

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

THE RESEARCH FOUNDATION FOR THE
STATE UNIVERSITY OF NEW YORK,
UNIVERSITY OF CONNECTICUT and
WORCESTER POLYTECHNIC INSTITUTE,

Plaintiffs,

v.

XIAOMI CORPORATION, XIAOMI H.K.
LTD., XIAOMI COMMUNICATIONS CO.,
LTD., XIAOMI INC., AND ZEPP HEALTH
CORPORATION,

Defendants.

2:23-cv-00353-RWS-RSP

JURY TRIAL DEMANDED

**DEFENDANT ZEPP HEALTH CORPORATION'S MOTION TO DISMISS
THE FIRST AMENDED COMPLAINT UNDER FED. R. CIV. P. 12(b)(6)**

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I. INTRODUCTION

Defendant Zepp Health Corporation (“Zepp Health” or “Defendant”) respectfully submits this motion to dismiss Plaintiffs The Research Foundation for The State University of New York, University of Connecticut, and Worcester Polytechnic Institute’s (collectively, “Plaintiffs” or “the Universities”) First Amended Complaint (“FAC”) (Dkt. 11) pursuant to Rule 12(b)(6). Despite its amendment to the original complaint, the FAC still fails to state a claim upon which relief can be granted, and Zepp Health respectfully requests that the Court grant this motion to dismiss under Rule 12(b)(6) (the “Motion”).

Plaintiffs accuse Zepp Health of direct and indirect infringement of seven patents (the “Asserted Patents”): U.S. Patent Nos. 8,417,326 (“the ’326 Patent”), 9,408,576 (“the ’576 Patent”), 9,713,428 (“the ’428 Patent”), 9,986,921 (“the ’921 Patent”), 10,278,647 (“the ’647 Patent”), 10,285,601 (“the ’601 Patent”), and 10,653,362 (“the ’362 Patent”). Plaintiffs allege that Zepp Health offers certain infringing products and/or services to customers in the United States, including Texas and this District. (*See, e.g.*, FAC at ¶ 10, 282, 302, 329, 352, 371, 391, and 414.) Plaintiffs also allege that Zepp Health’s alleged infringement includes indirect infringement (induced infringement and contributory infringement) and willful infringement. (*See, e.g., id.* at ¶ 16, 292, 294, 296, 297, 299, 319, 321, 323, 324, 326, 341, 342, 344, 346, 347, 349, 361, 363, 365, 366, 368, 380, 381, 383, 385, 386, 388, 403, 404, 406, 408, 409, 411, 432, 433, 435, 437, 438, and 440.)

However, Defendant Zepp Health is incorporated under the laws of the Cayman Islands. (*See* Declaration of Jack Shaw, Exhibit 1 (search report for Zepp Health); Declaration of Mike Yan Yeung (“Yeung Decl.”) at ¶ 4.) Zepp Health’s registered office is in the Cayman Islands, and has no offices or physical presence in the State of Texas or the United States. (*See* Yeung Decl.

at ¶¶ 4-5.) Moreover, Zepp Health has never conducted any product sales activities in the State of Texas or the United States. (*See id.* at ¶¶ 4-5.) Further, Zepp Health does not make, use, offer to sell, or sell any of the accused products in the United States, and also does not import any of the accused products into the United States. (*See id.* at ¶ 6.) Being a holding company, Zepp Health is an independent company and is not involved in the day-to-day operations of its subsidiaries. (*See id.* at ¶ 7.) Moreover, contrary to the FAC's baseless allegations (*see, e.g.*, FAC at ¶¶ 115, 116, 357 & 379), Defendant Zepp Health does not operate or own any website that advertises or sells any products. (*See* Yeung Decl. at ¶ 8.)

As further discussed below, Plaintiffs' direct infringement claims must be dismissed for failure to state a claim because the FAC fails to (and cannot) plausibly allege that Zepp Health directly infringes the Asserted Patents because it does not make, use, offer to sell, or sell any of the accused products within the United states, and it also does not import any of the accused products into the United States. (*See id.* at ¶ 6.)

