

Steven Rinehart (UT 11494)
110 S. Regent Street, Suite 200
Salt Lake City, UT 84111
Telephone: (888) 941-9933
Mobile: (801) 347-5173
Fax: (801) 665-1292
Email: steve@uspatentlaw.us
Attorney for Plaintiff

**IN THE UNITED STATES DISTRICT COURT
IN AND FOR THE STATE OF UTAH**

WEST COAST TRENDS, INC.;

Plaintiff,

vs.

OGIO INTERNATIONAL, INC.;

Defendant.

Civil No.: 2:11-CV-01190

Judge Tena Campbell

**MEMORANDUM IN OPPOSITION TO
DEFENDANT’S MOTION FOR PARTIAL
SUMMARY JUDGMENT**

Plaintiff West Coast Trends, Inc. submits the following argument in opposition to Defendant’s Motion for Partial Summary Judgment.

1.0 STATEMENT OF ISSUES TO BE DECIDED

In its present motion, Ogio moves the Court for partial summary judgment. At issue are the following:

- (1) Whether the grant of Defendant’s petition for reexamination before the US Patent and Trademark Office (USPTO) negates the claim of willful infringement made by Plaintiff;
- (2) Whether Plaintiff’s decision not to seek a preliminary injunction bars its willful

infringement claims; and

- (3) Whether WCT properly disclosed a basis for willful infringement in accordance with Rule 4D and Rule 7 of the local rules.

Partial summary judgment as to Plaintiff's claim for willful infringement is improper for the reasons argued below.

2.0 SUMMARY JUDGMENT STANDARD

Summary judgment is appropriate if the moving party demonstrates that there is “no genuine issue of material fact” and that the party is entitled to “judgment as a matter of law.” Fed. R. Civ. P. 56(c) (2004). *United States Fidelity & Guaranty Co.*, 137 F. Supp. 2d at 1259. The moving party bears “the initial responsibility of informing the district court of the basis for its motion.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986).

To satisfy its burden, the movant must demonstrate that no genuine issue of material fact exists for trial. *Id.* at 322. If the moving party does not have the ultimate burden of persuasion at trial, it may carry its initial burden of production in one of two ways: “The moving party may produce evidence negating an essential element of the nonmoving party’s case, or, after suitable discovery, the moving party may show that the nonmoving party does not have enough evidence of an essential element of its claim or defense to carry its ultimate burden of persuasion at trial.” *Nissan Fire & Marine Ins. Co., Ltd. v. Fritz Cos., Inc.*, 210 F.3d 1099, 1106 (9th Cir. 2000) (emphasis added).

Further, all alleged facts must be viewed in the light most favorable to West Coast Trends (WCT), the nonmovant. *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1304 (Fed. Cir. 1999). As discussed below, Ogio has failed to satisfy its initial burden. As such, Ogio’s

motion for partial summary judgment of no willful infringement should be denied as a matter of law.

3.0 ARGUMENT

3.1 **Ogio Provides No Relevant Evidence Regarding the “Objectively Reckless” Element and Thus Fails to Satisfy its Initial Burden.**

Ogio argues that the reexamination of the '902 patent establishes Ogio's reasonable reliance on its invalidity defense, asserting “the recently concluded reexamination of the '902 Patent supports Ogio's lack of wilfulness under Seagate's objective recklessness standard.” (Dkt. No. 28, p. 3.) This is a false assertion. The US Patent and Trademark Office (USPTO) grants petitions for reexamination as a matter of course. Over 92% of reexamination request are granted by the USPTO.¹ The grant of Defendant's reexamination request establishes nothing about Defendant's conduct, whether willful or not. The Federal Circuit has stressed that the USPTO's grant of a reexamination request “does not establish a likelihood of patent invalidity.” *Hoescht Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575, 1584 (Fed. Cir. 1996) (emphasis added). Furthermore, USPTO interim rejections are not binding and are generally not relevant to the issue of invalidity. *See e.g., Sigram Schindler Beteiligungsgesellschaft mbH v. Cisco Sys.*, 726 F. Supp. 2d 396, 415 & n.31 (D. Del. 2010); *Tesco Corp. v. Weatherford Int'l, Inc.*, 750 F. Supp. 2d 780, 793-94 (S.D. Tex. 2010).

