had intentionally simulated the Brut trade dress in developing its packaging for Bravado[.]”); Fleischmann Distilling Corp. v. Maier Brewing Co., 314 F.2d 149, 157 (9th Cir. 1963) (finding secondary meaning in name “Black & White,” and noting that when a defendant uses a name that incorporates the name of an already-existing product, “[t]he only possible purpose could have been to capitalize upon the popularity of the name chosen.”). Further, Hyperkin’s Chief Executive Officer, Steven Mar, testified during deposition that the CirKa A77 Joystick was modeled after the 2600 Joystick. Mar Dep. Tr. at 70:9–11; cf. Cont’l Lab. Prod., 114 F. Supp. 2d at 1000 (“Evidence of deliberate copying may . . . support an inference of secondary meaning.”).

Atari Interactive points to further circumstantial evidence from which the finder of fact could determine that the 2600 Joystick has attained secondary meaning. Indeed, “recognition by the trade, by the media and by potential customers” are sources of evidence regarding whether trade dress has attained secondary meaning. J. Thomas McCarthy, 2 McCarthy on Trademarks and Unfair Competition § 15:30 (5th ed., June 2020 Update). Here, Atari Interactive submits evidence that: (1) Hyperkin’s own expert, Curt Vendel, co-authored a book entitled “Atari Inc.—Business Is Fun,” which indicates that the 2600 Joystick “would be the mainstay for the [2600 Console] and many other products to follow for years to come,” and that “this model of joystick would become nearly as iconic for Atari as its ‘Fuji’ logo”; (2) news articles that have been written about the 2600 Joystick, the 2600 Console, and Atari Interactive’s future videogame console, including one which indicates that “[a]fter all, there’s no gaming accessory quite as iconic as the” 2600 Joystick; and (3) other books have written about the history of Atari Interactive’s predecessors, the 2600 Console, and the 2600 Joystick. Dkts. 43-9; 43-20, 43-21.

“Whether a particular trade dress has acquired secondary meaning is a question of fact[.]” First Brands Corp. v. Fred Meyer, Inc., 809 F.2d 1378, 1383 (9th Cir. 1987). Thus, the finder of fact—not the Court—must determine whether the 2600 Joystick has attained secondary meaning sufficient to establish the distinctiveness element of Atari Interactive’s trade dress claims.

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D. Likelihood of Confusion

“Regardless of whether a trade dress is non-functional and is inherently distinctive (or has acquired secondary meaning), there is no infringement if” the owner of the claimed trade dress “cannot prove a likelihood of confusion among consumers.” Lisa Frank, Inc. v. Impact Int’l, Inc., 799 F. Supp. 980, 993 (D. Ariz. 1992). “A likelihood of confusion exists when consumers are likely to assume that a product or service is associated with a source other than its actual source because of similarities between the two sources’ marks or marketing techniques.” Nova Wines, Inc. v. Adler Fels Winery LLC, 467 F. Supp. 2d 965, 979 (N.D. Cal. 2006). “The Ninth Circuit has identified eight factors (‘the Sleekcraft factors’) to help guide the analysis to determine whether such confusion is likely: (1) the similarity of the mark(s) or trade dress, (2) the strength of the mark(s) or trade dress, (3) evidence of actual confusion, (4) the proximity or relatedness of the goods, (5) the degree to which the marketing channels used for the goods converge, (6) the type of goods and the degree of care likely to be exercised by the purchasers, (7) the defendant’s intent in selecting the mark or trade dress, and (8) the likelihood of expansion of the product lines.” Fiji Water Co., LLC v. Fiji Mineral Water USA, LLC, 741 F. Supp. 2d 1165, 1177–78 (C.D. Cal. 2010) (citing AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979)). “The test is a pliant one—some factors are more important than others, and the factors need not be mechanically added up in order to find a likelihood of confusion.” Fiji Water, 741 F. Supp. 2d at 1178. “Given the highly fact-intensive nature of the Sleekcraft inquiry, summary judgment on ‘likelihood of confusion’ grounds is generally disfavored.” Asuragen, Inc. v. Accuragen, Inc., No. 16-cv-05440-RS, 2018 WL 558888, at *3 (N.D. Cal. Jan. 25, 2018) (internal citation omitted). Accordingly, “the Ninth Circuit has cautioned district courts to ‘grant summary judgment motions sparingly, as careful assessment of the pertinent factors that go into determining likelihood of confusion usually requires a full record.’” Id. (internal citation omitted).

Hyperkin makes a number of arguments as to why, in its view, partial summary judgment is appropriate on the issue of likelihood of confusion. None are availing.

1. Hyperkin’s Reliance on Deckers Outdoor Corp.

Hyperkin argues that “no one is confused as to the source of Hyperkin’s products.” Mot. at 12. That is because, according to Hyperkin, “[w]here a defendant does not sell a plaintiff’s product as their own, there is no false designation origin based upon similar trade dress.” Id. at 11. Hyperkin asserts, then, that “[s]ince Hyperkin does not identify [Atari

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Interactive] as the source of its products, and it identifies Hyperkin products with its own trademarks, no tenable false origin claim exists.” Mot. at 12. The Court disagrees.

In Dastar Corp. v. Twentieth Century Fox Film Corp., the United States Supreme Court determined that Twentieth Century Fox (“Fox”) could not maintain a Lanham Act claim for false designation of origin against Dastar, a competing film production company, based on Dastar’s uncredited use of footage from Fox’s 1949 “Crusade” television series, which was based on then-General Dwight D. Eisenhower’s book on the Second World War. See generally 539 U.S. 23 (2003). In that case, “Dastar purchased eight beta cam tapes of the *original* version of the Crusade television series, which is in the public domain, copied them, and then edited the series.” Id. at 26 (emphasis in original). Dastar “manufactured and sold” the compilation “as its own product.” Id. at 27. Neither the compilation, its packaging, nor its screen credits made any reference to Fox’s Crusade television series. Id.

The Supreme Court explained that the gravamen of Fox’s claim “is that, in marketing and selling [Dastar’s compilation] as its own product without acknowledging its nearly wholesale reliance on [Fox’s] Crusade television series, Dastar has made a ‘false designation of origin . . . which is likely to cause confusion as to the origin of [its] goods.’” Dastar, 539 U.S. at 31 (internal citation and alterations omitted). The Supreme Court reasoned that “[i]f ‘origin’ refers only to the manufacturer or producer of the physical ‘goods’ that are made available to the public (in this case the videotapes), Dastar was the origin. If, however, ‘origin’ includes the creator of the underlying work that Dastar copies, then someone else (perhaps Fox) was the origin of Dastar’s product.” Id. “In sum, reading the phrase ‘origin of goods’ in the Lanham Act in accordance with the Act’s common-law foundations (which were *not* designed to protect originality or creativity), and in light of the copyright and patent laws (which *were*),” the Supreme Court “conclude[d] that the phrase refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods.” Id. at 37 (emphases in original).

In Deckers Outdoor Corp. v. J.C. Penney Co. Inc., upon which Hyperkin principally relies, another court in the Central District of California, determined, based on Dastar, that a boot manufacturer could not state a claim for false designation of origin against a retailer based on the manufacturer’s claimed trade dress. See generally 45 F. Supp. 3d 1181 (C.D. Cal. 2014). In that case, Deckers, the manufacturer, alleged that JC Penney, the retailer, “has offered for sale ‘knock-off’ UGG boots, which infringe upon the Bailey Button trade dress and design patents.” Id. at 1183. The court dismissed Deckers’ false designation of

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origin claim, reasoning that Deckers’ “proposed point of distinguishment—i.e., that Dastar involved a reverse passing-off claim whereas Deckers has brought a passing-off claim—does not remove this case from Dastar’s grasp.”¹⁰ Deckers, 45 F. Supp. 3d at 1185. The court noted that “Deckers does not allege that JC Penney has sold Deckers’s Bailey Button Boots as JC Penney’s own products. Rather, Deckers confusingly contends that JC Penney has appropriated Deckers’s Bailey Button Boot trade dress on to JC Penney’s own boots and then caused consumer confusion as to the origin of JC Penney’s boots.” Id. The court therefore determined that “[u]nless JC Penney sold Deckers boots as its own—thus changing the ‘origin’ for Lanham Act purposes—the fact remains that JC Penney is the origin of its own goods. Deckers may not use § 1125(a) as ‘a species of perpetual patent and copyright’ to attach Lanham Act liability to what is more properly the province of patent and copyright law.” Id. at 1186.

Here, Hyperkin asserts that “[l]ike the defendant in [Deckers], Hyperkin identifies its CirKa A77 and Retron77 products as originating from Hyperkin itself, not [Atari Interactive].” Mot. at 11. Hyperkin urges that it “does this through the use of its registered trademarks and disclaimers.” But Hyperkin’s reliance on Deckers is misplaced for several reasons.

For instance, “[a] decision of a federal district court judge is not binding precedent in either a different judicial district, the same judicial district, or even upon the same judge in a different case.” Camreta v. Greene, 563 U.S. 692, 709 n.7 (2011) (internal citation omitted). To the contrary, “[d]istrict courts are bound by the law of their own circuit.” Hasbrouck v. Texaco, Inc., 663 F.2d 930, 933 (9th Cir. 1981). The Court is therefore not bound by Deckers. Moreover, in a post-Dastar decision, the Ninth Circuit has determined that plaintiffs could maintain a claim for false designation of origin, even where the defendant did not literally “pass off” its goods as those of the plaintiffs and the defendant included “disclaimers” on its products “that deny any connection to” the plaintiffs. See Au-Tomotive Gold, 457 F.3d at 1065, 1077 (rejecting defendant’s argument “that the disclaimers on its packaging dispel any potential for confusion” and explaining that “[e]ven if disclaimers may in some cases limit the potential for confusion, here they do not.”); see also Mercado Latino, Inc. v. Indio Prod., Inc., 649 F. App’x 633, 634 (9th Cir. 2016)

¹⁰ “Passing off (or palming off, as it is sometimes called) occurs when a producer misrepresents his own goods or services as someone else’s. ‘Reverse passing off,’ as its name implies, is the opposite: The producer misrepresents someone else’s goods or services as his own.” Dastar, 539 U.S. at 27 n.1 (internal citations omitted).

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(unpublished opinion) (explaining that Dastar “addressed the narrow instance in which a plaintiff alleges the defendant has violated the Lanham Act by falsely designating the origin of ‘a communicative product,’ . . . such as a book or a video” rather than “traditional trademark and trade dress claims that allege a defendant’s production of tangible goods are so similar to [those of] the plaintiffs as to confuse consumers.”) (internal alterations omitted). Moreover, courts and commentators have questioned the Deckers court’s reliance on Dastar. See, e.g., Green Crush LLC v. Paradise Splash I, Inc., No. 17-cv-01856-CJC-JDE, 2018 WL 4940825, at *6 n.3 (C.D. Cal. May 3, 2018) (rejecting argument, based on Deckers, that “[p]laintiff’s false designation of origin claim fails as a matter of law.”); accord J. Thomas McCarthy, 5 McCarthy on Trademarks and Unfair Competition § 27:78.30 n.8 (5th ed., June 2020 Update) (describing Deckers as “[e]rroneously finding that the rule in Dastar precludes a § 43(a) claim of trade dress infringement[.]”). The Court therefore declines to grant Hyperkin summary judgment on this basis.

2. The Sleekcraft Factors

Having determined that neither Dastar nor Deckers preclude Atari Interactive’s false designation of origin claim, the Court next determines whether genuine disputes exist as to the likelihood of confusion between the parties’ products.

a. Strength of the Trade Dress

“The stronger a mark—meaning the more likely it is to be remembered and associated in the public mind with the mark’s owner—the greater the protection it is accorded by the trademark laws.” Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp., 174 F.3d 1036, 1058 (9th Cir. 1999). “This ‘strength’ of the trademark is evaluated in terms of its conceptual strength and commercial strength.” GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1207 (9th Cir. 2000). “Marks can be conceptually classified along a spectrum of increasing inherent distinctiveness.” Id. From weakest to strongest, marks are characterized “from ‘generic,’ afforded no protection; through ‘descriptive’ or ‘suggestive,’ given moderate protection; to ‘arbitrary’ or ‘fanciful,’ awarded maximum protection.” Nutri/Sys., Inc. v. Con-Stan Indus., Inc., 809 F.2d 601, 605 (9th Cir. 1987). By contrast, “commercial strength” refers to “the marketplace recognition value of the mark.” Lahoti v. Vericheck, Inc., 636 F.3d 501, 508 (9th Cir. 2011). “Likelihood of confusion in the trade dress context is evaluated by reference to the same factors used in the ordinary trademark context” including, *inter alia*, “strength of the trade dress.” adidas Am., Inc. v. Skechers USA, Inc., 890 F.3d 747, 755 (9th Cir. 2018).

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Here, Hyperkin asserts that “[t]he claimed trade dress is weak.” Mot. at 12. According to Hyperkin, “[t]he conceptual strength in the 2600 Console trade dress is non-existent because, under [Wal-Mart], product design cannot be inherently distinctive.” Id. at 12–13. Hyperkin further asserts that “any scope of protection [in the 2600 Console] would [be] very narrow due to widespread third-party use of wood grain and ribbing elements in electronics and videogames.” Id. at 13. Indeed, one of Hyperkin’s experts, Curt Vendel—a videogame historian and former designer who was previously an independent contractor to Atari Interactive—opines that: (1) “Atari Inc. designed the original VCS/2600 console to include wood grain because that was the style of the times, a style used by many electronic game systems and in general consumer electronic products”; (2) “[n]umerous other video game companies used wood-grain or ribbing in their consoles in the 1970s and early 1980s”; and (3) that “[r]ibbing is also a common element used for video game systems over the past few decades” such that “Nintendo, Sega, Sony and Microsoft all used ribbing in their systems.” Dkt. 41-5, Declaration of Curt Vendel (“Vendel Decl.”) ¶¶ 10–11, 16. Hyperkin’s other expert, Ian Bogost, “a key figure in videogame studies . . . and digital culture[,]” renders similar opinions regarding the use of the wood grain. Dkt. 41-4, Exh. B, Expert Report of Ian Bogost (“Bogost Report”) ¶¶ 3, 18.

In response, Atari Interactive asserts that the 2600 Console “became the first widespread home video game console, selling an estimated 30 million units,” and that “[t]he design of the 2600 joystick in particular, *i.e.*, its single, bright, orange-red button, matching compass rose graphic, and the protective joystick boot – became synonymous with the Atari brand.”¹¹ Opp. at 3. In support of its argument, Atari Interactive relies on the report of its expert, Tim Lapetino, a design and public relations executive whose work has focused on logo design and brand identity and who previously served as an adjunct professor at Chicago Portfolio School and the Executive Director of the Museum of Video

¹¹ Atari Interactive “clarifies that it will not argue at trial that” Hyperkin’s Retron77 Console “*in isolation* violates the Lanham Act. Rather, Atari Interactive will assert at trial that the Retron77 is relevant in that it was unveiled in a promotional campaign that depicted it together with the [CirKa] A77.” Opp. at 19 (emphasis in original). “In other words, a facsimile of the 2600 joystick was used to promote an imitation of the 2600 console.” Id. at 19–20. According to Atari Interactive, then, “[i]n combination, a reasonable juror could find an unlawful false designation of origin and unfair competition where consumers viewed the Joystick Trade Dress next to a wood-grained console clearly inspired by the original 2600 console.” Id. at 20.

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Game Art. See Lapetino Report. Lapetino opines that “[n]ot only was the Atari 2600 commercially successful, selling an estimated 30 million units over its lifespan, but its popularity also helped make the console and its accompanying design elements iconic.” Lapetino Report ¶ 19. According to Lapetino, “[t]he heavy advertising and marketing created and employed by Atari ensured that the overall design and visual presentation of the console would go on to symbolize” Atari. Id.; cf. Sutter Home Winery, Inc. v. Madrona Vineyards, L.P., No. 05-cv-0587 MHP, 2005 WL 701599, at *9 (N.D. Cal. Mar. 23, 2005) (noting that “even if plaintiff’s mark were not conceptually distinctive, it is possible for a mark to acquire ‘commercial strength’ through use in commerce” and determining that “evidence of substantial . . . promotional efforts undertaken by plaintiff and its predecessor-in-interest” and “extensive sales . . . support a conclusion that plaintiff’s mark is commercially as well as conceptually strong.”).

Some courts and commentators have indicated that the “generic” to “arbitrary” spectrum may be inapt in the context of claims for trade dress infringement. See Sazerac, 251 F. Supp. 3d at 1306 n.15 (noting that the Supreme Court’s decision in “Walmart suggests that the spectrum is limited to word marks.”); see also J. Thomas McCarthy, 2 McCarthy on Trademarks and Unfair Competition § 11:4 (5th ed., June 2020 Update) (“The spectrum of descriptive, suggestive, arbitrary and fanciful was created to categorize word marks. It is not suitable for non-word designations such as shapes and images and trade dress such as package and product design.”). Assuming *arguendo* that the spectrum applies to trade dress claims, the Ninth Circuit has determined that “[w]hich category a mark belongs in is a question of fact.” Zobmondo Entm’t, LLC v. Falls Media, LLC, 602 F.3d 1108, 1113 (9th Cir. 2010). Other courts have looked to whether the trade dress has attained secondary meaning to determine the strength of the claimed trade dress. See Lisa Frank, 799 F. Supp. at 997 (noting, with respect to strength of trade dress factor, that “[p]laintiffs have brought forth evidence demonstrating that the LFI trade dress is strongly associated with LFI and its products” based on showing of “secondary meaning”); accord Glob. Tobacco, LLC v. R.K. Co., No. 15-cv-05227-RGK-PJW, 2015 WL 12911451, at *5 (C.D. Cal. Sept. 24, 2015) (“Plaintiff’s showing that the Clipper Trade Dress has acquired secondary meaning, and thus commercial strength, weighs in favor of a likelihood of confusion.”). The Court has already determined that genuine disputes exist regarding whether the 2600 Joystick has attained secondary meaning.

“A mark’s overall strength is relative and cannot be determined by mechanistically assessing its conceptual or commercial strengths.” M2 Software, Inc., v. Madacy Entm’t, 421 F.3d 1073, 1081 (9th Cir. 2005). In accordance with the foregoing, the Court cannot

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determine, at the summary judgment stage, the strength of Atari Interactive’s claimed trade dress in the 2600 Console and the 2600 Joystick.

b. Proximity of the Goods or Services

“The proximity or relatedness of goods is relevant to determine whether the products ‘are likely to be connected in the mind of a prospective purchaser.’” Mattel, Inc. v. MGA Entm’t, Inc., 782 F. Supp. 2d 911, 1008 (C.D. Cal. 2011) (citing Fleischmann, 314 F.2d at 159). “Where goods are related or complementary, the danger of consumer confusion is heightened.” E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1291 (9th Cir. 1992). “[T]he danger presented is that the public will mistakenly assume there is an association between the producers of the related goods, though no such association exists.” Sazerac, 251 F. Supp. 3d at 1305–1306 (internal citation omitted). “The proximity of goods is measured by whether the products are: (1) complementary; (2) sold to the same class of purchasers; and (3) similar in use and function.” Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1150 (9th Cir. 2011).

Hyperkin contends that its Retron77 Console and CirKa A77 Joystick are unrelated to the 2600 Console and the 2600 Joystick. For example, Hyperkin’s Retron77 Console “is an interchangeable cartridge video-game system that plays cartridge ROMs built to run on the [2600 Console] and its compatible successors. To use it, the customer would need to acquire original[s] or make their own Atari [2600 Console]-compatible cartridges.” Bogost Decl. ¶ 24. By contrast, Atari Interactive’s “Flashback devices are not video-game consoles” because “[v]ideo-game consoles . . . are . . . hardware devices that connect to a television and allow users to insert compatible cartridges, disks, or cards in order to play a variety of games. The Flashback devices are totally incapable of playing those cartridges.” Id. ¶ 23. Stated differently, whereas Hyperkin’s Retron77 Console allows users to play videogames originally designed for the 2600 Console by inserting those games’ decades-old, physical cartridges, Atari Interactive’s current Flashback devices, which incorporate its claimed trade dress in the 2600 Console and 2600 Joystick, come with games pre-installed on the devices.

That Atari Interactive’s devices, which incorporate its claimed trade dress in the 2600 Console and 2600 Joystick, and Hyperkin’s Retron77 Console are not completely interchangeable does not mean that they are “unrelated” for the purposes of the Sleekcraft analysis. To the contrary, the Ninth Circuit has determined that “[t]he use need not be the same as, nor one in competition with the original use. The question is, are the uses related so that they are likely to be connected in the mind of a prospective purchaser?”

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Fleischmann, 314 F.2d at 159; accord Monster Energy Co. v. BeastUp LLC, 395 F. Supp. 3d 1334, 1353 (E.D. Cal. 2019) (“Goods are ‘related’ if customers are likely to mistakenly think that the infringer’s goods come from the same source as the senior user’s goods or are sponsored by, affiliated with or connected with the senior user.”) (internal citation omitted); accord SunEarth, Inc. v. Sun Earth Solar Power Co., 846 F. Supp. 2d 1063, 1077 (N.D. Cal. 2012) (“Defendants argue that, because they sell photovoltaic products, which collect electricity that can be sold to the grid, and Plaintiffs do not sell photovoltaic products and instead sell solar collectors, the parties’ products are dissimilar, precluding a finding of confusion. However, Defendants focus on exact identity of products, taking too narrow a view of relatedness.”); see also MoroccanOil, Inc. v. Zotos Int’l, Inc., 230 F. Supp. 3d 1161, 1173 (C.D. Cal. 2017) (noting that “[t]he Ninth Circuit has held that goods as dissimilar as movies and sci-fi merchandise are proximate goods.”).

In addition, Hyperkin’s argument regarding its Retron77 Console does not foreclose Atari Interactive’s separate claim that Hyperkin’s CirKa A77 Joystick infringes Atari Interactive’s trade dress rights in the 2600 Joystick. See Compl. ¶ 20 (alleging that Hyperkin’s “CirKa A77 joystick controller incorporates [the] same . . . distinctive design elements that make up part of the Atari joystick controller’s trade dress.”). The finder of fact could conclude that the CirKa A77 is related to Atari Interactive’s products because, during deposition, Steven Mar, Hyperkin’s Chief Executive Officer, testified that the CirKa A77 was compatible with both the original 2600 Console and Atari Interactive’s modern Flashback devices. Mar. Dep. Tr. at 110:23–112:10; cf. M2 Software, 421 F.3d at 1082 (“Where the goods are . . . complementary, the danger of confusion is heightened.”). And, courts have also determined that goods may be related where they are sold through the same channels. See, e.g., Mattel, 782 F. Supp. 2d at 1008 (finding that goods were related where *inter alia*, “[t]he goods are often sold through the same . . . retailers, like Toys ‘R Us and WalMart”). Here, Atari Interactive and Hyperkin both appear to sell their products through some of the same channels including Walmart, Target, and Amazon. See Brown Decl. ¶¶ 9, 12; Mar Decl. ¶ 3.

The disputed record prevents the Court from determining, at this juncture, whether the parties’ products are so related that they present a danger of consumer confusion. See Calista Enterprises Ltd. v. Tenza Trading Ltd., 43 F. Supp. 3d 1099, 1126 (D. Or. 2014) (denying motion for summary judgment and noting that the “proximity of goods” factor “is disputed and should be resolved by the factfinder.”).

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c. Similarity of the Trade Dress

“The similarity of the trade dress has always been considered a critical question in the likelihood of confusion analysis.” Fiji Water, 741 F. Supp. 2d at 1178 (internal citation omitted). “Obviously, the greater the similarity between the two trade dresses at issue, the greater the likelihood of confusion.” Id. (internal citation and alteration omitted). “To assess similarity, courts should consider the two trade dresses in their entirety and as they appear in the marketplace, judge similarity in terms of appearance, sound, and meaning, and weigh similarities more heavily than differences.” Id.

The similarity inquiry requires the Court to compare the parties’ products at issue in this case. See GoTo.com, 202 F.3d at 1205–06. In the trade dress context, the inquiry requires a “visual inspection.” Fiji Water, 741 F. Supp. 2d at 1177. The 2600 Joystick, Hyperkin’s CirKa A77 Joystick, the 2600 Console, and Hyperkin’s Retron77 Console are pictured below:



Dkt. 41-2, Exh. 1; Bogost Decl., Exh. C. The parties’ products appear to share several common features. For example, the 2600 Joystick and the CirKa A77 feature a square and black base, a single red firing button that is situated at the top left, a hexagonal and black joystick, a black rubber boot with concentric rings that surrounds the joystick, and a dashed circle that circumscribes the base of the rubber boot and joystick. With respect to the 2600

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Console and the Retron 77 Console, both are rectangular in shape and feature wood grain and black ribbing.

Hyperkin urges that “the products differ completely in appearance.” Mot. at 13–14. With respect to the 2600 Console and the Retron77 Console, Hyperkin’s expert, Ian Bogost, points out the purported differences between the consoles, including in, *inter alia*: (1) shape, (2) detail; (3) front face; (4) bezel; and (5) the location of ports and controls. Bogost Decl. ¶ 16. Moreover, while the 2600 Joystick and the CirKa A77 Joystick feature a compass rose, the dashed circle that circumscribes the base of the rubber boot and joystick, each party’s compass roses differs in color—the 2600 Joystick’s compass rose is red, while the CirKa A77’s is black.

The Ninth Circuit has determined that “[r]egardless of how much secondary meaning it possess, a product’s trade dress will not be protected from an imitator [whose product] is sufficiently different in its features to avoid such confusion.” First Brands Corp., 809 F.2d at 1383 (internal citation omitted). Based on the disputed record, the finder of fact could determine that the parties’ products are so similar that a consumer could be confused as to the source of Hyperkin’s products. Conversely, the fact finder could also determine that the parties’ products are dissimilar. These disputes preclude the Court from granting summary judgment regarding the similarity of the parties’ products. See Monster, 395 F. Supp. 3d at 1357–1358 (denying motion for summary judgment because “a triable issue remains regarding the similarity of the marks factor.”); accord Calista, 43 F. Supp. 3d at 1125 (declining to grant summary judgment as to similarity of marks, reasoning that “[t]he factfinder will have to decide this.”).

d. Evidence of Actual Confusion

The Ninth Circuit has concluded that “evidence of actual confusion, at least on the part of an appreciable portion of the actual consuming public, constitutes strong support for a ‘likelihood of confusion’ finding.” Rearden LLC v. Rearden Commerce, Inc., 683 F.3d 1190, 1210 (9th Cir. 2012). Thus, “[i]f enough people have been *actually* confused, then a *likelihood* that people are confused is established.” Playboy Enterprises, Inc. v. Netscape Commc’ns Corp., 354 F.3d 1020, 1026 n.27 (9th Cir. 2004) (emphases in original).

Here, Hyperkin’s Chief Executive Officer, Steven Mar, attests that “[t]o date, outside this litigation, no one has ever asked Hyperkin whether the Retron77 or A77 were sold or licensed by any Atari company, or” Atari Interactive. Mar Decl. ¶ 26. However, [b]ecause of the difficulty in garnering such evidence, the failure to prove instances of

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actual confusion is not dispositive.” Monster, 395 F. Supp. 3d at 1358 (internal citation and alteration omitted). Thus, “actual confusion is not necessary to a finding of likelihood of confusion under the Lanham Act.” Acad. of Motion Picture Arts & Scis. v. Creative House Promotions, Inc., 944 F.2d 1446, 1456 (9th Cir. 1991). Atari Interactive’s failure to point to any instances of actual confusion, while not dispositive, weighs slightly against a finding of likelihood of confusion. See Stonefire Grill, Inc. v. FGF Brands, Inc., 987 F. Supp. 2d 1023, 1053–54 (C.D. Cal. 2013) (noting, at summary judgment stage, that “the absence of evidence of actual confusion is generally unnoteworthy because actual confusion is hard to prove”); Oculu, LLV v. Oculus CR Inc., No. 14-cv-0196-DOC, 2015 WL 3619204, at *13 (C.D. Cal. June 8, 2015) (“The lack of any competent evidence of actual confusion despite the fact that the marks have co-existed for three years thus weighs against a finding of likelihood of confusion.”). The Court declines to grant summary judgment on this basis, however.

e. Marketing Channels

“Convergent marketing channels increase the likelihood of confusion.” Nutri/Sys., 809 F.2d at 606. “Under this factor, courts should consider whether the predominant purchasers of the parties’ goods are similar or different, and whether the parties’ marketing approaches resemble one another.” Sazerac, 251 F. Supp. 3d at 1307 (internal citation omitted). Put differently, “[i]n assessing marketing channel convergence, courts consider whether the parties’ customer bases overlap and how the parties advertise and market their products.” Monster, 395 F. Supp. 3d at 1358–59 (internal citation omitted). “The greater the degree of overlap, the more likely there is to be confusion.” Fiji Water, 741 F. Supp. 2d at 1180.

The parties offer little argument regarding this factor. The Court notes, however, that Casandra Brown, Atari Interactive’s Director of Licensing, attests that Atari Interactive sells its Plug and Play and Flashback devices, which are modeled after the 2600 Joystick and the 2600 Console, “through major online and brick-and-mortar retailers such as Walmart, Target, Costco, Kohl’s, and Amazon, just to name a few.” Brown Decl. ¶¶ 9, 11. Similarly, a portion of Hyperkin’s website lists Walmart, Target, GameStop, Amazon Toys R’ Us, Fry’s Electronics, Groupon, Fye, Micro Center, and Newegg as “SOME OF OUR RETAILERS.” See Mar Decl. ¶ 3. It appears, then, that both companies sell their products through some of the same channels, including Walmart, Target, and Amazon. The finder of fact could therefore determine that the parties use convergent marketing channels, giving rise to a likelihood of confusion. See Monster, 395 F. Supp. 3d at 1359 (determining that

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“convergent marketing channels” factor favored finding of likelihood of confusion where “both parties sell their energy drinks through the same retailers[.]”).

f. Type of Goods and Degree of Purchaser Care

“In analyzing the degree of care that a consumer might exercise in purchasing the parties’ goods, the question is whether a ‘reasonably prudent consumer’ would take the time to distinguish between the two product lines.” Survivor Media, Inc. v. Survivor Prods., 406 F.3d 625, 634 (9th Cir. 2005). “Courts look to both the relative sophistication of the relevant consumer and the cost of the item in determining the degree of care likely to be exercised by the purchaser.” Monster, 395 F. Supp. 3d at 1359 (internal citations omitted). “[W]hen dealing with inexpensive products, customers are likely to exercise less care, thus making confusion more likely.” Brookfield, 174 F.3d at 1060. By contrast, the reasonably prudent consumer is expected “to be more discerning—and less easily confused—when he is purchasing expensive items, and when the products being sold are marketed primarily to expert buyers.” Id. (internal citations omitted).

Here, Hyperkin adduces evidence that would tend to undermine Atari Interactive’s claim that consumers are likely to be confused as to the source of Hyperkin’s CirKa A77 Joystick and Retron77 Console. For example, Hyperkin’s Retron A77 Console “is an interchangeable cartridge video-game system that plays cartridge ROMs built to run on the [2600 Console] and its compatible successors. To use it, the customer would need to acquire original[s] or make their own . . . cartridges.” Bogost Decl. ¶ 24. Accordingly, Hyperkin’s expert, Ian Bogost, opines that “[t]he audience for such a device is . . . niche[.]” Bogost Report ¶ 86. The Ninth Circuit has determined that the “degree of care” factor weighs against a finding of a likelihood of confusion where the purchasers of the products are “highly specialized,” explaining that such purchasers “would be expected to exercise a high degree of care in making their purchase decisions.” See Accuride Int’l, Inc. v. Accuride Corp., 871 F.2d 1531, 1537 (9th Cir. 1989). Moreover, it appears that: Hyperkin sells its CirKa A77 Joystick for between \$14.99 and \$50.00 at the retail level and for \$8.50 at the wholesale level; Hyperkin sells its Retron77 Console for \$70.00; and Atari Interactive sells its Flashback devices at around \$59.99 per unit. Dkt. 41-2 at 30, Dkt. 43-42 at 2; Dkt. 43-43 at 2; Dkt. 43-44 at 2; Bogost Report ¶ 91; cf. Survivor, 406 F.3d at 634 (“With respect to small, inexpensive goods such as sunscreen, the consumer is likely to exercise very little care.”). This factor, then, appears to favor Hyperkin.

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g. Hyperkin’s Intent

“When an alleged infringer knowingly adopts a mark similar to another’s, courts will presume an intent to deceive the public.” Official Airline Guides, Inc. v. Goss, 6 F.3d 1385, 1394 (9th Cir. 1993). A plaintiff “need not prove intent to deceive because intent is not a necessary element,” but [i]f a plaintiff can prove intent, however, he is likely to prevail because the courts then presume that the public will be deceived.” Official Airline Guides, 6 F.3d at 1394.

Hyperkin asserts that it “took extensive efforts to avoid confusion.” Mot. at 16. For example, its Chief Executive Officer, Steven Mar, attests that Hyperkin engaged in due diligence for its Retron77 Console and CirKa A77 Joystick, researching existing and expired trademarks and patents, ultimately determining that any “relevant patents had expired many years ago and there were no registered trademarks covering any trade dress relating to the original Atari 2600 or the original Atari 2600 joystick.” Mar Decl. ¶ 8. Mar further asserts that in order to prevent confusion, Hyperkin designed its own packing for the Retron77 Console and CirKa A77 Joystick, placing disclaimers on the packaging, and affixing its own trademarks to the products and packaging. See Id. ¶¶ 11–14, 22–23. The finder of fact could determine that Hyperkin acted in good faith, weighing against a finding of likelihood of confusion. See, e.g., Stonefire Grill, 987 F. Supp. 2d at 1055–56 (finding that “intent” factor weighed against finding of likelihood of confusion where evidence demonstrated that defendant engaged in a trademark search and “defendant’s attorney . . . counseled that its proposed mark would not infringe.”).

On the other hand, “[a]bsence of malice is no defense to trademark infringement.” See Surfivor, 406 F.3d at 635 (rejecting producers’ argument that they lacked intent where they “acknowledge[d] being aware of the Surfivor mark before airing their show, but contend that they lacked intent to infringe upon that mark.”). Moreover, “obvious similarity” between products “permits an inference of intent.” See Fiji Water, 741 F. Supp. 2d at 1181. The Court has already determined that the finder of fact could reasonably determine that Hyperkin’s CirKa A77 Joystick is similar to the 2600 Joystick and that Hyperkin’s Retron77 Console is similar to the 2600 Console. And, “[k]nowing adoption of a mark closely similar to one used by another is a basis for inferring intent to deceive.” Aurora World, Inc. v. Ty Inc., 719 F. Supp. 2d 1115, 1164 (C.D. Cal. 2009). Steven Mar, Hyperkin’s Chief Executive Officer, demonstrated knowledge of Atari Interactive’s claimed trade dress, even testifying during deposition that the CirKa A77 Joystick was modeled after the 2600 Joystick. Mar Dep. Tr. at 70:9–11.

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The Court therefore concludes that triable issues exist as to Hyperkin’s intent regarding its Retron77 Console and CirKa A77 Joystick.

h. Likelihood of Expansion of Product Lines

“A strong possibility that either party will expand its business to compete with the other weighs in favor of finding” a likelihood of confusion. Fiji Water, 741 F. Supp. 2d at 1182. However, “[t]he likelihood of expansion in product lines factor is relatively unimportant where two companies already compete to a significant extent.” Brookfield, 174 F.3d at 1060.

Here, the Court has already determined that genuine disputes exist regarding the degrees to which the parties’ products are similar or the parties compete with another. Accordingly, this factor is relatively unimportant to the Court’s analysis. See Playboy, 354 F.3d at 1029 (determining that likelihood of expansion in product lines factor “is irrelevant” where the parties’ existing products “are already related[.]”). To the extent that this factor is relevant, Hyperkin urges that “[t]here is . . . no evidence that [Atari Interactive] is likely to expand into Hyperkin’s market” because, according to Hyperkin, Atari Interactive “has never sold or licensed any cartridge-playing console.” Mot. at 16. However, Casandra Brown, Atari Interactive’s Director of Licensing, attests that “Atari Interactive has been actively creating, promoting, and readying to launch a new gaming system that puts a 21st Century spin on the original 2600 designs” and which “include[s] a modernized version of the 2600 joystick as part of its new system[.]”¹² Brown Decl. ¶ 18. Accordingly, the Court declines to grant summary judgment on this issue.

¹² Many of the details regarding Atari Interactive’s future console are unclear from the record, including whether it: (1) will, like Hyperkin’s Retron77 Console, play original, physical game cartridges; and (2) will be compatible with Hyperkin’s accessories, such as the CirKa A77 Joystick. Hyperkin’s expert, Ian Bogost, opines, with respect to Atari Interactive’s future console, that “[d]elays and mystery have mounted as the project has worn on” and that Atari Interactive recently “announced further delays, supposedly due to disruption of [its] Chinese supply chain [caused] by the coronavirus outbreak.” Bogost Report ¶ 30. These disputes further bolster the Court’s determination that genuine disputes exist regarding the likelihood of expansion of product lines factor.

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While the actual confusion and degree of consumer care Sleekcraft factors weigh against a finding of likelihood of confusion, the Ninth Circuit has instructed that “[t]he Sleekcraft factors are intended to function as a proxy or substitute for consumer confusion, not a rote checklist.” Rearden, 683 F.3d at 1209; accord Fortune Dynamic, Inc. v. Victoria’s Secret Stores Brand Mgmt., Inc., 618 F.3d 1025, 1031 (9th Cir. 2010) (“The Sleekcraft factors are not a scorecard, a bean-counter, or a checklist.”). Therefore, “[g]iven the open-ended nature of this multi-prong inquiry, . . . summary judgment on ‘likelihood of confusion’ grounds is generally disfavored.” Rearden, 683 F. 3d at 1210. Indeed, “the question of likelihood of confusion is routinely submitted for jury determination as a question of fact.” Levi Strauss & Co. v. Blue Bell, Inc., 778 F.2d 1352, 1356 n.5 (9th Cir. 1985). For these reasons, the Court declines to grant Hyperkin partial summary judgment as to the issue of likelihood of confusion.

E. Dilution Claim

Atari Interactive also asserts a claim for dilution against Hyperkin. See Compl. ¶¶ 45–50. “‘Dilution’ refers to the ‘whittling away of the value of a trademark’ when it’s used to identify different products.” Adobe Sys. Inc. v. Blue Source Grp., Inc., 125 F. Supp. 3d 945, 969 (N.D. Cal. 2015) (internal citation omitted). “By contrast to trademark infringement, the injury from dilution usually occurs when consumers *aren’t* confused about the source of a product: Even if no one suspects that the maker of analgesics has entered into the snowboard business, the Tylenol mark will now bring to mind two products, not one.” Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903 (9th Cir. 2002) (emphasis in original). Accordingly, “[w]hereas trademark law targets ‘interference with the source signaling function’ of trademarks, dilution protects owners ‘from an appropriation of or free riding on’ the substantial investment that they have made in their marks.” Id. “In order to prove a violation, a plaintiff must show that (1) the mark is famous and distinctive; (2) the defendant is making use of the mark in commerce; (3) the defendant’s use began after the mark became famous; and (4) the defendant’s use of the mark is likely to cause dilution by blurring or dilution by tarnishment.” Jada Toys, Inc. v. Mattel, Inc., 518 F.3d 628, 634 (9th Cir. 2008). “[D]ilution is a factual question generally not appropriate for decision on summary judgment.” Visa Int’l Serv. Ass’n v. JSL Corp., 610 F.3d 1088, 1090 (9th Cir. 2010). With these principles in mind, the Court addresses the parties’ arguments in turn.

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1. Fame of Atari Interactive’s Claimed Trade Dress

Hyperkin argues that “[s]ummary judgment as to dilution is appropriate because [Atari Interactive] failed to produce evidence that the relevant trade dress is famous among the general public.” Mot. at 20. According to Hyperkin, “there is no evidence, such as surveys or consumer declarations, showing that the general consuming public associates the relevant trade dress with [Atari Interactive].” *Id.* Hyperkin also points to the comparatively fewer Twitter followers that Atari Interactive has (less than 80,000) as compared to its competitors, including Sony (17 million), Microsoft (13 million), Nintendo (10 million), and SEGA (1 million).¹³ SUF Nos. 166–70.

Pursuant to the Trademark Dilution Revision Act of 2006 (“the TDRA”), “a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” 15 U.S.C. § 1125(c)(2). “Niche fame,” which is “fame within only a limited geographic area or a specialized market segment,” is insufficient.¹⁴ *Blumenthal*, 963 F.3d at 870. “The mark must have acquired the requisite level of fame by the time the defendant first began to use the mark in commerce.” *Stone Brewing Co.*, 2020 WL 1508489, at *18 (internal citation omitted). The TDRA sets forth the following factors to determine whether a mark possesses the requisite degree of recognition:

¹³ The Court **OVERRULES** Atari Interactive’s objections to the admission of its competitors’ number of Twitter followers. See *Stone Brewing Co., LLC v. MillerCoors LLC*, No. 3:18-cv-00331-BEN-LL, 2020 WL 1508489, at *19 (S.D. Cal. Mar. 27, 2020) (considering evidence of party’s “industry-leading social media presence with hundreds of thousands of followers and/or viewers across multiple platforms” to determine whether genuine dispute existed regarding famousness of mark for purposes of dilution claim).

¹⁴ Prior to 2006, a plaintiff could establish fame, for the purposes of a dilution claim, based either on “niche fame” or “fame among the general consuming public.” See *Blumenthal*, 963 F.3d at 869–70. Although Atari Interactive’s predecessors released the 2600 Console and the 2600 Joystick, which form the bases for Atari Interactive’s claimed trade dress, prior to 2006, Atari Interactive appears to agree that it must raise a genuine question regarding “fame among the general consuming public,” rather than niche fame. See Opp. at 23.

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- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(2)(A).

Here, Atari Interactive adduces evidence regarding its sales of products that purportedly incorporate its claimed trade dress in the 2600 Console and the 2600 Joystick. For example, Atari Interactive has received at least \$3,893,702 in licensing fees for its Plug and Play devices and \$13,724,346 in licensing fees for its Flashback devices, with the “[t]otal value being significantly higher,” as “this number reflect[s] only Atari Interactive’s licensing fees.” Brown Decl. ¶¶ 9, 12. In addition, Atari Interactive’s expert, Tim Lapetino, opines that “the [original] Atari 2600 [was] commercially successful, selling an estimated 30 million units over its lifespan[.]” Lapetino Report ¶ 19. Atari Interactive has further promoted its claimed trade dress in the 2600 Console and the 2600 Joystick in other ways, including by licensing its use in connection with apparel, consumer products, and promotional materials. See Brown Decl. ¶¶ 13–17. And, Atari Interactive submits excerpts from online articles and books which have been written about, or refer to, the 2600 Joystick and the 2600 Console and reiterate their popularity. See, e.g., Dkt. 43-20 at 11 (“After all, there’s no gaming accessory quite as iconic as the [2600 Joystick.]”); Dkt. 43-20 at 19 (noting that 2600 Joystick “bec[ame] an absolute icon of video game design.”); Dkt. 43-21 at 10 (“The 2600 . . . was the most popular system of its day[.]”); Dkt. 43-21 at 13 (“Though the 2600 is nearly forty years old, it still persists in the popular imagination, and has made a distinct impression on generations of video game fans.”) cf. Blumenthal, 963 F.3d at 870–71 (noting, for purposes of dilution of trade dress claim, that “press accounts about the popularity of the brand, or pop-culture references involving the brand would provide evidence of fame.”) (internal citation omitted). Finally, Tim Lapetino opines that Atari Interactive’s predecessors engaged in “heavy advertising and marketing” that “ensured that the overall design and visual presentation would go on to symbolize not just Atari, but video games as a whole, decades after its release.” Lapetino Report ¶ 19; cf. J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 24:106 (5th ed., June 2020 Update) (noting that “plaintiff’s advertising and promotional efforts to make the mark

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known” can be “circumstantial evidence” that “the mark has had such an impact on the public mind . . . that it deserves the label of ‘famous.’”).

“The Ninth Circuit has recognized that fame requires a high standard of consumer awareness beyond the trademark owner’s specific market—the mark should be a ‘household name’ or ‘part of the collective national consciousness.’” Pinterest, Inc. v. Pintrips, Inc., 140 F. Supp. 3d 997, 1033 (N.D. Cal. 2015). For example, the Ninth Circuit has determined that “Tiffany,” “Polaroid,” “Rolls Royce,” “Kodak,” and “Oscar” are marks with the requisite fame capable of dilution. See Fruit of the Loom, Inc. v. Girouard, 994 F.2d 1359, 1363–64 (9th Cir. 1993). Conversely, the Ninth Circuit has determined that some marks are insufficiently famous so as to be capable of dilution “despite decades of use, \$3 billion in annual sales, and \$5 million in advertising[.]” Vietnam Reform Party v. Viet Tan - Vietnam Reform Party, 416 F. Supp. 3d 948, 969 (N.D. Cal. 2019) (citing Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873–75 (9th Cir. 1999)). Ultimately, however, “whether a mark is ‘famous’ is a factual matter.” Apple, Inc. v. Samsung Elecs. Co., No. 11-cv-01846-LHK, 2012 WL 2571719, at *7 (N.D. Cal. June 30, 2012). The Court therefore concludes that the finder of fact—not the Court—must determine whether Atari Interactive’s claimed trade dress in the 2600 Console and the 2600 Joystick is sufficiently famous so as to be capable of dilution. See Stone Brewing Co., 2020 WL 1508489, at *21 (denying defendant’s motion for summary judgment as to plaintiff’s dilution claim, explaining that “[w]hile this Court cannot, as a matter of law, find that [p]laintiff’s STONE® mark is sufficiently famous, it does not find that [p]laintiff’s claims lack all merit to justify granting summary judgment” because “[a]s the evidentiary record currently stands, such a determination would be improper on summary judgment.”).

2. Tarnishing and Blurring

“Courts recognize two principal forms of dilution; tarnishing and blurring.” Kaisha v. Nat. Health Trends Corp., No. 04-cv-09028-DSF-E, 2005 WL 1041112, at *4 (C.D. Cal. Jan. 10, 2005) (internal citation omitted). “Blurring occurs when a defendant uses a plaintiff’s trademark to identify the defendant’s goods or services, creating the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff’s product.” Panavision Int’l, L.P. v. Toeppen, 141 F.3d 1316, 1326 n.7 (9th Cir. 1998) (internal citations omitted). “Tarnishment occurs when a famous mark is improperly associated with an inferior or offensive product or service.” Id. (internal citation omitted). Atari Interactive asserts both theories here. See Compl. ¶ 47.

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a. Dilution by Tarnishing

“To properly support a dilution by tarnishment claim, a plaintiff must establish that the famous mark will suffer negative associations as a result of the use of the similar mark.” Pendleton Woolen Mills, Inc. v. Round Up Ass’n., No. 3:11-cv-592-AC, 2012 WL 2721856, at *7 (D. Or. July 9, 2012). “‘Tarnishment’ generally arises when the plaintiff’s trademark is linked to products of shoddy quality, diminishing the value of the mark because the public will associate the lack of quality with the plaintiff’s unrelated goods.” Sony Computer Entm’t, Inc. v. Connectix Corp., 203 F.3d 596, 609 (9th Cir. 2000) (internal citation omitted).

Hyperkin asserts that “there can be no tarnishment by Hyperkin’s acts since the Atari brand already suffered a negative image through its numerous failures.” Mot. at 20. Hyperkin’s argument appears to be, then, that since Atari Interactive’s predecessors suffered several financial setbacks leading to a number of changes in corporate ownership and culminating in the cessation of sales of Atari videogame devices between the 1990s and early 2000s, Atari Interactive’s claimed trade dress lacks any goodwill that could be further diluted by tarnishing. Indeed, “[t]here has to be something to tarnish in order to find dilution by tarnishment.” Playmakers, LLC v. ESPN, Inc., 297 F. Supp. 2d 1277, 1285 (W.D. Wash. 2003).

However, “[t]he sine qua non of tarnishment is a finding that plaintiff’s mark will suffer negative associations through defendant’s use.” Sony Computer Entm’t, 203 F.3d at 609 (internal citation omitted). And, Atari Interactive submits evidence—in the form of purchaser reviews on Amazon—that would allow the fact finder to conclude that Hyperkin’s CirKa A77 Joystick is of subpar quality. See, e.g., Dkt. 43-42 at 6 (purchaser review rating CirKa A77 Joystick with “one-star” and referring to CirKa A77 Joystick as “TRASH!” and “JUNK!!!!!!”); id. at 7 (purchaser review rating CirKa A77 Joystick with “one-star” and commenting that CirKa A77 Joystick is of “[e]xtremely poor quality.”).

The Court has already determined that summary judgment is inappropriate as to whether Atari Interactive’s claimed trade dress has attained secondary meaning. The finder of fact could also determine that the quality of Hyperkin’s products tarnished whatever goodwill Atari Interactive accumulated as to Atari Interactive’s claimed trade dress. See Coty Inc. v. Excell Brands, LLC, 277 F. Supp. 3d 425, 434 (S.D.N.Y. 2017) (determining, after bench-trial, that distributors of high-quality fragrances “ha[d] established a claim of dilution by tarnishment” where defendant “produced cheap ‘versions’ of [distributors’] fragrances, with similar names . . . and nearly identical packaging” and defendant “use[d]

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inferior oils” and “employ[ed] cheaper packaging components”). For these reasons, summary judgment is inappropriate as to Atari Interactive’s dilution by tarnishing claim.

b. Dilution by Blurring

With respect to blurring, Hyperkin argues that there can be “no blurring since there were already numerous third-party sellers of 2600 compatible joysticks before Hyperkin began selling its [CirKa] A77 [Joystick].” Mot. at 20. “To assess dilution by way of blurring, courts look to “(1) the degree of similarity between the marks; (2) the degree of distinctiveness of the famous mark; (3) the extent to which the owner of the famous mark is engaging in substantially exclusively use of the mark; (4) the famous mark’s degree of recognition; (5) whether the user of the mark intended to create an association with the famous mark; and (6) any actual association between the two marks.” Monster, 395 F. Supp. 3d at 1365 (citing 15 U.S.C.A. § 1125(c)(2)(B)). “This test is strikingly similar to the test for likelihood of confusion under traditional trademark infringement analysis.” Airwair Int’l Ltd. v. Vans, Inc., No. 5:12-cv-05060-EJD, 2013 WL 3786309, at *7 n.1 (N.D. Cal. July 17, 2013). Because genuine disputes exist regarding the “likelihood of confusion” element of Atari Interactive’s false designation of origin claim, genuine disputes similarly preclude the grant of summary judgment to Hyperkin as to Atari Interactive’s dilution by blurring claim. See Monster, 395 F. Supp. 3d at 1366 (denying motion for summary judgment as to dilution by blurring claim “[f]or the same reasons discussed above regarding likelihood of confusion” with respect to infringement claim).

F. Unfair Competition Claim

Atari Interactive also asserts a claim for common law unfair competition. See Compl. ¶¶ 39–44. “The courts have uniformly held that common law and statutory trademark infringements are merely specific aspects of unfair competition.” New W. Corp. v. NYM Co. of California, 595 F.2d 1194, 1201 (9th Cir. 1979); accord Hokto Kinoko Co. v. Concord Farms, Inc., 810 F. Supp. 2d 1013, 1032 (C.D. Cal. 2011) (“Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical is there a ‘likelihood of confusion?’”) (internal citation omitted).

Here, the Court has already determined that genuine disputes preclude the Court from granting summary judgment as to Atari Interactive’s claim for false designation of origin. For that reason, summary judgment is likewise inappropriate as to Atari Interactive’s unfair competition claim. See Monster, 395 F. Supp. 3d at 1361 (denying summary judgment as to “unfair competition claims for the same reasons [the court] has denied summary judgment on [the] Lanham Act claims.”).

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G. Request for Attorneys’ Fees

“The Lanham Act provides that in ‘exceptional cases’ the court ‘may award reasonable attorney fees to the prevailing party.’” Brown v. Elec. Arts, Inc., 722 F. Supp. 2d 1148, 1152 (C.D. Cal. 2010) (citing 15 U.S.C. § 1117(a)). Hyperkin asserts that “an award of attorneys’ fees is appropriate” because Atari Interactive’s “claims are deceptive and untenable, qualifying as an ‘exceptional case’ under the Lanham Act.” Mot. at 21. Because the Court has concluded that genuine disputes preclude the grant of summary judgment to Hyperkin, Hyperkin is not entitled to an award attorneys’ fees. See Glob. Truss Am. LLC v. GLP German Light Prod. Inc., No. 11-cv-00168-SJO-SS, 2011 WL 13220296, at *11 (C.D. Cal. Dec. 1, 2011) (denying party’s request for attorneys’ fees where the court denied party’s motion for summary judgment as to Lanham Act claim).

V. CONCLUSION

For the foregoing reasons, the Court **DENIES** Hyperkin’s motion in all respects.

IT IS SO ORDERED.

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Initials of Preparer	CMJ			

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

BARBARO TECHNOLOGIES, LLC,

Plaintiff,

v.

NIANTIC, INC.,

Defendant.

Case No. [18-cv-02955-RS](#)

**ORDER GRANTING MOTION FOR
JUDGMENT ON THE PLEADINGS**

I. INTRODUCTION

Interactive virtual thematic environments which render real-time information form the backdrop of this patent dispute. Such environments are used, for present purposes, in computer gaming. Plaintiff Barbaro Technologies, LLC holds two closely related patents on such environments, US 7,373,377 (“‘377 Patent”) and US 8,228,325 (“‘325 Patent”). The ‘377 Patent is more general; the ‘325 Patent focuses on the specific case of integrating real-time location information into a three-dimensional virtual environment. Barbaro contends defendant Niantic Inc.’s Ingress and Pokemon Go games infringe on both patents. Niantic now moves for judgment on the pleadings, pursuant to Rule 12(c), alleging Claims 1, 3, and 6 of the ‘325 Patent are invalid because they claim ineligible subject matter under 35 U.S.C. § 101.¹ Pursuant to Civil Local Rule 7-1(b), the motion is suitable for disposition without oral argument, and the hearing set for May

¹ Niantic also alleges Claim 5 of the ‘325 Patent is invalid, but Barbaro states in its response to the present motion it is no longer asserting that claim.

28, 2020 is vacated. For the reasons set forth below, the motion is granted.

II. BACKGROUND

The ‘325 Patent claims a “three-dimensional virtual thematic environment” (“3D VTE”) into which external information which can be fetched over the internet, for example a user’s “real-world geographic location,” can be integrated. *See* ‘325 Patent, ECF No. 1-2, at 42:37–42. Claim 1 recites, in relevant part, a “computer system for providing a [VTE]” which “retriev[es] information...from external sources over the internet,” including user location, “integrat[es] said information into the [3D VTE],” and allows the user to “interact[] with the [3D VTE] as a simulated real-world interaction, depending on the user’s geographical three dimensional movement through [3D VTE].” *Id.* at 42:39–58. Claim 3 depends on Claim 1 and recites such a system “wherein said information includes real-time information.” *Id.* at 42:64–65. Claim 6 also depends on Claim 1 and recites such a system which “display[s] said information to a user in a mini-application mechanism within the VTE.” *Id.* at 44:1–3.

III. LEGAL STANDARD

Under Section 101 of the Patent Act, “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor....” 35 U.S.C. § 101. The Supreme Court “has long held that this provision contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014). While the reasoning behind the exception is clear—“such discoveries are manifestations of ... nature, free to all men and reserved exclusively to none,” *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 71 (2012) (internal citations and quotations omitted)—the boundaries of the exception are not quite so obvious.

The *Alice* court highlighted “the concern that drives this exclusionary principle as one of pre-emption.” *Alice*, 573 U.S. at 216. In other words, patents that seek wholly to preempt others from using a law of nature or an abstract idea—“the basic tools of scientific and technological work”—are invalid. *Id.* *Alice* warns, nonetheless, that “we tread carefully in construing this

1 exclusionary principle lest it swallow all of patent law. At some level, all inventions...embody
 2 use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.” *Id.* at 217
 3 (internal citations and quotations omitted). A patent may thus “involve[] an abstract concept” so
 4 long as it is applied “to a new and useful end.” *Id.* “Accordingly, in applying the § 101 exception,
 5 we must distinguish between patents that claim the buildin[g] block[s] of human ingenuity and
 6 those that integrate the building blocks into something more, thereby transform[ing] them into a
 7 patent-eligible invention.” *Id.* (internal citations and quotations omitted).

8 IV. DISCUSSION

9 A. Rule 12(c)

10 As a threshold matter, the parties disagree as to whether the issue of invalidity can be
 11 resolved on a Rule 12(c) motion. In particular, Barbaro argues the invalidity issue is a factual
 12 dispute which cannot be resolved on the pleadings.

13 Rule 12(c) provides that “[a]fter the pleadings are closed—but early enough not to delay
 14 trial—a party may move for judgment on the pleadings.” Fed. R. Civ. P. 12(c). A motion for
 15 judgment on the pleadings is “functionally identical” to a Rule 12(b)(6) motion to dismiss. *See*
 16 *Dworkin v. Hustler Magazine, Inc.*, 867 F.2d 1188, 1192 (9th Cir. 1989). “Eligibility under 35
 17 U.S.C. § 101 is a question of law, based on underlying facts.” *SAP Am., Inc. v. InvestPic, LLC*,
 18 898 F.3d 1161, 1166 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 2747 (2019), *reh’g denied*, 140 S.
 19 Ct. 27 (2019) (internal citations omitted). “Like other legal questions based on underlying facts,
 20 this question may be, and frequently has been, resolved on a Rule 12(b)(6) or (c) motion where the
 21 undisputed facts, considered under the standards required by that Rule, require a holding of
 22 ineligibility under the substantive standards of law.” *Id.*

23 Thus, courts can, and regularly do, decide the issue of § 101 invalidity on a Rule 12(c)
 24 motion. *See id.* (collecting cases). The existence of factual disputes does not render the motion
 25 improper. It simply means all allegations must be accepted as true and construed in the light most
 26 favorable to the non-moving party: in this case, Barbaro. *See Turner v. Cook*, 362 F.3d 1219, 1225
 27 (9th Cir. 2004). Furthermore, the moving party, i.e., Niantic, bears the burden of demonstrating

1 invalidity by clear and convincing evidence. *See* 35 U.S.C. § 282; *Microsoft Corp. v. I4I Ltd.*
 2 *P'ship*, 564 U.S. 91, 95 (2011). Niantic may not bear this burden by presenting evidence outside
 3 the pleadings—such as the declaration and exhibits attached to its reply. *See* Fed. R. Civ. P. 12(d)
 4 (“If, on a motion under Rule 12(b)(6) or Rule 12(c), matters outside the pleadings are presented to
 5 and not excluded by the court, the motion must be treated as one for summary judgment under
 6 Rule 56.”).

7 **B. Alice Step One**

8 In evaluating whether claims are patent-eligible, a court must first “determine whether the
 9 claims at issue are directed to” a “patent-ineligible concept[]” such as a law of nature, natural
 10 phenomenon, or abstract idea. *Alice*, 573 U.S. at 217. “[T]he ‘directed to’ inquiry applies a stage-
 11 one filter to claims, considered in light of the specification, based on whether their character as a
 12 whole is directed to excluded subject matter.” *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327,
 13 1335 (Fed. Cir. 2016) (internal quotations omitted). Although there is no bright-line rule for
 14 determining whether a claim is directed to an abstract idea, courts have articulated some guiding
 15 principles. When evaluating computer-related claims, courts look to whether the claims “improve
 16 the functioning of the computer itself,” *Alice*, 573 U.S. at 219, or whether “computers are invoked
 17 merely as a tool” to implement an abstract process, *Enfish*, 822 F.3d at 1336.

18 In the present case, Claims 1, 3, and 6, in light of the ‘325 Patent specification, make clear
 19 that the “focus of the claimed advance over the prior art” is integrating real-world location
 20 information into a virtual environment. *Intellectual Ventures I LLC v. Capital One Bank (USA)*,
 21 792 F.3d 1363, 1338 (Fed. Cir. 2015) (internal quotations omitted). Put in Barbaro’s own words,
 22 “the problem facing the inventor,” *ChargePoint, Inc. v. SemaConnect, Inc.*, 920 F.3d 759, 767
 23 (Fed. Cir. 2019), *cert. denied*, 140 S. Ct. 983 (2020), was that prior art did not “provide[] the user
 24 with a real-world experience. Accordingly, a way to integrate audio, video, 2D and 3D technology
 25 in order to maximize the real-world experience for the user, is desired,” *see* ‘325 Patent at 1: 32–
 26 36. “Barbaro’s invention achieves an improvement over prior virtual environments by removing
 27 the disconnect between the user in the real-world and the 3D VTE.” *See* Plaintiff’s Response in
 28

1 Opposition to Defendant’s Rule 12(c) Motion, ECF No. 120, at 11 (“Barbaro Response”).

2 The claims demonstrate the improvement offered by the ‘325 Patent is directed at a
3 result—integrating the real and virtual worlds—rather than at any particular method of achieving
4 it. *Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335, 1342 (Fed. Cir. 2018) (citing *Wyeth v.*
5 *Stone*, 30 F. Cas. 723, 727 (C.C.D. Mass. 1840) (“No man can have a right to cut ice by all means
6 and methods....”). Claim 1, for example, recites a “computer system” with two standard
7 components: memory and a processor. *See* ‘325 Patent at 42: 39–40, 58. The memory must be
8 capable of running a program which retrieves information over the internet—for example the
9 user’s location—and integrates that information into a virtual environment. *Id.* at 41–52. However,
10 the claim does not recite what is unique about the computer memory used, such that some
11 specialized memory would be required, or how the enumerated tasks are to be accomplished.
12 Claims 3 and 6 depend on Claim 1, and merely add details about the type of information to be
13 retrieved (Claim 3) or the user interface (Claim 6). Again, however, they do not focus on *how* the
14 desired result is to be achieved.

15 Neither does the specification provide any detail on the mechanics. *ChargePoint*, 920 F.3d
16 at 766 (“[T]he specification may...be useful in illuminating whether the claims are ‘directed to’...
17 an abstract idea.”) (internal citation omitted). On the contrary, the specification discloses that the
18 invention can be implemented in any number of ways—on a client or server or a distributed
19 environment, via hardware or software or a mix, *see* ‘325 Patent at 26:1–12—on any number of
20 conventional devices, *see id.* at 12:57–61, 13:64–14:6 (“[T]he client may be a PC, a mobile
21 terminal, such as a mobile computing device, a mobile phone, or a mobile data organizer
22 (PDA)....”). Put differently, the invention fails to “enable[] a computer...to do things it could not
23 do before.” *Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299, 1305 (Fed. Cir. 2018). *See also*
24 *ChargePoint*, 920 F.3d at 769. In fact, one of the invention’s claimed benefits is that it makes use
25 of any combination of *existing* technologies.

26 Barbaro contends the present claims are analogous to those found by the Federal Circuit
27 not to be directed at abstract ideas. *Cf. Enfish*, 822 F.3d at 1334 (comparing the claims at hand to
28

prior cases in order to determine whether claims were invalid under § 101). However, each of the cases cited by Barbaro are differentiable. For example, in *Enfish v. Microsoft*, the court found claims about a database management system were not directed to an abstract idea because they were “not simply directed to *any* form of storing tabular data, but instead...specifically directed to a *self-referential* table for a computer database.” *Id.* at 1337. That is, “computers [were] not invoked merely as a tool.” *Id.* at 1336. Rather, the claims focused “on the specific asserted improvement in computer capabilities (i.e., the self-referential table for a computer database)....” *Id.* at 1335–36. Similarly, in *Thales Visionix Inc. v. United States*, 850 F.3d 1343 (Fed. Cir. 2017), the court found the claims at issue were not directed to an abstract idea because they “specif[ied] a particular configuration of inertial sensors and a particular method of using the raw data from the sensors” in order to achieve a result which was an improvement over prior art, *id.* at 1349. The court in *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253 (Fed. Cir. 2017), citing *Enfish* and *Thales*, found the claims at issue were “directed to a technological improvement: an enhanced computer memory system” because the patent included “a microfiche appendix having a combined total of 263 frames of computer code” demonstrating how to implement the claimed invention, *id.* at 1259–61. *See also XpertUniverse, Inc. v. Cisco Sys., Inc.*, No. 17-cr-03848, 2018 WL 2585436, at *8 (N.D. Cal. May 8, 2018) (“[W]hile XU’s claims involve the abstract idea of connecting a customer with an inquiry to a live expert, they are ultimately directed as a specific means or method of accomplishing that result....”).

In the present case, unlike in *Enfish*, *Thales*, and *Visual Memory*, the claims of the ‘325 Patent are not directed to the means or method of the claimed invention. They are focused on the result: allowing the user to “interact[] with the [3D VTE] as a simulated real-world interaction, depending on the user’s geographical three dimensional movement through the [3D VTE].” ‘325 Patent at 42: 53–56. The specification of the ‘325 Patent recites dozens of embodiments of the claimed result, accomplished by a variety of existing technologies, as discussed above, but does not purport to make any improvements to them.

This case is more like those cited by Niantic in which the Federal Circuit found that

“claims related to customizing information based on (1) information known about the user and (2) [specific] data are directed to abstract ideas.” *In re Morsa*, No. 19-cv-01757, 2020 WL 1815749, at *3 (Fed. Cir. Apr. 10, 2020) (internal citations and quotations omitted) (alteration in original). For example, in *Electric Power Group, LLC v. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2016), the court considered claims which recited a method for collecting information about events happening on an electric power grid, analyzing this information in real-time, and detecting events or diagnosing problems, *id.* at 1351–52. The court concluded the claims were directed to the abstract idea of “collecting information, analyzing it, and displaying certain results of the collection and analysis,” because “[i]nformation as such is an intangible.” *Id.* at 1353 (internal citations omitted). Similarly, in *Move, Inc. v. Real Estate All. Ltd.*, 721 F. App’x 950 (Fed. Cir.), *cert. denied*, 139 S. Ct. 457 (2018), the court found claims about displaying real estate properties based on a user-selected area of a map were directed to an abstract idea—“the collection, organization, manipulation, [and] display of data”—and “devoid of any implementation details,” *id.* at 954–55. Claims 1, 3, and 6 of the ‘325 Patent are similarly directed to the collection and display of data—in this case, a user’s real-time location within a VTE—but do not “recite any assertedly inventive technology for improving computers as tools....” *Interval Licensing*, 895 F.3d at 1344. Rather, they are “so result-based that they amount[] to patenting the patent-ineligible concept itself.” *Id.*

Contrary to Barbaro’s accusation, its claims are not directed to an abstract idea because they are directed to software, as opposed to hardware. Indeed “software can make non-abstract improvements to computer technology just as hardware improvements can.” *Enfish*, 822 F.3d at 1335. Rather, these claims are directed to an abstract idea because they “do not enable computers to operate more quickly or efficiently, nor do they solve any technological problem.” *Customedia Techs., LLC v. Dish Network Corp.*, 951 F.3d 1359, 1365 (Fed. Cir. 2020). Rather, computers are simply invoked as a tool for solving a problem that has predated them: integrating real-world information about a user into a virtual model. *See also Trading Techs. Int’l, Inc. v. IBG LLC*, 921 F.3d 1378, 1385 (Fed. Cir. 2019). Claims 1, 3, and 6 of the ‘325 Patent are therefore directed to an abstract idea: in Barbaro’s own words: “remov[ing] the disconnect between the user in the real-

1 world and [a]...VTE.” Barbaro Response at 16.

2 **C. Alice Step Two**

3 If claims are directed to a patent-ineligible abstract idea, a court must then “consider the
4 elements of each claim both individually and as an ordered combination to determine whether the
5 additional elements transform the nature of the claim into a patent-eligible application.” *Enfish*,
6 822 F.3d at 1334 (internal citations and quotations omitted). This step entails the “search for an
7 inventive concept—i.e., an element or combination of elements that is sufficient to ensure that the
8 patent in practice amounts to significantly more than a patent upon the [ineligible concept]
9 itself.” *Alice*, 573 U.S. at 217–18 (internal citations and quotations omitted). “For the role of a
10 computer in a computer-implemented invention to be deemed meaningful in the context of this
11 analysis, it must involve more than performance of well-understood, routine, [and] conventional
12 activities previously known to the industry.” *Content Extraction & Transmission LLC v. Wells*
13 *Fargo Bank, N.A.*, 776 F.3d 1343, 1347–48 (Fed. Cir. 2014). “[T]he mere recitation of a generic
14 computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” *Id.* at
15 1348. However, “an inventive concept can be found in the non-conventional and non-generic
16 arrangement of known, conventional pieces.” *BASCOM Glob. Internet Servs., Inc. v. AT&T*
17 *Mobility LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016).

18 Barbaro argues the claims here necessarily present an inventive concept because they solve
19 a uniquely technical problem: integrating information about the real world into a virtual world,
20 i.e., a computer game. That framing, however, ignores the fact that computer games were not the
21 *original* virtual worlds. The concept of building models of real-world locations, and integrating
22 the user’s location into said models, long predates computers. *Cf. DDR Holdings, LLC v.*
23 *Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014) (finding claims valid because “they do not
24 merely recite the performance of some business practice known from the pre-Internet world along
25 with the requirement to perform it on the Internet”); *Bridge & Post, Inc. v. Verizon Commc’ns,*
26 *Inc.*, 778 F. App’x 882, 887 (Fed. Cir. 2019). Consider, for example, architectural models of real-
27 world locations, “miniature towns” displayed at town halls or museums, board games based on
28

1 world maps, or “sand tables” used by the military. *See* Defendant’s Reply In Support of Rule 12(c)
 2 Motion, ECF No. 121, at 4. Each of these virtual worlds has historically allowed user interaction
 3 via “avatars” placed within the model or map. *Id.*

4 Transforming this pre-Internet abstract idea into a patent-eligible claim “requires more
 5 than simply stating the abstract idea while adding the words ‘apply it’ [to computers].” *Alice*, 573
 6 U.S. at 222 (alteration and internal citation omitted). However, the claims at hand “recite only
 7 generic computer components,” and in fact claim to be implementable via a wide range of
 8 “generic and functional hardware.” *Customedia*, 951 F.3d at 1366. *See also SAP*, 898 F.3d at 1170
 9 (“[Invoking] already-available computers that are not themselves plausibly asserted to be an
 10 advance...amounts to a recitation of what is well-understood, routine, and conventional.”); *Elec.*
 11 *Power Grp.*, 830 F.3d at 1355; *Intellectual Ventures*, 792 F.3d at 1368. The ‘325 Patent
 12 specification repeatedly invokes the use of “standard” technologies: a “standard communication
 13 device,” ‘325 Patent at 28:37, “standard internet channels,” *id.* at 28: 50–51, “standard transaction
 14 interfaces,” *id.* at 28:61, a “standard communications and drivers protocol,” *id.* at 29:55–56, and
 15 so on. The failure to provide, or even suggest, “technological details” is fatal to the claims’
 16 validity. *In re Morsa*, 2020 WL 1815749, at *5.

17 V. CONCLUSION

18 For the reasons set forth above, Claims 1, 3, and 6 of the ‘325 Patent are directed to
 19 abstract ideas and fail to recite incentive concepts. They therefore claim ineligible subject matter
 20 under 35 U.S.C. § 101.

21
 22 **IT IS SO ORDERED.**

23
 24 Dated: May 21, 2020

25 
 26 RICHARD SEEBORG
 27 United States District Judge
 28

NOT FOR PUBLICATION

FILED

UNITED STATES COURT OF APPEALS

JAN 29 2020

FOR THE NINTH CIRCUIT

MOLLY C. DWYER, CLERK
U.S. COURT OF APPEALS

ADRIENNE BENSON; MARY
SIMONSON, individually and on behalf of
all others similarly situated,

Plaintiffs-Appellees,

v.

DOUBLE DOWN INTERACTIVE, LLC, a
Washington limited liability company;
INTERNATIONAL GAME
TECHNOLOGY, a Nevada corporation,

Defendants-Appellants.

No. 18-36015

D.C. No. 2:18-cv-00525-RBL

MEMORANDUM*

Appeal from the United States District Court
for the Western District of Washington
Ronald B. Leighton, District Judge, Presiding

Submitted January 28, 2020**
Seattle, Washington

Before: GOULD and NGUYEN, Circuit Judges, and R. COLLINS,*** District
Judge.

* This disposition is not appropriate for publication and is not precedent
except as provided by Ninth Circuit Rule 36-3.

** The panel unanimously concludes this case is suitable for decision
without oral argument. *See* Fed. R. App. P. 34(a)(2).

*** The Honorable Raner C. Collins, United States District Judge for the
District of Arizona, sitting by designation.

Double Down Interactive, LLC and International Game Technology (collectively, “Double Down”) appeal the district court’s order denying their motion to compel arbitration in a putative class action filed by Mary Simonson (“Simonson”) and Adrienne Benson (“Benson”). We have jurisdiction under 9 U.S.C. § 16(a)(1)(B), and we review the denial of a motion to compel arbitration *de novo*, *Wilson v. Huuuge, Inc.*, 944 F.3d 1212, 1219 (9th Cir. 2019). We affirm.

Double Down failed to carry its burden to prove, under Washington law, that either plaintiff assented to the arbitration clause in its terms of use (the “Terms of Use”). The existence of mutual assent in the online context “turns on whether the consumer had reasonable notice” of the governing terms. *Wilson*, 944 F.3d at 1219. In the absence of actual notice, a browsewrap agreement like the Terms of Use at issue here, is enforceable only if a reasonably prudent user would have constructive notice of those terms. *Id.* at 1220. Constructive notice, in turn, depends on “the conspicuousness and placement of the terms and conditions, as well as the content and overall design” of the website or mobile application. *Id.*

Simonson never received constructive notice of the Terms of Use. As in *Wilson*, a user would have to closely scrutinize Double Down’s page on the Apple App Store in order to find the Terms of Use during the downloading process. There is no reference to them on the opening screen of Double Down’s page; instead, they are buried at the bottom of the page and accessible only after scrolling

past multiple screens and images that a user need not view to download the platform. *Wilson*, 944 F.3d at 1220–21 (noting that courts will not enforce agreements “tucked away in obscure corners of the website” and available only after scrolling that is not required to use the site (quoting *Nguyen v. Barnes & Noble Inc.*, 763 F.3d 1171, 1177 (9th Cir. 2014))).

And during gameplay on Double Down’s mobile platform, finding the Terms of Use is just as much of a “hide-the-ball exercise” as it was in *Wilson*: A user must first locate a small settings menu in a corner of the screen that is “obscured amongst the brightly colored casino games,” and then find the “Terms of Use” heading in the pop-up settings menu, which is not “bolded, highlighted, or otherwise set apart” from the four other headings in that menu. *Id.* at 1221 (describing a nearly identical process in these terms).

Benson also never received constructive notice of Double Down’s Terms of Use.¹ When a user first connects to the Facebook platform, the Terms of Use are accessible through a gray “App Terms” hyperlink on a pop-up screen that is below and smaller than all other text on the screen. *Cf. Nguyen*, 763 F.3d at 1178 (describing terms of use hyperlinks that were presented on every page of a website

¹ Double Down also did not carry its burden to prove actual notice. Double Down presented no evidence that Benson ever viewed Double Down’s Terms of Use on the Facebook platform or elsewhere. The mere fact Benson contacted Double Down’s customer service department is insufficient to prove actual notice.

“in underlined, color-contrasting text” and near buttons users were required to click on to use the website as conspicuous). The pop-up screen also does not inform users that they are bound by the Terms of Use. *See Wilson*, 944 F.3d at 1221 (relying in part on the lack of an explicit textual notice informing users that they were bound by the defendant’s terms of use in holding that constructive notice was lacking); *see also Nguyen*, 763 F.3d at 1179 (holding that a website provides insufficient notice if it contains conspicuous hyperlinks but “otherwise provides no notice to users nor prompts them to take any affirmative action to demonstrate assent”).

The “Terms of Use” hyperlink and accompanying notification that are accessible during gameplay on the Facebook platform do not cure the notice problem. Significantly, the hyperlink and notification become visible only after a user scrolls to the bottom of the platform.² *Wilson*, 944 F.3d at 1221 (“[C]ourts decline to enforce agreements where the terms are available only if users scroll to a

² This finding is not clearly erroneous. *Nguyen*, 763 F.3d at 1175 (noting that in reviewing the denial of a motion to compel arbitration, underlying factual findings are reviewed for clear error). Plaintiffs submitted a video of a user interacting with the Facebook platform, which shows that even when the platform is loaded in full-screen mode, a user must scroll to see the hyperlink and notification. It was not clear error for the district court to credit this evidence over Double Down’s competing evidence. *Lewis v. Ayers*, 681 F.3d 992, 999 (9th Cir. 2012) (“Where there are two permissible views of the evidence, the factfinder’s choice between them cannot be clearly erroneous.” (quoting *United States v. Elliott*, 322 F.3d 710, 715 (9th Cir. 2003))).

different screen . . .”). Moreover, like the settings menu on the mobile platform, the hyperlink and notification are “obscured amongst the brightly colored” icons on the Facebook platform, *id.*, and they are set out in typeface that is substantially smaller than all other text on the screen.³

Double Down’s remaining arguments are not persuasive. Repeated use of a website or mobile application does not contribute to constructive notice because users are no more likely to stumble upon inconspicuous hyperlinks on their hundredth or thousandth visit than they are on their first. *See id.* (rejecting this same argument). Nor do the terms and conditions that govern all transactions on the Apple App Store place a reasonably prudent user of the mobile platform on constructive notice of Double Down’s Terms of Use. *Cf. Nguyen*, 763 F.3d at 1179 (rejecting the argument that familiarity with other websites governed by similar browsewrap terms contributed to constructive notice because constructive notice is, by definition, an agreement-specific inquiry).

³ The notification itself also does not clearly inform users that they are bound by the Terms of Use. The notifications that courts have deemed sufficient have stated much more explicitly that continued use of a website binds a user to the terms of use. *Nguyen*, 763 F.3d at 1178 n.1 (“[W]here courts have relied on the proximity of the hyperlink to enforce a browsewrap agreement, the websites at issue have also included something more to capture the user’s attention and secure her assent.”); *see, e.g., Meyer v. Uber Techs., Inc.*, 868 F.3d 66, 78–79 (2d Cir. 2017) (holding that Uber’s mobile application provided reasonably conspicuous notice of its terms of service in part because the registration screen warned users directly below the registration button that “By creating an Uber account, you agree to the TERMS OF SERVICE & PRIVACY POLICY”).

AFFIRMED.

United States Court of Appeals for the Ninth Circuit

Office of the Clerk
95 Seventh Street
San Francisco, CA 94103

Information Regarding Judgment and Post-Judgment Proceedings

Judgment

- This Court has filed and entered the attached judgment in your case. Fed. R. App. P. 36. Please note the filed date on the attached decision because all of the dates described below run from that date, not from the date you receive this notice.

Mandate (Fed. R. App. P. 41; 9th Cir. R. 41-1 & -2)

- The mandate will issue 7 days after the expiration of the time for filing a petition for rehearing or 7 days from the denial of a petition for rehearing, unless the Court directs otherwise. To file a motion to stay the mandate, file it electronically via the appellate ECF system or, if you are a pro se litigant or an attorney with an exemption from using appellate ECF, file one original motion on paper.

Petition for Panel Rehearing (Fed. R. App. P. 40; 9th Cir. R. 40-1)

Petition for Rehearing En Banc (Fed. R. App. P. 35; 9th Cir. R. 35-1 to -3)

(1) A. Purpose (Panel Rehearing):

- A party should seek panel rehearing only if one or more of the following grounds exist:
 - ▶ A material point of fact or law was overlooked in the decision;
 - ▶ A change in the law occurred after the case was submitted which appears to have been overlooked by the panel; or
 - ▶ An apparent conflict with another decision of the Court was not addressed in the opinion.
- Do not file a petition for panel rehearing merely to reargue the case.

B. Purpose (Rehearing En Banc)

- A party should seek en banc rehearing only if one or more of the following grounds exist:

- ▶ Consideration by the full Court is necessary to secure or maintain uniformity of the Court's decisions; or
- ▶ The proceeding involves a question of exceptional importance; or
- ▶ The opinion directly conflicts with an existing opinion by another court of appeals or the Supreme Court and substantially affects a rule of national application in which there is an overriding need for national uniformity.

(2) Deadlines for Filing:

- A petition for rehearing may be filed within 14 days after entry of judgment. Fed. R. App. P. 40(a)(1).
- If the United States or an agency or officer thereof is a party in a civil case, the time for filing a petition for rehearing is 45 days after entry of judgment. Fed. R. App. P. 40(a)(1).
- If the mandate has issued, the petition for rehearing should be accompanied by a motion to recall the mandate.
- *See* Advisory Note to 9th Cir. R. 40-1 (petitions must be received on the due date).
- An order to publish a previously unpublished memorandum disposition extends the time to file a petition for rehearing to 14 days after the date of the order of publication or, in all civil cases in which the United States or an agency or officer thereof is a party, 45 days after the date of the order of publication. 9th Cir. R. 40-2.

(3) Statement of Counsel

- A petition should contain an introduction stating that, in counsel's judgment, one or more of the situations described in the "purpose" section above exist. The points to be raised must be stated clearly.

(4) Form & Number of Copies (9th Cir. R. 40-1; Fed. R. App. P. 32(c)(2))

- The petition shall not exceed 15 pages unless it complies with the alternative length limitations of 4,200 words or 390 lines of text.
- The petition must be accompanied by a copy of the panel's decision being challenged.
- An answer, when ordered by the Court, shall comply with the same length limitations as the petition.
- If a pro se litigant elects to file a form brief pursuant to Circuit Rule 28-1, a petition for panel rehearing or for rehearing en banc need not comply with Fed. R. App. P. 32.

- The petition or answer must be accompanied by a Certificate of Compliance found at Form 11, available on our website at www.ca9.uscourts.gov under *Forms*.
- You may file a petition electronically via the appellate ECF system. No paper copies are required unless the Court orders otherwise. If you are a pro se litigant or an attorney exempted from using the appellate ECF system, file one original petition on paper. No additional paper copies are required unless the Court orders otherwise.

Bill of Costs (Fed. R. App. P. 39, 9th Cir. R. 39-1)

- The Bill of Costs must be filed within 14 days after entry of judgment.
- See Form 10 for additional information, available on our website at www.ca9.uscourts.gov under *Forms*.

Attorneys Fees

- Ninth Circuit Rule 39-1 describes the content and due dates for attorneys fees applications.
- All relevant forms are available on our website at www.ca9.uscourts.gov under *Forms* or by telephoning (415) 355-7806.

Petition for a Writ of Certiorari

- Please refer to the Rules of the United States Supreme Court at www.supremecourt.gov

Counsel Listing in Published Opinions

- Please check counsel listing on the attached decision.
- If there are any errors in a published opinion, please send a letter **in writing within 10 days** to:
 - ▶ Thomson Reuters; 610 Opperman Drive; PO Box 64526; Eagan, MN 55123 (Attn: Jean Green, Senior Publications Coordinator);
 - ▶ and electronically file a copy of the letter via the appellate ECF system by using “File Correspondence to Court,” or if you are an attorney exempted from using the appellate ECF system, mail the Court one copy of the letter.

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT
Form 10. Bill of Costs**

Instructions for this form: <http://www.ca9.uscourts.gov/forms/form10instructions.pdf>

9th Cir. Case Number(s)

Case Name

The Clerk is requested to award costs to (*party name(s)*):

I swear under penalty of perjury that the copies for which costs are requested were actually and necessarily produced, and that the requested costs were actually expended.

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Date

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**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

BOOKER T. HUFFMAN,

Plaintiff,

v.

ACTIVISION PUBLISHING, INC.,
ACTIVISION BLIZZARD, INC., and
MAJOR LEAGUE GAMING CORP.,

Defendants.

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Case No. 2:19-cv-00050-RWS-RSP

REPORT AND RECOMMENDATION

Before the Court is the Motion for Summary Judgment of No Standing and No Copyright Infringement (“Motion I”), Motion for Summary Judgment of No Violation of 17 U.S.C. § 1202 (“Motion II”), and Motion for Summary Judgment of Lack of Nexus (“Motion III”), all filed by Defendants Activision Publishing, Inc., Activision Blizzard, Inc., and Major League Gaming Corp. (collectively, the “Defendants”). Dkt. Nos. 103, 104, 105. For the reasons that follow, Defendants’ Motion I and Motion III should be **DENIED** and Defendants’ Motion II should be **GRANTED IN PART** and otherwise denied.

I. BACKGROUND

As alleged in the Complaint, Plaintiff Booker T. Huffman is a professional wrestler. He is famous for winning the “world champion title” while wrestling in the World Championship Wrestling circuit five times and is often ranked among the “top five heavyweight wrestlers in history.” Dkt. No. 55 at ¶ 13.¹ He has also wrestled for World Wrestling Entertainment (“WWE”). Although best known as Booker T in the ring, he also has an in-ring persona called “G. I. Bro.”

¹ Plaintiff filed a Second Amended Complaint (“Complaint”) on March 13, 2020. Dkt. No. 55. This replaced his July 18, 2019 amended complaint, Dkt. No. 34, which replaced his original February 2 complaint, Dkt. No. 1.

In 2015, Plaintiff hired Travis Huffman (no relation) of Last Sentry Comics, an independent contractor, to create a comic book series titled *G.I. Bro and the Dragon of Death*. *Id.* at ¶ 15. Travis Huffman commissioned artist Erwin Arroza to create complementary artwork. These comic books and drawings depict a special operations hero called G. I. Bro (collectively, the “G. I. Bro works”), which Plaintiff registered with the United States Copyright Office.² Complaint at ¶¶ 16–19. He also promoted his character and comic books by appearing at comic book events, sometimes dressed as G. I. Bro, and distributing posters of the G. I. Bro works. *Id.* at ¶ 15. Plaintiff claims Defendants infringed one of the copyrighted G. I. Bro works, reproduced below on the left (the “Arroza Poster” or “Asserted Copyright”), by copying it in their marketing material.³ Dkt. No. 114-7. Plaintiff also claims that Defendants removed his copyright management information (“CMI”) from the Arroza Poster and provided false CMI in violation of the Digital Millennium Copyright Act (“DMCA”) pursuant to 17 U.S.C. 1202. *See* Complaint at ¶¶ 25, 32–37.

Defendants are all involved in the video game industry. Notably, Defendants publish a series of multiplayer, first-person shooter games under the general title, “*Call of Duty*.” In 2018, Defendants released *Call of Duty: Black Ops 4*, a “prequel” to the videogame *Call of Duty Black Ops III*. In *Black Ops III*, one of the specialist characters is David “Prophet” Wilkes, who had replaced 90% of his body with cybernetics to enhance his fighting ability. For the *Black Ops 4* “prequel,” Prophet is depicted as he was before he remade himself.

² Plaintiff authored four G. I. Bro drawings and two comic books. The Copyright Office issued a Certificate of Registration for these works in early 2019. The drawings are collectively called the *G. I. Bro Artwork* and the comics are titled *G. I. Bro and the Dragon of Death Intro* and *G. I. Bro and the Dragon of Death*. *Id.* at ¶¶ 15–19.

³ The Arroza Poster is entitled *G. I. Bro Artwork 1* with the United States Copyright Office. The Copyright Office issued Certificate of Registration No. VAU 1-355-086 for this work, dated February 7, 2019. *Id.* at ¶ 17.

To promote the game, Defendants contend that they commissioned Petrol Advertising, Inc. to create a series of marketing images of the specialists in 2018, including the image on the right (the “Prophet Image”). Dkt. No. 103-46. The ad agency hired live models and conducted several photoshoots with them. The ad agency then created a “composite” by adding graphical elements to the photographs to create the marketing images. Dkt. No. 114-9 at 1, 4; *see also generally* Dkt. No. 103-44. “Composite” is a technique where the ad agency collects references and uses those references as inspiration for the photo shoot and final image. Dkt. No. 114-18 at 36:11–23, 98:14–99:1. This process resulted in various images of the specialists, including the Prophet Image.



Arroza Poster



Prophet Image

Defendants used the Prophet Image in various ways. They sold posters and calendars bearing the image. *See* Dkt. No. 103-12. They displayed the image alongside other specialists on billboards in New York, Los Angeles, and Chicago. *See* Dkt. No. 103-13; Dkt. No. 103–14 at 8, 16, 17, 24, 42–45, 50. They even used the image in artwork placed in metallic game cases called “Steelbooks,” which are part of special edition bundles of *Black Ops 4*. Motion II at 4 (citing Dkt. No. 103-1 at ¶¶ 4–8); *see also* Dkt. No. 114-12 at 4. *Black Ops 4* was a success, selling “more than \$500 million in sell-through worldwide in its first three days of” release. Dkt. No. 114-27.

Alleging the Prophet Image is an unauthorized copy of his Arroza Poster, Plaintiff sued Defendants for copyright infringement and DMCA violations in February 2019. *See* Complaint at 8–9.

II. APPLICABLE LAW

Summary judgment should be granted “if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” FED. R. CIV. P. 56(a). Any evidence must be viewed in the light most favorable to the nonmovant. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) (citing *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 158–59 (1970)). Summary judgment is proper when there is no genuine dispute of material fact. *Celotex v. Catrett*, 477 U.S. 317, 322 (1986). “By its very terms, this standard provides that the mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine [dispute] of material fact.” *Anderson*, 477 U.S. at 247–48. The substantive law identifies the material facts, and disputes over facts that are irrelevant or unnecessary will not defeat a motion for summary judgment. *Id.* at 248. A dispute about a material fact is “genuine” when the evidence is “such that a reasonable jury could return a verdict for the nonmoving party.” *Id.* The moving party must identify the basis for granting summary judgment and evidence demonstrating the absence of a genuine dispute of material fact. *Celotex*, 477 U.S. at 323.

III. ANALYSIS

a. Motion I: No Standing and No Copyright Infringement

Defendants contend that Motion I should be granted for two reasons: (1) Plaintiff assigned away the Asserted Copyright, denying him standing in this case; and (2) Plaintiff cannot provide evidence establishing a genuine dispute of fact as to certain elements of copyright infringement.

i. Standing

Defendants first argue that Plaintiff has no standing to bring suit since he assigned the Asserted Copyright to WWE. Defendants point to “Contractor Nostalgia Agreements” (collectively, the “NAs”) that Plaintiff and WWE entered into as constituting an assignment of rights. Plaintiff entered into the first agreement with WWE in 2011 for a five-year term (“2011 NA”), Dkt. No. 103-51, and executed in 2017 a nearly identical updated agreement effective for five more years (“2017 NA”), Dkt. No. 103-52, which is still in effect today.⁴

Defendants argue that “[u]nder the explicit and unambiguous terms of the NAs, WWE owns all rights, including all copyrights, to the Arroza Poster (and its constituent images of G. I. Bro), and all other copyrighted works featuring G.I. Bro.” Motion I at 14. They contend that the Arroza Poster is derived from Plaintiff’s G. I. Bro wrestling persona. *Id.* at 15 (citing Complaint at ¶¶ 14–15); *see also* 2017 NA at ¶¶ 4(a), 5(g), 5(h), and 5(j). They therefore argue that under the unambiguous NAs, Plaintiff assigned away his rights to the Asserted Copyright and accordingly, has no standing to bring a claim of copyright infringement. *See* 17 U.S.C. § 501(b) (establishing that only the “legal or beneficial owner of an exclusive right under a copyright is entitled” to sue for copyright infringement).

Plaintiff first counters that the Certificate of Registration issued by the Copyright Office to Plaintiff is *prima facie* evidence of Plaintiff’s ownership of the copyright. Dkt. No. 115 at 6 (citing 17 U.S.C. § 410(c)). Plaintiff, citing Section 204(a) of the Copyright Act, also argues that Defendants are precluded from raising transfer of the copyright as a defense. *See id.* at 7. Plaintiff contends that courts around the country have held that “where there is no dispute between the copyright owner and the transferee about the status of the copyright, it would be unusual and

⁴ Besides their effective terms, the NAs are substantively identical. For ease of reference, the Court will use the 2017 NA even though the citations generally apply to both.

unwarranted to permit a third-party infringer to invoke section 204(a) to avoid suit for copyright infringement” *Wood v. B L Bldg. Co.*, No. CIV.A.H-03-713, 2004 WL 5866352, at *5 (S.D. Tex. June 22, 2004) (quoting *Imperial Residential Design, Inc. v. Palms Dev. Grp., Inc.*, 70 F.3d 96, 99 (11th Cir. 1995)). Plaintiff finally argues that the NAs do not apply to the G. I. Bro works since the agreements limit themselves to intellectual property used “in connection with the business of professional wrestling.” Dkt. No. 114-5 at ¶ 4(a). Plaintiff argues that the “G. I. Bro” wrestling persona is distinguishable from the “G. I. Bro” comic book character and the Asserted Copyright at issue in this lawsuit.

While Plaintiff’s arguments regarding the Certificate of Registration and section 204(a) fail, his arguments concerning the NAs establish a genuine issue of material fact as to the interpretation of the NAs that precludes summary judgment.

1. Certificates of Registration

It is true that the Copyright Office issued Certificates of Registration to Plaintiff for multiple copyrights, including the Asserted Copyright. Dkt. No. 114-1 (establishing the “Effective Date of Registration” of the Asserted Copyright as February 7, 2019); *see also* Dkt. Nos. 114-2–4. Plaintiff is also correct in asserting that a “certificate of a registration . . . shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate.” 17 U.S.C. § 410(c). Plaintiff, however, goes too far in arguing that the Certificate of Registration alone is sufficient to deny Motion I.

The statute explicitly states that the certificates shall only constitute “**prima facie**” evidence. *Id.* (emphasis added). Prima facie means a rebuttable presumption. *See, e.g., U.S. Postal Serv. Bd. Of Governors v. Aikens*, 460 U.S. 711, 714 (1983) (citing *Texas Dep’t of Cmty. Affairs v. Burdine*, 450 U.S. 248, 254 (1981)). Defendants have produced evidence, namely the NAs, that

they argue rebuts the presumption created by the certificate that Plaintiff is the owner of the Asserted Copyright. Accordingly, that evidence must be considered.

2. Section 204(a) of the Copyright Act

Defendants argue that Plaintiff's grant to WWE of an exclusive license to G. I. Bro was a "transfer of copyright ownership" meaning Plaintiff does not have standing to bring a copyright infringement claim. 17 U.S.C. § 101. Plaintiff counters that Defendants should be precluded from raising transfer of the copyright as a defense pursuant to section 204. Plaintiff seems to contend that where there is no dispute between the copyright owner and the transferee about the status of the copyright, a third party cannot raise the issue. Plaintiff cites a host of cases that apparently stand for such a proposition. *See* Dkt. No. 115 at 7–8 (citing *Eden Toys, Inc. v. Florelee Undergarment Co., Inc.*, 697 F.2d 27 (2d Cir. 1982) (other citations omitted)). To support his argument, Plaintiff also produced an email chain purportedly between Plaintiff's and WWE's counsel, where WWE's counsel agreed that "WWE is asserting no ownership rights to the G.I. Bro comic book character or related art." Dkt. No. 114-26 at 1.

However, § 204 does not stand for the proposition Plaintiff cites. The statute just says that "a transfer of copyright is simply 'not valid' without a writing," which is why it is sometimes called the copyright statute of frauds. *Lyrick Studios, Inc. v. Big Idea Prods., Inc.*, 420 F.3d 388, 391–92 (5th Cir. 2005) (quoting *Konigsberg Int'l, Inc. v. Rice*, 16 F.3d 355, 357 (9th Cir. 1994)); *see also* 17 U.S.C. § 204(a). Nowhere does it prohibit a third-party from raising transfer as a defense. Plaintiff may instead be relying on the line of cases developed from the Second Circuit's decision in *Eden Toys*.

Eden Toys involved the copyright to the famous Paddington Bear character and the license to use it. The issue in that case was whether an after-the-fact writing memorializing an earlier oral agreement met the section 204 writing requirement for an effective transfer of copyright. The Second Circuit held that it could in certain limited situations. *Eden Toys*, 697 F.2d at 37.

In 1975, Eden Toys entered into an exclusive written license agreement with Paddington and Co., the copyright owner, allowing Eden Toys to produce certain items using the famous bear. The agreement, however, did not list “adult clothing” as a licensed product. In November 1979, Eden Toys discovered that Florelee Undergarment Co. had been producing and selling a nightshirt with a Paddington Bear print. In 1980, Eden Toys and Paddington amended their licensing agreement to give Eden Toys the “exclusive North American rights to produce any Paddington Bear product.” Eden Toys then sued Florelee in April 1980 for copyright infringement. Florelee argued that Eden Toys could not assert an infringement claim for Florelee sales made before April 1980 because that is when it obtained ownership of the relevant copyright through a signed writing as required by section 204(a).

Eden Toys responded that it had been operating under an informal understanding with Paddington in 1979 when it first discovered the Florelee products. The April 1980 amendment, according to Eden Toys, was just a formalization of this oral understanding to amend the 1975 written contract. In the litigation, Florelee raised the absence of a contemporaneous writing licensing adult clothing featuring Paddington Bear as a defense to the infringement claim.

The Second Circuit recognized that an “informal grant of an exclusive license seemingly must fail in light of the statute of frauds provision of the new Act” *Id.* at 36 (citing § 204(a)). Nonetheless, “since the purpose of the provision is to protect copyright holders from persons mistakenly or fraudulently claiming oral license,” the court held that “the ‘note or memorandum

of transfer’ need not be made at the time when the license is initiated; the requirement is satisfied by the copyright owner’s later execution of a writing which confirms the agreement.” *Id.* (citations omitted). The court noted that in “this case, in which the copyright holder appears to have no dispute with its licensee on this matter, it would be anomalous to permit a third party infringer to invoke this provision against the licensee.” *Id.*; see also *Tempest Pub., Inc. v. Hacienda Records & Recording Studio, Inc.*, No. CIV.A. H-12-736, 2013 WL 5964516, at *11 (S.D. Tex. Nov. 7, 2013) (explaining the *Eden Toys* line of cases); *Lyrick Studios*, 420 F.3d at 391–92.

While it may be “anomalous to permit a third party infringer to invoke this provision against the *licensee*,” that is not the situation currently before the Court. *Eden Toys*, 697 F.2d at 36 (emphasis added). First, Plaintiff is the licensor, not the licensee. The *Eden Toys* line of cases involves situations where the dispute is whether the licensee, not licensor, has been granted a valid and timely license. See *id.* (“the purpose of the provision is to protect copyright holders from persons mistakenly or fraudulently claiming oral license”). Plaintiff does not cite any cases holding that a third party cannot challenge the licensor’s assignment of its copyright.

Second, in the cases cited by Plaintiff, the defendant claimed that an oral transfer to the plaintiff did not satisfy the writing requirement of section 204 despite a later writing memorializing the oral agreement. But here, there is no absence of a contemporaneous writing. The 2011 NA is a written contract predating this litigation and the creation of the G. I. Bro works. In it, Plaintiff explicitly transferred some of his copyrights, among other things, to the WWE. See 2011 NA at ¶ 5(g) (“WWE shall own in perpetuity all copyrights in [the Contractor Intellectual Property]”). He reaffirmed this commitment with the 2017 NA, which is still in effect. This is not a situation where an oral agreement was later confirmed in writing. The NAs were both in writing and Plaintiff has been bound to their terms since 2011, well before the creation of the Arroza poster.

The NAs appear to be enforceable contracts between Plaintiff and WWE. The email chain produced by Plaintiff does not change that fact.⁵ The true dispute is not the validity or timing of the contracts, but their scope—specifically, the scope of “Contractor Intellectual Property” as used in the NAs.

3. Contractor Nostalgia Agreement

Turning to the substance of Defendants’ standing argument, Defendants contend that the NAs explicitly and unambiguously give WWE “all rights, including all copyrights, to the Arroza Poster (and its constituent images of G.I. Bro), and all other copyrighted works featuring G.I. Bro.” Motion I at 14 (citing 2017 NA at ¶ 4(a) and Ex. A). They therefore argue that Plaintiff has no standing because he has no rights to the Asserted Copyright. In support, they first argue that Plaintiff used the same name—G. I. Bro—for both his wrestling persona and comics, indicating a connection. Second, they point out that the NAs define Contractor Intellectual Property as those items identified in Exhibit A, which include the term “G. I. Bro.” *See* 2017 NA at Ex. A. Third, they argue that beyond Exhibit A, Contractor Intellectual Property is expressly defined as including Plaintiff’s “nickname, *ring name*, *likeness*, *personality*, *character*, *caricatures*, *signature*, costume, props, *gimmicks*, gestures, *routines* and *themes*,” providing another indication that any use of G. I. Bro was meant to be included as part of the NAs. *See* Motion I at 14 n.8 (citing 2017 NA at ¶ 4(a)).

Plaintiff responds that the NAs do not apply to the G. I. Bro copyright at issue in this case since the agreements specifically limit themselves to intellectual property used “in connection with the business of professional wrestling.” 2017 NA at ¶ 4(a). Plaintiff argues that the G. I. Bro

⁵ The Court has already ruled that the email chain will not be relied upon for these motions. (Dkt. No. 148).

wrestling persona is distinct from the comic book character G. I. Bro and that the NAs only deal with the wrestling persona. Plaintiff, accordingly, argues that he has standing.

Contract interpretation is governed by state law. The NAs state that they “shall be governed by, and construed in accordance with, the laws of the State of Connecticut” 2017 NA at ¶ 12(a). Connecticut law requires that a “contract [] be construed to effectuate the intent of the parties, which is determined from the language used interpreted in the light of the situation of the parties and the circumstances connected with the transaction.” *Murtha v. City of Hartford*, 303 Conn. 1, 7, 35 A.3d 177, 182 (2011) (citing *Remillard v. Remillard*, 297 Conn. 345, 355, 999 A.2d 713 (2010)). “If a contract is unambiguous within its four corners, the determination of what the parties intended by their contractual commitments is a question of law. When the language of a contract is ambiguous, however, the determination of the parties’ intent is a question of fact” *Id.* (citing *Remillard*, 297 Conn. At 355, 999 A.2d at 713) (internal brackets and ellipsis omitted); *see also Ramirez v. Health Net of the Ne., Inc.*, 285 Conn. 1, 14, 938 A.2d 576, 586 (2008).