Moreover, Plaintiffs' pre-suit and post-suit indirect infringement claims (induced infringement and contributory infringement claims) must also be dismissed at least because there cannot be any requisite direct infringement, and the FAC fails to meet the requisite pleading standard as it contains no more than conclusory statements unsupported by any plausible facts.

Plaintiffs' pre-suit and post-suit willful infringement claims must also be dismissed at least because there cannot be any requisite direct infringement to begin with, and the FAC fails to meet the requisite pleading standard as it contains no more than conclusory statements unsupported by any plausible facts.

II. STATEMENT OF THE ISSUES TO BE DECIDED

Whether Plaintiffs’ direct infringement, indirect infringement (induced infringement and contributory infringement), and willful infringement claims should be dismissed under Rule 12(b)(6).

III. RULE 12(b)(6) LEGAL STANDARDS

In considering a motion to dismiss under Rule 12(b)(6), courts must consider whether the complaint states a valid claim for relief. *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1355-56 (Fed. Cir. 2007). The complaint should be read in the light most favorable to the plaintiff. *Id.* The claim for relief must, however, be plausible on its face. *Bell Atlantic Corp. v. Twombly*, 550 U.S. 554, 570 (2007). To survive a Rule 12(b)(6) motion, a complaint must include facts that “rise to a right to relief above the speculative level,” and into the “realm of plausible liability.” *Bell Atlantic*, 550 U.S. at 555, 557 n.5. A complaint that merely pleads facts “consistent with” liability falls short of plausibility. *In re Bill of Lading Transmission and Processing Patent System Litigation*, 681 F.3d 1323, 1332 (Fed. Cir. 2012) (quoting *Twombly*, 550 U.S. at 546). Formulaic “recitals of the elements of a cause of action, supported by mere conclusory statements,” do not state a claim for relief. *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (citing *Twombly*, 550 U.S. at 555).

IV. ARGUMENTS

A. The FAC’s Direct Infringement Allegations against Zepp Health Corporation Fail to State a Plausible Claim for Relief and Should be Dismissed

Section 271(a) provides that “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention . . .” infringes the patent. 35 U.S.C. § 271; *Microsoft Corp. v. AT&T Corp.*, 550 U.S.

437, 441 (2007) (“It is the general rule under United States patent law that no infringement occurs when a patented product is made and sold in another country.”)

Here, Plaintiffs fail to (and cannot) plausibly allege that Zepp Health directly infringes the Asserted Patents because Zepp Health does not make, use, offer to sell, or sell any of the accused products within the United States, and does not import any of the accused products into the United States. (*See* Yeung Decl. ¶ 6.) The FAC only makes wholly conclusory and unsupported allegations that Defendant Zepp Health sells products in the United States and does business in Texas, and alleges that Defendant Zepp Health has directly infringed the Asserted Patents “through the manufacture, use, sale, offer for sale, and/or importation into the United States” of accused products. (*See, e.g.*, FAC at ¶ 10, 282, 302, 329, 352, 371, 391, and 414.) But, those allegations are implausible because Defendant Zepp Health is a Cayman Islands corporation that is just a holding company. (*See* Yeung Decl. at ¶¶ 4 & 7.) Zepp Health has no regular and established places of business in the United States, including the State of Texas. (*Id.* at ¶ 5.) Zepp Health does not make, use, offer to sell, or sell any of the accused products within the United States, and does not import any of the accused products into the United States. (*Id.* at ¶ 6.) *MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1375–77 (Fed. Cir. 2005) (“It is well-established that the reach of section 271(a) is limited to infringing activities that occur within the United States.”) Zepp Health’s actions outside of the United States, even if any, are simply not actionable here. *Microsoft*, 550 U.S. at 454–55 (“The presumption that United States law governs domestically but does not rule the world applies with particular force in patent law.”)

