

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No. SA CV 17-1172-DOC (KESx)

Date: November 1, 2017

Title: BLUE SPIKE, LLC V. VIZIO, INC.

PRESENT:

THE HONORABLE DAVID O. CARTER, JUDGE

Deborah Lewman
Courtroom Clerk

Not Present
Court Reporter

ATTORNEYS PRESENT FOR
PLAINTIFF:
None Present

ATTORNEYS PRESENT FOR
DEFENDANT:
None Present

**PROCEEDINGS (IN CHAMBERS): ORDER GRANTING IN PART
DEFENDANT’S MOTION TO
DISMISS [17]**

Before the Court is Defendant Vizio, Inc.’s (“Vizio” or “Defendant”) Motion to Dismiss (“Motion”) (Dkt. 17). The Court finds this matter suitable for resolution without oral argument. Fed. R. Civ. P. 78; L.R. 7-15. Having reviewed the papers and considered the parties’ arguments, the Court GRANTS IN PART Defendant’s Motion.

I. Background

A. Facts

The Court adopts the facts as set out in Plaintiff Blue Spike, LLC’s (“Blue Spike” or “Plaintiff”) Complaint (“Compl.”) (Dkt. 1) and in judicially noticeable documents. *See* Vizio’s Request for Judicial Notice (“Vizio RJN”) (Dkt. 18).

Blue Spike, headed by founder Scott Moskowitz, invents technologies that protect intellectual property from unintended use or unauthorized copying. Compl. ¶¶ 7, 13. Vizio is a technology company engaged in designing and manufacturing various electronics. *Id.* ¶¶ 14, 16, 19.

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Blue Spike alleges that Vizio’s products, services, and/or software applications employ technology that infringes Blue Spike’s patents (“Patents-in-Suit”). *Id.* ¶ 14. Specifically, Blue Spike claims Vizio’s products infringe one or more of the following Patents-in-Suit, which are separated into three categories: (1) Address Space Layout Randomization (“ASLR”) Patents, (2) Secure Server Patents; and (3) Trusted Transaction Patents. *Id.* at 2. The patents are categorized as follows:

ASLR Patents:

1. U.S. Patent No. 5,745,569, titled “Method for Stega-Cipher Protection of Computer Code” (“the ’569 Patent”);
2. U.S. Patent No. 8,930,719, titled “Data Protection Method and Device” (“the ’719 Patent”);

Secure Server Patents:

3. U.S. Patent No. 7,475,246, titled “Secure Personal Content Server” (“the ’246 Patent”);
4. U.S. Patent No. 8,171,561, titled “Secure Personal Content Server” (“the ’561 Patent”);
5. U.S. Patent No. 8,739,295, titled “Secure Personal Content Server” (“the ’295 Patent”);

Trusted Transactions Patents:

6. U.S. Patent No. 7,159,116, titled “Systems, Methods and Devices for Trusted Transactions” (“the ’116 Patent”); and
7. U.S. Patent No. 8,538,011, titled “Systems, Methods and Devices for Trusted Transactions” (“the ’011 Patent”).

Id.

Blue Spike claims that the following Vizio products (collectively, the “Accused ASLR Products”) infringe Blue Spike’s ASLR Patents: (1) Vizio’s tablets that employ the Android 4.0 operating system or later, and (2) the Smartcast Tablet Remote that comes with Vizio’s P-series and M-series television sets. *Id.* ¶¶ 15–16. Blue Spike further claims that its Secure Server Patents and Trusted Transaction Patents are being infringed

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by Vizio’s smart televisions that are capable of streaming secured content such as Netflix, YouTube, Google Play, HBO Go, Fox Now, and other such services. Compl. ¶¶ 19–20. Such products include Vizio’s D-Series, E-Series, M-Series, P-Series, and Reference Series of televisions (collectively, the “Accused TV Products”). *Id.*

Blue Spike alleges that although Vizio has not obtained a license for any of Blue Spike’s patented technologies, the Accused ASLR and TV Products utilize the methods, devices, and systems taught by Blue Spike’s Patents-in-Suit. *Id.* ¶¶ 21–22.

On September 2, 2016, Blue Spike initiated a lawsuit for patent infringement in the United States District Court, Eastern District of Texas (“*Blue Spike I*”). Vizio RJN Ex. A at 1. Blue Spike filed a First Amended Complaint on November 18, 2016, alleging that Vizio infringed its ASLR patents. *Id.* Ex. B at 1. On January 25, 2017, Plaintiff voluntarily dismissed *Blue Spike I*. *Id.* Ex. E at 1.

