

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

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

Plaintiffs,

v.

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

Defendants.

2:23-cv-00353-RWS-RSP

JURY TRIAL DEMANDED

**DEFENDANT ZEPP HEALTH CORPORATION'S MOTION TO DISMISS
THE FIRST AMENDED COMPLAINT UNDER
FED. R. CIV. P. 12(b)(7) AND 19(a) & (b)**

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I. INTRODUCTION

Defendant Zepp Health Corporation (“Zepp Health” or “Defendant”) respectfully submits this motion to dismiss Plaintiffs The Research Foundation for The State University of New York, University of Connecticut, and Worcester Polytechnic Institute’s (collectively, “Plaintiffs” or “the Universities”) First Amended Complaint (“FAC”) (Dkt. 11) pursuant to Rules 12(b)(7) and 19(a) & (b). The FAC seeks to hold Zepp Health responsible for actions that are solely attributable to Zepp Health’s subsidiary Zepp North America, Inc. (“ZNA”), not Zepp Health. More specifically, Plaintiffs’ infringement allegations relate to wearable products (smartwatches), which are manufactured in the People’s Republic of China and then imported into, and marketed, distributed, offered for sale and sold in, the United States by ZNA. Thus, to the extent that Plaintiffs have any actionable claims, the FAC itself provides more than enough evidence that ZNA is the primary entity responsible for the sales of the accused products and is, therefore, a required party, which is not joined in the instant lawsuit.

In the instant lawsuit, Plaintiffs accuse Zepp Health of direct and indirect infringement of seven patents (the “Asserted Patents”): U.S. Patent Nos. 8,417,326 (“the ’326 Patent”), 9,408,576 (“the ’576 Patent”), 9,713,428 (“the ’428 Patent”), 9,986,921 (“the ’921 Patent”), 10,278,647 (“the ’647 Patent”), 10,285,601 (“the ’601 Patent”), and 10,653,362 (“the ’362 Patent”). Plaintiffs allege that Zepp Health offers certain infringing products and/or services to customers in the United States, including Texas and this District. (*See, e.g.*, FAC at ¶ 10, 282, 302, 329, 352, 371, 391, and 414.) Plaintiffs also allege that Zepp Health’s alleged infringement includes indirect infringement (induced infringement and contributory infringement) and willful infringement. (*See, e.g., id.* at ¶ 16, 292, 294, 296, 297, 299, 319, 321, 323, 324, 326, 341, 342, 344, 346, 347,

349, 361, 363, 365, 366, 368, 380, 381, 383, 385, 386, 388, 403, 404, 406, 408, 409, 411, 432, 433, 435, 437, 438, and 440.)

But, Zepp Health and ZNA are indisputably separate and distinct corporations. Defendant Zepp Health is incorporated under the laws of the Cayman Islands. (*See* Declaration of Jack Shaw, Exhibit 1 (search report for Zepp Health); Declaration of Mike Yan Yeung (“Yeung Decl.”) at ¶ 4.) On the other hand, ZNA is incorporated under the laws of the State of Delaware. (*See id.* at ¶ 10.)

Further, Zepp Health’s registered office is in the Cayman Islands, and has no offices or physical presence in the State of Texas or the United States. (*See* Yeung Decl. at ¶¶ 4-5.) Moreover, Zepp Health has never conducted any product sales activities in the State of Texas or the United States. (*See id.* at ¶ 5.) Further, Zepp Health does not make, use, offer to sell, or sell any of the accused products in the United States. (*See id.* at ¶ 6.) Being just a holding company, Zepp Health is also not involved in any of the day-to-day operations of its subsidiaries. (*See id.* at ¶ 7.) Moreover, contrary to the FAC’s baseless allegations (*see, e.g.*, FAC at ¶¶ 115, 116, 357 & 379), Defendant Zepp Health does not operate or own any website that advertises or sells any products. (*See* Yeung Decl. at ¶ 8.) Zepp Health does not advertise, offer for sale, or promote any products on any website or through other means. (*See id.* at ¶ 9.)

