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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SEOUL LASER DIEBOARD
SYSTEM CO., LTD., a South Korean
corporation,

Plaintiff-Counterdefendant,

v.

COMPUTERIZED CUTTERS, INC.,
a Texas corporation,

Defendant-Counterclaimant.

CASE NO. 15-cv-1212-H-DHB

ORDER:

- (1) DENYING COMPUTERIZED CUTTERS, INC.’S MOTION FOR PARTIAL SUMMARY JUDGMENT**
- (2) GRANTING REQUEST FOR JUDICIAL NOTICE**
- (3) DENYING REQUEST TO BIFURCATE CASE**

On November 5, 2015, Computerized Cutters, Inc. (“CCI”) moved for partial summary judgment. (Doc. No. 34.) Seoul Laser Dieboard System Co., Ltd. (“SDS”) responded on November 23, 2015. (Doc. Nos. 43–48.) Both parties also submitted requests for judicial notice. (Doc. Nos. 34-3 & 44.) CCI replied on November 30, 2015, objected to some of SDS’s evidence, and opposed part of SDS’s request for judicial notice. (Doc. No. 53.) On December 4, 2015, SDS responded to CCI’s objections and its opposition to SDS’s request for judicial notice. (Doc. No. 56.) The Court held a hearing on December 7, 2015. (Doc. No. 58.) Lisel Ferguson and Nicholas Kawuka appeared for SDS. Steven Lownds and Andrew Schouten appeared

1 for CCI. After hearing argument from both sides, the Court set a further telephonic
2 hearing for December 17, 2015, and permitted both sides to file supplemental briefs.
3 The parties submitted their supplemental filings on December 14, 2015. (Doc. Nos.
4 62 & 63.) The Court held a telephonic hearing on December 17, 2015. Lisel Ferguson
5 and Nicholas Kawuka appeared for SDS, and Steven Lownds and Andrew Schouten
6 appeared for CCI. For the reasons set forth below, the Court denies CCI’s motion for
7 partial summary judgment, grants each party’s request for judicial notice, and denies
8 CCI’s request to bifurcate the case.

9 **BACKGROUND**

10 **A. Previous Litigation and Settlement**

11 CCI manufactures a machine called the “Accu-Bend” machine, which bends
12 letters for use in sign manufacturing. (Doc. No. 53-1 at 2.) On June 1, 2007, SDS filed
13 a complaint for patent infringement against CCI in this district, which was assigned the
14 name Seoul Laser Dieboard System, Ltd. v. Computerized Cutters, Inc., No. 7-cv-1005-
15 JAH-CAB. (Id. at 3.) In the 2007 complaint, SDS alleged that CCI’s Accu-Bend
16 machine infringed three of SDS’s patents, U.S. Patent No. 5,870,919 (the “919
17 patent”), U.S. Patent No. 6,128,940 (the “940 patent”), and U.S. Patent No. 6,405,574
18 (the “574 patent”). (Id.) SDS sought injunctive relief and damages, including lost
19 profits and royalties. (Id.) The parties resolved the 2007 lawsuit by entering a
20 settlement agreement and a confidential license agreement. (Id. at 3–4.) Following
21 the settlement, the court dismissed the case with prejudice on December 14, 2007.
22 (Id. at 4.) The court did not retain jurisdiction to enforce the settlement. (See Case No.
23 7-cv-1005-JAH-CAB, Doc. No. 12.)

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1 **B. The Settlement Agreement**

2 The settlement agreement recited that the parties were involved in a dispute over
3 the ‘919 patent, the ‘940 patent, and the ‘574 patent.¹ (S.A. § A.) It stated further:

4 The Dispute involves claims by SDS that CCI is liable for acts of patent
5 infringement in connection with CCI’s manufacture, use, offer for sale,
6 and/or sale of CCI’s Accu-Bend Machine that SDS alleges infringes the
7 SDS Patents and/or another issued patent or patents owned by, or
8 exclusively licensed to, SDS, including any and all continuations,
9 divisions, re-issues, re-examinations, and/or extensions thereof.

10 . . .
11 By execution of this Settlement Agreement the Parties agree to settle and
12 finally resolve any and all existing and potential claims as well as all
13 existing and potential obligations between them which may relate to, arise
14 from, or are in connection with the Dispute . . . or the Litigation.

15 (Id. §§ B, D.)

16 In consideration for the promises set forth in the settlement and license
17 agreements, the parties mutually released each other “[e]xcept for any claims arising
18 by breach of this Settlement Agreement and/or the Confidential License Agreement
19 . . . from any and all claims . . . or causes of action that relate to, arise from, or are in
20 connection with” the 2007 litigation and the underlying dispute. (Id. § 3.) The parties
21 agreed that the settlement agreement was governed by California law and that any
22 litigation would be proper in the Southern District of California. (Id. § 15.)