A contract is “ambiguous if the intent of the parties is not clear and certain from the language of the contract itself.” *Cruz v. Visual Perceptions, LLC*, 311 Conn. 93, 103, 84 A.3d 828, 834 (2014). “If the language of the contract is susceptible to more than one reasonable interpretation, the contract is ambiguous.” *Id.* (citation omitted). “A contract is unambiguous when its language is clear and conveys a definite and precise intent” *Id.* at 102–03. “The contract must be viewed in its entirety, with each provision read in light of the other provisions ... and every provision must be given effect if it is possible to do so.” *Id.* at 103 (quoting *United Illuminating Co. v. Wisvest–Conn., LLC*, 259 Conn. 665, 671, 791 A.2d 546 (2002)) (ellipsis in original). In essence, courts in Connecticut make the initial determination whether the contract is ambiguous. If it is, then the factfinder resolves the ambiguity.

Contractor Intellectual Property is defined in the NAs as:

4. INTELLECTUAL PROPERTY:

(a) All service marks, trademarks and other distinctive and identifying indicia used by Contractor prior to the Effective Date ***in connection with the business of professional wrestling***, including but not limited to Contractor's legal name, nickname, ring name, likeness, personality, character, caricatures, signature, costumes, props, gimmicks, gestures, routines and themes, which are owned by Contractor or in which Contractor has any rights anywhere in the world (collectively, the "Contractor Intellectual Property")

2017 NA at ¶ 4(a) (emphasis added). The NAs are broad. Nonetheless, they clearly limit Contractor Intellectual Property to "the business of professional wrestling." The specific scope of this term is not clear or certain though. The NAs provide little guidance, even when this term is used elsewhere in the agreements. *See id.* at ¶¶ 4(b), 4(c), 8(B).

Furthermore, the parties disagree about the scope of this term. Defendants effectively argue that any material related to one of the categories listed above should be included, even if its relationship to professional wrestling is dubious. For example, Defendants argue that Plaintiff called G. I. Bro a wrestling gimmick of his. They, therefore, contend that any use of G. I. Bro should be included in the NAs. Plaintiff argues the mere use of the term is not enough. Instead, he argues that a connection to professional wrestling is needed for material to fall within the NAs.

Defendants present an attractive, yet flawed, argument. The NAs grant WWE exclusive and far reaching rights for Contractor Intellectual Property. *See* 2017 NA at ¶¶ 4(a), 5(g), 5(h), and 5(j). The NAs also expressly include the term "G. I. Bro" as part of Contractor Intellectual Property. But Defendants never adequately explain how a special forces comic book character is at all connected to the business of professional wrestling. *See* Dkt. No. 103-52 at 2 ("for the use of Talent's intellectual property in connection with WWE branded/licensed products/merchandise."). Accepting Defendants' proposal would essentially render the "in connection with the business of

professional wrestling” limitation in the NAs superfluous, which is unacceptable. *See Cruz*, 311 Conn. at 103 (“every provision must be given effect if it is possible to do so.”).

Plaintiff further argues that the NAs contemplate different G. I. Bros. Plaintiff explains in his deposition that he understood there to be two different G. I. Bros. For example, Plaintiff says “that G.I. Bro and this G.I. Bro is two totally different characters . . . one was a wrestler and one was -- a living wrestler and one was a comic book, and a character that could actually do anything.” Dkt. No. 114-6 at 36:1–13; *see also id.* at 54:18–55:12; 177:16–23. He believes his understanding of the NAs is confirmed by the email chain between his counsel and WWE’s purported counsel, where WWE’s counsel said that it was “correct” when asked if “WWE is asserting no ownership rights to the G. I. Bro comic book character or related art.” Dkt. No. 114-26. While the Court will not consider the email chain, *see* Dkt. No. 148, Plaintiff’s deposition testimony indicates that the parties to the NAs intended the scope of the NAs to be more limited than that argued by Defendants. *See Murtha*, 303 Conn. at 7 (“contract must be construed to effectuate the intent of the parties”).

Since the scope of G. I. Bro in the NAs is unclear, the NAs cannot be “clear and convey[] a definite and precise intent.” *Cruz*, 311 Conn. at 103. Accordingly, “the intent of the parties is not clear and certain from the language of the contract itself.” *Id.* Since the language of the contract is ambiguous, Connecticut law holds that the determination of the parties’ intent is a question of fact best resolved by the trier of fact. *See Murtha*, 303 Conn. at 7.

In sum, a genuine issue of material fact exists as to whether the G. I. Bro works, including the Asserted Copyright, are encompassed by the NAs. Accordingly, summary judgment should be denied as to this portion of Defendants’ Motion I.

ii. Missing elements

Defendants also argue that even if Plaintiff owns the Asserted Copyright, he cannot make out essential elements of copyright infringement. To prove copyright infringement, a plaintiff must prove (1) “ownership of a valid copyright” and (2) “copying” by the defendant. *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991) (citation omitted); *see also Bridgmon v. Array Sys. Corp.*, 325 F.3d 572, 576 (5th Cir. 2003) (citing *Eng’g Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335, 1340 (5th Cir. 1994)).

“In this context, copying has two components: ‘factual’ copying and ‘actionable’ copying.” *Batiste v. Lewis*, 976 F.3d 493, 502 (5th Cir. 2020) (quoting *Gen. Universal Sys., v. Lee*, 379 F.3d 131, 141–42, 157 (5th Cir. 2004) (per curiam)). “The plaintiff must first establish factual copying, which requires proof that the defendant ‘actually used the copyrighted material to create his own work.’” *Id.* (quoting *Lee*, 379 F.3d at 141). As direct evidence of copying can be hard to come by, “copying may be inferred from (1) proof that the defendant had access to the copyrighted work prior to creation of the infringing work and (2) probative similarity” between the copyrighted work and the allegedly-infringing work.⁶ *Positive Black Talk Inc. v. Cash Money Records, Inc.*, 394 F.3d 357, 367 (5th Cir. 2004) *abrogated on other grounds by Reed Elsevier, Inc. v. Muchnick*, 559 U.S. 154 (2010) (citing *Peel & Co. v. The Rug Mkt.*, 238 F.3d 391, 394 (5th Cir. 2001)).

Alternatively, a plaintiff may raise an inference of factual copying without any proof of access if the works are ‘strikingly similar.’” *Batiste*, 976 F.3d at 502 (quoting *Ferguson v. Nat’l Broad. Co.*, 584 F.2d 111, 113 (5th Cir. 1978)); *see also Guzman v. Hacienda Recs. & Recording Studio, Inc.*, 808 F.3d 1031, 1039 (5th Cir. 2015) (finding that striking similarity means the

⁶ Plaintiff does not attempt to prove copying through direct evidence.

similarities “can only be explained by copying, rather than by coincidence, independent creation, or prior common source.” (citations omitted)).

“Once a plaintiff circumstantially establishes factual copying, the defendant may rebut the circumstantial evidence if he can prove that he independently created the work.” *Armour v. Knowles*, 512 F.3d 147, 152 (5th Cir. 2007) (citing *Positive Black Talk*, 394 F.3d at 367–68).

“Not all copying, however, is copyright infringement.” *Feist*, 499 U.S. at 361. If factual copying is proven, the plaintiff must then establish that the copying is legally actionable by showing “that the allegedly infringing work is substantially similar to protectable elements of the infringed work.” *Lee*, 379 F.3d at 142. “This usually requires a ‘side-by-side comparison’ of the works’ protectable elements ‘to determine whether a layman would view the two works as substantially similar.’” *Batiste*, 976 F.3d at 502 (quoting *Nola Spice Designs, L.L.C. v. Haydel Enters., Inc.*, 783 F.3d 527, 550 (5th Cir. 2015)). “Substantiality is measured by considering ‘the qualitative and quantitative importance of the copied material to the plaintiff’s work as a whole.’” *Id.* (quoting *Nola Spice Designs*, 783 F.3d at 552).

The parties focus on the factual copying element. Defendants contend that Plaintiff cannot prove copying because Plaintiff cannot show access or striking similarity. To survive summary judgment on that element, Plaintiff must raise a genuine dispute as to either a combination of access and probative similarity or, absent proof of access, striking similarity. *See Armour*, 512 F.3d at 152 & n.3.

1. Access

Defendants argue that they never saw the Arroza Poster prior to this lawsuit being filed. They contend that the individuals significantly involved in creating the Prophet concept art have “averred that they had never seen the Arroza poster prior to this lawsuit, or been to any regional

conventions or website where Plaintiff claims it was shown.” Motion I at 16 (citing various declarations from Defendants’ key employees). They argue that Plaintiff has produced no evidence otherwise, which is less than the “reasonable possibility of access” the Fifth Circuit requires a copyright infringement plaintiff to establish by the defendant. *Ferguson*, 584 F.2d at 114.

Plaintiff counters that Defendants “attended those events where the poster at issue was displayed.” Dkt. No. 115 at 4 (citing Dkt. No. 114-8 at 91:14–96:19). Plaintiff explains that the Arroza poster was “distributed and displayed by Plaintiff at trade shows including the various ‘Comic Con’ events.” *Id.* at 12 (citing Dkt. No. 114-6 at 61:18–63:19, 115:1–6). Plaintiff specifically testified in his deposition that he “displayed [the Arroza Poster] at Comic-Con and gave them out in packets at Comic-Con.” Dkt. No. 114-6 at 61:21–22. He explained that the “[p]osters go with me on every appearance” and that this practice “started quite some time ago” and has continued as recently as “within the last year.”⁷ *Id.* at 62:5, 8, 19. He also points to the deposition by Carolyn Wang, one of Defendants’ Rule 30(b)(6) representatives, where she said that she attended the San Diego and New York Comic-Cons. Dkt. No. 114-8 at 92:1–2 (“San Diego Comic I attended in 2012, 2013, ’14, ’15, ’16, ’17, ’18”); *see also id.* at 91:14–92:23, 96:2–19.⁸

“To establish access, a plaintiff must prove that ‘the person who created the allegedly infringing work had a reasonable opportunity to view the copyrighted work’ before creating the infringing work.” *Armour*, 512 F.3d at 152–53 (quoting *Peel*, 238 F.3d at 394). Plaintiff points to evidence, namely deposition testimony, to establish that he attended various conventions including the Comic Con events before the Prophet Image was created. He explained that the Arroza poster goes with him to every appearance and that he has been going to these events for years, including as recently as last year. Defendants’ witness admitted that in that same rough time period, she went

⁷ Plaintiff was deposed on February 27, 2020. *See id.* at 1.

⁸ Ms. Wang implied that there are only two Comic-Con locations—San Diego and New York. *See id.* at 91:14–21.

to the San Diego Comic Con seven times as well as the New York Comic Con. At this stage, any evidence must be viewed in the light most favorable to the Plaintiff as nonmovant. *See Anderson*, 477 U.S. at 255. Based on this standard and the provided evidence, a reasonable jury could find Defendants had a “reasonable possibility of access” to the Arroza Poster at one of these events. *Ferguson*, 584 F.2d at 114. Accordingly, a genuine dispute exists regarding the access element. Regardless, as explained below, a genuine dispute regarding striking similarity exists, making summary judgment as to copyright infringement inappropriate.

2. Striking Similarity and Independent Creation

Finally, Defendants contend that Plaintiff is foreclosed from arguing that the Prophet Image is so strikingly similar to the Arroza Poster that only copying, and not coincidence or independent creation, can explain the similarities. They provide a number of reasons in support. First, they argue that the evidence supports their conclusion of independent creation, which precludes a finding of striking similarity. *See Ferguson*, 584 F.2d at 114 (striking similarity must “preclude the possibility of independent creation”). They point to a photo shoot they commissioned where an advertising company took photos of a model dressed as Prophet as conclusively showing that the Prophet Image was independently created. They thus argue that “[t]here is no genuine dispute that Defendants independently created” the Prophet image. Motion I at 27. This lack of a dispute, according to Defendants, should prevent Plaintiff from presenting this issue to a jury.

Second, they argue that even if independent creation was not precluded, the images are not strikingly similar. Defendants point to some differences between the images that they argue necessitate a finding that the images are not strikingly similar. *Id.* at 24–25 (citations omitted). They argue that the “only similarity” between the Arroza Poster and Prophet Image is that “both

feature Black military men with dreadlocks . . . holding weapons . . . and standing in a generic military pose.” *Id.* at 25.

Plaintiff responds that “factual issues surrounding independent creation should generally be left to the jury.” *Rally Concepts, LLC v. Republican Nat. Comm.*, No. 5:05-CV-41-DF, 2006 WL 2505307, at *3 (E.D. Tex. Aug. 28, 2006) (citing *Peel*, 238 F.3d at 398). Plaintiff also argues that there is no image from that photo shoot that is identical to the Prophet Image. He points out differences in the photos of the model and the Prophet Image, mainly focusing on the different guns. Plaintiff contends that this shows that the Prophet Image is based on more than just the photo shoot. In support, he points to Defendants’ documents and statements where they explain the Prophet Image is a “composite,” meaning “a technique that utilizes various images found on the internet and/or other places . . . and creating a Frankenstein version of an image.” Dkt. No. 115 at 16 (citing Dkt. No. 114-9 at 1, 4); *see also* Dkt. No. 114-10 at 128:5–16; Dkt. No. 103-44. This technique apparently involves first collecting references and then using those references as inspiration for the photo shoot and final image. Dkt. No. 114-18 at 36:11–23, 98:14–99:1. Plaintiff argues that this contradicts Defendants’ claim that the Prophet Image is based solely on a photograph from the photo shoot. At a minimum, Plaintiff urges that this creates questions surrounding independent creation which are best left for the jury to decide.

As for Defendants’ second argument, Plaintiff contends that a side-by-side comparison of G. I. Bro and the Prophet Image allows a reasonable jury to find them strikingly similar. Plaintiff takes issue with Defendants’ characterization of the G. I. Bro and Prophet Image, saying that Defendants nit-pick at small irrelevant differences between the two. Plaintiff argues that striking similarity can establish factual copying, where the jury may consider both copyrightable and non-copyrightable parts. Dkt. No. 115 at 11 (citing *Positive Black Talk*, 394 F.3d at 369). He argues

that this Court should follow the court in *Am. Registry of Radiologic Technologists v. Bennet*, 939 F. Supp. 2d 695 (W.D. Tex. 2013). In that case, the court denied motions for summary judgments on similarity, finding that striking similarity was a fact question for the jury. *Id.* at 707–08.

Plaintiff has presented enough evidence to create a genuine issue as to independent creation. It is not clear at this time whether Defendants independently created the Prophet Image or instead used the Arroza Poster as inspiration. Accordingly, a jury should make this decision based on the evidence presented at trial. It is not implausible that Defendants saw the Arroza Poster at a comic book convention and used it as inspiration for the final Prophet Image. In a similar vein, the Court rejects Defendants’ striking similarity argument. Looking at the Arroza Poster and Prophet Image side-by-side, the two clearly share similarities and potentially even have striking similarities.

Accordingly, Defendants’ Motion I should be denied.

b. Motion II: No Violation of 17 U.S.C. § 1202

Plaintiff also argues Defendants violated the DMCA through their use of the Prophet Image in the *Black Ops 4* marketing campaign. He first alleges that Defendants knowingly provided and distributed false CMI in connection with the Prophet Image in violation of section 1202(a). He also alleges that Defendants intentionally removed Plaintiff’s CMI from the Arroza Poster when creating the Prophet Image in violation of section 1202(b). Complaint at ¶¶ 33–34.

In Motion II, Defendants contend “Plaintiff has adduced no evidence to support any element of a Section 1202 claim.” Motion II at 1. Defendants first argue Plaintiff cannot prove that they removed his CMI from the Arroza Poster under section 1202(b) because he produced no evidence that they possessed his works. *Id.* at 6. Defendants next argue Plaintiff cannot prove that Defendants provided false CMI in connection with the Prophet Image under section 1202(b).

In 1998, Congress enacted the DMCA to support the efforts of copyright owners to protect their works from piracy. Congress passed section 1202 to protect the “integrity of copyright management information.” *Energy Intel. Grp., Inc. v. Kayne Anderson Cap. Advisors, L.P.*, 948 F.3d 261, 276 (5th Cir. 2020) (quoting 17 U.S.C. § 1202(b)). The statute relevantly states:

§ 1202. Integrity of copyright management information

(a) False copyright management information.--No person shall knowingly and with the intent to induce, enable, facilitate, or conceal infringement--

- (1) provide copyright management information that is false, or
- (2) distribute or import for distribution copyright management information that is false.

(b) Removal or alteration of copyright management information.--No person shall, without the authority of the copyright owner or the law--

- (1) intentionally remove or alter any copyright management information,
 - (2) distribute or import for distribution copyright management information knowing that the copyright management information has been removed or altered without authority of the copyright owner or the law, or
 - (3) distribute, import for distribution, or publicly perform works, copies of works, or phonorecords, knowing that copyright management information has been removed or altered without authority of the copyright owner or the law,
- knowing . . . it will induce, enable, facilitate, or conceal an infringement of any right under this title.

(c) Definition.--As used in this section, the term “copyright management information” means any of the following information conveyed in connection with copies . . . of a work . . . or displays of a work, including in digital form . . . :

- (1) The title and other information identifying the work, including the information set forth on a notice of copyright.
- (2) The name of, and other identifying information about, the author of a work.
- (3) The name of, and other identifying information about, the copyright owner of the work, including the information set forth in a notice of copyright.
- ...
- (6) Terms and conditions for use of the work.
- (7) Identifying numbers or symbols referring to such information or links to such information.
- ...

17 U.S.C. § 1202. While Plaintiff has not provided enough evidence to support his section 1202(b) claim, the Court finds questions of fact exists as to the alleged section 1202(a) violations.

i. § 1202(b): Removal or alteration of copyright management information

The Arroza poster includes the artist’s name and the year it was created—“Arroza ‘16”—at the bottom of it. The parties do not dispute that this is CMI. *See* 17 U.S.C. § 1202(c). Plaintiff however alleges that Defendants removed this CMI in violation of section 1202(b).

Plaintiff’s theory appears to be that since the Prophet Image does not contain his CMI and the Prophet Image is a copy of the Arroza Poster, Defendants must have removed the CMI from the Arroza Poster to create the Prophet Image. However, § 1202 does not cover the mere failure to add truthful CMI to a copy. Rather this section requires actual alteration or removal of CMI already found on an image. Plaintiff provides no evidence that Defendants ever altered the Arroza Poster or its CMI. Defendants, on the other hand, provided declarations that those involved in the creation of the Prophet Image never possessed the Arroza Poster. Motion II at 7 (listing relevant declarations).

In sum, Plaintiff has not provided evidence that Defendants removed or altered the Arroza Poster’s CMI in any way. *See* § 1202(b)(1). For these reasons, Plaintiff has not provided sufficient evidence to support a claim under section 1202(b)(2) (requiring that the plaintiff prove the infringer knew “that the copyright management information has been removed or altered”) or section 1202(b)(3) (same). Since Plaintiff lacks any evidence to support an essential part of his section 1202(b) claim, the Court should grant summary judgment on this claim.

ii. § 1202(a): False copyright management information

Plaintiff also alleges that Defendants violated section 1202(a) when they added their own CMI to the Prophet Image, even though they knew the Prophet Image was an illegal copy of the Arroza Poster. Defendants first argue that the Prophet Image is not a copy of the Arroza Poster, relying on their arguments in Motion I. As explained above, this question should be decided by

the fact finder. Defendants next argue that “Section 1202(a) requires that *Plaintiff’s* work be distributed by Defendants with incorrect CMI” and that distributing its own work with its CMI does not implicate section 1202(a). Complaint at 11 (citing *Faulkner Press, L.L.C. v. ClassNotes, L.L.C.*, 756 F. Supp. 2d 1352, 1359–60 (N.D. Fla. 2010)). They additionally argue that the Steelbooks do not contain CMI in connection with the Prophet Image due to the location of the CMI within the Steelbooks.

1. Original work

The gist of Defendants’ argument is that “[d]istributing one’s own work with CMI attached does not implicate section 1202(a).” *Id.* at 10. Instead, they argue that to implicate section 1202(a), they would have needed to affix CMI to an Arroza Poster since that is Plaintiff’s original work. But Plaintiff provided no evidence to support a finding that Defendants had an actual copy of the Arroza Poster. Thus, Defendants argue summary judgment is appropriate. Defendants mainly rely on *Faulkner Press* for this “original work” requirement.⁹

In that case, a professor at the University of Florida co-authored two electronic textbooks that were published by the plaintiff. *Faulkner Press*, 756 F. Supp. 2d at 1355. The defendant hired student note takers to provide lecture summaries and study materials, which the defendant then edited and published for sale to other students. *Id.* The plaintiff alleged that the defendant removed the professor’s CMI and added its own when it copied materials from the textbooks and film study questions into its note packages. The court found that the “note packages that Class Notes produced were a different product” and since “[n]o alteration [was] made to” the original work, “there was no violation of the DMCA” *Id.* at 1359–60; *see also Frost-Tsuji Architects v. Highway Inn*,

⁹ The *Faulkner* case as well as most of the other cited cases discuss this issue mostly in the context of section 1202(b).

Inc., No. 13-00496 SOM/BMK, 2014 WL 5798282, at *5 (D. Haw. Nov. 7, 2014) (finding that “virtually identical” floor plans created by redrawing the original work does not implicate § 1202).

Plaintiff responds that “[t]hese two cases are not representative of the courts that have addressed the subject” and that the “‘original work’ requirement is not in the plain language of § 1202.” Dkt. No. 116 at 11. Relying on *Faulkner*, he argues, would mean effectively exempting unauthorized, infringing derivative works from the coverage of section 1202. Instead, he contends that a better case to rely upon is *GC2Inc. v. Int’l Game Tech.*, 391 F. Supp. 3d 828 (N.D. Ill. 2019).

In that case, a jury returned a verdict in favor of the plaintiff. The court refused to set aside the jury verdict and hold “that derivative or collaborative works are categorically excluded from protection under” section 1202. *Id.* at 843. The court specifically rejected the defendant’s reliance on cases including those that Defendants cite here, such as *Faulkner Press. Id.* The court stated:

Indeed, the “original work” language on which the defendants precariously rest their entire argument does not even appear in the statute. Rather, it is entirely a product of district court opinions focused on different language . . . The defendants simply argue that because they modified the artwork provided by GC2, creating a derivative work, there was no longer an “original work” from which to remove the copyright management information. That argument is wholly without merit and provides no basis to upset the jury’s verdict on this claim.

Id. at 843–44. The court ultimately denied defendants’ motion for judgment as a matter of law.

It is black letter law that courts cannot add terms to an unambiguous statute. *See Holder v. Humanitarian Law Project*, 561 U.S. 1, 17 (2010) (citing *Scales v. United States*, 367 U.S. 203, 211 (1961)); *Thomas v. Reeves*, 961 F.3d 800, 821 (5th Cir. 2020) (“Unambiguous statutes must be left alone”). This Court finds that section 1202(a) is unambiguous. If someone with the specified intent provides false CMI, they have violated section 1202(a). Nothing in the statute exempts derivative works or a defendant’s own work.

This conclusion is also supported by the definition of CMI. CMI is defined as “information conveyed in connection with copies or phonorecords of a work” 17 U.S.C. § 1202(c). The term “copies” is defined as “material objects . . . from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term ‘copies’ includes the material object, other than a phonorecord, in which the work is first fixed.” 17 U.S.C. § 101. This definition, especially the second sentence, strongly supports the notion that copies include more than just the original work.

Since the statute is unambiguous, the Court need not look any further. There is no original work requirement. To the extent the cases provided by Defendants have persuasive value, they are not opposed to this conclusion. First, those cases generally deal with section 1202(b), which has different requirements. For instance, section 1202(b)(1) requires a person to intentionally remove or alter any copyright management information without authority. Copying notes or questions, such as was the case in *Faulkner*, does not alter or remove the textbook’s CMI. It was perfectly reasonable for the court to find that section 1202(b) was not applicable.

Similarly, the *Faulkner* court found that the defendant had created its own product even though it used some of the professor’s materials. This led the court to conclude that the CMI on the defendant’s product was not false. *Faulkner*, 756 F. Supp. 2d at 1359–60 (focusing mostly on the section 1202(b) claim and scienter element of section 1202(a)). This question though is one of fact—one properly reserved for a jury. A jury here could find section 1202(a) has been violated. The fact that images, as opposed to text, are at issue makes this even more true than in *Faulkner*.

As for the language used by the *Faulkner* court, the *GC2Inc.* court said it best when it described the “original work” requirement as “entirely a product of district court opinions focused on different language” in the statute. *GC2Inc.*, 391 F. Supp. 3d at 843–44; *see also id.*

In sum, Defendants have not shown that section 1202(a) is inapplicable. Questions of fact remain regarding whether the CMI on Defendants' Prophet Image violates the statute, making summary judgment inappropriate as to this part of Motion II.

2. Steelbooks

While the CMI for the Prophet Image was generally found on the image itself, the Steelbooks are somewhat different. Steelbooks appear to be special edition cases, each containing a physical copy of *Black Ops 4*. The Steelbooks are also wrapped in artwork. The image inside the case shows five specialists with the Prophet Image prominently displayed as the centerpiece. *See* Dkt. No. 103-10 at 5. The only relevant CMI is located on the CD next to the image. Defendants argue that the CMI thus should only relate to the CD, not the other materials within the Steelbook. Plaintiff contends that the factfinder should decide the scope of the CMI, precluding summary judgment.

CMI is defined as “information conveyed in connection with copies . . . of a work . . . or displays of a work, including in digital form” 17 U.S.C. § 1202(c). The dispute here is what the term “conveyed in connection with” includes.

Defendants argue that since the CMI is found on the CD, the CMI is only connected to the CD and the Prophet Image included in the Steelbooks does not have any CMI—false or otherwise. For this proposition, Defendants rely on *SellPoolSuppliesOnline.com, LLC v. Ugly Pools Arizona, Inc.*, 804 F. App'x 668 (9th Cir. 2020).

In that case, the Ninth Circuit approved a district court's summary judgment determination “that Plaintiff's false CMI claim under the DMCA fails because Defendants' copyright notice was not ‘conveyed in connection with copies’ of Plaintiff's work.” *Id.* at 670. The court explained:

Based on the following undisputed facts, Defendants' copyright notice did not suggest that it was associated with or linked to Plaintiff's photos: Defendants' copyright notice was

located at the bottom of the webpage in a shaded box, separating it from the rest of the content on the webpage; Defendants' notice was generic and did not communicate that Defendants owned the photos; Defendants' notice was not located on or next to Plaintiff's photos; and Plaintiff's photos were imprinted with their own copyright markings.

Id. at 671.¹⁰

Plaintiff first counters that other courts have found the "conclusion reached in *SellPoolSuppliesOnline.com* . . . is by no means universal." *Advanta-Star Auto. Research Corp. of Am. v. Reynolds Ford, Inc.*, No. CIV-19-912-G, 2020 WL 5823537, at *5 (W.D. Okla. Sept. 30, 2020) (collecting cases). It also cites a recent case where the court held that "there is a factual dispute" about whether the defendant's "Caroline's Treasures" notation was CMI. *Powers v. Caroline's Treasures Inc.*, 382 F. Supp. 3d 898, 906 (D. Ariz. 2019).

In that case, the defendant sold items showcasing the plaintiff's dog drawings on various websites such as Amazon. The dispute was whether the defendant's notation was CMI even though the notation was "not on the works in question" but instead was "off to the side or underneath" it on the websites. *Id.* That court explained that while "conveyed in connection with" a work "does not necessarily mean CMI must be placed directly upon or affixed to a copyrighted work, . . . [a] number of courts have held that for CMI to be protected, it must be near, around, or on the original work." *Id.* (citing *Personal Keepsakes, Inc. v. Personalizationmall.com, Inc.*, 975 F. Supp. 2d 920, 927–29 (N.D. Ill. 2013)). That court, however, ultimately denied the relevant part of the motion for summary judgment since it decided that a jury could find the notation was conveyed in connection with the works." *Id.*; see also *Murphy v. Millennium Radio Grp. LLC*, 650 F.3d 295, 305 (3d Cir. 2011) (finding that CMI, as defined in section 1202(c), has a broad meaning such that a photographer's name could be CMI even if it only is in a printed gutter credit near the image).

¹⁰ The court noted that the last fact was not dispositive given the other undisputed facts. *Id.* at 671 n.1

The Court is persuaded that there is a factual dispute about whether the CMI on the CD should be considered the Prophet Image's CMI. First, while the CMI is not on the Prophet Image, it is near it as both the CD and the image are within the same Steelbook. Second, *SellPoolSuppliesOnline.com* is not binding and its facts are readily distinguishable. The CMI here is not separated from the rest of the content, is located next to the Prophet Image, and the Prophet Image does not have its own copyright markings. A reasonable jury could find that the CMI located on the CD in the Steelbooks is "information conveyed in connection with" the Prophet Image.

3. Scienter

Finally, Defendants argue that Plaintiff is unable to prove that they acted with the necessary scienter requirements—"knowingly and with the intent to induce, enable, facilitate, or conceal infringement." *See* 17 U.S.C. § 1202(a). Plaintiff responds that the scienter required for a DMCA violation can be proven through circumstantial evidence. *See GC2Inc.*, 391 F. Supp. 3d at 841–42. He contends that he will therefore be able to circumstantially prove bad intent through evidence showing striking similarity and/or copying by Defendants. *See* Dkt. No. 116 at 16–17 (collecting cases holding as such).

When viewing the evidence in the light most favorable to Plaintiff and drawing all reasonable inferences in Plaintiff's favor, Plaintiff may be able to circumstantially show Defendants possessed the scienter required to violate the DMCA pursuant to section 1202(a). As such, summary judgment is inappropriate, and this part of Motion II should be denied.

The Court accordingly recommends that the section 1202(b) portion of Motion II be granted; however, the rest of Motion II should be denied.

c. Motion III: Lack of Nexus

The final motion addressed here has to do with damages. Due to the alleged copyright infringement, Plaintiff seeks “all of [Defendants’] profits attributable to the infringements, pursuant to 17 U.S.C. § 504(b).” Complaint at ¶ 31; *see also* Dkt. No. 103-55 at 3. Section 504(b) of the Copyright Act entitles a successful copyright plaintiff to recover “any profits of the infringer that are attributable to the infringement” 17 U.S.C. § 504(b). “The award of the infringer’s profits examines the facts only from the infringer’s point of view. If the infringer has earned a profit, this award makes him disgorge the profit to insure that he not benefit from his wrongdoing.” *On Davis v. The Gap, Inc.*, 246 F.3d 152, 159 (2d Cir. 2001), *as amended* (May 15, 2001). The statute creates a burden-shifting provision, stating:

In establishing the infringer’s profits, the copyright owner is required to present proof only of the infringer’s gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

17 U.S.C. § 504(b); *see also* *MGE UPS Sys., Inc. v. GE Consumer & Indus., Inc.*, 622 F.3d 361, 366–67 (5th Cir. 2010) (citation omitted). “[O]nce liability has been shown, § 504(b) creates an initial presumption that the infringer’s ‘profits ... attributable to the infringement’ are equal to its gross revenue.” *MGE UPS Sys.*, 622 F.3d at 367 (quoting *Bonner v. Dawson*, 404 F.3d 290, 294 (4th Cir. 2005)) (ellipsis in original). “In meeting its initial burden, however, a copyright holder must show more than the infringer’s total gross revenue from *all* of its profit streams Rather, ‘gross revenue’ refers only to revenue *reasonably related* to the infringement.” *Id.* (quoting *Bonner*, 404 F.3d at 294) (ellipsis in original). “The question will often be highly fact-specific.” *Estate of Vane v. The Fair, Inc.*, 849 F.2d 186, 190 (5th Cir. 1988).

In Motion III, Defendants claim that even if Plaintiff can prove copyright infringement, he has not sufficiently demonstrated the nexus between the alleged infringement and Defendants’

gross revenue from sales required to be awarded damages. In other words, Defendants contend that Plaintiff cannot as a matter of law show that sales of *Black Ops 4* are attributable to Defendants' use of the Prophet Image. However, questions of fact exist regarding whether sales of *Black Ops 4* are reasonably related to the Prophet Image.

The parties agree that the Prophet Image was used to market *Black Ops 4*. It was sold as a standalone poster and as part of a Call of Duty calendar.¹¹ See Dkt. No. 103-12. It was the centerpiece of the artwork on the inside of the Steelbooks. See Dkt. No. 114-12 at 4. Finally, it was displayed on nine billboards in New York, Los Angeles, and Chicago. See Dkt. No. 103-13; Dkt. No. 103-14 at 8, 16, 17, 24, 42-45, 50.

Defendants claim Plaintiff must show more to survive summary judgment. They argue Plaintiff must at this stage essentially prove how much the Prophet Image drove sales of *Black Ops 4*. They rely on various cases from around the country for this proposition. See, e.g., Motion III at 10 (citing *Mackie v. Rieser*, 296 F.3d 909 (9th Cir. 2002) (clarifying the Ninth Circuit's understanding of section 504(b))).

That is not the standard at this stage, however, at least in the Fifth Circuit. All Plaintiff must do is show that a reasonable jury could find that sales of *Black Ops 4* are reasonably related to Defendants' use of the Prophet Image. He has done so. He showed that Defendants used the Prophet Image to market *Black Ops 4*. Defendants' representative admitted that "Defendants' objective in its advertising and marketing of" *Black Ops 4* is to "see sales of the game." Dkt. No. 114-8 at 20:22-21:2. She also admitted that Defendants used billboards to market their next Call of Duty game. See *id.* at 44:17-24.

¹¹ Defendants agree that these direct sales of the Prophet Image fall under section 504(b). See Motion III at 2 n.1.

This is also not a situation where Plaintiff asks for profits on unrelated products, as in *On Davis*, 246 F.3d at 152. In that case, the plaintiff sued defendant, The Gap, Inc., for using his eyewear in an advertising campaign without his permission. He provided the overall revenues of the entire Gap parent organization. The Second Circuit affirmed the district court grant of summary judgment, explaining that:

Because the ad infringed only with respect to Gap label stores and eyewear, we agree with the district court that it was incumbent on Davis to submit evidence at least limited to the gross revenues of the Gap label stores, and perhaps also limited to eyewear or accessories. Had he done so, the burden would then have shifted to the defendant under the terms of § 504(b) to prove its deductible expenses and elements of profits from those revenues attributable to factors other than the copyrighted work.

Id. at 160. Here, Plaintiff limited his gross revenues number to the gross revenues of *Black Ops 4* only. The Prophet Image was used to market that game. The connection is clear.

At this point, the burden shifts to Defendants to prove their “deductible expenses” and that “profit [is] attributable to factors other than the copyrighted work.” 17 U.S.C. § 504(b). The cases provided by Defendants do not change this result.¹²

Accordingly, Motion III should be denied.

IV. CONCLUSION

Accordingly, IT IS RECOMMENDED that:

(1) Defendants’ Motion for Summary Judgment of No Standing and No Copyright Infringement (Dkt. No. 103) be **DENIED**;

(2) Defendants’ Motion for Summary Judgment of Lack of Nexus (Dkt. No. 105) be **DENIED**; and

¹² The Court notes that most of those cases were post-trial appeals. *See MGE UPS Sys.*, 622 F.3d at 363 (appealing the district Rule 50(a) dismissal); *Vane*, 849 F.2d at 187 (appealing the district court’s directed verdict); *but see Mackie*, 296 F.3d at 911, 913 (appealing an order granting summary judgment but only after the district court held a bench trial on damages). This analysis would be different if it occurred after a trial, where the parties present their cases and provide their evidence.

(3) Defendants' Motion for Summary Judgment of No Violation of 17 U.S.C. § 1202 (Dkt. No. 104) be **GRANTED** as to §1202(b) but otherwise **DENIED**.

A party's failure to file written objections to the findings, conclusions and recommendations contained in this report within 14 days bars that party from *de novo* review by the District Judge of those findings, conclusions, and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings and legal conclusions accepted and adopted by the district court. FED. R. CIV. P. 72(b)(2); see *Douglass v. United Servs. Auto. Ass'n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (en banc). Any objection to this Report and Recommendation must be filed in ECF under the event "Objection to Report and Recommendation [cv, respoth]" or it may not be considered by the District Judge.

SIGNED this 13th day of December, 2020.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

BOT M8 LLC,

Plaintiff,

v.

SONY CORPORATION OF AMERICA, et
al.,

Defendants.

No. C 19-07027 WHA

**ORDER GRANTING IN PART AND
DENYING IN PART MOTION TO
DISMISS**

INTRODUCTION

In this patent infringement suit, defendants move to dismiss the amended complaint. For the following reasons, the motion is **GRANTED IN PART** and **DENIED IN PART**.

STATEMENT

Patent owner asserts six patents against defendants: U.S. Patent Nos. 8,078,540 (“the ’540 patent”); 8,095,990 (“the ’990 patent”); 7,664,988 (“the ’988 patent”); 8,112,670 (“the ’670 patent”); 7,338,363 (“the ’363 patent”); and 7,497,777 (“the ’777 patent”). The asserted patents are directed toward casino, arcade, and video games generally (Dkt. No. 79 at 2). The ’540, ’990, ’988, and ’670 patents are asserted against the Sony Play Station 4. The ’363 patent is asserted against both the Sony PlayStation 4 and three video games: MLB The Show 19; Uncharted 4; and Uncharted: the Lost Legacy (Dkt. No. 75 at 18). And, the ’777 patent is asserted against the PlayStation 4 and three games: the two Uncharted games and God of War.

At a November 21 case management conference, plaintiff was directed to file an amended complaint by December 5 specifying “every element of every claim that [patent owner] say[s] is infringed and/or explain why it can’t be done [and] if this is a product you can buy on the market and reverse engineer, you have got to do that.” Plaintiff obliged, stating “[w]e have torn down the Sony PlayStation” (Dkt. No. 67 at 2–3). On December 5, patent owner timely filed its amended complaint (Dkt. No. 68) and defendants moved to dismiss (Dkt. No. 75). Now, it’s showtime.

Unsurprisingly, with six patents in suit and 25-page briefs, the parties’ briefs do not expand on the technology at issue, or its alleged impact. Instead, they jump right into the merits of infringement. Defendants challenge a key aspect of the infringement allegations for each patent. Thus, this order does not evaluate the sufficiency of the pleadings in their entirety. Rather, it decides *only* whether patent owner’s complaint is deficient on the challenged grounds.

ANALYSIS

To survive a motion to dismiss under Rule 12(b)(6), a complaint must contain sufficient factual matter, accepted as true, to state a claim for relief that is plausible on its face. *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). A claim is facially plausible when there are sufficient factual allegations to draw a reasonable inference that defendants are liable for the misconduct alleged. While a court must take all of the factual allegations in the complaint as true, it is “not bound to accept as true a legal conclusion couched as a factual allegation.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). “Factual allegations must be enough to raise a right to relief above the speculative level.” *Ibid.* Of particular importance below, in both *Twombly* and *Iqbal* the Court made plain: allegations merely *consistent* with liability are not enough. 550 U.S. at 556–57; 556 U.S. at 678. Allegations of infringement “without explanation as to the *how* or *why* these products infringe . . . do[] not lead to any inference that plaintiff may be entitled to relief.” *PageMelding, Inc. v. ESPN, Inc.*, No. C 11-06263 WHA, 2012 WL 851574, at *2 (N.D. Cal. Mar. 13, 2012).

1 **1. THE '540 PATENT.**

2 The '540 patent describes an authentication mechanism for video games. Defendants
3 challenge the sufficiency of the complaint as to the limitations:

- 4 • [A] board including a memory in which a game program
5 for executing a game and an authentication program for
6 authenticating the game program are stored.
- 7 • [A] motherboard which is different from the board and
8 connects to the board

9 ('540 patent, cl. 1). Specifically, defendants argue the complaint fails to sufficiently allege that
10 a game program and authentication program are stored *together* in a memory on a board *other*
11 *than* the motherboard (Dkt. No. 75 at 6–9). Patent owner offers four responses.

12 *First*, the complaint alleges that when a PlayStation 4 operates games offline, *i.e.* while
13 not connected to the internet, an authentication program checks if the PlayStation 4 is
14 designated the “primary” station for the user account. Patent owner, in its opposition brief, also
15 points in the complaint to three different “board[s]” with memory that are not the
16 “motherboard” (Dkt. No. 79 at 3–4). But, even accepting the pled program *is* an acceptable
17 “authentication program,” the complaint fails to allege *when* or *where* the game program and
18 authentication program are stored *together* on the same memory board. The complaint’s
19 allegation that the PlayStation 4 “hard drive includes an authentication program for verifying
20 that the PS4 is allowed to the play the game” is: (1) a conclusion unsupported by the allegations
21 offered, which merely allege an authentication program’s existence and not its storage location
22 (Dkt. No. 68, ¶ 80(b)–(d)); and (2) does not mean the game program is also stored on that same
23 hard drive, given the *three* memory boards patent owner notes (Dkt. No. 79 at 3). Moreover,
24 the picture of an alleged hard drive in the complaint (Dkt. No. 68 at ¶ 80(b)) provides no basis
25 to infer *what* is stored on that drive. Despite patent owner proclaiming “we have torn down the
26 Sony PlayStation,” the complaint does not allege what programs were found *on the* hard drive
27 or what, if anything, prevented such access.

28 *Second*, the complaint alleges each Blu-ray game disc includes a “ROM Mark” to confirm
the disc is an authentic copy of a game and that “[t]he PlayStation 4 includes an authentication

1 program to authenticate the game program on the Blu-ray discs.” But alleging the “*PlayStation*
2 4 includes an authentication program” indicates that the program is *not* stored on the Blu-ray
3 disc with the game program. And the complaint describes the ROM Mark as a key, or “Volume
4 ID,” required to “decrypt” the disc content, not an executable computer program that itself
5 authenticates the disc (Dkt. Nos. 68 at ¶ 80(e), 79 at 4) (emphasis added).

6 *Third*, the complaint alleges an authentication program which displays error codes if a
7 game program fails (Dkt. No. 79 at 5, 68 at ¶ 80(f)). But the existence of an authentication
8 program alone does not plausibly indicate the authentication program is stored *together* with the
9 game program. Again, despite patent owner proclaiming the reverse engineerability of the
10 PlayStation 4, the complaint does not explain *what* or *where* programs were found, or what
11 prevented such discovery.

12 *Fourth*, the complaint alleges the PlayStation Network servers authenticate game
13 programs when users connect. Indeed, it alleges the servers contain both game programs and
14 authentication programs (*ibid.*). But storage on the same server does not mean the game and
15 authentication programs are stored *together* on a memory board. Moreover, the complaint then
16 alleges the authentication program is within the PlayStation 4, not on the server: “[t]he
17 PlayStation 4 uses 2-step verification and a Cryptography algorithm as an authentication
18 program . . .” (Dkt. No. 68 at ¶ 80(i)).

19 Thus, the complaint fails to plausibly plead the shared location of the game and
20 authentication programs according to claim 1 of the ’540 patent. As patent infringement
21 requires the practice of *every* claim limitation, the failure to allege one limitation precludes
22 liability. The claim for infringement of the ’540 patent fails.

23 2. THE ’990 PATENT.

24 The ’990 patent describes a mutual authentication mechanism for video games.
25 Defendants challenge the limitations:

- 26 • [A] removable storage medium storing therein gaming
27 information including a mutual authentication program.
- 28 • [T]he mutual authentication unit confirmed to execute a
mutual authentication process for the authentication

program to check that the authentication program is a legitimate program according to the mutual authentication program included in the gaming information authenticated by the authentication unit.

(’990 patent, cl. 1, 5, 9). Specifically, defendants contend the complaint fails to allege that the mutual authentication program and game program are stored *together* (Dkt. No. 75 at 10–12). Patent owner offers three responses.

First, the complaint alleges the authentication program referenced above regarding the ’540 patent is a mutual authentication program (Dkt. No. 79 at 7). But, as noted above, accepting as true that the authentication program suffices, the complaint fails to allege *when* or *where* the game program and mutual authentication program are stored *together*.

Second, the complaint alleges the PlayStation 4 “NOR flash memory chip includes authentication functionality, as confirmed by the fact that the NOR chip must be removed in order to play pirated (non-authentic) games” (*ibid.*). But, again as above, taking the NOR chip authentication functionality as sufficient pleading of the mutual authentication program, the complaint does not plead *when* or *where* the mutual authentication program and “gaming information” are stored *together*.

Third, the complaint alleges a mutual authentication program facilitates communication between the PlayStation 4 and the PlayStation Network Server (*ibid.*). Patent owner points to the assertion in the complaint that “[t]he game program on the hard drive or disc contains a mutual authentication process” But allegations that track the claim language that closely are conclusory and require support not found in the substantive allegations (Dkt. Nos. 79 at 8, 68 at ¶ 106(o)). So the allegations still fail to allege *where* or *when* the game program and the mutual authentication program are stored *together*.

Patent owner finally contends the complaint states “evidence that the flash memory contains a mutual authentication program and that the game program is stored in the flash memory when the game is loaded” (Dkt. No. 79 at 8) (citing Dkt. No. 68 at ¶ 106(e), 106(q)). The cited allegations do not support this assertion because they do not address where the game program is stored. Moreover, the complaint appears to indicate there are multiple flash memory chips (Dkt. No. 68 at ¶ 106(e)). So merely alleging the mutual authentication program and the

game program are each stored on flash memory at some point hardly leads to the plausible inference that they are stored *together*. This necessary limitation of the '990 patent not plausibly plead, the claims for infringement of the '990 patent fail.

3. THE '988 AND '670 PATENTS.

The '988 and '670 patents describe computer program fault inspection. Defendants challenge the '988 patent limitations:

- [A] control device for executing a fault inspection program for the gaming device to inspect whether or not a fault occurs in the second memory device and the game application program stored therein.
- [T]he control device executes the fault inspection program when the gaming device is started to operate and completes the execution of the fault inspection program before the game is started.

('988 patent, cl. 1, 6, 10). Defendants also challenge similar limitations from the '670 patent:

- [A] second memory device configured to store a game application program.
- [A] control device for executing a fault inspection program for the second memory to inspect whether or not a fault occurs in the second memory device.
- [T]he control device completes the execution of the fault inspection program before the game is started.

('670 patent, cl. 1). Specifically, defendants argue the complaint fails to plausibly allege an inspection, completed *before* the game starts, of *both* the second memory device and game program (Dkt. No. 75 at 13–17).

The complaint does plausibly allege the inspection for both the memory device and the game stored therein. Specifically, it alleges the PlayStation 4 reports various error codes, including “Error occurred while accessing the Hard Disk Drive (‘HDD’) or Blue-ray/DVD Drive” and “The system cannot read the disc” (Dkt. No. 68 at ¶ 128(k)). Given the complaint also alleges games can be stored on the hard drive and on Blu-ray discs (Dkt. No. 68 at ¶ 128(e)–(f)), the inspection of the memory plausibly includes inspection of the game program as well.

But the complaint provides no basis to infer the proper timing of the inspection. The allegation too closely tracks the claim language to be entitled to the presumption of truth:

The PlayStation CPU will execute the fault inspection program when the gaming device is started to operate[] and completed before the game is started (Dkt. No. 68 at ¶ 128(n)).

[T]he control device executes the fault inspection program when the gaming device is started to operate and completes the execution of the fault inspection program before the game is started ('988 patent, cl. 1).

No underlying allegations of fact are offered. Thus, the complaint fails to plausibly allege an essential element in the claim for infringement of the '988 and '670 patents.

4. THE '363 PATENT.

The '363 patent describes gathering and using game result data from multiple networked gaming devices. Defendants challenge the limitation:

- [A] total result data receiving device for receiving from the server data of a total game result achieved by the first gaming machine and the second gaming machine.
- [D]etermining a specification value based on the data of the total game result received by the total result data receiving device.

('363 patent, cl. 1). Specifically, defendants contend the complaint fails to plausibly allege the receipt of game results from a server (Dkt. No. 75 at 18–19).

The complaint alleges that multiple PlayStation 4 consoles connect via the PlayStation Network server for online multiplayer gaming and specifies the hardware that connects the PlayStation 4 to the network (Dkt. No. 68 at ¶ 48(a)–(f), (m)). For the Uncharted Games, the complaint offers game screenshots: (1) explaining that player game performance is graded; and (2) showing the summary of multiplayer grades (*id.* at ¶ 48(p), (r), (t), (u)). For MLB: The Show 19, the complaint also includes screenshots: (1) explaining player performance ratings; and (2) displaying player ratings and multiplayer game results (Dkt. No. 68 at ¶ 51(s)–(u)). The allegations may be slim (Dkt. No. 81 at 12–13), but the game consoles plainly communicate player performance data across the PlayStation Network server, from which individual consoles receive the game result data.

Defendants also challenge the limitation:

- [T]otaliz[ing] the game result of the first gaming machine and the game result of the second gaming machine on the basis of data of the game result transmitted from the first gaming machine and the data of the game result transmitted from the second gaming machine so as to calculate a total result.
- [R]eceiving data of a game result from the first gaming machine and data of a game result transmitted from the second gaming machine.

(’363 patent, cl. 8). Here, defendants argue the complaint fails to plausibly allege the totalization of game data.

The complaint includes screenshots explaining how player performance is evaluated in the Uncharted games, on a graded scale from S to C, and for MLB: The Show 19, with baseball’s standard runs-per-inning scorecard (Dkt. No. 68 at ¶ 49(n)–(p), ¶ 52(o)). Such data compilation is a plausible allegation of post-game data totalization. And because defendants challenge the infringement of claim 11 on similar grounds, the motion fails for the same reasons. Defendants’ motion to dismiss as to the ’363 patent is **DENIED**.

5. THE ’777 PATENT.

The ’777 patent describes the calculation, display, and execution of game characters’ order of action. Defendants challenge the limitations:

- [A]n execution order calculation section that calculates an execution order of actions of a plurality of characters in the battle.
- [T]he display control section displays the execution order calculated by the execution order calculation section on the display.
- [W]hen a predetermined combination condition . . . is satisfied, when executing an action of the predetermined ally character, the action execution section also executes an action of the different ally character without following the execution order calculated by the execution order calculation section.

(’777 patent, cl. 1, 12). Defendants contend the complaint fails to plausibly plead the PlayStation 4 and video games calculate and display an execution order that is then disregarded if a condition is met (Dkt. No. 75 at 22–24).

The complaint explains that both the Uncharted games and God of War enable player interaction with non-player allied characters. In Uncharted, these are called “Sidekicks;” in God of War the character is named Atreus. In both games, when a player gives an order to an ally, the order displays on the video screen (Dkt. No. 68 at ¶ 174(n)–(o), ¶ 179(b)–(c), (h)). Defendants argue the execution order must be displayed in advance, *i.e.* for future actions (Dkt. No. 81 at 14). This claim interpretation is appropriate at summary judgment, not at a motion to dismiss.

In each game, the complaint alleges allied characters can deviate from the initial execution order under various circumstances. For example, for the Uncharted games, the complaint shows a screenshot of an allied medic with orders to assist a wounded comrade. But, subjected to enemy gunfire (the predetermined condition), the medic hides behind a wall and shoots back, rather than simply running out and assisting the wounded as initially ordered (Dkt. No. 68 ¶ 174(p)).

In God of War, the complaint offers a screenshot of instructions showing how a player may instruct the ally character Atreus to fire arrows from his bow and how to change Atreus’ target (Dkt. No. 179(i)). The trigger, though, is the player’s command. Though in the above example an aversion to gunfire may be a predetermined condition, the player’s real-time command is not a *predetermined* condition causing a change in execution order. Thus, while the claim for infringement of the ’777 patent may proceed against the two Uncharted games, the claim against God of War fails.

CONCLUSION

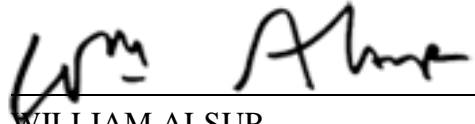
For the above reasons, defendants’ motion to dismiss, as to the ’363 patent and the ’777 patent claim against the Uncharted games, is **DENIED**. The motion, to the remainder of the claims, is **GRANTED**. The claims for infringement of the ’540, ’990, ’988, ’670, and (as to God of War only) ’777 patents are **DISMISSED**.

Patent owner has already enjoyed its one free amendment under the rules and was given clear directions to plead well, element-by-element. Patent owner does not deserve yet another chance to re-plead. Nevertheless, should patent owner wish to file yet another amended

1 complaint, it may do so by **FEBRUARY 13 AT NOON** on the condition that it pay all reasonable
2 fees and expenses incurred by defendants in responding to yet another amended complaint.
3 Any such motion must include as an exhibit a redlined version of the proposed amendment that
4 clearly identifies all changes from the amended complaint. This order highlighted certain
5 deficiencies in the amended complaint, but it will not necessarily be enough to add sentences
6 parroting each missing item identified herein. If patent owner moves for leave to file yet
7 another amended complaint, it should be sure to plead its best case and take into account all
8 criticisms made by defendants, including those not reached by this order.

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10 **IT IS SO ORDERED.**

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12 Dated: January 27, 2020.

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15 WILLIAM ALSUP
16 UNITED STATES DISTRICT JUDGE
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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BOT M8 LLC,

Plaintiff,

No. C 19-07027 WHA

v.

SONY CORPORATION OF AMERICA, et
al.,

**ORDER DENYING
MOTION TO AMEND**

Defendants.

INTRODUCTION

A patent owner seeks leave to amend its complaint again following prior amendment upon transfer to this District. The proposed amendments are nine weeks delayed. Patent owner failing to demonstrate diligence, the motion is **DENIED**.

STATEMENT

Patent owner, Bot M8 LLC, originally asserted six patents, directed toward casino, arcade, and video games, against defendants Sony Corporation of America, Sony Corporation, and Sony Interactive Entertainment LLC (“Sony”): U.S. Patent Nos. 8,078,540 (“the ’540 patent”); 8,095,990 (“the ’990 patent”); 7,664,988 (“the ’988 patent”); 8,112,670 (“the ’670 patent”); 7,338,363 (“the ’363 patent”); and 7,497,777 (“the ’777 patent”). The prior complaint in this Court asserted the ’540, ’990, ’988, and ’670 patents against the Sony PlayStation 4, the ’363 patent against both the Sony PlayStation 4 and three video games: MLB The Show 19;

1 Uncharted 4; and Uncharted: the Lost Legacy; and the '777 patent against the PlayStation 4 and
2 three games: the two Uncharted games and God of War (Dkt. No. 91). *Bot M8 LLC v. Sony*
3 *Corp. Am.*, No. C 19-07027 WHA, 2020 WL 418938 (N.D. Cal. Jan. 27, 2020).

4 At a November 21 case management conference upon transfer from the Southern District
5 of New York, the undersigned directed patent owner to file an amended complaint specifying,
6 element-by-element, how Sony's products allegedly infringed the asserted patents. Moreover,
7 patent owner was, quite clearly, directed to reverse engineer the PlayStation 4 to support its
8 detailed allegations. Patent owner obliged, proclaiming it *had already done so*, and committed
9 to a December 5 amendment deadline (Dkt. No. 67 at 2–3).

10 Patent owner filed its timely amended complaint (Dkt. No. 68) then Sony moved to
11 dismiss (Dkt. No. 75). Following a January 23 hearing, a January 27 order dismissed claims for
12 infringement of the '540, '990, '988, '670, and (as to God of War only) '777 patents but
13 permitted assertion of the '363 and (against the Uncharted games) '777 patents to proceed.

14 The dismissal order made clear, “[p]atent owner ha[d] already enjoyed its one free
15 amendment under the rules and was given clear directions to plead well, element-by-element.
16 Patent owner d[id] not deserve yet another chance to re-plead.” Nevertheless, the order gave
17 patent owner until February 13 to seek leave to amend (Dkt. No. 91 at 9–10).

18 Patent owner now seeks leave to amend, relying on an assertion, voiced at a January 29
19 discovery hearing, that the Digital Millennium Copyright Act (DMCA) and other anti-hacking
20 statutes restrained its earlier reverse engineering efforts (Dkt. No. 122 at 1, 14). Sony opposes.
21 Both parties filed two briefs, Sony's request for a sur-reply being granted. Given the public
22 health concern due to COVID-19, this motion is appropriate for disposition on the papers.

23 ANALYSIS

24 The proposed amended complaint is untimely for reasons both parties miss. Sony
25 contends the amendment is governed by Patent Local Rule 3-6's good cause standard, because
26 amended pleadings at this stage also mean amended infringement contentions. But under the
27 local rules, patent owner's initial infringement contentions were due December 5, the same date
28 its amended complaint was due. Pat. L.R. 3-1. The Court's November 21 amended pleading

1 schedule displaced the default rules. Just as patent owner was directed to replead, Sony was
2 given another chance to move for dismissal — a chance which it initially waived by answering
3 the complaint filed in the Southern District of New York. *See* Rule 12(b). This order is about
4 pleadings, not contentions.

5 But good cause *is* the standard. Patent owner mistakes this amendment as governed by
6 Rule 15, where leave is “freely give[n] . . . when justice so requires,” absent undue delay, bad
7 faith, repeated failure to cure deficiencies, undue prejudice, or futility. *See Foman v. Davis*, 371
8 U.S. 178, 182 (1962). Patent owner ignores the December 5 amended pleadings deadline.
9 Where the Court has imposed a deadline, Rule 16(b)(4) permits modification “only for good
10 cause.” “The central inquiry under Fed. R. Civ. P. 16(b)(4) is whether the requesting party was
11 diligent in seeking the amendment.” *DRK Photo v. McGraw-Hill Glob. Ed. Holds.*, 870 F.3d
12 978, 989 (9th Cir. 2017). Here, it was not.

13 Patent owner bases its February 13 proposed amendments in new reverse-engineering of
14 the PlayStation 4. It contends that the DMCA and other anti-hacking statutes prevented it from
15 circumventing the PlayStation 4 security protocols and decrypting the code and asserts that not
16 until January 29 did the Court “authorize[] and direct[] Bot M8 for the first time to conduct
17 reverse engineering of Sony’s products without restriction from various statutes.” Indeed,
18 patent owner explains the amendments are “based on new evidence Bot M8 was able to obtain
19 only after receiving authorization from the Court to reverse-engineer” (Dkt. No. 110 at 2, 4).

20 These amendments, due December 5, are nine weeks overdue. At the November 21 case
21 management conference, the Court *directed*: “if this is a product you can buy on the market and
22 reverse engineer, *you have got to do that* . . . [s]o I will give you another chance to plead if you
23 want to try again.” Patent owner responded that “[w]e would be happy to put in an Amended
24 Complaint with claim charts. *We have torn down the Sony PlayStation.*” When asked how long
25 it needed to amend, patent owner said “[t]wo weeks.” So, the Court set a December 5 deadline
26 for amendment to include allegations drawn from reverse engineering of the PlayStation 4 (Dkt.
27 Nos. 60; 67 at 2–3) (emphasis added). If patent owner had concerns about reverse engineering,
28 this was the time to raise them. The clock for diligence started there.

1 For nine weeks, patent owner raised no concerns about its ability to reverse engineer the
2 Play Station 4. It timely filed its amended complaint (Dkt. No. 68) with no concern. Sony
3 moved to dismiss (Dkt. No. 75) and the parties appeared at a January 23 hearing (Dkt. No. 89)
4 — not a word about the DMCA or anti-hacking statutes.

5 Curiously, *only after* the January 27 order dismissed several claims for relief (Dkt. No.
6 91), at a January 29 discovery hearing, did patent owner surface any concern that the DMCA
7 and other anti-hacking statutes had hampered its reverse engineering of the PlayStation 4.
8 Taken by surprise, the Court responded by saying that a court order to reverse engineer could
9 supersede any such concerns and granted patent owner “permission, for whatever good it is, to
10 have your teardown company analyze the [PlayStation 4].” The Court had no clue whether
11 such concerns were valid or why they hadn’t been raised earlier (Dkt. No. 96 at 6–7).

12 To be clear: the Court did not *order* new reverse engineering of the PlayStation 4. It
13 merely excused, from some unknown violation of law, what patent owner had said it was
14 *already doing* months earlier. Neither party asked for a modification of the deadline to reverse
15 engineer — *nor did the Court* grant one. So, the December 5 deadline stood.

16 To the extent patent owner believed it had won an extension of the December 5 deadline
17 to reverse engineer the PlayStation 4, such modification was contingent upon the accuracy of
18 *patent owner’s statement of the law*. Counsel accepts the duty of candor in appearing, and the
19 Court credits many things counsel says without citation — including patent owner’s new
20 handwringing regarding the DMCA. But patent owner may not, and may not reasonably
21 believe it could, treble the scope of this case upon no more than its unsubstantiated, on-the-fly
22 remarks at a hearing. Now, with the benefit of the record and full briefing, it becomes clear that
23 there was *no* basis in law for patent owner’s concern or any contingent relief.

24 Patent owner has *never* cited — and *does not* now cite — *any* authority, caselaw or
25 otherwise, to support its professed fear of the DMCA or other anti-hacking statutes. Its motion
26 to amend and reply brief rely *entirely* upon patent owner’s *own* verbal representations to the
27 Court that reverse engineering, code decryption, and circumvention of security measures were
28 mysteriously prohibited (Dkt. Nos. 110 at 2–4; 122 at 1, 14). Nor does patent owner explain

1 why it failed to raise these concerns at the November 21 case management conference, where it
2 proclaimed “[w]e have torn down the Sony PlayStation” (Dkt. No. 67 at 3). And atop that,
3 patent owner does not even try to explain that it only learned of the DMCA or other anti-
4 hacking statutes’ restrictions on reverse engineering between the November 21 or January 23
5 hearings and the January 29 hearing. So, there remains no basis for either patent owner’s fears
6 or its failure to timely raise them.

7 Patent owner controlled the timing of this case, decided when to sue, boasted that it had
8 already reverse engineered the PlayStation 4, and committed to the Court’s December 5
9 amendment deadline. Now, only after Sony landed a punch in the first round does patent owner
10 complain “I wasn’t ready.” Absent *any* authority for its theory of the DMCA, these
11 amendments could have, and *should have*, been included in the December 5 amended
12 complaint. They are nine weeks overdue and, absent diligence, lack good cause.

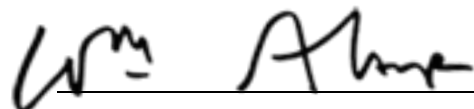
13 Finally, the proposed amended allegations regarding the ’777 patent are further untimely.
14 The amendments propose to remedy the same failing addressed in the January 27 dismissal
15 order but appear entirely based on public information from the web and in-game screenshots
16 (Dkt. No. 110-4, ¶ 174(a)–(p)). These allegations did not rely on reverse engineering and
17 should have been included in the operative complaint at the November 21 hearing and certainly
18 should have been included in the December 5 amendment. Both unduly delayed and lacking
19 good cause, these amendments rate as untimely.

20 CONCLUSION

21 Patent owner’s motion to amend is **DENIED**. The proposed amendments are untimely.
22 The January 27 order denied Sony’s motion to dismiss the claims for infringement of the ’363
23 patent and, as to the Uncharted games, the ’777 patent. This case proceeds on these two claims
24 of infringement.

25 **IT IS SO ORDERED.**

26 Dated: April 2, 2020.

27 

28 WILLIAM ALSUP
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

BOT M8 LLC,

Plaintiff,

No. C 19-07027 WHA

v.

SONY CORPORATION OF AMERICA, et
al.,

Defendants.

ORDER RE SUMMARY JUDGMENT

INTRODUCTION

Dueling summary judgment motions contest a patent’s validity under 35 U.S.C. § 101 and its infringement by certain videogame systems. The asserted claim is invalid for reciting an abstract idea, failing to describe a specific technological improvement, and including no further inventive concept. Defendants’ motion is **GRANTED IN PART**; the remainder is **DENIED AS MOOT**.

STATEMENT

Patent owner Bot M8 LLC asserts two patents against Sony Corporation of America, Sony Corporation, and Sony Interactive Entertainment, LLC, U.S. Patent Nos. 7,338,363 and 7,497,777. Only claim 1 of the ’363 patent remains relevant here.

The ’363 patent purports to disclose an improved gaming machine. Different game players seek different entertainment, so the patent teaches that a “gaming machine [should] be

designed to satisfy different game motives of various game players.” For example, games played under the same conditions risk losing player engagement, because they do not “provide[] the game player with a varying sense of anticipation to the game.” Thus, “it is desirable to provide a gaming machine with which the specification values are changed by each game player in an enjoyable manner” (’363 patent at 1:32–34, 1:47–48, 1:67–2:2).

So, the ’363 patent discloses a game machine wherein the “a game result achieved by a game player and a game result achieved by another game player are totalized and the specification value is changed in accordance with the total result.” As a result, “exciting gaming machines which give the game players incentive to play the game can be provided” (*id.* at 2:41–45, 2:54–56).

The ’363 patent embodies this invention in an improved slot machine. Simply, two or more of these slots machines connect to a server, transmit and aggregate individual game results, and then update the individual game conditions based on the aggregate result.

Accordingly, even when the number of medals paid out to one of [the] jointly-played gaming machines is large, the specification values would be reduced (or depreciated) if the number of medals paid out to the other gaming machine is small, so that the next game play must be carried out under a more unfavorable condition than the preceding game play. Conversely, even when the number of medals paid out for one of the jointly-played gaming machines is small, the specification values would be increased (or improved) if the number of medals paid out to the other gaming machine is large, so that the next game play could be carried out under a more favorable condition than the preceding game play.

In one example, the specification explains that two players’ aggregate winnings above a certain threshold result in better or more exciting jackpot odds. And, conversely, if the two players lose enough, the jackpot odds diminish (*id.* at 19:64–20:12, 22:8–27).

Of course, the ’363 patent claims this principle more broadly than just updating slot machine odds. Rather, it claims a gaming machine which curates conditions based upon prior results. Relevant here, the asserted claim 1 recites:

A first gaming machine for transmitting and receiving data to and from a server, comprising:

a specification value setting device that sets at least one specification value as a control condition for game control;

1 a transmitting device that transmits data of a game result to the server;

2 a gaming machine determining device that determines a second gaming
machine operated by a co-player;

3 a total result data receiving device that receives from the server data of a
4 total game result achieved by the first gaming machine and the second
gaming machine based on the data of the game result transmitted by the
5 transmitting device;

6 a specification value determining device that determines a specification
value based on the data of the total game result received by the total result
7 data receiving device; and

8 a specification value renewing device that renews to replace the
specification value set by the specification value setting device with the
9 specification value determined by the specification value determining
device.

10 Patent owner asserts claim 1 against Sony's PlayStation 4 and three video games: MLB
11 The Show 19; Uncharted 4: A Thief's End; and Uncharted: Lost Legacy, but only moves for
12 summary judgment of infringement against the Uncharted games. In these games, players step
13 into the shoes of swashbuckling treasure hunters, searching exotic locales for long-lost treasure
14 and evading enemies via a combination of wit, physicality, and (most relevant for patent
15 owner's purposes) guns — lots of them. The games' online multiplayer modes pit two teams of
16 five against each other in a variety of exciting gunfights. In the Deathmatch mode, teams
17 simply try to kill each other. In Plunder, they fight for possession of a large idol. Victory in
18 online multiplayer or other challenges unlocks new weapons or weapon upgrades, which
19 players can use to compete more effectively in future multiplayer matches (Dkt. No. 142-4 at 3–
20 5).

21 Patent owner says these unlockable weapons constitute the games' "specification
22 value[s]" because a player's arsenal directly influences her competitive advantage (or
23 disadvantage) in multiplayer rounds. Players unlock new weapons or weapon improvements by
24 spending Relics, an in-game currency which players earn by accomplishing in-game challenges,
25 winning matches, and advancing through the games' player rankings of Apprentice, Bronze,
26 Silver, Gold, Platinum, and Diamond. Simply, prior individual and team match results drive
27 player access to the weapons and improvements which define the game conditions of future
28 multiplayer rounds (*id.* at 13–16).

Sony rates patent owner’s assertions as a new infringement theory not disclosed in the prior infringement contentions, mandated by Patent Local Rule 3-1. In its opposition and its cross motion for summary judgment, Sony asserts the Uncharted games and MLB (each along with the PlayStation 4 of course) do not infringe claim 1. More important for our present purposes, however, Sony also argues claim 1 recites a patent-ineligible abstract concept without including an inventive concept. This order follows full briefing of both motions and a hearing (held telephonically due to COVID-19).

ANALYSIS

Summary judgment is appropriate if there is no genuine dispute of material fact, those facts “that might affect the outcome of the suit.” “[T]he substantive law’s identification of which facts are critical and which facts are irrelevant . . . governs.” A genuine dispute contains “sufficient evidence” such that a “reasonable jury could return a verdict for the nonmoving party.” *Anderson v. Liberty Lobby*, 477 U.S. 242, 248–49 (1986). “In judging evidence at the summary judgment stage, the court does not make credibility determinations or weigh conflicting evidence. Rather, it draws all inferences in the light most favorable to the nonmoving party.” *Soremekun v. Thrifty Payless, Inc.*, 509 F.3d 978, 984 (9th Cir. 2007). If “a proper jury question” remains, summary judgment is inappropriate. *See Anderson*, 477 U.S. at 249.

A defendant may only infringe a valid patent. Thus, before addressing infringement, this order must address Sony’s challenge to claim 1’s subject-matter eligibility. Because this order finds claim 1 ineligible, it does not reach other infringement issues.

1. PATENTABLE SUBJECT MATTER GENERALLY.

A patent can cover “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. But 150 years of precedent exclude laws of nature, natural phenomena, and abstract ideas — “the basic tools of scientific and technological work.” Tying these up in patents “might tend to impede innovation,” thus undermining the constitutional purpose of patents — “[t]o promote” progress. *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014); U.S. CONST., art. I, § 8, cl. 8.

1 To distinguish the abstract from the patentable, the Supreme Court has provided a two-
 2 step framework. “First, we determine whether the claims are directed to a ‘patent-ineligible
 3 concept,’ such as an abstract idea. If so, we ‘consider the elements of each claim both
 4 individually and as an ordered combination to determine whether the additional elements
 5 transform the nature of the claim into a patent-eligible application.’” *Customedia Techs., LLC*
 6 *v. Dish Net. Corp.*, 951 F.3d 1359, 1362 (Fed. Cir. 2020) (quoting *Alice*, 573 U.S. at 217).

7 Though ultimately a question of law, subject-matter eligibility may include underlying
 8 questions of fact, and any extrinsic facts supporting invalidity “must be proven by clear and
 9 convincing evidence.” But, of course, “not every § 101 determination contains genuine
 10 disputes over the underlying facts material to the § 101 inquiry . . . [p]atent eligibility has in
 11 many cases been resolved on motions to dismiss or summary judgment.” *Berkheimer v. HP*
 12 *Inc.*, 881 F.3d 1360, 1365, 1368 (Fed. Cir. 2018). The challenged claim and specification
 13 remain the primary sources in this dispute, and in appropriate cases a court might “need to only
 14 look to the specification” to resolve the matter. *See In re TLI Commc’ns LLC Pat. Litig.*, 823
 15 F.3d 607, 613–14 (Fed. Cir. 2016); *see, e.g., Customedia*, 951 F.3d at 1365–66; *Interval Lic.*
 16 *LLC v. AOL, Inc.*, 896 F.3d 1335, 1346–48 (Fed. Cir. 2018); *Berkheimer*, 881 F.3d at 1369;
 17 *Elec. Power Grp. v. Alstom S.A.*, 830 F.3d 1350, 1354–56 (Fed. Cir. 2016).

18 As will be seen, claim 1 of the ’363 patent recites the abstract idea of increasing or
 19 decreasing the risk-to-reward ratio, or more broadly the difficulty, of a multiplayer game based
 20 upon previous aggregate results. But the claim leaves open *how* to accomplish this, and the
 21 specification provides hardly any more direction. Then, though limited to a specific field,
 22 “gaming machine[s],” the claim merely recites result-oriented uses of conventional computer
 23 devices. At bottom, neither the patent specification, patent owner, or patent owner’s experts
 24 articulate a technological problem solved by the ’363 patent.

25 **2. ALICE STEP ONE: CLAIM 1 RECITES AN ABSTRACT CONCEPT.**

26 To determine whether a claim recites an abstract idea, we look to “the focus of the claim[]
 27 [and its] character as a whole.” *Alstom*, 830 F.3d at 1353. “[A] claimed invention must
 28 embody a concrete solution to a problem having the specificity required to transform a claim

1 from one claiming only a result to one claiming a way of achieving it.” *Interval*, 896 F.3d at
 2 1343 (quotation omitted). “An improved result, without more stated in the claim” does not
 3 “confer eligibility to an otherwise abstract idea. To be patent-eligible, the claim[] must recite a
 4 specific means or method that solves a problem in an existing technological process.” That
 5 bears repeating — the *claim itself* must “sufficiently capture the inventors’ asserted technical
 6 contribution to the prior art by reciting *how* the solution specifically improves the function of
 7 prior art” *Koninklijke KPN N.V. v. Gemalto M2M GmbH*, 942 F.3d 1143, 1150–51 (Fed.
 8 Cir. 2019) (emphasis added).

9 Moreover, the invention must be concrete. “Data in its ethereal, non-physical form is
 10 simply information that does not fall under any of the categories of eligible subject matter under
 11 section 101.” *Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1350
 12 (Fed. Cir. 2014). Similarly, data collection and analysis remain intangible and abstract. Thus,
 13 the Federal Circuit has said that “merely presenting the results of abstract processes of
 14 collecting and analyzing information, without more (such as identifying a particular tool for
 15 presentation), is abstract as an ancillary part of such collection and analysis.” *See Alstom*, 830
 16 F.3d at 1354.

17 Now, a machine, ““consisting of parts, or of certain devices and combination of devices””
 18 historically would be a sufficiently tangible invention. *See Digitech*, 758 F.3d at 1349 (citing
 19 *Burr v. Duryee*, 1 Wall. 531 (1863)). But that assumes the machine *is* the invention. *See*
 20 *Alstom*, 830 F.3d at 1353. If it’s not, and the claim focuses on an intangible aspect, *Alice* “made
 21 clear that the invocation of a computer does not necessarily transform an abstract idea into a
 22 patent-eligible invention.” *See Customedia*, 951 F.3d at 1362 (citing *Alice*, 573 U.S. at 223).
 23 Thus, the recitation of generic “tangible components,” described predominantly in “purely
 24 functional terms” — *i.e.*, limiting the abstract claim to “a particular environment,” does not
 25 actually make the claim any less abstract. *TLI*, 823 F.3d at 612–13.

26 But a court must not oversimplify the invention. “At some level, all inventions . . .
 27 embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.
 28 Thus, an invention is not rendered ineligible for patent simply because it involves an abstract

concept.” *Alice*, 573 U.S. at 217 (quote omitted). So, a court should “articulate what the claims are directed to with enough specificity to ensure the step one inquiry is meaningful.” *Thales Visionix Inc. v. United States*, 850 F.3d 1343, 1347 (Fed. Cir. 2017).

That warning in mind, this order nonetheless concludes that claim 1 of the ’363 patent recites an abstract concept. The specification explains that “it is desirable to provide a gaming machine with which the specification values” — *i.e.* the risk/reward level or difficulty — “are changed by each game player in an enjoyable manner,” so the patent offers an improvement whereby “a game result achieved by a game player and a game result achieved by another game player are totalized and the specification value is changed in accordance with the total result.” Thus, “exciting gaming machines which give the game players incentive to play the game can be provided” (’363 patent at 1:67–2:2, 2:41–45, 2:54–56).

Simply, the ’363 patent teaches a game machine that updates the game conditions based on past results to keep players engaged. That’s a result, not a means to achieve it. So, up front it’s abstract. Yet more so, because the Federal Circuit has “held that improving a user’s experience” remains, “without more,” an insufficient technological improvement and, thus, not patentable. *See Customedia*, 951 F.3d at 1365. But, as warned, anything can be abstracted if viewed from a high-enough altitude. To ensure we articulate this claim’s focus with adequate specificity, this order delves into claim 1 and the supporting specification to determine whether they explain *how* to achieve the improved user experience. *Interval*, 896 F.3d at 1343; *Koninklijke*, 942 F.3d at 1151. They do not.

Claim 1 itself recites (in relevant part) only:

a specification value determining device that determines a specification value based on the data of the total game result received by the total result data receiving device; and

a specification value renewing device that renews to replace the specification value set by the specification value setting device with the specification value determined by the specification value determining device.

Future game conditions change based on prior game results — no means recited; no explanation how to accomplish the result.

Further review of the specification reveals little more. The invention summary explains:

[T]he specification value may be improved even if the game result of the game player is bad since the game result of the another game player could be good. Accordingly, even if the game result of the game player is not good, the game player may have a sense of anticipation for the game. Furthermore, even if the game result of the game player is good, the specification value may be depreciated since the game result of the another game player could be bad. In order to avoid such a situation, the game players try to make their game results good.

(*id.* at 2:45–54). A little more this time. The game specification value increases if the players perform well and decreases if the players perform poorly. But *how* do the game conditions change based upon results? What conditions change? Based on what variables? And, what are the thresholds for change?

Describing the preferred embodiment, two slot machines connected by a server, the specification later explains that the payout conditions, “the big-hit shift probability” (*i.e.*, the odds of a “great success, big prize win[], or jackpot”), “the payout, and the payout rate,” change based upon the two players’ total winnings:

Specifically, if the total of the numbers of payout medals is not less than a predetermined fixed number, the big-hit probability, the payout and the payout rate are increased. On the other hand, if the total of the numbers of payout medals is less than the predetermined fixed number, the big-hit probability, the payout, and the payout rate are reduced so as to be depreciated.

Thus, it continues:

[E]ven when the number of medals paid out to one of [the] jointly-played gaming machines is large, the specification values would be reduced (or depreciated) if the number of medals paid out to the other gaming machine is small, so that the next game play must be carried out under a more unfavorable condition than the preceding game play. Conversely, even when the number of medals paid out for one of the jointly-played gaming machines is small, the specification values would be increased (or improved) if the number of medals paid out to the other gaming machine is large, so that the next game play could be carried out under a more favorable condition than the preceding game play.

In English, then, it says that if the two slots players win enough (together), greater jackpots become possible. And, if they lose enough, these exciting jackpot opportunities vanish. Figure 7 tabulates the prior results and future parameters (*id.* at 1:35–37, 19:45–20:12, 22:8–27).

Fig. 7

	SET 1			...	SET 6		
TOTAL RESULT	PROBABILITY 1	PAYOUT 1	PAYOUT RATE 1	...	PROBABILITY 6	PAYOUT 6	PAYOUT RATE 6
—	D1000	E1000	F11	...	D6000	E6000	F61
A1~A2	D1100	E1100	F12	...	D6100	E6100	F62
A2~A3	D1200	E1200	F13	...	D6200	E6200	F63
A3~A4	D1300	E1300	F14	...	D6300	E6300	F64
A4~A5	D1400	E1400	F15	...	D6400	E6400	F65
A5~	D1500	E1500	F16	...	D6500	E6500	F66

That's as far as the specification goes. It partially illuminates the parameters to change, the payout parameters, and the driving variable, the actual prior payout. But the descriptions remain vague and qualitative — greater than, less than, increase, and decrease — and fail to specify any (even if only as an example) threshold values, which trigger changed game parameters.

So, review of the claim and specification — asking what problem claim 1 solves — reveals several articulations of claim focus. Most specific, the patent purports to teach *how* to increase or decrease the odds or difficulty of a gaming machine, here a slot machine, based upon the players' winnings or losses. More generally, the patent says it teaches *how* to increase or decrease game difficulty based on prior results. More broadly yet, the patent still teaches that a game operator *should* increase or decrease the difficulty of a slot machine based upon the players' winnings or losses. And, the broadest (noted above), the patent may simply teach that a game machine should update game conditions based on prior results. None of these warrants patent protection.

At the most specific, claim 1 of the '363 patent doesn't actually teach *how* to increase or decrease the difficulty of a slot machine, or any gaming machine for that matter, based on prior results to keep players engaged. It only instructs a game operator to present new jackpot opportunities if the two slots players win enough and to take away jackpot opportunities if the two lose enough. Well, *how*? How much do the two need to win to increase the specification value and access new opportunities? How much do they need to lose to decrease the

1 specification value and close those doors. Claim 1 leaves the operator with no hint of *when* to
 2 change the game conditions (assuming any of this slot machine tinkering is legal to begin with).
 3 Changing game conditions at the wrong time due to wrong win or loss thresholds might just as
 4 easily drive players away. So, the operator remains just as (and perhaps more) likely to lose
 5 players' engagement by following claim 1. A claim that doesn't guide the artisan to the result
 6 does not "sufficiently capture the inventors' asserted technical contribution to the prior art."

7 *See Koninklijke*, 942 F.3d at 1151.

8 Even if the '363 patent provided and claimed specific thresholds, this order doubts such
 9 guidance would be patent eligible under *Mayo*, where the Supreme Court held invalid as a
 10 natural law claims which aided drug efficacy by reciting metabolite thresholds, above which
 11 drug dosage should be reduced, and below which it should be increased. Regardless of the time
 12 and effort spent surveying patients to determine effective thresholds, the thresholds themselves
 13 remained "a consequence of the ways in which [the drug was] metabolized by the body —
 14 entirely natural processes. And so a patent that simply describe[d] that relation set[] forth a
 15 natural law." *Mayo Collab. Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 77 (2012). So too
 16 here. The win-threshold, above which winning nickels becomes boring and a slots player needs
 17 a new thrill, and the complimentary loss-threshold, below which a slots player slinks back from
 18 the nickel slots to the penny slots, remain *human* reactions. Of course, the '363 patent does not
 19 provide this much guidance — but the recognition the patent focuses heavily on *natural* human
 20 reactions leads to the next conclusion.

21 The most specific articulations of claim focus failing, we now step back a level. The
 22 patent still teaches that a game operator *should* change the difficulty of a slot machine or other
 23 game machine based on prior results to keep players engaged (*id.* at 2:41–56). But upon review
 24 of the specification (even assuming the novelty of this teaching), it becomes clear this solves a
 25 *human* problem, not a technological one. At first, the game entertains the player. Then, it does
 26 not. Not because the "prior art" slot machine changes in operation or develops a flaw but
 27 because the *player tires* of the recurrent game conditions. A human problem with, historically,
 28 a human solution. The player seeking more exciting conditions dismounted the stool in front of

1 the nickel slot machine and graduated to the dime slots. Or, if the nickel slots proved too
 2 emotionally trying, the player returned to the quiet comfort of the penny slots. And, of course,
 3 two players pooling their costs and winnings would do the same. So, when the '363 patent
 4 simply says game operators *should* curate the game conditions, instead of explaining *how* to do
 5 it, the patent does no more than *recognize* a human problem. Thus, the focus remains on
 6 improved user enjoyment which, as above, the Federal Circuit rates as an abstract concept. *See*
 7 *Customedia*, 951 F.3d at 1365.

8 Patent owner proclaims the '363 patent "is directed to specific improvements in computer
 9 functionality" specifically by connecting multiple gaming machines, sending results to a server,
 10 totaling the result, sending the results back to the gaming machines, and using the results to
 11 recalculate game parameters (Dkt. No. 149 at 18). Patent owner's Dr. Ian Cullimore similarly
 12 concludes the patent recites a specific technological improvement because:

13 [S]pecifically, Claim 1 provides that multiple gaming machines are (1)
 14 connected to a server, (2) the gaming machines send game results to the
 15 server, (3) the gaming machines receive total game results, and (4) then
 use them to determine a new specification value for modifying the game
 conditions.

16 (Dkt. No. 149-2 at ¶¶ 26–27). But reciting the claim elements along with the conclusion that
 17 they recite a specific improvement to the technology does not make it so. A specific solution
 18 solves a problem. Yet the patent articulates, for example, no technological difficulty in
 19 connecting slot machines to servers, instead admitting that they may be linked by conventional
 20 means, "such as a public phone line network, a local area network (LAN), or the like." And,
 21 when pressed at deposition, Dr. Cullimore could articulate no specific technological
 22 improvement offered by the '363 patent ('363 patent at 9:26–27, 10:34–36; Cullimore Dep. Tr.,
 23 Dkt. No. 152-3, at 94, 102).

24 Last, patent owner also rates claim 1 as unconventional because it could not be performed
 25 manually. According to patent owner's Dr. Stacy Friedman, "gaming machines in the casino
 26 context are highly regulated and require detailed compliance logs every time the settings on a
 27 machine are modified." So, manually gathering and aggregating game results and changing
 28 game conditions by running from machine to machine on the casino floor would "be both

1 contraindicated and possibly illegal” (Dkt. No. 149 at 20). This argument goes against patent
 2 owner because patent owner again fails to specify a technological obstacle to the practice and
 3 instead confirms it to be a legal — *i.e.*, human — one. Such a solution, assuming the ’363
 4 patent first disclosed it, remains unpatentable.

5 In sum, neither the patent, patent owner, nor patent owner’s experts articulate a problem
 6 present in the prior art or the ’363 patent’s specific technological solution. So, the recited
 7 concept of updating game parameters based on prior results to maintain user enjoyment remains
 8 abstract.

9 **3. ALICE STEP TWO: CLAIM 1 OFFERS NO INVENTIVE CONCEPT.**

10 Having determined claim 1 of the ’363 patent recites an abstract concept, eligibility now
 11 turns on whether its elements, either individually or as an ordered combination, recite an
 12 inventive concept that transforms the abstract concept into a patent-eligible application.
 13 *Customedia*, 951 F.3d at 1365–66. “A claim that recites an abstract idea must include
 14 ‘additional features’ to ensure ‘that the [claim] is more than a drafting effort designed to
 15 monopolize the [abstract idea].’” Both *Mayo* and *Alice* make “clear that transformation into a
 16 patent-eligible application requires ‘more than simply stat[ing] the [abstract idea] while adding
 17 the words *apply it*.’” And, of course, “the mere recitation of a generic computer cannot
 18 transform a patent-ineligible abstract idea into a patent-eligible invention.” *Alice*, 573 U.S. at
 19 221–23 (quoting *Mayo*, 566 U.S. at 72, 77) (emphasis added).

20 The Federal Circuit has explained that “an inventive concept can be found in the non-
 21 conventional and non-generic arrangement of known, conventional pieces.” *BASCOM Global*
 22 *Internet Servs. v. AT&T Mob.*, 827 F.3d 1341, 1350 (Fed. Cir. 2016). But, “the components
 23 must involve more than performance of ‘well-understood, routine, conventional activit[ies]’
 24 previously known to the industry.” *TLI*, 823 F.3d at 613 (citing *Alice*, 573 U.S. at 225). “The
 25 question of whether a claim element or combination of elements is well-understood, routine and
 26 conventional to a skilled artisan in the relevant field is a question of fact” which may involve
 27 extrinsic evidence or testimony. *Berkheimer*, 881 F.3d at 1368. But, of course, though the
 28

inquiry does not necessarily end with the claim and specification themselves, it certainly begins there.

Taken alone, the elements of claim 1 invoke no more than “generic and functional hardware” to accomplish their abstract tasks. *See Customedia*, 951 F.3d at 1366. Claim 1’s “specification value setting device” simply “sets [a] specification value.” The “transmitting device” merely “transmits data.” The “gaming machine determining device” merely “determines a second gaming machine.” The “specification value determining device” merely “determines a specification value” without, as discussed above, contributing any specific means to do so. And, the “specification value renewing device” merely “replace[s] the specification value,” again without describing any specific means. Though given special names, each part remains a generic computer part invoked to effect the conventional computer task of gathering, manipulating, transmitting, and using data. This fails to transform the claim. *See Alice*, 573 U.S. 225–26, *TLI*, 823 F.3d at 614; *Alstom*, 830 at 1355.

Even taken as an ordered combination, the elements fail to transform the claimed abstract concept. Patent owner asserts claim 1 captures game components, the flow of data, and modification of conditions based upon prior results in a manner unconventional in the gaming machine industry (Dkt. No. 149 at 22). But, to start, a mere high-level summary of claim 1’s elements along with the conclusion that they rate as unconventional does not actually lead to that conclusion. More importantly, though, “limiting [claim 1] to the particular technological environment of [gaming machines] is, without more, insufficient to transform [it] into [a] patent-eligible application[] of the abstract idea at [its] core.” *See Alstom*, 830 F.3d at 1354.

Indeed, that was the point of *Alice*. Generic computer parts and functions do not become patentable every time they enter a new field. Put another way, performing standard industry practice on conventionally arranged, generic computer parts — even for the first time in the field — remains unpatentable. *Alice*, 573 U.S. 225–26. The ’363 patent may very well be the first time someone put all the recited computer parts into a slot machine. But, as before, the functionally described parts do only conventional computer tasks, gathering, processing, transmitting, and using data. Claim 1 must offer something more.

Putting the generic computer parts aside, then, the remaining concepts articulated in claim 1 rate as conventional. Recall, the '363 patent seeks to “provide a gaming machine with which the specification values are changed by each game player in an enjoyable manner” and in which “a game result achieved by a game player and a game result achieved by another game player are totalized and the specification value is changed in accordance with the total result” ('363 patent at 1:67–2:2, 2:41–45). But all of this remains standard practice. All businesses seek to maintain user enjoyment, and casinos have long offered a variety of conditions for the same game, *e.g.*, slot machines with different base bets. And of course, casinos aggregate player results. Their profit margins don't depend on individual outcomes, but on the aggregate results of all players converging on the odds, which are tipped in the house's favor (*see, e.g.*, Friedman Dep. Tr., Dkt. No. 152-2, at 51:11–23).

Ultimately, the search for an inventive concept still entails a search for both a technological problem or limitation in the prior art and an improvement the claim offers. *See Alice*, 573 U.S. at 225. This search for an improvement necessarily queries *how* the patent achieves its improved result. *Interval*, 896 at 1347; *Alstom*, 830 F.3d at 1355. Yet, as explained above, despite vague and conclusory assertions, neither claim 1, the specification, nor patent owner articulate the technological problem in the prior art or the '363 patent's solution.

So, patent owner turns to two experts' testimony for proof of an inventive concept. Neither offers competent testimony sufficient to forestall summary judgment. Unconventionality is a conclusion drawn from a comparison with the state of the art before and after the patent, with the contribution of the patent comprising the change. *See BASCOM*, 827 F.3d at 1350. Here, though, the experts' bare assertions that the steps recited by claim 1 were unconventional in the field, without specifying the convention and noting the difference, remain unsubstantiated conclusions entitled to no weight. Regardless, deposition testimony negates both declarations.

Patent owner's Dr. Cullimore purports to find specific and novel implementations of the abstract concept articulated in claim 1, “including requirements for the components comprising the gaming machine, the flow of data exchanged between the components, and the way the

gaming conditions are modified based on prior results of multiple connected gaming machines.” Dr. Cullimore thus concludes the “claim limitations involve more than performance of conventional practices,” explaining that the recited:

(1) multiple gaming machines send[] game result data to the server, (2) the server receives the data, (3) a total game result is generated, (4) the gaming machines receive the total game results, (5) the gaming machines use the total game result data to determine a specification value, and (6) the gaming machines renew the specification value for the next game based on the newly determined specification value . . .

constitutes “an inventive” ordered combination of elements. As before, a recitation of the claim (or a higher-level recitation) plus a conclusory assertion warrants no weight (Dkt. No. 149-2 at ¶¶ 32–33).

In similar fashion, patent owner’s Dr. Friedman asserts that claim 1 “provide[s] a novel way to improve the functionality of gaming machines, making them more fun by aggregating results from multiple gaming machines to automatically and dynamically change the game settings.” Dr. Friedman also contends that the recited:

(1) multiple gaming machines send[] game result data to the server, (2) the server receives the data, (3) the server generates a total game result, (4) the server sends the total game result to a gaming machine, (5) the gaming machine uses the total game result data to determine a specification value, and (6) the specification value is then renewed based on the newly determined specification value . . .

rates as “an inventive concept . . . not found in the conventional art in the gaming machine field at the time of the invention.” The state of the art before the ’363 patent and the particular inventive concept remain unstated. Again, a recitation of the claim elements plus a bare conclusion deserves no analytical weight (Dkt. No. 149-1 at ¶¶ 50, 55).

On the other hand, the deposition testimony of these experts reveals the frailty of patent owner’s argument. When pushed at deposition, Dr. Cullimore could articulate no specific inventive concept in claim 1 of the ’363 patent other than “the totality” based on his expert report, already dispensed with as conclusory (Cullimore Dep. Tr. at 110, 112, 133–34, 156–159). Dr. Friedman admitted the video game field knew well how to connect multiple game machines, aggregate results, and change game parameters before the ’363 patent (Friedman Dep. Tr. at 91–92). And, Dr. Cullimore effectively admitted that he could not articulate

1 anything unconventional about the '363 patents' disclosure of changing the game parameters
2 during play (Cullimore Dep. Tr. at 157, 159). In sum, patent owner's experts fail to offer
3 competent extrinsic evidence sufficient to forestall summary judgment.

4 In its final expert-related argument, patent owner rates Sony's Dr. David August as
5 unqualified to testify about gaming, specifically gambling, machines. But this order does not
6 employ Dr. August's testimony. Here, in the absence of competent extrinsic evidence offered
7 by patent owner, the patent speaks for itself.

8 Patent owner then complains of alleged inconsistencies in Sony's noninfringement and
9 invalidity arguments. At first glance, patent owner lacks a leg to stand on — arguing, for
10 example, in its infringement portion that the '363 patent covers all gaming devices, not just
11 gambling machines, yet heavily rooting its subject-matter eligibility rebuttal in the state of the
12 art for *gambling* machines. Regardless, even accepting the critique, it does not undermine
13 Sony's position. It remains true that patent claims “must be construed in the identical way for
14 both infringement and validity.” *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437,
15 1449 (Fed. Cir. 1984). So, patent owner must present consistent theories, as its infringement
16 theory depends on its validity theory. *See, e.g., Straight Path IP Grp. v. Cisco Sys.*, 411 F.
17 Supp. 3d 1026, 1034–35 (N.D. Cal. 2019). But a comprehensive patent infringement defense
18 probes *both* the breadth and narrowness of the claims, because both noninfringement and
19 invalidity are complete defenses. Sony may fairly present inconsistent claim interpretations
20 between its invalidity and noninfringement defenses, so long as its theories remain consistent
21 within those two defenses.

22 Finally, patent owner argues that if claim 1 is patent ineligible then so too are many of
23 Sony's patents. Life is too short to litigate Sony's own patents here. If Sony's patents are
24 invalid for the reasons articulated herein, patent owner is free to cite this order in an appropriate
25 proceeding. For our present purposes, however, two wrongs don't make a right.

26 CONCLUSION

27 Claim 1 of U.S. Patent No. 7,338,363 recites an abstract idea without an inventive concept
28 and thus, under *Alice* and its progeny, rates as invalid under 35 U.S.C. § 101. To the extent

above, then, Sony's motion is **GRANTED**. Infringement of an invalid claim being impossible, the remainder of the parties' motions, including the remaining procedural, infringement, and noninfringement arguments, are **DENIED AS MOOT**.

Last, though this order doesn't reach the merits of Sony's argument that patent owner's infringement arguments exceed the bounds of the infringement contentions, this order offers both sides a fair warning: in this district, the Patent Local Rule 3-1 infringement and invalidity contentions set the metes and bounds of the suit. *Apple Inc. v. Samsung Elecs. Co.*, No. C 12-0630 LHK (PSG), 2013 WL 3246094, at *1 (N.D. Cal. June 26, 2013) (Magistrate Judge Paul S. Grewal). This Court adheres to the local rules. Contention amendment requires good cause. Arguments truly outside the scope of the contentions will be stricken.

Looking ahead to the remaining asserted claims, this order reminds the parties that non-expert discovery closes on March 31, 2021. The Court awaits the parties' dispositive motions no later than May 27, 2021. Following a September 8 pre-trial conference, trial will commence at 7:30 a.m. on September 20, 2021 (Dkt. No. 112).

IT IS SO ORDERED.

Dated: June 10, 2020.



WILLIAM ALSUP
UNITED STATES DISTRICT JUDGE

PAUL J. ANDRE (State Bar No. 196585)
pandre@kramerlevin.com
LISA KOBIALKA (State Bar No. 191404)
lkobialka@kramerlevin.com
JAMES HANNAH (State Bar No. 237978)
jhannah@kramerlevin.com
KRAMER LEVIN NAFTALIS
& FRANKEL LLP
990 Marsh Road
Menlo Park, CA 94025
Telephone: (650) 752-1700
Facsimile: (650) 752-1800

AARON FRANKEL (*pro hac vice*)
afrankel@kramerlevin.com
KRAMER LEVIN NAFTALIS
& FRANKEL LLP
1177 Avenue of the Americas
New York, NY 10036
Telephone: (212) 715-7793

Attorneys for Plaintiff
BOT M8 LLC

Brandon Brown (SBN 266347)
brandon.brown@kirkland.com
KIRKLAND & ELLIS LLP
555 California Street
San Francisco, California 94104
Telephone: (415) 439-1400
Facsimile: (415) 439-1500

Gregory S. Arovas (*pro hac vice*)
greg.arovas@kirkland.com
KIRKLAND & ELLIS
601 Lexington Avenue
New York, NY 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

David Rokach (*pro hac vice*)
david.rokach@kirkland.com
KIRKLAND & ELLIS
300 N. LaSalle
Chicago, IL 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

Attorneys for Defendants
Sony Corporation of America, Sony
Corporation and Sony Interactive
Entertainment LLC

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

BOT M8 LLC, a Delaware Limited Liability
Company,

Plaintiff,

vs.

SONY CORPORATION OF AMERICA, a
New York Corporation; SONY
CORPORATION, a Japanese Corporation, and
SONY INTERACTIVE ENTERTAINMENT
LLC, a California Limited Liability Company,

Defendants.

Case Number: 3:19-cv-07027-WHA

STIPULATION AND ~~[PROPOSED]~~
JUDGMENT IN A CIVIL CASE

STIPULATION AND ~~[PROPOSED]~~ JUDGMENT
IN A CIVIL CASE

CASE NO.: 3:19-cv-07027-WHA

1 Plaintiff Bot M8, LLC (“Bot M8”) and Defendants Sony Corporation of America, Sony
 2 Corporation, and Sony Interactive Entertainment LLC (together, “Sony”), by and through their
 3 respective counsel, hereby stipulate as follows:

4 WHEREAS, the Court dismissed Bot M8’s claims for infringement of U.S. Patent Nos.
 5 7,664,988, 8,078,540, 8,095,990, and 8,112,670;

6 WHEREAS, the Court found Claim 1 of U.S. Patent No. 7,338,363 (the “363 Patent”) to
 7 be invalid under 35 U.S.C. § 101 (Dkt. 161, the “363 Order”);

8 WHEREAS, Bot M8 and Sony entered into a Joint Stipulation Regarding Case
 9 Management and Dismissal, where the parties agreed to dismiss the remaining claims and
 10 counterclaims in the case (Dkt. No. 166, the “Stipulation”) and the Court so-ordered the
 11 Stipulation (Dkt. No. 167); and

12 WHEREAS, the parties agree that the case is ripe for appeal because all pending claims
 13 and counterclaims have been resolved as set forth in the Stipulation, with the parties reserving all
 14 rights set forth in the Stipulation, including the right to appeal the Court’s various orders in this
 15 action.

16 NOW, THEREFORE, Bot M8 and Sony respectfully request that the Court issue a Final
 17 Judgment in this matter.¹ The parties submit a proposed Judgement herewith.

18 **IT IS SO STIPULATED.**

19 Respectfully submitted,

20 Dated: August 18, 2020

21 By: /s/ Paul Andre

22 Paul Andre (SBN 196585)
 23 Lisa Kobialka (SBN 191404)
 24 James Hannah (SBN 237978)
 25 KRAMER LEVIN NAFTALIS & FRANKEL LLP
 26 990 Marsh Road
 Menlo Park, CA 94025
 Telephone: (650) 752-1700
 Facsimile: (650) 752-1800

27 ¹ Sony believes that a further entry of Judgment in this case is unnecessary in view of Dkt. No.
 28 167, but nevertheless joins Bot’s request for entry of this Judgment in order to avoid unnecessary
 disputes and motion practice on this issue.

pandre@kramerlevin.com
lkobialka@kramerlevin.com
jhannah@kramerlevin.com

Aaron Frankel (Admitted *Pro Hac Vice*)
KRAMER LEVIN NAFTALIS & FRANKEL LLP
1177 Avenue of the Americas
New York, NY 10036
Telephone: (212) 715-9100
afrankel@kramerlevin.com

Attorneys for Plaintiff
Bot M8 LLC

Respectfully submitted,

Dated: August 18, 2020

By: /s/ David Rokach

Brandon Brown (SBN 266347)
brandon.brown@kirkland.com
KIRKLAND & ELLIS LLP
555 California Street
San Francisco, California 94104
Telephone: (415) 439-1400
Facsimile: (415) 439-1500

Gregory S. Arovas (*pro hac vice*)
greg.arovas@kirkland.com
KIRKLAND & ELLIS
601 Lexington Avenue
New York, NY 10022
Telephone: (212) 446-4800
Facsimile: (212) 446-4900

David Rokach (*pro hac vice*)
david.rokach@kirkland.com
KIRKLAND & ELLIS
300 N. LaSalle
Chicago, IL 60654
Telephone: (312) 862-2000
Facsimile: (312) 862-2200

Attorneys for Defendants
Sony Corporation of America, Sony Corporation and
Sony Interactive Entertainment LLC

ATTESTATION

I, Paul Andre, am the ECF user whose identification and password are being used in this filing. In compliance with Civil Local Rule 5-1(i)(3), I hereby attest that all other signatories to this document have concurred in the filing of this document.

/s/ Paul J. Andre
Paul J. Andre

~~PROPOSED~~ JUDGMENT

The Court enters Judgment in favor of Defendants Sony Corporation of America, Sony Corporation, and Sony Interactive Entertainment LLC and denies all relief sought by Bot M8, LLC. The parties previously entered into a Joint Stipulation Regarding Case Management and Dismissal (Dkt. No. 166), where the parties agreed to dismiss the pending claims and counterclaims in the case while reserving the right to appeal the Court's orders in this action, thereby rendering all issues already decided ripe for appeal.

IT IS SO ORDERED AND ADJUDGED that all Court orders in this case are final and that judgment is entered.

Dated: August 19, 2020.



THE HONORABLE WILLIAM ALSUP
UNITED STATES DISTRICT JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
*Southern Division***

**JAYLEN BRANTLEY and JARED
NICKENS,**

*

Plaintiffs,

*

v.

*

Case No.: 8:19-cv-594-PWG

**EPIC GAMES, INC., JOHN AND JANE
DOES 1 THROUGH 50, and JOHN DOE
CORPORATIONS 1 THROUGH 10,**

*

*

Defendants.

