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

ZEST IP HOLDINGS, LLC, a
Delaware limited liability company;
ZEST ANCHORS, LLC, a Delaware
limited liability company,

Plaintiffs,

v.

IMPLANT DIRECT MFG. LLC, a
Nevada limited liability company;
IMPLANT DIRECT LLC, a Nevada
limited liability company; IMPLANT
DIRECT INT'L, a Nevada
corporation,

Defendants.

CASE NO. 10cv541-GPC(WVG)

ORDER:

**1) DENYING IMPLANT DIRECT
SYBRON INTERNATIONAL AND
IMPLANT DIRECT SYBRON
MANUFACTURING, LLC'S
MOTION FOR SUMMARY
JUDGMENT ON ZEST'S CLAIMS
BASED ON POST-ACQUISITION
LIABILITY**

[Dkt. No. 456.]

**2) GRANTING IN PART AND
DENYING IN PART ZEST
ANCHORS, LLC AND ZEST IP
HOLDINGS LLC'S MOTION FOR
SUMMARY JUDGMENT THAT IDSI
IS LIABLE FOR PRE- AND POST-
TRANSACTION CONDUCT AND
BOUND TO THE COURT'S PRIOR
ORDERS AND IMPLANT DIRECT'S
LITIGATION DECISIONS**

[Dkt. No. 467.]

**3) GRANTING IN PART AND
DENYING IN PART IMPLANT
DIRECT INTERNATIONAL,
IMPLANT DIRECT LLC, AND
IMPLANT DIRECT MFG, LLC'S
MOTION FOR PARTIAL
SUMMARY JUDGMENT**

[Dkt. No. 468.]

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INTRODUCTION

Presently before the Court are cross-motions for summary judgment on the issue of whether successor-in-interest Defendants Implant Direct Sybron International and Implant Direct Sybron Manufacturing, LLC (collectively, “IDSI”) can be held liable in the present action for Zest’s claims against them arising out of conduct following the transaction that created the IDSI entities. (Dkt. Nos. 456, 467, 468.) Respective motions have been filed by: (1) the IDSI Defendants, (Dkt. No. 456); (2) Plaintiffs Zest Anchors, LLC and Zest Holdings, LLC (collectively, “Plaintiffs”), (Dkt. No. 467); and (3) named Defendants Implant Direct Mfg. LLC, Implant Direct LLC, and Implant Direct International (collectively, “Implant Direct”), (Dkt. No. 468). The Parties have fully briefed all three motions. (See Dkt. Nos. 489, 490, 491, 498, 499, 500.) A hearing was held on October 3, 2014. (Dkt. No. 532.) Lisa Ferri, Esq., Manuel J. Velez, Esq., and Andrew Edelstein, Esq. appeared on behalf of Plaintiffs; A James Isbester, Esq., Megan Chung, Esq., and Christopher Mead (telephonic) appeared on behalf of the IDSI Defendants; and Michael Hurey, Esq. and Christopher Dugger, Esq. appeared on behalf of the Implant Direct Defendants.

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In essence, the Parties’ cross-motions seek to determine the scope of the Implant Direct and IDSI Defendants’ potential liability for the present litigation due to the transfer of interest between them at the end of December, 2010 (“2010 Transaction”). After the Implant Direct Defendants transferred their assets and liabilities into the newly-created IDSI subsidiaries, no party in this litigation - not the Implant Direct Defendants, the newly formed IDSI Defendants, or the Zest Plaintiffs - timely brought the issue of joinder to the Court’s attention until Zest filed a motion to join the IDSI Defendants more than a year and a half later on August 21, 2012. (Dkt. No. 116.)

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The Parties now dispute whether the present litigation includes allegations for conduct occurring after the transfer of interest between Implant Direct and IDSI.

1 The Implant Direct Defendants, as originally named in Zest’s initial Complaint filed
2 March 12, 2010, argue they are not liable for any post-2010 Transaction conduct
3 because they transferred all assets and liabilities to IDSI and ceased conducting
4 business. The IDSI entities, joined to this action as successors-in-interest pursuant
5 to Federal Rules of Civil Procedure 25(c), do not dispute that they assumed the
6 liabilities of the Implant Direct entities for Implant Direct’s conduct prior to the
7 2010 Transaction. However, IDSI maintains that they were joined to this action
8 solely as successors to the actions of Implant Direct, and cannot be held liable for
9 their own post-2010 Transaction conduct unless Zest files a Second Amended
10 Complaint naming the IDSI entities for their own conduct or files a separate action
11 for that separate conduct. Zest argues IDSI takes the case as they found it and are
12 bound to the litigation decisions of Implant Direct and this Court’s prior orders in
13 this case. The Court agrees with Zest and Implant Direct.

14 Based on a review of the Parties’ briefing, the lengthy record, submitted
15 evidence, oral arguments by the parties, and the applicable law, the Court: (1)
16 DENIES the IDSI Defendants’ Motion for Summary Judgment on Zest’s Claims
17 Based on Post-Acquisition Liability, (Dkt. No. 456); (2) GRANTS in part and
18 DENIES in part Zest’s Motion for Summary Judgment that IDSI is Liable for Pre-
19 and Post-Transaction Conduct and Bound to the Court’s Prior Orders and Implant
20 Direct’s Litigation Decisions, (Dkt. No. 467); and (3) GRANTS in part and
21 DENIES in part the Implant Direct Defendants’ Motion for Partial Summary
22 Judgment, (Dkt. No. 468).

