

No. 2013-1090

**United States Court of Appeals
for the Federal Circuit**

FUTUREWEI TECHNOLOGIES, INC. AND HUAWEI DEVICE USA, INC.,

Plaintiffs-Appellants,

v.

ACACIA RESEARCH CORPORATION, ACCESS CO., LTD., AND
SMARTPHONE TECHNOLOGIES, LLC,

Defendants-Appellees.

**Appeal from the United States District Court
for the Central District of California
in Case No. 12-CV-0511, Judge Andrew J. Guilford**

**CORRECTED NONCONFIDENTIAL BRIEF OF
PLAINTIFFS-APPELLANTS**

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CERTIFICATE OF INTEREST

Counsel for Plaintiffs-Appellants Futurewei Technologies, Inc. and Huawei Device USA, Inc. certifies the following:

1. The full name of every party or amicus represented by me is:

Futurewei Technologies, Inc.
Huawei Device USA, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

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Huawei Device (Hong Kong) Co., Ltd.
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Huawei Tech. Investment Co., Ltd.
Huawei Technologies Co., Ltd.
Hua Ying Management Co., Ltd.
Huawei Investment & Holding Co., Ltd.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

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TABLE OF CONTENTS

Page

Pursuant to Federal Circuit Rule 28(d)(1)(B), confidential material has been redacted from this brief. Confidential information about the Exclusive Licensing Agreement that is subject to protective orders in the district court has been omitted from pages 2, 3, 4, 5, 7, 8, 9, 10, 11, 14, 16, 20, 22, 25, 29, 32, and 38.

CERTIFICATE OF INTEREST	i
TABLE OF AUTHORITIES	iv
TABLE OF ABBREVIATIONS	ix
STATEMENT OF RELATED CASES	x
STATEMENT OF JURISDICTION.....	1
STATEMENT OF THE ISSUES.....	1
STATEMENT OF THE CASE.....	2
STATEMENT OF FACTS	6
A. The Parties	6
B. The Exclusive Licensing Agreement	7
C. SmartPhone Sues Huawei in Texas.....	9
D. Huawei Sues Access, Acacia, and SmartPhone in California	10
E. The District Court Dismisses Huawei’s Complaint.....	11
SUMMARY OF ARGUMENT	16
STANDARDS OF REVIEW	18
ARGUMENT	20
I. THE COMPLAINT ADEQUATELY ALLEGES THAT HUAWEI IS A THIRD-PARTY BENEFICIARY OF THE EXCLUSIVE LICENSING AGREEMENT	20
A. The Complaint Plausibly States a Third-Party Beneficiary Claim	21
1. California Law Is Not Demanding of Such Claims.....	21

TABLE OF CONTENTS

(continued)

	Page
2. The Complaint’s Allegations Show That Huawei May Plausibly Be Able to Recover as a Third-Party Beneficiary	22
B. ELA § 11.3 Does Not Bar Huawei’s Third-Party Beneficiary Claim, and Certainly Not Unambiguously	25
C. The District Court Improperly Discounted the ELA in Its First-to-File Analysis	31
II. HUAWEI’S <i>ALTER EGO</i> CLAIM IS NOT A COMPULSORY COUNTERCLAIM THAT MUST BE FILED IN TEXAS	34
III. AT A MINIMUM, HUAWEI SHOULD HAVE BEEN GRANTED LEAVE TO AMEND THE COMPLAINT	37
CONCLUSION	40
ADDENDUM	
CERTIFICATE OF SERVICE	
CERTIFICATE OF COMPLIANCE	

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Abbott Point of Care Inc. v. Epocal, Inc.</i> , 666 F.3d 1299 (Fed. Cir. 2012)	30
<i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009).....	19, 29
<i>Autogenomics, Inc. v. Oxford Gene Tech. Ltd.</i> , 566 F.3d 1012 (Fed Cir. 2009)	19
<i>Bancomer, S.A. v. Superior Court</i> , 44 Cal. App. 4th 1450 (1996)	14, 33
<i>Bell Atl. Corp. v. Twombly</i> , 550 U.S. 544 (2007).....	24
<i>Berclain Am. Latina, S.A. v. Baan Co.</i> , 74 Cal. App. 4th 401 (1999)	33
<i>Comunale v. Traders & Gen. Ins. Co.</i> , 116 Cal. App. 2d 198 (1953)	27
<i>Creative Compounds, LLC v. Starmark Labs.</i> , 651 F.3d 1303 (Fed. Cir. 2011)	20
<i>Dore v. Arnold Worldwide, Inc.</i> , 39 Cal. 4th 384 (2006)	28
<i>Fiduccia v. Princess Cruise Lines, Ltd.</i> , No. B188525, 2007 WL 2181888 (Cal. Ct. App. July 31, 2007).....	32
<i>Genentech, Inc. v. Eli Lilly & Co.</i> , 998 F.2d 931 (Fed. Cir. 1993), <i>abrogated on other grounds by</i> <i>Wilton v. Seven Falls Co.</i> , 515 U.S. 277 (1995).....	18
<i>General Mills, Inc. v. Kraft Foods Global, Inc.</i> , 487 F.3d 1368 (Fed. Cir. 2007)	19

TABLE OF AUTHORITIES

(continued)

	Page(s)
<i>Harris Corp. v. Ericsson Inc.</i> , 417 F.3d 1241 (Fed. Cir. 2005)	18
<i>Hervey v. Mercury Cas. Co.</i> , 185 Cal. App. 4th 954 (2010)	28
<i>Hess v. Ford Motor Co.</i> , 27 Cal. 4th 516 (2002)	21
<i>In re Marshall</i> , 600 F.3d 1037 (9th Cir. 2010)	35
<i>In re Vantive Corp. Secs. Litig.</i> , 283 F.3d 1079 (9th Cir. 2002)	38
<i>Knight v. Conroy</i> , No. E049034, 2010 WL 4621521 (Cal. Ct. App. Nov. 16, 2010).....	32
<i>Krikorian Premiere Theatres, LLC v. Westminster Ctr., LLC</i> , No. E041844, 2008 WL 1122225 (Cal. Ct. App. Apr. 11, 2008)	27
<i>Lazy Y Ranch Ltd. v. Behrens</i> , 546 F.3d 580 (9th Cir. 2008)	25
<i>Matthews Int’l Corp. v. Biosafe Eng’g, LLC</i> , 695 F.3d 1322 (Fed. Cir. 2012)	23
<i>Maya v. Centex Corp.</i> , 658 F.3d 1060 (9th Cir. 2011)	37
<i>McLaughlin v. L. Bloom Sons Co.</i> , 206 Cal. App. 2d 848 (1962)	36
<i>McNeely v. Claremont Mgmt. Co.</i> , 210 Cal. App. 2d 749 (1962)	27
<i>Micron Tech., Inc. v. Mosaid Techs., Inc.</i> , 518 F.3d 897 (Fed. Cir. 2008)	18

TABLE OF AUTHORITIES

(continued)

	Page(s)
<i>Miller v. Glenn Miller Prods., Inc.</i> , 454 F.3d 975 (9th Cir. 2006) (per curiam)	28
<i>Mueller v. Auker</i> , 700 F.3d 1180 (9th Cir. 2012)	37
<i>Nasalok Coating Corp. v. Nylok Corp.</i> , 522 F.3d 1320 (Fed. Cir. 2008)	35
<i>Nat’l Ins. Underwriters v. Carter</i> , 17 Cal. 3d 380 (1976)	26
<i>Ovitz v. Schulman</i> , 133 Cal. App. 4th 830 (2005)	26
<i>Pochiro v. Prudential Ins. Co. of Am.</i> , 827 F.2d 1246 (9th Cir. 1987)	35, 36
<i>Polich v. Burlington N., Inc.</i> , 942 F.2d 1467 (9th Cir. 1991)	20, 37
<i>Powertech Tech. Inc. v. Tessera, Inc.</i> , 660 F.3d 1301 (Fed. Cir. 2011)	30
<i>Principal Mut. Life Ins. Co. v. Vars, Pave, McCord & Freedman</i> , 65 Cal. App. 4th 1469 (1998)	21
<i>Prouty v. Gores Tech. Grp.</i> , 121 Cal. App. 4th 1225 (2004)	<i>passim</i>
<i>Schauer v. Mandarin Gems of Cal., Inc.</i> , 125 Cal. App. 4th 949 (2005)	21
<i>Sessions Payroll Mgmt., Inc. v. Noble Constr. Co.</i> , 84 Cal. App. 4th 671 (2000)	32
<i>Sheppard v. David Evans & Assocs.</i> , 694 F.3d 1045 (9th Cir. 2012)	<i>passim</i>

TABLE OF AUTHORITIES

(continued)

	Page(s)
<i>Simpson v. AOL Time Warner Inc.</i> , 452 F.3d 1040 (9th Cir. 2006), <i>vacated on other grounds</i> , 552 U.S. 1162 (2008).....	37
<i>Skilstaf, Inc. v. CVS Caremark Corp.</i> , 669 F.3d 1005 (9th Cir. 2012)	20, 29, 30
<i>SmartPhone Techs. LLC v. Huawei Techs. Co.</i> , No. 12-cv-00245 (E.D. Tex.).....	9
<i>Soderberg v. McKinney</i> , 44 Cal. App. 4th 1760 (1996)	22
<i>Spinks v. Equity Residential Briarwood Apartments</i> , 171 Cal. App. 4th 1004 (2009)	21, 22, 23
<i>Starr v. Baca</i> , 652 F.3d 1202 (9th Cir. 2011)	19, 22, 23
<i>Sullivan v. The Royal Exchange Assurance</i> , 181 Cal. App. 2d 644 (1960)	25
<i>Telesaurus VPC, LLC v. Power</i> , 623 F.3d 998 (9th Cir. 2010)	38, 39
<i>Universal Operations Risk Mgmt., LLC v. Global Rescue LLC</i> , No. C 11-5969, 2012 WL 2792444 (N.D. Cal. July 9, 2012).....	31
<i>WPP Lux. Gamma Three Sarl v. Spot Runner, Inc.</i> , 655 F.3d 1039 (9th Cir. 2011)	28, 29
<i>Wyler Summit P’ship v. Turner Broad. Sys., Inc.</i> , 135 F.3d 658 (9th Cir. 1998)	29
 STATUTES	
28 U.S.C. § 1295	1
28 U.S.C. § 1331	1

TABLE OF AUTHORITIES

(continued)

	Page(s)
28 U.S.C. § 1338	1
28 U.S.C. § 1367	1
28 U.S.C. § 2107	1
28 U.S.C. § 2201	1
28 U.S.C. § 2202	1
Cal. Civ. Proc. Code § 1859	25
Cal. Civ. Code § 47	14
Cal. Civ. Code § 1559	21
Cal. Bus. & Prof. Code § 17200, <i>et seq.</i>	11
 OTHER AUTHORITIES	
Fed. R. App. P. 4	1
Fed. R. Civ. P. 12	1, 5, 19, 24
Fed. R. Civ. P. 13	15, 35, 36, 37

TABLE OF ABBREVIATIONS

Parties

Huawei	Plaintiffs-Appellants Futurewei Technologies, Inc. and Huawei Device USA, Inc.
Acacia	Defendant-Appellee Acacia Research Corporation, together with its wholly owned subsidiary Acacia Patent Acquisition LLC (“APAC”)
Access	Defendant-Appellee Access Co., Ltd.
SmartPhone	Defendant-Appellee SmartPhone Technologies, LLC

Defined Terms

A___	Joint Appendix page(s)
court	United States District Court for the Central District of California
Court	United States Court of Appeals for the Federal Circuit

All emphasis in this brief is added unless otherwise indicated.

