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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

UPEK, INC.,)
)
Plaintiff and)
Counterclaim Defendant,)
v.)
AUTHENTEC, INC.,)
)
Defendant and)
Counterclaimant.)
_____)

Case No.: C 10-00424 JF (PVT)

ORDER GRANTING IN PART AND DENYING IN PART DEFENDANT AUTHENTEC, INC.’S MOTION TO DESIGNATE PLAINTIFF UPEK, INC.’S RULE 11 MOTION NON-CONFIDENTIAL; REPORT AND RECOMMENDATION RE TOLLING OF RULE 11 SAFE HARBOR

[Docket No. 64]

INTRODUCTION

Defendant (and counterclaimant) Authentec, Inc. moves to designate plaintiff Upek, Inc.’s Rule 11 motion and supporting documents non-confidential. (“defendant” or “Authentec”). Plaintiff (and counterclaim defendant) Upek, Inc. opposes the motion in part.¹ (“plaintiff” or “Upek”). Pursuant to Civ. L.R. 7-1(b), the motion is taken under submission and the hearing scheduled to be held on May 18, 2010 is vacated. Having reviewed the papers and considered the arguments of counsel, defendant Authentec’s motion is granted in part and denied in part.²

¹ Having since served redacted versions of the Rule 11 sanctions motion and supporting documents, plaintiff Upek contends that the present motion is largely moot.

² The holding of this court is limited to the facts and particular circumstances underlying the present motion.

1 **BACKGROUND**

2 In the amended complaint, plaintiff Upek alleges infringement of its patent, U.S. Patent No.
3 6,028,773. (“the ‘773 patent”). It further alleges, *inter alia*, non-infringement of certain patents
4 impliedly owned by defendant Authentec, including U.S. Patent No. 6,667,439, U.S. Patent No.
5 5,940,526, U.S. Patent No. 7,505,613, U.S. Patent No. 5,953,441, and U.S. Patent No. 6,049,620.
6 (“the ‘439 patent”). (“the ‘526 patent”). (“the ‘613 patent”). (“the ‘441 patent”). (“the ‘620 patent”).

7 In the answer and counterclaim, defendant (and counterclaimant) Authentec alleges, *inter*
8 *alia*, infringement of the ‘439 patent, the ‘526 patent, the ‘613 patent, the ‘441 patent, and the ‘620
9 patent. It further alleges non-infringement, invalidity, and/or unenforceability of the ‘773 patent.

10 Plaintiff Upek later served defendant Authentec with a Rule 11 sanctions motion. Initially,
11 the entirety of the motion and supporting documents was designated “Highly Confidential-
12 Attorneys’ Eyes Only.” In sum, plaintiff Upek alleges that defendant Authentec failed to conduct a
13 reasonable inquiry into the facts prior to filing its counterclaims. *See, e.g., View Engineering, Inc. v.*
14 *Robotic Vision Systems, Inc.*, 208 F.3d 981, 984 (Fed. Cir. 981)(sanctions imposed pursuant to Rule
15 11 for failure to conduct a reasonable inquiry into the facts before filing counterclaims for Robotic).

16 Counsel for defendant Authentec complains that the overly broad and prohibitive designation
17 of the motion and supporting documents precludes it from consulting with the client to ably respond
18 to the motion. “Simply put, Authentec cannot demonstrate that its conduct is not sanctionable if it
19 cannot test the factual bases underlying Upek’s Rule 11 motion or even know what they are.”
20 Moreover, defendant Authentec argues that redactions related to observations gleaned from
21 oscilloscope testing, microscope viewing and/or reverse engineering is not justified whatsoever.
22 Defendant Authentec further requests that the court rule that the Rule 11 safe harbor does not toll
23 until the entirety of the motion and supporting documents is designated non-confidential.

