

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

GUARDIAN TECHNOLOGIES, LLC, §  
§  
Plaintiff, §  
§  
v. § CIVIL ACTION NO. 3:09-CV-00649-B  
§  
RADIO SHACK CORPORATION §  
X10 WIRELESS TECHNOLOGY, §  
INC., §  
§  
Defendants. §

MEMORANDUM OPINION AND ORDER

Before the Court is the motion of Defendant X10 Wireless Technology, Inc. ("X10") to amend its preliminary invalidity contentions to include four additional prior art references. (doc. 60). For the reasons set forth below, the Court **GRANTS** the motion and allows X10's proposed amendment.

I.

**BACKGROUND**

This patent suit is governed by the scheduling order issued on March 25, 2010. (doc. 37). Fact and expert discovery will conclude on January 21, 2011 and the case is set for trial on May 23, 2011. (*Id.*). Plaintiff Guardian Technologies, LLC ("Guardian") timely filed its preliminary infringement contentions on February 5, 2010 (doc. 28) and X10 timely filed its preliminary invalidity contentions on March 23, 2010. (doc. 34).

The parties subsequently filed their joint claim construction prehearing statement on May 17, 2010, setting forth their agreed construction of the relevant terms of the patent at issue, U.S.

Patent No. 5,657,076 (“the ‘076 Patent”) and agreeing that “there are no disputed claim terms, phrases or clauses requiring construction by the Court.” (doc. 42). The parties’ agreement obviated the need for the claim construction hearing scheduled for July 30, 2010. (doc. 37).

On July 15, 2010, X10 moved to amend its preliminary invalidity contentions. (doc. 60). By its motion, X10 seeks to amend its preliminary invalidity contentions to rely on four additional prior art references individually or in combination with those previously disclosed. (*Id.* at p. 2). X10 appended its proposed amended contentions to its motion, along with copies of the additional references and a declaration of its counsel. It argues that it has shown good cause as defined by Local Patent Rule 3-7 (“P.R. 3-7”) and that amendment would neither affect claim construction nor prejudice Guardian. (*Id.* at 2-4; doc. 70). Guardian argues that X10 has not shown the diligence required to satisfy the good cause requirement and that it would be prejudiced by the amendment. (doc. 68, pp. 1-2, 8-10).

## II.

### ANALYSIS

P.R. 3-7 permits amendment of preliminary invalidity contentions “only by order of the presiding judge upon a showing of good cause.” Local patent rules “are considered part of the Court’s scheduling order” and the Court has broad discretion to manage its schedule. *Alt v. Medtronic, Inc.*, No. 2:04-CV-370, 2006 WL 278868 at \*2 (E.D. Tex. Feb. 1, 2006) (citing *STMicroelectronics, Inc. v. Motorola, Inc.*, 307 F.Supp.2d 845, 849 (E.D. Tex. 2004)); *see also* *02 Micro Intern. Ltd. v. Monolithic Power Sys. Inc.*, 467 F.3d 1355, 1366 (Fed. Cir. 2006) (upholding local patent rule that required good cause to amend invalidity contentions). The local patent rules both incorporate the “good cause” standard from Rule 16 of the Federal Rules of Civil Procedure and

provide further description of the showing the Court requires a party to make before allowing an amendment of contentions. *Alt*, 2006 WL 278868 at \*2; P.R. 3-7. In relevant part, L.R. 3-7 provides that “[g]ood cause for the purposes of this paragraph may include . . . newly discovered prior art references. A party seeking amendment of the preliminary or final . . . invalidity contentions must include in its motion to amend a statement that the . . . newly discovered prior art references were not known to that party prior to the motion despite diligence in seeking out same.”

