

United States District Court
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

IMPERIUM IP HOLDINGS (CAYMAN),	§	
LTD.	§	
	§	CIVIL ACTION No. 4:14-CV-371
v.	§	Judge Mazzant
	§	
SAMSUNG ELECTRONICS CO., LTD.,	§	
SAMSUNG ELECTRONICS AMERICA,	§	
INC., SAMSUNG	§	
TELECOMMUNICATIONS AMERICA,	§	
LLC, AND SAMSUNG SEMICONDUCTOR,	§	
INC.	§	

MEMORANDUM OPINION

Before the Court are issues relating to enhanced damages, issues regarding the Sony License Agreement, and the Court’s rendering of final judgment.

Plaintiff filed suit against Defendants on June 9, 2014, asserting patent infringement (Dkt. #1). In mandatory disclosure on February 12, 2015, Defendants informed Plaintiff that Sony, among other companies, was a supplier of image sensors for Samsung’s products (Dkt. #155, Ex. K). On March 9, 2015, Defendants further specified, in response to interrogatories, which products contained Sony image sensors (Dkt. #155, Ex. L). On April 2, 2015, Plaintiff produced to Defendants Imperium’s 2013 Settlement and License Agreement with Sony Corporation (“Sony License Agreement”) that concerns the patents-in-suit (Dkt. #155, Ex. B; Dkt. #169, Ex. 3).

September 9, 2015, marked the discovery deadline and the deadline to file dispositive motions (Dkt. #70 at p. 3). That same day, Plaintiff’s damages expert, Michele Riley, called attention to Sony sensors in her expert report: “As Exhibit 6A – 6D shows, certain of these sensors were purchased by Samsung from Sony. I understand that Imperium is not accusing

those sensors of infringement in this case.” (Dkt. #156, Ex. Q). Also that same day, September 9, 2015, Plaintiff’s technical expert, Dr. Cameron H.G. Wright, presented his infringement report (Dkt. #156, Ex. R). This infringement report details, in part, the alleged infringement of Claim 14 of asserted U.S. Patent No. 7,092,029 (“the ’029 Patent”), which includes, among other items, an image sensor (Dkt. #156, Ex. R at p. 191; Dkt. #1, Ex. C at col. 14). In demonstrating “exemplary support” for this limitation of an image sensor, the report points to Defendants’ supplemented response to interrogatories identifying image sensors used in Samsung products (Dkt. #156, Ex. R at p. 184; Ex. M). Of particular note is that at least one of Dr. Wright’s citations points to a product disclosure that lists, as the image sensors, only Sony image sensors (Dkt. #156, Ex. M at p. 4).

Defendants contended that they “did not know before September 9 that Imperium would rely on Sony sensors to prove infringement, but once they learned that this is what Imperium was doing, Samsung worked diligently to bring this issue promptly before the Court.” (Dkt. #155 at p. 12). Nearly eight weeks later, on November 3, 2015, Plaintiff filed a motion for leave to file summary judgment out-of-time, alleging that accused products containing Sony image sensors are licensed to the patents-in-suit under the Sony License Agreement (Dkt. #155 at p. 2).

On January 21, 2016, the Court denied Defendants’ motion for leave to file summary judgment out-of-time (Dkt. #219). In its Memorandum Opinion and Order, the Court stated

Much of the information relied upon by Defendants to support its motion for summary judgment was known, or should have been known, by Defendants before September 9. First, as Defendants explain, the accused Samsung-Sony products comprise almost half of the accused products in this lawsuit (Dkt. #155 at p. 3). Second, Defendants were aware that the patents-in-suit include, at least as one limitation, “an image sensor coupled to a memory” (Dkt. #1, Ex. C at col. 14, ln. 3). Third, Defendants had identified accused products that contain, as the only image sensor, a Sony image sensor (Dkt. #155 at p. 8). Fourth, Defendants had access to the Sony License Agreement as of April 2, 2015 (Dkt. #169, Ex. 3). Considering these factors, the Court finds that even if Plaintiff “obscured” the fact

that it is relying upon Sony image sensors, Defendants could have been aware of the potential relevance of the Sony License regarding what it describes as almost half of the accused products long before September 9, 2015, such that the timing of the filing was in the reasonable control of Defendant. This tends to suggest that the current filing is not untimely due to “excusable neglect.”

(Dkt #219 at p. 4). At the Pretrial conference, the Court discussed with parties the issue of the Sony License defense. The Court determined that issues related to the Sony License had not been briefed beyond the request to file summary judgment out-of-time, and the Court was, therefore, without a great delay in the proceedings, not in a position to determine whether Defendants had waived the Sony License as a defense or whether the Sony License even applied. The Court, therefore, determined that the issue would be taken up after trial (Trial Tr. 1/29/16 at 35:22-36:13).