Plaintiffs here have failed to name ZNA in this action because it knows that ZNA cannot properly be joined in the Eastern District of Texas under the patent venue statute and related U.S. Supreme Court and Federal Circuit case law. The Court must therefore dismiss this case.

II. STATEMENT OF THE ISSUES

Whether Plaintiffs’ FAC must be dismissed under Rule 12(b)(7) and Rule 19(a) & (b) where Plaintiffs cannot name a required party due to the patent venue statute and related case law.

III. LEGAL STANDARDS

Rule 12(b)(7) provides for dismissal of an action for failure to join a party in accordance with Rule 19. Thus, a district court can dismiss an action under Rule 19 for failure to join an indispensable party. Such a dismissal ruling requires a two-step analysis. First, a party is required under Rule 19(a) when complete relief cannot be afforded in its absence or when the missing party has a substantial interest in the outcome of the action. See *Helia Tec Res., Inc. v. GE&F Co.*, No. H-09-1482, 2011 U.S. Dist. LEXIS 106453, at *7-8 (S.D. Tex. Sept. 20, 2011) (quoting Fed. R. Civ. P. 19(a)). Second, the case should be dismissed when a required party cannot be joined and the action should not proceed among the existing parties “in equity and good conscience.” *Id.* at *8 (quoting Fed. R. Civ. P. 19(b)).

“‘In ruling on a dismissal for lack of joinder of an indispensable party, a court may go outside the pleadings and look to extrinsic evidence,’” such as documents or affidavits. *Timberlake v. Synthes Spine, Inc.*, No. V-08-4, 2011 WL 2607044, at *2 (S.D. Tex. June 30, 2011) (quoting *Davis Cos. v. Emerald Casino, Inc.*, 268 F.3d 477, 480 n.4 (7th Cir. 2001)). While “[t]he movant bears the initial burden of demonstrating that an absent party is necessary . . . the burden shifts to the party opposing joinder” once this showing is made. *Id.* (citing *Hood ex. rel. Miss. v. City of Memphis*, 570 F.3d 625, 628 (5th Cir. 2009)). Rule 19 requires “highly practical, fact-based decision[s].” *Pulitzer-Polster v. Pulitzer*, 784 F.2d 1305, 1308 (5th Cir. 1986). Further, according to the Notes of Advisory Committee for Rule 19, “subdivision (a) defines the persons whose joinder in the action is desirable. Clause (1) stresses the desirability of joining those persons in whose absence the court would be obliged to grant partial or ‘hollow’ rather than complete relief to the parties before the court,” and the “interests that are being furthered here are not only those of the parties, but also that of the public in avoiding repeated lawsuits on the same essential subject matter.”

The required analysis for granting the dismissal is met in the case here.

IV. ARGUMENTS

A. **ZNA is the Primary Participant in the Alleged Infringement and Therefore a Required Party to this Action**

Rule 19(a) states that a party is required if “in that [party’s] absence, the court cannot accord complete relief among existing parties.” Fed. R. Civ. P. 19(a)(1)(A). ZNA is a required party under this rule.

Plaintiffs’ direct, indirect and willful infringement claims in the FAC all stem from the wearable products (smartwatches) that are manufactured in the People’s Republic of China and then imported into, and marketed, distributed, offered for sale and sold in, the United States by ZNA, not by Defendant Zepp Health. (See Yeung Decl. at ¶¶ 6 & 11.) Clearly, ZNA is the primary participant at the heart of all of Plaintiffs’ direct, indirect and willful infringement claims in this lawsuit because ZNA (not Defendant Zepp Health) is engaged in the accused infringing activities.

If ZNA is not joined in this patent infringement lawsuit, then there clearly cannot be any relief (much less a complete relief) that can be accorded to Plaintiffs because 1) the only defendant Zepp Health does not make, use, offer to sell, or sell any of the accused products in the United States, and does not import any of the accused products into the United States; and 2) ZNA would not be in the lawsuit to pay any damages amount to Plaintiffs if any liability were found. Therefore, ZNA is a required party to this lawsuit under Rule 19(a).

