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UNITED STATES DISTRICT COURT FOR THE

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

GOOGLE INC.

Plaintiff,

v.

NETLIST, INC.,

Defendant.

Case No. C08-04144 SBA
[Related to Case No: C 09-05718 SBA]

REDACTED COPY OF PLAINTIFF GOOGLE INC.'S OPPOSITION TO DEFENDANT NETLIST INC.'S MOTION FOR LEAVE TO AMEND INFRINGEMENT CONTENTIONS (PATENT L.R. 3-1 AND 3-6)

MEMORANDUM OF POINT AND AUTHORITIES

I. INTRODUCTION

Days before the close of fact discovery, Netlist, Inc. ("Netlist") served amended infringement contentions seeking to *quadruple* the number of patent claims it asserts against Google Inc. ("Google"). Netlist's attempt to expand the instant case at this late hour is particularly egregious in light of its access to relevant facts that have been available to it for months, if not years—through Google's document production in early 2009, through publicly available information in existence at the outset of this action, and even through Netlist's own actual knowledge of relevant events as of 2007. Netlist's lack of diligence precludes a showing of good cause and therefore warrants denial of its motion. Moreover, the addition now of six new claims would itself drastically expand the case and would prejudice Google. Netlist's delay until the close of fact discovery compounds that prejudice by preventing Google from developing an invalidity case with respect to these new claims. At bottom, this is precisely the type of "shifting sands" approach to infringement contentions that this Court's Patent Local Rules are designed to avoid. *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1364 (Fed. Cir. 2006) (quoting *Atmel Corp. v. Info. Storage Devices, Inc.*, No. C 95-1987 FMS, 1998 WL 775115, at *2 (N.D. Cal. 1998)).

II. STATEMENT OF RELEVANT FACTS

Netlist filed its "Amended Disclosure of Asserted Claims and Preliminary Infringement Contentions (Patent L.R. 3-1 and 3.2)" ("PICs") in April 2009. At that time, Netlist asserted claims 1 and 11. The parties completed claim construction briefing for the disputed terms of those two claims on September 22, 2009, and this Court issued its *Markman* order on November 12, 2009. Netlist served its Second Amended Infringement Contentions on March 18, 2010. Google has objected to Netlist's tardy amendment of its contentions.

Netlist focuses its motion largely on the supposed discovery of new evidence regarding Advanced Memory Buffers ("AMBs"), which Netlist accuses as the "logic element" component.

Netlist Br. at 6. Netlist, however, has had detailed knowledge of AMBs for years. Netlist participated in the standard-setting process for the component, which was led by Intel, [redacted] Netlist also [redacted] has had access to publicly available information on the subject. [redacted] In addition, Intel originally propounded the (publicly available) standard for 4-rank AMBs and developed the logic for the AMBs during a standard-setting process in which Netlist was an active participant. [redacted]

In contrast to Netlist's detailed knowledge of AMBs, Google, as an acquirer of 4-Rank FBDIMMs and the AMBs they include, has only limited knowledge of the products. For example, it is undisputed that Google does not manufacture AMBs. Rather, AMBs are made by component manufacturers such as IDT and NEC. Netlist waited until just recently to subpoena these manufacturers. (Ex. 5, Netlist's Amended Notice of Subpoena to IDT dated March 15, 2010; Ex. 6, Netlist's Amended Notice of Subpoena to NEC Electronics dated March 8, 2010). And Netlist has not subpoenaed or sought any discovery from Intel, despite Intel's foundational role in the standard-setting process for the 4-Rank FBDIMM standard at the heart of this action.

Google has been forthcoming about its limited knowledge and understanding of the accused 4-Rank FBDIMM products. Moreover, between May and July of 2009, Google produced

[1] All references to "Ex. _" refer to Exhibits to the Declaration of Allison Altersohn filed concurrently herewith.

hundreds of thousands of documents, including technical documents directly relevant to Netlist's present motion. (Ex. 7, letters confirming production of GNET000001-002313 dated April 13, 2009 (7A); production of GNET002314-046640 dated May 14, 2009 (7B); production of GNET046641-258308 dated June 10, 2009 (7C), and production of GNET258309-273742 dated July 16, 2009) (7D)). [redacted] The documents also included identifications of IDT and NEC as suppliers of AMBs. [redacted] In keeping with its ongoing duty and in response to specific document requests made by Netlist in December 2009, Google produced additional documents in February and March of 2010, but those documents do not relate to the technical operation of AMBs.