23 **C. The License Agreement**

24 In the license agreement, SDS granted CCI a non-exclusive, worldwide, royalty-
25 bearing license for the Accu-Bend machine. (L.A. § 2.1.) In a separate provision,
26 SDS covenanted not to sue CCI for infringement of the three patents that were the basis
27 of the 2007 litigation, U.S. Patent No. 5,787,750,² “or any other patents now or
28 hereafter owned or controlled by SDS based on any Accu-Bend Machine made, used,

26 ¹ SDS submitted the settlement agreement (“S.A.”) and license agreement
27 (“L.A.”) under seal at Doc. No. 18-1 and again at Doc. No. 55. Citations in this order
28 are to the numbered provisions in the agreements.

² The ‘940, ‘919, and ‘574 patents are continuations of Patent No. 5,787,750
(the “750 patent”). (Doc. No. 43 at 12.)

1 sold, offered for sale, imported, exported, serviced, or otherwise transferred or disposed
2 of . . . by or for CCI.” (Id. § 4.0.)

3 In exchange, CCI agreed that it would pay a one-time payment for all past
4 royalties and to settle the litigation, followed by a per-unit royalty for each Accu-Bend
5 machine sold during the term of the agreement, for at least the first 47 machines sold.
6 (Id. §§ 3.1–3.2.) Payments were due quarterly, along with royalty reports containing
7 certain information, and the parties agreed that the failure to pay royalties according
8 to the terms of the agreement would be a material breach subject to the cure provisions
9 set forth in the agreement. (Id. §§ 3.3.2–3.3.3, 3.6.) CCI reserved the right to terminate
10 the license and the license agreement after selling 47 units, “upon any redesign of the
11 Accu-Bend Machine’s Bending Apparatus.” (Id. § 2.3.)

12 The license agreement defined “Accu-Bend Machine” as “the channel letter
13 bending machine being manufactured and sold by CCI as of the Effective Date of this
14 Agreement or as may be modified by CCI from time to time during the term of this
15 Agreement.” (Id. § 1.2.) “Bending Apparatus” was defined as “the subcomponent of
16 the Accu-Bend Machine that physically bends the material.” (Id. § 1.4.)

17 The parties agreed that the existence of the settlement agreement and license
18 agreement would remain confidential. (Id. § 7.1.) They also agreed that if one of them
19 materially breached the agreement, the other party could terminate the agreement by
20 providing the breaching party written notice and a 60-day cure period. (Id. § 8.2.)
21 Termination would be automatic upon expiration of the cure period unless the other
22 party remedied the breach. (Id.) SDS agreed further that it would not initiate litigation
23 under the license agreement or any of its patents during the cure period. (Id. § 8.3.)
24 If the agreement terminated “other than by material breach,” some provisions would
25 continue “in full force and effect, except to the extent they expire of their own accord,”
26 including SDS’s covenant not to sue (§ 4.0), some of the reporting requirements,
27 (§§ 6.1–6.5), the notice-and-cure provisions (§ 8.2), and SDS’s promise not to sue
28 during the cure period (§ 8.3). (Id. § 8.4.) The parties agreed that the settlement and

1 license agreement reflected their entire agreement. (Id. § 14.7.)

2 **D. Subsequent Developments**

3 On March 6, 2012, CCI sent SDS a letter stating that SDS had breached the
4 license agreement by disclosing its existence. (Doc. No. 48-2 at 34.) CCI wrote:

5 CCI considers this conduct to be a material breach of contract. While it
6 is not CCI's desire to institute litigation, continued breaches of [the
7 confidentiality agreement] will leave us with no choice, since the breach
8 is not a mere formality, but is being actively used in the market to hurt
9 CCI's sales.

10 CCI demands that you immediately send notice to all persons, who have
11 had access to the Agreement, to cease and desist any publication of any
12 part of the Agreement. Please provide confirmation and proof that such
13 notice has been sent no later than March 18, 2012. This demand is
14 without waiver of any rights CCI has as a result of breaches that have
15 already occurred.

16 (Id.) Attached was a copy of an SDS distributor's e-mail stating that SDS licensed its
17 bending technology to Accu-Bend, and, while the full-featured Accu-Bend machine
18 was more expensive than SDS's machine, it was not as reliable and did not have the
19 same capabilities. (Id. at 36.)

20 On March 11, 2012, SDS sent letters to various SDS executives and others,
21 including the distributor who wrote the offending e-mail, reminding them of SDS's
22 continuing obligation to keep the existence and terms of the agreement confidential.
23 (Id. at 38–47.) On March 15, 2012, SDS sent a letter to CCI stating that it had sent out
24 notices regarding SDS's obligation to keep the agreements confidential. (Id. at 49.)

25 On December 4, 2012, SDS sent CCI a request for unpaid royalties. (Id. at 51.)
26 On February 1, 2013, CCI responded that SDS had not cured its breach, there was
27 reason to believe the breach was not a one-time occurrence, and CCI was continuing
28 to evaluate the extent of its damages. (Id. at 51–52.) Enclosed were three royalty
checks. (Id. at 51.) According to the letter, two were for royalty payments through
May 7, 2012, the end of the cure period. (Id.) The third was delivered under protest
pending possible judicial determination of the impact of SDS's failure to cure. (Id.)

