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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

SONIX TECHNOLOGY CO. LTD,  
Plaintiff,  
  
vs.  
  
KENJI YOSHIDA and  
GRID IP, PTE., LTD.,  
Defendant.

Case No.: 12cv380-CAB-DHB  
  
**Order Regarding Motion to  
Dismiss for Lack of Subject Matter  
Jurisdiction [Doc. No. 316]**

Before the court is defendant/counterclaimant Yoshida’s<sup>1</sup> motion to dismiss  
its claim for patent infringement pursuant to Federal Rule of Civil Procedure

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<sup>1</sup> Kenji Yoshida and Grid IP, PTE Ltd., are the named defendants/counterclaimants in this action. Kenji Yoshida is the named inventor of the patents at issue in this litigation and owns three of the patents, U.S. Patent Nos. 7,967,217; 8,031,375; and 8,253,982. Grid IP is the assignee of one of the four patents at issue, U.S. Patent No. 8,430,328. Kenji Yoshida and Grid IP are collectively referred to as “Yoshida” in this Order.

1 41(a)(2). With its request for dismissal of the infringement claim, Yoshida also  
2 moves for dismissal of plaintiff/counterclaim defendant Sonix's complaint for  
3 declaratory judgment of non-infringement, invalidity and unenforceability for lack  
4 of subject matter jurisdiction. [Doc. No. 316.] Sonix opposes the motion. [Doc.  
5 No. 319.] Yoshida filed a reply. [Doc. No. 320.] The Court finds this motion  
6 suitable for determination on the papers submitted and without oral argument in  
7 accordance with Civil Local Rule 7.1(d)(1).

### 8 **I. Background**

9 The procedural history of this litigation is set forth in detail in the Court's  
10 order denying Yoshida's previous motion to dismiss [Doc. No. 297] and therefore  
11 will only be summarized here. Kenji Yoshida publicly accused an optical  
12 identification technology produced by Sonix, known as OID2, of infringing the  
13 '375 patent. In response to those accusations, Sonix brought a complaint for  
14 declaratory judgment of non-infringement and invalidity. Kenji Yoshida, joined  
15 by Grid IP, then filed counterclaims for direct and indirect infringement of the '375  
16 patent, and the '217, the '982 and the '382 patents against the OID2 product.  
17 Sonix then amended its declaratory judgment complaint to include all four asserted  
18 patents and added claims of unenforceability.

19 The Court entered summary judgment of non-infringement in favor of Sonix  
20 on the '375, the '217 and the '382 patents, and dismissed without prejudice Sonix's

1 corresponding affirmative defenses and declaratory judgment counterclaims of  
2 invalidity and unenforceability as to those patents. The remaining issues for trial  
3 were Kenji Yoshida’s claim of direct infringement of the ‘982 patent and Sonix’s  
4 corresponding affirmative defenses and declaratory judgment counterclaims of  
5 non-infringement, invalidity and unenforceability as to that patent. [Doc. No. 303.]  
6 Sonix has a motion for summary judgment of invalidity of the ‘982 patent  
7 currently under submission. [Doc. Nos. 253, 281, 301.]

## 8 **II. Dismissal of Yoshida’s Infringement Claim**

9 On or about November 18, 2015, Yoshida sent a “Covenant Not To Sue” to  
10 Sonix on the remaining ‘982 patent, as well as the other three patents already  
11 adjudicated in Sonix’s favor in this action. Specifically, Kenji Yoshida tendered to  
12 Sonix, on behalf of “Yoshida,”<sup>2</sup> a covenant not to sue Sonix on the following  
13 terms:

14 Yoshida unconditionally and irrevocably covenants not to make any  
15 claim(s) or demand(s) against Sonix or any of its parents, subsidiaries,  
16 divisions, related companies, affiliated companies, licensees,  
17 independent contract manufacturers, assignees, and/or other related  
18 business entities, as well as any of their predecessors, successors,  
19 directors, officers, employees, agents, distributors, attorneys,  
representatives and employees of such entities, and all customers of  
each of the foregoing (whether direct or indirect), on account of any  
possible cause of action based on or involving infringement, under the  
laws of the United States, relating to any claim of any of the Counter-

