

1 UNITED STATES DISTRICT COURT

2 DISTRICT OF NEVADA

3 PERITAS BRANDS, LLC,)
4)
5 Plaintiff,)
6 vs.)
7 LEAPHIGH ANIMALS, LLC,)
8 Defendant.)

Case No.: 2:23-cv-00483-GMN-DJA

ORDER GRANTING MOTION TO DISMISS FEDERAL PATENT CLAIMS

9 Pending before the Court are three Motions to Dismiss, (ECF Nos. 20, 41, 55), filed by
10 Defendant Leaphigh Animals, LLC. Plaintiff Peritas Brands, LLC filed Responses, (ECF Nos.
11 24, 47, 63), to which Defendant filed Replies, (ECF Nos. 32, 58, 70). For the following
12 reasons, the Court **GRANTS** Defendant’s Third Motion to Dismiss, **DENIES AS MOOT**
13 Defendant’s Second Motion to Dismiss, and **ORDERS A SURREPLY** to Defendant’s Reply
14 to its First Motion to Dismiss Plaintiff’s State Law Claims.

15 **I. BACKGROUND**

16 This case arises out of a patent infringement dispute that began when Defendant
17 Leaphigh submitted an infringement claim against Plaintiff Peritas through the Amazon
18 Marketplace. (First Am. Compl. (“FAC”) ¶ 1, ECF No. 16). Defendant’s Amazon Complaint
19 led Amazon to bar Plaintiff from selling 21 of its products on the platform. (*Id.*). Plaintiff
20 manufactures and sells pet products such as bed pads and cage liners for dogs, cats, and other
21 small animals. (*Id.* ¶¶ 8–11).

22 On June 28, 2022, Defendant filed Intellectual Property Takedown Complaint ID
23 number 10294713221 with Amazon, asserting that Plaintiff’s products infringed on
24 Defendant’s U.S. patents. (*Id.* ¶ 12). Plaintiff received a notice from Amazon stating that it
25 removed the 21 Accused Products from Amazon Seller Central. (*Id.* ¶¶ 14–15). The notice

1 informed Plaintiff that the Accused Products would not be relisted until Defendant retracted its
2 Amazon Complaint or Plaintiff provided an agreement from Defendant that the Accused
3 Products did not infringe the patents. (*Id.* ¶ 16). Defendant owns U.S. Patent No. D930,268
4 (the “268 Patent”), U.S. Patent No. 10,966,405 (the “405 Patent”), and U.S. Patent No.
5 11,129,357 (the “357 Patent”). (*Id.* ¶¶ 18–22).

6 About eight months after Defendant filed the Amazon Complaint, Plaintiff sent a letter
7 to Defendant asserting that their Accused Products did not infringe Defendant’s patents, asking
8 for the Amazon Complaint to be withdrawn or a covenant not to sue be provided, or for
9 Defendant to identify the patents and claims Plaintiff allegedly infringed. (*Id.* ¶ 23). Defendant
10 responded but did not withdraw the Amazon Complaint in whole or in part, did not provide a
11 covenant not to sue, and did not provide Plaintiff with identification of Defendant’s
12 infringement contentions. (*Id.* ¶ 24).

13 Prior to filing the Amazon Complaint in June 2022, Defendant indicated that Plaintiff’s
14 Bamboo Carbon Disposable Cage Liner also infringed Defendant’s patents. (*Id.* ¶ 28).¹
15 Plaintiff alleges that it has taken preparatory steps to modify the Accused Products to include
16 additional features but believes Defendant would contend that the proposed modifications
17 would infringe on one or more of its patents. (*Id.* ¶¶ 31–35).

18 Plaintiff seeks a declaratory judgment of non-infringement and invalidity as to
19 Defendant’s three patents and brings three state law claims for violations of the Nevada
20 Deceptive Trade Practices Act, defamation, and business disparagement. (*Id.* ¶¶ 37–68).
21 Defendant moves to dismiss all claims through three separate motions to dismiss.
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25 ¹ For the purposes of this Order, the Court will include Plaintiff’s Bamboo Carbon Disposable Cage Liner as one the
“Accused Products.”

