

United States District Court
For the Northern District of California

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

WiAV NETWORKS, LLC,
Plaintiff,
v.
HEWLETT-PACKARD CO.,
Defendant.

No. C 10-03448 WHA

**ORDER GRANTING
PLAINTIFF’S MOTION
FOR LEAVE TO FILE
AMENDED COMPLAINT
AND GRANTING DEFENDANT’S
MOTION FOR LEAVE TO
FILE AMENDED ANSWER**

INTRODUCTION

In this patent infringement action, plaintiff moves for leave to amend its first amended complaint, and defendant moves for leave to amend its answer. For the reasons stated below, plaintiff’s motion is **GRANTED** and defendant’s motion is also **GRANTED**.

STATEMENT

Plaintiff WiAV Networks, LLC owns two patents related to wireless technology. The name “WiAV” is a condensed form of “wireless audio-visual.” Defendant Hewlett-Packard Co. is a maker and vendor of wireless devices. In its complaint, WiAV asserted that HP devices infringed its patents in suit.

1 This action originally was filed in the United States District Court for the Eastern
2 District of Texas and was eventually transferred here. The original complaint named
3 *sixty-eight* defendants, running the gamut from Acer to ZTE (*see* Dkt. 1). Because these
4 defendants were largely unrelated companies with unrelated products, and there was no
5 allegation that the defendants had acted in concert, plaintiff was ordered to show cause
6 why all but one defendant should not be dismissed for misjoinder under Rule 21 (*see*
7 Dkt. 486). Perhaps as a Hail Mary pass, plaintiff offered to dismiss all but twelve
8 companies that it deemed the “Laptop Defendants.” HP was one such company. Though
9 all the laptop defendants made accused devices compliant with the IEEE 802.11 wireless
10 protocol, they were found not to be logically connected to one another (*see* Dkt. 583).
11 Thus, all defendants were dismissed save HP.

12 Against this backdrop, plaintiff now seeks to amend its complaint to (1) include
13 specific allegations concerning induced and contributory infringement involving HP’s
14 end-users and distributors; (2) omit references to the dismissed defendants; and (3) “add a
15 few additional exemplars” of accused HP products. The proposed amendment does *not*
16 add additional patents.

17 HP objects to the third aspect only, on the general ground that HP is supposed to
18 be a laptop defendant, but the additional exemplars are not laptops. Specifically, HP
19 opposes the proposed amendment because it would expand the scope of the suit to include
20 printers, routers, handheld devices, and desktop computers. The proposed amendment
21 features several changes. With respect to the ’338 patent, “printer devices such as the
22 Officejet Pro 8500 Wireless and Laserjet 9040 series, and handheld devices such as
23 wireless IPAQ series” are added as exemplars. With respect to the ’497 patent, “printer
24 devices such as the Officejet Pro 8500 Wireless and Laserjet 9040 series, and wireless
25 router devices such as the HP V110 wireless N router and the HP V-M200 802.11n
26 Access Point” are added as exemplars.

27 Defendant considers these exemplars just the tip of the iceberg, since WiAV’s
28 disclosure of patent infringement contentions accused 218 products, including a

1 substantial number of desktop computers, printers, handhelds, and routers. HP contends
2 that this expansion would be unduly prejudicial. HP also opposes on the ground that
3 WiAV negotiated in bad faith and tried to trick HP into giving its assent to this
4 amendment, the true nature of which was revealed only at the last minute.

5 Defendant moves to amend its answer to include the defense of inequitable
6 conduct. Plaintiff opposes this motion on the grounds that intent has been inadequately
7 pled, and it is too late and too prejudicial to only now assert this defense.

8 ANALYSIS

9 At the outset, an observation about what plaintiff's motion for leave to amend its
10 complaint is really about. Plaintiff could accuse these new products without seeking leave
11 simply by filing a new lawsuit. Unspoken here is the effect of the statute of limitations.
12 The proposed amendment relates back to allegations in the original complaint filed in
13 Texas in July 2009. In contrast, a fresh lawsuit would deny plaintiff the possibility of
14 collecting eighteen months of damages. With this in mind, we turn to the applicable
15 legal standard.

