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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

**ZEST IP HOLDINGS, LLC and
ZEST ANCHORS, LLC,**

Plaintiffs,

vs.

**IMPLANT DIRECT MFG, LLC et
al.,**

Defendants.

CASE NO.10cv0541-GPC-WVG
ORDER:
**1. DENYING DEFENDANTS’
MOTION TO CLARIFY
ANSWER; AND**
**2. DENYING MOTION FOR
LEAVE TO AMEND ANSWER**

[Dkt. No. 282]

Pending before the Court is Defendants Implant Direct Mfg. LLC, Implant Direct LLC, and Implant Direct International’s (collectively, “Defendants”) Motion to Clarify That it May Assert Patent Exhaustion and Implied License at Trial, or in the alternative Motion for Leave to Amend Answer. (Dkt. No. 282.) The parties have fully briefed the motion. (Dkt. Nos. 288, 303.) Pursuant to Civil Local Rule 7.1(d)(1), the Court finds the matter suitable for adjudication without oral argument. Having reviewed the parties’ briefs and relevant legal authority, the Court hereby **DENIES** Defendants’ motion to clarify and **DENIES** Defendants’ motion in the alternative for leave to amend Defendants’ Answer.

BACKGROUND

This is an action for patent and trademark infringement of dental attachment products. Plaintiffs Zest IP Holdings, LLC and Zest Anchors, LLC (“Plaintiffs”)

1 filed this action against Defendants for alleged infringement of U.S. patents through
2 the manufacture and sale of dental attachment product GoDirect, Plaintiffs' unique
3 LOCATOR system, and trademark infringement of the "Zest" mark. (Dkt. No. 13.)

4 On March 12, 2010, Plaintiffs filed an initial complaint in the above-
5 captioned matter. (Dkt. No. 1.) On August 27, 2010, Plaintiffs filed a first amended
6 complaint ("FAC"), the current operative complaint. (Dkt. No. 13.) On September
7 17, 2010, Defendants filed an answer to Plaintiff's FAC. (Dkt. No. 17.) Defendants'
8 Answer claimed the affirmative defenses of: (1) non-infringement; (2) no
9 inducement; (3) invalidity under 35 U.S.C. §§ 102 and/or 103; (4) invalidity under
10 35 U.S.C. § 112, first paragraph; (5) invalidity under 35 U.S.C. § 112, second
11 paragraph; (6) prosecution history estoppel; and (7) unenforceability. (Id. at 9-11.)

12 On December 9, 2010, U.S. Magistrate Judge William V. Gallo entered a case
13 management conference order setting a March 14, 2011 deadline for any motions to
14 amend the pleadings. (Dkt. No. 27 at 1.) On May 19, 2011, Defendants filed a
15 motion to amend the Answer to assert a counterclaim against Plaintiffs for
16 declaratory judgment of invalidity as to U.S. Patent No. 6,299,447. (Dkt. No. 32.)
17 On January 20, 2012, U.S. District Judge Larry Alan Burns denied Defendants'
18 motion due to Defendants' failure to show diligence in seeking to amend the
19 Answer. (Dkt. No. 81 at 4) (finding a lack of diligence because Defendants sought
20 to amend the Answer two months after the deadline and took eight months to
21 conduct a prior art search after learning new information).

22 On October 22, 2012, this case was transferred to the undersigned Judge.
23 (Dkt. No. 142.) On September 11, 2013, Defendants filed the present motion to
24 clarify or amend the Answer. (Dkt. No. 282.)

25 **LEGAL STANDARD**

26 Under Federal Rule of Civil Procedure 15(a), leave to amend a pleading
27 should be granted as a matter of course, at least until the defendant files a
28 responsive pleading. After that point, leave to amend should be granted unless

1 amendment would cause prejudice to the opposing party, is sought in bad faith, is
2 futile, or creates undue delay. Ascon Props., Inc. v. Mobil Oil Co., 866 F.2d
3 1149,1159 (9th Cir. 1989).

