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4 UNITED STATES DISTRICT COURT
5 NORTHERN DISTRICT OF CALIFORNIA
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7 TWILIO, INC.,
8 Plaintiff,
9 v.
10 TELESIGN CORPORATION,
11 Defendant.

Case No.16-cv-06925-LHK (SVK)

**ORDER GRANTING TELESIGN'S
MOTION FOR LEAVE TO AMEND
INVALIDITY CONTENTIONS**

Re: Dkt. No. 93

12 Twilio, Inc. ("Twilio") filed this patent infringement action on December 1, 2016, alleging
13 that TeleSign Corporation's ("TeleSign") products infringe its patents. ECF 1. Now pending
14 before the Court is TeleSign's motion for leave to amend its invalidity contentions. Having
15 carefully considered the parties' submissions, and having had the benefit of oral argument on
16 August 15, 2017, the Court grants TeleSign's motion for leave to amend its invalidity contentions
17 as set forth below.

18 **RELEVANT FACTS**

19 Pursuant to this District's Patent Local Rules, Twilio served its infringement contentions
20 on March 15, 2017. TeleSign served its invalidity contentions on May 1, 2017. In its invalidity
21 contentions, TeleSign stated in relevant part:

22 TeleSign places Plaintiff on notice that, based on TeleSign's
23 reasonable investigation to date, the features accused of
24 infringement existed in early versions of the accused products
(Voice and SMS Verify), including prior to April 2008 and April
25 2007, and would thus—by Plaintiff's own argument and
assertions—invalidate the Asserted Claims

26 ECF 93-4 at 5. TeleSign provided no additional information that identified the prior art or set
27 forth where and how in each alleged item of prior art each limitation of each asserted claim is
28 found. Instead, TeleSign cited to thousands of pages of technical documents produced by

1 TeleSign. *See* ECF 93-4 at 5 n. 4.

2 Despite its reliance on Twilio's infringement contentions, on May 22, 2017, TeleSign
3 moved to strike the contentions. ECF 78, 79. On May 29, 2017, Twilio notified TeleSign of
4 Twilio's position that TeleSign's invalidity contentions were deficient for failing to provide
5 original charts mapping TeleSign's own products to Twilio's asserted claims. ECF 93-6 at 2.
6 TeleSign took the position that it was relying on Twilio's infringement contention charts and that
7 such reliance is permitted under the Local Rules. ECF 93 at 9; ECF 98-4 at 2. On June 5, 2017,
8 pursuant to the case schedule, the parties exchanged their initial claim construction positions. The
9 parties met and conferred on June 14, 2017, at which time TeleSign offered to provide new
10 invalidity contentions with charts mapping its prior art to claim limitations, but Twilio opposed
11 such amendment. ECF 98-4 at 2. On June 23, 2017, in response to an interrogatory, TeleSign
12 served amended charts that map its products to the asserted claims. ECF 102 at 12, 102-1, 102-2.

13 On July 14, 2017, TeleSign filed the instant motion for leave to amend its invalidity
14 contentions in three ways: 1) add newly discovered prior art (the Maes '604 patent and Ransom
15 '756 patent); 2) add charts that map TeleSign's products as prior art to Twilio's asserted claims in
16 the '021 and '465 patents; and 3) add its own products as prior art for the '376 patent. The parties
17 have begun briefing for claim construction. *See* ECF 105. Fact discovery closes May 7, 2018,
18 expert discovery closes July 11, 2018, and trial is currently set for November 26, 2018. ECF 74 at
19 2-3.

