

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

AUTOMATED BUSINESS COMPANIES, §
§
Plaintiff, §
§
v. § CIVIL ACTION NO. H-06-1032
§
WEBEX COMMUNICATIONS, INC., §
§
Defendant. §

MEMORANDUM OPINION AND ORDER

Automated Business Companies ("ABC") brought this action against WebEx Communications, Inc. ("WebEx") alleging patent infringement involving certain claims of United States Patent Nos. 6,360,253, 6,999,945, and 7,016,943. Pending before the court are Defendant WebEx's Motion to Strike Amended Infringement Contentions of Plaintiff Automated Business Companies and Motion for Leave to File Supplemental Invalidity Contentions (Docket Entry No. 204). For the reasons explained below, the court will deny both of WebEx's motions.

I. Background

ABC brought this patent infringement suit concerning remote computing technology against WebEx and several other defendants on March 27, 2006 (Docket Entry No. 1).¹ The court stayed the action on September 6, 2006, after the United States Patent and Trademark

¹A more complete background to this action is provided in the court's Memorandum Opinion on Claim Construction of September 30, 2009, Docket Entry No. 190.

Office ("USPTO") agreed to conduct a reexamination of the asserted claims (Docket Entry No. 102). At the request of the parties the court lifted the stay on November 4, 2008 (Docket Entry No. 128), and also entered an amended Docket Control Order (Docket Entry No. 126) and an Order on Patent Procedures (Docket Entry No. 127). WebEx's first motion concerns ABC's Infringement Claim Chart, which is addressed in the Order on Patent Procedures as follows:

1. Within forty (40) days from defendants' substantially complete production of documents relating to their accused products and services . . . plaintiff shall serve upon defendants an updated "Plaintiff's Claim Chart," which shall identify: (1) which claim(s) of its patents plaintiff alleges are being infringed by each defendant; (2) which specific products or methods of each defendant plaintiff alleges literally infringe each claim; and (3) where each element of each claim listed in (1) is found in each product or method listed in (2), including the factual basis for each contention that the element is present.²

ABC received what the parties agreed was "substantially complete production" on February 13, 2009.³ ABC sent WebEx a revised Infringement Claim Chart on March 24, 2009 ("the March 2009 Claim Chart").⁴ WebEx concedes that the March 2009 Claim Chart was timely delivered.⁵

²Order on Patent Procedures, Docket Entry No. 127, ¶ 1.

³E-mail from Jeff Potts to Kurt Pankratz, February 13, 2009, Exhibit A to Defendant WebEx's Motion to Strike Amended Infringement Contentions of Plaintiff Automated Business Companies and Motion for Leave to File Supplemental Invalidity Contentions ("WebEx's Motion"), Docket Entry No. 204.

⁴Infringement Claim Chart, March 24, 2009, Docket Entry No. 205.

⁵WebEx's Motion, Docket Entry No. 204, p. 2.

During the Spring of 2009 the parties advanced arguments regarding claim construction for a Markman hearing. On September 30, 2009, the court issued a Memorandum Opinion construing a number of disputed terms (Docket Entry No. 190). On October 30, 2009, the court entered a Memorandum Opinion and Order on claim construction, revising in part the previous Order (Docket Entry No. 197).

On January 25, 2010, ABC sent WebEx a supplemental Infringement Claim Chart ("the Supplemental Claim Chart"), which differs in a number of ways from the March 2009 Claim Chart.⁶ On February 15, 2010, WebEx moved to strike the Supplemental Claim Chart as untimely per Federal Rule of Civil Procedure 26(e)).⁷ WebEx also moved to supplement its invalidity contentions with prior art discovered on January 22, 2010.⁸ ABC opposed both of these motions in a Response on March 8, 2010 (Docket Entry No. 213). WebEx has filed a Reply (Docket Entry No. 218), and ABC has filed a Sur-Response (Docket Entry No. 220).

