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May 5, 2017

The Honorable Richard G. Andrews
United States District Court
for the District of Delaware
844 North King Street
Wilmington, DE 19801

VIA ELECTRONIC FILING

Re: Acceleration Bay LLC; C.A. Nos. 16-453 (RGA); 16-454 (RGA); and 16-455 (RGA)

Dear Judge Andrews:

On April 13, 2017, the Court denied Acceleration Bay's attempt to substitute newly-elected patent claims. The Court noted that the election of claims is not subject to change on "whim," but requires good cause. (D.I. 116.)¹ The Court did not "see good cause in what Plaintiff states in its letter," but allowed Plaintiff the opportunity to address the good cause standard. (D.I. 116)

On May 1, 2017, Acceleration Bay again sought leave to substitute two previously unelected claims it could have elected at the outset of this case had it desired to do so.² Acceleration Bay seeks to add claim 10 of the '634 Patent and claim 12 of the '344 Patent, because the PTAB's IPRs decisions found 13 of Acceleration Bay's 33 previously elected claims to be unpatentable (leaving it with 20 asserted claims in these cases). (D.I. 140). Acceleration Bay largely repeats its prior arguments. (D.I. 115). Acceleration Bay's second letter brief, like its first, failed to demonstrate good cause for the proposed substitution or that Defendants would not be prejudiced by the addition of new claims at this stage of the cases. Instead, Acceleration Bay argues that it was diligent in seeking to add these claims after the IPR decisions.

While arguing its supposed diligence in waiting over two years to elect new claims that were available at the outset (and waiting until the claim construction process was already well

¹ All citations to docket entries refer to C.A. No. 16-453.

² Acceleration Bay has withdrawn all previously elected claims found to be unpatentable by the PTAB.

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underway and 90 days before the end of fact discovery), Acceleration Bay ignores the good cause standard for adding or substituting claims, as set forth in the Federal Circuit's *Katz* line of cases. *In re Katz Interactive Call Processing Patent Litig.*, 639 F.3d 1303, 1312 (Fed. Cir. 2011). The Federal Circuit in *Katz* found that trial courts could require plaintiffs to limit asserted claims as long as there was a good cause mechanism for adding claims back into the case. Courts following *Katz* have found that "courts should allow patent holders to bring back in non-selected claims upon a showing of 'good cause' that the non-selected claims present unique issues of infringement or invalidity." *Thought, Inc. v. Oracle Corp.*, C.A. No. 12-5601, 2013 WL 5587559, at *2 (N.D. Cal. Oct. 10, 2013) (citing *Masimo Corp. v. Philips Elecs. N. Am. Corp.*, 918 F. Supp. 2d 277, 284 (D. Del. 2013)). Thus, the good cause inquiry turns on whether the proposed new claims present unique issues of infringement or invalidity such that the plaintiff would be prejudiced by their exclusion. Acceleration Bay has made no attempt to show how it would be prejudiced if it cannot proceed with the two substitute claims. It is difficult to see how Acceleration Bay could be prejudiced when it currently has 20 elected claims that are not subject to this unpatentability ruling from the PTAB.

Rather than addressing good cause head on, Acceleration Bay argues that it was diligent because it acted quickly after the PTAB decisions. That a patentee acted quickly to attempt to substitute claims found to be unpatentable with other claims is not surprising, but it also does not demonstrate good cause or diligence. Acceleration Bay seeks to elect claims that it could have elected at the outset. And as the Court observed in denying Acceleration Bay's attempt to add these claims in April: "When one side or the other seeks to replace[] newly-identified weaklings with more robust claims, that side is going in the wrong direction." (D.I. 116). Acceleration Bay did not act quickly or diligently. It was entirely predictable when Acceleration Bay sought a fast schedule in these cases that the PTAB would hold some of the elected claims to be unpatentable during the litigation. Acceleration Bay chose to proceed on that basis, and deliberately chose not to assert the claims it now seeks to substitute.

