

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

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

MSHIFT, INC., a Delaware corporation,

Plaintiff,

No. C 10-00710 WHA

v.

INTUIT FINANCIAL SERVICES (formerly known
as DIGITAL INSIGHT CORPORATION), a
Delaware corporation, COMMUNITY TRUST
FINANCIAL CORPORATION, a Louisiana
corporation, and COMMUNITY TRUST BANK,
a Louisiana corporation,

Defendants.

**ORDER GRANTING
MOTION FOR LEAVE
TO FILE FIRST
AMENDED COMPLAINT**

INTUIT FINANCIAL SERVICES (formerly
known as DIGITAL INSIGHT CORPORATION),
a Delaware corporation,

Counterclaimant,

v.

MSHIFT, INC., a Delaware corporation,

Counterdefendant.

INTRODUCTION

In this patent infringement action, plaintiff moves for leave to file a first amended
complaint to add twelve new defendants who allegedly infringe the same patent at issue in the

1 original complaint. Defendants oppose the motion except with respect to one of the proposed
2 defendants.

3 The amended case management scheduling order set a deadline to add new parties.
4 Plaintiff timely filed the instant motion. There is no showing of prejudice against defendants or
5 futility in the proposed amendment. Accordingly, plaintiff’s motion for leave to file a first
6 amended complaint is **GRANTED**.

7 **STATEMENT**

8 Plaintiff MShift, Inc., is suing Intuit Financial Services (“IFS”), Community Trust
9 Financial Corporation (“CTFC”), and Community Trust Bank (“CTB”) for patent infringement.¹
10 CTB is a wholly owned subsidiary of CTFC. Asserted is a patent on certain wireless
11 communications. Accused is the mobile banking product sold by IFS to financial institutions.
12 IFS’s counterclaims deny all and say this is a strike suit against IFS’s business and customer base.

13 The instant motion follows an earlier order denying a motion to stay the proceeding as
14 against customers CTFC and CTB. That order noted that plaintiff had a right to bring
15 infringement claims, but it also limited discovery as to defendants that are customers of IFS.

16 Plaintiff filed the instant motion with a proposed first amended complaint. Plaintiff seeks
17 to amend its complaint by adding twelve new defendants, eleven of which are bank customers of
18 IFS (“IFS Customers”).² The remaining proposed additional defendant, Mobile Money Ventures,
19 LLC (“MMV”), is IFS’s business partner. The amendment relies only on the same patent. In a
20 stipulation, plaintiff has agreed not to attempt to add any claims that would be based on new legal
21 theories.

22 A parallel motion to intervene as a defendant was filed by SK C&C Co., Ltd. (“SK”).
23 SK, a South Korean company, seeks to intervene as a matter of right, or in the alternative,
24 permissively, in order to defend its interests in the software that it sells to proposed defendant

25 _____
26 ¹ After the original complaint, defendant Digital Insight changed its name to Intuit Financial Services.
Intuit Financial Services is a division of Intuit, Inc.

27 ² Plaintiff seeks to add the following IFS customers through the instant motion: (1) Meritrust Federal
28 Credit Union; (2) Professional Federal Credit Union; (3) Sanford Institution for Savings; (4) Fort Worth
Community Credit Union; (5) USE Credit Union; (6) Gate City Bank; (7) Busey Bank; (8) Denison State Bank;
(9) Fidelity Bank (of Massachusetts); (10) First Internet Bank of Indiana; (11) Vision Bank.

1 MMV. SK says that its software is the same software that allegedly infringes. MMV has asked
2 SK for indemnification from any liabilities that may result from this proceeding. Neither party
3 has yet filed a response to SK’s motion, a hearing for which is scheduled for July 8. SK reports
4 that MShift has expressed opposition to SK’s intervention.

5 On the instant motion, the undersigned issued two interrogatories, both provoked by a
6 concern as to MShift’s motivation in requesting the addition of the IFS Customers. Both parties
7 agreed with one another in their answers, namely that (1) MShift should not have to submit a
8 more detailed accounting of its infringement claims, and (2) that the invalidity of MShift’s claims
9 need not be dealt with in advance of any other issues regarding infringement.

10 Separately, IFS has offered to post a one million dollar bond in exchange for MShift’s
11 agreement not to seek the addition of the IFS Customers. MShift rejected this offer, however,
12 stating that the bond amount inaccurately estimated the value of MShift’s technology.
13 MShift then notified IFS that it would not withdraw the instant motion. Defendants respond
14 without objection as to the addition of MMV as a defendant. Defendants do object to the
15 addition of the IFS Customers, however, contending that their addition to the lawsuit will slow
16 adjudication by complicating the proceedings and will burden the parties by increasing the costs
17 of litigation.

18 **ANALYSIS**

19 Rule 15(a) governs the instant motion. Leave to amend should be freely given “when
20 justice so requires.” The Supreme Court has reiterated this point while adding that, in the absence
21 of undue prejudice, bad faith or dilatory motive on the part of the moving party, leave to amend is
22 to be freely given as justice so requires. This policy favoring amendment emphasizes the
23 importance of giving a plaintiff his day in court; when a plaintiff relies on facts or circumstances
24 that are a proper subject of relief, a plaintiff “ought to be afforded an opportunity to test his claim
25 on the merits.” *Foman v. Davis*, 371 U.S. 178, 182 (1962). In the Ninth Circuit, district judges
26 commonly consider the following factors: (1) prejudice to the opposing party; (2) futility of
27 amendment; (3) undue delay; and (4) bad faith. *DCD Programs, Ltd. v. Leighton*, 833 F.2d 183,
28 186 (9th Cir. 1987).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1. PREJUDICE.

