

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

23ANDME, INC.,

Plaintiff,

v.

ANCESTRY.COM DNA, LLC, et al.,

Defendants.

Case No. 18-cv-02791-EMC

**ORDER GRANTING PLAINTIFF'S
MOTION FOR ENTRY OF FINAL
JUDGMENT UNDER RULE 54(B); AND
DENYING MOTION TO STAY CASE
PENDING APPEAL**

Docket No. 54

In May 2018, Plaintiff 23andMe, Inc. ("23") initiated the instant action against Defendants Ancestry.com DNA, LLC; Ancestry.com Operations Inc.; and Ancestry.com LLC (collectively, "Ancestry"), primarily asserting claims for patent infringement, false/misleading advertising, and declaratory judgment of no trademark infringement and invalidity of trademark. Ancestry moved to dismiss 23's claims and, in August 2018, the Court dismissed the patent infringement claims (nonpatentability under § 101) but, for the most part, allowed the false/misleading advertising and declaratory judgment trademark claims to survive. *See* Docket No. 51 (order). 23 now asks the Court to issue a final judgment under Federal Rule of Civil Procedure 54(b) on its patent infringement claims so that it may appeal to the Federal Circuit *and* to stay the proceedings on the false/misleading advertising and declaratory judgment trademark claims pending the appeal to the Federal Circuit.

Having considered the parties' briefs and accompanying submissions, the Court finds the matter suitable for disposition without oral argument. The Court therefore **VACATES** the November 15, 2018, hearing on 23's motion. 23's motion for an entry of final judgment under Rule 54(b) is **GRANTED** but its motion to stay the remainder of the case pending appeal is **DENIED**.

I. DISCUSSION

Rule 54(b) provides as follows:

When an action presents more than one claim for relief – whether as a claim, counterclaim, crossclaim, or third-party claim – or when multiple parties are involved, the court may direct entry of a final judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay. Otherwise, any order or other decision, however designated, that adjudicates fewer than all the claims or the rights and liabilities of fewer than all the parties does not end the action as to any of the claims or parties and may be revised at any time before the entry of a judgment adjudicating all the claims and all the parties’ rights and liabilities.

Fed. R. Civ. P. 54(b).

The purpose of Rule 54(b) is to provide some relief to parties given that the Federal Rules of Civil Procedure generally have liberal rules for joinder of claims and parties:

The federal rules increased the opportunity for joinder of multiple claims and multiple parties. The former technical pleading rules were replaced by provisions permitting virtually unlimited joinder of claims and greatly expanded joinder of parties, together with a commensurate power in the district court to structure the litigation and conduct separate trials as justice or convenience might require. Although the increased opportunity for joinder coupled with these case management techniques increases efficiency in the district court, they also create a substantial potential for prejudice from the delay in final disposition and appeal of *what are quite frequently entirely distinct claims*.

10 Moore’s Fed. Prac. – Civ. § 54.21[1] (emphasis added).

The critical case on Rule 54(b) is *Curtiss-Wright Corp. v. Gen. Elec. Co.*, 446 U.S. 1 (1980).¹ In *Curtiss-Wright*, the Supreme Court rejected the suggestion in the Rule 54 Advisory Committee Notes that a Rule 54(b) final judgment is appropriate only in an “‘infrequent harsh case.’” *Id.* at 9. The Supreme Court also noted that,

¹ The parties disagree as to whether Ninth Circuit law or Federal Circuit law applies to the Rule 54(b) analysis but they have not pointed to any clear difference between the laws of the two circuits. And in any event, as noted above, the critical case on Rule 54(b) is *Curtiss-Wright*, a Supreme Court case.

[n]early a quarter of a century ago, in *Sears, Roebuck & Co. v. Mackey*, 351 U.S. 427 (1956), this Court outlined the steps to be followed in making determinations under Rule 54 (b). A district court must first determine that it is dealing with a “final judgment.” It must be a “judgment” in the sense that it is a decision upon a cognizable claim for relief, and it must be “final” in the sense that it is “an ultimate disposition of an individual claim entered in the course of a multiple claims action.”

Once having found finality, the district court must go on to determine whether there is any just reason for delay. Not all final judgments on individual claims should be immediately appealable, even if they are in some sense separable from the remaining unresolved claims. The function of the district court under the Rule is to act as a “dispatcher.” It is left to the sound judicial discretion of the district court to determine the “appropriate time” when each final decision in a multiple claims action is ready for appeal. This discretion is to be exercised “in the interest of sound judicial administration.”

Thus, in deciding whether there are no just reasons to delay the appeal of individual final judgments in a setting such as this, *a district court must take into account judicial administrative interests as well as the equities involved*. Consideration of the former is necessary to assure that application of the Rule effectively “preserves the historic federal policy against piecemeal appeals.” It was therefore proper for the District Judge here to consider such factors as whether the claims under review were separable from the others remaining to be adjudicated and whether the nature of the claims already determined was such that no appellate court would have to decide the same issues more than once even if there were subsequent appeals.

Id. at 7-8 (emphasis added).

In the instant case, there is no real dispute that the Court is dealing with a “final judgment” with respect to 23’s patent infringement claims. The only issue is whether there is “no just reason for delay.” Fed. R. Civ. P. 54(b). The Court finds that there is no just reason for delaying entry of a final judgment on the patent infringement claims. The claims are factually and legally distinct from the false/misleading advertising claims and the declaratory judgment trademark claims. *See* Moore’s § 54.23[1][b] (stating that, “if the unadjudicated claims are closely related to those decided, the district court should generally refuse to enter a judgment under Rule 54(b)” but, if “the claims are sufficiently distinct so that duplicative appellate review will be avoided, the court of appeals will generally find that entry of a Rule 54(b) judgment was not an abuse of discretion”). Also, a delay in the entry of judgment would cause some hardship or injustice to 23; now that the Court has determined that 23’s patent is invalid as unpatentable, that ruling casts a cloud on 23’s

1 ability to assert the patent against other entities or persons.

2 Although the Court thus grants 23's motion for entry of final judgment under Rule 54(b), it
3 denies its request to stay the remainder of the proceedings pending 23's appeal of the patent
4 infringement decision to the Federal Circuit. As an initial matter, the Court notes that it disagrees
5 with Ancestry that the proper standard to apply in assessing the request for a stay is *Nken/Hilton*.
6 That standard is applicable when there is a request to stay a district court's judgment or order
7 pending an appeal of the same case. See *Hilton v. Braunskill*, 481 U.S. 770, 776 (2009) (stating
8 that "[d]ifferent Rules of Procedure govern the power of district courts and courts of appeals to
9 stay an order pending appeal" but, "[u]nder both Rules, . . . the factors regulating the issuance of a
10 stay are generally the same" – similar to the preliminary injunction factors). Instead, the proper
11 standard is set forth in *Landis v. North American Co.*, 299 U.S. 248 (1936). Although *Landis* is
12 generally applied where there is a request to stay proceedings pending a decision in a *different*
13 case (this was true in *Landis* itself), *Landis* broadly states that "the power to stay proceedings is
14 incidental to the power inherent in every court to control the disposition of the causes on its docket
15 with economy of time and effort for itself, for counsel, and for litigants." *Id.* at 254. Courts have
16 applied *Landis* where there is a request for a stay based on an appeal of a Rule 54(b) final
17 judgment. See, e.g., *Mott v. Lucas*, No. 1:10CV0164, 2011 U.S. Dist. LEXIS 94072, at *11 (N.D.
18 Ohio Aug. 23, 2011) (stating that, "[s]ince the Court is granting, in part, Plaintiff's motion for
19 Rule 54(b) certification, the Court finds that it is in the interest of justice to stay all trial court
20 proceedings pending a decision by the Court of Appeals on Plaintiff's appeal"; citing *Landis* in
21 support); *Nat'l Union Fire Ins. Co. of Pittsburg, PA v. Ready Pac Foods, Inc.*, No. CV 09-3220
22 RSWL (MANx), 2011 U.S. Dist. LEXIS 54100, at *15 (C.D. Cal. May 9, 2011) ("STAY[ing]
23 further proceedings in this case pending resolution of any appeal taken from the Rule 54(b)
24 Judgment"; citing *Landis* in support).

25 Under *Landis*, a court generally considers the hardships that would be suffered by the
26 parties if a stay were or were not granted, as well as judicial economy. See, e.g., *Lockyer v.*
27 *Mirant Corp.*, 398 F.3d 1098, 1110 (9th Cir. 2005) (indicating, that where a *Landis* stay is at issue,
28 a court considers "the possible damage which may result from the granting of a stay, the hardship

1 or inequity which a party may suffer in being required to go forward, and the orderly course of
2 justice measured in terms of the simplifying or complicating of issues, proof, and questions of law
3 which could be expected to result from a stay”). 23 argues that judicial economy weighs in favor
4 of a stay because, if there is a stay and it succeeds on its appeal of the patent infringement claims,
5 then there will be only one trial – and if there is a stay and it does not succeed on the appeal, then
6 “the parties may be able to resolve the remaining disputes by alternative means.” Mot. at 10. But
7 this argument is not persuasive. For example, if the Court does not stay and 23 prevails on the
8 patent infringement appeal, some of the same people may need to be deposed two times – once for
9 the patent infringement claims and once for the false/misleading advertising and declaratory
10 judgment trademark claims; however, there is no indication that a large number of people would
11 need to be deposed twice. And for the people who would be deposed twice, the subject matter of
12 their testimony would be different because the patent infringement claims and the other claims
13 involve different underlying facts. Similarly, if the Court does not stay and 23 prevails on the
14 patent infringement appeal, and there are two trials, it is unlikely that the trials would involve
15 overlapping factual or legal issues (thus, the reason for allowing a Rule 54(b) final judgment on
16 the patent infringement claims in the first place).

17 As for hardships, a stay would appear to harm Ancestry more than the absence of a stay
18 would seem to harm 23. A stay would prevent Ancestry from moving forward with a
19 counterclaim for trademark infringement (as it intends to do once 23 files an amended complaint
20 as permitted by the Court’s order on Ancestry’s motion to dismiss). In contrast, 23 has not
21 expressly claimed any harm from the absence of a stay other than, *e.g.*, the prospect of having two
22 trials.

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1 **II. CONCLUSION**

2 For the foregoing reasons, the Court certifies the patent infringement claims for a Rule
3 54(b) final judgment (there being no just reason for delay) but the Court will not stay proceedings
4 on the remaining claims brought by 23. 23 shall file its amended complaint on the non-patent
5 infringement claims within three weeks of the date of this order.

6 This order disposes of Docket No. 54.

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8 **IT IS SO ORDERED.**

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10 Dated: November 2, 2018

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13 EDWARD M. CHEN
14 United States District Judge
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United States District Court
Northern District of California

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

23ANDME, INC.,

Plaintiff,

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ANCESTRY.COM DNA, LLC, et al.,

Defendants.