Defendant goes to great length to repeatedly argue in its supporting memorandum that there were two “interim rejections” (or office actions) during reexamination before the '902 Patent was ultimately approved by the USPTO. The fact that rejections were made and withdrawn during reexamination is irrelevant to the fact that the validity of '902 patent was ultimately confirmed by the USPTO. The Federal Circuit has expressly held that the USPTO's initial rejection of claims that were later confirmed on reexamination “hardly justifies a good faith belief in the invalidity of the claims.” *See Acoustical Design, Inc. v. Control Elecs. Co.*, 932

¹ The PTO grants 92% of all reexamination requests. *See* http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf

F.2d 939, 942 (Fed. Cir. 1991). Accordingly, “reexamination of the [patent], alone, do[es] not foreclose [TPL’s] claims of willful infringement”. *Safoco, Inc. v. Cameron Int’l Corp.*, No. 05-0739, 2009 WL 2424108, at *21 (S.D. Tex. July 31, 2009). Under Ogio’s interpretation, an accused infringer could overcome any charge of willful infringement simply by filing a petition for reexamination. As a matter of policy, this would eviscerate the purpose and meaning behind 35 U.S.C. § 284. *Id.* Far from negating Ogio’s willfulness allegations, if Ogio in fact relied upon the USPTO’s reexamination in an attempt to justify its continued infringement, then Ogio’s actions were objectively reckless. As noted above, reexamination, and even the initial rejection of all claims, does not justify a good faith belief in the invalidity of the claims. *See Acoustical Design*, 932 F.2d at 942. Moreover, the ’902 Patent survived reexamination. That is, not only did the patent emerge from reexamination with substantially similar (and with some identical) claims, but with a second stamp of validity from the USPTO of the ’902 Patent.

The determination of Ogio’s reasonableness turns on issues of fact for the jury to resolve, and should be reserved until after the parties make a full presentation of the evidence on the record. *Bard*, 682 F.3d at 1008; *Fujitsu*, 2012 WL 4497966, at *39. Additionally, Plaintiff has not yet had a chance to gather the evidence of willful infringement it seeks as discovery is ongoing and Defendant has objected to Plaintiff’s discovery requests concerning willfulness.

3.2. WCT Provided Ample Evidence to Support its Allegations of Willful Infringement Under the Subjective Recklessness Prong.

Ogio now argues that “there is no evidence from which a reasonable jury could find willfulness.” (Dkt. No. 28, p. 9.) Defendant submits that Plaintiff may not base a claim of willful infringement on Ogio’s post-filing conduct because Plaintiff did not seek a preliminary injunction. Ogio is wrong on both counts with respect to the facts and the law. First, Ogio has known of the ’902 Patent since at least December 27, 2010, when Plaintiff filed the present case against Ogio alleging willful infringement of the ’902 Patent.

Plaintiff's Complaint in this case in 2010 put Ogio on notice that Ogio was infringing the '902 Patent. Given these facts, Ogio may not colorably argue that it lacked knowledge of the '902 Patent after 2010, and at what point before 2010 Ogio became aware of the '902 Patent is a disputed issue of material fact upon which discovery is not yet complete and the existence of which renders summary judgment inappropriate.

