IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MICROSOFT CORPORATION,

Plaintiff,

v.

SYNKLOUD TECHNOLOGIES, LLC,

Defendant.

Civil Action No. 20-0007-RGA

MEMORANDUM OPINION

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September 8, 2020

/s/ Richard G. Andrews
ANDREWS, UNITED STATES DISTRICT JUDGE:

Before me is Defendant Synkloud's motion to dismiss "[p]ursuant to Federal Rules of Civil Procedure 12(b)(1), 12(h)(3), Lack of Standing and 12(b)(6)." (D.I. 8). I have reviewed the parties' briefing. (D.I. 9, 24, 28). For the reasons that follow, I will grant-in-part and deny-in-part SynKloud's motion.

I. BACKGROUND

Plaintiff Microsoft filed its Complaint on January 3, 2020, seeking declaratory judgment of non-infringement of eleven patents: U.S. Patent Nos. 9,098,526 ("the '526 patent"), 10,015,254 ("the '254 patent"), 8,606,880 ("the '6880 patent"), 8,856,195 ("the '195 patent"), 8,868,690 ("the '690 patent"), 9,219,780 ("the '780 patent"), 9,239,686 ("the '686 patent"), 7,870,225 ("the '225 patent"), 7,792,923 ("the '923 patent"), 7,849,153 ("the '153 patent"), and 7,457,880 ("the '7880 patent")[1] (collectively, the Asserted Patents). (D.I. 1).

SynKloud moves to dismiss the Complaint for lack of subject matter jurisdiction and standing,[2] and for failure to state a claim. (D.I. 8).

II. LEGAL STANDARDS

A. Subject Matter Jurisdiction

Federal Rule of Civil Procedure 12(b)(1) allows for dismissal where the court lacks subject matter jurisdiction over an action. "A motion to dismiss for want of standing is [] properly brought pursuant to Rule 12(b)(1), because standing is a jurisdictional matter."

[1] Microsoft concedes that after jurisdictional discovery (*see* D.I. 22, 23), it has no basis to continue with the '7880 patent. (D.I. 24 at 18).
[2] A party has standing to bring an action under the Declaratory Judgment Act if an "actual controversy" exists, which is the same as an Article III case or controversy. *MedImmune*, 549 U.S. at 127. Thus, a separate "standing" inquiry has no independent effect on the analysis under the facts of this case.

Ballentine v. U.S., 486 F.3d 806, 810 (3d Cir. 2007). Motions brought under Rule 12(b)(1) may raise either a facial or factual challenge to the court's jurisdiction. "In reviewing a facial attack, the court must only consider the allegations of the complaint and documents referenced therein and attached thereto, in the light most favorable to the plaintiff." *Gould Elecs. Inc. v. United States*, 220 F.3d 169, 176 (3d Cir. 2000). Factual attacks allow the court to delve beyond the pleadings to determine if the evidence supports the court's subject matter jurisdiction. *Mortenson v. First Fed. Sav. & Loan Ass'n*, 549 F.2d 884, 891 (3d Cir. 1997). The party asserting subject matter jurisdiction bears "the burden of proof that jurisdiction does in fact exist." *Id.* Pursuant to Fed. R. Civ. P. 12(h)(3), a court must dismiss a complaint if "it determines that it lacks subject matter jurisdiction."

The Supreme Court has held that a "case or controversy" exists when "the facts alleged, under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007). "The dispute must be 'definite and concrete, touching the legal relations of parties having adverse legal interests . . . .'" *Arris Grp., Inc. v. British Telecomm. PLC*, 639 F.3d 1368, 1373 (Fed. Cir. 2011). A "subjective or speculative fear of future harm" does not suffice. *Prasco, LLC v. Medicis Pharm. Corp.*, 537 F.3d 1329, 1335 (Fed. Cir. 2008).