Case No. [18-cv-02791-EMC](#)

REDACTED/PUBLIC VERSION

**ORDER GRANTING IN PART AND
DENYING IN PART DEFENDANTS'
MOTION TO DISMISS**

Docket No. 29

Plaintiff 23andMe, Inc. ("23") has filed suit against three affiliated entities – Ancestry.com DNA, LLC; Ancestry.com Operations Inc.; and Ancestry.com LLC (collectively, "Ancestry") – asserting claims for, *inter alia*, patent infringement, misleading representations in violation of federal and state law, and a declaratory judgment of no trademark infringement and invalidity of trademark. Currently pending before the Court is Ancestry's motion to dismiss. Having considered the parties' briefs and accompanying submissions, as well as the oral argument of counsel, the Court hereby **GRANTS** in part and **DENIES** in part Ancestry's motion.

I. DISCUSSION

A. Legal Standard

To survive a [12(b)(6)] motion to dismiss for failure to state a claim after the Supreme Court's decisions in *Ashcroft v. Iqbal*, 556 U.S. 662 (2009) and *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007), [a plaintiff's] factual allegations [in the complaint] "must . . . suggest that the claim has at least a plausible chance of success." In other words, [the] complaint "must allege 'factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.'"

. . . [The Ninth Circuit has] settled on a two-step process for evaluating pleadings:

First, to be entitled to the presumption of truth, allegations in a complaint or counterclaim may not simply recite the elements of a cause of action, but must contain sufficient allegations of underlying facts to give fair notice and to enable the opposing party to defend itself effectively. Second, the factual allegations that are taken as true must plausibly suggest an entitlement to relief, such that it is not unfair to require the opposing party to be subjected to the expense of discovery and continued litigation.

Levitt v. Yelp! Inc., 765 F.3d 1123, 1134-35 (9th Cir. 2014).

Notably,

[t]he plausibility standard is not akin to a “probability requirement,” but it asks for more than a sheer possibility that a defendant has acted unlawfully. Where a complaint pleads facts that are “merely consistent with” a defendant’s liability, it “stops short of the line between possibility and plausibility ‘of entitlement to relief.’”

Iqbal, 556 U.S. at 678.

In the instant case, Ancestry’s 12(b)(6) motion challenges all claims asserted in the operative complaint. Those claims are as follows:

- (1) Infringement of the ‘554 patent.
- (2) Misleading representations in violation of the Lanham Act. *See* 15 U.S.C. § 1125.
- (3) Misleading advertising in violation of California Business & Professions Code § 17500.
- (4) Unlawful and unfair business practices in violation of California Business & Professions Code § 17200 (based on, “among other things, unfair, deceptive, and misleading advertising about [Ancestry’s] DNA tests”). Compl. ¶ 68.
- (5) Declaratory judgment of no trademark infringement.
- (6) Declaratory judgment of invalidity of trademark.

B. Claim for Patent Infringement

1. Relevant Background

23’s claim of patent infringement is predicated on the ‘554 patent, a copy of which is attached to the complaint as Exhibit 4.

The ‘554 patent is titled “Finding relatives in a database.” The patent specification begins

1 by noting that

2 [e]xisting genetic ancestry testing techniques are typically based on
3 [DNA] information of the Y chromosome (Y-DNA) or DNA
4 information of the mitochondria (mtDNA). Aside from a small
5 amount of mutation, the Y-DNA is passed down unchanged from
6 father to son and therefore is useful for testing patrilineal ancestry of
7 a man. The mtDNA is passed down mostly unchanged from mother
8 to children and therefore is useful for testing a person's matrilineal
9 ancestry. These techniques are found to be effective for identifying
10 individuals that are related many generations ago (e.g., 10
11 generations or more), but are typically less effective for identifying
12 closer relationships. Further, many relationships that are not strictly
13 patrilineal or matrilineal cannot be easily detected by the existing
14 techniques.

15 '554 patent, col. 1:21-35. While not explicit, it is evident (and not disputed) that this specification
16 refers to prior art wherein the described DNA information of individuals are compared to
17 determine common ancestry.

18 The '554 patent is predicated not on Y-DNA or mtDNA information but rather
19 recombinable DNA information. *See* '554 patent, col. 2:32-35 (explaining that recombinable
20 DNA is the autosomal DNA and X chromosome DNA). The recombinable DNA of a person's
21 parents

22 is shuffled at the next generation, with small amounts of mutation.
23 Thus, only relatives will share long stretches of genome regions
24 where their recombinable DNA is completely or nearly identical.
25 Such regions are referred to as "Identical by Descent" (IBD) regions
26 because they arose from the same DNA sequences in an earlier
27 generation. The relative finder technique . . . is based at least in part
28 on locating IBD regions in the recombinable chromosomes of
individuals.

'554 patent, col. 2:35-43.

The patent specification notes that, "[i]n some embodiments, locating IBD regions includes
sequencing the entire genomes of the individuals and comparing the genome sequences," but, in
other embodiments, "locating IBD regions includes assaying a large number of markers that tend
to vary in different individuals and comparing the markers." '554 patent, col. 2:44-49. One
example of such a marker is "Single Nucleotide Polymorphisms (SNPs), which are points along
the genome with two or more common variations." '554 patent, col. 2:59-51. "Long stretches of
DNA sequences from different individuals' genomes in which markers in the same locations are

1 the same or at least compatible indicate that the rest of the sequences, although not assayed
2 directly are also likely identical.” ‘554 patent, col. 2:56-60.

3 Figure 1 of the ‘554 patent “is a block diagram illustrating an embodiment of a relative
4 finding system.” ‘554 patent, col. 2:61-62. The diagram basically shows that:

- 5 (1) user information **110** is received by the relative finder system **102**;
- 6 (2) the relative finder system **102** determines, “based at least in part on the
7 recombinable DNA information of the first user and recombinable DNA
8 information of the second user, a predicted degree of relationship between the first
9 user and the second user”; and
- 10 (3) “in the event that the expected degree of relationship between the first user and the
11 second user at least meets [a certain] threshold,” the first user at least is notified
12 about the relative relationship with the second user.

13 ‘554 patent, abstract; *see also* ‘554 patent, col. 2:67-3:27 (describing Figure 1); ‘554 patent, claim
14 26 (claiming “[a] system for determining a relative relationship of people who are a common
15 ancestor within a threshold number of generations”).¹ “In this example, relative finder system **102**
16 may be implemented using one or more server computers having one or more processors, one or
17 more special purpose computing appliances, or any other appropriate hardware, software, or
18 combinations thereof.” ‘554 patent, col. 2:62-66.

19 As indicated by the above, there are three critical steps in Figure 1: (1) receiving or
20 obtaining recombinable DNA information; (2) determining a predicted degree of relative
21 relationship based at least in part on a comparison of recombinable DNA information; and (3)
22 notifying a person about the relative relationship. These three steps make up the method claimed
23 at claim 1 of the ‘554 patent. *See* ‘554 patent, claim 1 (claiming “[a] method for determining a
24 relative relationship of people who share a common ancestor within a threshold number of
25 generations,” comprising these three steps). However, claim 1 of the ‘554 patent is not being
26 asserted by 23 in the instant case.

27
28 ¹ However, 23 does not assert infringement of claim 26 in the instant case.

1 Rather, 23 claims infringement of the following dependent claims only: claims 5, 7-8, 12-
 2 14, 17, 22, 31-32, 37-38. *See* Compl. ¶ 40. Below is the invention claimed in claim 7, one of the
 3 main claims at issue in this lawsuit.

4 7. The method of claim 1 [*i.e.*, (1) receiving/obtaining recombinable
 5 DNA information, (2) determining a predicted degree of relative
 6 relationship based at least in part on that information, and (3)
 7 notifying person about the relationship] wherein:

8 determining the predicted degree of relationship between the first
 9 user and the second user includes identifying one or more
 10 Inheritance by Descent (IBD)² regions in which a portion of
 11 recombinable DNA sequence of the first user and a portion of
 12 recombinable DNA sequence of the second user arose from same
 13 DNA sequence of an ancestor;

14 the predicted degree of relationship depends at least in part on an
 15 amount of DNA sequence information of the IBD regions;

16 the amount of DNA sequence information of the IBD regions
 17 includes a sum of the lengths of IBD regions, percentage of DNA
 18 shared in the IBD regions, or both; and

19 a greater amount of DNA sequence information of the IBD regions
 20 indicates a closer predicted degree of relationship.

21 ‘554 patent, claim 7 (highlight added).

22 2. 35 U.S.C. § 101

23 In the instant case, Ancestry moves to dismiss 23’s claim for patent infringement on the
 24 ground that the ‘554 patent is directed to unpatentable subject matter. According to Ancestry, the
 25 patent “claims an abstract idea (determining a relative relationship by comparing similarities
 26 between DNA), and a law of nature (people who share similar DNA are related).” Reply at 2.

27 Title 35 U.S.C. § 101 defines what is patent eligible. It provides as follows: “Whoever
 28 invents or discovers any new and useful process, machine, manufacture, or composition of matter,
 or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions
 and requirements of this title.” 35 U.S.C. § 101. The Supreme Court has held that § 101
 “contains an important implicit exception: Laws of nature, natural phenomena, and abstract ideas
 are not patentable.” *Genetic Techs. Ld. v. Merial L.L.C.*, 818 F.3d 1369, 1374 (Fed. Cir. 2016).

² The use of the term “Inheritance by Descent” appears to be an error. Rather, the correct term is
 “Identical by Descent.”

1 “Phenomena of nature, though just discovered, mental processes, and abstract intellectual concepts
2 are not patentable, as they are the basic tools of scientific and technological work.” *Id.*

3 “[M]onopolization of those tools through the grant of a patent might tend to impede innovation
4 more than it would tend to promote it.” *Mayo Collab. Servs. v. Prometheus Labs., Inc.*, 566 U.S.
5 66, 71 (2012).³

6 On the other hand, “too broad an interpretation of [the above] exclusionary principle could
7 eviscerate patent law. For all inventions at some level embody, use, reflect, rest upon, or apply
8 laws of nature, natural phenomena, or abstract ideas.” *Id.* “[A]n *application* of a law of nature or
9 mathematical formula to a known structure or process may well be deserving of patent
10 protection,” but “to transform an unpatentable law of nature into a patent-eligible *application* of
11 such a law, one must do more than simply state the law of nature while adding the words ‘apply
12 it.”’ *Id.* at 71-72 (emphasis in original).