23 BACKGROUND

24 As set forth in prior orders in this case, this is a patent and trademark
25 infringement action involving dental attachment products. (See Dkt. No. 1.) The
26 procedural history in this four-and-a-half year old litigation is long and complex.

27 I. Case Initiation

28 On March 12, 2010, Zest filed the initial Complaint in the present action,

1 naming Defendants Implant Direct International, Implant Direct LLC, and Implant
2 Direct MFG, LLC. (Dkt. No. 1.) On August 27, 2010, Zest filed a First Amended
3 Complaint (“FAC”), the current operative Complaint. (Dkt. No. 13.) The gravamen
4 of the FAC is that Implant Direct manufactures, offers for sale, and sells the
5 “GoDirect” dental attachment product and the GoDirect Prosthetic System (“GPS”)
6 (collectively, “Accused Products”) in violation of Zest’s patents, and falsely and
7 unfairly uses the ZEST® and LOCATOR® trademarks when marketing the Accused
8 Products. (See Dkt. No. 13 ¶¶ 6, 7, 20, 21, 24-28, 30-32.) The FAC alleges eight
9 causes of action against the Implant Direct Defendants: (1) Infringement of U.S.
10 Patent No. 6,030,219; (2) Infringement of Patent No. 6,299,447; (3) Trademark
11 Infringement; (4) False Designation of Origin; (5) False Advertising; (6) California
12 UCL; (7) California statutory False Advertising; and (8) Common Law Unfair
13 Competition. (Id.) On September 17, 2010, Implant Direct filed an Answer to
14 Plaintiffs’ First Amended Complaint. (Dkt. No. 17.)

15 **II. Creation of IDSI Entities**

16 Under the terms of a transaction agreement dated November 17, 2010
17 (“Transaction Agreement”), Implant Direct entered into a corporate transaction with
18 Sybron Canada Holdings, Inc. for an “arms-length” sale whereby the Implant Direct
19 entities formed and transferred 100% of their interests into wholly-owned
20 subsidiaries, which were then purchased by Sybron Canada Holdings, Inc.
21 (“Sybron”). (See Dkt. No. 521, Velez Decl. Ex. 1.) In particular, Implant Direct
22 Mfg. LLC became Implant Direct Sybron Manufacturing, LLC and Implant Direct
23 International became Implant Direct Sybron International LLC. (See Dkt. No. 146 at
24 4; Dkt. No. 521-2, Velez Decl. Ex. 3, Chang Depo. at 69:20-70:4.)

25 Pursuant to the Transaction Agreement, the IDSI entities assumed “the
26 following liabilities of Sellers solely to the extent relating to the ID Business: . . .
27 (iii) . . . all Liabilities arising out of the ownership, use or operation by the Joint
28 Venture Companies of the ID Contributed Assets following the Closing, and (iv)

1 numbers 1, 2, 3, 5, and 6 on the litigation summary attached to Section 2.16 of the
2 Sellers' Disclosure Schedule . . ." (Dkt. No. 521, Velez Decl. Ex. 1 at § 9.1(qq).)
3 The referenced "litigation summary" lists nine items under the heading "A summary
4 of all pending or threatened litigation or action against the Company." (Dkt. No.
5 521-1, Velez Decl. Ex. 2, Litigation Summary.) The litigation summary discloses
6 the present litigation as item two, stating that:

7 Zest Anchors filed a Complaint alleging that Implant Direct's GoDirect
8 one-piece implant infringes its patent. GoDirect implants account for
9 about 0.2% of Implant Direct's implant sales, and Implant Direct has filed
10 for a Patent on this product. . . Implant Direct anticipates litigation with
11 Zest when Implant Direct launches its new GPS abutment system, for
12 which Implant Direct has also filed a patent application. Implant Direct
believes that it does not infringe the Zest patent, and also that it is
protected from claims of inducing infringement because the Zest cap
attachment works with the Implant Direct GPS Abutment. **Zest served
the Complaint on July 7, 2010 and filed an Amended Complaint on
August 27, 2010.**

13 (Id. at 3) (emphases in original).

14 Zest has introduced significant evidence, largely unrefuted by Implant Direct
15 or IDSI, that IDSI continued the sales of the Accused Products and has participated
16 in the present litigation since the 2010 Transaction. As for sales of the Accused
17 Products, the evidence reflects that business continued with little change after the
18 2010 Transaction. IDSI continues to make the same products Implant Direct did,
19 including the Accused Products. (Dkt. No. 467-4, Velez Decl. Ex. 5, Markman
20 Hearing Transcr. at 94:17-19; Dkt. No. 521-2, Velez Decl. Ex. 3 at 81:5-20,
21 118:9-119:9.) Dr. Gerald Niznick ("Dr. Niznick"), the designer of the Accused
22 Products, served as Implant Direct's President and CEO and was hired to remain as
23 President and CEO of the IDSI entities. (Dkt. No. 521-4, Velez Decl. Ex. 6, Niznick
24 Depo. at 243:24-245:6.) Zest has also introduced evidence that the IDSI "maintains
25 the same address as its predecessor, utilizes the same web address
26 (www.implantdirect.com), and even employs the same marketing and sales
27 materials as its predecessor." (Dkt. No. 467-1 at 5) (internal citations omitted).

