

United States Court of Appeals for the Federal Circuit

BOT M8 LLC,
Plaintiff-Appellant

v.

**SONY CORPORATION OF AMERICA, SONY
CORPORATION, SONY INTERACTIVE
ENTERTAINMENT LLC,**
Defendants-Appellees

2020-2218

Appeal from the United States District Court for the
Northern District of California in No. 3:19-cv-07027-WHA,
Judge William H. Alsup.

Decided: July 13, 2021

PAUL J. ANDRE, Kramer Levin Naftalis & Frankel LLP,
Menlo Park, CA, argued for plaintiff-appellant. Also rep-
resented by JAMES R. HANNAH, LISA KOBIALKA; AARON M.
FRANKEL, CRISTINA MARTINEZ, New York, NY.

JOHN C. O'QUINN, Kirkland & Ellis LLP, Washington,
DC, argued for defendants-appellees. Also represented by
CALVIN ALEXANDER SHANK; GREG AROVAS, New York, NY;
DAVID ROKACH, Chicago, IL.

Before DYK, LINN, and O'MALLEY, *Circuit Judges*.

O'MALLEY, *Circuit Judge*.

Once more, we address the stringency of pleading requirements in cases alleging patent infringement. Once more, we explain that patentees need not prove their case at the pleading stage. See *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1339 (Fed. Cir. 2012) (citing *Skinner v. Switzer*, 562 U.S. 521, 529–30 (2011));¹ *Nalco Co. v. Chem-Mod, LLC*, 883 F.3d 1337, 1350 (Fed. Cir. 2018). And we, once more, explain that, while a patentee's pleading obligations are not insurmountable, a patentee may subject its claims to early dismissal by pleading facts that are inconsistent with the requirements of its claims. See *Nalco*, 883 F.3d at 1348–50.

Bot M8 LLC (“Bot M8”) filed suit against Sony Corporation of America, et al. (“Sony”) in the United States District Court for the Southern District of New York, alleging infringement of six patents, five of which remain at issue on appeal: U.S. Patent Nos. 8,078,540 (“the ’540 patent”); 8,095,990 (“the ’990 patent”); 7,664,988 (“the ’988 patent”); 8,112,670 (“the ’670 patent”); and 7,338,363 (“the ’363 patent”) (collectively, “the asserted patents”).

After the case was transferred to the United States District Court for the Northern District of California, the district court held a case management conference, during which Bot M8 agreed to file an amended complaint. Bot

¹ Although one portion of the decision in *Bill of Lading* dealt with Federal Rule of Civil Procedure 84 and its attendant Form 18, both of which have been eliminated from the Federal Rules, the portion of the decision addressing pleading obligations not governed by Form 18 remains governing precedent.

M8 filed a first amended complaint and Sony moved to dismiss for failure to state a claim. The district court granted dismissal as to the '540, '990, '988, and '670 patents. The court subsequently denied Bot M8's motion for leave to file a second amended complaint. Bot M8 moved for reconsideration, which the district court also denied.

As to the '363 patent, Sony moved for summary judgment, arguing that claim 1 is invalid under 35 U.S.C. § 101. The district court agreed, and granted Sony's motion for summary judgment. The parties entered into a joint stipulation dismissing the remaining claims and the district court entered final judgment.

Bot M8 appeals from the district court's final judgment and from several underlying orders and decisions. In particular, Bot M8 appeals the district court's orders: (1) "directing" Bot M8 to file a first amended complaint; (2) dismissing Bot M8's claims of infringement of the '540, '990, '988, and '670 patents; (3) denying Bot M8's motion to file a second amended complaint, as well as the subsequent order denying leave to move for reconsideration; and (4) granting summary judgment as to the '363 patent. See *Bot M8 LLC v. Sony Corp.*, No. C19-07027, 2020 WL 418938 (N.D. Cal. Jan. 27, 2020) ("*Order on Mot. to Dismiss*"); *Bot M8 LLC v. Sony Corp.*, No. C19-07027, 2020 WL 1643692 (N.D. Cal. Apr. 2, 2020) ("*Order Den. Mot. to Amend*"); *Bot M8 LLC v. Sony Corp.*, No. C19-07027, 2020 WL 1904102 (N.D. Cal. Apr. 16, 2020) ("*Order Den. Leave to Move for Recons.*"); *Bot M8 LLC v. Sony Corp.*, No. C19-07027, 465 F.Supp.3d 1013 (N.D. Cal. 2020) ("*Order on Summ. J.*").

To the extent the district court characterized its colloquy with counsel during the case management conference as "directing" Bot M8 to file a first amended complaint, we find no abuse of discretion in that decision. Nor do we find any error in the district court's decision dismissing Bot M8's claims as to the '540 and '990 patents for failure to

state a plausible claim of infringement. With respect to the '988 and '670 patents, however, we conclude that the district court erred in finding Bot M8's infringement allegations insufficient.

On this record, we find that the district court acted within its discretion in denying Bot M8 leave to file a second amended complaint and in denying reconsideration of that decision. Finally, we agree with the district court that claim 1 of the '363 patent is invalid under § 101.

We therefore affirm in part, reverse in part, and remand to the district court for further proceedings as to the '988 and '670 patents.

I. BACKGROUND

A. The Asserted Patents

Bot M8 is the assignee on all five of the asserted patents. The asserted patents relate to gaming machines and are directed to casino, arcade, and video games generally.

The '540 patent relates to an authentication mechanism to verify that a game program has not been manipulated. In relevant part, the '540 patent requires that a "game program for executing a game" and an "authentication program for authenticating the game program" are stored on the same "board including a memory," which is separate from the motherboard and its memory. '540 patent, col. 12, ll. 64–col. 13, ll. 5.

The '990 patent likewise relates to a gaming machine and requires storing gaming information and a mutual authentication program on the same medium. Specifically, the '990 patent claims an "authentication unit" that authenticates "gaming information," and a separate "mutual authentication unit" that authenticates the "authentication program." '990 patent, col. 17, ll. 23–31. The claims require "a removable storage medium storing therein gaming information including a mutual authentication

program,” with “the mutual authentication program [being] included in the gaming information authenticated by the authentication unit.” *Id.* at col. 17, ll. 6–8, 29–31.

The ’988 and ’670 patents generally relate to a gaming device with a fault inspection program. In both patents, execution of the “fault inspection program” must be completed “before the game is started.” *See* ’988 patent, col. 5, ll. 1–5; ’670 patent, col. 5, ll. 4–7.

Finally, the ’363 patent describes a gaming machine that changes future game conditions based on players’ prior game results. Generally, claim 1 recites a machine that sets an initial “specification value,” which is a value that controls game conditions, and then “renew[s]” that value based on “a total game result” achieved by the claimed machine and a second recited machine. *See* ’363 patent, col. 23, l. 61–col. 24, l. 15. These machines have various components that locate other players, set a “specification value,” transmit game results to a server, receive total game results, which aggregate game results from the players, and then update the game conditions by setting a new specification value based on the aggregate game results. *See id.* The claimed machines can send game results to a server over “a public phone line network, a cellular phone line network, a local area network (LAN), or the like.” *Id.* at col. 10, ll. 30–36.

B. Sony’s Products

Bot M8 accused Sony’s PlayStation 4 (“PS4”) video game consoles and aspects of Sony’s PlayStation network of infringing the ’540, ’990, ’988, and ’670 patents. Bot M8 also accused certain PS4 videogames of infringing the ’363 patent. Sony relies on a variety of authentication and copyright protection technologies to prevent unauthorized use of the PS4 and copying of PS4 games.

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