STATEMENT OF RELATED CASES

Pursuant to Federal Circuit Rule 47.5, Huawei provides as follows:

(a) There has been no previous appeal in this case.

(b) SmartPhone filed a related patent-infringement action against Huawei in the United States District Court for the Eastern District of Texas, Civil Action No. 12-cv-00245. In that action, Huawei has filed a third-party complaint against Access, which Access has moved to dismiss for lack of personal jurisdiction.

STATEMENT OF JURISDICTION

The district court had subject-matter jurisdiction under 28 U.S.C. §§ 1331, 1338, 1367, 2201, and 2202. On October 22, 2012, the district court granted motions to dismiss filed by Acacia, Access, and SmartPhone. The district court entered final judgment also on October 22, 2012. Huawei filed a timely notice of appeal from the final judgment of the district court on November 21, 2012. *See* 28 U.S.C. § 2107(a); Fed. R. App. P. 4(a)(1)(A). This Court has appellate jurisdiction under 28 U.S.C. § 1295(a)(1).

STATEMENT OF THE ISSUES

1. Did Huawei plausibly allege, sufficiently to survive dismissal under Fed. R. Civ. P. 12(b)(6), that it is a third-party beneficiary of the Exclusive Licensing Agreement between Access and Acacia, when that agreement confers a specific benefit on Huawei, and when the complaint alleges that Access and Acacia intended Huawei to benefit from the agreement?

2. Is Huawei's claim that Acacia and SmartPhone are corporate alter egos sufficiently different from the operative facts of SmartPhone's claim that Huawei has infringed the patents-in-suit that the former claim is not a compulsory counterclaim in SmartPhone's Texas infringement action?

3. Should Huawei have received, at a minimum, leave to amend its complaint, when it has never had an opportunity to cure the supposed deficiencies of the complaint that were identified by the district court?

STATEMENT OF THE CASE

Introductory Statement. This case is about where—California or Texas—this patent dispute should be litigated. At the core of this dispute is a contract—the “Exclusive Licensing Agreement,” or “ELA”—between Access and Acacia, under which [REDACTED]
[REDACTED]
[REDACTED]. Acacia and its subsidiary, SmartPhone, which acquired licenses to Access’s patents via the ELA, sued Huawei in the Eastern District of Texas. A day later, Huawei filed a declaratory-judgment complaint in California, invoking the ELA’s forum-selection clause as well as its third-party-beneficiary right not to be sued on the Access patents. Even so, the California district court dismissed Huawei’s complaint in favor of the first-filed Texas action. That judgment rested on a fundamental misapprehension of the ELA, and a similarly fundamental misinterpretation of the California law that governs its application. It should be vacated, and the dispute should be resolved in California, where the ELA provided for such disputes to be resolved.

Procedural History. For over ten years, Huawei and Access have had a contractual relationship through which Huawei sells mobile phones that utilize software developed by Access. Much of this software is covered by Access-owned patents, and Access has licensed some of these patents to third parties. As part of their longstanding relationship, Access has protected Huawei (like its other customers) from third-party suits asserting Access-owned patents.

In a licensing agreement executed in 2009 and then amended to cover additional patents (with all amendments, the “Exclusive Licensing Agreement” or “ELA”), Access licensed the five patents-in-suit to Acacia. Acacia has in turn assigned these rights to SmartPhone, its wholly owned subsidiary. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] on April 3, 2012, SmartPhone sued Huawei in the Eastern District of Texas, alleging infringement of the patents-in-suit.

The next day, Huawei commenced this action in the Central District of California against Access, Acacia, and SmartPhone. As amended, Huawei’s complaint alleges sixteen claims. The first ten claims seek a declaratory judgment of non-infringement, and invalidity, of each of the five patents-in-suit. The

eleventh claim seeks to enforce Huawei's rights as a third-party beneficiary [REDACTED]. Claims 12-15 of the complaint seek to impose tort liability under California law for SmartPhone's improper patent enforcement efforts. And the sixteenth and final claim seeks a declaratory judgment that Acacia and SmartPhone are acting as corporate alter egos.

On July 16, 2012, SmartPhone, Acacia, and Access each filed separate motions to dismiss the complaint. On October 22, 2012, in an unpublished decision, the district court granted the motions.

The court's reasoning was as follows: *First*, the court declined to exercise jurisdiction over Huawei's ten patent-related claims (counts 1-10) under the first-to-file rule, due to the claims' overlap with the Texas suit SmartPhone had filed one day prior. The court acknowledged that suits related to the ELA needed to be brought in California, not Texas, but held this fact irrelevant, because Huawei lacked standing as a third-party beneficiary to enforce this forum-selection clause.

Second, the district court dismissed Huawei's third-party beneficiary claim (count 11) for failure to state a claim. Narrowly focusing on a single paragraph from the complaint's many relevant allegations, the court held that the pleading did not adequately allege that Access and Acacia intended Huawei to benefit from the ELA. The court additionally considered the text of the ELA (which the complaint

attached), and held that the agreement unambiguously gave no enforceable rights to Huawei or any other third party. In so ruling, the court gave no weight to [REDACTED], and instead, at the Rule 12(b)(6) stage, resolved a facial conflict between that specific provision and a general one, by giving conclusive weight to a general disclaimer that the ELA was not intended to create third-party beneficiary rights.

Third, the district court dismissed Huawei’s tort claims (counts 12-15) for failure to state a claim. The court held that these claims targeted litigation activity privileged under federal and California law.

Fourth, the court declined to exercise jurisdiction over Huawei’s *alter ego* claim (count 16), finding it to be a compulsory counterclaim in SmartPhone’s Texas action. The court reasoned that the claim concerned SmartPhone and Acacia, both of whom were subject to jurisdiction in Texas—but the court never analyzed whether the *alter ego* claim shared any facts with SmartPhone’s infringement claims.

Fifth and finally, having disposed of all of Huawei’s claims, the district court denied Huawei leave to amend the complaint. The court explained that it was “convinced” Huawei could not cure the above deficiencies with a new pleading, despite never even asking Huawei how it might amend the complaint.

The court also denied Huawei leave to conduct any discovery, reasoning that discovery could not fix the complaint's purported problems.

This appeal follows.

STATEMENT OF FACTS

The facts below are drawn from the Second Amended Complaint (“SAC”), whose allegations must be accepted as true on this appeal of that pleading’s dismissal. *See, e.g., Sheppard v. David Evans & Assocs.*, 694 F.3d 1045, 1048 (9th Cir. 2012).

A. The Parties

Plaintiffs-Appellants Futurewei Technologies, Inc. and Huawei Device USA, Inc. (collectively, “Huawei”) are both companies in the networking and telecommunications industry, and corporate affiliates with each other. A359 (SAC ¶ 32). These entities develop and sell mobile devices commonly known as cellular telephones or smartphones. *Id.* Defendant-Appellee Access is a software company who acquired the patents-in-suit from the company PalmSource, and then licensed those patents to Defendant-Appellee Acacia for enforcement. *See* A357-58 (SAC ¶¶ 17-19). Defendant-Appellee SmartPhone is a wholly owned subsidiary of Acacia that exists solely to enforce the patents-in-suit. *See* A356, 359 (SAC ¶¶ 8, 30-31).

For over ten years, and continuing to this day, Huawei has been a customer of Access: Huawei purchases Access products, including software, for use on Huawei mobile devices. A359 (SAC ¶¶ 33-34).

Access owns all rights in the five patents-in-suit. *See* A357 (SAC ¶¶ 12-18). Access licensed these patents to Acacia under the ELA, which was initially executed on July 31, 2009 and later amended to cover the patents-in-suit. *See* A358-59 (SAC ¶¶ 19-28).¹ Acacia, in turn, has assigned its rights in these patents to SmartPhone, its wholly owned subsidiary. *See* A358-59 (SAC ¶¶ 22, 27); A2. Acacia and SmartPhone were both aware of Huawei’s longstanding contractual relationship with Access when they acquired their rights at issue. *See* A359 (SAC ¶ 35).

B. The Exclusive Licensing Agreement

The ELA governs Acacia’s—and, as Acacia’s assignee, SmartPhone’s—rights in the patents-in-suit. Among other things, the contract purports to grant Acacia and SmartPhone [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹ These amendments are dated September 30, 2009, May 21, 2010, January 13, 2011, July 19, 2011, October 24, 2011, and March 19, 2012. *See* A358-59 (SAC ¶¶ 20-21, 23-26, 28); A546-50 (SAC Ex. G); A558-73 (SAC Exs. I, J, K, L); A581-82 (SAC Ex. N).

[REDACTED]

The last section of the ELA, entitled “Miscellaneous,” contains assorted boilerplate on how notices under the agreement shall be delivered, whether the agreement can be executed in counterparts, and similar matters. *See* A538-39 (ELA § 11). Among these stock provisions is a merger clause stating that “[t]his Agreement constitutes the entire understanding of the Parties with respect to its subject matter and may not be modified or amended, except in writing by the

Parties.” A538 (ELA § 11.3). That provision then goes on to state that “[n]othing in this Agreement, whether expressed or implied, shall be construed to give any person . . . any legal or equitable right, remedy or claim under or in respect of this Agreement . . . as a third party beneficiary or otherwise.” *Id.*

C. SmartPhone Sues Huawei in Texas

On April 3, 2012, SmartPhone sued Huawei in the Eastern District of Texas for infringement of the patents-in-suit—[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]]. *See SmartPhone Techs. LLC v. Huawei Techs. Co.*, No. 12-cv-00245 (E.D. Tex.). The Texas complaint alleged that Huawei had infringed the five patents-in-suit, for which SmartPhone was “the exclusive licensee.” Compl. ¶¶ 11, 17, 22, 27, 32, *SmartPhone*, No. 12-cv-00245 (E.D. Tex.). SmartPhone subsequently amended the Texas complaint to allege the infringement of three additional patents. *See* Second Am. Compl., *SmartPhone*, No. 12-cv-00245 (E.D. Tex.). Neither the original nor the amended pleadings in Texas allege or claim anything beyond Huawei’s purported patent infringement.

