UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	CV 15-04424-AG (AJWx)	Date	March 13, 2017
Title	ATEN INTERNATIONAL CO. v. UNICLASS TECHNOLOGY ET AL.		

Present: The Honorable	ANDREW J. GUILFORD	
Lisa Bredahl	Not Present	
Deputy Clerk	Court Reporter / Recorder	Tape No.
Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:	

Proceedings: **[IN CHAMBERS] ORDER RE DEFENDANT'S MOTION TO STRIKE ATEN'S FINAL INFRINGEMENT CONTENTIONS DISCLOSED THROUGH ITS EXPERT REPORT (DKT. 252)**

Defendants Uniclass Technology Co., Ltd., Electronic Technology Co., Ltd. of Dongguan Uniclass, Airlink 101, Phoebe Micro Inc., Broadtech International Co., Ltd. D/B/A Linkskey, Black Box Corp., and Black Box Corp. of Pennsylvania (Collectively, "Uniclass" or "Defendants") moved to strike the Final Infringement Contentions of Plaintiff ATEN International Co., Ltd. ("ATEN" or "Plaintiff"). ("Motion," Dkt. 252.)

The Motion is **GRANTED IN PART**.

1. BACKGROUND

This action commenced on August 6, 2014 in the Eastern District of Texas. On November 14, 2014, under that court's Patent Rule 3.1 and 3.2 (which are similar to this Court's S.P.R. 2.1 and 2.2), ATEN served its Disclosure of Asserted Claims and Infringement Contentions ("Original Contentions"). (Dkt. 42.) ATEN charted five out of the 100+ products it accused in its Original Contentions. (Dkt. 253, Ex. A.)

ATEN's counsel inspected the source code for all accused products in March 2015. Dkt. 252 at 7. The printouts of all requested code were produced later that month. *Id.*

On June 30, 2015, after the parties completed claim construction briefing, this case was transferred and reassigned to this Court. (Dkt. 139.) Since then, this Court's Standing Patent Rules have governed this case.

ATEN has switched counsel several times. The fourth and latest counsel joined on April 26, 2016. (Dkt. 222-23.) The next day, the Court issued the claim construction order. (Dkt. 226.) S.P.R. 4.1 required that ATEN disclose its Final Contentions by May 25, 2016, within 28 days of the Court's April 27, 2016 claim construction order.

ATEN's counsel did not serve Final Contentions on Defendants before the May 25, 2016 deadline. In an email on the day of the deadline, ATEN informed Defendants that:

> ATEN will no longer assert claims 5-7 of the '217 patent, and claims 1-4 and 7 of the '287 patent. ATEN maintains its allegations regarding the remaining asserted claims of those two patents, as well as asserted claims of the '289 and '141 patents. Those remaining asserted claims are set forth in ATEN's prior contentions.

(Dkt. 234-1 at ¶¶ 28-29.)

On July 1, 2016, counsel for the parties held a telephone conference to discuss several issues, including potentially using representative products to streamline presentation of the case and to reduce burdens on the parties. (Dkt. 234-3, Ex. J.) During the call, the parties "agreed that ATEN will not issue supplemental contentions before the expert reports, but if there are material changes or additions to the infringement theories that impact Uniclass's validity positions, ATEN agrees to reasonable supplementation of Uniclass's invalidity expert report." (*Id.*)

On September 30, 2016, ATEN served an interim expert on infringement. (Dkt. 298-1, Ex. 2.) On December 16, 2016, ATEN served its final infringement expert report. (Dkt. 298 at 7.) Uniclass served its responsive report on January 16, 2017. (*Id.* at 8.) On January 30, 2017, Uniclass filed this motion to strike the final infringement contentions within ATEN's expert report (Dkt. 252.)

2. LEGAL STANDARD

Similar to the patent local rules adopted by other districts, this Court's Standing Patent Rules "are essentially a series of case management orders that fall within a district court's broad power to control its docket and enforce its order." *Mortgage Grader Inc. v. First Choice Loan Serv. Inc.*, 811 F.3d 1314, 1320-21 (Fed. Cir. 2016). The Standing Patent Rules require that the party claiming patent infringement provide "[a] chart identifying specifically where each limitation of each asserted claim is found within each Accused Instrumentality . . . and whether each limitation of each asserted claim is alleged to be literally present or present under the doctrine of equivalents in the Accused Instrumentality." S.P.R. 2.1.3. The infringement contentions required by these local patent rules "require parties to crystallize their theories of the case early in the litigation and to adhere to those theories once they have been disclosed." *Nova Measuring Instruments Ltd. v. Nanometrics, Inc.*, 417 F. Supp. 2d 1121, 1122-23 (N.D. Cal. 2006) (citation omitted).

Final Infringement Contentions are normally due no later than 28 days after the Court construes the claims. S.P.R. 4.1. The Standing Patent Rules also require that:

> [a] party serving Final Infringement Contentions that amend its prior contentions shall also provide a redline against its prior contentions and a statement of reasons for each amendment. Amendments are subject to a good cause standard but do not require prior Court approval where they are made due to a claim construction by the Court different from that proposed by the party seeking amendment, or recent discovery of nonpublic information about the Accused Instrumentality that was not discovered, despite diligent efforts, before the service of the Infringement Contentions.

