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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

DPIX LLC,  
Plaintiff,  
v.  
YELDBOOST TECH, INC., et al.,  
Defendants.

Case No. 14-cv-05382-JST

**ORDER GRANTING PLAINTIFF'S  
MOTION FOR LEAVE TO FILE  
SECOND AMENDED COMPLAINT  
PURSUANT TO FED. R. CIV. P. 15(a)(2)**

Re: ECF No. 52

Before the Court is Plaintiff dpiX, LLC's Motion for Leave to File Second Amended Complaint pursuant to Federal Rule of Civil Procedure 15(a)(2). ECF No. 52. Defendants Yieldboost Tech, Inc. and Kyo Young Chung ("Defendants") oppose the motion. ECF No. 59.

**I. BACKGROUND**

**A. Factual Background**

Plaintiff dpiX, LLC ("Plaintiff") is a Delaware limited liability corporation that provides high-resolution image detector subsystems that are integrated into x-ray imaging systems for medical, industrial, and military markets. First Am. Compl., ECF No. 39 at ¶ 11. Plaintiff seeks declaratory judgment that it does not infringe, directly or indirectly, United States Patent No. 7,154,292, and that the patent is invalid or unenforceable. *Id.* at ¶ 1. Plaintiff alleges that Yieldboost claims ownership of the patent, pursuant to an assignment from Defendant Kyo Young Chung. *Id.* at ¶ 3. Plaintiff also seeks to recover damages from Chung, its former employee and independent contractor, for misappropriation of trade secrets, breach of contract and the implied covenant of good faith and fair dealing, breach of the duty of loyalty, intentional interference with contractual relationships and prospective economic advantage, and unfair competition. *Id.*

United States District Court  
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1           **B.       Procedural Background**

2           Plaintiff filed its original Complaint on December 9, 2014. ECF No. 1. On April 20,  
3 2015, Defendants filed a motion to dismiss the Complaint. ECF No. 31. Rather than responding  
4 to Defendants’ motion to dismiss on the merits, Plaintiff indicated that it intended to amend its  
5 Complaint pursuant to Federal Rule of Civil Procedure 15(a)(1)(B). ECF No. 35. Plaintiff filed  
6 its Amended Complaint on May 14, 2015. ECF No. 39. Pursuant to a stipulation between the  
7 parties, the Court entered Plaintiff’s Amended Complaint out of time, and it was deemed filed as  
8 of June 2, 2015. ECF No. 45. In the stipulation, the parties stated that “[i]n an effort to avoid a  
9 motion to dismiss the Amended Complaint, the parties met and conferred on Defendants’  
10 objections to said pleading, and Plaintiff may file a second amended complaint either this  
11 Wednesday, June 3, 2015, or the day following the Court’s order granting leave to file an amended  
12 complaint.” ECF No. 44.

13           When Plaintiff did not file a second amended complaint by June 3, Defendants filed a  
14 second motion to dismiss the Amended Complaint on June 16. ECF No. 59. On June 30, 2015,  
15 Plaintiff filed a response to Defendants’ second motion to dismiss, ECF No. 51, stating that it  
16 would be filing the instant motion for leave to file a Second Amended Complaint in order to  
17 include additional factual allegations and remedy any deficiencies identified in the motion to  
18 dismiss. ECF No. 52.

19           **II.       LEGAL STANDARD**

20           Under Federal Rule of Civil Procedure 15(a)(2), a “court should freely give leave [to  
21 amend] when justice so requires.” The Court considers four factors in deciding a motion for leave  
22 to amend: prejudice to the opposing party, undue delay, futility of amendment, and bad faith.  
23 DCD Programs, Ltd. v. Leighton, 833 F.2d 183, 186 (9th Cir. 1987). Of the four factors, “the  
24 consideration of prejudice to the opposing party [] carries the greatest weight.” Eminence Capital,  
25 LLC v. Aspeon, Inc., 316 F.3d 1048, 1052 (9th Cir. 2003). Absent prejudice, or a strong showing  
26 of any of the remaining factors, there exists a presumption under Rule 15(a) in favor of granting  
27 leave to amend. Id. Courts are instructed to apply this rule “with extreme liberality.” Id. at 1051  
28 (quoting Owens v. Kaiser Found. Health Plan, Inc., 244 F.3d 708, 712 (9th Cir. 2001)).