Trial commenced on February 1, 2016, and continued until February 8, 2016, when the jury rendered a verdict finding Defendants infringed claims of the ‘029 Patent and the ‘884 Patent (Dkt. #252). In addition, the jury found the Defendants willfully infringed claims of the ‘029 Patent and the ‘884 Patent (Dkt. #252 at pp. 3, 8).

On February 18, 2016, the Court set forth a briefing schedule regarding enhanced damages and any remaining issues regarding the Sony License Agreement (Dkt. #254). On March 8, 2016, Defendants filed Defendant Samsung’s Brief Regarding the Sony License and Enhanced Damages (Dkt. #277). On March 22, 2016, Plaintiff filed Imperium’s Motion and Brief on the *Seagate* Objective Prong, Enhanced Damages, and Samsung’s Sony Defense (Dkt. #280). On March 28, 2016, Defendants filed a reply brief (Dkt. #299). On April 4, 2016, Plaintiff filed a sur-reply (Dkt. #302). On April 6, 2016, Plaintiff filed a Corrected sur-reply on the *Seagate* Objective Prong, Enhanced Damages, and Samsung’s Sony Defense (Dkt. #312).

On April 7, 2016, Defendants filed a Motion for Leave to File a Response to Plaintiff's "Corrected" Sur-Reply (Dkt. #313) and the responsive briefing (Dkt. #314). On April 25, 2016, Plaintiff filed a response to Defendants' Motion for Leave to File a Response to Plaintiff's "Corrected" Sur-Reply (Dkt. #324). On May 5, 2016, Defendants filed a reply (Dkt. #325). On May 16, 2016, Plaintiff filed a sur-reply (Dkt. #326).

On June 13, 2016, the Supreme Court returned a decision in *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923, 1925 (2016). The Supreme Court determined that the Federal Circuit's two-part test for enhanced damages was inconsistent with 35 U.S.C. § 284, abrogating *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007). *Id.*

The Sony License

Plaintiff argues that Defendants' Sony License Defense is barred under Rule 16 of the Federal Rules of Civil Procedure for lack of diligence in failing to timely disclose the theory. Defendants argue that Rule 8(c) rather than Rule 16, applies. Plaintiff contends that Defendants are incorrect that only Rule 8 applies and that the Rule 16 requirements for diligence and "good cause" still apply. Further, Plaintiff asserts that Defendants merely provided a boilerplate "license defense" and described a "MIPI-license" theory in their interrogatory responses and therefore did not comply with Rules 37(c) or 26(e) of the Federal Rules of Civil Procedure (Dkt. #302 at p. 8).

Even if, for the sake of argument, only Rule 8 applies, the Court finds that Defendants waived asserting the Sony License as a defense. "Generally, under Rule 8(c) affirmative defenses must be raised in the first responsive pleading." *Pasco ex rel. Pasco v. Knoblauch*, 566 F.3d 572, 577 (5th Cir. 2009). However, "[a]n affirmative defense is not waived if the defendant 'raised the issue at a pragmatically sufficient time, and [the plaintiff] was not prejudiced in its

ability to respond.” *Id.* (citing *Allied Chem. Corp. v. Mackay*, 695 F.2d 854, 856 (5th Cir. 1983)). The court is to “look at the overall context of the litigation,” and the Fifth Circuit has found “no waiver where no evidence of prejudice exists and sufficient time to respond to the defense remains before trial.” *Id.* at 577. Defendants cite *Pasco*, but in *Pasco*, the defendant failed to raise a defense in its first responsive pleading but raised the new affirmative defense in its motion for summary judgment, two months before discovery was due, and the court noted that it was a special circumstance where the relevant law on qualified immunity and the Fourth Amendment was not clearly settled prior to a Supreme Court decision that was passed down. *Pasco*, 566 F.3d at 578. In *Allied Chemical*, defendant failed to raise a defense in its first response but asserted the defense in its motion for summary judgment. 695 F.2d at 855-56.

Unlike cited cases where defendants raised the new defense in the motion for summary judgment, Defendants did not raise the Sony License defense until well beyond the deadline for summary judgment. As the Court has previously noted, Defendants state that they only knew of the issue as of September 9, 2015 and then diligently worked to bring the issue promptly before the Court but did not do so until November 3, 2015 (Dkt. #219 at p. 2). Defendants have previously presented evidence that they sent e-mails regarding the Sony License to Plaintiff’s counsel on September 24, 2015 (Dkt. #155, Ex. C).

The Court finds that evidence of prejudice existed in that Defendants chose not to raise the defense, even when they admit to becoming aware of the issue, and did not supplement interrogatory responses with the Sony License information. Sufficient time may have existed, in theory, between the date Defendants raised the issue and the day of trial, but practically, there was not sufficient time to respond to the defense, to take discovery on the specific issue, to file briefings with the Court on the issue, and to have a hearing on the issue, if necessary.

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