

United States District Court
Northern District of California

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

NETLIST, INC.,
Plaintiff,
v.
SMART STORAGE SYSTEMS INC, et al.,
Defendants.

Case No. [13-cv-05889-YGR](#) (JSC)

**ORDER DENYING DEFENDANT
DIABLO TECHNOLOGIES, INC.'S
MOTION TO STRIKE INFRINGEMENT
CONTENTIONS**

Re: Dkt. No. 149

Plaintiff Netlist, Inc. (“Netlist”) sues Defendant Diablo Technologies, Inc. (“Diablo”), among others, for infringement of seven patents. Diablo now moves to strike Netlist’s infringement contentions (“contentions”) on the ground that they are insufficient under Patent Local Rule 3-1. (Dkt. No. 149.) The Diablo product at issue is the ULLtraDIMM, which Diablo contends does not exist beyond a prototype. The ULLtraDIMM is a module for increasing memory in computer servers.

After carefully considering the filings in this case, and having had the benefit of oral argument on March 27, 2014, the Court DENIES the motion. Netlist has satisfied Rule 3-1’s requirement to give Diablo notice of its infringement allegations and why it believes it has a reasonable chance to prove infringement; whether Diablo has actually offered to sell an allegedly infringing device is not at issue in connection with Rule 3-1.

LEGAL STANDARD

Local Rule 3–1 requires, in pertinent part:

[A] party claiming patent infringement shall serve on all parties a ‘Disclosure of Asserted Claims and Infringement Contentions’ . . . [which] shall contain the following information:

- (a) Each claim of each patent in suit that is allegedly infringed by

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each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. § 271 asserted;

(b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality (“Accused Instrumentality”) of each opposing party of which the party is aware. This identification shall be as specific as possible. Each product, device, and apparatus shall be identified by name or model number, if known. Each method or process shall be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process;

(c) A chart identifying specifically where each limitation of each asserted claim is found within each Accused Instrumentality, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function.

(d) For each claim which is alleged to have been indirectly infringed, an identification of any direct infringement and a description of the acts of the alleged indirect infringer that contribute to or are inducing that direct infringement. Insofar as alleged direct infringement is based on joint acts of multiple parties, the role of each such party in the direct infringement must be described.

(e) Whether each limitation of each asserted claim is alleged to be literally present or present under the doctrine of equivalents in the Accused Instrumentality

“The overriding principle of the Patent Local Rules is that they are designed [to] make the parties more efficient, to streamline the litigation process, and to articulate with specificity the claims and theory of a plaintiff’s infringement claims.” *Bender v. Maxim Integrated Prods., Inc.*, 2010 WL 1135762, at *2 (N.D. Cal. Mar. 22, 2010) (alteration in original) (internal citation omitted). Patent L.R. 3-1 is a discovery device that “takes the place of a series of interrogatories that defendants would likely have propounded had the patent local rules not provided for streamlined discovery.” *Network Caching Tech., LLC v. Novell, Inc.*, 2002 WL 32126128, at *4 (N.D. Cal. Aug. 13, 2002); see *Bender*, 2010 WL 1135762, at *2. The rule is also intended to require the party claiming infringement “to crystallize its theories of the case early in the litigation and to adhere to those theories once disclosed.” *Bender v. Advanced Micro Devices, Inc.*, 2010 WL 363341, at *1 (N.D. Cal. Feb. 1, 2010). That party is required to include in its infringement contentions all facts known to it, including those discovered in its pre-filing inquiry. See

1 Renesas Tech. Corp. v. Nanya Tech. Corp., 2004 WL 2600466, at *2 (N.D. Cal. Nov. 10, 2004).

2 “[A]ll courts agree that the degree of specificity under Local Rule 3–1 must be sufficient
3 to provide reasonable notice to the defendant why the plaintiff believes it has a ‘reasonable
4 chance of proving infringement.’” *Shared Memory Graphics LLC v. Apple, Inc.*, 812 F. Supp. 2d
5 1022, 1025 (N.D. Cal. 2010) (quoting *View Eng’g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d
6 981, 986 (Fed. Cir. 2000)). While the patent rules do not “require the disclosure of specific
7 evidence nor do they require a plaintiff to prove its infringement case, . . . a patentee must
8 nevertheless disclose what in each accused instrumentality it contends practices each and every
9 limitation of each asserted claim to the extent appropriate information is reasonably available to
10 it.” *DCG Sys. v. Checkpoint Techs., LLC*, 2012 WL 1309161, at *2 (N.D. Cal. Apr. 16, 2012)
11 (internal quotation marks omitted); see also *Shared Memory*, 812 F. Supp. 2d at 1025 (stating
12 that patent holder “must map specific elements of Defendants’ alleged infringing products onto
13 the Plaintiff’s claim construction”).