1 **II. LEGAL STANDARD**

2 Dismissal is appropriate under Rule 12(b)(6) where a pleader fails to state a claim upon
3 which relief can be granted. Fed. R. Civ. P. 12(b)(6). A pleading must give fair notice of a
4 legally cognizable claim and the grounds on which it rests, and although a court must take all
5 factual allegations as true, legal conclusions couched as factual allegations are insufficient. *Bell*
6 *Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). Accordingly, Rule 12(b)(6) requires “more
7 than labels and conclusions, and a formulaic recitation of the elements of a cause of action will
8 not do.” *Id.* “To survive a motion to dismiss, a complaint must contain sufficient factual
9 matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Ashcroft v.*
10 *Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*, 550 U.S. at 570). “A claim has facial
11 plausibility when the plaintiff pleads factual content that allows the court to draw the
12 reasonable inference that the defendant is liable for the misconduct alleged.” *Id.* This standard
13 “asks for more than a sheer possibility that a defendant has acted unlawfully.” *Id.*

14 “Federal courts are courts of limited jurisdiction. They possess only that power
15 authorized by Constitution and statute.” *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S.
16 375, 377 (1994). Therefore, before a federal court may consider the merits of a case, it must
17 first determine whether it has proper subject-matter jurisdiction. *Scott v. Pasadena Unified Sch.*
18 *Dist.*, 306 F.3d 646, 653–54 (9th Cir. 2002). Rule 12(b)(1) of the Federal Rules of Civil
19 Procedure permits motions to dismiss for lack of subject-matter jurisdiction. Fed. R. Civ. P.
20 12(b)(1). When subject-matter jurisdiction is challenged, the burden of proof is placed on the
21 party asserting that jurisdiction exists. *Scott v. Breeland*, 792 F.2d 925, 927 (9th Cir. 1986)
22 (holding that “[t]he party seeking to invoke the court’s jurisdiction bears the burden of
23 establishing that jurisdiction exists.”). Accordingly, the court will presume lack of subject-
24 matter jurisdiction until the plaintiff proves otherwise in response to the motion to dismiss.
25 *Kokkonen*, 511 U.S. at 377.

1 **III. DISCUSSION**

2 Defendant moves to dismiss all claims brought in the FAC. First, Defendant moves to
3 dismiss the state law claims pursuant to Nevada’s anti-SLAPP statute, NRS 41.660. (*See*
4 *generally* First Mot. Dismiss, ECF No. 20). Second, Defendant moves to dismiss Plaintiff’s
5 claims for declaratory judgment based on the ‘268 and ‘405 Patents for lack of subject matter
6 jurisdiction because Defendant’s Amazon Complaint was only premised on the ‘357 Patent.
7 (*See generally* Second Mot. Dismiss, ECF No. 41). Third, Defendant moves to dismiss
8 Plaintiff’s claims for declaratory judgment based on all three patents because it executed a
9 “covenant not to sue” for infringement of the ‘357 Patent. (*See generally* Third Mot. Dismiss,
10 ECF No. 55). The Court will first address Defendant’s motions to dismiss Plaintiff’s claims for
11 declaratory judgment of non-infringement and invalidity.

12 **A. Motions to Dismiss Federal Patent Claims**

13 Defendant’s second and third motions to dismiss ask this Court to dismiss counts one
14 though six of the FAC relating to infringement and invalidity. The Court will begin its
15 dismissal analysis with Defendant’s Third Motion to Dismiss because the recent Covenant Not
16 to Sue implicates all six of Plaintiff’s declaratory judgment claims. Because the Covenant Not
17 to Sue results in the dismissal of all claims, the Court need not address the arguments made in
18 Defendant’s Second Motion to Dismiss.