Accordingly, Zepp Health respectfully requests that the Court dismiss Plaintiffs’ direct infringement claims. (FAC, Counts I to VII; Pages 110 to 176.)

B. The FAC’s Pre-suit and Post-suit Indirect Infringement Allegations against Zepp Health Corporation also Fail to State a Plausible Claim for Relief and Should be Dismissed

Liability for induced infringement under 35 U.S.C. § 271(b) “requires a showing that the alleged inducer [1] knew of the patent, [2] knowingly induced the infringing acts, and [3] possessed a specific intent to encourage another’s infringement of the patent.” *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328 (Fed. Cir. 2009); *see also Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754 (2011). “[M]ere knowledge of possible infringement” is insufficient to prove active inducement of the infringement. *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1305 (Fed. Cir. 2006). Liability for contributory infringement under 35 U.S.C. § 271(c) requires a showing of: (1) the product “constitut[es] a material part of the invention,” (2) the infringer “know[s] the same to be especially made or especially adapted for use in an infringement of such patent,” and (3) the product is “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 at 1337. As discussed below, the FAC here fails to state a plausible claim for relief with respect to indirect infringement.

Here, Plaintiffs’ claims of indirect infringement (induced infringement and contributory infringement) must be dismissed because they fail to allege **any plausible facts** showing direct infringement by any third party. *See Limelight Networks, Inc. v. Akamai Techs, Inc.*, 572 U.S. at 917; *In re Bill of Lading Transmission & Processing Sys. Pat. Litig.*, 681 F.3d 1323, 1333 (Fed. Cir. 2012) (“It is axiomatic that ‘[t]here can be no inducement or contributory infringement without an underlying act of direct infringement.’” [quoting *Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311, 1326 (Fed.Cir.2004)]).

Further, the FAC contains no factual allegations regarding any indirect infringement other than reciting some of the patent claim elements while parroting the legal standard. (*See, e.g.*, FAC at ¶¶ 16, 291, 292, 294, 296, 297; 318, 319, 321, 323, 324; 341, 342, 344, 346, 347; 360, 361, 363, 365, 366, 368; 380, 381, 383, 385, 386; 403, 404, 406, 408, 409; 432, 433, 435, 437, 438.) The FAC provides the following boilerplate statements (all based on **information and belief**): Zepp Health is engaged in the alleged infringing activities within the United States and this Judicial District, directly or indirectly, and “these acts of alleged infringement include inducing and/or contributing to infringement in the U.S. of the patents-in-suits’ claims”; Zepp Health allegedly has known of the Asserted Patents and its infringement since at least as of the **filing** of the complaint; Zepp Health “has acted with full knowledge or at least willful blindness” the Asserted Patents and “without a reasonable basis for believing” that it would not be liable for direct infringement of the Asserted Patents and active inducement of infringement of the Asserted Patents; Zepp Health has induced infringement and continues to induce infringement of the Asserted Patents “by actively and knowingly inducing others to make, use, sell, offer to sell, and/or import, without license or authority, the Accused Zepp Watches, as alleged herein, which embody or use the inventions claimed” in the Asserted Patents; and Zepp Health “markets, advertises, offers for sale, and/or otherwise promotes the Accused Zepp Watches and, on information and belief, does so to actively and knowingly induce, encourage, instruct, and aid one or more persons in the United States to make, use, sell, offer to sell and/or import the Accused Zepp Watches. [For example, Zepp, or an entity under Zepp’s direction or control, advertises, offers for sale, and/or otherwise promotes the Accused Zepp Watches on its website. Zepp, or one or more related entities, induces retailers and end users.] For example, Zepp knowingly and intentionally induces retailers to advertise, offer for sale, and/or otherwise promote the Accused Zepp Watches on their websites and in stores.