13 “Patent eligibility under 35 U.S.C. § 101 is a question of law” *Genetic Techs.*, 818
14 F.3d at 1373. The Federal Circuit has “repeatedly recognized that in many cases it is possible and
15 proper to determine patent eligibility under 35 U.S.C. § 101 on a Rule 12(b)(6) motion.” *Id.*
16 However, the Federal Circuit has also noted that there can be underlying factual questions to a §
17 101 inquiry – e.g., “[w]hether something is well-understood, routine, and conventional to a skilled
18 artisan at the time of the patent is a factual determination.” *Berkheimer v. HP Inc.*, 881 F.3d 1360,
19 1369 (Fed. Cir. 2018) (adding that “[t]he mere fact that something is disclosed in a piece of prior
20 art . . . does not mean it was well-understood, routine, and conventional”).

21 There is a two-step test for patent eligibility under § 101.

22 The test “distinguish[es] patents that claim laws of nature, natural
23 phenomena, and abstract ideas from those that claim patent-eligible
24 applications of those concepts.” As set forth [by the Supreme
Court] in *Alice [Corp. Pty. Ltd. v. CLS Bank Int’l]*, 134 S. Ct. 2347
(2014)]:

25 First, we determine whether the claims at issue are
26 *directed to* one of those patent-ineligible concepts. If

27 ³ Of course, even though preemption concerns are “the basis for the judicial exceptions to
28 patentability . . . , the absence of complete preemption does not demonstrate patent eligibility.”
Ariosa Diagnostics, Inc. v. Sequenom, Inc., 788 F.3d 1371, 1379 (Fed. Cir. 2015).

so, we then ask, what else is there in the claims before us? . . . We have described step two of this analysis as a search for an *inventive concept* – i.e., an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself.⁴

Id. (emphasis added).

With respect to step one, the Federal Circuit has emphasized that “it is not enough to merely identify a patent-ineligible concept underlying the claim; we must determine whether that patent-ineligible concept is what the claim is ‘directed to.’”⁴ *Thales Visionix, Inc. v. United States*, 850 F.3d 1343, 1349 (Fed. Cir. 2017). In other words, what is the focus of the claim? *See BSG Tech LLC v. Buyseasons, Inc.*, No. 2017-1980, 2018 U.S. App. LEXIS 22704, at *14 (Fed. Cir. Aug. 15, 2018) (stating that, “[f]or an application of an abstract idea to satisfy step one, the claim’s focus must be something other than the abstract idea itself”); *see also Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1341 (Fed. Cir. 2013) (indicating that a court must “‘identify and define whatever fundamental concept appears wrapped up in the claim[s]’”).

As for step two, the Federal Circuit has underscored that

[t]he inventive concept . . . cannot be furnished by the unpatentable law of nature (or natural phenomenon or abstract idea) itself. That is, . . . a claim directed to a newly discovered law of nature (or natural phenomenon or abstract idea) cannot rely on the novelty of that discovery for the inventive concept necessary for patent eligibility; instead, the application must provide something inventive, beyond mere “well-understood, routine, conventional activity.” “[S]imply appending conventional steps, specified at a high level of generality, to laws of nature, natural phenomena, and abstract ideas cannot make those laws, phenomena, and ideas patentable.”

Genetic Techs., 818 F.3d at 1376. In addition, “[t]he prohibition against patenting abstract ideas cannot be circumvented by attempting to limit the use of the formula to a particular technological environment or adding insignificant post solution activity.” *Mayo*, 566 U.S. at 73 (internal

⁴ “If a law of nature is not patentable, then neither is a process reciting a law of nature, unless that process has additional features that provide practical assurance that the process is more than a drafting effort to monopolize the law of nature itself.” *Mayo*, 566 U.S. at 77.

1 quotation marks omitted).

2 a. Step One: “Directed to”

3 Ancestry argues that, at step one, the relevant claims of the ‘554 patent are “directed to” a
4 law of nature and/or an abstract idea. 23 disputes such.

5 In resolving the step one issue, the Court begins with the Supreme Court’s 2012 *Mayo*
6 decision. The patents in *Mayo*

7 concern[ed] the use of thiopurine drugs in the treatment of
8 autoimmune diseases, such as Crohn’s disease and ulcerative colitis.
9 When a patient ingests a thiopurine compound, his body metabolizes
10 the drug, causing metabolites to form in his bloodstream. Because
11 the way in which people metabolize thiopurine compound varies,
the same dose of a thiopurine drug affects different people
differently, and it has been difficult for doctors to determine whether
for a particular patient a given dose is too high, risking harmful side
effects, or too low, and so likely ineffective.

12 *Mayo*, 566 U.S. at 74.

13 Prior to the patents at issue, “those in the field did not know the precise correlations
14 between metabolite levels and likely harm or ineffectiveness. The patent claims at issue here set
15 forth processes embodying researchers’ findings that identified these correlations with some
16 precision.” *Id.* For example, a representative claim covered a method of optimizing therapeutic
17 efficacy consisting of the following steps: (1) administering a thiopurine drug and (2) determining
18 the level of 6-TG in the blood, wherein concentrations above a certain level indicated that the
19 dosage was likely too high and concentrations below a certain level indicated that the dosage was
20 likely too low. *See id.* Thus, the representative claim essentially stated, *e.g.*, that, “*if* the levels of
21 6-TG in the blood (of a patient who has taken a dose of a thiopurine drug) exceed about 400 pmol
22 per 8x10⁸ red blood cells, *then* the administered dose is likely to produce toxic side effects.” *Id.* at
23 77 (emphasis in original).

24 At step one, the Supreme Court held that the patent claim was directed to a law of nature –
25 in fact “*set forth*” a law of nature, “namely, [the] relationships between concentrations of certain
26 metabolites in the blood and the likelihood that a dosage of a thiopurine drug will prove
27 ineffective [too low] or cause harm [too high].” *Id.* at 77 (emphasis added). The Court added:

28 While it takes a human action (the administration of the thiopurine

1 drug) to trigger a manifestation of this relation in a particular person,
 2 the relation itself exists in principle apart from any human action.
 3 The relation is a consequence of the ways in which thiopurine
 4 compounds are metabolized by the body – entirely natural
 5 processes. And so a patent that *simply describes that relation* sets
 6 forth a natural law.

7 *Id.* (emphasis added).

8 Since *Mayo*, the Federal Circuit has issued several decisions discussing whether a patent
 9 claim is directed to a law of nature or a natural phenomenon.

10 For example, in *Ariosa*, the patent inventors “discovered cell-free fetal DNA (‘cffDNA’) in
 11 maternal plasma and serum, the portion of maternal blood samples that other researchers had
 12 previously discarded as medical waste.” *Ariosa*, 788 F.3d at 1373. “Applying a combination of
 13 known laboratory techniques to their discovery,” the inventors “implemented a method for
 14 detecting the small fraction of paternally inherited cffDNA in maternal plasma or serum to
 15 determine fetal characteristics, such as gender.” *Id.* One of the representative patent claims
 16 specifically covered a method for detecting paternally inherited cffDNA in maternal plasma or
 17 serum consisting of the following steps: “[1] amplifying the cffDNA contained in a sample of a
 18 plasma or serum from the pregnant female and [2] detecting the paternally inherited cffDNA.” *Id.*

19 At step one, the Federal Circuit stated that the asserted patent claims were

20 directed to a multistep method that starts with cffDNA taken from a
 21 sample of maternal plasma or serum – a naturally occurring non-
 22 cellular fetal DNA that circulates freely in the blood stream of a
 23 pregnant woman. It is undisputed that the existence of cffDNA in
 24 maternal blood is a natural phenomenon. . . . The method ends with
 25 paternally inherited cffDNA, which is also a natural phenomenon.
 26 The method therefore begins and ends with a natural phenomenon.
 27 Thus, the claims are directed to matter that is naturally occurring.

28 *Id.* at 1376.

29 The court added that the patent specification made clear that the patent claims were
 30 “directed to a naturally occurring thing or natural phenomenon” – or technically, as the court later
 31 stated, “directed to detecting the presence of a naturally occurring thing or a natural phenomenon,
 32 cffDNA in maternal plasma or serum.” *Id.* For example, the “Summary and Objects of the
 33 Invention” section noted that it was surprising and unexpected to find that cffDNA was detectable
 34 in maternal plasma, which had been a material routinely discarded. Also, “the description of the

1 invention note[d]: ‘[w]e have demonstrated that foetal DNA is present in the maternal plasma and
2 serum.’” *Id.* Nonetheless, that discovery did not gainsay the fact that the patent was directed to a
3 naturally occurring matter.

4 The Federal Circuit’s decision in *Genetic Technologies* also involved a law of nature or a
5 natural phenomenon. There, the inventor of the patent “discovered that certain DNA sequences in
6 coding regions (exons) of certain genes are correlated with non-coding regions (introns) within the
7 same gene, non-coding regions in different genes, or non-coding regions of the genome that are
8 not part of any gene [non-coding regions otherwise known as ‘junk DNA’].” *Genetic Techs.*, 818
9 F.3d at 1372. The inventor also found that the “correlated coding and non-coding regions tend to
10 be inherited together, with only rare shuffling. In other words, the regions are in ‘linkage
11 disequilibrium,’ meaning that the coding and non-coding regions appear ‘linked’ together in
12 individuals’ genomes more often than probability would dictate.” *Id.* The inventor “concluded
13 that alleles of a particular gene may be detected, using well-established laboratory techniques, not
14 by looking for the coding region of the gene itself but instead by amplifying and analyzing non-
15 coding regions known to be linked to the coding region [*i.e.*, junk DNA].” *Id.* A representative
16 patent claim “encompasse[d] methods of detecting a coding region allele by [1] amplifying and [2]
17 analyzing any linked non-coding region, which would be found within the same gene as the
18 coding region, within a different gene, or within an intergenic region.” *Id.* at 1372-73.

19 At step one, the Federal Circuit found that the patent claim was “directed to the
20 relationship between non-coding and coding sequences in linkage disequilibrium and the tending
21 of such non-coding DNA sequences to be representative of the linked coding sequences – a law of
22 nature.” *Id.* at 1374. The court noted that “[c]laim 1 covers any comparison, for any purpose, of
23 any noncoding region sequence known to be linked with a coding region allele at a multi-allelic
24 locus.” *Id.* It was not limited in scope to, *e.g.*, “methods of detecting any *particular* alleles linked
25 to any *particular* non-coding sequences”; thus, “[c]laim 1 broadly covers essentially all
26 applications, via standard experimental techniques, of the law of linkage disequilibrium to the
27 problem of detecting coding sequences of DNA.” *Id.* at 1374-75 (emphasis added).

28 The court went on to note that the patent was “quite similar to the claims invalidated in

1 *Mayo*”: “[J]ust as the relationship in *Mayo* was entirely a consequence of the body’s natural
 2 processes for metabolizing thiopurine, so too is the correlation here (between variations in the
 3 non-coding regions and the allele presence in the coding regions) a consequence of the naturally
 4 occurring linkages in the DNA sequence.” *Id.* at 1375. The Federal Circuit also pointed to
 5 *Ariosa* as an analogous case.

