

EXHIBIT 12

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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

11
12 COLLABORATION PROPERTIES, INC., a
13 Nevada Corporation,
14 Plaintiff,
15 v.
16 TANDBERG ASA, and TANDBERG, INC. a
Delaware Corporation,
17 Defendants.

Case No. C 05-01940 MHP

**MEMORANDUM OF POINTS AND
AUTHORITIES IN SUPPORT OF
TANDBERG’S MOTION TO AMEND
THEIR ANSWER**

Date: January 8, 2007
Time: 2:00 p.m.
Judge: Hon. Marilyn Hall Patel

18
19 **I.**

20 **INTRODUCTION**

21 On May 11, 2005, plaintiff Collaboration Properties, Inc. (“CPI”) filed a complaint
22 for patent infringement against Tandberg ASA and Tandberg, Inc. (collectively, “Tandberg”),
23 alleging that Tandberg’s MXP and H.323 compliant line of products infringe United States Patent
24 Nos. 5,867,654 (“the ‘654 patent”); 5,896,500 (“the ‘500 patent”); and 6,212,547 (“the ‘547
25 patent”). These three patents were assigned to plaintiff CPI, who seeks both monetary and
26 injunctive relief from Tandberg. CPI does not manufacture or sell any product.

27 Tandberg answered the complaint on July 15, 2005. By this motion, Tandberg
28 seeks to amend its answer to add affirmative defenses based on inequitable conduct and unclean

1 hands, as well as to add a third counterclaim for a declaratory judgment that the patents are
2 unenforceable. The proposed affirmative defenses, as well as the additional counterclaim, center
3 upon recently discovered evidence that the applicants to the '654, '500 and '547 patents
4 (collectively, "the patents-in-suit") failed to disclose material prior art to the Patent and
5 Trademark Office ("PTO"). As pled in the proposed amended answer, had the PTO been
6 informed of such prior art, the patents-in-suit would not have issued.

7 **II.**
8 **ARGUMENT**

9 **A. The Court Has Discretion to Grant Tandberg's Motion to Amend Under the**
10 **Liberal Standard Governing Amendments under Federal Rule of Civil**
11 **Procedure 15**

12 Federal Rule of Civil Procedure 15 provides that a court must grant a party's
13 request to amend its pleadings "when justice so requires." Fed. R. Civ. P. 15(a). The Supreme
14 Court stated that this "mandate is to be heeded," by freely granting leave to amend. *Foman v.*
15 *Davis*, 371 U.S. 178, 182 (1962); *Howey v. United States*, 481 F.2d 1187, 1190 (9th Cir. 1973).
16 District courts apply a policy of "extreme liberality" in favor of Rule 15 amendments to
17 pleadings. *Morongo Band of Mission Indians v. Rose*, 893 F.2d 1074, 1079 (9th Cir. 1990). Rule
18 15's underlying purpose is "to facilitate decision on the merits rather than on the pleadings or
19 technicalities." *DCD Programs, Ltd. v. Leighton*, 833 F.2d 183, 186 (9th Cir. 1987); *see, e.g.,*
20 *Bowles v. Reade*, 198 F.3d 752, 757 (9th Cir. 1999) (reversing denial of leave to amend "in light
of the strong policy permitting amendment").

21 In this case, discovery is on-going and has been vigorously pursued in order to
22 meet the Court's current discovery cut-off date of January 8, 2007. It was only after the
23 deposition of one of the inventors of the patents-in-suit, Lester Ludwig, was taken, as well as the
24 deposition of Robert Ensor on November 11, 2006, an inventor of one of the pieces of prior art in
25 this case known as the Rapport System, that Tandberg obtained sufficient corroborated evidence
26 that material prior art references had been withheld from the PTO during the application of the
27 patents-in-suit. Based on such evidence, Tandberg analyzed the facts and is now able to support
28 the proposed defenses and counterclaims. Indeed, CPI does not contend otherwise and does not

1 oppose the amendment of Tandberg's answer with respect to this newly-discovered information.
2 Instead, CPI contends that certain of the facts pled in support of Tandberg's inequitable conduct
3 defense were known to Tandberg earlier in the case and, therefore, cannot now be included in the
4 amended answer.