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1 On April 27, 2015, SDS notified CCI that CCI owed past-due royalties and
2 interest for 2013 and 2014, and that SDS intended to sue for breach of contract and
3 patent infringement if CCI did not pay within ten days. (Doc. No. 48-1 at 2.)

4 On May 7, 2015, CCI sent SDS a letter describing SDS's demand for royalty
5 payments as improper in light of SDS's 2012 breach of the confidentiality agreement.
6 (Doc. No. 48-1 at 4.) CCI noted that SDS had continued to breach the confidentiality
7 agreement, "most recently at the 2014 Frankfurt show." (Id.) The letter continued:

8 In addition to SDS's material breach of the License Agreement, CCI
9 exercises its right to terminate the license pursuant to § 2.3 of the License
10 Agreement. That section provides that once the standard royalty has been
11 paid on 47 units [CCI] reserved the right to terminate the agreement and
12 license granted in § 2.1 upon any redesign of the Accu-Bend machine's
13 vending apparatus. The Accu-Bend machines have been redesigned
14 within the meaning of § 2.3 of the License Agreement.

15 Based on the foregoing, CCI terminates that agreement on both
16 independent bases, and rejects your improper demand.

17 (Id. at 4–5.)

18 On May 8, 2015, SDS sent CCI a second letter regarding the past-due royalties
19 and warning that SDS would initiate litigation if CCI failed to honor its obligations.
20 (Id. at 10–11.) On May 14, 2015, CCI responded that, as set out in its May 7, 2015
21 letter, it had already exercised its right to terminate the agreement based on its sale of
22 47 units and the redesign of the Accu-Bend machine, as well as SDS's material and
23 continuing breach of the confidentiality agreement. (Id. at 17–18.)

24 **E. The Present Litigation**

25 On June 1, 2015,³ SDS filed this action asserting one claim for breach of contract
26 and six claims for patent infringement, regarding the '940 patent, the '919 patent,
27 the '574 patent, the '750 patent, and two newer patents, U.S. Patent No. 7,694,543
28 (the "'543 patent"), and U.S. Patent No. 8,327,679 (the "'679 patent"). (Doc. No. 18
at 1.) The '543 patent and the '679 patent did not exist at the time of the 2007 lawsuit

³ SDS submitted the complaint under seal on June 1, 2015. (Doc. No. 18 at 1.)
It was first filed on the docket in redacted form on July 22, 2015. (Doc. No. 1.)

1 and are continuations of the patents at issue in the 2007 litigation. (Doc. No. 43 at 13.)

2 On September 8, 2015, CCI filed an answer and counterclaims, (Doc. No. 23),
3 followed by a first amended answer and counterclaims on September 29, 2015,
4 (Doc. No. 30). On November 20, 2015, the Court denied SDS's motion to dismiss
5 CCI's counterclaims for declaratory judgment and breach of contract. (Doc. No. 42.)
6 On December 8, 2015, the Court granted CCI leave to amend its answer and
7 counterclaims. (Doc. No. 60.) CCI filed the operative second amended answer and
8 counterclaims on December 17, 2015, for declaratory judgment and breach of contract.
9 (Doc. No. 65.) In its pleading, CCI alternatively claims: (1) the agreement terminated
10 automatically no later than April 21, 2012, after CCI sold 47 units, redesigned the
11 Accu-Bend machine, and notified SDS of the redesign on February 21, 2012,
12 (id. ¶¶ 107, 116); (2) the agreement terminated automatically on May 7, 2012, after
13 CCI notified SDS of its breach of the confidentiality agreement on March 6, 2012, and
14 SDS failed to cure the breach, (id. ¶¶ 109–10, 116); (3) the agreement terminated
15 automatically on April 2, 2013, after CCI's February 1, 2013 letter stating that SDS
16 had not cured its breach, (id.); and (4) CCI expressly terminated the agreement on
17 May 7, 2015, when it informed SDS that it was terminating the agreement based on
18 SDS's breach and CCI's sale of 47 units and redesign of the Accu-Bend machine,
19 (id. ¶ 116).

20 CCI seeks declaratory judgment, damages, including lost profits resulting from
21 SDS's breach of the confidentiality agreement, rescission of the agreements, return of
22 \$1,173,400 in royalties in the event that SDS's patents are declared invalid, costs, and
23 fees. (Id. at 20–22.)

24 **F. Factual Disputes**

25 The parties dispute whether CCI paid or owed royalties for various quarters
26 before and after SDS's breach. With its opposition to CCI's motion for summary
27 judgment, SDS submitted the declaration of its President, Kyong Chan Lim, stating that
28 CCI did not pay royalties for the third and fourth quarter of 2009, the third and fourth

1 quarter of 2010, the fourth quarter of 2011, the fourth quarter of 2012, the third and
2 fourth quarter of 2013, any part of 2014, or any part of 2015. (Doc. No. 51 ¶ 9.)⁴ CCI
3 responds that SDS did not provide any evidence that CCI made any sales for which
4 royalties were due during those quarters. (Doc. No. 53 at 2.) Whether CCI sold any
5 machines that may have been subject to royalty payments during those quarters is
6 unclear, as CCI did not submit its royalty reports for those periods or any other
7 documentation showing that no machines were sold. SDS represents that it did not
8 receive royalty reports for every quarter, despite CCI's obligation to send quarterly
9 reports under Section 3.3.3 of the license agreement. (Doc. No. 62 at 9–10.)