24 Plaintiff Upek contends that the parties compete with one another in the sale of silicon based,
25 nonoptical fingerprint sensors. The sensors and related chipsets are used to secure access to
26 notebook computers, mobile phones, portable storage devices, and other handheld electronics. Its
27 devices and chipsets are marketed under the product names “TouchChip” and “TouchStrip.” Two of
28 Upek’s TouchStrip devices are marketed under the product family names TCS4 and TCS5. Plaintiff

1 ‘conscientiously balance’ the competing interests of the public and the party who seeks to keep
2 certain judicial records secret.” *Id.* “A court sealing such judicial records must ‘base its decision on
3 a compelling reason and articulate the factual basis for its ruling, without relying on hypothesis or
4 conjecture.’” *Id.*

5 The presumption is rebutted when a party attaches a sealed discovery document to a non-
6 dispositive motion. *Foltz v. State Farm Mutual Automobile Ins. Co.*, 331 F. 3d at 1135. The court
7 has reasoned that:

8 the presumption of access was rebutted because ‘[w]hen a court grants a protective
9 order for information produced during discovery, it already has determined that ‘good
10 cause’ exists to protect this information from being disclosed to the public by
11 balancing the needs for discovery against the need for confidentiality.

12 *Id.* Therefore, “‘good cause’ suffices to warrant preserving the secrecy of sealed discovery material
13 attached to nondispositive motions” pursuant to Rule 26(c). *Id.*

14 Rule 26(c)(G) states that “[t]he court may, for good cause, issue an order to protect a party or
15 person from annoyance, embarrassment, oppression, or undue burden or expense, including [*inter*
16 *alia*] requiring that a trade secret or other confidential research, development, or commercial
17 information not be revealed or be revealed only in a specified way.” Fed. R. Civ. P. 26(c)(G). In the
18 order, however, the court must “‘identify and discuss the factors it considered in its ‘good cause’
19 examination to allow appellate review of the exercise of its discretion.’” *Foltz v. State Farm Mutual*
20 *Automobile Ins. Co.*, 331 F. 3d 1122, 1130 (9th Cir. 2003) (internal citations omitted). “A party
21 asserting good cause bears the burden, for each particular document it seeks to protect, of showing
22 that specific prejudice or harm will result is no protective order is granted.” *Id.*

23 DISCUSSION

24 I. Plaintiff Upek Has Met the Compelling Reasons Standard For Certain Portions of the 25 Rule 11 Sanctions Motion and Supporting Documents

26 Notwithstanding whether the “compelling reasons” or the “good cause” standard applies
27 here, plaintiff Upek alleges that both standards have been met. As a general matter, plaintiff Upek
28 contends that it goes to great lengths to keep the anti-spoofing technology confidential and
proprietary, including not sharing the details of the technology with its own customers.

By declaration, Alan Kramer, Upek’s former CEO, states in pertinent part as follows:

1 The details like those I offer in Upek’s Under Seal Rule 11 Kramer Declaration, if
2 publicly disclosed, could cause competitive harm based on the fact they relate to
3 security features. That is because the very purpose of biometric devices is to ensure
4 security, and the last form of technical information Upek wants made known about its
5 devices is how they operate to ensure such security. Therefore, to the extent I
6 provide details in Upek’s Under Seal Rule 11 Kramer Declaration that explain why
7 Upek’s anti-spoofing techniques cannot under any circumstances read on certain
8 limitations of claim 1 of the ‘441 patent, or claims 1 and 27 of the ‘613 patent, those
9 explanations nonetheless, being based on underlying technical details describing
10 Upek’s anti-spoofing technology, are in fact properly redacted as being highly
11 confidential, proprietary, and competitively sensitive.

12 I do note that with respect to the confidential technical details concerning why,
13 because they are strip sensors, Upek’s TCS4 and TCS5 devices cannot perform the
14 image quality evaluations or anti-spoofing techniques claimed in certain of the
15 limitations of the relevant claims of the patent, I sometimes offer certain explanations
16 of how my description of the underlying details of the TSC4 and TCS5 device
17 technology could be confirmed by observing the results produced when Upek’s
18 devices are connected to an oscilloscope. [] However, while it would be possible for a
19 competitor to perform the tests I describe, the technical details I offer for why the
20 results on the oscilloscope are produced, including how they produce certain
21 observable wave forms on an oscilloscope (and what they mean), are never
22 mentioned, highlighted, or discussed by Upek publicly.