III. ARGUMENT

This Court's Patent Local Rules "are designed to require parties to crystallize their theories of the case early in the litigation and to adhere to those theories once they have been disclosed." *CBS Interactive, Inc. v. Etilize, Inc.*, 257 F.R.D. 195, 201 (N.D. Cal. 2009) (citation and quotation marks omitted). A party may amend its infringement contentions "only by order of the Court upon a timely showing of good cause." Patent L.R. 3-6. Good cause exists only if the moving party has been diligent and the non-moving party is not unduly prejudiced. *Id.*; *see also CBS Interactive*, 257 F.R.D. at 201. The party seeking to amend its infringement contentions bears the burden of establishing its diligence. *CBS Interactive*, 257 F.R.D. at 201.

A. Netlist Has Failed To Demonstrate Good Cause For Amending Its Disclosure Of Asserted Claims

Netlist has not carried its burden to establish the requisite diligence for amending its infringement contentions. Netlist had at least nine months, beginning from the CMC on January

28, 2009 and including at least two months after production of Google's technical documents, to take third-party discovery and to depose Google's technical staff in advance of the *Markman* hearing. (*See* Ex. 7 (showing Ex. 8 and Ex. 9 were produced no later than June 10, 2009)). In other words, Netlist had information related to these claims "months before it filed its current motion." *Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd.*, No. C 08-04567 CW, 2009 WL 3353306, at *2 (N.D. Cal. Oct. 16, 2009). In fact, Google's sizeable document production, which Netlist admits included "hundreds of thousands of pages," (Netlist Br. at 4), occurred mainly between May and July of 2009. (Ex. 7). If Netlist ever had a basis to amend its infringement contentions, the appropriate time was then. The production was certainly not so large as to preclude review in a reasonable period of time. By waiting essentially until the close of discovery, Netlist did not act diligently and therefore has not shown good cause to amend its infringement contentions to add six new claims. *See Monolithic Power Sys.*, 2009 WL 3353306, at *2.

Netlist primarily seeks to justify its late motion by attempting to shift the responsibility for its delay to Google. But it was Netlist that waited until after the Court had issued its Order on Claim Construction to even begin pursuing in earnest the deposition testimony it now seeks to rely on. Tellingly, Netlist gives no reason for this delay.

Instead, Netlist points to Google's responses to discovery requests in which Google stated that it lacked sufficient knowledge to respond. Netlist Br. at 4. But Google's lack of knowledge undermines rather than advances Netlist's position. Google had (and continues to have) insufficient knowledge because it neither designed nor manufactured the components at issue—the AMBs, which are being accused as the "logic element" of the asserted claims. [redacted] Netlist had every reason and opportunity to seek discovery from these third parties earlier in the case, and it certainly had no reason to wait until after the Court's *Markman* order to take third party discovery or to pursue in earnest the deposition of Mr. Sprinkle.

Netlist simply cannot make a credible case of diligence here. All of the dependent claims Netlist now seeks to add relate to the "logic element"—and thus *to AMBs*—and information that Netlist was aware of well before this lawsuit was filed. Netlist could have conducted third-party discovery, on precisely the issues that Netlist now claims are "newly discovered," months ago and even in advance of the *Markman* hearing. Well before this litigation began, Intel propounded the (publicly available) standard for 4-rank AMBs and developed the logic for the AMBs during a standard-setting process in which Netlist was an active participant. [redacted] Netlist plainly knew that Intel played a central role in the creation of the specification for AMBs it is now accusing. [redacted] Based on its intimate pre-litigation knowledge, Netlist could have subpoenaed Intel at any point during this litigation. Yet, surprisingly, Netlist did not timely seek discovery of Intel and, to this day, still has not sought discovery from Intel.

[redacted]

[redacted]

[redacted] Yet Netlist waited until the 11th hour to subpoena IDT and NEC, another AMB manufacturer. (Ex. 5, Netlist's Amended Notice of Subpoena to IDT dated March 15, 2010; Ex. 6, Netlist's Amended Notice of Subpoena to NEC Electronics dated March 8, 2010).

The failure to pursue timely discovery either from the AMB suppliers it was well aware of, or from Intel, who originated the technology in the AMB, or from Google, cannot be considered diligent. Netlist's glaring lack of diligence is fatal to its attempt to add claims at the close of fact discovery. *See Network Appliance Inc. v. Sun Microsystems Inc.*, Nos. C-07-06053 EDL, C-07-05488 EDL, 2009 WL 2761924, at *3 (N.D. Cal. Aug. 31, 2009) (denying amendment of contentions where patentee knew of necessary third-party discovery "from the beginning of its case" but waited to pursue discovery).

