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IP Newsflash

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DISTRICT COURT

Expert's Failure to Disclose Certain Materials Relied upon in Forming Opinion Warrants Mistrial

On February 29, 2016, Judge Robert Payne of the Eastern District of Virginia declared a mistrial as to two patents-in-suit, in view of plaintiff's failure to disclose evidence relied upon by its infringement expert. The court declared the mistrial to provide the parties with an opportunity to engage in curative expert discovery related to the undisclosed materials, with reasonable fees and costs to be paid by plaintiff.

Samsung Electronics Co., Ltd. ("Samsung") brought a patent infringement action against NVIDIA Corp. ("NVIDIA") alleging infringement of several patents, including U.S. Patent Nos. 6,287,902 (the "'902 patent") and 8,252,675 (the "'675 patent"). Samsung alleged that NVIDIA sold, offered for sale and imported the accused products from non-party Taiwan Semiconductor Manufacturing Co. (TSMC). In the absence of evidence from TSMC regarding the infringing products, Samsung retained an expert, Dr. Jeongdong Choe, to "tear down" the allegedly infringing chips and offer an opinion regarding their design. Under the parties' Stipulated Discovery Order and NVIDIA's discovery requests, all materials relied upon by an expert in forming opinions (including any reverse engineering documents relied upon by Dr. Choe) were to be produced.

Ultimately, Dr. Choe offered an expert report that cited numerous cross-sectional images of the allegedly infringing chips. However, during cross-examination at trial, the court found that Dr. Choe, in forming his opinions, had relied on images that had never been disclosed in his expert reports or to counsel for NVIDIA in other discovery. In particular, Dr. Choe testified that he had reviewed and relied on a number of "EDS and EEL images" that were not disclosed. The court made clear in its opinion that "Dr. Choe did not act duplicitously or with any awareness that he was not fulfilling Samsung's obligations." Further, "[t]he Court [had] no doubt that" Samsung held a good-faith belief that the reports complied with the relevant obligations. Nevertheless, the court applied 4th Circuit precedent to conclude that sanctions were warranted because (a) Samsung had violated a discovery order, and (b) the violation was neither harmless nor substantially justified. As to the latter finding, the court noted that, according to NVIDIA, some of the undisclosed materials demonstrated that silicon was present in the allegedly infringing chips, which was an important aspect of NVIDIA's non-infringement defense.

Accordingly, the court considered a number of factors to determine the appropriate sanction, including (a) the lack of bad faith, (b) potential prejudice to NVIDIA (c) the relative need for deterrence and (d) the availability of less drastic sanctions while still "leveling the playing field." Based on its analysis, the court denied NVIDIA's motion to strike the testimony and expert reports of Dr. Choe and instead granted NVIDIA's motion for a mistrial coupled with limited cost-shifting, finding that to be the "least drastic sanction" that "best suits the conduct in question and the purposes of discover sanctions."

Samsung Electronics Co., Ltd. v. NVIDIA Corporation, Case No. 3-14-cv-00757 (E.D. Va. Feb. 29, 2016) (Payne, J.).

- *Author:* Ashraf Fawzy

Fed. Civ. R. 9(b) Does Not Require That an Inequitable Conduct Defense Include Allegations That Intent to Deceive Is the Single Most Reasonable Inference to Be Drawn from the Facts

Plaintiff Seville moved pursuant to Fed. R. Civ. P. 12(b)(6) to strike the defendants' inequitable conduct defense and corresponding counterclaim from the defendants' answer on the basis that the defendants did not properly plead intent to deceive the Patent Office. The court denied Seville's motion to strike and explained that the standard for pleading inequitable conduct is different from what needs to bee proven to ultimately prevail on the issue.

In denying Seville's motion to strike, the court reviewed the requirements that a party must satisfy to sufficiently plead inequitable conduct under Fed. R. Civ. P. 9(b), versus what a party must do to prove the intent prong of inequitable conduct. Under Rule 9(b), a party may properly allege "knowledge" and "intent" generally, and the party must specifically plead "sufficient allegations of material underlying facts from which a court may reasonably infer" that a specific person knew of withheld material information or knew that a material misrepresentation was false, and that the specific person withheld or misrepresented the material information with the specific intent to deceive the Patent Office.

