1   IN THE UNITED STATES DISTRICT COURT

2   FOR THE NORTHERN DISTRICT OF CALIFORNIA

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4   U.S. ETHERNET INNOVATIONS, LLC,   No. C 10-3724 CW

5   Plaintiff,   ORDER GRANTING
                                             MOTION FOR LEAVE
6   v.   TO AMEND (Docket
                                             No. 853)
7   ACER, Inc., et al.,

8   Defendants.
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11   Plaintiff U.S. Ethernet Innovations, LLC (USEI) moves for

12 leave to amend its infringement contentions. Docket No. 853.

13 Intervenor Defendant Intel opposes USEI's motion. Having

14 considered the papers submitted by the parties, the Court GRANTS

15 USEI's motion for leave to amend.

16   BACKGROUND

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18   USEI owns United States Patent Nos. 5,307,459 (the '459

19 patent), 5,434,872 (the '872 patent), 5,732,094 (the '094 patent),

20 and 5,299,313 (the '313 patent). USEI filed this patent

21 infringement suit on October 9, 2009. Docket No. 1. On January

22 29, 2010, on behalf of Defendants who are its customers, Defendant

23 Intervenor Intel filed its motion to intervene. Docket No. 107.

24   On September 9, 2013, USEI moved to amend its infringement

25 contentions to drop a total of nineteen claims and add three

26 claims. First, regarding the '094 patent, USEI proposes to add

27 Claims 47 and 51 and drop eleven claims (Claims 1, 2, 3, 4, 5, 7,

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39, 40, 41, 43, and 54). Second, regarding the '459 patent, USEI

proposes to add Claim 15 and drop eight claims (Claims 22, 24, 25,

26, 27, 31, 32, and 34). Pl's Reply at 1.

USEI alleges that it has sought the technical information

that forms the basis of its amendments since July 2010, but that

it did not receive relevant technical documents until recently.

USEI notes that this Court did not open discovery until January

17, 2013, and as a consequence, Intel did not produce documents

until March 11, 2013 and its source code until April 12, 2013.

Id. USEI further asserts Intel has yet to complete production of

relevant technical information, including relevant source code.

Id. Intel responds that USEI bases its amendments on information

it has possessed since March 2010. Defs.' Opp at 3. Intel

asserts that USEI failed to investigate its own information and

thus has not met its burden of showing that it has acted

diligently. Id. at 9.

DISCUSSION

A party may amend its infringement contentions upon a showing

of good cause and by order of the Court. Patent L.R. 3-6.

Examples of good cause include

> (a) a claim construction by the Court different
> from that proposed by the party seeking amendment;
> (b) recent discovery of material, prior art despite
> earlier diligent search; and (c) recent discovery
> of nonpublic information about the Accused
> Instrumentality which was not discovered, despite
> diligent efforts, before the service of the
> Infringement Contentions.

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Patent L.R. 3-6. Good cause requires a showing of diligence. The

burden is on the party seeking to amend its contentions "to

establish diligence rather than on the opposing party to establish

a lack of diligence." O2 Micro Int'l, Ltd. v. Monolithic Power

Sys., Inc., 467 F.3d 1355, 1359 (Fed. Cir. 2006). Patent L.R. 3-6

"serves to balance the parties' rights to develop new information

in discovery along with the need for certainty in legal theories

at the start of the case." Apple, Inc. v. Samsung Elecs. Co.,

Ltd., 2012 WL 5632618, at *2 (N.D. Cal. 2012) (citing O2 Micro

Int'l Ltd., 467 F.3d at 1365-66))

The good cause inquiry considers first whether "the party

seeking leave to amend acted with diligence in promptly moving to

amend when new evidence [was] released." O2 Micro, 467 F.3d at

1363. "In considering the party's diligence, the critical

question is whether the party 'could have discovered [the new

information] earlier had it acted with the requisite diligence.'"

Apple, 2012 WL 5632618, at *6 (citing Google, Inc. v. Netlist,

2010 WL 1838693, at *2 (N.D. Cal.)). The burden is on the moving

party to show diligence. Id. The court should then consider

prejudice to the non-moving party. If the court finds that the

moving party was not diligent in amending its infringement

contentions, it does not need to consider the question of

prejudice to the non-moving party. See O2 Micro, 467 F.3d at 1368

(affirming the district court's decision refusing leave to amend

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upon finding the moving party was not diligent, without

considering the question of prejudice to the non-moving party).

Even if the movant was arguably not diligent, the court retains

discretion to grant leave to amend. Apple, 2012 WL 5632618, at *6

(granting leave to amend infringement contentions, even though

court found plaintiff failed to establish diligence, because of

lack of prejudice to defendant).