S.P.R. 4.1.2. "If a party receiving Final Infringement Contentions believes that amendments were made without good cause, it may move the Court to strike them." S.P.R. 4.1. The determination of good cause begins with "a showing that the party seeking leave to amend acted with diligence in promptly moving to amend when new evidence is revealed in discovery." *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1363 (Fed. Cir. 2006). The burden is on the moving party to show diligence. *See Apple Inc. v. Samsung Elecs. Co.*, No. CV 12-00630 LHK, 2012 WL 5632618, at *2 (N.D. Cal. Nov. 15, 2012). "The court

may impose any 'just' sanction for the failure to obey a scheduling order, including 'refusing to allow the disobedient party to support or oppose designated claims or defenses, or prohibiting that party from introducing designated matters in evidence.'" *O2 Micro*, 467 F.3d at 1363, 1366. (quoting Fed. R. Civ. P. 16(f), 37(b)(2)(B)) (district court did not abuse its discretion in denying motion to amend final infringement contentions and rejecting efforts to supplement expert report to include evidence on the new theories where doing so violated local patent rules).

3. ANALYSIS

Uniclass asks the Court to strike ATEN's amendments to its Original Contentions for failure to comply with the Standing Patent Rules. (Dkt. 252 at 10.) In particular, S.P.R. 4-1 required ATEN to serve its Final Infringement Contention "[n]o later than than 28 days after the Court construes the claims," but the expert reports containing the new contentions were not served until December 2016, almost **nine months** after the Court's April 2016 claim construction order. Further, ATEN's amendments to its Original Contentions were made without court approval and did not meet any of the exceptions set forth in S.P.R. 4.1.2. (Dkt. 252 at 11.)

ATEN does not dispute that its amendments were late, but argues that Uniclass waived any objections to ATEN's infringement allegations in its expert report and should be estopped from bringing the motion to strike. (Dkt. 298 at 8.) Specifically, ATEN notes that Uniclass failed to raise any objection to the form of ATEN's Original Contentions for twenty months and that Uniclass's motion to strike fails to account for the parties' agreement to not provide formal contentions before expert reports. (*Id.* at 10.)

ATEN's arguments are not persuasive. Although Uniclass could have objected earlier and should have brought this Motion more promptly after receiving ATEN's interim report in September 2016, it was ATEN who first failed to make a timely supplementation of its Original Contentions, and who also failed to seek leave of Court to amend as required by the Standing Patent Rules. *See* S.P.R. 4.1. & 4.1.2.

As the party seeking to amend its Original Contentions, ATEN bears the burden of establishing good cause. Good cause may be shown where contentions are amended after

discovery of previously undisclosed material that was not publicly available. Good cause may also exist when a theory is adjusted in response to an unexpected claim construction ruling. Neither scenario applies here. All accused products are publicly available, and ATEN has had access to Uniclass's source code since March 2015. (Dkt. 252 at 12.) Also, ATEN does not contend that the Court's claim construction ruling is the reason for its amendments. Rather, ATEN's only justification seems to be that Uniclass acquiesced to its request to forego supplementing contentions. This is insufficient to show that ATEN acted with diligence in promptly moving to amend when new evidence is revealed in discovery. *See O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc., 467 F.3d 1355, 1363 (Fed. Cir. 2006)*. In short, ATEN's delayed amendments to its Original Contentions lack the requisite diligence to establish good cause.

Contrary to ATEN's argument, the email exchange between the parties on July 1, 2016 does not constitute a waiver or estoppel to Uniclass filing a motion to strike ATEN's new infringement positions. From a review of the evidence, it appears that ATEN's new counsel made a late effort to (1) conduct additional source code review after the close of fact discovery to try to supplement its order of proof, and (2) recategorize its product groups. Defendants' counsel seemed willing to permit reasonable supplementation. Nothing in the email exchange suggests that Uniclass agreed to waive its rights to object to ATEN making significant amendments to its infringement contentions and theories well after the close of fact discovery.

The Standing Patent Rules seek to balance the parties' rights to develop new information in discovery with the need for certainty in legal theories at an early stage of the case. Given this consideration, a party may not use an expert report to introduce new infringement theories and new infringing products. Defendants will be significantly prejudiced if ATEN is permitted to assert the amended infringement contentions at such a late stage in the litigation.

As a final note, the Court declines to strike the entirety of ATEN's expert report, as requested by Uniclass. Some of the contentions in the expert report were derived from ATEN's Original Contentions, and Uniclass would not be prejudiced by their inclusion. Further, ATEN would not necessarily be limited to the five accused products that it charted in its Original Contentions. The Standing Patent Rules do not require a claim chart for every

accused product. For contention purposes, a plaintiff need only provide enough information to permit a reasonable inference that all accused products infringe. *See Tech. Properties Ltd. LLC v. Canon Inc.*, Case No. 14-cv-03640-CW, 14-cv-3646-CW, 2015 WL 5118687, at *3 (N.D. Cal. Aug. 31, 2015). ATEN can rely on representative products to meet its obligations under S.P.R. 2.1 and 4.1; but it must articulate how the accused products share the same, or substantially the same, infringing qualities with any other product or with the "representative" product.

Uniclass's motion to strike is **GRANTED** as to portions of the expert report that present new infringement theories or new accused products that depart substantially from ATEN's Original Contentions. For consistency, any portions of Defendants' expert report that constitute new invalidity theories (not disclosed in the original invalidity contentions) must be stricken as well.

Because the parties are in the best position to differentiate the old from the new, the Court orders the ATEN and Uniclass to meet and confer on the particular portions of the expert reports to be stricken. To the extent the parties are unable to agree, the parties shall submit a joint report (not to exceed 5 pages) by March 24, 2017, setting forth the specific dispute and the parties' respective positions.

4. DISPOSITION

The Motion is **GRANTED IN PART** as stated in this Order.

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