Moreover, Rule 19(a) alternatively states that a party is required if the party “claims an interest” in the action; and “disposing of the action in the [party’s] absence may: (i) as a practical matter impair or impede the [party’s] ability to protect the interest.” Fed. R. Civ. P. 19(a)(1)(B)(i). Both requirements are met here. First, it is beyond reasonable dispute that ZNA has an interest in the lawsuit. Most importantly, ZNA distributes, offers to sell, and sells the smartwatch products

that Plaintiffs expressly accuses of infringement in the FAC. Second, disposing of the action without ZNA would impede ZNA's ability to defend its products. For example, a finding of infringement against Zepp Health in this matter would necessarily prejudice ZNA, the entity that actually distributes and sells the accused products.

For the foregoing reasons, ZNA is a required party under this rule.

B. ZNA Cannot Be Properly Joined to this Action

In patent-infringement lawsuits, venue must be proper for each defendant. 28 U.S.C. § 1400(b); *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 581 U.S. 258, 264-66 (2017); *see also Stonite Products Co. v. Melvin Lloyd Co.*, 315 U.S. 561, 563-64 (1942). For venue to be proper under the controlling statute, the defendant must engage in the infringing acts and have “a regular and established place of business.” 28 U.S.C. § 1400(b). Establishing that a defendant “has a regular and established place of business” requires that: (1) there is a fixed physical location (rather than virtual presence) in the district; (2) the location is a regular and established place of business, not just a temporary or sporadic location; and (3) it is the defendant's location, not just the home of an employee who resides at a location of the employee's choice. *In re Cray Inc.*, 871 F.3d 1355, 1360 (Fed. Cir. 2017).

ZNA is incorporated under the laws of the State of Delaware. (*See* Yeung Decl. at ¶ 10.) ZNA has its office in Newport Beach, California, and has no offices or physical presence in the State of Texas. (*See id.*) As such, venue in the Eastern District of Texas would be improper for ZNA. Clearly, ZNA cannot properly be joined in this action.

Because ZNA is a required party that cannot be joined in this action, this action can only proceed if the Court concludes that “in equity and good conscience, the action should proceed among [Plaintiffs and Zepp Health]” alone. *See* Fed. R. Civ. P. 19(b). This “equity and good

conscience’ test [is] informed by four practical considerations, to determine if a necessary party is indispensable such that the case cannot proceed without it.” *Helia Tec*, 2011 U.S. Dist LEXIS 106453, at *14 (citing Fed. R. Civ. P. 19(b)). Specifically, this test considers: 1) the extent to which a judgment rendered in [ZNA’s] absence might prejudice [ZNA] or the parties to this action; 2) whether prejudice to [ZNA] or the existing parties could be lessened or avoided by protective provisions in the judgment, shaping the relief, or any other measures; 3) whether such a judgment would be adequate; and 4) whether [Plaintiffs] would have an adequate remedy if the action were dismissed for non-joinder. *Id.* at *14-15 (citing Fed. R. Civ. P. 19(b)).

In the absence of ZNA, this action cannot proceed in equity and good conscience and should be dismissed. First, as to parts 1) to 3) of the above-mentioned test, the Court cannot shape a judgment to avoid the prejudice caused by ZNA’s absence. As recognized in *Helia Tec*, when there is no judgment that will settle the claims between the present parties without prejudice to the absent party, “the Court cannot fashion an adequate remedy.” *Helia Tec*, 2011 U.S. Dist. LEXIS 106453, at *20. ZNA would suffer significant prejudice from a judgment rendered in its absence—namely the inability to defend itself as well as the potential for a second lawsuit about the same actions leading to inconsistent obligations. Moreover, Zepp Health would suffer significant prejudice from a judgment rendered in ZNA’s absence—namely the absence of a party over whom it is alleged to have control and the potential for a second lawsuit about the same actions leading to inconsistent obligations. Without ZNA, no judgment would be adequate, and any judgment could not lessen or avoid the accompanying prejudice. Accordingly, these factors weigh in favor of dismissal of this action. *See, e.g., Amarillo Oil Co. v. Mapco, Inc.*, 99 F.R.D. 602, 607 (N.D. Tx. 1983) (dismissing claims against parent to determine ownership interest in property held by subsidiary due to prejudice of making determination in absence of subsidiary and noting “no

