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IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF CALIFORNIA

DUHN OIL TOOL, INC.,)	No. CV-F-05-1411 OWW/GSA
)	
)	MEMORANDUM DECISION AND
Plaintiff,)	ORDER GRANTING PLAINTIFF'S
)	MOTION FOR LEAVE TO FILE
vs.)	SECOND AMENDED COMPLAINT
)	(Doc. 377)
)	
COOPER CAMERON CORPORATION,)	
)	
)	
Defendant.)	
)	
)	

Before the Court is Plaintiff Duhn Oil Tool, Inc.'s ("Duhn") motion for leave to file a Second Amended Complaint (SAC) to assert claims against Defendant Cooper Cameron Corporation ("Cameron") of infringement by manufacture and use, and indirect infringement. The proposed SAC alleges:

III. FACTUAL BACKGROUND.

...

6. Defendant, by itself or in concert with others, manufactured, used, offered for sale, sold, is manufacturing, using, offering for

1 sale and/or is selling in this district and
2 elsewhere in the United States, products
3 which infringe the '925 Patent, literally
4 and/or pursuant to the Doctrine of
5 Equivalents, and/or by otherwise contributing
6 to the infringement or inducing others to
7 infringe the '925 Patent.

8 7. When Plaintiff initiated this action
9 against Defendant on or about November 5,
10 2005, Defendant was manufacturing, selling,
11 renting, and/or offering to sell and/or rent
12 an infringing product referred to as its 'Old
13 Style' design. Plaintiff's and Defendant's
14 infringement and non-infringement experts,
15 respectively, have both confirmed in
16 discovery that this 'Old Style' design
17 infringes the '925 Patent as it meets all the
18 claim limitations of the '925 Patent.
19 Defendant has provided manuals and training
20 to third parties for knowingly inducing them
21 to infringe the '925 Patent. Further,
22 Defendant's mandrel systems have no
23 substantial non-infringing use. Accordingly,
24 Defendant has been contributing to
25 infringement or inducing others to infringe
26 the '925 Patent, in particular its customers
and certain third party installer companies,
regarding the 'Old Style' design.

8. Defendant continuously made, used, sold,
and offered for sale the 'Old Style' design,
and/or contributed to or induced others to
infringe, until about August 2007, when
Defendant attempted to work around
infringement by introducing a 'New Style'
design. In the 'New Style' design, Defendant
merely widened the groove of the frac mandrel
where the lock screws set. Despite this
insignificant change, the 'New Style' retains
all the same infringing structures as
Defendant's 'Old Style,' including lockscrews
that could be tightened to engage the surface
of the frac mandrel.

9. In November 2007, Defendant re-introduced
its 'Original' design in a second attempt to
avoid infringement. Defendant's 'Original'
design preceded its infringing 'Old Style'
design. The 'Original' design is identical
to Defendant's 'Old Style' and 'New Style'

1 designs, except there is no groove on the
2 frac mandrel where the lockscrews set. The
3 lockscrews for the 'Original' design,
4 however, still set into the outer surface of
5 the frac mandrel, as confirmed during
6 discovery.

7 10. Both Plaintiff's own infringement expert
8 and Defendant's witnesses confirmed during
9 discovery that Defendant's 'New Style' and
10 'Original' designs (collectively 'new
11 designs') infringe the '925 Patent. For
12 instance, Plaintiff's expert maintains that
13 Defendant's new designs contain all the
14 structures claimed by the '925 Patent,
15 including the 'wherein' clause limitation.
16 Similarly, Defendant's own senior principal
17 engineer testified at a deposition in May 29,
18 2008 that the lockscrews on these new designs
19 indented the frac mandrel when they were
20 torqued into the frac mandrel and will react
21 a shear force. He further testified that the
22 lockscrews of the new designs were tightened
23 during fracing to act like set screws to
24 prevent the frac mandrel from rotating and
25 dancing.

26 11. Since the introduction of Defendant's
new designs in August 2007, Defendant has
significantly misrepresented that its new
designs do not infringe the '925 Patent.
Defendant has falsely asserted that the
lockscrews of these new designs do not engage
the frac mandrel and that the new designs are
not capable of meeting the claim limitations
of the '925 Patent. To the contrary,
Defendant has been fully aware that the
lockscrews on these new designs are torqued-
in during fracing and that the new designs
are capable of meeting the 'wherein' clause
of the '925 Patent. Defendant, for example,
sent a reminder bulletin to its employees a
year after introduction of its new designs,
in or about August 21, 2008. In this
reminder bulletin, Defendant expressly
acknowledges that its installers continued to
torque the lockscrews into the new design
frac mandrels, thereby infringing the '925
Patent.

12. Despite knowing that its New Style and

1 Original designs continued to infringe the
2 '925 Patent, Defendant continues to make,
3 sell, rent, use, and offer to sell/rent its
4 infringing new designs literally and/or
5 pursuant to the Doctrine of Equivalents,
6 and/or by otherwise contributing to
7 infringement or inducing others to infringe
8 the '925 Patent. Even after the introduction
9 of the New Designs, Defendant's 'Old Style'
10 continues to infringe the '925 Patent due to
11 Defendant's continuing to contribute to or
12 induce others to infringe the '925 Patent.

13 13. Defendant knew or should have known that
14 its New Style and Original designs were
15 installed in an infringing configuration. On
16 or about September 24, 2008 and November 6,
17 2008, Plaintiff inspected several of
18 Defendant's 'New Style' and 'Original'
19 designs at Defendant's storage facilities in
20 Grand Junction, Colorado and Longview, Texas.
21 These inspections revealed blatant
22 indentations and deformations caused by
23 lockscrews still being tightened against the
24 frac mandrels of Defendant's new designs.
25 Defendant knew, or it was clearly obvious to
26 Defendant, that its new designs continued to
infringe the '925 Patent.

14 14. Defendant's continued manufacture, sale,
15 rental, use, and/or offer to sell/rent its
16 infringing 'New Style' and 'Original'
17 designs, either directly or by otherwise
18 contributing to infringement or inducing
19 others to infringe the '925 Patent is
20 deliberate and reckless, and a complete
21 disregard of Plaintiff's patent rights.