16 Rule 15(a) governs the instant motion. Leave to amend should be freely given
17 "when justice so requires." This policy favoring amendment emphasizes the importance
18 of giving a plaintiff his day in court; when a plaintiff relies on facts or circumstances that
19 are a proper subject of relief, a plaintiff "ought to be afforded an opportunity to test his
20 claim on the merits." *Foman v. Davis*, 371 U.S. 178, 182 (1962). In the Ninth Circuit,
21 district judges commonly consider the following factors: (1) futility of amendment;
22 (2) prejudice to the opposing party; (3) undue delay; and (4) bad faith. *DCD Programs,*
23 *Ltd. v. Leighton*, 833 F.2d 183, 186 (9th Cir. 1987).

24 1. FUTILITY

25 The first factor is whether the proposed amendment would be futile. Defendant
26 contends that, with respect to HP, this case has always been about laptops and nothing but
27 laptops. To defendant, this contention is a premise that helps establish prejudice and bad
28 faith because it makes the expansion to desktops, routers, printers, and handhelds seem

1 deliberately sudden and calculated to surprise. But this contention might also possibly
2 render the amendment futile if plaintiff's prior representations now preclude it from
3 litigating anything other than laptops.

4 It is undisputed that the original complaint and the first amended complaint gave
5 specific examples of only one accused category of devices — laptops. But the parties
6 disagree as to the specificity with which a complaint must identify the products accused of
7 infringing the patents in suit. In defendant's view, the complaint and the first amended
8 complaint accused *only* HP's portable computer devices, and it would be unfair to
9 dramatically expand the scope of this action now.

10 "[A] patentee need only plead facts sufficient to place the alleged infringer on
11 notice as to what he must defend." *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1357
12 (Fed. Cir. 2007). As a general proposition,

13 *Twombly* does not require such a list [a comprehensive list
14 of all devices that are alleged to infringe patents]; it simply
15 requires facts sufficient to "raise the right to relief beyond
16 the speculative level." At this early stage of the proceedings
17 [a motion to dismiss], it is not necessary for [plaintiff] to
18 identify each and every infringing device.

19 *In re Papst Licensing GMBH & Co. KG Litigation*, 631 F.Supp. 2d 42, 45 (D.D.C. 2009).

20 In view of these guidelines, the instant action has not been strictly limited, with
21 respect to HP, to laptops ever since the original complaint. That complaint asserted,
22 generally:

23 Each Defendant has used and continues to use the
24 technology claimed by the '497 Patent and '338 Patent in
25 systems and methods that the Defendants make, use, sell,
26 and offer for sale, without Plaintiff's permission.

27 (See Dkt. 1, Compl. ¶ 2). And, specifically:

28 Without a license or permission from Plaintiff, the HP
Defendants infringed the [named] Patent[s] by importing,
making, using, offering to sell, and/or selling products and
devices which embody the patented invention, *including*
portable computer devices, *such as* the Pavillion, HDX,
TouchSmart, EliteBook, ProBook, Compaq, Compaq
Presario, and Mini series of laptops, notebook PCs, and
tablet PCs (e.g. [various models]).

1 (See Dkt. 1, Compl. ¶¶ 60, 98) (emphasis supplied). These allegations made clear that
2 the examples given were non-exclusive examples of one category of accused device.
3 This language persisted into the first amended complaint (see Dkt. 107, First Amd.
4 Compl. ¶¶ 2, 58, 94).

5 Defendant tries to distinguish *Papst* by noting that while the complaint there made
6 vague allegations of infringement by “digital cameras,” it listed specific models of such
7 cameras elsewhere in the complaint. While this is true, the point was that a complaint,
8 even if not artfully drafted, “must be read as a whole.” *Papst*, 631 F.Supp. 2d at 46. Read
9 as a whole, WiAV’s complaint and first amended complaint provided notice to HP that
10 products other than laptops fell within the scope of the claims of the patents in suit. For
11 instance, WiAV accused printers made by Canon, routers made by Cisco, and handhelds
12 made by Palm. Of course, this cuts both ways, as HP might have fairly assumed that
13 because nonlaptop devices made by other companies were accused, and HP’s nonlaptop
14 devices were not, HP was off the hook.