D. Huawei Sues Access, Acacia, and SmartPhone in California

On April 4, 2012—the day after SmartPhone filed suit in Texas—Huawei sued Access, Acacia, and SmartPhone in the Central District of California, commencing the action now before this Court. *See* A26-189. Huawei amended its complaint twice. First, on April 11, 2012, Huawei filed (as of right) the First Amended Complaint (“FAC”), which enhanced the venue allegations concerning SmartPhone (by adding the company’s registered address in the district) and also corrected a handful of typographical errors. *See, e.g.*, A191-92 (FAC ¶¶ 5, 8). The parties then stipulated to Huawei’s filing of the Second Amended Complaint, which principally added details on the ELA and also attached the agreement itself as a confidential exhibit.² The SAC—a detailed and comprehensive pleading containing 175 paragraphs and alleging 16 claims—remains the operative pleading in this action.

The first five claims seek declaratory judgments of non-infringement for the five patents-in-suit. *See* A360-63. Claims six through ten seek declaratory judgments of invalidity for the same patents. *See* A363-66.

The eleventh claim asserts Huawei’s rights as a third-party beneficiary of the ELA, and claims that SmartPhone’s Texas suit breaches the ELA’s bar [REDACTED]. *See* A366-67; A526 (ELA § 2.1).

² Defendants-Appellees provided Huawei with the ELA after the initial pleadings had been filed. *See* Stipulated Appl. To File Under Seal (Dkt. 21) at 2.

The complaint alleges that Acacia and SmartPhone knew of Huawei’s relationship with Access, *see* A359 (SAC ¶ 35), and that “Access and Acacia intended for Huawei, as a direct customer of Access, to benefit from” [REDACTED], A367 (SAC ¶ 128).

The complaint also addresses the generic disclaimer of third-party beneficiary rights in ELA § 11.3. Specifically, the complaint alleges that “[a]ny provisions of the [ELA] inconsistent with those specific rights contracted for the benefit of direct or indirect customers of Access”—such as § 11.3—“are either *unenforceable or modified* by virtue of those specific benefits afforded to such customers.” A367 (SAC ¶ 127).

The complaint’s twelfth through fifteenth claims seek to impose tort liability under California law, for interference with contractual and economic relations, and for unfair competition in violation of California Business & Professions Code §§ 17200, *et seq.* A368-72. And finally, the complaint’s sixteenth claim seeks a declaratory judgment that SmartPhone and Acacia are acting as corporate alter egos. A372-73.

E. The District Court Dismisses Huawei’s Complaint

On July 16, 2012, SmartPhone, Acacia, and Access each filed separate motions to dismiss Huawei’s complaint. *See* A21-22. On October 22, 2012, the district court granted the three motions. The court divided Huawei’s sixteen claims

into four categories—the non-infringement and invalidity claims (nos. 1-10), the third-party beneficiary claim (no. 11), the tort claims (nos. 12-15), and the *alter ego* claim (no. 16)—and dismissed each set of claims for different reasons. The district court’s analyses of the first two sets of claims were intertwined, however, as both turned on the court’s finding that Huawei could not, as a matter of law, be a third-party beneficiary of the ELA.

Specifically, the court held that Huawei’s third-party beneficiary allegations were inadequate. The court acknowledged that “contractual protection against enforcement actions would likely be considered a benefit by Access’[s] customers.” A10. But the district court ruled that the complaint insufficiently supported “the inference that Defendants [sic] were *intended* beneficiaries,” as any third-party beneficiary claim would require, because that inference rested “solely on the conclusory allegation” at SAC ¶ 128 that the ELA signatories intended Huawei to benefit. A10 (emphasis in original). The court viewed this allegation as a “bare-bones” allegation, which, in the court’s view, “[did] not satisfy [Huawei’s] pleading requirements.” *Id.* The court did not, however, consider Huawei’s allegations that Acacia knew of Huawei’s relationship as a customer of Access, *see* A359 (SAC ¶ 35), or that Access “provide[d] protections for its direct and indirect customers from third party lawsuits asserting patents owned by Access,” A360 (SAC ¶ 38).

Separate from the complaint’s specific allegations, the district court also considered the ELA itself, and ruled that the agreement “clearly expresses the contracting parties’ intention that the ELA not create any third-party beneficiaries.” A10. In the court’s view, the text of ELA § 11.3 by itself compelled this conclusion. But the court failed to even mention—much less analyze—Huawei’s contention that the specific benefits created for third parties by ELA § 2.1 trumped ELA § 11.3’s general preference against third-party beneficiaries. *See, e.g.*, A367 (SAC ¶ 127). As Huawei had argued to the court, this contention—that the specific contractual provision governs over a general one—is firmly rooted in California law. *See generally Prouty v. Gores Tech. Grp.*, 121 Cal. App. 4th 1225, 1235 (2004) (“[W]hen a general and a particular provision are inconsistent, the particular and specific provision is paramount to the general provision.”).

Having rejected that Huawei might plausibly be a third-party beneficiary of the ELA, the district court dismissed Huawei’s eleventh claim, which sought to recover directly under the contract. The district court also used this finding of no third-party-beneficiary rights in its rejection of Huawei’s first ten claims.

Specifically, as a matter of “federal comity,” the court declined to exercise jurisdiction over these ten claims under the first-to-file rule, (i) because SmartPhone’s Texas action had been filed a day earlier, (ii) because “three of the five parties are the same in both actions,” and (iii) because both actions concerned

“either the infringement or validity of the [same] patents.” A4, 6-7. The court conceded that the ELA’s forum-selection clause—[REDACTED]
[REDACTED]
[REDACTED]—would preempt the first-to-file rule if it applied. *See* A7. But the court was able to disregard the forum-selection clause by finding that Huawei had not adequately alleged that it was a third-party beneficiary. *See id.* The court additionally noted that Huawei was not “closely related [enough] to the contractual relationship” to enforce the forum-selection clause. *Id.* (quoting *Bancomer, S.A. v. Superior Court*, 44 Cal. App. 4th 1450, 1461 (1996)). Having dispensed with the forum-selection clause, the district court declined to hear Huawei’s first ten claims, given their overlap with the Texas action.³

As for Huawei’s four tort claims (nos. 12-15), which sought to recover for injuries caused by SmartPhone’s patent enforcement activities, the district court ruled that “filing and prosecuting a lawsuit is privileged activity under the *Noerr-Pennington* doctrine and is protected by California Civil Code Section 47(b).”

A12. Because Huawei’s complaint did “not identify any culpable act, other than filing a lawsuit,” the court dismissed these claims as well. *Id.*⁴

³ On November 2, 2012, Huawei filed a motion to transfer the Texas action to the Central District of California. That motion is still pending in the Texas court.

⁴ Huawei is not challenging this ruling on appeal.

Finally, the district court dismissed Huawei's claim seeking to declare Acacia and SmartPhone as alter egos. The court acknowledged that the parties disagreed over whether "declaratory judgment regarding alter ego status, in and of itself, is a cause of action." A13. But the court declined to resolve this dispute, ruling instead that "this claim" about the relationship between Acacia and SmartPhone "is properly brought in the Texas action" as a compulsory counterclaim, pursuant to Fed. R. Civ. P. 13(a). *Id.* The court reasoned simply that both Acacia and SmartPhone were subject to jurisdiction in Texas. *See id.* The district court did not address the fact that Acacia was not actually a party to the Texas action, or that the Texas action strictly concerned alleged patent infringement by Huawei. *See id.*

Having dismissed all of Huawei's claims, the district court finally denied Huawei leave to amend or to conduct jurisdictional discovery. The court found that Huawei "could not possibly cure the [complaint's] deficiencies," given "the grounds for dismissal and [Huawei's] failure to articulate what amendments [it] would make." A13. Similarly, the court found no "relevant factual deficiencies [in the complaint] that would be remedied by discovery." *Id.*

SUMMARY OF ARGUMENT

Three discrete legal errors taint the district court’s order of dismissal, and require it to be vacated.

First, the court wrongly discredited Huawei’s claim that it is a third-party beneficiary of the ELA. The complaint alleges (1) that Huawei is an Access customer, (2) that Access, in the ELA, [REDACTED], (3) that Acacia knew of Huawei’s commercial relationship with Access, and (4) that Access and Acacia intended Huawei to benefit from [REDACTED]. Nothing more was needed to make Huawei’s third-party beneficiary claim plausible.

The text of the ELA only confirms the claim’s validity—and, it follows, its “plausibility.” The ELA contains a general disclaimer of third-party rights (in § 11.3), [REDACTED]. Under well-settled California law, the specific provision overrides any general provision with which it might be inconsistent. *See, e.g., Prouty*, 121 Cal. App. 4th at 1235. In light of this principle, the ELA is at the very least ambiguous on third-party beneficiary rights—and Huawei’s ability to enforce the agreement thus cannot be definitively rejected on the pleadings. Indeed, California law is particularly reluctant to hold contracts unambiguous (as the district court did) without first considering extrinsic

evidence. If nothing else, the district court should have at least allowed preliminary, limited discovery on the ELA's meaning.

This undermines the district court's dismissal of Huawei's third-party beneficiary claim itself, as well as Huawei's ten claims concerning the patents-in-suit, whose dismissal was premised on the court's finding that Huawei had no third-party-beneficiary rights: The court dismissed the patent-related claims on first-to-file grounds, reasoning primarily that the ELA's forum-selection clause was inapplicable when Huawei could not be a third-party beneficiary. But because Huawei *has* properly alleged that it can enforce the ELA, the district court erred by casting aside the agreement's requirement that Huawei's patent claims be heard in California, not Texas.

Second, the district court wrongly held that Huawei's *alter ego* claim is a compulsory counterclaim in SmartPhone's Texas suit. Although the court barely analyzed the point, a finding that the claim is a compulsory counterclaim would have required a substantial factual overlap between the *alter ego* claim and SmartPhone's claims that Huawei has infringed certain patents. Yet these claims share virtually no common ground. The *alter ego* claim turns on the nature of SmartPhone's relationship with Acacia, which has nothing to do with whether Huawei's products improperly use software covered by the patents-in-suit.

Third, and finally, the district court at a minimum should have granted Huawei leave to amend the complaint. Leave may be denied at dismissal only when it is impossible to cure the complaint's deficiencies, or when the plaintiff has repeatedly failed to fix them. Neither circumstance is present here. The complaint's deficiencies (to the extent they even exist) can easily be filled, and Huawei has yet to have any opportunity to address them. Although the district court's dismissal was wrong on the merits, if nothing else, Huawei should at least be able to file an amended pleading.

