

January 28, 2011

The Honorable John D. Love
William M. Steger Federal Building and United States Courthouse
211 W. Ferguson, Room 210
Tyler, Texas 75702

Re: *Bedrock Computer Technologies, LLC v. Softlayer Technologies, Inc., et al.*
Civil Action No. 6:09cv269

Dear Judge Love:

Defendants respectfully submit this reply letter brief in support of their request for permission to file a motion for summary judgment on the issue of no willful infringement of the '120 patent. Plaintiff Bedrock Computer Technologies, LLC's ("Bedrock") response brief concedes that there can be no finding of pre-filing willfulness. In fact, on January 24, 2011, Bedrock amended its complaint to include willfulness allegations that are limited to Defendants' alleged *post-filing* behavior. At a minimum, Defendants are entitled to summary judgment of any claim for pre-filing willfulness.

This leaves only Bedrock's new position that it is entitled to claim post-filing willfulness running from the time of the amended complaint. Bedrock's arguments fail as a matter of law. Willfulness cannot be shown because there is no evidence of post-filing willfulness and Defendants have objectively reasonable defenses. Bedrock does not respond to Defendants' legitimate defenses and the close questions on claim construction that necessarily negate a finding of willfulness. Bedrock also does not challenge Defendants' authorities that establish that the PTO's decision to reexamine the '120 patent upon a finding that substantial new questions of patentability exist demonstrates that Defendants could not have acted "despite an objectively high likelihood that [their] actions constituted infringement of a *valid* patent." *In re Seagate Tech. LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008) (emphasis added).

Bedrock instead argues that as a result of the PTO's Notice of Intent to Issue Reexam Certificate ("Notice of Intent") dated January 14, 2011, which concludes that the amended claims of the '120 patent are patentable, Defendants no longer have an "objectively reasonable belief" in their defenses. Bedrock's argument is flawed because the '120 patent has not yet reissued and therefore Defendants could not have willfully infringed upon any of the claims. *See e.g., Advanced Feiber Tech. Trust v. J&L Fiber Serv., Inc.*, _ F.Supp.2d _, _, 2010 WL 3703048, *30 (N.D.N.Y. Sept. 12, 2010) (granting summary judgment of no willful infringement since the accused infringer had a reasonable belief in its claim construction supporting noninfringement and invalidity or the original claims of the patent, and further ruling that the accused infringer could not willfully infringe new claims contained in the reissue patent where the reissue patent did not issue until after the complaint had been filed"); *see also PharmaStem Ther., Inc. v. ViaCell, Inc.*, 491 F.3d 1342, 1366-67 (Fed. Cir. 2007) (holding that patents for which reexamination certificates have issued are sometimes invalid as a matter of law in light of

prior art considered during reexamination). Thus, Defendants are entitled to summary judgment of any claim for post-filing willfulness until the '120 patent issues.

Moreover, the PTO's first Office Action rejecting all eight original claims demonstrates that there is, at the very least, "a colorable challenge" to the validity of the '120 patent and that Bedrock cannot meet its burden of proving by clear and convincing evidence that Defendants acted despite an objectively high likelihood that their actions constituted infringement of a valid patent. *See Tesco Corp. v. Weatherford Int'l, Inc.*, 2010 WL 4627807 (S.D.Tex. Sept. 27, 2010) citing *Lucent Technologies, Inc. v. Gateway, Inc.*, 2007 WL 6955272, at *6-7 (S.D. Cal. Oct. 30, 2007) (stating mere issuance of reexamination order is a factor weighing against a finding of willful infringement); *Pivonka v. Central Garden & Pet Co.*, 2008 WL 486049, at *2 (D.Colo. Feb. 19, 2008) (holding, based on preliminary PTO order that claims were unpatentable as obvious, that "plaintiffs cannot meet their burden of proving by clear and convincing evidence that the defendants acted despite an objectively high likelihood that their actions constituted infringement of a valid patent"). The same reasons which led the PTO to initially reject all eight claims remain colorable defenses in this case that negate a finding of willfulness.

Further, it is well-established that a patentee's failure to move for a preliminary injunction should preclude an award of enhanced damages based solely on post-filing conduct. *See In re Seagate*, 497 F.3d at 1374; *see also Anascape, Ltd. v. Microsoft Corp.*, 2008 WL 7182476, at *3 (E.D.Tex. 2008) (a motion for a preliminary injunction or some other attempt to stop allegedly infringing behavior was required to support a claim for post-filing willful infringement); *Baxter Healthcare Corp. v. Fresenius Med. Care Holdings, Inc.*, 2010 WL 668039, *18-*19 (N.D. Cal. Feb. 19, 2010) (granting accused infringer summary judgment that patentee could not pursue enhanced damages for willful infringement based on post-filing infringement since the patentee had failed to move for a preliminary injunction). Bedrock has not filed a preliminary injunction motion. Recognizing the infirmities with its position, Bedrock contends that an extenuating circumstance supports a finding of post-filing willfulness. The sole case upon which Bedrock relies, *Webmap Technologies, LLC v. Google, Inc.*, 2010 WL 3768097 (E.D. Tex. Sept. 10, 2010), does not support Bedrock's position.