19 **1. Covenant Not to Sue**

20 Defendant moves to dismiss Plaintiff’s claims seeking a declaration of noninfringement
21 and invalidity because the parties recently executed a Covenant Not to Sue. (Third Mot.
22 Dismiss 1:16–23, ECF No. 55). Because of this covenant not to pursue claims against Plaintiff
23 for alleged infringement relating to the Accused Products, Defendant requests that the claims
24 be dismissed for lack of subject matter jurisdiction. (*Id.*).
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1 A party has standing to bring an action under the Declaratory Judgment Act if an “actual
2 controversy” exists. 28 U.S.C. § 2201(a). In *MedImmune, Inc. v. Genentech, Inc.*, the Supreme
3 Court explained the relevant standard for “actual controversy” as it applies to patent cases: “the
4 facts alleged, under all circumstances, show there is a substantial controversy, between parties
5 having adverse legal interest, of sufficient immediacy and reality to warrant the issuance of a
6 declaratory judgment.” 549 U.S. 118, 127 (2007). The dispute must be “definite and concrete,
7 touching the legal relations of parties having adverse legal interests,” such that the dispute is
8 “real and substantial” and “admi[ts] of specific relief through a decree of a conclusive
9 character, as distinguished from an opinion advising what the law would be upon a hypothetical
10 state of facts.” *Id.* Declaratory judgment actions may arise when, in a case such as this one, the
11 accused infringer disputes the patentee’s extrajudicial assertion of infringement and seeks
12 judicial resolution. *See Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1362 (Fed. Cir.
13 2009).

14 An actual controversy must exist at all times during litigation, not just the start of
15 litigation. *See Preiser v. Newkirk*, 422 U.S. 395, 401 (1975). A covenant not to sue, or a
16 similarly binding representation, renders the case moot if the defendant could not reasonably be
17 expected to resume its enforcement efforts against a declaratory judgment plaintiff. *See*
18 *Already, LLC, v. Nike, Inc.*, 568 U.S. 85, 94–95 (2013); *Organic Seed Growers & Trade Ass’n*
19 *v. Monsanto Co.*, 718 F.3d 1350, 1358 (Fed. Cir. 2013). If a covenant not to sue is executed
20 prior to resolution of the infringement claim, such as at the outset of litigation, it may render the
21 case moot. *See Benitec Austl., Ltd. v. Nucleonics, Inc.*, 495 F.3d 140, 1347 (Fed. Cir. 2007). A
22 covenant not to sue, however, does not necessarily divest the court of jurisdiction. Instead,
23 “[w]hether a covenant not to sue will divest the trial court of jurisdiction depends on what is
24 covered by the covenant.” *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1297
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1 (Fed. Cir. 2009). Therefore, the Court will evaluate the covenant to determine whether it
2 divests the Court of jurisdiction.

3 Here, Defendant’s Covenant Not to Sue states that the Accused Products infringed only
4 Independent Claims 1 and 15 of the ‘357 Patent. (Covenant Not to Sue at 1, Ex. 1 to Third Mot
5 Dismiss, ECF No. 55-1). The Covenant Not to Sue affirmatively states that other than
6 Independent Claims 1 and 15, the Accused Products do not infringe any remaining independent
7 or dependent claims of the ‘357 Patent. (*Id.*). So, as to Claims 1 and 15 of the ‘357 Patent,
8 Defendant agreed not to sue, nor take any other non-judicial action against Plaintiff, for
9 infringement of those claims by the Accused Products. (*Id.*). Defendant also retracted its
10 Amazon Complaint, and in November of 2023, Amazon confirmed the Accused Products were
11 relisted for sale on their website. (Third Mot. Dismiss 4:4–8); (Covenant Not to Sue at 2, Ex. 1
12 to Third Mot. Dismiss).

13 Not only did Defendant promise not to sue for infringement of the ‘357 Patent by the
14 Accused Products, but it also affirmed in its Covenant Not to Sue that the Accused Products did
15 not infringe the ‘405 Patent or the ‘268 Patent. (Covenant Not to Sue at 1, Ex. 1 to Third Mot.
16 Dismiss) (containing recitals affirming that the Accused Products do not infringe the ‘405
17 Patent or the ‘268 Patent). Recital four states that only certain claims of the ‘357 Patent were
18 infringed by the Accused Products, “and that no other claims of any other LeapHigh U.S.
19 patent nor any of the remaining independent and dependent claims of the ‘357 Patent
20 (specifically, Claims 5, 6, and 8 through 35) were infringed by the Subject Products.” (*Id.*).
21 And recital five affirms the same as to the additional bamboo liner product mentioned in the
22 FAC. (*Id.*). Defendant’s filings in this Court affirm the same. (*See* Reply to Second Mot.
23 Dismiss 2:3–6, ECF No. 47) (warranting that the “Accused Products do not infringe the
24 Unasserted Patents.”) (emphasis in original); (*see also* Second Mot. Dismiss 5:16-17) (stating
25 that “the Accused Products do not infringe either of the Unasserted Patents.”); (*see also* Penn