1 Generally, a court should determine whether to grant leave indulging “all inferences in  
2 favor of granting the motion.” Griggs v. Pace Am. Grp., Inc., 170 F.3d 877, 880 (9th Cir. 1999).  
3 “Courts may decline to grant leave to amend only if there is strong evidence of ‘undue delay, bad  
4 faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by  
5 amendments previously allowed, undue prejudice to the opposing party . . . , [or] futility of  
6 amendment, etc.’” Sonoma Cnty. Ass’n of Retired Emps. v. Sonoma Cnty., 708 F.3d 1109, 1117  
7 (9th Cir. 2013) (quoting Foman v. Davis, 371 U.S. 178, 182 (1962)).

### 8 **III. DISCUSSION**

9 Plaintiff seeks leave to file a Second Amended Complaint (“SAC”) to clarify its agency  
10 and alter ego allegations against Defendant Chung, and to clarify its second cause of action for  
11 unenforceability of the patent. ECF No. 52 at 4; Proposed SAC, ECF No. 53-1. The proposed  
12 Second Amended Complaint does not add any new party or cause of action. Id. Defendants argue  
13 that leave should not be granted arguing that amendment would prejudice them, that Plaintiff  
14 unduly delayed in seeking leave to amend, that the amendment is sought in bad faith, and that the  
15 amendment would be futile. See ECF No. 59.

#### 16 **A. Prejudice**

17 Prejudice is the factor that carries the most weight in the Court’s analysis. Eminence  
18 Capital, 316 F.3d at 1052. In general, “[t]he party opposing amendment bears the burden of  
19 showing prejudice.” DCD Programs, 833 F.2d at 187. Here, Defendants argue that granting  
20 Plaintiff leave to amend would be prejudicial because the proposed Second Amended Complaint  
21 seeks to bring an entirely new theory of unenforceability of the ‘292 Patent based on the doctrine  
22 of unclean hands. ECF No. 59 at 7. Defendants argue that “the words ‘unclean’ and ‘hand(s)’ do  
23 not even appear in the original or Amended Complaint,” and that such claims should have been  
24 brought months ago. Id.

25 The addition of new claims can be found to constitute prejudice where those claims are  
26 added late in the course of litigation. See e.g., Texaco, Inc. v. Ponsoldt, 939 F.2d 794, 798-99 (9th  
27 Cir. 1991) (holding that adding new claims to complaint two years into litigation and just four and  
28 a half months before trial constituted prejudice against the non-moving party, regardless of the

1 argument that the claims were implicit in the previously pleaded claims); see also Morongo, 893  
2 F.2d at 1079 (affirming denial of amendment when “new claims set forth in the amended  
3 complaint would have greatly altered the nature of the litigation and would have required  
4 defendants to have undertaken, at a late hour, an entirely new course of defense”). In this case,  
5 however, Plaintiff has sought to amend the complaint at an early stage of the litigation.

6 Moreover, Plaintiff’s proposed amendments are not so substantial that granting Plaintiff  
7 leave to file the proposed Second Amended Complaint would alter the nature of the claims or the  
8 course of litigation. Although it is true that the First Amended Complaint did not contain the  
9 words “unclean hands,” Defendant’s motion to dismiss identified an unclean hands theory as a  
10 doctrine through which unenforceability of a patent might be alleged. See ECF No. 48 at 7.  
11 Therefore, it is difficult for Defendant to contend that Plaintiff’s proposed amendment to include  
12 this theory is entirely a surprise.