*

* * * * *

MEMORANDUM OPINION AND ORDER

Plaintiffs Jaylen Brantley and Jared Nickens bring this action against Defendant Epic Games, Inc. for the alleged unauthorized appropriation of the dance the “Running Man” that they allegedly created, named, and popularized.¹ Plaintiffs claim that Epic Games intentionally copied the movements of the “Running Man” dance and incorporated them as a feature of its highly popular online video game *Fortnite*. They bring eight causes of action under common law and the federal Lanham Act for invasion of the right of privacy/publicity, unfair competition, unjust enrichment, trademark infringement, trademark dilution, and false designation of origin. Plaintiffs seek both compensatory and injunctive relief. Epic Games now moves to dismiss the claims against it.² For the reasons discussed below, Epic Games’ motion to dismiss is granted and Plaintiffs’ claims are dismissed with prejudice.

¹ Brantley and Nickens also name as Defendants John and Jane Does 1 through 50 and John Doe Corporations 1 through 10 as “the creators and developers of the Fortnite video game franchise.” ECF No. 18, Am. Compl., ¶ 6. I will refer to all defendants collectively as “Epic Games” or

² The motion is fully briefed. *See* ECF Nos. 27, 28, 29. A hearing is not necessary. *See* Loc. R. 105.6 (D. Md. 2018).

Background

Plaintiffs Brantley and Nickens allege that in 2016 they created, named, and popularized the dance move which they titled the “Running Man.” Am. Compl. ¶¶ 2, 3, 9. Brantley and Nickens allege that they incorporated the dance into breaks at University of Maryland basketball games, and that the dance subsequently went viral on social media. *Id.* ¶ 10. Plaintiffs claim to have incited the online popularity of the Running Man by challenging others to imitate the dance and post the performance on social media. *Id.* They state that the Running Man videos have over 100 million views on YouTube and thousands of people have posted videos of themselves performing the dance. *Id.* ¶ 11.

The popularity of the “Running Man Challenge” allegedly exploded in part after a live performance of the dance by Brantley and Nickens on the *Ellen DeGeneres Show*. *Id.* ¶ 2. While Plaintiffs repeatedly allege in their complaint that they “created” the dance, during the *Ellen* segment two high school students from New Jersey – Kevin Vincent and Jeremiah Hall – are credited with creating the dance. ECF No. 27-2 (video of *Ellen* segment).³ Brantley and Nickens appear later in the segment and state that *they* copied the dance from a video that they saw on Instragram. *Id.* Nonetheless, Brantley and Nickens claim that the “Running Man” has become synonymous with them. Am. Compl. ¶ 13.

Defendant Epic Games is the creator and developer of the *Fortnite* video game franchise. *Id.* ¶ 16. *Fortnite* is a free-to-play online multiplayer video game which supports

³ Although the video of the *Ellen* segment was included as an exhibit to Epic Games’ Motion to Dismiss, and not attached to the Complaint, I take judicial notice of it without converting the motion to one for summary judgment, as the video is central to Plaintiffs’ claims, was incorporated by reference in the Complaint, and its authenticity is not in dispute. *See* Am. Compl. ¶ 2; *Witthohn v. Federal Ins. Co.*, 164 Fed. Appx. 395, 396 (4th Cir. 2006) (When reviewing a motion to dismiss, “a court may consider . . . documents central to plaintiff’s claim, and documents sufficiently referred to in the complaint so long as the authenticity of these documents is not disputed.”)

up to one hundred players during a single game. *Id.* ¶¶ 17, 18. *Fortnite* allows each player to select and create their own individualized avatar which is extensively customizable. *Id.* The players then compete in a battle-royale style shooting match where the last player standing is declared the victor. *Id.* ¶ 17. At any point during the match, the player can command their online avatar to perform programmed movements called “emotes” which express the player’s emotions in the game. *Id.* ¶¶ 20, 21. *Fortnite*’s massive popularity can be attributed not just to its gameplay, but also to the incorporation and popularity of in-game emotes. *Id.* ¶ 21.

Because *Fortnite* is free-to-play, the game is primarily supported by purchases made at the game’s electronic storefront. *Id.* ¶ 18. At the electronic storefront, players can purchase various customizations for their online characters including costumes, equipment, and unique emotes. *Id.* In July 2018, Epic Games produced a new emote which was called the “Running Man” emote (the “Emote”). *Id.* ¶ 26. The Emote could be purchased for roughly five dollars on the *Fortnite* electronic storefront or purchased as part of a package included with the latest installment of *Fortnite*. *Id.*

Brantley and Nickens allege that Epic Games created the Emote by impermissibly copying the movements of the “Running Man” dance and profited from the sale of the Emote on the *Fortnite* electronic storefront. *Id.* ¶¶ 26–28, 32. Brantley and Nickens bring a total of eight causes of action against Epic Games under theories of invasion of the right of privacy/publicity, unfair competition, unjust enrichment, trademark infringement, trademark dilution, and false designation of origin. Epic Games moves to dismiss the claims against it.

Standard of Review

Plaintiffs’ claims are subject to dismissal if they “fail[] to state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). The purpose of Rule 12(b)(6) “is to test the

sufficiency of a complaint and not to resolve contests surrounding the facts, the merits or the applicability of defenses.” *Presley v. City of Charlottesville*, 464 F.3d 480, 483 (4th Cir. 2006). A pleading must meet the standard of Rule 8(a), which requires only “a short and plain statement of the claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2). The complaint must contain factual content, and more than “a formulaic recitation of the elements of a cause of action” or “naked assertion[s] devoid of further factual enhancement.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (internal citations omitted). Therefore, mere legal conclusions will not suffice. *Iqbal*, 556 U.S. at 678. Finally, the factual allegations presented in the complaint must be construed “in the light most favorable to [the] plaintiff.” *Adcock v. Freightliner LLC*, 550 F.3d 369, 374 (4th Cir. 2008).

Discussion

Epic Games argues that the Copyright Act preempts Brantley and Nickens’ claims for invasion of the right of privacy/publicity (Count I), common law unfair competition (Count III) and unjust enrichment (Count IV). Similarly, Epic Games argues that Brantley and Nickens’ claims for Lanham Act unfair competition (Count II) and false designation of origin (Count VII) are precluded by the Copyright Act. Finally, Epic Games argues that Plaintiffs failed to plausibly allege a valid trademark for their claims for Lanham Act trademark infringement (Count V), common law trademark infringement (Count VI), and Lanham Act trademark dilution (Count VII).⁴ I agree.

I. Plaintiffs’ Common Law Privacy, Unfair Competition, and Unjust Enrichment Claims are Preempted by the Copyright Act

The Copyright Act expressly preempts a broad array of other claims. Specifically, § 301

⁴ Epic Games also argues that Brantley and Nickens’ claims should be dismissed under First Amendment principles and for failure to state a claim. Because I dismiss the claims for the reasons discussed herein, I do not address these arguments.

of the Copyright Act states as follows:

On or after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301. This statutory language establishes a two-prong test for determining copyright preemption: “first, the work must be within the scope of the subject-matter of copyright as specified in 17 U.S.C. §§ 102, 103, and second, the rights granted under state law must be equivalent to any exclusive rights within the scope of federal copyright as set out in 17 U.S.C. § 106.” *U.S. ex rel. Berge v. Bd. of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997) (quoting *Rosciszewski v. Arete Assocs., Inc.*, 1 F.3d 225, 229 (4th Cir. 1993)) (internal quotation marks omitted). I analyze each of these prongs in turn.

a. The Running Man is Within the Subject Matter of Copyright

Under the first prong of the test for copyright preemption, I must consider whether the work in question – the Running Man dance – falls within the subject matter of copyright as specified in sections 102 and 103 of the Copyright Act. As relevant here, section 102(a) provides that “Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: . . . choreographic works.” 17 U.S.C. § 102(a). Section 102(b) provides that “[i]n no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it

is described, explained, illustrated, or embodied in such work.” 17 U.S.C. § 102(b). In other words, copyright protection extends to original works of authorship in a tangible medium including choreographic works, but not for any ideas embodied in a work.

However, the scope of copyright *preemption* is broader than the scope of copyright *protection*. See *Berge*, 104 F.3d at 1463 (rejecting argument that a claim is not preempted because it falls within “ideas and methods” excluded from copyright protection because “the shadow actually cast by the Act’s preemption is notably broader than the wing of its protection.”); *Alliance for Telcoms. Indus. Sols., Inc. v. Hall*, No. CCB-05-440, 2007 WL 3224589, at *10 (D. Md. Sept. 27, 2007) (“The inquiry is limited to whether a work comes under the scope of the Act, and not whether it is actually protected”); see also *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 849 (2d Cir. 1997) (“Copyrightable material often contains uncopyrightable elements within it, but [the Copyright Act] . . . bars state-law . . . claims with respect to uncopyrightable as well as copyrightable elements.”); *Fin. Info., Inc. v. Moody’s Inv’rs Serv.*, 808 F.2d 204 (2d Cir. 1986) (“As long as the work fits within one of the general subject matter categories of sections 102 and 103, the bill prevents the States from protecting it even if it fails to achieve Federal statutory copyright because it is too minimal or lacking in originality to qualify.”) (quoting H.R. Rep. No. 1476, 94th Cong., 2d Sess., 131 reprinted in 1976 U.S. Code Cong. & Ad. News, 5659, 5747).

The analysis under this first prong of the test for copyright preemption is the same for Brantley and Nickens’ invasion of the right of privacy/publicity, common law unfair competition and unjust enrichment claims, because they are all based on the alleged copying and use of the Running Man dance. See Am. Compl. ¶¶ 27–28, 36–37, 52–53, 60–61. Section 102(a) of the Copyright Act explicitly includes within its list of protected authorships, “choreographic works.”

17 U.S.C. § 102(a). Plaintiffs argue that they allege that the Running Man is a “dance,” and not a “choreographic work,” and therefore it is not the subject of copyright. The U.S. Copyright Office has published a Compendium of U.S. Copyright Practices that provides an explanation of how it considers the distinction between a choreographic work and dance, which provides a useful guide:

The Office defines choreography as the composition and arrangement of “a related series of dance movements and patterns organized into a coherent whole.” [*Horgan v. Macmillan, Inc.*, 789 F.2d 157, 161 (2d Cir. 1986)] (quoting Compendium (Second) § 450.03(a)). By definition, choreography is a subset of dance. As such, a work of authorship cannot be registered as a choreographic work unless it is comprised of dance steps, dance movements, and/or dance patterns. However, the term choreography is not synonymous with dance. The legislative history for the 1976 Copyright Act clearly states that “‘choreographic works’ do not include social dance steps and simple routines.” H.R. Rep. No. 94-1476, at 54 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 5667; S. Rep. No. 94-473, at 52 (1975).

U.S. Copyright Office, Compendium of U.S. Copyright Office Practices § 805.1 (3rd ed. 2017).

The Copyright Office states that choreographic works typically contain one or more of the following elements: rhythmic movements in a defined space, compositional arrangement, music or textual accompaniment, dramatic content, presentation before an audience, and execution by skilled performers. *Id.* § 805.2.

Choreographic works are distinguished from de minimis movements, dance steps, social, dances, and simple routines, which are not copyrightable. The Copyright Office explains:

Individual movements or dance steps by themselves are not copyrightable, such as the basic waltz step, the hustle step, the grapevine, or the second position in classical ballet. *Id.* (quoting *Compendium (Second)* § 450.06). Likewise, the U.S. Copyright Office cannot register short dance routines consisting of only a few movements or steps with minor linear or spatial variations, even if the routine is novel or distinctive. *Cf.* 37 C.F.R. § 202.1(a). The individual elements of a dance are not copyrightable for the same reason that individual words, numbers, notes, colors, or shapes are not protected by the copyright law. Individual dance steps and short dance routines are the building blocks of choreographic expression, and allowing copyright protection for these elements would impede rather than foster creative expression. *See Horgan*, 789 F.2d at 161 (quoting *Compendium (Second)*

§ 450.06). . . .

When Congress extended federal copyright protection to choreography, it intended to protect expressive works of authorship, such as ballet or modern dance. However, Congress did not intend to protect all forms of dance or movement. The legislative history specifically states that “choreographic works do not include social dance steps and simple routines.” H.R. Rep. No. 94- 1476, at 54 (1976), reprinted in 1976 U.S.C.C.A.N. at 5667; S. Rep. No. 94-473, at 52 (1975). Thus, the U.S. Copyright Office cannot register a claim to copyright in social dances or simple routines, because they do not constitute copyrightable subject matter.

Id. § 805.5(A)–(B). Thus, “[t]he dividing line between copyrightable choreography and uncopyrightable dance is a continuum, rather than a bright line. At one extreme are ballets, modern dances, and other complex works that represent a related series of dance movements and patterns organized into a coherent compositional whole. At the other extreme are social dances, simple routines, and other uncopyrightable movements Many works fall somewhere in between.” *Id.* § 805.5(B).

In a similar case, *Pellegrino v. Epic Games, Inc.*, the United States District Court for the Eastern District of Pennsylvania recently analyzed this distinction between choreography and dance for the purposes of copyright preemption regarding another *Fortnite* emote. *Pellegrino v. Epic Games, Inc.*, No. CV 19-1806, 2020 WL 1531867 (E.D. Pa. Mar. 31, 2020). In that case, Leo Pellegrino, a professional saxophone player, alleged that Epic Games copied his signature dance movement involving turning his legs and feet to the side while playing the saxophone to create the “Phone It In” emote in the *Fortnite* game. *Id.* at *2. Like here, Pellegrino brought claims for violation of rights of privacy and publicity, unjust enrichment, unfair competition, trademark infringement, and trademark dilution. *Id.* The Court dismissed Pellegrino’s state law trademark infringement claim after finding that it was preempted by the Copyright Act.⁵ In

⁵ The court dismissed Pellegrino’s other claims, except for his Lanham Act claim for false endorsement, for other reasons. See *Pellegrino v. Epic Games, Inc.*, No. CV 19-1806, 2020 WL

reaching this conclusion, the court looked to the Copyright Act's compendium and held that Pellegrino's "Signature Move" was a dance within the subject matter of copyright under the first prong of the copyright preemption test:

At issue therefore is whether dance falls within the subject matter of copyright. We conclude that it does. Specifically, we find that dance falls within the ambit of the copyright category "choreographic works." 17 U.S.C. § 102(a)(4). Although "the term choreography is not synonymous with dance," the U.S. Copyright Office, *Compendium of U.S. Copyright Office Practices* (3rd ed. 2017) (the "Compendium"), defines choreography as a "subset of dance [because] a work of authorship cannot be registered as a choreographic work unless it is comprised of dance steps, dance movements, and/or dance patterns." *Id.* § 805.5(B)(3); *see also id.* § 805.5(B) ("The dividing line between copyrightable choreography and uncopyrightable dance is a continuum, rather than a bright line."). In fact, to register a claim to copyright in a choreographic work, the U.S. Copyright Office requires that "the [proposed] work is a dance." *Id.* § 805.4. We therefore conclude that the Signature Move, which is alleged to be a dance, is the appropriate subject matter of copyright law in satisfaction of the first prong of the test for copyright preemption.

Pellegrino v. Epic Games, Inc., No. CV 19-1806, 2020 WL 1531867, at *8 (E.D. Pa. Mar. 31, 2020).

Whether the Running Man dance could be subject to copyright protection is a closer question. It has some characteristics of a choreographic work: it consists of rhythmic movements in a defined space, has music accompaniment, and was presented before an audience. *See* Am. Compl. ¶¶ 9–10; ECF No. 27-2; U.S. Copyright Office, *Compendium of U.S. Copyright Office Practices* § 805.2 (3rd ed. 2017). However, it could also be compared to a dance step, like "the basic waltz step, the hustle step, the grapevine, or the second position in classical ballet" and therefore would not be copyrightable. *Id.* § 805.5(A). The Running Man also potentially could be characterized as a "social dance" given that it was widely enjoyed and performed by thousands of members of the public. *Id.* § 805.5(B). In short, the Running Man is somewhere on the continuum between copyrightable choreography and uncopyrightable dance. *Id.*

1531867, at *11 (E.D. Pa. Mar. 31, 2020).

Fortunately, the question of precisely where on that continuum the Running Man falls does not need to be decided. Given that the scope of copyright preemption is broader than that of copyright protection, it is sufficient here to find that the Running Man is within the “general subject matter” of copyright under a choreographic work. *Fin. Info., Inc. v. Moody's Inv'rs Serv.*, 808 F.2d 204 (2d Cir. 1986) (quoting H.R. Rep. No. 1476, 94th Cong., 2d Sess., 131 *reprinted in* 1976 U.S. Code Cong. & Ad. News, 5659, 5747); *see also Berge*, 104 F.3d at 1463; *Alliance for Telcoms. Indus. Sols., Inc. v. Hall*, No. CCB-05-440, 2007 WL 3224589, at *10 (D. Md. Sept. 27, 2007). Therefore, like the court in *Pellegrino* found as to Leo Pellegrino’s “Signature Move,” I find that the Running Man dance is within the subject matter of copyright law, satisfying the first prong of the test for copyright preemption.

b. The Rights to be Vindicated are Equivalent to those Protected by Copyright

Under the second prong of the copyright preemption test, the rights to be preempted must be equivalent to the rights protected by the Copyright Act. *Berge*, 104 F.3d at 1463. Under section 106 of the Copyright Act, copyright owners are granted the exclusive right to: (1) reproduce the copyrighted work; (2) to prepare derivative works; (3) to distribute copies of the copyrighted work by sale, rental, lease, or lending; (4) to perform the copyrighted work publicly; and (5) to display the copyrighted work publicly. 17 U.S.C. § 106. Under the test provided in *Berge*, a claim avoids preemption when it contains an “extra element that changes the nature of the [] action so that it is *qualitatively different* from a copyright infringement claim.” *Berge*, 104 F.3d at 1463 (internal quotation marks omitted) (emphasis in original).

Courts in this Circuit have repeatedly found that claims based on alleged misappropriation protect the same exclusive rights under the Copyright Act. *See Progressive Corp. v. Integon P & C Corp.*, 947 F.2d 942 (4th Cir. 1991); *Lowry's Reports, Inc. v. Legg*

Mason, Inc., 271 F. Supp. 2d 737, 756 (D. Md. 2003); *Costar Group Inc. v. Loopnet, Inc.*, 164 F. Supp. 2d 688, 713–14 (D. Md. 2001). These cases are instructive.

In *Progressive*, the Fourth Circuit upheld the district court’s dismissal of Progressive’s state law unfair competition and tortious interference claims based on Copyright Act preemption. *Progressive Corp. v. Integon P & C Corp.*, 947 F.2d 942 (4th Cir. 1991). In that case, Progressive alleged that Integon had copied one of its insurance manuals that contained its method for determining which insurance risks to accept and at what price. *Id.* The Fourth Circuit observed that “[c]ourts have consistently held that state unfair competition claims based on misappropriation protect the same rights as Congress sought to protect by the Copyright Act and are therefore preempted.” *Id.* at 942 (citing *Del Madera Properties v. Rhodes and Gardner, Inc.*, 820 F.2d 973 (9th Cir.1987), *abrogated on other grounds by Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994)); *Walker v. Time Life Films, Inc.*, 784 F.2d 44, 53 (2d Cir. 1986); *Ehat v. Tanner*, 780 F.2d 876, 877 (10th Cir.1985). The Fourth Circuit found that the misappropriation claim was “part and parcel of the copyright claim” and was therefore preempted. *Id.* Likewise, the Fourth Circuit found that the claim for tortious interference with business relations was preempted, notwithstanding that Progressive had pled the four elements of the tort, which differ from those of a copyright claim. The key was that although the specific elements of the tort differed, they were still based on the same alleged conduct that was within the scope of copyright protection. *Id.* (“[T]he fact that cross-appellants pleaded additional elements of awareness and intentional interference, not a part of the copyright claim, goes merely to the scope of that right; it does not establish qualitatively different conduct on the part of the infringing party, nor a fundamental nonequivalence between the state and federal rights implicated.”) (quoting *Harper & Row Publishers, Inc. v. Nation Enterprises*, 723 F.2d 195, 201 (2d Cir. 1983), *rev’d on other*

grounds, 471 U.S. 539 (1985)).

Lowry involved a claim for unjust enrichment based on Legg Mason’s use of Lowry’s proprietary stock market reports. *Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F. Supp. 2d 737, 742 (D. Md. 2003). Legg Mason paid for one subscription of Lowry’s reports, but then disseminated the information to its brokers around the country. *Id.* at 752–53. On a summary judgment record, the district court held that the Copyright Act preempted Lowry’s unjust enrichment claim. Although Lowry characterized its unfair competition claim as a “hot news” claim, and argued that this type of claim contains “extra elements” not found in the Copyright Act, the Court found that “none of the ‘elements’ it posits of such a claim describes behavior other than reproduction, performance, distribution, or display.” *Id.* at 756. Accordingly, the court held that “the ‘unfair’ conduct of which Lowry's complains does not differ qualitatively from conduct that ‘would infringe one of the exclusive rights’ granted by the Copyright Act” and was therefore preempted. *Id.* at 755–56.

The court in *Costar* examined a dispute involving an internet-based company’s alleged misuse of real estate photographs owned by the plaintiffs Costar. *Costar Group Inc.*, 164 F. Supp. 2d at 691. Costar brought a series of claims, including unjust enrichment, unfair competition, and tortious interference with business relations. *Id.* at 712. Costar argued that there were “extra-elements” to these claims that precluded preemption under the Copyright Act. *Id.* at 713. But the court disagreed, finding that each of the claims concerned the same act of copying the photographs. *See id.* at 714 (“The same act which constitutes LoopNet's alleged copyright infringement, the unauthorized copying of CoStar's photographs, also constitutes CoStar's unfair competition claim. Therefore, this claim does not satisfy the “extra-element” test and so is equivalent to CoStar's claim under the Copyright Act.”); *id.* (“[A]s with CoStar's unfair

competition claims, the court fails to discern a true claim for passing off and instead sees only a disguised copyright claim.”); *id.* at 715 (“Even accepting CoStar’s claims that LoopNet’s alleged interference was with existing licenses as opposed to prospective relationships, the present case does not present an additional element Accordingly, CoStar’s intentional interference claim is also preempted by the Copyright Act.”).

Like the claims in *Progressive*, *Lowry*, and *Costar*, Brantley and Nickens bring common law claims based on alleged unauthorized copying of the Running Man, and these claims are therefore preempted by the Copyright Act. I discuss each claim in turn.

First, Brantley and Nickens bring a claim for “Invasion of the Right of Privacy (Publicity).” Plaintiffs do not elaborate on the distinction between privacy and publicity or allege what state’s laws they bring this claim under. They allege that Epic Games “misappropriated Plaintiffs’ identities” by “capturing and digitally copying” their signature movement, the Running Man, to create the emote that “allows the player’s avatars to execute the Running Man identically to Plaintiffs’ version.” Am. Compl. ¶ 37. Brantley and Nickens further allege that Epic did not obtain their consent or authorization, and therefore “willfully and intentionally used Plaintiff’s [sic] likenesses in violation of their rights of publicity.” Am. Compl. ¶ 38. Plaintiffs argue that their claim based on misappropriation of their identities and likenesses contains “extra elements” that preclude preemption, citing one case from Maryland and cases from the Third Circuit, Sixth Circuit, the District of New Jersey, and the Central District of California. ECF No. 28 at 9 (citing *Lawrence v. A.S. Abell Co.*, 475 A.2d 448, 451 (Md. 1984); *McFarland v. Miller*, 14 F.3d 912, 918 (3d Cir. 1994); *Landham v. Lewis Galoob Toys, Inc.*, 227 F.3d 619, 623 (6th Cir. 2000); *Facenda v. N.F.L. Films, Inc.*, 542 F.3d 1007, 1027 (3d Cir. 2008); *Prima v. Darden Restaurants, Inc.*, 78 F. Supp. 2d 337, 352–53 (D.N.J.

2000); *Estrada v. Toyota Motor Sales U.S.A., Inc.*, No. CV 08-05992 GAF (AJWx), 2009 WL 10671571, at *7 (C.D. Cal. Feb. 11, 2009).

Of these cases, *Lawrence v. A.S. Abell Co.*, 475 A.2d 448 (Md. 1984) and *McFarland v. Miller*, 14 F.3d 912 (3d Cir. 1994) did not involve preemption. And while the courts in the remaining cases declined to dismiss rights of publicity claims based on copyright preemption, they do little to save Plaintiffs' claims here. In other words, even though rights of publicity claims are not preempted in some cases, that does not mean that they avoid preemption in every case. *Cf. Lowry's Reports, Inc. v. Legg Mason, Inc.*, 271 F. Supp. 2d 737, 756 (D. Md. 2003) ("The Copyright Act may not preempt every state-law claim of unfair competition. Some "hot news" claims may yet survive. . . . Lowry's claim, however, does not. The Copyright Act preempts it.") The key question is whether Plaintiffs state a claim that is "qualitatively different" than the rights protected by the Copyright Act. *Berge*, 104 F.3d at 1463. And here Plaintiffs claim is based on Epic Games allegedly "capturing and digitally copying" the Running Man dance to create the *Fortnite* emote that "allows the player's avatars to execute the Running Man identically to Plaintiffs' version." Am. Compl. ¶ 37. This is squarely within the rights protected by the Copyright Act. *See* 17 U.S.C. § 106 (granting copyright owners the exclusive rights to reproduce works, prepare derivative works, distribute copies of work for sale, and perform and display work publicly). At best Plaintiffs add the conclusory allegation that that the Running Man dance is their "likeness." Am. Compl. ¶ 38. But even granting inferences in favor of Plaintiffs, the Court is not obligated to adopt such legal conclusions devoid of further factual enhancement. *See Ashcroft v. Iqbal*, 556 U.S. at 678. Therefore, because the rights that Plaintiffs seek to vindicate in their right of publicity/privacy claim are equivalent to those protected by the Copyright Act, namely the reproduction, performance, distribution and display

of the Running Man, this claim is preempted by the Copyright Act and dismissed.

Similarly, Brantley and Nickens’ common law unfair competition claim is based on Epic Games’ alleged misuse of the Running Man dance and their likeness associated with the dance. Am. Compl. ¶¶ 26–35. Brantley and Nickens argue that public confusion over the origin of the Running Man provides the “extra element” that make the protected rights qualitatively different from the rights protected under the Copyright Act. ECF No. 28 at 8–9. But the rights protected by the unfair competition claims are not qualitatively different from those protected by the Copyright Act because the gravamen of both types of claims is the misappropriation of an original work. The same act which constitutes Brantley and Nickens’ unfair competition claim and the rights protected by the Copyright Act is the “copying [of] the original video of the Running Man and/or copying an identical version of that video” Am. Compl. ¶ 28. The claim for unfair competition is not “qualitatively different” from a claim for copyright infringement and does not describe behavior other than the alleged copying. *Cf. Progressive Corp. v. Integon P & C Corp.*, 947 F.2d at 942; *Berge*, 104 F.3d at 1463; *Lowry’s Reports, Inc.*, 271 F. Supp. 2d at 755. Therefore, Brantley and Nickens’ unfair competition claims are preempted by the Copyright Act and are dismissed.

Next, Plaintiffs bring a claim for common law unjust enrichment. Brantley and Nickens allege that Epic Games has been unjustly enriched by selling an emote of the Running Man dance on the *Fortnite* electronic storefront. Am. Compl. ¶ 60. This claim is once again based on the alleged misappropriation of the Running Man dance. Am. Compl. ¶¶ 26–35, 60–63. While Brantley and Nickens argue that the rights relating to unjust enrichment are qualitatively different from those under the Copyright Act, they do not seek to vindicate any rights “other than reproduction, performance, distribution, or display.” *Lowry’s*, 271 F. Supp. 2d 737, 756 (D. Md.

2003). Therefore, Brantley and Nickens' unjust enrichment claim is preempted by the Copyright Act and is dismissed.

II. Plaintiffs Fail to Adequately Allege Lanham Act and Common Law Trademark Claims

Brantley and Nickens bring Lanham Act and trademark-related claims for unfair competition (Count II), trademark infringement (Count V), trademark dilution (Count VII) and false designation of origin (Count VII). Plaintiffs also add a common law trademark claim (Count VI). For the Lanham Act unfair competition claim, Plaintiffs do not point to a particular section of the Lanham Act, but cite generally to 15 U.S.C. § 1051 *et seq.* However, based on their allegations of misappropriation and confusion by the public in support of this claim, Am. Compl. ¶¶ 45–46, it will be evaluated under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). *Cf. Dastar Corporation v. Twentieth Century Fox Film Corporation*, 539 U.S. 23, 32 (2003) (evaluating Lanham Act unfair competition claim under Section 43(a)); *Mays & Assocs., Inc. v. Euler*, 370 F. Supp. 2d 362 (D. Md. 2005) (same); *Slep-Tone Entm't Corp. v. Wired for Sound Karaoke & DJ Servs., LLC*, 845 F.3d 1246, 1250 (9th Cir. 2017) (same). Plaintiffs remaining Lanham Act claims are also brought under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). That section provides as follows:

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(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,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a). For the reasons discussed below, Plaintiffs’ Lanham Act unfair competition and false designation of origin claims are dismissed because the allegations are properly the subject of copyright, not Lanham Act, protection. The Lanham Act trademark infringement and trademark dilution claims are dismissed because Plaintiffs fail to allege a trademark. Plaintiffs’ common law trademark claim fails for the same reason.

I begin with the Lanham Act unfair competition and false designation of origin claims. As the basis for the unfair competition claim, Plaintiffs allege that Defendants “exploit[ed] and misappropriate[ed] Plaintiffs’ likenesses through the improper use of the Running Man” and that Defendants’ use of the Running Man “has caused and will continue to cause confusion and mistake by leading the public to erroneously associate the Emote offered by Epic with the Running Man, as executed and associated with Plaintiffs, as exemplified in their online video.” Am. Compl. ¶¶ 45–46. As to the false designation of origin, claim, Plaintiffs simply reincorporate their prior allegations and allege that “Defendants conduct constitutes a false designation, description or representation in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).” Am. Compl. ¶¶ 89–90.

Although the Copyright Act does not expressly preempt the Lanham Act as another federal statute, similar principles apply based on the areas that Congress designated for each. *See Lions Gate Entm’t Inc. v. TD Ameritrade Servs. Co., Inc.*, 170 F. Supp. 3d 1249, 1265 (C.D. Cal. 2016) (“The same kind of [copyright] preemption principle applies for federal Lanham Act causes of action as for state and common-law causes of action.”) In *Dastar Corporation v. Twentieth Century Fox Film Corporation*, the Supreme Court discussed the delineation between Lanham Act and copyright claims. The Court explained that “origin of goods” provision of §

43(a) of the Lanham Act was designed to prevent consumer confusion as to the source of goods and not “originality or creativity” which is protected by copyright and patent law. *Dastar Corporation v. Twentieth Century Fox Film Corporation*, 539 U.S. 23, 32 (2003). The Court held that the phrase “origin of goods” refers only to “the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods.” *Id.* *Dastar* therefore instructs that causes of action under § 43(a) of the Lanham Act based on misappropriation and confusion can proceed only where there is confusion as to “the producer of the [] product sold in the marketplace” not the “person or entity that originated the ideas or communications that ‘goods [or services]’ embody or contain.” *Id.* at 32.

Following *Dastar*, courts have dismissed Lanham Act claims where the allegations pertain to copying ideas or concepts. For example, as particularly relevant here, the court in *Pellegrino* dismissed Plaintiff’s false designation of origin claim under the Lanham Act based on Epic allegedly copying Plaintiff’s signature move to create the “Phone It In” emote. The court explained:

The[] allegations establish that the Signature Move is the creative idea underlying Epic’s tangible good, the Phone It In emote. Furthermore, the Complaint does not plausibly allege that there was or could be any confusion as to who produced the Phone It In emote. At best, the Complaint alleges that there is confusion over who originated the Signature Move embodied in the Phone It In emote because Epic does not “credit[] Pellegrino as the dance’s creator and owner.” (*Id.* ¶ 47.) Under *Dastar*, a claim that concerns the origin of an idea embodied in a tangible good is governed by copyright law, not the Lanham Act.

Pellegrino v. Epic Games, Inc., No. CV 19-1806, 2020 WL 1531867, at *6 (E.D. Pa. Mar. 31, 2020). *See also Mays & Assocs., Inc. v. Euler*, 370 F. Supp. 2d 362 (D. Md. 2005) (dismissing unfair competition claim under § 43(a) of the Lanham Act where images posted on website were not for sale and distribution and embodied only creative work); *Slep-Tone Entm’t Corp. v. Wired for Sound Karaoke & DJ Servs., LLC*, 845 F.3d 1246, 1250 (9th Cir. 2017) (affirming dismissal

of Lanham Act § 43(a) claims for unfair competition and trademark infringement where Defendant did not use Plaintiff's marks to sell its karaoke files, but allegedly used the content of Plaintiff's karaoke tracks without authorization); *Lions Gate Entm't Inc. v. TD Ameritrade Servs. Co.*, 170 F. Supp. 3d 1249 (C.D. Cal 2016) (dismissing Lanham Act § 43(a) claims for unfair competition and false designation of origin, finding allegations Defendant's use of elements from the film *Dirty Dancing* including the famous "dance lift," did not cause confusion over source of tangible goods offered for sale, but only the ideas and concepts embodied in those goods).

Here, like in *Pellegrino*, Plaintiffs do not allege facts that suggest there is confusion regarding the producer of a tangible product sold in the marketplace. At best the allegations indicate that each Plaintiff might be a "person or entity that originated the ideas or communications that 'goods [or services]' embody or contain," but this fails to establish a Lanham Act claim. *Dastar*, 539 U.S. at 32. Therefore, these claims are dismissed.

Next, I address Plaintiffs' trademark infringement and trademark dilution claims under the Lanham Act. These claims are dismissed because Plaintiffs fail to allege that the Running Man dance is a valid trademark and it does not identify a good or service. Federal trademark law defines the term "trademark" to include any "word, name, symbol, or device, or any combination thereof" that is used to identify and distinguish unique goods or services. 15 U.S.C. § 1127. Accordingly, there are two requirements for a trademark, first that the object in dispute meets the definition of a "word, name, symbol, or device" and second, that it be used to identify and distinguish a unique good or service. Additionally, trademarks themselves are not goods or services, but rather "instruments to identify goods and services." *Radiance Found., Inc. v. N.A.A.C.P.*, 786 F.3d 316, 327 (4th Cir. 2015).

Plaintiffs allege that their trademark is the Running Man and that it has become distinct

and immediately recognizable. Am. Compl. ¶¶ 64, 73. This trademark is allegedly based on Plaintiffs' "likeness." *Id.* at ¶¶ 65, 75. To the extent this is more than a conclusory allegation, as a general rule images and likenesses do not function as trademarks. *ETW Corp. v. Jireh Publ'g*, 322 F. 3d 915, at 922-923 (6th Cir. 2003) ("Images and likenesses [] are not protectable as a trademark because they do not perform the trademark function of designation.").

Moreover, Brantley and Nickens have not adequately alleged how the Running Man dance is used to identify a unique good or service. In its brief in opposition, Brantley and Nickens argue that the Running Man dance is a trademark for performances by Plaintiffs. ECF No. 28 at 32. This argument is too clever by half. The Running Man dance cannot be a trademark for performances of the Running Man dance. *See Radiance Found., Inc.*, 786 F.3d 316, 327 (4th Cir. 2015) (explaining that a trademark cannot be in itself a "good[] or service," but is rather an "instrument to identify a good[] [or] service[.]".) Therefore, Brantley and Nickens' Lanham Act trademark infringement and trademark dilution and common law trademark infringement claims are dismissed for failure to allege a trademark.

Finally, Plaintiffs allege as part of their Lanham Act unfair competition and trademark infringement claims that Defendants actions have "creat[ed] the false impression that Plaintiffs endorsed Fortnite." Am. Comp. ¶¶ 47, 65. Although Plaintiffs did not plead this as a separate cause of action, I address it as an alternative theory of liability.

"In an action for false endorsement, the plaintiff must prove the likelihood of consumer confusion as to the origin, approval or endorsement of the product." *Comins v. Discovery Commc'ns, Inc.*, 200 F. Supp. 2d 512, 522 (D. Md. 2002) (citing *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1110 n.9 (9th Cir.1992)). Several other courts have dismissed false endorsement claims based on the principles of *Dastar*. For example, in *Rudovsky v. W. Publ'g. Corp.*, No. 09

Civ. 00727, 2010 WL 2804844, at *1–2 (E.D. Pa. July 15, 2010), the court held that claims under the Lanham act for false endorsement were precluded by *Dastar*. In that case, plaintiffs were two law professors that sued West publishing company after it published a supplement to a treatise authored by the plaintiffs without their knowledge and with their names listed as authors. *Id.* The *Rudovsky* court explained that allowing a false endorsement claim would lead to the very conflict between Lanham Act and copyright liability that the Supreme Court was seeking to avoid in *Dastar*:

[T]o accord “special treatment” to “communicative products” - that is, to read the word “origin” in the Lanham Act to cover the authors of communicative products - would “cause[] the Lanham Act to conflict with the law of copyright, which addresses that subject specifically.” [*Dastar*, 539 U.S. at 33.] The Court held that:

Another practical difficulty of adopting a special definition of “origin” for communicative products is that it places the manufacturers of those products in a difficult position. On the one hand, they would face Lanham Act liability for failing to credit the creator of a work on which their lawful copies are based; and on the other hand they could face Lanham Act liability for crediting the creator if that should be regarded as implying the creator's “sponsorship or approval” of the copy, 15 U.S.C. § 1125(a)(1)(A).

Dastar, 539 U.S. at 36. The defendants here would be placed in precisely this position if the Lanham Act claims, particularly the false endorsement claim, were permitted to go forward.

Rudovsky v. W. Pub. Corp., No. 09-CV-00727-JF, 2010 WL 2804844, at *1–2 (E.D. Pa. July 15, 2010). In other words, while *Dastar* dealt with an unfair competition claim under the Lanham Act, the same principles applied to claims for false endorsement. *See also Romantics v. Activision Publ’g, Inc.*, 532 F. Supp. 2d 884, 889 (E.D. Mich. 2008) (false endorsement claim for use of song in video game barred by *Dastar*); *Lions Gate Entm’t v. TD Ameritrade Servs. Co., Inc.*, 170 F. Supp. 3d 1249, 1266 (C.D. Cal 2016) (false association claim based on “dance lift” barred by *Dastar*).

In *Pellegrino*, the court declined to dismiss a claim for false endorsement, finding that

such claims were not necessarily barred by *Dastar*. In that case, the court distinguished *Rudokvosky* and found that Plaintiff's allegations that Epic Games used his likeness did not depend on the authorship or origin of his signature move and therefore stated a distinct claim for false endorsement. *Pellegrino v. Epic Games, Inc.*, No. CV 19-1806, 2020 WL 1531867, at *7 n.5 (E.D. Pa. Mar. 31, 2020). Even if the allegations in that case supported such a distinction, here they do not. Plaintiffs allegations regarding false endorsement are based on copying the Running Man dance and the conclusory allegation that Epic Games used their likeness. Comp. ¶¶ 47, 65. A false endorsement claim based on these allegations would lead to the type of conflict between the Lanham Act and the copyright law that the Supreme Court sought to avoid in *Dastar*. Therefore, Plaintiffs' Lanham Act claims based on false endorsement are dismissed.

III. Dismissal with Prejudice

For the reasons stated above, all of Plaintiffs' claims are dismissed. This dismissal is with prejudice. “The determination whether to dismiss with or without prejudice under Rule 12(b)(6) is within the discretion of the district court.” *Weigel v. Maryland*, 950 F. Supp. 2d 811, 825–26 (D. Md. 2013) (quoting *180S, Inc. v. Gordini U.S.A., Inc.*, 602 F. Supp. 2d 635, 638–39 (D. Md. 2009)). Generally, the plaintiff should be afforded an opportunity to amend, or dismissal should be without prejudice. See *Adams v. Sw. Va. Reg'l Jail Auth.*, 524 F. App'x 899, 900 (4th Cir. 2013) (“Where no opportunity is given to amend the complaint, the dismissal should generally be without prejudice.”). Here, Plaintiffs were given an opportunity to amend and did so after Defendants previously raised these deficiencies with the pleadings in accordance with my pre-motion procedure. See ECF Nos. 3, 17, 18, 21, 25. Therefore further amendment would be futile and the claims are dismissed with prejudice.

Conclusion

Plaintiffs seek to place the same square peg into eight round holes in search of a cause of action against Epic Games for its use of the Running Man dance in its game *Fortnite*. But Plaintiffs' claims that Epic Games copied the dance do not support any of their theories. Plaintiffs' common law causes of action for invasion of the right of privacy/publicity, unfair competition, and unjust enrichment are dismissed based on preemption under the Copyright Act. Similarly, their claims for unfair competition and false designation of origin under the Lanham Act are dismissed because their allegations are in the domain of copyright law and not the Lanham Act. Finally, Plaintiffs remaining Lanham Act and common law trademark claims are dismissed for failure to plausibly allege a valid trademark. Because Plaintiffs already amended their complaint once in light of these deficiencies, further amendment would be futile and Plaintiffs' claims are dismissed with prejudice.

ORDER

For the reasons stated in this Memorandum Opinion and Order, it is this 29th day of May 2020, hereby ORDERED that

1. Defendants' Motion to Dismiss, ECF No. 26, is GRANTED;
2. Plaintiffs' claims are DISMISSED WITH PREJUDICE;
3. The CLERK is directed to CLOSE this case.

/S/
Paul W. Grimm
United States District Judge

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

C.W., ET AL.,

Plaintiffs,

vs.

EPIC GAMES, INC.,

Defendant.

CASE NO. 19-cv-03629-YGR

**ORDER GRANTING IN PART AND DENYING
IN PART MOTION TO DISMISS**

Re: Dkt. No. 59

This is the second round of briefing on the complaint filed by plaintiff C.W., a minor, by and through his guardian, plaintiff Rebecca White. In its prior order, this Court denied defendant Epic Games, Inc's motion to dismiss plaintiffs' claims for (i) declaratory judgment and (ii) violation of California's Unfair Competition Law ("UCL"), California Business and Professions Code §§ 17200, *et seq.*, insofar as the UCL claim was brought under the "unlawful" prong and predicated on an alleged violation of C.W.'s right to disaffirm. The Court also granted the motion with leave to amend as to plaintiffs' claims for (i) violation of the California Consumers Legal Remedies Act ("CLRA"), California Civil Code §§ 1750, *et seq.*; (ii) violation of the implied covenant of good faith and fair dealing; (iii) negligent misrepresentation; (iv) violation of the UCL, except as set forth above; and (v) unjust enrichment.

Now before the Court is defendant's motion to dismiss the first amended complaint ("FAC"). Having carefully considered the pleadings and papers submitted, and for the reasons set forth below, the Court **GRANTS IN PART AND DENIES IN PART** defendant's motion.

1. Declaratory Judgment & UCL "Unlawful" Prong (Counts I and V)

In its prior order, the Court rejected Epic Games' request for dismissal of plaintiffs' claims for declaratory judgment on the grounds that there is an actual controversy between the parties over the rights of minors to disaffirm in-App purchases and, if the contracts can be disaffirmed, whether minors are entitled to refunds. The Court also denied dismissal as to plaintiffs' claim for

1 violation of the UCL “unlawful” prong to the extent it is predicated on defendant’s alleged
 2 violation of the minor’s right to disaffirm a contract. Epic Games now argues that plaintiffs’ new
 3 allegations give rise to additional grounds for dismissal of these claims. The Court disagrees.

4 First, defendant contends that plaintiffs cannot invoke disaffirmance rights against
 5 defendant for purchases made using Apple Inc. and Sony Interactive Entertainment Corp. gift
 6 cards, which were redeemed on the iTunes and PlayStation marketplaces, respectively. In so
 7 arguing, defendant claims there is no factual support in the FAC for plaintiffs’ characterization of
 8 Apple and Sony as “payment vendors” that “merely facilitate transactions on behalf of” defendant.
 9 Federal pleading standards do not require more specific factual support. Further, in another action
 10 currently pending before this Court, defendant itself refers to Apple’s marketplace as a “payment
 11 processing platform” for selling “digital in-app content to [] consumers,” from which defendant
 12 collects 70 percent of the consumer’s payment. *Epic Games, Inc. v. Apple Inc.*, No. 4:20-cv-5640,
 13 Dkt. 1, ¶¶ 3, 10 (N.D. Cal. August 13, 2020) (“*Epic Games v. Apple*”).¹ In addition, plaintiffs
 14 assert that C.W. purchased in-App content pursuant to defendant’s End User License Agreement.
 15 Defendant’s suggestion that it has nothing to do with the transactions at issue is unavailing, at least
 16 at this juncture.²

17 Nor is the Court persuaded that plaintiffs legally are precluded from invoking
 18 disaffirmance as to transactions made by C.W. using his mother’s credit card. The FAC alleges
 19 that C.W. “made V-Bucks purchases through his parents’ credit cards and debit cards that were
 20 available from his gaming platforms.” Plaintiffs do not allege how C.W.’s parents’ “financial
 21 information” became “available” for use on C.W.’s devices, but the FAC elsewhere alleges that

23 ¹ The Court sua sponte takes judicial notice of the complaint in *Epic Games v. Apple* as a
 24 matter of public record. See *Contest Promotions, LLC v. City & Cty. of San Francisco*, No. 16-
 25 CV-06539-SI, 2017 WL 76896, at *1 (N.D. Cal. Jan. 9, 2017) (granting request to take judicial
 26 notice of various documents, including federal court dockets and filings; explaining that a “court
 27 can take notice of proceedings in other courts, both within and without the federal judicial system,
 28 if those proceedings have a direct relation to matters at issue”).

² Defendant also argues that plaintiffs cannot disaffirm transactions made using gift cards
 that C.W. received from others because he was not using his “own money.” This argument fails to
 persuade. Regardless of who initially paid for the gift cards, they allegedly were given to C.W. as
 gifts on social occasions. California law suggests that the holder of a gift card is the owner of the
 money received and has rights of redeeming the same. See Cal. Civ. Code § 1749.5(b).

“[i]n many instances, parents ignore these expenses as onesie-tuosie expenses at the early stages of using Fortnite.” From these allegations, and plaintiffs’ assertion that no credit card information was stolen, defendant infers that C.W.’s mother entered her credit card number into C.W.’s *Fortnite* account, failed to monitor his usage, and ratified the purchases by paying her credit card bills. At this stage, the Court cannot dismiss plaintiffs’ claims based on Epic Games’ preferred inference. The FAC alleges that C.W.’s parents “did not consent to use of [their financial] information” and “did not know of the amounts spent at the time of purchase.” Defendant does not cite any controlling authority limiting a minor’s right to disaffirm contracts under such circumstances.³ Plaintiffs’ allegations, taken as true, suffice to state a claim based on disaffirmance.

I.B. ex rel. Fife v. Facebook, Inc., 905 F. Supp. 2d 989 (N.D. Cal. 2012) is in accord. There, a minor plaintiff obtained permission from his mother to use her credit card to make a \$20 purchase on his Facebook account. *Id.* at 996. Subsequently, without any notice that Facebook stored his mother’s credit card information, the minor made additional purchases. *Id.* Facebook argued that the minor could not disaffirm purchases to recover consideration paid by his parents. *Id.* at 1003. The court disagreed, and denied Facebook’s motion to dismiss on this ground, in large part because the plaintiffs allegedly “used their parents’ funds to purchase Facebook Credits without the parents’ knowledge or authorization.” *Id.* at 1004.

Finally, defendant does not present any change of law that would cause this Court to reconsider the remaining issues related to disaffirmance on which it already ruled, including whether C.W. can disaffirm purchases from which he already has benefitted, whether plaintiffs have stated what they wish to disaffirm, and whether plaintiffs were required to give defendant a pre-suit opportunity to consider a request for disaffirmance or a refund. The Court’s prior rulings

³ In Restatement (Third) of Agency § 3.05, cmt. B, illus. 1 (2006), unlike here, the parent gives the child consent to use the parent’s computer to order goods from an online retailer who already has the parent’s credit card information. Further, *Grube v. Amazon.com, Inc.*, No. 16-cv-126-LM, 2017 WL 3917602 (D.N.H. Sept. 6, 2017) is an out-of-circuit, unpublished decision that did not involve a claim of disaffirmance.

as to these issues stand.⁴

Defendant's motion to dismiss plaintiffs' claims for a declaratory judgment and violation of the UCL's "unlawful" prong is **DENIED**.

2. Breach of Good Faith and Fair Dealing (Count III)

In its prior order, the Court found plaintiffs had not stated a good faith and fair dealing claim based on allegations that defendant failed to ensure minors obtained their guardian's consent before playing *Fortnite* and induced minors to make non-refundable in-App purchases. The FAC does not cure the defects.

Plaintiffs supplement their allegations with a new theory that by frequently releasing new content without proper notice to players, rendering already-purchased content stale within a short period of time, the covenant is breached. Even construing these allegations in the manner most favorable to plaintiffs, the Court finds this theory too strained to support a claim. There is nothing inherently inconsistent with defendant marketing its in-App content as "in keeping with the current fad" and a "great value proposition," while introducing new and updated content on a weekly or bi-weekly basis. Moreover, the crux of plaintiffs' claims is that minors were induced to make frequent one-click purchases. Yet it is likely that after a few instances of defendant releasing new content in a short period of time, even a minor would be on notice of—and perhaps come to expect—this feature of *Fortnite*. The Court is not persuaded that defendant's conduct with respect to introducing in-App content is actionable as a breach of good faith and fair dealing.

The FAC also reiterates plaintiffs' claim that defendant breached the implied covenant by displaying its non-refundability terms inconspicuously and, separately, by promoting non-refundability, thereby making minors believe they could not recover amounts spent on digital

⁴ In its prior order, the Court noted that to the extent there was a choice-of-law dispute, both California and North Carolina law recognize a minor's right to disaffirm, and the disaffirmance analysis would not necessarily vary based on which law was applied. Defendant's motion again raises the issue, arguing that North Carolina law applies, and thereunder, a minor can disaffirm a contract only if he "restores whatever part he still has of the benefit he received under the contract." *Gillis v. Whitley's Discount Auto Sales, Inc.*, 319 S.E.2d 661, 667 (N.C. App. 1984) (citation omitted). This argument fails to persuade. Even if North Carolina law applied, defendant does not identify any case authority suggesting disaffirmation is not possible in the case of digital content that can be restored by the software developer.

content as provided under law. None of these allegations change the Court's prior determination that there is no *contractual* basis for plaintiffs' good faith and fair dealing claim. Thus, as was the case with the initial complaint, there was no breach of an implied duty under the parties' contract.

Plaintiffs' expanded allegations regarding defendant's failure to provide receipts or historical statements for in-App purchases fails for the same reason. Although a "breach of a specific provision of the contract is not a necessary prerequisite" to plaintiffs' claim, *Carma Developers, Inc. v. Marathon Development California, Inc.*, 2 Cal.4th 342, 373 (1992), an implied covenant "cannot impose substantive duties or limits on the contracting parties beyond those incorporated in the specific terms of their agreement," *Appling v. State Farm Mut. Auto. Ins. Co.*, 340 F.3d 769, 779 (9th Cir. 2003) (quotation omitted). Here, plaintiffs do not tie the absence of receipts or historical statements to the language or the spirit of the parties' contract.

Finally, plaintiffs contend that they have asserted a "tortious bad-faith" claim separate from their "contractual bad-faith claim." "Generally, no cause of action for the tortious breach of the implied covenant of good faith and fair dealing can arise unless the parties are in a 'special relationship' with 'fiduciary characteristics.'" *Pension Tr. Fund v. Fed. Ins. Co.*, 307 F.3d 944, 955 (9th Cir. 2002) (quoting *Mitsui Mfrs. Bank v. Superior Court*, 212 Cal.App.3d 726, 730 (1989)). There are no allegations suggesting a "special" or "fiduciary" relationship here, and thus, this theory, too, fails. Accordingly, the claim for breach of the covenant of good faith and fair dealing claim is **DISMISSED**. Further, as plaintiffs already have had an opportunity to amend the pleadings to state a plausible claim, and failed to do so, the claim is dismissed **WITH PREJUDICE**.

3. Negligent Misrepresentation (Count IV)

The FAC also includes new allegations that purportedly support plaintiffs' negligent misrepresentation claim. To a large extent, these allegations of material misrepresentations and omissions are the same as those set forth with respect to the good faith and fair dealing claim discussed above. However, tortious conduct is distinctly different from that arising out of contract.

Three of plaintiffs' theories, rejected under a contractual rubric, are also rejected here. For the reasons set forth above, the Court finds that the FAC does not state a misrepresentation claim

1 with respect to the theory regarding (i) the frequently introduction of new content, rendering older
2 content stale; (ii) the alleged failure to provide receipts or purchase history; and (iii) the practice of
3 marketing items as “non-refundable” without an explicit disclaimer that minors have rights under
4 state law to disaffirm contracts.

5 By contrast, plaintiffs also plead another theory of misrepresentation, namely, that C.W.
6 relied on defendant’s misrepresentations and omissions regarding the refundability of certain
7 content, including Battle Pass. This theory was floated briefly in the initial complaint. In
8 rejecting the claim, the Court noted that there were inconsistencies in plaintiffs’ allegations that,
9 on the one hand, defendant did not notify plaintiffs of its non-refundability policy, and, on the
10 other hand, defendant allowed refunds on certain items, and according to at least one screenshot
11 included in the complaint, identified which items were not eligible for refunds. The initial
12 complaint also failed to include any factual allegations that C.W. relied on misrepresentations.

13 In the FAC, plaintiffs expand upon and clarify their earlier allegations, claiming that
14 defendant “conceal[s] the terms of the in-App purchase at the time of purchase by not displaying
15 non-refundability or by displaying non-refundability in very small font.” Plaintiffs aver that
16 minors “are not buyers who would look for refund policy options at the time of purchase,” and
17 thus, by not including “visibly cautionary language at the time of promoting in-App purchases,”
18 defendant’s conduct is misleading. Specific to C.W., the FAC alleges that prior to making in-App
19 purchases, he “was not aware of the non-refundable policy for Battle Pass, the non-refundability of
20 purchases older than 30 days and the non-refundability of any items after exhausting three refunds
21 for a given lifetime.”⁵ With respect to reliance, the FAC alleges that C.W. “relied on Epic’s
22 misrepresentation regarding non-refundability for Battle Pass purchases and non-refundability of
23 purchases . . . older than 30 days.” In sum, instead of simply stating that no notice was given,
24 which was contradicted by one of the screenshots in in the initial complaint, plaintiffs now allege
25 in greater detail that the manner in which defendant made or failed to make representations about
26 refundability was confusing, inconspicuous, inadequate, and designed to induce frequent in-App
27

28 ⁵ In addition, plaintiffs no longer allege that C.W. made purchases “that were labeled non-refundable.”

1 purchases, which it did by virtue of C.W.'s age, the nature of the *Fortnite* ecosystem, and the lack
2 of parental controls. Taking plaintiffs' allegations as true, they suffice to state a claim that
3 defendant made material misrepresentations or omissions on which C.W. justifiably relied to his
4 own detriment.

5 As such, defendant's motion to dismiss the negligent misrepresentation claim is **DENIED** as
6 to this last theory and **GRANTED** as to the others.

7 **4. CLRA (Count II)**

8 The Court previously dismissed plaintiffs' CLRA claim on the grounds that the virtual
9 currency C.W. allegedly purchased while playing *Fortnite* is not a "good" under the CLRA and
10 plaintiffs had not alleged that C.W. was misled.

11 Plaintiffs have amended their complaint to allege that C.W.'s in-App purchases for virtual
12 currency and content were licenses for entertainment use, which qualify as "services" under the
13 CLRA. The CLRA defines "services" as "work, labor, and services for other than a commercial
14 or business use." Cal. Civ. Code § 1761(b). Plaintiffs cite *Anderson v. SeaWorld Parks and*
15 *Entertainment*, 2016 WL 8929295 at *10 (N.D. Cal. Nov. 7, 2016) for the proposition that the
16 statute encompasses "educational and entertainment services." *Anderson* is a non-citable case,
17 however, and in any event, it is not squarely on point as it involved the purchase of tickets for
18 admission to a theme park. In cases involving software, courts frequently find that the CLRA
19 does not apply. *See, e.g., Rojas-Lozano v. Google, Inc.*, 159 F. Supp. 3d 1101, 1116 (N.D. Cal.
20 2016) (transcription program that was "only available online and [] [did] not provide users with
21 any kind of ongoing service" was not a "service" under the CLRA); *Ferrington v. McAfee, Inc.*,
22 No. 10–CV–01455–LHK, 2010 WL 3910169, at *18-19 (N.D. Cal. Oct. 5, 2010) (software is not
23 a good or service under the CLRA); *In re iPhone Application Litig.*, 844 F.Supp.2d 1040, 1070
24 (N.D. Cal. 2012) ("[T]o the extent Plaintiffs' allegations are based solely on software, Plaintiffs do
25 not have a claim under the CLRA.").

26 While traditional software products are not considered goods under the CLRA, it is not
27 clear whether *Fortnite* technologically crosses over. In *Epic Games v. Apple*, Epic Games
28 describes *Fortnite* as "a colorful virtual world where [millions of people] meet, play, talk,

1 compete, dance, and even attend concerts and other cultural events.” No. 4:20-cv-5640, Dkt. 1,
2 ¶ 24. The Court finds that it is plausible that this may be a cross-over product, and absent a full
3 record, the CLRA claim is not subject to dismissal on this basis.⁶

4 Having so found, the Court must consider whether plaintiffs have amended their complaint
5 to plead a misrepresentation or omission that is actionable under the CLRA.

6 In paragraphs 94 through 98 of the FAC, plaintiffs put forth the same theories of
7 representation discussed and rejected above, namely, that defendant failed to represent that all
8 purchases were refundable under state law, frequently pushed new content rendering older content
9 stale, and failed to provide historical statements. For the same reasons the Court found those
10 theories not actionable with respect to the good faith and fair dealing and negligent
11 misrepresentation claims, those theories are not actionable under the CLRA.

12 Paragraph 98 of the FAC also references the one theory the Court has allowed to go
13 forward in support of the negligent misrepresentation claim: that defendant misled C.W. regarding
14 non-refundability terms. Specifically, plaintiffs allege that “Epic owes a duty of care to disclose
15 material facts, including non-refundable terms[.]” Thus, as to non-refundability, plaintiffs attempt
16 to plead an omission-based theory of liability under the CLRA.

17 The Ninth Circuit has held that to be actionable under the CLRA, an omission “must be
18 contrary to a representation actually made by the defendant, or an omission of a fact the defendant
19 was obliged to disclose” *Hodson v. Mars, Inc.*, 891 F.3d 857, 865 (9th Cir. 2018) (citing
20 *Daugherty v. Am. Honda Motor Co.*, 144 Cal.App.4th 824 (2006)). As to the first option, the only
21 actual, specific representation identified in the FAC is defendant’s labeling of certain content as
22 non-refundable. However, plaintiffs’ theory of the case is that such representations were unclear
23

24
25 ⁶ The Court **GRANTS** plaintiffs’ request for judicial notice of U.S. Trademark Registration
26 No. 5,375,076 for FORTNITE, which is a matter of public record not subject to reasonable
27 dispute. *See Harris v. Cty. of Orange*, 682 F.3d 1126, 1131-32 (9th Cir. 2012) (quoting in part
28 Fed. R. Evid. 201) (noting that courts may take judicial notice of documents or information that
“can be accurately and readily determined from sources whose accuracy cannot be questioned,”
including “undisputed matters of public record”). Therein, defendant classifies *Fortnite* as an
“[e]ntertainment service[.]” for purposes of registering its trademark. Such a designation, while
not binding, further demonstrates the need to resolve the issue on a full record.

or inconspicuous, and consequently, C.W. was not aware of them. Thus, the FAC fails to point to any affirmative representation that was contrary to an omission. As to the second option, the Ninth Circuit has recognized a duty to disclose defects that relate to the “central functionality” of a product. *Hodsdon*, 891 F.3d at 863. Even construing the allegations in the manner most favorable to plaintiffs, the Court is not persuaded that plaintiffs have pleaded facts to show that refundability terms are central to *Fortnite*’s function as a “socially connected video game on the internet.” Indeed, the FAC alleges that defendant allows for free downloads of *Fortnite*, and thus, even if it tries to lure minors into spending large sums within the game, at least some *Fortnite* players are not concerned with the refundability terms at all. As such, there was no omission of material fact that defendant was obliged to disclose. *See id.* at 864 (the existence of child or slave labor in supply chain did not affect chocolate’s central function); *Browning v. Unilever United States, Inc.*, No. SACV1602210AGKESX, 2018 WL 6615064, at *3 (C.D. Cal. Dec. 17, 2018) (fact that facial exfoliant might cause “micro-tears” on skin did not go to product’s central functional).

Accordingly, the motion with respect to CLRA claim is **GRANTED WITH PREJUDICE**.

5. UCL “Unfair” and “Fraudulent” Prongs (Count V)

The Court previously dismissed with leave to amend plaintiffs’ claims under the “unfair” and “fraudulent” prongs of the UCL. Plaintiffs amend these claims in the FAC to incorporate their new allegations regarding defendant misleading and misinforming minors, thereby inducing them to make frequent in-App purchases.

In general, conduct is “unfair” against consumers when a practice “offends an established public policy”; “is immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers”; is “tethered to some legislatively declared policy”; or is “proof of some actual or threatened impact on competition.” *Hodsdon*, 891 F.3d at 866. Here, given the Court’s holding on the negligent misrepresentation claim, and in particular, plaintiffs’ amended allegations regarding the manner in which defendant allegedly lures minors to spend large amounts of money on in-App purchases without parental consent, the Court finds plaintiffs state a plausible claim that defendant’s conduct is immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers.

The “fraudulent” prong of the UCL generally “requires a showing [that] members of the public are likely to be deceived,” *Wang v. Massey Chevrolet*, 97 Cal. App. 4th 856, 871 (2002), as well as proof of “actual reliance,” *Sateriale v. R.J. Reynolds Tobacco Co.*, 697 F.3d 777, 793 (9th Cir. 2012) (citation omitted). For the same reasons discussed with respect to the negligent misrepresentation claim, the Court finds that plaintiffs have stated a plausible UCL claim based on allegedly material misrepresentations or omissions regarding refundability.

Accordingly, defendant’s motion to dismiss plaintiffs’ claim under the UCL’s “unfair” and “fraudulent” prongs is **DENIED**.

6. Unjust Enrichment (Count VI)

In its prior order, the Court held that plaintiffs’ unjust enrichment claim failed because they had not alleged that C.W. was misled or that defendant breached any express or implied covenant as it related to defendant’s non-refundability policy. Although plaintiffs have amended their pleadings as to defendant’s alleged misrepresentations or omissions, unjust enrichment ultimately is a quasi-contract claim. *See Astiana v. Hain Celestial Grp., Inc.*, 783 F.3d 753, 762 (9th Cir. 2015). Because the Court finds, as set forth above, that plaintiffs have not pleaded sufficiently a claim based in contract, defendant’s motion to dismiss the unjust enrichment claim again is **GRANTED**, this time **WITH PREJUDICE**.

* * *

For the foregoing reasons, defendant’s motion to dismiss is **GRANTED WITH PREJUDICE** as to the good faith and fair dealing, CLRA, and unjust enrichment claims. The motion is **DENIED** as to all other claims. Defendant shall respond to the amended complaint within **twenty-one (21) days** of this order. Further, a case management conference shall be set for **Monday, October 5, 2020 at 2:00 p.m.** A link to the Zoom platform will be posted in advance of the conference.

This Order terminates Docket Number 59.

IT IS SO ORDERED.

Dated: September 3, 2020


YVONNE GONZALEZ ROGERS
UNITED STATES DISTRICT COURT JUDGE

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

JOHNNY DOE,
Plaintiff,

vs.

EPIC GAMES, INC.,
Defendant.

CASE NO. 19-cv-03629-YGR

**ORDER (1) DENYING MOTION TO COMPEL
ARBITRATION OR TRANSFER;
(2) GRANTING IN PART MOTION AND
DENYING IN PART MOTION TO DISMISS;
(3) GRANTING MOTION TO COMPEL
COMPLIANCE WITH F.R.C.P. 10(A)**

Re: Dkt. Nos. 18, 20, 21, 44, 47, 49, 52

Plaintiff Johnny Doe, by and through his guardian Jane Doe, brings this putative class action against defendant Epic Games, Inc. arising out of plaintiff's in-application purchases made while playing defendant's video game, *Fortnite*.

Now pending before the Court are three concurrently-filed motions: (1) defendant's motion to compel arbitration, or in the alternative, to transfer; (2) defendant's motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6); and (3) defendant's motion to compel plaintiff to comply with Federal Rule of Civil Procedure 10(a). Having carefully considered oral argument, the pleadings in this action, and the papers submitted, and for the reasons set forth below, the Court rules as follows: (1) defendant's motion to compel arbitration or transfer is **DENIED**, (2) defendant's motion to dismiss is **GRANTED IN PART** and **DENIED IN PART**; and (3) defendant's motion to compel compliance with Rule 10(a) is **GRANTED**.

I. BACKGROUND

The following background is drawn from the complaint and declarations offered in support of the parties' briefs.

A. *Fortnite*

Defendant is the creator of *Fortnite*, “an open-world survival video game in which players collect weapons, tools, and resources . . . in order to survive and advance in the game.” The game can be downloaded at no cost but allows players to make “in-App purchases” using virtual currency called “V-Bucks,” which can be earned through game play or purchased for money. One hundred V-Bucks general cost around \$1.00, but a player can obtain V-Bucks at a discount for purchasing a higher quantity. On certain platforms, defendant may refund a total of three items during the lifetime of the user if those purchases were made within the previous 30 days. Other purchases are non-refundable. Players allegedly do not have access to their historical purchases, within the game or otherwise.

B. The End User Licensing Agreements

Plaintiff, a minor, created a *Fortnite* account on March 4, 2018. Upon downloading the software for the video game, plaintiff accepted the terms of defendant’s End User License Agreement (“EULA”) by first clicking a box that read, “I have read and agree with the End User License Agreement,” and then clicking a button that read, “Accept.” The EULA purported to set forth players’ rights and obligations relating to the gaming experience. The EULA contained a forum selection clause, which provided, in relevant part:

11. Governing Law and Jurisdiction. Any action or proceeding brought to enforce the terms of this Agreement or to adjudicate any dispute must be brought in the Superior Court of Wake County, State of North Carolina or the United States District Court for the Eastern District of North Carolina. You agree to the exclusive jurisdiction and venue of these courts[.]

The EULA further provided that defendant might “issue an amended Agreement, Terms of Service, or Privacy Policy at any time in its discretion,” and if any such amendment “[wa]s not acceptable to [the player], [the player] may terminate th[e] Agreement and must stop using the Software.” Continued use of the software would “demonstrate [the player’s] acceptance of the amended Agreement and Terms of Service[.]” Plaintiff allegedly does not recall seeing, reading, or agreeing to the EULA, nor did plaintiff’s parents seek, read, or agree to the EULA.

On June 7, 2019, plaintiff logged on to *Fortnite* and accepted an amended EULA,¹ which contained the following arbitration provision:

THIS AGREEMENT CONTAINS A BINDING, INDIVIDUAL ARBITRATION AND CLASS-ACTION WAIVER PROVISION. IF YOU ACCEPT THIS AGREEMENT, YOU AND EPIC AGREE TO RESOLVE DISPUTES IN BINDING, INDIVIDUAL ARBITRATION AND GIVE UP THE RIGHT TO GO TO COURT INDIVIDUALLY OR AS PART OF A CLASS ACTION, AND EPIC AGREES TO PAY YOUR ARBITRATION COSTS FOR ALL DISPUTES OF UP TO \$10,000 THAT ARE MADE IN GOOD FAITH (SEE SECTION 12). YOU HAVE A TIME-LIMITED RIGHT TO OPT OUT OF THIS WAIVER.

It also provided:

TO ENTER INTO THIS LICENSE AGREEMENT, YOU MUST BE AN ADULT OF THE LEGAL AGE OF MAJORITY IN YOUR COUNTRY OF RESIDENCE. . . . YOU AFFIRM THAT YOU HAVE REACHED THE LEGAL AGE OF MAJORITY, UNDERSTAND AND ACCEPT THIS AGREEMENT (INCLUDING ITS DISPUTE RESOLUTION TERMS). IF YOU ARE UNDER THE LEGAL AGE OF MAJORITY, YOUR PARENT OR LEGAL GUARDIAN MUST CONSENT TO THIS AGREEMENT.

In addition, the amended EULA contained a “governing law and jurisdiction” clause like the one contained in the original EULA. The amended EULA, also like the original EULA, stated that continued use of the software would demonstrate acceptance of the amended agreement. Further, as with the original EULA, plaintiff’s parents allegedly did not see, read, or agree to the amended EULA.

C. The Instant Suit

On May 17, 2019, plaintiff’s counsel sent a letter to defendant in which counsel claimed that defendant had “specifically target[ed] minors for in-App Purchases” without “includ[ing] any provisions to get parental consent before making purchases.” The letter further asserted that plaintiff “can legally disaffirm contracts with [defendant] for in-App [p]urchases,” including purchases that were made by using the minor’s own money. The letter purported to put defendant on “notice of [its] violations of the state laws of California,” and “demand[ed] that [defendant] correct, repair, replace or otherwise rectify” its policies regarding non-refundable in-App

¹ The amended EULA was promulgated by defendant on March 15, 2019.

1 purchases. The letter warned that if defendant did not respond, plaintiff would file a class action
2 complaint. The letter further stated that plaintiff wished to remain anonymous, describing him as
3 “a minor residing in California” and “a player of *Fortnite*.”

4 On June 21, 2019, plaintiff filed the instant suit. In the complaint, plaintiff alleges that he
5 made several non-refundable in-App purchases using V-Bucks, including, for example, purchases
6 of “Battle Pass” or “Battle Pass Tiers.” Plaintiff further alleges that he used his own money,
7 through gift cards received on social occasions, to make these purchases. Plaintiff alleges that he
8 made these purchases without understanding the dollar amounts involved, and although the later
9 wanted to cancel the purchases, he was not allowed to do so under defendant’s non-refundable
10 policy. Plaintiff brings this putative class action on behalf of all minors in the United States (the
11 nationwide class) and California (the statewide sub-class) who made an in-App purchase that was
12 non-refundable or made an in-App purchase with their own gift card.

13 Plaintiff brings claims for declaratory judgment; violation of the California Consumer
14 Legal Remedies Act, Cal. Civ. Code § 1750, *et seq.* (“CLRA”); breach of duty of good faith and
15 fair dealing; negligent misrepresentation; violation of California Business & Professions Code
16 § 17200 *et seq.* (“UCL”); and restitution or unjust enrichment.

17 **II. MOTION TO COMPEL ARBITRATION**

18 The Court first considers defendant’s motion to compel arbitration. The Federal
19 Arbitration Act (“FAA”) reflects a “liberal federal policy favoring arbitration.” *AT&T Mobility*
20 *LLC v. Concepcion*, 563 U.S. 333, 339 (2011) (citation omitted). “By its terms, the [FAA] leaves
21 no room for the exercise of discretion by a district court, but instead mandates that district courts
22 shall direct the parties to proceed to arbitration on issues as to which an arbitration agreement has
23 been signed.” *Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 213 (1985) (emphasis in original); *see*
24 *also* 9 U.S.C. § 4. “The court’s role under the Act is therefore limited to determining: (1) whether
25 a valid agreement to arbitrate exists and, if it does, (2) whether the agreement encompasses the
26 dispute at issue. If the response is affirmative on both counts, then the Act requires the court to
27 enforce the arbitration agreement in accordance with its terms.” *Daugherty v. Experian Info.*
28 *Sols., Inc.*, 847 F. Supp. 2d 1189, 1193 (N.D. Cal. 2012) (quoting *Chiron Corp. v. Ortho*

Diagnostic Sys., Inc., 207 F.3d 1126, 1130 (9th Cir. 2000)).

Defendant moves to compel arbitration pursuant to the arbitration provision contained in the amended EULA. In opposition, plaintiff argues, among other things, that he has disaffirmed the EULAs and therefore cannot be compelled to arbitrate. Thus, as a threshold issue, the Court must determine whether plaintiff disaffirmed the agreement in which he purportedly agreed to arbitration.

A. Disaffirmance

California law² provides that a minor has the capacity to contract, with the exception of certain contracts specifically prohibited by statute,³ and subject to the power of disaffirmance. *See* Cal. Family Code § 6700 (“Except as provided in Section 6701, a minor may make a contract in the same manner as an adult, subject to the power of disaffirmance[.]”). Under California Family Code section 6710, “[e]xcept as otherwise provided by statute, a contract of a minor may be disaffirmed by the minor before majority or within a reasonable time afterwards[.]” Cal. Fam. Code § 6710.

Disaffirmance “may be made by any act or declaration” indicating an intent to disaffirm. *Celli v. Sports Car Club of Am., Inc.*, 29 Cal.App.3d 511, 517 (1972). In other words, “express notice to the other party is unnecessary,” *id.*, and “[n]o specific language is required to communicate an intent to disaffirm[.]” *Berg v. Traylor*, 148 Cal.App. 4th 809, 820 (2007). Whatever the method, “[d]isaffirmance by a minor rescinds the entire contract, rendering it a nullity.” *I.B. ex rel. Fife v. Facebook, Inc.*, 905 F.Supp.2d 989, 1000 (N.D. Cal. 2012)

² Plaintiff asserts that California law applies to the Court’s disaffirmance analysis, and defendant does not appear to disagree. In any event, both California and North Carolina law recognize a minor’s right to disaffirm, and the disaffirmance analysis would not necessarily vary based on which law was applied. *R.A. v. Epic Games, Inc.*, Case No. 2:19-cv-014488 (C.D. Cal. July 30, 2019), Dkt. No. 39 at 6.

³ Under California law, a minor may not: (1) give a delegation of power; (2) make a contract relating to real property or any interest therein; or (3) make a contract relating to any personal property not in his or her immediate possession or control. Cal. Family Code § 6701. Such contracts are void and require no act of disaffirmance. *See id.* The parties do not contend that the contracts at issue here fall into any one of these categories.

(citing *Scollan v. Gov't Emps. Ins. Co.*, 222 Cal.App.2d 181, 183-84 (1963)). The disaffirmance statute reflects a policy of “shield[ing] minors from their lack of judgment and experience and confer[ing] upon them the right to avoid their contracts in order that they may be protected against their own improvidence and the designs and machinations of other people.” *Sparks v. Sparks*, 101 Cal.App.2d 129, 137 (1950); *see also Fife*, 905 F.Supp.2d 1000 (same); *Berg v. Traylor*, 148 Cal. App. 4th 809, 818 (2007) (“Although in many instances such disaffirmance may be a hardship upon those who deal with an infant, the right to avoid his contracts is conferred by law upon a minor ‘for his protection against his own improvidence and the designs of others.’” (quoting *Niemann v. Deverich*, 98 Cal.App.2d 787, 793 (1950))). The statute also “discourag[es] adults from contracting with minors.” *I.B. ex rel. Bohannon v. Facebook, Inc.*, No. 12-cv-01894–BLF, 2015 WL 1056178, at *4 (N.D. Cal. Mar. 10, 2015) (collecting cases). However, the “infancy defense may not be used inequitably to retain the benefits of a contract while reneging on the obligations attached to that benefit.” *I.B. by & through Fife v. Facebook, Inc.*, No. C 12-1894 CW, 2013 WL 6734239, at *3 (N.D. Cal. Dec. 20, 2013) (citation omitted). Accordingly, if a minor seeks to disaffirm a contract, “equitable principles dictate that [the minor] ‘must disaffirm the entire contract, not just the irksome portions.’” *Id.* at *4 (quoting *Holland v. Universal Underwriters Ins. Co.*, 270 Cal.App.2d 417, 421 (1969)).

Here, plaintiff claims that by sending the May 17 letter and later filing suit, he has disaffirmed both EULAs. Defendant disagrees arguing that (i) plaintiff has not clearly communicated what he is or is not disaffirming, and (ii) plaintiff’s briefs suggest that he may continue playing *Fortnite*, which means he cannot disaffirm the contract.

With respect to defendant’s first argument, both the May 17 letter and the complaint convey plaintiff’s intent to repudiate the binding force and effect of plaintiff’s in-App purchases. Neither, however, conveys disaffirmance of the EULAs more generally. Indeed, the letter asserts that plaintiff “can legally disaffirm contracts with [defendant] for in-App Purchases” and purchases plaintiff made “us[ing] [his] own money from gift cards.” Consistent with this assertion, plaintiff’s complaint purports to bring this declaratory judgment action “for a minor’s

right to disaffirm in-App purchases in Epic’s video game Fortnite.”⁴ Given that the minor’s power to disaffirm a contract is broad and can be invoked through “any act or declaration” that conveys his intent to repudiate a contract, *Celli*, 29 Cal.App.3d at 517, the Court finds this statement sufficient to “disclos[e] [plaintiff]’s unequivocal intent to repudiate [the] binding force and effect” of both EULAs.⁵

Berg v. Traylor, 148 Cal.App. 4th 809 (2007) is in accord. There, one of the appellants, a minor, purportedly entered into a contract giving the respondent authority to act as the minor’s exclusive personal manager in exchange for a commission and other consideration. *Id.* at 812-813. After the minor obtained a recurring role on a network television show, the minor’s parent sent the respondent a letter stating they no longer needed her services and could no longer afford to pay her commission. *Id.* at 813. The respondent filed suit. *Id.* Approximately three years later, following issuance of an arbitration award and the filing of a petition to confirm said award, appellants secured substitute counsel, which filed a “Notice of Disaffirmance of Arbitration Award by Minor.” *Id.* at 815. The notice assumed that the letter sent to the respondent had disaffirmed the original contract but added that plaintiff disaffirmed “all other documents filed under his name or affecting him as a minor in this litigation.” *Id.* at 820. The court found that this language was adequate to convey the minor’s disaffirmance of the original contract, the arbitration award, and the subsequent judgment. *Id.* at 822. Likewise, plaintiff’s counsel’s representations to this Court constitutes disaffirmance of the EULAs.⁶

⁴ During the hearing on this motion, however, plaintiff’s counsel explicitly stated that plaintiff was “not arguing for any selective disaffirmance. We agree, it’s all or nothing. *The whole EULA has been disaffirmed[.]*” (Emphasis supplied.) Thus, to the extent the May 17 letter, the complaint, or plaintiff’s briefing on the pending motions were unclear regarding what was being disaffirmed, plaintiff’s counsel statement on the record clarified.

⁵ In its reply, defendant avers that neither the May 17 letter nor the complaint disclosed plaintiff’s real name, address, or *Fortnite* user name, “without which Epic Games could not possibly honor a disaffirmation.” Even assuming a minor must disclose such information in order to disaffirm a contract—a proposition for which defendant provides no legal authority—plaintiff has now identified himself to defendant.

⁶ Defendant contends that if a minor has already enjoyed the benefit of a contract, he “cannot disaffirm it after-the-fact in order to avoid its dispute resolution provisions.” In *Berg*,

As to defendant's second argument that plaintiff cannot disaffirm the contract because he continues to play *Fortnite*, this contention is directly contradicted by a notice filed by plaintiff's counsel shortly after the hearing on the motion, which stated that plaintiff "has not played the Fortnite game . . . after filing of the lawsuit" and "has no intention of playing Fortnite in the future." Thus, this is not a case in which a minor seeks to "adopt that part of an entire transaction which is beneficial, and reject its burdens." *E.K.D. ex rel. Dawes v. Facebook, Inc.*, 885 F. Supp. 2d 894, 899 (S.D. Ill. 2012) (quoting *Peers v. McLaughlin*, 88 Cal. 294, 26 P. 119, 120 (1891)) (rejecting minor plaintiffs' attempt to disaffirm a forum selection clause in Facebook's terms of service while continuing to use facebook.com); 5 Samuel Williston & Richard A. Lord, A Treatise on the Law of Contracts § 9:14 (4th ed. 1993 & Supp. 2011) ("If an infant enters into any contract subject to conditions or stipulations, the minor cannot take the benefit of the contract without the burden of the conditions or stipulations."). Instead, plaintiff has disaffirmed the EULAs in their entirety, including by not playing *Fortnite*.⁷ See *T. K. v. Adobe Sys. Inc.*, No. 17-CV-04595-LHK, 2018 WL 1812200, at *6 (N.D. Cal. Apr. 17, 2018) ("T.K. has disaffirmed the entire renewal agreement. There is . . . no evidence that T.K. continues to use ACCP. . . . In these

however, the California court of appeal expressly held that a minor may "disaffirm all obligations under a contract, *even for services previously rendered*, without restoring consideration or the value of services rendered to the other party." 148 Cal.App.4th at 810 (emphasis supplied); see also *I.B. ex rel. Fife v. Facebook, Inc.*, 905 F. Supp. 2d 989, 1001 (N.D. Cal. 2012) (citing *Berg* for proposition that minors may disaffirm contracts even after receiving benefits). Absent controlling authority holding to the contrary, and in light of the broad language of Section 6710, the Court finds plaintiff's disaffirmance is valid notwithstanding that he has already played *Fortnite* and made in-App purchases. See *Lopez v. Kmart Corp.*, No. 15-CV-01089-JSC, 2015 WL 2062606, at *7 (N.D. Cal. May 4, 2015) ("California's rules on disaffirmance are set forth in a statute; in other words, the legislature considered the relevant policy implications and arrived at chosen language. It is not for the Court to impose additional limitations or remove those that the legislature included based on its own policy rationale.").

⁷ In *R.A. v. Epic Games, Inc.*, Case No. 2:19-cv-014488 (C.D. Cal. July 30, 2019), Dkt. No. 39 at 9, which dealt with similar motions in a separate case brought against the same defendant, the court reached a similar conclusion. Specifically, the court found that plaintiff disaffirmed the EULA by submitting a declaration to the court conveying his disaffirmance. The court further found that there was "no evidence . . . that Plaintiff continued playing the Fortnite video game after he submitted his declaration that would contradict his intent to disaffirm the entirety of the EULAs." The same is true here.

circumstances, the Court sees no basis to enforce the arbitration or no-class-action terms of a contract that is now a ‘nullity.’”).

Because plaintiff validly disaffirmed the EULAs, plaintiff cannot be compelled to arbitrate this dispute pursuant to the arbitration provision contained in the amended EULA.⁸ Defendant’s motion to compel arbitration is therefore **DENIED**.⁹

III. MOTION TO TRANSFER

Having found that plaintiff cannot be compelled to arbitrate this dispute, the Court considers defendant’s motion to transfer this action to the Eastern District of North Carolina pursuant to 28 U.S.C. sections 1391(b) or 1404(a).

A. 28 U.S.C. § 1391(b)

Under 28 U.S.C. section 1391(b), venue is proper in (1) a district in which any defendant resides, if all of the defendants reside in the same state; (2) a district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated; or (3) a judicial district in which any defendant may be found, if there is no district in which the action may otherwise be brought. Relevant here, with respect to the first prong, a corporate defendant “resides” “in any judicial district in which such defendant is “subject to the court’s personal jurisdiction with respect to the civil action in question[.]”

⁸ The Court notes that the first page of the amended EULA states, in all-caps text, that an individual must be an adult of the legal age of majority or have the consent of a parent or legal guardian in order to enter into the agreement. Neither occurred here, that is, plaintiff was a minor at the time he purportedly accepted the EULAs, and his parent or legal guardian did not authorize him to do so. The original EULA, in contrast, did not contain a parallel provision. However, in light of the Court’s finding that both EULAs have been disaffirmed, the Court need not reach a decision on the enforceability of the agreements in light of an apparent lack of adult consent.

⁹ Defendant’s motion for leave to submit a recent decision also is **GRANTED**. (Dkt. No. 47) In the decision submitted by defendant, an order granting a motion to compel arbitration in *Williams v. Eaze Solutions, Inc.*, No. 3:18-cv-02598-JK (N.D. Cal.), Dkt. No. 17, the court held that where a contract was unenforceable because of an unlawful object, the arbitration clause was severable and separately enforceable from the rest of the contract. Here, in contrast, the parties do not argue that the EULAs had an unlawful object. Rather, as discussed herein, the EULAs are unenforceable because of plaintiff’s disaffirmance, which defendant itself argues cannot be selective as to certain parts of the agreement but not others. Thus, *Williams* is distinguishable and has no bearing on this Court’s decision to deny the motion to compel arbitration.

28 U.S.C. § 1391(c)(2). “[I]n a [s]tate which has more than one judicial district,” such as California, “and in which a defendant that is a corporation is subject to personal jurisdiction . . . , such corporation shall be deemed to reside in any district in that [s]tate within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate [s]tate.” 28 U.S.C. § 1391(d).

Where, as here, a defendant raises a venue challenge, the plaintiff bears the burden of showing that venue is proper. *Piedmont Label Co. v. Sun Garden Packing Co.*, 598 F.2d 491, 496 (9th Cir. 1979). The court need not accept the pleadings as true and may consider facts outside of the pleadings. *See Kukje Hwajae Ins. Co., Ltd. v. M/V Hyundai Liberty*, 408 F.3d 1250, 1254 (9th Cir. 2005). Plaintiff claims venue is proper for two reasons: (i) defendant waived its right to argue lack of personal jurisdiction by failing to move to dismiss on this basis, and venue therefore is proper under sections 1391(b)(1) and (c)(2); and (2) a substantial portion of the events at issue occurred in this jurisdiction, and venue therefore is proper under section 1391(b)(2).¹⁰ The Court addresses each.

First, with respect to personal jurisdiction and venue under section 1391(b)(1), plaintiff argues defendant’s failure to move on a timely basis to dismiss for lack of personal jurisdiction within 21 days of service constitutes waiver and is sufficient to establish the “residency” requirement under section 1391(b)(1). *See Agasino v. American Airlines*, No. 19-cv-03243-LB, 2019 WL 3387803, at *3 (N.D. Cal. July 26, 2019) (by failing to move to dismiss for lack of personal jurisdiction, defendant “therefore has waived any personal-jurisdiction arguments and is subject to personal jurisdiction here with respect to this case”); *Ward v. Certain Underwriters at Lloyd’s of London*, No. 18-cv-07551-JCS, 2019 WL 2076991, at *4 (N.D. Cal. May 10, 2019) (“As far as this Court is aware, every court to consider the issue has held that personal jurisdiction even based on waiver is sufficient to establish ‘residency’ for the purpose of § 1391(c)(2).”) (citing cases); *AT&T Corp. v. Teliax, Inc.*, No. 16-cv-01914-WHO, 2016 WL 4241910, at *2 (N.D. Cal. Aug. 11, 2016) (“A party waives a defense based on lack of personal

¹⁰ Defendant contends that venue does not lie under any of the three prongs of section 1391(b). However, defendant did not address plaintiff’s arguments on reply.

jurisdiction by omitting it from its first Rule 12(b) motion. . . . [B]ecause [defendant] did not contest personal jurisdiction, it is therefore ‘subject to personal jurisdiction’ in this district for the purposes of establishing venue.”) (citing cases and treatise); *Markel Am. Ins. Co. v. Pac. Asian Enters., Inc.*, No. C-07-5749 SC, 2008 WL 2951277, at *2 (N.D. Cal. July 28, 2008) (“[Defendants], each having brought a Rule 12 motion without challenging personal jurisdiction, have waived that defense. As each of the Defendants is subject to personal jurisdiction in this district, each is considered to reside here for the purposes of venue.”) (citations omitted).) Defendant does not distinguish these cases nor offer any contrary authority. Accordingly, this Court finds plaintiff has carried his burden of establishing that venue is proper in this district under section 1391(b)(1) based on defendant’s waiver.

Even if venue was not proper under section 1391(b)(1), the Court finds plaintiff also has established proper venue under section 1391(b)(2), namely, because a substantial portion of events at issue occurred in this district. Notably, section 1391(b)(2) “does not require that a majority of the events have occurred in the district where the suit is filed, nor does it require that the events in that district predominate,” and “venue may be proper in multiple districts if a ‘substantial part’ of the underlying events took place in each of those districts.” *Ward v. Certain Underwriters at Lloyd’s of London*, No. 18-CV-07551-JCS, 2019 WL 2076991, at *5 (N.D. Cal. May 10, 2019) (quoting *Tech. Credit Corp. v. N.J. Christian Acad., Inc.*, 307 F. Supp. 3d 993, 1002 (N.D. Cal. 2018)). Here, plaintiff contends, and defendant does not dispute, that plaintiff downloaded and played *Fortnite*, and completed all in-App purchases, in this district. This is sufficient to establish venue under section 1391(b)(2) given the dispute at issue.

B. 28 U.S.C § 1404(a)

The Court proceeds to consider whether transfer is appropriate under 28 U.S.C. section 1404(a). That statute provides:

For the convenience of the parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or to any district or division to which all parties have consented.

Section 1404(a) “does not condition transfer on the initial forum’s being ‘wrong’ . . . [a]nd it

permits transfer to any district where venue is also proper . . . or to any other district to which the parties have agreed by contract or stipulation.” *Atlantic Marine Const. Co., Inc. v. United States District Court*, 571 U.S. 49, 59 (2013) (“*Atlantic Marine*”).¹¹ Importantly, the moving party carries the burden of showing that the transferee district is the more appropriate forum. *Jones v. GNC Franchising, Inc.*, 211 F.3d 495, 499 (9th Cir. 2000).

Courts considering transfer must first determine whether the action could have been brought in the target district in the first instance. *See Hoffman v. Blaski*, 363 U.S. 335, 343-44 (1960). An action could have been brought in any court that has subject matter jurisdiction over the claims and personal jurisdiction over the defendant, and where venue would have been proper. *See id.* Here, defendant contends, and plaintiff does not appear to dispute, that this action could have been brought in the Eastern District of North Carolina.

If the action could have been brought in the target district, courts then undertake an “individualized, case-by-case consideration of convenience and fairness.” *Stewart Org., Inc. v. Ricoh Corp.*, 487 U.S. 22, 29 (1988) (quoting *Van Dusen v. Barrack*, 376 U.S. 612, 622 (1964)) (internal quotations omitted). Relevant factors the Court may consider include: (1) plaintiff’s choice of forum, (2) convenience of the parties, (3) convenience of the witnesses, (4) ease of access to the evidence, (5) familiarity of each forum with the applicable law, (6) feasibility of consolidation with other claims, (7) any local interest in the controversy, and (8) the relative court congestion and time of trial in each forum. *Vu v. Ortho-McNeil Pharm., Inc.*, 602 F. Supp. 2d 1151, 1156 (N.D. Cal. 2009).¹² The Court considers the relevant factors below.¹³

¹¹ Where a valid forum selection clause governs, “a district court should ordinarily transfer the case to the forum specified in that clause” except “under extraordinary circumstances unrelated to the convenience of the parties[.]” *Atlantic Marine*, 571 U.S. at 581. The EULAs contain forum selection clauses, however, because they have been disaffirmed, they do not modify the Court’s analysis of the motion to transfer pursuant to section 1404(a).

¹² This list is non-exclusive and courts may consider other factors. *See Williams v. Bowman*, 157 F.Supp.2d 1103, 1106 (N.D. Cal. 2001) (noting that this list of factors “does not exhaust the possibilities” and highlighting differing combinations of factors used by courts in conducting this analysis).

¹³ Neither party addresses the sixth and eighth factors, that is, feasibility of consolidation

1 *I. Plaintiff's Choice of Forum*

2 “While a plaintiff’s choice of forum always weighs against transfer under section 1404(a),
3 a court considering transfer must determine how much weight to give this choice under the
4 circumstances.” *Glob. Hawk Ins. Co. v. Vega*, No. 15-CV-02093-YGR, 2015 WL 7720801, at *4
5 (N.D. Cal. Nov. 30, 2015). “Although great weight is generally accorded plaintiff’s choice of
6 forum, when an individual . . . represents a class, the named plaintiff’s choice of forum is given
7 less weight.” *Lou v. Belzberg*, 834 F.2d 730, 739 (9th Cir. 1987) (citation omitted). The rationale
8 for a diminished degree of deference is that “where there are hundreds of potential plaintiffs . . . all
9 of whom could with equal show of right go into their many home courts, the claim of any one
10 plaintiff that a forum is appropriate merely because it is his home forum is considerably
11 weakened.” *Koster v. (Am.) Lumbermens Mut. Cas., Co.*, 330 U.S. 518, 524 (1947). Where a case
12 involves a putative statewide class, courts in this district have applied varying degrees of
13 deference. *See, e.g., Hendricks v. StarKist Co.*, No. 13-CV-729 YGR, 2014 WL 1245880, at
14 *2–3 (N.D. Cal. Mar. 25, 2014) (discussing “diminished degree of deference,” and ultimately
15 applying “at least some deference” where plaintiff sought to represent nationwide class and
16 California class); *Bennett v. Bed Bath & Beyond, Inc.*, C 11–02220 CRB, 2011 WL 3022126, at *2
17 (N.D. Cal. July 22, 2011) (citation omitted) (“[A]s a putative class representative for a state-wide
18 class, Plaintiff’s forum choice is not entitled to the same degree of deference as an individual
19 plaintiff pursuing her own claim on her own behalf.”); *Cardoza v. T-Mobile USA Inc.*, 2009 WL
20 723843, at *4 (N.D. Cal. Mar. 18, 2009) (“The Court does not give less weight to Plaintiff’s
21 choice of forum based on Plaintiff’s decision to bring this suit on behalf of a [statewide] class.
22 Courts tend to do so in cases where the plaintiff seeks to represent a nationwide class.”).

23 Further, in determining the appropriate amount of deference to accord plaintiff’s choice of
24 forum, courts consider the extent of the parties’ contacts with the chosen forum, including contacts
25 relating to the plaintiff’s cause of action. *Belzberg*, 834 F.2d at 739 (citing *Pac. Car & Foundry*
26 *Co. v. Pence*, 403 F.2d 949, 954 (9th Cir. 1968)). A plaintiff’s choice of forum receives only

27
28 with other claims and relative court congestion.

1 minimal deference if the operative facts did not occur within the forum and the forum has no
2 interest in the parties or subject matter. *Id.* In contrast, where “there is no evidence that plaintiffs
3 engaged in forum shopping and both plaintiffs and defendant have significant contacts with the
4 Northern District of California, plaintiffs’ choice of forum carries significant weight.” *Roling v.*
5 *E*Trade Sec., LLC*, 756 F.Supp.2d 1179, 1186 (N.D. Cal. 2010).

6 Here, plaintiff purports to bring this action on behalf of a nationwide class and a California
7 sub-class. That this case involves a putative nationwide class diminishes the deference afforded to
8 plaintiff’s choice of forum. Even if the classes are certified, however, the named plaintiff, who
9 resides in this district, “would still bear a fiduciary responsibility to lead the class,” and thus his
10 choice of forum still is entitled to some deference. *Van Slyke v. Capital One Bank*, 503 F.Supp.2d
11 1353, 1363 (N.D. Cal. 2007). As to the extent of the parties’ contacts with this forum, plaintiff
12 avers that his contacts are significant because he resides, downloaded and played *Fortnite*, and
13 accepted and disaffirmed the EULAs in this district. Defendant does not dispute these facts but
14 counters that it has no relevant contacts with this district, and indeed, the relevant functions related
15 to in-App sales and refunds are determined by employees located in North Carolina. That said, it
16 also cannot be disputed that large numbers of *Fortnite* players reside in this district.

17 On balance, although defendant’s relevant contacts with this district appear minimal, it is
18 undisputed that plaintiff has substantial contacts with this forum. Thus, plaintiff’s choice of forum
19 is entitled to at least some deference. This factor weighs minimally against transfer.

20 2. Convenience of the Parties and Witnesses

21 Section 1404(a) provides for transfer to a more convenient forum, “not to a forum likely to
22 prove equally convenient or inconvenient.” *Adobe Sys. Inc. v. Childers*, No. 5:10-cv-03571-
23 JF/HRL, 2011 WL 566812, at *9 (N.D. Cal. Feb. 14, 2011) (quoting *Van Dusen*, 376 U.S. at 646).
24 Thus, transfer “should not be granted if the effect is simply to shift the inconvenience to the
25 plaintiff.” *Id.* (citing *Decker Coal Co. v. Commonwealth Edison Co.*, 805 F.2d 834, 843 (9th Cir.
26 1986)). Further, “[t]he convenience of the witnesses, particularly non-party witnesses, is often the
27 most important factor” in ruling on a motion to transfer venue under section 1404(a). *Grossman v.*
28 *Johnson & Johnson*, No. 14-CV-03557-VC, 2015 WL 1743116, at *1 (N.D. Cal. Apr. 13, 2015)

(citation omitted). To evaluate witness convenience, “courts must consider not only the number of witnesses, but also the nature and quality of their testimony.” *United States ex rel. Tutaness-Luster v. Broker Sols., Inc.*, No. 17-CV-04384-JST, 2019 WL 1024962, at *5 (N.D. Cal. Mar. 4, 2019) (citation omitted). Moreover, courts generally give less consideration to the convenience of party witnesses or witnesses employed by a party because these witnesses can be compelled by the parties to testify regardless of where the litigation will occur. *Allstar Mktg. Grp., LLC v. Your Store Online, LLC*, 666 F.Supp.2d 1109, 1132 (C.D. Cal. 2009). “[In] establishing inconvenience to witnesses, the moving party must name the witnesses, state their location, and explain their testimony and its relevance.” *Imran v. Vital Pharm., Inc.*, No. 18-CV-05758-JST, 2019 WL 1509180, at *4 (N.D. Cal. Apr. 5, 2019) (citation omitted).

As previously mentioned, defendant avers that the employees familiar with issues in this case, including the marketing of and refunds for in-App purchases, work at or near defendant’s headquarters in Cary, North Carolina. Plaintiff counters that based on publicly-available job postings, some party witnesses, including defendant’s software engineers and Chief Technology Officer, work at defendant’s office in Larkspur, California. Plaintiff further emphasizes that defendant has not identified any witnesses who cannot be produced in this district or for whom this district would not be a more convenient forum.

Defendant’s arguments fail to persuade. Although it is likely some witnesses would be inconvenienced by traveling from North Carolina headquarters to this district for trial, defendant does not identify any one of them—much less a non-party witness—with specificity. The absence of reference to non-party witnesses is notable because defendant’s employees may be compelled to appear in this Court. Insofar as some employees may leave the company by the time this case is tried, the Court cannot predict where these former employees will reside, and thus, cannot assume either district will be a more convenient forum. With respect to depositions, those can be conducted in North Carolina if appropriate.

Defendant has not carried its burden of demonstrating that North Carolina is a more convenient location for the parties or most witnesses. Plaintiff, for his part, has not identified any witnesses that would be inconvenienced by transfer either. Therefore, this factor is neutral.

1 3. *Ease of Access to Evidence*

2 “[I]n the age of electronically stored information, the ease of access to evidence is neutral
3 because much of the evidence in this case will be electronic documents, which are relatively easy
4 to obtain in any district.” *See Simpson Strong-Tie Co., Inc. v. Oz-Post Int’l, LLC*, 2018 WL
5 3956430, at *8 (N.D. Cal. Aug. 17, 2018) (internal citation and quotation marks omitted). As
6 such, this factor is neutral.

7 4. *Familiarity with Applicable Law*

8 Plaintiff contends that this Court is more familiar with California law, which governs at
9 least two of his six claims in this action. Defendant counters that there is a dispute regarding
10 whether California law or North Carolina law will apply to the substantive claims, and thus, it is
11 premature for the Court to consider which if either court is more familiar with the applicable law.
12 Defendant’s argument persuades. Given that a dispute remains regarding what state’s law applies,
13 this factor is neutral.

14 5. *Local Interest in the Controversy*

15 Defendant argues that this factor is, at worst, neutral, because North Carolina has as much
16 interest in regulating the conduct of one of its corporations as California does in protecting its
17 residents. In *R.A. v. Epic Games, Inc.*, Case No. 2:19-cv-014488 (C.D. Cal. July 30, 2019), Dkt.
18 No. 39 at 15 n.4, the court found California and North Carolina both had interests in the outcome
19 of the litigation based on this rationale, especially given the reach of defendant. This Court
20 agrees. Thus, this factor is neutral.

21 6. *Balancing of Factors*

22 In sum, all section 1404(a) factors are neutral except for plaintiff’s choice of forum, which
23 weighs minimally against transfer. As such, defendant has not established that the Eastern District
24 of North Carolina is the more appropriate forum, and its request for transfer is **DENIED**.¹⁴

26 ¹⁴ Defendant notes that this is the third putative class action brought against Epic Games
27 in recent months, all which were filed in districts outside of North Carolina. The other two were
28 transferred to the Eastern District of North Carolina. *R.A. v. Epic Games, Inc.*, Case No. 2:19-cv-
014488 (C.D. Cal. July 30, 2019), Dkt. No. 39; *Krohm v. Epic Games*, Case No. 5:19-cv-00173
(N.D. Ill. Apr. 30, 2019), Dkt. No. 13. Neither is binding on this Court, however, and in any

IV. MOTION TO DISMISS

Under Federal Rule of Civil Procedure 12(b)(6), a district court must dismiss a complaint if it fails to state a claim upon which relief can be granted. To survive a motion to dismiss, the plaintiff must allege “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). This “facial plausibility” standard requires the plaintiff to allege facts that add up to “more than a sheer possibility that a defendant has acted unlawfully.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). In deciding whether the plaintiff has stated a claim, a court must assume that plaintiff’s allegations are true and draw all reasonable inferences in the plaintiff’s favor. *Usher v. City of L.A.*, 828 F.2d 556, 561 (9th Cir. 1987). However, the court is not required to accept as true “allegations that are merely conclusory, unwarranted deductions of fact, or unreasonable inferences.” *In re Gilead Scis. Sec. Litig.*, 536 F.3d 1049, 1055 (9th Cir. 2008) (citation omitted).

Defendant moves to dismiss plaintiff’s claims. Below, the Court analyzes each claim in turn.¹⁵

A. Declaratory Judgment

Defendant moves to dismiss claiming that plaintiff lacks standing to pursue a declaratory judgment given the dispute over the legal effect of disaffirmance and the failure to plead whether defendant refused plaintiff’s request for a refund.

Pursuant to the Declaratory Judgment Act, “[i]n a case of actual controversy,” the Court “may declare the rights and other legal relations of any interested party seeking such declaration,

event, both are distinguishable. In *R.A.*, the court found that in light of the parties’ contacts with North Carolina, the number of witnesses located there, and the fact that the Central District of California bench is vastly understaffed weighed in favor of transfer. Here, the parties here have not provided any information regarding relative court congestion here. In *Krohm*, the court transferred the action because of the EULA’s forum selection clause, which, as discussed, does not apply here in light of plaintiff’s disaffirmance.