6 The [*Ariosa*] court found that “the claims are directed to matter that
 7 is naturally occurring and that the inventors there did not purport to
 8 “create[] or alter[] any of the genetic information encoded in the
 9 cffDNA.” The focus of the claimed advance over the prior art was
 10 allegedly newly discovered information about human biology:
 11 paternally inherited ccfDNA is to be found in maternal blood (using
 established detection techniques). So too in the present case: the
 patent claim focuses on a newly discovered fact about human
 biology (the linkage of coding and non-coding regions of DNA),
 involves no creation or alteration of DNA sequences, and does not
 purport to identify novel detection techniques.

12 *Id.* at 1375-76. Again, the fact that the patent concerned a newly discovered aspect of biology did
 13 not negate the fact that the patent was directed to a naturally occurring matter.

14 In *Cleveland Clinic Foundation v. True Health Diagnostics LLC*, 859 F.3d 1352 (Fed. Cir.
 15 2017), the Federal Circuit again found a patent claim was directed to a law of nature or natural
 16 phenomenon. The patents in *True Health* concerned detecting the risk of cardiovascular disease in
 17 a patient. “When an artery is damaged or inflamed, the body releases the enzyme
 18 myeloperoxidase, or MPO, in response. MPO is an early symptom of cardiovascular disease, and
 19 it can thus serve as an indicator of a patient’s risk of cardiovascular disease.” *Id.* at 1355. The
 20 patents at issue disclosed methods for detecting MPO and correlating the results to cardiovascular
 21 risk.

22 At step one, the Federal Circuit stated that the invention involved “‘seeing’ MPO already
 23 present in a bodily sample and correlating that to cardiovascular disease. Because the testing
 24 patents are based on ‘the relation [between cardiovascular disease and heightened MPO levels]
 25 that exists in principle apart from human action,’ they are directed to a patent-ineligible law of
 26 nature.” *Id.* at 1361. “[J]ust like *Ariosa*, the method starts and ends with naturally occurring
 27 phenomena with no meaningful non-routine steps in between – the presence of MPO in a bodily
 28 sample is correlated to its relationship to cardiovascular disease.” *Id.* The court underscored that

1 “the asserted claims of the testing patents are directed to the natural existence of MPO in a bodily
2 sample and its correlation to cardiovascular risk rather than to ‘a new and useful laboratory
3 technique’ for detecting this relationship. Indeed, [the patent holder] has not created a new
4 laboratory technique; rather it uses well-known techniques to execute the claimed method,” as
5 expressly stated in the patent specifications. *Id.*

6 Finally, in *BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litigation v. Ambry*
7 *Genetics Corp.*, 774 F.3d 755 (Fed. Cir. 2014) (hereinafter “*BRCA*”), the Federal Circuit
8 acknowledged the defendant’s argument that the patent at issue was directed to a law of nature or
9 natural phenomenon but declined to reach a holding on that argument because there was an
10 independent reason why step one was satisfied – *i.e.*, the patent was directed to an abstract idea.
11 The plaintiffs in *BRCA* owned patents that “cover[ed] compositions of matter and methods relating
12 to the BRCA1 and BRCA2 genes,” “mutations of which are linked to hereditary breast and
13 ovarian cancers.” *Id.* at 757. The method claims “involve[d] comparisons between the wild-type
14 BRCA sequences [*i.e.*, sequences most often found in humans] with the patient’s BRCA
15 sequences.” *Id.* at 759.

16 The defendant argued that “*Mayo* is directly on point because the method claims here, as
17 there, simply identify a law of nature (the precise sequence of the BRCA genes, and comparisons
18 of the wild-type BRCA sequences with certain mutations of those gene sequences found in the test
19 subject) and apply conventional techniques.” *Id.* at 762. But the Federal Circuit did not decide if
20 *Mayo* was on point “because the method claims . . . suffer from a separate infirmity: they recite
21 abstract ideas.” *Id.*

22 Here, we treat separately the first paragraphs of claims 7 and 8,
23 which describe the comparison of wild-type genetic sequences with
24 the subject’s genetic sequence and correspond to the first step of
25 *Alice*, and the second paragraphs, which describe the techniques to
be used in making the comparisons and correspond to the second
step of *Alice*.

26 We have already addressed the first paragraphs – the comparison
27 step – in our own 2012 *Myriad* decision. Claims 7 and 8 at issue
28 here depend from claim 1. Claim 1, which is the first paragraph of
claims 7 and 8, is the comparison step. In our 2012 decision, we
held that claim 1 was patent ineligible because it claimed an abstract
mental process of ‘comparing’ and ‘analyzing’ two gene sequences.

We found:

[The] claim thus recites nothing more than the abstract mental steps necessary to compare two different nucleotide sequences: one looks at the first position in a first sequence; determines the nucleotide sequence at that first position; looks at the first position in a second sequence; determines the nucleotide sequence at that first position; determines if the nucleotide at the first position in the first sequence and the first position in the second sequence are the same or different, wherein the latter indicates an alteration; and repeats the process for the next position.

Here, under our earlier decision, the comparisons described in the first paragraphs of claims 7 and 8 are directed to the patent-ineligible abstract idea of comparing BRCA sequences and determining the existence of alterations. The methods, directed to identification of alterations of the gene, require merely comparing the patient's gene with the wild-type and identifying any differences that arise. The number of covered comparisons is unlimited. The covered comparisons are not restricted by the purpose of the comparison or the alteration being detected. Because of its breadth, the comparison step covers detection of yet-undiscovered alterations, as well as comparisons for purposes other than detection of cancer. Even with respect to cancer, the comparisons are not limited to the detection of risk of breast or ovarian cancer. . . . [A]llowing a patent on the comparison step could impede a great swath of research relating to the BRCA genes, and it is antithetical to the patent laws to allow these basic building blocks of scientific research to be monopolized.

Id. at 763-64.

While *Mayo*, *Ariosa*, *Genetic Technologies*, *True Health*, and *BRCA* were all decided against the patent holder on step one, 23 points to several Federal Circuit cases that were decided in favor of the patent holder at step one.

For example, in *Rapid Litigation Management v. CellzDirect, Inc.*, 827 F.3d 1042 (Fed. Cir. 2016), the patent concerned a process for preserving hepatocytes, a type of liver cell that has a number of attributes useful for testing, diagnostic, and treatment purposes. *See id.* at 1045-46. Prior to the patent at issue, scientists used cryopreservation techniques to preserve hepatocytes for later use. The inventors of the patent discovered that some fraction of hepatocytes are capable of surviving multiple freeze-thaw cycles. *See id.* at 1045. The improved preservation process at issue in the patent involved “(A) subjecting previously frozen and thawed cells to density gradient fractionation to separate viable cells from non-viable ones; (B) recovering the viable cells; and (C)

1 refreezing the viable cells.” *Id.*

2 The Federal Circuit noted that, at step one,

3 [t]he district court identified in these claims what is called a “natural
4 law” – the cells’ capability of surviving multiple freeze-thaw cycles.
5 We need not decide in this case whether the court’s labeling is
6 correct. It is enough in this case to recognize that the claims are
7 simply not directed to the ability of hepatocytes to survive multiple
8 freeze-thaw cycles. Rather, the claims of the ‘929 patent are
9 directed to a *new and useful laboratory technique* for preserving
10 hepatocytes. . . . The inventors certainly discovered the cells’ ability
11 to survive multiple freeze-thaw cycles, but that is not where they
12 stopped, or is it what they patented. Rather, “as the first party with
13 knowledge of” the cells’ ability, they were “in an excellent position
14 to claim *applications* of that knowledge.”

15 *Id.* at 1048 (emphasis added).

16 The court distinguished many of the above cases – including *Genetic Technologies*,
17 *Ariosa*, and *BRCA* – because the “end result of the ‘929 patent claims is not simply an *observation*
18 *or detection* of the ability of hepatocytes to survive multiple-freeze thaws.” *Id.* (emphasis added).

19 That one way of describing the process is to describe the natural
20 ability of the subject matter to *undergo* the process does not make
21 the claim “directed to” that natural ability. If that were so, we would
22 find patent-ineligible methods of, say, producing a new compound
23 (as directed to the individual components’ ability to combine to
24 form the new compound), treating cancer with chemotherapy (as
25 directed to cancer cells’ inability to survive chemotherapy), or
26 treating headaches with aspirin (as directed to the human body’s
27 natural response to aspirin).

28 *Id.* (emphasis in original). “[T]he claims are directed to a new and useful process of *creating* [a]
pool [of multi-cryopreserved hepatocytes], not to the pool itself.” *Id.* at 1049 (emphasis added);
see also id. at 1050 (stating that “[i]t is the *process* of preservation that is patent eligible here, not
necessarily the end product”) (emphasis in original).

Another case on which 23 heavily relies is *Thales*. There, the patent at issue “disclose[d]
an inertial tracking system for tracking the motion of an object relative to a moving reference
frame.” *Thales*, 850 F.3d at 1344. The tracking system involved “(1) a first inertial sensor
mounted on the tracked object; (2) a second inertial sensor mounted on the moving platform; and
(3) an element that uses the data from the two inertial sensors to calculate the orientation of the
tracked object relative to the moving platform.” *Id.* at 1348. The novelty of the tracking system

1 was that the inertial sensors did “not use the conventional method of measuring inertial changes
2 with respect to the earth. Instead, the platform . . . inertial sensors directly measure the
3 gravitational field in the platform frame,” and “[t]he object . . . inertial sensors then calculate
4 position information relative to the frame of the moving platform.” *Id.* at 1345.

5 The lower found the patent claims ineligible because they were “directed to the abstract
6 idea of using laws of nature governing motion to track two objects,” *id.* at 1346, but the Federal
7 Circuit disagreed.

8 These claims are not merely directed to the abstract idea of using
9 “mathematical equations for determining the relative position of a
10 moving object to a moving reference frame,” as the Claims Court
11 found. Rather, the claims are directed to systems and methods that
12 use inertial sensors in a non-conventional manner to reduce errors in
13 measuring the relative position and orientation of a moving object
14 on a moving reference frame. . . . Just as a natural law can be
15 utilized to create an improved laboratory technique for preserving
16 liver cells, so can the application of physics create *an improved
technique* for measuring movement of an object on a moving
platform. Just as claims directed to a *new and useful technique* for
defining a database that runs on general-purpose computer
equipment are patent eligible, so too are claims directed to a *new
and useful technique for using sensors to more efficiently track an
object on a moving platform*. That a mathematical equation is
required to complete the claimed method and system does not doom
the claims to abstraction.