14 **DISCUSSION**

15 Diablo asserts that Netlist’s contentions fail to map each asserted claim element to the
16 accused product because “(1) Netlist fails to locate each asserted claim element on the integrated
17 circuit of the accused ULLtraDIMM; (2) Netlist improperly compares its asserted claims to
18 unrelated patent applications and self-created (and serving) diagrams drafted by Netlist that have
19 no connection to the accused product; (3) the accused ULLtraDIMM was not commercially
20 available when Netlist prepared its Infringement Contentions; and (4) Netlist relies improperly on
21 conclusory allegations that ‘discovery is likely to show’ for over 50 claim elements of the asserted
22 patent claims.” (Dkt. No. 166 at 2.) Diablo further asserts that the contentions should be stricken
23 because Netlist did not make a reasonable pre-filing inquiry, as required by Federal Rule of Civil
24 Procedure 11.

25 Diablo’s briefs, and assertions at the motion hearing, focus on Diablo’s representation that
26 the accused product does not actually exist; there is only a prototype. Diablo argues that Netlist’s
27 contentions thus cannot meet Rule 3-1’s requirements because the non-existent ULLtraDIMM is
28 not on the market. The Court is not persuaded. Diablo’s argument is premised, at least in part, on

1 the belief that reverse engineering of the accused product is required to make an adequate
2 comparison under Rule 3-1 of the product and the patent claims. (See Dkt. No. 166 at 4 (citing
3 Bender, 2010 WL 1135762, at *2).) Not so. Rule 3-1 “does not require Plaintiff to reverse
4 engineer every product it has accused, especially where the products are not reasonably available
5 to the public.” SAGE Electrochromics Inc. v. View Inc., 2013 WL 4777164, at *2 (N.D. Cal. Sept.
6 6, 2013) (emphasis added); see also France Telecom, S.A. v. Marvell Semiconductor, Inc., 2013
7 WL 1878912, at *3 (N.D. Cal. May 3, 2013) (“Rule [3-1] does not require France Telecom to
8 reverse engineer every product it has accused.”); Bender v. Maxim Integrated Prods., Inc., 2010
9 WL 2991257, at *5 (N.D. Cal. July 29, 2010) (“Cases in which reverse engineering was not
10 required, [] have tended to involve situations in which analyzing the accused product was either
11 impracticable or unnecessary to create a basis for adequate ICs.”). Diablo does not contend that
12 the ULLtraDIMM is “reasonably available” to Netlist; in fact, Diablo asserts just the opposite.
13 Thus, Netlist was not required to do the impossible and reverse engineer the ULLtraDIMM. See
14 SAGE Electrochromics, 2013 WL 4777164, at *3 (rejecting defendant’s contention that reverse
15 engineering was required of an unavailable product, stating, “as SAGE’s preparation of its ICs was
16 restricted by the fact that it did not have reasonable access to View’s products, SAGE
17 appropriately relied on the information known to it through publicly available materials in
18 formulating its ICs”).

19 Further, Diablo’s proposed rule regarding reverse engineering is contrary to 35 U.S.C. §
20 271, which does not require that the infringing product be “commercially available.” See 35
21 U.S.C. § 271(a) (“[W]hoever without authority makes, uses, offers to sell, or sells any patented
22 invention, within the United States or imports into the United States any patented invention during
23 the term of the patent therefor, infringes the patent.”). If Diablo believes that it has not violated
24 Section 271(a) because the product does not exist and therefore has not been offered for sale (a
25 belief Netlist contests), the proper vehicle for disposition is a motion to dismiss or a motion for
26 summary judgment, not a discovery motion under Rule 3-1.