10 The parties also dispute whether CCI redesigned the bending apparatus of
11 the Accu-Bend machine.⁵ According to CCI, it was entitled to terminate the license
12 agreement under Section 2.3 because it sold 47 machines and redesigned the machines'
13 bending apparatus. (Doc. No. 53-2 ¶¶ 5–7.) CCI submitted the declaration of its
14 President, Carl Ondracek, stating that the bending apparatus was redesigned in 2011,
15 and, as he understands it, CCI did not need to provide evidence of the redesign before
16 exercising its option to terminate. (Doc. No. 53-2 ¶¶ 4–5.) SDS objects that there is
17 no evidence that the bending apparatus was actually redesigned, and CCI only made
18 the machines shorter, but did not redesign the bending apparatus. (Doc. No. 62 at
19 11–12.)

21 ⁴ CCI filed extensive objections to Lim's statements and contends that the Court
22 cannot consider his declaration because it was filed one day late. (Doc. No. 53-3.)
23 The Court, exercising its discretion, will consider the declaration. The docket entry
24 indicates that the declaration was inadvertently omitted from SDS's response, the
25 related exhibits were filed on time, SDS corrected its error promptly the next day,
26 and CCI relies on the declaration for some of its arguments. (See Doc. No. 53-3
27 at 20:12–13.) As for CCI's evidentiary objections, the Court sustains them to the
28 extent that they are valid and overrules them to the extent that they are not.

25 ⁵ CCI asserts that it is undisputed that CCI redesigned the bending apparatus.
26 (Doc. No. 53 at 9.) But it overstates the significance of the portion of SDS's opposition
27 it relies on, which merely objects that CCI cannot simultaneously claim that the
28 machines were redesigned, so that it was entitled to terminate the agreement under
Section 2.3, and that they are the same machine for claim-preclusion purposes. (Doc.
No. 43-1 at 24–28).

1 **DISCUSSION**

2 CCI requests summary judgment in its favor on all of SDS’s claims and asks
3 the Court to bifurcate this case and hold SDS’s patent claims in abeyance until the
4 contract claims have been resolved. Additionally, both parties submitted requests for
5 judicial notice. The Court addresses each request in turn.

6 **A. Motion for Partial Summary Judgment**

7 **1. Summary Judgment Standard**

8 Summary judgment is appropriate if the moving party shows that there is no
9 genuine issue of material fact and that it is entitled to judgment as a matter of law.
10 See Fed. R. Civ. P. 56(a); Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). A fact
11 is material if it could affect the outcome of the case under the governing substantive
12 law. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). A dispute is
13 genuine if a reasonable jury could return a verdict for the nonmoving party. See id.

14 The party seeking summary judgment bears the initial burden of establishing the
15 absence of a genuine issue of material fact. Celotex, 477 U.S. at 323. The moving
16 party can satisfy its burden either by presenting evidence that negates an essential
17 element of the nonmoving party’s case or by demonstrating that the nonmoving party
18 failed to establish an essential element on which it has the burden of proof. See id.
19 at 322–23. “Disputes over irrelevant or unnecessary facts will not preclude a grant of
20 summary judgment.” T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors Ass’n, 809 F.2d
21 626, 630 (9th Cir. 1987). Once the moving party establishes the absence of genuine
22 issues of material fact, the burden shifts to the nonmoving party to set forth facts
23 showing that a genuine issue of disputed fact remains. Celotex, 477 U.S. at 322. The
24 nonmoving party cannot oppose a properly supported summary judgment motion by
25 “rest[ing] on mere allegations or denials of his pleadings, but must set forth specific
26 facts showing that there is a genuine issue for trial.” Anderson, 477 U.S. at 256. The
27 nonmoving party need not “produce evidence in a form that would be admissible at
28 trial in order to avoid summary judgment.” Celotex, 477 U.S. at 324.

1 When ruling on a motion for summary judgment, the court must view all
2 inferences to be drawn from the underlying facts in the light most favorable to the
3 nonmoving party. See Matsushita Elec. Indus., Co. v. Zenith Radio Corp., 475 U.S.
4 574, 587 (1986). The court does not make credibility determinations with respect to
5 the evidence offered. See T.W. Elec. Serv., 809 F.2d at 630–31. Summary judgment
6 is not appropriate “where contradictory inferences may reasonably be drawn from
7 undisputed evidentiary facts.” Hollingsworth Solderless Terminal Co. v. Turley,
8 622 F.2d 1324, 1335 (9th Cir. 1980).

9 **2. Standards of Contract Interpretation**

10 State law governs interpretation of patent licenses. See Texas Instruments Inc.
11 v. Tessera, Inc., 231 F.3d 1325, 1329 (Fed. Cir. 2000) (“[T]he interpretation of private
12 contracts is ordinarily a question of state law.”). Under California law, interpreting
13 contracts is a judicial function. See Wolf v. Walt Disney Pictures & Television, 162
14 Cal. App. 4th 1107, 1125 (2008).