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20 <sup>2</sup> “Yoshida” is defined in the Covenant to collectively include Kenji Yoshida,  
individually; Gridmark IP Pte., Ltd.; and GRID IP Pte., Ltd. [Doc. No. 316-3]

1 Claim Patents<sup>[3]</sup> based on any of Sonix’s OID2 products, regardless  
2 of whether the OID2 products are manufactured, imported, sold,  
3 offered for sale, or otherwise used in commerce before or after the  
4 Effective Date of this Covenant.

5 Yoshida filed its motion to dismiss with the Court, on November 19, 2015,  
6 attaching the Covenant and affirmatively representing that it no longer seeks to  
7 pursue its infringement allegations against Sonix. [Doc. No. 316.] Yoshida  
8 represents to the Court that its covenant “unconditionally and irrevocably affords  
9 Sonix and its customers (direct and indirect) complete freedom from allegations  
10 that any product embedded with Sonix’s OID2 technology infringes any claim of  
11 any of the patents asserted in this litigation . . . regardless of whether they were  
12 produced and/or sold before or after the covenant.” [Doc. No. 316-1, at 6.<sup>4</sup>]  
13 Yoshida further states it “agrees not to take any action against whatever levels of  
14 infringement that Sonix’s OID2 product may cause with respect to any of the four  
15 patents asserted in this litigation. Sonix and its customers are free to promote and  
16 sell Sonix’s OID2 product, without fear of being sued for infringement of  
17 Yoshida’s four patents-in-suit.” *Id.*

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20 <sup>3</sup> The Counter-Claim Patents are defined in the Covenant as the ‘217, the ‘375, the ‘982 and the  
‘328 patents.

<sup>4</sup> Page citations are to the page numbers assigned by CM/ECF.

1           Based on this Covenant, Yoshida moves for dismissal of its counterclaim for  
2 patent infringement pursuant to Rule 41(a)(2) of the Federal Rules of Civil  
3 Procedure. In accordance with Rule 41(a)(2), once an answer or motion for  
4 summary judgment has been filed by the opposing party, “an action may be  
5 dismissed at the plaintiff’s request only by court order, on terms that the court  
6 considers proper.” The Court therefore must determine whether to allow dismissal,  
7 whether dismissal should be with or without prejudice, and what terms and  
8 conditions, if any, should be imposed.

9           Whether to allow dismissal rests in the court’s sound discretion. *Hamilton v.*  
10 *Firestone Tire & Rubber Co., Inc.*, 679 F.2d, 143, 145 (9th Cir. 1982). “In ruling  
11 on a motion for voluntary dismissal, the District Court must consider whether the  
12 defendant will suffer some plain legal prejudice as a result of the dismissal.” *Id.*  
13 The rule allows the court to attach conditions to the dismissal to prevent prejudice  
14 to the defendant. *Id.* at 146.

15           Yoshida provided Sonix with a Covenant Not to Sue Sonix and its customers  
16 for infringement of any claim of the asserted patents, for the making, using, selling,  
17 offering for sale or importing of any product incorporating Sonix’s OID2  
18 technology, the accused technology in this litigation. The Covenant by its express  
19 terms is unconditional and irrevocable, covers past, present and future OID2  
20 products and includes that any future assignment of the patents to a third party will

1 incorporate the Covenant. [Doc. No. 316-3.] It is further accompanied by  
2 Yoshida’s unequivocal representation to the Court that “Sonix and its customers  
3 are free to promote and sell Sonix’s OID2 product, without fear of being sued for  
4 infringement of Yoshida’s four patents-in-suit.” [Doc. No. 316-1, at 6.]