1 Decl. ¶ 11, Ex. 1 to Second Mot. Dismiss, ECF No. 41-1) (“[W]e have not alleged infringement
2 of US Patent No. 10,955, 405 or of US Design Patent No. D930,268. Specifically, we have not
3 seen any Paw inspired products that have the pocket as recited in those patents.”).

4 Thus, the Court concludes that Defendant’s Covenant Not to Sue eliminates a reasonable
5 apprehension of a suit being brought against the Accused Products for infringement of the ‘357
6 Patent, ‘405 Patent, or the ‘268 Patent. Not only has Defendant covenanted not to sue for the
7 Accused Products’ alleged infringement of Independent Claims 1 and 15 of the ‘357 Patent, but
8 it has stated affirmatively that the Accused Products do not otherwise infringe other claims in
9 the ‘357 Patent, ‘405 Patent, or ‘268 Patent. Because Defendant has affirmatively taken the
10 position that the Accused Products do not infringe its ‘405 or ‘268 Patent, nor the other Claims
11 of the ‘357 Patent, any attempt by Defendant to assert the contrary in future proceedings, would
12 fail. *See New Hampshire v. Maine*, 532 U.S. 742, 749 (2001) (“[W]here a party assumes a
13 certain position in a legal proceeding, and succeeds in maintaining that position, he may not
14 thereafter, simply because his interests have changed, assume a contrary position, especially if
15 it be to the prejudice of the party who has acquiesced in the position formerly taken by him.”).

16 That said, a threat of infringement against the Accused Products is not the only harm
17 Plaintiff identifies. Plaintiff also alleges that the existence of Defendant’s patents, and history
18 of non-judicial infringement action, prevents them from designing, marketing, and selling their
19 new anticipated products. (FAC ¶¶ 30–36) (Resp. to Second Mot. Dismiss 14:4–20, ECF No
20 47). Plaintiff has over 100 products made and sold in the United States, four of which “are
21 fully designed and ready for manufacture, but are awaiting the Court’s declaration of the scope
22 and rights under the patents.” (Resp. to Third Mot. Dismiss 6:9–13, ECF No. 63). These
23 products include features implicating “nearly all of the ‘357 patent claims not covered by the
24 covenant.” (*Id.* 6:18–23).

1 A similar issue involving a partial covenant not to sue was addressed in a Federal Circuit
2 case cited by Plaintiff, *Revolution Eyewear*. 556 F.3d at 1296. The covenant in *Revolution*
3 *Eyewear* promised not to sue the plaintiff for past and current infringement, but it did not apply
4 to potential future infringement of the same product. *Id.* at 1296. The Federal Circuit noted,
5 “Revolution’s covenant does not protect Aspex from suit should Aspex embark on future
6 marketing of its bottom-mounted eyewear products.” *Id.* The plaintiff specifically sought
7 declaratory judgment on future infringement, so the Federal Circuit held that the covenant not
8 to sue did not divest the trial court of jurisdiction to declare noninfringement and invalidity. *Id.*