17 *Id.* at 1348-49 (emphasis added). The court added:

18 The claims specify a *particular configuration* of inertial sensors and
19 a *particular method of using the raw data* from the sensors in order
20 to more accurately calculate the position and orientation of an object
21 on a moving platform. The mathematical equations are a
22 consequence of the arrangement of the sensors and the
unconventional choice of reference frame in order to calculate
position and orientation. Far from claiming the equations
themselves, the claims seek to protect only the *application* of
physics to the *unconventional configuration of sensors as disclosed*.

23 *Id.* at 1349 (emphasis added).

24 The question is whether this case falls under the *Mayo/Ariosa/Genetic Technologies/ True*
25 *Health/BRCA* line (Ancestry’s cases) or the *CellzDirect/Thales* line (23’s cases). The Court finds
26 Ancestry’s cases are more on point.

27 The ‘554 patent claims at issue are “directed to” a law of nature because the focus of the
28 claims is a correlation that exists in nature – *i.e.*, the more recombinable DNA information that is

1 shared between two people, the closer the degree of relationship. That correlation “exists in
2 principle apart from any human action.” *Mayo*, 566 U.S. at 77. In fact, several of the claims of at
3 issue, in essence, do no more than set forth or describe a law of nature, and thus are comparable to
4 *Mayo*. Claim 5, for example, clearly falls into this category. See ‘554 patent, claim 5 (claiming a
5 method for determining a relative relationship where the “determining” step simply involves a
6 comparison of recombinable DNA information). Claim 5 is in all material respects
7 indistinguishable from the patent claims at issue in *Genetic Technologies*, which focused on the
8 observation and comparison of DNA sequences – occurrences in nature. Similarly, Claim 7
9 simply directs a comparison of certain regions of the users’ recombinable DNA (*i.e.*, the IBD
10 regions) and then observes that “a greater amount of DNA sequence information of the IBD
11 regions indicates a closer predicted degree of [relative] relationship.” ‘554 patent, claim 7
12 (method claim); *see also* ‘554 patent, claims 31, 37 (describing system and computer program
13 product claims instead of a method claim).⁵

14 While some claims in the ‘554 patent involve a bit more than observations or descriptions
15 of a law of nature, *see, e.g.*, ‘554 patent, claim 17 (claiming the method of claim 1 “wherein the
16 relative relationship is one of a range of possible relative relationships between the first user and
17 the second user, and wherein notifying includes sending an indication of the range of possible
18 relationships”), they do not do much beyond that; notably, the Federal Circuit has held that
19 “insignificant postsolution activity will not transform an unpatentable principle into a patentable
20 process.” *Diamond v. Diehr*, 450 U.S. 175, 191-92 (1981).

21 23 protests that the focus of the claims is not a law of nature but rather “a new and useful
22 way to identify a relative and the degree of relative relatedness, based on a specific selection and
23 characterization of recombinable DNA.” Opp’n at 7. This argument, however, is not persuasive
24 because 23 is basically contending that the invention claimed is a new and useful way of *detecting*

25 _____
26 ⁵ The system and computer program product described in claims 31 and 37 involve generic
27 computer components. Under *Alice*, the “mere recitation of a generic computer cannot transform a
28 patent-ineligible abstract idea into a patent-eligible invention.” *Alice*, 134 S. Ct. at 2358 (adding
that, “[g]iven the ubiquity of computers, wholly generic computer implementation is not generally
the sort of ‘additional feature[]’ that provides any ‘practical assurance that the process is more
than a drafting effort designed to monopolize the [abstract idea] itself”).

1 a relative relationship based on DNA patterns which occur in nature; 23’s own authority
2 establishes that, where a claim’s focus is detecting a law of nature or natural phenomenon, that
3 meets the “directed to” standard at step one. *See CellzDirect*, 827 F.3d at 1048 (distinguishing,
4 *inter alia*, *Ariosa* because the “end result of the ‘929 patent claims [at issue] is not simply an
5 *observation or detection* of the ability of hepatocytes to survive multiple-freeze thaws”) (emphasis
6 added); *see also Ariosa*, 788 F.3d at 1376 (stating that the patent claims were “directed to a
7 naturally occurring thing or natural phenomenon” – or rather, “directed to detecting the presence
8 of a naturally occurring thing or a natural phenomenon, cffDNA in maternal plasma or serum”).
9 Furthermore, as *Mayo*, *Genetic Technologies*, and *True Health* demonstrate, even if a patent
10 claims discovery of a particular correlation – and even if that correlation is quantified – the patent
11 still focuses on a naturally occurring phenomenon. Discovering some new fact about nature does
12 not negate the patent’s focus on a law of nature.⁶

13 To the extent 23 relies on *Thales*, that case is easily distinguishable. There, the claims
14 were clearly not directed to any mathematical formula or equations; rather the equations were, in
15 essence, just a useful tool in the invention claimed. The focus in *Thales* was instead on an
16 “improved technique” for measuring movement which involved, *inter alia*, nonconventional
17 placement of sensors. *See Thales*, 850 F.3d at 1348 (noting that, while the claims use
18 “mathematical equations to determination the orientation of the object relative to the moving
19 reference frame, the equations – dictated by the placement of the inertial sensors and application
20 of laws of physics – serve only to tabulate the position and orientation in this configuration”). The
21 patent in *Thales* thus went beyond observing a law of nature. In the case at bar, the law of nature
22 (related people share DNA information) is not a mere tool in a novel application of a law of
23 nature. Rather, the law of nature is the essence and end result of the ‘554 patent claims at issue.

24
25
26 ⁶ The Court acknowledges Ancestry’s contention that the patent claims at issue are directed to an
27 abstract idea – *i.e.*, comparing similarities between DNA, similar to the situation in *BRCA*.
28 However, the Court need not reach the question whether *BRCA* additionally justifies a finding that
step one is satisfied. The Court finds it more appropriate, in the instant case, to consider the act of
comparing at step two of the *Alice* test.

b. Step Two: Inventive Concept

Because the “directed to” standard at step one has been met, the Court now turns to step two, which examines whether the claims at issue include an inventive concept. Here, as noted above, 23 contends that the claims at issue disclose a new and useful technique for detecting a relative relationship. But ultimately the only means of detecting a relative relationship is *comparing* the recombinable DNA information; an “instruction to undertake a simple comparison step does not represent an unconventional, inventive application sufficient to make [a] claim patent-eligible.” *Genetic Techs.*, 818 F.3d at 1379; *see also BRCA*, 774 F.3d at 763-64 (noting that the mental process of comparing and analyzing two gene sequences is an abstract concept).

23 disagrees, arguing, for example, that, in claim 7, the inventive concept is using IBD information to determine a relative relationship – more specifically, “by ‘summing the DNA lengths of the IBD regions [and/or] percentage of DNA shared in the IBD regions.’” Opp’n at 7. But no unconventional inventive technique is claimed in making the comparison: summing (*e.g.*, DNA lengths shared in the IBD region) simply reflects the basic and conventional principle that the more DNA information that is shared, the closer the degree of relationship. *See* ‘544 patent, claim 7 (providing that “a greater amount of DNA sequence information of the IBD regions indicates a closer predicted degree of relationship”). The actual technique employed in claim 7 is not novel.⁷ In this case, the ‘554 patent does not even quantify the degree of similarity or correlation which informs the analysis. *Cf. Mayo*, 566 U.S. at 74, 77 (noting that “[c]laim 1 . . . states that if the levels of 6-TG in the blood (of a patient who has taken a dose of a thiopurine drug) exceed about 400 pmol per 8x10⁸ red blood cells, then the administered dose is likely to produce toxic side effects” – *i.e.*, the claim “set[s] forth processes embodying researchers’ findings that identified [such] correlations with some precision”; but ultimately still finding claim patent ineligible as it simply set forth a law of nature).⁸ Its methodology is left to a generalized

⁷ Claim 8 refers to use of a distribution pattern, but 23 does not claim to have applied a novel distribution pattern.

⁸ *Compare Vanda Pharms. Inc. v. West-Ward Pharms. Int’l Ltd.*, 887 F.3d 1117, 1134 (Fed. Cir. 2018) (finding claims patent eligible; distinguishing *Mayo* on the ground that “the claims in *Mayo* were not directed to a novel method of treating a disease” but rather “were directed to a diagnostic

1 description.

2 To the extent 23 asserts a broader inventive concept – *i.e.*, simply using IBD regions in the
3 first place to determine a relative relationship – it still fares no better. That claim 7 focuses on a
4 particular region of DNA not previously used for comparison purposes does not place the claim
5 outside the § 101 exception. 23 does not claim to have discovered IBD regions and, even if it did,
6 the discovery of a law of nature is not protected by the patent laws, as reflected in both *Ariosa* and
7 *Genetic Technologies*. See also *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S.
8 576, 579 (2013) (holding that “a naturally occurring DNA segment is a product of nature and not
9 patent eligible merely because it has been isolated”). Furthermore, the ‘554 specification indicates
10 that it is an inherent characteristic of IBD regions to contain relative relationship information. See
11 ‘554 patent, col. 2:36-40 (stating that “only relatives will share long stretches of genome regions
12 where their recombinable DNA is completely or nearly identical[;] [s]uch regions are referred to
13 as ‘Identical by Descent’ (IBD) regions”); *cf. Mayo*, 566 U.S. at 77 (stating that the
14 relationships between concentrations of certain metabolites in the blood and the effect of a
15 thiopurine drug “exist[] in principle apart from any human action”); *True Health*, 859 F.3d at 1361
16 (stating that the relationship between cardiovascular disease and heightened MPO levels is one
17 that exists in principle apart from human action).

18 Finally, to the extent 23 argues that there is a factual dispute here that cannot be resolved at
19 the 12(b)(6), see *Berkheimer*, 881 F.3d at 1369 (stating that “[w]hether something is well-
20 understood, routine, and conventional to a skilled artisan at the time of the patent is a factual
21 determination”), that argument is unavailing. In effect, the only alleged unconventional feature of
22 23’s claims is the requirement that specific DNA information be compared to determine a relative
23 relationship “[b]ut this simply restates what [the Court has] determined is [a law of nature or]
24 abstract idea.” *BSG*, 2018 U.S. App. LEXIS 22704, at *23-24. Again, even if the ‘554 patent
25 claims a new discovery of nature, it claims no inventive, unconventional technique in making that
26 discovery or applying it.

27
28 method based on the ‘relationships between concentrations of certain metabolites in the blood and
the likelihood that a dosage of a thiopurine drug will prove ineffective or cause harm”).