¹⁵ Defendant devotes a portion of its motion to dismiss to its argument that plaintiff has not disaffirmed its in-App purchases. This argument is not tied to any specific cause of action defendant seeks to have dismissed. In any event, as previously discussed, the May 17 letter and the filing of this suit conveyed plaintiff’s intent to disaffirm in-App purchases allegedly made using plaintiff’s own money.

whether or not further relief is or could be sought.” 28 U.S.C. § 2201(a). “This statute does not create new substantive rights, but merely expands the remedies available in federal courts.” *Shell Gulf of Mexico, Inc. v. Center for Biological Diversity, Inc.*, 771 F.3d 632, 635 (9th Cir. 2014). “To determine whether a declaratory judgment action presents a justiciable case or controversy, courts consider ‘whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.’” *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). A critical question is whether the declaratory relief “will serve a useful purpose in clarifying and settling the legal relations in issue[.]” *McGraw-Edison Co. v. Preformed Line Prods. Co.*, 362 F.2d 339, 342 (9th Cir. 1966).

Here, plaintiff seeks “a determination by the Court that: (a) this action may proceed and be maintained as a class action; (b) the sales contracts between [d]efendant and the children of the class members, relating to the purchase of Game Currency, are voidable at the option of the respective class members on behalf of their minor children; (c) if the class members elect to void the contracts, they will be entitled to restitution and interest thereon; (d) an award of reasonable attorneys’ fees and costs of suit to Plaintiff and the Class is appropriate; and (e) such other and further relief as is necessary and just may be appropriate as well.”

Defendant’s standing arguments fail to persuade. To claim that there is no dispute on disaffirmance strains credulity. Nowhere in its numerous filings related to the pending motions does defendant suggest that it *agrees* with plaintiff’s position on disaffirmance or refunds, such that there can be no dispute. To the contrary, in its motion, defendant argues that plaintiff did not and cannot disaffirm contracts with defendant. Further, the May 17 letter sent by plaintiff’s counsel to defendant stated plaintiff’s position that he “can legally disaffirm contracts with [defendant] for in-App [p]urchases” and that defendant’s “non-refundable policy violates the laws of the state of California with respect to contracting with minors.” The letter “demand[ed] that [defendant] correct, repair, replace[,] or otherwise rectify the Fortnite video game non-refundable policy” and stated that plaintiff would file a complaint if defendant did not respond. There is no

evidence, allegation, or suggestion that defendant responded. Defendant therefore has indicated its unwillingness to honor plaintiff's disaffirmance and refund the in-App purchases.

Next, with respect to the notion that plaintiff lacks standing because he has not alleged that he purchased items labeled "not eligible for refund" or that he saw any non-refundable disclosures, the complaint alleges that "[s]ome items remain non-refundable and outside Epic's refund policy including for example, Battle Pass or BattlePass tiers," both which plaintiff allegedly purchased. The complaint also includes screenshots indicating that when a player purchases "Battle Pass," at the bottom-right of the screen, there is a disclaimer that the item "is not eligible for refund." Whether or not he saw this or any other disclosure before making in-App purchases, plaintiff alleges that he later "wanted to disaffirm" and "cancel" his in-App purchases but "was not allowed to do so," in part because of defendant's non-refundable policy. At this juncture, the Court must construe the complaint in the light most favorable to plaintiff, resolving any ambiguity in his favor. *See Jenkins v. McKeithen*, 395 U.S. 411, 421 (1969). The Court thus finds that the allegations in the complaint are sufficient to establish plaintiff's standing for purposes of his declaratory judgment claim.

Finally, *T. K.*, on which defendant relies, does not compel a different result. There, the court *allowed* plaintiff to proceed with a declaratory relief claim, finding that the complaint "show[ed] an apparent dispute between the parties about the legal effect of disaffirmance, insofar as Adobe initially refused to refund all of T.K.'s payments made under the renewal agreement and did so only after T.K. filed this action." 2018 WL 1812200, at *13. Here, defendant is not entitled to dismissal simply because it has not affirmatively rejected a refund request. Nor can defendant claim to be ignorant regarding plaintiff's position on disaffirmance. Rather, like in *T.K.*, there exists an actual controversy between the parties over the rights of minors to disaffirm in-App purchases and, if the contracts can be disaffirmed, whether minors are entitled to refunds. *See In re Apple In-App Purchase Litig.*, 855 F. Supp. 2d 1030, 1035-36 (N.D. Cal. 2012) (denying motion to dismiss declaratory relief claim for determination that minors' sales contracts of in-app game currency are voidable).

Defendant's motion to dismiss the claim for declaratory relief is therefore **DENIED**.

B. California Consumer Legal Remedies Act (CLRA)

Defendant moves for dismissal of the CLRA claim on the grounds that virtual currency is not a good or service and because plaintiff was not misled. The CLRA prohibits “unfair methods of competition and unfair or deceptive acts or practices undertaken by any person in a transaction intended to result or which results in the sale or lease of goods or services to any consumer.” Cal. Civ. Code § 1770(a). Plaintiff alleges that defendant has violated the CLRA’s proscription against (i) the concealment of the characteristics, use, benefit or quality of goods; (ii) representing that goods have uses or characteristics that they do not have; (iii) representing that goods are of particular standard or quality when they are not; and (iv) representing that a transaction confers or involves rights, remedies, or obligations which it does not have or involve, or which are prohibited by law. The Court considers each argument in turn.

I. “Goods or Services”

The CLRA applies to transactions involving the sale or lease of “goods or services.” Relevant here, “goods,” as defined in California Civil Code section 1761(a), means “tangible chattels bought or leased for use primarily for personal, family, or household purposes, including certificates or coupons exchangeable for these goods.”

Defendant argues that V-Bucks, the virtual currency plaintiff allegedly purchased while playing *Fortnite*, is not a “good or service” under the CLRA. Defendant primarily relies on two cases for support. In the first, *Berry v. American Express Publishing, Inc.*, 147 Cal. App.4th 224, 227, 229 (2007), the California Court of Appeal held that “the extension of credit” was not “tangible chattel.” Specifically, the court found that although a plastic credit card was tangible, it had “no intrinsic value and exist[ed] only as an indicia of the credit extended to the card holder.” *Id.* at 229. Thus, “separate and apart from the sale or lease of any specific goods or services, [the extension of credit] does not fall within the scope of the [CLRA].” *Id.*

In the second case, *I.B. ex rel. Fife v. Facebook, Inc.*, 905 F. Supp. 2d 989, 996 (N.D. Cal. 2012), which relied on *Berry*, minors brought a CLRA claim against Facebook arising out of their alleged purchases of “Facebook Credits,” a “payment system” that allowed “users to make purchases within the Facebook website.” On a motion to dismiss, the court found that Facebook

1 Credits, like the extension of credit in *Berry*, were not “tangible chattel,” and thus were not
2 covered by the CLRA. *Id.* at 1007-08.

3 Plaintiff avers that the “digital content” players can acquire through in-App purchases,
4 including “virtual supplies, ammunition, and skins,” is more akin to a “real-world” good than the
5 credit at issue in *Berry* and *I.B.* The Court disagrees. The complaint alleges that *Fortnite* players
6 can use real money to purchase V-Bucks, which can then be used to purchase content with which
7 to play the game. Thus, the transactions at issue in this case involve purchases of virtual currency,
8 not virtual supplies, ammunition, and skins. As such, and contrary to plaintiff’s contention, this
9 case bears close similarities to *I.B.*, in which Facebook Credits, which could be used as “payment”
10 on Facebook’s website, were not considered “goods” under the CLRA. Additionally, like in
11 *Berry*, V-Bucks “exist only as an indicia of the credit extended” to a *Fortnite* player. Moreover,
12 although “supplies” and “ammunition” may sound tangible, they are, as plaintiff himself agrees,
13 “digital.”¹⁶

14 Plaintiff’s CLRA claim therefore fails because the virtual currency at issue is not a good or
15 service. Nevertheless, in order to fully address the claim on the merits, the Court proceeds to
16 consider the other proposed basis for dismissal, namely, whether plaintiff has adequately pleaded
17 that he was misled.

18 2. Whether Plaintiff Adequately Pleaded that He Was Misled

19 The CLRA prohibits “unfair methods of competition” and “unfair or deceptive acts or
20 practices.” Cal Civ. Code § 1770(a). To state a claim under the CLRA, a plaintiff generally must
21 allege a misrepresentation, reliance, and damages. *See Marolda v. Symantec Corp.*, 672
22 F.Supp.2d 992, 1002-03 (N.D. Cal. 2009). A plaintiff can state a claim under the CLRA by
23 alleging either an affirmative misrepresentation or a failure to disclose. *See Rasmussen v. Apple,*
24 *Inc.*, 27 F.Supp.3d 1027, 1032 (N.D. Cal. 2014). Claims under the CLRA are governed by the

26 ¹⁶ The cases on which plaintiff relies, *Doe I v. AOL LLC*, 719 F.Supp.2d 1102, 1112 (N.D.
27 Cal. 2010), *Morgan v. AT & T Wireless Services, Inc.*, 177 Cal.App.4th 1235, 1260, 99
28 Cal.Rptr.3d 768 (2009), and *America Online, Inc. v. Sup. Ct.*, 90 Cal.App.4th 1, 108 Cal.Rptr.2d
699 (2001), are inapposite, as all three involved internet and telephone *service* providers. Plaintiff
does not argue that, as currently alleged, his CLRA claim is based on purchase of a “service.”

1 “reasonable consumer” test. *Williams v. Gerber Prods. Co.*, 552 F.3d 934, 938 (9th Cir. 2008)
 2 (citing *Freeman v. Time, Inc.*, 68 F.3d 285, 289 (9th Cir. 1995)).

3 Here, defendant argues that plaintiff’s CLRA claim fails because plaintiff was not misled.
 4 Specifically, defendant contends that plaintiff does not claim that he saw statements about in-App
 5 purchases being “not eligible for refund,” and even if he had, he has not alleged that these
 6 statements caused him damages. Plaintiff counters that the complaint sufficiently pleads that he
 7 was “misled and misinformed” by defendant and suffered harm from relying on these
 8 misrepresentations. The portions of the complaint to which plaintiff cites, however, do not
 9 support these contentions. For example, while plaintiff alleges that a disclaimer stating that
 10 purchases are “not eligible for refund” appears “in very small inconspicuous text,” plaintiff does
 11 not allege whether he saw this disclosure, and if he did, how he was misled by it. Further, it is not
 12 clear whether plaintiff’s theory regarding defendant’s non-refundable policy is based on
 13 affirmative misrepresentations or a failure to disclose: in one part of the complaint, plaintiff
 14 describes the “non-refundable” disclosure as “inconspicuous,” and in another part, he alleges there
 15 was a “publicized non-refund policy.”¹⁷

16 *T.K.* is instructive. There, a minor brought a CLRA claim related to Adobe’s sales of
 17 subscriptions to the “Adobe Creative Cloud Platform” to minors. 2018 WL 1812200, at *1.
 18 Adobe brought a motion to dismiss, arguing in part that plaintiff failed to allege that she relied on
 19 defendant’s alleged misrepresentations, which purportedly led plaintiff to belief that she “had no
 20 right to either disaffirm the[] contracts or receive refunds.” *Id.* at *7. The court agreed, finding
 21 that the complaint did not allege that plaintiff actually read the relevant terms of service or relied
 22

23
 24 ¹⁷ The Court notes that the complaint sets forth several theories for how defendant’s
 25 conduct was misleading and unlawful. For example, plaintiff alleges that he was induced to make
 26 in-App purchases, did not understand how much actual money was involved, did not understand
 27 defendant’s refund policy, and was not allowed to disaffirm or receive a refund. Plaintiff also
 28 alleges that defendant did not institute proper parental controls. While plaintiff may pursue any
 plausible theory at this juncture, the Court notes that any amended complaint would benefit from
 clarification regarding these separate theories, including which theory underlies each cause of
 action.

on them. *Id.*¹⁸ Similarly here, plaintiff fails to allege that he relied on any particular misrepresentations or omissions when making in-App purchases.

In addition, the subsections of the CLRA cited in the complaint, namely sections 1770(a)(5) (representations regarding “characteristics, . . . uses, benefits, or quantities”), 1770(a)(7) (representations that goods “are of a particular standard, quality, or grade”), and 1770(a)(14) (representations regarding “rights, remedies, or obligations”), are unsupported. Nowhere in the complaint does plaintiff allege facts showing that defendant misrepresented the characteristics, uses, benefits, or quantities of V-Bucks, or failed to disclose that they were of lower standard or quality than represented. Further, and as previously explained, plaintiff fails to explain how he was misled regarding his rights, remedies, or obligations when making the in-App purchases.

The Court finds plaintiff’s CLRA claim fails on this ground as well. However, because amendment of the pleadings could potentially cure the defects identified herein, the CLRA claim is **DISMISSED WITH LEAVE TO AMEND**.

C. Implied Duty of Good Faith and Fair Dealing

Defendant moves for dismissal of this claim on the basis that it is not grounded in any express contract provision. Moreover, defendant argues there was no breach of these purported implied covenants because players must enter payment methods to make in-App purchases and plaintiff allegedly made such purchases using his own money.

Every contract in the state of California contains an implied covenant of good faith and fair dealing that neither party will injure the right of the other party to receive the benefits of the agreement. *In re Apple In-App Purchase Litig.*, 855 F.Supp.2d at 1041 (citing *Wolf v. Walt Disney Pictures & Tel.*, 162 Cal. App. 4th 1107, 1120 (2008)). “The covenant is implied in every contract in order to protect the express covenants or promises of the contract.” *Imber-Gluck v. Google*,

¹⁸ The *T.K.* court also found that the plaintiff could not draw a plausible connection between defendant’s terms of service and the alleged injury because plaintiff was able to exercise her right to disaffirm the contract and received a refund. The portion of the court’s holding carries no weight here, where plaintiff does not allege that he received any refund from defendant.

1 *Inc.*, No. 5:14–CV–01070–RMW, 2014 WL 3600506, at *8 (N.D. Cal. July 21, 2014). As such,
 2 the implied covenant “cannot impose substantive duties or limits on the contracting parties beyond
 3 those incorporated in the specific terms of their agreement.” *Appling v. State Farm Mut. Auto. Ins.*
 4 *Co.*, 340 F.3d 769, 779 (9th Cir. 2003) (quoting *Guz v. Bechtel Nat. Inc.*, 24 Cal.4th 317, 352
 5 (2000)). However, “breach of a specific provision of the contract is not a necessary prerequisite”
 6 for breach of implied covenant of good faith and fair dealing. *Carma Developers (Cal.), Inc. v.*
 7 *Marathon Development California, Inc.*, 2 Cal.4th 342, 373 (1992).

8 “A plaintiff asserting a claim for breach of the implied covenant of good faith and fair
 9 dealing must allege the following elements: (1) the existence of a contract; (2) the plaintiff did all,
 10 or substantially all of the significant things the contract required; (3) the conditions required for
 11 the defendant’s performance had occurred; (4) the defendant unfairly interfered with the plaintiff’s
 12 right to receive the benefits of the contract; and (5) the plaintiff was harmed by the defendant’s
 13 conduct.” *Oculus Innovative Sciences, Inc. v. Nofil Corp.*, 2007 WL 2600746, at *4 (N.D. Cal.
 14 Sept. 10, 2007) (citation omitted). Here, plaintiff alleges that defendant breached its duty of good
 15 faith and fair dealing by not taking steps to ensure that minors obtained consent from their parents
 16 or guardians before playing *Fortnite* and by inducing minors to make non-refundable in-App
 17 purchases.

18 Defendant relies on *T.K.* to support its argument. There, the court dismissed plaintiff’s
 19 good faith and fair dealing claim on the ground that plaintiff had not alleged that defendant
 20 frustrated her right to receive the benefits of the contract. 2018 WL 1812200, at *9. Specifically,
 21 the court found that plaintiff’s entire case was premised on her claims that Adobe’s terms of
 22 service misled her about her rights under California law and that Adobe refused to honor her
 23 disaffirmance. *Id.* By the plaintiff’s own admission, however, the contract did not promise her
 24 the right to disaffirm, and thus, it was not actionable as a breach of the implied covenant of good
 25 faith and fair dealing, which covers “the express covenants or promises of the contract.” *Id.*
 26 (quoting *Imber-Gluck*, 2014 WL 3600506 at *8).

27 The Court agrees that this case is similar to *T.K.* Namely, plaintiff alleges that defendant
 28 breached the implied covenant of good faith and fair dealing by misleading plaintiff with respect

to disaffirmance and refunds. However, the EULA and the screenshot included in the complaint indicate that defendant never promised plaintiff such options would be available, and indeed, stated that certain products were non-refundable. Further, although the amended EULA requires minors to obtain the consent of a parent or guardian before accepting the agreement, the Court is not persuaded that defendant breached an implied covenant by failing to ensure minors abide by this provision. Indeed, the provision imposes a duty on the player, not defendant. Thus, plaintiff has not alleged any failure to receive the benefits of a contract between him and defendant. *See In re Apple In-App Purchase Litig.*, 855 F. Supp. 2d at 1042 (“The Terms & Conditions signed by Plaintiffs expressly provide that Plaintiffs are responsible for activity occurring on or through their accounts and Apple may charge them for any such activity. Thus, the implied covenant cannot negate Apple’s ability to charge Plaintiffs.”)

Accordingly, defendant’s motion to dismiss plaintiff’s good faith and fair dealing claim is **GRANTED**. Because amendment would not be futile, however, the Court grants plaintiff **LEAVE TO AMEND**.

D. Negligent Misrepresentation

Next, defendant avers that plaintiff has not established any of the five elements of a negligent misrepresentation claim. “The elements of negligent misrepresentation are (1) the misrepresentation of a past or existing material fact, (2) without reasonable ground for believing it to be true, (3) with intent to induce another’s reliance on the fact misrepresented, (4) justifiable reliance on the misrepresentation, and (5) resulting damage.” *Apollo Capital Fund, LLC v. Roth Capital Partners, LLC*, 158 Cal.App.4th 226, 243 (2007) (citing *Shamsian v. Atlantic Richfield Co.*, 107 Cal.App.4th 967, 983 (2003)); *see also* Cal. Civ. Code § 1710(2) (defining “[d]eceiveit” as including “[t]he assertion, as a fact, of that which is not true, by one who has no reasonable ground for believing it to be true”). Plaintiff alleges that defendant misrepresented material facts by not giving notice to plaintiff of its “non-refundable policy” at the time of in-App purchases and by “omitting to give summaries or reports of purchases that have already occurred[.]” Plaintiff further alleges that defendant had a duty to provide players, including minors, with honest and

accurate information and should have known that a reasonable minor would be misled by its policies.

Here, defendant argues that although the complaint alleges it did not give notice to plaintiff of its non-refundable policy at the time of his purchases, plaintiff also alleges that defendant “may allow a refund of a total of three items through the lifetime of the user” and identifies which items are not eligible for refund under this policy. Defendant also contends that under the EULA, purchases of V-Bucks and content are final and not refundable except “as otherwise required by applicable law.”

As explained with respect to plaintiff’s CLRA claim, plaintiff has failed to allege sufficiently that defendant made a misrepresentation or that plaintiff justifiably relied on any misrepresentation. Thus, as with the CLRA claim, plaintiff’s negligent misrepresentation claim is **DISMISSED WITH LEAVE TO AMEND** insofar as plaintiff may be able to plead to meet the elements of the claim.

E. UCL

Defendant argues plaintiff’s UCL claim fails because (i) plaintiff does not sufficiently allege claims under any of the UCL’s prongs, and (ii) plaintiff cannot seek equitable relief under the UCL because he already has an adequate remedy at law. The UCL prohibits “any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising.” Cal. Bus. & Prof. Code § 17200. The UCL creates a cause of action for business practices that are (1) unlawful, (2) unfair, or (3) fraudulent. Each “prong” of the UCL provides a separate and distinct theory of liability. *Lozano v. AT & T Wireless Servs., Inc.*, 504 F.3d 718, 731 (9th Cir. 2007). Plaintiff asserts claims under all three prongs. The Court addresses each.

1. Unlawful

The unlawful prong of the UCL prohibits “anything that can properly be called a business practice and that at the same time is forbidden by law.” *Cel-Tech Commc’ns., Inc. v. L.A. Cellular Telephone Co.*, 20 Cal.4th 163, 180 (1999) (quotation marks and citations omitted). “By proscribing ‘any unlawful’ business practice, the UCL permits injured consumers to ‘borrow’ violations of other laws and treat them as unlawful competition that is independently actionable.”

In re Adobe Sys., Inc. Privacy Litig., 66 F. Supp. 3d 1197, 1225 (N.D. Cal. 2014) (quoting *Cel-Tech Commc'ns.*, 20 Cal.4th at 180).

Plaintiff alleges that defendant's conduct is unlawful under the UCL because it (i) violates the CLRA, (ii) breaches the implied covenant of good faith and fair dealing, (iii) constitutes negligent misrepresentation, and (iv) violates the minor's right to disaffirm a contract. As to the first three claims, the Court has dismissed these causes of action. Accordingly, they may not form the basis for plaintiff's UCL claim. The Court also has found, however, that plaintiff's allegations are sufficient to support his theory that defendant is unwilling to honor plaintiff's disaffirmance of his in-App purchases.

Thus, plaintiff may proceed with his UCL claim for unlawful conduct to the extent it is predicated on defendant's alleged violation of the minor's right to disaffirm a contract.

Defendant's motion to dismiss plaintiff's UCL claim on this ground is therefore **DENIED**.

2. *Unfair*

There are two standards for determining what is "unfair competition" under the UCL. The first standard, in the context of claims brought by consumers, requires allegations that the challenged conduct violates a "public policy" that is "tethered" to a specific constitutional, statutory, or regulatory provision. *Gregory v. Albertson's, Inc.*, 104 Cal. App. 4th 845, 853 (2002). The second standard "involves balancing the harm to the consumer against the utility of the defendant's practice." *Lozano*, 504 F.3d at 735.

Plaintiff asserts that defendant's conduct is unfair under both standards. Specifically, plaintiff alleges that defendant engaged in unfair practices by actively advertising, marketing, and promoting applications as "free" with the intent to induce minors to purchase game currency. The complaint, however, does not contain a single factual allegation to support this conclusory statement. Indeed, plaintiff alleges that V-Bucks can be earned in-game *or* purchased for money, and players must enter and save a payment method in order to make in-App purchases. As such, the Court **GRANTS** defendant's motion to dismiss plaintiff's UCL claim insofar as that claim is premised on the unfair prong of the UCL. However, because amendment would not be futile, the Court grants plaintiff **LEAVE TO AMEND**.

1 3. *Fraudulent*

2 The “fraudulent” prong of the UCL “requires a showing [that] members of the public are
 3 likely to be deceived.” *Wang v. Massey Chevrolet*, 97 Cal. App. 4th 856, 871 (2002). “[W]hether
 4 a business practice is deceptive will usually be a question of fact not appropriate for decision on” a
 5 motion to dismiss. *See Williams*, 552 F.3d at 938. To state a claim under the fraudulent prong, a
 6 plaintiff also is “required to prove ‘actual reliance on the allegedly deceptive or misleading
 7 statements,’ and that ‘the misrepresentation was an immediate cause of the injury-producing
 8 conduct.’” *Sateriale v. R.J. Reynolds Tobacco Co.*, 697 F.3d 777, 793 (9th Cir. 2012) (quoting
 9 *Kwikset v. Superior Court*, 51 Cal. 4th 310 (2011) and *In Re Tobacco II Cases*, 46 Cal. 4th 298
 10 (2009)). Here, plaintiff alleges that defendant’s conduct was fraudulent under the UCL because
 11 defendant intentionally and knowingly “omitted giving information” on amounts spent on in-App
 12 purchases, thereby misleading plaintiff about his purchase history. Elsewhere in the complaint,
 13 plaintiff alleges that *Fortnite* players have no way of knowing and cannot track the money already
 14 spent on in-App purchases.

15 Defendant argues that plaintiff’s claim under the fraudulent prong of the UCL fails because
 16 players can track through their credit or debit cards or through PayPal, and in any event, defendant
 17 is not obligated to provide players with such information. Plaintiff counters that minors do not
 18 have access to their parents’ credit card or bank account statements and that non-disclosure of
 19 material information such as purchasing history is fraudulent.

20 Plaintiff’s argument that minors do not have access to information about their purchase
 21 history is undermined by the fact that plaintiff’s allegations in this case are based on in-App
 22 purchases he made using his own money. Moreover, it is reasonable to believe that at least some
 23 minors obtain the consent of their parents or guardians before using their credit cards or bank
 24 accounts to make in-App purchases, and for those who do not, the Court is not persuaded that
 25 defendant must make their purchase history easily accessible through *Fortnite*. In addition,
 26 plaintiff’s allegation that defendant “omitted giving information” about purchase history does not
 27 explain whether plaintiff ever sought this information and whether defendant refused to provide it.

28 Plaintiff’s UCL claim under the fraudulent prong is **DISMISSED WITH LEAVE TO AMEND**.

4. *Adequate Remedy at Law*

Having found that plaintiff's UCL claim survives to the extent it is brought under the unlawful prong and predicated on an alleged violation of the minor's right to disaffirm, the Court considers whether the claim nevertheless fails because plaintiff has an adequate remedy at law.

The Court recently considered this issue in *Luong v. Subaru of Am., Inc.*, 2018 WL 2047646 at *7 (N.D. Cal. May 2, 2018). There, like here, defendant argued that plaintiffs' UCL claim was subject to dismissal to the extent they sought equitable relief because plaintiffs already had an adequate remedy at law. *Id.* This Court held:

[T]here is a split of authority in the California district courts on the question of whether plaintiffs should be barred from pleading claims for equitable relief under the UCL and CLRA if they have alleged a claim that would provide an adequate remedy at law. *See Aberin v. Am. Honda Motor Co., Inc.*, No. 16-CV-04384-JST, 2018 WL 1473085, at *9 (N.D. Cal. Mar. 26, 2018) (denying dismissal); *Adkins v. Comcast Corp.*, No. 16-CV-05969-VC, 2017 WL 3491973, at *3 (N.D. Cal. Aug. 1, 2017) ("A few federal courts seem to have decided that claims for equitable relief should be dismissed at the pleading stage if the plaintiff manages to state a claim for relief that carries a remedy at law. . . . But this Court is aware of no basis in California or federal law for prohibiting the plaintiffs from pursuing their equitable claims in the alternative to legal remedies at the pleadings stage."); *Huu Nguyen v. Nissan N. Am., Inc.*, No. 16-CV-05591-LHK, 2017 WL 1330602, at *4 (N.D. Cal. Apr. 11, 2017) (granting dismissal because plaintiff had adequate remedy at law); *Munning v. Gap, Inc.*, 238 F. Supp. 3d 1195, 1204 (N.D. Cal. 2017) (same); *Moss v. Infinity Ins. Co.*, 197 F. Supp. 3d 1191, 1203 (N.D. Cal. 2016) (same). ***The Court finds those decisions allowing claims for equitable relief to proceed as an alternative remedy, at the pleading stage, to be more persuasive, based upon the broad remedial purposes of the California consumer protection statutes.***

Id. (emphasis supplied). Specifically, the Court reasoned that Business & Professions Code section 17205 expressly states that the remedies provided for a UCL violation are "cumulative to each other and to the remedies or penalties available under all other laws of this state." *Id.*; *see also State v. Altus Fin., S.A.*, 36 Cal. 4th 1284, 1303 (2005) ("[T]he fact that there are alternative remedies under a specific statute does not preclude a UCL remedy, unless the statute itself provides that the remedy is to be exclusive.").

Accordingly, defendant's motion to dismiss plaintiff's UCL claim because plaintiff has an adequate remedy at law is **DENIED**.

F. Unjust Enrichment

The Ninth Circuit has held that under California law, while “there is not a standalone cause of action for unjust enrichment, . . . [w]hen a plaintiff alleges unjust enrichment, a court may construe the cause of action as a quasi-contract claim seeking restitution.” *Astiana v. Hain Celestial Grp., Inc.*, 783 F.3d 753, 762 (9th Cir. 2015) (internal citations and quotations omitted). “The fact that one person benefits another is not, by itself, sufficient to require restitution. The person receiving the benefit is required to make restitution only if the circumstances are such that, as between the two individuals, it is *unjust* for the person to retain it.” *First Nationwide Savings v. Perry*, 11 Cal.App.4th 1657, 1663 (1992) (emphasis in original); *see also Astiana*, 783 F.3d at 762 (explaining that restitution and unjust enrichment “describe the theory underlying a claim that a defendant has been unjustly conferred a benefit through mistake, fraud, coercion, or request” (internal quotation marks omitted)).

Plaintiff alleges defendant was unjustly enriched through its policy of not refunding in-App purchases of digital products and game currency. Plaintiff asserts that he is entitled to recover all revenue acquired as a result of this policy. Defendant argues that this claim fails for the same reason as certain of the other claims, namely, because plaintiff has not alleged that he requested to disaffirm his contract with defendant or that defendant unjustly refused such a request. This argument fails because, as explained above, plaintiff has sufficiently pleaded that defendant was unwilling to honor plaintiff’s disaffirmance and refund plaintiff for his in-App purchases. Plaintiff’s unjust enrichment claim nevertheless fails, however, because plaintiff has not alleged that he was misled or that defendant breached any express or implied covenant as it relates to defendant’s non-refundable policy.¹⁹

As such, defendant’s motion to dismiss the unjust enrichment claim is **GRANTED**. As with the other claims that have been dismissed, however, plaintiff shall be granted **LEAVE TO AMEND**.

¹⁹ Defendant additionally argues that plaintiff’s unjust enrichment claim fails because he has an adequate remedy at law. As discussed, however, plaintiff is permitted to pursue alternative forms of relief, notwithstanding the availability of a legal remedy.

V. MOTION TO COMPEL COMPLIANCE WITH RULE 10(A)

Finally, the Court addresses defendant's motion to compel plaintiff to comply with Rule 10(a), which provides that every pleading must "name all the parties." Fed. R. Civ. P. 10(a). Defendant asks the Court to require Johnny Doe to litigate under his initials and require Jane Doe to litigate under her full name.

As a threshold matter, plaintiff contends that the motion is procedurally improper because it essentially is a motion for reconsideration of the Court's order granting plaintiff leave to proceed under a pseudonym, filed absent leave of Court. Plaintiff filed this action on June 21, 2019 and concurrently filed an *ex parte* motion to seek leave from the Court to proceed under a pseudonym. In its *ex parte* motion, plaintiff noted that defendant would not be prejudiced by the Court allowing plaintiffs "to press their claims anonymously at this juncture[,] given the limited, initial stage through which [p]laintiffs seek this relief: as [p]laintiffs plead their case, and [d]efendant presents its answer and defenses." On June 25, 2019, defendant executed a waiver of service of summons that included receipt of the motion. Just over two weeks later, on July 11, 2019, the Court granted plaintiff's motion.

The Court granted plaintiff's motion to proceed under a pseudonym when this case was in its infancy, before defendant's counsel had appeared let alone responded to the complaint. Now that defendant's counsel has appeared and the parties have engaged in motion practice that provides additional insight into the case, the circumstances have changed materially. This is sufficient to warrant consideration of the motion to compel compliance with Rule 10(a) on the merits. *See Jane Doe v. John F. Kennedy University*, No. 4:13-cv-1137-DMR (N.D. Cal.), Dkt. Nos. 4, 34 (granting an *ex parte* motion to proceed under a pseudonym and later granting motion for an order requiring plaintiff to refile under her true name).

Turning to the merits, in the Ninth Circuit, parties may proceed under pseudonyms only "in the 'unusual case' when nondisclosure of the party's identity 'is necessary . . . to protect a person from harassment, injury, ridicule or personal embarrassment.'" *Does I Thru XXIII v. Advanced Textile Corp.*, 214 F.3d 1058, 1067–68 (9th Cir. 2000) (quoting *United States v. Doe*, 655 F.2d 920, 922 n. 1 (9th Cir. 1981)). The Court determines whether the plaintiff may

1 proceed anonymously by balancing five factors: (1) the severity of the threatened harm, (2) the
2 reasonableness of the anonymous party's fears, (3) the anonymous party's vulnerability to such
3 retaliation, (4) the prejudice to the opposing party, and (5) the public interest. *Id.* at 1068–69.

4 Here, plaintiff contends that he should be permitted to proceed under pseudonym because
5 his gaming habits constitute highly sensitive personal information and he fears retaliation from the
6 community if his identity is revealed. Plaintiff further argues that defendant will not suffer any
7 hardship from plaintiff proceeding anonymously because defendant knows plaintiff's identity.
8 Further, plaintiff avers that the public interest in seeing this case resolved on the merits weighs in
9 favor of granting anonymity, implying that plaintiff may not proceed with the litigation if he must
10 face public scrutiny.

11 Plaintiff's arguments fail to persuade. Although plaintiff's position in this litigation may
12 be unpopular to some, his fear of social stigmatization is speculative and there is no indication
13 plaintiff is likely to suffer more severe retaliation than in the typical consumer action. Further,
14 plaintiff's "technology preferences" and "video-gaming habits," while perhaps sensitive, do not
15 justify the use of a pseudonym, which runs contrary to the "normal presumption in litigation [] that
16 parties must use their real names." *Doe v. Kamehameha Sch./Bernice Pauahi Bishop Estate*, 596
17 F.3d 1036, 1042 (9th Cir. 2010) (citing *Advanced Textile Corp.*, 214 F.3d at 1043). Indeed,
18 information about plaintiff's use of *Fortnite* is of an entirely different nature than that which
19 typically justifies the use of pseudonyms, such as information about sexual abuse, human
20 trafficking, or mental illness. Moreover, the public interest in resolution of this case on the merits
21 does not outweigh the public's interest in the openness of the proceeding.

22 As such, defendant's motion to compel compliance with Rule 10(a) is **GRANTED**.

23 **VI. CONCLUSION**

24 For the foregoing reasons, the Court hereby **ORDERS**:

- 25 (i) defendant's motion to compel arbitration is **DENIED**;
- 26 (ii) defendant's motion to transfer this case to the Eastern District of North Carolina is
27 **DENIED**;
- 28 (iii) defendant's motion to dismiss is **DENIED** as to (A) declaratory judgment, and (B)

the UCL, insofar as plaintiff's claim is brought under the unlawful prong and predicated on an alleged violation of the minor's right to disaffirm;

(iv) defendant's motion to dismiss is **GRANTED WITH LEAVE TO AMEND** as to (A) the CLRA, (B) the implied covenant of good faith and fair dealing, (C) negligent misrepresentation claim, (D) the UCL, except as set forth above, and (E) unjust enrichment; and

(v) defendant's motion to compel compliance with Rule 10(a) is **GRANTED**.²⁰

An amended complaint must be filed within **twenty-one (21) days** of issuance of this order.²¹ Such complaint must identify plaintiff Johnny Doe and his guardian Jane Doe by name in accordance with Rule 5.2 as it relates to minors. Any response to thereto is due **fourteen (14) days** after plaintiff's filing.²²

This Order terminates Docket Numbers 18, 20, 21, 44, and 47, 49, and 52.

IT IS SO ORDERED.

Dated: January 23, 2020



YVONNE GONZALEZ ROGERS
UNITED STATES DISTRICT COURT JUDGE

²⁰ In light of the Court's grant of the motion to compel compliance with Rule 10(a), plaintiff's unopposed administrative motion to file under seal Docket Number 42-1, which includes plaintiff's screen name for playing *Fortnite*, is **DENIED**.

²¹ On December 18, 2019, while the instant motion was pending, plaintiff filed a motion for leave to file a first amended complaint. (Dkt. No. 49.) In light of this order, plaintiffs' motion is **DENIED WITHOUT PREJUDICE** to plaintiff to review this order and file an amended complaint in conformity thereof.

²² On January 9, 2020, the parties filed a joint discovery letter brief. (Dkt. No. 52.) The parties are advised that the court shall issue a protective order with respect to source code when and if such an order is necessary. There is no need to issue it at present. Additionally, the instant order addresses, at a minimum, some of the other discovery issues, and accordingly, the requests set forth in the letter are **DENIED WITHOUT PREJUDICE**. The parties are ordered to meet and confer and determine whether any disputes remain. If another motion is brought, the parties **SHALL** comply with this Court's standing order and submit letter briefs.

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

EPIC GAMES, INC.,

Plaintiff,

vs.

APPLE INC.,

Defendant.

Case No. 4:20-cv-05640-YGR

**ORDER GRANTING IN PART AND DENYING
IN PART MOTION FOR TEMPORARY
RESTRAINING ORDER**

Re: Dkt. No. 17

Plaintiff Epic Games, Inc. (“Epic Games”) brings this action against Apple Inc. (“Apple”), alleging violations of the Sherman Act, California’s Cartwright Act, and California’s Unfair Competition Law relating to Apple’s App Store policies. Specifically, Epic Games contests Apple’s in-app purchase (“IAP”) system through which Apple takes 30% and further prevents its game, Fortnite, from offering its own IAP outside of Apple’s system.

Now before the Court is Epic Games’ motion for a temporary restraining order requesting broad relief with respect to all of its products, including those managed by affiliates. Apple opposes the motion. Based on a preliminary review of the briefing, the Court permitted a reply on the issues relating to the graphics engine, the Unreal Engine, and Apple’s stated intention of revoking Epic’s developer tools. The Court heard oral arguments on the motion via the Zoom platform on August 24, 2020.

Having carefully reviewed the parties’ briefing, and the parties’ oral arguments, and for the reasons set forth more fully below, the Court **GRANTS IN PART** and **DENIES IN PART** Epic’s motion for a temporary restraining order.

I. BACKGROUND

Due to the expedited nature of Epic’s motion, the Court only summarizes the facts relevant to the disposition of the motion. Thus:

Epic Games is a United States-based tech-company that specializes in video games, including, as relevant here, the popular multi-platform¹ game, Fortnite. Fortnite is structured around “seasons,” whereby narratives, themes, and events are introduced for a limited time. Cross-platform play is enabled for all users so long as those users remain on the same version of the game. Fortnite’s next season starts on Thursday, August 27, 2020, and will require an update of the game to play.

Epic Games International, S.a.r.l (“Epic International”) is a related company based in Switzerland and hosts, among others, the Unreal Engine. The Unreal Engine is a graphics engine created by Epic International to assist in its development of video games that it later began licensing to other developers. The Unreal Engine 4, the current version of the engine on the market, is used by third-party developers for the development of video games for both console and mobile platforms, including for games currently offered in the iPhone App Store. These third parties range from smaller game developers to larger corporations, such as Microsoft Corporation. The Unreal Engine has also been used by third parties for architecture projects, film and television production, and medical training.

Apple is a ubiquitous tech-company that makes products ranging from hardware to software. Apple, as relevant here, maintains an App Store for the iOS platform that is geared for its mobile devices, the iPhones. The App Store allows third-party developers an opportunity to create and thereafter sell applications to iPhone users. Apple generally takes 30% of the sale of the application or of the IAP made within the third-party application itself. Apple’s agreements with developers and the App Store guidelines do not generally permit third-party developers to circumvent the IAP system.

As relevant here, Apple maintains separate developer agreements and developer program licensing agreements between Epic Games, Epic International and four other affiliated entities. Apple also maintains a separate agreement, “Xcode and Apple SDKs Agreement,” regarding its

¹ These platforms include Android, iOS, macOS, Windows, Sony Playstation, Microsoft Xbox, Nintendo Switch. Fortnite is also available for download through the Epic Games Store.

1 developer tools (software development kits, or “SDKs”).

2 On Thursday, August 13, 2020, Epic Games made the calculated decision to breach its
3 allegedly illegal agreements with Apple by activating allegedly hidden code in Fortnite allowing
4 Epic Games to collect IAPs directly. In response, Apple removed Fortnite from the App Store,
5 where it remains unavailable to the date of this Order. Later that same day, Epic Games filed this
6 action and began a pre-planned, and blistering, marketing campaign against Apple.

7 The following day, Apple responded sternly. It informed Epic Games that, based on its
8 breaches of the App Store guidelines, and the developer program license agreement, it would be
9 revoking all developer tools, which would preclude updates for other programs, including the
10 Unreal Engine. On Monday, August 17, 2020, Epic Games filed the instant motion. The next
11 day, the parties filed a stipulation in the matter, *Donald Cameron, et. al. v. Apple Inc.*, 4:19-cv-
12 03074-YGR (“*Cameron*”), requesting that this action be deemed a related case to *Cameron*. The
13 Court agreed and the matter was reassigned.

14 **II. LEGAL STANDARD**

15 Preliminary injunctive relief, whether in the form of a temporary restraining order or a
16 preliminary injunction, is an “extraordinary and drastic remedy,” that is never awarded as of right.
17 *Munaf v. Geren*, 553 U.S. 674, 689-690 (2008) (internal citations omitted). “It is so well settled as
18 not to require citation of authority that the usual function of a preliminary injunction is to preserve
19 the status quo ante litem pending a determination of the action on the merits.” *Tanner Motor*
20 *Livery, Ltd. v. Avis, Inc.*, 316 F.2d 804, 808 (9th Cir. 1963). A temporary restraining order is “not
21 a preliminary adjudication on the merits but rather a device for preserving the status quo and
22 preventing the irreparable loss of rights before judgment.” *Sierra On-Line, Inc. v. Phoenix*
23 *Software, Inc.*, 739 F.2d 1415, 1422 (9th Cir. 1984) (citation omitted).

24 Requests for temporary restraining orders are governed by the same general standards that
25 govern the issuance of a preliminary injunction. *See New Motor Vehicle Bd. v. Orrin W. Fox Co.*,
26 434 U.S. 1345, 1347 n.2 (1977); *Stuhlberg Int’l Sales Co., Inc. v. John D. Brush & Co., Inc.*, 240
27 F.3d 832, 839 n.7 (9th Cir. 2001). In order to obtain such relief, plaintiffs must establish four
28 factors: (1) they are likely to succeed on the merits; (2) they are likely to suffer irreparable harm in

the absence of preliminary relief; (3) the balance of equities tips in their favor; and (4) an injunction is in the public interest. *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7, 20 (2008). With respect to the success on the merits and balance of harms factors, courts permit a strong showing on one factor to offset a weaker showing on the other, so long as all four factors are established. *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d 1127, 1135 (9th Cir. 2011). In other words, “if a plaintiff can only show that there are serious questions going to the merits – a lesser showing than likelihood of success on the merits – then a preliminary injunction may still issue if the balance of hardships tips sharply in the plaintiff’s favor, and the other two *Winter* factors are satisfied.” *Shell Offshore, Inc. v. Greenpeace, Inc.*, 709 F.3d 1281, 1291 (9th Cir. 2013) (citations and quotations omitted).

III. ANALYSIS

The Court evaluates most of the factors through the lens of Apple’s actions with respect to (i) Epic Games specifically, including the delisting of Fortnite and other games authorized under Epic Games’ contract with Apple, and (ii) the anticipated suspension/termination of developer rights authorized under other contracts, such as the one with Epic International.

Likelihood of Success on the Merits: Epic brings ten claims for violations of Sherman Act, the California Cartwright Act, and California Unfair Competition. Based on a review of the current limited record before the Court, the Court cannot conclude that Epic has met the high burden of demonstrating a likelihood of success on the merits, especially in the antitrust context. However, the Court also concludes that serious questions do exist. Indeed, the Court related this action to the *Cameron* action because there are overlapping questions of facts and law, including substantively similar claims based on the same Apple App Store policies: namely, the 30% fee that Apple takes from developers through each application sale and IAP in the application. *Compare Cameron*, Consolidated Complaint, Dkt. No. 53 with *Epic Games, Inc. v. Apple Inc.*, Complaint, Dkt. No. 1. The Court considers this context in weighing the other factors.

Irreparable Harm: The issue of irreparable harm focuses on the harm caused by *not maintaining the status quo*, as opposed to the separate and distinct element of a remedy under the

likelihood of success factor.² Here, the Court’s evaluation is guided by the general notion that “self-inflicted wounds are not irreparable injury.” *Al Otro Lado v. Wolf*, 952 F.3d 999, 1008 (9th Cir. 2020) (quoting *Second City Music, Inc. v. City of Chicago*, 333 F.3d 846, 850 (7th Cir. 2003)). Further courts generally decline to find irreparable harm that “results from the express terms of [the] contract.” *See Salt Lake Tribune Publ’g Co., LLC v. AT&T Corp.*, 320 F.3d 1081, 1106 (10th Cir. 2003) (no irreparable harm where the alleged harm “results from the express terms of [the] contract”). At its core, irreparable harm is harm or injury that cannot be repaired.

The Court finds that with respect to Epic Games’ motion as to its games, including Fortnite, Epic Games has not yet demonstrated irreparable harm. The current predicament appears of its own making. *See Second City Music*, 333 F.3d at 850 (“Only the injury inflicted by one’s adversary counts for this purpose.”). Epic Games remains free to maintain its agreements with Apple in breach status as this litigation continues, but as the Seventh Circuit recognized in *Second City Music*, “[t]he sensible way to proceed is for [Epic to comply with the agreements and guidelines] and continue to operate while it builds a record.” *Id.* “Any injury that [Epic Games] incurs by following a different course is of its own choosing.” *Id.* Epic Games admits that the technology exists to “fix” the problem easily by deactivating the “hotfix.” That Epic Games would prefer *not* to litigate in that context does not mean that “irreparable harm” exists.

By contrast, Epic Games has made a preliminary showing of irreparable harm as to Apple’s actions related to the revocation of the developer tools (SDKs). The relevant agreement, the Apple Xcode and Apple SDKs Agreement, is a fully integrated document that explicitly walls off the developer program license agreement. (*See* Dkt. No. 41-21 at 16.) Apple’s reliance on its “historical practice” of removing all “affiliated” developer accounts in similar situations or on

² Indeed, the cases mentioned in passing during the August 24, 2020 hearing and unbriefed by Epic do not appear to change the analysis. These cases stand for the proposition that the doctrines of unclean hands and *in pari delicto* are not recognized as a defense to antitrust claims. *See generally Memorex Corp. v. Int’l Bus. Mach. Corp.*, 555 F.2d 1379, 1381 (9th Cir. 1977); *Perma Life Mufflers, Inc. v. Int’l Parts Corp.*, 392 U.S. 134, 140 (1968). *See also Kaiser Steel Corp. v. Mullins*, 455 U.S. 72, 83-84 (1982) (enforcement of “private agreements” is subject to “the restrictions and limitations of the public policy of the United States”). The issue of affirmative defenses is not currently before the Court.

1 broad language in the operative contract at issue here can be better evaluated with full briefing.
 2 For now, Epic International appears to have separate developer program license agreements with
 3 Apple and those agreements have not been breached. Moreover, Apple is hard-pressed to dispute
 4 that even if Epic Games succeeded on the merits, it could be too late to save all the projects by
 5 third-party developers relying on the engine that were shelved while support was unavailable.
 6 Indeed, such a scenario would likely lead to nebulous, hard-to-quantify questions, such as, how
 7 successful these other projects might have been, and how much in royalties would have been
 8 generated, much less the collateral damage to the third-party developers themselves.

9 Balance of Equities: The battle between Epic Games and Apple has apparently been
 10 brewing for some time. It is not clear why *now* became so urgent. The *Cameron* case which
 11 addresses the same issues has been pending for over a year, and yet, both Epic Games and Apple
 12 remain successful market players. If plaintiffs there, or here, prevail, monetary damages will be
 13 available and injunctive relief requiring a change in practice will likely be required. Epic Games
 14 moves this Court to allow it to access Apple's platform for free while it makes money on each
 15 purchase made on the same platform. While the Court anticipates experts will opine that Apple's
 16 30 percent take is anti-competitive, the Court doubts that an expert would suggest a zero percent
 17 alternative. Not even Epic Games gives away its products for free.

18 Thus, in focusing on the status quo, the Court observes that Epic Games strategically chose
 19 to breach its agreements with Apple which changed the status quo. No equities have been
 20 identified suggesting that the Court should impose a *new* status quo in favor of Epic Games. By
 21 contrast, with respect to the Unreal Engine and the developer tools, the Court finds the opposite
 22 result. In this regard, the contracts related to those applications were not breached. Apple does
 23 not persuade that it will be harmed based on any restraint on removing the developer tools. The
 24 parties' dispute is easily cabined on the antitrust allegations with respect to the App Store. It need
 25 not go farther. Apple has chosen to act severely, and by doing so, has impacted non-parties, and a
 26 third-party developer ecosystem. In this regard, the equities do weigh against Apple.

27 Public Interest: "[T]he public interest inquiry primarily addresses the impact on non-
 28 parties." *HiQ Labs, Inc. v. LinkedIn Corp.*, 938 F.3d 985, 1004 (9th Cir. 2019). "The plaintiffs

bear the initial burden of showing that the injunction is in the public interest.” *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1139 (9th Cir. 2009).

With respect to the gaming requests, the Court recognizes based on the numerous internet postings and comments submitted in the record that Fortnite players are passionate supporters of the game, and eagerly anticipate its return to the iOS platform. The Court further recognizes that during these coronavirus pandemic (COVID-19) times, virtual escapes may assist in connecting people and providing a space that is otherwise unavailable. However, the showing is not sufficient to conclude that these considerations outweigh the general public interest in requiring private parties to adhere to their contractual agreements or in resolving business disputes through normal, albeit expedited, proceedings. *See S. Glazer’s Distrib. of Ohio, LLC v. Great Lakes Brewing Co.*, 860 F.3d 844, 853 (6th Cir. 2017) (declining to enjoin termination of contract according to its terms because the “public has a strong interest in holding private parties to their agreements”).

With respect to the Unreal Engine and the developer tools, the calculus changes. The record shows potential significant damage to both the Unreal Engine platform itself, and to the gaming industry generally, including on both third-party developers and gamers. The public context in which this injury arises differs significantly: not only has the underlying agreement not been breached, but the economy is in dire need of increasing avenues for creativity and innovation, not eliminating them. Epic Games and Apple are at liberty to litigate against each other, but their dispute should not create havoc to bystanders. Certainly, during the period of a temporary restraining order, the status quo in this regard should be maintained.

Weighing of Factors: In sum, the Court finds that based upon the record before it, the *Winter* factors weigh ***against*** granting a temporary restraining order based on Epic Games’ requests as to Fortnite and other games and ***in favor*** of granting a temporary restraining order based as to the Unreal Engine and other effected developer tools.

IV. CONCLUSION

Accordingly, for the foregoing reasons, the Court **GRANTS IN PART** and **DENIES IN PART** the motion for a temporary restraining order.

THEREFORE, APPLE AND ALL PERSONS IN ACTIVE CONCERT OR PARTICIPATION WITH APPLE, ARE TEMPORARILY RESTRAINED from taking adverse action against Epic Games with respect to restricting, suspending or terminating any affiliate of Epic Games, such as Epic International, from Apple's Developer Program, including as to Unreal Engine, on the basis that Epic Games enabled in-app payment processing in Fortnite through means other than IAP or on the basis of the steps Epic took to do so.

For the reasons set forth above, and the parties' agreed-upon briefing schedule, this temporary restraining order is **EFFECTIVE IMMEDIATELY** and will remain in force until the Court issues an order on the motion for preliminary injunction. Neither party has requested a security bond and the Court finds that none is necessary as contemplated under Fed. R. Civ. P. 65(c). *See Connecticut Gen. Life Ins. Co. v. New Images of Beverly Hills*, 321 F.3d 878, 882 (9th Cir. 2003) ("The district court is afforded wide discretion in setting the amount of the bond, . . . and the bond amount may be zero if there is no evidence the party will suffer damages from the injunction.").


Finally, as discussed at the August 24, 2020 hearing and reflected in the minutes therein, the Court **ORDERS** a briefing schedule on a motion for preliminary injunction as follows:

1. Motion for preliminary injunction filed **on or before September 4, 2020**;
2. Response to motion for preliminary injunction filed **on or before September 15, 2020**;
3. Reply in support of motion for preliminary injunction filed **on or before September 18, 2020**; and
4. Hearing on the motion for preliminary injunction is set for **Monday, September 28, 2020 at 9:30 a.m. PDT** via the Zoom platform. The link will be posted on the docket.

This Order terminates Docket Number 17.

IT IS SO ORDERED.

Dated: August 24, 2020


YVONNE GONZALEZ ROGERS
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

EPIC GAMES, INC.,

Plaintiff,

vs.

APPLE INC.,

Defendant.

Case No. 4:20-cv-05640-YGR

**ORDER GRANTING IN PART AND DENYING
IN PART MOTION FOR PRELIMINARY
INJUNCTION**

Re: Dkt. No. 61

Preliminary injunctive relief is an extraordinary measure rarely granted. Plaintiff Epic Games, Inc.’s lawsuit against defendant Apple Inc. challenges the fundamental operation of digital platforms affecting millions of users. To resolve it, the Court must apply the Sherman Act, California’s Cartwright Act, and California’s Unfair Competition Law—statutes enacted more than a century ago—to a technology context where lawyers and economists can merely hypothesize about the future of the digital frontier. While courts are charged with adjudicating cases of significant impact, they do so cautiously, and on full records, with the status quo intact.

In this motion for preliminary injunction, Epic Games asks the Court to force Apple to reinstate *Fortnite* to the Apple App Store, despite its acknowledged breach of its licensing agreements and operating guidelines, and to stop Apple from terminating its affiliates’ access to developer tools for other applications, including Unreal Engine, while Epic Games litigates its claims. Having carefully considered the parties’ arguments, and for the reasons set forth more fully below, the Court maintains its findings from the temporary restraining order and hereby **GRANTS IN PART and DENIES IN PART** Epic Games’ motion for a preliminary injunction.

Epic Games bears the burden in asking for such extraordinary relief. Given the novelty and the magnitude of the issues, as well as the debate in both the academic community and society at large,¹ the Court is unwilling to tilt the playing field in favor of one party or the other with an

¹ See e.g., “Investigation of Competition in Digital Marketplaces,” STAFF OF SUBCOMM. ON ANTITRUST, COMMERCIAL, AND ADMIN. LAW OF THE COMM. ON THE JUDICIARY, UNITED

early ruling of likelihood of success on the merits. Epic Games has strong arguments regarding Apple's exclusive distribution through the iOS App Store, and the in-app purchase ("IAP") system through which Apple takes 30% of certain IAP payments. However, given the limited record, Epic Games has not sufficiently addressed Apple's counter arguments. The equities, addressed in the temporary restraining order, remain the same.

I. BACKGROUND

The Court summarizes the limited record before it on this motion for preliminary injunction. To expedite issuance of this Order, the Court cites to some of the basic background from its prior order² as the background is equally relevant here. The Court notes disputes in the evidence where otherwise appropriate.

A. The Players

With respect to Epic Games:

Epic Games is a United States-based tech-company that specializes in video games, including, as relevant here, the popular multi-platform³ game, *Fortnite*. *Fortnite* is structured around "seasons," whereby narratives, themes, and events are introduced for a limited time. Cross-platform play is enabled for all users so long as those users remain on the same version of the game. . . .

Epic Games International, S.a.r.l ("Epic International") is a related company based in Switzerland and hosts, among others, the Unreal Engine. The Unreal Engine is a graphics engine created by Epic International to assist in its development of video games that it later began licensing to other developers. The Unreal Engine 4, the current version of the engine on the market, is used by third-party developers for the development of video games for both console and mobile

STATES HOUSE OF REPRESENTATIVES, (Oct. 6, 2020). The Court finds it appropriate to take judicial notice of public documents generated by Congress, although the Court does not consider the content therein for purposes of this motion. *See Vasserman v. Henry Mayo Newhall Mem'l Hosp.*, 65 F. Supp. 3d 932, 942-43 (C.D. Cal. 2014) (noting that court can take notice of "[o]fficial acts of legislative, executive, and judicial departments of the United States"); *Del Puerto Water Dist. v United States Bur. of Reclamation*, 271 F. Supp. 2d 1224, 1234 (E.D. Cal. 2003) (taking judicial notice of House Reports).

² *See Epic Games, Inc. v. Apple Inc.*, 4:20-cv-05640-YGR, 2020 WL 5073937 (N.D. Cal. Aug. 24, 2020) (Dkt. No. 48).

³ These platforms include Android, iOS, macOS, Windows, Sony PlayStation 4, Microsoft Xbox One, Nintendo Switch. *Fortnite* is also available for download through the Epic Games Store, as discussed herein.

platforms, including for games currently offered in the iPhone App Store. These third parties range from smaller game developers to larger corporations, such as Microsoft Corporation. The Unreal Engine has also been used by third parties for architecture projects, film and television production, and medical training.

Epic Games, 2020 WL 5073937 at *1 (Dkt. No. 48 at 2). Epic Games has released twenty-five (25) updates to Unreal Engine since 2014, and anticipates releasing future updates to ensure that Unreal Engine remains compatible with new versions of Apple’s software, such as the now released iOS 14. Developers can use Unreal Engine commercially on a royalty model or negotiated license, but it is otherwise free for non-commercial use. Although more applications on the iOS platform are powered by a rival game engine, Unity, a significant number of iOS applications are constructed based on Unreal Engine, including *Fortnite* competitor *PlayerUnknown’s Battlegrounds* (“PUBG”).

Epic Games also maintains or controls other affiliates including: Epic International, Life on Air, Inc. (both in San Francisco, California and Austin, Texas), KA-RA S.a.r.l., Psyonix LLC, and Quixel AB (collectively, “Epic Affiliates”). The Epic Affiliates maintain control over certain applications and software within the Epic Games business. These identified applications include: Unreal Engine, Unreal Remote 2, Unreal Match 3, Action RPG Game Sample, Unreal Remote, Live Link Face, and House Party, among others. Meanwhile, Epic Games itself controls *Battle Breakers*, *Infinity Blade Stickers*, *Spyjinx*, and, as relevant here, *Fortnite*.

Beyond these games and applications, Epic Games also operates a digital marketplace to sell game software called the Epic Games Store. As pled in the operative complaint: the Epic Games Store was created to compete against the leading multi-publisher digital video game marketplace on computer platforms, Steam, which is operated by Valve Corporation. The Epic Games Store provides access to more than 250 games from more than 200 developers. Like other video game digital distribution platforms, the Epic Games Store offers personalized features, including friends list management and game matchmaking services. As alleged, absent Apple’s alleged anti-competitive conduct, Epic Games would also create an analogous Epic Games Store for the iOS platform independent of Apple’s digital marketplace.

1 With respect to Apple:

2 Apple is a ubiquitous tech-company that makes products ranging
3 from hardware to software. Apple, as relevant here, maintains an App
4 Store for the iOS platform that is geared for its mobile devices, the
5 iPhones [and iPads]. The App Store allows third-party developers an
6 opportunity to create and thereafter sell applications to iPhone [and
7 iPad] users. Apple generally takes 30% of the sale of the application
8 or of the IAP made within the third-party application itself. Apple's
9 agreements with developers and the App Store guidelines do not
10 generally permit third-party developers to circumvent the IAP system.

11 *Id.* at *2 (Dkt. No. 48 at 2). In addition to preventing developers from circumventing the IAP
12 system, developers are also prohibited from distributing applications outside of the App Store on
13 the iOS platform.⁴ In short: Apple maintains the iOS platform as a walled garden or closed
14 platform model, whereby Apple has strict and exclusive control over the hardware, the operating
15 system, the digital distribution, and the IAP system.

16 In order to access the App Store and to obtain developer tools, developers are required to
17 comply with Apple's rules and regulations through a web of agreements and guidelines:

18 As relevant here, Apple maintains separate developer agreements and
19 developer program licensing agreements between Epic Games, Epic
20 International and four other affiliated entities. Apple also maintains
21 a separate agreement, "Xcode and Apple SDKs Agreement,"
22 regarding its developer tools (software development kits, or "SDKs").

23 *Epic Games*, 2020 WL 5073937 at *1 (Dkt. No. 48 at 2-3). These agreements have broad
24 language including terminable at-will clauses.⁵

25 The relationship between Epic Games and Apple dates to at least 2011, when Epic Games
26 released its first *Infinity Blade* game on the iOS platform. Epic Games and Apple collaborated for
27 several Apple events, showcasing Epic Games' iOS games and the earlier iterations of the Unreal
28 Engine running on the iOS and macOS platforms. Following the success of *Fortnite* on other

24 ⁴ For purposes of this motion, the parties refer to the operating system for both iPhones
25 and iPads as iOS. (*See* Opp'n at 4, n.2 (Dkt. No. 73 at 10).) Moreover, Epic Games pleads that
26 there are no differences between iOS and iPadOS to the allegations in the complaint. (Compl. ¶
27 39, n.1 (Dkt. No. 1).) Similarly, this Order refers to iOS to refer to both the iPhone and iPad
28 platforms, and references to iPhones generally also apply to iPads.

⁵ The record also contains two enterprise account agreements for Epic Games and
YEVVO Entertainment, Inc. The parties do not otherwise discuss the significance of these
agreements.

video game platforms, Epic Games launched *Fortnite* on iOS in April 2018, where it remained on the platform until, as discussed below, August 13, 2020. During this time period: (i) 116 million iOS device users accessed *Fortnite*, spending more than 2.86 billion hours in the game; (ii) the daily average users numbered approximately 2.5 million daily iOS players, representing nearly 10% of *Fortnite*'s total average daily players; and (iii) 63% of iOS players on *Fortnite* have only accessed *Fortnite* from an iOS device. Finally, iOS users accounted for more IAPs within *Fortnite* than those on the Android platform, but iOS users spend less on IAPs than those on the console platforms, including the Sony PlayStation 4 and Microsoft Xbox One.

B. Relevant Background

On June 30, 2020, the developer program licensing agreements for the Epic Games account, the Epic International account, KA-RA S.a.r.l. account, and the Epic Games enterprise account were renewed by the payment of separate consideration.⁶ That same day, Epic Games founder and Chief Executive Officer ("CEO") Tim Sweeney sent an email to Apple executives, including Apple CEO Tim Cook, requesting the ability to offer iOS consumers: (1) competing payment processing options, "other than Apple payments, without Apple's fees, in *Fortnite* and other Epic Games software distributed through the iOS App Store"; and (2) a competing Epic Games Store app "available through the iOS App Store and through direct installation that has equal access to underlying operating system features for software installation and update as the iOS App Store itself has, including the ability to install and update software as seamlessly as the iOS App Store experience." (Sweeney Decl. ¶ 14, Ex. A (Dkt. No. 65-1 at 2).) Mr. Sweeney highlights that these two offerings would allow consumers to pay less for digital products, and allow developers to earn more money. Mr. Sweeney also wrote that he "hope[d] that Apple w[ould] also make these options equally available to all iOS developers in order to make software sales and distribution on the iOS platform as open and competitive as it is on personal computers." (*Id.*) In this email, Mr. Sweeney does not provide any offer to pay Apple any portion of the 30

⁶ The renewal price for the enterprise accounts were each \$299; the other agreements were each renewed at a price of \$99.

percent it charges on either app distribution or for IAP.

On July 10, 2020, Apple Vice President and Associate General Counsel Douglas G. Vetter responded to Mr. Sweeney's email with a formal letter. In short, Apple's response to Epic Games' requests was no. Both requests were unequivocally refused. (Sweeney Decl. ¶ 15, Ex. B (Dkt. No. 65-2).) As relevant here and with respect to the Epic Games Store request, Mr. Vetter wrote:

Apple has never allowed this. Not when we launched the App Store in 2008. Not now. We understand this might be in Epic's financial interests, but Apple strongly believes these rules are vital to the health of the Apple platform and carry enormous benefits for both consumers and developers. The guiding principle of the App Store is to provide a safe, secure and reliable experience for users and a great opportunity for all developers to be successful but, to be clear, when it comes to striking the balance, Apple errs on the side of the consumer.

(*Id.*) Mr. Vetter also reiterated that Epic Games' request to establish a separate payment processor would interfere with Apple's own IAP system, the business model of which has been used in the App Store since its inception. (*Id.*)

On July 17, 2020 Mr. Sweeney responded to what he described as a "self-righteous and self-serving screed," writing that he hoped "Apple someday chooses to return to its roots building open platforms in which consumers have freedom to install software from sources of their choosing, and developers can reach consumers and do business directly without intermediation." (Sweeney Decl. ¶ 16, Ex. C (Dkt. No. 65-3 at 2).) He stated that Epic Games "is in a state of substantial disagreement with Apple's policy and practices," and promised that it would "continue to pursue this, as [it] ha[s] done in the past to address other injustices in [the] industry." (*Id.*)

In fulfilling Mr. Sweeney's promise to "pursue this" perceived "injustice," Epic Games covertly introduced a "hotfix" into the *Fortnite* version 13.40 update on August 3, 2020. Epic Games did not disclose the full extent of this hotfix to Apple, namely that this hotfix would enable a significant and substantive feature to *Fortnite* permitting a direct pay option to Epic Games that would be activated when signaled by Epic Games' servers. Until this signal was sent out, this direct pay option would remain dormant. When activated, however, this direct pay option would allow iOS *Fortnite* players to choose a direct pay option that would circumvent Apple's IAP system. Relying on the representations, that intentionally omitted the full extent and disclosure of

1 this hotfix, Apple approved of the *Fortnite* version 13.40 to the App Store.⁷

2 The hotfix remained inactive until the early morning of August 13, 2020, when Epic
3 Games made the calculated decision to breach its allegedly illegal agreements with Apple by
4 activating the undisclosed code in *Fortnite*, allowing Epic Games to collect IAPs directly.
5 *Fortnite* remained on the App Store until later that morning, when Apple removed *Fortnite* from
6 the App Store, where it remains unavailable. Later that same day, Epic Games filed this action
7 and began a pre-planned, and blistering, marketing campaign against Apple. This marketing
8 campaign included: a large-scale twitter campaign, a releasing of a parody video of the iconic
9 Apple 1984 commercial, a *Fortnite* tournament in support of its lawsuit with in-game prizes, and a
10 releasing of a limited time skin in *Fortnite* called the Tart Tycoon,⁸ among other actions.

11 The following day, Apple responded sternly. It informed Epic Games that, based on its
12 breaches of the App Store guidelines, and the developer program license agreement, it would be
13 revoking all developer tools, which would preclude updates for its programs and software. Apple
14 gave two weeks to comply with the App Store guidelines and the agreements. Apple also
15 identified general consequences for any failure to comply, but specifically cited Unreal Engine as
16 potentially being subject to harm should Epic Games fail to comply within the two-week period.

17 Thereafter on August 17, 2020, Epic Games filed the request for a temporary restraining
18 order, requesting the reinstatement of *Fortnite* with its activated hotfix onto the App Store, and to
19 enjoin Apple from revoking the developer tools belonging to the Epic Affiliates. The Court
20 declined to reinstate *Fortnite* onto the App Store, but temporarily restrained Apple from taking any
21 action with respect to the Epic Affiliates' developer tools and accounts.

22
23 ⁷ Epic Games disputes that its use of the hotfix was deceptive where it is common practice
24 in the gaming and software industry. The deceptive conduct does not derive from Epic Games'
25 use of the hotfix specifically, but from using a hotfix to clandestinely add features in violation of
26 the guidelines and its agreements with Apple, and then failing to disclose such code. Moreover,
27 Epic Games did this despite receiving an unambiguous refusal from Apple only a few weeks prior
28 to the introduction of its hotfix. The record further reflects that while hotfixes are commonly used
in the industry, their uses are generally to fix or patch critical bugs or defects—not to enact
substantive and significant new features. Epic Games' adamant refusal to understand this basic
distinction is not only baffling, but undermines its credibility with this Court.

⁸ Modeled presumably on Mr. Cook's likeness.

On August 27, 2020, as planned by Epic Games, an updated version containing season four of *Fortnite* was released on all platforms except for the iOS platform, which Epic Games could no longer update due to its breaches of the Apple agreements and guidelines. By design, *Fortnite* users can only play amongst other users currently operating the same version. Because of this release, iOS *Fortnite* players no longer had the ability to play cross-platform with other players (unless these players chose not to update their version, forgoing playing the new season).

On August 28, 2020, on the expiration of the two-week deadline, Apple terminated Epic Games' developer program account, referenced as Team ID '84, stating "Apple is exercising its right in Apple's sole discretion to terminate your status as a registered Apple Developer pursuant to the Apple Developer Agreement and is terminating the Developer Agreement and the Program License Agreement pursuant to their terms. . . . [W]e will deny your reapplication to the Apple Developer Program for at least a year." (Grant Decl. ¶ 35, Ex. H (Dkt. No. 63-8 at 2)).⁹

Following this, the parties engaged in briefing on the motion for preliminary injunction on a slightly expedited basis. The Court heard oral argument on the motion on September 28, 2020.

II. LEGAL FRAMEWORK

Preliminary injunctive relief, whether in the form of a temporary restraining order or a preliminary injunction, is an "extraordinary and drastic remedy," that is never awarded as of right. *Munaf v. Geren*, 553 U.S. 674, 689-90 (2008) (internal citations omitted). "It is so well settled as not to require citation of authority that the usual function of a preliminary injunction is to preserve the status quo ante litem pending a determination of the action on the merits." *Tanner Motor Livery, Ltd. v. Avis, Inc.*, 316 F.2d 804, 808 (9th Cir. 1963). A preliminary injunction is "not a preliminary adjudication on the merits but rather a device for preserving the status quo and preventing the irreparable loss of rights before judgment." *Sierra On-Line, Inc. v. Phoenix Software, Inc.*, 739 F.2d 1415, 1422 (9th Cir. 1984) (citation omitted).

⁹ The record also reflects that Apple made moves in early September to cancel Epic Games' ability to use the Sign in with Apple ("SIWA") on the *Fortnite* game. Apple eventually relented to allowing its continued use without waiving any right to revoke SIWA in the future.

In order to obtain such relief, plaintiffs must establish four factors: (1) they are likely to succeed on the merits; (2) they are likely to suffer irreparable harm in the absence of preliminary relief; (3) the balance of equities tips in their favor; and (4) an injunction is in the public interest. *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). With respect to the success on the merits and balance of harms factors, courts permit a strong showing on one factor to offset a weaker showing on the other, so long as all four factors are established. *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d 1127, 1135 (9th Cir. 2011). In other words, “if a plaintiff can only show that there are serious questions going to the merits—a lesser showing than likelihood of success on the merits—then a preliminary injunction may still issue if the balance of hardships tips sharply in the plaintiff’s favor, and the other two *Winter* factors are satisfied.” *Shell Offshore, Inc. v. Greenpeace, Inc.*, 709 F.3d 1281, 1291 (9th Cir. 2013) (citations and quotations omitted). Thus, under the Ninth Circuit’s “‘sliding scale’ approach to these factors,” “when the balance of hardships tips sharply in the plaintiff’s favor, the plaintiff need demonstrate only ‘serious questions going to the merits.’” *hiQ Labs, Inc. v. LinkedIn Corp.*, 938 F.3d 985, 992 (9th Cir. 2019) (quoting *Alliance for the Wild Rockies*, 632 F.3d at 1131). The Court addresses each.

III. ANALYSIS

The Court finds it appropriate to evaluate, once again, Apple’s actions with respect to (i) Epic Games specifically, including the delisting of *Fortnite* and other games authorized under Epic Games’ contract with Apple, and (ii) the attempt to suspend and terminate developer rights authorized under other contracts, such as the one controlling Unreal Engine.

A. Likelihood of Success on the Merits

Epic Games brings ten claims for violations of Sherman Act, the California Cartwright Act, and California Unfair Competition. For purposes of the motion for preliminary injunction, Epic Games focuses on two: the monopoly maintenance claim under section 2 of the Sherman Act, and the tying claim under section 1 of the Sherman Act. Accordingly, the Court cabins its analysis with respect to these only. Having reviewed the limited record, while Epic Games raises serious questions on the merits, the Court cannot conclude that Epic Games will likely succeed on the merits of those claims. Too many unknowns remain.

1 I. Preliminary Considerations

2 The current legal landscape cautions against preliminarily finding antitrust violations based
 3 on less than a full record. As the parties acknowledge, this matter presents questions at the
 4 frontier edges of antitrust law in the United States. Simply put, no analogous authority exists.
 5 The questions and issues raised in this litigation concern novel and innovative business practices
 6 in the technology market that have not otherwise been the subject of antitrust litigation.¹⁰

7 As the Ninth Circuit recently recognized in *Federal Trade Commission v. Qualcomm Inc.*,
 8 “novel business practices—*especially* in technology markets—should not be ‘conclusively
 9 presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm
 10 they have cause or the business excuse for their use.’” 969 F.3d 974, 990-91 (9th Cir. 2020)
 11 (emphasis in original) (quoting *United States v. Microsoft Corp.*, 253 F.3d 34, 91 (D.C. Cir. 2001)
 12 (en banc)). This is “[b]ecause innovation involves new products and business practices, courts[’]
 13 and economists[’] initial understanding of these practices will skew initial likelihoods that
 14 innovation is anticompetitive and the proper subject of antitrust scrutiny.” *Id.* at 991 (internal
 15 quotation marks omitted) (quoting Geoffrey A. Manne & Joshua D. Wright, *Innovation and the
 16 Limits of Antitrust*, 6 J. COMP. L. & ECON. 153, 167 (2010)); *see also* Rachel S. Tennis &
 17 Alexander Baier Schwab, *Business Model Innovation and Antitrust Law*, 29 YALE J. ON REG. 307,
 18 319 (2012) (explaining how “antitrust economists, and in turn lawyers and judges, tend to treat
 19 novel products or business practices as anticompetitive” and “are likely to decide cases wrongly in
 20 rapidly changing dynamic markets,” which can have long-lasting effects particularly in
 21 technological markets, where innovation “is essential to economic growth and social welfare” and
 22 “an erroneous decision will deny large consumer benefits”). The Court therefore has an even
 23 greater obligation to conduct an “elaborate inquiry” before determining that the alleged practices

24
 25 ¹⁰ The exceptions involve the related *In re Apple Antitrust*, 4:11-cv-06714-YGR (N.D.
 26 Cal.) (*Pepper*), and *Donald Cameron v. Apple Inc.*, 4:19-cv-03074-YGR (N.D. Cal.), matters that
 27 are currently before this Court. Both *Pepper* and *Cameron* are in the middle of discovery, with
 28 motions for class certification anticipated in early 2021. No substantive rulings as to the merits of
 the claims have otherwise been made in those cases. Similar issues arise in *Epic Games, Inc. v.
 Google LLC*, 3:20-cv-05671-JD (N.D. Cal.), filed at the same time but which does not have
 similar motions for preliminary injunctive relief.

1 violate antitrust law.

2 Second, the record remains insufficient to conclude that Epic Games will likely succeed on
3 the merits of its claims. As discussed below, the record includes conflicting evidence in support
4 of both Epic Games and Apple; a lack of crucial evidence without which the merits cannot be
5 determined; and fundamental disagreement by expert witnesses that is not resolvable at this stage
6 of the case. With respect to the last, the Court highlights that the parties’ retained expert witnesses
7 are all accomplished and distinguished individuals. Epic Games submits declarations from Dr.
8 David S. Evans, an economist with degrees from the University of Chicago, whose scholarly work
9 has been widely read and cited, including by the Supreme Court in *Ohio v. American Express Co.*,
10 138 S. Ct. 2274 (2018) (*Amex*). Apple submits declarations from Dr. Richard Schmalensee—an
11 economist with degrees from the Massachusetts Institute of Technology (“MIT”), whose work is
12 also widely read and cited, including in *Amex* and *Microsoft*—and Dr. Lorin Hitt—an academic
13 with a business management background and degrees from MIT and Brown University, who has
14 background in electrical engineering and technology. These expert reports reflect fundamental
15 disagreements from luminaries in the field as to the foundational questions of this matter. While
16 ultimately one view will likely prevail, at this juncture, the Court concludes that reasonable minds
17 differ.

18 With these considerations in mind, the Court turns to the merits of the claims.

19 2. *Monopoly Maintenance under Section 2 of the Sherman Act*¹¹

20 a. Legal Framework

21 In order to prevail on its theory that Apple engaged in unlawful monopolization under
22 section 2 of the Sherman Act, Epic Games must show: “(a) the possession of monopoly power in
23 the relevant market; (b) the willful acquisition or maintenance of that power; and (c) causal
24 antitrust injury.” *Qualcomm*, 969 F.3d at 990 (internal quotation marks omitted); *see also United*
25 *States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966) (stating that a section 2 claim requires “(1)

26
27 ¹¹ The Court’s discussion of the section 2 claim before the section 1 claim mirrors the
28 parties’ briefing.

the possession of monopoly power in the relevant market and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident”).

“A threshold step in any antitrust case is to accurately define the relevant market, which refers to ‘the area of effective competition.’” *Qualcomm*, 969 F.3d at 992 (quoting *Amex*, 138 S. Ct. at 2285); *see also Image Tech. Servs., Inc. v. Eastman Kodak Co.*, 125 F.3d 1195, 1202 (9th Cir. 1997) (“The relevant market is the field in which meaningful competition is said to exist.”). Monopoly power under the first element can be defined as “the power to control prices or exclude competition”¹² and may be inferred from defendant’s predominant market share in the relevant market. *Grinnell*, 384 U.S. at 571. In addition, “courts usually cannot properly apply the rule of reason without an accurate definition of the relevant market.” *Amex*, 138 S. Ct. at 2285. Without a relevant market definition, “there is no way to measure the defendant’s ability to lessen or destroy competition.” *Id.* (brackets and citation omitted).

“The relevant market must include both a geographic market and a product market.” *Hicks v. PGA Tour, Inc.*, 897 F.3d 1109, 1120 (9th Cir. 2018). The latter “must encompass the product at issue as well as all economic substitutes for the product.” *Newcal Indus., Inc. v. Ikon Office Sol.*, 513 F.3d 1038, 1045 (9th Cir. 2008); *see also id.* (“The consumers do not define the boundaries of the market; the products or producers do [and] the market must encompass the product at issue as well as all economic substitutes for the product.”). “Economic substitutes have a ‘reasonable interchangeability of use’ or sufficient ‘cross-elasticity of demand’ with the relevant product.” *Hicks*, 897 F.3d at 1120 (quoting *Newcal*, 513 F.3d at 1045); *see also United States v. E.I. du Pont de Nemours & Co.*, 351 U.S. 377, 404 (1956). “Including economic substitutes ensures that the relevant product market encompasses ‘the group or groups of sellers or producers who have actual or potential ability to deprive each other of significant levels of business.’” *Hicks*, 897 F.3d at 1120 (quoting *Newcal*, 513 F.3d at 1045); *see also Du Pont*, 351 U.S. at 393

¹² More precisely, “a firm is a monopolist if it can profitably raise prices substantially above the competitive level.” *Microsoft*, 253 F.3d at 51.

1 (“Illegal power must be appraised in terms of the competitive market for the product.”).

2 “[I]n some instances one brand of a product can constitute a separate market.” *See*
3 *Eastman Kodak Co. v. Image Tech. Servs., Inc.*, 504 U.S. 451, 482 (1992); *see also Newcal*, 513
4 F.3d at 1048 (“[T]he law permits an antitrust claimant to restrict the relevant market to a single
5 brand of the product at issue”). However, such “[s]ingle-brand markets are, at a minimum,
6 extremely rare” and courts have rejected such market definitions “[e]ven where brand loyalty is
7 intense.” *Apple, Inc. v. Psystar Corp.*, 586 F. Supp. 2d 1190, 1198 (N.D. Cal. 2008) (internal
8 quotation marks omitted). *But see id.* (“Antitrust markets consisting of just a single brand,
9 however, are not per se prohibited In theory, it may be possible that, in rare and unforeseen
10 circumstances, a relevant market may consist of only one brand of a product.”)

11 Nevertheless, “it is legally permissible to premise antitrust allegations on a submarket” or
12 an aftermarket. *Newcal*, 513 F.3d at 1045. A submarket “is economically distinct from the
13 general product market.” *Id.* at 1045. There are “several ‘practical indicia’ of an economically
14 distinct submarket,” including:

15 industry or public recognition of the submarket as a separate
16 economic entity, the product's peculiar characteristics and uses,
17 unique production facilities, distinct customers, distinct prices,
sensitivity to price changes, and specialized vendors.

18 *Id.* (quoting *Brown Shoe Co. v. United States*, 370 U.S. 294, 325 (1962)).¹³ An aftermarket is
19 “wholly derivative from and dependent on the primary market.” *Id.* at 1049. An aftermarket may
20 constitute the relevant market where market imperfections, such as information and switching
21 costs, “prevent consumers from realizing that their choice in the initial market will impact their
22 freedom to shop in the aftermarket.” *Id.* at 1050. Thus, “[d]etermining the relevant market can
23 involve a complicated economic analysis, including concepts like cross-elasticity of demand, and
24 ‘small but significant nontransitory increase in price’ (‘SSNIP’) analysis.” *Theme Promotions,*
25 *Inc. v. News America Marketing FSI*, 546 F.3d 991, 1002 (9th Cir. 2008); *see also Psystar*, 586 F.

26
27 ¹³ Epic Games’ economic expert does not address these factors; instead, he principally
28 relies on the those that follow.

1 Supp. 2d at 1198.

2 The determination of a “relevant market” is a highly factual question. *See Eastman Kodak*,
3 504 U.S. at 482 (“The proper market definition in this case can be determined only after a factual
4 inquiry into the ‘commercial realities’ faced by consumers.”); *see also Newcal*, 513 F.3d at 1051
5 (“The actual existence of an aftermarket . . . is a factual question. The actual existence of a
6 separate economic entity (i.e. a submarket) . . . is a factual question. The actual existence of [a
7 party’s] market power within the alleged submarket is a factual question. . . . The initial market’s
8 actual ability, through cross-elasticity of demand, to discipline anti-competitive conduct in the
9 aftermarket is a factual question.”); *Teradata Corp. v. SAP SE*, Case No. 18-cv-03670-WHO,
10 2018 WL 6528009, at *14 (N.D. Cal. Dec. 12, 2018) (“The definition of a ‘relevant market’ in
11 which defendant has market power is typically a factual rather than legal question.”).¹⁴

12 Even if a plaintiff establishes monopoly power in the relevant market under the first
13 element, courts will not condemn it unless “it is accompanied by an element of anticompetitive
14 *conduct*” under the second element. *Qualcomm*, 969 F.3d at 990 (emphasis in original) (quoting
15 *Verizon Commc’ns Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 407 (2004)). “The
16 mere possession of monopoly power, and the concomitant charging of monopoly prices, is . . . an
17 important element of the free market system.” *Verizon Commc’ns*, 540 U.S. at 407. Thus, courts
18 distinguish between “the willful acquisition or maintenance of [monopoly] power” from “growth
19 or development as a consequence of a superior product, business acumen, or historic accident.”
20 *See Grinnell*, 384 U.S. at 571. To demonstrate the former, plaintiff must show “anticompetitive
21 abuse or leverage of monopoly power, or a predatory or exclusionary means of attempting to
22 monopolize the relevant market.” *Qualcomm*, 969 F.3d at 990. “To be condemned as
23 exclusionary, a monopolist’s act must have an ‘anticompetitive effect’—that is, it must harm the
24 competitive process and thereby harm consumers[, i]n contrast [to] harm to one or more

25
26 ¹⁴ The parties are reminded that *Newcal* was decided on a motion to dismiss and has
27 limited reach. The Ninth Circuit explicitly indicated that the case is not “guarantee[d]” to survive
28 a motion for summary judgment because the “actual existence of a separate economic entity (i.e. a
submarket) that includes only IKON’s customers is a factual question.” 513 F.3d at 1051. The
same is true of *Teradata* and *Psystar*. The Court relies on each for those limited propositions.

1 *competitors*[, which] will not suffice.” *Id.* (emphasis in original) (internal quotation marks and
2 alternations omitted) (quoting *Microsoft*, 253 F.3d at 58).

3 Anticompetitive conduct is evaluated under the “rule of reason.” *Id.* at 991. First, plaintiff
4 must show “diminished consumer choices and increased prices” as “the result of a less competitive
5 market due to either artificial restrains or predatory or exclusionary conduct” by the defendant. *Id.*
6 Then, “if a plaintiff successfully establishes a *prima facie* case . . . by demonstrating
7 anticompetitive effect, then the monopolist may offer a ‘procompetitive justification’ for its
8 conduct.” *Id.* (internal quotation marks omitted) (quoting *Microsoft*, 253 F.3d at 59). For
9 example, the monopolist may show “that its conduct is . . . a form of competition on the merits
10 because it involves, for example, greater efficiency or enhanced consumer appeal.” *Id.* (internal
11 quotation marks omitted) (quoting *Microsoft*, 253 F.3d at 59). Finally, if defendant offers a non-
12 pretextual procompetitive justification, the burden shifts back to the plaintiff to rebut defendant’s
13 claim or “demonstrate that the anticompetitive harm of the conduct outweighs the procompetitive
14 benefit.” *Id.* (internal quotation marks omitted) (quoting *Microsoft*, 253 F.3d at 59).

15 Last, if plaintiff satisfies the first and second elements of monopoly power and willful
16 maintenance or acquisition of that power in the relevant market, the last element of causation may
17 be inferred “when exclusionary conduct is aimed at producers of nascent competitive technologies
18 as well as when it is aimed at producers of established substitutes.” *Microsoft*, 253 F.3d at 79
19 (cited with approval by *Qualcomm*, 969 F.3d at 992).

20 *b. Relevant Market Analysis*

21 In summary, the record does not yet establish how the “relevant market” should be defined.
22 Without a definition of the relevant market, the existence of market power—the foundation of a
23 monopolization claim—cannot be assessed. Accordingly, Epic Games has not yet shown that it
24 will likely succeed on the merits of the monopolization claim.

25 The relevant market must include both a geographic market and a product market.
26 Unsurprisingly, the parties disagree on the product market.¹⁵ Epic Games avers that the relevant

27 _____
28 ¹⁵ Both Epic Games and Apple agree, however, that the “geographic market” is likely
global. (*But see* Evans Decl. at 10 n.37 (Dkt. No. 62 at 12) (reserving future opinion on whether

product market is the market for distribution of apps on the iOS software platform, which it refers to as the “iOS App Distribution Market.” Thus, Epic Games narrows the relevant market to consider only how *iOS* apps are distributed on the *iOS* platform. Apple meanwhile asserts that the relevant market *must* include competing platforms on which *Fortnite* is distributed and monetized. In other words, Apple argues that the Court must consider the wider video game market and distribution on other platforms, including the Microsoft Xbox One, the Sony PlayStation 4, the Nintendo Switch, computer platforms (Microsoft Windows PCs, macOS computers), and tablets (Google Android and Microsoft Surface). Thus, Apple seeks a broader market definition that includes the digital distribution of video games across all video game platforms. Ultimately, the Court must discern where competition exists and whether such competition is sufficient to impact price and discipline market players.

Epic Games’ relevant market definition that iOS App Distribution is an “aftermarket” of the smartphone OS market is plausible.¹⁶ *See Newcal*, 513 F.3d at 1050. However, in some ways, Epic Games offers a failsafe definition by restricting the market so narrowly. By definition, Epic Games’ proposed market definition excludes other smartphone systems, including the Google Android system, as well as video game platforms and their digital distribution markets. Courts have expressly cautioned against such a narrowing of the relevant market definition. *See Du Pont*, 351 U.S. at 392-93 (“A retail seller may have in one sense a monopoly on certain trade because of location . . . or because no one else makes a product of just the quality or attractiveness of his product Thus one can theorize that we have monopolistic competition in every nonstandardized commodity with each manufacturer having power over the price and production of his own product. [However, i]llegal power must be appraised in terms of the competitive market for the product.”); *Psystar*, 586 F. Supp. 2d at 1198 (“[M]anufacturer’s own products do _____ the Chinese mobile market should be included in the geographic market).”)

¹⁶ Apple fails to respond adequately to the “aftermarket” theory, devoting a single paragraph to it and stating, in a conclusory fashion, that “this is not an aftermarket case.” Should Epic Games continue to assert this theory, Apple should explain why switching and information costs do not render the IOS app distribution market distinct. Silence can be interpreted as an admission.

not themselves comprise a relevant product market.”).¹⁷

Moreover, Apple avers that an “aftermarket” requires user lock-in in the primary market. Given the lack of legal citation, the Court surmises that this theory has not been adopted by any court, even if embraced by economists. The term “lock-in” appears to derive from the Supreme Court mention that “[i]f the cost of switching is high, consumers who already have purchased the equipment, and are thus ‘locked in,’ will tolerate some level of service-price increases before changing equipment brands.” *Eastman Kodak*, 504 U.S. at 476. In evaluating Epic Games’ response, resolution of the issue is focused on timing: Apple argues that consumers are not locked-in to the purchase of iPhones, while Epic Games assumes the purchase and argues that after the purchases occurs, a consumer is locked-in and unlikely to switch to a different smartphone in response to slightly more expensive IAPs. Under the latter perspective, app developers who wish to reach iOS users have no choice but to tolerate Apple’s 30% rate.¹⁸

Thus, at this stage of the litigation, and with the record before the Court, Apple’s relevant market definition is also plausible. As Apple correctly points out, alternative means exist to distribute *Fortnite*.¹⁹ Indeed, Epic Games expressly advertised the multiplatform nature of its product following its breach of the Apple terms and service. (*See* Hitt Decl. ¶ 39 (Dkt. No. 77))

¹⁷ Apple further avers that as intellectual property owner, even if it is a monopolist, Apple is not required to allow unfettered and uncompensated use of its own technology. *See* Herbert Hovenkamp et al., *IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law* § 13.03 (3rd ed., 2016 & Supp. 2019) (citing *Microsoft Corp.*, 253 F.3d at 63-64). That said, “intellectual property rights do not confer a privilege to violate the antitrust laws.” *Microsoft*, 253 F.3d at 64. Moreover, the parties fail to brief whether Apple possesses “essential facilities,” which may require (compensated) access. The Court makes no express finding on these issues, but notes these as other potential hurdles.

¹⁸ The Court also leaves for another day the proper classification of the 30% at issue, that is, whether it is a commission, a licensing fee, a “tax”, or a “price.” Each may have legal ramifications which have not been fully briefed, and therefore carry with them unintended consequences of choosing a term too quickly.

¹⁹ However, the Court notes that Apple’s argument assumes a user who owns multiple devices, pays attention to prices for in-app purchases, and switches devices in response to price increases. There is little evidence that the ordinary iOS consumer carries such characteristics. *Cf. U.S. v. Engelhard Corp.*, 126 F.3d 1302, 1306 (11th Cir. 1997) (rejecting relevant market analysis based on customer interviews where proponent failed to show that the customers were representative).

1 (“[The] party continues on PlayStation 4, Xbox One, Nintendo Switch, PC, Mac, GeForce Now,
2 and through both the Epic Games app at epicgames.com and the Samsung Galaxy Store.”).) The
3 multiplatform nature of *Fortnite* suggests that these other platforms and their digital distributions
4 may be economic substitutes that should be considered in any “relevant market” definition
5 because they are “reasonably interchangeable” when used “for the same purposes.” *Du Pont*, 351
6 U.S. at 395; *see also Hicks*, 897 F.3d at 1120-21 (dismissing antitrust claim when alleged relevant
7 market ignored multiple ways of reaching consumers). “If competitors can reach the ultimate
8 consumers of the product by employing existing or potential alternative channels of distribution, it
9 is unclear whether such restrictions foreclose from competition *any* part of the relevant market.”
10 *Omega Envtl., Inc. v. Gilbarco, Inc.*, 127 F.3d 1157, 1163 (9th Cir. 1997).

11 Epic Games’ arguments distinguishing these other platforms as potential economic
12 substitutes have not been sufficiently tested. First, Epic Games avers that the iOS market is
13 distinct from other video game platforms because Sony, Nintendo, and Microsoft do not make
14 much profit, if any, on the sale of the hardware or console—unlike Apple, which allegedly makes
15 significant profits from the sale of each iPhone. This distinction is without legal precedent under
16 section 2 of the Sherman Act. Indeed, Sony, Nintendo and Microsoft all operate similar walled
17 gardens or closed platform models as Apple, whereby the hardware, operating system, digital
18 marketplace, and IAPs are all exclusive to the platform owner. As such, a final decision should be
19 better informed regarding the impact of the walled garden model given the potential for significant
20 and serious ramifications for Sony, Nintendo and Microsoft and their video game platforms.

21 Second, Epic Games’ avers that the iOS platform is unique from other gaming devices.
22 Specifically, Epic Games argues that gaming consoles and computers require electrical outlets and
23 separate screens and thus lack capacity for mobile play, which demands portable, battery operated,
24 and cellularly connected devices with built-in screens. (*See Sweeney Reply Decl.* ¶ 14 (Dkt. No.
25 86).) Yet, Epic Games repeatedly ignored discussion of gaming laptops, tablets, and the Nintendo
26 Switch, all of which can be played in a mobile fashion. These devices could have significant
27 overlap with the iOS platform in terms of the ultimate consumer. Again, however, at this stage,
28 the record does not contain sufficient information to determine whether such other devices are

1 economic substitutes or are merely complimentary to iOS devices.

2 Thus, and for other reasons, Apple’s market definition also faces hurdles. Antitrust law is
3 not concerned with individual consumers or producers, like Epic Games; it is concerned with
4 market aggregates. Substitutes may not deprive a monopolist of market power if they fail to affect
5 enough customers to make a price increase unprofitable. *See Theme Promotions*, 546 F.3d at 1002
6 (defining relevant market by whether a price increase would cause a “significant number” of
7 customers to substitute to make the price increase unprofitable). Alternatively, constraints among
8 some consumers may not render the market as a whole narrow. *See Telecor Commc’ns, Inc. v.*
9 *Southwestern Bell Telephone Co.*, 305 F.3d 1124, 1131-32 (10th Cir. 2002) (rejecting relevant
10 market definition based on a finding that “some” consumers could not substitute products because
11 the record did not show they were “significant enough to render the market as a whole non-cross-
12 elastic”). *But see Engelhard*, 126 F.3d at 1306 (noting that “it is possible for only a few customers
13 who switch to alternatives to make the price increase unprofitable, thereby protecting a larger
14 number of customers who would have acquiesced in higher . . . prices.”).

15 Here, both parties cite factors impacting the elasticity of their proposed markets. A final
16 determination may depend on the magnitude of those effects. For instance, focusing on *Fortnite*
17 alone, the record shows that (i) more than 116 million (out of 350 million) *Fortnite* players have
18 accessed *Fortnite* through the iOS platform; (ii) iOS players constitute roughly 10% of the daily
19 active *Fortnite* users since its iOS launch in April 2018; and (iii) 63% of *Fortnite* players on iOS
20 only play on the iOS platform. (Sweeney Decl. ¶ 3 (Dkt. No. 65).) Notably, the record is silent on
21 how often these 116 million individuals play *Fortnite* and devoid of information on the
22 characteristics of 10% of daily active users or whether these users access *Fortnite* through other
23 platforms. More broadly, there is no evidence regarding the size of the game app market
24 compared to other apps and whether they constitute a separate submarket with unique
25 characteristics that do not apply to other app developers.

26 Thus, the market definition rests on factual questions regarding the nature of the iOS
27 market as a whole: how many iOS users own multiple devices; how many iOS users would switch
28 to another device in response to a price increase; and how many producers can afford to forego

iOS customers altogether. Neither party adequately addresses these factual questions. Epic Games assumes all iOS customers are the same, and Apple assumes that only Epic Games customers are relevant.

Moreover, underlying these questions is a significant and unresolved dispute over clustering. Apple focuses narrowly on game distribution channels because of the nature of Epic Games' business. But courts have often combined different services together when "the product package is significantly different from, and appeals to buyers on a different basis from, the individual products considered separately." *Image Tech.*, 125 F.3d at 1204-05. For example, in *United States v. Phillipsburg National Bank and Trust Company*, the Supreme Court grouped multiple financial services together into a relevant market of "commercial banking"—even though they differed in their availability of substitutes—because customers generally obtain all banking services from one place. 399 U.S. 350, 360-61 & n.4 (1970). Here, Epic Games may establish that app distribution generally should be considered separately from app distribution of individual games, which could have a significant impact on how alternative distribution channels are evaluated.

Finally, underlying each of these issues is the question of perspective. Interchangeability for purposes of the relevant market may vary depending on perspective. *See, e.g., Little Rock Cardiology Clinic PA v. Baptist Health*, 591 F.3d 591, 597 (8th Cir. 2009) (reversing relevant market definition based on improper perspective); *Flovac, Inc. v. Airvac, Inc.*, 817 F.3d 849, 854-55 (1st Cir. 2016) (same); *Telecor*, 305 F.3d at 1132-33 (same). Here, there are at least three possible perspectives on the relevant market: (1) the customer who purchases the apps or games, (2) the developer who makes the apps or games, and (3) the competing app store or digital marketplace that distributes the apps or games. The parties adopt different perspectives, but neither justifies its choice. And as the parties' briefing demonstrates, the resolution of this question could lead to radically different analysis.

In short, without the record to define the relevant antitrust market, Epic Games has not established likelihood of success as to monopoly maintenance, only serious questions. Further, without such definition, the Court need not evaluate the second or third elements of the section 2

claim. Additionally, even under a section 2 claim, plaintiff must show anticompetitive conduct. One way to do so includes a rule of reason analysis. Given the overlap of this issue with a section 1 claim, the Court addresses it below. *See, Qualcomm*, 969 F.3d at 991 (“The similarity of the burden-shifting tests under [sections] 1 and 2 means that courts often review claims under each section simultaneously.”).

3. *Tying under Section 1 of the Sherman Act*

a. Legal Framework

Tying arrangements under section 1 of the Sherman Act²⁰ may be evaluated under either per se or rule of reason analysis. *See Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 29 (1984), *abrogated on other grounds by Ill. Tool Works Inc. v. Indep. Ink, Inc.*, 547 U.S. 28 (2006).

Per se analysis allows “condemnation without inquiry into actual market conditions” based on precedent that deems certain contractual arrangements “unreasonable as a matter of law.” *Id.* at 9, 15. “For a tying claim to suffer per se condemnation, a plaintiff must prove: (1) that the defendant tied together the sale of two distinct products or services; (2) that the defendant possesses enough economic power in the tying product market to coerce its customers into purchasing the tied product; and (3) that the tying arrangement affects a not insubstantial volume of commerce in the tied product market.”²¹ *Cascade Health Sols. v. PeaceHealth*, 515 F.3d 883, 913 (9th Cir. 2008).

To assess the first element, courts apply the purchaser demand test, which “examines direct and indirect evidence of consumer demand and whether [a] defendant[] foreclosed competition on the merits in a product market distinct from the market for the tying item.” *Teradata*, 2018 WL 6528009, at *12 (internal quotation marks omitted). “Direct evidence of demand includes

²⁰ Section 1 of the Sherman Act broadly prohibits “[e]very contract, combination . . . , or conspiracy, in restraint of trade or commerce among the several States.” 15 U.S.C. § 1. The term “restraint of trade” has been limited to “undue” (unreasonable) restraints. *Amex*, 138 S.Ct. at 2283.

²¹ As explained in *Jefferson Parish*, “the essential characteristic of an invalid tying arrangement lies in the seller’s exploitation of its control over the tying product to force the buyer into the purchase of a tied product that the buyer either did not want at all, or might have preferred to purchase elsewhere on different terms.” 466 U.S. at 12. Per se condemnation is only appropriate where such forcing is “probable.” *Id.* at 15.

1 ‘whether, when given a choice, consumers purchase the tied good from the tying good maker, or
2 from other firms.’” *Id.* (quoting *Rick-Mik Enters., Inc. v. Equilon Enters. LLC*, 532 F.3d 963, 975
3 (9th Cir. 2008)). “Indirect evidence includes firm behaviors, for instance a single product is
4 apparent if ‘competitive firms always bundle the tying and tied goods’ together.” *Id.* (quoting
5 *Rick-Mik*, 532 F.3d at 975). A tie requires a “condition linked to a sale.” *Aerotec Int’l, Inc. v.*
6 *Honeywell Int’l, Inc.*, 836 F.3d 1171, 1178 (9th Cir. 2016).

7 The second element of “forcing (or coercion) is likely if the seller has power in the tying
8 product market.” *CollegeNet, Inc. v. Common Application, Inc.*, 355 F. Supp. 3d 926, 955 (D. Or.
9 2018) (quoting *Robert’s Waikiki U-Drive, Inc. v. Budget Rent-a-Car Sys., Inc.*, 732 F.2d 1403,
10 1407 (9th Cir. 1984)). The third element asks “simply whether a total amount of business,
11 substantial enough in terms of dollar-volume so as not to be merely de minimis, is foreclosed to
12 competitors by the tie” *Fortner Enters., Inc. v. U.S. Steel Corp.*, 394 U.S. 495, 501 (1969);
13 *see also Datagate, Inc. v. Hewlett-Packard Co.*, 60 F.3d 1421, 1425 (9th Cir. 1995) (foreclosure of
14 a single purchaser sufficient so long as the dollar volume of sales is “not insubstantial”).

15 If a plaintiff fails to establish per se liability, a plaintiff must demonstrate that a defendant
16 “violated the Sherman Act because it unreasonably restrained competition” under the rule of
17 reason. *Jefferson Parish*, 466 U.S. at 29. The rule of reason “requires courts to conduct a fact-
18 specific assessment of ‘market power and market structure . . . to assess the restraint’s actual
19 effect’ on competition.” *Amex*, 138 S.Ct. at 2284 (internal brackets omitted) (quoting *Copperweld*
20 *Corp. v. Indep. Tube Corp.*, 467 U.S. 752, 768 (1984)). Recent cases suggest that the rule of
21 reason applies to any tying claim that “involves software that serves as a platform for third-party
22 applications.” *Microsoft*, 253 F.3d 34 at 89; *see also id.* at 95 (no per se claim where “the tying
23 product is software whose major purpose is to serve as a platform for third-party applications and
24 the tied product is complementary software functionality”).

25 “[T]he three-part burden-shifting test under the rule of reason is essentially the same” for
26 section 1 as for section 2 claims. *Qualcomm*, 969 F.3d at 991. First, plaintiff has “the initial
27 burden to prove that the challenged restraint has a substantial anticompetitive effect that harms
28 consumers in the relevant market.” *Amex*, 138 S. Ct. at 2284. That said, the Court need not

“consider whether competition was in fact unreasonably restrained.” *See Digidyne Corp. v. Data Gen. Corp.*, 734 F.2d 1336, 1338 (9th Cir. 1984). Second, if “the plaintiff carries its burden, then the burden shifts to the defendant to show a procompetitive rationale for the restraint.” *Amex*, 138 S. Ct. at 2284. Finally, “[i]f the defendant makes this showing, then the burden shifts back to the plaintiff to demonstrate that the procompetitive efficiencies could be reasonably achieved through less anticompetitive means.” *Id.*

b. Per Se Tying Analysis

Epic Games avers that Apple ties the iOS app distribution “product,” over which Apple has economic power, to a separate “product” of the IAP system. Based upon the current record, the Court concludes that Epic Games has not yet shown that the IAP system is a separate and distinct service from iOS app distribution sufficient to constitute a “tie” under antitrust law.