27 Diablo emphasized at the hearing that, even if reverse engineering is not required, Netlist
28 cannot simply “guess” that there is infringement; rather, to satisfy Rule 3-1, Netlist would need to

1 obtain some source of information that effectively replaces the product itself in terms of providing
2 a reasonable basis for the contentions. While Diablo acknowledges that Netlist has provided some
3 sources of information—namely, patent applications and diagrams—Diablo asserts that these
4 sources are improper because Netlist has not “establish[ed]” that the patent applications and
5 diagrams are related to the accused ULLtraDIMM. (Dkt. No. 149 at 6-9.)

6 Rule 3-1 does not, “as is sometimes misunderstood, require the disclosure of specific
7 evidence nor do[es it] require a plaintiff to prove its infringement case.” DCG Sys., 2012 WL
8 1309161, at *2 (internal quotation marks omitted). Netlist need not disclose specific evidence, let
9 alone “establish” that the patent applications and diagrams are representative of the
10 ULLtraDIMM, to satisfy Rule 3-1. To be sure, there may be implicit in Rule 3-1 a requirement
11 that the contentions be reasonable (otherwise a plaintiff could obtain discovery of a competitor’s
12 product by making wholly frivolous allegations). See Shared Memory, 812 F. Supp. 2d at 1025
13 (noting that the patentee must reveal its theory of infringement and “provide reasonable notice” to
14 the alleged infringer why the patentee believes it has a “reasonable chance of proving
15 infringement” (internal quotation marks omitted)). Netlist’s contentions, however, satisfy such a
16 requirement. In support of its contentions, Netlist uses public statements and photographs found
17 in the public domain about ULLtraDIMM; patent applications that Netlist alleges relate to the
18 accused product; and information Netlist believes to be true based on Netlist’s own familiarity
19 with the technology and Netlist’s prior associations with Diablo. Diablo provides no non-
20 conclusory argument as to why the above sources do not support the reasonableness of the
21 contentions.¹ Diablo does not contend that it is unaware of Netlist’s theory of infringement. Its
22 insistence that Netlist must “establish” the sufficiency of the evidence underlying its contentions
23 imposes a requirement of proof that is absent from Rule 3-1.

24 Along those same lines, Diablo also argues that the contentions are merely guesswork, and

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26 ¹ Diablo’s citation to Zenith Labs., Inc. v. Bristol-Myers Squibb Co. is inapposite since Netlist is
27 not substituting its product for the claims in the patents. 19 F.3d 1418, 1423 (Fed. Cir. 1994)
28 (reviewing the district court’s grant of summary judgment and holding that “it is error for a court
to compare in its infringement analysis the accused product or process with the patentee’s
commercial embodiment or other version of the product or process; the only proper comparison is
with the claims of the patent”).

1 thus violate Rule 3-1, because for dozens of the claims Netlist alleges that “discovery will likely
2 show” that the ULLtraDIMM infringes the patents, without identifying “specifically where each
3 limitation of each asserted claim is found within each Accused Instrumentality.” N.D. Cal. Patent
4 L.R. 3-1(c). Again, the Court is not persuaded. As noted above, the degree of specificity required
5 under Rule 3-1 depends on the information reasonably available to the patentee. See DCG Sys.,
6 2012 WL 1309161, at *2 (“[A] patentee must [] disclose what in each accused instrumentality it
7 contends practices each and every limitation of each asserted claim to the extent appropriate
8 information is reasonably available to it.”) (emphasis added). Contrary to Diablo’s assertion,
9 there is no per se rule that prohibits a patentee from using phrases such as “discovery will likely
10 show,” especially where detailed product information, and the accused product itself, are not
11 reasonably available to the patentee. Diablo does not contend that information is reasonably
12 available to Netlist such that Netlist’s use of the phrase “discovery will likely show” is rendered
13 insufficiently specific. Thus, the Court cannot conclude that the use of the phrase “discovery will
14 likely show” for some of the claim limitations violates Rule 3-1. In other words, while certain
15 aspects of the contentions may be based on speculation (because the information that would make
16 them non-speculative is unavailable), that speculation is not unreasonable in light of the
17 information available to Netlist.

