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11 UNITED STATES DISTRICT COURT
 12 NORTHERN DISTRICT OF CALIFORNIA
 13 SAN JOSE DIVISION

14 DIGITAL ENVOY, INC.,
 15 Plaintiff/Counterdefendant,
 16 v.
 17 GOOGLE, INC.,
 18 Defendant/Counterclaimant.

Case No. C 04 01497 RS

Date: October 6, 2004
 Time: 9:30 a.m.

**NOTICE OF MOTION AND MOTION
 FOR LEAVE TO FILE AMENDED
 COMPLAINT AND RELIEF FROM CASE
 MANAGEMENT SCHEDULE;
 MEMORANDUM OF POINTS AND
 AUTHORITIES; DECLARATION OF
 BRIAN R. BLACKMAN; [PROPOSED]
 ORDER**

The Honorable Richard Seeborg

23 TO ALL PARTIES AND TO THEIR ATTORNEYS OF RECORD:

24 PLEASE TAKE NOTICE that on October 6, 2004 at 9:30 a.m. in Courtroom 4, Fifth Floor
 25 of the United States District Court for the Northern District of California, United States
 26 Courthouse, 280 South First Street, San Jose, California, plaintiff/counterdefendant Digital Envoy,
 27 Inc. ("Digital Envoy") shall move the court for an order granting leave to file its Amended
 28

1 Complaint pursuant to Fed. R. Civ. P. 15(a) and for relief from the Case Management Schedule to
2 allow the amendment pursuant to Local Rule 16-2(d).

3 Plaintiff seeks leave to file the proposed Amended Complaint attached to the Declaration
4 of Brian R. Blackman as Exhibit A.

5 This motion is based upon these moving papers, the Declaration of Brian R. Blackman, the
6 proposed Amended Complaint, the pleadings on file herein, matters of which the court may take
7 judicial notice, and upon such other and further oral and documentary argument and evidence as
8 the Court may permit at the hearing of this motion.

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10 DATED: August 27, 2004

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SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

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By _____ /s/

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P. CRAIG CARDON

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BRIAN R. BLACKMAN

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Attorneys for DIGITAL ENVOY, INC.

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1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTION**

3 Digital Envoy seeks leave to amend its complaint to add a claim, based on the same facts
4 as are already at issue, that defendant Google, Inc. ("Google") breached the parties' agreement and
5 to specifically allege California Business and Professions Code § 17200, *et seq.*, as part of its third
6 count for unfair competition. Digital Envoy also seeks relief from the Case Management Schedule
7 to allow the proposed amendment.

8 Digital Envoy should be allowed to file its proposed Amended Complaint because doing so
9 allows it to assert all claims arising out of the facts and because Google will suffer no prejudice
10 from the amendment. Google is already on notice of the breach of contract claim that is being
11 added in the Amended Complaint, as Google made a conscious decision not to pay the monthly
12 fee required by the parties' agreement and its amendments. Google only stopped paying after
13 Digital Envoy instituted its action in March 2004.

14 **II. FACTUAL STATEMENT**

15 In November 2000, Digital Envoy and Google entered into an agreement permitting
16 Google to use Digital Envoy's technology for limited uses. (See Digital Envoy's Counterclaim at
17 ¶ 2.) At the beginning of the business relationship, Google properly used the technology on its
18 search site. (*Id.*) Later, Google expanded its business model and began to use Digital Envoy's
19 technology outside the terms of the parties' agreement. (*Id.* at ¶ 3.)

20 On or about March 29, 2004, Digital Envoy filed a complaint against Google in the United
21 States District Court, Northern District of Georgia, Case No. 1:04-CV-0864, alleging
22 misappropriation of trade secrets, federal unfair competition, unfair competition under Georgia
23 law, common law unfair competition and common law unjust enrichment (the "Georgia Action").
24 On April 16, 2004, Google moved to dismiss or transfer the Georgia action to California based on
25 a venue provision in the parties' agreement.

26 That same day, Google filed its own complaint against Digital Envoy in the United States
27 District Court, Northern District of California, Case No. C 04-01497 RS, alleging breach of
28 contract and seeking declaratory relief (the "California Action"). On May 21, 2004, District Judge

1 Charles Pannell denied Google's motion to dismiss, but granted the motion to transfer the Georgia
2 Action to California. Instead of proceeding with two separate actions in the same court, Digital
3 Envoy and Google stipulated to realigning the parties so that Digital Envoy would be designated
4 "plaintiff/counterdefendant" and Google would be designated "defendant/counterclaimant" in the
5 California Action.

6 On August 8, 2004, Digital Envoy and Google filed their Joint Case Management
7 Conference Statement, which included a deadline of August 27, 2004 to amend pleadings and add
8 parties. On August 27, 2004, the Court issued the Case Management Schedule for this action,
9 which included the August 27th deadline for amending the pleadings.