28 Likewise, the Court's docket and Zest's uncontroverted evidence reflect that

1 this litigation continued with substantial IDSI participation after the 2010
2 Transaction. In particular, Zest’s counsel declares that Stephen Tomassi, an
3 executive from Sybron and a future board member of IDSI, attended the Early
4 Neutral Evaluation held on December 9, 2010 and indicated that IDSI would “be
5 involved in the case.” (Dkt. No. 467-3, Velez Decl. ¶ 3.) Dr. Niznick and/or Rajiv
6 Yadav, Sybron’s in-house counsel, participated in all subsequent court-ordered
7 mediations. (Id. ¶ 4.) Dr. Niznick testified that the IDSI entities delegated
8 responsibility for managing the present litigation to him, and that he gave regular
9 reports to the IDSI Board. (Dkt. No. 522 at 24.) According to Dr. Niznick, the
10 management of this litigation was “always done in consultation with Mr. Tomassi
11 and the Board as to what we were doing.” (Id.) Furthermore, at the Markman
12 hearing held in this case, Dr. Niznick affirmed that if there was an infringement
13 finding in this case and damages were awarded, that IDSI would be “responsible for
14 any of the damages for sales made after the [2010 Transaction].” (Dkt. No. 467-4,
15 Velez Decl. Ex. 5 at 94:20-95:2.)

16 In addition, according to the Court’s docket, Implant Direct and IDSI appear
17 to have been represented by the same counsel up to and through the Court’s formal
18 joinder of the IDSI Defendants to this case. The Court notes that the Parties dispute
19 this fact. At the October 3, 2014 Hearing on the present motions, IDSI’s counsel
20 attempted to clarify for the Court that Implant Direct and IDSI were represented by
21 separate counsel after IDSI was brought into this litigation. (Dkt. No. 534 at 13:7-
22 14:10) (“IDSI was represented not by Mr. Hurey and his law firm, but by separate
23 counsel by the name of Patrick Bright. And as far as I know, the record does not
24 suggest that Mr. Hurey was representing IDSI as opposed to Mr. Bright representing
25 IDSI.”). However, the record reflects that Mr. Bright entered a notice of appearance
26 in this case on behalf of the Implant Direct entities on September 9, 2011, well
27 before Zest filed their formal motion to join IDSI pursuant to FRCP 25©. (Dkt. No.
28 70.) In addition, Implant Direct’s counsel, Kleinberg and Lerner, has brought three

1 actions against Zest on behalf of the IDSI entities in this district during the
2 pendency of this litigation. See *Implant Direct Sybron International v. Zest IP*
3 *Holdings, LLC et al.*, No. 11-cv-2247-LAB-WVG (S.D. Cal.) (filed September 27,
4 2011); *Implant Direct Sybron International v. Zest IP Holdings, LLC et al.*, No.
5 12-cv-01213-JLS-MDD (S.D. Cal.) (filed May 21, 2012); *Implant Direct Sybron*
6 *International v. Zest IP Holdings, LLC et al.*, No. 13-cv-1846-GPC-WVG (S.D.
7 Cal.) (filed August 8, 2013). Neither IDSI nor Implant Direct have submitted
8 evidence to the Court to otherwise refute Zest's showing that IDSI and Implant
9 Direct were represented by the same counsel prior to and after IDSI was formally
10 joined to this case, until new counsel made appearances for the IDSI entities at the
11 end of April 2014. (See Dkt. Nos. 419, 421, 422.)

12 **IV. Joinder of the IDSI Entities**

13 Following a series of discovery disputes between the Parties, Zest filed a
14 motion to formally join the IDSI entities to the present action as
15 successors-in-interest to the Implant Direct entities pursuant to Federal Rules of
16 Civil Procedure 25©. (Dkt. No. 116.) The motion was filed on August 21, 2012, and
17 was fully briefed, including supplemental briefing. (Dkt. Nos. 146, 156, 170, 177.)
18 On October 22, 2012, the case was transferred from Judge Larry Burns to the
19 undersigned Judge. (Dkt. No. 142.) Following a hearing on January 4, 2013, (Dkt.
20 No. 184, Hearing Transcr.), this Court denied Zest's motion to join the IDSI entities
21 on the ground that Zest had not properly served IDSI with the motion. (Dkt. No.
22 185.) The Court further granted Plaintiffs fifteen days to properly effectuate service
23 and took the motion under submission. (Dkt. No. 185.) On February 19, 2013, the
24 IDSI entities filed an opposition to Plaintiffs' motion to join. (Dkt. No. 190.) On
25 February 21, 2013, Zest filed a reply to the IDSI opposition. (Dkt. No. 191.) On
26 April 15, 2013, this Court issued an order granting Zest's motion to join the IDSI
27 entities as successors-in-interest to Implant Direct. (Dkt. No. 202.) In particular, this
28 Court found that the benefits of joinder outweighed Plaintiffs' delay in seeking

1 joinder and that IDSI was not unduly prejudiced because “IDSI has had an
2 opportunity as an interested party to influence the direction that Implant Direct has
3 sought in the litigation up to this point.” (Id. at 4-6.)

4 On May 6, 2013, without seeking leave to do so, the IDSI entities filed an
5 Answer to Plaintiffs’ Amended Complaint, asserting a counterclaim against
6 Plaintiffs for patent invalidity. (Dkt. No. 211.) On May 31, 2013, Zest filed a
7 motion to strike IDSI’s Answer and Counterclaim arguing that IDSI was attempting
8 to file the very same Answer and Counterclaim that Implant Direct was previously
9 disallowed by Judge Larry Burns to file, (see Dkt. No. 81), and that IDSI, as a
10 successor-in-interest to Implant Direct, was not entitled to start the case anew under
11 Rule 25©. (Dkt. No. 226, 226-1.) IDSI opposed the motion, (Dkt. No. 253), and
12 Plaintiffs replied, (Dkt. No. 261). On October 16, 2013, this Court granted Zest’s
13 motion to strike IDSI’s answer and counterclaim. (Dkt No. 301 at 4-10.)