“The Local Patent Rules ‘exist to further the goal of full, timely discovery and provide all parties with adequate notice and information with which to litigate their cases, not to create supposed loopholes through which parties may practice litigation by ambush.’” *Computer Acceleration Corp. v. Microsoft Corp.*, 481 F.Supp.2d 620, 624 (E.D. Tex. 2007) (quoting *IXYS Corp. v. Advanced Power Tech. Inc.*, 2004 WL 1368860, \*3 (N.D. Cal. June 16, 2004)). In contrast to the liberal policy for amending pleadings, the “good cause” requirement of the Local Patent Rules evidences a conservative policy designed to counter the impulse towards a “shifting sands” approach to patent litigation. See *O2 Micro*, 467 F.3d at 1364. The rules seek to balance the desire for “parties to crystallize their theories of the case early in the litigation” with the understanding that information pertinent to those theories will be developed over the course of diligent discovery. *Id.* at 1365-66. To achieve this balance, courts interpreting similar local patent rules have considered many of the same factors that are routinely considered in determining whether evidence should be excluded for discovery violations or whether deadlines in a scheduling order should be extended. *Computer Acceleration Corp.*, 481 F. Supp.2d at 624-25 (citations omitted).<sup>1</sup> These considerations require

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<sup>1</sup> There, the Eastern District of Texas noted “[a] non-exclusive list of factors considered by courts includes: (1) The length of delay and its potential impact on judicial proceedings; (2) The reason for the

evaluation both of the moving party's diligence and the potential prejudice to the non-moving party. Because the parties' arguments focus on diligence and prejudice, and other factors do not appear to be significant in this case, the Court will evaluate those factors in turn.

A. *Diligence*

The Federal Circuit recognized that “‘good cause’ requires a showing of diligence.” *O2 Micro*, 467 F.3d at 1365. “The burden is on the movant to establish diligence rather than on the opposing party to establish a lack of diligence.” *Id.* at 1366 (citing *Genentech, Inc. v. Amgen, Inc.*, 289 F.3d 761, 774 (Fed. Cir. 2002)). To show good cause to amend invalidity contentions, the moving party must both show that it diligently searched for and analyzed prior art and that it promptly disclosed any newly discovered references. See *Computer Acceleration Corp.*, 481 F.Supp.2d at 625 (discussing requirement of diligent search) and *O2 Micro*, 467 F.3d at 1363 (discussing requirement for diligence in disclosing newly discovered references).

X10 argues that it diligently searched the prior art in preparation of its preliminary invalidity contentions and that it disclosed all relevant sources it was aware of at the time it filed its preliminary invalidity contentions. (doc. 60, p. 1; Graham Decl. ¶¶ 2, 5). Its counsel asserts that X10 continued its efforts over the course of discovery, broadening its search of the prior art. (*Id.*). Upon discerning the significance of the four additional references, X10 prepared amended invalidity contentions and forwarded them to Guardian on July 8. (Graham Decl. ¶ 7). When Guardian

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delay, including whether it was within the reasonable control of the movant; (3) Whether the offending party was diligent in seeking an extension of time, or in supplementing discovery, after an alleged need to disclose the new matter became apparent; (4) The importance of the particular matter, and if vital to the case, whether a lesser sanction would adequately address the other factors to be considered and also deter future violations of the court's scheduling orders, local rules, and the federal rules of procedure; and (5) the danger of unfair prejudice to the non-movant.”

objected, X10 promptly filed the instant motion. Guardian argues in opposition that X10 has not shown the necessary diligence and instead purposefully conducted an incomplete search prior to the deadline. (doc. 68, pp. 4-5). It characterizes X10's search as "piecemeal" and argues that X10 has not adequately described its efforts or explained why the additional references could not be identified earlier. (*Id.*, p. 6).

The local rules do not require perfection in the search for prior art references; they do however, require diligence and an absence of gamesmanship. It is expected that through the course of discovery and evaluation by experts that additional sources may be found which support timely disclosed theories of invalidity. P.R. 3-7 allows that good cause may include "newly discovered prior art references" so long as the moving party carries its burden of showing its search was diligent and that the reference was timely disclosed. A party may not, however, delay in diligently searching for references or strategically withhold their prompt production as its opponent commits to a path. A party seeking to amend its invalidity contentions must include P.R. 3-7's required statement that the "newly discovered prior art references were not known to that party prior to the motion despite diligence in seeking out same," and if its diligence is meaningfully challenged, it must respond with evidence.