A. '094 Patent, Claims 47 and 51

USEI asserts that it discovered during its initial review of

Intel's source code on or around May 29, 2013 that Intel

programmed its driver software to optimize automatically the

transmit threshold value of the "early transmit" feature. Pl's

Reply at 4. USEI proposes adding: 1) dependent Claim 51 ("the

step of altering the threshold value . . . using a driver in the

host system to process status information, and in response write a

new threshold value in [the] register"), and 2) the claim on which

it depends, Claim 47. Id. at 4-5. Intel responds that USEI

should have known about the transmit threshold optimization

feature, as well as the fact that the gigabit products contain the

accused early transmit feature. Id. at 7-9. As evidence, Intel

points to the fact that its "Gigabit Ethernet Controller Software

Developer's Manual" and driver configuration window are publicly

available. Id. at 5.

Here, USEI has demonstrated diligence in proposing the

amended charges. USEI adequately alleges that it did not obtain

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the driver source code until May 29, 2013, and therefore could not

have known whether the driver software manipulated the transmit

threshold. Pl's Reply at 5. USEI also responds plausibly that

the content of the publicly available manual, on its own, could

not have provided the information it needed. As USEI points out,

the "Gigabit Ethernet Controller Software Developer's Manual" does

not mention the "ETT.Txthreshold" value other than a description

of the "Transmit Underrun" status field of a descriptor. Pl's

Reply at 7. In contrast, the documents that Intel produced during

discovery "discuss in great detail" the ETT, including "the

description and address location of the ETT register in hardware,

the number of bits assigned to the TxThreshold portion of the ETT

register, and a detailed explanation of the register's use by the

system." Id. It is also plausible that USEI only learned that

Intel's gigabit products contain the "early transmit" feature

covered by the '094 patent upon its recent deposition of Intel.

Id. at 6. Finally, contrary to Intel's charge that USEI should

have known of the transmit threshold optimization feature, USEI

asserts plausibly that the driver configuration window

demonstrates the easy manipulability of Intel's transmit threshold

setting. Pl's Reply at 5-6.

The proposed additions of Claims 47 and 51 also will not

prejudice Defendants. These proposed changes do not add new

infringement theories. The additional claim element of driver

software mirrors previous claims and will not significantly affect claim construction.

B. '459 Patent, Claim 15

USEI seeks to add Claim 15 of the '459 patent. USEI's proposed amendment asserts that the accused instrumentalities include the apparatus of Claim 7, wherein the threshold value is a length-left threshold value. Gann Dec., Ex. C and D. USEI claims that it was diligent because it discovered Intel's infringement of Claim 15 only after analyzing confidential technical information made available by Intel. Pl's Mot. at 8-9. Intel responds that "the information USEI now cites in its proposed new infringement contentions for Claim 15 appears verbatim in its March 5, 2010 infringement contentions." Defs.' Opp. at 3-4.

Here, Intel is probably correct that USEI was not diligent in proposing its amendment sooner. As Intel notes, the 8255x Open Source Software Developers Manual was publicly available on its website for years and cited by USEI in its Infringement Contentions in 2010. Id. USEI's responses are unconvincing. USEI states vaguely, "While certain technical documents provided a general description of Intel's 'early receive interrupt' feature, further details were needed as to the functionality of that feature as it relates to Claim 15[.]" Pl's Reply at 8. USEI does not state what those details might be. Instead, USEI argues that it was not until USEI's deposition of Intel on June 7, 2013 that it learned "some of the accused products employ this

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implementation." Id. USEI does not respond to Intel's charge that the feature was publicly available on Intel's website, nor explain why it failed to propose the changes earlier.

Although USEI could have proposed changes earlier, the Court has discretion to consider whether Defendant will suffer prejudice. See Apple, 2012 WL 5632618, at *6 (granting leave to amend infringement contentions, even though court found plaintiff failed to establish diligence, because of lack of prejudice to defendant). Here, given that there is still sufficient time left on the pretrial clock, and that Claim 15 mirrors claims that have already been the subject of claim construction proceedings, it seems unlikely that the proposed amendment will cause prejudice to Defendant.

<div align="center">CONCLUSION</div>

For the reasons set forth above, this Court GRANTS USEI's motion for leave to amend its infringement contentions. USEI shall file its amended infringement contentions forthwith.

This order terminates Docket No. 853.

IT IS SO ORDERED.

Dated: 10/11/2013

CLAUDIA WILKEN
United States District Judge