Where the allegedly tied product is an essential ingredient of the overall “method of business” with customers, courts view them as one product not as two tied together. *Rick-Mik*, 532 F.3d at 974 (quoting *Will v. Comprehensive Accounting Corp.*, 776 F.2d 665, 670 n.1 (7th Cir 1985)). That is especially true where the allegedly separate products have always been integrated. *See id.* at 975. As the Ninth Circuit has recognized, payment processing can be part of a single integrated product. *See id.* at 974 (“The franchise and the method of processing credit transactions are not separate products, but part of a single product (the franchise).”).

Here, the IAP system appears to be integrated with the App Store and, historically, to have never been a separate product. If so, the construct of the IAP appears to reinforce the notion that the App Store is a digital marketplace where developers on the App Store are able to structure their business models however they choose.²² Many of these developers, like Epic Games,

²² Epic Games’ Best Buy and QuickBooks analogy misses the mark. Epic Games stated:

[W]hat Apple wants to do is to have the consumer go in to Best Buy, buy the Quick[B]ooks . . . pay for it there, that’s fine. That’s the app distribution. But then take it home, and every time you do your taxes or every time you close your books using Quick[B]ooks, after you have the product, to keep paying Best Buy every single time another 30 percent. They are reaching into subsequent transactions.”

(Dkt. No. 50 at 50-51.) With respect to video games, however, at least two significant distinctions

1 structure these models so that the game or app is free, presumably to entice customers to download
 2 the game or app initially, and only monetize the subsequent IAPs. The IAP system does not
 3 appear to be a payment processor in the same way that Visa, Mastercard, or PayPal is a payment
 4 processor; it is more akin to a link back to the App Store whereby the transaction must occur
 5 *within* the digital confines of the App Store.²³ The IAP system appears to have been created, in
 6 part, to capture the value of a developer being on the digital shelf of the App Store which is owed
 7 to Apple—either on the initial download, or in subsequent IAPs.²⁴

8 Nevertheless, Epic Games raises serious questions about the existence of separate demand
 9 for IAP-type services. Payment processing markets are ubiquitous outside of IAPs. Epic Games
 10 offers indirect evidence of separate demand through analogy to these markets, including the
 11 markets for the sale of physical goods sold through apps on the iOS platform. *See Rick-Mik*, 532
 12 F.3d at 975. The experts disagree over whether the distinctions between IAP and these payment

13
 14
 15 exist. First, at a brick-and-mortar store, games were not distributed for free; that is, free-to-play
 16 games like *Fortnite* did not exist. In the digital context, consumers can obtain some games for
 17 free, and, under the license, no payment from Epic Games to Apple is due in that transaction.

18 Second, an analogous pre-digital marketplace transaction exists: namely, the sale of
 19 expansion packs, which could unlock additional content for base version of games, including new
 20 gameplay mechanics and functions. Consumers would initially purchase the base game from a
 21 brick-and-mortar store. Assuming the expansion pack was not available at the time of purchase of
 22 the base game, consumers were thereafter required to return to a store to purchase in a separate
 23 transaction the expansion pack—thereby unlocking this additional content in the base game.

24 IAP appears to operate analogously: the base version of a game is required to play, but IAP
 25 similarly unlocks additional content including new gameplay mechanics and functions. These
 26 analogous pre-digital transactions suggest that IAP is not merely a payment processor, as Epic
 27 Games contends, but rather an integrated part of the digital marketplace, permitting a prior
 28 historical business model in the gaming industry. The Court highlights that neither party discusses
 these analogous transactions, but the Court discloses that this conceptual similarity further colors
 the Court's analysis, including the need for a more complete record. *See also Amex*, 138 S. Ct. at
 2286-87 (discussing a transaction platform like the App Store, noting that it “facilitate[s] a single,
 simultaneous transaction between” two parties).

23 Indeed, it is the Court's understanding that all video game digital distribution
 marketplaces require a consumer to similarly return to the marketplace to complete an IAP.

24 The Court notes that the conceptualization of the IAP system as integrated within the
 App Store may generally defeat a per se analysis. *Microsoft* suggests that perhaps the appropriate
 lens to view a tying claim involving innovative technological business models is under the rule of
 reason analysis, not under a per se tying analysis. *See Microsoft*, 253 F.3d 34 at 89-95.

processing services actually impact consumer demand.²⁵ (*Compare* Schmalensee Decl. ¶ 49 (Dkt. No. 78) *with* Evans Reply Decl. ¶ 36 (Dkt. No. 88).) Moreover, Epic Games provides evidence that developers have demanded their own in-app purchase payment processing services. (*See* Evans Reply Decl. ¶ 45 (Dkt. No. 88).)

Epic Games further points to evidence in the record demonstrating that some customers chose to use Epic Games’ payment processing service when given the choice with IAP. The trouble with this argument is that it conflates competition on the merits with Epic Games’ goal of avoiding Apple’s 30%. It is not surprising that some customers would choose competing payment services if they provided lower prices offered only because of this non-payment. This does not evidence separate demand for payment processing services, as much as a demand for alternatives to Apple’s “integrated services” of iOS app distribution. When framed in this way, Epic Games’ argument is no more than a collateral attack on Apple’s App Store model, not a demonstration of separate demand. In this respect, Epic Games’ strongest argument—left woefully underexplored in the record—lies with competition on *other* features provided by IAP, such as customer service, parental controls, and security.²⁶ This evidence suggests that a more fully developed record could

²⁵ The question of perspective underlies the tying claim as much as the monopolization claim. In *Rick-Mik*, the court found that “[t]he relevant ‘purchaser’ is the franchisee (not the general consumer)” for purposes of separate demand for credit card processing services. 532 F.3d at 975. Here, the equivalent of the franchisee is the developer, which may demonstrate stronger “separate demand” for payment processing services than the user who makes the purchases.

²⁶ Epic Games shows that at least some developers have demanded separate payment processing services based on these features, independent of Apple’s 30%. For example, Epic Games claims the CEO of the company “Hey,” which provides email service, made the following statement months before Epic Games’ motion:

[A]s the owner of a business, this isn’t just about money. Money grabs the headlines, but there’s a far more elemental story here. It’s about the absence of choice, and how Apple forcibly inserts themselves between your company and your customer. . . .

When Apple forces companies to offer In App Purchases in order to be on their platform, they also dictate the limits to which you can help your customer. This has a detrimental impact on the customer experience, and your relationship with your customer. It can flat out ruin an interaction, damage your reputation, and it can literally cost you customers. It prevents us from providing exceptional customer service when someone who uses our product needs help.

1 plausibly show demand for a separate product.

2 Should Epic Games satisfy the “purchaser demand” test for finding distinct products, it
3 may prevail on the remaining elements under the per se tying analysis. While Apple claims that it
4 does not “tie” IAP to iOS app distribution because developers may choose other business models,
5 it does not dispute that its App Store Review Guidelines require the IAP system’s use for IAPs as
6 a condition of app distribution. (*See* Schiller Decl. ¶¶ 5, 7, 33, 41 (Dkt. No. 74).) This
7 requirement manifests the coercion, that is, developers who offer IAP must do so on Apple’s
8 terms. Apple also does not dispute that it holds market power in the iOS app distribution market
9 and that the alleged tie affects a substantial volume of commerce in in-app payment processing.
10 Accordingly, Epic Games raises serious questions with regard to per se tying, but fails to
11 demonstrate the likelihood of success due to lack of evidence of “purchaser demand” for IAP
12 processing service separate from the “integrated service” of app distribution.²⁷

13 c. Rule of Reason Analysis

14 The rule of reason analysis is more fact specific than the per se analysis. Here, the first
15 element focuses on the harm to competition and consumers. Epic Games errs by focusing on harm
16 to competitors, and for that reason has not sustained its burden at this juncture.²⁸

17 _____
18 (Evans Reply Decl. ¶ 45 & n.40 (Dkt. No. 88).) This statement suggests that the IAP dispute is
19 not simply about Apple’s fee, but also about whether “the world’s largest company [gets] to
20 decide how millions of other businesses can interact with their own customers.” *See* Jason Fried,
“Our CEO’s take on Apple’s App Store payment policies, and their impact on our relationship
with our customers,” HEY (June 19, 2020), *available at* <https://hey.com/apple/iap/>.

21 ²⁷ Commentators have suggested that separate demand is a “threshold requirement” for
22 separate products, following which defendant may show that the products are nevertheless a single
23 product due to their being an “integrated service.” *See* Philip E. Areeda & Herbert Hovenkamp,
Antitrust Law: An Analysis of Antitrust Principles and Their Application ¶ 1743 (4th Ed.
2020). *United States v. Microsoft Corp.*, 147 F.3d 935, 948-49 (D.C. Cir. 1998), lays out the
general requirements for an integrated service.

24 ²⁸ Nevertheless, for the same reasons as described for separate demand under the per se
25 analysis, the Court can envision a plausible case for anticompetitive effect given the serious
26 questions referenced above regarding Apple’s IAP restrictions and whether they reduce consumer
27 choice or increase price due to exclusionary conduct. *See Qualcomm*, 969 F.3d at 990.
28 Competitors could conceivably provide equal or superior services than IAP— better security,
better customer service, and better parental controls. Moreover, Epic Games may be able to prove
anticompetitive effects even if it cannot show separate products: *Microsoft* suggests that the
separate-products test “is a rough proxy for whether a tying arrangement may [be] . . . unsuited to
per se condemnation,” not a determination of ultimate efficiency. 253 F.3d at 87.

Even if it had, Apple, of course, offers a procompetitive justification consistent with step two of the three-part burden shifting analysis. Apple claims that the IAP provides the business mechanism for it to be paid for the App Store given its support of 1.8 million apps, of which 84 percent are free, to 1.5 billion Apple devices and 900 million iPhone users. Apple claims that IAP also provides: (1) a “centralized, convenient way” to transact online, (2) security and fraud protection, (3) refunds and customer support from Apple, (4) parental controls, and (5) comprehensive list of purchases,” all of which are facially reasonable. (Schiller Decl. ¶ 36 (Dkt. No. 74); *see also* Schmalensee Decl. ¶ 29 (Dkt. No. 78).) That developers may not want to pay a commission or licensing fee does not necessarily translate to antitrust behavior.

Under a rule of reason analysis, the burden shifts back to Epic Games to demonstrate that the “procompetitive efficiencies could be reasonably achieved through less anticompetitive means.” Here, the record is not fully developed, and mixed, at best. Competitors could conceivably provide equal or superior services. Indeed, it is entirely plausible that app developers could provide better refunds and customer support for goods purchased through their own apps than can Apple, or not. As noted, the sale of physical goods sold on the iOS already uses separate payment processors or mechanisms outside of the Apple IAP system. On the other hand, Apple has produced evidence that its security features are more effective than its competitors, a basis on which it competes. Thus, the dispute likely comes down to whether these features and Apple’s monetization can be achieved through less anti-competitive means. The record on these issues is thin, as is any briefing on the method of proof given the frontier on which the questions sit.

4. Summary

For the reasons set forth above, Epic Games has shown that serious questions exist with respect to its section 1 and section 2 claims against Apple but has not proven a likelihood of success on the merits on this record.

B. Irreparable Harm

As the Court stated in the temporary restraining order: the issue of irreparable harm focuses on the harm caused by *not maintaining the status quo*, as opposed to the separate and distinct element of a remedy under the likelihood of success factor. Here, once again, the Court’s

evaluation is guided by the general notion that “self-inflicted wounds are not irreparable injury.” *Al Otro Lado v. Wolf*, 952 F.3d 999, 1008 (9th Cir. 2020) (quoting *Second City Music, Inc. v. City of Chicago*, 333 F.3d 846, 850 (7th Cir. 2003)). Further courts generally decline to find irreparable harm that “results from the express terms of [the] contract.” *See Salt Lake Tribune Publ’g Co., LLC v. AT&T Corp.*, 320 F.3d 1081, 1106 (10th Cir. 2003) (no irreparable harm where the alleged harm “results from the express terms of [the] contract”). Quite simply, irreparable harm is harm or injury that cannot be repaired.

1. *Fortnite*

Epic Games contests the Court’s prior determination with respect to *Fortnite*, namely that no irreparable harm exists where Epic Games *chose* to breach its agreements with Apple in enacting its own direct IAP system. Epic Games cites to precedent involving affirmative defenses to argue that the Court should not aid in the enforcement of contracts that are anti-competitive and violative of antitrust laws. *See generally McMullen v. Hoffman*, 174 U.S. 639, 654 (1899) (“The authorities from the earliest times to the present unanimously hold that no court will lend its assistance in any way towards carrying out the terms of an illegal contract.”); *Memorex Corp. v. Int’l Bus. Mach. Corp.*, 555 F.2d 1379, 1383 (9th Cir. 1977) (“[Courts should] continue to side with the goal of vigorous enforcement of our antitrust laws.”); *Perma Life Mufflers, Inc. v. Int’l Parts Corp.*, 392 U.S. 134, 139 (1968) (“[T]he purposes of the antitrust laws are best served by insuring that private action will be an ever-present threat to deter anyone contemplating business behavior in violation of the antitrust laws.”); *Kaiser Steel Corp. v. Mullins*, 455 U.S. 72, 83-84 (1982) (enforcement of “private agreements” is subject to “the restrictions and limitations of the public policy of the United States”). Epic Games concedes that these affirmative defenses are procedurally not at issue. Instead, it claims it should “not be penalized for defying Apple’s monopolistic edicts” (Mot. at 23 (Dkt. No. 61 at 30)), and that the Court should proactively extend the principle in support of Epic Games’ proffer of irreparable injury.

Epic Games further avers that ongoing harm continues to its reputation, the *Fortnite* gaming community, and its ongoing ambitions in the creation of a metaverse. In support, Epic Games introduces declarations attesting to a 60% decline in the number of iOS users in *Fortnite*,

1 and that those who continue to play are doing so for significantly fewer hours per week, given that
 2 these players are stuck on earlier version of the game and unable to play with other individuals.
 3 (Sweeney Decl. ¶ 22 (Dkt. No. 65).) Next, Epic Games provides records reflecting customer
 4 complaints and online comments about the unavailability of *Fortnite* on the iOS platform. (*Id.* ¶¶
 5 25-26, Exs. E-F (Dkt. Nos. 65-5, 65-6); Byars Decl., Ex. Q (Dkt. No. 61-18).) Indeed, Epic
 6 Games argues that “[m]any of these customers blame Epic [Games] for being cut off from access
 7 to *Fortnite*.” (Mot. at 27 (Dkt. No. 61 at 34).) Finally, Epic Games includes declarations attesting
 8 to difficulty in creating and sustaining a metaverse in the *Fortnite* community given that it is no
 9 longer on the iOS platform.

10 Epic Games does not persuade. The cited cases are singularly premised on the fact that the
 11 consequences from a breach of contract in which the parties are seeking to escape are *actually* in
 12 violation of antitrust laws in the United States.²⁹ As discussed, the Court has made no such
 13 finding in this Order as to Epic Games’ likelihood of success on the merits beyond only finding
 14 serious questions as to the merits. This is especially so where the alleged monopolistic practices
 15 and conduct concern innovative technology platforms without analogous prior precedent.
 16 Moreover, the Court considers countervailing interests in ensuring that antitrust laws are *not*
 17 otherwise stretched into areas that are beyond what is required or contemplated. *See Kelly v.*
 18 *Kosuga*, 358 U.S. 516, 519 (1959) (“Obviously . . . federal courts should not be quick to create a
 19 policy of nonenforcement of contracts beyond that which is clearly the requirement of the
 20 Sherman Act.”); *Germon v. Times Mirror Co.*, 520 F.2d 786, 788 (9th Cir. 1975) (“The purposes
 21 of the antitrust laws deal with promoting competition, not with extending unsatisfactory
 22 contractual relationships beyond their stipulated periods of effectiveness.”).

23 In short, Epic Games cannot simply exclaim “monopoly” to rewrite agreements giving
 24

25 ²⁹ Epic Games’ citation to *Acquaire v. Canada Dry Bottling Co.*, 24 F.3d 401 (2d Cir.
 26 1994) is markedly distinguishable. As Apple correctly notes, *Acquaire* involved a defendant who
 27 made after-the-fact changes to its policies, did not even comply with its own stated policy, and the
 28 plaintiffs made a showing that they would be driven out of business absent an injunction. *Id.* at
 412. None of these facts are present, where Apple has maintained the same policies since the
 inception of the App Store, and there is no evidence in the record that Epic Games will be driven
 out of business based on the unavailability of *Fortnite* on the iOS platform.

1 itself unilateral benefit. Its other identified bases: damage to its reputation³⁰ and the *Fortnite*
 2 gaming community cannot constitute irreparable harm where such harm flows from Epic Games’
 3 own actions and its strategic decision to breach its agreements with Apple.³¹ While consumers are
 4 feeling the impact of this litigation, the fact remains: these are business disputes. A putative class
 5 action on behalf of *all* developers on these *exact same issues* was already in progress when Epic
 6 Games breached the agreements. *See Cameron*, 4:19-cv-03074-YGR. Yet, Epic Games has never
 7 adequately explained its rush, other than its disdain for the situation. The current predicament is
 8 of its own making. *See Second City Music*, 333 F.3d at 850 (“Only the injury inflicted by one’s
 9 adversary counts for this purpose.”).³²

10 Epic Games remains free to maintain its agreements with Apple in breach status as this
 11 litigation continues and ignore what the Seventh Circuit recognized in *Second City Music*: “[t]he
 12 sensible way to proceed is for [Epic Games to comply with the agreements and guidelines] and
 13 continue to operate while it builds a record.” *Id.* There is no loss of face *if* one’s goal is to protect
 14 its consumers, the *Fortnite* player base. To assist, the Court even offered to require the 30% be
 15 placed in escrow pending resolution of the trial which Epic Games flatly rejected.³³ The refusal to
 16

17 ³⁰ Even reviewing the record before the Court, the Court is not persuaded that Epic Games
 18 has suffered reputational harm. Epic Games unleashed a pre-planned and scorching marketing
 19 campaign against Apple following its breach of the operating agreements and guidelines. As the
 20 Court noted at oral arguments, if anything, it appears Epic Games’ actions have only increased its
 21 reputation in the wider community.

22 ³¹ It is further difficult to conceive how Epic Games’ own ongoing ambitions in the
 23 creation of a metaverse would create a basis for a finding of irreparable injury.

24 ³² Indeed, *Second City Music* is illustrative for *why* Epic Games’ actions cannot constitute
 25 irreparable harm. In *Second City Music*, the plaintiff-appellant challenged a city ordinance as
 26 unconstitutionally vague—not merely violative of a statutory regime. 333 F.3d at 847. The
 27 Seventh Circuit found that “some real injury may lurk beneath the surface . . . but evaluating this
 28 possibility requires evidence so far missing from the record.” *Id.* at 850. Likewise, as discussed,
 the record here is inadequate for the Court to conclude that the agreements and guidelines are
 violative of antitrust laws such that Epic Games truly has irreparable harm as to *Fortnite*.

³³ As made apparent at the oral argument, Apple’s form letter purportedly banning Epic
 Games from the iOS platform for a one-year period is no barrier to Epic Games’ return to the iOS
 platform during the pendency of this litigation. (Dkt. No. 111 at 83-84.) As Apple stated at the
 hearing, Epic Games is able to return to the App Store under the Court’s supervision provided that
 Epic Games complies with the relevant agreements and guidelines and further pays Apple its

do so suggests Epic Games is not principally concerned with iOS consumers, but rather, harbors other tactical motives. Certainly, no technical issue exists. Epic Games admits that the technology exists to “fix” the problem easily by deactivating the “hotfix.” Thus, given the totality of these circumstances, the Court can easily find that the injury Epic Games “incurs by following a different course is of its own choosing.” *Second City Music*, 333 F.3d at 850. It is self-harm caused by self-help.³⁴ Accordingly, Epic Games has failed to demonstrate irreparable harm as to *Fortnite* and the games under the Epic Games developer account.

2. *Epic Affiliates*

By contrast, with respect to Unreal Engine and the Epic Affiliates, the Court concludes that Epic Games has made a sufficient showing as to the irreparable harm. As the Court previously found:

Apple is hard-pressed to dispute that even if Epic Games succeeded on the merits, it could be too late to save all the projects by third-party developers relying on the engine that were shelved while support was unavailable. Indeed, such a scenario would likely lead to nebulous, hard-to-quantify questions, such as, how successful these other projects might have been, and how much in royalties would have been generated, much less the collateral damage to the third-party developers themselves

Epic Games, 2020 WL 5073937, at 4 (Dkt. No. 48 at 6). Apple does not challenge these prior findings. Indeed, there is ample evidence in the record demonstrating: (1) that the removal of developer tools could have significant irreparable harm to Unreal Engine and to Epic Games and its affiliates; and (2) that Apple’s threat to revoke developer tools (SDKs) from Unreal Engine is already having a negative impact on Unreal Engine. (*See* Sweeney Decl. ¶¶ 38, 40 (Dkt. No. 65); Penwarden Decl. ¶¶ 8-13 (Dkt. No. 64); Byars Decl., Exs. R (Dkt. No. 61-19), S ¶¶ 3-4 (Dkt. No. 61-20).) In this regard, Epic Games could not otherwise be made whole even if victorious at trial.

commission on the IAP that occurred after the breach on August 13, 2020. (*Id.*)

³⁴ Epic Games’ argument that people are incorrectly blaming Epic Games for the unavailability of *Fortnite* on the iOS platform ignores the record in this matter. The decision of whether to return *Fortnite* to the iOS platform during the pendency of this litigation rests with Epic Games—not Apple. Indeed, Epic Games has a choice, and it has exercised this choice by weighing its own beliefs and principles as to the alleged illegality of the Apple agreements and guidelines above its interest in continuing to provide iOS users with access to *Fortnite*. As noted, Epic Games is free to make that choice; but it is Epic Games’ choice nonetheless.

1 *See trueEX, LLC v. MarkitSERV Ltd.*, 266 F.Supp.3d 705, 728 (S.D.N.Y. 2017) (“trueEX is likely
2 also to suffer irreparable harm . . . [as] some [customers] have threatened to stop doing business
3 with trueEX Another client sought to accelerate a number of planned trades . . . suggesting
4 that the client did not believe it could do business with trueEX in the future”).

5 Instead, Apple advances three arguments: (1) Apple has a well-established practice of
6 removing affiliated developer accounts and developer tools (SDKs) in similar circumstances based
7 on broad language in the agreements and guidelines (Schiller Decl. ¶¶ 54-55, Ex. C at 2); (2) the
8 harm to Unreal Engine is also self-inflicted harm and cannot be irreparable harm; and (3) Epic
9 Games and/or its affiliates could insert and distribute secret code in Unreal Engine and the other
10 applications remaining on the iOS and macOS platforms.

11 Apple does not persuade. It is clear from the record that Apple’s long-standing practice of
12 removing affiliated accounts based on broad language regarding termination in the relevant
13 agreements and guidelines would generally be permissible. However, as applied to the specific
14 facts, the Court concludes that this matter presents an exception to the ordinary practices. The
15 Court notes that the totality of facts is *not* overwhelming for either side, but leans towards Epic
16 Games on this topic. On the one hand, facts weighing in favor of Apple include: the agreements
17 are at-will; the developer accounts for both Epic International and Epic Games list the same
18 taxpayer identification number; a single individual is listed as the registered account holder for
19 both accounts; a single credit card paid for both accounts; share the same test devices; the accounts
20 were renewed within a minute of each other; and Epic International receives customer payments
21 made by iOS *Fortnite* users who are playing outside the United States. On the other hand, facts
22 weighing in favor of Epic Games, Epic International, and other Epic Affiliates include: each have
23 separate agreements with Apple; each of the Epic Affiliates pays separate consideration (*i.e.*
24 annual developer fees); all agreements were renewed at separate times; the Epic Affiliates’
25 agreements have not otherwise been breached; and Epic International has been represented by
26 Epic Games to be a different legal entity despite overlapping financial accounts (*e.g.* credit cards,
27 taxpayer identification number, etc.). Additionally, despite the inclusion of broad termination
28 language in the agreements, the relevant agreement governing developer tools (SDKs), the Apple

Xcode and Apple SDKs Agreement, is a fully integrated document that explicitly excludes the developer program license agreement.

Although it is a close question, the Court finds that, with respect to access to the developer tools (SDKs), Apple's reaching into separate agreements with separate entities appears to be retaliatory, especially where these agreements have not been otherwise breached. Indeed, the form letter first issued by Apple in response to Epic Games' breach does not mention Unreal Engine or the possibility of Apple revoking the developer tools (SDKs). However, after the commencement of this lawsuit, Apple apparently sent a more personalized letter *specifically* identifying and targeting Unreal Engine as a consequence of Epic Games' breach. Significantly, the letter does not otherwise identify or list *any* other specific application or software at risk from Epic Games or any of the Epic Affiliates. (*See* Grant Decl. ¶ 27, Ex. C (Dkt. No. 63-3 at 3-4) ("You will also lose access to the following programs, technologies, and capabilities: . . . Engineering efforts to improve hardware and software performance of Unreal Engine on Mac and iOS hardware; optimize Unreal Engine on the Mac for creative workflows, virtual sets and their CI/Build Systems; and adoption and support of ARKit features and future VR features into Unreal Engine by their XR team.").) The subtext of the letter where one, and only one, significant product is mentioned evidences that Apple was impermissibly pressuring and retaliating against Epic Games and the Epic Affiliates on Unreal Engine product.

Apple's remaining two arguments are also without merit. Apple has not shown that Epic Games' breach with respect to *Fortnite* results in a breach of agreements with Epic International or the Epic Affiliates. In the normal course of business, parties can terminate such at will agreements pursuant to their express terms. Here though, Apple reaches beyond these separate agreements to inflict harm, or pressure, upon Epic Games and the Epic Affiliates. In this regard, the injury cannot be said to be self-inflicted.

Finally, the Court is not persuaded by Apple's exaggerated claims that Epic Games would insert hidden or malicious code into Unreal Engine or its products to damage the iOS platform.

The record is devoid of any evidence to support such a finding or inference.³⁵ To the extent any valid concern exists, however, it is easily remedied by narrowing the scope of the injunction to permit Epic Affiliates' continued access to the developer tools (SDKs) and to the App Store only so long as such applications and the Epic Affiliates remain in continued compliance with the terms of the relevant agreements and guidelines.

The Court notes that expanded briefing by Apple on the agreements and its historical practice has made this a closer question than was presented earlier. On balance, however, and in light of the foregoing analysis, the Court concludes that ongoing irreparable harm and significant potential irreparable harm to Unreal Engine exist absent a preliminary injunction.

C. Balance of Equities

1. *Fortnite*

As the Court stated in its prior order:

The battle between Epic Games and Apple has apparently been brewing for some time. It is not clear why *now* became so urgent. The *Cameron* case which addresses the same issues has been pending for over a year, and yet, both Epic Games and Apple remain successful market players. If plaintiffs there, or here, prevail, monetary damages will be available and injunctive relief requiring a change in practice will likely be required. Epic Games moves this Court to allow it to access Apple's platform for free while it makes money on each purchase made on the same platform. While the Court anticipates experts will opine that Apple's 30 percent take is anti-competitive, the Court doubts that an expert would suggest a zero percent alternative. Not even Epic Games gives away its products for free.

³⁵ Further, to do so would be tactically disastrous for Epic Games and its affiliates as it would prove Apple's point with respect to its need to maintain its walled garden or closed platform to protect iOS consumers against security attacks.

Moreover, Apple's arguments—that Mr. Sweeney's statements to Apple announcing the breach reflect a risk to the iOS platform—do not persuade. Mr. Sweeney states that should Apple reject its demands for the ability to introduce a separate app market and use a different payment processor, then Epic Games will be in conflict with Apple on “a multitude of fronts - creative, technical, business, and legal - for so long as it takes to bring about change.” (Sweeney Decl., Ex. D (Dkt. No. 65-4).) These statements appear hyperbolic, but even a generous reading in Apple's favor does not reflect any intent to harm the iOS platform with respect to the Unreal Engine or the other applications that are under other affiliates' developer accounts. Indeed, Unreal Engine does not even utilize the App Store or itself offer IAP, as it is a graphics engine available to developers on computer platforms. It is hard to determine how the Unreal Engine would or could be used to try to affect such changes as described in the above cited correspondence.

Thus, in focusing on the status quo, the Court observes that Epic Games strategically chose to breach its agreements with Apple which changed the status quo. No equities have been identified suggesting that the Court should impose a *new* status quo in favor of Epic Games.

Epic Games, 2020 WL 5073937, at 4 (Dkt. No. 48 at 6).

The Court’s prior findings remain instructive in addressing the parties’ arguments: Epic Games advances two arguments for why the balance of equities tilt sharply in its favor with respect to *Fortnite*. First, Epic Games dismisses Apple’s concern that an injunction with respect to *Fortnite* would set off a rash of other developers breaching their agreements, and asserts that any harm to Apple would be limited to loss of commissions for a short time, “which is harm easily compensable by damages.” (Mot. at 30 (Dkt. No. 61 at 37).) Second, the balance tilts towards Epic Games where the injunction seeks to ensure that Apple complies with antitrust laws.

Epic Games does not persuade on either of these two bases. As discussed, Epic Games has not made a preliminary showing of the likelihood of success on its claim. Therefore, it is not yet established that such an injunction reinstating *Fortnite* would issue in compliance with antitrust laws. Moreover, Epic Games’ argument with respect to damages only demonstrates that the harm to *Fortnite* is *not* irreparable. As Epic Games states, the loss of commissions to Apple would be for a short duration and would be “easily compensable” The converse is also true.

Finally, the Court finds that the balance of equities weighs toward Apple where Epic Games breached both its agreements and the guidelines, and an injunction would potentially incentivize similar breaches among developers. Epic Games does not dispute that it breached its agreements. Nor is a breach required to maintain or even commence this lawsuit as reflected by the fact that the named plaintiffs in *Cameron* did not breach their agreements. As explained herein, Epic Games can similarly proceed. The Court declines to incentivize breaches of contracts where the legality of those provisions has not yet been conclusively or presumptively determined to be illegal.

In sum, no equities have been identified suggesting that the Court should impose a *new* status quo in favor of Epic Games. The balance of equities tilts sharply toward Apple on the issue of *Fortnite*.

2. *Epic Affiliates*

By contrast, the Court finds that the balance of equities weighs in favor of Epic Games and the Epic Affiliates, including as to Unreal Engine, on the issue of continued access to developer tools and the App Store for the Epic Affiliates. As the Court previously found:

[W]ith respect to the Unreal Engine and the developer tools, the Court finds the opposite result. In this regard, the contracts related to those applications were not breached. Apple does not persuade that it will be harmed based on any restraint on removing the developer tools. The parties' dispute is easily cabined on the antitrust allegations with respect to the App Store. It need not go farther. Apple has chosen to act severely, and by doing so, has impacted non-parties, and a third-party developer ecosystem. In this regard, the equities do weigh against Apple.

Epic Games, 2020 WL 5073937, at 4 (Dkt. No. 48 at 6). The Court finds that this analysis remains unchanged. The only equity that Apple has identified concerns an alleged potential "trojan horse" or insertion of malicious code by Epic Games or the Epic Affiliates. The Court rejects this argument for the same reasons discussed under the irreparable harm factor. The modification in the preliminary injunction to ensure continued compliance with the operating agreements and guidelines addresses this issue.

Apple's aggressive targeting of separate contracts in an attempt to eradicate Epic Games and its affiliates fully from the iOS platform was unnecessary and imperiled a thriving third-party developer ecosystem. Providing continued access for the Epic Affiliates to developer tools and the App Store preserves the status quo. Accordingly, the balance of equities tilts sharply toward Epic Games on the issue of continued access to developer tools and the App Store for the Epic Affiliates.

D. Public Interest

"[T]he public interest inquiry primarily addresses the impact on non-parties rather than parties." *HiQ Labs*, 938 F.3d at 1004 (internal quotation marks omitted). "The plaintiffs bear the initial burden of showing that the injunction is in the public interest." *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1139 (9th Cir. 2009). The current briefing does not change significantly the parties' initial submissions or the Court's findings, which it reaffirms:

With respect to the gaming requests, the Court recognizes based on the numerous internet postings and comments submitted in the record that *Fortnite* players are passionate supporters of the game, and eagerly anticipate its return to the iOS platform. The Court further recognizes that during these coronavirus pandemic (COVID-19) times, virtual escapes may assist in connecting people and providing a space that is otherwise unavailable. However, the showing is not sufficient to conclude that these considerations outweigh the general public interest in requiring private parties to adhere to their contractual agreements or in resolving business disputes through normal, albeit expedited, proceedings. *See S. Glazer's Distrib. of Ohio, LLC v. Great Lakes Brewing Co.*, 860 F.3d 844, 853 (6th Cir. 2017) (declining to enjoin termination of contract according to its terms because the “public has a strong interest in holding private parties to their agreements”).

With respect to the Unreal Engine and the developer tools, the calculus changes. The record shows potential significant damage to both the Unreal Engine platform itself, and to the gaming industry generally, including on both third-party developers and gamers. The public context in which this injury arises differs significantly: not only has the underlying agreement not been breached, but the economy is in dire need of increasing avenues for creativity and innovation, not eliminating them. Epic Games and Apple are at liberty to litigate against each other, but their dispute should not create havoc to bystanders. . . .

Epic Games, 2020 WL 5073937, at 4 (Dkt. No. 48 at 7).

As to *Fortnite*, nothing has changed in the prior analysis. The Court has empathy for *Fortnite* players regarding the continued unavailability of the game on the iOS platform. This is especially so during these continued difficult times that is the COVID-19 pandemic era, where gaming and virtual worlds are both social and safe. However, there is significant public interest in requiring parties to adhere to their contractual agreements or in resolving business disputes through the normal course.³⁶ Thus, the public interest factor weighs in favor of Apple as to *Fortnite*.

The record has also remained the same as to the Epic Affiliate accounts and Unreal Engine. The record demonstrates potential significant damage to both developers and gamers absent the issuance of a preliminary injunction. Indeed, many games on iOS and on other platforms,

³⁶ Epic Games cites authority that it is not in the public interest to enforce illegal contracts. Of course, these cases presuppose a showing on the illegality of the contract, which Epic Games has not yet done, and are therefore inapposite.

including *Fortnite* competitor *PUBG*, are built using Unreal Engine and rely on the engine remaining compatible with future Apple software updates. Without the ability to update the underlying engine for these and other games, the gaming industry built upon developers and fervent consumers, including iOS consumers, will be unnecessarily impacted. Moreover, the need for increasing avenues for creativity and innovation has not abated since the prior order. If anything, the continued ongoing pandemic has demonstrated the imperative for substantial digital and virtual innovation. Epic Games and Apple are at liberty to litigate this action for the future of the digital frontier, but their dispute should not create havoc to bystanders. Thus, the public interest weighs overwhelmingly in favor of Unreal Engine and the Epic Affiliates.

E. Weighing of Factors

In sum, the Court finds that based upon the record before it, the *Winter* factors weigh ***against*** granting a preliminary injunction based on Epic Games' requests as to *Fortnite* and other games and ***in favor*** of granting a preliminary injunction order as the Epic Affiliates effected developer tools, including as to Unreal Engine.

IV. CONCLUSION

Accordingly, for the foregoing reasons, the Court **GRANTS IN PART** and **DENIES IN PART** the motion for preliminary injunction.

THEREFORE, APPLE AND ALL PERSONS IN ACTIVE CONCERT OR PARTICIPATION WITH APPLE, ARE PRELIMINARILY ENJOINED from taking adverse action against the Epic Affiliates with respect to restricting, suspending or terminating the Epic Affiliates from the Apple's Developer Program, on the basis that Epic Games enabled IAP direct processing in *Fortnite* through means other than the Apple IAP system, or on the basis of the steps Epic Games took to do so. This preliminary injunction shall remain in effect during the pendency of this litigation unless the Epic Affiliates breach: (1) any of their governing agreements with Apple, or (2) the operative App Store guidelines. This preliminary injunction **SUPERSEDES** the prior temporary restraining order.

For the reasons set forth above, this preliminary injunction is **EFFECTIVE IMMEDIATELY** and will remain in force until the disposition of this case. Neither party has requested a security

1 bond and the Court finds that none is necessary as contemplated under Fed. R. Civ. P. 65(c). *See*
2 *Connecticut Gen. Life Ins. Co. v. New Images of Beverly Hills*, 321 F.3d 878, 882 (9th Cir. 2003)
3 (“The district court is afforded wide discretion in setting the amount of the bond, . . . and the bond
4 amount may be zero if there is no evidence the party will suffer damages from the injunction.”).

5 This Order terminates Docket Number 61.

6 **IT IS SO ORDERED.**

7
8 Dated: October 9, 2020



YVONNE GONZALEZ ROGERS
UNITED STATES DISTRICT JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**
Southern Division

GLEN M. FALLIN,

*

Plaintiff,

*

v.

*

Case No.: 8:18-cv-02598-PWG

ZENIMAX MEDIA INC., et al.,

*

Defendants.

*

* * * * *

MEMORANDUM OPINION AND ORDER

Plaintiff Glen M. Fallin brings this action against Defendants ZeniMax Media Inc. and ZeniMax Online Studios LLC (collectively, “ZeniMax”) for claims allegedly assigned to him by a former employee of ZeniMax, John Howe. Mr. Fallin alleges that the video game developer and producer ZeniMax was unjustly enriched by its use of Mr. Howe’s pre-employment intellectual property, and that Mr. Howe is entitled to an accounting and equitable disgorgement of the profits gained by ZeniMax from utilizing Mr. Howe’s intellectual property. Mr. Fallin also claims that ZeniMax misappropriated Mr. Howe’s trade secrets and committed antitrust violations by restraining competition with a contract of adhesion. ZeniMax now moves to dismiss the claims against it.¹ Because Mr. Fallin’s claims against ZeniMax have been previously litigated and resolved by final judgment, ZeniMax’s Motion to Dismiss will be granted and Mr. Fallin’s Complaint will be dismissed with prejudice.

¹ The motion is fully briefed. *See* ECF Nos. 26, 32, 34. A hearing is not necessary. *See* Loc. R. 105.6.

Background

Mr. Fallin stated in his Complaint that he has been assigned, “[the] nonexclusive interest in claims raised and/or cognizable herein that have accrued to John Howe” and “the right to litigate or otherwise resolve such claims.” ECF No. 22, Am. Compl. ¶¶ 3-4. The background facts are therefore those that concern Mr. Howe and his employment with ZeniMax.

Mr. Howe was employed as a design artist with ZeniMax from June 2010 to September 2014. Am. Compl. ¶ 9. When Mr. Howe was hired, he executed two written agreements with ZeniMax. *Id.* The first agreement (the “Offer Letter”) was an offer of at will employment, and the second (the “Ideas Agreement”), concerned the disclosure of ideas and inventions developed during employment. ECF No. 26-4, Ex. 1; ECF No. 26-5, Ex. 2. The Ideas Agreement provided that anything created or developed by Mr. Howe in connection with his employment would become property of ZeniMax. Compl. ECF No. 26-5, Ex. 2. Mr. Howe previously developed a 3D-modeling technique known as the Create-a-Creature System prior to the start of his employment with ZeniMax. Am. Compl. ¶ 7.

At some point during his employment with ZeniMax, Mr. Howe was assigned to a project developing a new video game, Elder Scrolls Online (“ESO”). Am. Compl. ¶ 24. Mr. Howe proposed to ZeniMax management that the ESO project should utilize a refined version of his Create-a-Creature System which he called the “Create-a-Player System.” Am. Compl. ¶ 24. ZeniMax agreed to Mr. Howe’s proposal and substituted its system with Mr. Howe’s Create-a-Player System. *Id.* According to the Complaint, the Create-a-Player System utilized the “operative principles” of Mr. Howe’s pre-employment Create-a-Creature System and was developed on nonduty hours, without any ZeniMax direction or resources, all of which was outside the scope of his employment duties and that he was never compensated (except, the

Complaint notes, for two bonuses that Mr. Howe received). Am. Compl. ¶¶ 28, 31. Mr. Fallin alleged that without utilizing Mr. Howe’s pre-employment intellectual property, ZeniMax would not have profited as much as it did from the marketing and sale of ESO. Am. Compl. ¶ 43.

Based on these allegations, Mr. Fallin filed a complaint in the Circuit Court for Montgomery County (“State Court”) in September 2017, which he later amended, ultimately alleging the following claims: (1) accounting; (2) unjust enrichment; (3) equitable disgorgement; (4) violation of the Maryland Uniform Trade Secrets Act; and (5) Violation of the Maryland Antitrust Act. ECF No. 26-9, Ex. 6 (Mr. Fallin’s Second Amended State Court Complaint).² ZeniMax filed a Motion to Dismiss the Second Amended Complaint in State Court based on applicable statutes of limitations and for failure to state claims. ECF No. 26-10, Ex. 7. Mr. Fallin failed to file an opposition to ZeniMax’s Motion to Dismiss and further failed to attend a pretrial/settlement conference held in the State Court on June 21, 2018. ECF No. 26-11, Ex 8. During that settlement conference, the State Court reviewed the briefings and granted ZeniMax’s Motion to Dismiss and dismissed Mr. Fallin’s Complaint with prejudice. ECF No. 26-12, Ex. 9. Mr. Fallin subsequently filed a Motion to Vacate the State Court’s dismissal, which was denied. ECF No. 26-13, Ex. 10. Mr. Fallin then brought his claims to this Court.

² The Court may take judicial notice of the State Court records because they are public records that are central to the claim and the authenticity of which is not disputed, without converting the Defendants’ motion to dismiss to one for summary judgment. *See Witthohn v. Federal Ins. Co.*, 164 Fed. Appx. 395, 396 (4th Cir. 2006) (When reviewing a motion to dismiss, “a court may consider official public records, documents central to plaintiff’s claim, and documents sufficiently referred to in the complaint so long as the authenticity of these documents is not disputed.”); *Clatterbuck v. City of Charlottesville*, 708 F.3d 549, 557 (4th Cir. 2013) (“Under this exception, courts may consider ‘relevant facts obtained from the public record,’ so long as these facts are construed in light most favorable to the plaintiff along with the well pleaded allegations of the complaint”) (quoting *Papasan v. Allain*, 478 U.S. 265, 283 (1986)).

Standard of Review

Mr. Fallin is self-represented³ and therefore his submissions are to be liberally construed and held “to less stringent standards than formal pleadings drafted by lawyers.” *Haines v. Kerner*, 404 U.S. 519, 520 (1972). However, a pro-se plaintiff’s claims are still subject to dismissal if they “fail[] to state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). A pleading must meet the standard of Rule 8(a), which requires only “a short and plain statement of the claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2). The complaint must contain factual content, and more than “a formulaic recitation of the elements of a cause of action” or “naked assertion[s] devoid of further factual enhancement.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (internal citations omitted). Therefore, although a court should construe a self-represented plaintiff’s pleadings liberally, mere legal conclusions will not suffice. *Iqbal*, 556 U.S. at 678.

Discussion

Mr. Fallin’s claims must be dismissed because the claims in the Complaint have already been litigated and resolved in the State Court. The *res judicata* doctrine “bars a party from suing on a claim that has already been litigated to a final judgment by that party or such party’s privies and precludes the assertion by such parties of any legal theory, cause of action, or defense which could have been asserted in that action.” *Reid v. New Century Mortg. Corp.*, No. AW-12-2083, 2012 WL 6562887, at *3 (D. Md. Dec. 13, 2012) (quoting *Ohio Valley Envtl. Coal v. Aracoma Coal Co.*, 556 F.3d 177, 210 (4th Cir. 2009)).⁴ In Maryland, *res judicata* provides grounds for

³ Defendants point out that, although self-represented, Mr. Fallin formerly was an attorney admitted to practice in the State of Maryland. ECF No. 34 at 2.

⁴ *Res judicata* is ordinarily an affirmative defense, however, this Court may consider a motion to dismiss on the ground of *res judicata* by looking to the Complaint and taking judicial notice of records from a prior judicial proceeding, where, as here, there is no dispute regarding their accuracy. See *Andrews v. Daw*, 201 F.3d 521, 524 n.1 (4th Cir. 2000) (“Although an affirmative

dismissal where a defendant establishes: “(1) a judgment on the merits in a prior suit resolving (2) claims by the same parties or their privies, and (3) a subsequent suit based on the same cause of action.” *Id.* (citation and internal quotation marks omitted in original). “In finding that the second suit involves the same cause of action, the court need not find that the plaintiff in the second suit is proceeding on the same legal theory he or his privies advanced in the first suit. . . . As long as the second suit arises out of the same transaction or series of transactions as the claim resolved by the prior judgment, the first suit will have preclusive effect.” *Id.* (citation and internal quotation marks omitted in original).

Res judicata applies to Mr. Fallin’s claims. First, the parties in this litigation are the same as in the earlier dispute. Mr. Fallin filed in State Court as a pro se plaintiff against ZeniMax with claims allegedly assigned to him by Mr. Howe, as he does here. *See* ECF No. 26-9 Ex. 6. Second, the current claims are identical to the claims resolved in the prior dispute as Mr. Fallin has presented the exact same five causes of action as he did in the State Court, under the same theory that ZeniMax allegedly misused Mr. Howe’s intellectual property. *Compare* ECF No. 26-9 Ex. 6 (Mr. Fallin’s Second Amended State Court Complaint) *with* ECF No. 22 (Mr. Fallin’s Current Amended Complaint).⁵ Finally, the State Court pretrial/settlement hearing on June 21, 2018 resulted in a final judgment on the merits as Mr. Fallin’s claims were considered and then

defense such as *res judicata* may be raised under Rule 12(b)(6) ‘only if it clearly appears on the face of the complaint,’ when entertaining a motion to dismiss on the ground of *res judicata*, a court may take judicial notice of facts from a prior judicial proceeding when the *res judicata* defense raises no disputed issue of fact. Because Andrews does not dispute the factual accuracy of the record of his previous suit against Daw in Daw’s official capacity, the district court did not err in taking judicial notice of this prior case.”) (internal citations omitted).

⁵ Mr. Fallin’s complaint in State Court and the current Complaint both present the following claims: (1) accounting; (2) unjust enrichment; (3) equitable disgorgement; (4) violation of the Maryland Uniform Trade Secrets Act; and (5) Violation of the Maryland Antitrust Act. *See* ECF No. 26-9, Ex. 6 (Mr. Fallin’s Second Amended State Court Complaint); ECF No. 22 (Mr. Fallin’s Current Amended Complaint).

dismissed with prejudice for failure to state a claim. ECF No. 26-11, Ex. 8 (Transcript of State Court Proceedings); ECF No. 26-12, Ex. 9 (Order Dismissing the Second Amended Complaint).⁶ Further, Mr. Fallin's Motion to Vacate the State Court's dismissal was also denied. ECF No. 26-13, Ex. 10. Therefore *res judicata* bars Mr. Fallin from re-litigating these claims in this Court.

Conclusion

For the reasons stated above, the claims alleged in Mr. Fallin's Complaint are barred by *res judicata* and Defendants' Motion to Dismiss is granted.

ORDER

For the reasons stated in this Memorandum Opinion and Order, it is, this 20th day of March 2020, hereby ORDERED that

1. Defendants' Motion to Dismiss, ECF No. 26, is GRANTED;
2. Plaintiff's claims are DISMISSED WITH PREJUDICE;
3. The CLERK is directed to CLOSE this case;
4. The CLERK will mail copies of this Memorandum Opinion and Order to Plaintiff and Counsel for Defendants.

/S/
Paul W. Grimm
United States District Judge

⁶ The transcript of the State Court pretrial/settlement hearing states, "Having reviewed the motion to dismiss the second amended complaint and there being no opposition, it appears to be well-founded." ECF No. 26-11 Ex. 8, ¶ 14.

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

**GENUINE ENABLING TECHNOLOGY,
LLC,**

Plaintiff,

v.

SONY CORPORATION, et al.,

Defendants.

:
:
: **CIVIL ACTION**
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: **No. 17-135**
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Goldberg, J.

March 9, 2020

MEMORANDUM OPINION

Plaintiff Genuine Enabling Technology LLC (“GET”) alleges that Defendants Sony Corporation and Sony Interactive Entertainment LLC (collectively, “Sony”) have infringed GET’s U.S. Patent No. 6,219,730 through the development, manufacture, and sale of video game products, such as console systems and controllers. The parties seek construction of eleven of the patent’s disputed terms pursuant to Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed. Cir. 1995), aff’d, 517 U.S. 370 (1996).¹

I. FACTUAL AND PROCEDURAL BACKGROUND²

A. The Invention

On April 17, 2001, the United States Patent and Trademark Office (“PTO”) issued U.S. Patent No. 6,219,730 (the “’730 Patent”), entitled “Method and Apparatus for Producing a

¹ On May 18, 2017, Chief Judge D. Brooks Smith of the United States Court of Appeals for the Third Circuit designated me as a visiting judge for the United States District Court for the District of Delaware, pursuant to 28 U.S.C. § 292(b), to handle this and other District of Delaware cases.

² The following facts are derived from the Complaint, the ‘730 Patent, and the parties’ claim construction briefs.

Combined Data Stream and Recovering Therefrom the Respective User Input Stream and at Least One Input Signal,” to Nghi Nho Nguyen.³

GET’s action alleging infringement of this patent centers on how Sony’s hand-held video game controllers communicate information to the video game console. In the simplest terms, when a player moves the hand-held controller, it communicates a signal to the video game console so that the character on the screen will also move. The controller is also able to simultaneously communicate a separate signal to the console when the player pushes a button. These two signals, as GET alleges, are different types—the signal from the player’s push of a button is “slow-varying” and the signal from the movement of the controller is higher frequency or a faster signal. GET asserts that, before the claimed invention, a slow-varying signal and a higher frequency signal could not be simultaneously received by a computer, or, in this case, a video game console, without colliding. “The inventor [of the ‘730 Patent] solved . . . this problem of being able to keep those [signals] in synchrony or coordinated in timing and communicate it to the gaming console. So that the gaming console receives both pieces of information, the push button information as well as the movement information, and can then process it for the game. So the player then visually sees whatever it is he or she did at the game controller.” (Markman Hearing Tr., 12/3/19, at 8:8–21.) It is on the basis of this capability that GET alleges infringement of the ‘730 Patent.

Additional relevant background is detailed in the ‘730 Patent itself. As it states, computers utilize user input devices to receive their users’ input. They also use “various kinds of input/output [(“I/O”)] cards or devices to handle I/O signals or information.” (‘730 Patent, col. 1, lines 16–17.) Typical user input devices are the mouse, the trackball, or the keyboard, and common I/O cards

³ The inventor and patentee, Nghi Nho Nguyen, is also the owner and sole employee of GET.

include “the sound card handling I/O speech signals and the fax/modem device transferring information over the telephone line.” (*Id.* at col. 1, lines 20–22.)

These devices and cards require and share “common computer resources such as the direct memory access (DMA) channels and the interrupt request services (IRQ).” (*Id.* at col. 1, lines 22–24.) However, computer resources for each card or each device have to be “configured, or assigned, to prearranged memory locations that are limited in number.” (*Id.* at col. 1, lines 26–27.) At the time that the ‘730 Patent was granted, configuration setup for computer resources was “cumbersome” and “sometimes cause[d] conflict in running software.” (*Id.* at col. 1, lines 28–20.) Although “plug-and-play technology” existed to “alleviate the configuration mechanism,” it did not solve the problem of limited resources shared among cards and devices. (*Id.* at col. 1, lines 30–33.) The claimed invention seeks to do so:

As computer technology advances, more cards and devices are offered for richer sets of functions; efficient use of computer resources becomes critical. Furthermore, a conventional computer requires that its user be close to its display screen in order to see and control what is shown on the screen. If somehow the user could issue commands to her computer and receive its responses remotely, she would gain a new freedom, such as walking around or staying in bed, while using the computer. The present invention offers a new kind of [user input device] utilizing the computer resources efficiently and enabling a mode of remote interaction between the computer and its user.

(*Id.* at col. 1, lines 33–44.) The ‘730 Patent’s “new kind of user input device” “receiv[es]/transmit[s] additional I/O signals transferred to/from the computer, without using any computer resources except those available to the [user input device.]” (*Id.* at col. 1, lines 46–51.)

B. Claim Construction

GET initiated an action for infringement of the ‘730 Patent on February 8, 2017, alleging direct infringement, inducement of infringement, and contributory infringement. GET asserts that Sony has infringed, and continues to infringe, at least one of the claims of the ‘730 Patent by

“making using selling, offering for sale and/or importing into the United States user input devices and video game consoles, including [the Sony PlayStation® 3 console system, the Sony PlayStation® 4 console system, the Sony DualShock® 3 controller, and the Sony DualShock® 4 controller].” (Compl. ¶¶ 22–24.) For example, GET alleges that the Sony DualShock® 3 controller is a user input device that communicates via Bluetooth with the “PlayStation 3 Console” and meets every element of the ‘730 Patent’s claim 16. (Id. at ¶ 23–24.) Sony denies infringement and asserts that the ‘730 Patent is invalid.

On July 13, 2019, GET submitted its opening claim construction brief regarding disputed terms in the following claims of the ‘730 Patent:

1. A user input apparatus operatively coupled to a computer via a communication means additionally receiving at least one input signal, comprising: user input means for producing a user input stream; input means for producing the at least one input signal; converting means for receiving the at least one input signal and producing therefrom an input stream; and encoding means for synchronizing the user input stream with the input stream and encoding the same into a combined data stream transferable by the communication means.⁴
10. The apparatus of claim 1 wherein the input means is an input transducer.
14. A programming method, executed by a computer communicatively coupled via a communication link to a user input means having means for synchronizing and encoding a user input means and at least one additional input signal into a combined data stream, comprising the steps of: initializing the communication link; servicing a single resource service interrupt for receiving the combined data stream; and recovering from the combined data stream respective information of the user input means and of the at least one additional input signal.

⁴ GET explicitly states that it is not asserting an infringement theory based on claim 1. (Markman Hearing Tr., 12/3/19, at 67:24–68:19.) However, Sony argues that claim 1 is in dispute, specifically regarding the term, “input means for producing at least one input signal,” discussed infra.

16. An apparatus linked to a computer by a communication link, functioning as a user input device and additionally receiving at least one input signal, comprising: a user input device producing a user input stream; an input port receiving at least one input signal; a converter receiving the at least one input signal for producing an input stream; and a framer synchronizing the user input stream with the input stream and encoding the same into a combined data stream transferable by the communication link.
17. The apparatus of claim 16 further comprises means for receiving an output stream from the computer via the communication link and means for converting the output stream into at least one signal.
18. The apparatus of claim 16 wherein the converter further comprises an output port wherein the framer further receives an output stream from the computer via the communication link, the output stream being further received and converted by the converter into at least one input signal going to the output port.
21. A user input apparatus operatively coupled to a computer via a communication link receiving user input signals and additionally at least one digital input signal comprising: a user input device for producing a user input stream; an input port for producing the at least one digital input signal; and a framer for keeping the user input stream and the at least one digital input signal in synchrony and encoding the same into a combined data stream transferable to the computer by the communication link.
22. The apparatus of claim 21 wherein the framer further receives output information from the computer to provide at least one input signal.
23. The apparatus of claim 22 further comprises an output transducer converting the at least one output signal into output energy.

(Id. at col. 7, line 13–col. 8, line 4, 26–27; id. at col. 8, line 37–col. 10, line 15.)

I held a Markman hearing regarding these disputed terms on December 3, 2019. Having fully reviewed the parties’ briefing on these terms, I now set forth their construction.

II. LEGAL STANDARD

Claim construction is the first step in the infringement analysis. At claim construction, the court defines the meaning and scope of the disputed claim terms. See Markman, 52 F.3d at 976. Claim construction is an issue of law for the court to decide. Id.

Following claim construction, the court's interpretations are used by the factfinder to determine whether there has been infringement, by comparing the asserted claims with the accused device or prior art. Id.

"It is a bedrock principle of patent law that the claims of a patent define the invention to which the patentee is entitled the right to exclude." Phillips v. AWH Corp., 415 F.3d 1303, 1312 (Fed. Cir. 2005) (*en banc*) (internal quotation marks omitted). Thus, the focus of a court's analysis must therefore begin and remain on the language of the claims, "for it is that language that the patentee chose to use to 'particularly point[] out and distinctly claim[] the subject matter which the patentee regards as his invention.'" Interactive Gift Express, Inc. v. Compuserve, Inc., 256 F.3d 1323, 1331 (Fed. Cir. 2001). There is a "heavy presumption" that the terms of a claim have their ordinary and customary meaning. Texas Digital Sys., Inc. v. Telegenix, Inc., 308 F.3d 1193, 1202 (Fed. Cir. 2002). That ordinary meaning "is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application." Phillips, 415 F.3d at 1313.

Generally, a person of ordinary skill in the art ("POSA") would not understand the ordinary and customary meaning of a claim term in isolation. As such, the ordinary meaning may be derived from a variety of sources including intrinsic evidence, such as the claim language, the written description, drawings, and the prosecution history; as well as extrinsic evidence, such as

dictionaries, treatises, or expert testimony. Dow Chem. Co. v. Sumitomo Chem. Co., Ltd., 257 F.3d 1364, 1373 (Fed. Cir. 2001).

The “most significant source” of authority is “the intrinsic evidence of record, i.e., the patent itself, including the claims, the patent specification⁵ and, if in evidence, the prosecution history.” Vitronics Corp. v. Conceptronic, Inc., 90 F.3d 1576, 1582 (Fed. Cir. 1996); see also Phillips, 415 F.3d at 1313 (holding that a POSA is deemed to read the claim terms in the context of the entire patent, including the specification). The specification “is the single best guide to the meaning of a disputed term” and is usually dispositive as to their meaning. Vitronics, 90 F.3d at 1582. Although it is improper to import limitations from the specification into the claims, “one may look to the written description to define a term already in a claim limitation, for a claim must be read in view of the specification of which it is a part.” Renishaw PLC v. Marposs Societa’ per Azioni, 158 F.3d 1243, 1248 (Fed. Cir. 1998). On occasion, “the specification may reveal a special definition given to a claim term . . . that differs from the meaning it would otherwise possess. In such cases, the inventor’s lexicography governs.” Phillips, 415 F.3d at 1316. The specification may also reveal an intentional disclaimer, or disavowal, of claim scope by the inventor . . . [which] is regarded as dispositive.” Id. “The construction that stays true to the claim language and most naturally aligns with the patent’s description of the invention will be, in the end, the correct construction.” Renishaw, 158 F.3d at 1250.

The court “should also consider the patent’s prosecution history, if it is in evidence.” Markman, 52 F.3d at 980. This consists of “the complete record of proceedings before the Patent Office and includes the prior art cited during examination.” Phillips, 415 F.3d at 1317. “Like the

⁵ The specification is “that part of a patent application which precedes the claim and in which the inventor specifies, describes, and discloses the invention in detail.” McCarthy’s Desk Encyclopedia of Intellectual Property 408 (2d ed. 1995).

specification, the prosecution history provides evidence of how the [PTO] and the inventor understood the patent.” Id. at 1317. Nonetheless, it is the least probative form of intrinsic evidence because it “represents an ongoing negotiation between the PTO and the applicant, rather than the final product of that negotiation.” Id.

If ambiguity still exists after considering all intrinsic evidence, the court may rely on extrinsic evidence, which is “all evidence external to the patent and prosecution history, including expert and inventor testimony, dictionaries, and learned treatises.” Markman, 52 F.3d at 980. “[D]ictionaries, and especially technical dictionaries, . . . have been properly recognized as among the many tools that can assist the court in determining the meaning of particular terminology.” Phillips, 415 F.3d at 1318. Additionally, expert testimony can provide background on the technology at issue, explain how it works, speak to what a POSA would understand, and establish that a particular term has a particular meaning in the pertinent field. Id. Notably, however, extrinsic evidence is “less significant than the intrinsic record in determining ‘the legally operative meaning of claim language.’” C.R. Bard, Inc. v. U.S. Surgical Corp., 388 F.3d 858, 862 (Fed. Cir. 2004) (quoting Vanderlande Indus. Nederland BV v. Int’l Trade Comm’n, 366 F.3d 1311, 1318 (Fed. Cir. 2004)).

III. DISCUSSION

Eleven claim terms in the ‘730 Patent are disputed. The parties disagree on the correct construction of the following terms: (1) “input signal”; (2) “combined data stream”; (3) “input means for producing at least one input signal”; (4) “framer”; (5) “converter”; (6) “communication means”; (7) “means for receiving an output stream from the computer via the communication link”; (8) “user input means”; (9) “encoding means”; (10) “means for converting the output stream into at least one output signal”; and (11) “converting means.”

A. “Input Signal”

The first disputed claim term is “input signal.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
10, 14, 16–18, 21–23	A signal having an audio or higher frequency. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 2.)	A signal that comes from a source different from those of motion and selection units. (<u>Markman</u> Hearing Tr., 12/3/19, at 47:2–5; <u>id.</u> at 55:1–25.)

The parties’ dispute over this construction centers on whether GET disavowed the scope of the term during prosecution. Both parties rely primarily on the prosecution history in support of their proposed constructions.

Like the specification, the prosecution history may be useful in revealing either a special meaning assigned by the patentee to the term or a disclaimer clarifying what the claims do not cover. Phillips, 415 F.3d at 1317. Thus, examination of a patent’s prosecution history and the application of prosecution disclaimer is a helpful tool during claim construction as it “ensures that claims are not construed one way in order to obtain their allowance and in a different way against accused infringers.” Chimie v. PPG Indus., Inc., 402 F.3d 1371, 1384 (Fed. Cir. 2005).

However, a court’s reliance on prosecution history must be tempered with the recognition that a “prosecution history represents an ongoing negotiation between the PTO and the applicant, rather than the final product of that negotiation.” Phillips, 415 F.3d at 1317. A prosecution history “often lacks the clarity of the specification and thus is less useful for claim construction purposes.” Id. Prosecution disclaimer is not appropriate in instances “where the alleged disavowal of claim scope is ambiguous,” or where remarks made by an inventor to overcome a rejection may be viewed “as amenable to multiple reasonable interpretations.” Omega Eng’g, Inc. v. Raytek Corp., 334 F.3d 1314, 1324 (Fed. Cir. 2003) (citing N. Telecom Ltd. v. Samsung Elec. Co., 215 F.3d 1281, 1293–95 (Fed. Cir. 2000)). Rather, “for prosecution disclaimer to attach, [Federal Circuit] precedent requires that the alleged disavowing actions or statements made during prosecution be

both clear and unmistakable.” *Id.* at 1325–26; *Cordis Corp. v. Medtronic Ave, Inc.*, 511 F.3d 1157, 1177 (Fed. Cir. 2008) (reiterating that “arguments made to distinguish prior art references” will be considered disavowals “only if they constitute clear and unmistakable surrenders of subject matter”).

Here, the parties agree that, during prosecution, the patentee, Nghi Nho Nguyen, refined his invention and limited the scope of the claims. Their only dispute is what, in fact, was disavowed.

Consistent with its proposed construction, GET acknowledges that during prosecution the patentee limited “input signal” to those signals that have a higher frequency than the prior art—specifically, an audio frequency or higher. Sony argues that the patentee further limited “input signal,” describing the “high frequency input signal” claimed by the invention as coming from “a source different from those of motion and selection units.” (Defs.’ Responsive Claim Constr. Br. at 5.)

The PTO originally rejected the ‘730 Patent over U.S. Patent No. 5,990,866 (“Yollin”) in part because of the claim term “input signal”: “Yollin teaches the invention substantially as claimed including . . . an input for delivering at-least-one input signal [i.e., input information received from motion translation unit 102, user selection unit 104 and physiological response sensor(s)” (‘730 Patent File History, Office Action dated March 20, 2000, ECF No. 67-3, at 53.) In response, the patentee submitted the following in an attempt to differentiate his invention from Yollin:

Yollin’s invention, . . . utilizes various implementations and configurations for receiving input from motion translation unit 102, user selection unit 104 and physiological response sensor(s) 106, and for processing their information prior to communication to the host system However, Yollin only uses the configuration to receive the slow varying signal coming from the physiological

response sensor(s). Yollin is not motivated and does not anticipate their use for receiving signals containing audio or higher frequencies in place of the physiological response sensor(s). **The high frequency input signal, which comes from a source different from those of motion and selection units, will run asynchronously relative to, and collide with, the other signals.** Yollin's invention does not teach or suggest any approach for receiving and recovering that kind of input signal. Yollin's invention utilizes . . . a controller to receive positional change information, user selection information and physiological change information to generate . . . a composite control signal but does not anticipate its use with signals containing audio or higher frequencies. Using a controller to generate the composite control signal out of the information changes, which are slow-varying, is standard and not worth mentioned [sic] in Yollin's description. Difficulties will arise when one signal runs asynchronously relative to another signal and fast. Yollin's patent does not teach or suggest any method for the controller to receive and recover such signals. In contrast, this invention describes, in its representative embodiments, how to combine the data from a UID (mouse) and from a high-frequency signal, via a framer, which is unique and novel.

(‘730 Patent File History, Response dated September 20, 2000, ECF No. 67-3, at 70–71 (emphasis added).)

Sony relies on the single statement set forth above in bold to support its scope disavowal argument. Sony posits that, based on this phrase, the construction of “input signal” should explicitly exclude signals coming from motion or selection units. Sony contends that, as a result of this disavowal, GET cannot now claim that the invention includes video game controllers with accelerometers or, in other words, motion sensors. (Markman Hearing Tr., 12/3/19, 10:10–13 (“When you move the controller, the accelerometer in the controller, that’s the thing that actually figures out the position that you’re moving to, the movement, that’s a higher . . . frequency signal.”).)

GET responds that the patentee did not distinguish the prior art based on whether the sensor was a motion or selection unit, but rather based on the speed or frequency of the signals. GET

maintains that during prosecution the patentee repeatedly characterized “input signal” as a signal “containing an audio or higher frequency.” (Pl.’s Opening Claim Constr. Br. at 17.)

I agree with GET’s proposed construction. The following portions of the prosecution history reflect that the patentee’s explanation distinguishing Yollin is focused on the frequency of the input signals, not the type of sensors:

Yollin only uses the configuration to receive the slow varying signal coming from the physiological response sensor(s). Yollin is not motivated and does not anticipate their use for receiving signals containing audio or higher frequencies

Difficulties will arise when one signal runs asynchronously relative to another signal and fast. Yollin’s patent does not teach or suggest any method for the controller to receive and recover such signals. In contrast, this invention describes, in its representative embodiments, how to combine the data from a UID (mouse) and from a high-frequency signal, via a framer, which is unique and novel.

(‘730 Patent File History, Response dated September 20, 2000, ECF No. 67-3, at 70–71.)

When read in the context of the patentee’s full response, I conclude that the scope of “input signal” is not limited to signals from sources different from “motion and selection units.” The patentee’s statement to the PTO was that the “high frequency input signal” in *his* invention comes from a source different from the “motion and selection units” in *Yollin’s* invention because the high frequency input signal claimed by the ‘730 Patent “will run asynchronously relative to, and collide with” the slow varying signals produced by the motion and selection units claimed in Yollin. (Id.) This is because Yollin’s invention embodies a configuration for receiving only slow varying signals from motion and selection units and physiological response sensors and does not teach a method for receiving signals containing audio or higher frequencies. The ‘730 Patent teaches such a method. Therefore, the claimed invention’s description of how to combine data from slow varying and higher frequency signals is the basis for its distinction from Yollin.

GET also argues that, in a prior Patent Trial and Appeal Board (“PTAB”) *inter partes* review proceeding (“IPR”) involving the ‘730 Patent, the PTAB construed “input signal” as a signal “having an audio or higher frequency.” (Sony IPR Decision, dated March 14, 2018, ECF No. 67-6, at 11.) The PTAB’s construction is not binding on this Court, but, “where the construction is similar to that of a district court’s review,” it is appropriate for me to take the PTAB’s claim construction into consideration. SunPower Corp. v. PanelClaw, Inc., No. 12-1633, 2016 WL 1293479, at *6 (D. Del. April 1, 2016).

Here, I find the PTAB’s reasoning to be persuasive. The issue of whether there was disavowal of the scope of “input signal” during prosecution was also before the PTAB. (Sony IPR Decision, dated March 14, 2018, ECF No. 67-6, at 9.) In concluding that the arguments in the prosecution history “clearly and unmistakably disavow any interpretation of ‘input signal’ that encompasses a signal that is slow-varying and not a high-frequency signal (i.e., audio or higher frequency),” the PTAB also relied on statements by the patentee distinguishing Yollin from the ‘730 Patent. (*Id.* at 10–11.) The PTAB likewise interpreted “input signal” as “a signal ‘having an audio or higher frequency.’” (*Id.* at 11.)

Based on my review of the prosecution history, I will adopt GET’s proposed construction of “input signal” as “A signal having an audio or higher frequency.”

B. “Combined Data Stream”

The second claim term in dispute is “combined data stream.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
10, 14, 16–18, 21–23	No construction necessary. Alternatively, a data stream resulting from synchronizing and merging the user input stream and the input stream. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 6.)	A data stream including data from the user input stream and the input stream without a distinct identification of each source. (Defs.’ Responsive Claim Constr. Br. at 7.)

The focus of the parties' dispute on this term pertains to Sony's addition of "without distinct identification of each source" to its proposed construction.

GET relies on the claim language to support its argument that no construction of this term is necessary, arguing that each independent claim (1, 14, 16, 21) defines "combined data stream." (Id. at col. 8, lines 1–2 ("synchronizing the user input stream with the input stream and encoding the same into a combined data stream"); id. at col. 8, lines 39–41 ("synchronizing and encoding a user input stream and at least one input signal into a combined data stream"); id. at col. 9, lines 7–9 ("a combined data stream containing synchronized and encoded information of a user input means and of at least one additional input signal").)

GET also argues that the specification is consistent with the definition of "combined data stream" as taught by these claims. ('730 Patent, Abstract ("A communication program method, by which a computer receives a combined data stream resulted from two sources, one from a [user input device] another from an additional input signal, recovers from such stream the respective information of the two sources."); id. at col. 2, lines 63–67 ("Another object of the invention provides a method for receiving a combined data stream, resulted from a [user input device] and from an input signal, and for recovering therefrom the respective information of the [user input device] and of the input signal.").)

Sony responds that GET limited the scope of this claim term in the prosecution history when distinguishing U.S. Patent No. 5,870,080 ("Burnett et al."). In support of this alleged disavowal, Sony points to the following statements in response to the PTO's rejection of the '730 Patent over Burnett et al.:

Burnet et al.'s invention uses two [multiplexers/demultiplexers] placed at its both ends in order to interleave, and later separate, the two signals of the mouse and of the transceiver In contrast, this invention implements a framer in place of the first

[multiplexer/demultiplexer] to combine the two signals into a combined data stream which is communicated to the computer without needing the second [multiplexer/demultiplexer]. Thus, this invention does not use the [multiplexer/demultiplexer] 107 shown in Fig. 3, and consequently does not modify the computer between its port 125 and bus 101.

Burnett et al.'s invention, by relying on the second [multiplexer/demultiplexer] 107 to separate the two sources of signals, **receives their data with distinct identification of each source**, therefore requires and maintains the number of resources needed for both devices, of the mouse and of the transceiver. In contrast, this invention's computer method of receiving the combined data stream received at port 103 **without first identifying the data**, whether mouse's or transceiver's. It therefore uses only a single resource to receive the combined data.

(‘730 Patent File History, Response dated September 20, 2000, ECF No. 67-3, at 68–69 (emphasis added).) Sony contends, based on the bolded phrases set forth above, that the data from the user input stream and the input stream combine “without a distinct identification of each source.” GET responds that there is no language in the specification to support this limitation and that the patentee's distinction of Burnett et al. was based on the structure or type of device used to receive the two signals, not the content of the signals and whether the combined signal had information about its source. For the following reasons, I agree with GET.

My initial focus must be on the language of the claims. Interactive Gift Express, Inc. v. Compuserve, Inc., 256 F.3d 1323, 1331 (Fed. Cir. 2001). Here, the claims define “combined data stream.” (See, e.g., ‘730 Patent, col. 8, lines 1–2 (“synchronizing the user input stream with the input stream and encoding the same into a combined data stream”).) Moreover, the specification does not teach a requirement or limitation that the data stream is combined “without a distinct identification of each source.” Rather, it clearly states that the data from the two streams (input stream and user input stream) can be recovered by the computer after transmission. (*Id.* at col. 7, lines 47–51 (“[A] communication method by which a computer, receiving a combined data stream

associated with two sources of information, one from a user input means and another from an input signal, recovers from such data the respective information of the two sources.”.)

Additionally, I conclude that the patentee did not clearly and unmistakably disavow the scope of the claim term in his distinction of the Burnett et al. patent. See Cordis Corp. v. Medtronic Ave, Inc., 511 F.3d 1157, 1177 (Fed. Cir. 2008) (reiterating that “arguments made to distinguish prior art references” will be considered disavowals “only if they constitute clear and unmistakable surrenders of subject matter”). Sony reads the patentee’s remarks out of context. The focus of the patentee’s response regarding Burnett et al. is the claimed invention’s structure, that is, the ‘730 Patent’s use of a framer instead of a multiplexer/demultiplexer at each end. (‘730 Patent File History, Response dated September 20, 2000, ECF No. 67-3, at 69 (“In contrast, this invention implements a framer in place of the first [multiplexer/demultiplexer] to combine the two signals into a combined data stream which is communicated to the computer without needing the second [multiplexer/demultiplexer].”).) As characterized by the patentee, the multiplexer/demultiplexers at the receiving end of Burnett et al.’s invention separate or split the combined signal so that each data component can be received by its own computer resource. The claimed invention is different because the combined data stream is received by a common computer resource and the respective input streams are recovered after they are received by the computer.

Finally, the patentee’s explanation that Burnett et al.’s invention “receives [its] data with distinct identification of each source [and] therefore requires and maintains the number of resources needed for both devices” is not a comment on the content of the combined data stream in the claimed invention. Rather, it is an explanation of how Burnett et al.’s invention receives data based on each source’s distinct identity. The patentee distinguishes his invention on this basis—the claimed invention allows a computer to receive the combined data stream without

needing to first identify which data is which so that a single resource on a computer can be shared between the two data sources. This reading is supported by the goals of the invention set forth in the specification—to utilize computer resources more efficiently by providing “an apparatus functioning as a [user input device] to a computer while receiving/transmitting additional [input/output] signals transferred to/from the computer without using any computer resources except those available to the [user input device].” (’730 Patent, col. 1, lines 43–44, 46–50.)

Based on the definition of “combined data stream” recited in the claims and my review of the prosecution history, I conclude that **no construction is necessary** for the term “**combined data stream.**”

C. “Input Means for Producing at Least One Input Signal”

The third claim term in dispute is “input means for producing at least one input signal.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
10	The input means is an input transducer. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 17.)	Function: Producing at least one input signal. Structure: An input transducer that is part of a microphone or fax/modem device. (Markman Hearing Tr., 12/3/19, at 72:20–73:1.)

The parties disagree on whether this claim term should be construed as a means-plus-function limitation and, therefore, governed by 35 U.S.C. § 112(f) (formerly, § 112, ¶ 6). Specifically, their dispute centers on whether “input means” should be construed as recited in independent claim 1, in light of GET’s argument that it is only asserting dependent claim 10 for purposes of infringement.

In construing claim terms, a court must consider whether they qualify as “mean-plus-function” limitations. Means-plus-function claim elements are interpreted according to 35 U.S.C. § 112(f):

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

The statute establishes a two-step process for courts to follow in construing means-plus-function limitations: (1) construe the function recited; and (2) determine what structures the specification discloses to perform that function. Kemco Sales, Inc. v. Control Papers Co., 208 F.3d 1352, 1361 (Fed. Cir. 2000). When the specification discloses “distinct and alternative structures for performing the claimed function,” the proper construction embraces each such structure. Creo Prods., Inc. v. Presstek, Inc., 305 F.3d 1337, 1346 (Fed. Cir. 2002); see also Ergo Licensing, LLC v. Carefusion 303, Inc., 673 F.3d 1361, 1363 (Fed. Cir. 2012).

The Federal Circuit has emphasized that the “essential inquiry” in determining whether a term is governed by the means-plus-function strictures of 35 U.S.C. § 112(f) is “whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure.” Williamson v. Citrix Online, LLC, 792 F.3d 1339, 1348 (Fed. Cir. 2015). However, absence of the word “means” in the claim term creates a rebuttable presumption that § 112(f) does not apply. TEK Global, S.R.L. v. Sealant Sys. Int’l, Inc., 920 F.3d 777, 785 (Fed. Cir. 2019); Williamson, 792 F.3d at 1348–49 (abandoning the heightened standard applied to the presumption flowing from the absence of the word “means”). The presumption can be overcome, and § 112(f) will apply to the term at issue, if the challenging party demonstrates that the term “fails to recite sufficiently definite structure or else recites function without reciting sufficient structure for performing that function.” Id. at 1349 (internal quotation marks omitted). Conversely, presence of the word “means” creates a rebuttable presumption that § 112(f) applies

to the term, unless the challenging party demonstrates that the term recites sufficiently definite structure.

Here, GET recognizes that use of the word “means” in the claim term creates a rebuttable presumption that § 112(f) applies. However, GET claims that the presumption is overcome because claim 10 provides sufficiently definite meaning as the name for structure. See Williamson, 792 F.3d at 1348. Claim 10 teaches “[t]he apparatus of claim 1 wherein the input means is an input transducer.” (‘730 Patent, col. 8, lines 26–27.) Therefore, GET argues that the structure of “input means” is an input transducer.

Sony responds that, because there is no dispute that “input means,” as recited in independent claim 1, is a means-plus-function term, “input means,” as recited in dependent claim 10, should also be construed under § 112(f). Sony further argues that, in order to prove infringement as to dependent claim 10, GET must prove each element of independent claim 1, and, as such, I must consider the construction of “input means” in claim 1, when construing the term in claim 10. In claim 1, Sony explains that the function of “input means”—“producing at least one input signal”—is performed by the structure disclosed in the specification, a microphone and fax/modem device. Sony acknowledges that the structure of claim 10 is an “input transducer” but argues that it must be limited to the microphone or fax/modem device because claim 10 cannot be broader than claim 1.

For several reasons, I disagree that “input means,” as recited in claim 10, is a means-plus-function limitation. First, GET represented at the Markman hearing that it is not asserting claim 1 for purposes of infringement. (Markman Hearing Tr., 12/3/19, 67:24–68:19.) I will, therefore, only consider the term “input means for producing at least one input signal” as taught by claim 10. Claim 10 explicitly recites the structure for performing the function of “input means”—an input

transducer. Sony admits this point and even includes “input transducer” in its proposed construction.

Moreover, construing “input means” as “the input means is an input transducer” does not make dependent claim 10 broader than independent claim 1. Sony construes the structure of “input means” in claim 1 as a microphone or fax/modem device and, therefore, limits “input means” in claim 10 to “an input transducer that is part of a microphone or fax/modem device.” However, by doing so, Sony attempts to restrict the claimed invention to its specific examples or preferred embodiments, when the scope was not limited during prosecution. (‘730 Patent, col. 2, lines 48–51 (“The inventive apparatus *may* integrate means to handle the I/O signals, *such as* the microphone”) (emphasis added); *id.* at col. 1, lines 64–67 (“*For example, one inventive apparatus* handling the I/O telephone signals effectively functions as a fax/modem device and at the same time as a UID.”) (emphasis added).)

Federal Circuit precedent prohibits Sony’s suggested restriction. See B.E. Technology, L.L.C. v. Sony Mobile Communications (USA) Inc., 657 F. App’x 982, 988 (Fed. Cir. 2016) (“B.E. contends that the Board’s construction is incorrect because it is broader than the examples depicted in the patent; however, we have rejected the notion that claim terms are limited to the embodiments disclosed in the specification, absent redefinition or disclaimer.” (citing Phillips, 415 F.3d at 1316, 1323); Kinik v. Int’l Trade Commission, 362 F.3d 1359, 1364–65 (Fed. Cir. 2004) (“[W]hen the specification describes the invention in broad terms, accompanied by specific examples or embodiments, the claims are generally not restricted to the specific examples or preferred embodiments unless that scope was limited during prosecution.”); Dow Chem. Co. v. United States, 226 F.3d 1334, 1342 (Fed. Cir. 2000) (as a general rule claims of a patent are not

limited to the preferred embodiment); Intel Corp. v. United States Int’l Trade Comm’n, 946 F.2d 821, 836 (Fed. Cir. 1991).

Because claim 10 recites sufficiently definite structure as to “input means”—an input transducer, I conclude that § 112(f) does not apply to the claim term. I also conclude that “input transducer” is not restricted to the specific examples of a microphone or fax/modem device as described in the specification.

Based on my analysis of the claim language and GET’s representation that it only asserts claim 10 for purposes of infringement, I will adopt GET’s proposed construction of **“inputs means for producing at least one input signal”** as **“The input means is an input transducer.”**

D. “Framer”

The fourth claim term in dispute is “framer.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
16, 17, 18, 21, 22, 23	Circuitry that creates a frame, which is a digital data unit to be transmitted via a communication link. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 10.)	Function: (1) synchronizing the user input stream with the input stream, and (2) encoding the user input stream and the input stream into a combined data stream. Structure: The logic design at block 34 of Figure 4A. (Defs.’ Responsive Claim Constr. Br. at 17.)

The parties’ dispute centers on whether “framer” connotes sufficiently definite structure to a POSA. As such, the parties rely primarily on extrinsic expert testimony.⁶

⁶ “In most situations, an analysis of the intrinsic evidence alone will resolve any ambiguity in a disputed claim term. In such circumstances, it is improper to rely on extrinsic evidence.” Vitronics, 90 F.3d at 1583. In other words, “[i]n those cases where the public record unambiguously describes the scope of the patented invention, reliance on any extrinsic evidence is improper.” Id. Rather, the public record of the patentee’s claims is comprised of the claims, specification, and file history, and it is that record on which the public and competitors are entitled to rely to ascertain the scope of the patentee’s claimed invention. Id. “Allowing the public record to be altered or changed by extrinsic evidence introduced at trial, such as expert testimony, would make this right meaningless.” Id. Where the intrinsic record is unclear, however, reliance on extrinsic evidence is appropriate. Intel Corp. v. Broadcom Corp., 172 F. Supp. 2d 515, 527 (D. Del. 2001). A court may look to expert and inventor testimony, dictionaries, and learned treatises. Novartis Corp. v. Teva Pharms. USA, Inc., 565 F. Supp. 2d 595, 607 (D.N.J. 2008). “[B]ecause extrinsic evidence can help educate the court regarding the field of the invention and can help the court determine what a

Here, the parties agree that the absence of the phrase “means for” in the claim term creates a rebuttable presumption that § 112(f) does not apply. However, as discussed, “the essential inquiry is not merely the presence or absence of the word ‘means’ but whether the words of the claim are understood by persons of ordinary skill in the art to have sufficiently definite meaning as the name for structure.” Williamson, 792 F.3d at 1348. The presumption may be overcome if the challenging party demonstrates that the claim term “fails to recite sufficiently definite structure or else recites function without reciting sufficient structure for performing that function.” Id. at 1349 (internal quotation marks omitted).

GET argues that Sony cannot demonstrate that “framer” fails to recite sufficiently definite structure because “the ‘730 Patent clearly points to a structure—a circuit—when it uses the term ‘framer.’ Figure 4A, described as one embodiment of the invention, depicts a logic diagram that shows the components and connections of the circuit designated as ‘framer 34.’” (Pl.’s Opening Claim Constr. Br. at 4.)

GET also relies on the declaration of its expert Dr. Kenneth W. Fernald to prove this point. Dr. Fernald asserts that a POSA at the time of the ‘730 Patent understood “framing” to generally refer to “the concept of transforming data into a format that can be recognized by the receiver of the data.” (Fernald Decl., ECF No. 71, at ¶ 5.) He goes on to explain that a POSA would have understood “framing” to be achieved by a “frame”:

[A] block to be transmitted generally includes the data (generally called the payload) and additional information that allows the receiving computer to recognize the frame, such as a preamble bit of pattern at the beginning, potentially a postamble bit pattern at the end, and possible additional information relating to data link procedures. The exact format of the frame depends on which data

person of ordinary skill in the art would understand claim terms to mean, it is permissible for the district court in its sound discretion to admit and use such evidence.” Phillips, 415 F.3d at 1319. In exercising that discretion, however, the court “should keep in mind the flaws inherent in [extrinsic evidence] and assess that evidence accordingly.” Id.

link control procedure is used. This recognizable block is referred to as a “frame.”

(Id.) Dr. Fernald, therefore, concludes that a POSA would have understood a “framer” to be “a circuit that creates a frame, such creation being referred to as ‘framing.’” (Id.)

Sony points to both intrinsic and extrinsic evidence in response. Sony presses that the claims do not recite any structure for “framer” and, instead, recite the term only in relation to its function. Sony also argues that statements made by the patentee during prosecution that describe the framer in the claimed invention as “unique and novel” demonstrate that a POSA would not have understood its structure. (‘730 Patent File History, Response dated September 20, 2000, ECF No. 67-3, at 70–71 (“In contrast, this invention describes, in its representative embodiments, how to combine the data from a UID (mouse) and from a high-frequency signal, *via a framer, which is unique and novel.*” (emphasis added).)

Additionally, Sony relies on extrinsic evidence to demonstrate that “framer” does not connote sufficiently definite structure. Sony does not dispute that a POSA would have understood the concept of “framing” or “frame” at the time of the ‘730 Patent. Instead, Sony argues that Dr. Fernald’s testimony does not provide a reasonably well understood meaning for “framer,” which is, in fact, the claim term. Sony asserts that Dr. Fernald’s testimony (1) failed to “introduce any other evidence, such as dictionary definitions, suggesting that [framer] is a term commonly understood by [a POSA] to denote a device or class of devices”; (2) failed to “explain with any degree of definiteness what structure or class of structures a [POSA] would understand the term to encompass”; (3) failed to “offer any structural limitation that might serve to cabin the scope of the functional term”; and (4) “did little more than opine that a skilled artisan would understand the functional term [framer] to be any structure capable of performing the claimed function.” (Defs.’ Responsive Claim Constr. Br. at 17–18 (citations omitted) (internal quotation marks omitted).)

Sony relies on Diebold Nixdorf, Inc. v. Int’l Trade Commission, 899 F.3d 1291 (Fed. Cir. 2018) to support the argument that these flaws in GET’s expert testimony demonstrate that “framer” fails to connote sufficiently definite structure.

Finally, Sony cites to the testimony of its own expert, Dr. Gregory F. Welch, who explains that “framer” was not commonly understood to connote any definite structure or class of structures to a POSA. (Welch Decl., ECF No. 78, at ¶¶ 22–23 (“I have never seen nor heard of the word ‘framer’ used in the context of user input devices, the word ‘framer’ was not commonly used in such contexts Claims 16 and 21 of the ‘730 Patent would connote no less structure to a [POSA] had those claims used the word ‘means for’ in place of ‘framer’ in Claim 16 or ‘framer for’ in Claim 21.”).) As explained by Dr. Welch, “the use of the word ‘framer’ and ‘framer for’ connotes no additional information to a [POSA] about the structure or class of structures that is to perform the recited functions than if the claims instead recited ‘means for.’” (Id. at ¶ 23.)

For the following reasons, I agree that “framer” fails to connote sufficiently definite structure to a POSA and that § 112(f) applies to that term. First, the disclosure of Figure 4A (showing the components and connections of “framer 34”) is not alone sufficient to impart structure to the claim term. See MTD Prods. Inc. v. Iancu, 933 F.3d 1336, 1342–43 (Fed. Cir. 2019) (“Just as it is improper to import[] limitations from the specification into the claims, however, a preferred embodiment disclosed in the specification cannot impart structure to a term that otherwise has none. . . . As with all lexicography, [i]t is not enough for a patentee to simply disclose a single embodiment. Rather, the patentee must clearly express an intent to redefine the term.” (internal quotation marks omitted)). And the claims recite “framer” only in relation to its function, not its structure. (‘730 Patent, col. 8, lines 61–63 (“a framer synchronizing the user input stream with the input stream and encoding the same into a combined data stream transferable by

the communication link”); *id.* at col. 10, lines 5–8 (“a framer for keeping the user input stream and the at least one digital input signal in synchrony and encoding the same into a combined data stream transferable to the computer by the communication link.”).

Second, based on the prosecution history, I conclude that the ‘730 Patent fails to convey to a POSA the structure or class of structures known as “framers” because the patentee explicitly stated during prosecution that the framer used “to combine the data from a UID (mouse) and from a high-frequency signal” in the claimed invention was “unique and novel,” a characterization also recognized by the PTO Examiner. (‘730 Patent File History, Response dated September 20, 2000, ECF No. 67-3, at 70–71; PTO Examiner Correspondence, ECF No. 67-3, at 145) (“Your invention, as far as I understand, is a user-interface (UI) with a *novel* framer that combines 2 different signals from 2 different sources.”) (emphasis added).)

GET offers no response to these arguments, relying solely on the testimony of its expert and four documents introduced for the first time in its Reply Brief that it claims represent “framers” on the market at the time of the ‘730 Patent in the field of data communications. (Pl.’s Reply Claim Constr. Br., Ex. 8–11.) GET argues that the field of invention of the ‘730 Patent includes data communications and, therefore, a POSA would have known about these other framers. However, the specification recites the following as the field of the claimed invention: “[t]his invention relates to computer user-input devices including pointing devices, especially to those handling additional input/output signals.” (‘730 Patent, col. 1, lines 8–11.) This description does not expressly include the broad term “data communications,” and GET’s expert, Dr. Fernald, does not address whether it should. In fact, Dr. Fernald’s description of a POSA makes no mention of “data communications.” (See Fernald Decl., ECF No. 71, at ¶ 4.) And Sony’s expert, Dr. Welch,

although asked directly whether data communications was the relevant field of invention, was unwilling to characterize it as such. (Welch Dep., ECF No. 84-1, at 17:2–18:10.)

Finally, I find that Dr. Fernald’s testimony is insufficient to demonstrate that a POSA would have understood the structure or class of structures referred to by “framer” in the claimed invention. Diebold Nixdorf, Inc. v. Int’l Trade Commission, 899 F.3d 1291 (Fed. Cir. 2018), is instructive on this point. In Diebold, the Federal Circuit reversed a decision of the United States International Trade Commission declining to apply § 112(f) to the claim term “cheque standby unit.” See 899 F.3d at 1298. The Court concluded that the claims of the patent at issue did not recite any structure for the term, describing it “solely in relation to its function and location in the apparatus.” Id. The Court rejected expert testimony declaring that a POSA would readily understand that a “cheque standby unit” was a “structure in an ATM that temporarily holds checks pending the customer confirming the deposit.” Id. at 1300. The Court’s reason for doing so was the lack of any other evidence, such as dictionary definitions, suggesting that a “cheque standby unit” is a term commonly understood by a POSA to denote a device or class of devices. Id.

Here, Dr. Fernald’s testimony suffers from the same deficiencies as the expert’s testimony in Diebold. Dr. Fernald’s testimony does not provide a reasonably well understood meaning for “framer.” He defines “framing” and “frame” but offers no support, by way of dictionary definitions or other extrinsic evidence, for his assumption that a POSA who understands “framing” and “frame” would, therefore, understand that a “framer” was “a circuitry that creates a frame.” (Fernald Decl., ECF No. 71, at ¶ 5.) As the expert in Diebold, Dr. Fernald does little more than opine that a POSA would understand “framer” to be any structure that performs the function of “framing” and, therefore, fails to cabin the scope of the functional term. (Id. (“A framer is a circuit

that creates a frame, such creation being referred to as ‘framing.’”).) This is not sufficient to support a *definite* structural meaning of “framer.” See Diebold, 899 F.3d at 1298.

Based on my analysis of the intrinsic and extrinsic evidence identified by the parties, I conclude that § 112(f) applies to “framer” because a POSA would not have understood the term to connote sufficiently definite structure at the time of the ‘730 Patent. I will, therefore, adopt Sony’s proposed construction of **“framer” as “Function: Synchronizing the user input stream with the input stream and encoding the user input stream and the input stream into a combined data stream; Structure: The logic design at block 34 in Figure 4A⁷ and equivalents thereof.”**⁸

E. “Converter”

The fifth claim term in dispute is “converter.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
16, 18	A circuit for converting a digital stream into an output signal, such as, for example, the decoder part of a codec; ‘converter’ in Claim 18 does not necessarily refer to the same converter of Claim 16. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 8.)	The converter in Claim 18 refers to the same converter component of Claim 16 and, in the alternative, a codec. (Defs.’ Responsive Claim Constr. Br. at 20); (see also <u>Markman</u> Hearing Tr., 12/3/19, at 89:21–90:25.)

⁷ As discussed further *infra*, and in relation to the term “encoding means,” the ‘730 Patent discloses only one type of structure to perform the function of “framer”—the logic design at block 34 in Figure 4A. Therefore, based on Bennett Marine, Inc. v. Lenco Marine, Inc., 549 F. App’x 947 (Fed. Cir. 2013), I will construe the structure of “framer” as “the logic design at block 34 in Figure 4A and equivalents thereof.” See *id.* at 954-55 (“The ‘780 patent discloses only one specific type of circuit to perform the part of the function required by the fifth limitation. In such a situation, the corresponding structure should be limited to that structure and its equivalents. . . . [T]he ‘780 patent does not disclose alternatives to the circuit shown in figure 2, such as, for example, a general class of known switches. . . . Bennett has not identified any evidence showing that any circuit other than the circuit disclosed in figure 2 was known and capable of performing the function required by the fifth limitation.”); see also J&M Corp. v. Harley-Davidson, Inc., 269 F.3d 1360, 1367 (Fed. Cir. 2001) (“The literal scope of a properly construed means-plus-function limitation does not extend to all means for performing a certain function. Rather, the scope of such claim language is sharply limited to the structure disclosed in the specification and its equivalents.”).

⁸ I will also construe the structure of “framer” to include equivalents thereof as discussed *infra* in Section F. See 35 U.S.C. § 112(f) (“[S]uch claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.”).

The parties' dispute focuses on whether the converter disclosed in claim 18 is the same as the converter in claim 16.

Independent Claim 16 teaches an apparatus comprising, in pertinent part, "a converter receiving the at least one input signal for producing an input stream." ('730 Patent, col. 8, lines 59–60.) The parties agree that this claim term requires no construction because the meaning of "converter" is readily understood by a POSA without the need for clarification and it connotes sufficiently definite structure—a device that converts data or signals from one form to another. (See Pl.'s Opening Claim Constr. Br. at 18; Defs.' Responsive Claim Constr. Br., Ex. 6, at 120.) However, the parties dispute the construction of "converter" in claim 18. Claim 18, which is dependent on claim 16, teaches:

the apparatus of claim 16 **wherein the converter further comprises an output port** wherein the framer further receives an output stream from the computer via the communication link, the output stream being further received and converted by the converter into at least one input signal going to the output port.

('730 Patent, col. 9, lines 1–5 (emphasis added).)

Because claim 16 is an independent claim, it must be at least as broad as claim 18, which depends from it. See Alcon Research, LTD v. Apotex Inc., 687 F.3d 1362, 1367 (Fed. Cir. 2012). Moreover, "the presence of a dependent claim that adds a particular limitation gives rise to a presumption that the limitation in question is not present in the independent claim." Phillips, 415 F.3d at 1314–15. This "presumption is especially strong when the limitation in dispute is the only meaningful difference between an independent and dependent claim, and one party is urging that the limitation in the dependent claim should be read into the independent claim." SunRace Roots Enter. Co., Ltd. v. SRAM Corp., 336 F.3d 1298, 1303 (Fed. Cir. 2003).

GET argues that the “converter” disclosed in claim 18 does not necessarily refer to the same converter in claim 16 because, as made clear by the specification, the converter in claim 16 performs as an analog-to-digital converter, converting at least one input signal into an input stream, and the converter in claim 18 performs as a digital-to-analog converter, converting an output stream into at least one output signal. (Pl.’s Opening Claim Constr. Br. at 13.) Sony responds that “the antecedent basis for ‘the converter’ in claim 18 is the converter of claim 16 and, therefore, they refer to the same thing.” (Defs.’ Responsive Claim Constr. Br. at 20.)

I disagree with Sony for several reasons. First, the parties do not dispute that “converter” is understood by POSAs to evoke a sufficiently definite structure or class of structures that convert data or signals from one form to another. Therefore, § 112(f) does not apply to the term in question.

The parties have also agreed that no construction of “converter” in claim 16 is necessary. Thus, the converter in claim 16 is construed based on the readily understood meaning taught by the claim language—a converter that must be able to convert an input signal into an input stream.

Claim 18, on the other hand, refers to the apparatus of claim 16, but with a limitation—the converter must also be able to convert an output stream into at least one output signal. (‘730 Patent, col. 9, lines 1–5.) This claim language demonstrates that claim 18 does not necessarily refer to the same converter as claim 16. If it did, then claim 18 would become superfluous. That is, if the converter disclosed in claim 16 was required to perform as not only an analog-to-digital converter, but also a digital-to-analog converter, then there would be no need to disclose the additional digital-to-analog function of the converter in a separate claim, i.e. claim 18. See Seachange Int’l, Inc. v. C-COR, Inc., 413 F.3d 1361, 1368 (Fed. Cir. 2005) (quoting Karlin Tech. Inc. v. Surgical Dynamics, Inc., 177 F.3d 968, 971–72 (Fed. Cir. 1999)) (“The doctrine of claim differentiation stems from ‘the common sense notation that different words or phrases used in

separate claims are presumed to indicate that the claims have different meanings and scope.”); Tandon Corp. v. U.S. Int’l Trade Comm’n, 831 F.2d 1017, 1023 (Fed. Cir. 1987) (“To the extent that the absence of such difference in meaning and scope would make a claim superfluous, the doctrine of claim differentiation states the presumption that the difference between the claims is significant.”).

As it stands, based on the claim language, the converter in independent claim 16 must, at least, perform as an analog-to-digital converter, but it is not limited to only this function. The converter in dependent claim 18 is thus limited. It must be able to perform both analog-to-digital and digital-to-analog conversions.

This reading of the claim language, and the conclusion that the converter in claim 18 does not necessarily refer to the same converter as claim 16, is also supported by the specification. In the preferred embodiments, the specification states, in pertinent part, that “[o]ne embodiment of the present invention, having the functional block diagram depicted by FIG. 2A, comprises . . . a signal converting means called converter 30” (‘730 Patent, col. 4, lines 1–5.) In Figures 2A, 2B, and 2C, converter 30 “converts input signal 31, delivered by input 32, into input stream 33 representative of the input signal.” (*Id.* at col. 4, lines 12–13.) Figure 2C “additionally shows converter 30 receiving output stream 54 from framer 34 to produce output signal 52 going out via output 53 to the external device.” (*Id.* at col. 4, lines 16–19.) In other words, converter 30, in Figure 2C, performs an additional function to the converter 30 depicted in Figures 2A and 2B—it also converts an output stream from the framer into an output signal via an output port to an external device.⁹

⁹ Sony also offers, as an alternative construction, that “converter” in claim 18 is a “codec.” “[A] ‘codec’ is a combined analog-to-digital converter and digital-to-analog converter. The analog-to-digital conversion is referred to as ‘encoding,’ and the digital-to-analog conversion is referred to as ‘decoding.’” (*See* Fernald Decl., ECF No. 71, at ¶ 7.) Yet, the converter taught by claim 18 is broader than the example

Based on these multiple examples or alternative embodiments of “converter” disclosed in the specification, I conclude that the converter in broader, independent claim 16 and its claimed function are not limited to the converter disclosed in dependent claim 18. See Intel Corp., 946 F.2d at 836 (“Where a specification does not require a limitation, that limitation should not be read from the specification into the claims.”); see also Katz v. AT&T Corp., 63 F. Supp. 2d 583, 591 (E.D. Pa. 1999) (“[I]f a term is used in a variety of ways by the patentee in the specification, this may be indicative of the breadth of the term, rather than a limited definition.”).

Therefore, I will construe “**converter**” in claim 18 as “**A circuit for converting (1) the at least one input signal into an input stream and (2) an output stream into the at least one output signal.**”¹⁰

F. Terms Which the Parties Do Not Dispute are Means-Plus-Function

The parties do not dispute that § 112(f) applies to the remaining disputed claim terms but offer different proposed constructions. Two issues of construction are common to these remaining

or preferred embodiment of a “codec” disclosed in the specification. (See ‘730 Patent, col. 4, lines 41-52 (“FIG. 3A illustrates one implementation of the embodiment of the invention that receives and transmits analog I/O signals while transferring data to/from the computer via the RS-232 cable. It utilizes all the elements shown in FIG. 2A and further includes the feature of receiving an output information sent from the computer via line TXD of the RS-232. Framer 34 serializes such output information to become signal 54, which is converted by converter 30 into output signal 52 to output 53. Converter 30 [in this preferred embodiment] is a codec”); id. at col. 5, lines 7-11 (“FIG. 4A, the codec TP3054, in place of converter 30, converts output information 54, sent from the computer via line TXD, into output signal 52 entering output 53. Concurrently, the codec also converts input signal 31, delivered by input 32, into serial stream 33.”). I will not limit the construction of “converter” to an example without a disclaimer. See, e.g., B.E. Technology, L.L.C., 657 F. App’x at 988 (“B.E. contends that the Board’s construction is incorrect because it is broader than the examples depicted in the patent; however, we have rejected the notion that claim terms are limited to the embodiments disclosed in the specification, absent redefinition or disclaimer.”).

¹⁰ For the reasons discussed supra, I disagree with the parties’ constructions. The converter in claim 18 is not necessarily the same as the converter in claim 16. Therefore, I decline to adopt Sony’s proposed construction. GET’s construction, on the other hand, accounts for only part of the function of the converter disclosed in claim 18. Claim 18’s converter not only converts an output stream into an output signal, but it also performs the function of the converter disclosed in claim 16—converting an input signal into an input stream. (‘730 Patent, col. 9, lines 1-5 (“The apparatus of claim 16 *wherein the converter further comprises* an output port”) (emphasis added).) Therefore, I also decline to adopt GET’s proposed construction.

terms. The first issue is whether each means-plus-function limitation should be construed to include equivalents thereof. The second issue is whether the construction of these terms should specify that each corresponding structure may be implemented by integrated circuit technology or microprocessor-based design. I address each of these issues in turn here.