22 IV. PATENT INFRINGEMENT.

23 15. By its aforesaid acts, Defendant has
24 violated and continues to violate 35 U.S.C. §
25 271 by its infringement of the '925 Patent by
26 making, using, selling, and/or offering to
sell products or devices that embody or
otherwise practice one or more of the claims
of the '925 Patent, literally and/or pursuant
to the Doctrine of Equivalents, and/or by
otherwise contributing to infringement or
inducing others to infringe the '925 Patent.
The infringing products or devices include

1 the 'Old Style,' 'New Style,' and 'Original
2 Design' frac mandrels.

3 16. The acts of infringement of Defendant
4 will continue unless enjoined by this Court.

5 17. Plaintiff is being damaged by
6 Defendant's infringement of the '925 Patent
7 and is being and will continue to be
8 irreparably damaged unless Defendant's
9 infringement is enjoined by this Court.
10 Plaintiff does not have an adequate remedy at
11 law.

12 18. As a result of Defendant's infringement
13 of the '925 Patent, Plaintiff has been
14 damaged, and its business and property rights
15 will continue to be damaged, and is entitled
16 to recover damages for such injuries pursuant
17 to 35 U.S.C. § 284 in an amount to be
18 determined at trial.

19 19. Defendant's acts of infringement
20 regarding Defendant's New Style and Original
21 designs are deliberate and willful, thereby
22 rendering this an exceptional case pursuant
23 to 35 U.S.C. §§ 284 and 285.

24 V. PRAYER FOR RELIEF

25 WHEREFORE, Plaintiff demands judgment against
26 Defendant as follows:

1. That this Court adjudge and declare:

a. That it has jurisdiction over
the parties and of the subject matter of this
action;

b. That United States Patent No.
6,920,925 is valid and owned by Plaintiff;

c. That Defendant has committed
acts of patent infringement by its
manufacture, use, sale, rental, and offers to
sell/rent products that infringe the '925
Patent; and

d. That Defendant's acts of
infringement since August 2007 has been
willful;

1 2. That Defendant, its agents,
2 representatives, employees, assigns and
3 suppliers, and all persons acting in concert
4 or in privity with any of them be
5 preliminarily and permanently enjoined from
6 making, using, offering for sale or rental,
7 selling, renting, or importing the inventions
8 of the '925 Patent.

9 3. That Defendant be required by mandatory
10 injunction to deliver to Plaintiff for
11 destruction any and all products in
12 Defendant's possession, custody, or control
13 embodying the patented invention as well as
14 any promotional literature therefor;

15 4. That Plaintiff be awarded damages caused
16 by the acts of patent infringement of the
17 Defendant in an amount sufficient to
18 compensate Plaintiff for the infringement;

19 5. That Plaintiff be awarded enhanced
20 damages since August 2007 in connection with
21 Defendant's activities regarding the New
22 Style and Original Design mandrels, in
23 accordance with 35 U.S.C. § 284 and in view
24 of Defendant's willful infringement;

25 6. That Plaintiff be awarded prejudgment
26 interest on infringement damages;

 7. That Plaintiff have and recover its costs
 in this action, including its attorneys'
 fees; and

 8. That Plaintiff have such other and
 further relief as the court may deem just and
 proper.

 A. Background.

 By Memorandum Decision and Order filed on March 4, 2009,
 Duhn's motion for leave to file a First Amended Complaint ("FAC")
 to assert a claim against Cameron for willful infringement of
 Duhn's '925 Patent and enhanced damages regarding Cameron's "New
 Style" and "Original" design frac mandrels was granted. Duhn

1 filed the FAC on March 12, 2009.

2 On March 31, 2009, Cameron filed a motion to strike the FAC.
3 Cameron's motion to strike the FAC was denied by the June 9
4 Memorandum Decision. Cameron raised three grounds in support of
5 the motion to strike:

6 Plaintiff Duhn Oil filed its First Amended
7 Complaint which amends the Complaint to add a
8 new claim for alleged willful infringement
9 and enhanced damages under 35 U.S.C. § 284,
10 but the amendment regarding alleged willful
11 infringement is not limited to Cameron's New
12 Style and Original design frac mandrels. In
13 addition, the First Amended Complaint adds a
14 substantial new claim seeking an exceptional
15 case finding and attorneys fees under 35
16 U.S.C. § 285, for which this Court did not
17 grant leave to amend. Furthermore, the First
18 Amended Complaint adds new allegations of
19 infringement based on 'manufacture' and 'use'
20 as the means by which Defendant Cameron
21 allegedly infringes the assert [sic] patent,
22 which are statutory classes of infringement
23 distinctly different from the 'selling' or
24 'offering to sell' allegations in the
25 original Complaint.

16 The June 9 Memorandum Decision denied Cameron's motion to
17 strike Duhn's claim for alleged willful infringement and enhanced
18 damages under 35 U.S.C. § 284 to the extent Cameron argued that
19 the amendment regarding alleged willful infringement is not
20 limited to Cameron's New Style and Original design frac mandrels.
21 Cameron acknowledged that the FAC specifically limited Duhn's
22 assertion of willful infringement to the New Style and Original
23 design frac mandrels, but argued that the demand for judgment
24 that "Defendant's acts of infringement since August 2007 have
25 been willful," could be read to seek a judgment of willful
26

1 infringement for Cameron's installation of customer-owned Old
2 Style frac mandrels since 2007. In denying this aspect of the
3 motion to strike, the Court relied on the allegations of the FAC
4 and Duhn's representations that the claim for willful
5 infringement and enhanced damages are *limited to* the New Style
6 and Original design frac mandrels. The June 9 Memorandum

7 Decision ruled:

8 In its reply brief, Cameron accepts Duhn's
9 restrictive reading of the prayer in the FAC
but nonetheless requests:

10 [T]hat this Court bind Duhn Oil to
11 this understanding of the amended
12 Complaint. to [sic] the extent
13 that Duhn Oil may later attempt to
14 shift its position (as it has
15 cycled through at least five
16 various inconsistent
17 interpretations of the disputed
18 'wherein' clause in its asserted
19 patent claims), and attempt to seek
enhanced damages for Cameron's Old
Style design, including Cameron's
post-August 2007 management and
installation of customer owned Old
Style frac mandrels, Cameron
respectfully requests that this
Court enforce the doctrine of
judicial estoppel to prohibit any
such attempted shift in position.