15 “The fundamental goal of contractual interpretation is to give effect to the mutual
16 intention of the parties.” Powerine Oil Co. v. Superior Court, 37 Cal. 4th 377, 390
17 (2005) (internal quotation marks omitted). “[I]ntent is to be inferred, if possible,
18 solely from the written terms of the contract.” Id. (internal quotation marks omitted).
19 “If contractual language is clear and explicit, it governs.” Id. (internal quotation marks
20 omitted).

21 “Courts generally may not consider extrinsic evidence of any prior agreement
22 or contemporaneous oral agreement to vary or contradict the clear and unambiguous
23 terms of a written, integrated contract.” Wolf, 162 Cal. App. 4th at 1126. But extrinsic
24 evidence is admissible to “interpret an agreement when a material term is ambiguous.”
25 Id. A provision “will be considered ambiguous when it is capable of two or more
26 constructions, both of which are reasonable.” Powerine, 37 Cal. 4th at 390 (internal
27 quotation marks omitted). “Language in a contract must be construed in the context
28 of that instrument as a whole, and in the circumstances of that case, and cannot be

1 found to be ambiguous in the abstract.” Id. at 391 (internal quotation marks omitted).

2 When the parties dispute the meaning of words in a contract, the court should use
3 a three-step process to determine their objective intent:

4 First, it provisionally receives any proffered extrinsic evidence that is
5 relevant to prove a meaning to which the language of the instrument is
6 reasonably susceptible. If, in light of the extrinsic evidence, the language
7 is reasonably susceptible to the interpretation urged, the extrinsic
8 evidence is then admitted to aid the court in its role in interpreting the
9 contract. When there is no material conflict in the extrinsic evidence, the
trial court interprets the contract as a matter of law. This is true even
when conflicting inferences may be drawn from the undisputed extrinsic
evidence or that extrinsic evidence renders the contract terms susceptible
to more than one reasonable interpretation. If, however, there is a conflict
in the extrinsic evidence, the factual conflict is to be resolved by the jury.

10 Wolff, 162 Cal. App. 4th at 1126–27(citations and footnote omitted). In ascertaining
11 intent, courts may consider the circumstances surrounding the making of the agreement
12 and the conduct of the parties before any controversy arose. See Universal Sales Corp.
13 v. Cal. Press Mfg. Co., 20 Cal. 2d 751, 761 (1942); 1 Witkin, Summary of California
14 Law § 749 (10th ed. 2005).

15 3. The License and Covenant Not to Sue

16 A covenant not to sue is the functional equivalent of a license. See TransCore,
17 LP v. Elec. Transaction Consultants Corp., 563 F.3d 1271, 1275 (Fed. Cir. 2009) (“[A]
18 non-exclusive patent license is equivalent to a covenant not to sue.”). A valid patent
19 license is a complete defense to infringement liability. See McCoy v. Mitsubishi
20 Cutlery, Inc., 67 F.3d 917, 920 (Fed. Cir. 1995) (“A licensee, of course, has an
21 affirmative defense to a claim of patent infringement.”).

22 CCI contends that SDS cannot sue for patent infringement because the license
23 in Section 2.1 and the covenant not to sue in Section 4.0 encompass any iteration of
24 the Accu-Bend machine and any existing and future SDS patents that may cover the
25 Accu-Bend machine. (Doc. No. 34-1 at 12–14.) CCI observes: “licensees cannot be
26 infringers.” JVC Kenwood Corp. v. Nero, Inc., 797 F.3d 1039, 1045 (Fed. Cir. 2015).
27 CCI contends that SDS remains bound by the covenant not to sue because CCI
28 exercised its right to terminate the license agreement under Section 2.3, causing the

1 covenant not to sue in Section 4.0 to survive under the survival provision in Section
2 8.4. (Doc. No. 34-1 at 14.)

3 Two main difficulties preclude summary judgment for CCI on this basis. First,
4 while the agreements are carefully crafted, they do not clearly support or reject CCI's
5 proposed construction. At the center of the dispute is Section 8.4, which reads:

6 Upon any termination of this Agreement, other than by material breach,
7 the provisions of Articles 4.0, 6.0, 7.0, 8.0, and 14.0 will survive and
8 continue in full force and effect, except to the extent they expire of their
own accord.

9 CCI contends that its termination under Section 2.3 was plainly termination "other
10 than by material breach," so that the covenant not to sue in Section 4.0 necessarily
11 survived. (Doc. No. 34-1 at 14.) At argument, CCI clarified its position that the
12 royalty-bearing license in Section 2.1 and the covenant not to sue in Section 4.0 were
13 included as separate provisions so that CCI would only have to pay for past usage
14 and royalties for 47 units, a total of around \$1 million, after which it would be entitled
15 to use SDS's technology without paying further royalties.

16 SDS responds that the royalty-bearing license in Section 2.1 is inseparable from
17 the covenant not to sue in Section 4.0. Moreover, the survival provision in Section 8.4
18 was meant to apply only if the patents expired or became invalid. As a result, there are
19 factual disputes intermingled in the contract interpretation.