14 **IV. Present Motions**

15 More than six months later, on April 28, 2014, new counsel filed a notice of
16 appearance and applied to appear pro hac vice for the IDSI entities. (Dkt. Nos. 419,
17 421, 422.) On April 29, 2014, IDSI filed a “Motion for Clarification of Joinder and
18 Discovery Orders,” moving this Court to clarify that the Court’s order joining IDSI
19 to the present action as successor-in-interest to IDSI is limited to Implant Direct’s
20 conduct prior to the 2010 Transaction. (Dkt. No. 420.) On July 30, 2014, the Court
21 declined to decide the scope of IDSI liability on a “motion for clarification” without
22 the proper legal and evidentiary showings. (Dkt. No. 455 at 5-6.)

23 The Parties have now filed cross-motions for summary judgment on the
24 question of whether IDSI’s joinder to this litigation under Federal Rules of Civil
25 Procedure 25(c) is solely for Implant Direct’s pre-2010 Transaction conduct or
26 whether IDSI’s potential liability is severed as of the date of the 2010 Transaction.

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LEGAL STANDARD

1
2 Federal Rule of Civil Procedure 56 empowers the Court to enter summary
3 judgment on factually unsupported claims or defenses, and thereby “secure the just,
4 speedy and inexpensive determination of every action.” Celotex Corp. v. Catrett,
5 477 U.S. 317, 325, 327 (1986). Summary judgment is appropriate if the “pleadings,
6 depositions, answers to interrogatories, and admissions on file, together with the
7 affidavits, if any, show that there is no genuine issue as to any material fact and that
8 the moving party is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(c).
9 A fact is material when it affects the outcome of the case. Anderson v. Liberty
10 Lobby, Inc., 477 U.S. 242, 248 (1986).

11 The moving party bears the initial burden of demonstrating the absence of
12 any genuine issues of material fact. Celotex Corp., 477 U.S. at 323. The moving
13 party can satisfy this burden by demonstrating that the nonmoving party failed to
14 make a showing sufficient to establish an element of his or her claim on which that
15 party will bear the burden of proof at trial. Id. at 322-23. If the moving party fails to
16 bear the initial burden, summary judgment must be denied and the court need not
17 consider the nonmoving party’s evidence. Adickes v. S.H. Kress & Co., 398 U.S.
18 144, 159-60 (1970).

19 Once the moving party has satisfied this burden, the nonmoving party cannot
20 rest on the mere allegations or denials of his pleading, but must “go beyond the
21 pleadings and by her own affidavits, or by the ‘depositions, answers to
22 interrogatories, and admissions on file’ designate ‘specific facts showing that there
23 is a genuine issue for trial.’” Celotex, 477 U.S. at 324. If the non-moving party fails
24 to make a sufficient showing of an element of its case, the moving party is entitled
25 to judgment as a matter of law. Id. at 325. “Where the record taken as a whole could
26 not lead a rational trier of fact to find for the nonmoving party, there is no ‘genuine
27 issue for trial.’” Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574,
28 587 (1986). In making this determination, the court must “view[] the evidence in the

1 light most favorable to the nonmoving party.” Fontana v. Haskin, 262 F.3d 871, 876
2 (9th Cir. 2001). The Court does not engage in credibility determinations, weighing
3 of evidence, or drawing of legitimate inferences from the facts; these functions are
4 for the trier of fact. Anderson, 477 U.S. at 255.

5 The filing of cross-motions for summary judgment “does not necessarily
6 mean there are no disputed issues of material fact and does not necessarily permit
7 the judge to render judgment in favor of one side or the other.” Starsky v. Williams,
8 512 F.2d 109, 112 (9th Cir. 1975). “[E]ach motion must be considered on its own
9 merits.” Fair Hous. Council of Riverside County, Inc. v. Riverside Two, 249 F.3d
10 1132, 1136 (9th Cir. 2001). Furthermore, the court must consider evidence
11 submitted in support of and in opposition to both motions before ruling on each one.
12 Id.

13 DISCUSSION

14 As an initial matter, the Court notes that the issue now before the Court is the
15 result of the failure, on the part of all involved Parties, to timely address the transfer
16 of interest between the initial Implant Direct Defendants and the successor-in-
17 interest IDSI Defendants. Although it is true that Federal Rules of Civil Procedure
18 25(c) allows an action to “continue unabated when an interest in the lawsuit changes
19 hands,” In re Bernal, 207 F.3d 595, 598 (9th Cir. 2000), the better practice,
20 particularly where a Plaintiff is alleging ongoing infringement involving
21 modifications to existing products, is to seek formal addition of a successor-in-
22 interest via substitution or joinder. At the hearings held on this matter and briefs
23 filed in support of and opposition to joinder, the Parties variously blamed each other
24 for this failure. The law is clear, however, that any of the three sets of Parties in this
25 action could have sought clarification of the scope of Zest’s allegations and the
26 scope of IDSI’s liability at an earlier time in this litigation. See, e.g., General
27 Battery Corp. v. Globe-Union Inc., 100 F.R.D. 258 (D. Del. Oct. 5, 1982) (original
28 defendant moved for substitution of successor-in-interest under FRCP 25(c));

1 Kowalski v. Mommy Gina Tuna Resources, Nos. 05-00679 BMK, 06-00182 BMK,
2 05-00787 BMK, 2008 WL 4483774 (D. Haw. Sept. 30, 2008) (plaintiff moved to
3 join successor-in-interest defendant to litigation); In re Bernal, 207 F.3d at 599
4 (“We hold that the proper procedure was a motion brought under Federal Rule of
5 Civil Procedure 25(c) and addressed to the discretion of the bankruptcy court.
6 [Successor-in-interest defendant] never sought to utilize that procedure, and it failed
7 in its attempt to ensorcel the bankruptcy court into granting 25(c)-evading relief.
8 Just as it failed there, it must fail here.”).