On January 30, 2017, Blue Spike initiated a second lawsuit against Vizio in the United States District Court, Eastern District of Texas (“*Blue Spike II*”) alleging Vizio infringed the ASLR, Secure Server, and Trusted Transactions patents. *Id.* Ex. G at 1. On July 7, 2017, Plaintiff voluntarily dismissed *Blue Spike II*. *Id.* Ex. J at 1.

B. Procedural History

On July 10, 2017, Blue Spike initiated the instant action against Vizio, alleging seven counts of infringement of the ASLR, Secure Server, and Trusted Transactions patents. Compl. ¶¶ 24–86.

Vizio filed the instant Motion on August 28, 2017. Blue Spike opposed on September 11, 2017 (“Opp’n”) (Dkt. 21). Vizio replied on September 25, 2017 (“Reply”) (Dkt. 25).

II. Legal Standard

Under Federal Rule of Civil Procedure 12(b)(6), a complaint must be dismissed when a plaintiff’s allegations fail to set forth a set of facts that, if true, would entitle the complainant to relief. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007); *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009) (holding that a claim must be facially plausible in order to survive a motion to dismiss). The pleadings must raise the right to relief beyond the speculative level; a plaintiff must provide “more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.” *Twombly*, 550 U.S. at 555 (citing *Papasan v. Allain*, 478 U.S. 265, 286 (1986)). On a motion to dismiss, a court accepts as true a plaintiff’s well-pleaded factual allegations and construes all factual

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inferences in the light most favorable to the plaintiff. *See Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir. 2008). A court is not required to accept as true legal conclusions couched as factual allegations. *Iqbal*, 556 U.S. at 678.

In evaluating a Rule 12(b)(6) motion, review is ordinarily limited to the contents of the complaint and material properly submitted with the complaint. *Van Buskirk v. Cable News Network, Inc.*, 284 F.3d 977, 980 (9th Cir. 2002); *Hal Roach Studios, Inc. v. Richard Feiner & Co., Inc.*, 896 F.2d 1542, 1555 n.19 (9th Cir. 1990). Under the incorporation by reference doctrine, courts may also 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* 307 F.3d 1119, 1121 (9th Cir. 2002). Courts may treat such a document as “part of the complaint, and thus may assume that its contents are true for purposes of a motion to dismiss under Rule 12(b)(6).” *United States v. Ritchie*, 342 F.3d 903, 908 (9th Cir. 2003).

Dismissal with leave to amend should be freely given “when justice so requires.” Fed. R. Civ. P. 15(a)(2). This policy is applied with “extreme liberality.” *Morongo Band of Mission Indians v. Rose*, 893 F.2d 1074, 1079 (9th Cir. 1990); *Lopez v. Smith*, 203 F.3d 1122, 1127 (9th Cir. 2000) (holding that dismissal with leave to amend should be granted even if no request to amend was made). Dismissal without leave to amend is appropriate only when the court is satisfied that the deficiencies in the complaint could not possibly be cured by amendment. *Jackson v. Carey*, 353 F.3d 750, 758 (9th Cir. 2003).

III. Request for Judicial Notice

Vizio asks the Court to take judicial notice of ten exhibits. *See Vizio RJN*. The Court may take judicial notice of court filings and other matters of public record. Fed. R. Evid. 201(b); *Burbank-Glendale-Pasadena Airport Auth. v. City of Burbank*, 136 F.3d 1360, 1364 (9th Cir. 1998). Therefore, the Court takes judicial notice of the following documents, filed with the Court as Exhibits A through J to Vizio’s Request for Judicial Notice:

- A. Docket Report in *Blue Spike, LLC v. Archos, Inc.*, Case No. 16-1142, in the United States District Court, Eastern District of Texas.
- B. First Amended Complaint in *Blue Spike, LLC v. Archos, Inc.*, Case No. 16-1142, in the United States District Court, Eastern District of Texas.