STANDARDS OF REVIEW

1. This Court reviews a district court's decision to decline jurisdiction for an abuse of discretion. *See, e.g., Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 905 (Fed. Cir. 2008). This standard is a function of Federal Circuit law when a district court applies the first-to-file rule to abstain from "determin[ing] patent rights." *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993), *abrogated on other grounds by Wilton v. Seven Falls Co.*, 515 U.S. 277 (1995). But a district court abuses its discretion, by definition, when its decision rests on an error of law, *Harris Corp. v. Ericsson Inc.*, 417 F.3d 1241, 1248 (Fed. Cir. 2005), such as where the first-to-file decision is premised on an erroneous interpretation of a forum-selection agreement.

2. “The question of whether a Rule 12(b)(6) motion was properly granted,” for failure to state a claim, is “a purely procedural question not pertaining to patent law, to which this court applies the rule of the regional circuit”—here, the Ninth Circuit. *General Mills, Inc. v. Kraft Foods Global, Inc.*, 487 F.3d 1368, 1373 (Fed. Cir. 2007). The Ninth Circuit reviews such dismissals *de novo*. *Starr v. Baca*, 652 F.3d 1202, 1205 (9th Cir. 2011). “The facts in the complaint are accepted as true and are construed in the light most favorable to the plaintiff,” to determine whether the complaint “state[s] a claim to relief that is plausible on its face.” *Sheppard*, 694 F.3d at 1048 (quoting *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009)).

The Ninth Circuit has emphasized that this plausibility standard “does not require that a complaint contain ‘detailed factual allegations.’” *Id.* (quoting *Iqbal*, 556 U.S. at 678). Instead, the complaint’s factual content simply must be enough to “plausibly suggest an entitlement to relief.” *Starr*, 652 F.3d at 1216. “In many straightforward cases,” this will not require much. *Sheppard*, 694 F.3d at 1050 (quoting *Swanson v. Citibank, N.A.*, 614 F.3d 400, 404-05 (7th Cir. 2010)).

3. This Court reviews a “district court’s denial of discovery, an issue not unique to patent law, for abuse of discretion, applying the law of the regional circuit.” *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1021 (Fed. Cir. 2009). In the Ninth Circuit, applying California law, discovery is warranted

when it can show a contract’s meaning to be ambiguous. *See Skilstaf, Inc. v. CVS Caremark Corp.*, 669 F.3d 1005, 1017 (9th Cir. 2012).

4. Finally, this Court “review[s] an order granting or denying leave to amend under the pertinent regional circuit law.” *Creative Compounds, LLC v. Starmark Labs.*, 651 F.3d 1303, 1309 (Fed. Cir. 2011). In the Ninth Circuit, “[d]ismissal without leave to amend is improper unless it is clear, upon de novo review, that the complaint could not be saved by any amendment.” *Polich v. Burlington N., Inc.*, 942 F.2d 1467, 1472 (9th Cir. 1991).

ARGUMENT

I. THE COMPLAINT ADEQUATELY ALLEGES THAT HUAWEI IS A THIRD-PARTY BENEFICIARY OF THE EXCLUSIVE LICENSING AGREEMENT

The district court held that Huawei failed to state a claim as a third-party beneficiary of ELA § 2.1, [REDACTED]. The court reasoned that the complaint’s “bare-bones allegation does not satisfy [Huawei’s] pleading requirements,” and that ELA § 11.3 flatly precludes any third-party beneficiary claim. A10-11. Under the ELA’s choice-of-law provision, California law controls both issues on the merits. *See* A536 (ELA § 9.1). And with both, the district court committed reversible error.

A. The Complaint Plausibly States a Third-Party Beneficiary Claim

1. California Law Is Not Demanding of Such Claims

“California law permits third party beneficiaries to enforce the terms of a contract made for their benefit.” *Principal Mut. Life Ins. Co. v. Vars, Pave, McCord & Freedman*, 65 Cal. App. 4th 1469, 1485 (1998); *see also* Cal. Civil Code § 1559 (codifying rule). The test for whether such a claim can stand is straightforward. It simply must appear “from the terms of the contract” that the contracting parties “intended to confer a benefit on the third party.” *Spinks v. Equity Residential Briarwood Apartments*, 171 Cal. App. 4th 1004, 1022 (2009). “Ascertaining this intent is a question of ordinary contract interpretation.” *Hess v. Ford Motor Co.*, 27 Cal. 4th 516, 524 (2002).

Moreover, while “intent is pivotal,” “there is no requirement that *both* of the contracting parties must intend to benefit the third party.” *Spinks*, 171 Cal. App. 4th at 1023. Rather, “a third party will qualify as an intended beneficiary where the circumstances indicate that the promisee” *alone*—here, Access—intended to confer the relevant benefit. *Id.* The promising party—here, Acacia—need only “have *understood* that the promisee had such intent.” *Id.* “No specific manifestation by the promisor of an intent to benefit the third person is required.” *Schauer v. Mandarin Gems of Cal., Inc.*, 125 Cal. App. 4th 949, 958 (2005).

Nor must a third party “be named or identified individually” in the contract. *Soderberg v. McKinney*, 44 Cal. App. 4th 1760, 1774 (1996). Instead, the third party need only show that it “is a member of a class of persons for whose benefit [the promise] was made.” *Spinks*, 171 Cal. App. 4th at 1023 (internal quotation marks omitted).

2. The Complaint’s Allegations Show That Huawei May Plausibly Be Able to Recover as a Third-Party Beneficiary

Against this backdrop, it is plain that Huawei’s complaint “plausibly suggests an entitlement to relief” under ELA § 2.1. *Starr*, 652 F.3d at 1216. To recount, the complaint alleges:

1. That Huawei is a current and longstanding Access customer. *See* SAC ¶¶ 33-34; 124.
2. That Access protected its “customers from third party lawsuits asserting patents owned by Access.” SAC ¶ 38.
3. That Acacia and SmartPhone “knew of” Huawei’s relationship with Access. SAC ¶ 35.
4. That “Access and Acacia intended for Huawei . . . to benefit from” ELA § 2.1’s [REDACTED]. SAC ¶ 128.
5. That SmartPhone, as Acacia’s assignee, “is bound by” ELA § 2.1, and is additionally “acting as Acacia’s alter ego.” SAC ¶¶ 122, 126.
6. That SmartPhone’s Texas suit against Huawei violates ELA § 2.1. SAC ¶ 129.

These contentions, like the entirety of Huawei’s complaint, must be presumed true and construed “in the light most favorable to” Huawei. *Sheppard*, 694 F.3d at

1048. And together, these allegations show—in detail, directly, and plausibly—that Access and Acacia “intended to confer a benefit on” Huawei in ELA § 2.1, *Spinks*, 171 Cal. App. 4th at 1022, and that SmartPhone’s Texas suit has violated that contractual right. Nothing further is needed “to give fair notice” of the claim to Defendants-Appellants, so that they may “defend [themselves] effectively.” *Starr*, 652 F.3d at 1216.

When disagreeing, the district court reasoned that the crux of Huawei’s claim—namely, that Huawei is an *intended* beneficiary—rested “solely” on SAC ¶ 128’s “conclusory allegation” that ““Access and Acacia intended for Huawei . . . to benefit”” from the ELA. A10 (quoting SAC ¶ 128). To start, this “conclusory” allegation alleged, completely, the claim that Huawei was an intended beneficiary of the ELA; labeling it a “bare-bones allegation,” as the court did, minimizes the substance of the allegation. The Federal Rules require that allegations be *plausible*, not verbose. “[E]ven a ‘short and plain’ statement can state a claim for relief.” *Sheppard*, 694 F.3d at 1049 (quoting Fed. R. Civ. P. 8(a)(2)). Moreover, this allegation of intent was not the only one; the complaint amply fleshed out the allegation’s “bones.” Read in context, SAC ¶ 128—far from being some “bald assertion[],” *Matthews Int’l Corp. v. Biosafe Eng’g, LLC*, 695 F.3d 1322, 1332 n.5 (Fed. Cir. 2012)—“puts forward a ‘straightforward’” and ““entirely plausible scenario”” through which Huawei could enforce the ELA.

Sheppard, 694 F.3d at 1050 (quoting *Swanson*, 614 F.3d at 404-05). That is all the Rules demand.

Indeed, the district court was flat wrong to state that “*solely*” SAC ¶ 128 “support[s] the inference that” Huawei is an “intended beneficiar[y].” A10. Separate from SAC ¶ 128’s direct allegation of intent, the complaint also states that Acacia knew of Huawei’s customer relationship with Access, and that Access protected its customers from third-party lawsuits. *See* A359-60 (SAC ¶¶ 35-38). These allegations squarely support the *plausibility* of Huawei’s theory of intent, by explaining how and why Access and Acacia might have intended Huawei to benefit from the ELA. Yet instead of construing these facts in Huawei’s favor, the district court disregarded them entirely. As a result, the court’s dismissal of Huawei’s third-party beneficiary claim on the ground that it was “bare-bones” cannot withstand scrutiny.

Perhaps the district court doubted Huawei’s theory of liability. But “Rule 12(b)(6) does not countenance . . . dismissals based on a judge’s disbelief of a complaint’s factual allegations.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 556 (2007) (quoting *Neitzke v. Williams*, 490 U.S. 319, 327 (1989)). When presumed true, the complaint’s allegations plausibly state a third-party beneficiary claim under ELA § 2.1.

B. ELA § 11.3 Does Not Bar Huawei’s Third-Party Beneficiary Claim, and Certainly Not Unambiguously

To be sure, Huawei’s third-party beneficiary claim can proceed only to the extent it is consistent with the ELA itself. *See, e.g., Lazy Y Ranch Ltd. v. Behrens*, 546 F.3d 580, 588 (9th Cir. 2008). The district court erred, however, in holding that “the ELA clearly expresses the contracting parties’ intention that the ELA not create any third-party beneficiaries.” A10.

The court based this ruling on ELA § 11.3, which generally disclaims any third-party beneficiary rights under the agreement. *See* A538 (ELA § 11.3) (“Nothing in this Agreement, whether expressed or implied, shall be construed to give any person . . . any legal or equitable, right, remedy or claim under or in respect of this Agreement . . . as a third party beneficiary or otherwise.”). But the district court failed to even *consider* whether ELA § 2.1, [REDACTED], might override the agreement’s more general preclusion of third-party beneficiary rights.

Under California law, “when a general and a particular provision are inconsistent” in a contract, “the particular and specific provision is paramount to the general provision.” *Prouty*, 121 Cal. App. 4th at 1235. “So a particular intent will control a general one that is inconsistent with it.” Cal. Civ. Proc. Code § 1859; *accord Sullivan v. The Royal Exchange Assurance*, 181 Cal. App. 2d 644, 647 (1960). California courts apply this well-settled principle routinely, including

to recognize third-party beneficiary rights in contracts that (like the ELA) otherwise disavow such rights.