20 Cameron's motion to strike on this ground is
21 DENIED. The FAC clearly alleges willful
22 infringement only in connection with the New
23 Style and Original design frac mandrels from
24 the specified dates. Cameron's concern that
25 Duhn might change its position is speculative
26 and can be addressed when and if the issue
ever comes up. The Pretrial Order will
supersede that FAC and Cameron may preserve
its legal position by assuring that the
issues of fact and law and limited to the
stated time periods for each device.

1 (June 9 Memorandum Decision, 6:4-22).

2 The June 9 Memorandum Decision denied Cameron's motion to
3 strike to the extent that Cameron argued that the FAC adds a
4 claim seeking an exceptional case finding and attorneys' fees
5 under 35 U.S.C. § 285:

6 Although the exceptional case finding and
7 award of attorney's fees under Section 285
8 are not mandatory, they become available in
9 connection with a claim of willful patent
10 infringement. Cameron's concern that the
11 possibility of increased attorney's fees
12 applying to the claim of willful infringement
13 for post-2007 activities is a matter that can
14 be addressed if and when it becomes necessary
15 to do so. Duhn has for at least a year
16 asserted that Cameron's infringement is
17 willful. This is no surprise. The remedies
18 incident to a claim of willful infringement
19 are fairly in play. They are never
20 mandatory.

21 The June 9 Memorandum Decision then denied Cameron's motion
22 to strike the allegations in the FAC based on "manufacture" and
23 "use:"

24 Cameron asserts that the FAC adds new
25 allegations of patent infringement based on
26 'manufacture' and 'use' without obtaining
leave of court. The Complaint alleged:

6. On information and belief,
Defendant, by itself or in concert
with others, has offered for sale,
sold, is offering for sale and/or
is selling ... products which
infringe the '925 Patent.

7. By its aforesaid acts,
Defendant has violated 35 U.S.C. §
271 by its infringement of the '925
Patent.

27 Cameron argues that the FAC's addition of the
28 distinct statutory classes of 'making' and

1 'using' dramatically alters the infringement
2 pleadings over three years into this case.

3 Duhn responds that the Complaint pled
4 manufacture and use as a basis of
5 infringement because the Complaint asserted
6 that Cameron had violated Section 271.
7 Section 271(a) provides:

8 Except as otherwise provided in
9 this title, whoever without
10 authority makes, uses, offers to
11 sell, or sells any patented
12 invention ... infringes the patent.

13 Duhn asserts that the pleading of Section 271
14 in the Complaint 'sufficiently and properly
15 included all the infringing acts outlined in
16 the statute, including "manufacture" and
17 "use," into the infringement claim.' Duhn
18 contends that 'by broadly asserting patent
19 infringement under 35 U.S.C. § 271 in its
20 original complaint, Duhn has already provided
21 notice to Cameron, from the outset of the
22 case, that any of its conduct outlined in the
23 patent statute violates the '925 Patent,
24 including "manufacture" and "use."' Duhn
25 argues that Section 271 does not delineate
26 statutory classes of infringement 'because
either or any of the listed conduct
implicates the same liability under the
statute.' Duhn contends:

18 The infringement charge does not
19 change merely because Duhn now
20 expressly sets out "manufacture"
21 and "use" as Cameron's additional
22 infringing acts in its amended
23 complaint. Cameron knew the basis
24 for Duhn's patent infringement
25 charge under 35 U.S.C. § 271 and
26 cannot claim ignorance of that
charge.

23 The Complaint alleged that Cameron 'has
24 offered for sale, sold, is offering for sale
25 and/or is selling ... products which infringe
26 the '925 Patent' and that '[b]y its aforesaid
acts, Defendant has violated 35 U.S.C. § 271
by its infringement of the '925 Patent.

1 Duhn further argues that the allegations in
2 the FAC concerning Cameron's manufacture and
3 use constitute permitted supplemental facts
4 pursuant to the March 4 Memorandum Decision.
5 Duhn refers to its opening brief in support
6 of the motion to amend in which Duhn, in
7 addition to seeking leave to add an
8 allegation of willful infringement for the
9 time period starting August 2007, 'also seeks
10 leave to amend its complaint to seek enhanced
11 damages, and to supplement the Complaint with
12 further post-filing facts and occurrences.'
13 Duhn contends that, because the Court granted
14 its motion to amend, the Court granted
15 permission to Duhn to supplement the
16 Complaint regarding Cameron's continued
17 infringement.

18 Duhn's motion sought this relief concerning
19 use and manufacture in the conclusion of its
20 motion; it was not discussed in the body of
21 the brief. Nonetheless, the motion to amend
22 was granted.

23 Finally, Duhn argues that the allegations of
24 manufacture and use have a direct bearing on
25 Duhn's patent infringement claim and do not
26 prejudice Cameron:

... Duhn's allegations of
"manufacture" and "use" are central
to its patent infringement claim as
they expressly identify Cameron's
specific infringing acts that were
confirmed during discovery.
Extensive discovery has revealed
that Cameron continues to
manufacture, sell, rent, and
install its infringing frac
mandrels, despite notice of their
infringement. Even Cameron
concedes that these allegations are
highly relevant to Duhn's charge as
it fails to submit any contrary
arguments in its moving papers.

... Cameron makes no showing in its
moving papers that it is prejudiced
by Duhn's allegations of
"manufacture" and "use."
Presumably, Cameron does not suffer

1 any harm as Duhn's original
2 complaint and the extensive
3 discovery already conducted by both
4 parties in this case has provided
5 substantial notice to Cameron how
6 its devices and conduct infringe
7 the '925 Patent ... Cameron cannot
8 plead ignorance after three years
9 of extensive discovery and motion
10 practice by now claiming it does
11 not know that manufacturing and
12 using an infringing device
13 infringes the '925 Patent.

14 Cameron replies that the Court should 'not
15 allow Duhn Oil to use this Court's
16 authorization of amendments to the pleadings
17 regarding new assertions of alleged willful
18 infringement as a camel's nose under the tent
19 for Duhn Oil to dramatically alter the
20 infringement pleadings over three years into
21 this case to add the distinct statutory
22 classes of "making" and "using" as the means
23 by which Defendant Cameron allegedly
24 infringes the asserted patent.'