15 The first real hint that the claims might zero in on HP’s laptops to the exclusion of
16 all other devices came in plaintiff’s response to the order to show cause why misjoinder
17 should not be declared. In that response, perhaps recognizing the weakness in its position,
18 plaintiff proposed to voluntarily dismiss all but what it deemed the laptop defendants.
19 Plaintiff thus designated HP as a laptop defendant for the limited purpose of avoiding a
20 total defeat on the improper joinder issue. This designation did not bind plaintiff to
21 litigating nothing but laptops once HP became the sole defendant and WiAV’s need to
22 maintain a logical connection between multiple defendants vanished.

23 Nothing in plaintiff’s prior positions with regard to HP and laptops has precluded
24 it from accusing nonlaptop devices now; thus, the proposed amendment is not futile. This
25 factor favors the amendment. Nevertheless, plaintiff’s prior positions provide necessary
26 context for evaluating prejudice, delay, and bad faith.

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1 **2. PREJUDICE**

2 The second factor in determining the propriety of granting leave to amend is
3 whether granting leave to amend would prejudice the defendant. In general, “[t]he party
4 opposing amendment bears the burden of showing prejudice.” *DCD Programs*, 833 F.2d
5 at 187. The Ninth Circuit has affirmed the denial of leave to amend when new allegations
6 “would totally alter the basis of the action.” *M/V American Queen v. San Diego Marine*
7 *Const. Corp.*, 708 F.2d 1483, 1492 (9th Cir. 1983).

8 Defendant contends that granting leave to amend will prejudice it by requiring the
9 performance of more work. Specifically, HP maintains that the proposed addition of new
10 products will require it to redo initial disclosures and add dozens of new witnesses and
11 hundreds of thousands of new documents, develop additional legal theories with respect to
12 claim construction and non-infringement, and deal with new invalidity issues.

13 True, the proposed amendment, to the extent that it might open the door to 218
14 accused products, has the potential to transform this action into a Frankenstein’s monster.
15 But this is a problem that can be managed by the parties in the first instance, and by
16 establishing a new schedule.

17 Even assuming *arguendo* that the proposed amendment represents a marked
18 departure from the original scope of the suit with respect to accused products, it does
19 not “greatly alter[] the nature of the litigation,” nor would it require defendant to
20 undertake “an entirely new course of defense.” *Morongo Band of Mission Indians v.*
21 *Rose*, 893 F.2d 1074, 1079 (9th Cir. 1990). The proposed amendment does not change the
22 number of patents in suit. Defendant does not contend that the addition of allegations of
23 induced and contributory infringement adds appreciably to its burdens. The fundamentals
24 remain unchanged.

25 The absence of new claims distinguishes the present case from the decisions
26 defendant relies upon to show prejudice. In *Morongo*, 893 F.2d 1074, the amendment
27 sought to add RICO, federal criminal depredation, and other federal claims to a
28 complaint theretofore based on a violation of tribal ordinance. In *M/V American Queen*,

1 708 F.2d 1483, the amendment sought to add fraud and negligent breach of duty to
2 disclose claims to a complaint theretofore based on contract claims.

3 Defendant also makes the closely related argument that the additional work will
4 inevitably disrupt the schedule and thereby cause prejudice. Rest assured, the schedule
5 *will* be altered. That said, it should be acknowledged that “[d]isruption to the schedule of
6 the court . . . is not harmless.” *Wong v. Regents of the Univ. of California*, 410 F.3d 1052,
7 1062 (9th Cir. 2005). Nevertheless, defendant has not demonstrated that the alteration of
8 the schedule will create prejudice sufficient to deny leave to amend under *Foman* and
9 *DCD Programs*. It is still early in this litigation. Though the original complaint was filed
10 in Texas way back in July 2009, there was never a case management conference or initial
11 disclosure until the transfer here (*see* Dkt. 588 at 18). Things began in earnest only after
12 the transfer and after the dismissal of the improperly joined defendants.

13 Defendant points out that under the current schedule, the deadline for serving
14 invalidity contentions is December 22, just six days after the hearing on this motion was
15 held. With respect to prejudice, even if the current schedule was not vacated, plaintiff’s
16 disclosure of asserted claims and infringement contentions erased all doubt as to the
17 scope of the alleged infringements back on November 5. Peering further into the future,
18 under the current schedule, the trial date is not until January 9, 2012. At the hearing
19 when the date was set, it was specifically noted that the date was unusually far out (*see*
20 Dkt. 588 at 17).

