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8 **IN THE UNITED STATES DISTRICT COURT**
9 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**
10 **SAN JOSE DIVISION**

11 UPEK, INC., a Delaware corporation,
12
13 Plaintiff,

14 v.

15 AUTHENTEC, INC., a Delaware corporation,
16
17 Defendant.

Case No. 10-424-JF (PVT)

ORDER¹ GRANTING UPEK'S
MOTION FOR LEAVE TO FILE
SECOND AMENDED COMPLAINT

[re: doc. nos. 145, 147]

17 AUTHENTEC, INC., a Delaware corporation,
18
19 Counterclaimant,

20 v.

21 UPEK, INC., a Delaware Corporation,
22
23 Counterdefendant.

24 Plaintiff and Counterdefendant UPEK, Inc. ("UPEK") and Defendant and
25 Counterclaimant AuthenTec, Inc. ("AuthenTec") are competitors in the field of fingerprint
26 scanners. UPEK moves pursuant to Fed. R. Civ. P. 15(a) for leave to file a second amended
27 complaint, seeking to add new claims for infringement of three newly-identified patents and to

28 ¹This disposition is not designated for publication and may not be cited.

1 conform an already-asserted affirmative defense to AuthenTec’s counter claims with a claim for
2 declaratory relief. AuthenTec opposes the motion. For the reasons set forth below, the motion
3 will be granted.

4 **I. BACKGROUND**

5 UPEK filed its original complaint on January 29, 2010, alleging that AuthenTec infringes
6 United States Patent No. 6,028,773 (“the ‘773 patent”) and seeking a judicial declaration of non-
7 infringement and/or invalidity of United States Patent Nos. 6,667,439 (“the ‘439 patent”);
8 5,940,526 (“the ‘526 patent”); 7,505,613 (“the ‘613 patent”); 5,953,441 (“the ‘441 patent”); and
9 6,049,620 (“the ‘620 patent”), each of which is owned by AuthenTec. On February 2, 2010,
10 AuthenTec answered and counterclaimed, alleging that UPEK infringes the ‘439, ‘526, ‘441,
11 ‘613, and ‘620 patents and is liable for misappropriation of trade secrets and conversion. On
12 February 17, 2010, AuthenTec moved for partial summary judgment with respect to its
13 counterclaim for infringement of the ‘526 patent.

14 On February 23, 2010, UPEK answered AuthenTec’s counterclaims and filed its first
15 amended complaint (“FAC”), adding count twelve asserting the unenforceability of the ‘620
16 patent due to inequitable conduct. On the same day, AuthenTec moved for partial summary
17 judgment with respect to non-infringement of the ‘773 patent. On March 12, 2010, AuthenTec
18 answered the FAC and reasserted its original counterclaims. On March 29, 2010, UPEK
19 answered AuthenTec’s reasserted counterclaims, adding a thirty-third affirmative defense that
20 alleged the unenforceability of the ‘439 patent. On April 13, 2010, the Court denied without
21 prejudice AuthenTec’s motions for partial summary judgment, concluding that the relevant claim
22 construction was likely to be more accurate following a formal claim construction process. On
23 the same day, UPEK filed a motion for sanctions pursuant to Fed. R. Civ. P. 11(c), contending
24 that AuthenTec’s counterclaims with respect to the ‘620, ‘441, and the ‘613 patents were asserted
25 without a reasonable pre-suit investigation.

26 On April 22, 2010, AuthenTec filed amended counterclaims, adding a new claim for
27 infringement of U.S. Patent No. 6,259, 804 (“the ‘804 patent”) and deleting claims for
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1 infringement relating to the ‘439 and the ‘613 patents.² Not later than early June, AuthenTec was
2 aware that UPEK sought to add new patents to the instant dispute. (Docket No. 122, Ex. C.) On
3 June 21, 2010, UPEK provided AuthenTec with a copy of a proposed second amended
4 complaint, which identified specifically these additional patents: U.S. Patent Nos. 6,555,888
5 (“the ‘888 patent”), 6,440,814 (“the 814 patent”), and 6,661,631 (“the ‘631 patent”) (collectively,
6 the “newly-identified patents”).

7 In anticipation of the initial case management conference, the parties filed a joint case
8 management statement, in which UPEK proposed a deadline of June 25, 2010 for amending the
9 pleadings to add new claims and name new parties. AuthenTec proposed a deadline of July 15,
10 2010. At the initial case management conference on May 28, 2010, the Court set a claim
11 construction hearing for October 28, 2010, but it did not set any other case management
12 deadlines because the parties were conferring about a stipulated case management schedule. On
13 July 6, 2010, the Court entered a scheduling order that consists largely of dates agreed to by the
14 parties. However, the parties did not agree upon a deadline to allow either party to amend the
15 pleadings without leave of court, and the schedule does not include such a deadline.

16 AuthenTec opposes the instant motion, at least to the extent that it seeks to assert the
17 newly-identified patents. Although it contends that good cause exists to expedite the schedule
18 with respect to the patents currently in suit, AuthenTec argues that it will be unduly prejudiced by
19 UPEK’s proposed amendment if claim construction with respect to all of the patents proceeds on
20 the current schedule. AuthenTec proposes that the Court maintain the current schedule with
21 respect to the patents currently in suit and hold a second claim construction hearing with respect
22 to UPEK’s newly-identified patents.