3.3 Not Seeking a Preliminary Injunction Does not Bar Plaintiff from Seeking Willful Infringement Damages.

Plaintiff overrelies in its motion on *Seagate*. Contrary to the assertion of Defendant, *Seagate* does not create a per se bar to claims for post-filing willful infringement where an injunction was not sought." *Dataquill Ltd.*, 887 F. Supp. 2d at 1015. In *Dataquill*, the court explicitly rejected Ogio's argument that *Seagate* created a per se bar to any claim for willful infringement based on post-filing conduct where the patentee did not seek a preliminary injunction. The *Dataquill* court denied the defendant's motion for summary judgment that it did not willfully infringe another patent on exactly these grounds. *Id.* at 1017. As in *Dataquill*, WCT has a history of licensing its patents and preliminary injunctive relief is not always appropriate under the facts of every case litigated before a US district court. Given the litigation budget of Plaintiff, and that it is unlikely the Court would have granted an injunction here, it would have been "a waste of time and resources, [TPL's] own and the court's, to make the effort" to secure a preliminary injunction. *See Dataquill*, 887 F. Supp. 2d at 1015 (quoting *Krippelz*, 670 F. Supp. 2d at 812-13). Accordingly, Plaintiff WCT's claim for willful infringement is not barred as a matter of law because it did not seek a preliminary injunction in this case.

3.4 Summary Judgment by the Court Would Be Premature.

The issue of willful infringement involves questions of law and fact. *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 711 F.3d 1348, 1356-1357 (Fed. Cir. 2013). As part of its willfulness analysis, the Court must determine whether "the infringer acted despite an

objectively high likelihood that its actions constituted infringement of a valid patent. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007). The Federal Circuit has explained that this “objective prong” is a question of law, “based on the record ultimately made in the infringement proceedings.” *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs.*, 682 F.3d 1003, 1008 (Fed. Cir. 2012). The Court must determine whether “a reasonable litigant could realistically expect” its invalidity or non-infringement defenses to succeed. *Id.* (internal quotations omitted).

In considering the objective prong, when a party’s defenses against a charge of willful infringement turn on a disputed question of fact or a mixed question of law and fact, the trial court may “allow the jury to determine the underlying facts relevant to the defense in the first instance.” *Bard*, 682 F.3d at 1008. Numerous U.S. District Courts have concluded—post-*Bard*—that the best course of action is to reserve judgment until the parties make a full presentation of the evidence, subject to cross-examination, on the record and the jury has been given an opportunity to resolve any necessary fact-finding. *See e.g., Fujitsu Ltd. v. Belkin Int’l Inc.*, No. 10–CV– 03972–LHK2012, WL 4497966, at *39 (N.D. Cal. Sept. 28, 2012) (“Defendants’ anticipation and obviousness arguments, at this point, turn on questions of fact for a jury to decide. . . it would be more appropriate to decide the legal issue of willfulness with the benefit of the jury’s factual findings on anticipation and obviousness.”).

The jury is also called on to determine whether the objectively-defined risk was either known or so obvious that it should have been known to the accused infringer. *Seagate*, 497 F.3d at 1371. This “subjective prong” is a question of fact. *Bard*, 682 F.3d at 1006. In making this subjective determination, the jury—like the Court with the objective prong—must examine the “totality of the circumstances.” *Seagate*, 497 F.3d at 1369; *Brands, Inc. v. ABA Locks Mfr. Co.*,

501 F.3d 1307, 1311-12 (Fed. Cir. 2007); *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 700 (Fed. Cir. 2008).

A willfulness claim may be based on the infringer's pre- or post-filing conduct. *Seagate*, 497 F.3d at 1374. In *Seagate* the Federal Circuit noted that if an infringer's post-filing conduct is reckless, "a patentee can move for a preliminary injunction." *Id.* at 1374. However, as argued above, *Seagate* did not create a per se bar to claims for post-filing willful infringement where an injunction was not sought. *Dataquill Ltd. v. High Tech Computer Corp.*, 887 F. Supp. 2d 999, 1015 (S.D. Cal. 2011). District courts addressing the issue have also concluded that whether a bar applies will depend on the facts of each case. *Id.* at 1014 fn. 3 (listing cases); *see also Inv. Tech. Group, Inc. v. Liquidnet Holdings, Inc.*, 759 F. Supp. 2d 387, 412 & n.174 (S.D.N.Y. 2010) (listing cases); *accord Seagate*, 497 F.3d at 1374.² Ogio has continued selling its infringing products throughout the four years this litigation has been pending, and WCT's claims for post-filing willful infringement should not be barred.