20 The Court agrees that material disputes of fact preclude summary judgment.
21 For example, the parties dispute whether and when the license terminated. Arguably,
22 CCI could terminate the agreement in 2015 only if the license was still in effect at the
23 time CCI opted to terminate, and only if CCI had also satisfied the requirements for
24 termination by selling 47 units and redesigning the bending apparatus of the machines.
25 Critically, two of CCI's own theories for why it does not have to pay royalties are that
26 the license agreement "automatically terminated" in 2012 or 2013 based on SDS's
27 material breach and failure to cure. (Doc. No. 65 ¶ 110.) Section 8.2 provides for
28 automatic termination if the breaching party failed to cure, and there is evidence to

1 support this theory. CCI has not explained how or why SDS would still be bound, or
2 why SDS would still have to terminate the agreement before it can sue, if the license
3 agreement terminated automatically in 2012 or 2013. Moreover, the record is not clear
4 about when CCI sold the forty-seventh machine, and there is a factual dispute whether
5 the bending apparatus of the machines was redesigned. CCI's President declares that
6 the apparatus was redesigned, but SDS's President declares that it was not redesigned.

7 In sum, the parties dispute the facts, terms and effects of the settlement and
8 license agreement, and the present record is insufficient for the Court to determine
9 whether some or all of the license agreement remains in effect. Accordingly, the Court
10 declines to grant summary judgment for CCI on the basis of the license and covenant
11 not to sue at this time.

12 **4. Condition Precedent**

13 Next, CCI contends that Sections 8.2 and 8.3 of the license agreement obliged
14 SDS not to sue during the 60-day cure period, these obligations survived CCI's
15 termination under Section 8.4 and were a mandatory condition precedent to filing suit,
16 and SDS's failure to comply with them is fatal to all of its claims. (Doc. No. 34-1
17 at 14–16.) According to CCI, the only way SDS can avoid this is if SDS terminated
18 the agreement via the notice-and-cure provisions, which it has not done. (Id.)

19 SDS does not dispute that it initiated this action only 35 days after it sent CCI
20 the letter demanding payment for 2013 and 2014. (Doc. No. 53-1 at 35.) It contends,
21 however, that it had no obligation to wait any longer because at that point CCI had
22 refused to pay and had expressly repudiated the contract, claiming that the agreement
23 was terminated on two separate bases. (Doc. No. 43-1 at 17–21.)

24 CCI counters that it did not repudiate the contract, as SDS was mistaken that
25 CCI owed royalties at that point and CCI was entitled to exercise its right to terminate.
26 (Doc. No. 53 at 4.) And, according to CCI, even if its termination was an anticipatory
27 breach, SDS would still have to wait 60 days before it could sue because SDS did not
28 terminate the agreement via the notice-and-cure provisions. (Id. at 6–7.)

1 CCI relies upon California Civil Code § 1439, which provides: “Before any
2 party to an obligation can require another party to perform an act under it, he must
3 fulfill all conditions precedent thereto imposed upon himself.” This is true as a general
4 proposition, but the authorities CCI relies upon do not address the circumstances of
5 this case, where SDS gave CCI an opportunity to cure, and CCI responded that it had
6 no obligation to pay and was terminating the agreement. Additionally, the Court notes
7 that at this point far more than 60 days have passed since SDS gave CCI notice, CCI
8 has not changed its position, and there would be no sense in dismissing this case and
9 requiring SDS to file an amended complaint that would meet the 60-day requirement.

10 Additionally, CCI’s arguments assume that the license agreement remained in
11 effect after SDS’s alleged 2012 breach and failure to cure, that CCI validly terminated
12 the agreement under Section 2.3 based on its sale of 47 machines and redesign of the
13 bending apparatus, and that the survival provisions in Section 8.4 apply. The Court
14 cannot resolve those issues on the present record. Moreover, CCI’s argument also
15 assumes that it paid all it owed under the contract, which also remains disputed.
16 Accordingly, the Court declines to grant CCI summary judgment on this basis as well.

17 **5. Release**

18 Third, CCI contends that SDS’s release in the settlement agreement bars SDS’s
19 patent claims because the parties intended to reduce all future disputes to claims for
20 breach of contract. (Doc. No. 34-1 at 16–17.) The release read:

21 Except for claims arising by breach of this Settlement Agreement
22 and/or the Confidential License Agreement, SDS hereby fully and
23 unconditionally releases CCI . . . from any and all claims . . . or causes of
action that relate to, arise from, or are in connection with the Dispute and
Litigation.

24 (S.A. § 3.2.)

25 But the release preserved claims that arose “by breach” of either agreement,
26 and portions of the license agreement contemplate future patent litigation between SDS
27 and CCI in the event of breach. (Doc. No. 43-1 at 21–24.) Specifically, in Section 8.3,
28 SDS agreed that, if there was a breach, it would “not initiate litigation under this

1 Agreement or any of the SDS Patents with respect to CCI . . . during the cure period
2 of Section 8.2.” And, in Section 12.2, the parties agreed: “In the event CCI is sued
3 for infringement of one or more claims of one of the SDS Patents, CCI shall be free to
4 challenge the validity and enforceability of any such claims.”