B. Failure to State a Claim

Rule 12(b)(6) permits a party to seek dismissal of a complaint for failure to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). A complaint must contain "a short and plain statement of the claim showing that the pleader is entitled to relief, in order to give the defendant fair notice of what the . . . claim is and the grounds upon which it rests." *Bell Atl. Corp.*

v. Twombly, 550 U.S. 544, 545 (2007). When considering a Rule 12(b)(6) motion to dismiss, the court must accept as true all factual allegations in the complaint and view them in the light most favorable to the plaintiff. *Umland v. Planco Fin. Servs.*, 542 F.3d 59, 64 (3d Cir. 2008). Dismissal under Rule 12(b)(6) is only appropriate if the complaint does not contain "sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp*, 550 U.S. at 570); *see also Fowler v. UPMC Shadyside*, 578 F.3d 203, 210 (3d Cir. 2009).

III. DISCUSSION

A. Subject Matter Jurisdiction

SynKloud argues that this Court lacks subject matter jurisdiction over this case because Microsoft has not alleged any affirmative acts against it by SynKloud, Microsoft has not alleged any indemnity obligation to its customer – HP – that Synkloud has sued, Microsoft's references to Adobe and Dropbox litigations unrelated to Microsoft's products should be disregarded, and Microsoft has not alleged a dispute based on any infringement liability since it has asserted patents here not asserted by SynKloud against HP, Adobe, or Dropbox. (D.I. 9 at 6-10).

In declaratory judgment actions, the plaintiff must show that "a case of actual controversy" exists to establish subject matter jurisdiction sufficient to maintain an action in federal court. 28 U.S.C. § 2201(a). "[T]he question in each case is whether the facts alleged, under all the circumstances show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *MedImmune*, 549 U.S. at 127. In an action for a declaratory judgment of non-infringement or invalidity of a patent, the plaintiff must show "(1) an affirmative act by the patentee related to the enforcement of his patent rights and (2) meaningful preparation to conduct

potentially infringing activity." *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303, 1318 (Fed. Cir. 2012). The patentee's affirmative acts must be directed at the "specific plaintiffs" seeking a declaratory judgment. *Id.* at 1323.

The "immediacy and reality" inquiry can be viewed through the lens of standing. *Prasco*, 537 F.3d at 1338. To establish standing, the plaintiff must allege (1) an injury-in-fact, i.e., a harm that is "concrete and actual or imminent, not conjectural or hypothetical," (2) that is "fairly traceable" to the defendant's conduct, and (3) redressable by a favorable decision. *Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, 527 F.3d 1278, 1291 (Fed. Cir. 2008). Absent an injury-in-fact fairly traceable to the patentee, there can be no immediate and real controversy. *Prasco*, 537 F.3d at 1338.

Jurisdiction will not arise merely on the basis that a party perceives that a patent poses a risk of infringement. *Id.* ("The mere existence of a potentially adverse patent does not cause an injury nor create an imminent risk of an injury; absent action by the patentee, 'a potential competitor . . . is legally free to market its product in the face of adversely-held patent.'"). Rather, when deciding jurisdiction and standing questions in such actions, the Federal Circuit looks at a variety of factors, including the presence of any accusations of infringement or threats of suit, *see, e.g.*, *id.* at 1340 ("the defendants have not accused Prasco of infringement . . . [t]he lack of any evidence that defendants believe or plan to assert that plaintiff's product infringes their patents creates a high barrier to proving that Prasco faces an imminent risk of injury"), demands for royalty payments or a licensing agreement, s*ee, e.g.*, *MedImmune*, 549 U.S. at 128, the existence of a covenant not to sue, *see, e.g.*, *Dow Jones & Co. v. Ablaise Ltd.*, 606 F.3d 1338, 1346 (Fed. Cir. 2010), or actual economic injury. *See, e.g.*, *Arris Grp.*, 639 F.3d at 1368 (noting that a potential economic injury alone is insufficient to confer standing).

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