Under the *Seagate* standard, the pertinent inquiry for the objective prong is whether an accused infringer reasonably relied upon a defense to patent infringement. Thus, the court held, where resolution of that inquiry turned solely on a fact question (such as noninfringement), this should be decided by the jury. On the other hand, where the resolution of that inquiry turned on a legal question (such as claim construction or inequitable conduct), the judge would decide the issue as a matter of law. The court even contemplated the situation where the objective recklessness inquiry may require analysis by both the judge and the jury.

² One example of facts which do not bar damages for willful infringement include that situation facing the *Dataquill* court in which a patentee neither practices its invention nor directly competes with the accused infringer. *Id.* at 1015; *accord, Tomita Techs. USA, LLC v. Nintendo Co., Ltd.*, 2012 U.S. Dist. LEXIS 92196, at *33-34 (S.D.N.Y. June 25, 2012); *Inv. Tech. Group*, 759 F. Supp. 2d at 412-413; *Krippelz v. Ford Motor Co.*, 670 F. Supp. 2d 806, 812-813 (N.D. Ill. 2009); *Affinity Labs of Tex., LLC v. Alpine Elecs. of Am., Inc.*, 2009 U.S. Dist. LEXIS 130147, at *10-11 (E.D. Tex. Sept. 2, 2009).

Ogio insists “there is no evidence from which a reasonable jury could find willfulness.” (Dkt. No. 28, p. 9.); however discovery is ongoing and Ogio has objected to Plaintiff’s discovery requests seeking this evidence. Under *Seagate* and other pertinent authority, it is impossible for the Court at this juncture to make determinations about reasonableness or whether *Dataquill* applies to current fact situation. Among other objections, Ogio has refused to turn over communications it had with Tom Gooke (currently an employee of Ogio), who corresponded with Plaintiff’s CEO before being hired by Ogio and who Plaintiff contends had knowledge Plaintiff was pursuing patent protection. It is more than convenient for Defendant to file this motion within days of receiving Plaintiff’s discovery requests, then to object to providing Plaintiff with any of the evidence it seeks of willful infringement, all while arguing in the motion that currently “there is no evidence.” Plaintiff has not yet had time to depose Tom Gooke, nor any other individuals, or to subpoena other pertinent evidence, and has had discovery requests relevant to willful infringement all objected to. In fact, discovery is only beginning and only one deposition thus far has been conducted by any of the parties to the litigation. Ogio’s motion for summary judgment before any of the facts are known is premature under Rule 56(d), and many issues material to a determination of the Court about this case are disputed.

Even after learning the ’902 patent was confirmed on reexamination, Ogio failed to change its infringing conduct. Indeed, in photographs attached hereto as **Exhibit A**, which were taken within five days of this opposition memorandum being file, Ogio continues to sell the infringing products. Instead Ogio not only continued to infringe, but continued to assert invalidity using many of the exact same references considered during the reexamination.

3.5 Defendant is Asserting an Intervening Rights Defense Which it Did Not Raise in its Answer.

Ogio avoids using the term “intervening rights” in its supporting memorandum to deflect attention away from the fact that it failed to raise intervening rights as an affirmative defense in

its answer to the Amended Complaint, a copy of which is attached hereto as **Exhibit B**. The affirmative defense of absolute intervening rights – when properly invoked – allows an infringer, because of the infringer’s pre-reexamination activity, to enjoy a personal intervening right to conduct that would have otherwise been an infringing activity before the reexamination. *See Seattle Box Co. v. Indus. Crating & Packing, Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985). This is the right Ogio is implying throughout its memorandum negates Plaintiff’s claims for willful infringement.