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- C. Entry of Default in *Blue Spike, LLC v. Archos, Inc.*, Case No. 16-1142, in the United States District Court, Eastern District of Texas.
- D. Motion to Withdraw Entry of Default in *Blue Spike, LLC v. Archos, Inc.*, Case No. 16-1142, in the United States District Court, Eastern District of Texas.
- E. Order Granting Voluntary Dismissal in *Blue Spike, LLC v. Archos, Inc.*, Case No. 16-1142, in the United States District Court, Eastern District of Texas.
- F. Docket Report in *Blue Spike, LLC v. Vizio, Inc.*, Case No. 17-0060, in the United States District Court, Eastern District of Texas.
- G. Complaint in *Blue Spike, LLC v. Vizio, Inc.*, Case No. 17-0060, in the United States District Court, Eastern District of Texas.
- H. Motion to Dismiss in *Blue Spike, LLC v. Vizio, Inc.*, Case No. 17-0060, in the United States District Court, Eastern District of Texas.
- I. Notice of Voluntary Dismissal in *Blue Spike, LLC v. Vizio, Inc.*, Case No. 17-0060, in the United States District Court, Eastern District of Texas.
- J. Order of Dismissal without Prejudice in *Blue Spike, LLC v. Vizio, Inc.*, Case No. 17-0060, in the United States District Court, Eastern District of Texas.

Finally, while neither party requestes judicial notice of Blue Spike’s Unopposed Motion for Voluntary Dismissal in *Blue Spike I* (“*Blue Spike I* Motion for Dismissal”), the Court also takes judicial notice of that document. *See United States v. Wilson*, 631 F.2d 118, 119 (9th Cir. 1980) (finding that a court may “take judicial notice of its own records in other cases,” as well as the records of another court in other cases).

IV. Discussion

Vizio advances two arguments for dismissal of Blue Spike’s Complaint.¹ First, Vizio argues that Blue Spike’s contributory infringement claims should be dismissed because Blue Spike has failed to plead any plausible facts to support such claims. Mot. at 4–6. Second, Vizio argues that the “two dismissal rule” under Federal Rule of Civil

¹ The Court notes that Vizio initially also moved to dismiss Blue Spike’s Complaint for insufficient process under Federal Rule of Civil Procedure 12(b)(4). *See* Mot. at 3–4. Vizio has since withdrawn this argument. *See* Reply at 1. Therefore, the Court DENIES Vizio’s Motion to Dismiss Blue Spike’s Complaint for insufficient process as MOOT.

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Procedure 41(a) bars Blue Spike from asserting its ASLR Patents infringement claim a third time. *Id.* The Court addresses each argument in turn.

A. Contributory Infringement

Vizio argues that the Court must dismiss Blue Spike’s claims that the Accused TV Products contributorily infringe the Secure Server and Trusted Transactions patents, because Plaintiff has failed to plead facts to support its allegation that the Accused TV Products do not have any substantial non-infringing uses. Mot. at 1.

Under the Patent Act, a defendant is liable for contributory infringement if it:

offers to sell or sells within the United States or imports into the United States . . . a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use.

35 U.S.C. § 271(c).

“To state a claim for contributory infringement, therefore, a plaintiff must, among other things, plead facts that allow an inference that the components sold or offered for sale have no substantial non-infringing uses.” *In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d 1323, 1337 (Fed. Cir. 2012). In the context of a claim of contributory infringement, a substantial non-infringing use is any use that is “not unusual, far-fetched, illusory, impractical, occasional, aberrant, or experimental.” *Id.* (quoting *Vita-Mix Corp. v. Basic Holdings, Inc.*, 581 F.3d 1317, 1327–29 (Fed. Cir. 2009)).

Vizio argues that the contributory infringement claims that are based on the Accused TV Products must be dismissed because Blue Spike merely alleged, in conclusory fashion, that the Accused TV Products have “no substantial non-infringing uses.” Mot. at 5. Vizio contends that the Accused TV Products as a whole have substantial non-infringing uses based on the TVs’ ability to display content through an antenna and through other physical devices (such as video game consoles, DVD players, cable boxes, etc.) that are completely unrelated to the services accused of infringing Blue

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Spike's patents. *Id.* at 5–6. Therefore, Vizio argues, Blue Spike cannot allege that the Accused TV Products have no substantial non-infringing uses.² *Id.*

In response, Blue Spike argues that it is not accusing the Accused TV Products as a whole of lacking substantial non-infringing uses, because only “the specific feature of Vizio’s app streaming and casting . . . is the infringing component at issue . . .” Opp’n at 19. Therefore, Blue Spike argues that it need only plead that the particular features or components accused of infringing Blue Spike’s ASLR security techniques have no substantial non-infringing uses. *Id.* at 21–24. Blue Spike then claims that those particular “features or components have no substantial non-infringing uses and, therefore, are liable for contributory infringement.” *Id.* at 24.

