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E-FILED 09-03-2010

NOT FOR CITATION
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

HALO ELECTRONICS, INC.,

No. C07-06222 RMW (HRL)

Plaintiff,

v.

**ORDER GRANTING DEFENDANTS'
MOTION FOR LEAVE TO AMEND
INVALIDITY CONTENTIONS**

BEL FUSE INC., E & E MAGNETIC
PRODUCTS LIMITED, ELEC & ELTEK
(USA) CORPORATION, WURTH
ELECTRONICS MIDCOM, INC., WURTH
ELEKTRONIK GMBH & CO. KG, and
XFMRS, INC.,

[Re: Docket No. 292]

Defendants.

Plaintiff Halo Electronics, Inc. (Halo) sues for alleged patent infringement. On July 7, 2008, the action was stayed for nearly eighteen months pending an ex parte request for reexamination of the patents-in-suit. After the stay was lifted, Halo served its infringement contentions on December 21, 2009. Defendants served their invalidity contentions several months later on February 4, 2010. Shortly after, Halo dropped 91 of the 119 asserted patent claims. In July 2010, Halo reportedly further narrowed the number of asserted patent claims from 28 to 15. A claim construction hearing is set for October 27, 2010. No discovery deadlines have been set.

Defendants now jointly move for leave to amend their invalidity contentions to add four additional pieces of claimed prior art: (1) defendant Bel Fuse, Inc.'s Outer Lead Topper

1 products that were first made, used, sold, imported or offered for sale at least as early as August
2 31, 1993; (2) defendant XFMRS, Inc.'s Part No. XF10061B with corresponding case p/n H3-
3 0495-16 that were first made, used, sold, imported or offered for sale at least as early as June
4 30, 1995; (3) Halo's disclosure, offer to sell and/or sale of products that embodied the claimed
5 subject matter to Hewlett Packard at least as early as October 26, 1994; and (4) Halo's
6 disclosure, offer to sell and/or sale of products that embodied the claimed subject matter to
7 Chipcom at least as early as December 12, 1994. (Mot. at 5-6). Halo opposes the motion.
8 Upon consideration of the moving and responding papers, as well as the arguments of counsel,
9 this court grants the motion.

10 The court's Patent Local Rules were designed to require parties to specify their
11 contentions early in the litigation, to prevent the parties from pursuing a "shifting sands"
12 approach to claim construction," see *LG Elecs. Inc. v. Q-Lity Computer, Inc.*, 211 F.R.D. 360,
13 367 (N.D. Cal. 2002) and "to balance the right to develop new information in discovery with the
14 need for certainty as to the legal theories," *O2 Micro Int'l Limited v. Monolithic Power Sys.,*
15 *Inc.*, 467 F.3d 1355, 1366 (Fed. Cir. 2006). The parties' ability to amend their contentions
16 therefore is restricted. See *O2 Micro Int'l Limited*, 467 F.3d at 1359-60. "Apart from
17 amendments designed to take account of the district court's claim construction, amendments are
18 permitted only for 'good cause' even though the period allowed for discovery typically will not
19 have expired." *Id.* at 1360. "Good cause" requires a showing of diligence. *Id.* at 1366. "The
20 burden is on the movant to establish diligence rather than on the opposing party to establish a
21 lack of diligence." *Id.* Nevertheless, judges in this district have recognized that the Patent
22 Local Rules are "not a straitjacket into which litigants are locked from the moment their
23 contentions are served. There is a modest degree of flexibility, at least near the outset."
24 *Comcast Cable Communications Corp., LLC v. Finisar Corp.*, No. C06-04206, 2007 WL
25 716131 at *2 (N.D. Cal. Mar. 2, 2007); see also *Tessera, Inc. v. Advanced Micro Devices, Inc.*,
26 No. C05-4063, 2007 WL 1288199 at *2 (N.D. Cal. Apr. 30, 2007) (considering the timing and
27 impact of amendment on other case deadlines).

1 Although the instant action was filed in 2007, this matter is still in its relatively early
2 stages. As noted above, the case was stayed for nearly eighteen months until November 20,
3 2009. While the parties have begun claim construction activities, the court has not yet held a
4 claim construction hearing or set discovery deadlines or a trial date. Halo argues that
5 defendants have only made conclusory assertions of diligence. In their reply brief, however,
6 defendants say that, unlike articles and other such references, the prior art in question here
7 could not be located with a simple prior art search. Defendants state that after the stay was
8 lifted, they had only a few months in which to evaluate hundreds of accused products, as well as
9 the asserted patent claims and prosecution histories—an investigation which reportedly required
10 an assessment of activities that occurred over fifteen years ago, “tantamount to a lifetime in the
11 electronics industry.” (Reply at 8). Moreover, plaintiff has not convincingly demonstrated that
12 Halo will suffer serious prejudice, if any, at this stage of these proceedings if amendment is
13 allowed.

14 On the record presented here, the court concludes that amendment will advance fair
15 resolution of the issues on the merits without serious prejudice to Halo. Accordingly,
16 defendants’ motion for leave to amend their invalidity contentions is granted.¹

17 SO ORDERED.

18 Dated: September 3, 2010

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20 _____
21 HOWARD R. LLOYD
22 UNITED STATES MAGISTRATE JUDGE

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26 _____
27 ¹ Defendants appended a copy of their proposed amended invalidity contentions
28 to their motion, but noted that they “reserve the right to revise the attached Contentions prior
to service.” (Mot. at 3 n.2). It is not clear exactly what defendants mean by that statement.
Suffice to say that the only amendments contemplated here are those concerning the four
additional claimed prior art references specified in the motion.

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