II. WebEx's Motion to Strike

WebEx argues that ABC failed to supplement its Infringement Claim Chart in a timely manner, as required by Federal Rule of

⁶Infringement Claim Chart, January 25, 2010, Docket Entry No. 205.

⁷WebEx's Motion, Docket Entry No. 204, p. 5.

⁸Id. at 9.

Civil Procedure 26(e)(1), and consequently that under Federal Rule of Civil Procedure 37(c)(1) ABC should not be allowed to advance the new infringement claims stated in the Supplemental Claim Chart. WebEx objects in particular to ABC's claims regarding the WebEx Remote Support product, which was not accused by name in the March 2009 Claim Chart, and a change in the way ABC's claims characterize "logon commands." WebEx argues that ABC had all the relevant information it needed to advance these claims more than a year ago, and therefore that ABC should not be allowed to expand its claims and advance new theories of infringement at this time.

A. Applicable Law

ABC's Claim Charts are discovery responses governed by Federal Rule of Civil Procedure 26. Supplementary disclosures, such as the Supplemental Claim Chart, are governed by Rule 26(e), which provides:

(1) **In General.** A party who has made a disclosure under Rule 26(a) -- or who has responded to an interrogatory, request for production, or request for admission -- must supplement or correct its disclosure or response:

(A) in a timely manner if the party learns that in some material respect the disclosure or response is incomplete or incorrect, and if the additional or corrective information has not otherwise been made known to the other parties during the discovery process or in writing.

A party therefore must submit any supplemental disclosure "in a timely manner." The consequences for failing to comply with Rule 26(e) are provided by Federal Rule of Civil Procedure 37(c)(1), which states:

(1) Failure to Disclose or Supplement. If a party fails to provide information or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information or witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless.

Thus, a party that fails to supplement disclosures "in a timely manner" as required by Rule 26(e)(1) will not be allowed to use the information in the untimely disclosure, unless the party can show that the failure was substantially justified or harmless.

In urging the court to find ABC's Supplemental Claim Chart untimely, WebEx cites cases from the Eastern District of Texas in which the courts applied the Patent Rules that apply in that district. For example, WebEx cites STMicroelectronics, Inc. v. Motorola, Inc., 307 F. Supp. 2d 845, 849 (E.D. Tex. 2004), for the proposition that "[a] party is required to show good cause in amending infringement contentions." The court in STMicroelectronics makes clear that this rule derives directly from the Patent Rules of the Eastern District. Id. Those Patent Rules do not apply to this action. While the Southern District has adopted Patent Rules, the rules apply only to actions filed after January 1, 2008.⁹ Because this case was filed in 2006, the local Patent Rules do not apply.

WebEx has cited no law establishing that ABC must show "good cause" to amend its infringement contentions. WebEx cites Computer

⁹See Rules of Practice for Patent Cases in the Southern District of Texas, § 1-3.

Acceleration Corp. v. Microsoft Corp., 503 F. Supp. 2d 819, 822 (E.D. Tex. 2007), in support of a four-factor test that “[a] court must consider” in determining whether to strike infringement contentions.¹⁰ That opinion actually provides a five-part “non-exclusive list of factors considered by courts” in the Eastern District of Texas when applying that district’s Patent Rules. Id. The test cited by WebEx is thus not binding on the court in this action. The court will nevertheless consider the factors, as they provide a helpful framework for determining whether infringement contentions in a claim chart are timely. The factors cited in Computer Acceleration Corp. are:

1. The danger of unfair prejudice;
2. The length of the delay and its potential impact on judicial proceedings;
3. The reason for the delay, including whether it was within the reasonable control of the party responsible for the delay;
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. Whether the offending party was diligent in seeking an extension of time, or in supplementing contentions, after an alleged need to disclose the new matter became apparent. Id.