9 Here, unlike the covenant in *Revolution* that failed to cover the continued sale of the
10 alleged infringing product, the Covenant Not to Sue in this case extends to the future marketing
11 and sale of the Accused Products. (Covenant Not to Sue at 2, Ex. 1 to Third Mot. Dismiss). In
12 fact, Amazon confirmed that the Accused Products are again listed for sale on the Amazon
13 Marketplace. (*Id.*). But, as Plaintiff points out, the Covenant Not to Sue does not extend to
14 their planned activity of selling new designs. Defendant’s covenant focuses solely on the 21
15 Accused Products. (*Id.* at 1); (Resp. to Third Mot. Dismiss 7:1–5).² Notably, however, the
16 FAC does not request a declaratory judgment of non-infringement as to any products other than
17 the Accused Products. (See FAC ¶¶ 31, 36, 41). Because the FAC only requests a declaratory
18 judgment as to the Accused Products, and the Court finds that there is no longer an “actual
19 controversy” as to whether the Accused Products infringe any of Defendant’s three patents, the
20 Court dismisses Claims 1–3 which seek a declaratory judgment of non-infringement, as well as
21 Claims 4–6 which seek a declaratory judgment of invalidity. See *Dow Jones & Co. v. Ablaise*
22 *Ltd.*, 606 F.3d 1338, 1345–47 (Fed. Cir. 2010) (holding that a covenant not to sue the alleged
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25 ² Plaintiff also argues that the Covenant Not to Sue covers only 17% of the claims of the ‘357 Patent. (*Id.*). But as the Court noted above, the Covenant Not to Sue affirms that the Accused Products do not infringe the remaining claims of the ‘357 Patent, nor the ‘405 or ‘268 Patents.

1 infringer for infringement of a particular patent divested the district court of subject matter
2 jurisdiction over claim for declaratory judgment of invalidity relating to that patent).

3 **2. Leave to Amend**

4 If the court grants a motion to dismiss for failure to state a claim, leave to amend should
5 be granted unless it is clear that the deficiencies of the complaint cannot be cured by
6 amendment. *DeSoto v. Yellow Freight Sys., Inc.*, 957 F.2d 655, 658 (9th Cir. 1992). Pursuant
7 to Rule 15(a), the court should “freely” give leave to amend “when justice so requires,” and in
8 the absence of a reason such as “undue delay, bad faith or dilatory motive on the part of the
9 movant, repeated failure to cure deficiencies by amendments previously allowed, undue
10 prejudice to the opposing party by virtue of allowance of the amendment, futility of the
11 amendment, etc.” *Foman v. Davis*, 371 U.S. 178, 182 (1962).

12 The Court determines that it is not entirely divested of subject matter jurisdiction and
13 grants Plaintiff leave to amend their declaratory judgment claims to include products not
14 covered by the covenant. Plaintiff’s claims relating to the Accused Products are dismissed with
15 prejudice, but it is not “absolutely clear” that Plaintiff’s anticipated future activities relating to
16 other products would not be alleged to infringe on Defendant’s patents. The U.S. Supreme
17 Court has held that “the standard for determining whether a case has been mooted by the
18 defendant’s voluntary conduct is stringent: A case might become moot if subsequent events
19 make it absolutely clear that the allegedly wrongful behavior could not reasonably be expected
20 to recur.” *Friends of the Earth, Inc. v. Laidlaw Env’t Servs. (TOC), Inc.*, 528 U.S. 167, 170
21 (2000); *see also Already*, 568 U.S. at 94–95 (“The case is moot if the court, considering the
22 covenant’s language and the plaintiff’s anticipated future activities, is satisfied that it is
23 “absolutely clear” that the allegedly unlawful activity cannot reasonably be expected to
24 recur.”).

1 When a covenant is broad and irrevocable and covers both current designs and future
2 designs constituting colorable imitations of current designs, a case is considered moot because
3 the challenged conduct cannot reasonably be expected to recur. *Already*, 568 U.S. at 94–95.
4 And future planned activities can warrant a dispute “of sufficient immediacy and reality to
5 warrant the issuance of a declaratory judgment” even in cases where the commercial product
6 launch is at least one year away, if the plaintiff is in a “present position of either committing to
7 contracts that could expose it to liability for indirect infringement or abandoning its plans to
8 supply [products] in the United States.” *Arkema Inc. v. Honeywell International Inc.*, 706 F.3d
9 1351, 1359–60 (Fed. Cir. 2013).