Additionally, Zepp, or one or more related entities, induces end users by, for example, instructing in its manual users of the Accused Zepp Watches to use its Zepp app to monitor physiological parameters. Therein, on information and belief, Zepp describes and touts the use of the subject matter claimed in the [Asserted Patents], as described and alleged herein.” (*Id.*) Such formulaic recitals for indirect infringement without any support constitute exactly the kind of claim that should be dismissed under *Iqbal/Twombly*. See *Ashcroft*, 556 U.S. 662 at 678 (citing *Twombly*, 550 U.S. at 555).

The foregoing boilerplate statements are also deficient in several other ways. First, realizing its indirect infringement claims are untenable and implausible, Plaintiffs admit that such statements are made based on “information and belief.” Second, the FAC does not allege any past indirect infringement (before the filing of the complaint) because it does not allege any knowledge of the Asserted patents by Zepp Health **prior** to the filing of the complaint. Without any assertion that Defendant had knowledge of the Asserted Patents prior to the lawsuit, Plaintiffs’ allegations of pre-suit indirect infringement claims are not plausible and should be dismissed. See *Babbage Holdings, LLC v. Activision Blizzard, Inc.*, No. 2:13-750-JRG, 2014 WL 2115616, at *2 (E.D. Tex. May 15, 2014).

As to any indirect infringement **after** the filing of the complaint, the FAC also fails to meet the requisite pleading standard as they are no more than conclusory statements. For example, regarding induced infringement, the allegations (presented above) that Zepp Health “markets, advertises, offers for sale, and/or otherwise promotes the Accused Zepp Watches and, on information and belief, does so to actively and knowingly induce, encourage, instruct, and aid one or more persons in the United States to make, use, sell, offer to sell and/or import the Accused Zepp Watches” and that “Zepp knowingly and intentionally induces retailers to advertise, offer for

sale, and/or otherwise promote the Accused Zepp Watches on their websites and in stores; and Zepp, or one or more related entities, induces end users by, for example, instructing in its manual users of the Accused Zepp Watches to use its Zepp app to monitor physiological parameters” **are utterly unsupported** by any plausible facts or any examples.

Moreover, the foregoing conclusory allegations are even made in the alternative, and so it is impossible to know which, if any, of the alleged activities applied to Zepp Health. None of the statements regarding the alleged active inducement ties any specific activities undertaken by Zepp Health with any third-party’s use of the accused products that allegedly infringe the patents. Moreover, contrary to the FAC’s baseless allegations (*see, e.g.*, FAC at ¶¶ 115, 116, 347 & 379), Defendant Zepp Health does not operate or own any website that advertises or sells any products, much less any of the accused products. (*See* Yeung Decl. at ¶ 8.) Also, contrary to Plaintiffs’ assertion (*see, e.g.*, FAC at ¶ 347), Zepp Health does not advertise, offer for sale, or promote any of the accused products on any website or through other means. (*See* Yeung Decl. at ¶ 9.)

What’s more, Plaintiffs’ conclusory allegations that Zepp Health has knowledge of the Asserted Patents based on the filing of the complaint is insufficient to impute the required knowledge of the patents to Zepp Health for finding indirect infringement after the filing of the complaint. *See Aguirre v. Powerchute Sports, LLC*, No. SA–10–CV–0702 XR, 2011 WL 2471299, *3 (W.D. Tex. 2011) (“To the extent Aguirre relies on knowledge of Aguirre’s patent after the lawsuit was filed, such knowledge is insufficient to plead the requisite knowledge for indirect infringement.”).

In sum, the FAC’s allegations of indirect infringement (induced infringement and contributory infringement) here are the epitome of boilerplate, with identical generic allegations made for each asserted patent. These conclusory statements do not suffice under *Iqbal/Twombly*

and accordingly, Defendant respectfully requests that the Court dismiss the FAC for failure to state a claim with respect to the pre-suit and post-suit indirect patent infringement claims. Moreover, Plaintiffs' pre-suit and post-suit indirect infringement claims (induced infringement and contributory infringement claims) must also be dismissed at least because there cannot be any requisite direct infringement.