In *Prouty*, for example, the California Court of Appeal considered the interplay between, on the one hand, a contract provision stating (much like ELA § 11.3) that the agreement was “not intended to confer upon any Person other than the parties hereto . . . any rights or remedies,” and on the other, “the promises contained” in a separate provision that (like ELA § 2.1) “expressly benefit[ed]” certain third parties. 121 Cal. App. 4th at 1227 & n.1, 1233. The court held that the latter provision, by suggesting third-party beneficiary rights, was “an exception” to the more general disclaimer of such rights, “under well established principles of contract interpretation” giving priority to “the particular and specific provision” in such a conflict. *Id.* at 1235. The court also emphasized that “governing state policy” in California prefers “granting a remedy to those expressly benefited” in a contract (as Huawei seeks here). *Id.* (citing Cal. Civ. Proc. Code § 1859).

More generally, legions of California decisions recognize the rule that a specific contractual provision governs over a more general one. *See, e.g., Nat’l Ins. Underwriters v. Carter*, 17 Cal. 3d 380, 386 (1976) (“The specific language of the pilot exclusion clause [in an insurance policy] overrides the general coverage provisions of the insuring clause.”); *Ovitz v. Schulman*, 133 Cal. App. 4th 830, 855

(2005) (“To the extent there is any conflict on the subject of judicial review between this specific term [suggesting grounds for challenging arbitration award] and the more general provision that the arbitration would be governed by AAA rules, the specific provision controls.”); *McNeely v. Claremont Mgmt. Co.*, 210 Cal. App. 2d 749, 753 (1962) (applying this “well recognized rule” to an internally inconsistent real estate warranty); *Comunale v. Traders & Gen. Ins. Co.*, 116 Cal. App. 2d 198, 201 (1953) (“Particular expressions qualify those which are general.”); *Krikorian Premiere Theatres, LLC v. Westminster Ctr., LLC*, No. E041844, 2008 WL 1122225, at *11 (Cal. Ct. App. Apr. 11, 2008) (holding that narrow grant of termination rights “constituted a ‘carve-out,’ or an exception, to” lease’s broader ban on termination).

Well aware of the tension between ELA § 2.1 and ELA § 11.3, Huawei expressly pleaded this California rule in the complaint, when it alleged that any ELA provisions “inconsistent with those specific rights contracted for the benefit of direct or indirect customers of Access are either unenforceable or modified by virtue of those specific benefits afforded to such customers.” A367 (SAC ¶ 127). And Huawei repeated this argument when opposing the motions to dismiss below. *See, e.g.*, Plaintiffs’ Opp. to SmartPhone’s Mot. to Dismiss (Dkt. 51) at 14-15. The district court’s failure to address the point is inexplicable.

For if nothing else, this principle of California law renders the ELA at least “somewhat ambiguous” on third-party beneficiary rights—which means that the agreement’s meaning can be resolved only through extrinsic evidence. *WPP Lux. Gamma Three Sarl v. Spot Runner, Inc.*, 655 F.3d 1039, 1051 (9th Cir. 2011) (applying California law); *see also, e.g., Hervey v. Mercury Cas. Co.*, 185 Cal. App. 4th 954, 962 (2010) (“[W]hen the plaintiff alleges a meaning to the document that is reasonable in light of its terms, the court cannot grant a demurrer but must permit the admission of extrinsic evidence regarding the meaning of the document as intended by the parties.”). “As such,” the Ninth Circuit has stated, “resolution of the disputed meaning of [a] contract on a motion to dismiss is inappropriate.” *WPP Lux.*, 655 F.3d at 1051.

Indeed, California courts are particularly reluctant to construe contracts in isolation, with no extrinsic evidence. “[E]ven if a contract appears unambiguous on its face,” the California Supreme Court recently explained, “a latent ambiguity may be exposed by extrinsic evidence which reveals more than one possible meaning to which the language of the contract is yet reasonably susceptible.” *Dore v. Arnold Worldwide, Inc.*, 39 Cal. 4th 384, 391 (2006) (internal quotation marks omitted); *see also, e.g., Miller v. Glenn Miller Prods., Inc.*, 454 F.3d 975, 989-90 (9th Cir. 2006) (per curiam) (“California law recognizes that the words of a written instrument often lack a clear meaning apart from the context in which the

words were written.”). Thus, as long as a contract under California law is “reasonably susceptible” to more than one construction, it should not be interpreted definitively on the pleadings. *Skilstaf*, 669 F.3d at 1017-18. This is so even when one party’s reading might be “far more natural” than the other’s “strained and unnatural” view. *WPP Lux.*, 655 F.3d at 1051 & n.3.

Here, then, it is evident from the ELA’s text that, first, § 2.1 [REDACTED] [REDACTED] and, second, that § 11.3 suggests the contract may have no third-party beneficiaries as a general matter. *See* A526, 538. California law indicates that § 2.1 could create third-party beneficiary rights despite § 11.3, *see, e.g., Prouty*, 121 Cal. App. 4th at 1235; A367 (SAC ¶ 127), and the complaint plausibly alleges that Huawei indeed is a third-party beneficiary of § 2.1, *see supra* Part I.A. It is thus reasonable—“plausible,” in the words of *Iqbal*—that Huawei could be a third-party beneficiary, and the only question is whether Access and Acacia in fact *did* intend Huawei to have enforceable rights under the ELA. In such circumstances, Huawei’s contract claim cannot be dismissed on the pleadings. *See, e.g., Wyler Summit P’ship v. Turner Broad. Sys., Inc.*, 135 F.3d 658, 663 & n.10 (9th Cir. 1998) (holding that whether a “provision was included in the contract solely for [the plaintiff’s] benefit” will turn on “how and why [that] provision was included,” which cannot be resolved on a motion to

dismiss). By construing ELA § 11.3 against Huawei without even tackling that provision's interplay with § 2.1, the district court erred.

At the very least, the court should have allowed preliminary discovery of evidence on the ELA's formation and meaning. *See Skilstaf*, 669 F.3d at 1017-18 (indicating that such discovery should be allowed if it might demonstrate a contract's ambiguity). As noted, California law is loath to hold contracts unambiguous without such evidence, as the district court did here. As this Court has itself explained, a "district court's contract interpretation" under California law is "clearly premature" when "no discovery has been conducted"—even when the contract "may appear unambiguous on its face"—because of California's strong preference that extrinsic evidence be considered. *Powertech Tech. Inc. v. Tessera, Inc.*, 660 F.3d 1301, 1309 n.7 (Fed. Cir. 2011). Particularly when the ELA's text *supports* Huawei's position, Huawei should if nothing else have been allowed to develop an initial record on the issue before being thrown out of court. *See, e.g., Abbott Point of Care Inc. v. Epocal, Inc.*, 666 F.3d 1299, 1303-04 (Fed. Cir. 2012) (holding that court properly denied jurisdictional discovery on contracts' meaning only because "the agreements contain no ambiguity").⁵

⁵ When denying discovery, the district court remarked that Huawei had "not identif[ied] any relevant factual deficiencies that would be remedied by discovery." A13. But at the court's hearing on the motions to dismiss, Huawei explained—as California law makes clear—that discovery would be relevant to the ELA's meaning "on the issue of intent." A630 (Tr. at 16:22).

C. The District Court Improperly Discounted the ELA in Its First-to-File Analysis

The above errors also tainted the district court's first-to-file analysis. When deferring to the Texas action, the court acknowledged that the ELA's forum-selection clause could require it to hear Huawei's non-infringement and invalidity claims. *See* A7. As the court correctly explained, the first-to-file rule "is a principle of federal comity," yet comity is "not implicate[d] . . . at all" when there is a controlling forum-selection clause. A4, 7 (quoting *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984, 994 (9th Cir. 2006)). With such a clause, even if a party has first filed a similar suit elsewhere, the later suit in the contractually designated forum should proceed. *See, e.g., Universal Operations Risk Mgmt., LLC v. Global Rescue LLC*, No. C 11-5969 SBA, 2012 WL 2792444, at *5-6 (N.D. Cal. July 9, 2012) (collecting cases).

The district court misapplied the rule to the facts of this case, however, by holding that the forum-selection clause was no barrier to the first-to-file rule because "Plaintiffs have not adequately alleged that they are intended third-party beneficiaries, capable of enforcing the contract." A7. As discussed, that ruling is incorrect. *See supra* Parts I.A-B. Huawei *has* adequately alleged that it can enforce the ELA.

Moreover, Huawei's ability to enforce the ELA covers not just ELA § 2.1 but also the contract's forum-selection clause. Third-party beneficiaries are free to

enforce a forum-selection clause when that clause otherwise applies to the case at hand. *See, e.g., Fiduccia v. Princess Cruise Lines, Ltd.*, No. B188525, 2007 WL 2181888, at *9 (Cal. Ct. App. July 31, 2007). [REDACTED]

[REDACTED]

[REDACTED]

Huawei’s challenges to the patents’ validity and to SmartPhone’s infringement claims plainly [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

See Sessions Payroll Mgmt., Inc. v. Noble Constr. Co., 84 Cal. App. 4th 671, 680-81 (2000) (excluding third-party beneficiary from clause awarding attorney’s fees when “it becomes necessary for either party to enforce the provisions of this Agreement,” because clause referred to “either party,” not “any party”); *Knight v. Conroy*, No. E049034, 2010 WL 4621521, at *5 (Cal. Ct. App. Nov. 16, 2010) (allowing third-party beneficiary to seek attorney’s fees under clause awarding fees to “the prevailing party” in any “litigation involving the provisions of this agreement”). If Huawei can enforce ELA § 2.1, then Huawei can also enforce the ELA’s forum-selection clause.

Finally, the district court’s suggestion that Huawei might *also* need to be “closely related to the contractual relationship” in order “to enforce the forum selection clause” reflected a basic misunderstanding of California law. *See* A7 (citing *Bancomer*, 44 Cal. App. 4th at 1461). Instead of being an additional hurdle for third-party beneficiaries (as the district court seemingly thought), this “closely related” test—which requires “a defined and intertwining business relationship with a contracting party”—determines when parties who are *not* third-party beneficiaries can nonetheless enforce a forum-selection clause. *Bancomer*, 44 Cal. App. 4th at 1458-61 (holding, first, that “Bancomer has no standing as a third party beneficiary to enforce the forum selection clause,” and second, that “Bancomer is not entitled to enforce the forum selection clause on the ground the bank was closely related to the contractual relationship”); *see also, e.g., Berclain Am. Latina, S.A. v. Baan Co.*, 74 Cal. App. 4th 401, 407-08 (1999) (treating the issues as distinct). Put another way, a third-party beneficiary is *necessarily* “closely related to the contractual relationship,” and can enforce a forum-selection clause with no additional showing. *See Bancomer*, 44 Cal. App. 4th at 1461 (explaining that a party is “closely related” if “the contracting parties intended [it] to benefit . . . or . . . there was sufficient evidence of a defined and intertwining business relationship with a contracting party”). With Huawei having sufficiently alleged that it is a third-party beneficiary, the “closely related” test should have been

irrelevant. It was not an additional showing, beyond that of being a third-party beneficiary, that Huawei had to make.