9 Now, nearly four years since transfer and in the face of damages accumulated
10 during the pendency of this lawsuit, the Parties seek to settle the question of
11 whether post-transaction liability is properly considered in this lawsuit, or whether
12 Zest must file an amended complaint or a separate lawsuit for allegations regarding
13 post-2010 Transaction potential liability. (See Dkt. No. 534, Hearing Transcr. at
14 14:11-17) (“[T]his is going a little bit into the realpolitik of the situation, but in
15 truth, the exposure of Implant Direct, that original product, is minimal. The real
16 exposure to whomever - and IDSI is quite prepared to stand up in this court and
17 defend itself against that exposure - but that the real exposure relates to the revised
18 product that IDSI brought in long after the acquisition.”). The Court addresses the
19 three filed motions in turn.

20 **I. IDSI’s Motion for Summary Judgment**

21 IDSI moves for summary judgment on Zest’s claims for post-2010
22 Transaction liability on two grounds: (1) under the Federal Rules of Civil Procedure
23 25(c) (“Rule 25©”), IDSI’s liability is limited to the conduct of their predecessors,
24 the Implant Direct entities; and (2) it violates due process to hold IDSI liable for its
25 own conduct “without [allowing IDSI to] answer, raise defenses, engage in
26 discovery, or present independent expert witnesses.” (Dkt. No. 456-1 at 1.)

27 **A. Rule 25(c)**

28 The Parties do not dispute that IDSI may be held liable for any patent and

1 trademark infringement that IDSI’s Implant Direct predecessors committed prior to
2 the 2010 Transaction. (See Dkt. No. 431 at 1.) However, IDSI moves for summary
3 judgment on the ground that Rule 25(c) “only permits IDSI to be joined to this
4 action as Implant Direct’s successor, not for its own post-acquisition conduct.”
5 (Dkt. No. 456-1 at 4.) The Court disagrees.

6 The general principles of Rule 25(c) are not in dispute. Under Rule 25, “[i]n
7 case of any transfer of interest, the action may be continued by or against the
8 original party, unless the court upon motion directs the person to whom the interest
9 is transferred to be substituted in the action or joined with the original party.” Fed.
10 R. Civ. P. 25(c). As the Parties and this Court have reiterated, “Rule 25(c) is not
11 designed to create new relationships among parties to a suit but is designed to allow
12 the action to continue unabated when an interest in the lawsuit changes hands.” In
13 re Bernal, 207 F.3d 595, 598 (9th Cir. 2000) (quoting Collateral Control Corp. v.
14 Deal (In re Covington Grain Co., Inc.), 638 F.2d 1362, 1364 (5th Cir. 1981)).

15 However, IDSI asserts the novel argument that pre-transfer and post-transfer
16 conduct should be treated separately under Rule 25©. IDSI cites four cases for the
17 proposition that “a successor-in-interest is only liable for the predecessor
18 corporation’s conduct, not its own independent actions.” (Dkt. No. 456-1 at 5-6)
19 (citing Mobil Oil Corp. v. Linear Films, Inc., 718 F. Supp. 260 (D. Del. 1989);
20 McKesson Info. Solutions, Inc. v. Bridge Med ., Inc., No. CIVS022669 FCD KJM,
21 2006 WL 658100 (E.D. Cal. Mar. 13, 2006); Mars, Inc. v. JCM Am. Corp., No. 05-
22 3165 (RBK), 2008 WL 5401604 (D.N.J. Dec. 23, 2008); Horphag Research Ltd. v.
23 Consac Indus., Inc., 116 F.3d 1450, 1453 (Fed. Cir. 1997)). Having carefully
24 considered IDSI’s cited authorities, the Court finds that none of them support the
25 proposition that, after a Rule 25(c) successor-in-interest is joined, post-transaction
26 conduct is treated separately from pre-transaction conduct.

27 First, the Mobil Oil case is distinguishable from the present case on its facts.
28 Mobil Oil involved the denial of a plaintiff’s Rule 25(c) motion to substitute a

1 successor-in-interest defendant into a case where the court had determined that the
2 original defendant was not liable. 718 F. Supp. at 272-73. In essence, the court held
3 that the plaintiff could not cure its error of “su[ing] the wrong party,” 718 F. Supp.
4 at 263, by substituting the correct successor-in-interest party under Rule 25(c). In
5 this case, Implant Direct’s liability for pre-2010 Transaction conduct has yet to be
6 determined, and the propriety of joining IDSI as a successor-in-interest is not at
7 issue. The Mobil Oil case did not address the issue presently before the Court.