None of the arguments advanced by defendants establishes undue prejudice. It is true that the amendment will multiply the litigation and disrupt IFS’s customer base. The April 12 order, which denied the earlier motion to stay, explained that: (1) the limitations placed on discovery directed at IFS’s customers³ would keep discovery of multiple defendants manageable; and (2) plaintiff has a right to bring infringement claims against those that have potentially infringed its patents. So too here.

True, when the scope of discovery is unreasonably expanded, a court is justified in denying a motion to amend. *Ambat v. City and County of San Francisco*, 2009 WL 3045937, *2 (N.D. Cal. Sept. 18, 2009). The motion in *Ambat*, however, would have increased the cost of litigation and scope of discovery because the petitioner’s motion to amend would have “expand[ed] the liability period at issue by nearly a year.” *Ibid.* (internal quotes omitted). Here, the scope of discovery will increase because plaintiff has identified more entities that it believes infringe its patent. Plaintiff has a *right* to bring infringement claims against those whom it believes infringe its patents.

In *AmerisourceBergen Corp. v. Dialysist West, Inc.*, 465 F.3d 946, 954 (9th Cir. 2006), the plaintiff sought to add new legal theories to its complaint against the defendant that would have required an entirely new line of discovery and argumentation based on the proposed new theories. The plaintiff submitted the motion for leave to file its amendment some fifteen months after it had conceived of the possibility of bringing the proposed legal theories into its proceeding. *Id.* at 953. In contrast, our plaintiff has brought its timely motion for leave to amend fewer than three months after it filed its original complaint.

Defendants worry that the grant of the instant motion will encourage plaintiff to “threaten” even more of IFS’s customers. As stated previously, however, the May 19 case management scheduling order set a deadline of May 27 for the filing of any motions to add new parties and the

³ The April 12 order limited discovery directed at IFS’s customers (bank defendants CTFC and CTB) as follows: “no document discovery may be directed to them that can be fully responded to by [IFS] so long as the latter does so timely and promptly; five interrogatories may be directed to them but not more (no subparts); one deposition per [bank] defendant may be conducted [and no] requests to admit may be directed to them.”

1 instant motion was timely filed. As of the date of this order, the deadline for the filing of motions
2 to amend has passed and no new motions to amend have been filed.

3 **2. FUTILITY.**

4 None of the decisions cited by defendants provides support for a finding of futility.
5 A proposed amendment is futile “only if no set of facts can be proved under the amendment to the
6 pleadings that would constitute a valid and sufficient claim or defense.” *Miller v. Rykoff-Sexton,*
7 *Inc.*, 845 F.2d 209, 214 (9th Cir. 1988) (citations omitted). That is not the case here. Indeed, the
8 IFS Customers may be individually liable for patent infringement and plaintiff has a right to bring
9 patent infringement claims against them.

10 Defendants attempt to show that plaintiff has failed to state a valid and sufficient claim
11 against the IFS Customers by relying on decisions which demonstrate that, in patent claims, a
12 plaintiff may not recover against a party for the same infringing activity when plaintiff has
13 already recovered against another party. *E.g., Glenayre Elecs., Inc. v. Jackson*, 443 F.3d 851, 864
14 (Fed. Cir. 2006). The present case is distinct from *Glenayre*, however, because plaintiff has yet to
15 conduct discovery, let alone actually recover against any party for its patent infringement claims.
16 It is true that IFS must indemnify its customers in the event that plaintiff proves its claim against
17 defendants. It is likewise true that plaintiff would be unable to recover against the IFS Customers
18 under *Glenayre*, should plaintiff recover against IFS. This does not translate to futility. IFS
19 could go broke. IFS might not be able to pay the judgment. Injunctive relief may be warranted as
20 against all.

21 Defendants claim that the IFS customers possess no discovery that defendant IFS will not
22 itself supply, and as such they are not necessary parties to this proceeding. This is counterfeit
23 logic. If the IFS Customers are infringing, the patent owner has a right to seek an injunction to
24 stop it.

25 **3. UNDUE DELAY AND BAD FAITH.**

26 This order finds that the remaining *DCD Programs* factors likewise favor entry granting
27 the instant motion. Plaintiff moved timely. There is no evidence of bad faith. At the hearing for
28 IFS’s motion to stay, counsel for plaintiff noted that the number of additional potential defendants

1 was “on the order of ten.” (Tr. 10). In the same hearing the undersigned commented that, if ten
2 more IFS customers were thought to be infringing MShift’s patent, MShift had “a right to sue
3 them,” (*id.* at 17). Plaintiff has stated from the outset of this proceeding that a plurality of IFS’s
4 customers may be infringing its patent, and has gone so far as to estimate that number at ten.
5 The instant motion reflects that estimate as having been proximate. Plaintiff’s right to sue those
6 that infringe its patent was established at the April 8 hearing. There is, as yet, no showing of bad
7 faith in plaintiff’s motion to amend.


8 **CONCLUSION**

9 For the foregoing reasons, plaintiff’s motion for leave to file a first amended complaint is
10 **GRANTED**. The first amended complaint shall be filed and served with summons within **SEVEN**
11 **CALENDAR DAYS**.

12 Discovery directed at the IFS Customers will be limited in the same way as discovery
13 directed at defendants CTB and CTFC was limited in the April 12 order: no document discovery
14 may be directed to them that can be fully responded to by IFS so long as the latter does so timely
15 and promptly; five interrogatories may be directed to them but not more (no subparts); one
16 deposition per each of the IFS Customers may be conducted. No requests to admit may be
17 directed to them. There will be no special limits on discovery directed at MMV.

18
19 **IT IS SO ORDERED.**

20
21 Dated: June 16, 2010.

22 
23 _____
24 WILLIAM ALSUP
25 UNITED STATES DISTRICT JUDGE
26
27
28