While Blue Spike’s arguments may have merit, they do not reflect the assertions made in the Complaint. The Complaint plainly states that the “[Accused TV Products] have no substantial non-infringing uses,” and therefore, infringe on the Secure Server and Trusted Transactions patents. *See* Compl. ¶¶ 47, 56, 65, 74, 83. Thus, as currently stated, Blue Spike’s contributory infringement claim is based on the Accused TV Products as a whole, and therefore, Blue Spike would have to plead sufficient facts to show that such products do not have any non-infringing uses, which it has not done. *See In re Bill of Lading Transmission & Processing Sys. Patent Litig.*, 681 F.3d at 1337 (requiring a plaintiff to plead facts that allow an inference that the components have no substantial non-infringing uses).

Blue Spike attempts to narrow its allegations in its Opposition by arguing that it is only accusing Vizio’s streaming and casting functions, rather than the Accused TV Products as a whole, of contributory infringement. Opp’n at 19. In addition, Blue Spike originally alleged only that the Accused TV Products infringed Blue Spike’s Secure Server and Trusted Transactions patents, but now alleges in its Opposition that the Accused TV Products also infringe its ASLR security techniques. Compl. ¶¶ 19–20; Opp’n at 19. However, in evaluating a Rule 12(b)(6) motion, review is limited to the contents of the Complaint. *Van Buskirk*, 284 F.3d at 980. Thus, while Blue Spike’s arguments may have merit, the Court cannot consider them at this time, because Blue Spike first asserted them in its Opposition. *See Schneider v. Cal. Dep’t of Corr.*, 151 F.3d 1194, 1197 n. 1 (9th Cir. 1998) (“In determining the propriety of a Rule 12(b)(6) dismissal, a court may not look beyond the complaint to a plaintiff’s moving papers”); *Hawkins v. Homecomings Fin., LLC*, No. CV 09-6544 ODW (OP), 2010 WL

² Vizio argues in its Reply that Blue Spike’s contributory infringement claims based on the ASLR patents must also be dismissed for similar reasons. Reply at 9–10. However, Vizio may not raise new arguments for the first time in its Reply brief. *See Zamani v. Carnes*, 491 F.3d 990, 997 (9th Cir. 2007) (“The district court need not consider arguments raised for the first time in a reply brief.”).

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1710274, at *2 (C.D. Cal. Apr. 26, 2010) (“Additional information contained in an opposition to a motion to dismiss does not cure the defects in Plaintiff’s original pleading.”) (citation omitted). In sum, Blue Spike’s contributory infringement claims fail because Blue Spike has not pled with specificity how the Accused TV Products lack substantial non-infringing uses.

Accordingly, the Court GRANTS Vizio’s Motion to Dismiss Blue Spike’s contributory infringement claims relating to the Accused TV Products. However, Blue Spike may amend its Complaint and specifically indicate which component within the Accused TV Products it believes has no substantial non-infringing uses based on any of the Patents-in-Suit.

B. Dismissal of the ASLR Patent Infringement Claims based on the “Two Dismissal Rule”

Next, Vizio argues that Federal Rule of Civil Procedure 41’s “two dismissal rule” bars Blue Spike from asserting its ASLR Patent infringement claims a third time after voluntarily dismissing such claims twice before. Mot. at 4.

Rule 41 provides that a plaintiff may dismiss an action without a court order either by filing a notice of dismissal before the opposing party serves an answer or a motion for summary judgment, or by stipulation signed by all parties who have appeared. *See* Fed. R. Civ. P. 41(a)(1)(A). Unless the notice or stipulation states otherwise, the dismissal is without prejudice. *Id.* at 41(a)(1)(B). However, “if the plaintiff previously dismissed any federal- or state-court action based on or including the same claim, a [second] notice of dismissal operates as an adjudication on the merits.” *Id.* This is known as the “two dismissal rule.” *Commercial Space Mgmt. Co. v. Boeing Co.*, 193 F.3d 1074, 1076 (9th Cir. 1999). Whether the second action is dismissed with or without prejudice is irrelevant, because “Rule 41(a)(1) itself instructs that such a dismissal operates as an adjudication upon the merits.” *Id.* Once a plaintiff initiates the third action, the presiding court must determine the effect of the prior dismissals in deciding whether the two dismissal rule applies. *See Commercial Space Mgmt. Co.*, 193 F.3d at 1080 (finding that the court presiding over the third action is charged with determining the effect of prior dismissals in relation to the two dismissal rule).