8 Second, the McKesson case likewise involved a denial of Rule 25(c) joinder
9 in a situation distinguishable on its facts. 2006 WL 658100. In that case, the court
10 considered a defendant that transferred all assets (but not liabilities) to a third-party
11 corporation during the pendency of the litigation. The court noted that the plaintiff
12 appeared “at times, to argue that [the transferee] is an independent infringer separate
13 and apart from any acquired liability” which the court found impermissible under
14 Rule 25(c). McKesson, 2006 WL 658100 at *2. However, while assets including the
15 accused “MedPoint System” were transferred from the transferor defendant to a
16 transferee third-party in McKesson, the court made no finding as to whether the
17 transferee was a successor-in-interest to the transferor. Furthermore, the McKesson
18 court noted that the transferee third-party had not retained counsel or reviewed the
19 “existing, massive litigation record” in that case. Id. at *3. Here, the Court has
20 found and the Parties do not dispute that IDSI is a successor-in-interest to Implant
21 Direct. As noted above, Zest has introduced significant evidence that IDSI has
22 participated in and has controlled this litigation since the 2010 Transaction. IDSI’s
23 quoted language from the court in McKesson does not compel the conclusion that
24 liability cuts off at the time of transfer between a predecessor and successor-in-
25 interest.

26 Neither do Mars, Inc., 2008 WL 5401604, or Horphag, 116 F.3d 1450
27 (reversing the district court’s joinder of a successor-in-interest into a lawsuit that
28 was already closed two years previously), present factual circumstances similar to

1 this case. In particular, Mars, Inc. involved the record owner of a patent seeking to
2 substitute as a successor-in-interest plaintiff under Rule 25©. 2008 WL 5401604 at
3 *1. As in Mobil Oil, the Mars, Inc. court found that a successor-in-interest plaintiff
4 could not cure the fact that the predecessor plaintiff lacked standing to sue. No such
5 concerns exist here.

6 On the other hand, Plaintiffs cite several cases for the proposition that non-
7 party successors-in-interest can be found liable for their own post-transaction
8 conduct rather than just their predecessors' conduct. See Cloister Speed steel AB v.
9 Crucible Inc., 793 F.2d 1565 (Fed. Cir. 1986); Novo Industry A/S v. Travenol
10 Labs., Inc., 677 F.2d 1202, 1211-12 (7th Cir. 1982); Kowalski v. Mommy Gina
11 Tuna Res., No. 05-00679, 2008 WL 4483774, at *8 (D. Haw. Sept. 30, 2008). For
12 example, in Novo Industry, the Seventh Circuit addressed a case where, as in this
13 case, the accused product was acquired by a third party during the pendency of the
14 lawsuit, and the third party was added to the litigation pursuant to Rule 25(c). 677
15 F.2d at 1203-04. For most of the opinion, the Seventh Circuit treated the
16 predecessor and successor-in-interest companies as one party. Id. ("For simplicity
17 the defendants-appellants will be referred to collectively as Travelog throughout
18 this opinion."). During the court's discussion of increased damages and attorney's
19 fees, the court affirmed the district court's finding that both the predecessor's and
20 successors' infringement of the plaintiff's patent were deliberate and willful,
21 warranting increased damages and attorney's fees. Id. at 1211-12.

22 IDSI argues these cases "simply [do] not address or discuss any of the Rule
23 25(c) or due process arguments that IDSI has raised in this case." (Dkt. No. 490 at
24 12.) While this statement is accurate, the Court finds that the lack of discussion in
25 these cases favors Zest's interpretation of Rule 25(c) rather than IDSI's. IDSI has
26 pointed to no cases in which a court severed liability at the time of transfer for a
27 successor-in-interest joined to a case under Rule 25(c). (See Dkt. No. 534, Hearing
28 Transcr. at 534:2-8) ("The Court: Do you have a case where there was a Rule 25

1 joinder and the Court explicitly found there was a cutoff and break of liability as of
2 the time of transfer? [IDSI’s Counsel]: Your Honor, I don’t know the answer to
3 that.”). On the other hand, Zest’s cited authorities demonstrate that several courts
4 have brought successors-in-interest into a case and have allowed post-transfer
5 conduct to be included in the calculation of damages. See Novo Industry, 677 F.2d
6 at 1211-12; Kowalski, 2008 WL 4483774, at *8. The Court therefore finds that Rule
7 25(c) does not prevent liability for post-transaction conduct in this action and
8 DENIES IDSI’s motion for summary judgment on this ground.

9 **B. Due Process**

10 IDSI’s second argument for summary judgment on the question of its
11 post-2010 Transaction liability is that due process “requires that IDSI be permitted
12 to defend itself if it is sued for its own conduct.” (Dkt. No. 456-1 at 6.) IDSI argues
13 that “any procedural scenario in which it could be held liable and assessed damages
14 for its own conduct without being able to answer and conduct its own defense
15 would be flatly contrary to the Supreme Court’s clear rulings about what process is
16 due when a new party is brought into an existing case.” (Id.)

17 IDSI’s due process argument relies heavily on Nelson v. Adams USA, Inc.,
18 529 U.S. 460 (2000). In Nelson, the Supreme Court considered a district court’s
19 allowance of post-judgment amendment of the pleadings to add the president and
20 sole shareholder of the unsuccessful plaintiff patent-holder in a patent infringement
21 action. Id. at 463. The Supreme Court held that the “District Court erred in
22 amending the judgment immediately upon permitting amendment of the pleading.
23 Due process, as reflected in Rule 15 as well as Rule 12, required that [the president
24 and sole shareholder] be given an opportunity to respond and contest his personal
25 liability for the award after he was made a party and before the entry of judgment
26 against him.” Id. IDSI argues Nelson “has been widely followed to preclude
27 procedural maneuvers that seek to hold persons liable for their own conduct unless
28 they have been properly sued, served and allowed to present a defense.” (Dkt. No.