10 Defendant has not met its burden of showing that it could not reasonably be expected to
11 resume enforcement efforts against Plaintiff’s products not covered by the Covenant Not to Sue
12 in the list of 21 “Accused Products.” Plaintiff’s anticipated future activities include releasing
13 additional products that could implicate Defendant’s patents. And Plaintiff has undergone
14 “meaningful preparation” to manufacture and sell these products because Plaintiff is making
15 prototypes and has identified a supplier. (Resp. to Second Mot. Dismiss 19:3–14). Unlike the
16 broad covenant in *Already* that promised not to sue over future designs, the covenant in this
17 case is significantly narrower and applies only to the Accused Products. The Court finds that
18 this dispute would be sufficiently “real and substantial” if Plaintiff amended its claims to
19 request specific relief for these planned products. Thus, Plaintiff is granted leave to amend its
20 claims for noninfringement and invalidity to remove the controversy over the Accused Products
21 and include the products falling under its “planned activities.”

22 **B. Motion to Dismiss State Law Claims**

23 Defendant further moves to dismiss Plaintiff’s three state law claims pursuant to
24 Nevada’s anti-SLAPP statute, NRS 41.660. (*See generally* First Mot. Dismiss, ECF No. 20).
25 Plaintiff’s Response opposes dismissal via Nevada’s anti-SLAPP statute and further argues that

1 the anti-SLAPP statute and litigation immunity do not apply because federal patent law
2 exclusively governs patent rights communication. (Resp. to First Mot. Dismiss 19:13–21:22,
3 ECF No. 24). In Defendant’s Reply, it argues for the first time that Plaintiff’s state claims
4 themselves are preempted by federal patent law because Plaintiff cannot make a showing of
5 bad faith. (Reply to First Mot. Dismiss, 3:11–6:19, ECF No. 32). Because Defendant is making
6 a new argument for dismissal in its Reply, the Court GRANTS Plaintiff 14 days to file a
7 surreply addressing Defendant’s preemption argument. Leave to file a surreply is discretionary
8 and should only be granted “where a valid reason for such additional briefing exists, such as the
9 movant raises new arguments in its reply brief.” *Hill v. England*, No. CVF05869RECTAG,
10 2005 WL 3031136, at *1 (E.D. Cal. Nov. 8, 2005); *see also Edwards v. Mondora*, 700 F.
11 App’x 661, 664 (9th Cir. 2017).

12 **V. CONCLUSION**

13 **IT IS HEREBY ORDERED** that Defendant’s Third Motion to Dismiss, (ECF No. 55),
14 is **GRANTED**.

15 **IT IS FURTHER ORDERED** that Plaintiff shall have 21 days from the date of this
16 Order to file a complaint amending the federal patent claims. Failure to file an amended
17 complaint by the required date will result in the Court dismissing Plaintiff’s claims with
18 prejudice.

19 **IT IS FURTHER ORDERED** that Defendant’s Second Motion to Dismiss, (ECF No.
20 41), is **DENIED as moot**.

21 **IT IS FURTHER ORDERED** that Plaintiff shall have 14 days from the date of this
22 Order to file a Surreply to Defendant’s Reply to the first Motion to Dismiss, (ECF No. 32), to
23 address Defendant’s preemption argument.
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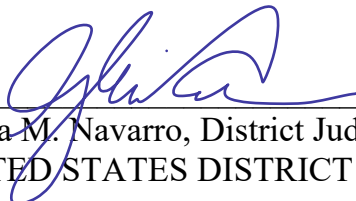
1 **IT IS FURTHER ORDERED** that the *Markman* Hearing scheduled for March 6, 2024,
2 is **VACATED** and will be rescheduled when the parties provide an amended Joint Claim
3 Construction and Prehearing Statement (LPR 1-15(f)).

4 **IT IS FURTHER ORDERED** that Plaintiff's Motion for Partial Summary Judgment,
5 (ECF No. 37), is **DENIED as moot**.

6 **IT IS FURTHER ORDERED** that Plaintiff's Motion for Leave to File Document,
7 (ECF No. 72), is **DENIED as moot**.

8 **DATED** this 27 day of February, 2024.

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Gloria M. Navarro, District Judge
UNITED STATES DISTRICT COURT