4 However, once a court has issued a scheduling order and the pleading
5 amendment deadline has passed, amendment of the pleadings is only permitted if
6 there is “good cause” for modification of the scheduling order. Coleman v. Quaker
7 Oats Co., 232 F.3d 1271, 1294 (9th Cir. 2000) (citing Johnson v. Mammoth
8 Recreations, Inc., 975 F.2d 604, 607-09 (9th Cir. 1992)); See also Fed. R. Civ. P.
9 16(b)(4) (“A schedule may be modified only for good cause and with the judge’s
10 consent.”). This standard “primarily considers the diligence of the party seeking the
11 amendment.” Johnson, 975 F.2d at 609. “Good cause” exists if a party can
12 demonstrate that the schedule “cannot reasonably be met despite the diligence of the
13 party seeking the extension.” Id. (citing Fed. R. Civ. P. 16 advisory committee’s
14 notes (1983 amendment)). The party seeking to continue or extend the deadline
15 bears the burden of proving good cause. See Zivkovic v. Southern California Edison
16 Co., 302 F.3d 1080, 1087 (9th Cir. 2002); Johnson, 975 F.2d at 608. Only where a
17 party shows good cause for a belated motion to amend may the Court consider
18 whether the amendment would be proper under Rule 15. Johnson, 975 F.2d at 607-
19 09.

20 DISCUSSION

21 1. Motion to Clarify Answer

22 Defendants move the Court to clarify that Defendants’ Answer, (Dkt. No. 17,
23 “Answer”), adequately raises patent exhaustion and implied license as affirmative
24 defenses. (Dkt. No. 283 at 8) (citing Fed. R. Civ. P. 8(e) (“[p]leadings must be
25 construed so as to do justice.”)). Defendants so move on two grounds: (1) that
26 Defendants’ Answer denies Plaintiffs’ infringement allegations, (Dkt. No. 283 at 8)
27 (citing Answer ¶¶ 26, 27); and (2) that the Second Affirmative Defense in
28 Defendants’ Answer, labeled “no inducement,” includes the defenses of patent

1 exhaustion and implied license. (Dkt. No. 283 at 8) (quoting Answer at 9:21-24).

2 The Court declines to clarify that Defendants’ Answer raises the affirmative
3 defenses of patent exhaustion and implied license. “The key to determining the
4 sufficiency of pleading an affirmative defense is whether it gives plaintiff fair notice
5 of the defense.” Wyshak v. City Nat’l Bank, 607 F.2d 824, 827 (9th Cir. 1979); see
6 also Simmons v. Navajo County, Ariz., 609 F.3d 1011, 1023 (9th Cir. 2010). In
7 Wyshak, the United States Court of Appeals for the Ninth Circuit held that an
8 amended answer sufficiently pleaded a statute of limitations defense where the
9 defendant mentioned the statute of limitations defense in an amended answer and
10 detailed the defense in a memorandum of points and authorities attached to the
11 motion to file an amended answer. 607 F.2d at 827.

12 Here, Defendants’ Answer provides no such notice to Plaintiffs of
13 Defendants’ intent to assert the affirmative defenses of patent exhaustion and
14 implied license. First, the Court rejects Defendants’ argument that one-word denials
15 of Plaintiffs’ allegations regarding dentists’ infringement of Plaintiff’s patents can
16 constitute the raising of an affirmative defense. (Dkt. No. 283 at 8) (citing Answer
17 ¶¶ 26, 27). Particularly where Plaintiffs’ dentist infringement allegations contain
18 multiple allegations spanning twenty seven lines of pleading paper, (Dkt. No. 13,
19 “First Amended Complaint” ¶¶ 26, 27), Defendants’ flat assertion that these
20 allegations are “denied,” (Answer ¶¶ 26, 27), fails to raise the affirmative defense of
21 patent exhaustion or implied license.