The Court concludes that X10's showing is sufficient to show diligence given the facts of this case. X10 provided evidence that it promptly began and diligently pursued a prior art search that was continuous and broad. (Graham Decl.; Grady Decl.). Believing it had identified the sources needed to support its theories of invalidity, X10 filed its preliminary invalidity contentions and a motion for reexamination of the '076 Patent, disclosing all relevant references in its possession in advance of the April 6, 2010 deadline for filing preliminary invalidity contentions. (Graham Decl.,

¶ 2). X10 continued to search as discovery got underway and subsequently identified the references at issue. It further provided evidence that it promptly produced (on July 8, 2010) these references to Guardian and moved to amend its contentions. (Graham Decl, ¶¶ 7-9). X10 has met its burden of showing diligence, particularly in light of its prompt disclosure of the newfound information. *O2 Micro*, 467 F.3d at 1367. X10's diligence is also reflected in the thoroughness of its preliminary and amended contentions. As a result, the Court finds that X10 has satisfied its burden of showing it acted with diligence.

#### B. Prejudice

Consideration of prejudice may be grounds for denial of a proposed amendment even where diligence is shown. *See, e.g., Computer Acceleration Corp.*, 481 F.Supp.2d at 625-26 (“Of course, importance must be carefully weighed against the danger of unfair prejudice.”). Guardian argues that allowing the proposed amendment would work prejudice by denying it the benefit of timely disclosure, particularly in light of its recent agreement on the construction of the relevant patent claims. (doc. 68, pp 2, 9). X10 argues that Guardian’s claim of prejudice is neither specific nor supported and that its amendment will not unfairly prejudice Guardian<sup>2</sup> because it does not impact claim construction and Guardian has ample time to test X10's contentions in discovery. (doc. 60, pp. 3-4; doc. 80, pp. 6-7).

The Court concludes that the proposed amended contentions will not unfairly prejudice Guardian. The significance and timing of the amendment are relevant to consideration of unfair

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<sup>2</sup> X10 also argues that prejudice is not a “relevant consideration” in the analysis of proposed amendments to contentions. (doc. 60, p. 3). While P.R. 3-7 does not explicitly mention considerations of prejudice, the consideration of unfair prejudice is relevant to an evaluation of “good cause” and by considering Guardian’s arguments, the Court rejects X10’s broad contention that prejudice is not relevant.

prejudice. *Computer Acceleration Corp.*, 481 F.Supp.2d at 625-26. See also, *Alt*, 2006 WL 278868 at \*5; *Cummins-Allison Corp v. SBM Co., Ltd.*, No. 9:07-CV-196, 2009 WL 763926 at \*4 (E.D. Tex. March 19, 2009). X10's proposed amendment does not drastically reframe the suit by inserting previously undisclosed theories of invalidity, and instead timely discloses newly discovered references to support its arguments. More importantly, X10's proposed amendment is made well in advance of the deadlines for expert reports and the close of discovery. The schedule set in this case does not preclude a full and fair analysis of the additional proposed references.<sup>3</sup> While Guardian points to a potential impact on claim construction, it does not point to any claim language that would be affected by the addition and the Court does not find any potential need to revisit claim construction to be readily apparent. Guardian has not presented evidence of particular prejudice in response to X10's initial showing that an amendment at this stage will not cause prejudice or delay. As a result the Court finds that the potential for unfair prejudice does not, in this case, provide sufficient basis to deny X10's motion to amend.

### III.

#### CONCLUSION

For the reasons stated above, the Court finds that X10 has established that it acted diligently in amending its preliminary invalidity contentions and the potential for prejudice do not justify disallowing the amendment. Accordingly, the Court **GRANTS** Defendant X10's motion to amend its preliminary invalidity contentions and directs that X10 file its amended preliminary invalidity

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<sup>3</sup> The Court will not now address Guardian's argument that the newly included references do not qualify as prior art. (doc. 68, p. 9). Instead, the Court's focus is on whether the amendment may be made; the merits of X10's invalidity arguments will be addressed following appropriate discovery in accordance with the Scheduling Order.

contentions within three days of this order.

**SO ORDERED**

SIGNED: August 13, 2010



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JANE J. BOYLE  
UNITED STATES DISTRICT JUDGE