5 Contractual language “must be construed in the context of [the] instrument as a
6 whole.” Powerine, 37 Cal. 4th at 391. CCI has not shown that it is possible to
7 reconcile the language in Section 8.3, which contemplates future patent litigation
8 between the parties in the case of breach, with its position that the parties foreclosed
9 all future patent litigation. Accordingly, the Court denies CCI’s motion for summary
10 judgment on the basis of the release.

11 **6. Issue Preclusion**

12 Next, CCI contends that issue preclusion bars SDS’s claims for infringement of
13 the ‘543 patent and the ‘679 patent because they are continuations of the patents at
14 issue in the 2007 case. (Doc. No. 34-1 at 19–22.) According to CCI, the settlements
15 make clear that the parties intended to resolve all issues related to the Accu-Bend
16 machine through the settlement and dismissal. (Id. at 21.)

17 The Court disagrees. In patent cases, the law of the regional circuit determines
18 the application of general issue preclusion rules, but Federal Circuit law governs any
19 part of the analysis that applies uniquely to patent cases. See Aspex Eyewear, Inc. v.
20 Zenni Optical Inc., 713 F.3d 1377, 1380 (Fed. Cir. 2013). In the Ninth Circuit, issue
21 preclusion “bars relitigation of issues adjudicated in an earlier proceeding if three
22 requirements are met: (1) the issue necessarily decided at the previous proceeding is
23 identical to the one which is sought to be relitigated; (2) the first proceeding ended with
24 a final judgment on the merits; and (3) the party against whom collateral estoppel is
25 asserted was a party . . . at the first proceeding.” Skilstaf, Inc. v. CVS Caremark Corp.,
26 669 F.3d 1005, 1021 (9th Cir. 2012). Settlements ordinarily do not give rise to
27 issue preclusion because settlement generally does not involve actual litigation or
28 determination of issues. See Arizona v. California, 530 U.S. 392, 414 (2000). But

1 a settlement may give rise to issue preclusion if “it is clear . . . that the parties intended
2 their agreement to have such an effect.” Id.

3 No such intent is clear here. Recital F of settlement agreement stated that the
4 parties entered their agreement without any admission of liability or infringement.
5 Similarly, Section 9 of the settlement agreement provided: “The releases . . . set forth
6 herein are the result of a compromise, and will never, at any time, for any purpose,
7 be considered an admission of any liability, claim, or contention of any Party”
8 And, in Sections 8.3 and 12.2 of the license agreement, the parties provided for the
9 possibility of future patent litigation. Accordingly, the Court denies CCI’s motion for
10 summary judgment on this basis.

11 7. Claim Preclusion

12 CCI also contends that claim preclusion bars SDS’s claims related to the ‘919
13 patent, the ‘940 patent, the ‘574 patent, and the ‘750 patent because the first three
14 patents were at issue in the 2007 litigation and they are all continuations of the ‘750
15 patent. (Doc. No. 34-1 at 18–19.)

16 The Court disagrees. In patent cases, the law of the regional circuit governs
17 the application of general claim preclusion rules. See Acumed LLC v. Stryker Corp.,
18 525 F.3d 1319, 1323 (Fed. Cir. 2008). In the Ninth Circuit, claim preclusion applies
19 where: “(1) the same parties, or their privies, were involved in the prior litigation,
20 (2) the prior litigation involved the same claim or cause of action as the later suit,
21 and (3) the prior litigation was terminated by a final judgment on the merits.” Cent.
22 Delta Water Agency v. United States, 306 F.3d 938, 952 (9th Cir. 2002). Federal
23 Circuit law governs whether patent claims are the same for purposes of claim
24 preclusion because that assessment hinges on considerations unique to patent law.
25 See Acumed, 525 F.3d at 1323. In the Federal Circuit, claim preclusion bars a claim
26 for patent infringement only if the claim “arises from the same transactional facts as
27 a prior action” and the accused devices are “essentially the same.” Id. at 1326.

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1 CCI asserts that SDS's past and present claims are identical because both
2 cases involved the same accused product and the same patent rights. (Doc. No. 34-1
3 at 18–19.) But CCI simultaneously claims that it was entitled to terminate the license
4 agreement because it redesigned the bending apparatus of the Accu-Bend machines.
5 (Doc. No. 48-1 at 4.) So it is not clear that the claims are identical. Moreover, claims
6 involving sequential infringement are not necessarily precluded if they are based on
7 acts of infringement that occurred after the earlier judgment, even if they involve the
8 same product. See Brain Life, LLC v. Elekta, Inc., 746 F.3d 1045, 1054 (Fed. Cir.
9 2014) (“[T]o the extent Brain Life’s allegations of infringement are directed to products
10 created and, most importantly, acts of alleged infringement occurring after entry of the
11 final judgment in the MIDCO Litigation, those claims are not barred by the doctrine
12 of claim preclusion.”); Aspex Eyewear, Inc. v. Marchon Eyewear, Inc., 672 F.3d 1335,
13 1343 (Fed. Cir. 2012) (“Aspex’s claims, which stem from alleged infringement of
14 products created after the California Actions, are not barred.”). Accordingly, the Court
15 declines to grant CCI summary judgment on the basis of claim preclusion.⁶