possible protective features in a judgment are apparent which would lessen or avoid the prejudice to [Subsidiary]”). Without ZNA as a party, there is nothing to prevent Plaintiffs from filing another suit against ZNA in California and substantially re-litigating this case, forcing ZNA and/or Zepp Health to incur additional unnecessary attorneys’ fees and costs to defend themselves.

Regarding factor 4), Plaintiffs here have an adequate remedy if the action is dismissed for nonjoinder of ZNA—there is an adequate alternative forum to prosecute this action against ZNA. The existence of an adequate alternative forum “weighs heavily in favor of dismissal.” *Schweyer Imp.-Schnittholz GmbH v. Genesis Capital Fund, L.P.*, 220 F.R.D. 582, 592 (S.D. Iowa 2004). Here, Plaintiffs can prosecute its action against the party (ZNA) it alleges is actually responsible for their alleged damages in, for example, a California court because ZNA has its office in Newport Beach, California, and has no offices or physical presence in the State of Texas. (See Yeung Decl. at ¶ 10.)

For the foregoing reasons, the FAC should be dismissed for the nonjoinder of ZNA under Rule 19(b) as well as Rule 12(b)(7).

V. CONCLUSION

For the foregoing reasons, ZNA is a required party to this lawsuit, but Plaintiffs have purposely failed to join ZNA. Accordingly, Defendant Zepp Health respectfully requests that the Court grant its motion to dismiss under Rule 12(b)(7) and 19 (a) & (b).

Dated: May 6, 2024

RESPECTFULLY SUBMITTED,

/s/ Jack Shaw

Jack Shaw (admitted in this District)

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Attorney for Plaintiffs

Zepp Health Corporation

CERTIFICATE OF SERVICE

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

/s/ Jack Shaw
Jack Shaw

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Plaintiffs,

v.

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

Defendants.

2:23-cv-00353-RWS-RSP

JURY TRIAL DEMANDED

**DECLARATION OF JACK SHAW IN SUPPORT OF
DEFENDANT ZEPP HEALTH CORPORATION'S MOTION TO DISMISS
THE FIRST AMENDED COMPLAINT UNDER FED. R. CIV. P. 12(b)(7)**

I, Jack Shaw, declare as follows:

1. I am an attorney of the law firm Procopio, Cory, Hargreaves & Savitch LLP and counsel for Defendant Zepp Health Corporation ("Zepp Health" or "Defendant") in the above-captioned action. I am a member in good standing of the State Bar of California and have been admitted to practice in the Eastern District of Texas. I submit this declaration in support of Defendant's Motion to Dismiss the First Amended Complaint under Fed. R. Civ. P. 12(b)(7). I have personal knowledge of the facts set forth in this declaration and, if called as a witness, could and would testify competently to such facts under oath.

2. Exhibit 1 is a true and correct copy of a search report for Zepp Health obtained from the Cayman Islands General Registry's website.

I declare under penalty of perjury under the laws of the United State of America that the foregoing is true and correct.

Executed on the 6th day of May 2024, in Palo Alto, California.