However, to entertain a defense of intervening rights, a court must first determine if “the accused product or activity infringes a claim that existed in the original patent and remains ‘without substantive change’ after reissue.” *Marine Polymer Technologies, Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1362 (Fed. Cir. 2012). Ogio bears the burden to establish its affirmative defense of intervening rights. *See Linear Tech. Corp. v. Micrel, Inc.*, 524 F. Supp. 2d 1147, 1156 n.4 (N.D. Cal. 2005) (citing *Jazz Photo Corp. v. Int’l Trade Comm’n*, 264 F.3d 1094, 1102 (Fed. Cir. 2001)).

“A determination of whether the scope of a [reexamination] claim is identical with the scope of the original claim is a question of law.” *Westvaco Corp. v. Int’l Paper Co.*, 991 F.2d 735, 741 (Fed. Cir. 1993). “Reexamined claims are ‘identical’ to their original counterparts if they are ‘without substantive change.’” *Laitram Corp. v. NEC Corp.* (“*Laitram IV*”), 163 F.3d 1342, 1346 (Fed. Cir. 1998) (citing *Seattle Box Co. v. Industrial Crating & Packing*, 731 F.2d 818, 827-28 (Fed. Cir. 1984). “[I]n determining whether substantive changes have been made, we must discern whether the *scope* of the claims are identical, *not merely whether different words are used.*” *Marine Polymer*, 672 F.3d at 1373 (citing *Laitram IV*, 163 F.3d at 1346) (emphasis in original). “It is a reasonable standard, for it implements the purpose of the statute while enabling application to the facts in any given case that justice will be done. *Slimfold Mfg.*

Co., Inc. v. Kinkead Indus., Inc., 810 F.2d 1113, 1116 (Fed. Cir. 1987) (citing *In re Willingham*, 282 F.2d 353, 354-55 (C.C.P.A. 1960)).

“Substantive change” does not include minor word changes, such as those in the reexamined ‘902 Patent. *Slimfold Mfg.*, 810 F.2d at 1115. Further, “a claim amendment made during reexamination following a prior art rejection is not *per se* a substantive change. Rather, to determine whether a claim change is substantive it is necessary to analyze the claims of the original and the reexamined patents in light of the particular facts, including the prior art, the prosecution history, other claims, and any other pertinent information . . . [including] an overall examination of the written description . . .” *Laitram IV*, 163 F.3d at 1347-48 (internal citation and quotation omitted). Moreover, an amendment that clarifies the text of a claim “to make specific what was always implicit or inherent,” or that “makes it more definite without affecting its scope” is not a substantive change. *Laitram Corp. v. NEC Corp.* (“*Laitram I*”), 952 F.2d 1357, 1361 (Fed. Cir. 1991); *Bloom Engineering*, 129 F.3d at 1250.

Although Ogio repeatedly alleges that only eight (8) of the original (35) thirty-five claims in the ‘902 Patent survived reexamination, this assertion is misleading and false. (Dkt. No. 28, p. 14.) Although only eight of the original claims survived in their original state, an additional twenty-three (23) claims survived with only the most minor of amendments and only four (4) of the original thirty-five claims were canceled during reexamination. A copy of the reexamination certificate of the USPTO for the ‘902 Patent is attached hereto as **Exhibit C**. Defendant, who bears the burden of proof in this motion, provides no analysis of the amendments to the claims because Defendant knows they are not substantive. Many of the changes to the claims in reexamination were not even directed to the substance of the claims, but rather to simply renumbering them after the canceled claims were eliminated (including amendments to claims 7, 13, 24 and 34). Even those changes that were to the limitations of the claims involve only a few

words. There were not “substantive changes” to the claims under the above-cited authority this Court should not find Plaintiff’s claim for willful infringement is barred.