Acceleration Bay first asserted these patents against Defendants in March and April 2015. The Defendants filed their first IPRs in September 2015. Several months later, in March 2016, Acceleration Bay made its election of claims in its earlier-filed cases. On June 3, 2016, this Court dismissed the earlier cases. Even though the IPRs had been instituted and were moving toward a trial, Acceleration Bay filed these cases on June 17, 2016. With its eyes wide open and the IPRs moving forward, Acceleration Bay incorporated its prior election of claims in these refiled cases. Acceleration Bay never suggested that it might seek to substitute elected claims if the PTAB found some of its claims to be unpatentable. Acceleration Bay also did not seek to stay the litigation – or its election of claims – until after the PTAB ruled. To the contrary, Acceleration Bay sought (and received) a fast schedule on the basis that these cases were continuations of the prior cases and that the issues were largely developed. It did so after the December 2016 trials in the IPRs. In short, Acceleration Bay elected to move forward on a fast schedule here, even as the IPRs were also proceeding.

As a result of the schedule Acceleration Bay obtained, the parties are now briefing claim construction issues. Acceleration Bay has served its opening brief, and Defendants' answering brief is due in two weeks. A *Markman* hearing is set for July 10, 2017, and fact discovery also

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ends in July. Having chosen to litigate these cases at full speed while the IPRs were pending, Acceleration Bay should not be allowed to substitute claims in view of the IPR decisions at this stage of the cases. Indeed, this Court has recognized the inconsistency of continuing to litigate while reserving the right to add back in claims that survive IPR. *MiiCs & Partners Am Inc. v. Toshiba Corp.*, C.A. No. 14-803-RGA, Tr. at 32 (D. Del. Mar. 17, 2016) (Ex. A) (“[I]f we go ahead and do claim construction . . . that really is inconsistent with . . . being able to bring back any of the claims that are subject to the IPR, even if [plaintiff] win[s] them”); *see also Greatbatch Ltd. v. AVX Corp.*, C.A. No. 13-723-LPS, D.I. 368 (D. Del. July 28, 2015) (Ex. B) (“[T]he Court will not allow changes to the parties’ elections solely on the basis of any decisions by the [PTAB] related to any [IPR] petitions involving the asserted claims . . .”).

On the other hand, Defendants would be prejudiced by this late substitution of elected claims. With claim construction proceeding and fact discovery well advanced, Acceleration Bay has not provided infringement contentions for the claim 10 of the ‘634 and only some contentions for claim 12 of the ‘344. Indeed, the Order Acceleration Bay attached to its letter demonstrates the prejudice to Defendants by proposing that Acceleration Bay will serve infringement contentions on the two new claims within 10 days of the entry of the Order, and that Defendants will then serve invalidity contentions within 31 days of the Order. Accordingly, Defendants were not able to address claim terms in these previously unelected claims in the exchange of terms for construction and would not have time to address the new claims in its claim construction brief. Acceleration Bay even seeks to impose a penalty on Defendants if they do not meet that schedule, as if Defendants were somehow responsible for the situation. It seeks a Court Order that “Failure to serve invalidity contentions within that time periods shall be deemed an admission that the claims are valid.” It is too late to start on infringement and invalidity contentions on additional claims after claim construction briefing and at the end of fact discovery.³ More fundamentally, Defendants have planned their approach to this litigation around the claims Acceleration Bay elected and chose to litigate since 2015.

There is also no question that the addition of the two new claims would require additional claim construction. Acceleration Bay concedes as much for Claim 10 of the ‘634 patent. Indeed the addition of these claims could require the construction of up to three key terms that are not found in other claims, and which were the subject of litigation during the IPR proceedings. The proposed substitution would prejudice Defendants. That alone is a sufficient basis to deny Acceleration Bay’s request.

Defendants respectfully request that the Court find that Acceleration Bay has failed to demonstrate good cause and deny Acceleration Bay’s motion to add claim 12 of the ‘344 Patent and claim 10 of the ‘634 patent as elected claims.

³ Moreover, Acceleration Bay refuses to provide detailed infringement contentions on the 20 claims already in the case in response to Defendants’ Interrogatory No. 7, claiming that answering the interrogatory for 20 asserted claims is too burdensome. Defendants have prevailed on two motions to compel before the Special Master, and a third is now pending. Acceleration Bay has refused to comply with the first two orders.

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Respectfully,

/s/ Jack B. Blumenfeld

Jack B. Blumenfeld (#1014)

JBB/bac
Enclosure

cc: Clerk of Court (via hand delivery; w/enclosure)
All Counsel of Record (via electronic mail; w/enclosure)