10 The proposed Amended Complaint concisely sets forth plaintiff's claims. It adds a new
11 cause of action for breach of contract based on Google's failure and refusal to pay the amounts due
12 and owing under the agreement since this litigation was instituted. In addition, the Amended
13 Complaint specifically alleges California's Business & Profession Code § 17200, *et seq.*, as part of
14 its previously alleged third count for unfair competition. These new claims arise from the same
15 set of facts as are already at issue and are based on the same core allegations as Digital Envoy's
16 prior claims. Allowing Digital Envoy to file the proposed Amended Complaint merely allows it to
17 have all claims arising from the parties' agreement before the Court.

18 Digital Envoy's counsel contacted Google's counsel about stipulating to allow the filing of
19 the Amended Complaint, but the parties could not reach a final agreement. The parties are still in
20 the initial stages of discovery and no depositions have taken. The filing of the proposed Amended
21 Complaint would only require changing the deadline for amending pleadings from August 27,
22 2004 to November 15, 2004. The existing trial date of more than a year away and all other
23 deadlines would remain.

24 III. ARGUMENT

25 A. The Liberal Policy Of Permitting Amended Pleadings Requires That This Motion Be 26 Granted

27 Under Fed. R. Civ. P. 15(a), leave to amend "shall be freely given when justice so
28 requires." Leave to amend is thus appropriate unless Google shows it will suffer undue prejudice

1 or establishes bad faith or a dilatory motive on the part of the moving party. Foman v. Davis, 371
2 U.S. 178, 83 S.Ct. 227, 9 L.Ed.2d 222 (1962); Hurn v. Retirement Fund Trust, 648 F.2d 1252,
3 1254 (9th Cir. 1981) (overturning denial of leave sought two years after original pleading); Howey
4 v. United States, 481 F.2d 1187, 1190-91 (9th Cir. 1973) (delay of five years insufficient basis for
5 refusing amendment). This policy of liberal amendment recognizes that cases should be heard on
6 their merits. Freeman v. Continental Gem Co., 381 F.2d 459 (5th Cir. 1967).

7 The policy favoring amendment should be applied with “extreme liberality.” DCD
8 Programs, Ltd. v. Leighton, 833 F.2d 183, 186 (9th Cir. 1988) (overturning order denying leave to
9 amend after dismissal of third amended complaint and order denying leave to add a defendant).

10 Where there will be no prejudice to the other side, it is an abuse of discretion to deny leave
11 to amend based solely on delay in seeking the amendment. Hurn, supra, 648 F.2d at 1254 (“Delay
12 alone does not provide sufficient grounds for denying leave to amend.”). See also Bowles v.
13 Reade, 198 F.3d 752, 758 (9th Cir. 1999) (denial requires “contemporaneous specific finding of
14 prejudice to the opposing party, bad faith by the moving party, or futility of the amendment”).

15 No prejudice will inure to Google in allowing the proposed amendment. The amendments
16 are based upon the same or similar facts to those set forth in the prior pleading, and arise from
17 events of which Google is fully aware. Discovery is still in the initial stages with a cut-off date
18 more than eight (8) months away. The Case Management Schedule was only just issued and
19 granting leave will not require a change in the pretrial or trial schedule, except for changing the
20 last day to amend pleadings.

21 Moreover, the breach of contract claim, based upon the failure to make the required
22 monthly payments, did not arise until after Digital Envoy initiated the Georgia Action and filed its
23 counterclaims to Google's declaratory relief action. The unfair competition claim has always been
24 a part of Digital Envoy's claims against Google—Digital Envoy is now simply clarifying that it
25 seeks relief under either the California statute and/or the Georgia statute; the ultimate
26 determination of which will now and has always been based upon a choice of law analysis.
27 Hence, the proposed Amended Complaint is not offered to delay these proceedings or in bad faith.

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1 Under these circumstances, Google cannot claim it will be prejudiced by the amended complaint.
2 Digital Envoy should be allowed to file its amended pleading.

3 **B. Good Cause Exists to Alter the Case Management Schedule.**

4 Local Rule 16-2(d) authorizes a party to seek relief from the Case Management Schedule
5 by motion to the assigned Court. On August 27, 2004, the Court issued a Case Management
6 Schedule setting the last day to amend the pleading as that same day (this date was based on the
7 parties' proposed case schedule). This for the reasons outlined above, good cause exists to grant
8 relief from this deadline and change the last day to amend the pleadings to November 15, 2004
9 (forty (40) days after the motion is heard—twenty (20) days for Google to answer and twenty (20)
10 days to cover Google's right to amend its answer under Fed. R. Civ. P. 15(a)).

11 **IV. CONCLUSION**

12 Digital Envoy respectfully requests that it be granted leave to file its Amended Complaint
13 in this action.

14 DATED: August 27, 2004

15 SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

16
17 By _____ /s/
18 P. CRAIG CARDON
19 BRIAN R. BLACKMAN
20 Attorneys for DIGITAL ENVOY, INC.
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