25 The motion to strike on this ground is
26 DENIED. The subject of manufacture has been
fully disclosed since Cameron introduced its
New Style mandrel. Cameron asserts no
prejudice to it by the inclusion of
manufacturing and use to the FAC.

On July 8, 2009, Cameron filed a motion for clarification or
reconsideration of the Court's Memorandum Decision denying
Cameron's motion to strike the FAC. (Doc. 310). Cameron argued
that the June 9 Memorandum Decision did not permit Duhn to amend
its complaint to allege infringement for making or using the Old
Style frac mandrel, contending that Duhn's motion for leave to
amend was limited to addressing issues related to Cameron's New
Style and Original design frac mandrels that had been discovered
after the filing of the Complaint. At the December 8, 2009

1 hearing on Cameron's motion, the Court ruled from the bench:

2 THE COURT: [¶] So it seems to me that what we
3 have is we have a complaint that says nothing
4 about manufacture or use and a complaint that
5 was amended to pick up activities after the
6 date in 2007 of the original and the new
7 style, but not the, in quotes, old style.
8 And so as the Court understands this, there
9 is neither a willful infringement nor is
10 there a damage claim for manufacture and use
11 of the old style product in either of these
12 complaints.

13 And so that that extent, it seems to me that
14 that is a clarification that should be made
15 so we're all in the same page.

16 So that's my tentative decision. Now,
17 anybody who wishes to be heard may do so.

18 MR. ROGERS: Yes, Your Honor. I think that
19 clarification is a good thing. That's what
20 we were seeking. And with one caveat. You
21 said no damage claim for - and I hope that
22 you're also referring to liability as well.
23 No liability claim. No liability -

24 THE COURT: For manufacture or use.

25 MR. ROGERS: Yes.

26 THE COURT: There is no claim.

MR. ROGERS: Respecting manufacture and use of
the old style.

MR. ROGERS: Yes, Your Honor. That's the
relief we're requesting in our motion.

...

MR. WHITELOW: Thank you, Your Honor. I think
we need to take a couple of steps back here
to see where the parties started, where the
parties have been litigating this case, where
the parties have conducted discovery.
Plaintiffs' motion to strike and what the
scope of that motion was and where they made
the very same arguments they're making now.
But again, this is a case with infringement

1 on the old style during the pendency of this
2 action changes were made to the old style.
3 And that's brought about the willful
4 infringement claims that we later sought for
5 the manual, which was the basis for their
6 motion to strike.

7 THE COURT: I said manufacture and use.
8 That's all that alleged as to the old style
9 in either of the complaints.

10 MR. WHITELOW: Well, Your Honor, if you go
11 back to the original complaint, there are
12 allegations regarding infringement under 35
13 USC Section 271, which includes manufacture
14 and use. And again, this was brought out in
15 the opposition to the motion to strike. And
16 the Court ruled and acknowledged that
17 manufacture and use was covered by that
18 section. [¶] Additionally, in the prayer of
19 that original complaint, there's reference to
20 remedies in connection with the express
21 action of manufacturing and use on page three
22 of the complaint. And I believe it's
23 paragraph two on page three. Defendant, its
24 agents, representatives, employees, assigns
25 and suppliers and all persons acting in
26 concert, et cetera, be permanently enjoined
from making, using, offering for sale,
selling or importing the invention of the
'925. These arguments, they very same
identical arguments were argued in the motion
to strike. In our -

18 THE COURT: Yes. And we said that we would be
19 essentially, as we got closer to trial and
20 have a pretrial statement, we would be
21 parsing what the claims are. And this isn't
22 inconsistent with that. This is to prevent,
23 if you establish infringement, patent
24 infringement of the '925 patent, any making,
25 use, offering for sale, selling or importing
26 the inventions of the '925 patent. And so
this doesn't say what they are. This doesn't
say what they have been. And depending upon
what the proof is at trial, we will see. [¶]
And so what this does is this - a prayer
normally is not part of - it's not an
operative part of the pleading that is a
complaint. However, for the purposes of
talking about what remedies are sought, that

1 is a remedy in futural that would
2 essentially, if you get a judgment finding
3 patent infringement, that would prevent any
4 infringement by any statutory means. Knowing
5 what the statutory means and using express
6 language of means and not saying any and all
7 other ways or attempting to expand it, it
8 seems to me that that is, at least by
9 inference, a limitation because, of course,
10 you knew how to say it when you wanted to for
11 activities that would be included within the
12 purview of the statute. And so that, quite
13 frankly, is the way I see it. That's the way
14 you pled it. And in terms of - I don't know
15 what the volume is of old style products. I
16 don't know what the use of those has been. I
17 don't know what has been done with them,
18 where they are. And, you know, you all know
19 that. And if that's fairly in play, then
20 we're going to face that in doing a pretrial,
21 final pretrial conference order. And that's
22 going to state what the factual and legal
23 issues in the case are. And if you show me
24 that essentially that's what the discovery
25 has covered, that's what everybody knows
26 about, that's what damages projections and
the expert calculation of damages have
addressed and the experts on both sides have
done that, then, quite frankly, it's the
equivalent of a rule 15 amendment to conform
to proof if that's the basis on which the
lawsuit has been tried. But right now, as to
what is in the pleadings, this is what is in
the pleadings.

19 MR. WHITELOW: Well, Your Honor, considering
20 the substantial extent of old style's
21 presence in the case by way of discovery, by
22 way of expert reports, all in the financial
23 expert reports deal with old style, by way of
24 all the depositions in the case. And, quite
25 frankly, Duhn filed a brief, a motion for
26 summary judgment of infringement on the old
style.

24 THE COURT: Right.

25 MR. WHITELOW: Not at any point did they argue
26 that old style was out of the case. The
parties -

1 THE COURT: It's not out of the case. There
2 is a - there is an allegation of selling,
3 offering for sale and renting. That's in the
4 case. But making and using has not been
5 alleged. And so it that's an amendment to
6 conform to proof, that's something different.
7 That's what I'm saying.