21 Specifically with regard to discovery, it is typically “[a] need to *reopen* discovery
22 and therefore delay the proceedings [that] supports a district court’s finding of prejudice
23 from a delayed motion to amend the complaint.” *Lockheed Martin Corp. v. Network*
24 *Solutions, Inc.*, 194 F.3d 980, 986 (9th Cir. 1999) (emphasis supplied). But even under
25 the current schedule, the non-expert discovery *cut-off date* is not even until August 31,
26 2011.

27 Defendant points to two decisions in which district court judges denied motions
28 seeking leave to amend because of anticipated prejudicial schedule disruptions. These are

1 distinguishable because they involved the proposed addition of new *claims*, and the
2 rulings came, at most, six months before trial was scheduled to begin.

3 With modifications to the schedule and to the scope of the suit, granting leave to
4 amend will cause tolerable prejudice to defendant. Still, HP will not be able to avoid
5 redoing its contentions and disclosures, at great expense. It is only because plaintiff was
6 so tight-lipped that these were not done correctly the first time. Therefore, leave to amend
7 will be granted only on the condition that plaintiff pay HP the sum of \$20,000 to partially
8 reimburse defendant for the extra work, waste, and expenses caused by plaintiff's delay.
9 Provided that plaintiff meets this condition, this factor favors the amendment.

10 **3. UNDUE DELAY**

11 The third factor in determining the propriety of granting leave to amend is whether
12 plaintiff unduly delayed in filing its motion.

13 Although the multiparty case began in Texas in 2009, this action in its current
14 form did not gel until all defendants but HP were dismissed on October 1, 2010. Plaintiff
15 would not have been expected to propose this amendment before getting a ruling on its
16 offer to limit its allegations so as to tape together the so-called laptop defendants.
17 Moreover, the instant motion is timely under the case management deadline for
18 amendments. True, plaintiff should not have wasted so much time before sharing with HP
19 the sheer number of accused products. But that delay is not the same as a delay in seeking
20 the instant motion. This factor favors the amendment.

21 **4. BAD FAITH**

22 The final factor in determining the propriety of granting leave to amend is whether
23 leave is sought in bad faith.

24 Defendant alleges that plaintiff resorted to "gamesmanship" by allowing HP to
25 proceed under its laptop-only misapprehension until, on the eve of the filing deadline,
26 WiAV unveiled the full scope of alleged infringements. Specifically, defendant contends
27 that plaintiff was deliberately unforthcoming during negotiations to obtain HP's assent to
28 this proposed amendment. Defendant supports this contention by noting that although the

1 only devices specified in HP’s initial disclosures on November 1 were laptops, plaintiff
2 took no steps to disabuse HP of its laptop-only notion until November 5, when WiAV
3 served its disclosure of patent infringement contentions. In the interim, tranquil emails
4 exchanged between the parties’ counsel gave no indication that far more than laptops
5 would soon be at issue. WiAV’s disclosure identified over 200 new products, suggesting
6 forethought and planning. According to defendant, WiAV’s goal was to gain HP’s
7 stipulation before tipping its hand — November 5 was the last business day before the
8 November 8 deadline to amend the pleadings (*see* Dkt. 590). Defendant contends that all
9 of this amounts to proof of a pattern of deception and misrepresentation constituting bad
10 faith under *DCD Programs*.

11 Plaintiff denies that HP’s initial disclosures gave any inkling of defendant’s
12 myopia; most of the disclosed witnesses pertained not to laptops but to the patents in suit
13 or unspecified prior art. In any event, plaintiff’s alleged silence after receiving HP’s
14 initial disclosures lasted only four days. Plaintiff avers that its primary purpose in seeking
15 leave to amend was to remove dismissed defendants and clarify its allegations regarding
16 indirect infringement; the proposal to add specific exemplars of accused products was
17 little more than an afterthought that happened to coincide with the completion of its
18 infringement contentions that same day.