5 CPI's argument ignores the fact that inequitable conduct is based on the "totality
6 of the circumstances" and necessarily includes, therefore, all of the actions or inactions leading up
7 to the filing of the patent applications. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178-79 (Fed.
8 Cir. 1995); *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 882 F.2d 1556 (Fed. Cir. 1989). While
9 Tandberg may have been aware of the existence of certain documents or arguments prior to
10 deposing inventors Ludwig and Ensor, Tandberg needed to question Dr. Ludwig to confirm its
11 claim of inequitable conduct. It is the combination of the documentary evidence, the testimony
12 obtained from Dr. Ludwig, as well as the testimony obtained from other inventors of prior art,
13 such as Robert Ensor, which confirms the relevancy and significance of these documents and
14 supports the new defenses and counterclaim. As a result, in order to facilitate disposition of this
15 case on its merits, Tandberg respectfully requests that the Court exercise its discretion and grant
16 Tandberg leave to amend its answer to include affirmative defenses based on inequitable conduct
17 and unclean hands, as well as to add a third counterclaim for a declaratory judgment that the
18 patents are unenforceable.

19
20 **B. Tandberg's Motion To Amend Is Proper As The Motion Is Timely,
21 Made In Good Faith, Has Merit, And Causes No Prejudice To CPI**

22 In deciding whether to allow amendment, the court considers four factors:
23 bad faith, undue delay, undue prejudice to the opposing party, and futility. *Foman*, 371 U.S. at
24 182; *Griggs v. Pace American Group, Inc.*, 170 F.3d 877, 880 (9th Cir. 1999); *Bowles*, 198 F.3d
25 at 757-758. Though the court has discretion to grant or deny leave to amend, the Court must
26 apply these factors and make specific findings of bad faith, undue delay, prejudice or futility
27 before denying leave to amend. *DCD Programs*, 833 F.2d at 186-87. When considering these
28 factors, all inferences are drawn in favor of granting the motion. *Griggs*, 170 F.3d at 880.

1 Furthermore, the nonmoving party bears the burden of demonstrating why leave to amend should
2 not be granted. *Senza-Gel Corp. v. Seiffart*, 803 F.2d 661, 666 (Fed. Cir. 1986) (interpreting
3 Ninth Circuit law). In this case, Tandberg’s motion is timely, made in good faith, has merit, and
4 will cause no prejudice to CPI.

5 **1. Tandberg’s Motion Is Timely**

6 Courts allow the defendant to add a defense of inequitable conduct until the end
7 and beyond discovery, when new facts supporting inequitable conduct come to light during the
8 course of discovery. *Advanced Cardiovascular Systems, Inc., v. Scimed Life Systems, Inc.*, 989 F.
9 Supp. 1237, 1247-48 (N.D. Cal. 1997) (allowing amendment filed two years into the litigation,
10 when defendant confirmed key facts supporting inequitable conduct after deposing an inventor);
11 *Genentech, Inc., v. Abbott Laboratories*, 1989 U.S. Dist. LEXIS 9311, at *4 (N.D. Cal. Mar. 29,
12 1989) (allowing amendment one year after the complaint was filed, when new facts supporting
13 inequitable conduct came to light during the course of discovery); *Douglas Press Inc., v. Tabco*
14 *Inc.*, 2004 U.S. Dist. LEXIS 8921, at *3 (N.D. Ill. May 17, 2004) (allowing amendment one year
15 after the deadline to amend pleadings, when defendant obtained corroborating evidence of a
16 disgruntled employee’s testimony); *Enzo Life Sciences, Inc., v. Digene Corp.*, 270 F. Supp. 2d
17 484, 488 (D. Del. 2003) (allowing amendment one year after the deadline to amend pleadings,
18 when defendant obtained clear evidence of inequitable conduct after taking depositions of two
19 inventors); *Symbol Technologies v. Proxim Inc.*, 2003 U.S. Dist. Lexis 6686, at *6 (D. Del. Apr.
20 17, 2003) (allowing amendment after discovery closed, when facts supporting inequitable conduct
21 did not come to light until discovery, and the movant had to investigate and confirm these facts).

22 Further, because inequitable conduct implicates the Rule 9(b) “pleading with
23 particularity” requirement, defendant is entitled to confirm factual allegations through discovery
24 before amending to include the inequitable conduct defense. *Advanced Cardiovascular Systems*,
25 989 F.Supp. at 1247 (though patent office file histories contained facts regarding inequitable
26 conduct, defendant was entitled to confirm them through discovery before filing for amendment);
27 *Enzo Life Sciences*, 270 F. Supp. 2d at 488-89 (though facts underlying the inequitable conduct
28 allegations were available in the prosecution history, defendant was prudent and possibly required

1 to confirm them through discovery). Keeping in mind Rule 11 of Federal Rules of Civil
2 Procedure, a defendant should not be penalized for waiting for further evidence to meet Rule 9(b),
3 before filing an affirmative defense of inequitable conduct. *Douglas Press, Inc., v. Int'l Gamco,*
4 *Inc.*, 2004 U.S. Dist. LEXIS 7606, at *4 (N.D. Ill. May 3, 2004).