Seville challenged the defendants' pleading of inequitable conduct on the basis that the defendants did not plead facts to show that intent to deceive was "the single most reasonable interference" that could be drawn from the alleged conduct. The court explained that such pleading is not required under Rule 9(b). Although, to ultimately prevail on their inequitable conduct claim, the defendants would have to prove specific intent under "the single most reasonable interference" standard, all that is required at the pleading stage is for the defendants to plead allegations of underlying facts from which a court may reasonably infer intent to deceive. Because the defendants plead that Seville and its patent attorney misrepresented the continuity status of the patent at issue and failed to disclose specific prior art to the Patent Office, among other failures, and since the court was required to accept the defendants' allegations as true at the pleading stage, the court held that the defendants alleged sufficient facts from which the court could reasonably infer that Seville and its attorney engaged in conduct with the intent to deceive the Patent Office, and thus satisfied the pleading requirements of Rule 9(b).

Seville Classics, Inc. v. Neatfreak Group, Inc., et al., CV 15-06237 SJO (C.D. Cal. Apr. 1, 2016).

- *Author:* Angie Verrecchio

Delaware Court Awards $1 Million in Fees Due to Plaintiff's "Tortuous Path to Resolution"

A district court in Delaware granted defendant Jack Henry & Associates' motion for attorneys' fees and ordered plaintiff Joao Bock Transaction Systems to pay $1 million in attorney's fees under 35 U.S.C. § 285. The order came following the Federal Circuit's affirmance of the district court's order invalidating plaintiff's online-transaction security patent as claiming only an abstract idea. In awarding the fees to Defendant, Judge Robinson stated that "[t]aking into account that patent cases are complex and patent litigation is an expensive proposition, nevertheless, the court will award attorney fees of $1,000,000 to account for the fact that plaintiff's ever changing litigation strategies (including its claim construction positions) created a tortuous path to resolution."

In finding that the case was exceptional, the court noted that plaintiff initially accused more than 80 products that allegedly infringed, and later "changed the identity of the seven 'representative' products at least four times by July 2014 . . . and included six claims that had not been asserted before." The court also noted that during the claim construction process, "plaintiff had turned the principles of claim construction on their head, by providing definitions for certain claim language during the claim amendment process that took place in the PTO from October 2004 to September 2005. Such definitions were not included in the specification, were not the subject of any commentary by the examiner, were made years after the earliest priority date, and were added for litigation purposes."

The court rejected plaintiff's complaint that defendant's resistance to the idea of representative products was the reason for the discovery burden in the case. Specifically, the court stated that "plaintiff refused to narrow the scope of its infringement allegations for over a year and significant discovery was performed before plaintiff suggested this approach." Moreover, "[p]laintiff's claim construction positions (addressed above) and its lack of a coherent infringement theory (evidenced by its shifting infringement positions) contributed greatly to the discovery burden." The court also rejected plaintiff's argument that the area of law surrounding 35 U.S.C. § 101 was evolving, finding "[t]hat defendant's motion for invalidity was granted on the § 101 issue does not negate the 'exceptional' nature of the case, when the record indicates that plaintiff pursued litigation so inefficiently as to be objectively unreasonable and burdensome for defendant and the court."

Joao Bock Transaction Systems LLC v. Jack Henry & Associates Inc., 1-12-cv-01138 (D. Del. March 31, 2016) (Robinson).

- *Author:* Jay K. Tatachar

For Purposes of Evaluating Personal Jurisdiction in the Context of a Declaratory Judgment, Defendant's Activities Must Relate to the Defense of Validity or Enforcement of the Asserted Patents

In granting-in-part and denying-in-part defendant's motion to dismiss claims based on lack of personal jurisdiction, a district court held that personal jurisdiction for declaratory judgment claims relating to non-infringement, invalidity and unenforceability require additional activities by defendant that relate to the defense of the validity or enforcement of the asserted patents.