18 Diablo’s cited authority is not to the contrary. The court in Shared Memory concluded that
19 some of the patentee’s contentions were insufficient under Rule 3-1 because they were vague and
20 conclusory, and therefore “[f]ell short of the level of specificity required by Local Rule 3–1.” 812
21 F. Supp. 2d at 1026 (“Rather than provide a meaningful description of its theories, SMG’s vague
22 contentions and conclusory statements invite Defendants and the Court merely to assume the
23 presence of a data distribution bus.”). However, the patentee in Shared Memory possessed the
24 accused products and had even reverse engineered them. The same is true in Bender, where the
25 court concluded that the patentee’s contentions regarding publicly available accused products did
26 not satisfy Rule 3-1 because, “[w]hile plaintiff’s [contentions] may not be untrue, they are based
27 on assumptions.” 2010 WL 1135762, at *2. Given the information available to the patentees in
28 Shared Memory and Bender, it was possible for them to provide more specific contentions. As

1 already discussed above, the same cannot be said here where it is undisputed that the accused
2 product is not available to the plaintiff (at least as of the time of the motion hearing). In addition,
3 while the court in *Theranos, Inc. v. Fuisz Pharma LLC* concluded that contentions based on
4 “information and belief” were not “as specific as possible”—even though only minimal
5 information about the accused products was available—the *Theranos* court did not identify what
6 more was possible. 2012 WL 6000798, at *5 (N.D. Cal. Nov. 30, 2012). Thus, *Theranos* is of
7 little help in determining what more Netlist should be expected to do in this case given the
8 unavailability of the accused product itself, as well as the undisputedly minimal publicly available
9 information about the product.

10 Diablo’s additional basis for striking the contentions—that they fail to identify “the
11 circuit” in the ULLtraDIMM that applies to each claim element—is likewise unpersuasive. (Dkt.
12 No. 149 at 5-6.) Rather than cite to a particular claim element that it believes is insufficiently
13 linked to the accused product, Diablo merely cites to the entire contentions and asserts that “[a]
14 review” of the contentions “confirms” that not every claim element is mapped on to the accused
15 product. (Id. at 6.) Because Diablo fails to identify the particular contentions it asserts are
16 inadequate, the Court denies the motion on this basis.

17 Finally, Diablo’s arguments regarding Netlist’s failure to comply with Rule 11 are
18 irrelevant as “a plaintiff may satisfy its obligations under Rule 3-1 whether or not it conducted a[]
19 pre-filing investigation sufficient to comply with Rule 11.” *FusionArc, Inc. v. Solidus Networks,*
20 *Inc.*, 2007 WL 1052900, at *2 (N.D. Cal. April 5, 2007); see also *SAGE Electrochromics*, 2013
21 WL 4777164, at *3 (“[T]he merits of [a Rule 11] argument are not properly before the court at the
22 discovery stage of the proceedings.”). While some courts have blended Rule 3-1’s and Rule 11’s
23 requirements, see, e.g., *Network Caching*, 2002 WL 32126128, at *4, the Court agrees with the
24 reasoning in *Shared Memory* for avoiding such an analysis:

25 This Court is reluctant to assign a more substantive role to Rule 3–1
26 at least where, as here, discovery has been assigned to a Magistrate
27 Judge and bifurcated from substantive rulings of the assigned
28 District Judge. Under these circumstances, application of Rule 11
should be left to the assigned judge and not handle sub rosa via the
instant motion under Local Rule 3–1. Importantly, treating the
instant motion as a discovery dispute is consistent not only with

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Judge Seeborg’s ruling in FusionArc, it preserves the important function of ICs discussed above, thereby facilitating inter alia the maturation of substantive motions which might ensue. For instance, by compelling the plaintiff to crystallize its theory of infringement and flesh out all the facts that it has to supports its theories, ICs can lay the groundwork for a subsequent Rule 11 by exposing early on an inadequate pre-filing inquiry. Furthermore, by specifically identifying components and aspects of circuitry purporting to perform certain elements and limitations of the patent claims at issue, the ICs may lay the groundwork for an early motion for summary judgment and or claims construction as to a few select claims.

812 F. Supp. 2d at 1025.

CONCLUSION

For the reasons stated above, Diablo’s motion is DENIED.

This Order disposes of Docket No. 149.

IT IS SO ORDERED.

Dated: April 1, 2014



JACQUELINE SCOTT CORLEY
United States Magistrate Judge