Because the issue is ultimately governed by Rule 26(e), the court will also consider the Fifth Circuit’s statement that the basic

¹⁰WebEx’s Motion, Docket Entry No. 204, pp. 5-6.

purpose of Rule 26(e) is to prevent a party from being prejudicially surprised by information presented at trial. Reed v. Iowa Marine and Repair Corp., 16 F.3d 82, 85 (5th Cir. 1994).

B. Analysis

The court concludes that ABC's Supplemental Claim Chart was delivered in a timely manner, and thus complies with Rule 26(e)(1). Scheduling issues in this action have been governed by the Docket Control Orders (Docket Entry Nos. 126 and 195) and Order on Patent Procedures (Docket Entry No. 127). WebEx has not alleged that the Supplemental Claim Chart violates any deadline under those orders. Under the Order for Patent Procedures, ABC was required to file its initial claim chart within forty days of receiving substantial production from WebEx. WebEx does not dispute that ABC met this deadline with the March 2009 Claim Chart. The court did not set any specific deadline for supplementing the Claim Chart. Under the most recent scheduling order, the cut-off date for discovery is April 30, 2010.¹¹ ABC delivered the Supplemental Claim Chart on January 25, 2010, more than three months before the discovery cut-off.

Even though ABC's Supplemental Claim Chart did not violate any specific deadline, it could still be untimely if the claims were advanced unreasonably late in the litigation so as to prejudicially

¹¹Amended Scheduling Order, Docket Entry No. 195.

surprise WebEx. The factors advanced in Computer Acceleration Corp. are instructive here. First, the court concludes that the danger of unfair prejudice from allowing the supplemental claims is not great because WebEx has been proceeding in this action for the last year as if it understood Remote Support to be an accused product. ABC's March 2009 Claim Chart stated that "WebEx Support Center" was an infringing product, and further stated that "infringement contentions are directed to all versions of PCNow/Enterprise, Support Center, and all versions and iterations of those products."¹² ABC argues that because Remote Support is a version of Support Center, and because the functionality of Remote Support is described in the March 2009 claims regarding Support Center, Remote Support is implicitly accused in the March 2009 Claim Chart even though it is not mentioned by name. WebEx confirmed this understanding in its June 2009 Claim Chart, stating, "WebEx now understands ABC to accuse an additional WebEx product of infringement: Remote Support (as provided in conjunction with Support Center)."¹³ WebEx reiterated this understanding in a December 9, 2009, interrogatory response, stating, "WebEx

¹²WebEx PCNow/Enterprise and WebEx Support Center Infringement Claim Chart, March 24, 2009, Exhibit 5 to Plaintiff ABC's Response to Defendant WebEx's (1) Motion to Strike Amended Infringement Contentions and (2) Motion for Leave to Supplement Invalidity Contentions ("ABC's Response"), Docket Entry No. 213, p. 1.

¹³WebEx Communications, Inc.'s Supplemental Claim Charts for U.S. Patent No. 6,360,253, 7,016,943, and 6,999,945, Exhibit 11 to ABC's Response, Docket Entry No. 213, p. 1.

understands that the phrase 'Support Center' refers to the WebEx Support Center-Remote Support product."¹⁴ ABC has asked questions in depositions about the Remote Support product without objection from WebEx, and WebEx has provided a witness to answer questions specific to the Support Center-Remote Support product.¹⁵ ABC has produced convincing evidence that WebEx has been conducting this litigation with the understanding that Remote Support is an accused product, and the court is persuaded that WebEx will not suffer unfair prejudice if the contentions in the Supplemental Claim Chart are allowed.

Considering the length of delay and the reason for the delay, the court is persuaded that ABC has provided a reasonable explanation for why it supplemented the Claim Chart when it did. Since ABC issued the March 2009 Claim Chart the parties have engaged in considerable discovery, and the court has issued two Markman opinions construing the claims in the case. It is reasonable to expect that claim construction and discovery will lead to supplemental contentions, and that in a case of this complexity it may take some time to arrive at the revised contentions. A little less than three months passed between the

¹⁴Defendant WebEx Communications, Inc.'s Objections and Responses to Plaintiff's Third Request for Production of Documents, Exhibit 12 to ABC's Response, Docket Entry No. 213, p. 8.