In response to licensing letters from defendant, plaintiff filed a declaratory judgment that it did not infringe the asserted patents, a declaratory judgment that the patents were unenforceable, a claim to correct inventorship, and several state law claims including breach of contract, unjust enrichment, and conversion. Plaintiff alleged that defendant obtained confidential and proprietary information concerning high-performance computing technology

and subsequently filed and obtained the asserted patents. According to plaintiff, defendant's employees intentionally acquired substantial amounts of proprietary information from plaintiff's employees located in Washington. In analyzing defendant's motion to dismiss the declaratory judgment claims of non-infringement and unenforceability, the court noted that the relevant inquiry for specific personal jurisdiction is to ascertain the extent to which defendant purposefully directed its patent enforcement activities at residents of the forum. The court reasoned that although cease-and-desist letters and licensing negotiations directed at the forum may relate to enforcement activities, without more, such activities are insufficient to confer personal jurisdiction under the "fair play and substantial justice" prong of the due process analysis. These activities must be combined with "other activities" related to the defense or enforcement of the patents. Such "other activities," the court noted, include initiating judicial or extra-judicial enforcement within the forum, entering into an exclusive license agreement, or other undertaking which imposes enforcement obligations with a party residing or regularly doing business in the forum. The court further found that defendant's alleged solicitation of proprietary information from plaintiff's employees did not relate to "enforcement and defense activities" and therefore could not be considered as part of the analysis. The court thus granted defendant's motion to dismiss the declaratory judgment claims.

The court, however, denied defendant's motion to dismiss the inventorship claims because plaintiff adequately alleged that defendant purposefully directed its activities at plaintiff's employees located in Washington. The court reasoned that plaintiff's claims arose out of or related to defendant's alleged solicitation of plaintiff's employees and misappropriation of plaintiff's technology. Regarding the remaining state law claims, the court found that pendant personal jurisdiction was applicable because the state law claims "arise out of a common nucleus of operative facts" with plaintiff's inventorship claims.

Cray Inc. v. Raytheon Company, 2-15-cv-01127 (W.D. Wash. April 5, 2016, Order) (Robart, J.).

- *Author:* Eric R. Garcia

PATENT TRIAL AND APPEAL BOARD

PTAB Does Not Automatically Grant Unopposed Motion for Joinder

A Patent Trial and Appeal Board (PTAB) panel granted petitioner Samsung Electronics Co., Ltd.'s ("Samsung") motion for joinder with IPR2015-00806, which was filed by Google Inc. and relates to U.S. Patent No. 7,765,482 (the "'482 Patent"). Although the patent owner, Summit 6 LLC, did not oppose the motion for joinder, the PTAB still analyzed the motion to determine whether the circumstances warranted joinder.

Samsung's motion for joinder was considered timely under 35 U.S.C. § 42.122(b) because it was filed within one month of the PTAB's decision to institute review of the IPR filed by Google. The one-year time bar of 35 U.S.C. § 315(b) was not applicable because Samsung's petition was accompanied by a motion for joinder. The PTAB considered several factors in granting the motion for joinder. First, the Samsung petition contained identical grounds to the Google petition, so it would not impact the substantive issues before the PTAB. Relatedly, the Samsung petition would not require additional briefing from the patent owner. Second, Samsung represented that joinder would not require modifications to the Scheduling Order. As a result, the PTAB determine that "Samsung has met its burden to demonstrate that joinder with IPR2015-00806 is warranted under the circumstances."

This opinion appears to indicate that a motion for joinder is not merely *pro forma* in instances where the parties do not oppose joinder. Rather, the petitioner seeking joinder is still required to establish that joinder is warranted.

Samsung Electronics Co., Ltd. V. Summit 6 LLC, IPR 2016-00029, Paper 9 (PTAB Apr. 4, 2016).

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