8 MR. WHITELOW: Well, and again, Your Honor,
9 this is a complete surprise to Duhn. We
10 weren't expecting to see arguments about the
11 very nature of the claims as they pertain to
12 the old style. Again, this motion for
13 reconsideration and the motion to strike
14 dealt with willful infringement of the new
15 claims. But I will note for the record in
16 their motion for summary judgment, in its Ps
17 & As, the motion for summary judgment deals
18 with, and I quote, manufacture, offer for
19 sale and sale and/or its inducement of others
20 to use the TSW alleged infringing device. So
21 we've always been dealing with manufacture
22 and use. We feel it was covered by the
23 general pleading in the statute, which was
24 alleged in the original complaint, and it was
25 further brought out and exemplified in the
26 amended complaint, which has now brought
about this clarification motion. But the
parties have always recognized, have always
acted, knowing that manufacture and use has
always been a claim by Duhn. Manufacture and
use come into the case by way of our damages,
by way of their conduct and specifically with
respect to renting and installing these
infringing devices. So they are - those
facts are in the case. [¶] Now, if Your Honor
is not convinced that there's a sufficient
pleading in the complaints, then I would
request that Duhn be given the opportunity to
brief this issue, to bring a rule 15 motion
to amend to that it's clear that
manufacturing and use are and should be as
they have been treated in this case as part
of our damage claim.

THE COURT: Well, that is certainly your
prerogative. I have simply read the
pleadings as they are in the context of how
this motion is presented.

MR. WHITELOW: And the motion that you're

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talking about is their motion -

THE COURT: For clarification. The motion for clarification.

MR. WHITELOW: Okay. Again, but the clarification, again, this is what's confusing to Duhn, Your Honor. This motion for clarification follows a motion, an order on a motion to strike that deals with willful infringement claims -

THE COURT: Yes.

MR. WHITELOW: - on the new style original design. Nothing to do with the old style.

THE COURT: Well, that's what I thought as well. There's no question about that. And that's how I ruled on that.

MR. WHITELOW: Well, the additional allegations that refer to the old style claims was, again, part three of the Court's order going back to the rule 15 order, which granted us leave to amend in the first place. That order allowed us to put supplemental facts in there. And these facts that are not being played by counsel dealt with the manufacture and use -

THE COURT: Well, here's where I am, Mr. Whitelaw and here's my concern. I don't want to face this argument at trial or post trial. On a motion for judgment as a matter of law and/or a new trial motion. I want to know every device and every purported infringing activity with regard to that device for which damages are being sought. And I don't think that ought to be a secret. That isn't what's alleged in this complaint. This complaint alleges strictly sale, sold and offering for sale. And/or is selling. That's what the defendant is alleged to have done. What you asked for by way of injunctive relief that you want to cover every potential activity of infringement under the statute doesn't mean that it's - that it's in play or that it has occurred. In other words, once you have a protectable patent right, then you can get as broad a relief as the statute will justify.

1 So I think we're talking about apples and
2 oranges here. But the one thing I don't want
3 to do is I don't want to start picking that
4 jury and have the two of you, the two sides
5 fighting about what is and is not an issue in
6 the case and what infringement damages are
7 being sought for and what willful
8 infringement damages are being sought for.
9 That's what pertains to the original and the
10 new style, the willful infringement damages
11 claim. Not the old style. [¶] And so the
12 old style was being sold, offering to sell or
13 renting. If you say there's more, then you
14 need to amend the complaint. And we do need
15 to determine that both parties have relied
16 upon and have discovered the case and have
17 litigated the case based on those being
18 issues.

19
20
21 B. Governing Standards.¹

22 Rule 15(a), Federal Rules of Civil Procedure, provides that
23 "leave [to amend] shall be freely given when justice so
24 requires." "The purpose of pleading is 'to facilitate a proper
25 decision on the merits' ... and not erect formal and burdensome
26 impediments to the litigation process. Unless undue prejudice to
the opposing party will result, a trial judge should ordinarily
permit a party to amend its complaint." *Howey v. United States*,
481 F.2d 1187, 1990 (1973). However, "[t]his strong policy
toward permitting the amendment of pleadings ... must be tempered

¹The parties address this motion solely by reference to the standards governing a motion to amend under Rule 15, Federal Rules of Civil Procedure. There is a pretrial scheduling order, which normally means that resolution of this motion is governed by the "good cause" requirement of Rule 16, Federal Rules of Civil Procedure. However, by Minute Order filed on January 13, 2010, the pretrial conference and trial dates were vacated because of proceedings before the Federal Circuit. Consequently, this Memorandum Decision does not address the "good cause" standard of Rule 16.

1 with considerations of 'undue delay, bad faith or dilatory motive
2 on the part of the movant, repeated failure to cure deficiencies
3 by amendments previously allowed, undue prejudice to the opposing
4 party by virtue of allowance of the amendment, futility of
5 amendment, etc.' *Foman v. Davis*, 371 U.S. 178, 182 ... (1962)."
6 *Schlacter-Jones v. General Telephone of California*, 936 F.2d 435,
7 443 (9th Cir. 1991). "These factors, however, are not of equal
8 weight in that delay, by itself, is insufficient to justify
9 denial of leave to amend." *DCD Programs*, 833 F.2d at 186; see
10 also *Jones*, 127 F.3d at 847 n.8. "[I]t is the consideration of
11 prejudice to the opposing party that carries the greatest weight
12 ... Absent prejudice, or a strong showing of any of the remaining
13 *Foman* factors, there exists a *presumption* under Rule 15(a) in
14 favor of granting leave to amend." *Eminence Capital, LLC v.*
15 *Aspeon, Inc.*, 316 F.3d 1048, 1052 (9th Cir.2003). "The party
16 opposing leave to amend bears the burden of showing prejudice."
17 *Serpra v. SBC Telecommunications, Inc.*, 318 F.Supp.2d 865, 870
18 (N.D.Cal.2004).

19 B. Application of Factors.

20 Here, Cameron's opposition to Duhn's motion is limited to
21 the factors of undue delay, prejudice, and futility.

22 1. Undue Delay.