22 The Court also rejects Defendants’ argument that pleading a “no inducement”
23 defense in the original Answer raised the affirmative defense of implied license or
24 patent exhaustion. (Dkt. No. 283 at 8) (quoting Answer at 9:21-24). The “no
25 inducement” defense alleged in Defendants’ Answer asserts that Defendants “did
26 not have, and does not have, any specific intent to cause third parties to infringe
27 Plaintiffs’ patents and has therefore not induced infringement of the Plaintiffs’
28 patents.” (Answer at 9:21-24.) The Court finds that the “no inducement” defense

1 alleged in Defendants' Answer focuses on negating the requisite specific intent
2 needed for Plaintiffs to prove induced infringement. See Forest Laboratories, Inc. v.
3 Ivax Pharmaceuticals, Inc., 501 F.3d 1263, 1272 (Fed. Cir. 2007) ("An inquiry into
4 induced infringement focuses on the party accused of inducement as the prime
5 mover in the chain of events leading to infringement.") On the other hand, the
6 affirmative defense of implied license or patent exhaustion focuses on whether the
7 patent holder's rights have been exhausted by the authorized sale of an article that
8 substantially embodies a patent. Quanta Computer, Inc. v. LG Electronics, Inc., 553
9 U.S. 617, 638 (2008). The Court finds that because the "no inducement" and "patent
10 exhaustion" defenses require different showings and focus on different actors,
11 Defendants' pleading of "no inducement" failed to put Plaintiffs on fair notice of
12 Defendants' intent to raise the affirmative defenses of patent exhaustion or implied
13 license. Accordingly, the Court concludes that Defendants' Answer failed to raise
14 the defenses of patent exhaustion or implied license.

15 **2. Motion to Amend Answer**

16 In the alternative, Defendants seek leave to amend Defendants' Answer to
17 assert the affirmative defenses of patent exhaustion and implied license. (Dkt. No.
18 283 at 9.) Because the pleading amendment deadline has long passed, Defendants
19 bear the burden of showing "good cause" to amend the Answer under Federal Rules
20 of Civil Procedure 16(b). Zivkovic v. Southern California Edison Co., 302 F.3d
21 1080, 1087 (9th Cir. 2002). "Rule 16(b)'s 'good cause' standard primarily considers
22 the diligence of the party seeking the amendment." Johnson v. Mammoth
23 Recreations, Inc., 975 F.2d 604, 609 (9th Cir. 1992).

24 Defendants advance three explanations for seeking to amend the Answer
25 nearly two and a half years after the amendment deadline: (1) Plaintiffs indicated
26 expanded claims against Defendants in reply papers to a recent motion, (Dkt. No.
27 183 at 10) (citing Dkt. No. 156 at 6:28-7:28; Dkt. No. 261 at 7:8-9); (2) Plaintiffs'
28 recently revised infringement contentions accuse a new product, (id.) (citing Dkt.

1 No. 202; Dkt. No. 107-1 at 1:4-8); and (3) Plaintiffs' recently revised infringement
2 contentions expand and clarify Plaintiffs' claims, (id. at 11) (citing Dkt. 107-2, Ex.
3 10 at 3:8-10; Dkt. No. 202). In other words, Defendants claim Plaintiffs' August 19,
4 2013 reply papers, (Dkt. No. 261), and the Court's April 15, 2013 Order granting
5 Plaintiffs leave to file amended infringement contentions, (Dkt. No. 202), justify
6 Defendants' motion to file an amended answer.