3.7 Plaintiff Provided Ogio with Notice Pursuant to Local Rule 4D.

Ogio further asserts in its motion that Plaintiff did not timely provide Ogio with notice of the basis upon which Plaintiff was seeking willful infringement damages under Local Rules 4D.³ (Dkt. No. 28, p. 13.). This Rule requires that if a party asserting infringement alleges that the infringement is willful, that party shall state the basis for such allegation in its Rule 4 disclosures. Such disclosure shall be made at the same time and as part of the Preliminary Infringement Contentions.

In addition to notifying Ogio that it was seeking willful infringement damages in the Amended Complaint,⁴ and Ogio’s admission that WCT’s disclosures of September 22, 2014 contained a brief statement about willful damages, WCT supplemented its preliminary infringement contentions to contain a more comprehensive statement setting forth the basis for Plaintiff’s willful infringement on October 2, 2014, only ten days after providing its original Rule 4 disclosures and in response to Ogio’s assertion that its basis in the original disclosures was insufficient. In its supplemented preliminary infringement contention, WCT included a section entitled “Damage Accrual and Willful Infringement” which set forth the basis for Plaintiff’s willful infringement claim, providing that “Plaintiff believes that Defendant’s infringement was willful. Upon information and belief, Plaintiff believes that Defendant’s infringement was willful because: (1) Defendant was informed of the existence of the ‘902 Patent while developing it (or shortly thereafter) by Tom Gooke; and (2) Defendant’s personnel exchanged correspondence demonstrated knowledge of the ‘902 Patent.”

³ Requiring that “if a party asserting infringement alleges that the infringement is willful, that party shall state the basis for such allegation. Such disclosure shall be made at the same time and as part of the Preliminary Infringement Contentions.”

⁴ Amended Complaint, ¶¶ 17, 18, 24 (Exhibit B).

Thus, what Ogio is really arguing is not the basis for willful infringement was not made, but that the disclosures insufficient until ten days after the deadline in the Local Rules – an alleged insufficiency which WCT promptly corrected upon receipt of Ogio’s letter complaining about it. WCT has been tolerant of oversights of the Rules on Ogio’s behalf, including Ogio’s two week delay in providing documents responsive to WCT’s first discovery request without an extension, and deadlines involving claim construction, and these few days should not stand as a bar to Plaintiff’s claim of willful infringement.

4.0 ALTERNATIVE MOTION FOR LEAVE TO AMEND LOCAL RULE 4D DISCLOSURES

Should the Court conclude that Plaintiff’s disclosures on September 22, 2014 as to willful infringement were not sufficient, Plaintiff alternatively moves the Court to accept the disclosures it made to Defendant of October 2, 2014 as the operative Rule 4D disclosures in this matter. These supplemented disclosures were made only ten days after the original disclosures, and made promptly after receiving Defendant’s notice that it believed the September 22, 2014 disclosures were insufficient. Defendant was not prejudiced by them. The case has already been pending for more than four years, there is no preliminary injunction in place that is affecting Defendant’s actions, who continues selling its allegedly infringing products without hinderance. Additionally, discovery has only just begun in the case and is ongoing.

5.0 CONCLUSION

For all the reasons set forth above, Defendant’s Motion for Partial Summary Judgment should be denied.

DATED this 26th day of January, 2015.



/s/

STEVEN L. RINEHART
Attorney for Plaintiff

CERTIFICATE OF SERVICE

I hereby certify that on this __26th__ day of January, 2015, a true and correct copy of the foregoing PLAINTIFF’S MEMORANDUM IN OPPOSITION TO DEFENDANT’S MOTION FOR PARTIAL SUMMARY JUDGMENT was served by the following method(s) on the person(s) indicated below:

Adam Stevens KIRTON MCCONKIE 60 E. South Temple, Suite 1800 Salt Lake City, UT 84111 (801) 328-3600 <i>and</i> All parties of record	____ US Mail, Postage Prepaid ____ Facsimile ____ Hand-Delivery ____ Federal Express __X__ Electronic Filing
--	--

_ /steven rinehart/ _____
STEVEN L. RINEHART