23 Pursuant to Rule 11, a party is required to make a reasonable inquiry into the facts prior to
24 filing suit. Fed. R. Civ. P. 11(b). Therefore, plaintiff Upek argues that counsel for defendant
25 Authentec should “already [] be in possession of the facts necessary to respond to the Rule 11
26 allegations.”

27 As an initial matter, counsel for defendant Authentec argues that overbroad confidentiality
28 designations deprive the party of the opportunity to fully respond to the Rule 11 sanctions motion.
Specifically, “Upek’s continued effort to hide its criticisms of Authentec, thereby preventing a ‘full
and fair opportunity to respond,’ is antithetical the spirit and language of the Rule and the law of this
Circuit.” To that end, counsel for defendant Authentec next argues that it should be allowed the full
21 day safe harbor period of Rule 11 only after it has had an opportunity to review an unredacted
version of the Rule 11 sanctions motion and supporting documents. Finally, defendant Authentec
argues that facts related to what it could have or should have observed with the aid of a microscope
or oscilloscope or claim elements are not confidential.

Here, the court assumes that plaintiff Upek’s Rule 11 sanctions motion is a dispositive
motion. Therefore, plaintiff Upek bears the burden of presenting “compelling reasons” to seal the
redacted portions of the Rule 11 motion and the Kramer declaration.

1 With respect to specific portions of the Rule 11 sanctions motion and supporting documents
2 that plaintiff Upek states are “easily confirmed” by observations from a microscope or require
3 simple reverse engineering, plaintiff Upek has not shown compelling reasons for them to be
4 designated “Highly Confidential-Attorneys’ Eyes Only.” However, plaintiff Upek has shown “good
5 cause” for those specific portions to be designated “Confidential.” The technology is proprietary
6 and plaintiff Upek has gone to great lengths to maintain the confidentiality of the technology,
7 including not sharing the information with its own customers. Accordingly, those specific portions
8 of the Rule 11 sanctions motion and supporting documents are to be designated “Confidential” and
9 include the following: (1) page 10, lines 21-23; (2) page 12, lines 21-25; and (3) page 15, lines 5-9
10 (from the Rule 11 sanctions motion).

11 Additionally, redacted portions of the Rule 11 sanctions motion and supporting documents
12 that relate to claims elements of defendant Authentec’s patents are to be designated “Confidential”
13 and include the following: (1) page 6, line 17; (2) page 11, lines 20-23; (3) page 17, lines 3-7; and
14 (4) page 22, line 9 (from the Rule 11 sanctions motion).

15 Based on the Kramer declaration, plaintiff Upek has shown compelling reasons for the
16 remaining portions of the redacted Rule 11 sanctions motion and supporting documents to remain
17 under seal and designated “Highly Confidential-Attorneys’ Eyes Only.” Specifically, plaintiff Upek
18 has shown the proprietary technical details of how its biometric devices function (and the underlying
19 reasons why certain observations on the oscilloscope may occur), the significant financial and
20 development investment it has made in the technology, and the extensive efforts it has undertaken to
21 maintain confidentiality. The underlying and proprietary reasons why certain technical details may
22 be observable via oscilloscope to Mr. Kramer and other scientists and engineers at Upek distinguish
23 these facts from reverse engineering that might occur with simpler mechanical devices. *See, e.g.,*
24 *Chicago Lock Co. v. Fanberg*, 676 F.2d 400, 404 (th Cir. 1982)(reverse engineering of own tubular
25 lock to obtain key code not a trade secret). Accordingly, the following and specific portions of the
26 Rule 11 sanctions motion shall remain under seal:

- 27 (1) page 9; lines 15-25;
- 28 (2) page 10, lines 21-23;