7 The Court finds Defendants have not acted diligently in seeking to amend the
8 Answer nearly five months after the triggering events Defendants claim justify
9 amendment of the Answer. First, Defendants move to amend the Answer because
10 Plaintiffs have asserted in recent reply papers filed August 19, 2013, that Plaintiffs
11 "seek to hold Implant Direct liable for post-[acquisition] events [as successors-in-
12 interest] based on Rule 25(c) of the Federal Rules of Civil Procedure." (Dkt. No.
13 283 at 10.) However, the Court finds Defendants were on notice of Plaintiffs' intent
14 to do so when Plaintiffs moved to join successors-in-interest Implant Direct Sybron
15 Int'l and Implant Direct Sybron Mfg. LLC on August 21, 2012. (Dkt. No. 116-1 at
16 9) (arguing that without joinder, Defendants will continue to maintain they are not
17 responsible for post-acquisition acts alleged to be infringing by Plaintiffs). The
18 Court granted the Rule 25(c) motion on April 15, 2013. (Dkt. No. 202.)

19 Second, Defendants claim the Court's granting of Plaintiffs' motion to amend
20 infringement contentions justifies Defendants' motion to amend the Answer. (Dkt.
21 No. 283 at 10-11.) The Court finds Defendants were on notice of Plaintiffs'
22 amended infringement contentions at the time of the Court's April 15, 2013 Order.
23 (Dkt. No. 202.) The Court therefore finds that nearly five months passed between
24 the events Defendants claim justify amendment of the Answer and Defendants'
25 September 11, 2013 filing of the present motion to amend the Answer.

26 In reply, Defendants argue that Defendants notified Plaintiffs of intent to
27 amend the Answer to assert patent exhaustion on December 17, 2012, and notified
28 the Court of intent to file a motion to clarify or amend the Answer in a joint status

1 report on May 17, 2013. (Dkt. No. 303) (citing Dkt. No. 304-8; Dkt. No. 217, “Joint
2 Status Report”). Defendants explain that the case was “essentially on hold pending
3 ruling on invalidity contention motions the Magistrate indicated should be decided
4 first.” (Dkt. No. 303 at 7) (citing Dkt. No. 228 at 2:20-3:3, 53:8-15, 54:16-56:20,
5 91:22-92:2).

6 The Court finds that neither notification satisfies Defendants’ burden of
7 demonstrating good cause to amend the scheduling order. As an initial matter,
8 notification to opposing counsel of intent to file a motion does not establish
9 diligence in filing said motion. To the contrary, Defendants’ proffered
10 communications with Plaintiffs show that Defendants intended to seek leave to
11 amend the Answer as early as December 17, 2012. (Dkt. No. 304-8.) This date is
12 nearly four months before the events Defendants claim triggered the need to amend
13 the Answer. (Dkt. No. 283 at 10-11.)

14 Furthermore, a review of the transcript of the parties’ May 29, 2013
15 scheduling conference hearing before United States Magistrate Judge William V.
16 Gallo shows that, contrary to Defendants’ assertion, the case was not “essentially on
17 hold” at that time. (Dkt. No. 228.) In fact, Judge Gallo sought to set a “date by
18 which any motions, if they’re going to be filed by the Defendant, must be filed,” but
19 Defendants failed to mention intent to file a motion to amend the Answer. (Dkt. No.
20 228 at 54:16-56:20.)

21 The Court concludes that a delay of nearly five months fails to show
22 diligence in seeking to amend the Answer and therefore **DENIES**, for lack of good
23 cause, Defendants’ belated motion to modify the scheduling order to allow
24 Defendants to amend the Answer.

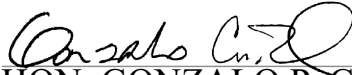
25 CONCLUSION

26 For the aforementioned reasons, the Court hereby **DENIES** Defendants’
27 motion to clarify the Answer and **DENIES** Defendants’ motion, in the alternative,
28 to file an amended answer.

1 Accordingly, the hearing on Defendants' motion, currently set for January 17,
2 2014, is hereby **VACATED**.

3 **IT IS SO ORDERED.**

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5 DATED: January 8, 2014

6 
7 HON. GONZALO P. CURIEL
8 United States District Judge
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