5 Yoshida bears the burden of showing that it is absolutely clear it could not  
6 reasonably be expected to resume its enforcement efforts against Sonix. *See*  
7 *Already LLC v. Nike, Inc.*, 133 S.Ct. 721, 728 (2013) (an unconditional and  
8 irrevocable covenant suffices to meet the burden imposed by the voluntary  
9 cessation test). The Covenant unambiguously releases Sonix, and its customers  
10 from any claim the accused product infringes the ‘982 patent, the only remaining  
11 patent in this litigation. It prohibits Yoshida from making any claim or demand  
12 based on or involving infringement, extends to Sonix and a broad description,  
13 without exclusion, of related business entities and customers, and covers past,  
14 present and future sales, etc., of the OID2 products.

15 Despite the express language of the Covenant, Sonix contends that Yoshida  
16 has not met the requisite burden because the Covenant is “impermissibly  
17 conditional as it is predicated on assumptions, or otherwise conditioned on  
18 subjective knowledge or belief.” [Doc. No. 319, at 11.] Although the Covenant is  
19 preceded by “Recitals” regarding Yoshida’s perceptions as to the scope of the  
20 alleged infringing sales of OID2 products in the United States and Yoshida’s

1 asserted motivations for seeking to dismiss its infringement claims, the Court does  
2 not find that these disputed statements modify or condition the scope of the  
3 Covenant. The Covenant unconditionally releases any claim or demand as to all  
4 past sales. Moreover, it permits without limitation all future sales of OID2  
5 products, from claims of infringement. The Covenant expressly states it is  
6 irrevocable, so should any of Yoshida's stated assumptions or understandings as to  
7 its motivation to enter the Covenant prove to be false, Yoshida has committed that  
8 it will not and cannot resume enforcement efforts against Sonix or its customers  
9 with regard to OID2 products on any claim of the four patents.

10 The Court finds these circumstances and the express language and scope of  
11 the covenant at issue distinguishable from the covenant not to sue described and  
12 rejected in *Perfectvision Mfg., Inc. v. PPC Broadband, Inc.*, 951 F.Supp.2d 1083  
13 (E.D. Ark. 2013), cited by Sonix. The covenant offered by PPC included  
14 assumptions made from limited information about the design of the accused  
15 product based on illustrations in a flyer. The covenant was expressly conditioned  
16 on the accuracy of PPC's own interpretations of that limited information. *Id.* at  
17 1090. The court therefore found that the conditional covenant did not make it  
18 absolutely clear that PPC could reasonably be expected not to resume its  
19 enforcement efforts against Perfectvision. *See also Tyco Fire Prods. LP v.*  
20 *Victaulic Co.*, 2012 U.S. Dist. LEXIS 2140, at \*23-24 (E.D. Pa. Jan. 6, 2012)(the

1 covenant was non-binding as it was expressly conditioned on Tyco's  
2 understanding of that Victaulic's current activities did not infringe and the  
3 covenant did not cover past activities.)

4         Although Yoshida precedes its covenant with statements about the scope of  
5 the U.S. sales of OID2 products made by Sonix, and a unilateral, and vehemently  
6 disputed, description of the negotiations between the parties to resolve the  
7 litigation, these representations do not alter the express language of the Covenant,  
8 which is unconditional and irrevocable. Yoshida confirms that the "whereas"  
9 clauses are "mere introduction" and "do not substantively affect the operative  
10 provision of the covenant" and do not create conditions for the covenant. [Doc. No.  
11 320, at 8-9.] In Yoshida's own words, the "covenant makes it absolutely clear and  
12 unambiguous that Yoshida can no longer sue Sonix or its customers based on the  
13 patents-in-suit." *Id.* at 10. The scope of the Covenant eliminates any claim or  
14 demand against Sonix and its customers for the past, present and future sales, etc.,  
15 of the OID2 products without limitation. *Id.*

16         Yoshida acknowledges that Sonix disputes statements contained in the  
17 Covenant's preamble (the "whereas" clauses) and that Sonix contends that these  
18 clauses condition the covenant's enforceability. Yoshida explicitly responds to  
19 Sonix's concerns stating that the "whereas" clauses do not compromise the broad  
20 protection that Sonix and its customers enjoy under the covenant. The clauses are

1 “introductory statements with no bearing on the scope and enforceability of the  
2 covenant.” *Id.* at 11.