1 456-1 at 8) (citing exemplary cases).

2 IDSI argues the requirements of due process in this case is a “pure question of
3 law.” (Dkt. No. 456-1 at 3; see also Dkt. No. 456, IDSI’s Motion for Summary
4 Judgment (including no supportive evidence).) However, “‘Due process’ is an
5 elusive concept. Its exact boundaries are undefinable, and its content varies
6 according to specific factual contexts.” Panther Pumps & Equipment Co., Inc. v.
7 Hydro craft, Inc., 566 F.2d 8, 24 (7th Cir. 1977) (quoting Hannah v. Larches, 363
8 U.S. 420, 442 (1960)).

9 Having reviewed the extensive factual record built by Zest and uncontested
10 by IDSI, the Court finds that the due process concerns raised by Nelson are not
11 applicable to this case. In particular, the Supreme Court in Nelson noted that Nelson
12 sought only “the right to contest on the merits his personal liability for fees
13 originally sought and awarded solely against [his corporation].” 529 U.S. at 472.
14 The Court finds that IDSI has had this opportunity via the due process rights
15 recognized by Rule 25(c). In particular, Rule 25 provides that a motion to substitute
16 or join a successor-in-interest must be served, together with a notice of hearing, on
17 the parties and non-parties prior to joinder. Fed. R. Civ. P. 25(a)(3), (c). The Court
18 therefore denied Zest’s initial motion to join, (Dkt. No. 185), and granted joinder,
19 (Dkt. No. 202), only after IDSI had an opportunity to contest the joinder and the
20 Court’s finding that IDSI is the successor-in-interest to Implant Direct, (Dkt. No.
21 190).

22 In addition, as set forth above, Zest has introduced significant evidence that
23 IDSI has acted as a party in this litigation and had an opportunity to contest liability
24 since the 2010 Transaction. The Court finds that the 2010 Transaction Agreement
25 expressly disclosed this litigation as well as ongoing and anticipated claims by Zest.
26 Despite knowledge of the pending lawsuit and Zest’s claims against Implant Direct,
27 IDSI continued sales and marketing of the Accused Products unabated. IDSI
28 delegated responsibility for control over this litigation to its President and CEO, Dr.

1 Niznick, who provided regular updates to IDSI’s board of directors. IDSI’s in-house
2 counsel participated in court hearings and conferences. IDSI participated in
3 discovery. The Court also finds that Dr. Niznick affirmed at the Markman hearing in
4 this case that his understanding was that if damages for patent infringement were
5 awarded in this case, IDSI would be “responsible for any of the damages for sales
6 made after the closing of [the 2010 Transaction].” (Dkt. No. 467-4, Velez Decl. Ex.
7 5 at 94:20-95:2.) In addition, the Court finds that IDSI has been represented by the
8 same counsel as Implant Direct, (see, e.g., Dkt. No. 190, signed by Patrick Bright
9 and filed by Christopher Dugger), and has had an opportunity to influence this
10 litigation since the 2010 Transaction. Cf. Montana v. United States, 440 U.S. 147,
11 154 (1979) (precluding parties and non-parties, who assume control over litigation
12 in which they have a direct financial interest, from contesting matters that they have
13 had a full and fair opportunity to litigate protects their adversaries from multiple
14 lawsuits, conserves judicial resources, and minimizes the possibility of inconsistent
15 decisions).

16 IDSI argues that voluntary cooperation in discovery does not make a third
17 party a defendant. (Dkt. No. 490 at 7) (“If that were the rule [that voluntary
18 cooperation in discovery makes a third party a defendant], counsel for third parties
19 would be forced to require the expense of formal discovery mechanisms in every
20 context.”). However, it is not voluntary cooperation that makes IDSI a party to this
21 case; it is successor-in-interest principles under Rule 25©. IDSI’s voluntary
22 cooperation is relevant to rebut IDSI’s argument that it has not received due process
23 and has had no chance to contest its liability. (See Dkt. No. 534, Oct. 3 2014
24 Hearing Transcr. at 27:19-28:9) (“The Constitution . . . trumps the FRCP.”).

25 At the hearing on the present motions, IDSI’s counsel also argued that
26 representation by the same attorneys does not mean that IDSI had the opportunity to
27 affect this litigation or “assess the record and decide what affirmative defenses to
28 state on its own behalf until, I believe, April 15, 2013.” (Dkt. No. 534 at 12:15-

1 13:6) (“But you must have cases before you in which multiple parties are defended
2 by the same lawyer. . . If that law firm, on behalf of one defendant, takes a particular
3 position, does that mean . . . Defendant Two had the opportunity to affect what
4 Defendant One did in respect to that issue? I think it’s pretty clearly the case no,
5 that it’s not.”). The Court finds that counsel’s assertion ignores the factual
6 circumstances in this case, in which: (1) the same counsel represented both Implant
7 Direct and IDSI; (2) Dr. Niznick, IDSI’s President and CEO, affirmed his
8 understanding prior to IDSI’s formal joinder in this case that IDSI would be
9 responsible for any damage for sales made after the 2010 Transaction if there is an
10 infringement finding in this case and damages are awarded; and (3) Dr. Niznick
11 participated actively in this litigation and made regular reports regarding this
12 litigation to the IDSI Board.