Regarding the first issue of construction, § 112(f) explicitly permits GET to pursue a literal infringement theory based on the equivalent of any term construed under this provision. 35 U.S.C. § 112(f) (“[S]uch claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.”). Sony agrees but raises the concern that jurors may be confused or misled if equivalents are expressly included in the construction of all means-plus-function limitations without any explanation of how to find equivalents. Sony advocates, instead, for a jury instruction on the right to equivalents, along with a description of how to perform the analysis. GET responds that courts typically include “and equivalents thereof” or similar language in their constructions of means-plus-function limitations. (Pl.’s Reply Claim Constr. Br. at 8.) GET also insists that any potential juror confusion can be addressed through jury instructions and that an omission of equivalents risks prejudice if the jury neglects to apply the law.

I conclude that GET is entitled to pursue a literal infringement theory based on equivalent structures for means-plus-function limitations pursuant to § 112(f). The parties will have an opportunity to propose jury instructions on how to perform this infringement analysis. As such, I will construe each means-plus-function limitation to include “equivalents thereof.”

GET also argues that, based on language in the specification, the construction of all means-plus-function limitations should specify that the corresponding structures may be implemented by

an integrated circuit or microprocessor. (Pl.’s Opening Claim Constr. Br. at 7 (citing ‘730 Patent, col. 7, lines 16–23 and id. at col. 2, lines 53–58).)

However, the specification characterizes these methods as alternatives or preferred embodiments of the inventive apparatus. (‘730 Patent, col. 2, lines 53–60 (“The inventive apparatus *may* be implemented, *at least partially*, by integrated circuit (IC) technology The inventive apparatus *may* be implemented, *at least partially*, by a microprocessor-based design” (emphasis added); see also id. at col. 7, lines 16–23 (“Also, the IC technology, using the PLDs, the gate arrays, the ASICs, *or* the mixed-signal ICs, *can* integrate many elements of the apparatus into at least one IC device. *For instance*, a combination of the framer, the codec, the electronic part of the UI means, and the transceiver, *can* be packaged into at least one IC device. *Alternatively*, the logic of such combination *can* be implemented by a microprocessor, such as part DSP56xxx from Motorola.” (emphasis added).) Claims are generally not restricted to or construed as the specific examples or preferred embodiments disclosed in the specification, unless there is evidence of scope disavowal. See, e.g., Kinik, 362 F.3d at 1364–5; Dow Chem. Co. v. United States, 226 F.3d at 1342; Intel Corp., 946 F.2d at 836.

Accordingly, I will not construe the structure of the remaining means-plus-function limitations to include examples or preferred embodiments of the inventive apparatus, such as an integrated circuit or microprocessor.

1. “Communication Means”

The sixth claim term in dispute is “communication means.”

Claims	GET's Proposed Construction	Sony's Proposed Construction
10	<p>Function: Communicating data between the user input apparatus and the computer.</p> <p>Structure: A wired or wireless transceiver (such as, for example, IR or RF) transceiver compatible with a communication protocol, including without limitation transceivers using RS-232 or USB communication protocols and equivalents thereto; may be implemented by integrated circuit or microprocessor-based design. (Pl.'s Opening Claim Constr. Br., Ex. 2, at 2.)</p>	<p>Function: Communicating data between the user input apparatus and the computer.</p> <p>Structure: A transceiver compatible with RS-232 or USB communication protocols. (Defs.' Responsive Claim Constr. Br. at 11, 11 n.4.)</p>

The parties agree that § 112(f) applies to this term. The primary dispute between them is whether to limit the structure of “communication means” to a transceiver compatible with RS-232 or USB communication protocols.

GET argues that the communication means may be either a wired or wireless transceiver as stated in the specification. (‘730 Patent, col. 2, lines 37–39 (“The transmission of the communication signals may be wired (via cable) or wireless (via electromagnetic wave).”).) Sony does not dispute that the structure for performing the function of “communication means” is a transceiver, but it limits the construction to transceivers compatible with RS-232 or USB communication protocols. GET responds that transceivers compatible with RS-232 or USB communication protocols are alternative embodiments or examples and, by limiting the structure of “communication means” to these examples, Sony excludes specific embodiments of the invention disclosed in the specification.

On this construction, I agree with GET. The specification explicitly discloses in the preferred embodiments both wired and wireless transceivers for performing the function of “communication means.” (*Id.* at col. 4, lines 33–40 (“[C]ommunication means 35 is a wireless transceiver which transmits/receives the electromagnetic signals forming link 36, while at port 38 there is a compatible wireless transceiver to receive/transmit the same signals. *Two typical*

wireless transceivers are the infrared-light (IR) . . . and the radio frequency (RF)”) (emphasis added); *id.* at col. 4, lines 41–44 (“FIG. 3A illustrates one implementation of the embodiment of the invention that receives and transmits analog I/O signals while transferring data to/from the computer via the RS-232 cable.”); *id.* at col. 2, lines 34–36 (“*Two examples of communication protocols* used by a UID are the popular RS-232 and the newly standardized Universal Serial Bus (USB).”) (emphasis added).¹¹ By limiting the structure of “communication means” to transceivers compatible with RS-232 or USB communication protocols, I would be improperly reading out preferred embodiments of the claimed invention. (*Id.* at col. 4, lines 33–40.)

Moreover, I will not restrict the claim term to the alternative transceivers disclosed in the specification when there is no disclaimer or disavowal in the file history. *See, e.g., Kinik*, 362 F.3d at 1364–65 (“[W]hen the specification describes the invention in broad terms, accompanied by specific examples or embodiments, the claims are generally not restricted to the specific examples or preferred embodiments unless that scope was limited during prosecution.”); *see also Bennett Marine, Inc. v. Lenco Marine, Inc.*, 549 F. App’x 947, 954–55 (Fed. Cir. 2013) (limiting the structure of a means-plus-function limitation to the circuit disclosed in figure 2 because the patent did not disclose alternatives).

Therefore, I will adopt, in part, GET’s proposed construction of “**communication means**” as “**Function: Communicating data between the user input apparatus and the computer; Structure: A wired or wireless transceiver and equivalents thereof.**”¹²

¹¹ Both the RS-232 and USB communication protocols are for wired transmission of data. (*Markman* Hearing Tr., 12/3/19, at 95:9-11.)

¹² I decline to adopt the remainder of GET’s proposed construction of this term for the reasons discussed *supra* in Section F.

2. “Means for Receiving an Output Stream from the Computer Via the Communication Link”

The seventh disputed claim term is “means for receiving an output stream from the computer via the communication link.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
17	Function: Receiving an output stream from the computer via the communication link. Structure: A wired or wireless transceiver and equivalents thereto; may be implemented by integrated circuit technology or microprocessor-based design. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 7.)	Function: Receiving an output stream from the computer via the communication link. Structure: A transceiver compatible with RS-232 or USB communication protocols. (Defs.’ Responsive Claim Constr. Br. at 19.)

This term, as agreed to by the parties, is governed by § 112(f). The parties propose the same construction for the function of this term, and their proposed structures, although differently construed, are dependent upon my analysis of the structure of “communication means.” Therefore, for the same reasons discussed supra regarding “communication means,” I will adopt, in part, GET’s proposed construction of **“means for receiving an output stream from the computer via the communication link”** as **“Function: Receiving an output stream from the computer via the communication link; Structure: A wired or wireless transceiver and equivalents thereof.”**

3. “User Input Means”

The eighth disputed claim term is “user input means.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
10, 14	Function: Producing a user input stream. Structure: A sensor of user-initiated actuations and an encoder and equivalents thereto; may be implemented by circuit technology or microprocessor-based design. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 3.)	Function: Producing a digital user input stream. Structure: A mouse, trackball, keyboard, pressure tablet, or pen-based input device comprising a sensor of user-initiated actuations and an encoder. (Defs.’ Responsive Claim Constr. Br. at 13.)

The parties agree that this term is also governed by § 112(f). They also mostly agree regarding the construction of the term's function. However, Sony adds the word “digital”—“producing a *digital* user input stream.”

For the following reasons, I agree with Sony's addition of the word “digital” to the terms construed function. Claim 1, from which claim 10 depends, teaches an apparatus comprising a “user input means for producing a user input stream.” (‘730 Patent, col. 7, lines 61–64.) This claim language explicitly defines the function of the “user input means” as “producing a user input stream.” The claims do not otherwise limit the user input stream to a digital stream. However, patent claims must also “be read in view of the specification, of which they are a part.” Markman, 52 F.3d at 979 (citing Autogiro Co. of Am. v. United States, 384 F.2d 391, 397 (1967)); see also SRI Int’l v. Matsushita Elec. Corp. of Am., 775 F.2d 1107, 1121 (Fed. Cir. 1985). The specification is “highly relevant to the claim construction analysis” because it contains a written description of the invention that must be clear and complete enough to enable those of ordinary skill in the art to make and use it. Vitronics, 90 F.3d at 1582. “[W]here the ordinary and accustomed meaning of the words used in the claims lack sufficient clarity to permit the scope of the claim to be ascertained from the words alone” the specification can provide clarity. Teleflex. Inc. v. Ficos N. Am. Corp., 299 F.3d 1313, 1325 (Fed. Cir. 2002).

Here, the specification describes the user input stream as a digital stream: “[f]unctionally a UID or UI module comprises a sensor translating a user-initiated actuation into electrical signals, and an encoder converting such signals into a digital stream, called the [user input] stream” (Id. at col. 3, lines 56–59.) GET, in fact, relies on this portion of the specification to support its construction of the structure of “user input means.” (Pl.’s Opening Claim Constr. Br. at 9–10.) GET cannot rely on these select disclosures in the specification when construing one aspect of the

claim term's definition but then ignore their impact in construing another. Therefore, based on the language of the specification, I conclude that the function of "user input stream" must be construed to include "digital."

Regarding the terms structure, the primary dispute between the parties is whether the structure should be limited to a mouse, trackball, keyboard, pressure tablet, or pen-based input device. GET argues that the specification explicitly discloses the structure of the "user input means" as "a sensor translating user-initiated actuations and an encoder." ('730 Patent, col. 3, lines 56–59 ("Functionally, a UID or a UI module comprises a sensor translating a user-initiated actuation into electrical signals, and an encoder for converting such signals into a digital stream, called the [user input] stream.")). Sony does not dispute that the structure of "user input means" is a sensor of user-initiated actuations and an encoder. It includes this language in its construction. However, Sony limits its construction to a mouse, trackball, keyboard, pressure tablet, or pen-based input device *comprising* a sensor and an encoder.

GET argues that Sony improperly limits the structure to examples of "user input devices in the specification that incorporate the sensor and encoder." (Pl.'s Opening Claim Constr. Br. at 10.) It explains that the "user input means" is the sensor and encoder of the user input device (the mouse, keyboard, or trackball) that produces the user input stream, "not the [user input device] itself." (*Id.*) Therefore, GET asserts that Sony is attempting to incorporate structure from the written description beyond what is necessary to perform the claimed function. (*Id.* (citing Asyst Tech., Inc. v. Empak, Inc., 268 F.3d 1364, 1369–70 (Fed. Cir. 2001) and Micro Chem., Inc. v. Great Plains Chem. Co., Inc., 194 F.3d 1250, 1258 (Fed. Cir. 1999)).)

I agree that Sony is attempting to improperly limit the structure of "user input means," the sensor and encoder, to examples disclosed in the specification. The specification explains that the

user input stream produced by the sensor and encoder “follows the format of the communication link used by the associated [user input device].” (‘730 Patent, col. 3, lines 60–61; see also id. at col. 3, lines 65–67 (“The inventive apparatus receives a [user input] stream coming either from a UI module or from an interface to an external [user input device].”).) The specification describes examples of typical user input devices as the mouse, trackball, keyboard, pressure tablet, and pen-based input device. (See id. at col. 1, lines 16–18; id. at col. 3, lines 61–65 (“In his description, the [user input stream] conforms to the Microsoft serial mouse’s asynchronous frame format . . .”).)

As discussed throughout this Memorandum Opinion, claims should not be restricted to the specific examples or preferred embodiments disclosed in the specification, unless the scope of the claim was limited during prosecution. See, e.g., Kinik, 362 F.3d at 1364–65. Here, there was no disavowal of this claim term’s scope in the file history. Therefore, I will not limit the structure of “user input means” to the mouse, trackball, keyboard, pressure tablet, and pen-based input device comprising a sensor and encoder.

As such, I will construe “user input means” as **“Function: Producing a digital stream, called the user input stream; Structure: A sensor translating user-initiated actuations and an encoder and equivalents thereof.”**¹³

4. “Encoding Means”

The ninth claim term in dispute is “encoding means.”

¹³ I decline to adopt the remainder of GET’s proposed construction of this term for the reasons discussed supra in Section F.

Claims	GET's Proposed Construction	Sony's Proposed Construction
10, 14	<p>Function: Synchronizing the user input stream with the input stream and encoding the same into a combined data stream transferable by the communication means.</p> <p>Structure: A framer that implements a frame format containing data bits of the UI stream and of the additional input signal and equivalents thereto; framer 34 of Figure 4A and equivalents thereto; may be implemented by integrated circuit technology or microprocessor-based design. (Pl.'s Opening Claim Constr. Br., Ex. 2, at 5.)</p>	<p>Function: (1) synchronizing the user input stream with the input stream, and (2) encoding the user input stream and the input stream into a combined data stream.</p> <p>Structure: The logic design at block 34 of Figure 4A. (Defs.' Responsive Claim Constr. Br. at 16.)</p>

The parties agree that § 112(f) applies to this term. The central dispute between the parties is whether the structure, which performs the function of “encoding means,” is limited to the framer disclosed in Figure 4A of the ‘730 Patent.

GET argues that the evidence offered in support of its construction of “framer” is dispositive as to “encoding means” because the structure that performs the function of this term is a “framer.” GET contends that Sony’s proposed construction seeks to limit the term to a single example in the specification, which it asserts is improper when construing means-plus-function limitations.

When the patent discloses only one type of structure to perform the function of a means-plus-function limitation, the Federal Circuit has held that the construed structure of the term should be limited to the structure disclosed in the specification and its equivalents. See Bennett Marine, 549 F. App’x at 954–55. Bennett Marine involved a patent for trim tab systems used on powerboats, which disclosed only one type of circuit for performing the function of the means-plus-function limitation at issue. Id. at 949, 954. The Federal Circuit concluded that, “[i]n such a situation, the corresponding structure should be limited to that [disclosed] structure and its equivalents.” Id. at 954 (citing Mettler-Toledo, Inc. v. B-Tek Scales, LLC, 671 F.3d 1291, 1295–

6 (Fed. Cir. 2012)). In support of this conclusion, the Federal Circuit noted that the patent at issue “did not disclose alternatives to the circuit shown in figure 2, such as, for example, a general class of known switches.” Id. at 954–55 (“Bennett has not identified any evidence showing that any circuit other than the circuit disclosed in figure 2 was known and capable of performing the function required by the fifth limitation.”); see also J&M Corp. v. Harley-Davidson, Inc., 269 F.3d 1360, 1367 (Fed. Cir. 2001) (“The literal scope of a properly construed means-plus-function limitation does not extend to all means for performing a certain function. Rather, the scope of such claim language is sharply limited to the structure disclosed in the specification and its equivalents.”).

Here, the ‘730 Patent discloses only one specific structure for performing the function of “encoding means,” framer 34 identified in Figure 4A. (‘730 Patent, col. 5, lines 4–64.) GET admits that the specification identifies framer 34 as the relevant structure. (Pl.’s Opening Claim Constr. Br. at 11 (“The specification clearly identifies the structure that synchronizes the user input stream with the input stream and encodes them into a combined data stream: a framer. ‘Framer 34 keeps UI stream 24 and input stream 33 in synchrony and encodes them into combined data stream 37’ (quoting ‘730 Patent, col. 4, lines 13–16)).) For the same reasons discussed supra in regarding “framer,” I disagree that the use of “framer” in the claimed invention refers to a general class of known framers capable of performing the function of “encoding means.”

Therefore, based on my foregoing discussion of “framer” and the reasoning in Bennett Marine, I will adopt Sony’s proposed construction of **“encoding means”** as **“Function: Synchronizing the user input stream with the input stream and encoding the user input**

stream and the input stream into a combined data stream;¹⁴ Structure: The logic design at block 34 in Figure 4A and equivalents thereof.”

5. “Means for Converting the Output Stream Into At Least One Output Signal”

The tenth claim term in dispute is “means for converting the output stream into at least one output signal.”

Claims	GET’s Proposed Construction	Sony’s Proposed Construction
17	<p>Function: Converting the output stream into at least one output signals.</p> <p>Structure: A circuit for converting a digital stream into an output signal, such as, for example the decoder part of a codec, and equivalents thereto; may be implemented by integrated circuit technology or microprocessor-based design. (Pl.’s Opening Claim Constr. Br., Ex. 2, at 8.)</p>	<p>Function: Converting the output stream into an output signal.</p> <p>Structure: The decoder portion of a codec. (Defs.’ Responsive Claim Constr. Br. at 20; <u>see also</u> Defs.’ Sur-reply Claim Constr. Br. at 10.)</p>

The parties agree that § 112(f) also applies to this term and do not substantively dispute the construction of the term’s function. Rather, GET disputes Sony’s limitation of the structure of the term to a preferred embodiment of the claimed invention—the decoder portion of a codec.

As discussed supra regarding “converter,” claim 18 teaches a converter that can perform the function of converting an output stream into an output signal. The specification also refers to an embodiment of the converter that performs this same function. (Id. at col. 4, lines 16–19 (“FIG. 2C additionally shows converter 30 receiving output stream 54 from framer 34 to produce output signal 52 going out via output 53 to the external device.”).)

¹⁴ The parties substantively agree regarding the construed function of “encoding means.” Based on this agreement and the language of claim 16, I have adopted a hybrid of the parties’ proposed constructions. (‘730 Patent, col. 8, lines 61–63 (“a framer synchronizing the user input stream with the input stream and encoding the same into a combined data stream transferable by the communication link”).

The specification discloses a “codec” as only one embodiment of converter 30. (‘730 Patent, col. 4, lines 41–52 (“FIG. 3A illustrates one implementation of the embodiment of the invention that receives and transmits analog I/O signals while transferring data to/from the computer via the RS-232 cable. It utilizes all the elements shown in FIG. 2A and further includes the feature of receiving an output information sent from the computer via line TXD of the RS-232. Framer 34 serializes such output information to become signal 54, which is converted by converter 30 into output signal 52 to output 53. Converter 30 [in this preferred embodiment] is a codec”); *id.* at col. 5, lines 7–11 (“FIG. 4A, the codec TP3054, in place of converter 30, converts output information 54, sent from the computer via line TXD, into output signal 52 entering output 53. Concurrently, the codec also converts input signal 31, delivered by input 32, into serial stream 33.”).)

Because the “codec” disclosed in the specification is a preferred embodiment of the claimed invention, I will not limit the construction of “converter” to this example without a disclaimer. *See, e.g., B.E. Technology, L.L.C.*, 657 F. App’x at 988.

Therefore, I will adopt GET’s proposed construction of **“means for converting the output stream into at least one output signal”** as **“Function: Converting the output stream into at least one output signal; Structure: A circuit for converting a digital stream into an output signal and equivalents thereof.”**¹⁵

6. “Converting Means”

The eleventh and final claim term in dispute is “converting means.”

¹⁵ I decline to adopt the remainder of GET’s proposed construction of this term for the reasons discussed *supra* in Section F.

Claims	GET's Proposed Construction	Sony's Proposed Construction
10	<p>Function: Receiving the at least one input signal and producing therefrom an input stream.</p> <p>Structure: An analog-to-digital converter and equivalents thereto; may be implemented by integrated circuit technology or microprocessor-based design. (Pl.'s Opening Claim Constr. Br., Ex. 2, at 4.)</p>	<p>Function: Receiving the at least one input signal and producing therefrom an input stream.</p> <p>Structure: An analog-to-digital converter. (Defs.' Responsive Claim Constr. Br. at 15.)</p>

The parties again agree that § 112(f) applies to this term. Their central dispute is whether the construction of this term's structure should include "equivalents thereof" and "may be implemented by integrated circuit technology or microprocessor-based design." For the same reasons discussed supra regarding these proposed additions by GET, I will construe **"converting means"** as **"Function: Receiving the at least one input signal and producing therefrom an input stream; Structure: An analog-to-digital converter and equivalents thereof."**

IV. CONCLUSION

The claims shall be construed as set forth above and in the Claim Construction Order that follows.

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

GENUINE ENABLING TECHNOLOGY
LLC.,

Plaintiff,

v.

NINTENDO CO., LTD. and NINTENDO OF
AMERICA INC.,

Defendants.

Case No. C19-351RSM

ORDER RE: CLAIM CONSTRUCTION
AND GRANTING DEFENDANT’S
MOTION FOR SUMMARY JUDGMENT

I. INTRODUCTION

This matter comes before the Court on the Defendants Nintendo Co., Ltd. and Nintendo of America, Inc. (“Nintendo”)’s Motion for Summary Judgment on the grounds of noninfringement and invalidity. Dkt. #90. Plaintiff Genuine Enabling Technology (“GET”) opposes Nintendo’s Motion. Dkt. #98. Parties submitted briefs regarding Claim Construction, Dkts. ## 85, 86, 92, 93, and oral argument was held on February 24, 2020 pursuant to *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995). Having reviewed the parties’ briefing, the appropriate portions of the records, and the relevant law, and having considered the

arguments and evidence presented in the *Markman* Hearing, the Court GRANTS Nintendo's motion for summary judgment.¹

II. BACKGROUND

A. The '730 Patent

GET brings this action against Nintendo claiming that five Nintendo products infringe U.S. Patent No. 6,219,730 (the '730 patent): (1) the Wii Remote and Wii Remote Plus; (2) the Nunchuk; (3) the WiiU Game Pad; (4) the Switch Joy-Con Controllers' and (5) the Nintendo Switch Pro Controller. The patent, owned by inventor Nghi Nho Nguyen, is entitled "Method and Apparatus for Producing a Combined Data Stream and Recovering Therefrom the Respective User Input Stream and at Least One Input Signal" and was issued by the United States Patent and Trademark Office on April 17, 2001. Dkt. #86-1. GET claims that Nintendo's controllers and console systems contain features and/or functionality that infringe claims 10, 14, 15, 16, 17, 18, 21, 22, 23, and 25 of the '730 patent.

The patented technology involves how a user-input device (UID) may communicate remotely with a computer so that different input signals are received and transmitted via the same link. Typical UIDs, as identified in the patent, include a mouse, trackball, or keyboard. *Id.* at col. 1, lines 16-18. Computers also use "various kinds of input/output ("I/O") cards or devices to handle I/O signals or information." *Id.* at col. 1, lines 16-17. Typical I/O cards include a "sound card handling I/O speech signals and the fax/modem device transferring information over the telephone line." *Id.* at 19-21. Because the devices and cards share common computer resources, the proliferation of cards and devices that offer new functions creates a problem of how to

¹ Parties have requested oral argument on the summary judgment motion, *see* Dkt. #90 at 1; Dkt. #98 at 1, but the court finds oral argument unnecessary to its disposition of the motion, *see* Local Rules LCR 7(b)(4).

efficiently use limited computer resources shared between them. *Id.* at 22-23; 33-36 (“As computer technology advances, more types of cards and devices are offered for richer sets of functions; efficient use of computer resources becomes critical.”)

In light of this computer resource problem, Mr. Nguyen designed the claimed invention to “offer[] a new kind of UID utilizing the computer resources efficiently and enabling a mode of remote interaction between the computer and its user.” *Id.* at 42-44. GET explains that Mr. Nguyen devised the ‘730 patent to solve a “collision problem” created by the transmission of slow-varying and fast-varying user input signals to a computer. *See Markman Hrg. Tr.*, 02/24/20, at 6:14-15. Normally, when these slow and fast signals are transmitted together, they collide with one another and corrupt the data. The ‘730 patent purportedly solves this problem through a user interface and novel framer that synchronizes the two data streams and encodes them into a combined data stream for transmission to the computer. *Id.* at 7:14-15. The computer can then receive the combined data stream uncorrupted, which creates the ability to receive the data from multiple input sources, as depicted below:

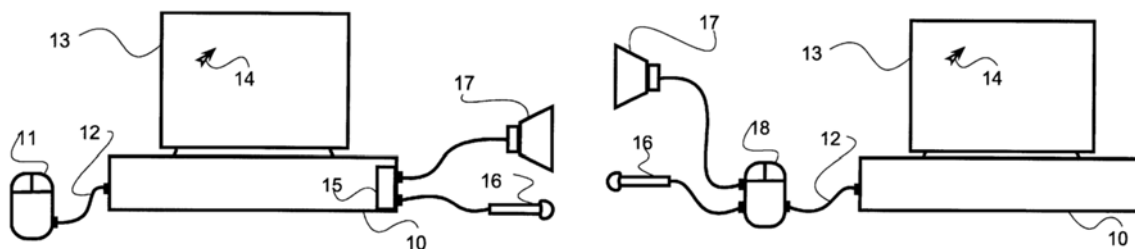


FIG. 1A - PRIOR ART

FIG. 1B

Dkt. #86-1 at 4. Figure 1B illustrates one embodiment of the invention, wherein a UID (11, Fig. 1A) and sound card (15, Fig. 1A) may be substituted with an “inventive apparatus” (18, Fig. 1B) that “singly provides both functions.” *Id.* at col. 3, lines 30-41. In other words, the user may

1 simultaneously use apparatus 18 as a conventional UID while speaking into the microphone
2 without requiring the use of a sound card and its computer resources.

3 **B. Rejection over Yollin**

4 During prosecution of the '730 patent, the U.S. Patent and Trademark Office ("PTO")
5 Examiner initially rejected Mr. Nguyen's patent based on prior art, U.S. Patent No. 5,990,866
6 ("Yollin") titled "Pointing Device With Integrated Physiological Response Detection Facilities,"
7 issued November 23, 1999. Dkt. #86-2 at 54. In rejecting the '730 patent, the Examiner cited
8 Yollin's teaching that "the controller generates a composite control signal" and discloses "a
9 framer receiving the user-input stream and the input stream to produce a combined data stream."
10 *Id.* In response, Mr. Nguyen distinguished his patent on the basis that Yollin did not address the
11 collision problem created by combining slow-varying and fast-varying signals. Instead, he
12 explained, while Yollin utilizes various configurations for receiving input from a motion
13 translation unit, user selection unit and physiological response sensor, and for processing their
14 information prior to communication to the host system, "Yollin only uses the configuration *to*
15 *receive the slow varying signal coming from the physiological response sensor(s).* Yollin is not
16 motivated and does not anticipate their use for receiving signals *containing audio or higher*
17 *frequencies in place of the physiological response sensor(s).*" *Id.* at 70 (emphases added). Thus,
18 the Yollin patent does not provide a solution to the inevitable collision problem that would occur
19 if such slow-varying signals are combined with a high-frequency signal.

20 Mr. Nguyen asserted that his '730 patent, in contrast, addressed high-frequency signals
21 that "come[] from a source different from those of motion and selection units, will run
22 asynchronously relative to, and collide with, the other signals." *Id.* at 71. He further explained
23 that "[the] invention describes . . . how to combine the data from a UID (mouse) and . . . a
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high-frequency signal, via a framer, which is unique and novel.” *Id.* Based on this patent prosecution history, the parties agree that the “fast-varying” input signals covered by the ‘730 patent are signals that have “audio or higher frequencies.” *See* Dkt. 84-1 at 4. However, they dispute whether Mr. Nguyen further disavowed the scope of “input signal” during prosecution when he distinguished “fast-varying” frequencies addressed by his patent from the “slow-varying” frequencies at issue in Yollin.

C. The Asserted Claims

The parties submitted a Joint Claim Construction and Prehearing Statement that identified the top ten disputed claim terms. Dkt. #84. Claims 1, 14, 16, and 21 are independent claims. Claims 10, 15, 17, 18, 22, 23, and 25 are dependent claims. Claim 10 depends on claim 1, claim 15 depends on claim 14, claims 17-18 depend on claim 16, and claims 22-25 depend on claim 21. The following are the relevant claims with disputed terms in bold:

1: A user input apparatus operatively coupled to a computer via a communication means **additionally receiving at least one input signal**, comprising: user input means for producing a user input **stream**; **input means for producing the at least one input signal**; converting means for receiving the at least one **input signal** and producing therefrom an input **stream**; and **encoding means for synchronizing the user input stream with the input stream and encoding the same into a combined data stream** transferable by the communication means.

10: The apparatus of claim 1 **wherein the input means is an input transducer.**

14: A programming method, executed by a computer communicatively coupled via a communication link to a user input means having **means for synchronizing and encoding a user input stream and at least one additional input signal into a combined data stream**, comprising the steps of: initializing the communication link; servicing a single resource service interrupt for receiving the **combined data stream**; and recovering from the **combined data stream** respective information of the user input means and of the at least one additional **input signal**.

15: The programming method of claim 14 further comprises transmitting, via the **communication link**, output information, the output information being received and converted by a converter residing in the **user input means** into at least one **output signal**.

16: An apparatus linked to a computer by a communication link, functioning as a user input device and additionally receiving at least one **input signal**, comprising: a user input device producing a user input **stream**; an **input port** receiving at least one **input signal**; a converter receiving the at least one **input signal** for producing an input **stream**; and a **framer synchronizing the user input stream with the input stream and encoding the same into a combined data stream** transferable by the communication link.

17: The apparatus of claim 16 further comprises **means for receiving an output stream from the computer via the communication link** and **means for converting the output stream into at least one output signal**.

18: The apparatus of claim 16 wherein the converter further comprises an **output port** wherein the framer further receives an output **stream** from the computer via the communication link, the output **stream** being further received and converted by the converter into at least one output signal going to the **output port**.

21: A user input apparatus operatively coupled to a computer via a communication link **receiving user input signals and additionally at least one digital input signal**, comprising: a user input device for producing a user input **stream**; an **input port** for producing the at least one **digital input signal**; and a **framer for keeping the user input stream and the at least one digital input signal in synchrony and encoding the same into a combined data stream** transferable to the computer by the communication link.

22: The apparatus of claim 21 wherein the **framer** further receives output information from the computer to provide at least one **output signal**.

23: The apparatus of claim 22 further comprises an output transducer converting the at least one **output signal** into output energy.

25: The apparatus of claim 21 wherein the **input port** receives the at least one **digital input signal** from an external device.

Dkt. #84 at 2-6; *see also* Dkt. #84-1.

D. Procedural History

GET filed its Complaint in the U.S. District Court for the District of Delaware on February 8, 2017. Dkt. #1. On March 11, 2019, the case was transferred to this Court. Dkt. #47. Initial briefing on claim construction was filed by GET and Nintendo on January 21, 2020, Dkts. #85, #86, with responsive briefing on February 3, 2020, Dkts. #92, #93. Oral argument was held

on February 24, 2020. On January 23, 2020, Nintendo moved for summary judgment dismissal of GET's infringement claims. Dkt. #90.

III. LEGAL STANDARD

A. Summary Judgment

Summary judgment is appropriate where “the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247, (1986). Material facts are those which might affect the outcome of the suit under governing law. *Id.* at 248. In ruling on summary judgment, a court does not weigh evidence to determine the truth of the matter, but “only determine[s] whether there is a genuine issue for trial.” *Crane v. Conoco, Inc.*, 41 F.3d 547, 549 (9th Cir. 1994) (citing *Federal Deposit Ins. Corp. v. O'Melveny & Meyers*, 969 F.2d 744, 747 (9th Cir. 1992)).

On a motion for summary judgment, the court views the evidence and draws inferences in the light most favorable to the non-moving party. *Anderson*, 477 U.S. at 255; *Sullivan v. U.S. Dep't of the Navy*, 365 F.3d 827, 832 (9th Cir. 2004). The Court must draw all reasonable inferences in favor of the non-moving party. *See O'Melveny & Meyers*, 969 F.2d at 747, *rev'd on other grounds*, 512 U.S. 79 (1994). However, the non-moving party must make a “sufficient showing on an essential element of her case with respect to which she has the burden of proof” to survive summary judgment. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Where the non-moving party fails to properly support an assertion of fact or fails to properly address the moving party's assertions of fact, the Court will accept the fact as undisputed. Fed. R. Civ. P. 56(e). As such, the Court relies “on the nonmoving party to identify with reasonable particularity the evidence that precludes summary judgment.” *Keenan v. Allan*, 91 F.3d 1275, 1278–79 (9th

1 Cir. 1996) (quotation marks and citations omitted). The Court need not “comb through the record
2 to find some reason to deny a motion for summary judgment.” *Carmen v. San Francisco Unified*
3 *Sch. Dist.*, 237 F.3d 1026, 1029 (9th Cir. 2001).

4 “A determination of patent infringement consists of two steps: (1) the court must first
5 interpret the claim, and (2) it must then compare the properly construed claims to the allegedly
6 infringing device.” *Playtex Prods, Inc. v. Procter & Gamble Co.*, 400 F.3d 901, 905–06 (Fed.
7 Cir. 2005). “Direct infringement requires proof by preponderant evidence that the defendant
8 performs (if a method claim) or uses (if a product claim) each element of a claim, either literally
9 or under the doctrine of equivalents.” *Cheese Sys., Inc. v. Tetra Pak Cheese & Powder Sys., Inc.*,
10 725 F.3d 1341, 1348 (Fed. Cir. 2013). Nintendo seeks summary judgment of noninfringement
11 and invalidity. *See* Dkt. #90 at 1.
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14 1. Noninfringement

15 To support a summary judgment of noninfringement, “it must be shown that, on the
16 correct claim construction, no reasonable jury could have found infringement on the undisputed
17 facts or when all reasonable factual inferences are drawn in favor of the patentee.” *Netword, LLC*
18 *v. Centraal Corp.*, 242 F.3d 1347, 1353 (Fed. Cir. 2001). “Summary judgment of
19 noninfringement under the doctrine of equivalents is appropriate if no reasonable jury could
20 determine two elements to be equivalent.” *Goldenberg v. Cytogen, Inc.*, 373 F.3d 1158, 1164
21 (Fed. Cir. 2004) (internal quotation marks omitted). Infringement, either literal or under the
22 doctrine of equivalents, is a question of fact. *See Crown Packaging Tech., Inc. v. Rexam Beverage*
23 *Can Co.*, 559 F.3d 1308, 1312 (Fed. Cir. 2009).
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2. Invalidity

Summary judgment of invalidity is appropriate if the patent claim fails to “particularly point[] out and distinctly claim[] the subject matter which the inventor or a joint inventor regards as the invention.” 35 U.S.C. § 112(b). A claim fails to satisfy this requirement and is invalid if its language, when read in light of the specification and the prosecution history, “fail[s] to inform, with reasonable certainty, those skilled in the art about the scope of the invention.” *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124 (2014).

Where summary judgment involves issues of patent validity, the party seeking to invalidate the patent must overcome a presumption that the patent is valid. *See* 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2243 (2011); *U.S. Gypsum Co. v. Nat’l Gypsum Co.*, 74 F.3d 1209, 1212 (Fed. Cir. 1996). This presumption places the burden on the challenging party to prove the patent is invalid by clear and convincing evidence. *Microsoft*, 131 S. Ct. at 2243; *U.S. Gypsum Co.*, 74 F.3d at 1212. However, “this presumption of validity does not alter the degree of clarity that § 112[] . . . demands from patent applicants; to the contrary, it incorporates that definiteness requirement by reference.” *Nautilus*, 134 S. Ct. at 2130 n.10 (addressing predecessor of §112(b)).

B. Claim Construction Principles

Patent claim construction is a question of law for the Court, even if the case is designated to go to a jury trial, but it may have underlying factual determinations that are reviewed for clear error. *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 837, 190 L. Ed. 2d 719 (2015); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff’d*, 517 U.S. 370, 116 S. Ct. 1384, 134 L. Ed. 2d 577 (1996). After the claims have been properly construed,

1 the fact-finder will compare the claims to the allegedly infringing product or process. The
2 comparison is conducted on an element-by-element basis.

3 When interpreting claims, a court's primary focus is on the intrinsic evidence of record,
4 which consists of the claims, the specification, and the prosecution history. *Phillips v. AWH*
5 *Corp.*, 415 F.3d 1303, 1314-17 (Fed. Cir. 2005) (en banc). A court begins by examining the
6 claim language, *id.* at 1312, which should be viewed through the lens of a person of "ordinary
7 skill in the relevant art at the time of the invention." *SanDisk Corp. v. Memorex Prods., Inc.*,
8 415 F.3d 1278, 1283 (Fed. Cir. 2005). Generally, a court should give the claim's words their
9 "ordinary and customary meaning." *Phillips*, 415 F.3d at 1312-13 (quotation omitted). In
10 construing a claim term's ordinary meaning, the context in which a term is used must be
11 considered. *ACTV, Inc. v. Walt Disney Co.*, 346 F.3d 1082, 1088 (Fed. Cir. 2003).

14 However, the claims "must be read in view of the specification, of which they are a part."
15 *Phillips*, 415 F.3d at 1315 (quoting *Markman*, 52 F.3d at 979. Additionally, the doctrine of claim
16 differentiation disfavors reading a limitation from a dependent claim into an independent claim.
17 *See InterDigital Commc'ns, LLC v. Int'l Trade Comm'n*, 690 F.3d 1318, 1324 (Fed. Cir. 2012).
18 The specification can offer "practically incontrovertible directions about a claim meaning."
19 *Abbott Labs. v. Sandoz, Inc.*, 566 F.3d 1282, 1288 (Fed. Cir. 2009). "When consulting the
20 specification to clarify the meaning of claim terms, courts must take care not to import limitations
21 into the claims from the specification." *Id.* "[A]lthough the specification may well indicate that
22 certain embodiments are preferred, particular embodiments appearing in the specification will
23 not be read into claims when the claim language is broader than such embodiments." *Tate Access*
24 *Floors, Inc. v. Maxcess Techns., Inc.*, 222 F.3d 958, 966 (Fed. Cir. 2000) (quotation omitted).
25 "By the same token, the claims cannot enlarge what is patented beyond what the inventor has
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described in the invention.” *Abbott Labs.*, 566 F.3d at 1288 (internal quotation omitted).
“Likewise, inventors and applicants may intentionally disclaim, or disavow, subject matter that
would otherwise fall within the scope of the claim.” *Id.* at 1288.

In addition to the specification, a court should consider the patent’s prosecution history,
which consists of “the complete record of the proceedings before the PTO and includes the prior
art cited during the examination of the patent.” *Phillips*, 415 F.3d at 1317. However, because
the prosecution represents an “ongoing negotiation” rather than the “final product” of the
negotiation, “it often lacks the clarity of the specification and thus is less useful for claim
construction purposes.” *Id.* Consulting the prosecution history can, however, be helpful in
determining whether the patentee disclaimed an interpretation during prosecution. *Research
Plastics, Inc. v. Federal Packaging Corp.*, 421 F.3d 1290, 1296 (Fed. Cir. 2005). “Under the
doctrine of prosecution disclaimer, a patentee may limit the meaning of a claim term by making
a clear and unmistakable disavowal of scope during prosecution.” *Purdue Pharma L.P. v. Endo
Pharm. Inc.*, 438 F.3d 1123, 1136 (Fed. Cir. 2006); *see also Chimie v. PPG Indus., Inc.*, 402 F.3d
1371, 1384 (Fed. Cir. 2005) (“The purpose of consulting the prosecution history in construing a
claim is to ‘exclude any interpretation that was disclaimed during prosecution.’”).

Although courts are permitted to consider extrinsic evidence, like expert testimony,
dictionaries, and treatises, such evidence is generally of less significance than the intrinsic record.
Phillips, 415 F.3d at 1317 (citing *C.R. Bard, Inc. v. U.S. Surgical Corp.*, 388 F.3d 858, 862 (Fed.
Cir. 2004)). Extrinsic evidence may not be used “to contradict claim meaning that is
unambiguous in light of the intrinsic evidence.” *Id.* at 1324.

Means-plus-function claiming occurs when a claim term is drafted in a manner that
invokes 35 U.S.C. § 112(f) (previously § 112, ¶ 6). *Williamson v. Citrix Online, LLC*, 792 F.3d

1339, 1347-48 (Fed. Cir. 2015). Under this provision, an inventor may express a claim element “as a means or step for performing a specified function.” 35 U.S.C. § 112(f). Means-plus function claims allow the inventor to claim his invention in terms of the function performed, as long as he discloses in the specification the structure that performs the associated function. *See Med. Instrumentation & Diagnostics Corp. v. Elekta AB*, 344 F.3d 1205, 1211 (Fed. Cir. 2003).

The court must first determine whether each term is a means-plus-function limitation. To guide this inquiry, the Federal Circuit loosely follows a rebuttable presumption: if the claim term “uses the word ‘means,’” it is presumed to be a means-plus-function limitation, but if the claim term does not use “means,” it is presumed not to be. *Williamson*, 792 F.3d at 1348. The ultimate determination, however, depends upon whether claim would be understood by persons of ordinary skill in the art (“POSITA”) to give a sufficiently definite meaning for structure claimed. *Id.* Construction of means-plus-function limitations involves two steps. “First, the court must determine the claimed function. Second, the court must identify the corresponding structure in the written description of the patent that performs that function.” *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 448 F.3d 1324, 1332 (Fed. Cir. 2006) (citation omitted).

IV. DISCUSSION

At issue in Nintendo’s motion for summary judgment are claims 10, 14, 15, 16, 17, 18, 21, 22, 23, and 25. *See* Dkt. #90. The Court will first resolve the parties’ claim construction disputes and then consider whether Nintendo infringes on the claims at issue.

A. ‘730 Patent Terms for Construction

The first disputed claim term is “input signal.” Parties agree that based on the patent’s prosecution history, the “fast-varying” input signals covered by the ‘730 patent are signals that have “audio or higher frequencies.” *See* Dkt. 84-1 at 4. However, they dispute whether Mr.

Nguyen further disavowed the scope of “input signal” during prosecution.

Claims	GET’s Proposed Construction	Nintendo’s Proposed Construction
All Asserted Claims (10, 14, 15, 16, 17, 18, 21, 22, 23, 25)	A signal having an audio or higher frequency (Dkt. #84-1 at 5)	A signal containing audio or higher frequencies. Mr. Nguyen disclaimed signals that are 500 Hertz (Hz) or less. He also disclaimed signals that are generated from positional change information, user selection information, physiological response information, and other slow-varying information. Alternatively, indefinite. (Dkt. #84-1 at 5)

The Court agrees with parties that “audio or higher frequency” is the appropriate construction of “input signal.” In distinguishing the ‘730 patent from Yollin, the patentee relied on this term to differentiate the “slow-varying” positional change, user selection, and physiological response information covered by Yollin from the “fast-varying” signals that would pose a collision problem if combined with the slow-varying signals. *See* Dkt. #86-2 at 70-71. Furthermore, the Patent Trial and Appeal Board (“PTAB”) adopted this construction in an *inter partes* review proceeding. *See* Dkt. #86-4 at 12. While the PTAB’s construction is not binding, a district court may take it into consideration when its construction is “similar to that of a district court’s review.” *See In re Rambus Inc.*, 694 F.3d 42, 46 (Fed. Cir. 2012).

Although parties agree on the construction of “input signal” as “audio or higher frequencies,” they disagree on whether the analysis stops here. GET argues that a POSITA would construe “input signal” solely as “audio or higher frequencies,” thus referring to any frequency within the range of human hearing: 20 Hz to 20,000 Hz. Dkt. #86 at 25. Nintendo, in contrast, argues that Mr. Nguyen expressly disclaimed all “slow-varying” signals addressed by Yollin, including those generated from positional change information, user selection information, and

1 other slow-varying information, and therefore disclaimed signals that are 500 Hz or less. Dkt.
2 #85 at 9.

3 Nintendo argues that the patentee triggered prosecution disclaimer when he distinguished
4 Yollin's "slow-varying" information changes and signals from the "fast-varying" ones that would
5 create the collision problem addressed by the '730 patent. Nintendo highlights several statements
6 from Mr. Nguyen's patent prosecution proceeding, including:
7

8 Yollin's invention utilizes, in column 5 lines 27-34, a controller to receive
9 *posit[i]onal change information, user selection information and physiological*
10 *change information* to generate of a composite control signal but does not anticipate
11 its use with audio signals. Using a controller to generate the composite control
12 signal out of *the information changes, which are slow-varying*, is standard and not
13 worth mentioned in Yollin's description. In contrast, my invention handles an audio
signal which *change constantly and fast*; it cannot be transformed into control
signals. My invention describes in details [sic] how to combine data, from the of
mouse information and from the audio signal, via a framer.

14 Dkt. 85-4 at 36 (emphases added).

15 The Court agrees with Nintendo that the patentee's statements amount to disclaimer of
16 the slow-varying signals addressed by Yollin. Although Mr. Nguyen used the term "audio or
17 higher frequencies" to characterize the fast-varying signals that would cause a collision problem,
18 he also attempted to rely on the frequency of Yollin's signals that were too slow to cause a
19 collision problem in order to assert the novelty of the '730 patent. Indeed, much of the
20 prosecution history contains entire subsections that Mr. Nguyen devoted to differentiating
21 Yollin's signals from those addressed by his invention. *See, e.g.*, Dkt. #85-4 at 33-34. The Court
22 finds the following sentences illustrative, wherein Mr. Nguyen stated:
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25 Yollin's invention utilizes . . . a controller to receive *positional change information,*
26 *user selection information and physiological change information* to generate . . . a
27 composite control signal but does not anticipate its use with signals containing
28 audio or higher frequencies. *Using a controller to generate the composite control*
signal out of the information changes, which are slow-varying, is standard and not
worth mentioned [sic] in Yollin's description. Difficulties will arise when one

1 signal runs asynchronously relative to another signal and fast. *Yollin's patent does*
2 *not teach or suggest any method for the controller to receive and recover such*
3 *signals.* In contrast, this invention describes, in its representative embodiments,
4 how to combine the data from a UID (mouse) and from a high-frequency signal,
5 via a framer, which is unique and novel.

6 Dkt. #86-2 at 70-71 (emphases added). Based on these statements in the prosecution history, the
7 PTAB acknowledged the relational nature of the term “input signal” in terms of its exclusion of
8 any slow-varying signals covered by Yollin. *See* Dkt. #86-6 at 13 (Concluding that while it “need
9 not decide the specific range of frequencies that a skilled artisan would have understood to be
10 covered by the term ‘input signal’ . . . [,] the term ‘input signal’ refers to a signal with *significantly*
11 *higher frequency characteristics* than the slow varying signal characteristics of a ‘user input
12 signal[.]’”) (emphasis added).

13 Accordingly, the Court finds these statements to be a clear expression by Mr. Nguyen
14 that if a sensor produces signals at the frequency of those contemplated by Yollin, those
15 frequencies do not pose a collision problem when combined with slow-varying button data and
16 are therefore distinct from “fast-varying” signals addressed by the ‘730 patent. The Court finds
17 that these statements, taken together, amount to a “clear and unmistakable disclaimer” of the ‘730
18 patent’s scope. *See Omega Eng’g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1325–26 (Fed. Cir. 2003)
19 (“[F]or prosecution disclaimer to attach, our precedent requires that the alleged disavowing
20 actions or statements made during prosecution be both clear and unmistakable”). Based on this
21 express disclaimer of Yollin’s slow-varying signals, the Court finds that a POSITA would
22 understand the upper bound of “slow-varying” signals covered by Yollin to set the lower bound
23 of “fast-varying” signals covered by the ‘730 patent.

24 Consistent with this logic, Nintendo provides expert testimony from Dr. Chizeck on the
25 range of frequencies covered by Yollin and thus disclaimed by Mr. Nguyen. *See* Dkt. #85-6 at
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¶¶ 25-27. The physiological response sensors referenced in Yollin are defined as “any of a number of alternative devices which measure any number of physiological responses,” but are expressly identified in the patent as “Galvanic Skin Response (GSR), heart rate, blood pressure, muscle tension, skin temperature, heart activity (e.g. rhythm), brain activity, and the like. . . . Another example of a suitable physiological response sensor 106 is the Electromyograph (EMG) sensor” Dkt. #85-7 at 13 (quoting Yollin at col. 3, line 62). Dr. Chizeck analyzed the maximum frequency produced by these various physiological phenomena as measured by technology available around 1998, and he determined that the signals ranged from 20 Hz (galvanic skin response as measured by a GSR sensor) to 500 Hz (muscle tension as measured by the EMG sensor). *Id.* at ¶ 26. Based on Dr. Chizeck’s testimony, which identifies 500 Hz as the upper limit of slow-varying signals covered by Yollin, Nintendo proposes that the Court construe “input signal” as frequencies greater than 500 Hz.

GET responds that because Mr. Nguyen used the phrase “audio or higher frequencies” to distinguish Yollin’s slow-varying signals from the ‘730 patent’s fast-varying signals, which the PTO accepted when approving his patent, the Court should focus only on that phrase when determining the scope of “input signal.” The Court disagrees. It is well-recognized in patent law that “[a]n applicant’s invocation of multiple grounds for distinguishing a prior art reference does not immunize each of them from being used to construe the claim language. Rather, as [the Federal Circuit has] made clear, an applicant’s argument that a prior art reference is distinguishable on *a particular ground* can serve as a disclaimer of claim scope even if the applicant distinguishes the reference on *other grounds* as well.” *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1374 (Fed. Cir. 2007) (emphases added) (citing *Digital Biometrics, Inc. v. Identix, Inc.*, 149 F.3d 1335, 1347 (Fed. Cir. 1998)) (holding that a patentee’s

1 attempts to distinguish the prior art “on more narrow grounds . . . does not eliminate global
 2 comments made to distinguish the applicants’ ‘claimed invention’ from the prior art.”); *Gentry*
 3 *Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1477 n.1 (Fed. Cir. 1998) (holding that when a
 4 patentee distinguishes the prior art on several grounds, “any of those grounds may indicate the
 5 proper construction of particular claim terms”). Accordingly, even though Mr. Nguyen
 6 distinguished Yollin on the basis that the ‘730 patent addressed “audio or higher frequencies,”
 7 this distinction does not negate his additional statements expressly disavowing as “slow-varying”
 8 the range of frequencies addressed by Yollin.

10 Regarding the “500 Hz or greater” range proposed by Nintendo, GET fails to rebut the
 11 declaration of Dr. Chizeck and his analysis of the maximum frequencies measured for the
 12 physiological responses described in Yollin. On the contrary, GET’s expert witness, Dr. Fernald,
 13 never analyzed Yollin’s physiological sensors on the basis that such analysis would be
 14 “irrelevant.” Dkt. #93 at 17; *see also* Dkt. #86-10 at 63:17-23. Instead, Dr. Fernald reasons that
 15 because Yollin describes a 30 Hz transmission rate in one of its embodiments, the input signals
 16 would be 15 Hz or less based on an anti-aliasing restriction.² Dkt. #84-8 at ¶ 3. The Court finds
 17 GET’s argument unavailing. While a patent’s specification may describe a preferred
 18 embodiment, the claims are not necessarily limited only to that embodiment. *Phillips*, 415 F.3d
 19 at 1323; *see also Prima Tek II, L.L.C. v. Polypap, S.A.R.L.*, 318 F.3d 1143, 1151 (Fed. Cir. 2003)
 20 (“The general rule, of course, is that claims of a patent are not limited to the preferred
 21 embodiment, unless by their own language.”).

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 26 ² Parties describe “aliasing” as an “undesirable distorting phenomena” that can be avoided by choosing a
 27 sampling frequency that is “greater than twice the highest frequency in the sensor signal measured.” Dkt.
 28 #85-7 at ¶ 20. Thus, under this “anti-aliasing” restriction, if Yollin’s sampling frequency is 30 Hz, then
 the information from its sensor signals must be less than one-half of 30 Hz, i.e. less than 15 Hz. Dkt.
 #84-8 at ¶ 3. Parties dispute whether Dr. Fernald’s analysis disregards Yollin’s embodiment that describes
 a 60 Hz transmission rate. *See* Dkt. #86-10 at 4:52-55.

1 Furthermore, GET fails to reconcile its proposed construction of “input signal” with
2 Nintendo’s expert testimony that the “slow-varying” signals generated from the physiological
3 sensors expressly listed in Yollin generate “slow-varying” frequencies within GET’s proposed
4 range of 20 to 20,000 Hz. *See, e.g.*, Dkt. #85-7 at ¶ 26 (describing 20 Hz signal from GSR sensor,
5 60 Hz from an electroencephalogram, and 250 Hz from an electrocardiogram). Instead, GET
6 argues that even if Dr. Chizeck correctly identified the range of signals covered by Yollin, “that
7 would not change the scope of the patentee’s disclaimer.” Dkt. #93 at 17. GET reasons that to
8 the extent its construction of 20 to 20,000 Hz captures signals and information from Yollin, that
9 overlap presents an invalidity issue—it does not affect the scope of disavowal, given that courts
10 may not construe claims simply to preserve their validity. *Id.* at 18 (citing *Elektra Instr. S.A. v.*
11 *O.U.R. Scient. Int’l, Inc.*, 214 F.3d 1302, 1309 (Fed. Cir. 2000); *Phillips*, 415 F.3d at 1327;
12 *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 911 (Fed. Cir. 2004)).

15 These cases, however, address instances where a court’s construction deviated so far from
16 the plain language of the claim term that it amounted to “judicial rewriting of claims to preserve
17 validity.” *Liebel-Flarsheim Co.*, 358 F.3d at 911 (quoting *Rhine v. Casio, Inc.*, 183 F.3d 1342,
18 1345 (Fed.Cir.1999)) (internal quotations omitted); *see also Elektra Instr. S.A.*, 214 F.3d at 1309
19 (Finding claim “susceptible of only one reasonable construction”). Here, in contrast, the
20 patentee’s express disavowal of Yollin’s slow-varying information makes clear that “input
21 signal” does not include slow-varying signals covered by the Yollin patent. In this instance,
22 adopting Nintendo’s proposed construction of “input signal”—a construction that is
23 well-supported by the prosecution history—is readily distinguishable from the improper “judicial
24 rewriting” at issue in *Liebel-Flarsheim* and its related cases.

Accordingly, the Court adopts Nintendo's proposed construction and construes "input signal" to mean signals above 500 Hz and excluding signals generated from positional change information, user selection information, physiological response information, and other slow-varying information. Because the Court's determination on this term is dispositive on the summary judgment noninfringement analysis, the Court need not address the remaining claim terms. *See Realtime Data, LLC v. Iancu*, 912 F.3d 1368, 1375 (Fed. Cir. 2019) (A court is required to construe "only those terms . . . that are in controversy, and only to the extent necessary to resolve the controversy.") (citing *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999)).

B. Infringement Analysis

The Court now turns to the "comparison of the properly construed claim to the accused product," *see Abbott Labs.*, 566 F.3d at 1288, which is a question of fact, *see Crown Packaging*, 559 F.3d at 1312. Because the Court held above that the patentee disclaimed signals below 500 Hz and that are generated from positional change information, user selection information, physiological response information, and other slow-varying information, the Court considers Nintendo's argument for noninfringement based on the Court's construction of "input signal."

1. The Accused Products

GET accuses five Nintendo products of infringement on the '730 patent: (1) the Wii Remote and Wii Remote Plus; (2) the Nunchuk; (3) the Wii U GamePad; (4) the Switch Joy-Con Controllers; and (5) the Nintendo Switch Pro Controller ("the accused products"):

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Dkt. #90-5 at 1-3; *see also* Dkt. #90 at 13 (providing above chart of infringing products).

Parties agree that each of the products produce “slow-varying” information generated from users pushing buttons located on the controller. It is likewise undisputed that each of the accused products contains one or more accelerometers that sense the movement of the players’ hands. Dkt. #98-15 at ¶¶ 6-7. Accelerometers measure acceleration, meaning the change in the speed or velocity of the device over time. *Id.* at ¶ 10. The accelerometer data is generated from a gamer moving the controller with her hands, thereby allowing the gamer “to use the controller as if it were a real component of the game” Dkt. #98 at 9. For example, the gamer may swing the controller as a racket in a tennis game or use it as a steering wheel in a driving game. Dkt. #98-7 at 4. The controllers then combine the slow-varying signals created from the user pushing buttons with the accelerometer data generated from the gamer moving the controller. Dkt. #90-5 at 8, 13. The combined data stream is then transmitted to the console. Parties dispute whether the signals from the accelerometer data constitute the “slow-varying” signals disclaimed by Mr. Nguyen during prosecution.

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2. Input Signals Above 500 Hz

The lynchpin of GET's infringement claim is that these accelerometer signals generated from a user's movement comprise the fast-varying "input signals" covered by the '730 patent. GET argues that because each of the accused products generate accelerometer signals at or above 20 Hz, they combine signals of "audio or higher frequency" with the slow-varying data from the user's button-pressing. *See* Dkt. #98 at 13. Nintendo contends that the accelerometer signals comprise the same "slow-varying" information changes and signals that Mr. Nguyen expressly disavowed during prosecution. Nintendo supports this argument on three grounds: (1) the controllers cannot be moved faster than computer mice; (2) the accused controllers produced the disavowed "positional change information," and (3) the frequency of the signals produced by Nintendo's controllers are within the range of "slow-varying" signals disavowed during patent prosecution. Dkt. #90 at 16-20. The Court will address each argument in turn.

First, Nintendo argues that because computer mice and the accused controllers cannot be moved faster than a human hand, both generate the same "slow-varying" signals created by hand movement. Dkt. #90 at 16-17 ("[M]ouse position data comes from movement of a user's hand, and so does position data from the accused controllers. And both have the same limits: neither a mouse nor a controller can be moved faster than a human hand."). Because GET has conceded mouse signals from hand movement are "slow," Nintendo argues, it follows that the controller signals from hand movement are likewise "slow." *Id.* at 17. In response, GET provides expert testimony from Dr. Fernald that explains the divergent uses and purposes of computer mice compared to video game controllers. For example, while mice "require[] slower and more controlled motion since the user is also visually tracking the pointer and controlling the mouse . . . [g]ame controllers are often not used in this same way." Dkt. #98-15 at ¶ 12. Indeed,

1 given that Nintendo's games require that the controller to be used as sports equipment, weapons,
2 or musical instruments, the "game controllers are typically moved faster and more violently than
3 a computer mouse." *Id.*

4 The fact that computer mice and the accused game controllers and are both moved by
5 hand is insufficient, on its own, to warrant summary judgment. While Nintendo contends that
6 Mr. Nguyen disavowed "the slow varying hand movements generating an accelerometer output,"
7 the Court disagrees. *See* Dkt. #107 at 6. The express disavowal in the prosecution history
8 addressed the frequency of the signals and the information from which such signals are generated,
9 such as positional change, user selection, and physiological response. *See* Section IV(A), *supra*.
10 The Court found no "clear and unmistakable" disavowal of signals produced as a result of hand
11 movement. *Purdue Pharma L.P.*, 438 F.3d at 1136. For that reason, considering GET's evidence
12 that the motion sensors in computer mice and game controllers are moved differently and with
13 distinct purposes, a material dispute of fact precludes summary judgment on this basis.

14 Nintendo also argues that the accused controllers produce the "positional change
15 information" disavowed during the patent prosecution process, because they "generate
16 information from the motion of a user's hand, i.e., information showing the change in the
17 'position' of a user's hand" Dkt. #90 at 19. In response, GET provides Dr. Fernald's expert
18 testimony rejecting Nintendo's characterization of the accelerometer data on the basis that
19 accelerometers do not produce positional change information. On the contrary, Dr. Fernald
20 contends, accelerometers measure acceleration as well as the force of gravity—even when the
21 accelerometer is completely stationary. Dkt. #98-15 at ¶ 11. He contrasts this acceleration data
22 with the "position data" generated by a computer mouse, which returns actual positional change
23 or displacement data. *Id.* Again, the Court finds that Dr. Fernald's testimony raises a material
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1 dispute of fact as to whether the data measured by accelerometers in the accused products
2 constitutes “positional change information” disavowed during patent prosecution.

3 Finally, Nintendo argues that summary judgment is warranted based on the frequency of
4 the signals produced by Nintendo’s controllers that are within the range of “slow-varying” signals
5 disavowed during patent prosecution. As evidentiary support, Nintendo provides testimony from
6 Dr. Chizeck that the fastest a human hand can move is only 17 Hz—well below even the 20 Hz
7 lower bound proposed by GET. Dkt. #90-9 at ¶ 22 (“[T]he maximum frequency for repeated
8 voluntary movements of the fingers (separate or in combination with hand, wrist and arm motion)
9 is less than 17 Hz.”). For the reasons set forth below, the Court finds no material dispute of fact
10 precluding summary judgment on this basis.
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13 GET counters Dr. Chizeck’s testimony with Dr. Fernald’s declaration, which states that
14 Dr. Chizeck’s analysis does not provide information on the frequency content of signals
15 generated by the accelerometers. Dkt. #98-15 at ¶ 13-16. Specifically, Dr. Fernald claims that
16 the frequency at which a user can move the game controller “is only one factor that determines
17 the frequency content” of the accelerometer’s signal. *Id.* at ¶ 15. He explains that a second factor
18 is the pattern or shape of movement of the controller, such that “if the user moves the game
19 controller in a non-sinusoidal manner at a rate of 10 Hz, the frequency content of the
20 accelerometer signal would generally include frequencies at 10 Hz, 20 Hz, 30 Hz, and so forth.”
21 *Id.* Dr. Fernald also conducted tests of the accelerometers on two of Nintendo’s accused
22 products—the Wii Remote and the Joy-Con—to simulate the movements of a user. These tests
23 included a “tapping test,” where he used one hand to tap the controller back and forth between
24 thumb and forefinger of his other hand, and an “open air” test in which he moved the controller
25 back and forth freely in the air. *Id.* at ¶¶ 19-20. For the Wii Remote, both tests generated
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1 accelerometer signals “at least up to 80 Hz.” Dkt. #98 at 10 (citing Dkt. #98-15 at ¶¶ 23-24). For
 2 the Joy-Con controller, the “tapping test” generated accelerometer signals “up to at least 80 Hz”
 3 while the “open air” test generated frequency content “up to 56 Hz.” *Id.* (citing Dkt. #98-15 at
 4 ¶¶ 27-28).

5 Dr. Fernald’s analysis, which appears to presume that the range of frequencies for “input
 6 signal” is 20 Hz to 20,000 Hz, does not raise a material dispute of fact as to whether the frequency
 7 of the accelerometer signals exceeds 500 Hz—the construction of “input signal” proposed by
 8 Nintendo and adopted by this Court, *supra*. On the contrary, the frequency components he
 9 specifically identifies in his declaration are well below the 500 Hz threshold: 21.4 Hz and 28.6
 10 Hz from the “tapping” test for the Wii Remote, and 20 and 26.6 Hz from the “open air” test for
 11 the Wii Remote. *See* Dkt. #98-15 at ¶¶ 23-24. Regarding the Joy-Con, he provides more open-
 12 ended analyses: “frequency components at approximately 22 Hz, 28 Hz, 35 Hz, 42 Hz, etc.” from
 13 the “tapping” test and “frequency components (i.e. peaks) at approximately 21 Hz, 28 Hz, 35,
 14 Hz, 42 Hz, etc.” *Id.* at 98-15 at ¶¶ 27-28. The “etc.” in these data sets appear to reflect
 15 “harmonics”—frequencies generated from movement of the controllers that are higher than the
 16 actual movement or tapping rate. *Id.* at ¶ 15. These harmonics are multiples of the rate at which
 17 the user moves or taps the controller, meaning that if a user moves the controller in a
 18 non-sinusoidal manner at a rate of 10 Hz, the frequency content would include frequencies “at
 19 10 Hz, 20 Hz, 30 Hz, and so forth.” *Id.*

20 As an initial matter, Nintendo argues that GET failed to timely disclose its theory that the
 21 frequency of an “input signal” includes the harmonics in a signal’s frequency “content,” and thus
 22 its “harmonic theory” should be disregarded. Dkt. #107 at 9 (citing *Allvoice Developments US,*
 23 *LLC v. Microsoft Corp.*, 612 F. App’x 1009, 1013–15 (Fed. Cir. 2015). Western District of
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1 Washington Local Patent Rule 124(c) requires that the party alleging patent infringement provide
2 infringement contentions that “identify[] *specifically* where each element of each Asserted Claim
3 is found within each Accused Device.” W.D. Wash. Local Patent R. 124(c) (emphasis added).
4 Because the purpose of these contentions is to require “parties to crystallize their theories of the
5 case early in the litigation,” *O2 Micro Int’l Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355,
6 1364 (Fed.Cir. 2006) (quotations omitted), it is “well within the discretion of a district court to
7 require specificity in infringement contentions” *Allvoice Developments US, LLC*, 612 App’x
8 at 1014; *see also* W.D. Wash Local Patent R. 101 (explaining that the local patent rules were
9 “designed to streamline the pre-trial and claim construction process, and generally to reduce the
10 cost of patent litigation”).
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13 The Court agrees with Nintendo that GET’s infringement contentions make no explicit
14 reference to “harmonics.” *See* Dkt. #75-4; *see also* Dkt. #90-5 (excerpts). Indeed, it appears that
15 the concept of “harmonics” was not addressed until Dr. Fernald’s declaration in opposition to
16 Nintendo’s summary judgment motion. *See* Dkt. #98-15 at ¶ 15. However, it is unclear whether
17 Dr. Fernald’s discussion of harmonics amounts to a theory of infringement that needed to be
18 disclosed as early as the infringement contentions, or is simply an explanation of the frequency
19 content of an accelerometer signal. To that end, the Court cannot conclude that GET’s failure to
20 mention harmonics earlier in the case is equivalent to the omission in *Allvoice*. *Cf. Allvoice*
21 *Developments US, LLC*, 612 App’x at 1013 (“Allvoice concedes that only the ‘Text Services
22 Framework (TSF) property store’ in the accused products arguably satisfies this limitation. The
23 district court, however, found that Allvoice failed to identify the TSF property store in either its
24 original or its first amended infringement contentions.”). For that reason, the Court will consider
25 GET’s discussion of harmonics in analyzing whether summary judgment is warranted.
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Even considering Dr. Fernald's discussion of harmonics, the Court finds that GET has failed to satisfy its burden as the non-movant to defeat summary judgment of noninfringement. The only measured frequencies from the accelerometers explicitly referenced in Dr. Fernald's declaration are far below the 500 Hz lower-bound construed by the Court. *See, e.g.*, Dkt. #98-15 at ¶¶ 23-24; 27-28 (citing frequencies ranging from 21 Hz to 42 Hz). Dr. Fernald also refers to the "frequency range" or "bandwidth" of the accelerometers in each of the accused products, but these ranges merely refer to the sensitivity of the accelerometer, meaning its "ability to response [sic] to that frequency content"—not the frequency of the input signals themselves. *Id.* at ¶ 17 ("[T]he frequency range of the ADXL330 in the Wii controller can be as high as 1600 Hz for the X and Y axes, and 550 Hz for the Z axis. Ex. F2 at 1, 3. The frequency range for the LSM6DS3 accelerometer in the Joy-Con controller extends up to at least 400 Hz. . . . [S]uch limits *only indicate near what frequency the sensitivity of the accelerometer begins to decrease.*") (emphasis added).

Consequently, the only portions of Dr. Fernald's declaration that could possibly refer to accelerometer frequency signals above 500 Hz are the ambiguous phrases "and so forth" and "etc." following lists of identified frequencies. *See, e.g., id.* at ¶ 15 ("The actual frequency content of the accelerometer signal would contain harmonics at integer multiples of the rate at which the user moves or taps the controller, i.e., 2x the rate, 3x the rate, 4x the rate, *and so forth.*") (emphasis added); *id.* at ¶ 23 ("The results also show other signal content at around 35 Hz, 42 Hz, 49 Hz, 56 Hz, etc."); *id.* at ¶ 24 ("The results also show other signal content at around 33 Hz, 40 Hz, 47 Hz, etc."); *id.* at ¶ 27 ("the signal from the accelerometer shows frequency components at approximately 22 Hz, 28Hz, 35Hz, 42Hz, etc., that is, in the audio spectrum."); *id.* at ¶ 28 ("the violet frequency spectrum has frequency components (i.e. peaks) at approximately 21 Hz, 28 Hz,

1 35, Hz, 42 Hz, etc.”). Based on his explanation of frequency content, wherein harmonics are
2 “integer multiples of the rate at which the user moves or taps the controller,” *id.* at ¶ 15, harmonics
3 exceeding 500 Hz would need to be nearly 30x the rate at which the fastest person could move
4 their hand. *See* Dkt. #90-9 at ¶ 22 (identifying 17 Hz as the fastest a person can move their hand).
5 Dr. Fernald’s declaration, which only cites frequencies up to the 8th harmonic, offers no
6 indication that his modifiers “etc.” and “and so forth” reasonably include frequencies up to the
7 30th harmonic. Thus, while the Court must construe all evidence and inferences in the light most
8 favorable to GET, GET must nevertheless make a “sufficient showing on an essential element of
9 [its] case” to survive summary judgment. *Celotex Corp.*, 477 U.S. at 323. The Court cannot
10 conclude that the ambiguous modifiers “and so forth” and “etc.” satisfy GET’s burden, as they
11 fall well short of “identify[ing] with reasonable particularity the evidence that precludes
12 summary judgment.” *Keenan*, 91 F.3d at 1278–79.

15 More fundamentally, GET’s opposition brief makes no attempt to argue that even if the
16 Court adopted Nintendo’s construction of “input signal,” sufficient evidence exists to preclude
17 summary judgment. Regarding other claim terms, GET makes clear that “[e]ven if the Court
18 adopts Nintendo’s constructions of “framer” and the related means-plus-function terms, there is
19 evidence to support a finding that components of the Bluetooth modules of the microcontrollers
20 in the accused game controllers satisfy those limitations, barring summary judgment.” Dkt. #98
21 at 21. GET further argues that to the extent the Court finds the cited evidence insufficient as to
22 “framer” and the related means-plus-function terms, it asks that the Court deny summary
23 judgment pursuant to Fed. R. Civ. P. 56(d) to allow further discovery on the Bluetooth modules
24 in the accused products. *Id.* at 23-24. In contrast, GET raises no alternative arguments with
25 respect to “input signal” and argues only that Nintendo’s proposed construction is incorrect. *See*
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1 Dkt. #98 at 18-19. Similarly, GET makes no claim that further discovery would yield sufficient
 2 evidence to preclude summary judgment on this issue. On the contrary, Dr. Fernald's declaration
 3 indicates that further testing of the accelerometers in the remaining Nintendo products, such as
 4 the Nunchuk, Wii U GamePad, and the Switch Pro Controller, would merely yield the same
 5 results. *See* Dkt. #98-15 at ¶ 29 (stating he is "aware of no reason the results would be different"
 6 in the other accused products.) For these reasons, having reviewed the evidence in the light most
 7 favorable to GET and drawing all reasonable factual inferences in its favor, the Court concludes
 8 that no reasonable jury could find that the signals produced from an accelerometer in the accused
 9 products contain frequencies above 500 Hz. *Netword, LLC*, 242 F.3d at 1353.
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11 Accordingly, under the Court's claim construction of "input signal," which is used in all
 12 claims asserted by the patentee, GET has failed to raise a genuine dispute of material fact that
 13 Nintendo's accused products infringe on the asserted '730 patent claims. The Court therefore
 14 GRANTS Nintendo's motion for summary judgment of noninfringement. Because the Court
 15 grants summary judgment in Nintendo's favor on the ground of noninfringement, it need not
 16 reach the parties' arguments regarding patent validity.
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19 V. CONCLUSION

20 For the foregoing reasons, the Court GRANTS Nintendo's motion for summary
 21 judgment, Dkt. #90. All versions of the Nintendo Wii Remote, all versions of the Nintendo Wii
 22 Remote Plus, all versions of the Nintendo Wii U Gamepad, all versions of the Nintendo Joy-Con
 23 Controller, all versions of the Nintendo Switch Pro Controller, all versions of the Nintendo Wii
 24 console system (when sold with at least one of the above described controllers), all versions of
 25 the Nintendo Wii U console system (when sold with at least one of the above-described
 26 controllers), and all versions of the Nintendo Switch console system (when sold with at least one
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1 of the above-described controllers) do not infringe claims 10, 14, 15, 16, 17, 18, 21, 22, 23, and
2 25 of U.S. Patent No. 6,219,730 because the accused products as described above lack the
3 claimed “input signal.”

4 Accordingly, it is therefore ORDERED that Nintendo’s motion for summary judgment,
5 Dkt. #90, is GRANTED.
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8 DATED this 30th day of July, 2020.
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12 RICARDO S. MARTINEZ
13 CHIEF UNITED STATES DISTRICT JUDGE
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**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

GREE, INC.,

Plaintiff,

v.

SUPERCELL OY,

Defendant.

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Case No. 2:19-cv-00071-JRG-RSP

MEMORANDUM ORDER

Before the Court are two motions: Motion for Relief in View of Governmental/Public Health Restrictions in Response to COVID-19 Virus Impact (“Motion for Relief”), **Dkt. No. 141**, and Motion to Compel Discovery and Depositions (“Motion to Compel”), **Dkt. No. 145**, filed by Defendant Supercell Oy. After consideration, the Court denies both motions.

Both Supercell and Plaintiff GREE, Inc. are in the video game industry, with GREE based in Japan and Supercell based in Finland. Contending its patents were being infringed, GREE filed several suits against Supercell in early 2019. The parties have since been steadily progressing towards trial, which is currently set for this August. *See* Dkt. No. 152. However, the COVID-19 pandemic has led to restrictions throughout the world, including the United States, Finland and Japan, making discovery more difficult. In the current motions, Supercell has represented that it cannot depose certain GREE witnesses in Japan due to these restrictions.

Supercell therefore seeks a continuance of the case deadlines in its Motion for Relief. Dkt. No. 141. Supercell also asks that GREE be ordered to make its employees available for depositions in Japan.¹ Dkt. No. 145. The Court held a hearing on these motions on May 8, 2020. *See* Dkt. No. 161.

¹ While Supercell’s Motion to Compel originally requested other relief as well, the parties entered a stipulation, Dkt. No. 171, wherein Supercell withdrew the other portions of its Motion to Compel leaving only these issues.

In its Motion for Relief, Supercell asks that the trial date in this case be pushed back from its current date in August to late November. Dkt. No. 141 at 11. Supercell contends that such a continuance is required. First, it argues that the current restrictions prevent necessary Rule 30(b)(6) and 30(b)(1) depositions of GREE and its witnesses in Japan. Supercell admits that it already took several Rule 30(b)(6) depositions of GREE in February 2020. However, it contends that GREE's corporate witnesses in those depositions "lacked personal knowledge regarding relevant matters and were not adequately prepared to testify about several of Supercell's 30(b)(6) topics." *Id.* at 4. Therefore, Supercell argues it is entitled to take Rule 30(b)(1) depositions of the individuals identified during the February depositions who purportedly have greater knowledge regarding those topics.

Supercell also argues that it needs Rule 30(b)(6) corporate testimony from GREE on two issues. First, testimony on certain GREE products that allegedly practice the asserted patents. *Id.* at 4–5; *see also* Dkt. No. 145 at 4. Second, testimony on GREE's alleged competitive harm in the United States. Supercell contends these issues only arose after the February depositions. Supercell lastly argues that it has been unable to review certain relevant portions of GREE's source code. Dkt. No. 141 at 8–10.

In its Motion to Compel, Supercell largely restates and amplifies the arguments outlined above. *E.g.*, Dkt. No. 145 at 4 (citing Dkt Nos. 145-3, 145-4 as showing the February depositions of GREE's corporate representatives were unsatisfactory).

GREE counters that, while it is open to providing special accommodations to help Supercell handle its discovery efforts, Supercell's motion asking for a 90-day continuance is excessive. Dkt. No. 148 at 1. GREE argues that the parties already extended the pretrial deadlines in this case due to COVID-19 and a further extension is not necessary. *Id.* at 3 (citing

Dkt. No. 126 at 2–3). GREE contends that Supercell already deposed GREE’s corporate representatives and inventor employees and that testimony was sufficient. It argues Supercell has not, and cannot, show that the requested depositions would lead to any additional information beyond that which has already been provided. *Id.* at 5–6. Further, GREE argues that it has offered reasonable alternatives to a continuance, which Supercell summarily rejected. For example, GREE offered to not oppose the depositions occurring after the close of fact discovery, if necessary, or the resulting supplements to expert reports based on those depositions. *Id.* at 8.

Along these same lines, GREE states in its opposition to the Motion to Compel that while it does not oppose the requested depositions at a future time, it literally cannot produce the witnesses now due to Japanese restrictions prohibiting depositions and travel. Dkt. No. 155 at 2.

GREE also argues that Supercell’s arguments concerning practicing products and competitive harm are misplaced. GREE claims that it has never released a game in the United States that practiced the asserted claims or could constitute prior art. Dkt. No. 148 at 12. Further, while it identified these games, it “explained in written discovery responses that ‘GREE does not contend that any specific game was competitively harmed by any specific instance of infringement by Supercell’” *Id.* (citing Dkt. No. 148-22). Therefore, GREE argues additional discovery is not needed as the games are not at issue and even if they were, GREE provided extensive discovery on them. Finally, GREE argues that it provided Supercell the requested source code months ago but Supercell “never attempted to inspect GREE’s source code, nor even responded to GREE’s offer to inspect the source code.” *Id.* at 13. GREE also has since agreed to provide remote access to its source code further mooted this issue.

After consideration, the Court is not persuaded by Supercell’s argument that its requested discovery justifies the continuance sought. First, Supercell has already deposed GREE’s

corporate representatives and inventor employees. Therefore, further depositions would have diminished value. Furthermore, Supercell's arguments regarding the inadequacy of its previous depositions are not persuasive.

Supercell complains that GREE's corporate witnesses in the February depositions "lacked personal knowledge regarding relevant matters and were not adequately prepared to testify about several of Supercell's 30(b)(6) topics." Dkt. No. 141 at 4. As an initial matter, corporate representatives do not need to have personal knowledge. *Brazos River Auth. v. GE Ionics, Inc.*, 469 F.3d 416, 433 (5th Cir. 2006) ("Thus, a rule 30(b)(6) designee does not give his personal opinions, but presents the corporation's 'position' on the topic.") (citation omitted).

More importantly, the Court is not convinced that GREE's corporate representatives were unprepared for their depositions. "The persons designated [as corporate representatives] must testify about information known or reasonably available to the organization." FED. R. CIV. P. 30(b)(6). After reviewing the cited evidence, Supercell did not show that GREE's corporate representatives were inadequately prepared. *See e.g.*, Dkt. No. 145 (citing Dkt. Nos. 145-3, 145-4). Supercell complains that the deponents could not answer every single question to Supercell's satisfaction, but that is not the standard. Supercell complains that the deponents identified others having greater knowledge on certain topics, but that also is not the right standard. Instead, the relevant standard is whether the deponents were prepared enough to "testify about information known or reasonably available to [GREE]." FED. R. CIV. P. 30(b)(6). They did.

In any event, Supercell does not seek to depose these representatives on these issues again. Dkt. No. 145 at 4 n.1. Instead, it seeks to depose GREE employees who may have personal knowledge on these issues—a request GREE does not oppose. However, Supercell asks that since these depositions cannot presently occur, the case deadlines be continued for three

months so it has more time to take the depositions.² As explained, these additional depositions would have entirely speculative value and therefore, do not justify delaying trial for several months. Supercell had ample time to have accomplished these depositions had it not delayed so late in the schedule to take the Rule 30(b)(6) depositions. Furthermore, GREE has agreed to provide discovery in other ways, such as through written questions. While not a perfect solution, it gives Supercell an alternative avenue in which to obtain the information it seeks.

Along the same lines, Supercell has not persuasively shown that the issues concerning practicing products and competitive harm justify a continuance. The biggest problem with these arguments is that they appear to consist mostly of speculation. When prompted at the hearing, Supercell could not provide a concrete reason why a deposition was needed on these topics. Further supporting this point is that GREE has represented that it provided much discovery on these topics and would be willing to provide even more if requested. Dkt. No. 148 at 12. Therefore, depositions on these topics do not justify Supercell's requested continuance.

Supercell's purported inability to review source code also does not justify its request for a continuance. For one, it does not appear to be a live issue in light of GREE's representation that it made the source code available remotely. *Id.* at 13. The parties represented at the hearing that they had not yet properly met and conferred on this issue even at this late date. Lastly, even if some source code is not available, its minimal value does not justify the high cost of a 3-month continuance.

² While Supercell asks for a 3-month continuance, it is not at all clear that even if its request was granted, it would be able to take the depositions in that time. No one knows for sure when this pandemic will end and countries will begin to ease restrictions. Beyond that, the Court is aware that taking a deposition in Japan is a complicated process that can take months to set up. Thus, even if the deadlines are delayed for 3 months, Supercell may still be then in the same position as now.

Finally, Supercell asks this “Court to enter an order granting Supercell’s motion to compel these depositions to promptly proceed.” Dkt. No. 145 at 7. However, Supercell is asking for an impossibility—one also contrary to this Court’s standing orders. *See* U.S. Embassy & Consulates in Japan, *Depositions in Japan*, <https://jp.usembassy.gov/u-s-citizen-services/attorneys/depositions-in-japan/> (last visited May 11, 2020, 10:32 AM) (showing that Americans cannot presently take depositions in Japan); *see also* Standing Order Regarding Pretrial Procedures in Civil Cases Assigned to Chief District Judge Rodney Gilstrap During the Present Covid-19 Pandemic at ¶ 16 (“There will be no in-person depositions conducted during the pandemic.”).

Accordingly, the motions are denied.

SIGNED this 12th day of May, 2020.



ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

GREE, INC.,

Plaintiff,

v.

SUPERCELL OY,

Defendant.

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Case No. 2:19-cv-00070-JRG-RSP

REPORT & RECOMMENDATION

Before the Court is Defendant Supercell Oy’s (“Supercell”) Motion for Partial Summary Judgment of No Direct Infringement of Certain Method, Systems, and Apparatus Claims (“Motion”). **Dkt. No. 193.** Supercell’s Motion seeks partial summary judgment of no direct infringement with respect to Plaintiff GREE, Inc.’s (“GREE”) allegations of direct infringement of Claim 7 of U.S. Patent No. 9,956,481 (the “‘481 Patent”) and Claims 1, 5-11, and 15-17 of U.S. Patent No. 9,795,873 (the “‘873 Patent”). After due consideration, the Court recommends that the Motion be **DENIED**.

I. BACKGROUND

GREE accused Supercell’s products of infringing the ‘481 Patent and ‘873 Patent. Dkt. No. 94 at 1. GREE accuses Clash Royale of infringing Claim 7 of the ‘481 Patent and Brawl Stars of infringing Claims 1, 5-11, and 15-17 of the ‘873 Patent. *Id.* at 16, 30. Claim 7 of the ‘481 Patent and Claim 10 of the ‘873 Patent are method claims, Claims 1, 5-7, and 9 of the ‘873 Patent are Beauregard claims, and Claims 8, 11, and 15-17 are system claims. Dkt. No. 193-2 at 23, Dkt. No. at 11-13.

Clash Royale and Brawl Stars are online-multiplayer games downloaded by end users on their mobile devices, such as smartphones or tablets, and require a network connection between

the mobile device and a Supercell server for play. Dkt. No. 193 at 5, citing Dkt. No. 193-4 at 17-18. Supercell utilizes Amazon Web Services Cloud (“AWS”) servers, and Supercell’s AWS accounts are owned and in the name of Supercell Oy. Dkt. No. 239-3 at 3.

II. LEGAL STANDARD

a. Summary Judgment

Summary judgment should be granted “if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” FED. R. CIV. P. 56(a). The court must consider evidence in the light most favorable to the nonmovant and draw all reasonable inferences in favor of that party. See *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) (citing *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 158–59 (1970)). A dispute about a material fact is “genuine” when the evidence is “such that a reasonable jury could return a verdict for the nonmoving party.” *Id.* at 248.

b. Direct Infringement

System claims can be infringed by providing software because these types of claims do not require the performance of any method steps. See, e.g., *Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197 (Fed. Cir. 2010). To use a system for purposes of infringement, a party must “put the invention into service” by “control[ing] the system as a whole and obtain[ing] benefit from it.” *Centillion Data Sys., LLC v. Qwest Commc’ns Int’l, Inc.*, 631 F.3d 1279, 1284 (Fed. Cir. 2011). Whether software is designed to meet the functionality of claims that recite memory storing computer instructions to perform that functionality is a “pure factual issue.” See *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255, 1262 (Fed. Cir. 2013).

For method claims, distribution of software to users is insufficient to establish direct infringement. *Lucent Techs. Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1317 (Fed. Cir. 2009). Method

claims can be directly infringed by activity performed by the defendant who operates and controls the accused software. *See, e.g., SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319 (Fed. Cir. 2010).

III. ANALYSIS

a. Method Claims

Supercell argues that it does not directly infringe Claim 7 of the '481 Patent or Claim 10 of the '873 Patent because GREE's infringement theory, based on Supercell's software either on the end user device or on Supercell servers controlling the end user device to perform the claimed method, is faulty. Dkt. No. 193 at 7. To support this, Supercell points to caselaw asserting that distribution of software to users is insufficient to establish direct infringement. *Id.*, citing *Lucent Techs. Inc.*, 580 F.3d at 1317; *Ricoh Co., Ltd. v. Quanta Computer Inc.*, 550 F.3d 1325, 1335 (Fed. Cir. 2008).

With regards to Claim 7 of the '481 Patent, GREE responds that "Supercell directly infringes because it operates Clash Royale, which comprises game code, both in Supercell's servers and in the client application on user terminal devices, that controls the terminal device as recited in the claim." Dkt. No. 239 at 5. GREE also asserts that Supercell directly infringes Claim 7 of the '481 Patent by selling, making, and using Clash Royale. *Id.*

With regard to Claim 10 of the '873 Patent, GREE argues that Supercell infringes as "Supercell uses Brawl Stars to control the terminal device to access game information from the terminal device's memory, display the game, and connect to one or more of Supercell's servers in the United States through a network to perform the recited method." *Id.*

GREE argues that these allegations are not about the distribution of the software, but rather the execution of Supercell software operating on Supercell's server or the terminal device

as controlled by Supercell. *Id.* at 9. GREE compares the present case to *SiRF Tech., Inc.*, a case regarding patents in the field of global positioning satellite (“GPS”) technology. *Id.* at 6; *SiRF Tech., Inc.*, 601 F.3d at 1331.

In *SiRF Tech., Inc.*, the patents at issue related to data compaction and transmission of satellite ephemeris to mobile GPS receivers and calculations performed by the GPS receivers to improve acquisition sensitivity and other metrics. *Id.* at 1323. These GPS receivers included SiRF chips that were incorporated into end user consumer GPS devices. *Id.* Once data was received at an enabled end user device, SiRF’s chip and software would automatically process the incoming information. *Id.* at 1331.

Supercell argues that the SiRF chip and automatic processing distinguishes the case from the present case. Dkt. No. 287 at 2. GREE counters that the Federal Circuit did not hold that an accused infringer must provide hardware or that accused steps must be performed automatically to directly infringe. Dkt. No. 231 at 2-3. The Court agrees with GREE that provision of hardware and automatic processing were not ruled necessary for direct infringement of a method claim.

The issue here, as well as with the other claims at issue in Supercell’s Motion, comes down to what actor is performing the claim limitations. Supercell argues that there is no direct infringement by Supercell as some of the claim limitations are performed by an end user and GREE has not alleged the control necessary for game players’ performances to be attributable to Supercell. Dkt. No. 193 at 7, citing *Akamai Techs., Inc. v. Limelight Networks Inc.*, 797 F.3d 1020, 1023 (Fed. Cir. 2015). GREE argues that the method claims are infringed by Supercell’s software controlling users’ devices that are receiving each element of the claimed process.

What party is performing these limitations is a question of fact, and GREE has presented expert testimony asserting that Supercell, through software on their servers and communications

to software on end user devices that have code enabling it to control the end user devices, is performing the claim limitations. *See* Dkt. No. 239-1 at 8-9, 19-21, 30-32. Since the answer to this question of fact affects the legal determination of infringement, this is a genuine issue of material fact and a grant of summary judgment of noninfringement on these grounds is improper.

b. Beauregard Claims

Supercell argues that GREE's infringement theories of the remaining Claims 1, 5-9, 11, and 15-17 of the '873 Patent fail because Supercell does not directly infringe merely by providing software, Supercell does not use or control the claimed electronic devices or systems when an end user plays Brawl Stars, and GREE fails to provide evidence that Supercell directly used any such electronic device or system. Dkt. No. 193 at 8.

Regarding Claims 1, 5-7, and 9 of the '873 Patent, Supercell argues that a non-transitory computer-readable medium requires a data storage device to store the software. *Id.*, citing *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1373. Supercell contends that because Supercell does not provide such storage, Supercell cannot directly infringe. *Id.*

GREE counters that *CyberSource* does not hold that a party must sell memory in order to directly infringe Beauregard claims. Dkt. No. 239 at 10. GREE is correct. As GREE notes in its response, the cited *CyberSource* opinion addresses invalidity under § 101. GREE notes that Supercell does not dispute that users' mobile devices are terminal devices, Supercell's servers are servers, and that both have storage. *Id.* at 11.

The Federal Circuit has indicated that regardless of what statutory category a claim's language is crafted to literally invoke, for Beauregard claim patent-eligibility purposes courts must look to the underlying invention. *CyberSource Corp.*, 654 F.3d at 1374. Like in *In re Abele*, the Federal Circuit in *CyberSource* treated the Beauregard claim at issue as a method claim for

§ 101 purposes. *Id.* Examining the Beauregard claims in the present case, the Court likewise finds they are directed towards functionality more than structure and treats them like method claims with this additional structural requirement. Since such a Beauregard claim must be “truly drawn to [a] specific apparatus distinct from other apparatus[es] capable of performing the identical functions” to be valid, it logically follows that an accused act of infringement must also be drawn to a specific apparatus in order to be a valid act of infringement. There must be a data storage device to store the software for infringement of such a Beauregard claim to occur.

Servers must comprise a data storage device in order to properly function. GREE has presented evidence in the form of Hannu Partanen’s Declaration that Supercell utilizes AWS servers, and that Supercell’s AWS accounts are owned and in the name of Supercell Oy. Dkt. No. 239-3 at 3. GREE has also presented expert testimony indicating that Brawl Stars is a server-client game system and service, that it requires that there be a connection between servers and client devices for the game to be operated, and components of Brawl Stars are stored and executed on servers owned and operated by Supercell in the United States. Dkt. No. 239-1 at 8.

This evidence forms a sufficient basis for a juror to conclude that Brawl Stars, operating on a Supercell Oy controlled server, carries out the methodical limitations of the Beauregard claims by using end user devices. Since the answer to this question of fact affects the legal determination of infringement, this is a genuine issue of material fact and a grant of summary judgment of noninfringement on these grounds is improper. The issue of “use” is further discussed below.

c. System Claims

Supercell argues that Claims 1, 5-9, 11, and 15-17 of the ‘873 Patent are not infringed by using the claimed electronic device or system. Dkt. No. 193 at 8. Supercell argues that because

end user devices are owned by end users and under *Centillion Data Sys., LLC* are not used by Supercell, Supercell is not the infringer of these claims. *Id.* at 9.

Centillion Data Sys., LLC addresses patents for a system for collecting, processing, and delivering information from a service provider to a customer. *Centillion Data Sys., LLC*, 631 F.3d at 1281. The claims, like the claims here, are directed toward software packages. *Id.* In *Centillion Data Sys., LLC* the Federal Circuit directly addresses the use of a system claim that includes elements in the possession of more than one actor. *Id.* at 1283-84.

The Federal Circuit held in *Centillion Data Sys., LLC* that to use a system for purposes of infringement, “a party must put the invention into service, i.e., **control the system as a whole** and **obtain benefit from it.**”¹ *Id.* at 1284, citing *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005). The Federal Circuit also explicitly stated that “holding that in order to “use” a system under § 271(a), a party must exercise physical or direct control over each individual element of the system” is an error. *Id.* In order to “put the system into service,” an end user must be using all portions of the claimed invention. *Id.*

In *Centillion Data Sys., LLC*, the Federal Circuit said “[i]t did not matter that the user did not have physical control over the relays, the user made them work for their patented purpose, and thus “used” every element of the system by putting every element collectively into service.” *Id.* The Court likewise holds that it does not matter that Supercell does not have physical control over end user’s device. If Brawl Stars, through the software on end user devices, software on Supercell’s servers, and Supercell’s servers themselves, can operate an end user’s device and in doing so meet all of the limitations of the claims, direct infringement by Supercell can occur.

¹ Emphasis added.

GREE has presented evidence in the former of Hannu Partanen's Declaration that Supercell utilizes AWS servers, and that Supercell's AWS accounts are owned and in the name of Supercell Oy. Dkt. No. 239-3 at 3. GREE has also presented expert testimony indicating that Brawl Stars is a server-client game system and service, that it requires that there be a connection between servers and client devices for the game to be operated, and components of Brawl Stars are stored and executed on servers owned and operated by Supercell in the United States. Dkt. No. 239-1 at 8.

This evidence forms a sufficient basis for a reasonable juror to conclude that Brawl Stars, operating through software on end user devices, software on servers, and servers, meets the limitations of the system claims by using end user devices. Since the answer to this question of fact affects the legal determination of infringement, this is a genuine issue of material fact and a grant of summary judgment of noninfringement on these grounds is improper.

IV. CONCLUSION

In sum, GREE has presented sufficient evidence to raise a genuine issue of material fact as to each type of claim and corresponding infringement theory. Therefore, the Court recommends that Supercell's Motion be **DENIED**.

A party's failure to file written objections to the findings, conclusions, and recommendations contained in this report within 14 days bars that party from *de novo* review by the District Judge of those findings, conclusions, and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings and legal conclusions accepted and adopted by the district court. Fed. R. Civ. P. 72(b)(2); see *Douglass v. United Servs. Auto. Ass'n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (*en banc*). Any objection to this Report

and Recommendation must be filed in ECF under the event “Objection to Report and Recommendations [cv, respoth]” or it may not be considered by the District Judge.

SIGNED this 18th day of July, 2020.



ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

GREE, INC.,

Plaintiff,

v.

SUPERCELL, OY,

Defendant.

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CIVIL ACTION NO. 2:19-CV-00070-JRG
CIVIL ACTION NO. 2:19-CV-00071-JRG

FINAL JUDGMENT


A jury trial commenced in this case on September 10, 2020, and on September 18, 2020, the jury reached and returned its unanimous verdict finding that Defendant Supercell Oy (“Supercell”) willfully infringed one or more of Claim 2 of U.S. Patent No. 9,597,594, Claims 1, 2, and 15 of U.S. Patent No. 9,604,137, Claims 4 and 5 of U.S. Patent No. 9,956,481, Claims 5 and 7 of U.S. Patent No. 9,774,655, or Claims 8 and 10 of U.S. Patent No. 9,795,873 (collectively, the “Asserted Claims”), and separately finding that Claims 1, 2, and 15 of U.S. Patent No. 9,604,137, Claims 4 and 5 of U.S. Patent No. 9,956,481, Claims 5 and 7 of U.S. Patent No. 9,774,655, and Claims 8 and 10 of U.S. Patent No. 9,795,873 are not invalid. (Dkt. No. 475.)

Pursuant to Rule 58 of the Federal Rules of Civil Procedure, and in accordance with the jury’s unanimous verdict and the entirety of the record, the Court hereby **ORDERS** and **ENTERS JUDGMENT** as follows:

1. Supercell did either directly or indirectly infringe one or more of the Asserted Claims;
2. Claims 1, 2, and 15 of U.S. Patent No. 9,604,137, Claims 4 and 5 of U.S. Patent No. 9,956,481, Claims 5 and 7 of U.S. Patent No. 9,774,655, and Claims 8 and 10 of U.S. Patent No. 9,795,873 are not invalid;

3. Supercell's infringement was willful;
4. Plaintiff GREE, Inc. is hereby awarded damages from and against Supercell and shall accordingly have and recover from Supercell the sum of \$8,500,000.00 U.S. Dollars;
5. Pursuant to Federal Rule of Civil Procedure 54(d), Local Rule CV-54, and 28 U.S.C. § 1920, Plaintiff GREE, Inc. is the prevailing party in this case and shall recover its costs from Supercell;
6. Pursuant to 35 U.S.C. § 284, the Court awards pre-judgment interest applicable to all sums awarded herein, at the prime rate, compounded quarterly, from February 27, 2019 until the date of the entry of this Judgment;
7. Pursuant to 28 U.S.C. § 1961, the Court awards post-judgment interest applicable to all sums awarded herein, at the statutory rate, from the date of entry of this Judgment until paid.

So ORDERED and SIGNED this 28th day of October, 2020.



RODNEY GILSTRAP
UNITED STATES DISTRICT JUDGE

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

GREE, INC.,
Appellant

v.

SUPERCCELL OY,
Cross-Appellant

2019-1864, 2019-1960

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. PGR2018-00008.

Decided: November 19, 2020

JOHN C. ALEMANNI, Kilpatrick Townsend & Stockton LLP, Raleigh, NC, for appellant. Also represented by STEVEN MOORE, San Francisco, CA; ANDREW WILLIAM RINEHART, Winston-Salem, NC.

MICHAEL JOHN SACKSTEDER, Fenwick & West, LLP, San Francisco, CA, for cross-appellant. Also represented by TODD RICHARD GREGORIAN; JENNIFER RENE BUSH, Mountain View, CA; GEOFFREY ROBERT MILLER, New York, NY; JESSICA KAEMPF, Seattle, WA.

Before LOURIE, HUGHES, and STOLL, *Circuit Judges*.

STOLL, *Circuit Judge*.

This appeal relates to eligibility under 35 U.S.C. § 101. GREE, Inc. appeals from a final written decision by the Patent Trial and Appeal Board holding claims 1, 8, and 10–20 of U.S. Patent No. 9,597,594 ineligible. Supercell Oy cross-appeals the Board’s determination that Supercell did not show claims 2–7 and 9 of the ’594 patent to be patent ineligible. We affirm the Board’s determination that claims 1, 8, and 10–20 of the ’594 patent are directed to patent-ineligible subject matter and its determination that claims 5–7 are not directed to patent-ineligible subject matter. We reverse the Board’s determination that claims 2–4 and 9 are not directed to patent-ineligible subject matter.

BACKGROUND

GREE is the assignee of the ’594 patent, titled “Computer Control Method, Control Program and Computer.” The specification of the ’594 patent describes the invention in the context of “city building games,” in which “a player builds a city within a virtual space (hereinafter referred to as ‘game space’) provided in the game program” in a computer. ’594 patent col. 1 ll. 27–30. Cities include arrangements of “game contents,” i.e., “items such as protective walls, buildings[,] . . . soldiers, weapons, etc.” *Id.* at col. 1 ll. 46–48, 50–51. A computer “progresses a game by arranging game contents within a game space based on a command by a player.” *Id.* at col. 3 ll. 19–21.

“[I]n recent city building games, a city built by one player is attacked by a different player, and the city . . . is one of [the] factors for deciding the winning and losing” players. *Id.* at col. 1 ll. 45–49. As players build more complicated cities, “it is very complicated for a player to change positions, types, levels, etc., of individual items” in the

cities. *Id.* at col. 1 ll. 50–53. “Therefore, many players have limited themselves to change only certain kinds of items, such as soldiers and weapons, for which changing positions, types, levels, etc., is easy.” *Id.* at col. 1 ll. 55–58. This leads to the undesirable result, as the game progresses, that players may find the game increasingly “monotonous.” *Id.* at col. 1 ll. 58–60. The claimed invention sought to address this monotony problem by “provid[ing] a method for controlling a computer, a recording medium and a computer that improve the usability of city building games and continuously attract players to the game.” *Id.* at col. 1 ll. 61–65.

More specifically, the claimed invention employs templates to improve the usability of city building games. Among other things, the claimed systems and methods involve creating a template defining positions of one or more game contents and subsequently applying the template to a predetermined area within the game space. *Id.* at col. 26 ll. 33–46, col. 27 l. 44–col. 28 l. 23. “When the template is applied,” the computer “moves the game contents arranged within the game space to the positions of the game contents defined by the template.” *Id.* at col. 3 ll. 27–29.

In some embodiments, the numbers of game contents of each type defined by the template match the numbers of game contents of each type in the game space to which the template is to be applied. *Id.* at col. 7 ll. 37–48 (disclosing an embodiment in which “[t]he number of types of facilities and the number of facilities in each type arranged within the game space 420 are equal to the number of types of facilities and the number of facilities in each type . . . defined by the template”). In that case, “all [game contents] arranged within the game space 420 are moved to positions of [game contents] as defined by the template.” *Id.* at col. 7 ll. 43–45.

In other embodiments, there is a mismatch between the numbers of game contents of each type defined by the

template and the numbers of game contents of each type in the game space to which the template is to be applied. *E.g.*, *id.* at col. 7 l. 54–col. 8 l. 29; *see also id.* at col. 11 ll. 25–28, 38–63. For example, the number of game contents of each type within the game space may be larger than the number of game contents of each type defined by the template. In that case, “those [game contents] with the smallest moving distance (e.g., Manhattan distance) to positions of [game contents] defined by the template” may be “moved to the positions of [game contents]” as defined by the template. *Id.* at col. 7 ll. 61–64. Alternatively, the number of game contents of each type arranged within the game space may be smaller than the number of game contents of each type defined by the template. In that case, “all [game contents] arranged within the game space” may be “moved to positions of [game contents] defined by the template 410, to which the moving distance is the smallest,” with “positions on which no [game contents] are arranged among the positions of [game contents] defined by the template . . . illustrated in a condition where the [game content] type is discernible.” *Id.* at col. 8 ll. 18–29. We refer to these embodiments in which the number of game contents defined by the template is not equal to the number of game contents in the game space to which the template is to be applied as “mismatched template scenarios.”

Claims 1, 10, 11, and 12 are independent claims. Claim 1 recites:

1. A method for controlling a computer that is provided with a storage unit configured to store game contents arranged within a game space, first positions of the game contents within the game space, and a template defining second positions of one or more of the game contents, and that progresses a game by arranging the game contents within the game space based on a command by a player, the method comprising:

when the template is applied to a predetermined area within the game space based on the command by the player, moving, by the computer, the game contents arranged at the first positions within the game space to the second positions of the game contents defined by the template within the predetermined area.