1 Accordingly, the Court concludes that, under the two-step *Alice* test, the ‘554 patent claims
2 are patent-ineligible.⁹

3 C. Claim for Misleading Representations in Violation of the Lanham Act

4 1. Relevant Background

5 As alleged in the complaint, Ancestry has made misleading representations on its website.
6 For example:

- 7 • On March 29, 2018, Ancestry’s website stated that its DNA ancestry test tests “5X
8 MORE REGIONS than other DNA tests.” Compl. ¶ 51. 23 asked Ancestry to
9 discontinue the claim but no changes were made to the website through at least
10 April 16, 2018. *See* Compl. ¶ 52.
- 11 • On or about April 17, 2018, Ancestry changed its website. The website still made
12 the claim “5X MORE REGIONS than other DNA tests*” but now included an
13 asterisk footnote. The actual footnote stated: “*5x more regions than MyHeritage,
14 Nat Geo Geno 2.0, and Family Three DNA. 2x more regions than 23andMe.”
15 Compl. ¶ 53. 23 maintains that this disclaimer was ineffective because it was
16 “essentially hidden” – “at the end of [the] long web page and in . . . small font and
17 color.” Compl. ¶ 53.
- 18 • On or about April 21, 2018, Ancestry made another change to its website, now
19 making the claim “AncestryDNA provides 5x more detail than other tests*” – with
20 the actual footnote stating, “*5x more regions than MyHeritage, Nat Geo Geno 2.0,
21 and Family Tree DNA. 2x more regions than 23andMe.” Compl. ¶ 54. The
22 position of the footnote was moved up. 23 contacted Ancestry again and demanded
23 that Ancestry cease and desist; however, the website stayed the same until about
24

25 ⁹ To the extent Plaintiffs argue that the Court should not find patent ineligibility here because there
26 is no danger that basic building blocks of scientific research will not be monopolized, the Court is
27 not persuaded. “While preemption may signal patent ineligible subject matter, the absence of
28 complete preemption does not demonstrate patent eligibility.” *Ariosa*, 778 F.3d at 1379.
Moreover, “[a]n abstract idea does not become nonabstract by limiting the invention to a
particular field of use or technological environment” *Intellectual Ventures I LLC v. Eerie*
Indem. Co., 850 F.3d 1315, 1330 (Fed. Cir. 2017).

May 3, 2018. *See* Compl. ¶¶ 55-56.

- On or about May 3, 2018, Ancestry changed its website, returning to the claim “5X MORE REGIONS than other DNA tests*” with the same footnote. The location of the footnote was slightly altered. 23 maintains that the disclaimer is still ineffective – represented “in small print” and with 23’s name “buried following other company names.” Compl. ¶ 49.

In addition to the above, 23 identifies one other subject on which Ancestry allegedly made misrepresentations on its website. According to 23, Ancestry “ran a perpetual ‘sale’ of its \$99 DNA test for ‘ONLY \$79*,’ misleading consumers to believe a sale was ongoing, when in fact it was merely a reduced price.” Compl. ¶ 58. 23 adds that Ancestry stopped this “misleading advertising only after asked by [23] to desist from such misleading promotions.” Compl. ¶ 58.

2. Rule 9(b)

The Lanham Act provides in relevant part that there is civil liability for “[a]ny person who, on or in connection with any goods or service, . . . uses in commerce any . . . false or misleading description of fact, or false or misleading representation of fact which . . . is likely to cause confusion.” 15 U.S.C. § 1125(a)(1)(A). In its motion, Ancestry argues that 23’s Lanham Act claim should be dismissed because it is subject to Federal Rule of Civil Procedure 9(b), which provides that, “[i]n alleging fraud . . . , a party must state with particularity the circumstances constituting fraud.” Fed. R. Civ. P. 9(b). According to Ancestry, 23 has failed state the circumstances constituting fraud with particularity – in particular, what was false and why.

As an initial matter, 23 disputes that the Lanham Act claim is subject to Rule 9(b). The Ninth Circuit does not appear to have weighed in “as to whether Rule 9(b) applies to Lanham Act claims,” and “district courts in California have split on the issue.” *Oracle Am., Inc. v. TERiX Comput. Co.*, No. 5:13-cv-03385-PSG, 2014 U.S. Dist. LEXIS 561, at *35 (N.D. Cal. Jan. 3, 2014). But the better reasoned authority is that, where a Lanham Act claim is predicated on the theory that the defendant engaged in a knowing and intentional misrepresentation, then Rule 9(b) is applicable. *See, e.g., Brosnan v. Tradeline Sols., Inc.*, No. C-08-0694 JCS, 2009 U.S. Dist. LEXIS 48262, at *13-14 (N.D. Cal. June 5, 2009) (citing authority for the proposition that,

1 “although Lanham Act claims are not categorically subject to the heightened pleading
2 requirements of 9(b),” where a plaintiff alleges knowing and intentional conduct, Rule 9(b) is
3 applicable); *Rise Basketball Skill Dev., LLC v. K Mart Corp.*, No. 16-cv-04895-WHO, 2017 U.S.
4 Dist. LEXIS 99608, at *9 (N.D. Cal. June 27, 2017) (noting the same). There is no real dispute
5 here that 23 is asserting knowing and intentional misrepresentations on the part of Ancestry.
6 Therefore, the Court must evaluate whether the requirements of Rule 9(b) have been met.

7 Each alleged misrepresentation must be considered on its own terms.

- 8 • On March 29, 2018, Ancestry’s website stated that its DNA ancestry test tests “5X
9 MORE REGIONS than other DNA tests.” Compl. ¶ 51. Ancestry contends that it
10 is not clear from the complaint why this statement was allegedly false. But just
11 because the statement simply references “other DNA tests,” and does not mention
12 23 by name specifically, does not mean that Ancestry is immunized from liability.
13 This is because 23 has explicitly alleged that it and Ancestry “are the top two
14 companies in the market.” Compl. ¶ 47. That being the case, a reasonable
15 consumer could infer that the representation covers 23 – or at least it is a question
16 of fact whether a reasonable consumer could be misled. Ancestry makes a better
17 argument that it is not clear that the statement was false *when made* – “the number
18 of regions reflected in [23’s] products changed over time.” Reply at 10. Ancestry
19 points out that, although this is a 12(b)(6) motion, 23 has provided evidence
20 showing that, in April 2018, 23’s own website claimed that its services covered
21 “150+ regions*” but with the asterisk/footnote that 23’s “Ancestry Composition
22 update with over 120 additional regions will be coming soon.” Docket No. 36-10
23 (Gaede Decl., Ex. C) (23’s website). Thus, as to this representation, Ancestry has a
24 meritorious argument that 23 needs to allege more to comply with Rule 9(b).
- 25 • On or about April 17, 2018, Ancestry changed its website. The website still made
26 the claim “5X MORE REGIONS than other DNA tests*” but now included an
27 asterisk footnote. The actual footnote stated: “*5x more regions than MyHeritage,
28 Nat Geo Geno 2.0, and Family Three DNA. 2x more regions than 23andMe.”

1 Compl. ¶ 53. Contrary to what Ancestry argues, 23 has alleged enough here to
 2 satisfy Rule 9(b). The representation “5X MORE REGIONS than other DNA
 3 tests” is false as to 23 because – as conceded in the footnote – Ancestry tests only
 4 2x more regions than 23. And it is a question of fact as to whether a reasonable
 5 consumer could be misled because, although the footnote clarifies Ancestry’s
 6 position with respect to 23, 23 has alleged that the footnote was effectively buried
 7 (“at the end of [the] long web page and in . . . small font and color”). Compl. ¶ 53.

- 8 • On or about April 21, 2018, Ancestry made another change to its website, now
 9 making the claim “AncestryDNA provides 5x more detail than other tests*” – with
 10 the actual footnote stating, “*5x more regions than MyHeritage, Nat Geo Geno 2.0,
 11 and Family Tree DNA. 2x more regions than 23andMe.” Compl. ¶ 54. The
 12 position of the footnote was moved up. As above, it is a question of fact as to
 13 whether a reasonable consumer could be misled, even with the new positioning of
 14 the footnote.
- 15 • On or about May 3, 2018, Ancestry changed its website, returning to the claim “5X
 16 MORE REGIONS than other DNA tests*” with the same footnote. The location of
 17 the footnote was slightly changed. As above, it is a question of fact as to whether a
 18 reasonable consumer could be misled. *See* Compl. ¶ 49 (alleging that the
 19 disclaimer was ineffective – represented “in small print” and with 23’s name
 20 “buried following other company names”).
- 21 • Finally, Ancestry represented (*e.g.*, on its website, *see* Compl. ¶ 51) that its DNA
 22 test cost \$99 but that it was running a sale so that a consumer could purchase its
 23 services for only \$79. According to 23, the representation of a sale was false
 24 because the sale was “perpetual” or never-ending – *i.e.*, the reality was that there
 25 was no “sale” but that Ancestry had simply reduced the price of its services.
 26 Contrary to what Ancestry argues, this provides the who, what, when, where, and
 27 why, and therefore there is no Rule 9(b) issue. To the extent Ancestry argues that it
 28 did not use the word “sale” on its website but simply struck out \$99 and replaced it

1 with \$79, *see* Reply at 11, it is a question of fact as to how a reasonable consumer
2 would understand the striking out – *i.e.*, indicating a sale or simply a reduced price.

3 Accordingly, 23's Lanham Act claim is, for the most part, adequately pled. The Court
4 grants the motion to dismiss the Lanham Act claim only to the extent the claim is based on the
5 March 29, 2018, representation on Ancestry's website. 23 has leave to amend to cure this specific
6 deficiency.

7 D. Claims for Violations of California Business & Professions Code §§ 17500 and 17200

8 1. Relevant Background

9 California Business & Professions Code § 17500 essentially prohibits false or misleading
10 advertising. *See* Cal. Bus. & Prof. Code § 17500 (addressing "untrue or misleading" advertising
11 "which is known, or which by the exercise of reasonable care, should be known, to be untrue or
12 misleading"). Section 17200 prohibits "unlawful, unfair or fraudulent business act[s] or
13 practice[s] and unfair, deceptive, untrue or misleading advertising." *Id.* § 17200.

14 In its third and fourth causes of action, 23 alleges a violation of § 17500 and § 17200,
15 respectively. In the § 17500 claim, 23 cites as misrepresentations that Ancestry's "DNA test
16 provides '5X more regions than other DNA tests' and '5X more detail than other DNA tests.'" *Compl.* ¶ 64. In the § 17200 claim, 23 does not claim a fraudulent business act or practice but
17 rather only "unlawful and unfair" ones. *Compl.* ¶ 68. The only unlawful or unfair acts or
18 practices identified by 23 are the "misleading advertis[ements] about Defendants' DNA tests."
19 *Compl.* ¶ 68.

20 2. Rule 9(b)

21 For the §§ 17500 and 17200 claims, Ancestry repeats the same argument that it made
22 above with respect to the Lanham Act claim – *i.e.*, that the §§ 17500 and 17200 claims are subject
23 to Rule 9(b) and that the Rule 9(b) particularity requirements have not been satisfied. The analysis
24 above is applicable here.