In *Webmap*, the defendant obtained dismissal of plaintiff's post-filing willfulness claim because the plaintiff did not first seek a preliminary injunction. Bedrock cites *Webmap* for the proposition that there could be potential "extenuating circumstances" that could permit a claim for post-filing willful infringement despite failure to first seek a preliminary injunction. In fact, *Webmap* applied the very rule that defeats plaintiff's claim of willful infringement in this case: "Plaintiff does not rely upon any allegation of pre-filing willful infringement and has made no effort to stop Yahoo's alleged continued willful infringement. Accordingly, under the court's reasoning in *Anascape*, plaintiff is not entitled to accrue enhanced damages for willful infringement." *Id.* at *4.

The court in *Webmap* acknowledged that, to overcome this rule, the "extenuating circumstances" must establish an "objectively high likelihood of infringing a valid

patent.” *Id.* As an example of such circumstances, the *Webmap* court cites *St. Clair Intellectual Prop. Consultants, Inc. v. Palm, Inc.*, 2009 WL 1649751, at *1 (D.Del. Jun.10, 2009). In that case, certificates of re-issuance were issued by the PTO “without any amendment to the claims.” *Id.* (emphasis added). Here, Bedrock amended 2 of its independent claims during reexam, with the amendments also affecting 2 dependent claims. It did this in an attempt to avoid prior art that renders the claims of the ’120 patent invalid. A substantial dispute, much more than just “colorable,” exists whether these amendments are merely clarifying, as Bedrock contends, or represent substantive changes. Defendants also have more than colorable arguments that the claims, as amended, remain invalid, and more than colorable arguments that there is no infringement. The same is true for claims that were not amended – as to all claims this is not a case where Bedrock could ever meet its burden to show an “objectively high likelihood” of infringing a valid patent.

Bedrock points to no evidence that would tend to establish Defendants acted in an “objectively reckless” manner. In that regard, Bedrock’s reference to “design-around” activity by certain Defendants does not support their argument. For example, Defendant Google Inc. removed the accused code entirely from the latest version of Linux that it uses. *See* Google’s Letter Brief Requesting Permission to File Motion for Summary Judgment of Non-Infringement. The Federal Circuit has repeatedly explained that for a company to study another company’s patents in order to design or invent around them is encouraged under the patent system and therefore cannot be deemed evidence of willful infringement. *See e.g., State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1235-36 (Fed. Cir. 1985) (stating that “[o]ne of the benefits of a patent system is its so-called ‘negative incentive’ to ‘design around’ a competitor’s products, even when they are patented, thus bringing a steady flow of innovations to the marketplace.”); *Trading Tech. Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1358 (Fed. Cir. 2010) (stating that “[p]rompt redesign efforts and complete removal of infringing products in a span of a few months” suggested that defendant was not objectively reckless); *Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1222 (Fed. Cir. 1995) (reversing a finding of willful infringement and double damages reasoning that “[a]ttempts to avoid or mitigate infringement, whether or not successful, do not of themselves enlarge the culpability of the continuing activity”); *Wesvaco Corp. v. Int’l Paper Co.*, 991 F.2d 735, 745 (Fed. Cir. 1993) (reversing finding of willfulness as clearly erroneous where district court clearly erred in finding that infringer copied patented product when, instead, it attempted to design around, albeit unsuccessfully); *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1355 (Fed. Cir. 1999) (patent law encourages competitors to design or invent around existing patents). Therefore, evidence that any of the defendants studied the ’120 patent for the purpose of designing around it does not show “objective recklessness.”

Bedrock’s response brief fails to demonstrate how it would attempt to demonstrate, by **clear and convincing** evidence, Defendants acted in an objectively reckless manner. *See In re Seagate*, 497 F.3d at 1371. Based on the arguments set forth in this letter and in Defendants’ opening letter brief, Defendants respectfully request that the Court grant their request for permission to file a motion for summary judgment on the issue of no willful infringement.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CN/ECF system per Local Rule CV-5(a)(3) this 28th day of January 2011.

/s/ Louis A. Karasik
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