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**United States District Court
Central District of California**

MITSUBISHI ELECTRIC CORP.;
KONINKLIJKE PHILIPS N.V.;
THOMSON LICENSING; GE
TECHNOLOGY DEVELOPMENT, INC.;
PANASONIC CORPORATION; and
SONY CORPORATION,
Plaintiffs,
v.
SCEPTRE, INC.,
Defendant.

Case № 2:14-cv-04994-ODW(AJWx)

**ORDER GRANTING PLAINTIFFS’
MOTION TO STRIKE
DEFENDANT’S SECOND
AMENDED INVALIDITY
CONTENTIONS [88]**

I. INTRODUCTION

Plaintiffs Mitsubishi Electric Corp., Koninklijke Philips N.V., Thomson Licensing, GE Technology Development, Inc., Panasonic Corporation, and Sony Corporation (collectively, “Plaintiffs”) move to strike Defendant Sceptre, Inc.’s (“Defendant”) second amended invalidity contentions in their entirety as well as its expert’s opinions based on those contentions for failing to comply with Patent L.R. 3-6 and the Court’s previous Order striking portions of Defendant’s initial invalidity contentions. For the reasons discussed below, the Court **GRANTS** Plaintiffs’ Motion to Strike.¹ (ECF No. 88.)

¹ After carefully considering the papers filed in support of and in opposition to the Motion, the Court deems the matter appropriate for decision without oral argument. Fed. R. Civ. P. 78; L.R. 7-15.

II. FACTUAL BACKGROUND

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2 Plaintiffs brought this patent infringement action on June 26, 2014 against
3 Defendant. The technology at issue relates to patents essential to practicing the
4 MPEG-2 video standard governing the compression and decompression of digital
5 video (“DTV”) signals in the United States. On January 19, 2015, Defendant served
6 its Invalidity Contentions pursuant to Patent L.R. 3-3 and the Court’s November 12,
7 2014 Scheduling and Case Management Order (ECF No. 44). On February 3, 2015,
8 Plaintiffs moved to strike portions of Defendant’s Invalidity Contentions for failure to
9 comply with Patent L.R. 3-3. (ECF No. 55.) On April 13, 2015, the parties stipulated
10 to agreed-upon claim constructions and canceled any further claim construction
11 proceedings. (ECF No. 72.) On May 18, 2015, the Court granted Plaintiffs’ Motion
12 and gave Defendant fourteen days to amend its contentions, but held that “after this
13 time, Defendant may not amend contentions as to the disclosed prior art.” (ECF No.
14 73 at 5.) Defendant served its amended contentions on June 2, 2015.

15 Subsequently, Plaintiffs moved to disqualify Defendant’s expert Dr. Cliff
16 Reader due to several conflicts of interest he had with Plaintiffs. (ECF No. 76.)
17 Instead of opposing, Defendant withdrew Dr. Reader and retained a new expert, Dr.
18 Alan Bovik. (ECF No. 78.) The parties also stipulated to an extension to submit
19 expert reports, conduct discovery, file dispositive motions, and conduct a settlement
20 conference. (*Id.*)

21 On September 11, 2015, without agreement or leave of Court, Defendant served
22 Plaintiffs with its Second Amended Invalidity Contentions, which are incorporated by
23 reference into Dr. Bovik’s invalidity report. Plaintiffs filed an ex parte application to
24 strike the contentions or in the alternative for an order shortening the time to brief and
25 hear a motion to strike. (ECF No. 88.) Defendant opposed, stating that, although it
26 had not yet requested for leave, it had good cause to amend the contentions. (ECF No.
27 91.) The Court declined to strike the contentions on an ex parte basis, but granted a
28 shortened time for briefing on the Motion to Strike. (ECF No. 93.) Defendant

1 opposed on September 24, 2015 and Plaintiffs replied on September 28, 2015. (ECF
2 Nos. 96, 97.) Plaintiffs’ Motion is now before the Court for consideration.

3 III. LEGAL STANDARD

4 The Patent Rules are designed to “provide structure to discovery and enable the
5 parties to move efficiently toward claim construction and the eventual resolution of
6 their dispute.” *DCG Sys. v. Checkpoint Techs., LLC*, No. 11–03792, 2012 WL
7 1309161, at *2 (N.D. Cal. Apr. 16, 2012) (internal citations and quotation omitted).
8 The invalidity contention disclosure requirements exist “to further the goal of full and
9 timely discovery and provide all parties with adequate notice and information with
10 which to litigate their cases.” *Fresenius Med. Care Holdings, Inc. v. Baxter Intern.,*
11 *Inc.*, 2006 WL 1329997 at *4 (N.D. Cal. 2006) (citations omitted). Accordingly, the
12 rules “require parties to crystallize their theories of the case early in litigation and to
13 adhere to those theories once they have been disclosed.” *O2 Micro Int’l Ltd. v.*
14 *Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1366 n. 12 (Fed. Cir. 2006). Any
15 invalidity theories not disclosed pursuant to Local Rule 3–3 are barred, accordingly,
16 from presentation at trial (whether through expert opinion testimony or otherwise).
17 *Avago Techs. Gen. IP PTE Ltd. v. Elan Microelectronics. Corp.*, No. C04–05385 JW
18 HRL, 2007 WL 2103896 (N.D. Cal. Jul. 20, 2007); *aff’d* 2007 WL 2433386 at *1
19 (N.D. Cal. Aug. 22, 2007).