13 IDSI’s briefing and oral arguments on its Motion for Summary Judgment
14 seek to assert due process rights divorced from the factual circumstances of the
15 present case. While this is understandable, because the facts are not in its favor, this
16 Court has found that IDSI is a successor-in-interest to Implant Direct and has had an
17 opportunity to contest its liability in this litigation over the nearly four years since it
18 acquired Implant Direct’s assets and liabilities and began making and selling the
19 Accused Products. IDSI’s argument that due process prevents any potential liability
20 for post-2010 Transaction conduct does not warrant summary judgment, and the
21 Court DENIES IDSI’s motion on this ground. See, e.g., In re Bernal, 207 F.3d 595,
22 599 (9th Cir. 2000) (“Nevertheless, [successor-in-interest] does not even begin to
23 explain why CAC, its predecessor, allowed its default to be taken, and *that* is what
24 [the successor-in-interest] would have to do were it allowed to substitute into this
25 action now that it has been assigned CAC’s rights.”).

26 **II. Zest’s Motion for Summary Judgment**

27 Zest’s Motion for Summary Judgment, (Dkt. No. 467), largely mirrors its
28 response in opposition to IDSI’s Motion for Summary Judgment. Zest argues that

1 IDSI's liability includes that of its predecessor as well as IDSI's own post-
2 transaction conduct; that IDSI is bound to the Court's prior orders and Implant
3 Direct's litigation decisions; and that allowing IDSI to re-do this case will waste
4 judicial resources and unduly prejudice Zest. (See Dkt. No. 467-1.) Zest moves for
5 "summary judgment that Defendants Implant Direct Sybron Manufacturing LLC
6 and Implant Direct Sybron International are liable for pre- and post- transaction
7 conduct and are bound by the Court's prior orders and the litigation decisions of
8 Defendants Implant Direct Mfg. LLC, Implant Direct LLC, and Implant Direct
9 Int'l." (Dkt. No. 467.)

10 To the extent that Zest moves this Court for a definitive ruling that their
11 allegations against IDSI for IDSI's post-2010 Transaction conduct related to IDSI's
12 continuation of Implant Direct's sale of the Accused Products is formally a part of
13 this case without the need for Zest to file a further amended complaint, the Court
14 GRANTS the motion for the reasons set forth above. Furthermore, the Court
15 GRANTS the motion with respect to the fact that IDSI is bound to the Court's prior
16 orders and the litigation decisions of Implant Direct. See In re Bernal, 207 F.3d at
17 599.

18 However, to the extent Zest moves for summary judgment on IDSI's post-
19 2010 Transaction liability, the Court DENIES the motion. Zest has introduced no
20 evidence in support of its present motion to warrant judgment as a matter of law on
21 the question of IDSI's liability for patent or trademark infringement.

22 **III. Implant Direct's Motion for Summary Judgment**

23 Implant Direct moves for partial summary judgment "that their liability, if
24 any, for damages to Zest in this action is limited to events that occurred prior to
25 December 30, 2010 . . . the date on which Implant Direct ceased doing business."
26 (Dkt. No. 470 at 1.) Implant Direct argues it cannot be held liable for "any acts of
27 patent infringement after December 30, 2010 because it did not make, use, sale,
28 offer for sale, or import any products that Zest accuses of infringement after that

1 date,” and likewise cannot be liable for “trademark infringement after December 30,
2 2010 because it did not use Zest’s trademarks after that date.” (Id.) Implant Direct’s
3 motion is supported by the testimony of Dr. Niznick. (Id.) (citing Dkt. No. 185 at 4
4 (“while Implant Direct still exists, the company no longer serves any business
5 purpose, other than to pay taxes”).

6 Without citing any legal authority, Zest opposes Implant Direct’s motion on
7 the ground that Implant Direct seeks “an advisory decision on a [sic] issue that is
8 not ripe for adjudication on summary judgment.” (Dkt. No. 489 at 17.) Zest also
9 argues that “events taking place after December 30, 2010 are relevant to ID’s
10 liability for patent infringement” as well as Implant Direct’s liability for induced
11 and contributory infringement and trademark infringement. (Id. at 17-22.)

12 Zest has raised no genuine issues of material fact precluding summary
13 judgment on Implant Direct’s claim that it ceased to conduct business after
14 December 30, 2010. In addition, Zest has failed to provide any proof of Implant
15 Direct’s actual intent to cause the acts which constitute the post-December 30, 2010
16 infringement. See Hewlett Packard Co. v. Bausch & Lomb, 909 F.2d 1464, 1469-70
17 (Fed. Cir. 1990) (actual intent to cause the acts which constitute infringement is a
18 necessary prerequisite to finding active inducement); Global-Tech Appliances, Inc.
19 v. SEB S.A., 131 S. Ct. 2060, 2068 (2011) (induced infringement under § 271(b)
20 requires knowledge that the induced acts constitute patent infringement).

21 To the extent that Implant Direct seeks summary judgment on Zest’s claims
22 that Implant Direct infringed Zest’s patents, induced or contributed to infringement
23 of Zest’s patents, or infringed Zest’s trademarks after December 30, 2010, the Court
24 GRANTS Implant Direct’s motion. See EOS GMBH Electro Optical Systems v.
25 DTM Corp., No. SA CV 00-1230 DOC (MLGx), 2002 WL 34536679, at *5-6 (C.D.
26 Cal. Feb. 6, 2002) (granting then-defunct corporation’s motion for summary
27 adjudication that plaintiff could get no relief for infringement after it ceased to exist,
28 in large part because plaintiff’s argument of continuing liability was “tantamount to