¹⁵Letter from Brian Gaffney to Jeffrey Potts, December 11, 2009, Exhibit 13 to ABC's Response, Docket Entry No. 213.

court's October 30, 2009, Markman ruling and ABC's January 25, 2010, supplementation. The parties were conducting discovery during this period, and the court notes that on November 6, 2009, ABC expressed to WebEx its intent to supplement disclosures.¹⁶ On December 3, 2009, ABC notified WebEx that "ABC will properly supplement . . . I expect that both parties will supplement their infringement and non-infringement discovery responses after the depositions this month and expert reports."¹⁷ The court concludes that the length of delay in supplementing the claims was not unreasonable. Furthermore, the court sees no reason why the timing of ABC's supplemental disclosure should delay the judicial proceedings because: (1) WebEx has had notice that Remote Support was an accused product since receiving the March 2009 Claim Chart, (2) WebEx had notice shortly after the second Markman opinion of ABC's intention to supplement the Claim Chart, and (3) ABC supplemented the Claim Chart more than three months prior to the end of discovery.

For the reasons discussed above concerning why ABC's delay in filing the Supplemental Claim Chart was not unreasonable, the court also concludes that ABC was reasonably diligent in filing its supplemental contentions.

¹⁶E-mail from Jeff Potts to Brian Gaffney, November 6, 2009, Exhibit E to WebEx's Motion, Docket Entry No. 204, p. 2.

¹⁷E-mail from Jeff Potts to Brian Gaffney, December 3, 2009, Exhibit E to WebEx's Motion, Docket Entry No. 204, p. 1.

C. Conclusion

The court concludes that ABC filed its Supplemental Claim Chart in a timely manner for purposes of Rule 26(e)(1). The court will therefore deny WebEx's motion to strike.

III. WebEx's Motion to File Supplemental Invalidity Contentions

WebEx moves for leave to supplement its invalidity contentions with prior art that it located on January 22, 2010. WebEx argues that it could not have been aware that the prior art was relevant until after it had learned of ABC's new, broader view of its claims that it advanced in the Supplemental Claim Chart.

ABC argues that WebEx has failed to meet the burden required for the introduction of new prior art that the parties agreed to in an Agreed Order on September 6, 2006 (Docket Entry No. 102). The Agreed Order states:

If Defendants locate additional prior art during or after the reexaminations, and do not submit that additional prior art in the reexaminations, then Defendants only will be able to present that prior art during this case upon a showing

(I) that it was not and could not reasonably have been located earlier by defendants;

(ii) that it is not merely cumulative of prior art already listed; and

(iii) how defendants will be prejudiced if leave is denied, and plaintiff will not be prejudiced if leave is given.¹⁸

¹⁸Agreed Order, Docket Entry No. 102, ¶ 3.

The burden is therefore on WebEx to show that introduction of the new prior art meets the three requirements stipulated in the Agreed Order.

WebEx's Motion does not mention the Agreed Order or its three requirements for the introduction of new prior art. After ABC argued in its Response that WebEx's motion failed to meet the standard in the Agreed Order, WebEx addressed the three-part test in its Reply (Docket Entry No. 218). Addressing first whether WebEx could reasonably have located the new prior art earlier, WebEx states that "ABC launched its new and expanded infringement theory on January 25, 2010. . . . WebEx could not have identified this prior art as relevant to ABC's new theory until ABC first expressed that theory."¹⁹

WebEx's argument is unconvincing for a number of reasons. First, the question is not when WebEx could have identified prior art as relevant to ABC's new theory, but rather when WebEx could reasonably have located the prior art. WebEx seems to imply that it could not have located the prior art until after it was aware of ABC's new theory, but this argument is not persuasive. WebEx argues that it "located" the new prior art on January 22, 2010,²⁰ but it did not learn about ABC's new theories until it received the

¹⁹WebEx's Reply in Support of Its Motion to Strike Amended Infringement Contentions of ABC and Motion for Leave to File Supplemental Invalidity Contentions ("WebEx's Reply"), Docket Entry No. 218, p. 9.