Id. at col. 26 ll. 33–46.

Claims 5–7 ultimately depend from claim 1 and are directed to mismatched template scenarios. They recite:

5. The method according to claim 1, wherein when the number of game contents arranged within the game space is smaller than the number of game contents for which the second positions are defined by the template, the computer moves the game contents arranged at the first positions within the game space to the second positions of the game contents defined by the template to which the moving distance is the smallest.

6. The method according to claim 5, wherein out of the second positions of the game contents defined by the template, the computer displays positions on which no game contents are arranged and the game contents, in a discernible condition.

7. The method according to claim 1, wherein when the number of game contents arranged within the game space is larger than the number of game contents for which the second position[s] are defined by the template, the computer moves the game contents arranged at the first positions within the game space for which the moving distance to the second positions of the game contents defined by the template is the smallest, to the positions.

Id. at col. 27 ll. 8–30.

Supercell petitioned for post-grant review of the '594 patent in November 2017, asserting that claims 1–20 are patent ineligible under 35 U.S.C. § 101. The Board instituted review of all challenged claims and, following trial proceedings, issued its final written decision finding claims 1, 8, and 10–20 of the '594 patent ineligible under § 101.

At step one of the *Alice* two-step framework for determining patent eligibility, the Board agreed with Supercell that the claims of the '594 patent are directed to the abstract idea of “creating and applying a template of positions of one or more game contents.” *Supercell Oy v. GREE, Inc.*, No. PGR2018-00008, 2019 WL 80477, at *10, *16 (Jan. 2, 2019); see *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208 (2014). The Board also found persuasive Supercell's characterization of the independent claims of the '594 patent as simply automating the known game of correspondence chess, in which a “first player fills out a post card with information that represents the current state of the board and makes an indication on the post card of [the first] player's intended move” and mails the post card to a second player who, “having already set up a chess board, moves a piece on the board in accordance with the instruction on the post card.” *GREE*, 2019 WL 80477, at *15 (citation omitted). The Board reasoned that the first player in correspondence chess “creates a template defining game contents” “by indicating on the post card the first player's intended move.” *Id.* (citation omitted).

At *Alice* step two, the Board concluded that claims 1, 8, and 10–20 lacked an inventive concept. The Board determined that the computer implementations recited in independent claims 1 and 10–12 “are ancillary, as opposed to a computer-specific improvement.” *Id.* at *18. With respect to claims 8 and 13–20, the Board discerned no meaningful distinctions of patentable significance over the independent claims. See *id.* at *20–22. By contrast, the Board concluded that claims 2–7 and 9 each recite an inventive concept. The Board agreed with Supercell's

characterization of claims 2–4 and 9, but rejected Supercell’s assertion that these claims confer no inventive concept, reasoning that Supercell failed to address “a template based on a combination of more than one template’ in some form or manner.” *Id.* at *19. Finally, with respect to claims 5–7, the Board rejected Supercell’s assertion that these claims merely amount to “insignificant extra-solution activity.” *Id.* at *20. Using claim 5 as an example, the Board concluded that the added limitations “further define the concept of, or solution to, ‘creating and applying a template’ itself,” because “there are potentially infinite ways” to apply a template, and the “claim limitation explicitly specifies one such way” that Supercell had not demonstrated to be “conventional” or “obvious.” *Id.* As such, the Board held that at *Alice* step two, Supercell did not meet its “burden of showing that dependent claims 5–7 do not contain an *inventive concept* beyond the abstract idea of ‘creating and applying a template of positions of one or more game contents.’” *Id.* (emphasis added).

GREE and Supercell appeal. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(4).

DISCUSSION

I

We review the Board’s factual findings for substantial evidence, 5 U.S.C. § 706(2)(E), and review de novo its legal conclusions. *Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044, 1048 (Fed. Cir. 2017) (citing *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1314 (Fed. Cir. 2016)). Patent eligibility under § 101 is ultimately a question of law that may contain underlying issues of fact. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1365 (Fed. Cir. 2018) (first citing *Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 850 F.3d 1332, 1338 (Fed. Cir. 2017); and then citing *Mortg. Grader, Inc. v. First Choice Loan Servs. Inc.*, 811 F.3d 1314, 1325 (Fed. Cir. 2016)). We review de novo the Board’s conclusions with respect to patent eligibility

under § 101. *Credit Acceptance*, 859 F.3d at 1053 (citing *Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229, 1236 (Fed. Cir. 2016)).

Section 101 defines patent-eligible subject matter as “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35 U.S.C. § 101. The Supreme Court has held that this provision “contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas are not patentable.” *Alice*, 573 U.S. at 216 (quoting *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 589 (2013)). The “Supreme Court articulated a two-step test for examining patent eligibility when a patent claim is alleged to involve one of these three types of subject matter.” *CardioNet, LLC v. InfoBionic, Inc.*, 955 F.3d 1358, 1367 (Fed. Cir. 2020); *see Alice*, 573 U.S. at 217–18. “At step one, we consider the claims ‘in their entirety to ascertain whether their character as a whole is directed to excluded subject matter.’” *CardioNet*, 955 F.3d at 1367 (quoting *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1312 (Fed. Cir. 2016)). If the answer is yes, we then consider the claim elements, “both individually and ‘as an ordered combination,’” to determine whether they contain an “inventive concept” sufficient to “‘transform the nature of the claim’ into a patent-eligible application.” *Alice*, 573 U.S. at 217 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 79, 72, 78 (2012)). “This inventive concept must do more than simply recite ‘well-understood, routine, conventional activity.’” *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1093 (Fed. Cir. 2016) (quoting *Mayo*, 566 U.S. at 79–80).

II

A

Beginning our analysis with *Alice* step one, we agree with the Board that the claims of the ’594 patent are

directed to the abstract idea of creating and applying a template¹ of positions of one or more game contents. Considered in their entirety, the claims of the '594 patent are directed to creating and applying templates to a game space to simplify game play. Though the dependent claims of the '594 patent recite additional limitations with respect to creation, storage, selection, and application of a template, none of these implementation details change the overall nature of the claims. Overall, the claims focus on applying a template to a game space to move game contents from a first position to a second position. The additional limitations recited in the '594 patent claims merely limit the use of a template to the technological environment of a game space on a computer, and GREE admitted that “the generic idea of a template existed prior to the invention,” J.A. 168.

We also agree with the Board that certain claims of the '594 patent are broad enough to cover simply implementing the long-standing and conventional game of correspondence chess using chess templates on a computer. In particular, claims 1–4 and 8–20 are broad enough to cover automation of conventional correspondence chess. We thus agree with the Board that claims 1–4 and 8–20 encompass the application of conventional correspondence chess

¹ GREE argues that the Board erred in broadly construing “template” as merely a record. We agree and conclude that the Board erred in its construction because it overlooked the function of a template. We note, however, that the Board did not rely on this construction in its *Alice* step one analysis. Adopting GREE’s position on the meaning of “template” for purposes of our de novo § 101 analysis, we agree with the Board’s articulation of what the '594 patent claims are directed to at *Alice* step one. Accordingly, we find any error arising from the Board’s overly broad construction harmless.

templates to a generic computer environment. *See GREE*, 2019 WL 80477, at *15–16. As such, they are not directed to a patentable improvement. *See Credit Acceptance*, 859 F.3d at 1055 (“[M]ere automation of manual processes using generic computers does not constitute a patentable improvement in computer technology.”).

GREE’s arguments that the claims of the ’594 patent are directed to an improved graphical user interface are unavailing. The claims do not limit how the claimed device displays template creation or application to the player. Claim 6, the sole claim requiring display of any information to the player, provides no detail regarding how the information is displayed, mandating only that the information be displayed “in a discernible condition.” ’594 patent col. 27 ll. 17–21. We therefore agree with the Board that there is nothing about the claim language that indicates an improvement to a graphical user interface.

Given the breadth of the ’594 patent claims, we agree with the Board that the claims are directed to an abstract idea at *Alice* step one.

B

At *Alice* step two, we must examine the elements of the claims to determine whether they contain an “inventive concept” sufficient to transform the claimed abstract idea into a patent-eligible application. *Alice*, 573 U.S. at 217–18 (quoting *Mayo*, 566 U.S. at 72). We agree with the Board’s holding that claims 1, 8, and 10–20 are not patent eligible, and that claims 5–7 are patent eligible, but we conclude that the Board erred in holding claims 2–4 and 9 patent eligible.

The Board correctly determined that claims 1, 8, and 10–20 lack an inventive concept. As the Board concluded, the “ancillary” computer limitations of these claims “are described generically in functional terms and, as such, are insufficient to impart an inventive concept.” *GREE*,

2019 WL 80477, at *18, *21. Rather than “transform[ing] the nature of the claim’ into a patent-eligible application,” *Alice*, 573 U.S. at 217 (quoting *Mayo*, 566 U.S. at 78), these claims merely invoke generic computer components performing their standard functions to limit the use of the abstract idea itself to the technological environment of a game space on a computer. *E.g.*, ’594 patent col. 27 ll. 31–36 (requiring that “the computer stores positions of game contents . . . as the template, in the storage unit”); *id.* at col. 28 ll. 10–23 (reciting a memory device that stores software instructions and a hardware processor that is configured to execute software instructions and perform operations). Additionally, claims 1, 8, and 10–20 are so broad that they encompass automation of the “well-understood, routine, conventional activity” of correspondence chess. *Mayo*, 566 U.S. at 79–80. Accordingly, the Board did not err in holding claims 1, 8, and 10–20 ineligible under § 101.

We also agree with the Board’s differing conclusion with respect to claims 5–7, although we recognize that this is a close question. In reciting specific steps for applying templates in mismatched template scenarios, these claims require something more than automating correspondence chess. Indeed, Supercell has not shown that conventional correspondence chess template application included any technique—let alone the specifically claimed technique—for applying a template in the claimed mismatched template scenarios. We also agree with the Board that the added limitations in claims 5–7 “further define the concept of, or solution to, ‘creating and applying a template’ itself,” because “there are potentially infinite ways” to apply a template, and claims 5–7 expressly specify particular ways. *GREE*, 2019 WL 80477, at *20. We thus agree with the Board that Supercell has not shown these claims to lack an inventive concept under *Alice* step two, and, accordingly, we affirm the Board’s determination of eligibility of these claims.

We disagree, however, with the Board’s conclusion that claims 2–4 and 9 are patent eligible under *Alice* step two. Claims 2–4 recite the additional limitations of storing templates of different players, applying the templates of different players, and obtaining and applying templates from different computers. ’594 patent col. 26 l. 47–col. 27 l. 7. Claim 9 recites creating a template by combining a plurality of templates based on a command from the player or from another player, without further limitation. *Id.* at col. 27 ll. 37–43. Though these limitations narrow the scope of claims 2–4 and 9, we see no inventive concept sufficient to transform the claimed abstract idea into a patent-eligible application. *See Alice*, 573 U.S. at 217–18. Unlike claims 5–7, claims 2–4 and 9 do not claim a solution for applying a template in a mismatched template scenario. Nor do they claim a solution to any other technological problem encountered in the creation and application of templates in a computer game. Instead, like claims 1, 8, and 10–20, claims 2–4 and 9 recite generic computer components performing their standard functions, and they are broad enough to encompass the implementation of long-standing and conventional correspondence chess on a computer. We therefore conclude that the Board erred in concluding that claims 2–4 and 9 provide an inventive concept.

C

Finally, we note that certain statements in the Board’s opinion appear inconsistent with the appropriate framework for addressing eligibility under § 101. For example, in conducting the *Alice* step one analysis, the Board stated: “Identifying the concept to which the claim is ‘directed’ merely addresses some claim limitations in connection with the first aspect of the *Alice* inquiry.” *GREE*, 2019 WL 80477, at *7. The Board also determined that under the *Alice* framework, “Petitioner only needed to account for each claim limitation under either a formulation of the concept a claim is ‘directed to’ or under *Alice* step two.” *Id.* at *8. To the extent that the Board meant that a proper

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§ 101 analysis may consider some claim limitations only at *Alice* step one and others only at *Alice* step two, we do not agree with its reading of Supreme Court precedent. Instead, both steps of the *Alice* inquiry require that the claims be considered in their entirety. See *CardioNet*, 955 F.3d at 1367 (“At step one, we consider the claims ‘*in their entirety*’ to ascertain whether their character as a whole is directed to excluded subject matter.” (emphasis added) (quoting *McRO*, 837 F.3d at 1312)); *Alice*, 573 U.S. at 217 (noting, at step two, that courts “consider the elements of each claim *both individually and ‘as an ordered combination’* to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” (emphasis added) (quoting *Mayo*, 566 U.S. at 79, 78)).

CONCLUSION

We have considered the parties’ remaining arguments and do not find them persuasive. For the foregoing reasons, we affirm the Board’s decision that claims 1, 8, and 10–20 are ineligible and that claims 5–7 are not ineligible, and we reverse the Board’s decision that claims 2–4 and 9 are not ineligible.

AFFIRMED-IN-PART AND REVERSED-IN-PART

COSTS

No costs.

NOT PRECEDENTIAL

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 19-3495

LENWOOD HAMILTON,
a/k/a HARD ROCK or SKIP HAMILTON,
Appellant

v.

LESTER SPEIGHT,
a/k/a RASTA THE URBAN WARRIOR,
a/k/a AUGUSTUS “COLE TRAIN” COLE;
EPIC GAMES, INC.;
MICROSOFT, INC., a/k/a Microsoft Corp;
MICROSOFT STUDIOS; THE COALITION

On Appeal from the United States District Court
for the Eastern District of Pennsylvania
(D.C. Civil No. 2-17-cv-00169)
District Judge: Hon. Anita B. Brody

Submitted under Third Circuit L.A.R. 34.1(a)
September 10, 2020

Before: CHAGARES, HARDIMAN, and MATEY, *Circuit Judges*.

(Opinion filed: September 17, 2020)

OPINION*

* This disposition is not an opinion of the full Court and, pursuant to I.O.P. 5.7, does not constitute binding precedent.

MATEY, *Circuit Judge*.

Lenwood Hamilton argues that defendants unlawfully used his likeness in a video game. The District Court held that the First Amendment barred Hamilton’s claims. We agree and so will affirm.

I. BACKGROUND

Hamilton is a former professional athlete, entertainer, and motivational speaker. Following a brief football career, he created Soul City Wrestling, a “family-friendly” organization where he performed as “Hard Rock Hamilton.” (App. at 417.) Hamilton hoped to spread a “message to kids about drug awareness, and the importance of getting an education.” (App. at 417–18.) His work attracted positive attention from Philadelphia media and elected officials.

Gears of War is a video game series in which members of the Delta Squad—including Augustus “Cole Train” Cole—battle “a race of exotic reptilian humanoids” known as the Locust Horde on the planet Sera. (Opening Br. at 5.) A few years ago, Hamilton saw the game for the first time. “Looking at the Augustus Cole character,” he felt, “[wa]s like looking in a mirror.” (App. at 418.) So he sued.

Hamilton’s complaint alleged that defendants¹ used his likeness in violation of his right of publicity.² Defendants argued that their work enjoyed the protections of the First

¹ Defendants are: Epic Games, Inc., the game’s creator; Microsoft, Inc., Microsoft Studios, and The Coalition, the game’s publishers and distributors; and Lester Speight, the voice actor for Augustus Cole.

² Hamilton brought Pennsylvania-law claims for unauthorized use of name or likeness under 42 Pa. Cons. Stat. § 8316; unjust enrichment; misappropriation of publicity;

Amendment. The District Court agreed and granted their motion for summary judgment. This appeal followed.³

II. DISCUSSION

The right of publicity protects individuals “from the misappropriation of their identities.” *Hart v. Elec. Arts, Inc.*, 717 F.3d 141, 150 (3d Cir. 2013); *see, e.g.*, 42 Pa. C.S. § 8316(a). But the First Amendment protects the freedom of speech, including the content of video games. *Hart*, 717 F.3d at 148–49. To “strike a balance between [these] competing interests” in right-of-publicity cases, *id.* at 149, we ask “whether the [plaintiff’s] likeness is one of the ‘raw materials’ from which [the defendant’s] work is synthesized, or whether the depiction or imitation of the [plaintiff] is the very sum and substance of the work in question.” *Id.* at 160 (quoting *Comedy III Prods., Inc. v. Gary Saderup, Inc.*, 21 P.3d 797, 809 (Ca. 2001)). “[I]n other words,” this “transformative use test” asks “whether the product containing [the plaintiff’s] likeness is so transformed that it has become primarily the defendant’s own expression[.]” *Id.* (quoting *Comedy III*, 21 P.3d at 809). If it has, the defendant’s First Amendment rights prevail.

and invasion of privacy by misappropriation of identity. He also brought, then withdrew, a Lanham Act claim.

³ The District Court had jurisdiction under 28 U.S.C. § 1332; we have jurisdiction under 28 U.S.C. § 1291. We exercise plenary review over a district court’s grant of summary judgment, viewing the evidence in the light most favorable to, and drawing all reasonable inferences in favor of, Hamilton. *Hart v. Elec. Arts, Inc.*, 717 F.3d 141, 147 (3d Cir. 2013).

Here, no reasonable jury⁴ could conclude that Hamilton—whether Lenwood or Hard Rock—is the “sum and substance” of the Augustus Cole character. There are no doubt similarities. Hamilton and Cole have similar skin colors, facial features, hairstyles, builds, and voices. Hamilton played football for the Philadelphia Eagles; Cole once played “thrashball”—a “fictionalized sport that loosely imitates American football” (Opening Br. at 5)—for a team with that same name. And *Gears of War* players can dress Cole in a “Superstar Cole” outfit that resembles Hard Rock Hamilton’s signature costume.

But other significant differences reveal that Hamilton was, at most, one of the “raw materials from which [Augustus Cole] was synthesized.” *Hart*, 717 F.3d at 160. In *Gears of War*, Cole fights a fantastic breed of creatures in a fictional world. Hamilton, of course, does not. *Cf. Kirby v. Sega of Am., Inc.*, 50 Cal. Rptr. 3d 607, 616 (Cal. Ct. App. 2006) (transformative use where musician depicted in video game “as a space-age reporter in the 25th century”). Nor has Hamilton served in the military. *Cf. Hart*, 717 F.3d at 166 (no transformative use where game depicted “digital [football player] do[ing] what the actual [football player] did while at Rutgers: . . . play[ing] college football, in digital recreations of college football stadiums, filled with all the trappings of a college football game”); *No Doubt v. Activision Publ’g, Inc.*, 122 Cal. Rptr. 3d 397, 411 (Cal. Ct. App. 2011) (no transformative use where game featured “exact depictions of [band’s] members doing

⁴ Transformative use is an affirmative defense, so the defendants must show that “no trier of fact could reasonably conclude that the [game] was not transformative.” *Hilton v. Hallmark Cards*, 599 F.3d 894, 910 (9th Cir. 2010). Though seemingly a high burden, the defense “restricts right of publicity claims to a very narrow universe of expressive works.” *Hart*, 717 F.3d at 163.

exactly what they do as celebrities”—i.e., singing and playing music). And Hamilton himself admits that the Cole character’s persona is alien to him. (App. at 581 (“This guy . . . is ignorant, he’s boisterous and he shoots people, he cusses people out, *that’s not me*. . . . *[a]nd it’s totally against what I believe in*. . . . He stands for totally the opposite of what I was trying to do[.]”).) Cf. *Winter v. DC Comics*, 69 P.3d 473, 476, 479 (Cal. 2003) (alleged depiction of musicians Johnny and Edgar Winter as “Johnny and Edgar Autumn” in comic book protected by the First Amendment; though the Autumns shared physical attributes and style of dress with the Winters, the Autumns were “depicted as villainous half-worm, half-human offspring born from the rape of their mother by a supernatural worm creature that had escaped from a hole in the ground”—i.e., were “but cartoon characters . . . in a larger story, which is itself quite expressive”).⁵

⁵ Hamilton argues that the transformative-use test does not apply to commercial speech and that the First Amendment, therefore, does not protect defendants’ use of the Cole character in *Gears of War* “advertising and marketing materials.” (Opening Br. at 39.) But the only mention of this argument in the District Court was in Hamilton’s sur-reply brief, where a single, passing assertion that defendants’ promotional materials “do[] not receive the same level of First Amendment protection that the games themselves may enjoy” was supported by a single, unexplained citation. That cannot preserve the issue, and we consider the argument forfeited. See *Kost v. Kozakiewicz*, 1 F.3d 176, 182 (3d Cir. 1993) (“[C]asual mention of an issue in a brief is cursory treatment insufficient to preserve the issue on appeal.”); *id.* at 182 n.3 (“[W]here an issue is raised for the first time in a reply brief, we deem it insufficiently preserved for review before this court.”).

Relying on copyright law principles, Hamilton also argues that the transformative-use test does not apply when the work at issue “[is] not a commentary on the person whose likeness [is] used[.]” (Opening Br. at 25.) He is incorrect. See *Winter*, 69 P.3d at 479 (“*Comedy III* did not adopt copyright law wholesale. . . . What matters is whether the work is transformative, not whether it is parody or satire or caricature or serious social commentary *or any other specific form of expression*.” (emphasis added)).

III. CONCLUSION

If Hamilton was the inspiration for Cole, the likeness has been “so transformed that it has become primarily the defendant’s own expression.” The First Amendment therefore bars Hamilton’s claims, and we will affirm the District Court’s grant of summary judgment.

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

ILIFE TECHNOLOGIES, INC.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Civil Action No. 3:13-cv-4987-M
	§	
NINTENDO OF AMERICA, INC.,	§	
	§	
Defendant.	§	

ORDER

Before the Court are the Motion for Judgment as a Matter of Law and Motion for New Trial (ECF No. 356), filed by Defendant Nintendo of America, Inc., and the Motion for Entry of Judgment (ECF No. 349), filed by Plaintiff iLife Technologies, Inc. For the reasons stated below, the Court grants Defendant’s Motion for Judgment as a Matter of Law, conditionally denies its alternative Motion for a New Trial, and denies Plaintiff’s Motion for Entry of Judgment.

I. Background

Plaintiff sued Defendant for infringing U.S. Patent No. 6,864,796. Plaintiff argued that Defendant’s Wii and Wii U devices, when used with certain video games, infringed claim 1 of the ‘796 patent.

The ‘796 patent generally discloses a system for evaluating body movement relative to an environment. The system includes a sensor that detects dynamic and static accelerative phenomena of the body.¹ ‘796 patent at 2:53–55. The sensor “senses one or more absolute values, changes in value, or some combination of the same” and “generates an output signal to

¹ The specification distinguishes between “static acceleration, or gravity,” which is “a gauge of position,” versus “dynamic acceleration (i.e., vibration, body movement, and the like).” ‘796 patent at 1:65–2:1.

[a] processor.” *Id.* at 2:64–3:5, 5:46–52. The processor then evaluates the signal to determine whether the body is in an acceptable or unacceptable state. *Id.* at 9:48–51. The patent describes acceptable or unacceptable as within or beyond “tolerance.” *Id.* Claim 1 provides:

A system within a communications device capable of evaluating movement of a body relative to an environment, said system comprising:

a sensor, associable with said body, that senses dynamic and static accelerative phenomena of said body, and

a processor, associated with said sensor, that processes said sensed dynamic and static accelerative phenomena as a function of at least one accelerative event characteristic to thereby determine whether said evaluated body movement is within environmental tolerance

wherein said processor generates tolerance indicia in response to said determination; and

wherein said communication device transmits said tolerance indicia.

Id. at 13:47–61.

The case was tried to a jury. The jury returned a verdict, finding that Defendant infringed claim 1 with respect to the accused products. (ECF No. 342 at 25). The jury awarded Plaintiff \$10,100,000 in damages, as a lump sum reasonable royalty. (*Id.* at 29). The jury also found that the patent was not invalid due to the alleged lack of (1) an adequate written description or (2) enablement. (*Id.* at 26–27). Defendant moved for judgment as a matter of law. (ECF No. 356). In the alternative, Defendant moved for a new trial. (*Id.*).

II. Motion for Judgment as a Matter of Law

Defendant moves for judgment as a matter of law, arguing that claim 1 is invalid for three reasons: (1) claim 1 is directed to patent-ineligible subject matter under 35 U.S.C. § 101, (2) claim 1 is indefinite under 35 U.S.C. § 112(b), and (3) claim 1 is invalid under 35 U.S.C.

§ 112(a) for lack of written description and enablement.² (ECF No. 357 at 7–33). Defendant also argues that the accused products do not infringe claim 1. (*Id.* at 33–40). Because the Court finds that claim 1 is invalid under 35 U.S.C. § 101, it will not expressly address Defendant’s other invalidity or infringement arguments.

Section 101 of the Patent Act states: “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101.

The Supreme Court has established a two-step framework to determine patent eligibility under § 101. *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 84 (2012). First, a court must determine whether the character of the relevant claims is directed to a patent-ineligible concept, such as laws of nature, natural phenomena, or abstract ideas. *Alice Corp. Pty. Ltd. v. CLS Bank Intern.*, 573 U.S. 208, 217–18 (2014). If the character of the claims is directed to a patent-ineligible concept, the court must then consider the elements of each claim both individually and “as an ordered combination” to determine whether the elements “transform the nature of the claim” into a patent-eligible matter. *Id.* at 217 (citing *Mayo*, 566 U.S. at 72–73). To save a patent at the second step, an inventive concept must be evident in the claims.

Synopsys, Inc. v. Mentor Graphics Corp., 839 F.3d 1138, 1149 (Fed. Cir. 2016).

A. Step One

Claim 1 recites a system comprising conventional computer components performing various operations. ‘796 patent at 13:48–61. A sensor collects data, i.e., “senses dynamic and

² In its Motion for Summary Judgment, Defendant contended that claim 1 is invalid under 35 U.S.C. § 101 and indefinite under 35 U.S.C. § 112(b). (ECF No. 224). The Court carried these issues, and because they are matters of law, they were not presented to the jury. (ECF No. 302).

static accelerative phenomena.” *Id.* at 13:51–52. A processor analyzes that data, i.e., “processes said sensed dynamic and static accelerative phenomena as a function of at least one accelerative event characteristic to thereby determine whether said evaluated body movement is within environmental tolerance.” *Id.* at 13:51–57. After analysis, the processor outputs variables, i.e., “tolerance indicia.” *Id.* at 13:58–69. A communication device then transmits the tolerance indicia. *Id.* at 13:60–61. At its core, claim 1 is therefore directed to the abstract idea of “gathering, processing, and transmitting . . . information.” *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1355 (Fed. Cir. 2016); *see also SAP Am., Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1167 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 2747 (2019); *Smartflash LLC v. Apple Inc.*, 680 F. App’x 977, 983 (Fed. Cir. 2017), *cert. denied*, 138 S. Ct. 687 (2018) (“[M]erely storing, transmitting, retrieving, and writing data to implement an abstract idea on a computer does not transform the nature of the claim into a patent-eligible application.”).

Claim 1 is not any less abstract because the information is of a specific type—dynamic and static accelerative phenomena. *See Elec. Power*, 830 F.3d at 1353 (“[W]e have treated collecting information, including when limited to particular content (which does not change its character as information), as within the realm of abstract ideas.”). Analyzing the information through some mathematical algorithm and generating wholly new information is also “essentially [a] mental process[] within the abstract-idea category.” *Id.* at 1354; *see also Digitech Image Techs., LLC v. Elecs. for Imaging, Inc.*, 758 F.3d 1344, 1351 (Fed. Cir. 2014) (“A process that employs mathematical algorithms to manipulate existing information to generate additional information is not patent eligible . . . even if the [output] is for a specific purpose.”). Merely then transmitting “the results of abstract processes of collecting and analyzing information, without more . . . is abstract as an ancillary part of such collection and

analysis.” *Elec. Power*, 830 F.3d at 1354.

Furthermore, an abstract idea implemented on conventional computer components is still an abstract idea. *See Bascom Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1348 (Fed. Cir. 2016); *Shortridge v. Found. Constr. Payroll Serv., LLC*, 655 F. App’x 848, 853 (Fed. Cir. 2016) (holding ineligible a patent that implements an abstract idea through “computer components . . . conventional and known to the industry at the time of the patent”). Nothing in claim 1, understood in light of the specification, requires anything other than conventional sensors and processors performing “conventional activit[ies] previously known to the industry.” *Alice*, 573 U.S. at 225 (quoting *Mayo*, 573 U.S. at 72); *see also* ‘796 patent at 2:1–4 (disclosing that sensors “measur[ing] both static and dynamic accelerative phenomena are known” in the industry).³

A claim disclosing some improvement to the functionality of conventional computer components, however, may be patent-eligible under step one. For example, in *Thales Visionix Inc. v. United States*, the asserted claims recited a system for tracking the motion of an object relative to a moving platform, comprised of (1) inertial sensors mounted on the object and the platform and (2) an unnamed element to receive the sensors’ signals and determine the orientation of the object. 850 F.3d 1343, 1345–46 (Fed. Cir. 2017). The system used conventional sensors. *Id.* However, the Federal Circuit found the claims patent-eligible because they specified an “unconventional configuration of sensors,” which reduced errors in tracking motion. *Id.* at 1349; *see also Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336–37 (Fed. Cir. 2016) (holding that a claim disclosing a method for improving computer search and retrieval

³ Evidence introduced at trial supports this finding. (See Aug. 21, 2017, Trial Tr. at 118:23–119:2 (inventor of ‘796 patent testifying that processors were known at the time of invention and that Plaintiff purchased them from other companies); *id.* at 116:16–21 (inventor testifying the same for sensors that collected acceleration data); Aug. 22, 2017, Trial Tr. at 105:9–11 (Plaintiff’s expert testifying that processors were well-known at the time of invention)).

using self-referential tables, which was a “specific improvement to the way computers operate,” was not directed to an abstract idea); *Visual Memory LLC v. NVIDIA Corp.*, 867 F.3d 1253, 1261–62) (Fed. Cir. 2017) (acknowledging that the claimed “programmable operational characteristics” enabled a memory system to be operable with multiple different processors and could outperform prior art memory systems); *SRI Int’l, Inc. v. Cisco Sys., Inc.*, 930 F.3d 1295, 1304 (Fed. Cir. 2019) (determining that claims were not abstract because they “actually prevent the normal, expected operation of a conventional computer network”).

But claim 1 is not directed to an improvement in the functionality of sensors and processors. For example, the claim does not disclose any improvement in the sensor’s ability to collect information, such as collecting previously unknown information or collecting information more accurately. It does not disclose some improvement in the processor itself, such as faster or more powerful processing. Unlike in *Thales*, claim 1 is not limited to any particular configuration of the components that results in a technological improvement. Instead, the sensor and processor are merely tools to execute an abstract idea; claim 1 does not recite “any particular assertedly inventive technology” for collecting, analyzing, and transmitting information. *Elec. Power*, 830 F.3d at 1354.

Indeed, claim 1 is analogous to and materially indistinguishable from other claims that have failed at step one because they were directed to collecting, gathering, and transmitting information. *See TDE Petroleum Data Sols., Inc., v. AKM Enter., Inc.*, 657 F. App’x 991, 992 (Fed. Cir. 2016), *cert. denied*, 137 S. Ct. 1230 (2017) (finding claims disclosing processes for (1) receiving data from sensors deployed on an oil well drill, (2) validating the data, (3) determining, based on the data, the present state of the oil well drill, “e.g., drilling, sliding, or bore hole conditioning” to be patent ineligible); *Elec. Power*, 830 F.3d at 1354 (concluding that

claims disclosing processes for detecting events on an interconnected electric power grid by collecting information from various sources, analyzing this information to detect events in real time, and displaying the event analysis results and diagnoses were ineligible); *SAP Am., Inc.*, 898 F.3d at 1167 (concluding that claims focused on “selecting certain information, analyzing it using mathematical techniques, and reporting or displaying the results of the analysis” were ineligible); *Prism Techs. LLC v. T-Mobile USA, Inc.*, 696 F. App’x 1014, 1017 (Fed. Cir. 2017), *cert. denied*, 138 S. Ct. 689 (2018) (determining that claims disclosing “abstract process that includes: (1) receiving identity data from a device with a request for access to resources; (2) confirming the authenticity of the identity data associated with that device; (3) determining whether the device identified is authorized to access the resources requested; and (4) if authorized, permitting access to the requested resources” were ineligible); *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1339, 1346 (Fed. Cir. 2013) (finding claims that recite “applying . . . information related to the insurance transaction to rules to determine a task to be completed” to be patent ineligible).

B. Step Two

Having determined that claim 1 is directed to an abstract idea, the Court proceeds to step two of the *Alice* framework. There is no inventive concept in the claim elements, whether considered individually or as an ordered combination. Claim 1, as construed, does not add any meaningful limitations to the routine steps of data collection, analysis, and transmission using conventional computer components.

Plaintiff “cannot argue that . . . receiving sensor data, validating sensor data, or determining a state based on sensor data is individually inventive.” *TDE Petroleum*, 657 F. App’x at 993. These are the “most ordinary of steps in data analysis and are recited in the

ordinary order,” so there is nothing inventive about the ordered combination of these steps. *Id.*; *see also Elec. Power*, 830 F.3d at 1354 (“The advance [the claims] purport to make is a process of gathering and analyzing information of a specified content, then displaying the results, and not any particular assertedly inventive technology for performing those functions.”). Claim 1 requires neither a new source or type of information nor a new method of measuring information. It provides for an unspecified set of rules for analyzing sensor data, but discloses no further details on those rules, like how data might be evaluated for a child versus an adult.⁴ *Compare Secured Mail Sols. LLC v. Universal Wilde, Inc.*, 873 F.3d 905, 910 (Fed. Cir. 2017), *cert. denied*, 138 S. Ct. 2000 (2018) (“The claims generically provide for the encoding of various data . . . but do not set out how this is to be performed . . . [and] [n]o special rules . . . are recited.”) *with McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1315 (Fed. Cir. 2016) (finding a claim patent eligible where the “claimed process uses a combined order of specific rules that renders information into a specific format that is then used and applied to create desired results”). In fact, Plaintiff argued during claim construction that claim 1 “does not contain words requiring any special type of processing.” (ECF No. 113 at 5). Claim 1 discloses outputting variables called tolerance indicia, but “the mere fact that the inventor applied coined labels . . . does not make the underlying concept inventive.” *Intellectual Ventures I LLC v. Capital One Fin. Corp.*, 850 F.3d 1332, 1342 (Fed. Cir. 2017). Overall, claim 1 encompasses a sensor that senses data, a processor that processes data, and a communications device that communicates data, and no further inventive concept is recited to transform the abstract idea into a patent-eligible invention.

⁴ Claim 1 provides for a processor that analyzes “sensed dynamic and static accelerative phenomena as a function of at least one accelerative event characteristic.” ‘796 patent at 13:53–56. As construed, this limitation simply means that the processor applies some mathematical function to acceleration data collected from the sensor. That is not a meaningful limitation to supply an inventive concept.

Plaintiff highlights features discussed in the specification, such as how the claimed processor distinguishes “between normal and abnormal accelerative events, and, when an abnormal event is identified, to indicate whether the abnormal event is tolerable, or within tolerance.” ‘796 patent at 3:7–11. The specification further discusses how the processor may be programmed to distinguish “other physical characteristics, including temperature, pressure, force, sound, light, relative position, and the like.” *Id.* at 3:11–14. But an inventive concept must be apparent in the claim language. Where “[t]he claim language does not provide any specific showing of what is inventive about the [limitation in question] or about the technology used to generate and process it,” the claim does not satisfy step two. *Secured Mail*, 873 F.3d at 912; *see also Intellectual Ventures*, 838 F.3d at 1322 (“The district court erred in relying on technological details set forth in the patent’s specification and not set forth in the claims to find an inventive concept.”). Even if, for example, the preferred embodiment discloses what could arguably be an inventive concept, claim 1 recites none of those details or limitations.

In sum, claim 1 is invalid under 35 U.S.C. § 101. It is directed to an abstract idea and fails to recite any inventive concept sufficient to transform the abstract idea into a patent-eligible invention.

III. Alternative Motion for a New Trial

Under Rule 50(c)(1), the Court must conditionally rule on Defendant’s Motion for a New Trial:

If the court grants a renewed motion for judgment as a matter of law, it must also conditionally rule on any motion for a new trial by determining whether a new trial should be granted if the judgment is later vacated or reversed. The court must state the grounds for conditionally granting or denying the motion for a new trial.

Fed. R. Civ. P. 50(c)(1). If the court conditionally grants a new trial and the appellate court finds that the grant of judgment was in error, “the new trial must proceed unless the appellate court

orders otherwise.” Fed. R. Civ. P. 50(c)(2). If the court conditionally denies a new trial and the appellate court reverses judgment, “the case must proceed as the appellate court orders.” *Id.*

Under Rule 59(a), a court can grant a new jury trial “for any reason for which a new trial has heretofore been granted in an action at law in federal court.” Fed. R. Civ. P. 59(a)(1)(A). A court can grant a new trial if it concludes that the verdict is against the weight of the evidence, the damages awarded are excessive, the trial was unfair, or prejudicial error was committed in its course. *Smith v. Transworld Drilling Co.*, 773 F.2d 610, 613 (5th Cir. 1985) (citations omitted).

Defendant argues that a new trial is necessary for the following reasons: (1) the jury’s verdict is against the weight of the evidence, because no reasonable jury could have concluded claim 1 was valid and infringed; (2) the Court erred in construing certain claims; (3) the jury was improperly presented with resolving claim construction disputes; and (4) the Court provided several erroneous instructions to the jury. (ECF No. 357 at 40–44).

The Court conditionally denies Defendant’s Motion for a New Trial. If the Court’s grant of judgment as a matter of law is reversed on appeal, and the Federal Circuit holds that Plaintiff is entitled to recover the damages awarded by the jury, the Court cannot say that the verdict was against the weight of the evidence. Further, the Court finds that it did not err in construing claims, did not improperly task the jury with resolving claim construction disputes, and did not provide the jury with incorrect instructions.

IV. Attorneys’ Fees

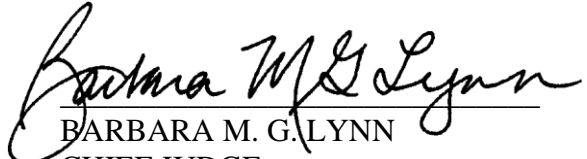
Under 35 U.S.C. § 285, “the court in exceptional cases may award reasonable attorney fees to the prevailing party.” To the extent Defendant is considering moving for such fees, Defendant is advised that the Court is extremely unlikely to find that this case is exceptional for the purposes of § 285.

V. Conclusion

For the reasons stated above, the Court grants Defendant's Motion for Judgment as a Matter of Law, conditionally denies Defendant's alternative Motion for New Trial, and denies Plaintiff's Motion for Entry of Judgment. The Court will enter judgment in favor of Defendant.

SO ORDERED.

January 17, 2020.


BARBARA M. G. LYNN
CHIEF JUDGE

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. SACV 19-01432 JVS (KES) Date May 12, 2020

Title Intellectual Pixels Limited v. Sony Interactive Entertainment LLC

Present: The **James V. Selna, U.S. District Court Judge**
Honorable

Lisa Bredahl

Not Present

Deputy Clerk

Court Reporter

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

Proceedings: [IN CHAMBERS] Order Regarding Claim Construction

Plaintiff Intellectual Pixels Limited (“IPL”) and Defendant Sony Interactive Entertainment LLC (“Sony”) have submitted proposed claim constructions for certain claim terms in the asserted patents in this case. Jt. Stat., ECF No. 78. Both parties have submitted opening and responsive claim construction briefs. IPL Op. Br. (“IPL OB”), ECF No. 86; Sony Op. Br. (“Sony OB”), ECF No. 87; Sony Resp. Br. (“Sony RB”), ECF No. 90; IPL Resp. Br. (“IPL RB”), ECF No. 91.

The Court construes the claim terms identified herein.¹

I. BACKGROUND

This is a patent infringement case about technology that allows consumers to stream video games from a server to a consumer device such as a computer, a video game console, tablet, or smartphone. First Amended Complaint (“FAC”), ECF No. 69, ¶¶ 1-10.

On December 18, 2019, the Court granted-in-part and denied-in-part Sony’s motion to dismiss and granted IPL leave to amend. Order, ECF No. 63. On January 7, 2020, IPL filed its FAC. ECF No. 69.

The patents raised by the parties as including disputed claim terms in this case are:

¹ The Court has reviewed the parties’ requests for a hearing and has determined that oral argument is unnecessary. Fed. R. Civ. P. 78; L.R. 7-15.

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- U.S. Patent No. 7,587,520 (the “’520 Patent”)
- U.S. Patent No. 8,131,826 (the “’826 Patent”)
- U.S. Patent No. 8,667,093 (the “’093 Patent”)
- U.S. Patent No. 9,699,238 (the “’238 Patent”)

See generally FAC. The parties now ask the Court to construe seven terms within these four patents.

A. The ’520 Patent

The disputed claim terms appear in asserted Claims 1, 6, and 7 of the ’520 Patent.² Jt. Stat., ECF No. 78. The language of these claims is included below.

Claim 1 recites:

1. An image display system, comprising:
 - a visual server having image processing capabilities wherein the visual server selectively receives image-modifying data corresponding to a generated image, generate a modified image based upon the image-modifying data, and transmit the modified image as compressed data; and
 - at least one client in selective communication with the visual server, the client including an image display, the client selectively generates image-modifying data and transmits the image-modifying data to the visual server, and the client receives as compressed data from the visual server an image modified based upon the transmitted image-modifying data, decompresses the compressed image data, and displays the decompressed image on the client image display, wherein the visual server transmits the modified image to the client after predetermined duration of generating an image based upon the transmitted image, modifying data has occurred; and wherein the client transmits the image-modifying data to the visual server after a predetermined

² For reference, Plaintiff asserts Claims 1-3, 5-8 of the ’520 Patent. FAC ¶ 42; Preliminary Election of Asserted Claims (“PE”), ECF No. 85, at 2.

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duration of generating image-modifying data.

Claim 6 recites:

6. An image display system, comprising:
- a visual server having image processing capabilities wherein the visual server is configured to selectively receive image-modifying data corresponding to a generated image, generate a modified image based upon the image-modifying data, and transmit the modified image as compressed data; and
 - at least one client in selective communication with the visual server, the client including an image display, the client configured to further selectively generate image-modifying data and transmit the image-modifying data to the visual server, and the client receives as compressed data from the visual server an image modified based upon the transmitted image-modifying data, decompresses the compressed image data, and displays the decompressed image on the client image display;
- wherein the visual server transmits the modified image to the client as a frame; wherein the client transmits the image-modifying data to the visual server as data sufficient to generate an image frame, wherein the visual server transmits the modified image to the client after predetermined duration of generating an image based upon the transmitted image, modifying data has occurred; and wherein the client transmits the image-modifying data to the visual server after a predetermined duration of generating image-modifying data.

Claim 7 recites:

7. A method of providing an image from a visual server to a client in selective communication with the visual server, comprising the steps of:
- receiving at the visual server image-modifying data from the client selectively generated by the client;
 - generating at the visual server a modified image based upon the image-modifying

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data received from the client; and
transmitting the modified image from the visual server to the client as compressed data, wherein the step of transmitting the modified image from the visual server to the client as compressed data further comprising the step of transmitting the modified data image as a frame; wherein the visual server transmits the modified image to the client after predetermined duration of generating an image based upon the transmitted image, modifying data has occurred; and wherein the client transmits the image-modifying data to the visual server after a predetermined duration of generating image-modifying data.

B. The '826 Patent

The disputed claim terms appear in asserted Claim 1 of the '826 Patent.³ Jt. Stat., ECF No. 78. The language of this claim is included below.

Claim 1 recites:

1. A method of displaying a stream of images on a client device having an image display, comprising the actions of:
 - receiving at least part of one image of said stream of images, and
 - generating image-modifying data corresponding to the one image in the image display at the client device;
 - transmitting the image-modifying data from the client device to a server system that has image processing capabilities;
 - generating a further image of said stream of images by the server system based on the image-modifying data;
 - generating compressed data based on the further image by the server system;
 - transmitting the compressed data to said client device;
 - decompressing the compressed data into a decompressed image at said

³ For reference, Plaintiff asserts Claims 1, 6-8 of the '826 Patent. FAC ¶ 49; PE at 2.

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client device; and
displaying the decompressed image at the display of said client device;
and further comprising the action of transmitting a link to identify the
client device to the server system prior to transmitting the
image-modifying data.

C. The '093 Patent

The disputed claim terms appear in asserted Claim 1 of the '093 Patent.⁴ Jt. Stat., ECF No. 78. The language of this claim is included below.

Claim 1 recites:

1. A method of playing interactive games on a client device having an image display, comprising:
sending user input control signals to an application, running on a server, which generates 3-dimensional graphics accordingly;
receiving, from said server, said 3-dimensional graphics in the form of a compressed stream of images;
decompressing said compressed stream of images into at least one decompressed image at said client device, said at least one decompressed image corresponding to said graphics; and
displaying said at least one decompressed image at the display of said client device, wherein said client device does not perform 3-dimensional graphics processing on said at least one decompressed image, and wherein said client device is separate from said server.

D. The '238 Patent

⁴ For reference, Plaintiff asserts Claims 1-4 of the '093 Patent. FAC ¶ 56; PE at 2.

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The disputed claim terms appear in asserted Claims 1, 6, 14, 15, and 20 of the '238 Patent.⁵ Jt. Stat., ECF No. 78. The language of these claims is included below.

Claim 1 recites:

1. A method comprising:
sending image-modifying data corresponding to a generated image from
a client device;
receiving, from a server, 3-dimensional graphics comprising a
compressed modified image based on the image-modifying data;
and
displaying said 3-dimensional graphics at the client device such that
complex interactive games can be displayed at the client device in
real-time, wherein said client device decompresses the compressed
modified image but does not perform 3-dimensional graphics
processing on said 3-dimensional graphics, and wherein said client
device is separate from said server.

Claim 6 recites:

6. A method comprising:
receiving, at a server, image-modifying data corresponding to a
generated image from a client device;
generating, at the server, at least one image portion of a 3-dimensional
graphic comprising a compressed modified image based on the
image-modifying data; and
sending to the client device separate from the server the at least one
image portion for display at the client device such that complex
interactive games can be displayed at the client device in real-time,
wherein said client device decompresses the compressed modified

⁵ For reference, Plaintiff asserts Claims 1, 6, 8, 11, 14, 15, and 17-20 of the '238 Patent. FAC ¶
61; PE at 2.

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image but does not perform 3-dimensional graphics processing on the at least one image portion.

Claim 14 recites:

14. The method of claim 6, wherein said client device does not have sufficient processing power to both run a client-device-only version of a game application and display graphics corresponding to said version of said application at an acceptable frame rate.

Claim 15 recites:

15. A system comprising a processor and memory, the memory storing instructions for the processor to execute a method comprising:

receiving, at a server, image-modifying data corresponding to a generated image from a client device;

generating a compressed stream of images corresponding to 3-dimensional graphics, the compressed stream of images comprising a compressed modified image based on the image-modifying data; and

sending said compressed stream of images to the client device for display at the client device such that complex interactive games can be displayed at the client device in real-time, wherein the client device decompresses the compressed modified image but does not perform 3-dimensional graphics processing.

Claim 20 recites:

20. The system of claim 15, wherein said client device does not have sufficient processing power to both run a client-device-only version of a game application and display graphics corresponding to said version of said game application at an acceptable frame rate.

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II. LEGAL STANDARD

A. General Claim Construction Principles

Claim construction is “exclusively within the province of the court.” Markman v. W. Instruments, Inc., 517 U.S. 370, 372 (1996). Such construction “must begin and remain centered on” the claim language itself. Interactive Gift Express, Inc. v. Compuserve, Inc., 256 F.3d 1323, 1331 (Fed. Cir. 2001). But extrinsic evidence may also be consulted “if needed to assist in determining the meaning or scope of technical terms in the claims.” Pall Corp. v. Micron Separations, Inc., 66 F.3d 1211, 1216 (Fed. Cir. 1995).

In construing the claim language, the Court begins with the principle that “the words of a claim are generally given their ordinary and customary meaning.” Phillips v. AWH Corp., 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc) (internal quotation marks omitted). This ordinary and customary meaning “is the meaning that the [claim] term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application.” Id. at 1313. “[T]he person of ordinary skill in the art is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but in the context of the entire patent, including the specification.” Id.

“In some cases, the ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words. In such circumstances general purpose dictionaries may be helpful.” Id. at 1314 (internal citation omitted). In other cases, “determining the ordinary and customary meaning of the claim requires examination of terms that have a particular meaning in a field of art.” Id. Then “the court looks to those sources available to the public that show what a person of skill in the art would have understood disputed claim language to mean.” Id. (internal quotation marks omitted). These sources include “the words of the claims themselves, the remainder of the specification, the prosecution history, and extrinsic evidence concerning relevant scientific principles, the meaning of

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technical terms, and the state of the art.” Id. (internal quotation marks omitted).

But it is improper to read limitations from the specification into the claim. Callicrate v. Wadsworth Mfg., Inc., 427 F.3d 1361, 1368 (Fed. Cir. 2005) (“[I]f we once begin to include elements not mentioned in the claim, in order to limit such claim . . . we should never know where to stop.”) (quoting Phillips, 415 F.3d at 1312). A court does “not import limitations into claims from examples or embodiments appearing only in a patent’s written description, even when a specification describes very specific embodiments of the invention or even describes only a single embodiment, unless the specification makes clear that ‘the patentee . . . intends for the claims and the embodiments in the specification to be strictly coextensive.’” JVW Enters., Inc. v. Interact Accessories, Inc., 424 F.3d 1324, 1335 (Fed. Cir. 2005) (internal citations omitted) (emphasis added).

B. Patent Invalidity Due to Indefiniteness Under 35 U.S.C. § 112, ¶ 2

A patent must conclude “with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention.” 35 U.S.C. § 112, ¶ 2.⁶ “[A] patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.” Nautilus, Inc. v. Biosig Instruments, Inc., 572 U.S. 898, 901 (2014). The party seeking to show indefiniteness “must establish it by clear and convincing evidence.” Dow Chem. Co. v. Nova Chems. Corp., 809 F.3d 1223, 1227 (Fed. Cir. 2015). Indefiniteness is a question of law. DDR Holdings, LLC v. Hotels.com, L.P., 773 F.3d 1245, 1260 (Fed. Cir. 2014) (citing Wellman, Inc. v. Eastman Chem. Co., 642 F.3d 1355, 1365-66 (Fed. Cir. 2011)).

III. DISCUSSION

⁶ Section 112, ¶ 2 was renamed as § 112(b) by the America Invents Act, Pub. L. No. 112–29 (“AIA”), which took effect on September 16, 2012. Because the inventors here applied for the ‘520 Patent (parent to the other asserted patents) before the act’s passage, § 112, ¶ 2 applies.

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A. “3-dimensional graphics” (’093, ’238 Patents)

IPL’s Construction	Sony’s Construction	Court’s Construction
graphical images produced by rendering 3D geometric objects	graphics in three dimensions	plain meaning; no construction necessary

The parties both claim that their construction captures the plain and ordinary meaning of the term “3-dimensional graphics.”

However, IPL’s construction introduces an unnecessary limitation to the term. As Sony points out, the construction would “restrict[] this term to graphics rendered from so-called ‘3D geometric objects,’ which is but one way to produce 3-dimensional graphics—and not based on any characteristic of the resulting 3-dimensional graphics themselves.” Sony RB at 11; see also Sony OB at 14.

Meanwhile, Sony’s construction is unnecessarily confusing because, as IPL argues, it could imply that 3D graphics must be displayed in three dimensions. IPL OB at 4, 7; IPL RB at 3.

In sum, the Court finds that the term is unambiguous and no construction is necessary. See, e.g., Bd. of Trs. of Leland Stanford Jr. Univ. v. Roche Molecular Sys., Inc., 528 F. Supp. 2d 967, 976 (N.D. Cal. 2007) (“The terms ‘therapeutically effective’ or ‘therapeutically ineffective’ are commonplace[.] . . . These terms do not need to be construed because they are neither unfamiliar to the jury, confusing to the jury, nor affected by the specification or prosecution history.”). A person of ordinary skill in the art would understand the meaning of the term “3-dimensional graphics.”

B. “3-dimensional graphics processing” (’093, 238 Patents)

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IPL's Construction	Sony's Construction	Court's Construction
graphics processing necessary to render 3D geometric objects	uses a 3D graphics renderer, or otherwise processes graphics in three dimensions	graphics processing necessary to render 3D geometric objects

The main dispute between the parties is whether there was a disclaimer of what is required to show 3D graphics processing during the prosecution of the '093 Patent. Sony argues that a reference to U.S. Patent No. 6,603,470 to Deering ("Deering") was the patentee disclaiming client devices that include a 3D graphics renderer. Sony OB at 12; Sony RB at 14-16.

But the patentee's response described Deering's failure to teach the absence of 3D graphics processing on the client; the response did not involve a characterization of what is required to show 3D graphics processing. See ECF No. 86-7, Ex. 6 at IPL-FH-000803. The Court agrees with IPL that the patentee's reference to the "3-D Graphics Renderer 140" was an explanation that Deering expressly disclosed that 3D graphics processing occurred *on the client*, in contravention to the claim language. IPL OB at 10; IPL RB at 5-6. The language the applicant quoted from Deering explained that the presence of a 3D graphics renderer on Deering's client showed that is where 3D graphics processing occurred; here, by contrast, 3D graphics processing occurs at the server. The Court agrees with IPL that the '093 and '238 Patents' language does not require a rendering device, and that the term "a 3D graphics renderer" is unnecessarily confusing. See IPL OB at 7-8.

The Court finds that the intrinsic record and patent prosecution history does not evince a "clear and unmistakable" disclaimer of what is required to show 3D graphics processing. 3M Innovative Props. Co. v. Tredegar Corp., 725 F.3d 1315, 1322 (Fed. Cir. 2013) ("This court does not rely on the prosecution history to construe the meaning of the claim to be narrower than it would otherwise be unless a patentee limited or surrendered claim scope through a clear and unmistakable disavowal."). The term "3-dimensional

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graphics processing” is construed as “graphics processing necessary to render 3D geometric objects.”

C. “does not perform 3-dimensional graphics processing” (’093, ’238 Patents)

IPL’s Construction	Sony’s Construction	Court’s Construction
does not perform the graphics processing necessary to render 3D geometric objects	does not use a 3D graphics renderer, or otherwise process graphics in three dimensions	does not perform the graphics processing necessary to render 3D geometric objects

The claim language requires that the server “generates 3D graphics” based on user input control signals, then the client receives from the server 3D graphics “in the form of a compressed stream of images,” the client “decompress[es] said stream of images” and displays “at least one” decompressed image “corresponding to said graphics,” and the client device “*does not perform 3D graphics processing* on said at least one decompressed image.” ’093 Patent claim 1 (emphasis added).

The Court agrees with IPL that Sony’s construction introduces an unnecessary limitation precluding the use of a graphics renderer at a client device, regardless of the type of processing the hardware performs, when the claim language does not include this restriction. IPL OB at 12-13; see ’093 Patent, col. 3:1-2, 9:30-33; see also Declaration of John Hart (“Hart Decl.”), Dkt. No. 86-9, ¶ 20 (“This does not mean, however that the client device does not perform any graphics operations whatsoever, as the patent specifications make clear. For example, the patent specification notes that some clients may include separate 3D components to assist in processing the images, and the claims themselves note that the client device performs decompression of the compressed images.”).

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The term “does not perform 3-dimensional graphics processing” is construed as “does not perform the graphics processing necessary to render 3D geometric objects.”

D. “transmitting a link to identify the client device” (’826 Patent)

IPL’s Construction	Sony’s Construction	Court’s Construction
Transmitting information to identify a client device	Plain meaning	Plain meaning

The main dispute between the parties is whether a “link” is a broader form of “information” that is not limited to an address or instead should be construed according to its ordinary meaning.

IPL contends that “a link establishes a relationship between the client and the server by providing information about the client device to the server system.” IPL OB at 13-14. Because the specification states “the step of transmitting *a link or other flag* to the visual server from the client” (*see* ’238 Patent col. 4:26-31 (emphasis added)), IPL argues that the use of the word “flag” indicates that a “link” covers the transmission of information and is not limited to only an address or a URL. *Id.* at 14. IPL argues that “the server uses the link transmitted by the client to allocate resources,” and that this term should therefore “be construed to clarify that the claimed ‘link’ is information that performs the function of signaling a specific client’s need for resources in IPL’s claimed system.” *Id.* IPL contends that this construction will “prevent Sony from improperly asserting at trial that a ‘link’ is a specific type of link not even recited in the intrinsic evidence.” *Id.* at 15; *see also* IPL RB at 7.

Sony, meanwhile, contends that this term should be given its plain and ordinary meaning because the ’238 Patent “sets forth no express intent to impart a different meaning for the term ‘link.’” Sony OB at 15. A link, according to Sony, “is a specific way to convey information; it is not merely any information in any form.” Sony RB at 19. Sony notes that the applicants used the broader concept of “information” in other

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claims, but chose not to do with the “link” term. Id.; see Enzo Biochem, Inc. v. Applera Corp., 599 F.3d 1325, 1333 (Fed. Cir. 2010) (“The applicants knew how to claim a linkage group that does not substantially interfere with hybridization, as they did in the [certain] patents, but specifically omitted that language from the claims of the related [to a specific] patent.”).

The Court agrees with Sony that the claim language and prosecution history do not evidence a special meaning for the term. See York Prods., Inc. v. Central Tractor Farm & Family Cent., 99 F.3d 1568, 1572 (Fed. Cir.1996) (“Without an express intent to impart a novel meaning to claim terms, an inventor’s claim terms take on their ordinary meaning.”). Therefore, the term “transmitting a link to identify the client device” is construed according to its plain meaning.

E. “image-modifying data” (’520, ’826, and ’238 Patents)

IPL’s Construction	Sony’s Construction	Court’s Construction
input data used to create a modified image	data that directly instructs the server how the image should be modified, such that the server makes no decisions about how the image should be modified	data that directly instructs the server how the image should be modified, such that the server makes no decisions about how the image should be modified

The parties’ dispute appears to center around whether image-modifying data should be construed to include any modifications made by the server. IPL argues for a broad interpretation, where “the game generates the image and will modify the image based on the inputs received during the playing of the game at the client.” IPL OB at 16. Sony argues that prosecution disclaimer applies, and the term should be narrowly construed, pursuant to the patentee’s own statements. Sony OB at 3-7.

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The Court finds that the patentee's repeated and clear statements in the prosecution history satisfy the "clear and unmistakable disavowal" required for disclaimer. 3M Innovative Props., 725 F.3d at 1322. During prosecution, the patentee attempted to overcome the examiner's rejection over U.S. Patent No. 6,658,167 to Lee ("Lee"). For example, the patentee stated that "[t]he client-transmitted information in Lee is not information instructing the server how to modify the data—i.e., it is not 'image-modifying data' as claimed." ECF No. 87-9, at 10. Furthermore, the patentee stated that in Lee "the server makes choices about how the data will be optimized for its intended use in the client application," but in the patentee's invention, "[t]he server of claim 1 need not make such choices as the server of Lee is required to make." *Id.* at 10-11. The prosecution history is rife with similar statements. *See, e.g.*, ECF No. 87-13, at 19 (stating the server in Lee "determines the details of how to achieve this objective," whereas "[c]ontrastingly, the server in the current application is not allowed to make a decision. It must follow the instructions sent by the client and contained in 'image-modifying data'"); *see also* ECF Nos. 87-10, 87-12.

IPL's arguments that prosecution history disclaimer should not apply are unpersuasive. IPL argues Sony fails to read the prosecution in its entirety, missing the focus of patentee's arguments. IPL RB at 11. Specifically, IPL argues that patentee distinguished Lee for reasons not at issue in this claim construction, and that the patentee "never said the server could not make decisions within the context of executing an interactive application." *Id.* True, the examiner's rejection over Lee does not have an identity of issues with the parties' arguments in this claim construction. However, the patentee's statements are clear and unmistakable that image-modifying data instructs the server how to modify the data, and the server must follow those instructions without making any decisions. IPL's arguments that: patentee's position was not ultimately successful or that it should only be limited to the bounds of the disclosure in Lee are incongruent with the law. *See, e.g., Tech. Props. Ltd. LLC v. Huawei Techs. Co.*, 849 F.3d 1349, 1359 (Fed. Cir. 2017) ("[P]atentees may surrender more than necessary.").

Although disclaimer is dispositive, the Court nevertheless examines IPL's proposed construction. IPL argues that the specification and claims demonstrate that "the game generates the image and will modify the image based on the inputs received during

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the playing of the game at the client.” IPL OB at 16. However, IPL’s position is inconsistent with the claims and the specification. The inputs received refer to “game control signals,” which are described as distinct from “image-modifying data.” Thus, the two cannot be one and the same. For these reasons, the Court determines that prosecution history disclaimer applies and adopts Sony’s construction.

F. “complex interactive games” (’238 Patent)

IPL’s Construction	Sony’s Construction	Court’s Construction
games which produce 3D graphics in which a client device sends input signals and a stream of one or more 3D graphic images are generated in response	Indefinite under 35 U.S.C. § 112, ¶ 2	Smaller term “complex” is construed as: requiring processing of 3-dimensional graphics

The parties dispute whether a person of ordinary skill would understand the objective boundaries for an interactive game that is “complex.” IPL argues that the specification and provisional application of the ’238 Patent use “‘complex’ to distinguish between 2D and 3D processing,” and thus “complex” refers to “3D graphics.” IPL OB at 22. Sony argues “complex” is a term of degree and is indefinite because “the specification includes no discussion or examples to inform what types of 3D graphics are ‘complex’ and what types are not.” Sony OB at 21.

A term of degree may be indefinite if it “lends itself to scattershot infringement analysis” that produces “mixed results.” Liberty Ammunition, Inc. v. United States, 835 F.3d 1388, 1398 (Fed. Cir. 2016). However, it is unnecessary for a term of degree to provide “absolute mathematical precision.” Instead, the claim need only “provide objective boundaries for those of skill in the art.” Interval Licensing LLC v. AOL, Inc., 766 F.3d 1364, 1370-71 (Fed. Cir. 2014); see also Nautilus, 572 U.S. at 910 (“[W]e read § 112, ¶ 2 to require that a patent’s claims, viewed in light of the specification and

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prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty. The definiteness requirement, so understood, mandates clarity, while recognizing that absolute precision is unattainable.”).

The Court finds that the intrinsic record for the ’238 Patent supports IPL’s position. For example, the specification states:

For reasons of cost, size, and power consumption, sophisticated three dimensional graphics are not available on devices such as mobile telephones and the set-top boxes used to decode cable and satellite television signals. There is, however, a need to display *complex* three dimensional graphics, specifically those used by games, on these devices.

’238 Patent, col. 8:65-9:3 (emphasis added). The specification goes on to state that a main advantage of the invention is “[t]he ability to display complex 3D graphics on a device lacking necessary hardware.” *Id.* at 9:34-35. These examples are illustrative and demonstrate that a person of ordinary skill would glean from the specification that “complex” refers to the 3D graphics a simple client device would not otherwise be able to process and display.

IPL’s expert declaration supports a finding that a person of ordinary skill would understand “complex” as referring to inherently more complex processing requirements for 3D graphics, versus 2D graphics. Hart Decl. ¶¶ 22-23. And Sony’s expert opinion demonstrates that a person of ordinary skill can differentiate between games generating 2D, versus 3D, graphics. Declaration of Henry Fuchs (“Fuchs Decl.”), Dkt. No. 86-10, ¶¶ 32–34.

Sony’s arguments to the contrary are insufficient to satisfy its burden of showing indefiniteness by clear and convincing evidence. First, the specification does not support Sony’s argument that “complex” refers to visual, rather than processing, complexity. Sony argues that “complex” is indefinite because the specification does not contain “sample images of 3D graphics and has no discussion of how to measure or determine

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complexity of 3D graphics.” Sony OB at 21. While true, the specification does not disclose “complex” in the context of a simple versus complex 3D graphic. Instead, the specification discusses the ability to display complex 3D graphics on client devices that lack in “cost, size, and power consumption,” implying the client devices did not possess the ability to process complex 3D graphics. ’238 Patent, col. 8:65-9:1; see also id. col. 9:9-10 (describing a “Visual Server that handles all complex visual processing”). Thus, the ’238 Patent makes clear that the reference to complex 3D graphics describes processing, not visual, complexity. If, as Sony argued, the intrinsic record discussed different categories of 3D graphics that were complex, “complex” would be considered a traditional term of degree. However, because “complex” is used to describe 3D graphics, as opposed to 2D graphics, the Court finds “complex” has an objective boundary.

Second, the specification does not support Sony’s argument that the patentee did not act as its own lexicographer and clearly define “complex.” Sony OB at 20-21. Indeed, as Sony argued, the specification has no discussion of simple, versus complex, 3D graphics. Id. at 21. However, for the reasons noted in the preceding paragraph, the specification sufficiently describes “complex” as referring to 3D, versus 2D, graphics.

Third, the claims do not support Sony’s argument that construing “complex” to mean 3D graphics would be nonsensical, where the claims also refer to “3-dimensional graphics.” Sony RB at 21. For the reasons provided above, the specification refers to “complex” with respect to the processing complexity that a 3D graphic requires. Thus, use of “complex” in the claim language, in light of the specification, does not render “3-dimensional graphic” redundant.

In conclusion, the Court finds that in light of the intrinsic record for the ’238 Patent, in combination with extrinsic evidence, Sony has not shown by clear and convincing evidence that “complex” is indefinite. Although the parties listed “complex interactive games” as the proposed term for construction, because the parties’ arguments centered around “complex,” the Court construes this smaller portion as requiring processing of 3-dimensional graphics.

G. “acceptable frame rate” (’238 Patent)

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IPL's Construction	Sony's Construction	Court's Construction
at a rate that conveys smooth motion	Indefinite under 35 U.S.C. § 112, ¶ 2	Indefinite

The parties dispute whether a person of ordinary skill would understand objective boundaries for an acceptable frame rate. IPL's expert opines that a person of ordinary skill would "understand an acceptable frame rate for a complex interactive game is a rate that conveys smooth motion." IPL OB at 24. IPL's expert further opines that "more than 15 frames per second is sufficient to convey smooth motion." *Id.* Sony argues "acceptable" is a term of degree, IPL's assertion of a rate that conveys smooth motion is unsupported and adds uncertainty, and IPL's rate of more than 15 frames per second is unsupported by its cited extrinsic evidence. Sony OB at 23-24.

As noted in the preceding section, "claims, viewed in light of the specification and prosecution history, [must] inform those skilled in the art about the scope of the invention with reasonable certainty." *Nautilus*, 572 U.S. at 910.

The Court finds as follows. First, IPL's argument that an acceptable frame rate is a rate that conveys smooth motion is unsupported. Beginning with the claims, the term "acceptable frame rate" appears in dependent claims 14 and 20 of the '238 Patent. Claims 14 and 20 depend from independent claims 6 and 15, respectively. Claims 6 and 15 require "sending [at least one image portion / said compressed stream of images] for display at the client device *such that complex interactive games can be displayed at the client device in real-time . . .*" '238 Patent, claims 6, 15 (emphasis added). While the Court notes that "real-time" could be relevant to the determination of an acceptable frame rate, IPL has not provided any argument or expert testimony on this point, instead turning to extrinsic evidence. Next, the specification describes communication between the server and client "preferably . . . over a high bandwidth connection such that 1 Mbps or greater data can be sent across the network." *Id.* col. 6:5-8. However even read in light of this disclosure, it is not clear that an acceptable frame rate would be one that conveys smooth motion. Finally, the Court turns to IPL's extrinsic evidence, as it cites to Dr.

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Hart's declaration as the sole supporting evidence for its assertion that an acceptable frame rate is one that conveys smooth motion. But Dr. Hart's statement that "a frame rate was considered acceptable if it generally conveyed smooth motion to the user" is without citation. Hart Decl. ¶ 26. And Sony's expert, Dr. Fuchs opined that within the context of video games in 2001, the standard for acceptability for "a racing or a first-person shooter game where responsiveness and latency were critical to the quality of user experience," might differ from the standard for acceptability for "a puzzle adventure game that did not rely as heavily on motion." Fuchs Decl. ¶ 38. Because the evidence fails to inform with reasonable certainty by what yardstick one of ordinary skill would measure whether a frame rate was acceptable, and thus those of ordinary skill could come to different conclusions, the term is indefinite.

Although the first issue is dispositive, the Court nevertheless addresses IPL's argument that *if* an acceptable frame rate is one that conveys smooth motion, one of ordinary skill would have known that more than 15 frames per second conveys smooth motion. IPL's argument is unpersuasive. Dr. Hart cites a computer graphics textbook as "defin[ing] the minimally acceptable frame rate to convey smooth motion." Hart Decl. ¶ 26. However, the citation states that a frame rate greater than 15 frames per second "can convey smooth motion or changing form *better than* can a jerky sequence, with several seconds between individual frames." *Id.* (emphasis added). It does not state that a frame rate greater than 15 frames per second is the minimally acceptable frame rate to convey smooth motion for a complex interactive game. Dr. Hart's additional cited references introduce confusion regarding the minimum rate. *Id.* (citing 24 frames per second as the target rate for animation and 30 frames per second as the rate for NTSC television). Furthermore, Dr. Fuchs opines that 30 frames per second might have been unacceptable for a first-person shooter game, whereas 15 frames per second might have been acceptable for a puzzle adventure game. Fuchs Decl. ¶ 38. Such scattershot infringement results are the hallmark of an indefinite term of degree. Liberty Ammunition, Inc., 835 F.3d at 1398.

In conclusion, the Court finds that Sony has satisfied its burden of showing "acceptable frame rate" is indefinite.

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IV. CONCLUSION

The disputed terms are construed as follows:

Claim Term	Court's Construction
"3-dimensional graphics" ('093, '238 Patents)	plain meaning; no construction necessary
"3-dimensional graphics processing" ('093, '238 Patents)	graphics processing necessary to render 3D geometric objects
"does not perform 3-dimensional graphics processing" ('093, '238 Patents)	does not perform the graphics processing necessary to render 3D geometric objects
"transmitting a link to identify the client device" ('826 Patent)	plain meaning
"image-modifying data" ('520, '826, and '238 Patents)	data that directly instructs the server how the image should be modified, such that the server makes no decisions about how the image should be modified
"complex interactive games" ('238 Patent)	smaller term "complex" is construed as: requiring processing of 3-dimensional graphics
"acceptable frame rate" ('238 Patent)	indefinite

IT IS SO ORDERED.

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CIVIL MINUTES - GENERAL

Case No. SACV 19-01432 JVS (KES) Date May 12, 2020

Title Intellectual Pixels Limited v. Sony Interactive Entertainment LLC

Initials of Preparer lmb : 0

United States Court of Appeals for the Federal Circuit

MCRO, INC., DBA PLANET BLUE,
Plaintiff-Appellant

v.

BANDAI NAMCO GAMES AMERICA INC.,
TREYARCH CORPORATION,
Defendants

SONY COMPUTER ENTERTAINMENT
AMERICA LLC, SUCKER PUNCH
PRODUCTIONS, LLC, INFINITY WARD, INC.,
LUCASARTS, A DIVISION OF LUCASFILM
ENTERTAINMENT COMPANY LTD. LLC,
ACTIVISION PUBLISHING, INC., BLIZZARD
ENTERTAINMENT, INC., NAUGHTY DOG, INC.,
ELECTRONIC ARTS, INC., DISNEY
INTERACTIVE STUDIOS, INC., SQUARE ENIX,
INC.,
Defendants-Appellees

2019-1557

Appeal from the United States District Court for the
Central District of California in Nos. 2:12-cv-10322-GW-
FFM, 2:12-cv-10329-GW-FFM, 2:12-cv-10333-GW-FFM,
2:12-cv-10335-GW-FFM, 2:12-cv-10338-GW-FFM, 2:14-cv-
00332-GW-FFM, 2:14-cv-00336-GW-FFM, 2:14-cv-00352-

GW-FFM, 2:14-cv-00358-GW-FFM, 2:14-cv-00383-GW-FFM, Judge George H. Wu.

JUDGMENT

THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

**AFFIRMED IN PART, VACATED IN PART, AND
REMANDED**

ENTERED BY ORDER OF THE COURT

May 20, 2020

/s/ Peter R. Marksteiner

Peter R. Marksteiner
Clerk of Court

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

PALTALK HOLDINGS, INC.,
Appellant

v.

RIOT GAMES, INC., VALVE CORPORATION,
Appellees

2019-2035, 2019-2036, 2019-2037, 2019-2038

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. IPR2018-00129, IPR2018-00130, IPR2018-00131, IPR2018-00132, IPR2018-01238, IPR2018-01241, IPR2018-01242, IPR2018-01243.

Decided: June 16, 2020

DOUGLAS R. WILSON, Armond Wilson LLP, Austin, TX, for appellant. Also represented by MICHELLE ARMOND, Newport Beach, CA.

CONSTANTINE L. TRELA, JR., Sidley Austin LLP, Chicago, IL, for appellee Riot Games, Inc. Also represented by NATHANIEL C. LOVE, JOHN WEATHERBY MCBRIDE; SCOTT BORDER, SAMUEL DILLON, Washington, DC.

SHARON A. ISRAEL, Shook, Hardy & Bacon, LLP, Houston, TX, for appellee Valve Corporation. Also represented by KYLE E. FRIESEN; PATRICK A. LUJIN, Kansas City, MO; REYNALDO BARCELO, Barcelo, Harrison & Walker, LLP, Newport Beach, CA.

Before PROST, *Chief Judge*, MAYER and LOURIE, *Circuit Judges*.

PROST, *Chief Judge*.

PalTalk Holdings, Inc., appeals four final written decisions by the Patent Trial and Appeal Board (“Board”) in inter partes review proceedings related to U.S. Patent Nos. 5,822,523 and 6,226,686. The Board concluded that all challenged claims are unpatentable under 35 U.S.C. § 103 as obvious over the cited prior art. *See Riot Games, Inc. v. PalTalk Holdings, Inc.*, No. IPR2018-00129, Paper 37, at 66 (P.T.A.B. May 14, 2019); *Riot Games, Inc. v. PalTalk Holdings, Inc.*, No. IPR2018-00130, Paper 37, at 72 (P.T.A.B. May 14, 2019); *Riot Games, Inc. v. PalTalk Holdings, Inc.*, No. IPR2018-00131, Paper 37, at 50 (P.T.A.B. May 14, 2019); *Riot Games, Inc. v. PalTalk Holdings, Inc.*, No. IPR2018-00132, Paper 36, at 66 (P.T.A.B. May 14, 2019).¹

PalTalk timely appealed. PalTalk challenges the Board’s obviousness determination only with respect to certain dependent claims. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

¹ During the course of the inter partes review proceedings, the Board joined petitioner Valve Corp. and its instituted inter partes reviews (respectively Case Nos. IPR2018-01238, IPR2018-1241, IPR2018-01242, and IPR2018-01243) to each of the four proceedings.

We review the Board's ultimate legal conclusion of obviousness *de novo* and its underlying factual determinations for substantial evidence. *In re Gartside*, 203 F.3d 1305, 1316 (Fed. Cir. 2000). "Substantial evidence is something less than the weight of the evidence but more than a mere scintilla of evidence." *In re NuVasive, Inc.*, 842 F.3d 1376, 1379–80 (Fed. Cir. 2016).

PalTalk appeals the Board's obviousness determination with respect to two subsets of dependent claims. First, PalTalk argues that substantial evidence does not support the Board's conclusion that the prior art renders obvious certain dependent claims requiring a group messaging "server." Specifically, dependent claims 4–5, 34–37, and 41–42 of the '523 patent require a host computer send a message to the group messaging server to "create," "join," or "leave" a message group. And dependent claims 30, 34, 35, 49, 53, 54, 66, and 70 of the '686 patent require that a server receives a message to "connect," "disconnect," or "close" a message group. We disagree with PalTalk. Substantial evidence, including expert testimony and express disclosures in the prior art, supports the Board's conclusion that the claimed "server" is disclosed and that the claims are rendered obvious.

Second, PalTalk argues that substantial evidence does not support the Board's conclusion that the prior art renders obvious dependent claim 11 of the '523 patent and dependent claims 22, 41, and 58 of the '686 patent. Each of these claims recites a limitation requiring that the group messaging server perform "echo suppression," which ensures that a host does not receive copies of the messages it is sent. PalTalk contends that substantial evidence does not support the Board's conclusion that the prior art discloses the "echo suppression" limitation. We disagree with PalTalk. Substantial evidence, including express disclosures in the prior art, supports the Board's conclusion that the claimed "echo suppression" is disclosed and that the claims are rendered obvious. We further disagree with

PalTalk to the extent it additionally argues the Board legally erred by failing to provide sufficient findings to support its obviousness determination for the “echo suppression” claims. The Board’s analysis provides a reviewable pathway to its conclusion by reasonably considering the arguments raised by both parties and citing support from the prior art. *See Ariosa Diagnostics v. Verinata Health, Inc.*, 805 F.3d 1359, 1365 (Fed. Cir. 2015) (“We may affirm an agency ruling if we may reasonably discern that it followed a proper path, even if that path is less than perfectly clear.”).

Because we conclude that the Board’s obviousness determination is supported by substantial evidence and because we detect no legal error in the Board’s analysis, we affirm.

AFFIRMED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

LEO PELLEGRINO	:	CIVIL ACTION
	:	
v.	:	
	:	
EPIC GAMES, INC.	:	NO. 19-1806

MEMORANDUM

Padova, J.

March 31, 2020

Plaintiff Leo Pellegrino commenced this action against Defendant Epic Games, Inc. (“Epic”) asserting that Epic misappropriated his likeness and trademark, i.e., his “Signature Move.”¹ The Complaint asserts that Epic’s misappropriation violated Pellegrino’s right to publicity and infringed and diluted his trademark. Epic has filed a Motion to Dismiss the Complaint in its entirety pursuant to Federal Rule of Civil Procedure 12(b)(6). We held a hearing on the Motion on March 3, 2020. For the reasons that follow, we grant Epic’s Motion in part and deny it in part.

I. BACKGROUND

The Complaint alleges that Leo Pellegrino “is a professional baritone saxophone player and member of the ‘brass house’ group ‘Too Many Zooz.’” (Compl. ¶ 2.) Using his unique anatomy—specifically his externally rotatable feet—Pellegrino was able to create the Signature Move, a series of movements that express his own unique dancing style. (*Id.* ¶ 17.) Pellegrino incorporates and “executes the Signature Move [in] every one of his musical performances.” (*Id.* ¶ 24.) By executing the Signature Move in concert and festival performances in front of hundreds

¹ Pellegrino’s Signature Move is a series of dance moves executed while holding a saxophone. Pellegrino attaches a video clip of his Signature Move as Exhibit 1 to the Complaint.

of thousands of people and in online videos with millions of views, his Signature Move has grown in popularity and has become inextricably linked to his identity. (Id. ¶¶ 3, 24.)

Epic Games, Inc. is a video game developer who created the game “Fortnite Battle Royale.” (Id. ¶¶ 10, 28.) Fortnite was released in September 2017 and since then has become one of the most popular video games ever. (Id. ¶ 7.) In fact, because of Fortnite’s success, Epic’s value has grown from approximately \$825 million to approximately \$15 billion. (Id. ¶ 38.) Fortnite is a battle royale video game, a “genre that blends the survival, exploration and scavenging elements of a survival game with last-man-standing gameplay.” (Id. ¶ 28.) In this format, “up to 100 players, alone, in pairs or in groups, compete to be the last player or group alive” by using weapons and other forms of violence to eliminate other players. (Id. ¶ 29.)

Epic does not charge players money to purchase Fortnite; instead, players can download and play Fortnite for free. (Id. ¶ 30.) Fortnite generates revenue using its in-game electronic storefront where it sells virtual content that players can use while playing Fortnite. (Id.) This buyable virtual content includes customizations for the Fortnite digital avatars like ““emotes”” that enable the Fortnite avatars to perform dances or movements. (Id.)

Epic creates these “emotes by copying and coding dances and movements directly from popular videos, movies, and television shows without consent.” (Id. ¶ 34.) Emotes are popular among players because emotes allow players to personalize their Fortnite experience. (Id. ¶ 33.) Emotes have become popular even outside of Fortnite. (Id.) For example, professional athletes perform celebrations based on Fortnite emotes and other people post social media videos of themselves executing the emotes. (Id.)

One of these emotes, the ““Phone It In”” emote, “is identical to Pellegrino’s Signature Move.” (Id. ¶ 41.) The name ““Phone It In”” is a reference “to Pellegrino’s appearance in a Google

Pixel 2 phone commercial in 2017.” (Id. ¶ 5.) Without Pellegrino’s consent, Epic sells the Phone It In emote for 800 V-Bucks (Fortnite’s virtual currency), which is worth approximately \$8. (Id. ¶¶ 30, 40.) Once a player buys this emote and equips his or her avatar with it, “the player’s avatar can execute the Signature Move during Fortnite gameplay.” (Id. ¶ 41.) Many Fortnite players worldwide immediately recognized the Phone It In emote in Fortnite as Pellegrino’s Signature Move. (Id.) Epic thus uses Pellegrino’s Signature Move embodied in the Phone It In emote to create the false impression that Pellegrino is endorsing the game. (Id. ¶ 47.) Other players, however, have the false impression that the Phone It In emote was Epic’s original creation because Epic does not credit Pellegrino as the Signature Move’s creator and owner. (Id. ¶¶ 41, 47.)

The Complaint asserts eight causes of action under state and federal law. The first cause of action asserts a claim for unauthorized use of Pellegrino’s name or likeness in violation of 42 Pa. Cons. Stat. Ann. § 8316. (Id. ¶¶ 50-60.) The second cause of action asserts a claim for misappropriation of publicity under Pennsylvania common law. (Id. ¶¶ 61-71.) The third cause of action asserts a claim for invasion of privacy by misappropriation of identity under Pennsylvania common law. (Id. ¶¶ 72-74.) The fourth cause of action asserts a claim for unjust enrichment under Pennsylvania common law for using Pellegrino’s likeness and trademark. (Id. ¶¶ 75-77.) The fifth cause of action asserts a claim for unfair competition under Pennsylvania common law for using Pellegrino’s likeness and trademark. (Id. ¶¶ 78-83.) The sixth cause of action asserts a claim for trademark infringement under the Lanham Act, 15 U.S.C. § 1125(a). (Id. ¶¶ 84-92.) The seventh cause of action asserts a claim for trademark infringement under Pennsylvania common

law. (*Id.* ¶¶ 93-100.) The eighth cause of action asserts a claim for trademark dilution under the Lanham Act, 15 U.S.C. § 1125(c). (*Id.* ¶¶ 101-108.)²

II. LEGAL STANDARD

When deciding a motion to dismiss pursuant to Rule 12(b)(6), we “consider only the complaint, exhibits attached to the complaint, [and] matters of public record, as well as undisputedly authentic documents if the complainant’s claims are based upon these documents.” *Mayer v. Belichick*, 605 F.3d 223, 230 (3d Cir. 2010) (citing *Pension Benefit Guar. Corp. v. White Consol. Indus., Inc.*, 998 F.2d 1192, 1196 (3d Cir. 1993)). We take the factual allegations of the complaint as true and “construe the complaint in the light most favorable to the plaintiff.” *DelRio-Mocci v. Connolly Props., Inc.*, 672 F.3d 241, 245 (3d Cir. 2012) (citing *Warren Gen. Hosp. v. Amgen, Inc.*, 643 F.3d 77, 84 (3d Cir. 2011)). Legal conclusions, however, receive no deference, as we are “‘not bound to accept as true a legal conclusion couched as a factual allegation.’” *Wood v. Moss*, 572 U.S. 744, 755 n.5 (2014) (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)).

A plaintiff’s pleading obligation is to set forth “a short and plain statement of the claim,” Fed. R. Civ. P. 8(a)(2), which gives the defendant “‘fair notice of what the . . . claim is and the grounds upon which it rests.’” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (alteration in original) (quoting *Conley v. Gibson*, 355 U.S. 41, 47 (1957)). The complaint must contain “‘sufficient factual matter to show that the claim is facially plausible,’ thus enabling ‘the court to draw the reasonable inference that the defendant is liable for [the] misconduct alleged.’” *Warren Gen. Hosp.*, 643 F.3d at 84 (quoting *Fowler v. UPMC Shadyside*, 578 F.3d 203, 210 (3d Cir. 2009)). “The plausibility standard is not akin to a ‘probability requirement,’ but it asks for more

² For ease of reference, we will refer to each “cause of action” as a “Count.” For example, the first cause of action will be “Count I.”

than a sheer possibility that a defendant has acted unlawfully.” Iqbal, 556 U.S. at 678 (citing Twombly, 550 U.S. at 556). In the end, we will grant a motion to dismiss brought pursuant to Rule 12(b)(6) if the factual allegations in the complaint are not sufficient “to raise a right to relief above the speculative level.” W. Run Student Hous. Assocs., LLC v. Huntington Nat’l Bank, 712 F.3d 165, 169 (3d Cir. 2013) (quoting Twombly, 550 U.S. at 555) (add’l citation omitted).

III. DISCUSSION

Epic argues in its Motion that: (1) Counts I-III must be dismissed because the First Amendment protects Fortnite as an expressive work; (2) Counts IV-V must be dismissed because the Complaint fails to allege the essential elements of these claims; (3) Count VI is barred by the Supreme Court of the United States decision in Dastar Corporation. v. Twentieth Century Fox Film Corporation, 539 U.S. 23 (2003); (4) Count VII must be dismissed because it is preempted by the Copyright Act; and (5) Count VIII must be dismissed because the Complaint fails to allege an essential element of the claim.

A. Right of Publicity and Privacy Claims (Counts I-III)

Pellegrino’s right of publicity and privacy claims assert that Epic, by using Pellegrino’s Signature Move in Fortnite, has misappropriated his likeness. Epic has moved to dismiss these claims on First Amendment grounds. As a preliminary matter, because Fortnite is a video game, the First Amendment protects it as an expressive work. See Hart v. Elec. Arts, Inc., 717 F.3d 141, 148 (3d Cir. 2013) (“[V]ideo games are protected as expressive speech under the First Amendment.” (citing Brown v. Entm’t Merchants Ass’n, 564 U.S. 786, 789 (2011))). Where a plaintiff alleges that an expressive work violates his right of publicity and privacy, we must determine whether the First Amendment protections afforded to the expressive work outweigh the

plaintiff's publicity and privacy rights. See id. at 148-49. If they do, we must dismiss the plaintiff's publicity and privacy claims. See id. at 149-50.

In Hart v. Electronic Arts, Incorporated, the United States Court of Appeals for the Third Circuit directed that, in balancing First Amendment protections against publicity and privacy rights, we are to utilize the Transformative Use Test. Id. at 165 (concluding that "the Transformative Use Test is the proper analytical framework to apply to cases" balancing the First Amendment and publicity rights). Under the Transformative Use Test, the First Amendment protections enjoyed by an expressive work will outweigh a celebrity plaintiff's interests in his likeness if "the product containing [the] celebrity's likeness is so transformed that it has become primarily the defendant's own expression rather than the celebrity's likeness." Id. at 160 (emphasis omitted) (quoting Comedy III Prods., Inc. v. Gary Saderup, Inc., 21 P.3d 797, 809 (Cal. 2001)).

The Third Circuit applied the Transformative Use Test in Hart under circumstances similar to those in the case at hand. In Hart, a college football player, Ryan Hart, brought suit against the video game developer Electronic Arts ("EA") for violating his right of publicity by using his likeness in EA's NCAA Football series of videogames. Id. at 147. At issue was whether EA's use of Hart's likeness on a digital avatar in NCAA Football was sufficiently transformative such that the First Amendment barred Hart's right of publicity claim. Id. at 165. To make this determination, the Third Circuit conducted two central inquiries. It first considered whether Hart's "identity" was sufficiently transformed and defined "identity" as encompassing both Hart's appearance and his biographical information. Id. at 165-66. The Third Circuit thus analyzed how closely the digital avatar in NCAA Football embodying Hart's likeness "resemble[d] the genuine article." Id.; see also Mitchell v. Cartoon Network, Inc., Civ. A. No. 15-5668, 2015 WL 12839135,

at *5 (D.N.J. Nov. 20, 2015) (comparing appearances of a television character and the plaintiff to determine whether the defendant’s use of the plaintiff’s likeness was transformative); see also Kirby v. Sega of Am., Inc., 50 Cal. Rptr. 3d 607, 616 (Cal. Ct. App. 2006) (comparing appearances of a video game avatar and the plaintiff to determine whether the defendant’s use of the plaintiff’s likeness was transformative). The court then considered the manner in which Hart’s identity was “incorporated into and transformed by” the expressive work. Hart, 717 F.3d at 166 (quotation omitted). Specifically, the Third Circuit looked at “the context within which the digital avatar exist[ed],” and asked whether the digital avatar that was alleged to possess Hart’s likeness, did in the game what Hart did in real life. Id.; see also Mitchell, 2015 WL 12839135, at *5 (concluding that the defendant’s use of the plaintiff’s likeness was sufficiently transformative where the defendant’s television character did not do “exactly what [the] [p]laintiff [did] in real life”).

In the instant case, Epic argues that its use of Pellegrino’s likeness in Fortnite (allowing Fortnite avatars to be equipped with the Signature Move a.k.a. the Phone It In emote)³ is so transformative that the likeness has become primarily Epic’s own expression rather than Pellegrino’s likeness. Applying the test as articulated in Hart, we observe that the Complaint does not allege that the Fortnite avatars equipped with the Phone It In emote, i.e., Pellegrino’s likeness, share Pellegrino’s appearance or biographical information. Indeed, the Complaint contains a picture of a Fortnite avatar equipped with the Phone It In emote, and the avatar does not bear a strong resemblance to Pellegrino. (See Compl. ¶ 4 & Ex. 1.) The Complaint also alleges that Fortnite players can customize their avatars with “new characters” and a variety of emotes mimicking celebrities other than Pellegrino. (Id. ¶¶ 30, 35.) The Complaint further alleges that

³ The Complaint alleges that the “‘Phone It In’ emote is identical to Pellegrino’s Signature Move.” (Compl. ¶ 41.)

the avatars fight in a battle royale and can execute emotes like Phone It In “while in the Fortnite Universe,” amidst “us[ing] weapons and violence to eliminate the competition” (*id.* ¶¶ 4, 29), whereas Pellegrino is alleged to be a musical performer who executes his Signature Move at musical performances (*see id.* ¶¶ 18-24). These allegations establish that the avatars in Fortnite do not share Pellegrino’s identity nor do what Pellegrino does in real life. We therefore conclude that Epic’s use of Pellegrino’s likeness is sufficiently transformative under the Transformative Use Test to provide it with First Amendment protections that are not outweighed by Pellegrino’s interests in his likeness. Accordingly, we grant Epic’s Motion to Dismiss as to Pellegrino’s right to publicity and privacy claims asserted in Counts I-III, concluding that the First Amendment bars these claims.

B. Unjust Enrichment (Count IV)

Pellegrino’s unjust enrichment claim asserts that Epic, by using Pellegrino’s Signature Move in Fortnite, has been “unjustly enriched to the substantial detriment of Pellegrino.” (Compl. ¶ 76.) Epic has moved to dismiss Pellegrino’s unjust enrichment for failing to state a claim upon which relief can be granted. To plead a claim for unjust enrichment under Pennsylvania law, “a [complaint] must allege facts sufficient to establish ‘benefits conferred on defendant by plaintiff, appreciation of such benefits by defendant, and acceptance and retention of such benefits under such circumstances that it would be inequitable for defendant to retain the benefit without payment of value.’” Boring v. Google Inc., 362 F. App’x 273, 281 (3d Cir. 2010) (quoting Lackner v. Glosser, 892 A.2d 21, 34 (Pa. Super. Ct. 2006)).

Epic argues that the Complaint does not plausibly allege an unjust enrichment claim because it does not contain allegations of a relationship between the parties that can be construed as contractual, i.e., that there were benefits conferred on defendant *by plaintiff*. As Epic contends,

to plausibly allege an unjust enrichment claim, the Complaint must allege not just that Epic received a benefit unjustly, or that a benefit was unjustly conferred on Epic; rather, it must allege that *Pellegrino* directly conferred a benefit on Epic. See Gabriel v. Giant Eagle, Inc., 124 F. Supp. 3d 550, 568 (W.D. Pa. 2015) (emphasizing that “‘benefits conferred on defendant’” must be made “‘*by Plaintiff*’” (quoting *Sovereign Bank v. BJ’s Wholesale Club, Inc.*, 533 F.3d 162, 180 (3d Cir. 2008))). “Plaintiff’s actions are core to the cause of action.” *Id.* at 569. Indeed, the doctrine of unjust enrichment “‘does not apply simply because the defendant may have benefitted as a result of the actions of the Plaintiff.’” *Id.* (quoting *Ne. Fence & Iron Works, Inc. v. Murphy Quigley Co.*, 933 A.2d 664, 668-69 (2007)).

Here, the Complaint alleges that Epic “misappropriate[d] Pellegrino’s likeness and the Signature Move” and that Pellegrino “d[id] not consent to or approve Epic’s use of his likeness and the Signature Move for the Phone It In emot.” (Compl. ¶¶ 47-48.) Because Pellegrino alleges that Epic misappropriated his likeness without his permission, Pellegrino cannot have conferred anything on Epic. Accord Hart v. Elec. Arts, Inc., 740 F. Supp. 2d 658, 670 (D.N.J. 2010) (“[B]ecause Plaintiff alleges in his . . . Complaint that Defendant did not seek his permission before using his likeness . . . , Plaintiff clearly did not confer any benefit upon Defendant.”). Indeed, “[t]he entire thrust of [Pellegrino’s] allegations is that [Epic] *took* something from [Pellegrino] without [his] consent, and should be held liable for having done so. There is, therefore, no basis for applying a quasi-contractual remedy [for unjust enrichment].” Boring v. Google, Inc., 598 F. Supp. 2d 695, 703 (W.D. Pa. 2009), aff’d in part, rev’d in part on other grounds, 362 F. App’x 273 (3d Cir. 2010). We therefore conclude that the Complaint fails to state a claim for unjust enrichment upon which relief can be granted. Accordingly, we grant Epic’s Motion to Dismiss as to Pellegrino’s unjust enrichment claim in Count IV.

C. Unfair Competition (Count V)

Pellegrino's unfair competition claim asserts that Epic, by using Pellegrino's Signature Move in Fortnite, has misappropriated his likeness and trademark. Epic has moved to dismiss Pellegrino's unfair competition claim for failing to state a claim upon which relief can be granted. To plead a claim for unfair competition under Pennsylvania common law, "a [complaint] must allege that [the plaintiff] is in competition with the defendant—that is, that the plaintiff and the defendant 'supply similar goods or services.'" Am. Bd. of Internal Med. v. Von Muller, Civ. A. No. 10-2680, 2011 WL 857337, at *11 (E.D. Pa. Mar. 10, 2011) (quoting Giordano v. Claudio, 714 F. Supp. 2d 508, 523 (E.D. Pa. 2010)), aff'd, 540 F. App'x 103 (3d Cir. 2013).

Epic argues that Pellegrino's unfair competition claim should be dismissed because the Complaint does not allege that Epic and Pellegrino are in competition, i.e., that they supply similar goods or services. Specifically, Epic maintains that the Complaint alleges that Epic is a video game publisher and that Pellegrino is a saxophone player, and thus, the parties supply different goods. Indeed, the Complaint alleges that Pellegrino is a saxophone player, a member of "two brass-based musical groups" and performs music at musical performances. (Compl. ¶¶ 15-24.) In contrast, the Complaint alleges that Epic develops and sells video games. (Id. ¶¶ 26-28.) Based on these allegations, it is plain that the parties do not supply similar goods or services. Pellegrino nevertheless maintains that the parties are competitors "in the field of selling dance performances" because Epic sells emotes that are "virtual dance performances." (See Pl.'s Opp. Mem. at 32-33.) Pellegrino, however, provides no case law, and we are aware of no case law, that would support such a broad construction of "competitor." We therefore conclude that the Complaint does not plausibly allege that Epic and Pellegrino are competitors and thus, fails to state a claim for unfair

competition upon which relief can be granted. Accordingly, we grant Epic's Motion to Dismiss as to Pellegrino's unfair competition claim in Count V.

D. False Designation of Origin and False Endorsement (Count VI)

Pellegrino's Lanham Act claim asserts that Epic, by using Pellegrino's Signature Move in Fortnite, has misappropriated his likeness and trademark. Epic has moved to dismiss Pellegrino's Lanham Act claim as barred by the United States Supreme Court's decision in Dastar Corporation v. Twentieth Century Fox Film Corporation, 539 U.S. 23 (2003). As a preliminary matter, Pellegrino appears to bring his Lanham Act claim under two theories. Under the first theory, the Complaint asserts a Lanham Act claim for false designation of origin. This claim is based on allegations that Epic committed trademark infringement by using "the Signature Move . . . to create the false impression that Epic created [it]." (Compl. ¶ 47.) Under the second theory, the Complaint asserts a Lanham Act claim for false endorsement. This claim is based on allegations that "Epic used Pellegrino's . . . Signature Move to generate significant income by . . . creating the false impression that Pellegrino endorsed Fortnite." (Id. ¶ 86.)⁴

1. False Designation of Origin

A facially plausible false designation of origin claim under the Lanham Act requires allegations of fact that would establish that the defendant's use of the plaintiff's mark to identify its goods or services is "likely to create confusion concerning the *origin of the goods* or services." Flynn v. Health Advocate, Inc., 169 F. App'x 99, 100-01 (3d Cir. 2006) (emphasis added) (citing Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30 F.3d 466, 472 (3d Cir. 1994)); see also 15 U.S.C. § 1125(a)(1)(A). The Supreme Court in Dastar analyzed the meaning of the phrase "origin

⁴ Although the Complaint merely identifies Count VI as asserting "Trademark Infringement," the Complaint references the statute prohibiting false designation of origin and false endorsement. (See Compl. at 17.)

of goods” for purposes of the Lanham Act in order to distinguish between trademark claims that could be brought under the Lanham Act and claims that were governed exclusively by the Copyright Act.

In Dastar, Twentieth Century Fox Film (“Fox”) brought a Lanham Act claim against Dastar Corporation (“Dastar”) claiming that Dastar copied and repackaged a television series for which Fox held the distribution rights. See 539 U.S. at 25-27. “[T]he gravamen of [Fox’s] claim [was] that, in marketing and selling [Dastar’s product] as its own product without acknowledging its nearly wholesale reliance on [Fox’s work], Dastar ha[d] made a ‘false designation of origin . . . , which . . . [was] likely to cause confusion . . . as to the origin . . . of his or her goods.’” Id. at 31 (eighth, tenth, and eleventh alterations in original). On the one hand, the Court said, “[i]f ‘origin’ refer[red] only to the manufacturer or producer of the physical ‘goods’ that are made available to the public . . . , Dastar was the origin,” and thus, Dastar would not be liable under the Lanham Act because Fox had not brought allegations that the public was confused as to whether Dastar was the origin of Dastar’s physical goods. Id. On the other hand, if “‘origin’ include[d] the creator of the underlying work that Dastar copied, then . . . (perhaps Fox) was the origin of Dastar’s product,” and thus, Dastar could be liable under the Lanham Act because Fox had brought allegations that the public was confused as to whether Dastar was the origin of the creative content underlying Dastar’s physical goods. Id. The Dastar Court concluded that the phrase “origin of goods,” for purposes of the Lanham Act, refers to “the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods,” the latter of which would fall under copyright law. 539 U.S. at 37. The Court stated that “[t]o hold otherwise would be akin to finding that [15 U.S.C. § 1125(a)(1)(A)] created a species of perpetual patent and copyright, which Congress may not do.” Id. (citing Eldred v. Ashcroft, 537 U.S. 186, 208 (2003)).

Consequently, Dastar permits a cause of action for false designation of origin under the Lanham Act where a defendant's alleged use of a plaintiff's mark is likely to cause confusion as to "the producer of the tangible product sold in the marketplace," but not where the defendant's alleged use is likely to cause confusion as to "the person . . . that originated the ideas or communications that 'goods' embody or contain." 539 U.S. at 31-32.

Epic contends that Dastar bars Pellegrino's false designation of origin claim because the Complaint alleges that Epic created the false impression that Epic originated the Signature Move, which is the creative expression underlying Epic's Phone It In emote. According to Epic, Dastar established that this type of allegation is governed by the Copyright Act and thus, cannot be brought under the Lanham Act. We agree. The Complaint alleges the following: Pellegrino created the Signature Move, which was a product of "his own unique dancing style and his signature and original movements" (Compl. ¶ 17); Epic created the Phone It In emote by capturing and digitally copying Pellegrino executing the Signature Move (id. ¶¶ 51, 63); the Phone It In emote "embod[ies] the Signature Move" (id. ¶ 41); Epic "sell[s] the infringing Phone It In emote directly to players" (id. ¶ 46); and Epic misappropriated the Signature Move "to create the false impression that Epic created [the Signature Move]" (id. ¶ 47).

These allegations establish that the Signature Move is the creative idea underlying Epic's tangible good, the Phone It In emote. Furthermore, the Complaint does not plausibly allege that there was or could be any confusion as to who produced the Phone It In emote. At best, the Complaint alleges that there is confusion over who originated the Signature Move embodied in the Phone It In emote because Epic does not "credit[] Pellegrino as the dance's creator and owner." (Id. ¶ 47.) Under Dastar, a claim that concerns the origin of an idea embodied in a tangible good is governed by copyright law, not the Lanham Act. See Dastar, 539 U.S. at 32 ("[T]he phrase

‘origin of goods’ is in our view incapable of connoting the person or entity that originated the ideas or communications that ‘goods’ embody or contain. Such an extension would not only stretch the text, but it would be out of accord with the history and purpose of the Lanham Act and inconsistent with precedent.”); Maule v. Philadelphia Media Holdings, LLC, 710 F. Supp. 2d 511, 518-19 (E.D. Pa. 2008) (dismissing Lanham Act claim under Dastar because “[w]hile [the defendant] may not have been the originator of the photographs contained in its newspaper, it was the originator of the newspaper itself, the actual good being offered for sale to the public”; “the protections of the Lanham Act do not reach to the underlying expressions embodied in goods”). We therefore conclude that Dastar bars Pellegrino’s claim for false designation of origin. Accordingly, we grant Epic’s Motion to Dismiss as to Pellegrino’s Lanham Act claim in Count VI to the extent that it is based on a false designation of origin theory.