13 Defendants also argue that they were prejudiced because had Plaintiff filed its Second  
14 Amended Complaint by the stipulated deadline, Defendants would not have had to file its second  
15 motion to dismiss the Amended Complaint or its reply in support thereof. ECF No. 59 at 7.  
16 Defendants therefore contend that they “have spent their time and resources in vain to their severe  
17 prejudice.” Id. Defendants cite no case law for the proposition that being required to engage in  
18 additional briefing as the result of amendment of a complaint constitutes “severe prejudice,” and  
19 this Court has located only authority to the contrary. See, e.g., Am. Small Bus. League v.  
20 Johnson, No. C-10-00986-WHA, 2010 WL 3490223, at \*5 (N.D. Cal. Sept. 3, 2010) (finding no  
21 prejudice where proposed amendments were reasonably timely and did not add new claims despite  
22 Defendant’s claimed prejudice of being “compel[ed] . . . to continue to draft responses.”);  
23 Weintraub v. Law Office of Patenaude & Felix, A.P.C., No. 13-CV-1032 W RBB, 2014 WL  
24 29608, at \*3 (S.D. Cal. Jan. 3, 2014) (granting Plaintiff leave to amend over Defendant’s  
25 objections that they had “spent ‘quite a bit of time ... reviewing each complaint, preparing each of  
26 its motion to dismiss and reply brief”).

27 Defendants have not shown that they will be prejudiced in any meaningful way if the Court  
28 grants Plaintiff leave to file a Second Amended Complaint.

1           **B.       Undue Delay**

2           Defendants next argue that Plaintiff unduly delayed in bringing the proposed Second  
3 Amended Complaint. ECF No. 59 at 6. Defendants contend that Plaintiff unduly delayed in  
4 seeking amendment, as the parties’ June 2, 2015 stipulation provided Plaintiff the opportunity to  
5 file a Second Amended Complaint the following day, June 3, and Plaintiff did not bring this  
6 motion until weeks later.

7           The Court disagrees. First, the Court notes that Plaintiff’s motion for leave to amend was  
8 filed at an early stage in the litigation and discovery has only just begun.<sup>1</sup> Moreover, Plaintiff had  
9 good reason for waiting until after June 3 to file the amended complaint, as on June 3, Plaintiff did  
10 not yet know what objections Defendants had to the First Amended Complaint. See ECF No. 60-1  
11 at ¶ 8. Although the Court had granted the parties’ stipulation, which included the June 3 date for  
12 the filing of the second amended complaint, the Court had not yet issued a scheduling order setting  
13 a deadline for amending the pleadings. See Johnson v. Mammoth Recreations, Inc., 975 F.2d 604,  
14 608 (9th Cir. 1992) (noting that Rule 15’s policy favoring liberal amendment governs until a  
15 district court files a pretrial scheduling order establishing a deadline for amendment of the  
16 pleadings). Under the circumstances, Plaintiff’s decision to wait to amend the complaint until  
17 Defendants had identified further alleged deficiencies in the complaint was not undue but  
18 reasonable.

19           The Court therefore finds that Plaintiff did not unduly delay in seeking amendment in this  
20 instance.

21           **C.       Futility**

22           The Ninth Circuit has consistently held that “a district court should grant leave to  
23 amend . . . unless it determines that the pleading could not possibly be cured by the allegation of  
24 other facts.” Nunes v. Ashcroft, 375 F.3d 805, 808 (9th Cir. 2003) (citing Doe v. United States,  
25 58 F.3d 494, 497 (9th Cir. 1995)). “[A] proposed amendment is futile only if no set of facts can  
26 be proved under the amendment to the pleadings that would constitute a valid and sufficient  
27

28 <sup>1</sup> The Court notes that the litigation remains at an early stage in part because Plaintiff stipulated to allowing Defendants a sixty-day extension of time to respond to the Complaint. ECF No. 10.

1 claim.” Miller v. Rykoff-Sexton, Inc., 845 F.2d 209, 214 (9th Cir. 1988). “However, denial [of a  
2 motion for leave to amend] on this ground is rare and courts generally defer consideration of  
3 challenges to the merits of a proposed amended pleading until after leave to amend is granted and  
4 the amended pleading is filed.” Clarke v. Upton, 703 F.Supp.2d 1037, 1043 (E.D. Cal. 2010)  
5 (citing Netbula, LLC v. Distinct Corp., 212 F.R.D. 534, 539 (N.D. Cal. 2003)).