Setting the ELA's forum-selection clause aside, the district court's mishandling of Huawei's third-party beneficiary allegations also affected the rest of its first-to-file analysis, in which the court concluded that Texas was a suitable and sufficiently convenient forum. *See* A7-9. When considering whether a Texas or California forum would be most convenient, the court placed "minimal" weight on "the [California] location where the ELA was signed," because Huawei had "failed to adequately allege" its status as a third-party beneficiary. A8. That judgment, like the court's decision to disregard the forum-selection clause, was the product of an error of law.

In sum: After correctly recognizing that the ELA could be dispositive in its first-to-file analysis, the district court wrongly ignored both the agreement's forum-selection clause and where the agreement was negotiated. These legal errors pervaded the court's decision to decline jurisdiction, rendering it an abuse of discretion. The judgment should be vacated.

II. HUAWEI'S *ALTER EGO* CLAIM IS NOT A COMPULSORY COUNTERCLAIM THAT MUST BE FILED IN TEXAS

The district court also erred by holding that Huawei's *alter ego* claim—seeking a declaratory judgment that SmartPhone and Acacia are alter egos—"is properly brought in the Texas action," as a compulsory counterclaim. A13. No

party argued this below in any detail, and for good reason: Huawei’s *alter ego* claim has *nothing to do* with whether Huawei has infringed the patents-in-suit. The claim falls well outside the bounds of the Texas action.

The Federal Rules define compulsory counterclaims as those claims that “the pleader has against an opposing party if the claim: (A) arises out of *the transaction or occurrence that is the subject matter of the opposing party’s claim*; and (B) does not require adding another party over whom the court cannot acquire jurisdiction.” Fed. R. Civ. P. 13(a)(1). If a counterclaim falls short of this standard, it is permissive instead of compulsory, and “may” but not “must” be brought in the action. Fed. R. Civ. P. 13(b).

Under this Court’s cases, whether a counterclaim is compulsory turns on “the extent of factual overlap between what the plaintiff must establish to prove its claim and what the defendant must establish to prove its counterclaim.” *Nasalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 1326 (Fed. Cir. 2008). Similarly, the Ninth Circuit classifies a counterclaim as compulsory when “the facts necessary to prove the two claims substantially overlap.” *Pochiro v. Prudential Ins. Co. of Am.*, 827 F.2d 1246, 1251 (9th Cir. 1987); *see also, e.g., In re Marshall*, 600 F.3d 1037, 1057 (9th Cir. 2010) (looking to whether “the operative facts underlying” the claims “are the same”). There is room for debate on which

circuit's authority should control here, but that should not matter, because the two standards are materially similar.

And regardless of which verbal formulation applies, Huawei's *alter ego* claim is not in any sense a compulsory counterclaim in the Texas action. To prevail on its infringement claims there, SmartPhone will need to prove, essentially, that the patents are not invalid, that they cover software used in Huawei's products, and that Huawei was not authorized (by license or otherwise) to do the acts alleged to infringe. *None* of these facts will bear upon whether SmartPhone and Acacia are alter egos. That unrelated question of corporate law will turn on whether there is "such unity of interest and ownership that the separate personalities of the corporation[s] . . . no longer exist," and whether disregarding the corporate form would avoid "an inequitable result." *McLaughlin v. L. Bloom Sons Co.*, 206 Cal. App. 2d 848, 851 (1962) (upholding declaratory judgment of alter ego status). Because proving the infringement claim would prove nothing for the *alter ego* claim, and vice-versa, the claims do not "substantially overlap" as Rule 13(a) requires. *Pochiro*, 827 F.2d at 1251.

Tellingly, the district court did not analyze the claims' overlap at all, and even omitted Rule 13's requirement that compulsory counterclaims must "arise[] out of the [same] transaction or occurrence" as the principal claims. *See* A13 (wrongly implying that a compulsory counterclaim is any counterclaim which "the

pleader has against an opposing party” (quoting Fed. R. Civ. P. 13(a))). The court simply noted that SmartPhone and Acacia were both subject to jurisdiction in Texas, and left it at that. Because Rule 13(a) requires far more, the court’s ruling that Huawei’s *alter ego* claim is a compulsory counterclaim in Texas should be reversed.

III. AT A MINIMUM, HUAWEI SHOULD HAVE BEEN GRANTED LEAVE TO AMEND THE COMPLAINT

Finally, even putting aside the legal errors discussed above, Huawei at the very least should have been granted leave to amend the complaint. Ninth Circuit law (which controls this question) allows “[d]ismissal without leave to amend” only when “it is clear, upon de novo review, that *the complaint could not have been saved by any amendment.*” *Polich*, 942 F.2d at 1472; *accord, e.g., Mueller v. Auker*, 700 F.3d 1180, 1191 (9th Cir. 2012); *Maya v. Centex Corp.*, 658 F.3d 1060, 1072 (9th Cir. 2011). This demanding standard was not met here.

Instead of discussing this issue in any detail, the court remarked simply that that it was “convinced” Huawei could not save the complaint, given “the grounds for dismissal and [Huawei’s] failure to articulate what amendments [it] would make.” A13. But the Ninth Circuit does not require that plaintiffs preview their amendments in order to receive leave. Rather, leave to amend may be denied only when “it is clear that Plaintiff” not “*has not,*” but “*could not propose an amended complaint that states a valid claim.*” *Simpson v. AOL Time Warner Inc.*, 452 F.3d

1040, 1054 (9th Cir. 2006), *vacated on other grounds*, 552 U.S. 1162 (2008).

Indeed, requiring plaintiffs to propose amendments while simultaneously opposing dismissal would make little sense, when it would still be unclear whether the old pleading was deficient, let alone where it was inadequate.⁶

In any event, the district court's analysis (or lack thereof) should not impact this Court's *de novo* review. Rather, this Court must consider only whether Huawei might "possibly cure the deficienc[ies]" of the complaint by alleging "other facts consistent with the challenged pleading." *Telesaurus VPC, LLC v. Power*, 623 F.3d 998, 1003 (9th Cir. 2010).

Huawei's claims regarding the patents-in-suit and its third-party beneficiary rights (nos. 1-11) could all be saved by amendment if deficient in this Court's view. As discussed above, the ELA is at the very least ambiguous on whether it confers enforceable rights [REDACTED]. Should this Court conclude that the complaint does not sufficiently allege that Huawei specifically can enforce

⁶ Moreover, the district court did not even give Huawei an opportunity to suggest any amendments. At the court's hearing on the motions to dismiss, Huawei argued that it "at a minimum would like an opportunity to amend the complaint to explicitly state the allegations that the court said were missing from the complaint, which—*with the evidence we already have, we can make.*" A630-31 (Tr. at 16:23-17:1). The court never asked what these amendments might be. *See* A631 (Tr. at 17:3) (responding "Okay. Understood."). *Cf. In re Vantive Corp. Secs. Litig.*, 283 F.3d 1079, 1098 & n.15 (9th Cir. 2002) ("*When given the opportunity, the plaintiffs declined to say what additional facts they might plead if given the chance to amend. Such a failure is a strong indication that the plaintiffs have no additional facts to plead.*").

the ELA, Huawei could easily allege more on the point. For example, Huawei can provide more details on its relationship with Access, how Acacia and SmartPhone were both aware of that relationship, and how it is reasonable to infer that Access and Acacia intended Huawei to benefit from the ELA. And these extra allegations would revive not only Huawei's third-party beneficiary claim but also its patent-related claims, given how the district court set aside the ELA during its first-to-file analysis.

In addition, should this Court conclude that Huawei's *alter ego* claim (no. 16) does indeed substantially overlap with SmartPhone's infringement claims pending in Texas, Huawei can add to its *alter ego* allegations to better clarify just how different the claims are.

Access, Acacia, and SmartPhone may respond that Huawei has already amended its complaint twice and should not be granted a third chance to do so. But the Ninth Circuit denies leave on such grounds only when the plaintiff has "had several opportunities to amend its complaint and *repeatedly failed to cure deficiencies.*" *Telesaurus*, 623 F.3d at 1003. Here, Huawei filed its two amended complaints before any of the complaint's alleged deficiencies were even *raised*, much less addressed by the district court. Far from having had "several opportunities . . . to cure deficiencies," *id.*, Huawei has had *no* opportunity to

address the deficiencies identified in the district court's order of dismissal. At a minimum, it should receive that opportunity now.

CONCLUSION

For the above reasons, the district court's judgment should be vacated, and the case should be remanded for further proceedings.

Dated: February 28, 2013

Respectfully submitted,

/s/ Gregory A. Castanias

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ADDENDUM

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

Present: The Honorable	ANDREW J. GUILFORD		
Lisa Bredahl	Not Present		
Deputy Clerk	Court Reporter / Recorder	Tape No.	
Attorneys Present for Plaintiffs:		Attorneys Present for Defendants:	

Proceedings: [IN CHAMBERS] ORDER GRANTING MOTIONS TO DISMISS

Plaintiffs Futurewei Technologies, Inc. (“Futurewei”) and Huawei Device USA (“Huawei”) (collectively, “Plaintiffs”) sued Defendants SmartPhone Technologies, LLC (“SmartPhone”), Acacia Research Corporation (“Acacia”), and Access Co. Ltd. (“Access”) (collectively, “Defendants”). In their Second Amended Complaint (“SAC”), Plaintiffs seek declaratory judgments of non-infringement and invalidity of several patents and assert several state law claims based on tortious interference and unfair competition.

Each Defendant now brings a Motion to Dismiss under, among other things, Rule 12(b)(6) for failure to state claims upon which relief can be granted and the first-to-file rule.

The Court GRANTS the Motions.

BACKGROUND

Access is the owner of the patents-in-suit (“Patents”). (SAC ¶ 18.) SmartPhone is the

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

current licensee of the Patents. (SmartPhone’s Motion to Dismiss at 3; SAC, Ex. F, Doc. 29-6 at 19; *Id.*, Ex. H, Doc. 29-7 at 24.) SmartPhone is a wholly-owned subsidiary of Acacia Research Group LLC, which was formerly known as Acacia Patent Acquisition LLC (“APAC”). (SmartPhone’s Motion to Dismiss at 3.) Acacia Research Group is, in turn, a wholly-owned subsidiary of Acacia. (*Id.*) Huawei and Futurewei are networking and telecommunications companies that market and sell mobile cellular handsets.

On July 31, 2009, Access and APAC signed an Exclusive License Agreement (“ELA”) licensing certain patents to APAC. (SAC, Ex. F, Doc. 29-6 at 19.) APAC then assigned its rights under the ELA to SmartPhone. (*Id.*, Ex. H, Doc. 29-7 at 24.) Due to this assignment, and multiple subsequent amendments, SmartPhone is the licensee of each of the Patents. (*Id.*, Ex. F-N.)