20 “Although federal courts are generally lenient in allowing parties to amend
21 pleadings, such is not the case with amending preliminary infringement [or invalidity]
22 contentions.” *See Berger v. Rossignol Ski Co., Inc.*, No. 05–02522, 2006 WL
23 1095914, at *2 (N.D. Cal. Apr. 25, 2006) (internal citation omitted). Patent Local
24 Rule 3–6 allows a party to amend its infringement or invalidity contentions only upon
25 a showing of good cause:

26
27 Amendment of the Infringement Contentions or the
28 Invalidity Contentions may be made only by order of the
Court upon a timely showing of good cause. Non-exhaustive

1 examples of circumstances that may, absent undue prejudice
2 to the non-moving party, support a finding of good cause
include:

3 (a) A claim construction by the Court different from that
4 proposed by the party seeking amendment;

5 (b) Recent discovery of material, prior art despite earlier
6 diligent search; and

7 (c) Recent discovery of nonpublic information about the
8 Accused Instrumentality which was not discovered, despite
diligent efforts, before the service of the Infringement
Contentions.

9
10 Patent L.R. 3–6. The moving party has the burden of demonstrating good cause. *O2*
11 *Micro Int’l Ltd.*, 467 F.3d at 1366. The inquiry is two-fold: (1) whether the moving
12 party was diligent in amending its contentions; and (2) whether the non-moving party
13 would suffer prejudice if the motion to amend were granted. *Barco N.V. v. Tech.*
14 *Props. Ltd.*, No. 08–cv–05398, 2011 WL 3957390, at *1 (N.D. Cal. Sept. 7, 2011).

15 IV. DISCUSSION

16 As an initial matter, the fact that Defendant served amended invalidity
17 contentions without requesting leave from the Court in violation of Patent L.R. 3-6 is
18 itself justification for sanctions. *See Ghazali v. Moran*, 46 F.3d 52, 53 (9th Cir. 1995)
19 (“Failure to follow a district court’s local rules is a proper ground for dismissal.”)
20 Further, the Court previously precluded Defendant from amending its contentions as
21 to disclosed prior art. (ECF No. 73 at 5.) Defendants contravened this Order as well
22 by including numerous disclosed prior art in its recent amendment. (ECF No. 90-2 at
23 3–5.)

24 Notwithstanding Defendant’s disregard for the rules and the Court’s Order,
25 Defendant has failed to show diligence in amending its contentions. There were
26 several opportunities well before September 11, 2015 that Defendant could have
27 requested leave to amend its contentions or additional time to investigate new prior
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1 art. For example, Defendant had an opportunity to request leave in April or May after
2 the stipulated claim construction was issued on April 13, 2015.

3 Defendant blames the late amendment on its replacement of Dr. Reader with
4 Dr. Bovik. (ECF No. 96 at 2–6.) Defendant argues that striking its contentions is a
5 harsh penalty especially in light of its cooperation in finding a new expert at the
6 “eleventh hour.” (*Id.*) What Defendant fails to mention is that its “scrambling at the
7 last minute” was all due do its own actions and not by events out of its control.
8 Defendant hired Dr. Reader as an expert knowing that he had worked closely with
9 Plaintiffs in the past (ECF No. 90-2 at 8; ECF No. 76), and should have known that
10 Plaintiffs would likely resist Defendant’s use of him in this litigation. Before even
11 retaining Dr. Reader, the prudent course of action would have been for Defendant to
12 confer with Plaintiffs to see if this would pose any issues. Regardless of whether the
13 Court would have ultimately disqualified Dr. Reader due to his conflicts, Defendant
14 should have foreseen that by retaining him without conferring with Plaintiff it risked
15 potentially having to find a replacement during the course of the litigation.

16 Furthermore, Defendant argues that the Court should look favorably upon it for
17 stipulating to adopt agreed-upon claim constructions and therefore avoiding excessive
18 motion practice. (*Id.* 5–6.) While the Court does appreciate the parties resolving their
19 differences without the Court’s involvement, this behavior does not allow parties to
20 forgo following the rules. Indeed, per the local rules the parties have a duty to work
21 together and conserve judicial resources. *See* L.R. 7-3 (“[C]ounsel contemplating the
22 filing of any motion shall first contact opposing counsel to discuss thoroughly,
23 preferably in person, the substance of the contemplated motion and any potential
24 resolution.”) It is a very sad state of the practice when parties ask for special
25 treatment for simply complying with their professional duties and obligations. Having
26 found that Defendant was not diligent in amending its contentions, the Court need not
27 reach the issue of prejudice to Plaintiffs. *See O2 Micro Int'l Ltd.*, 467 F.3d at 1368.

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V. CONCLUSION

For the reasons discussed above, the Court **GRANTS** Plaintiffs' Motion and **STRIKES** Defendant's Second Amended Invalidity Contentions and Expert's opinions based on those contentions. (ECF No. 88.) The Court declines to award sanctions of reasonable attorneys' fees in favor of Plaintiffs at this time.

IT IS SO ORDERED.

October 1, 2015



OTIS D. WRIGHT, II
UNITED STATES DISTRICT JUDGE