16 **B. Requests for Judicial Notice**

17 Federal Rule of Evidence 201 provides that courts can take judicial notice of
18 facts that are not subject to reasonable dispute because they are either generally known
19 or they can be readily determined by reference to sources whose accuracy cannot
20 reasonably be questioned. Court records and other matters of public record may be
21 judicially noticed if they are relevant. See In re Korean Air Lines Co., 642 F.3d 685,
22 689 n.1 (9th Cir. 2011) (court records); Lee v. City of Los Angeles, 250 F.3d 668, 689
23 (9th Cir. 2001) (matters of public record). “While a court may take judicial notice of
24 the existence of matters of public record . . . it should not take notice of the truth of the
25 facts cited therein.” Celebrity Chefs Tour, LLC v. Macy’s, Inc., 16 F. Supp. 3d 1123,
26 1131 (S.D. Cal. 2014) (internal quotation marks omitted).

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28 ⁶ Because the Court does not grant summary judgment for CCI, the Court also
denies CCI’s request for entry of an order under Federal Rule of Civil Procedure 56(g)
treating its positions as established. (Doc. No. 34 at 2.)

1 CCI requests judicial notice of the complaint SDS filed in the 2007 litigation.
2 (Doc. No. 34-3.) SDS also requests judicial notice of the 2007 complaint, as well as
3 the joint motion for dismissal and the order of dismissal. (Doc. No. 44.) Both requests
4 are unopposed, and these items are directly relevant to this litigation and appropriate
5 for judicial notice. See In re Korean Air Lines, 642 F.3d at 689 n.1; Lee, 250 F.3d
6 at 689. Accordingly, the Court grants both requests for judicial notice of the court
7 documents from the 2007 litigation to the extent permitted by law.

8 Additionally, SDS requests judicial notice of the patents at issue in this case
9 and the assignment documents recorded with the U.S. Patent and Trademark Office.
10 (Doc. No. 44.) CCI opposes this request. (Doc. No. 53-3 at 20.) The Court grants
11 SDS's request for judicial notice of these documents to the extent permitted by law,
12 since they are matters of public record.

13 **C. Request to Bifurcate and Abate the Patent Claims**

14 Last, CCI asks the Court to bifurcate this case and abate SDS's patent claims
15 until the contract issues are resolved. (Doc. No. 34-1 at 23.) In its supplemental
16 briefing, CCI urges the Court to resolve the licensing issues first because the
17 infringement claims will be moot if CCI prevails on the license. (Doc. No. 63 at 3.)

18 CCI relies on Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.,
19 755 F.2d 1559 (Fed. Cir. 1985), and Jim Arnold Corp. v. Hydrotech Systems, Inc.,
20 109 F.3d 1567 (Fed. Cir. 1997), which addressed federal jurisdiction over cases where
21 contract and patent claims are brought in the same case. Both cases stated:

22 We recognize that in cases where a license is plead as a defense, or where
23 the license defense is anticipated in the complaint, that the most
24 expeditious conduct of the trial would necessitate that the license issue be
25 resolved first, for if the license issue is resolved in the defendant's favor
26 the infringement issue is mooted. . . . A district court . . . is not precluded
in patent suits from resolving non-patent questions, and the fact that a
question of contract law must be decided prior to reaching the
infringement question does not defeat federal subject matter jurisdiction.

27 Jim Arnold, 109 F.3d at 1577 (quoting Air Products, 755 F.2d at 1563). CCI contends,
28 under these cases, that SDS cannot simultaneously pursue a claim for royalties under

1 the license agreement and infringement claims. (Doc. No. 63 at 3–4.)

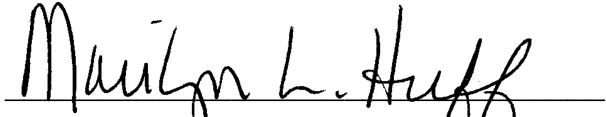
2 But these cases did not hold that license and patent claims cannot be brought
3 and litigated together, and they did not hold that courts must stay pre-trial patent
4 proceedings until the licensing issues are finally resolved. Exercising its discretion,
5 the Court declines to bifurcate the case at this point. The design of the Accu-Bend
6 machines’ bending apparatus is at issue in both sets of claims, and bifurcation is
7 inconsistent with this Court’s Patent Local Rules.

8 **CONCLUSION**

9 For the foregoing reasons, the Court denies CCI’s motion for summary judgment,
10 (Doc. No. 34), grants each request for judicial notice, and denies CCI’s request to
11 bifurcate the contract and patent issues.

12 **IT IS SO ORDERED.**

13 DATED: December 21, 2015

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15 MARILYN E. HUFF, District Judge
16 UNITED STATES DISTRICT COURT
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