- 1 (3) page 10, lines 25-26;
- 2 (4) page 12, lines 2-3;
- 3 (5) page 12, lines 5-11;
- 4 (6) page 12, line 13;
- 5 (7) page 12, lines 17-19;
- 6 (8) page 12, footnote 6, lines 27-28;
- 7 (9) page 13, lines 1-2;
- 8 (10) page 13, lines 4-5;
- 9 (11) page 14, line 16;
- 10 (12) page 14, lines 22-23;
- 11 (13) page 14, line 25;
- 12 (14) page 15, lines 1-2;
- 13 (15) page 15, lines 11-19;
- 14 (16) page 18, lines 14-16;
- 15 (17) page 18, lines 22-28;
- 16 (18) page 19, lines 1-2;
- 17 (19) page 19, lines 15-16;
- 18 (20) page 20, lines 2-3;
- 19 (21) page 20, line 19;
- 20 (22) page 20, lines 21-22;
- 21 (23) page 20, lines 24-28;
- 22 (24) page 21, line 2;
- 23 (25) page 21, line 20;
- 24 (26) page 22, lines 3-6;
- 25 (27) page 22, line 9;
- 26 (28) page 22, footnote 9, lines 27-28; and
- 27 (29) page 23, line 16.

28 In addition, the following and specific portions of the Kramer Declaration shall remain under seal:

- 1 (1) page 6, paragraph 18, lines 25-28;
- 2 (2) page 7, paragraph 19, line 1;
- 3 (3) page 7, paragraph 19, lines 5-12;
- 4 (4) page 7, paragraph 21, lines 27-28;
- 5 (5) page 8, paragraph 21, line 3;
- 6 (6) page 8, paragraph 22, lines 5-11;
- 7 (7) page 8, paragraph 23, lines 12-24;
- 8 (8) page 8, paragraph 24, lines 25-28;
- 9 (9) page 9, paragraph 24, lines 1-7;
- 10 (10) page 9, paragraph 25, lines 8-10;
- 11 (11) page 9, paragraph 26, lines 17-18;
- 12 (12) page 9, paragraph 27, lines 20-28;
- 13 (13) page 10, paragraph 27, lines 1-5;
- 14 (14) page 10, paragraph 28, lines 6-9;
- 15 (15) page 10, paragraph 29, lines 17-21;
- 16 (16) page 10, paragraph 29, lines 23-24;
- 17 (17) page 10, paragraph 30, lines 25-28; and
- 18 (18) page 11, paragraph 30, lines 1-9.

19 **II. Tolling of the 21-Day Safe Harbor Pursuant to Rule 11**

20 “The motion [for sanctions] must be served under Rule 5, but it must not be filed or be
21 presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or
22 appropriately corrected within 21 days after service or within another time the court sets.” Fed. R.
23 Civ. P. 11(c)(2).

24 On March 19, 2010, plaintiff Upek informed counsel for defendant Authentec (by e-mail)
25 that it intended to file a Rule 11 sanctions motion. A copy of the Rule 11 sanctions motion and
26 supporting documents was attached to the email. Plaintiff Upek further informed counsel for
27 defendant Authentec that the aforementioned motion and supporting documents would be filed
28 under seal.

1 On March 24, 2010, counsel for defendant Authentec objected to the blanket designation of
2 the Rule 11 sanctions motion and supporting documents filed under seal. Counsel for defendant
3 Authentec also requested a redacted version of the Rule 11 sanctions motion and supporting
4 documents to share with Authentec. On March 30, 2010, counsel for defendant Authentec repeated
5 its request for a redacted version of the motion and supporting documents.

6 On April 13, 2010, plaintiff Upek served counsel to defendant Authentec with a redacted
7 version of the Rule 11 sanctions motion and supporting documents. On that same day, defendant
8 Authentec filed the instant motion seeking to designate the motion for Rule 11 sanctions and
9 supporting documents non-confidential.

10 On April 26, 2010, plaintiff Upek filed the Rule 11 sanctions motion and supporting
11 documents with the court.

12 Based on the above, the court recommends that the Rule 11 safe harbor toll from the date of
13 this order.

14 **CONCLUSION**

15 For the foregoing reasons, defendant Authentec's motion is granted in part and denied in
16 part. The court recommends that the Rule 11 safe harbor toll from the date of this order.

17 IT IS SO ORDERED.

18 Dated: May 17, 2010


PATRICIA V. TRUMBULL
United States Magistrate Judge

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