20 I. LEGAL STANDARD

21 Pursuant to the Northern District of California's Patent Local Rules, parties exchange
22 infringement and invalidity contentions early in a case. The contentions are not a mere formality
23 but rather a requirement "to eliminate the gamesmanship of hints in favor of open disclosure."
24 *Largan Precision Co, Ltd. v. Genius Elec. Optical Co.*, No. 13-CV-02502-JD, 2014 WL 6882275,
25 at *4 (N.D. Cal. Dec. 5, 2014). Patent Local Rule 3-3(a) requires a party serve invalidity

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1 contentions, which must include:

2 the identity of each item of prior art that allegedly anticipates each
3 asserted claim or renders it obvious. Each prior art publication shall
4 be identified by its title, date of publication, and where feasible,
5 author and publisher. Each alleged sale or public use shall be
6 identified by specifying the item offered for sale or publicly used or
7 known, the date the offer or use took place or the information
8 became known, and the identity of the person or entity which made
9 the use or which made and received the offer, or the person or entity
10 which made the information known or to whom it was made known.

11 In addition, the disclosure must include “[a] chart identifying specifically where and how in each
12 alleged item of prior art each limitation of each asserted claim is found.” Patent Local R. 3-3(c).

13 Amendment of infringement contentions or invalidity contentions may be made only by
14 order of the Court upon a timely showing of good cause. “[A]s a general rule, mistakes or
15 omissions are not by themselves good cause.” *Karl Storz Endoscopy-Am., Inc. v. Stryker Corp.*,
16 No. 14-CV-00876-RS (JSC), 2016 WL 2855260, at *3 (N.D. Cal. May 13, 2016) (internal citation
17 and quotation omitted). Non-exhaustive examples of circumstances that may, absent undue
18 prejudice to the non-moving party, support a finding of good cause include:

19 (a) A claim construction by the Court different from that proposed by the party seeking
20 amendment;

21 (b) Recent discovery of material, prior art despite earlier diligent search; and

22 (c) Recent discovery of nonpublic information about the Accused Instrumentality which
23 was not discovered, despite diligent efforts, before the service of the Infringement Contentions.

24 Patent Local R. 3–6.

25 Whether a party has been diligent requires a two-step inquiry: “(1) diligence in
26 discovering the basis for amendment; and (2) diligence in seeking amendment once the basis for
27 amendment has been discovered.” *Monolithic Power Sys., Inc. v. Silergy Corp.*, No. 14-1745-VC
(KAW), 2015 WL 5440674, at *2 (N.D. Cal. Sept. 15, 2015). “In considering the party’s
28 diligence, the critical question is whether the party could have discovered the new information
earlier had it acted with the requisite diligence.” *Radware Ltd. v. F5 Networks, Inc.*, No. C-13-
02021-RMW, 2014 WL 3728482, at *1 (N.D. Cal. 2014).

29 If the court determines that the moving party was not diligent, the inquiry next and there

1 *See Acer, Inc. v. Tech. Properties Ltd.*, No. 5:08-CV-00877 JF/HRL, 2010 WL 3618687, at *5
 2 (N.D. Cal. Sept. 10, 2010). However, the court retains discretion to grant leave to amend in the
 3 absence of diligence where there is no prejudice to the opposing party. *See, e.g., Apple Inc. v.*
 4 *Samsung Elecs. Co.*, No. CV 12–00630 LHK, 2012 WL 5632618, at *5–6 (N.D.Cal. Nov. 15,
 5 2012); *U.S. Ethernet Innovations, LLC v. Acer, Inc.*, No. 10–cv–3724 CW, 2013 WL 5609325, at
 6 *3 (N.D.Cal. Oct. 11, 2013). Prejudice is typically found when allowing amendment of
 7 contentions would disrupt the case schedule or other court orders. *See Karl Storz Endoscopy-Am.,*
 8 *Inc.*, 2016 WL 2855260, at *3.

9 II. ANALYSIS

10 TeleSign seeks to amend its invalidity contentions in three ways: 1) add newly discovered
 11 prior art (the Maes ‘604 patent and Ransom ‘756 patent); 2) add charts that map TeleSign’s
 12 products to Twilio’s claims as prior art; and 3) add its own products as asserted prior art for the
 13 ‘376 patent. The Court will discuss each in turn.