25 3. Standing

26 Ancestry argues that, apart from any Rule 9(b) issue, there is an independent ground to
27 dismiss the §§ 17500 and 17200 claims. More specifically, Ancestry asserts that, because these
28

1 claims essentially claim fraud, 23 is required to allege in its complaint actual reliance on the
2 misrepresentations – and that reliance must be 23’s reliance, and not just a consumer’s.

3 Ancestry’s argument is persuasive on the § 17500 claim as well as the § 17200 claim to the
4 extent it is based on an unlawful (as opposed to unfair) act or practice. The § 17500 claim is
5 clearly predicated on fraud. As for the § 17200/unlawful claim, as currently pled, it is also based
6 on fraud. *See* Compl. ¶ 68 (referencing “misleading advertising about Defendants’ DNA tests”).
7 Contrary to what 23 suggests in its opposition, nothing in the complaint indicates that the §
8 17200/unlawful claim is based on patent infringement. *See* Opp’n at 19 (arguing that the patent
9 infringement claim is “not predicated on misrepresentation”).

10 Because both the § 17500 and § 17200/unlawful claims are based on predicated on fraud,
11 actual reliance – more specifically, reliance on the part of 23 – is required. Admittedly,

12 “[n]o California [state] court has addressed” whether “competitor
13 plaintiffs must plead their own reliance or whether pleading
14 consumer reliance is sufficient for fraudulent business practice
15 claims brought by competitors.” [And while] [t]here is a split
among district courts sitting in California on this issue, . . . the
majority view appears to be that a plaintiff must be able to allege its
own reliance “rather than the reliance of third parties.”

16 *A White & Yellow Cab, Inc. v. Uber Techs., Inc.*, No. 15-cv-05163-JSW, 2017 U.S. Dist. LEXIS
17 49803, at *20-21 (N.D. Cal. Mar. 31, 2017). This makes sense because, “in general, a traditional
18 fraud claim cannot be premised on third-party reliance.” *Id.* at *21; *cf. O’Connor v. Uber*
19 *Technologies, Inc.*, 58 F. Supp. 3d 989, 1003 (N.D. Cal. 2014) (in a case where plaintiff alleged a
20 business practice likely to deceive members of the public (as opposed to himself), stating that
21 “third-party reliance is insufficient to establish [plaintiff’s] standing under the fraud prong of the
22 UCL”). Therefore, the §§ 17500 and 17200/unlawful claims are dismissed for failure to plead
23 actual reliance by 23.

24 However, this analysis does not apply to the § 17200 claim to the extent it simply alleges
25 an *unfair* act or practice. Unfairness is measured on a standard different from fraud – a defendant
26 competitor’s misrepresentation can be unfair even if the plaintiff itself was not deceived by the
27 misrepresentation. *See Van Slyke v. Capital One Bank*, No. C 07-00671 WHA, 2007 U.S. Dist.
28 LEXIS 82690, at *31 (N.D. Cal. Nov. 7, 2007) (noting that, in a § 17200 case brought by a

1 plaintiff against a competitor (*i.e.*, not a consumer case), unfairness relates to actual or threatened
2 impact on competition); *Cel-Tech Comm'ns, Inc. v. L.A. Cell. Tel. Co.*, 20 Cal. 4th 163, 186-87
3 (1999) (stating that, “[w]hen a plaintiff who claims to have suffered injury from a direct
4 competitor’s ‘unfair’ act or practice invokes section 17200, the word ‘unfair’ in that section means
5 conduct that threatens an incipient violation of an antitrust law, or violates the policy or spirit of
6 one of those laws because its effects are comparable to or the same as a violation of the law, or
7 otherwise significantly threatens or harms competition”); *see also In re Tobacco II Cases*, 46 Cal.
8 4th 298, 325 n.17 (2009) (noting that “[t]here are doubtless many types of unfair business
9 practices in which the concept of reliance, as discussed here, has no application”). This aspect of
10 § 17200 focuses on unfair *competition*.

11 The Court acknowledges that there are some cases that arguably hold to the contrary. *See,*
12 *e.g., Thomas v. Costco Wholesale Corp.*, No. 5:12-CV-02908-EJD, 2014 U.S. Dist. LEXIS 46405,
13 at *14 (N.D. Cal. Mar. 31, 2014) (“The California Supreme Court has held that the phrase ‘as a
14 result of’ in UCL section 17204 ‘imposes an actual reliance requirement on plaintiffs prosecuting
15 a private enforcement action under the UCL’s fraud prong.’ This also applies under the UCL’s
16 ‘unlawful’ and ‘unfair’ prong, where the predicate unlawfulness is misrepresentation and
17 deception.”); *McNeary-Calloway v. JP Morgan Chase Bank, N.A.*, 863 F. Supp. 2d 928, 959 (N.D.
18 Cal. 2012) (Spero, J.) (“Although *In Re Tobacco* concerned a claim only under the fraudulent
19 prong, it has been held that, under any prong, a UCL claim that is based in fraud must be
20 supported by allegations of reliance in order to properly be pled.”). To the extent they so hold, the
21 Court respectfully disagrees with their analysis.

22 4. Relief

23 Finally, Ancestry argues that, even if its arguments on Rule 9(b) and standing are not
24 successful, there is one more independent basis for dismissal – *i.e.*, the relief that 23 seeks is not
25 recoverable. Ancestry notes, that per the complaint, the specific relief 23 seeks for the §§ 17500
26 and 17200 claims includes (1) disgorgement of profits and (2) restitution.

27 Ancestry is correct that, to the extent 23 seeks *nonrestitutionary* disgorgement of profits,
28 that relief is unwarranted because §§ 17500 and 17200 allow only for restitution.

1 As for restitution, Ancestry persuasively argues that, on the face of the complaint, it is not
2 plausible that there is any restitution to be had. “[A]n order for ‘restitution’ [is] one ‘compelling a
3 UCL defendant to return money obtained through an unfair business practice to those persons in
4 interest from whom the property was taken, that is, to persons who had an ownership interest in
5 the property.’” *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1144-45 (2003).
6 In the case at bear, the §§ 17500 and 17200 claims, as pled, are based on misleading advertising
7 only. 23 nowhere alleges in its complaint that Ancestry obtained any money or property from 23
8 through its misleading advertising. Thus, there is no basis for restitution.

9 23 suggests, in its opposition brief, that Ancestry should have to disgorge any profits it
10 made from its patent infringement, *see* Opp’n at 21-22 (arguing that 23 has an “ownership interest
11 in the DNA tests offered by Defendants (in that the DNA tests embody [23’s] intellectual
12 property)”), but, as noted above, the §§ 17500 and 17200 claims, as pled, are not based on patent
13 infringement but rather only misleading advertising. In any event, as held herein, 23 fails to state
14 a patent infringement claim.

15 Accordingly, to the extent 23 has asked for disgorgement of profits and restitution, its §§
16 17500 and 17200 claims are problematic. However, this only counsels in favor of a dismissal
17 (with leave to amend) of the requests for disgorgement and restitution – and not a dismissal of the
18 §§ 17500 and 17200 claims themselves. This is because 23 has also asked for injunctive relief.
19 And on the face of the complaint, nothing indicates that Ancestry has stopped making
20 representations about, *e.g.*, “5X MORE REGIONS” on its website. Although, in its reply brief,
21 Ancestry claims that “the allegedly misleading statements no longer appear on Ancestry’s
22 website,” Reply at 13 n.12, that assertion is outside the four corners of the complaint.

23 5. Summary

24 With respect to standing, because the §§ 17500 and 17200 claims are predicated on
25 misleading advertising only (and not patent infringement), 23’s failure to plead its own actual
26 reliance on Ancestry’s alleged misrepresentations warrants a dismissal of the § 17500 claim and
27 the § 17200/unlawful claim. However, the § 17200/unfair claim (even though based on
28 misleading advertising) survives the standing challenge.

As to the § 17200/unfair claim, disgorgement and restitution are implausible remedies. However, injunctive relief is still a possible remedy – at least based on what the complaint alleges (*i.e.*, there is no allegation that Ancestry has ceased making misrepresentations on its website).

For the § 17200/unfair claim, 23 has pled to satisfy Rule 9(b), except with respect to the March 29, 2018, representation on Ancestry’s website. As above, 23 has leave to amend to cure this specific deficiency. If 23 amends, then it should address whether injunctive relief is proper if, in fact, Ancestry has ceased making misrepresentations on its website.

E. Declaratory Relief Claims (Ancestry’s Trademark)

1. Relevant Background

Ancestry has a registered trademark in the word mark “Ancestry.” *See* Compl., Ex. 10 (trademark). According to 23, Ancestry has claimed 23’s use of the word “‘Ancestry’ in certain of [23’s] advertising and on certain of [23’s] products” causes consumer confusion. Compl. ¶ 70; *see also* Compl. ¶ 75 (alleging that Ancestry has “contended that [23’s] use of the phrase ‘Ancestry Service,’ ‘Health + Ancestry Service,’ or use of the word ‘Ancestry’ under ‘Your information’ or ‘Find out what your DNA says about your health, traits and ancestry’” infringes). 23 asks for a declaratory judgment that it does not infringe because, *e.g.*:

- 23 “has priority of usage of the mark as to the DNA testing market,” Compl. ¶ 73 (adding that, when Ancestry registered the word mark, “the mark was to market genealogical periodicals and genealogy websites, not . . . DNA testing services”); and
- 23 uses the word “Ancestry” to “generically describe[] the characteristics of the service” it provides and thus its usage “constitutes fair use.” Compl. ¶ 77.

23 also asks for a declaration that Ancestry’s trademark is invalid because “Ancestry” “has become generic for genetic testing for ancestry information and genealogical research services.” Compl. ¶ 81.

Ancestry’s main argument is that the declaratory relief claims should be dismissed for lack of subject matter jurisdiction – more specifically, because there is no case or controversy (Article III) or actual controversy (the Declaratory Judgment Act) for the Court to adjudicate. Because this is a 12(b)(1) motion to dismiss, both parties have provided evidence as to whether there is, in fact,

1 a case or controversy. The evidence provided indicates as follows.

2 From January to April 2017, 23 and Ancestry communicated regarding 23's use of the
3 term "Ancestry." On April 20, 2017, Ancestry provided 23 with an initial draft of an agreement
4 regarding 23's use of the term. *See* Chenhansa Decl. ¶ 3. Thereafter, the parties continued to
5 negotiate the terms of the agreement through February 2018. *See* Chenhansa Decl. ¶ 4.

6 On March 1, 2018, Ancestry proposed an edit to the agreement. *See* Chenhansa Decl. ¶ 5.
7 On April 30, 2018, 23 responded that it would accept that edit but then proposed its own edit to
8 the agreement. 23 then stated: "Please finalize the agreement, have it executed by your client, and
9 then send it to us for final review and execution by [23]." Chenhansa Decl. ¶ 7 & Ex. 5 (email).
10 On May 1, 2018, 23 proposed another edit to the agreement and stated: "Please make that revision
11 or contact me if you wish to discuss." Chenhansa Decl. ¶ 8 & Ex. 6 (email).