By: /s/ Jack Shaw
Jack Shaw

EXHIBIT 1



Search Report

Entity Name : Zepp Health Corporation
Jurisdiction : Cayman Islands
Registration Number : 294742
Registration Date : 11th December 2014
Entity Type : EXEMPT
Registered Office : MAPLES CORPORATE SERVICES LIMITED
P. O. Box 309
Ugland House,
South Church Street,
George Town,
Grand Cayman KY1-1104
Cayman Islands

Status :	ACTIVE
Status Date :	11th December 2014

- INFORMATION REGARDING THE CORPORATE RECORDS AND REGISTERS ARE NOT AVAILABLE FOR PUBLIC INSPECTION
- THIS REPORT DOES NOT CONFIRM THE ENTITY IS IN GOOD STANDING

Authorisation Code : 850480693751
www.verify.gov.ky
24 April 2024

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THE RESEARCH FOUNDATION FOR THE
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LTD., XIAOMI COMMUNICATIONS CO.,
LTD., XIAOMI INC., AND ZEPP HEALTH
CORPORATION,

Defendants.

2:23-cv-00353-RWS-RSP

JURY TRIAL DEMANDED

**DECLARATION OF MIKE YAN YEUNG IN SUPPORT OF
DEFENDANT ZEPP HEALTH CORPORATION'S MOTION TO DISMISS THE
FIRST AMENDED COMPLAINT UNDER FED. R. CIV. P. 12(B)(7) AND 19(A) & (B)**

I, Mike Yan Yeung, declare as follows:

1. I am the Chief Operating Officer ("COO") of Defendant Zepp Health Corporation ("Zepp Health"). I submit this declaration in support of Zepp Health's Motion to Dismiss the First Amended Complaint under Fed. R. Civ. P. 12(b)(7) and 19(a) & (b) filed concurrently with this Declaration.

2. I am over twenty-one years of age. The matters set forth herein are based on my own personal knowledge, except as to those matters stated on information and belief, and as to those matters I believe them to be true. If called upon, I could and would testify to the following matters.

3. I have been the COO of Zepp Health since 2015. Through my work as COO of Zepp Health, I have developed familiarity and acquired knowledge about Zepp Health's activities,

as well as the activities of Zepp Health's related companies. In addition, in connection with the preparation of this declaration, I reviewed documents and records of Zepp Health.

4. Zepp Health is incorporated in the Cayman Islands and has a registered address of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Zepp Health is a holding company and does not itself engage in product sales activities in the United States.

5. Zepp Health also has no offices or physical presence in the United States, including the State of Texas. Zepp Health has never conducted any product sales activities in the United States, including the State of Texas.

6. Zepp Health does not make, use, offer to sell, or sell any of the accused products in the United States. Zepp Health also does not import any of the accused products into the United States.

7. Further, being a holding company, Zepp Health is an independent company and is not involved in the day-to-day operations of its subsidiaries.

8. Zepp Health does not operate or own any website that advertises or sells any products.

9. Zepp Health does not advertise, offer for sale, or promote any products on any website or through other means.

10. Further, Zepp North America, Inc. is incorporated under the laws of the State of Delaware. ZNA has its office in Newport Beach, California, and has no offices or physical presence in the States of Texas.

11. The accused products mentioned in the above-captioned lawsuit's First Amended Complaint are all manufactured in the People's Republic of China and then imported into, and marketed, distributed, offered for sale and sold in, the United States by Zepp North America, Inc.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on the 6th day of May 2024, in Fremont, California.

By: 

MIKE YAN YEUNG

**IN THE UNITED STATES DISTRICT COURT
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THE RESEARCH FOUNDATION FOR THE
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2:23-cv-00353-RWS-RSP

JURY TRIAL DEMANDED

**ORDER GRANTING DEFENDANT ZEPP HEALTH CORPORATION'S
MOTION TO DISMISS THE FIRST AMENDED COMPLAINT
UNDER FED. R. CIV. P. 12(b)(7)**

Before the Court is Defendant Zepp Health Corporation's Motion to Dismiss the First Amended Complaint under Fed. R. Civ. P. 12(b)(7) (the "Motion"). Having considered the Motion, the Court is of the opinion that it should be, and hereby is, GRANTED.

It is, therefore, **ORDERED** that all claims set forth in the First Amended Complaint (Dkt. 11) are dismissed with prejudice.