19 The record does not support a finding of bad faith. Defendant is correct that the
20 emails exchanged during the negotiations over assent to the proposed amendment hardly
21 trumpeted the proposed addition of new accused product exemplars. Plaintiff’s emails
22 mentioned the elimination of the dismissed defendants and the inclusion of contributory
23 and induced infringement. They did not mention the addition of examples of new product
24 categories. Plaintiff sent a draft of the proposed amended complaint on November 2 that
25 referred to “products and devices . . . including but not limited to portable computer
26 devices” (Thomas Decl. Exh. D) — the “but not limited to” language was new, but
27 apparently did not alarm defendant. Plaintiff then sent a revised draft on November 5
28 that for the first time named and gave examples of HP printers, handhelds, and routers

1 (Thomases Decl. Exh. H). There are troubling aspects to these failed negotiations, but
2 the clash of hopelessly mismatched and dueling assumptions is as likely an explanation as
3 bad faith.

4 Perhaps more important to the instant motion, defendant alleges bad faith in
5 negotiating, not bad faith in offering the amendment. *Wood v. Santa Barbara Chamber of*
6 *Commerce, Inc.*, 705 F.2d 1515, 1520 (9th Cir. 1983), cited by defendant, does not
7 support the view that pretrial “gamesmanship” suffices under *DCD Programs* as bad faith
8 in the sense of a “wrongful motive” for proposing the amendment. Bad faith was a factor
9 in affirming a district judge’s decision to deny leave to amend in *Wood*, but there the
10 proposed amendment would merely have duplicated other pending litigation, and was
11 viewed as a dilatory tactic in keeping with the appellant’s habit of making repetitious
12 motions. Along the same lines, the properly rejected proposed amendment in *Sorosky v.*
13 *Burroughs Corp.*, 826 F.2d 794, 805 (9th Cir.1987), was offered with the “bad faith
14 motive” of adding a defendant who would destroy diversity jurisdiction.

15 There is the possibility that defendant is multiplying its accusations in hopes of
16 badgering plaintiff into a settlement. Defendant was cautioned against this at the
17 December 16 hearing. But this order takes the generous view that plaintiff proposed its
18 amendment for no reason other than a good faith desire to seek relief for purported patent
19 infringements. This factor favors the amendment.

20 CONCLUSION

21 Based on an evaluation of these four factors, plaintiff’s motion for leave to amend
22 is **GRANTED**, subject to the following understandings and conditions. These are aimed at
23 alleviating what would be a bone-crushing exercise of wading through the extravagant
24 number of 218 accused products.

- 25 1. This action is to be limited to HP products *only*.
- 26 2. WiAV wasted valuable time before it pulled back the curtain by
27 serving its infringement disclosures. Because of the resulting prejudice to HP, a
28 condition of filing an amended complaint is that plaintiff must pay defendant

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\$20,000 to partially reimburse HP for fees and expenses it will incur due to this wasted time. If plaintiff wishes to amend its complaint, payment must be made by **NOON ON DECEMBER 31, 2010**. No payment, no amendment.

3. Because of the large number of products, there is a serious risk that the jury will become confused and the trial unduly protracted. To prevent this, the court is open to suggestions as to how best to pare down this action. One possibility is that the parties might agree that, at trial, only a certain reasonable number of patent claims will be asserted against no more than perhaps two products in, at most, each of the five product categories. The parties might further agree that the selected claims are representative of all claims, and that the selected products are representative of all accused products. The parties are free further to agree to any formula to measure damages based on the representative claims and models. Counsel for both parties should meet and confer and submit recommendations upon which the number of claims and models shall be based.

4. Consideration will be given to the possibility of bifurcating the trial to separate the invalidity and inequitable conduct portions and try those first.

5. The old case management schedule will be replaced. This will be done in a separate order.

6. Note well that the number of depositions allowed will *not* be enlarged at this time. After the existing allotment is used up, any applications to do so must demonstrate reasonableness in the conduct of discovery by the applicant.

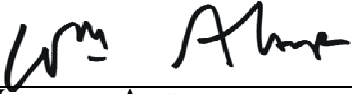
Due to the apparent confusion evidenced at the December 16 hearing, out of an abundance of caution, defendant's motion for leave to amend its answer is **GRANTED**.

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The second amended complaint shall be filed and served with summons within
FOURTEEN CALENDAR DAYS. Defendant then has FOURTEEN CALENDAR DAYS to file an answer.

IT IS SO ORDERED.

Dated: December 17, 2010.



WILLIAM ALSUP
UNITED STATES DISTRICT JUDGE