12 On May 11, 2018, Ancestry rejected the proposed edits and asked 23 to "revisit and let me
13 know if you will withdraw" the proposed edit. Haggarty Decl. ¶ 4 & Ex. A (email).

14 Thereafter, on that same day, 23 filed the instant lawsuit.

15 2. Case or Controversy

16 Title 28 U.S.C. § 2201 provides in relevant part that, "[i]n a case of actual controversy
17 within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate
18 pleading, may declare the rights and other legal relations of any interested party seeking such
19 declaration, whether or not further relief is or could be sought." 28 U.S.C. § 2201(a).

20 The difference between an abstract question and a 'controversy'
21 contemplated by the Declaratory Judgment Act is necessarily one of
22 degree, and it would be difficult, if it would be possible, to fashion a
23 precise test for determining in every case whether there is such a
24 controversy. Basically, the question in each case is whether the
facts alleged, under all the circumstances, show that there is a
substantial controversy, between parties having adverse legal
interests, of sufficient immediacy and reality to warrant the issuance
of a declaratory judgment.

25 *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941); *see also MedImmune, Inc. v.*
26 *Genentech, Inc.*, 549 U.S. 118, 127, 137 (2007) (affirming *Maryland Casualty* test in a case where
27 patent licensee sought declaratory judgment that patent was invalid, unenforceable, or not
28 infringed; holding that licensee was not required to break or terminate license agreement before

1 seeking declaratory judgment).¹⁰ To state the matter somewhat differently, “[a] case or
 2 controversy exists justifying declaratory relief only when the challenged . . . activity . . . is not
 3 contingent, has not evaporated or disappeared, and, by its continuing and brooding presence, casts
 4 what may well be a substantial adverse effect on the interests of the . . . parties.” *Bayer v. Neiman*
 5 *Marcus Grp.*, 861 F.3d 853, 867 (9th Cir. 2017) (internal quotation marks omitted). “The
 6 requirement that a case or controversy exist under the Declaratory Judgment Act is ‘identical to
 7 Article III’s constitutional case or controversy requirement.’” *Principal Life Ins. Co. v. Robinson*,
 8 394 F.3d 665, 669 (9th Cir. 2005).

9 In the instant case, the parties had a disagreement about 23’s actual use of the term
 10 “Ancestry.” They never reached an agreement regarding 23’s use. Hence, the case or
 11 controversy requirement is satisfied. *Compare, e.g., Merit Healthcare Int’l, Inc. v. Merit Med.*
 12 *Sys.*, 721 F. App’x 628, 629 (9th Cir. 2018) (No case or controversy where “the Original
 13 Complaint indicates that, despite the similarity of marks and similarity of goods, the parties have
 14 coexisted for thirty years without any apparent conflict. Moreover, the Original Complaint
 15 contains no allegation that Merit Medical has any plan to alter the status quo.”). The Court notes
 16 that, before the Supreme Court’s *MedImmune* decision, “Ninth Circuit precedent required a
 17 plaintiff in a trademark case to demonstrate a ‘real and reasonable apprehension that [it] will be
 18 subject to liability.’” *Homie Gear, Inc. v. Lanceberg Holdings, LLC*, No. 16cv1062 BTM (DHB),
 19 2016 U.S. Dist. LEXIS 159750, at *5 (S.D. Cal. Nov. 16, 2016) (citing *Cheesebrough-Pond’s,*
 20 *Inc. v. Faberge, Inc.*, 666 F.2d 393, 396 (9th Cir. 1982)). But *MedImmune* held the reasonable-

21
 22 ¹⁰ In *MedImmune*, the Supreme Court questioned the Federal Circuit’s reasonable-apprehension-
 23 of-suit test. *See, e.g., MedImmune*, 549 U.S. at 132 n.11. Following *MedImmune*, the Federal
 24 Circuit stated that,

25 [w]hile the Supreme Court rejected the reasonable apprehension of
 26 suit test as the sole test for jurisdiction, it did not completely do
 27 away with the relevance of a reasonable apprehension of suit.
 28 Rather, following *MedImmune*, proving a reasonable apprehension
 of suit is one of multiple ways that a declaratory judgment plaintiff
 can satisfy the more general all-the-circumstances test to establish
 that an action presents a justiciable Article III controversy.

Prasco, LLC v. Medicis Pharm. Corp., 537 F.3d 1329, 1336 (Fed. Cir. 2008).

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Northern District of California

1 apprehension-of-suit test as simply one way that the “declaratory judgment plaintiff can satisfy
2 the more general all-the-circumstances test to establish that and action presents a justiciable
3 Article III controversy.” *Id.* In any event, even if the reasonable-apprehension-of-suit test were
4 given more weight, the Ninth Circuit has indicated that, where a “plaintiff is engaged in the on-
5 going [use]” of the disputed intellectual property, “the showing of real and reasonable
6 apprehension beyond the [use] need not be substantial.” *Societe de Conditionnement en*
7 *Aluminum v. Hunter Eng’g Co.*, 655 F.2d 938, 944 (9th Cir. 1981) (patent infringement case).

8 Ancestry contends that there is no case or controversy because, even though no contract
9 was actually *signed*, the parties had, through their negotiations, reached agreement on most terms
10 of use and the only places where they did not have agreement [REDACTED] *See*
11 Reply at 14 [filed under seal]. More specifically, in its complaint, 23 alleges: “[Ancestry has]
12 contended that at least [23’s] use of the phrase ‘Ancestry Service,’ ‘Health + Ancestry Service,’ or
13 use of the word ‘Ancestry’ under ‘Your information’ or ‘Find out what your DNA says about your
14 health, traits and ancestry,’ somehow uses its ‘Ancestry’ trademark.” Compl. ¶ 75. Ancestry
15 asserts that the parties had reached agreement that [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED] Chenhansa Decl., Ex. 4 (§ 1 of the draft agreement)
19 [filed under seal].

20 There are several problems with Ancestry’s argument. First, in the absence of a signed
21 contract, it is not clear that 23 was (or is) willing [REDACTED]
22 [REDACTED]
23 [REDACTED] [filed under seal]. Second, the allegation in the
24 complaint covers [REDACTED]
25 [REDACTED] [filed under
26 seal]. Finally, Ancestry’s attempt to characterize the agreement above (§ 1 in the draft contract) as
27 dispositive fails to take into account that that the parties had a disagreement about a related term (§
28 5 in the draft contract), which rendered that purported agreement questionable. *See* Chenhansa

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1 Decl., Ex. 4 (§ 5 of draft agreement) [REDACTED]
2 [REDACTED]
3 [REDACTED] [filed under seal]; Chenhansa Decl.,
4 Ex. 5 (email from 23) [REDACTED]
5 [REDACTED] [filed under seal]; Chenhansa Decl., Ex. 6 (email from 23) [REDACTED]
6 [REDACTED] [filed under seal]; Haggarty Decl., Ex.
7 A (email from Ancestry) (stating that “[w]e have a problem with these proposed [edits]” [REDACTED]
8 [REDACTED]
9 [REDACTED] [filed under seal]. There
10 remains a case or controversy sufficient to support 23’s claim for declaratory relief.

11 3. Discretion

12 Finally, Ancestry argues that, even if this Court has subject matter jurisdiction over the
13 declaratory relief claims, it should exercise its discretion and not entertain them. Ancestry cites
14 *EMC Corp. v. Norand Corp.*, 89 F.3d 807 (Fed. Cir. 1996), a case where the plaintiff sought a
15 declaration that it did not infringe certain patents and that the patents were invalid. The district
16 court exercised discretion not to entertain the declaratory relief claims. On appeal, the Federal
17 Circuit rejected the plaintiff’s argument that it is an “abuse of discretion for a district court to
18 dismiss a declaratory judgment action except when special circumstances are present.” *Id.* at 814.
19 “Rather, we heed the Supreme Court’s instruction that special flexibility is called for in the
20 declaratory judgment context, where ‘the normal principle that federal courts should adjudicate
21 claims within their jurisdiction yields to considerations of practicality and wise judicial
22 administration.’” *Id.* The court therefore deemed it appropriate for the district court to consider
23 “whether hearing the declaratory judgment action would serve the objectives for which the
24 Declaratory Judgment Act was created.” *Id.* The district court had declined jurisdiction on the
25 ground that “allowing the declaratory judgment action to proceed would ‘create an incentive
26 structure that is inconsistent with the public interest in preserving declaratory proceedings for
27 cases closer to the central objectives of declaratory proceedings.’” *Id.* In other words, “a party in
28 [the plaintiff’s] position could abuse the declaratory judgment device to obtain a more favorable

1 bargaining position in its ongoing negotiations with the patentee and also to undermine the value
2 of the patent so as to impede its sale or licensing to a third party.” *Id.* The district court also
3 indicated that discretionary dismissal was justified on the basis that allowing the claim to go
4 forward would be inconsistent with the policy of promoting extrajudicial dispute resolution and
5 conservation of judicial resources. In that case, declaratory relief was sought during active
6 negotiations. It was in this context that the Federal Circuit stated:

7 We agree that a court may take into account the pendency of serious
8 negotiations to sell or license a patent in determining to exercise
9 jurisdiction over a declaratory judgment action. While a court may
10 conclude that ongoing negotiations do not negate the presence of a
11 controversy for jurisdictional purposes, the court may nonetheless
12 find . . . that the need for judicial relief is not as compelling as in
13 cases in which there is no real prospect of a non-judicial resolution
14 of the dispute.

15 *Id.*

16 Of course that a court *may* take into account serious negotiations does not mean that the
17 existence of such negotiations require dismissal of the declaratory relief claims. Moreover, in the
18 instant case, it is not even clear that there are serious ongoing negotiations. While the parties have
19 engaged in negotiations for a significant period of time (since January 2017), they still have not
20 been able to reach an agreement after all that time. This suggests that the parties have reached a
21 serious stumbling block in their negotiations.

22 Finally, 23 fairly makes the point that judicial economy would be served by putting in one
23 lawsuit all of the parties’ disputed intellectual property rights. *See* Opp’n at 25.

24 The Court therefore, in the exercise of its discretion, declines to dismiss the declaratory
25 relief claims.

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1 **II. CONCLUSION**

2 For the foregoing reasons, Ancestry's motion to dismiss is granted in part and denied in
3 part. 23 has leave to amend as provided for in this order. Any amended complaint shall be filed
4 no later than September 24, 2018.

5 This order disposes of Docket No. 29. This order shall be filed under seal.

6
7 **IT IS SO ORDERED.**

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9 Dated: August 23, 2018

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11 
12 EDWARD M. CHEN
13 United States District Judge
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United States District Court
Northern District of California