Here, there is no dispute that Blue Spike voluntarily dismissed its ASLR Patent infringement claims in *Blue Spike I* and *Blue Spike II*. However, Blue Spike argues that the two dismissal rule should not be applied to bar those claims because: (1) the rule’s application would contravene the purpose of the Federal Rules of Civil Procedure by unjustly denying Blue Spike a full and fair trial on the merits; (2) the rule is inapplicable

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in situations where one of the dismissals was consensual; and (3) Vizio is judicially estopped from seeking to dismiss the ASLR infringement claims on the basis of the two dismissal rule. *See* Opp'n at 11–17. The Court addresses each argument in turn.

Blue Spike's first argument asks the Court to essentially ignore the literal language of Rule 41 and find that Blue Spike is allowed to bring a third suit that is otherwise forbidden by Rule 41. *Id.* at 10–11. However, Rule 41's language is unambiguous—"if the plaintiff previously dismissed any federal- or state-court action based on or including the same claim, a [second] notice of dismissal operates as an adjudication on the merits." *See* Fed. R. Civ. P. 41(a)(1)(B); *Breslin v. Amtrust at Lloyd's Ltd.*, No. CV 15-326-R, 2015 WL 9694809, at *2 (C.D. Cal. Apr. 24, 2015) (finding the text of Rule 41(a)(1)(B) unambiguous); *Am. Soccer Co. v. Score First Enterprises, a Div. of Kevlar Indus.*, 187 F.3d 1108, 1111 (9th Cir. 1999) (finding Rule 41(a)'s language clear and unambiguous). While adjudication on the merits of the case is preferable, the procedural mechanisms set in place by the Federal Rules of Civil Procedure cannot be ignored.

Next, Blue Spike argues that the two dismissal rule is inapplicable where a plaintiff's voluntary dismissal was the result of a consensual agreement with a defendant. Opp'n 12–15. On that basis, Blue Spike argues that the two dismissal rule does not apply here because Blue Spike dismissed *Blue Spike II* based on Vizio's email that stated "I think that your [sic] would want to voluntarily dismiss. Is that something we can file today?" *Id.* at 14–15. As an initial matter, this argument seems to directly contradict the language of Rule 41, which allows for voluntarily dismissal by a stipulation *signed by all parties*, thus suggesting that even a dismissal to which all parties consent counts as voluntary for purposes of the rule. *See* Fed. R. Civ. P. 41(a)(1)(A)(ii). Nevertheless, Blue Spike cites a number of cases in support of its proposition. Opp'n at 10–11; *see, e.g., Poloron Prods., Inc. v. Lybrand Ross Bros. & Montgomery*, 534 F.2d 1012 (2d Cir. 1976) (holding that a stipulated dismissal was not a "voluntary dismissal" in the context of the two dismissal rule); *Sutton Place Dev. Co. v. Abacus Mortg. Inv. Co.*, 826 F.2d 637, 640 (7th Cir. 1987) (holding that dismissal made by a motion and subsequent court order was not a "voluntary dismissal" as defined by Rule 41(a)). However, these cases analyzed issues stemming from dismissals that were not "voluntary dismissals" under Rule 41's language. Here, Blue Spike's voluntary dismissals of *Blue Spike I* and *Blue Spike II* fall squarely within the definition provided in Rule 41(a), and therefore, do not present any of the issues of ambiguity discussed in the preceding cases. *See* Vizio RJN Ex. D at 1 (voluntary dismissal of *Blue Spike I*); *id.* Ex. J at 1 (voluntary dismissal of *Blue Spike II*).