C. The FAC's Pre-suit and Post-suit Willful Infringement Allegations against Zepp Health Corporation also Fail to State a Plausible Claim for Relief and Should be Dismissed

The FAC's allegations of willful infringement (pre-suit and post-suit) should be dismissed because the FAC fails to make out a plausible claim for relief. Enhanced damages for willful infringement are "generally reserved for egregious cases of culpable behavior." *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 579 U.S. 93, 104 (2016). As a result, general and formulaic assertions of willful infringement are insufficient at the pleading stage. *See, e.g., Varian Med. Sys., Inc. v Elekta AB*, C.A. No. 15-871-LPS, 2016 WL 3748772, at *8 (D. Del. July 12, 2016).

Here, the FAC contains no factual allegations regarding any willful infringement other than reciting some of the patent claim elements while parroting the legal standard. (*See, e.g.*, FAC at ¶¶ 291, 292, 299; 318, 319, 326; 341, 342, 349; 360, 361, 368; 380, 381, 388; 403, 404, 411; 432, 433, 440.) The FAC provides the following boilerplate statements (all based on **information and belief**): Zepp Health allegedly has known of the Asserted Patents and its infringement since at least as of the **filing** of the complaint; Zepp Health's alleged infringement of the Asserted Patents is "willful, deliberate, and intentional"; Zepp Health has known of the existence of the Asserted Patents and their applicability to the accused products since at least the **filing** of this complaint, and committed acts of infringement that were "willful, demonstrated willful blindness, and disregard" for the Asserted Patents, "without any reasonable basis for believing that it had a right

to engage in the infringing conduct.” (*Id.*) Such formulaic recitals for willful infringement without any support constitute exactly the kind of claim that should be dismissed under *Iqbal/Twombly*. See *Ashcroft*, 556 U.S. 662 at 678 (citing *Twombly*, 550 U.S. at 555).

Further, the foregoing boilerplate statements about willful infringement are also deficient in several other ways. First, realizing its willful infringement claims are untenable and implausible, Plaintiffs admit that such statements are made based on “information and belief.” Second, the FAC does not allege any knowledge of the Asserted patents by Zepp Health **prior** to the filing of the complaint. Without any assertion that Defendant had knowledge of the Asserted Patents **prior** to the lawsuit, Plaintiffs’ allegations of pre-suit willful infringement claims are not plausible and should be dismissed. See *Bayer Healthcare LLC v. Baxalta Inc.*, 989 F.3d 964, 988 (Fed. Cir. 2021); *Softex LLC v. Dell Technologies Inc.*, No. 1:22-CV-1309-RP, 2023 WL 2412841, at *2 (W.D. Tex. Mar. 7, 2023) (granting the defendant’s motion to dismiss as to the plaintiff pre-suit willfulness claim given the lack of allegations in the complaint that would support pre-suit willfulness). As to any willful infringement **after** the filing of the complaint, the FAC also fails to meet the requisite pleading standard as they are no more than conclusory statements that **are utterly unsupported** by any plausible facts or any examples.

Accordingly, Defendant respectfully requests that the Court dismiss the FAC for failure to state a claim with respect to pre-suit and post-suit willful patent infringement claims. Plaintiffs’ pre-suit and post-suit willful infringement claims must also be dismissed at least because there cannot be any requisite direct infringement to begin with.

V. **CONCLUSION**

For the foregoing reasons, Defendant Zepp Health respectfully requests that the Court grant its motion to dismiss the First Amended Complaint under Rule 12(b)(6).

Dated: May 6, 2024

RESPECTFULLY SUBMITTED,

/s/ Jack Shaw

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CERTIFICATE OF SERVICE

I hereby certify that, on May 6, 2024, the foregoing document was filed electronically in compliance with Local Rule CV-5(a), and any and all counsel of record who are deemed to have consented to electronic service will be served with a copy of this document via the Court's CM/ECF system.

/s/ Jack Shaw
Jack Shaw