23 "[L]ate amendments to assert new theories are not reviewed
24 favorably when the facts and the theory have been known to the
25 party seeking amendment since the inception of the cause of
26 action.'" *Kaplan v. Rose*, 49 F.3d 1363, 1370 (9th Cir.1994),

1 quoting *Acri v. International Ass'n of Machinists*, 781 F.2d 1393,
2 1398 (9th Cir.), *cert. denied*, 479 U.S. 816 (1986). As explained
3 in *Sierra Club v. Union Oil Co. of California*, 813 F.2d 1480,
4 1493 (9th Cir. 1987), *vacated on other grounds*, 485 U.S. 931
5 (1988):

6 We have held that where the party seeking
7 amendment knows or should know of the facts
8 underlying the amendment when the original
9 complaint is filed, the motion to amend may
10 be denied

11 Mere delay in proffering an amendment does
12 not justify denying leave to amend ... The
13 court has also held that where a defendant is
14 on notice of the facts contained in an
15 amendment to a complaint, there is no
16 prejudice to defendant in allowing the
17 amendment ... Here, where all of the
18 amendments were based upon facts contained in
19 Union Oil's own records, Union Oil had notice
20 of the facts. Thus, there was no prejudice
21 to Union Oil.

22 Duhn asserts that it has not unduly delayed in seeking leave
23 to amend. Duhn contends that its proposed amendment simply seeks
24 to conform the pleadings to the parties' conduct: "The parties
25 have always understood and acted from the outset of the case that
26 manufacture, use, and indirect infringement are asserted
infringing acts." Duhn refers to the amount of discovery
conducted by the parties relative to issues of manufacture, use,
and indirect infringement, assertions that are not disputed by
Cameron.

Cameron argues that this factor weighs against leave to
amend:

Duhn Oil seeks leave to add these substantial

1 new claims for alleged infringement at the
2 final stage of this case, over four years
3 after Duhn Oil filed its original Complaint,
4 and over two years after Defendant Cameron
specifically notified Duhn Oil in the 2007
summary judgment proceedings that it had not
pled these allegations in its Complaint.

5 Cameron refers to its memorandum in response to Duhn's motion for
6 partial summary judgment and validity as to asserted claims filed
7 on December 6, 2007, (Doc. 170, pp. 3-4):

8 Plaintiff Duhn Oil's allegations of
9 infringement in its Complaint assert that
10 Defendant Cameron 'has offered for sale,
11 sold, is offering for sale and/or is selling
12 ... products which infringe the '925 patent.'
13 ... This is an allegation for 'direct'
14 infringement for alleged sales and offers for
sale of the accused products. This
allegation of 'direct' infringement is
distinct from an allegation of 'indirect'
infringement, such as 'inducement' or
'contributory infringement,' which Plaintiff
has not pled.

15 Duhn replies that it did not delay in bringing this motion
16 for leave to conform its pleadings to the parties litigation
17 conduct. Duhn asserts that Cameron raised its objections to
18 Duhn's pleading of manufacture and use for the first time at the
19 hearing on December 7, 2009 regarding Cameron's motion for
20 clarification or reconsideration of the Memorandum Decision
21 denying Cameron's motion to strike the First Amended Complaint.
22 (Doc. 310). Duhn contends that Cameron never disputed the
23 sufficiency of Duhn's pleading regarding manufacture and use
24 prior to the December 7, 2009 hearing. Duhn contends that,
25 although Cameron raised an issue regarding the sufficiency of
26 Duhn's pleading of indirect infringement in the summary judgment

1 proceedings, Duhn's responses put Cameron on notice that indirect
2 infringement was a claimed infringing act:

3 Despite Cameron's objections, the pleading
4 issue regarding indirect infringement was
5 never addressed by the Court when it heard
6 Duhn's summary judgment motion on May 5,
7 2008. Therefore, there has been no
8 definitive ruling on whether Duhn has
9 sufficiently pled indirect infringement, and
10 Duhn was thus not under any notice to amend
11 its pleading.

12 Here, the record establishes that the parties conducted
13 discovery relevant to the issues of manufacture and use, and
14 contributory and inducement infringement of the accused frac
15 mandrels. These issues are no surprise to Cameron; nor are
16 claims based on this discovery. While it is arguable that Duhn
17 should have sought leave to amend in 2007, Duhn's consistent
18 position has been that the pleadings sufficiently placed Cameron
19 on notice that Duhn's claims of patent infringement included the
20 use and manufacture of the accused devices. Mere delay in
21 seeking leave to amend is not a valid ground for denial of leave
22 to amend, absent a showing of prejudice.

23 Despite the Court's urging that the parties proceed to
24 trial, the pending interlocutory appeal has caused the trial date
25 to be vacated with no new trial date in sight.

26 2. Prejudice.

 "Prejudice typically arises where the opposing party is
surprised with new allegations which require more discovery or
will otherwise delay resolution of the case ... The party
opposing the motion bears the burden of showing prejudice."

1 *Sharper Image Corp. v. Target Corp.*, 425 F.Supp.2d 1056, 1080
2 (N.D.Cal.2006).

3 Cameron argues that it will be severely prejudiced by the
4 proposed Second Amended Complaint's new claims of making, using,
5 contributory and inducement infringement.

6 Cameron asserts that Duhn is seeking through the proposed
7 amendments a substantial award of monetary damages for alleged
8 acts of infringement that occurred prior to the amendment, a time
9 in the past that Cameron now cannot go back to and modify its
10 accused frac mandrel products or installation procedures to avoid
11 liability. Cameron argues that, when the Complaint alleged
12 direct infringement for selling or offering to sell infringing
13 products, Cameron could avoid liability by not seeking or
14 offering for sale a "wellhead assembly" having all of the
15 required elements of the '925 Patent claims: "Cameron could avoid
16 all of the asserted liability by continuing its standard practice
17 of not selling or offering to sell 'casing' or 'production
18 tubular members' with its frac mandrel sales and rentals." If
19 Duhn is allowed to amend to include allegations of patent
20 infringement based on making and using an infringing product,
21 Cameron asserts:

22 Duhn Oil would then assert liability for acts
23 of alleged infringement including Cameron's
24 past installations of its Old Style frac
25 mandrels at the customer's well site, where
26 Cameron's past installations of its Old Style
frac mandrels were made up in a wellhead
assembly including a casing and production
tubing. And with these new allegations of
infringement then at issue for past

1 installations, Cameron would not be able to
2 go back in time to take additional steps to
3 avoid the asserted liability by modifying its
frac mandrel products or installation
procedures.