Blue Spike also relies on an unpublished Ninth Circuit decision to argue that a tacit agreement to voluntarily dismiss a case does not qualify as a voluntary dismissal for the purposes of a two dismissal rule analysis. Opp'n at 11–12 (citing *TCW Special*

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Credits v. FISHING VESSEL CHLOE Z, No. 99-15136, 2000 WL 1277922, at *2 (9th Cir. Sept. 8, 2000), *as amended*, (Oct. 3, 2000)). However, *TCW Special Credits* is factually distinguishable, because in that case both parties explicitly agreed to dismiss the case and re-file in Guam. *See TCW Special Credits*, 2000 WL 1277922, at *2. Here, however, there is no evidence of such agreement. Indeed, the email chain on which Blue Spike relies suggests that Vizio contemplated dismissing and not transferring *Blue Spike II*. *See* Opp’n Ex. A at 1 (“I just want to make sure we are on the same page. We filed a motion to dismiss and not to transfer . . . Blue Spike has no basis to oppose the motion to dismiss . . . [a]ccordingly, our discussions moving forward should be focused on getting this lawsuit dismissed before any other documents are filed.”). Moreover, *TCW Special Credits* does not have authoritative force and cannot be cited to this Court. *See* Fed. R. App. P. 36, Circuit Rule 36-3 (stating that unpublished orders subject to this rule have no precedential value and are not citable to this court if they are “issued before January 1, 2007” except for instances not applicable here); *see also Banks v. Walker*, No. 2:07-CV-02022-AK, 2011 WL 149846, at *1 (E.D. Cal. Jan. 18, 2011) (Kozinski, J. sitting by designation) (treating a Ninth Circuit pre-2007 unpublished decision “as if it were never decided”).

For the foregoing reasons, the Court is not persuaded—particularly given the clear language of Rule 41—that a consensual voluntary dismissal does not count for purposes of the two dismissal rule. Moreover, while Blue Spike claims it relied on Vizio’s suggestion to voluntarily dismiss *Blue Spike II*, it was Blue Spike’s ultimate decision—with the help of its legal counsel—to follow Vizio’s suggestions without further due diligence. *See Lake at Las Vegas Investors Grp, Inc. v. Pacific Malibu Dev. Corp.*, 933 F.2d 724, 726–27 (9th Cir. 1991) (finding that Rule 41(a) “does not consider the plaintiff’s reasons for seeking a voluntary dismissal”). Thus, the record shows that Blue Spike voluntarily dismissed both *Blue Spike I* and *Blue Spike II* such that its claims would be subject to Rule 41(a)’s two dismissal rule. *See* Vizio RJN Ex. E (dismissing *Blue Spike I* “pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(i)”; *id.* Ex. J (dismissing *Blue Spike II* “[p]ursuant to Fed. R. Civ. P. 41(a)(1)(A)(i)”).

However, Blue Spike also argues that Vizio should be judicially estopped from invoking the two dismissal rule because Blue Spike voluntarily dismissed *Blue Spike II* after multiple good faith meet and confer efforts to resolve the parties’ dispute over proper venue. *See id.* Therefore, to allow Vizio to exploit the parties’ good faith efforts would be unjust. *See* Opp’n at 15–17. Judicial estoppel is an equitable doctrine that “generally prevents a party from prevailing in one phase of a case on an argument and then relying on a contradictory argument to prevail in another phase.” *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001) (citations omitted). Factors relevant in deciding whether

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judicial estoppel applies include: “(1) whether the party’s later position is ‘clearly inconsistent’ with its earlier position; (2) whether the party has successfully advanced the earlier position, such that judicial acceptance of an inconsistent position in the later proceeding would create a perception that either the first or the second court had been misled; and (3) ‘whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped.’” *Samson v. NAMA Holdings, LLC*, 637 F.3d 915, 935 (9th Cir. 2011) (quoting *New Hampshire*, 532 U.S. at 751). In addition to these factors, the Ninth Circuit

examines whether the party to be estopped acted inadvertently or with any degree of intent. Judicial estoppel applies when a party’s position is tantamount to a knowing misrepresentation to or even fraud on the court. If incompatible positions are based not on chicanery, but only on inadvertence or mistake, judicial estoppel does not apply.

Id. (citations and internal quotation marks omitted). There are no “inflexible prerequisites or an exhaustive formula for determining the applicability of judicial estoppel.” *Milton H. Greene Archives, Inc. v. Marilyn Monroe LLC*, 692 F.3d 983, 995 (9th Cir. 2012).