14 *a. The Court grants leave to amend contentions to include the Maes ‘604 and*
 15 *Ransom ‘756 patents.*

16 Twilio does not oppose TeleSign’s request for leave to add the Maes ‘604 and Ransom
 17 ‘756 patents to its invalidity contentions. Therefore, the Court grants leave for TeleSign to add the
 18 Maes and Ransom patents to its invalidity contentions.

19 *b. The Court grants leave to amend contentions to include charts mapping*
 20 *prior art to the ‘021 and ‘465 patents despite TeleSign’s lack of diligence*
 21 *because there will be no prejudice.*

22 TeleSign has failed to establish diligence. The prior art at issue is TeleSign’s own
 23 products, yet TeleSign’s invalidity contentions neither identify each item of prior art that allegedly
 24 anticipates or renders obvious each asserted claim nor chart where and how in each alleged item of
 25 prior art each limitation of each asserted claim is found. Patent Local R. 3-3. Instead, Telesign
 26 merely “refers Plaintiff to its own infringement charts.” ECF 93-4. Unlike many cases where
 27 amendment is sought, the basis for TeleSign’s proposed amendment is not discovery of new
 28 evidence. The essential information TeleSign needed to satisfy the Local Rule was the priority
 29 date of the asserted patents and its own product information. Thus, TeleSign now seeks to include

1 charts based on information TeleSign, and only TeleSign, has had all along. *Cf.* Patent Local
2 R. 3-6.

3 Further, on the first page of its invalidity contentions, TeleSign criticizes Twilio's
4 infringement contentions, stating "TeleSign contends that Plaintiff's Infringement Contentions are
5 deficient and fail to put TeleSign on notice of the nature of Plaintiff's infringement theories."
6 ECF 93-4 at 3. Indeed, on May 22, 2017, TeleSign moved to strike Twilio's infringement
7 contentions. ECF 78, 79.¹ On May 29, 2017, Twilio informed TeleSign of the deficiencies of
8 TeleSign's contentions. Rather than timely moving to amend, TeleSign stood by its reliance on
9 Twilio's infringement contentions. The parties met and conferred regarding TeleSign's
10 contention charts on June 14, 2017, at which point TeleSign continued to assert the validity of its
11 reliance. On June 23, 2017, TeleSign served responses to an interrogatory, which included
12 updated invalidity charts in which TeleSign charted its own products as prior art.

13 TeleSign's criticism of Twilio's charts in its invalidity contentions demonstrates that at the
14 time it served its invalidity contentions, TeleSign understood that relying on Twilio's charts could
15 not satisfy Local Rule 3-3. Regardless, even if TeleSign had not criticized Twilio's infringement
16 contentions or moved to strike them, there is no authority allowing a party to rely on an opposing
17 party's infringement charts rather than charting its own invalidity contentions, when those
18 contentions are based upon the party's own products. *See* Patent Local R. 3-3(c).²

19 The two cases TeleSign relies upon do not suggest otherwise. Neither case addresses the
20 Northern District's patent rules generally nor the early disclosure of contentions specifically.
21 Instead, both cases address whether the defendant can rely on the plaintiff's infringement
22 contention charts at summary judgment to prove that the accused products are prior art. *Cf.*
23 *Vanmoor v. Wal-Mart Stores, Inc.*, 201 F.3d 1363, 1366-67 (Fed. Cir. 2000); *Google Inc. v. Ben.*

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25 _____
26 ¹ At oral argument TeleSign foreswore gamesmanship in attacking Twilio's infringement
27 contentions while at the same time relying upon them for its own invalidity contentions. The
28 Court will, at this juncture, give TeleSign the benefit of the doubt.

² In some cases, the level of specificity required by Rule 3-3(c) for invalidity contentions is the
same as that required by Rule 3-1 for infringement contentions. *Compare* Patent Local R. 3-1
with Patent Local R. 3-3; *see Slot Speaker Techs., Inc. v. Apple, Inc.*, No. 13-CV-01161-

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