[redacted]

Netlist suggests that its delay may be reasonable in part because it replaced its litigation counsel during the course of this case. However, Netlist's retention of new counsel during this litigation does not eliminate its obligation to act diligently. *Cf. Berger v. Rossignol Ski Co.*, No. C 05-02523 CRB, 2006 WL 1095914, at *4 (N.D. Cal. Apr. 25, 2006) (finding that "the addition of co-counsel is not good cause"). Moreover, as Netlist notes, its present counsel assumed responsibilities in this case *prior* to claim construction briefing. Netlist Br. at 4. In fact, Netlist admitted in its motion that it had access to relevant Google documents prior to Netlist's counsel appearing in this case, which occurred on July 27, 2009. Netlist Brief at 4. Thus, Netlist and its new counsel had no reasonable basis for waiting to amend its infringement contentions until the close of fact discovery.

Netlist's failure to pursue discovery diligently weighs strongly against a finding of good cause and, thus, is alone sufficient to deny the motion at issue.

B. Adding Six New Claims Would Severely Prejudice Google

Netlist's present motion would cause undue prejudice to Google. Netlist seeks to introduce *six* new claims into a lawsuit in which it had previously asserted only *two* claims. The proposed expansion—quadrupling the number of claims at issue—would require extensive additional discovery and a new round of claim construction briefing. Moreover, Netlist's delay in asserting these claims has prevented Google from even attempting to develop an invalidity defense with respect to these claims.

First, Google bears the burden with respect to issues of invalidity. By waiting until the close of fact discovery to raise this issue, Netlist has effectively foreclosed any realistic chance for Google to search for relevant prior art and, hence, to develop an invalidity defense with respect to six new claims. As a result, Netlist's motion would require a significant extension of fact discovery and a great deal of additional expense to Google "to redo its prior art search with the various dependent claims in mind." *See Comcast Cable Comm'ns Corp. v. Finisar Corp.*, No. C 06-04206 WHA, 2007 WL 716131, at *1 (N.D. Cal. 2007). The introduction of six additional

claims would also require extensive new discovery on a host of other areas as well. Until now, Google has not had any reason to pursue discovery regarding Netlist's alleged invention, conception, and reduction to practice of the subject matter in these previously unasserted claims. Nor has Google had discovery regarding the adequacy of Netlist's disclosures relative to its duties of candor and disclosure under the Rules of Practice in Patent Cases, 37 C.F.R. 1.56. Moreover, at the very least, Google would require discovery regarding Netlist's practice of its own patents and the way it reads its own claim language for purposes of claim construction, infringement and damages, and regarding invalidity based on prior art. Motions for leave to amend have been and are properly denied in cases where fact discovery is closed, or even where only a few months of discovery still remained. *See Sun Microsystems, Inc. v. Network Appliance, Inc.*, No. C-07-05488 EDL, 2009 WL 508448, at *1 (N.D. Cal. Feb. 27, 2009) (finding prejudicial delay where "only two months remain[ed] for discovery").

Second, it would be highly prejudicial to introduce six new claims four months after this Court's *Markman* order and nearly a year after the parties exchanged disputed claim terms. Each of the new claims raises distinct claim construction issues that would require a new round of briefing, to be followed by an extended period of discovery—imposing upon Google additional delay, attorney time and fees, and potentially expert fees. Without waiving any issue as to the construction of these claims, Google notes that, at the very least, the terms "application-specific integrated circuit" and "custom-designed semiconductor device" require construction in claims 5 and 7, respectively. Not only is the scope of these terms subject to interpretation, but neither claim makes clear whether the "application specific circuit" or the "custom-designed semiconductor device" plays any role in carrying out functionality recited for the logic element of claim 1. In fact, both claims are silent on this point. Similar issues exist for the other claims Netlist now seeks to inject into this case. These claim construction issues, alone, establish the prejudice of quadrupling the number of asserted claims at this late date. Where the case has progressed past claim construction briefing, past issuance of a *Markman* order, to the close of fact

discovery, denial of leave to amend is in order. *Id.*

IV. CONCLUSION

Netlist's proposed addition of six claims would drastically alter the scope of this lawsuit, in which fact discovery is now closed. Netlist has not shown good cause to add these claims and, in fact, it did not diligently pursue its present claims. Moreover, Google would suffer undue prejudice upon the introduction of these claims because it has not had any opportunity to develop invalidity positions or pursue fact discovery of Netlist bearing on validity and enforceability of those claims. Google also submits that Netlist's motion can be denied on the briefs and that no hearing is necessary. Accordingly, Google respectfully requests that the Court deny Netlist's motion for leave to amend its infringement contentions to assert six additional claims at this late date.

DATED: April 13, 2010

KING & SPALDING LLP

By: /s/ *Scott T. Weingaertner*
Scott T. Weingaertner (*pro hac vice*)

Attorneys for Plaintiff
GOOGLE INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Redacted Copy of Plaintiff Google Inc.'s Opposition to Defendant Netlist Inc.'s Motion for Leave to Amend Infringement Contentions (Patent L.R. 3-1 and 3-6 is being served by electronic mail upon the following counsel of record on this 13th day of April, 2010.

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