5 Even if the Court finds delay, delay alone is insufficient to justify the denial of a
6 motion requesting leave to amend. *Hurn v. Retirement Fund Trust of Heating & Plumbing*
7 *Industry*, 648 F.2d 1252, 1254 (9th Cir. 1981) (granting a motion for leave to amend filed two
8 years after the original complaint); *Howey v. United States*, 481 F.2d 1187, 1190 (9th Cir. 1973)
9 (reversing denial of leave to amend filed five years after the original complaint, after close of
10 discovery and on the second day of trial); see *Bowles v. Reade*, 198 F.3d 752, 758 (9th Cir. 1999).

11 CPI's patent infringement complaint against Tandberg, filed on May 11, 2005, is
12 six (6) pages in length. The six-page complaint contains no facts regarding CPI's infringement
13 claims and fails to identify any specific accused products. Instead, the complaint cursorily states
14 that "the MXP line of products and H.323 compliant products" accuse the patents-in-suit. As a
15 result, Tandberg has been forced to rely upon the discovery process in this case to learn what
16 facts CPI believes support its claims. Tandberg has also developed much discovery in support of
17 its defense that the patents are invalid based on obviousness. During such discovery, Tandberg
18 also learned facts with support the defense that the patents are unenforceable due to the
19 inequitable conduct of one of the inventors, who failed to reveal material prior art which he knew
20 existed. That inventor is Dr. Lester Ludwig, who was deposed on September 29, 2006.

21 During Dr. Ludwig's deposition, Tandberg confirmed that Vicor, the predecessor
22 assignee to CPI of the patents-in-suit, had developed and sold a "pilot" system implementing the
23 invention of the patents more than one year prior to the time that the application leading to the
24 patents-in-suit was filed. See, Dr. Ludwig Deposition at 449:9-17, Ex. A to Mingrone
25 Declaration. Although documents existed which appeared to represent this fact, it was not until
26 Tandberg deposed Dr. Ludwig that it received confirmation that the pilot system had, in fact, been
27 implemented. Moreover, Dr. Ludwig conceded, contrary to the representation made to the PTO,
28 that applicants had set up a test environment in their own offices to develop and test the

1 prototype. This concession was further corroborated by the deposition testimony of Mr. Bravard,
2 just taken in London on November 29, 2006. *See*, Bravard Deposition at 58:20-24, Ex. B to
3 Mingrone Declaration. Mr. Bravard further confirmed the purchase and implementation of the
4 Vicor pilot program.

5 Tandberg was not aware of all of the facts surrounding the deception practiced on
6 the PTO by Dr. Ludwig until his deposition in September 2006. Soon thereafter, Tandberg began
7 drafting its amended answer and discussing the filing of the answer with CPI. As noted, CPI
8 agrees that Tandberg can file an amended answer to allege newly discovered facts. Its only
9 quibble revolves around the pleading of facts which it contends were known to Tandberg prior to
10 the deposition. As noted above, however, isolated facts or documents could not have properly
11 formed the basis of an inequitable conduct defense.

12 CPI points to allegations raised by Tandberg in its initial answer regarding the “on-
13 sale bar” defense, as well as on documents relating to these allegations which were produced to
14 Tandberg earlier in this litigation to support its contention that the amendments to the answer
15 should not include new “on-sale bar” information. Again, however, simply because Tandberg
16 had sufficient knowledge to allege an “on-sale bar” defense does not prevent it from now
17 supplementing the record based on all the discovery it has since obtained. As CPI correctly notes,
18 this is not a “new” allegation which is being raised for the first time. Rather, Tandberg is now
19 seeking leave merely to include all of the facts and evidence it has gathered which support its
20 defense of inequitable conduct, including information concerning its on-sale bar defense. As a
21 result, Tandberg’s motion to amend its answer is timely. *Cf.*, *Morongo Band of Mission Indians*
22 *v. Rose*, 893 F.2d 1074, 1079 (9th Cir. 1990) (delay of nearly two years to bring motion to amend
23 complaint, while alone not enough to support denial, is nevertheless relevant; motion is denied).