23 II. DISCUSSION

24 Leave to amend a pleading before trial should be “freely give[n] ...when justice so
25 requires.” Fed. R. Civ. P. 15(a)(2). In the Ninth Circuit, this policy is applied with “extreme
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27 ² On July 6, 2010, the Court granted AuthenTec leave to amend its counterclaims
28 consistent with this filing.

1 liberality.” *Owens v. Kaiser Found. Health Plan, Inc.*, 244 F.3d 708, 712 (9th Cir. 2001)
2 (citation omitted). When considering whether to grant leave to amend, a district court may
3 consider four factors: (1) existence of bad faith; (2) whether the amendment will cause undue
4 delay; 3) prejudice to the opposing party; and (4) futility. *Id.* Undue delay on its own does not
5 justify denial of a motion for leave to amend. However, if undue delay is accompanied by
6 prejudice to the defendant, denial of a motion for leave to amend may be justified. *See, e.g.,*
7 *Bowles v. Reade*, 198 F.3d 752, 758-59 (9th Cir. 1999). In the absence of prejudice or other
8 negative factors, the party opposing the motion to amend has the burden of showing why
9 amendment should not be granted. *See DCD Programs, Ltd. v. Leighton*, 833 F.2d 183, 187 (9th
10 Cir. 1987).

11 AuthenTec does not argue that UPEK is acting in bad faith or that the proposed
12 amendment would be futile or create undue delay. It argues instead that the amendment would
13 be unduly prejudicial in light of the expedited schedule that AuthenTec itself sought by moving
14 for partial summary judgment with respect to two patents within a month after UPEK initiated
15 the instant action. In April, UPEK filed a Rule 11 motion that largely is dispositive with respect
16 to three other patents. Patent L.R. 4-1, *et seq.*, establishes a presumptive time line for a claim
17 construction, and that time line may be modified upon a showing of good cause. *See* Patent L.R.
18 1-3. Although this action was filed only in late January 2010, the parties were thoroughly
19 familiar with the majority of the patents then in suit by the time of the initial case management
20 conference on May 28, 2010. Accordingly, the Court found good cause to expedite the claim
21 construction schedule and set the claim construction hearing for October 28, 2010.

22 AuthenTec now asserts that good cause does not exist to depart from the local rules with
23 respect to the newly-identified patents. UPEK contends that the relevant technologies of the
24 newly-identified patents already are at issue. It is apparent that two of the newly-identified
25 patents – the ‘814 and the ‘888 patents – are directed at technology designed to protect a
26 fingerprint scanner from an electrostatic discharge (“ESD”). UPEK contends that the ‘526 patent
27 also discloses ESD protection technology, but AuthenTec’s earlier motion for partial summary
28 judgment focused only on the ‘526 patent’s disclosure of a power-control means for a fingerprint

1 scanner. The third newly-identified patent – the ‘631 patent – discloses “automatic latchup
2 recovery,” which UPEK asserts also is disclosed in the ‘613 patent. However, AuthenTec’s
3 assertion of the ‘613 patent appeared to focus on “anti-poofting” technology, and AuthenTec has
4 dismissed its counterclaims with respect to that patent. Finally, UPEK asserts that the
5 AuthenTec products it accuses of infringing the newly-identified patents are similar to those it
6 accuses of infringing the ‘773 patent. But, the ‘773 patent focuses only on the *packaging* for an
7 integrated circuit, while the newly-identified patents focus on the *structures* of an integrated
8 circuit.

9 Despite the less than perfect overlap among the various patents and claims, the Court
10 concludes on balance that AuthenTec will not be prejudiced unduly by UPEK’s amendment
11 under the current schedule. Because the newly-identified patents introduce only two new
12 technologies to the action, neither of which appears to be more complex than the technologies
13 already at issue, the Court remains prepared to proceed on the expedited schedule. AuthenTec
14 itself sought and on July 6, 2010 was granted leave to add a counterclaim with respect to the ‘804
15 patent. While the ‘804 patent shares the specification with the ‘526 patent, the claims of the
16 patents appear to be directed at two separate technologies. AuthenTec’s previous motion for
17 partial summary judgment with respect to the ‘526 patent focused on a power-control means for
18 an integrated circuit. In contrast, AuthenTec’s claim with respect to the ‘804 patent appears to
19 focus on analog-to-digital conversion structures used to adjust resolution. (AuthenTec’s Opp’n
20 at 5:4-7.) The parties served all of their infringement contentions on July 2, 2010, including their
21 infringement contentions with respect to the ‘804 patent and UPEK’s newly-identified patents.
22 Because both parties thus are situated similarly with respect to newly-added claims, UPEK’s
23 proposed amendment will not cause AuthenTec to be unduly prejudiced under the current
24 schedule.

25 Attempting to reach a compromise, UPEK has agreed to postpone until after the claim
26 construction hearing AuthenTec’s obligation to serve invalidity contentions with respect to the
27 newly-identified patents. (UPEK’s Mot. at 7:23-8:2.) The motion will be granted subject to that
28 condition. The parties are encouraged to continue to seek mutually beneficial compromises that will

1 promote a more accurate claim construction process, including a brief stipulated continuance of
2 the claim construction hearing itself if the parties believe that additional time would be
3 beneficial.

4 IT IS SO ORDERED.

5 DATED: 7/22/10

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7 JEREMY FOGEL
8 United States District Judge