4 Cameron asserts that, had it known at the outset of this case
5 that Duhn's pleadings would be amended to include "making and
6 using to encompass Cameron's installations of its Old Style frac
7 mandrels, and Cameron knew that Duhn Oil eventually would end up
8 limiting the asserted scope of its patent claims to require a
9 'dual load path' configuration, then Cameron could have, and
10 would have, taken additional steps to modify its frac mandrel
11 products and installation procedures for those installations of
12 the Old Style frac mandrel in the early stages of this case to
13 make sure that the tubing head lockscrews in its frac mandrels
14 were not run in to contact the frac mandrel." Cameron argues
15 that Duhn's "assertion of its patent in this case has effectively
16 become a game of gotcha, more akin to entrapment than the noble
17 assertion of exclusive rights to an invention."

18 Cameron argues that the assertion of new claims for indirect
19 infringement, including contributory infringement and inducement,
20 would cause it the same type of extreme prejudice. Cameron
21 asserts that it has put into place procedures with regard to the
22 New Style and Original Design frac mandrels which will safely
23 assure that Cameron cannot be found to have contributed to or
24 induced others to infringe the '925 Patent claims, each of which,
25 Cameron contends, require that the tubing head lockscrews be in
26 contact with the frac mandrel. As to the Old Style frac

1 mandrels, Cameron argues:

2 Cameron cannot go back in time to provide
3 these same notification procedures or
4 retroactively apply the notice plates to
5 Cameron's Old Style frac mandrels for its
6 prior installations from the early stages of
7 this case. If Cameron had known at the
8 outset of this case that Duhn Oil's pleadings
9 would be retroactively modified to include
10 acts of alleged infringement other than
11 direct infringement for selling or offering
12 to sell, to include acts alleged to
13 contribute to or induce the infringement of
14 others, and Cameron knew that Duhn Oil
15 eventually would end up limiting the asserted
16 scope of its patent claims to require a 'dual
17 load path' configuration, then Cameron could
18 have, and would have, taken additional steps
19 to include notification procedures regarding
20 the use of its frac mandrel products, such as
21 notice plates on each of its frac mandrels,
22 to instruct others that the tubing head
23 lockscrews are not to be run in to contact
24 Cameron's frac mandrel.

14 As Duhn notes, Cameron does not contend it is prejudiced by
15 the proposed amendments because additional discovery will be
16 required or that leave to amend will delay resolution of the
17 case.

18 Duhn characterizes as "pure fiction" that Cameron's
19 statement that Duhn "is seeking through amendment a substantial
20 award of monetary damages (millions of dollars) for acts of
21 alleged infringement that occurred prior to the amendment." Duhn
22 contends that the proposed amendment does not alter the damage
23 reports as the parties have always litigated this case with
24 manufacture, use, and indirect infringement as asserted
25 infringing acts, and have already accounted for these acts in
26 their damages analyses. Duhn refers to the Declaration of

1 William J. Kolegraff, filed on January 6, 2010, (Doc. 382-2):

2 2. The parties have already conducted and
3 completed extensive discovery on manufacture,
4 use, and indirect infringement in this case,
5 so Duhn's proposed Second Amended Complaint
6 will not require any further discovery on
7 these issues.

8 3. Duhn's expert financial reports already
9 account for making, using, and indirect
10 infringement, as alleged in Duhn's Second
11 Amended Complaint. Duhn's proposed amendment
12 will not change the expert damages reports.

13 4. If Duhn is not granted leave to file its
14 Second Amended Complaint, Duhn's expert will
15 be required to undertake a reassessment of
16 his damages analysis, and will issue amended
17 expert damage reports. As such a parsing of
18 infringing acts was never contemplated,
19 additional discovery may need to be taken to
20 complete the reassessment.

21 Duhn asserts that Cameron already knows that Duhn is seeking
22 millions of dollars in damages. Duhn refers to its initial
23 damages report issued on June 29, 2007, in which Duhn's expert
24 laid out the facts and financial analysis showing that Cameron's
25 exposure was already in the millions of dollars, and later-issued
26 supplemental reports showing the damages growing by millions of
dollars as Cameron made additional sales of its allegedly
infringing frac system. Duhn refers to paragraph 14 of Cameron's
June 19, 2007 expert report:

I understand from Mr. Devlin that Duhn is
claiming that the '925 patent relates to a
way of connecting and securing the frac
mandrel to the tubing head by using certain
flanges which, during the well activation
process transfers the force between the frac
mandrel and tubing head to manage the extreme
pressures during the fracturing process.
Therefore, it is anticipated that Duhn seeks

1 a reasonable royalty for the value associated
2 with the patented technology as it is accused
of being used by Cameron.

3 No copy of Cameron's expert report is attached; however, Cameron
4 did not object to consideration of this quotation at the hearing
5 or thereafter.

6 Duhn replies that Cameron's claim that, had it known that it
7 would be alleged to have manufactured or used the Old Style frac
8 mandrel, or to have induced or contributed to infringement
9 regarding the Old Style frac mandrel, it would have made changes
10 earlier, is "meaningless" and "utterly baseless." Duhn refers to
11 evidence that Cameron's customers and installers continue to
12 engage the lockscrews of Cameron's frac mandrels, despite
13 Cameron's revisions to its installation manuals and modifications
14 of its frac mandrels.

15 Cameron's assertions of prejudice is not persuasive. The
16 assertion of prejudice is based solely on potentially increased
17 monetary liability and an asserted inability to retroactively
18 design around the Old Style frac mandrel. However, it is not
19 disputed by Cameron that additional discovery will be necessary
20 or that the trial of this action will be delayed by the
21 additional allegations. Cameron's claim of prejudice is not the
22 type of prejudice that will foreclose Cameron's ability to
23 defend.

24 3. Futility.

25 Leave to amend may be denied if the proposed amendment is
26 futile or would be subject to dismissal. *Saul v. United States,*

1 928 F.2d 829, 843 (9th Cir.1991). Leave to amend may be denied
2 based upon futility alone. *Bonin v. Calderon*, 59 F.3d 815, 845
3 (9th Cir.1995). A claim is considered futile and leave to amend
4 shall not be given if there is no set of facts that can be proved
5 under the amendment that would constitute a valid claim. *Miller*
6 *v. Rykoff-Sexton, Inc.*, 845 F.2d 209, 214 (9th Cir.1988).
7 However, denial on this ground is rare and courts generally defer
8 consideration of challenges to the merits of a proposed amended
9 pleading until after leave to amend is granted and the amended
10 pleading is filed. *Netbula, LLC v. Distinct Corp.*, 212 F.R.D.
11 534, 539 (N.D.Cal.2003), citing *Schwarzer, California Practice*
12 *Guide: Federal Civil Procedure Before Trial* at 8:422 (The Rutter
13 Group, 2002).