6 Defendants devote much of their opposition to the motion to arguing the alleged legal  
7 insufficiency of Plaintiff’s complaint. See ECF No. 59 at 7-20. Defendants attack the proposed  
8 Second Amended Complaint by contending that (1) Plaintiff has not stated a plausible claim for  
9 relief; (2) an action for invalidity, non-infringement, and unenforceability cannot be maintained  
10 against Chung because he has no rights or interest in the ‘292 Patent; (3) Plaintiff’s claim of  
11 breach of the implied covenant of good faith and fair dealing is legally insufficient; and (4) that  
12 several of Plaintiff’s claims are preempted by the California Uniform Trade Secrets Act  
13 (“CUTSA”) (Cal. Civ. Code § 3426).

14 The Court will decline the invitation to convert Plaintiff’s motion for leave to amend into a  
15 motion to dismiss the proposed Second Amended Complaint. Ordinarily, “[t]he merits or facts of  
16 a controversy are not properly decided in a motion for leave to amend and should instead be  
17 attacked by a motion to dismiss for failure to state a claim or for summary judgment.” Allen v.  
18 Bayshore Mall, No. 12-cv-02368-JST, 2013 WL 6441504, at \*5 (N.D. Cal. Dec. 9, 2013) (quoting  
19 McClurg v. Maricopa Cnty., No. 09-cv-1684-PHX, 2010 WL 3885142, at \*1 (D. Ariz. Sept. 30,  
20 2010)). The Court sees no reason to depart from this general rule here.

21 Without passing on the adequacy of the Second Amended Complaint under Federal Rule  
22 12, the Court notes only that Plaintiff’s amendments appear to be good faith efforts to respond to  
23 Defendants’ attacks on the sufficiency of the First Amended Complaint. Defendant has not shown  
24 that Plaintiff’s request for leave to amend should be denied due to futility.

25 **D. Bad Faith**

26 Finally, Defendants argue that Plaintiff seeks amendment in bad faith. ECF No. 59 at 6.  
27 In order for the Court to find that a moving party filed for leave to amend in bad faith, the  
28 opposing party must offer evidence that shows “wrongful motive” on the part of the moving party.

1 See DCD Programs, 833 F.2d at 187. Bad faith may exist where “the plaintiff merely is seeking to  
2 prolong the litigation by adding new but baseless legal theories.” Griggs, 170 F.3d at 881.

3 In Defendants’ view, Plaintiff “has shown its bad faith and dilatory motive by misleading  
4 Defendants and the Court about its true intent with respect to a second amended complaint.” ECF  
5 No. 59 at 6. Defendants argue that, because the parties stipulated that Plaintiff would file a second  
6 amended complaint by June 3, Plaintiff’s filing of this motion after that date constitutes bad faith.  
7 Id. As discussed supra, Plaintiff acted reasonably in deferring amendment until Defendants had  
8 identified the alleged deficiencies in the First Amended Complaint. The Court finds no evidence  
9 that Plaintiff has acted in bad faith.

10 **CONCLUSION**

11 For the foregoing reasons, Plaintiff’s motion for leave to file a Second Amended  
12 Complaint is granted. Plaintiff shall file its Second Amended Complaint within 14 days from the  
13 date of this order. Defendants’ motion to dismiss, ECF No. 48, is addressed to the First Amended  
14 Complaint. Upon the filing of the Second Amended Complaint, that motion will become moot.  
15 See Taylor v. Abate, No. 94 CV 0437 (FB), 1995 WL 362488, at \*2 (E.D.N.Y. June 8, 1995)  
16 (collecting authority).

17 Plaintiff has now had the opportunity to tailor its complaint in response to the alleged  
18 deficiencies identified within Defendants’ two previously-filed motions to dismiss. In the interest  
19 of ensuring the litigation proceeds expeditiously, the Court will not rule on any future motions for  
20 leave to amend the complaint until after (1) Defendants answer the Second Amended Complaint or  
21 (2) the Court has issued an order resolving any motion to dismiss the Second Amended Complaint  
22 that Defendants may file.

23 IT IS SO ORDERED.

24 Dated: September 2, 2015

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26   
27 JON S. TIGAR  
28 United States District Judge