3 Yoshida’s representations regarding the scope and enforceability of its  
4 Covenant made to the Court to obtain dismissal of this action, are binding as a  
5 matter of judicial estoppel. *See Already*, 133 S.Ct. at 728 (“where a party assumes  
6 a certain position in a legal proceeding, and succeeds in maintaining that position,  
7 he may not thereafter, simply because his interests have changed, assume a  
8 contrary position, especially if it be to the prejudice of the party who has  
9 acquiesced in the position formerly taken by him.”); *Organic Seed Growers &*  
10 *Trade Ass’n v. Monsanto Co.*, 718 F.3d 1350, 1358 (Fed Cir. 2013) (“a party who  
11 successfully argues one position is estopped from later adopting a contrary position  
12 in a case involving the same patent”).

13 Sonix also raises concerns that the Covenant is executed by Dr. Kenji  
14 Yoshida on behalf “Yoshida” and there exists some ambiguity as to whether his  
15 signature binds all the parties. The Covenant is not a model of drafting in this  
16 regard. The opening paragraph defines Kenji Yoshida, an individual, as “Yoshida”  
17 and then collectively defines Dr. Yoshida, Gridmark IP PTE. LTD., and Grid IP  
18 Pte, Ltd., also as “Yoshida.” All references to “Yoshida” in the subsequent  
19 “Recitals” and “Covenants” following the introductory paragraph are however  
20 understood to be the collective reference to Dr. Yoshida, Gridmark IP PTE. LTD.,

1 and Grid IP Pte, Ltd. This is the logical interpretation as the counterclaim for  
2 infringement filed by “Yoshida,” described in the third “whereas” clause was filed  
3 jointly by Kenji Yoshida and Grid IP, not Dr. Yoshida alone. Further the ‘328  
4 patent is assigned to Grid IP, therefore the reference to “Yoshida” as the owner of  
5 each of the Counter-Claim Patents in the body of the Covenant, must include Grid  
6 IP. Dr. Kenji Yoshida’s signature executing “For Yoshida” represents all the  
7 parties collectively defined as “Yoshida.”

8 This interpretation is confirmed by Yoshida. “Sonix alleges that Yoshida’s  
9 covenant is not signed by all the parties purported to be bound. This is incorrect.  
10 Yoshida’s covenant is signed by Dr. Kenji Yoshida, who is empowered to act on  
11 behalf of Grid IP Pte., Ltd., as the CEO.” [Doc. No. 320, at 8, fn.3.] Again the  
12 Court finds this representation to be binding as a matter of judicial estoppel.

13 The Covenant supports Yoshida’s request for voluntary dismissal of its  
14 infringement action. It terminates Yoshida’s only remaining claim against Sonix.  
15 This request for dismissal comes while a motion for summary judgment of  
16 invalidity of this remaining patent is pending. Further it comes after much expense  
17 and effort was incurred by Sonix in this litigation defending against the claim of  
18 infringement of the ‘982 patent. The Court therefore **DISMISSES with Prejudice**  
19 **Yoshida’s remaining Counterclaim for direct infringement of the ‘982 patent**  
20 **[Doc. No. 245, Count III , ¶¶129-131].** Given the unconditional and irrevocable

1 scope of the Covenant Not to Sue on this patent, a dismissal with prejudice poses  
2 no additional prejudice on Yoshida, and comports with Yoshida's stated intention  
3 that Sonix and its customers are free to promote and sell Sonix's OID2 product,  
4 without fear of being sued for infringement.