²⁰WebEx's Motion, Docket Entry No. 204, p. 9.

Supplemental Claim Chart on January 25, three days later. It makes no sense, therefore, to argue that WebEx could not have located the claims until after it had learned of ABC's new claims. Furthermore, it seems illogical that WebEx could not have located the new prior art until after ABC had advanced its broader infringement claims. Prior art broad enough to anticipate all of ABC's new, broader claims would logically have anticipated narrower claims as well. It is unlikely that prior art that "specifically discloses each element under ABC's newly expanded view of the claims" would not also have been relevant at the reexamination stage. By the parties' agreement, such prior art should have been produced at the reexamination stage.

WebEx also must show that the new prior art is not merely cumulative of prior art already listed. WebEx argues that "[t]he prior art is not cumulative to other prior art because, while the prior art that is subject to WebEx's original contentions teaches all claim elements under the Court's claim construction and ABC's original infringement theory, the newly discovered prior art specifically discloses each claim element under ABC's newly expanded view of the claims."²¹ This statement is conclusory. It does not explain how the new prior art anticipates ABC's claims in a way that other prior art does not. It does not describe which aspects of ABC's expanded claims are anticipated by the new prior

²¹WebEx's Reply, Docket Entry No. 218, p. 9.

art but not by art already cited. WebEx has the burden of showing that the new prior art is not cumulative, and all it has provided is a statement that it is not cumulative. This is insufficient.

Third, WebEx must show that it will be prejudiced if leave to supplement is denied, and that ABC will not be prejudiced if leave is given. WebEx argues that it would be unfair to allow ABC to advance its Supplemental Claim Chart but not allow WebEx to provide the newly-discovered art. The problem with this argument is that the two motions are judged by different standards. ABC's Claim Chart is governed by Rule 26(e)(1), and, as described above, the only standard it must meet is that the supplementation must be timely. WebEx's new prior art, on the other hand, is governed by the Agreed Order, which sets a high burden for introducing new prior art after the reexamination. In any event, WebEx fails to show that introducing the new prior art at this time will not prejudice ABC. The court finds persuasive ABC's argument that admitting the new prior art at this time, as opposed to before reexamination, will prejudice ABC because it will not be able to argue that the USPTO had considered this prior art and still found ABC's patent claims valid. The court concludes that WebEx has failed to show that allowing it to supplement its invalidity contentions with the new prior art will not prejudice ABC.

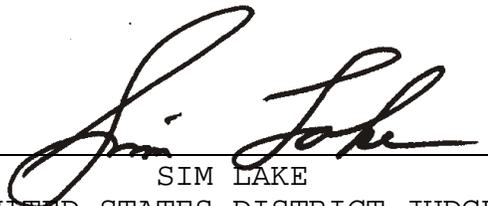
Because WebEx has failed to meet the burden required by the Agreed Order for the introduction of new prior art, the court

concludes that WebEx's motion to supplement its invalidity contentions with the new prior art should be denied.

IV. Conclusion and Order

For the reasons explained above, the court concludes that WebEx has failed to show that either of its motions has merit. Therefore, Defendant WebEx's Motion to Strike Amended Infringement Contentions of Plaintiff Automated Business Companies and Motion for Leave to File Supplemental Invalidity Contentions (Docket Entry No. 204) are **DENIED**.

SIGNED at Houston, Texas, on this 5th day of April, 2010.


SIM LAKE
UNITED STATES DISTRICT JUDGE