24 **2. Tandberg’s Motion Is Brought In Good Faith**

25 As stated, Tandberg was able to gather necessary facts surrounding the inequitable
26 conduct defense only after taking Dr. Ludwig’s deposition. Thus, Tandberg could not and did not
27 know of this defense at the time that it answered the complaint in July 2005. Tandberg has now
28 analyzed the facts learned during Dr. Ludwig’s deposition and has brought this motion after such

1 an analysis. CPI agrees that these newly discovered facts may be added to Tandberg's answer. It
2 is plain that this motion is brought in good faith.

3 **3. Tandberg's Motion Has Merit**

4 A district court should grant leave to amend unless it appears beyond a doubt that
5 the plaintiff's claim is futile. *Adam v. Hawaii*, 2000 U.S. App. LEXIS 35216 at *2 (9th Cir. Haw.
6 Dec. 20, 2000) (citing *DCD Programs*, 833 F.2d at 183). A proposed amendment is futile only in
7 the rare instance where "no set of facts can be proved under the amendment to the pleadings that
8 would constitute a valid and sufficient claim or defense. *Miller v. Rykoff-Sexton, Inc.*, 845 F. 2d
9 209, 214 (9th Cir. 1988).¹

10 There is no dispute in this case that Tandberg can prove the facts alleged in
11 support of inequitable conduct. Rather, CPI seeks only to limit the scope of the facts which
12 Tandberg may present to the Court, a tactic not countenanced under Fed. R. Civ. Pro. 15. Thus,
13 Tandberg's proposed amendment is not futile or legally insufficient but rather has merit and
14 should, therefore, be granted by the Court.

15 **4. Tandberg's Motion Will Not Prejudice CPI**

16
17 Postponement of a trial date due to additional discovery is not undue prejudice to
18 the nonmoving party, when the facts underlying inequitable conduct came to light only during the
19 course of discovery. *Genentech, Inc., v. Abbott Laboratories*, 127 F.R.D. 529, *4 -*5 (N.D. Cal.
20 1989) (court need not speculate on the persuasiveness of the new facts, it is sufficient that the
21 moving party made credible representations regarding changed circumstances). Nonmovant
22 suffers no prejudice from the amendment, when the nonmovant knew of the facts and legal theory
23 underlying the defense, because it must have anticipated the amendment. *Advanced*
24 *Cardiovascular Systems, Inc., v. Scimed Life Systems, Inc.*, 989 F. Supp. 1237, 1247-48 (N.D.
25 Cal. 1997). In calculating the alleged "undue prejudice" that the nonmovant would suffer from

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27
28 ¹ The proper test in determining the legal sufficiency of a proposed amendment is identical to the one used when
considering the sufficiency of a pleading challenged under Rule 12(b)(6). *Id.* The Delaware district court did not
engage in a rigorous 12(b)(6) analysis to decide futility, instead noting that it was better to liberally allow
amendments that state a colorable claim, and defer judgment on sufficiency of pleading until a 12(b)(6) motion is
made. *Agere Systems Guardian Corp., v. Proxim Inc.*, 190 F.Supp. 2d 726, 736 (D. Del. 2002)

1 the amendment, the Court must also consider the hardship to the movant if amendment is denied.
2 *Scott v. Crescent Tool Co.*, 306 F. Supp. 884, 886 (N.D. Ga. 1969).

3 CPI cannot credibly claim it will be prejudiced by the addition of some facts but not
4 others since all facts are related to the defense of inequitable conduct. Nonetheless, CPI argues
5 that it would be prejudiced by the addition of “certain prior art devices and the H.320 standard”
6 which would require “substantial further discovery.” This argument is a red-herring, however,
7 because any new prior art devices Tandberg relies upon are disclosed in its final invalidity
8 contentions timely served on CPI on December 1, 2006. Moreover, the prior art disclosed in the
9 Lantz Report, referenced in the proposed amendment, was clearly known to CPI as Lantz is one
10 of the inventors of the patents-in-suit.

11 Notably, Tandberg is not seeking to postpone the trial day in this case as a result of this
12 amendment, nor is it seeking any change at all to the Court’s schedule, other than a slight
13 extension of the discovery cut-off date, a request unrelated to this motion. Therefore, by allowing
14 Tandberg to amend its answer, and thereby facilitating an adjudication on the merits, CPI will not
15 suffer prejudice.

16 III.

17 CONCLUSION

18 For the foregoing reasons, Tandberg respectfully requests that the Court grant this motion
19 and permit Tandberg to file an amended answer.

20
21 Dated: December 4, 2006

ORRICK, HERRINGTON & SUTCLIFFE LLP

22
23 /s/

24 Denise M. Mingrone
25 Attorneys for Defendants
26 TANDBERG ASA and TANDBERG, INC.
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