2. *False Endorsement*

A facially plausible false endorsement claim under the Lanham Act must allege that “‘the defendant’s use of [the plaintiff’s] mark to identify its goods or services is likely to create confusion concerning the plaintiff’s *sponsorship or approval of those good[s]* or services.’” Dille Family Tr. v. Nowlan Family Tr., 207 F. Supp. 3d 535, 546 (E.D. Pa. 2016) (emphasis added) (quoting Facenda v. N.F.L. Films, Inc., 542 F.3d 1007, 1014 (3d Cir. 2008)); see also 15 U.S.C. § 1125(a)(1)(A).

Epic argues that Dastar not only bars Pellegrino’s false designation of origin claim, but also bars his false endorsement claim. However, we do not agree that Dastar necessarily bars Pellegrino’s false endorsement claim. Dastar specifically considered only a claim for false designation of origin based on allegations that Dastar’s alleged use of Fox’s mark was likely to cause confusion as to the origin of the creative expression underlying Dastar’s goods, not a claim

for false endorsement. 539 U.S. at 31. Thus, “nothing in the Supreme Court’s opinion in Dastar bars prospective plaintiffs from bringing a false endorsement . . . claim under the Lanham Act.” Henley v. Devore, Civ. A. No. 09-481, 2009 WL 10697982, at *7 (C.D. Cal. Jul. 8, 2009). Moreover, courts have allowed a plaintiff’s false endorsement claim to proceed notwithstanding Dastar where a complaint alleges that the defendant used the plaintiff’s identity or likeness to deceive the public into believing that the plaintiff endorsed the defendant’s product. See Beastie Boys v. Monster Energy Co., 66 F. Supp. 3d 424, 448 (S.D.N.Y. 2014) (noting that courts “have found viable false endorsement claims where, for example, [a product] bore a celebrity’s name and likeness, . . . included an image of a celebrity, [or] featured [a] character dressed in a celebrity’s signature costume” (citing Bruce Lee Enter., LLC v. A.V.E.L.A., Inc., Civ. A. No. 10-2333, 2013 WL 822173, at *19–22 (S.D.N.Y. Mar. 6, 2013); Jackson v. Odenat, 9 F. Supp. 3d 342, 361 (S.D.N.Y. 2014); Burck v. Mars, Inc., 571 F. Supp. 2d 446, 455–56 (S.D.N.Y. 2008))); see also Lions Gate Entm’t Inc. v. TD Ameritrade Servs. Co., 170 F. Supp. 3d 1249, 1269 (C.D. Cal. 2016) (noting that Dastar does not necessarily bar a plaintiff’s false endorsement claim where the mark that the defendant allegedly infringed “is [the plaintiff’s] celebrity identity”).

Here, the Complaint alleges the following: “Pellegrino has depicted his Signature Move . . . in front of hundreds of thousands of fans” and “[v]ideos . . . in which he displays his Signature Move have . . . garnered millions of views” (Compl. ¶ 18); thus, “Pellegrino is unanimously credited with creating the Signature Move and exploiting it as his personal mark to identify himself and his performances as a saxophone player” (id. ¶ 24); Epic “developed the Phone It In emote to intentionally mimic Pellegrino performing the Signature Move” (id. ¶ 42); Epic named the emote “‘Phone It In’” to “allude[] to Pellegrino’s appearance in a Google Pixel 2 phone commercial in 2017” (id. ¶ 5); “[t]he reaction from many players worldwide was immediate recognition of the

emote as embodying the Signature Move” (*id.* ¶¶ 41); and, as a result of Epic’s alleged use of “Pellegrino’s likeness and the Signature Move,” Epic has “creat[ed] the false impression that Pellegrino endorse[s] Fortnite” (*id.* ¶¶ 46-47). These allegations relate to Epic’s use of Pellegrino’s likeness and trademark to create the impression that Pellegrino endorses Fortnite and do not relate to the alleged confusion over the origin of the Signature Move. We therefore conclude that Pellegrino’s false endorsement claim is distinct from his false designation of origin claim and thus, is not barred by Dastar.⁵ Accordingly, we deny Epic’s Motion to Dismiss as to Pellegrino’s Lanham Act claim in Count VI to the extent that it is based on a false endorsement theory.

E. Copyright Preemption (Count VII)

Pellegrino’s state trademark infringement claim asserts that Epic, by using Pellegrino’s Signature Move in Fortnite, has misappropriated his trademark. Epic has moved to dismiss

⁵ Epic relies primarily on Rudovsky v. W. Publ’g Corp., Civ. A. No. 09-727, 2010 WL 2804844 (E.D. Pa. July 15, 2010), to argue that Dastar necessarily bars Pellegrino’s false endorsement claim. In Rudovsky, the plaintiffs brought a Lanham Act claim for false endorsement against two publishers of legal books, who listed the plaintiffs as authors of an annual update to a two-volume treatise on Pennsylvania criminal procedure even though the plaintiffs “had no part in the preparation of the [annual update] in question.” *Id.* at *1. The plaintiffs contended that the annual update was largely a reprint of the annual update that they had authored for the defendants the previous year pursuant to a stand-alone agreement. *Id.* The court concluded that Dastar barred the plaintiffs’ false endorsement claim because the “word ‘origin’ in the Lanham Act [did not] cover the authors of communicative products” as that would “cause[] the Lanham Act to conflict with the law of copyright . . .” Rudovsky, 2010 WL 2804844, at *1 (second alteration in original) (quotation omitted). Consequently, the court granted summary judgment in the defendants’ favor on this issue.

In spite of Rudovsky’s application of Dastar to a false endorsement claim in the summary judgment context, we will not do the same here on a motion to dismiss for the reasons set forth above. To reiterate, we do not find that Dastar’s analysis, which hinges on the meaning of the word “origin,” applies to a false endorsement claim based on the misappropriation of a plaintiff’s likeness. As noted above, Pellegrino’s false endorsement claim alleges that Pellegrino is “unanimously credited with creating the Signature Move” (Compl. ¶ 24), and as a result of Epic’s alleged use of Pellegrino’s likeness, Epic has “creat[ed] the false impression that Pellegrino endorse[s] Fortnite” (*id.* ¶ 46). These allegations do not depend on the authorship or origin of the Signature Move and instead, assert a distinct claim for false endorsement. We therefore decline to follow the logic of Rudovsky.

Pellegrino’s trademark infringement claim on copyright preemption grounds. Section 301 of the Copyright Act provides that:

all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103 . . . are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301(a). To determine whether a complaint alleges state law claims that are preempted by the Copyright Act, a court must determine (1) “whether the work is the appropriate subject matter of a copyright” as specified in 17 U.S.C. §§ 102 and 103, and (2) “whether the state law creates rights equivalent to the exclusive rights protected by the Copyright Act” as set forth in 17 U.S.C. § 106. MCS Servs., Inc. v. Johnsen, Civ. A. No. 01–4430, 2002 WL 32348500, at *5 (E.D. Pa. Aug. 13, 2002)) (citing Harper & Row Publishers, Inc. v. Nation Enters., 723 F.2d 195, 200 (2d Cir. 1983)).

1. Subject Matter Requirement

“The subject matter requirement is satisfied if the claim applies to a work of authorship fixed in a tangible medium of expression and falling within the ambit of one of the categories of copyrightable works.” Briarpatch Ltd., L.P. v. Phoenix Pictures, Inc., 373 F.3d 296, 305 (2d Cir. 2004) (citing Nat’l Basketball Ass’n v. Motorola, Inc., 105 F.3d 841, 848-49 (2d Cir. 1997). “A work . . . need only fit into one of the copyrightable categories in a broad sense.” Id. (citing Nat’l Basketball Ass’n, 105 F.3d at 848-50). This is because “the scope of the Copyright Act’s subject matter is broader than the scope of the Act’s protections.” Fedex Ground Package Sys., Inc. v. Applications Int’l Corp., Civ. A. No. 03-1512, 2005 WL 2921633, at *2 (W.D. Pa. Nov. 4, 2005) (quoting Wrench LLC v. Taco Bell Corp., 256 F.3d 446, 455 (6th Cir. 2001)) (citing Nat’l Basketball Ass’n, 105 F.3d at 848; United States ex rel. Pamela Birge v. Bd. of Trs. of the Univ.

of Ala., 104 F.3d 1453, 1463 (4th Cir. 1997); ProCD, Inc. v. Zeidenberg, 86 F.3d 1447, 1453 (7th Cir. 1996)); see also Nat'l Basketball Ass'n, 105 F.3d at 850 (noting that the “‘subject matter of copyright’ includes all works of a *type* covered by sections 102 and 103, even if federal law does not afford protection to them” (quoting ProCD, 86 F.3d at 1453)); but see Dunlap v. G&L Holding Grp., Inc., 381 F.3d 1285, 1296 (11th Cir. 2004) (stating that “the preemptive effect of the Copyright Act extends only to those elements substantively capable of receiving federal copyright protection”).

Epic argues that Pellegrino’s Signature Move falls within the subject matter of copyright. Epic contends that because “choreographic works” are expressly a subject matter of copyright under 17 U.S.C. § 102(a)(4), the Signature Move is also the subject matter of copyright because the Complaint alleges that it is a dance. (See Compl. ¶¶ 4, 30, 47.) At issue therefore is whether dance falls within the subject matter of copyright. We conclude that it does. Specifically, we find that dance falls within the ambit of the copyright category “choreographic works.” 17 U.S.C. § 102(a)(4). Although “the term choreography is not synonymous with dance,” the U.S. Copyright Office, Compendium of U.S. Copyright Office Practices (3rd ed. 2017) (the “Compendium”), defines choreography as a “subset of dance [because] a work of authorship cannot be registered as a choreographic work unless it is comprised of dance steps, dance movements, and/or dance patterns.” Id. § 805.5(B)(3); see also id. § 805.5(B) (“The dividing line between copyrightable choreography and uncopyrightable dance is a continuum, rather than a bright line.”).⁶ In fact, to register a claim to copyright in a choreographic work, the U.S. Copyright Office requires that “the

⁶ “When Congress extended federal copyright protection to choreography, it intended to protect expressive works of authorship” Compendium § 805.5(B). Thus, dances that comprise only “ordinary motor activities, functional physical movements . . . or the like” are not copyrightable because they “lack the necessary creative expression to constitute a work of original authorship.” Id.

[proposed] work is a dance.” *Id.* § 805.4. We therefore conclude that the Signature Move, which is alleged to be a dance, is the appropriate subject matter of copyright law in satisfaction of the first prong of the test for copyright preemption.

2. *Equivalency Requirement*

To determine whether Pellegrino’s state trademark infringement claim asserts rights equivalent to those protected by the Copyright Act, we must determine whether the Complaint has alleged “an extra element” for his state claim “beyond mere copying, preparation of derivative works, performance, distribution or display” such that the claim is “qualitatively different from . . . a copyright infringement claim.” *Nicassio v. Viacom Int’l, Inc.*, 309 F. Supp. 3d 381, 396 (W.D. Pa. 2018) (quoting *Dun & Bradstreet Software Servs., Inc. v. Grace Consulting, Inc.*, 307 F.3d 197, 217 (3d Cir. 2002)), *aff’d*, 776 F. App’x 761 (3d Cir. 2019); *Quadrature, Inc. v. Turn 5, Inc.*, Civ. A. No. 13-6384, 2015 WL 4876314, at *11 (E.D. Pa. Aug. 13, 2015). If the Complaint does not allege an extra element, federal law will preempt his state claim. *Nicassio*, 309 F. Supp. 3d at 396 (quotation omitted).⁷

Epic argues that because Pellegrino’s state trademark infringement claim relies solely on allegations that Epic copied Pellegrino’s Signature Move without his permission, i.e., unauthorized copying, the Complaint does not allege any extra element, and thus, the state claim is preempted. The following allegations support Pellegrino’s state trademark infringement claim: Pellegrino created his Signature Move, which was a product of “his own unique dancing style and his

⁷ Although Pellegrino brings a state claim specifically for trademark infringement, we rely on cases that apply copyright preemption to claims of unfair competition because under Pennsylvania law, the test for common law trademark infringement and unfair competition involving trademarks are the same. *Tillery v. Leonard & Sciolla, LLP*, 521 F. Supp. 2d 346, 348 n.1 (E.D. Pa. 2007) (citing *Fisons*, 30 F.3d at 472).

signature and original movements” (Compl. ¶ 17); Epic “misappropriate[ed] Pellegrino’s highly popular [Signature Move],” by “copying and coding [his] dances and movements” without Pellegrino’s “express or implied consent” and without compensation (id. ¶¶ 1, 34, 44); “Epic uses the Signature Move . . . to create the false impression that Epic created [the Signature Move]” (id. ¶ 47; see also id. ¶ 41); and “players . . . [are] executing the ‘Phone It In’ emote . . . without referencing the Signature Move or crediting Pellegrino as the dance’s creator and owner” (id. ¶ 47).

As Epic contends, these allegations do not describe conduct that goes “beyond mere copying, preparation of derivative works, performance, distribution or display.” Nicassio, 309 F. Supp. 3d at 397 (quotation omitted). Rather, the crux of these allegations is that Epic copied Pellegrino’s intellectual property without his permission and claims its contents as its own. As a result, we conclude that the Complaint has not alleged an extra element that would save Pellegrino’s state trademark infringement claim from preemption. See Info. Handling Servs., Inc. v. LRP Publ’ns, Civ. A. No. 00-1859, 2000 WL 433998, at *2 (E.D. Pa. Apr. 18, 2000) (stating that “the vast weight of authority holds that state law misappropriation and unfair competition claims that are really claims for unauthorized copying are preempted” (citations omitted)); Daley v. Firetree, Ltd., Civ. A. No. 04-2213, 2006 WL 148879, at *4 (M.D. Pa. Jan. 19, 2006) (stating that when state unfair competition claims are based solely on allegations that “‘A’ copies ‘B’s’ work without permission and claims it as ‘A’s’ own,” they fail the extra element test and are thus preempted); Quadrtec, 2015 WL 4876314, at *12 (dismissing state unfair competition claim as preempted by the Copyright Act where the claim was based on nothing more than allegations of “unauthorized copying”); Franklin v. X Gear 101, LLC, Civ. A. No. 17-6452, 2018 WL 3528731, at *15 (S.D.N.Y. July 23, 2018) (“Common law trademark infringement claims and unfair

competition claims may be preempted where the claims are ‘grounded solely in the copying of a plaintiff’s protected expression.’” (quoting Kregos v. Associated Press, 3 F.3d 656, 666 (2d Cir. 1993))).⁸ We therefore further conclude that Pellegrino’s state trademark infringement claim creates rights equivalent to the exclusive rights protected by the Copyright Act in satisfaction of the second prong of the test for copyright preemption. Accordingly, we grant Epic’s Motion to Dismiss as to Pellegrino’s state trademark infringement claim in Count VII.⁹

⁸ Pellegrino points to allegations that Epic has created confusion over whether Epic created the Signature Move (see Compl. ¶¶ 41, 47), and he argues that these allegations can serve as the extra element that saves his state trademark infringement claim from preemption. A trademark infringement claim under Pennsylvania law requires that a complaint allege three elements: “(1) the mark is valid and legally protectable; (2) the mark is owned by the plaintiff; and (3) the defendant’s use of the mark to identify goods or services is likely to create confusion concerning the origin of the goods or services.” Fisons, 30 F.3d at 472 (citing Ford Motor Co. v. Summit Motor Prod., Inc., 930 F.2d 277, 291 (3d Cir. 1991)). As Pellegrino contends, the third element, i.e., the “likely to create confusion” element, of a trademark infringement claim can in some cases serve as an extra element that would allow a state trademark infringement claim to avoid copyright preemption. See Wolstenholme v. Hirst, 271 F. Supp. 3d 625, 643 (S.D.N.Y. 2017) (“In some circumstances, . . . ‘likelihood of confusion’ . . . [is] considered [an] extra element[] that extend[s] beyond the Copyright Act.” (quotation omitted) (add’l citation omitted))).

However, irrespective of the confusion element of a state trademark infringement claim, the claim “is nevertheless preempted if it is grounded solely on allegations of copying.” Id. at 644 (citation omitted) (concluding that the plaintiff’s trade dress infringement claim was preempted because “[t]he plaintiff allege[d] no facts supporting her . . . claim[] for . . . trade dress infringement beyond those of mere copying”). This is because where allegations “rest squarely on the unauthorized act of copying and distributing . . . [a]ny confusion experienced by . . . the public is a *result* of the alleged unlawful copying and distributing, and does not make [the plaintiff’s] claim qualitatively different from [a] copyright claim.” Daley, 2006 WL 148879, at *5 (citations omitted). Here, the confusion that Pellegrino alleges is just that type of confusion—confusion that is the result of the alleged unlawful copying. Under these circumstances, the confusion alleged does not make the claim qualitatively different from a copyright claim and cannot satisfy the extra element required to avoid preemption. We therefore reject Pellegrino’s argument to the contrary.

⁹ Pellegrino also argues that his state trademark infringement claim should not be preempted by the Copyright Act because he does not bring any copyright claims under the Copyright Act and thus, preemption would leave him with no other adequate remedy at law. Pellegrino relies on Mercado Latino, Inc. v. Indio Products, Inc., Civ. A. No. 13-1027, 2013 WL 2898224 (C.D. Cal. June 12, 2013), rev’d and remanded, 649 F. App’x 633 (9th Cir. 2016), to support this proposition. Specifically, he points to language in Mercado Latino that states that “[t]he Supreme Court has cautioned that the Lanham Act should not be overextended into areas

F. Trademark Dilution (Count VIII)

Pellegrino’s Lanham Act claim for trademark dilution asserts that Epic, by using Pellegrino’s Signature Move in Fortnite, has “diluted the distinctive quality” of his trademark. (Compl. ¶ 103.) Epic has moved to dismiss Pellegrino’s trademark dilution claim for failing to state a claim upon which relief can be granted, arguing that the Complaint fails to allege a necessary element of this claim. To state a claim for trademark dilution under the Federal Dilution Act (“TDRA”), a complaint must plausibly allege that: “(1) the plaintiff is the owner of a mark that qualifies as a ‘famous’ mark in light of the totality of the eight factors listed in [15 U.S.C.] § 1125(c)(1); (2) the defendant is making commercial use in interstate commerce of a mark or trade name; (3) defendant’s use began after the plaintiff’s mark became famous; [and] (4) defendant’s use causes dilution by lessening the capacity of the plaintiff’s mark to identify and distinguish goods or services.” Ojays, Gigs, Inc. v. Assorted Music, Inc., Civ A. No. 08-4712, 2010 WL 11561097, at *2 (E.D. Pa. Aug. 27, 2010) (citing Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.3d 157, 163 (3d Cir. 2000)).

Epic argues that the Complaint fails to state a claim for trademark dilution because it does not plausibly allege facts that establish that Epic made trademark use of Pellegrino’s Signature Move—that Epic used the Signature Move as Epic’s own trademark to identify its own good, Fortnite. As an initial matter, the parties do not dispute that a trademark dilution claim requires

traditionally covered by copyright law. To the extent that the Copyright Act provides an adequate remedy, therefore, Lanham Act claims are preempted.” Id. at *4 (citations omitted). However, nothing in Mercado Latino supports the proposition that a plaintiff’s claims cannot be preempted merely because the plaintiff does not bring claims pursuant to the Copyright Act. Moreover, we have not otherwise found authority to support Pellegrino’s argument. We therefore reject Pellegrino’s argument that his decision not to bring a claim pursuant to the Copyright Act somehow saves his trademark claim from preemption.

that a complaint plausibly allege, in connection with the second element of the claim, that a defendant made trademark use of a plaintiff's mark, i.e., that the defendant used the plaintiff's mark as its own mark to identify its own goods or services. See 4 McCarthy on Trademarks and Unfair Competition § 24:122 (5th ed.) (stating that a complaint must allege that the defendant used the plaintiff's trademark "as its own trademark," to identify the defendant's "own goods or services"); Lions Gate, 170 F. Supp. 3d at 1270 (dismissing trademark dilution claim because the complaint failed to allege that "Defendants used the allegedly famous mark as Defendants' own mark or to identify Defendants' services"); Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 463, 524 (S.D.N.Y. 2008) (finding there was no trademark dilution where "[the defendant did] *not* use[] the . . . mark to identify *its own* goods and services"), aff'd in part, rev'd in part on other grounds, 600 F.3d 93 (2d Cir. 2010); Nat'l Bus. Forms & Printing, Inc. v. Ford Motor Co., 671 F.3d 526, 536 (5th Cir. 2012) (affirming dismissal of trademark dilution claim because "NBFP did not 'use' Ford's marks (as the TDRA contemplates that term) in identifying or distinguishing its own goods or services merely by reproducing them for customers").

Significantly, Pellegrino concedes that the Complaint does not allege that Epic used his Signature Move as Epic's own trademark to identify Fortnite. (See Pl.'s Opp. Mem. at 32.) Rather, he argues that the Complaint alleges that Epic made trademark use of his Signature Move by using it to identify the Phone It In emote. At the same time, the Complaint alleges that the "'Phone It In emote' is identical to Pellegrino's Signature Move." (Compl. ¶ 41 (emphasis added).) Pellegrino's position is therefore "tantamount to saying that [the] product itself—in this case, the [Signature Move]—can serve as its own trademark." EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopulos Inc., 228 F.3d 56, 63 (2d Cir. 2000). However, the law is clear that a trademark cannot serve as a trademark for itself. See RDF Media Ltd. v. Fox Broad. Co., 372 F. Supp. 2d

556, 563 (C.D. Cal. 2005) (concluding that “the product itself . . . can[not] serve as its own trademark” (quoting EMI Catalogue, 228 F.3d at 63); EMI Catalogue, 228 F.3d at 64 (“Concluding that a song can serve as an identifying mark of the song itself would stretch the definition of trademark . . . too far and give trademark law a role in protecting the very essence of the song, an unwarranted extension into an area already protected by copyright law.”); Whitehead v. CBS/Viacom, Inc., 315 F. Supp. 2d 1, 13 (D.D.C. 2004) (“[T]he Lanham Act protects the distinctive source-distinguishing mark, not the work as a whole.”). Therefore, under these circumstances, we conclude that the Complaint does not plausibly allege that Epic made trademark use of the Signature Move as is required to state a cognizable Lanham Act claim for trademark dilution. Accordingly, we grant Epic’s Motion to Dismiss as to Pellegrino’s Lanham Act claim for trademark dilution in Count VIII.

IV. CONCLUSION

For the reasons stated above, we grant Epic’s Motion to Dismiss as to Counts I-V, Counts VII-VIII, and Count VI insofar as it based on a false designation of origin theory. However, we deny Epic’s Motion as to Count VI insofar as Count VI is based on a false endorsement theory, and we therefore permit Pellegrino to proceed on this claim alone.

Pellegrino has requested that, in the event that we dismiss any claims, we grant him leave to amend those claims. “Federal Rule of Civil Procedure 15(a) provides that leave [to amend] shall be freely given when justice so requires.” In re Burlington Coat Factory Sec. Litig., 114 F.3d 1410, 1434 (3d Cir. 1997) (alteration in original) (quotation omitted). “Among the grounds that could justify a denial of leave to amend are undue delay, bad faith, dilatory motive, prejudice, and futility.” Id. (citing Foman v. Davis, 371 U.S. 178, 182 (1962)) (add’l citations omitted). “Futility means that the complaint, as amended, would fail to state a claim upon which relief could be

granted.’” Travelers Indem. Co. v. Dammann & Co., 594 F.3d 238, 243 (3d Cir. 2010) (quoting Burlington Coat Factory, 114 F.3d at 1434). “In determining whether a claim would be futile, ‘the district court applies the same standard of legal sufficiency as applies under [Federal] Rule [of Civil Procedure] 12(b)(6).’” Id. (alterations in original) (quoting Burlington Coat Factory, 114 F.3d at 1434).

In this case, we conclude that amendment of the claims that we are dismissing would be futile because Counts I-III are barred by the First Amendment, Count VI is barred by Dastar insofar as it is based on a false designation of origin theory, Count VII is preempted by the Copyright Act, and the Complaint fails to allege facts that are necessary to support the claims in Counts IV, V, and VIII and additional allegations of fact would not save these claims. We therefore deny Pellegrino’s request for leave to amend and dismiss these claims with prejudice.

An appropriate Order follows.

BY THE COURT:

/s/ John R. Padova
John R. Padova, J.

**IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

SAVVY DOG SYSTEMS, LLC, and POM OF PENNSYLVANIA, LLC,	:	Civil No. 3:19-CV-01470
	:	
Plaintiffs,	:	
	:	
v.	:	
	:	
PENNSYLVANIA COIN, LLC, and	:	
PA COIN HOLDINGS, LLC,	:	
	:	
Defendants.	:	Judge Jennifer P. Wilson

MEMORANDUM

Before the court is Defendants Pennsylvania Coin, LLC and PA Coin Holdings, LLC’s motion to dismiss. (Doc. 31.) Defendants argue that the patent at issue claims patent-ineligible subject matter pursuant to 35 U.S.C. § 101, and that the amended complaint fails to state a plausible claim for patent infringement. Applying the standard established by the Supreme Court in *Alice Corporation Pty. Ltd. v. CLS Bank International*, this court finds that although the claim at issue is an abstract idea, Plaintiffs have adequately alleged an inventive concept sufficient to survive a motion to dismiss. For the reasons that follow, the court will deny the motion. (Doc. 31.)

FACTUAL BACKGROUND AND PROCEDURAL HISTORY

Plaintiffs Savvy Dog Systems, LLC (“Savvy Dog”) and POM of Pennsylvania, LLC (“POM”) (collectively, “Plaintiffs”) initiated this action via complaint on August 23, 2019, against Defendants Pennsylvania Coin, LLC and

PA Coin Holdings, LLC (collectively, “Defendants”). Defendants filed a motion to dismiss, prompting Plaintiffs to file an amended complaint on November 1, 2019. (Docs. 21, 25.) The single count in the amended complaint sets forth a claim for patent infringement under 35 U.S.C. § 271 of Savvy Dog’s Patent Number: US 7,736,233 (“‘223 Patent”). (Doc. 25.)

The following facts are gleaned from Plaintiffs’ amended complaint and the ‘223 Patent attached thereto for the purpose of ruling on Defendants’ motion to dismiss.¹ Savvy Dog is the record title owner of the ‘223 Patent, and POM has an exclusive license to the ‘223 Patent in Pennsylvania. (Doc. 25, ¶ 13.) The ‘223 Patent was filed on June 30, 2006, and issued on June 15, 2010, with the title of “Electronic Gaming Method and System Having Preview Screen.” (*Id.* ¶ 14.) Summarizing the background of the ‘223 Patent, Plaintiffs aver that “[t]he use of gambling devices with game processors to implement games of chance (e.g., bingo, slot machines, poker) is largely outlawed because the games in question are considered games of chance.” (*Id.* ¶ 18.) However, most jurisdictions permit “skill-based amusement machines.” (*Id.*) “To qualify as a skill-based amusement machine . . . the outcome of play during the game must be controlled by the person

¹ While the amended complaint provides significant factual detail, the parties’ briefs narrow the pertinent facts for resolving this motion. As such, the court will only summarize the most pertinent facts from the amended complaint here.

playing the game and not by predetermined odds or random chance controlled by the machine.” (*Id.*)

The abstract of the ‘223 Patent describes it as follows:

An electronic gaming method and system with a game preview display. A field of game symbols is presented on the game display to the player as a preview for deciding whether or not to play the displayed game. If the player decides to play the game, the player selects a field element to turn the symbol displayed into a wild symbol. The player’s selection of the field element for the wild symbol location is received by the game software which determines and displays each winning combination of symbols that is formed by such wild symbol location selection. A new game field can then be constructed and previewed on the game display.

(Doc. 25-1, p. 2.)² Thus, the processor “test[s] the field for compliance with at least one of the preceding selections prior to presenting the field to the player. The displayed game field cannot contain a winning combination before play.” (*Id.* at 16.) According to Plaintiffs’ amended complaint, prior to the time of this invention, gaming terminals did not contain a game processor that incorporated this preview element patented by the ‘223 Patent because “[t]he electronic gaming industry considered such practices counter-intuitive.” (Doc. 25, ¶¶ 16–22.)

Plaintiffs aver that the ‘223 Patent encompasses novel, non-obvious electronic game processor technology including, but not limited to, “a game processor that is specifically configured for testing the game elements and

² For ease of reference, the court utilizes the page numbers from the CM/ECF header.

automatically previewing the feature of a game to be played prior to initiating activation of game play.” (*Id.* ¶ 25.)

The amended complaint alleges infringement of claim 44 of the ‘223 Patent. (*See* Doc. 25.) Claim 44 provides:

44. An electronic gaming system comprising:
 an electronic game terminal including a touch screen display;
 a game processor for generating an interactive electronic game on the game terminal, the game processor configured for:
 constructing a field having a plurality of elements for the interactive game display wherein each element includes a game symbol from a plurality of predetermined game symbols;
 determining at least one winning combination for each play of the game;
 testing the game field prior to displaying the game to the player to ensure that a winning combination more valuable than the determined winning combination is not generating inadvertently in completing the field;
 automatically displaying an actual game to be played on the touch screen game display to a player prior to initiating activation of game play;
 determining if the player has decided to play the displayed game; and
 displaying an outcome resulting from play of the displayed game.

(Doc. 25-1, pp. 19–20.)

Plaintiff POM incorporated the game processor detailed in claim 44 of the ‘223 Patent in jurisdictions which do not permit games of chance, but do permit games of skill, such as Pennsylvania. (Doc. 25, ¶ 32.) Because these games were commercially successful, other companies such as Banilla Games sought to copy POM’s approach by “embedding a game board suitable for installation into a gaming terminal with a specifically configured game processor that performs

testing and preview features in an effort to elevate the level of skill associated with the game.” (*Id.*) Plaintiffs allege that Defendants infringed and continue to infringe on the ‘223 Patent by selling “electronic video gaming terminals equipped with gaming (circuit) boards supplied by Banilla Games, and having preloaded thereon one or more games described by Banilla Games as ‘Preview + Skill’ Games. . . . and Fusion Games.” (*Id.* ¶¶ 41–42.)

On November 15, 2019, Defendants filed a motion to dismiss Plaintiffs’ amended complaint along with a supporting brief. (Docs. 31–32.) Plaintiffs opposed the motion on December 2, 2019, and Defendants timely filed a reply and request for oral argument. (Docs. 37–39.) The court granted Defendants’ request for oral argument on February 25, 2020, and oral argument took place on March 17, 2020. (Doc. 49.) During oral argument, the parties utilized presentations which were admitted as exhibits. (Doc. 56.) Following argument, the court ordered supplemental briefing on specific cases discussed and cited by Plaintiffs. (Doc. 57.) Plaintiffs timely submitted their brief on March 20, 2020, and Defendants submitted their brief on March 25, 2020. (Docs. 58–59.)

JURISDICTION

Because this case raises a federal question of patent infringement under 35 U.S.C. § 271, the court has original jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1338(a). Further, venue is appropriate under 28 U.S.C. §§ 1391 and 1400(b).

STANDARD OF REVIEW

In considering a Rule 12(b)(6) motion, courts must “accept all factual allegations as true, construe the complaint in the light most favorable to the plaintiff, and determine whether, under any reasonable reading of the complaint, the plaintiff may be entitled to relief.” *Phillips v. Cty. of Allegheny*, 515 F.3d 224, 231 (3d Cir. 2008) (quoting *Pinker v. Roche Holdings, Ltd.*, 292 F.3d 361, 374 n.7 (3d Cir. 2002)). This type of motion to dismiss tests the sufficiency of the complaint against the pleading requirements of Rule 8(a) necessitating “a short and plain statement of the claim showing that the pleader is entitled to relief,” and giving “the defendant fair notice of what the . . . claim is and the grounds upon which it rests.” Fed. R. Civ. P. 8(a)(2); *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (quoting *Conley v. Gibson*, 355 U.S. 41, 47 (1957)). Although a complaint need not contain detailed factual allegations, to survive a Rule 12(b)(6) motion, it 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).

However, the court cannot dismiss a complaint simply because “it appears unlikely that the plaintiff can prove those facts or will ultimately prevail on the merits.” *Phillips*, 515 F.3d at 231 (citing *Twombly*, 550 U.S. at 556–57). Rather,

Rule 8 requires “enough facts to raise a reasonable expectation that discovery will reveal evidence of the necessary element.” *Id.* at 234.

DISCUSSION

In their motion to dismiss, Defendants argue that the court should dismiss the amended complaint because the ‘223 Patent claims patent-ineligible subject matter under 35 U.S.C. § 101. (Doc. 32, pp. 12–27.) Alternatively, Defendants argue that Plaintiffs have failed to plead a plausible direct infringement claim and willful infringement claim, and that the court should dismiss the amended complaint with prejudice.³ (*Id.* at 27–34.)

A. Patent Eligibility

Section 101 provides, “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.” 35 U.S.C. § 101. There are three subject matter categories that are patent ineligible: laws of nature, natural phenomena, and abstract ideas. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208, 216 (2014).

³ Plaintiffs stipulate to withdraw “their allegations of willful infringement, without prejudice, pending any discovery which might support a claim of willfulness.” (Doc. 37, p. 23.) Accordingly, the court will grant Defendants’ motion to dismiss Plaintiffs’ willful infringement claim without prejudice. Furthermore, because the court is not dismissing Plaintiffs’ amended complaint, Defendants’ final argument regarding dismissal with prejudice is moot.

Because patent eligibility under section 101 is a question of law, it can be determined at the motion to dismiss stage. *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362 (Fed. Cir. 2015); *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 1125 (Fed. Cir. 2018) (hereinafter “*Aatrix I*”). However, “plausible factual allegations may preclude dismissing a case under § 101 where, for example, nothing on the record . . . refutes those allegations as a matter of law or justifies dismissal under rule 12(b)(6).” *Aatrix I*, 882 F.3d at 1125 (alterations and internal quotations omitted) (quoting *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F. 3d 1089, 1097 (Fed. Cir. 2016)). If there are claim construction disputes at this stage, the court must either adopt the non-moving party’s constructions or “resolve the disputes to whatever extent is needed to conduct the § 101 analysis, which may well be less than a full, formal claim construction.” *Id.* (citing *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1352 (Fed. Cir. 2016); *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1346 (Fed. Cir. 2014); *Genetic Techs. Ltd. v. Merial LLC*, 818 F.3d 1369, 1373 (Fed. Cir. 2016)).

In determining section 101 eligibility, the court need not “parse each individual claim,” rather, analyzing a patent’s representative claim is sufficient. *Wolf v. Capstone Photography, Inc.*, No. 2:13-CV-09573, 2014 WL 7639820, at *10 n.3 (C.D. Cal. Oct. 28, 2014) (citations omitted). Here, the parties agree that

claim 44 is representative of the ‘223 Patent at least for the purpose of resolving Defendants’ motion to dismiss. (Doc. 60, pp. 40:20–41:2.)⁴

In *Alice*, the Supreme Court reaffirmed the framework set forth in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012), “for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts.” *Alice*, 573 U.S. at 217. The court must first determine “whether the claims at issue are directed to one of those patent-ineligible concepts.” *Id.* If so, the court must “consider the elements of each claim both individually and ‘as an ordered combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Alice*, 573 U.S. at 217 (quoting *Mayo*, 566 U.S. at 78–79.)

1. *Alice* Step One

“The ‘abstract ideas’ category embodies ‘the longstanding rule that an idea of itself is not patentable.’” *Alice*, 573 U.S. at 218 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)). While the Supreme Court has not established “a definitive rule to determine what constitutes an ‘abstract idea’ sufficient to satisfy the first step of the *Mayo/Alice* inquiry,” it has recognized that “fundamental

⁴ An official transcript of the March 17, 2020 oral argument was docketed on March 27, 2020. (Doc. 60.)

economic practices, methods of organizing human activity, and mathematical algorithms are abstract ideas.” *Axcess Int’l, Inc. v. Genetec (USA) Inc.*, 375 F. Supp. 3d 533, 537 (D. Del. 2019) (alterations and quotations omitted) (quoting *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1334 (Fed. Cir. 2016); *Bilski v. Kappos*, 561 U.S. 593, 611 (2010); *Alice*, 573 U.S. at 219; *Benson*, 409 U.S. at 64). Courts have found it instructive to “compare claims at issue to those claims already found to be directed to an abstract idea in previous cases.” *Id.* (quoting *Enfish*, 822 F.3d at 1334.) However, courts “must be careful to avoid oversimplifying the claims because ‘at some level, all inventions embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’” *Id.* (alterations omitted) (quoting *In re TLI Commc’ns LLC Patent Litig.*, 823 F.3d 607, 611 (Fed. Cir. 2016)).

Claim 44 describes an “electronic gaming system” that is comprised of an electronic game terminal with a touch screen display and a “game processor” which is “configured for” six steps. (Doc. 25-1, p. 19–20.) Those six steps that the game processor is configured for are:

- [1] constructing a field having a plurality of elements for the interactive game display wherein each element includes a game symbol from a plurality of predetermine game symbols;
- [2] determining at least one winning combination for each play of the game;
- [3] testing the game field prior to displaying the game to the player to ensure that a winning combination more valuable than the determined

winning combination is not generated inadvertently in completing the field;

[4] automatically displaying an actual game to be played on the touch screen display to a player prior to initiating activation of game play;

[5] determining if the player has decided to play the displayed game; and

[6] displaying an outcome resulting from play of the displayed game.

(*Id.*)

Defendants argue that the ‘223 Patent fails *Alice* step one because it patents the ineligible abstract idea of “a way of playing a game” and “method of gameplay.” (Doc. 60, pp. 43:16–44:8.) “Distilled to its simplest form, representative claim 44 is just a way to play a game.” (Doc. 32, p. 15.) In their brief, Defendants illustrate the six steps of claim 44 through a card game played by two people, and argue that “[a]pplying generic computer components to carry out the claimed human activity does *not* transform it into a non-abstract idea.” (*Id.* at 16–19 (citing *RaceTech, LLC v. Ky. Downs, LLC*, 167 F. Supp. 3d 853, 863 (W.D. Ky. 2016).) Defendants further argue that the context in which the applicants developed the ‘223 Patent is important because it proves that the ‘223 Patent is a way of playing a game. (Doc. 60, p. 8:9–8:19.) Specifically, the ‘223 Patent was developed in the context of gaming laws regulating what constitutes a skill-based game and have “advanced a particular way of playing [a] game that deals with that legal framework.” (*Id.* at 8:14–8:18.)

Although Plaintiffs acknowledge that the *Alice* step one analysis is a “close call,” they argue that claim 44 establishes an “architecture or a platform” for elevating a game of chance to a game of skill. (Doc. 60, pp. 28:15–28:16, 45:6–45:9.) While Plaintiffs agree that the six steps are “rules,” they are “rules for setting up a game to be played, not necessarily for playing the game.” (*Id.* at 46:2–46:7.) In sum, Plaintiffs contend that claim 44 is a non-abstract idea because the six steps of claim 44 are rules that enable the game processor to convert a game of chance to a game of skill without a limitation to any specific game. (*See id.* at 46:11–46:20.) Plaintiffs further argue that Defendants’ kitchen table card game oversimplifies the language of claim 44 to manual “steps,” rather than acknowledging that claim 44 is “directed to a gaming system comprising a tangible game processor specially configured to test and preview a game.” (Doc. 37, pp. 10–11.) To avoid oversimplification, Plaintiffs aver that the court must look at claim 44 as a whole as stated in *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016). (Doc. 60, p. 64:8–64:9.)

In support of their respective positions, the parties referred the court to cases they found to be most analogous to the case at hand. (Doc. 60, pp. 41:9–42:14, 45:10–45:17.) In *In re Smith*, cited by Defendants, the court examined a “wagering game utilizing real or virtual standard playing cards” that was ruled patent-ineligible on application and by the Patent Trial and Appeal Board. 815

F.3d 816, 817 (Fed. Cir. 2016). The court concluded that the claims “directed to rules for conducting a wagering game, compare to other ‘fundamental economic practice[s]’ found abstract by the Supreme Court.” *Id.* at 818 (quoting *Alice*, 573 U.S. at 220). The court ultimately held that “describing a set of rules for a game” is an abstract idea. *Id.* at 819.

Plaintiffs cited two purportedly analogous cases for *Alice* step one – *Ameranth, Inc. v. Genesis Gaming Solutions, Inc.*, Nos. 11-00189/13-00720, 2014 WL 7012391 (C.D. Cal. Nov. 12, 2014), and *McRO, Inc. v. Bandai Namco Games America, Inc.*, 837 F.3d 1299 (Fed. Cir. 2016). In *Ameranth*, the court denied defendants’ motion for summary judgment regarding a patent claiming “computerized systems and methods for monitoring a physical casino poker game.” 2014 WL 7012391 at *1. Expressing no opinion on the motion’s question of patent invalidity, the court held that Defendants failed to establish *Alice* step one because they did not satisfy their summary judgment burden. *Id.* at *4–9. The court stated that “[a]n inability to articulate an abstract idea to which claims are directed may be a clue that those claims satisfy section 101.” *Id.* at *9. Because defendants raised certain arguments for the first time in their reply brief, the court to reminded defendants that its role is not “to develop winning theories for the parties.” *Id.* at *4.

The Federal Circuit in *McRO* held that the patents “allowing computers to produce ‘accurate and realistic lip synchronization and facial expressions in animated characters’ that previously could only be produced by human animators” were not abstract ideas under § 101. 837 F.3d at 1313–1316 (citations omitted). The patents created technological improvements using a combined order of specific rules to produce a sequence of synchronized animated characters. *Id.* Thus, the court found that the “claim use[d] the limited rules in a process specifically designed to achieve an improved technological result in conventional industry practice” to be patent eligible. *Id.* at 1316.

Comparing *In re Smith*, *Ameranth*, and *McRO* to claim 44, the court finds *Ameranth* and *McRO* distinguishable. Plaintiffs argue that Defendants have changed their theory of the case from a way of playing a game to a method of gameplay similar to defendants in *Ameranth*. Regardless of the terms used in their briefs versus oral argument, the court finds the argument set forth by Defendants have been consistent throughout this matter – claim 44 sets forth rules for playing a game. Additionally, *Ameranth* is unhelpful as the court expressed no opinion on the patent’s validity. As to *McRO*, the patents created technological improvements that replaced a human animator’s judgment. As acknowledged by Plaintiffs’ counsel during oral argument, claim 44 of the ‘223 Patent did not invent the game processor, rather, the invention was the specific firmware embedded into a game

processor. (Doc. 60, pp. 57:19–59:12.) Thus, claim 44 is most analogous to *In re Smith*. That is because claim 44 does not create new technology; it simply describes the rules for playing a game (albeit could be one of many games), converted from a game of chance to a game of skill.

Accordingly, reviewing claim 44 as a whole, the parties’ competing characterizations, and comparing claim 44 to claims in previous cases, the court concludes that claim 44 describes the rules for playing a game, and is thus an abstract idea within the meaning of *Alice* step one.

2. *Alice* Step Two

In evaluating *Alice* step two, courts must look for an “inventive concept” by analyzing “the elements of each claim both individually and ‘as an ordered combination’ to determine whether the additional elements ‘transform the nature of the claim’ into a patent-eligible application.” *Alice*, 573 U.S. at 217 (quoting *Mayo*, 566 U.S. at 78–79). The additional features or elements must ensure “that the [claim] is more than a drafting effort designed to monopolize the [abstract idea].” *Id.* at 221 (quoting *Mayo*, 566 U.S. at 72, 79). Furthermore, the patent-eligible application requires “more than simply stat[ing] the [abstract idea] while adding the words ‘apply it.’” *Id.* (quoting *Mayo*, 566 U.S. at 72).

However, “patentees who adequately allege their claims contain inventive concepts survive a § 101 eligibility analysis under Rule 12(b)(6).” *Aatrix I*, 882

F.3d at 1126–27 (citing *BASCOM Glob. Internet Servs., Inc.*, 827 F.3d at 1352).

“[P]lausible factual allegations may preclude dismissing a case under § 101 where, for example, nothing in the record . . . refutes those allegations as a matter of law or justifies dismissal under Rule 12(b)(6).” *Id.* (internal quotations and citations omitted) (quoting *FairWarning IP, LLC*, 839 F.3d at 1097). “Whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time may require weighing evidence, making credibility judgments, and addressing narrow facts that utterly resist generalization.” *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 890 F.3d 1354, 1355 (Fed. Cir. 2018) (hereinafter “*Aatrix II*”) (alterations and quotations omitted) (quoting *U.S. Bank Nat’l Ass’n ex rel. CWC Capital Asset Mgmt. LLC v. The Village at Lakeridge, LLC*, 138 S. Ct. 960, 967 (2018)). On the other hand, “[i]f the specification admitted that the claim elements are well-understood, routine, and conventional, it would be nearly impossible for a patentee to show a genuine dispute.” *Id.* at 1356.

Defendants argue that claim 44 only recites general computer components, which is insufficient to transform the abstract idea of playing a game into an inventive concept. (Doc. 32, pp. 19–20.) They aver that the game processor is only mentioned twice in the ‘223 Patent specification and the claims do not provide “further detail regarding the structure, type, or composition of the

processor.” (*Id.* at 20.) Defendants contend that there is nothing in the ‘223 Patent that points to non-conventional hardware or software components that perform the gameplay. (*Id.* at 21.) Furthermore, the particular ordering of the rules of the game do not transform the abstract idea into an inventive concept. (*Id.* at 22.) In support of their argument, Defendants cite several examples of courts finding that without “something more,” the abstract idea of playing a game cannot be transformed into an inventive concept. (*Id.* at 22–23.)

Conversely, Plaintiffs argue that a fact dispute precludes Defendants from showing that claim 44’s game processor was generic technology in 2006, when the ‘223 Patent was applied for. Plaintiffs contend that a “fact dispute exists over whether the testing and preview elements . . . of the processor critical to infusing an element of skill into a given game were ‘well-understood, routine and conventional activities commonly used in the industry.’” (Doc. 37, p. 13.) Defendants purportedly ignore the *Berkheimer*, 881 F.3d 1360 (Fed. Cir. 2018), *Aatrix I*, and *Aatrix II* decisions in focusing on whether the ‘223 Patent states that the game processor is non-conventional, rather than also looking to the contentions in the amended complaint. (*Id.* at 14.) Plaintiffs argue that the facts alleged in the amended complaint would only be insufficient if they were contradicted by statements in the ‘223 Patent, which they are not. (*Id.* at 16.) In sum, Plaintiffs’ argue that the *Berkheimer*, *Aatrix I*, and *Aatrix II* decisions require the court to

deny Defendants’ motion because Plaintiffs have alleged an inventive concept sufficient to survive a motion to dismiss.

In comparing the case before the court with the cases cited by the parties in their briefs and at oral argument, the court finds that *Maxell Ltd. v. Huawei Device USA Inc.*, No. 5:16-CV-178, 2018 WL 4179107 (E.D. Tex. Mar. 29, 2018), is an appropriate comparison. In *Maxell*, the defendant argued that the patent did not invent or improve GPS or cellular technology or do anything more than “apply conventional activities on GPS and cellular devices.” *Id.* at *7. Viewing the allegations in favor of the plaintiff, the court found that “the pleadings suggest that the claimed invention is directed to an improvement in the mobile handset itself, not generic components performing conventional activities.” *Id.* at *8.

Here, the amended complaint alleges that at the time the ‘223 Patent was applied for, the prior art did not have a game processor that could insert skill into a game of chance. (Doc. 25, ¶ 19.) The amended complaint and ‘223 Patent also explain how this processor is different from the prior art and that this type of gaming system was nonexistent prior to the 2006 patent application. (*Id.* ¶¶ 20–24.) Plaintiffs plead that the game processor was not conventional, well-understood or routine technology in the gaming field in 2006. (*Id.* at ¶ 29.) At oral argument, the court gained a greater understanding of the technology at issue in that it is the firmware in the game processor that performs the task of converting a

game of chance into a game of skill. While it may ultimately be proven that this firmware is an abstract idea without any inventive concept, the court finds that viewing the allegations in Plaintiffs' favor, the amended complaint and '223 Patent adequately allege an inventive concept sufficient to survive a motion to dismiss. Whether the technology embedded into the game processor is an improvement and "inventive concept" is a question of fact that the court cannot determine at this early stage of litigation. Thus, the court will deny Defendants' motion to dismiss for patent-ineligible subject matter.

B. Plausible Patent Infringement Claim

Defendants alternatively argue that Plaintiffs' amended complaint fails to plead a claim for patent infringement under Federal Rule of Civil Procedure 12(b)(6). (Doc. 32, pp. 27–31.) In doing so, Defendants attempt to impart a higher burden on Plaintiffs than articulated in *Iqbal/Twombly*. Conversely, Plaintiffs aver that the amended complaint meets the standards for asserting a direct infringement claim. (Doc. 37, pp. 18–23.)

Under 35 U.S.C. § 271(a), a patent is infringed upon when "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States . . . during the term of the patent." Plaintiffs' fifty-four page amended complaint sets forth adequate and specific facts to provide Defendants with fair notice of the claim against them and, viewed in a light most favorable to

Plaintiffs, alleges a plausible patent infringement claim. Contrary to Defendants’ assertions, Plaintiffs’ amended complaint provides much more than “copying the language of a claim element” and baldly stating that the “accused product has such an element.” *See N. Star Innovations, Inc. v. Micron Tech., Inc.*, No. 17-506, 2017 WL 5501489, at *2 (D. Del. Nov. 16, 2017) (requiring “some factual explanation for what it is about the product that leads Plaintiff to think it has the required elements”). Specifically, beginning at paragraph 42, the amended complaint details the “infringing products” sold by Defendants in Pennsylvania, and avers that the “infringing products” utilize specific claim elements (of claim 44 in the ‘223 Patent), determined by using game terminals sold/provided by Defendants. (Doc. 25, ¶¶ 42–115.) Accordingly, the court will deny Defendants’ motion to dismiss based on the argument that Plaintiffs have failed to state a plausible patent infringement claim.

CONCLUSION

For the reasons stated herein, the court will deny Defendants’ motion to dismiss in its entirety. An appropriate order will issue.

s/Jennifer P. Wilson
JENNIFER P. WILSON
United States District Court Judge
Middle District of Pennsylvania

Dated: April 1, 2020

**IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA**

SAVVY DOG SYSTEMS, LLC, and POM OF PENNSYLVANIA, LLC,	:	Civil No. 3:19-CV-01470
	:	
Plaintiffs,	:	
	:	
v.	:	
	:	
PENNSYLVANIA COIN, LLC, and	:	
PA COIN HOLDINGS, LLC,	:	
	:	
Defendants.	:	Judge Jennifer P. Wilson

ORDER

AND NOW, on this 21st day of December, 2020, upon consideration of the parties' claim construction contentions and in accordance with the accompanying memorandum, **IT IS ORDERED** that the terms are construed as follows:

- 1) The term "prior to displaying" shall be construed as "before making visible on the touch screen display."
- 2) The term "computer readable code" shall be construed as "code in a form that can be executed by the computer."
- 3) The term "winning combination" shall be construed as "array of game symbols in the game field yielding a successful outcome."
- 4) The term "[determining/determine/determined] at least one winning combination for each play of the game" shall be construed as "establish or ascertain at least one winning combination, properly construed, for each game to be played."
- 5) The term "test[ing] the game field prior to displaying the game to the player to ensure that a winning combination more valuable than the determined winning combination is not generated inadvertently in completing the field" shall be construed as "test[ing] the game field prior to displaying the actual game to be played to the player to ensure that a

winning combination more valuable than the previously determined winning combination, properly construed, is not generated inadvertently when the player completes a winning combination during play of the game.”

- 6) The term “automatically display[ing] an actual game to be played on the touch screen game display to a player prior to initiating activation of game play” shall be construed as “automatically display[ing] an actual game to be played, properly construed, on the touch screen game display to a player prior to initiating activation of game play”
- 7) The term “an actual game to be played” shall be construed as “the constructed game field of the game to be played.”
- 8) The term “game processor” shall be construed as “a CPU or microprocessor that executes program instructions to generate a game.”
- 9) The term “program instructions” shall be construed as “conventional commands that can be executed by a computer.”

s/Jennifer P. Wilson
JENNIFER P. WILSON
United States District Court Judge
Middle District of Pennsylvania

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SOLID OAK SKETCHES, LLC,

Plaintiff-
Counterdefendant,

-v-

No. 16-CV-724-LTS-SDA

2K GAMES, INC. and TAKE-TWO
INTERACTIVE SOFTWARE, INC.,

Defendants-
Counterclaimants.

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MEMORANDUM OPINION AND ORDER

Solid Oak Sketches, LLC (“Solid Oak” or “Plaintiff”), brings this action against Defendants 2K Games, Inc., and Take-Two Interactive Software, Inc. (collectively, “Take Two” or “Defendants”), asserting a claim of copyright infringement pursuant to the Copyright Act of 1976, 17 U.S.C. § 101 *et seq.* (the “Copyright Act”). Following this Court’s granting of Defendants’ motion to dismiss Plaintiff’s claims for statutory damages and attorneys’ fees on August 2, 2016, Plaintiff filed a Second Amended Complaint (“SAC”) on October 24, 2016. (Docket Entry No. 55.) On August 16, 2016, Defendants filed counterclaims for declaratory judgment pursuant to the Copyright Act and the Declaratory Judgment Act, 28 U.S.C. §§ 2201-2202 (“Def. Countercl.”). (Docket Entry No. 47.) The Court denied Plaintiff’s motion to dismiss the counterclaims on May 16, 2017 (docket entry no. 64) and, on March 30, 2018, denied Defendants’ motion for judgment on the pleadings (“March Op.,” docket entry no. 117).

The Court has jurisdiction of this action pursuant to 28 U.S.C. §§ 1331 and 1338.

Defendants now move for summary judgment pursuant to Federal Rule of Civil Procedure 56, requesting (i) an order dismissing Plaintiff's copyright infringement claim and (ii) entry of declaratory judgment in Defendants' favor on their de minimis use and fair use counterclaims.¹ (Docket Entry No. 127.) Plaintiff has cross moved to exclude the four expert declarations filed in support of Defendants' summary judgment motion. (Docket Entry No. 147.) The Court has considered carefully the parties' submissions in connection with the motions. For the following reasons, Defendants' motion for summary judgment is granted and Plaintiff's cross motion to exclude is denied.

BACKGROUND

Familiarity with the facts underlying this case, which have been detailed in prior decisions of the Court, including the August 2, 2016, Memorandum Opinion and Order, the May 16, 2017, Memorandum Order, and the March 30, 2018, Memorandum Opinion and Order, is presumed. (See Docket Entry Nos. 44, 64, and 117.) The following summary focuses on facts that are pertinent to the question of whether Defendants are entitled to summary judgment. Except as otherwise noted, the following material facts are undisputed.²

¹ Defendants have moved for summary judgment as to their first and second counterclaims only. Defendants' third counterclaim for "declaratory judgment of fraud on the Copyright Office" remains pending. (Def. Countercl. ¶¶ 228-35.)

² The facts presented or recited as undisputed are drawn from the parties' statements pursuant to S.D.N.Y. Local Civil Rule 56.1, or from evidence as to which there is no non-conclusory factual proffer. Citations to Defendants' Local Civil Rule 56.1 Statement (Defendants-Counterclaimants 2K Games, Inc. and Take-Two Interactive Software, Inc.'s Rule 56.1 Statement of Undisputed Facts in Support of Their Motion for Summary Judgment ("Def. 56.1"), Docket Entry No. 129) and Plaintiff's Counterstatement (Response to Defendants' Rule 56.1 Statement of Purportedly Undisputed Facts ("Pl. 56.1"), Docket Entry No. 146) incorporate by reference citations to the underlying evidentiary submissions. Plaintiff proffered no citations to record evidence to the extent it purported to dispute Defendants' documented proffers of undisputed facts in Defendants' 56.1 statement. Where Plaintiff purported to deny or dispute particular

Take-Two is a major developer, publisher, and marketer of interactive entertainment and video games that develops and publishes products through its wholly-owned subsidiaries, 2K and Rockstar Games. (SAC ¶¶ 17-18.) Defendants annually release an updated basketball simulation video game that depicts basketball with realistic renderings of different National Basketball Association (“NBA”) teams, including lifelike depictions of NBA players and their tattoos. (Def. Countercl. ¶¶ 8, 141.) Plaintiff alleges that Defendants have infringed its copyrights by publicly displaying works for which Plaintiff owns copyrights—five tattoos (the “Tattoos”) that are depicted on NBA players Eric Bledsoe, LeBron James, and Kenyon Martin (the “Players”)—in versions 2K14, 2K15, and 2K16 (released in 2013, 2014, and 2015, respectively) of Defendants’ basketball simulation video game. (SAC ¶¶ 9-11.)

Tattoos

According to Defendants’ expert, Nina Jablonski, “[t]attoos have been a part of human expression for thousands of years.” (Def. 56.1 ¶ 1.) In modern day, tattoos like the Tattoos at issue in this litigation “reflect the personal expression of the person bearing the tattoo and are created for that purpose.” (Def. 56.1 ¶¶ 2-3.) The Tattoos reflect the Players’ personal expression. (Def. 56.1 ¶ 3.)

Solid Oak holds an exclusive license to each of the Tattoos. (See Declaration in Opposition to Defendants’ Motion and in Support of Cross-Motion (“Haberman Decl.”), Docket Entry No. 149.) However, Solid Oak is not licensed to apply the tattoos to a person’s skin, and Solid Oak does not hold any publicity or trademark rights to the Players’ likenesses. (Def. 56.1 ¶¶ 101-02.) The Players “have given the NBA the right to license [their] likeness to third-parties,” and the NBA has granted such a license to Take-Two. (Def. 56.1 ¶¶ 103-04.) The

statements, Plaintiff made arguments regarding relevance or other legal issues or, as addressed infra, challenged the relevance or basis of proffered expert testimony.

Players also granted Take-Two permission to use their likenesses. (Declaration of LeBron James (“James Decl.”), Docket Entry No. 134, ¶ 13; Declaration of Kenyon Martin (“Martin Decl.”), Docket Entry No. 135, ¶ 15.)

Child Portrait Tattoo

LeBron James’s “Child Portrait” tattoo was inked by tattooist Justin Wright, and was copied from a baby picture provided by Mr. James. (Def. 56.1 ¶¶ 5-10.) Mr. Wright “knew and intended that when [Mr. James] appeared in public, on television, in commercials, or in other forms of media, he would display the Child Portrait Tattoo.” (Def. 56.1 ¶ 11.) It was Mr. Wright’s intention that the “Child Portrait” Tattoo “become a part of Mr. James’s likeness,” which, according to Mr. Wright, “Mr. James was and is free to use . . . as he desire[d], including allowing others to depict it, such as in advertisements and video games.” (Def. 56.1 ¶¶ 11-13.)

330 and Flames Tattoo

LeBron James’s “330 and Flames” tattoo was inked by tattooist Deshawn Morris, also known as Shawn Rome (“Mr. Rome”). (Def. 56.1 ¶¶ 14-15.) At Mr. James’s request, Mr. Rome created the tattoo by shading in the outline of, and adding flames to, the number “330,” which had already been inked on Mr. James’s arm. (Def. 56.1 ¶¶ 16-19.) The number “330” represents the area code of Akron, Ohio. (Def. 56.1 ¶ 16.) According to Defendants’ expert, Dr. Nina Jablonski, flames are a common motif used for tattoos. (Def. 56.1 ¶ 20.)

Mr. Rome stated that, “[a]t the time that [he] inked [the ‘330 and Flames’ tattoo] on Mr. James, [he] knew that Mr. James was a professional basketball player with the [NBA],” and that “it was likely that Mr. James was going to appear in public, on television, in commercials, or in other forms of media, like video games.” (Declaration of Deshawn Morris (“Morris Decl.”), Docket Entry No. 132, ¶ 9.) Mr. Rome also stated that, “[w]hen [he] inked [the

‘330 and Flames’ tattoo] on Mr. James according to his requests, [he] knew and intended that [Mr. James] would display [the ‘330 and Flames’ tattoo] whenever he appeared in public,” and that he “intended that [the ‘330 and Flames’ tattoo] become a part of Mr. James’s likeness and part of his image.” (Morris Decl. ¶ 10.)

Script with a Scroll, Clouds and Doves Tattoo

Shawn Rome also inked LeBron James’s “Script with a Scroll, Clouds and Doves” tattoo. (Def. 56.1 ¶ 21.) The “Script” tattoo was copied from a design in Mr. Rome’s sketchbook. (Def. 56.1 ¶ 22.) Solid Oak did not license the drawing used to create the “Script” tattoo. (Def. 56.1 ¶ 23.) According to Dr. Jablonski, birds, such as doves, “have been a popular subject of tattoos since ancient times.” (Def. 56.1 ¶ 24.)

As with the “330 and Flames” tattoo, Mr. Rome “intended that [the ‘Script’ tattoo] become a part of Mr. James’s likeness and part of his image,” knowing that (i) Mr. James was a professional basketball player with the NBA and that (ii) it was “likely that Mr. James was going to appear in public, on television, in commercials, or in other forms of media, like video games.” (Morris Decl. ¶¶ 9-10.)

Wizard Tattoo

Kenyon Martin’s “Wizard” tattoo was inked by Thomas Ray Cornett, and was “copied . . . directly from the pre-existing design” that Mr. Martin chose from designs featured on the walls and in books at Mr. Cornett’s parlor. (Def. 56.1 ¶¶ 25, 27-28.) Mr. Cornett did not design the tattoo. (Declaration of Thomas Ray Cornett (“Cornett Decl.”), Docket Entry No. 131, ¶ 13.) The “Wizard” tattoo appears as a grim reaper holding a basketball. (Def. 56.1 ¶ 26.) Both basketballs and “depictions of death or the grim reaper” are common tattoo motifs. (Def. 56.1 ¶¶ 30-31.)

When he inked the “Wizard” tattoo, Mr. Cornett “knew and intended” that the tattoo “would be displayed if Mr. Martin appeared in media, such as on television or in commercials.” (Cornett Decl. ¶ 15.) Mr. Cornett “also intended that the tattoo become a part of Mr. Martin’s likeness and part of his image.” (*Id.*) Further, Mr. Cornett “knew and intended that the tattoo would need to be included if anyone were to create a rendition of Mr. Martin’s likeness, such as in art or video games.” (*Id.*)

Basketball with Stars and Script

Mr. Cornett also inked Eric Bledsoe’s “Basketball with Stars and Script” tattoo. (Cornett Decl. ¶ 20.) This tattoo was designed by Mr. Cornett with Mr. Bledsoe’s direction and input. (*Id.*) When Mr. Cornett inked the “Basketball with Stars and Script” tattoo on Mr. Bledsoe, he “knew and intended that [Mr. Bledsoe] would display the tattoo whenever he appeared in public,” such as “on television or in commercials.” (*Id.* ¶ 21.) As with Mr. Kenyon’s “Wizard” tattoo, Mr. Cornett “intended that the [‘Basketball with Stars and Script’] tattoo [would] become a part of Mr. Bledsoe’s likeness and part of his image,” and he “knew and intended that the tattoo would need to be included if anyone were to create a rendition of Mr. Bledsoe’s likeness, such as in art or video games.” (*Id.*)

NBA 2K Video Game

The NBA 2K game, which is much shorter in duration than an actual NBA game, has “many components, including graphics, characters, a fictitious plot, gameplay, [and] music.” (Def. 56.1 ¶¶ 70, 72.) These components, which include auditory elements such as “the sound of shoes against the court’s surface; the noise of the crowd, the horns and other audible warnings signaling elapsing shot clocks, ending timeouts, . . . television announcers performing play-by-play,” and visual elements such as “the basketball; the hoop, . . . the court, . . . the players,

including multiple individuals on the court and on the sidelines, each of whom wears jerseys with different accessories and other features (such as tattoos); coaches; referees; cheerleaders; spectators; the stadium; and the game clock and scoring system,” are designed to most accurately simulate the look and feel of an actual NBA game. (Def. 56.1 ¶¶ 74, 93; see also Declaration of Jeffrey Thomas in Support of Defendants-Counterclaimants’ Motion for Summary Judgment (“Thomas Decl.”), Docket Entry No. 130, ¶ 2.)

To further the goal of simulating an actual NBA game, Take-Two included the Tattoos in NBA 2K “to accurately depict the physical likenesses of the real-world basketball players as realistically as possible.” (Def. 56.1 ¶ 79.) However, for a number of reasons, NBA 2K users do not see the Tattoos clearly, if at all, during gameplay. (Def. 56.1 ¶¶ 91-99.) NBA 2K does not depict the Tattoos separately from the Players. (Def. 56.1 ¶ 85.) Therefore, the Tattoos only appear when a user selects Mr. James, Mr. Martin, or Mr. Bledsoe from over 400 available players. (Def. 56.1 ¶¶ 85-86.) The Tattoos comprise only a miniscule proportion of the video game data: only 0.000286% to 0.000431% of the NBA 2K game data is devoted to the Tattoos. (Def. 56.1 ¶¶ 75-78.)

When a Tattooed player is selected, the Tattoos are depicted on a computer or television screen at about 4.4% to 10.96% of the size that they appear in real life “due to the great distance from the camera that the players usually are depicted” and the resulting relatively small size of the player figures. (Def. 56.1 ¶¶ 91-92; Expert Report and Declaration of Ian Bogost, Ph.D. (“Bogost Decl.”), Docket Entry No. 136, ¶¶ 71-77.) The Tattoos appear merely as “visual noise,” “no more noticeable than a simulated player’s nose shape or hairstyle.” (Def. 56.1 ¶¶ 94-95 (internal quotation marks omitted).) The Tattoos “are subordinated to the display of the court and the players in competition.” (Def. 56.1 ¶ 96 (internal quotation marks omitted).)

The Tattoos also cannot be observed clearly because they are often “blocked from view by other players,” are “obstruct[ed] by other game elements,” “often appear out-of-focus,” and “players on whom the Tattoos appear move quickly in the game.” (Def. 56.1 ¶ 97 (internal quotation marks omitted).)

Defendants provided video clips showing how each of the Players appears during NBA 2K gameplay. (Thomas Decl., Exs. B, C, and D.) At no point during the video clips are the Tattoos discernible to the viewer. These videos demonstrate that the Players’ tattoos, including the Tattoos at issue, appear entirely out-of-focus. The Tattoos are further obscured by the Players’ quick and erratic movements up and down the basketball court. (Thomas Decl., Exs. B, C, and D.)

The Tattoos did not play a significant role in marketing NBA 2K. The NBA 2K game covers do not depict the Players or their tattoos, and the advertising materials neither depicted nor discussed the Tattoos. (See Def. Countercl. ¶¶ 161-67; Plaintiff’s Answer to Defendants’ Counterclaims (“Pl. Ans.”), Docket Entry No. 65, ¶¶ 161-67.) According to Defendants’ expert, Dr. Jay, while “consumers buy NBA 2K video games for numerous reasons . . . consumers do not buy NBA 2K video games for the tattoos on LeBron James, Eric Bledsoe or Kenyon Martin.” (Def. 56.1 ¶ 90.)

Market for Licensing Tattoos

Solid Oak has not profited from licensing the Tattoos. (Declaration of Dale M. Cendali, Esq. in Support of Defendants-Counterclaimants’ Motion for Summary Judgment (“Cendali Decl.”), Docket Entry No. 140, Ex. E at 370.) Solid Oak has never created a video game that depicts the Tattoos, nor has Solid Oak licensed the Tattoos for use in a video game. (Def. 56.1 ¶¶ 105-06, 110.) Defendants’ expert, Dr. Bogost, stated that he is “not familiar with

any video game developer licensing the rights to tattoos for inclusion in a video game.” (Def. 56.1 ¶ 111.) Solid Oak has not identified an instance in which a tattoo image has been licensed for use in a video game. (Def. 56.1 ¶ 112.) Defendants’ expert, James Malackowski, opined that a market for licensing basketball players’ tattoos for use in video games is “unlikely to develop.” (Def. 56.1 ¶ 115.) As noted above, Defendants’ expert, Dr. Jay, relied on consumer survey data to conclude that “consumers do not buy NBA 2K video games for the tattoos on LeBron James, Eric Bledsoe or Kenyon Martin.” (Def 56.1 ¶ 90.) Thus, there is no demand for licensing the Tattoos for use in a video game.

Solid Oak has neither licensed the Tattoo designs nor sold merchandise depicting the Tattoos. (Def. 56.1 ¶¶ 107-08.) Solid Oak’s owner, Matthew Siegler, testified that he would “need permission from the players . . . to not infringe on their right of publicity,” in order to move forward with a business selling “dry wick apparel” bearing the Players’ tattoos. (Cendali Decl., Ex. A at 389.) Solid Oak does not have a license to use the Players’ publicity or trademark rights. (Def 56.1 ¶ 102.) Solid Oak has not proffered any evidence indicating that it has a prospect of obtaining such rights.

DISCUSSION

Rule 56 Summary Judgment Standard

Rule 56(a) of the Federal Rules of Civil Procedure provides that summary judgment is to be granted in favor of a moving party where that party can demonstrate “that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed R. Civ. P. 56(a); see also Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 256 (1986). For the purposes of summary judgment motion practice, a fact is considered material “if it might affect the outcome of the suit under the governing law,” and an issue of fact is “genuine” where

“the evidence is such that a reasonable jury could return a verdict for the nonmoving party.”

Holtz v. Rockefeller & Co. Inc., 258 F.3d 62, 69 (2d Cir. 2001) (internal quotation marks and citations omitted). The moving party bears the burden of demonstrating the absence of a material fact, and the court must be able to find that, ““after drawing all reasonable inferences in favor of a non-movant, no reasonable trier of fact could find in favor of that party.”” Marvel Entertainment, Inc. v. Kellytoy (USA), Inc., 769 F. Supp. 2d 520, 523 (S.D.N.Y. 2011) (quoting Heublein v. U.S., 996 F.2d 1455, 1461 (2d Cir. 1993)).

A party that is unable to “make a showing sufficient to establish the existence of an element essential to that party’s case, and on which that party will bear the burden of proof at trial,” will not survive a Rule 56 motion. Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). Specifically, the party who bears the burden of proof at trial “must do more than simply show that there is some metaphysical doubt as to the material facts and they may not rely on conclusory allegations or unsubstantiated speculation.” Jeffreys v. N.Y.C., 426 F.3d 549, 554 (2d Cir. 2005) (citations omitted). “[M]ere conclusory allegations or denials . . . cannot by themselves create a genuine issue of material fact where none would otherwise exist.” Hicks v. Baines, 593 F.3d 159, 166 (2d Cir. 2010) (internal quotation marks and citation omitted).

Plaintiff’s Copyright Infringement Claim

Defendants move to dismiss Plaintiff’s complaint for copyright infringement, arguing that Plaintiff cannot prove its claim because Defendants’ use of the Tattoos is de minimis and Plaintiff is thus unable to prove the key substantial similarity element of its cause of action. Defendants further argue that the copyright claim must fail because their use of the images was pursuant to implied authorization granted prior to Plaintiff’s acquisition of any rights in the Tattoos.

De Minimis Use

“In order to establish a claim of copyright infringement, a plaintiff with a valid copyright must demonstrate that: (1) the defendant has actually copied the plaintiff’s work; and (2) the copying is illegal because a substantial similarity exists between the defendant’s work and the protectible elements of plaintiff’s.” Peter F. Gaito Architecture, LLC v. Simone Dev. Corp., 602 F.3d 57, 63 (2d Cir. 2010) (internal quotation marks omitted). To be substantially similar, the amount copied must be more than de minimis. Castle Rock Entm’t, Inc. v. Carol Publ’g Grp. Inc., 150 F.3d 132, 138 (2d Cir. 1998) (citing Ringgold v. Black Entertainment Television, Inc., 126 F.3d 70, 75 (2d Cir. 1997)). “To establish that the infringement of a copyright is de minimis, and therefore not actionable, the alleged infringer must demonstrate that the copying of the protected material is so trivial ‘as to fall below the quantitative threshold of substantial similarity, which is always a required element of actionable copying.’” Sandoval v. New Line Cinema Corp., 147 F.3d 215, 217 (2d Cir. 1998) (quoting Ringgold, 126 F.3d at 74).

The quantitative component of a de minimis analysis concerns (i) “the amount of the copyrighted work that is copied,” (ii) “the observability of the copied work – the length of time the copied work is observable in the allegedly infringing work,” and (iii) factors such as “focus, lighting, camera angles, and prominence.” Ringgold, 126 F.3d at 75 (citing 4 Melville B. Nimmer & David Nimmer, Nimmer on Copyright §§ 13.03[A][2] (1997)). “[O]bservability of the copyrighted work in the allegedly infringing work” is fundamental to a determination of whether the “quantitative threshold” of substantial similarity has been crossed. Sandoval, 147 F.3d at 217.

Substantial similarity must be determined through application of the “ordinary observer test,” which considers “whether an average lay observer would recognize the alleged

copy as having been appropriated from the copyrighted work.” Rogers v. Koons, 960 F.2d 301, 307 (2d Cir. 1992) (internal quotation marks omitted). In other words, the Court considers “whether the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.” Id. at 307-08 (internal quotation marks omitted). Summary judgment may be granted on a de minimis use claim when “no reasonable trier of fact could find the works substantially similar.” Estate of Smith v. Cash Money Records, Inc., 253 F. Supp. 3d 737, 746 (S.D.N.Y. 2017) (internal quotation marks omitted).

As noted above, Defendants assert that Plaintiff cannot establish substantial similarity because their use of the Tattoos is de minimis. (See Memorandum of Law in Support of Defendants-Counterclaimants 2K Games, Inc. and Take-Two Interactive Software, Inc.’s Motion for Summary Judgment (“Def. Opening Br.”), Docket Entry No. 128, at 9-11.) Plaintiff protests that “Defendants have provided no material extrinsic evidence that answers the material questions surrounding de minimis use.” (Memorandum of Law in Opposition to Defendants’ Motion for Summary Judgment and in Support of Plaintiff’s Cross-Motion (“Pl. Opp. Br.”), Docket Entry No. 148, at 3-7.)

In resisting Defendants’ earlier motion for judgment on the pleadings, Plaintiff had argued that, “if an NBA2K player selects Messrs. James, Martin and Bledsoe in a given game or series of games, or ‘employs the broad range of the video game’s features to focus, angle the camera on, or make the subject tattoos more prominent,’ ‘the overall observability of the subject tattoos can be fairly significant.’” (March Op. at 7-8.) The Court denied the motion, holding, inter alia, that, at the pleading stage,

there [was] no objective perspective as to how the Defendants’ video game is generally played, or to what extent certain game

features can be or are actually utilized, that would allow this Court to make determinations about the choices and subsequent observations of the ‘average lay observer,’ or about the observability and prominence of the Tattoos. The Court [was] thus unable to conclude without the aid of extrinsic evidence that ‘no reasonable jury, properly instructed, could find that the two works are substantially similar.’

(March Op. at 8.)

Here, Defendants are entitled as a matter of law to summary judgment dismissing Plaintiff’s copyright infringement claim because no reasonable trier of fact could find the Tattoos as they appear in NBA 2K to be substantially similar to the Tattoo designs licensed to Solid Oak.³ The Tattoos only appear on the players upon whom they are inked, which is just three out of over 400 available players. The undisputed factual record shows that average game play is unlikely to include the players with the Tattoos and that, even when such players are included, the display of the Tattoos is small and indistinct, appearing as rapidly moving visual features of rapidly moving figures in groups of player figures. Furthermore, the Tattoos are not featured on any of the game’s marketing materials.

When the Tattoos do appear during gameplay (because one of the Players has been selected), the Tattoos cannot be identified or observed. (Thomas Decl., Exs. B, C, and D.) The Tattoos are significantly reduced in size: they are a mere 4.4% to 10.96% of the size that they appear in real life. The video clips proffered by Defendants show that the Tattoos “are not displayed [in NBA 2K] with sufficient detail for the average lay observer to identify even the subject matter of the [Tattoos], much less the style used in creating them.” Sandoval, 147 F.3d at 218. The videos demonstrate that the Tattoos appear out of focus and are observable only as

³ The Court notes that Solid Oak has not proffered images of the Tattoo designs. For purposes of its substantial similarity analysis, the Court has used the Tattoo images included in James Malackowski’s Declaration. (Declaration of James Malackowski in Support of Defendants-Counterclaimants’ Motion for Summary Judgment, Docket Entry No. 139, Ex. A at 7-9.)

undefined dark shading on the Players' arms. Further, the Players' quick and erratic movements up and down the basketball court make it difficult to discern even the undefined dark shading. The uncontroverted evidence proffered by Defendants demonstrates that the Tattoos often do not appear during the NBA 2K video game and, when they do, they are so small and distorted by the camera angles and other game elements that they are indiscernible to the average game users. While Plaintiff previously asserted that NBA 2K "employs the broad range of the video game's features to focus, angle the camera on, or make the subject tattoos more prominent" (March Ord. at 7-8), Plaintiff has not proffered any evidence to support that proposition. The undisputed evidence of record shows that Defendants' use of the Tattoos in NBA 2K falls below the quantitative threshold of substantial similarity. No reasonable fact finder could conclude that Plaintiff has carried its burden of proving that Defendants' use of the copyrighted material was substantially similar to Plaintiff's copyrighted work. Thus, Defendants are entitled as a matter of law to judgment dismissing Plaintiff's SAC, which asserts only a copyright infringement claim, and a declaration that Defendants' use of the Tattoos is de minimis.

Implied License

Defendants also argue persuasively that Plaintiff's copyright infringement claim must fail because they were authorized to use the Tattoos in NBA 2K; Defendants assert that they had an implied license to feature the Tattoos as part of the Players' likenesses. (Def. Opening Br. at 23-25.) Plaintiff disputes this proposition, arguing that the tattooist's expectations about whether a tattoo would become a part of his or her client's likeness "play[] no role in copyright law." (Pl. Opp. Br. at 16.) Plaintiff also asserts that "any restriction on Plaintiff's ability to commercially exploit the underlying artwork should have been included in the [Tattoo] licensing agreements." (Pl. Opp. Br. at 17.)

“A copyright owner who grants a nonexclusive license to use his copyrighted material waives his right to sue the licensee for copyright infringement.” Graham v. James, 144 F.3d 229, 236 (2d Cir. 1998). “Although the Second Circuit has not yet ruled on the precise circumstances under which an implied non-exclusive license will be found,” courts in this Circuit have found an implied non-exclusive license “where one party created a work at the other’s request and handed it over, intending that the other copy and distribute it.” Weinstein Co. v. Smokewood Entm’t Grp., LLC, 664 F. Supp. 2d 332, 344 (S.D.N.Y. 2009) (internal quotation marks omitted).

Here, the undisputed factual record clearly supports the reasonable inference that the tattooists necessarily granted the Players nonexclusive licenses to use the Tattoos as part of their likenesses, and did so prior to any grant of rights in the Tattoos to Plaintiff. According to the declarations of Messrs. Thomas, Cornett, and Morris, (i) the Players each requested the creation of the Tattoos, (ii) the tattooists created the Tattoos and delivered them to the Players by inking the designs onto their skin, and (iii) the tattooists intended the Players to copy and distribute the Tattoos as elements of their likenesses, each knowing that the Players were likely to appear “in public, on television, in commercials, or in other forms of media.” (Declaration of Justin Wright (“Wright Decl.”), Docket Entry No. 133, ¶ 10.) Thus, the Players, who were neither requested nor agreed to limit the display or depiction of the images tattooed onto their bodies, had implied licenses to use the Tattoos as elements of their likenesses. Defendants’ right to use the Tattoos in depicting the Players derives from these implied licenses, which predate the licenses that Plaintiff obtained from the tattooists.

The Players “have given the NBA the right to license their likeness to third-parties,” and the NBA has granted such license to Take-Two. (Def. 56.1 ¶¶ 103-04 (internal

quotation marks omitted).) The Players also granted Take-Two permission to use their likeness. (James Decl. ¶ 13; Martin Decl. ¶ 15.) Therefore, Defendants had permission to include the Tattoos on the Players' bodies in NBA 2K because the Players had an implied license to use the Tattoos as part of their likeness, and the Players either directly or indirectly granted Defendants a license to use their likenesses. Defendants are therefore entitled as a matter of law to summary judgment dismissing Plaintiff's copyright infringement claim for this reason as well.

Fair Use Counterclaim

Defendants also seek a declaration that their use of the Tattoos in NBA 2K is fair use. (Def. Opening Br. at 11-22.) Plaintiff argues that Defendants have failed to proffer any relevant, material evidence to "prove fair use." (Pl. Opp. Br. at 7.) Plaintiff's assertion is belied by the undisputed evidence of record.

The Copyright Act provides that

the fair use of a copyrighted work . . . for purposes such as criticism, comment, news reporting, teaching . . . , scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include –

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and
- (4) the effect of the use upon the potential market for or value of the copyrighted work.

17 U.S.C. §107.

"The determination of fair use is a mixed question of fact and law," Swatch Grp. Mgmt. Serv. Ltd. v. Bloomberg L.P., 756 F.3d 73, 81 (2d Cir. 2014), and is an "open-ended and context-sensitive inquiry." Blanch v. Koons, 467 F.3d 244, 251 (2d Cir. 2006). "Although the issue of fair use is a mixed question of law and fact, the court may resolve issues of fair use at

the summary judgment stage where there are no genuine issues of material fact as to such issues.” Bill Graham Archives v. Dorling Kindersley Ltd., 448 F.3d 605, 608 (2d Cir. 2006).

Purpose and Character of the Use

In evaluating the purpose and character of an allegedly infringing use, courts consider “whether the new work merely supersedes the objects of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message.” Bill Graham Archives, 448 F.3d at 608 (internal quotation marks omitted). To that end, courts consider whether the allegedly infringing use is “transformative,” that is, (i) whether the two works have different purposes, (ii) the size of the reproductions, (iii) whether the expressive value of the reproduced material is minimized, and (iv) the proportion of copied material. Id. at 609-11. Courts also consider whether the allegedly infringing use is commercial in nature. Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 578 (1994).

Here, the undisputed evidence demonstrates that Defendants’ use of the Tattoos is transformative. First, while NBA 2K features exact copies of the Tattoo designs, its purpose in displaying the Tattoos is entirely different from the purpose for which the Tattoos were originally created. The Tattoos were originally created as a means for the Players to express themselves through body art. Defendants reproduced the Tattoos in the video game in order to most accurately depict the Players, and the particulars of the Tattoos are not observable. The uncontroverted evidence thus shows that the Tattoos were included in NBA 2K for a purpose—general recognizability of game figures as depictions of the Players—different than that for which they were originally created.

Second, Defendants “significantly reduced the size of the [Tattoos]” in the video game. Bill Graham Archives, 448 F.3d at 611. It is undisputed that, when comparing the size of the Tattoos as they appear in NBA 2K to the size they appear on the Players’ skin in real life, the Tattoos appear at 4.4% to 10.96% of their actual size because the player figures are themselves proportionately smaller than in real life. This reduction in size, along with the other game elements discussed above, makes the Tattoos more difficult to observe. Thus, NBA 2K does not “offer more than a glimpse of [the Tattoos’] expressive value[,]” as the Tattoos are too small and distorted for game users to even recognize them in NBA 2K. See id. (finding second transformative use factor satisfied when thumbnail-sized images were “sufficient to permit readers to recognize the historical significance of the [works],” but were too small to see more than “a glimpse of [the works’] expressive value”).

Third, the Tattoos’ expressive value is minimized in NBA 2K. The Tattoo images are infrequently and only imprecisely observable and are combined with myriad other auditory and visual elements, like the other players, referees, the sound of shoes against the court’s surface, the noise of the crowd, the horns and other audible warnings signaling elapsing shot clocks, ending timeouts, television announcers performing play-by-play—elements all included to simulate an actual NBA game. As discussed above, the uncontroverted factual record shows that the Tattoos were not included for their expressive value, but rather to most accurately recreate certain NBA players’ likenesses.

Fourth, the Tattoos constitute an inconsequential portion of NBA 2K. As noted above, it is undisputed that they only appear on three out of 400 available players, they comprise only 0.000286% to 0.000431% of the total game data, and they cannot be seen clearly during

gameplay. Game users can see that the Players have tattoos, but cannot identify the specific Tattoos at issue.

Lastly, NBA 2K's purpose is commercial and, as a result, the Tattoos' inclusion in the game is also commercial. However, as discussed above, the Tattoos are indistinguishable during gameplay and they do not feature in any of the game's marketing materials. Further, the Tattoo images are merely "incidental to the commercial . . . value of the [game]," because "consumers do not buy NBA 2K video games for the tattoos on LeBron James, Eric Bledsoe or Kenyon Martin." (Def 56.1 ¶ 90.)

Nature of the Copyrighted Work

The Court must next consider the nature of the copyrighted work. This factor "calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied." Blanch, 467 F.3d at 256 (internal quotation marks omitted). Courts consider two factors in evaluating whether the copyrighted work is of the nature that is conducive to fair use: "(1) whether the work is expressive or creative . . . or more factual, with a greater leeway being allowed to a claim of fair use where the work is factual or informational, and (2) whether the work is published or unpublished, with the scope for fair use involving unpublished works being considerably narrower." Id.

The nature of the copyrighted works at issue here weighs in favor of finding fair use. First, Plaintiff concedes that the Tattoos were previously published. (Pl. Opp. Br. at 12.) Second, the Tattoo designs are more factual than expressive because they are each based on another factual work or comprise representational renderings of common objects and motifs that are frequently found in tattoos. The "Child Portrait" tattoo is factual—it is a reproduction of a

photograph of Mr. James’s son, which was copied “as closely as possible” from the picture Mr. James provided. (Wright Decl. ¶ 9.) The “330 and Flames” tattoo was created by adding flames—a common tattoo motif—to a number tattoo that Mr. James already had on his skin. The “Script with a Scroll” tattoo was based on a design Mr. James selected from one of Mr. Rome’s sketchbooks. The “Wizard” tattoo was “copied . . . directly from the pre-existing design” that Mr. Martin chose from a selection of tattoo designs featured on the walls and in books in Mr. Cornett’s parlor. (Def. 56.1 ¶¶ 25, 27-28.) Similarly, the “Basketball with Stars and Script” tattoo is based on common tattoo motifs such as basketballs and stars.

None of the tattooists stated in his declaration that the Tattoos were based on unique or expressive features. To the contrary, the tattooists each stated that the Tattoos copied common tattoo motifs or were copied from designs and pictures they themselves did not create. The one artist who referred to his sketchbook as a source of one design does not claim that the scroll-words-doves image had particular creative or expressive features. Therefore, there is no evidence from which a reasonable fact finder could conclude that the Tattoos were sufficiently “expressive” or “creative” to make this factor weigh against a finding of fair use.

Amount and Substantiality of the Use

Next, the Court considers “whether the secondary use employs more of the copyrighted work than is necessary, and whether the copying was excessive in relation to any valid purposes asserted under the first factor.” Authors Guild, Inc. v. HathiTrust, 755 F.3d 87, 96 (2d Cir. 2014). Copying the entire work does not necessarily weigh against fair use “because copying the entirety of a work is sometimes necessary to make a fair use of the image.” Bill Graham Archives, 448 F.3d at 613 (finding fair use despite entire copying where (i) whole

images were necessary to portray historical artifacts and (ii) copied images were reduced in size, such that “the visual impact of their artistic expression [was] significantly limited”).

Here, the undisputed evidence shows that, while the Tattoos were copied in their entirety, Defendants did so in order to effectuate the transformative purpose of creating a realistic game experience. Considering this purpose, it would have made little sense for Defendants to copy just half or some smaller portion of the Tattoos, as it would not have served to depict realistically the Players’ likenesses. Furthermore, much like the copied images at issue in Bill Graham, the Tattoos were reduced in size, such that “the visual impact of their artistic expression [was] significantly limited.” Id. Unlike the images at issue in Bill Graham, the Tattoos depicted in Defendants’ game are not recognizable, reducing further the impact of their artistic expression. Accordingly, the third factor does not weigh against fair use.

Effect on the Market

The fourth fair use factor considers the effect of the allegedly infringing work on any existing or potential market for, or value of, the copyrighted work. This inquiry focuses on “whether the copy brings to the marketplace a competing substitute for the original, or its derivative, so as to deprive the rights holder of significant revenues because of the likelihood that potential purchasers may opt to acquire the copy in preference to the original.” Authors Guild v. Google, Inc., 804 F.3d 202, 223 (2d Cir. 2015). “[T]he Factor Four analysis is concerned with only one type of economic injury to a copyright holder: the harm that results because the secondary use serves as a substitute for the original work.” Authors Guild, Inc. v. HathiTrust, 755 F.3d at 99. Transformative uses do not cause actionable economic harm because “by definition, [such uses] do not serve as substitutes for the original work.” Id.; see also Authors Guild v. Google, Inc., 804 F.3d at 223 (“the more the copying is done to achieve a purpose that

differs from the purpose of the original, the less likely it is that the copy will serve as a satisfactory substitute for the original”).

Plaintiff asserts that “Defendants diminished the commercial value of the tattoo artwork in the marketplace for licensing its use in other works including, but not limited to, video games, apparel, and memorabilia.” (Pl. Opp. Br. at 15.) However, Defendants’ use of the Tattoos in NBA 2K is transformative: the Tattoos as featured in the video game cannot serve as substitutes for use of the Tattoo designs in any other medium. Indeed, Plaintiff has conceded that “NBA 2K is not a substitute for the TATTOOS.” (Def. 56.1 ¶ 67.) Therefore, use of the Tattoos in NBA 2K could not “deprive the rights holder of significant revenues” because potential purchasers of the Tattoo designs are unlikely to “opt to acquire the copy in preference to the original.” Authors Guild v. Google, Inc., 804 F.3d at 223. For this reason alone, the fourth factor does not weigh against fair use.

Further, there is no evidence from which a reasonable fact finder could conclude that a market for licensing tattoos for use in video games or other media is likely to develop. The Court may consider only the “impact on potential licensing revenues for traditional, reasonable, or likely to be developed markets.” Swatch Grp. Mgmt. Servs. Ltd., 756 F.3d at 91 (internal quotation marks omitted). Plaintiff’s hypothetical market for licensing tattoos in video games or other, unspecified media does not satisfy this standard. Defendants have proffered uncontroverted evidence that such a market is unlikely to develop and that, if it did, Plaintiff could not capitalize on such a market because the Tattoos are imprinted on the bodies of the Players and Plaintiff is not licensed to use the Players’ publicity rights. Plaintiff has failed to proffer any evidence from which a reasonable fact finder could conclude that a market for

licensing tattoos for use in video games or other media is a “traditional, reasonable or likely to be developed market[.]” Id. Thus, the fourth fair use factor weighs in Defendants’ favor.

Because the uncontroverted evidence demonstrates that all four factors weigh in Defendants’ favor, the Court concludes that no reasonable fact finder could determine that Defendants’ use of the Tattoos in NBA 2K was not fair use. Therefore, Defendants are entitled to judgment as a matter of law on their second counterclaim and to a declaration that their use of the Tattoos in the challenged video game versions constitutes fair use.

Plaintiff’s Motion to Exclude Expert Declarations and Opinions

Plaintiff moves to exclude the opinions of Defendants’ four experts—Dr. E. Deborah Jay, Dr. Nina Jablonski, Dr. Ian Bogost, and Mr. James E. Malackowski—offered in connection with Defendants’ motion for summary judgment. Plaintiff asserts broadly that the opinions “do not rest on reliable foundations, are irrelevant to the case, and are nothing more than a distraction from the material.” (Pl. Opp. Br. at 19-27.)

“It is a well-accepted principle that Rule 702 embodies a liberal standard of admissibility for expert opinions.” Nimely v. City of New York, 414 F.3d 381, 395 (2d Cir. 2005). Pursuant to Federal Rule of Evidence 702, expert testimony should be admitted if the expert is “qualified as an expert by knowledge, skill, experience, training, or education” and “the expert’s scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue.” Fed. R. Evid. 702. In assessing the expert’s qualifications, “the only matter the court should be concerned with is whether the expert’s knowledge of the subject is such that his opinion will likely assist the trier of fact in arriving at the truth.” Johnson & Johnson Vision Care, Inc. v. CIBA Vision Corp., No. 04 Civ.

7369 (LTS), 2006 WL 2128785, at *5 (S.D.N.Y. July 28, 2006) (internal quotation marks omitted).

If the requirements of Rule 702 are met, “the district court must also analyze the testimony under Rule 403 and may exclude the testimony ‘if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury.’” Tiffany (NJ) Inc. v. eBay, Inc., 576 F. Supp. 2d 457, 458 (S.D.N.Y. 2007) (quoting Fed. R. Evid. 403). Under these principles, “expert evidence must be both relevant and reliable.” Id. (internal quotation marks omitted). “In assessing the relevance of proffered expert testimony, the Court looks to whether the testimony has any tendency to make the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence.” Id. at 459.

Plaintiff’s motion to exclude raises general, conclusory challenges to the qualifications of Defendants’ experts as well as challenges to their opinions under Federal Rules of Evidence 401 (relevance) and 403 (prejudice). As explained below, Plaintiff’s objections are unavailing. Defendants’ expert reports are sufficient to satisfy Defendants’ burden of demonstrating that the experts’ testimony is the product of reliable principles and methods, that their opinions and data are relevant to the issues raised in Defendants’ motion for summary judgment, and their probative value is not substantially outweighed by any danger of unfair prejudice. The Court will address each expert report in turn.

Report of Dr. E. Deborah Jay

Dr. Jay’s report analyzes survey data to examine why consumers purchased NBA 2K, and considers whether, and to what extent, the Tattoos drove consumer demand for the game. Dr. Jay has more than 40 years of experience conducting large-scale surveys and has been

qualified as an expert in “survey methodology” by at least a dozen courts. Plaintiff asserts that Dr. Jay’s report is “an irrelevant distraction from the actual material issues in this lawsuit” and that Dr. Jay’s reference to the survey as an “official report,” is likely to cause the jury to afford it undue significance. (Pl. Opp. Br. at 21-22.) Plaintiff does not challenge Dr. Jay’s qualifications or her survey methodology.

By examining whether Defendants profited (and, consequently, Plaintiff lost potential revenue) from the Tattoos’ inclusion in NBA 2K, Dr. Jay’s report addresses questions relevant both to the “commercial use” factor of Defendants’ fair use claim and to Plaintiff’s potential damages. Indeed, the Court’s reliance on Dr. Jay’s findings in deciding Defendants’ motion for summary judgment demonstrates that her report is material to the issues involved in this case. Further, Plaintiff has failed to demonstrate how Dr. Jay’s report would be unfairly prejudicial. Plaintiff’s disagreement with Defendants’ legal positions does not render competent expert testimony consistent with those positions unfairly prejudicial. Accordingly, Plaintiff’s motion to exclude Dr. Jay’s report and testimony pursuant to Federal Rules of Evidence 403 and 702 is denied.

Report of Dr. Nina Jablonski

In her declaration and report, Dr. Jablonski, a professor of anthropology who has been researching the evolution and cultural meaning of human skin for 30 years and is the author of Skin: A Natural History, a book addressing the history and meaning of tattooing in humans, as well as numerous other works relating to skin and human interactions, offered her opinion on the use of tattoos as a means of personal expression, about customs and norms within the tattoo industry (including between tattooist and client), and the unlikelihood that a market for licensing tattoos will develop. Plaintiff challenges Dr. Jablonski’s report on three principal grounds,

arguing that: (i) Dr. Jablonski is not qualified to give an opinion on the market for licensing tattoos because she is “simply an anthropologist;” (ii) her report is more prejudicial than probative; and (iii) her “expert” opinions should be stricken because they address topics easily evaluated by the common sense of laymen. (Pl. Opp. Br. at 22-23.)

Plaintiff has proffered nothing more than ipse dixit to support its claim that Dr. Jablonski is unqualified to offer her opinions concerning the tattoo industry. The record, by contrast, amply demonstrates Dr. Jablonski’s relevant body of knowledge. Dr. Jablonski has spent years studying skin and tattoos, she has published over 100 peer-reviewed “scholarly contributions” on skin, and she currently works as an anthropology professor. Dr. Jablonski’s knowledge of the tattoo industry is sufficiently specialized to permit the Court to conclude that her opinions will likely assist the trier of fact in arriving at the truth. Thus, her qualifications are sufficient to meet the threshold requirements of Rule 702 of the Federal Rules of Evidence.

Nor can Dr. Jablonski’s opinion be excluded on relevance grounds. Dr. Jablonski’s report is relevant to questions of fair use (namely, the Tattoo’s expressive value) and whether norms in the tattoo industry support Defendants’ claim that they had an implied license to use the Tattoos in NBA 2K. Further, Dr. Jablonski’s opinions are not merely based on “common sense,” but rather are based on her years of study of the tattoo industry. Expert testimony is admissible where it is grounded in the expert’s “academic and practical experience.” McCulloch v. H.B. Fuller Co., 61 F.3d 1038, 1043 (2d Cir. 1995). Finally, Plaintiff’s protest of “prejudice” appears to be grounded solely in Plaintiff’s recognition that Dr. Jablonski’s testimony supports Defendant’s case and undermines Plaintiff’s conclusory and speculative arguments. Plaintiff has identified no unfair prejudice that could outweigh the substantial probative value of Dr. Jablonski’s testimony.

Therefore, Plaintiff's motion pursuant to Federal Rules of Evidence 403 and 702 to exclude Dr. Jablonski's expert report is denied.

Report of Dr. Ian Bogost

Dr. Ian Bogost, professor of interactive computing and business, has proffered a declaration and report detailing information and opinions concerning video game features generally and certain aspects of NBA 2K, including Defendants' use of the Tattoos. Dr. Bogost concluded that, by any measure, the Tattoos are an insignificant part of the video game and, thus, it would not be reasonable to license such a fleeting use of a copyrighted image. Plaintiff challenges Dr. Bogost's report as more prejudicial than probative. Plaintiff also asserts that Dr. Bogost is not qualified to give an opinion on the market for licensing tattoos because he is not an economist.

Dr. Bogost's qualifications are well demonstrated. He has been recognized as a key figure in the field of video game studies and he has authored over 200 journal publications, articles, book chapters, and conference papers on video games and digital culture. His studies have also been included in course books. Dr. Bogost's field of study qualifies him to opine on matters concerning video games and the market for video games. Dr. Bogost need not be a trained economist to offer his opinions on factors affecting the market for video games; "[t]he law does not require such a narrow specialty as [Plaintiff] suggest[s]." Tiffany (NJ) Inc., 576 F. Supp. 2d at 459. Studies concerning the market for licensing certain copyrights for use in video games are well within Dr. Bogost's expertise. His report and conclusions are probative of material elements of Plaintiff's claims and, as with its objection to Dr. Jablonski's report, Plaintiff has identified no unfair prejudice.

Therefore, Plaintiff's motion pursuant to Federal Rules of Evidence 403 and 702 to exclude Dr. Bogost's expert report is denied.

Report of Mr. James E. Malackowski

Mr. Malackowski is chairman and chief executive officer of a company that provides financial services related to intellectual property, including valuations and strategy consulting. His declaration and report explain that he reviewed Dr. Jay's survey data and concluded that (i) none of the profits associated with NBA 2K are attributable to the Tattoos and, as a result, Plaintiff has not been damaged by Defendants' alleged infringement, (ii) there is currently no market for licensing tattoo artwork, and (iii) such market is unlikely to develop. Plaintiff challenges Mr. Malackowski's report as (i) providing a legal conclusion, (ii) "wholly irrelevant to Defendants' acts of infringement and to the material issues in this lawsuit," and (iii) based on hearsay. Plaintiff also asserts that Mr. Malackowski is not qualified to give an opinion on the market for licensing tattoos.

Plaintiff alleges that "Defendants caused direct and proximate harm to the Plaintiff," and, as a result, "Plaintiff is entitled to damages in an amount to be determined at trial." (SAC ¶ 42.) Therefore, the issue of damages is squarely raised in this litigation and Defendants are entitled to offer opinions from experts, like Mr. Malackowski, on the issue of damages. See Semerdjian v. McDougal Littell, 641 F. Supp. 2d 233, 242-43 (S.D.N.Y. 2009) (permitting expert to testify regarding damages calculation in copyright infringement suit). Plaintiff does not challenge Mr. Malackowski's methodology or his qualifications as a damages expert. Furthermore, Mr. Malackowski's reliance in part on Dr. Jay's survey results, which, as discussed above, have not been excluded, is not improper. U.S. Bank Nat. Ass'n v. PHL Variable Life Ins. Co., 112 F. Supp. 3d 122, 131 (S.D.N.Y. 2015) (holding that an expert "is

permitted to rely on facts, opinions, and data not of the expert's own making—including analyses performed or findings made by another expert in the case—even if those facts, opinions, and data are otherwise inadmissible”). Mr. Malackowski's opinions concerning the market for licensing tattoos are directly relevant to the fourth fair use factor, which concerns the effect upon the potential market for or value of the copyrighted work. Plaintiff's motion to exclude Mr. Malackowski's declaration and testimony is denied.

CONCLUSION

For the foregoing reasons, the Defendants' motion for summary judgment is granted in its entirety and Plaintiff's cross motion to exclude Defendants' expert testimony is denied.

Plaintiff's Second Amended Complaint is dismissed in its entirety. Defendants are granted summary judgment on their First and Second Counterclaims, and the Court hereby declares that Defendants' use of the Tattoos in the challenged versions of their video game is de minimis and fair use and therefore does not infringe Plaintiff's copyrights.

This Memorandum Opinion and Order resolves Docket Entry Nos. 127 and 147.

Defendants' Third Counterclaim remains unresolved. The parties are directed to meet and confer and file a joint report as to what, if any, steps remain to be taken to settle or

otherwise resolve the Third Counterclaim. The joint report must be filed by **May 15, 2020**, and shall be directed to Magistrate Judge Aaron, to whom this case remains referred for general pretrial management.

SO ORDERED.

Dated: New York, New York
March 26, 2020

/s/ Laura Taylor Swain
LAURA TAYLOR SWAIN
United States District Judge

United States Court of Appeals for the Federal Circuit

UBISOFT ENTERTAINMENT, S.A., UBISOFT,
INC.,
Plaintiffs-Appellants

v.

YOUSICIAN OY,
Defendant-Appellee

2019-2399

Appeal from the United States District Court for the
Eastern District of North Carolina in No. 5:18-cv-00383-
FL, Judge Louise Wood Flanagan.

JUDGMENT

THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

AFFIRMED

ENTERED BY ORDER OF THE COURT

June 11, 2020

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court