14 Cameron asserts that Duhn's proposed amendment to assert a
15 claim for inducement to infringement fails to plead a number of
16 required elements, citing *DSU Medical Corp. v. JMS Co., Ltd.*, 471
17 F.3d 1293 (Fed.Cir.2006). In *DSU Medical Corp.*, the Federal
18 Circuit addressed "in the context of induced infringement, 'the
19 required intent ... to induce the specific acts on [infringement]
20 or additionally to cause an infringement.'"

21 *Id.* at 1304. The Federal Circuit stated:

22 Under section 271(b), '[w]hoever actively
23 induces infringement of a patent shall be
24 liable as an infringer.' ... To establish
25 liability under section 271(b), a patent
26 holder must prove that once the defendants
knew of the patent, they 'actively and
knowingly aid[ed] and abett[ed] another's
direct infringement.' ... However, 'knowledge
of the acts alleged to constitute

1 infringement' is not enough ... The 'mere
2 knowledge of possible infringement by others
3 does not amount to inducement; specific
4 intent and action to induce infringement must
5 be proven.'

6 ...

7 It must be established that the
8 defendant possessed specific intent
9 to encourage another's infringement
10 and not merely that the defendant
11 had knowledge of the acts alleged
12 to constitute inducement. The
13 plaintiff has the burden of showing
14 that the alleged infringer's
15 actions induced infringing acts and
16 that he knew or should have known
17 his actions would induce actual
18 infringements.

19 *Id.* at 1305-1306. Cameron asserts that Duhn's proposed amendment
20 fails to plead Cameron's knowledge of the '925 Patent and
21 Cameron's specific intent to induce another's direct
22 infringement. Cameron argues that its repeated attempts
23 throughout this litigation to modify its accused products and
24 installation procedures to make sure that the products do not
25 infringe the '925 Patent, by phasing out its prior Old Style frac
26 mandrel and re-configuring its design to make sure that the
tubing head lock screws are not run into contact with the frac
mandrel, demonstrates that Cameron never intended that its
customers' use of Cameron's frac mandrel could infringe any
claims of the '925 Patent.

Duhn responds that Paragraph 6 of the proposed Second
Amended Complaint alleges Cameron's knowledge of the '925 Patent:

6. Defendant, by itself or in concert with
others, manufactured, used, offered for sale,

1 sold, is manufacturing, using, offering for
2 sale and/or is selling ... products which
3 infringe the '925 Patent, literally and/or
4 pursuant to the Doctrine of Equivalents,
and/or by otherwise contributing to
infringement of inducing others to infringe
the '925 Patent.

5 Duhn asserts that mere awareness of the patent is sufficient to
6 establish the knowledge requirement for induced infringement. As
7 authority, Duhn cites *DSU Medical Corp.*, *supra*, 471 F.3d at 1304
8 as "explaining that the inducing infringement standard was
9 satisfied 'because it is undisputed that [the alleged infringer]
10 had notice of the patent.'" No such statement appears in the *DSU*
11 *Medical Corp.* opinion, in the portion of the opinion discussing
12 inducing infringement. Duhn also asserts that the proposed
13 Second Amended Complaint alleges that Cameron's knowledge of the
14 '925 Patent goes back at least as far as November 5, 2005, when
15 this action was filed, referring to Paragraph 7.

16 Duhn asserts that Paragraph 7's allegation that Cameron "has
17 provided manuals and training to third parties for knowingly
18 inducing them to infringe the '925 Patent," sufficiently alleges
19 Cameron's requisite intent to state a claim for inducing
20 infringement. Duhn cites *Manville Sales Corp. v. Paramount*
21 *Systems, Inc.*, 917 F.2d 544, 554 (Fed.Cir.1990):

22 It must be established that the defendant
23 possessed specific intent to encourage
24 another's infringement and not merely that
the defendant had knowledge of the acts
alleged to constitute infringement.

25 Cameron contends that Duhn's proposed amendment to assert a
26 claim for contributory infringement, based on the allegation that

1 Cameron's accused frac mandrels "have no substantial non-
2 infringing use," is futile:

3 Considering the Court's summary judgment
4 finding of no infringement for Cameron's
5 accused frac mandrels configured with the
6 lock screws not in contact with the frac
7 mandrel, this proposed new infringement claim
8 would not make it past summary proceedings.

9 Duhn responds that evidence supports this claim because
10 Cameron's modifications to its frac mandrels and procedures have
11 failed to stop on-going infringement, referring to inspections,
12 testimony, and checklists that the lockscrews continue to be
13 torqued-in to infringe the '925 Patent.

14 Cameron has not demonstrated that leave to amend to file the
15 proposed Second Amended Complaint will be futile under the
16 standards set forth above. Cameron's contentions are primarily
17 factual and provide no basis for denial of Duhn's motion on this
18 ground.²

19 CONCLUSION

20 For the reasons stated:

- 21 1. Plaintiff Duhn Oil Tool's motion for leave to file a
22 Second Amended Complaint is GRANTED;
- 23 2. Plaintiff Duhn Oil Tool shall file the proposed Second
24 Amended Complaint within ten (10) days following electronic

25 ²At the January 25, 2010 hearing on Duhn's motion for leave to
26 amend, Cameron asserted the bar of the statute of limitations to
27 the proposed Second Amended Complaint. Because this ground for
28 denial of the motion was asserted for the first time at the
29 hearing, the Court does not consider it. In any event, it can be
30 asserted as a defense, if Cameron can establish that the claim does
31 not relate back to the original filing date under Fed. R. Civ. P.
32 15.

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service of this Memorandum Decision and Order.

IT IS SO ORDERED.

Dated: February 16, 2010

/s/ Oliver W. Wanger
UNITED STATES DISTRICT JUDGE