On April 3, 2012, Defendant SmartPhone filed an action in Texas that is still pending that alleges Plaintiffs infringed the Patents. (SmartPhone’s Motion to Dismiss at 3; Defendants’ Amended Request for Judicial Notice at Ex. A, B.) The following day, Plaintiffs filed the present suit. Plaintiffs allege sixteen claims in their Second Amended Complaint (“SAC”) numbered as follows: (1) through (5) Declaratory Judgment of Non-Infringement of the Patents; (6) through (10) Declaratory Judgment of Invalidity of the Patents; (11) Enforcement of Rights as a Third-Party Beneficiary; (12) Intentional Interference with Contractual Relations; (13) Intentional Interference with Past and Prospective Economic Relations; (14) Negligent Interference with Past and Prospective Economic Relations; (15) Unfair Competition in Violation of California Business & Professions Code §§ 17200, et seq.; and (16) Alter Ego Liability.

PRELIMINARY MATTERS

Both Plaintiffs and Defendants have filed Requests for Judicial Notice.

The Court may consider three kinds of documents when ruling on a motion to dismiss. First, the Court may consider documents attached to the Complaint. *See Fed R. Civ. P.*

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

10(c) (“A copy of a written instrument that is an exhibit to a pleading is a part of the pleading for all purposes.”); *see also U.S. v. Ritchie*, 342 F.3d 903, 907–08 (9th Cir. 2003) (court may consider documents attached to the complaint). Therefore, the Court may consider the ELA because it was attached to Plaintiff’s Complaint. (SAC, Exhibit F, Doc. 29-6 at 19.)

Second, the Court may consider documents “whose contents are alleged in a complaint and whose authenticity no party questions, but which are not physically attached to the pleading.” *Branch v. Tunnell*, 14 F.3d 449, 454 (9th Cir. 1994) (overruled on other grounds by *Galbraith v. Cnty. of Santa Clara*, 307 F.3d 1119 (9th Cir. 2002)).

Third, the Court may consider documents that are appropriate for judicial notice under Federal Rule of Evidence 201(b). “The court may judicially notice a fact that is not subject to reasonable dispute because it: (1) is generally known within the trial court’s territorial jurisdiction; or (2) can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned.” Fed. R. Evid. 201(b). Specifically, courts may take judicial notice of pleadings and court orders that are matters of public record. *See MGIC Indem. Corp. v. Weisman*, 803 F.2d 500, 504 (9th Cir. 1986). Courts may take judicial notice of “*undisputed* matters of public record,” but generally may not take judicial notice of “*disputed* facts stated in public records.” *Lee v. City of Los Angeles*, 250 F.3d 668, 690 (9th Cir. 2001) (emphasis in original).

Defendants request that the Court take judicial notice of various pleadings, such as the complaint, on file in the Texas case. (Amended Request for Judicial Notice in Support of Defendants’ Motions, Dkt. No. 50.) These documents and their contents are “not subject to reasonable dispute [and are] capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned.” Fed. R. Evid. 201(b)(2). The Court GRANTS Defendants’ Amended Request for Judicial Notice.

A Request for Judicial Notice was also filed by Plaintiffs. (Request for Judicial Notice in Support of Plaintiffs’ Opposition, Dkt. No. 54.) As with Defendants’ Amended Request

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

for Judicial Notice, the Court will take judicial notice of pleadings on file in other districts, specifically Exhibit F. The Court will also take judicial notice of Exhibit C, a Business Organizations Inquiry from the Texas Secretary of State. *L'Garde, Inc. v. Raytheon Space & Airborne Sys.*, 805 F. Supp. 2d 932 (C.D. Cal. 2011) (taking judicial notice of a records search from a government website). The Court DENIES Plaintiffs' remaining requests to take judicial notice of facts in various non-governmental websites.

LEGAL STANDARD

1. The "First-to-File" or "First-Filed" Rule

The first-to-file rule is a principle of federal comity that permits a district court to decline jurisdiction when a complaint involving substantially similar parties and issues has already been filed in another district. *See e.g., Alltrade, Inc., v. Uniweld Prods., Inc.*, 946 F.2d 622, 625 (9th Cir. 1991). "The [first-to-file] doctrine is designed to avoid placing an unnecessary burden on the federal judiciary, and to avoid the embarrassment of conflicting judgments." *Church of Scientology of Cal. v. United States Dep't of the Army*, 611 F.2d 738, 750 (9th Cir. 1980).

Case law of the Federal Circuit governs the first-to-file rule in patent cases. Under Federal Circuit law "the forum of the first-filed case is favored, unless considerations of judicial and litigant economy, and the just and effective disposition of disputes, requires otherwise." *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993); *see also Kerotest Manufacturing Co. v. C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952). Although a court may decline to follow the first-to-file rule, "[t]here must, however, be sound reason that would make it unjust or inefficient to continue the first-filed action." *Genentech, Inc.*, 998 F.2d at 938. "Such reason may be the convenience and availability of witnesses, or absence of jurisdiction over all necessary or desirable parties, or the possibility of consolidation with related litigation, or considerations relating to the real party in interest." *Id.* (citations omitted).

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

Similar principles guide the application of the first-to-file rule in the Ninth Circuit. In the Ninth Circuit deference should be accorded a first-filed action where the parties are substantially similar, and the subject matter and issues are substantially similar, if not identical. *E.g.*, *Alltrade*, 946 F.2d at 623. The Ninth Circuit has adopted a “flexible approach in evaluating the similarity of the parties and issues.” *PETA, Inc. v. Beyond the Frame, Ltd.*, No 10-07576, 2011 WL 686158, at *2 (C.D. Cal. Feb. 16, 2011). The general rule that the first-filed case is favored over the second-filed action may be even stronger where the second-filed action is a declaratory judgment. *See Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 495 (1942); *Z-Line Designs, Inc. v. Bell’O Int’l, LLC*, 218 F.R.D. 663, 665 (N.D. Cal. 2003) (“[t]he Declaratory Judgment Act is not to be invoked to deprive a plaintiff of his conventional choice of forum.”) (citations and quotations omitted).

2. Rule 12(b)(6)

A court should dismiss a complaint when its allegations fail to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). A complaint need only include “a short and plain statement of the claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2). “[D]etailed factual allegations’ are not required.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (citing *Bell Atl. Corp. v. Twombly*, 550 U.S. 554, 555 (2007) (stating that “a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations”). The Court must accept as true all factual allegations in the complaint and must draw all reasonable inferences from those allegations, construing the complaint in the light most favorable to the plaintiff. *Pollard v. Geo Group, Inc.*, 607 F.3d 583, 585 n.3 (9th Cir. 2010).

But the complaint must allege “sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Iqbal*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 570). “A claim has facial plausibility when the pleaded factual content allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.”

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

Id. (citing *Twombly*, 550 U.S. at 556). A court should not accept “threadbare recitals of a cause of action’s elements, supported by mere conclusory statements,” *id.*, or “allegations that are merely conclusory, unwarranted deductions of fact, or unreasonable inferences.” *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001). The Ninth Circuit addressed post-*Iqbal* pleading standards in *Starr v. Baca*, 652 F.3d 1202, 1204 (9th Cir. 2011). The *Starr* court held that allegations “must contain sufficient allegations of underlying facts to give fair notice and to enable the opposing party to defend itself effectively . . . [and] plausibly suggest an entitlement to relief, such that it is not unfair to require the opposing party to be subjected to the expense of discovery and continued litigation.” *Id.* at 1216; *see also Balderas v. Countrywide Bank, N.A.*, 664 F.3d 787, 790-91 (9th Cir. 2011) (“Complaints need only allege facts with sufficient specificity to notify defendants of plaintiffs’ claims” and “support a theory that is not facially implausible[.]”).

If the Court decides to dismiss a complaint, it must also decide whether to grant leave to amend. “A district court may deny a plaintiff leave to amend if it determines that allegation of other facts consistent with the challenged pleading could not possibly cure the deficiency . . . or if the plaintiff had several opportunities to amend its complaint and repeatedly failed to cure deficiencies.” *Telesaurus VPC, LLC v. Power*, 623 F.3d 998, 1003 (9th Cir. 2010). A claim may be dismissed with prejudice if “amendment would be futile.” *Swartz v. KPMG LLP*, 476 F.3d 756, 761 (9th Cir. 2007) (citing *Albrecht v. Lund*, 845 F.2d 193, 197 (9th Cir. 1988)).

ANALYSIS

The Court now reviews Defendants’ attacks upon different categories of Plaintiffs’ claims.

1. Patent Invalidity and Non-Infringement Claims

Here, three of the five parties are the same in both actions and the subject matter in the

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

second case is either the infringement or validity of the patents asserted in the first action or the fact that SmartPhone attempted to assert those patents against Plaintiffs in Texas. (*See SAC passim.*) Despite the similarity between the cases, Plaintiffs argue that the Court should exercise its discretion and decline to follow the first-to-file rule for several reasons.

First, Plaintiffs argue that a forum selection clause in the ELA trumps the first-to-file rule. (Plaintiffs' Opposition to SmartPhone's Motion to Dismiss ("Opp.") at 6.) "[W]here private parties have previously agreed to litigate their disputes in a certain forum, one party's filing first in a different forum would not implicate comity at all." *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984, 994 (9th Cir. 2006); *see also Universal Operations Risk Mgmt., LLC v. Global Rescue LLC*, C 11-5969 SBA, 2012 WL 2792444 at *5-6 (N.D. Cal. July 9, 2012) ("[I]t is improper for a party to invoke the first-to-file rule where the parties have entered into a contract containing a forum selection clause.") (collecting cases). But "[a] third party should not be permitted to enforce covenants made not for his benefit, but rather for others." *Murphy v. Allstate Ins. Co.*, 17 Cal 3d 937, 944 (1976). Plaintiffs are not parties to the ELA, and, as determined below, Plaintiffs have not adequately alleged that they are intended third-party beneficiaries, capable of enforcing the contract. For a third party to have standing to enforce a forum selection clause, the third party must "demonstrate that it was 'so closely related to the contractual relationship' that it is entitled to enforce the forum selection clause." *Bancomer, S.A. v. Superior Court*, 44 Cal. App. 4th 1450, 1461 (1996) (holding that an incidental beneficiary to a contract has no standing to enforce the contract's forum selection clause). Therefore, the ELA's forum selection clause does not provide a basis for declining to follow the first-to-file rule.

Second, Plaintiffs argue that Texas is not a suitable forum for a single action. (Opp. at 8.) Plaintiffs note that Access and Acacia are not parties in the first-filed action and that Access has not consented to the jurisdiction of the Texas courts. But the Court finds this argument unpersuasive for three reasons.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

The first reason is that the applicable standard is whether the cases have substantially similar parties, not identical parties. *Micron Tech*, 518 F.3d at 903. Otherwise, plaintiffs could easily avoid the first-to-file rule by simply adding additional parties, whether or not there were meritorious claims against those parties. *Id.* Here, the core participants, the party asserting the patents at issue and the alleged infringers, are common to both actions.