5 **Sonix's affirmative defenses of invalidity and unenforceability as to the**  
6 **'982 patent are deemed moot.**

7 The Covenant also includes the patents already adjudicated by this Court as  
8 non-infringed. The Covenant does not alter this Court's previous summary  
9 judgment orders entered long before Yoshida executed the Covenant. Yoshida's  
10 commitment not bring claims of infringement against Sonix and its customers for  
11 past, present and future sales of the OID2 products which have already been found  
12 to not infringe the '217, '375 and the '328 patents, may therefore appear  
13 superfluous. The Covenant is however an enforceable commitment not to assert  
14 any claims of these patents against Sonix's OID2 products, should Yoshida seek  
15 appellate review to reverse this Court's orders of summary judgment.

### 16 **III. Dismissal of Sonix's Declaratory Judgment Claims**

17 With dismissal with prejudice of the remaining counterclaim for  
18 infringement, the Court turns to Yoshida's request to dismiss Sonix's remaining  
19 claims for declaratory judgment of non-infringement, invalidity and  
20 unenforceability of the '982 patent. Given the breadth of the Covenant, as

1 discussed above, the Court finds that Sonix’s declaratory judgment complaint is  
2 now moot -- there is no longer a “Case” or “Controversy” for purposes of Article  
3 III. *Already*, 133 S. Ct. at 726-27.

4 Yoshida’s Covenant meets the burden imposed by the voluntary cessation  
5 test. *See id.* at 728. Sonix’s OID2 product, the accused technology, is free from  
6 any demands or claims of infringement of the ‘982 patent. The threat of direct or  
7 indirect infringement action is gone and cannot reasonably be expected to recur.

8 There is no basis on which to find a live controversy. The Court therefore

9 **DISMISSES Without Prejudice Sonix’s remaining Declaratory Judgment**

10 **Counterclaims [Doc. No. 229, Counts V, VI and IX.]**

11 **IV. Final Judgment, Costs and Fees**

12 The Court previously found for Sonix on Yoshida’s claims of infringement,  
13 and Sonix’s declaratory judgment claims of non-infringement of the ‘375, the ‘217  
14 and the ‘328 patents as well as certain claims of indirect infringement of the ‘982  
15 patent. [Doc. No. 303.] Judgment is therefore ordered to be entered in favor of  
16 Sonix as follows:

- 17 1. Judgment is entered for Sonix on Yoshida’s claims of direct and indirect  
18 infringement of the ‘375 patent, the ‘217 patent and the ‘328 patent, and  
19 the claim of indirect infringement of the ‘982 patent [Yoshida’s  
20 Counterclaim, Doc. No. 245, Counts I, II, III ¶¶132-133, and IV];

1 2. Judgment is entered for Sonix on its counterclaim of non-infringement of  
2 the '375 patent, the '217 patent and the '328 patent [Sonix's Fourth  
3 Amended Complaint, Doc. No. 229, Counts I, III and VII].

4 As prevailing party Sonix may recover taxable costs, pursuant to 28 U.S.C.  
5 §1920, incurred in the litigation of those claims. Further as a condition of the  
6 dismissal of the Yoshida's remaining claim of infringement, the Court awards  
7 taxable costs to Sonix incurred in the litigation related to allegation of the direct  
8 infringement of the '982 patent, up to November 18, 2015.

9 Finally, Sonix may file a motion for a determination of exceptional case,  
10 pursuant to 35 U.S.C. §285, and seek recovery of its reasonable and necessary  
11 attorneys' fees incurred prior to November 18, 2015. Said motion must be filed  
12 no later than **January 22, 2016**.

13 **IT IS SO ORDERED.**

14 Dated: December 30, 2015

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17 Hon. Cathy Ann Bencivengo  
18 United States District Judge  
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20