In support of the first judicial estoppel factor, Blue Spike argues that Vizio’s initial position in *Blue Spike II* was to avoid any prejudice to either party until the issue of proper venue was determined by the Supreme Court in *TC Hartland v. Draft Food Group Brands, LLC*. See Opp’n at 16; see also Vizio RJN Ex. H at 6 (“A two month delay will not prejudice Blue Spike in any way, and will prevent Vizio from being prejudiced by having to litigate in a venue that it does not belong.”). Indeed, Vizio premised its motion to dismiss *Blue Spike II* on avoiding prejudice to both parties and needlessly wasting resources while the Supreme Court issued its ruling in *TC Hartland*. See Vizio RJN Ex. H at 2. Once the Supreme Court resolved the venue issue, Blue Spike reached out to Vizio to discuss Vizio’s potential Motion to Transfer Venue to the Central District of California—again, in an attempt to avoid prejudice to either party. Opp’n at 16; *id.* Ex. A at 1–2. Vizio instead suggested Blue Spike dismiss the action—to which Blue Spike inexplicably acquiesced without researching the consequences of a second dismissal. Opp’n at 16; *id.* Ex. A at 1–2. Blue Spike argues that Vizio is now taking the exact opposite position in the instant action, because Vizio seeks to prejudice Blue Spike by asking the Court to bar Blue Spike’s ASLR patent infringement claims after the parties had agreed to minimize prejudice in sorting out their venue dispute. Opp’n at 16. The Court finds that Vizio’s position in the current action is inconsistent with its prior position in *Blue Spike II*, thus satisfying the first judicial estoppel factor. See *Samson*, 637 F.3d at 935.

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The second judicial estoppel factor is also satisfied. If the Court accepts Vizio's inconsistent position, it will create a perception that the *Blue Spike II* court has been misled. Indeed, both parties presented arguments to the *Blue Spike II* court indicating that the parties collaboratively sought to minimize prejudice on each other while the Supreme Court issued its *TC Hartland* opinion. *See, e.g., Blue Spike II* Motion for Dismissal at 1 (“The parties have met and conferred, and, in the furtherance of justice, Plaintiff submits that good cause exists to vacate the entry of default, and now requests that the Court vacate the clerk’s entry of default as to VIZIO.”); Vizio RJN Ex. H at 1 (“VIZIO respectfully requests that a decision on [Vizio’s motion to dismiss] be deferred until *TC Hartland* is decided. Blue Spike will not be prejudiced by the short delay, whereas VIZIO will be prejudiced if forced to litigate a case in an improper venue.”). Should Vizio prevail on its current arguments, a strong inference would be created that the *Blue Spike II* court was misled, because Vizio is now directly seeking to prejudice Blue Spike for agreeing to move this action to the current venue, even though it had argued to the *Blue Spike II* court that it was seeking to minimize prejudice to both parties.

Finally, the third judicial estoppel factor is satisfied. If Vizio is successful in advancing its inconsistent position by invoking the two dismissal rule, Blue Spike will be unable to assert its potentially meritorious claims for infringement of its ASLR Patent, thus giving Vizio an unfair advantage. *See Samson*, 637 F.3d at 935. While the Court cannot say that Vizio purposely tricked Blue Spike, the record also does not clearly establish that Vizio acted inadvertently or without any degree of intent. *See id.*

In sum, the record is clear—both parties were attempting to resolve their venue dispute in *Blue Spike II* in a way that minimized prejudice to either party while the Supreme Court ruled on *TC Hartland*. Vizio now attempts to take advantage of the parties’ good faith efforts by invoking the two dismissal rule. *See Mot.* at 4–6. While Blue Spike may have been naive in agreeing to dismiss *Blue Spike II* in light of the two dismissal rule, Vizio should not now be allowed to capitalize on Blue Spike’s prior cooperation to bar Blue Spike’s potentially meritorious claims. Therefore, the Court finds that Vizio is judicially estopped from invoking the two dismissal rule.

Accordingly, the Court DENIES Vizio’s Motion to Dismiss Blue Spike’s ASLR Patent infringement claims based on the two dismissal rule.

V. Disposition

For the foregoing reasons, the Court GRANTS IN PART Defendant’s Motion to Dismiss.

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CENTRAL DISTRICT OF CALIFORNIA

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The Court **DISMISSES WITHOUT PREJUDICE** Blue Spike's contributory infringement claims for the Accused TV Products. Blue Spike may file an amended complaint **on or before November 20, 2017**.

The Clerk shall serve this minute order on the parties.

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Initials of Deputy Clerk: djl