The second reason is that the Texas Court is currently determining whether Access is a necessary party. If Access is deemed to be an unnecessary party, Plaintiffs' argument that Texas is not a suitable forum is undermined. If, on the other hand, Access is deemed a necessary party, SmartPhone asserts that Access, under the terms of the ELA, will consent to personal jurisdiction in Texas. (SmartPhone's Reply at 6.) Even if Access does not consent to jurisdiction after being found to be a necessary party, the Texas court has the ability to dismiss that action for lack of an indispensable party. Fed. R. Civ. P. 19(b). Such dismissal would remove the first-to-file rule as a barrier to bringing a California action.

The third reason is that Plaintiffs' ability to move to transfer the action from Texas to California lessens the Court's concern that Plaintiffs will be stuck in a forum without adequate jurisdiction.

Finally, Plaintiffs assert that California is the most convenient forum, and is the forum that best serves the interests of justice. To support this contention Plaintiffs claim that the ELA was negotiated in California; that discovery would involve former employees of Palm, Inc., that may still live in Northern California; that some of the inventors live in California or "just north of California"; and that the patent prosecutors are in California. (Opp. at 11.) But the Court does not find these convenience factors compelling enough to override the first-to-file rule. As Plaintiffs have failed to adequately allege that they are intended third-party beneficiaries of the ELA, the relevance of the location where the ELA was signed is minimal. Further, the locations of the possible witnesses are either too speculative or not even in the allegedly more convenient district. Finally, these factors are offset by Plaintiffs' allegations that SmartPhone is a Texas company, Huawei and

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

Futuerwei are Texas Corporations, and Huawei has its principal place of business in Texas. (SAC ¶¶ 1-2, 5.) The Court finds that to the extent that any convenience factors favor California, they do not overcome the first-to-file rule.

Additionally, if Plaintiffs believe that California presents a more convenient forum, they may file a motion to transfer the Texas action. Plaintiffs have in fact stated their intention to do so if the Texas case is not dismissed. (Opp. at 12 n.2.) A motion for transfer would allow a court to weigh the convenience of the parties and address Plaintiffs' concerns without the duplication of effort, waste of judicial resources, and risk of inconsistent rulings that would accompany parallel litigation if convenience factors overruled the first-to-file rule. The Court believes that the appropriate mechanism to deal with an inconvenient forum in this case is a transfer, and not the filing of a second, duplicative case in an allegedly more convenient forum.

The Court finds that both actions involve substantially similar parties and subject matter and that Plaintiffs have failed to present any compelling reason that the first-to-file rule should not apply. The Court finds that the first-to-file rule bars, at a minimum, Claims 1 through 10.

Having found that the first-to-file rule applies, the Court must determine whether to dismiss, transfer, or stay the second-filed action. *E.g. Ruckus Wireless, Inc. v. Harris Corp.*, 2012 WL 588792, at *5 (N.D. Cal., Feb. 22, 2012). Because the Court finds no benefit in transferring or staying the patent claims, the Court dismisses those claims.

2. Enforcement of Rights as a Third-Party Beneficiary and Claim 11

Defendants argue that they are intended third-party beneficiaries of the ELA and are thus able to enforce provisions of the ELA. Defendants argue that Access and Acacia intended Huawei, as a customer of Access, to benefit from the ELA. (Opp. at 13.) To support this assertion, Defendants rely on Section 2.1 of the ELA which states, in part, "[s]ubject to the terms of this Agreement, [SmartPhone] shall not pursue the licensing of

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

the Patents with [Access's] direct or indirect customers and end-users and will not institute enforcement actions against such customers of [Access] and end-users, in connection with [Access's] products or services.” (SAC, Ex. F, Doc 29-6 at 23.) Although such contractual protection against enforcement actions would likely be considered a benefit by Access' customers, the mere existence of a benefit to a third party does not make that third party an intended beneficiary. The issue is whether “the parties intended to benefit the third party and the terms of the contract make that intent evident.” *Balsam v. Tucows Inc.*, 627 F.3d 1158, 1161 (9th Cir. 2010).

To support the inference that Defendants were *intended* beneficiaries, Defendants rely solely on the conclusory allegation that “[u]pon information and belief, Access and Acacia intended for Huawei, as a direct customer of Access, to benefit from the Exclusive License Agreement and amendments thereto since Acacia was not permitted to pursue licensing of the Patents (including the patents-in-suit) against Access' direct or indirect customers.” (SAC ¶ 128.)

But such a bare-bones allegation does not satisfy Plaintiffs' pleading requirements. Further, “[t]he Court need not . . . accept as true allegations that contradict matters properly subject to judicial notice or by exhibit.” *Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001) (citations omitted). “It is a well-settled rule that when written instrument contradicts allegations in the complaint to which it is attached, the exhibit trumps the allegations.” *Northern Ind. Gun & Outdoor Shows, Inc. v. City of South Bend*, 163 F.3d 449, 454 (7th Cir. 1999) (citations omitted).

The ELA explicitly states that “[n]othing in this Agreement, whether expressed or implied, shall be construed to give any person (other than the Parties and their respective permitted successor and assigns), any legal or equitable right, remedy or claim . . . as a third party beneficiary or otherwise.” Thus, the language of the ELA clearly expresses the contracting parties' intention that the ELA not create any third-party beneficiaries.

The Court finds that Plaintiffs have failed to allege that they are intended third-party

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

beneficiaries. Thus, they have failed to state a claim. The Court dismisses Claim 11.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

3. Tortious Interference and Unfair Competition Claims

Plaintiffs' Claims 12 through 15 allege state law claims arising from the injury to Plaintiffs due to SmartPhone's pursuit of an enforcement action in Texas. Plaintiffs appear not to dispute that filing and prosecuting a lawsuit is privileged activity under the *Noerr-Pennington* doctrine and is protected by California Civil Code Section 47(b). Instead, Plaintiffs argue that these litigation-related privileges are inapplicable to their tortious interference and unfair competition claims. (Opp. at 3, 16.) They assert that "the gravamen of [Plaintiffs'] pleading is SmartPhone's unlawful, wrongful and unfair breach of its promise." (Opp. at 16.) But here the alleged promise is to not pursue litigation. Plaintiffs cannot side step the protection afforded litigation by artfully pleading that it was the breach of a promise not to sue, and not the filing of lawsuits that constituted the culpable conduct. (Opp. at 3.) Indeed, Plaintiffs do not identify any culpable act, other than filing a lawsuit, that constitutes a breach of contract or unfair competition. (*See SAC passim.*)

Plaintiffs' position is further weakened because Plaintiffs have failed to properly allege that they are intended beneficiaries of the allegedly broken promise. The Court is hesitant to consider conduct wrongful when the parties capable of enforcing the relevant contract have not indicated that they also consider the conduct wrongful.

The Court finds that Plaintiffs have failed to allege that the Texas action is not privileged activity and thus have failed to state claims upon which relief can be granted. The Court dismisses Claims 12 through 15.

The Court also notes that because the complained-of activity relates only to SmartPhone's activities, Plaintiffs could pursue these claims in the Texas action where SmartPhone is already a party.

4. Whether Declaratory Judgment of Alter Ego Status States a Cause of Action

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

Defendants and Plaintiffs contest whether declaratory judgment regarding alter ego status, in and of itself, is a cause of action. Regardless, the Court finds that this claim is properly brought in the Texas action. Federal Rule of Procedure 13(a) requires that “a pleading must state as a counterclaim any claim that—at the time of its service—the pleader has against an opposing party” Fed. R. Civ. P. 13(a). Plaintiffs’ rationale that Rule 13 does not apply because the Texas court does not have jurisdiction over Access is inapplicable to this claim, which involves only SmartPhone and Acacia. Therefore, the Court dismisses Claim 16.

5. Whether Plaintiffs Should be Granted Leave to Amend or to Conduct Jurisdictional Discovery

The Court now considers whether Plaintiffs are entitled to jurisdictional discovery, leave to amend, or both. Although Plaintiffs request jurisdictional discovery, they do not identify any relevant factual deficiencies that would be remedied by discovery. In their Opposition to SmartPhone’s Motion to Dismiss, Plaintiffs merely assert that “any factual deficiencies can be addressed by jurisdictional discovery.” (Opp. at 20.) Plaintiffs are slightly more specific in their Opposition to Acacia’s Motion to Dismiss where they assert that discovery is appropriate “to determine the correct Acacia entity that is party to the declaration of rights requested by [Plaintiffs].” (Opposition to Acacia’s Motion to Dismiss at 12.) But such jurisdictional discovery would not affect the Court’s reasoning regarding the first-to-file rule or Plaintiffs’ failure to state a claim, and would thus be futile. The Court DENIES Plaintiffs’ request for jurisdictional discovery.

Plaintiffs also request leave to amend, if the Court should dismiss their claims. (Opp. at 20.) But Plaintiffs support this request with only the broad statement that “[w]ith leave to amend, further detail can be supplied, and refinements made to the pleadings.” *Id.* In light of the grounds for dismissal and Plaintiffs failure to articulate what amendments they would make, the Court is convinced that Plaintiffs “could not possibly cure the deficienc[ies]” with a third amended complaint. *See Telesaurus*, 623 F.3d at 1003 (quotation omitted). The Court DENIES Plaintiffs leave to amend their complaint.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 12-0511 AG (JPRx)	Date	October 22, 2012
Title	FUTUREWEI TECHNOLOGIES, INC. et al. v. ACACIA RESEARCH CORPORATION et al.		

Finally, the Court notes that any prejudice suffered by Plaintiffs by being denied jurisdictional discovery and a third chance to amend their complaint is minimal because their grievances can be adequately addressed in the Texas action.

6. Conclusion

Having dismissed all of Plaintiffs' claims on grounds applicable to all Defendants, the Court need not address arguments specific to each Defendant.

DISPOSITION

The Court GRANTS Defendants' Motions to Dismiss all claims. Claims 1 through 10 are dismissed under the first-to-file rule. Claims 11 through 16 are dismissed for failure to state a claim. The Court DENIES Plaintiffs' requests for jurisdictional discovery and leave to amend. Accordingly, the scheduling conference is taken off calendar. Finally, after review, the Court finds that there has not been a sufficient showing to justify any redacting of this Order.

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CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies that, in accordance with Federal Circuit Rule 25 and the Court's Administrative Order Regarding Electronic Case Filing, two bound copies of the foregoing CORRECTED NONCONFIDENTIAL BRIEF OF PLAINTIFF-APPELLANT were served on March 8, 2013, by overnight mail through a third-party carrier upon the following principal counsel for Defendants-Appellees:

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CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B), because it contains 9,006 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).

2. This brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6), because it has been prepared in a proportionally spaced typeface using Microsoft Word 2007 in Times New Roman 14 point font.

Dated: March 8, 2013

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