UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

MARLOWE PATENT HOLDINGS LLC,	**Civil Action No.: 10-1199 (PGS)**
Plaintiff,	
v.	**MEMORANDUM OPINION AND ORDER**
DICE ELECTRONICS, LLC, et al.,	
Defendants.	

ARPERT, U.S.M.J.

I. INTRODUCTION

This matter comes before the Court on a Motion by Defendant LTI Enterprises, Inc. d/b/a USA SPEC ("LTI") for leave to file an Amended Counterclaim pursuant to FED. R. CIV. P. 15 [dkt. entry no. 171]. Plaintiff Marlowe Patent Holdings LLC ("Plaintiff") has opposed this Motion. *See* dkt. entry no. 175.

This matter also comes before the Court on a Motion by Plaintiff for leave to conduct additional discovery, file Amended Claim Construction Briefs and for entry of an Amended Scheduling Order [dkt. entry no. 172]. Defendants LTI and Precision Interface Electronics, Inc. ("PIE") (collectively, "Defendants") have opposed this Motion. *See* dkt. entry nos. 174 & 179.

For the reasons stated below, LTI's Motion is **GRANTED** and Plaintiff's Motion is **DENIED**.

II. FACTUAL BACKGROUND AND PROCEDURAL HISTORY

On March 5, 2010, Plaintiff filed a Complaint against Defendants alleging infringement of U.S. Patent No. 7,489,786 ("'786 patent"), a patent issued to Mr. Ira Marlowe for an invention entitled, "Audio Device Integration System" which Mr. Marlowe subsequently assigned to

Plaintiff. *See* Pl.'s Comp., dkt. entry no. 1 at 1-5; *see also* Pl.'s Amended Compl., dkt. entry no. 142 at 1-5. Plaintiff claims that the '786 patent pertains to a device that enables after-market audio products such as a CD player to be connected to and controlled by an existing audio system in an automobile. *Id*. at 2-3. Plaintiff alleges that Defendants sell devices that infringe the claims of the '786 patent. *Id*. at 3-4.

On April 21, 2010, LTI filed an Answer denying Plaintiff's allegations and a Counterclaim seeking a declaratory judgment of non-infringement and invalidity. *See* LTI's Answer, dkt. entry no. 8 at 1-7. Likewise, on June 23, 2010, PIE filed an Answer and Counterclaim. *See* PIE's Answer, dkt. entry no. 45 at 1-10.

III. LTI's Motion

A. LTI's Arguments in Support of its Motion to Amend

LTI seeks leave to file an Amended Counterclaim to add a claim for inequitable conduct based on its recent discovery of certain prior art, evidence of which was allegedly deleted from an internet archive site at the direction of Plaintiff's owner, Mr. Marlowe. *See* Def.'s Br., dkt. entry no. 171-1 at 1. LTI contends that because "[t]he instant action originally included an affirmative defense that inequitable conduct in the procurement of the [patent-in-suit] rendered the [patent] unenforceable", Plaintiff "has been aware of this issue since LTI filed its Answer". *Id*.

LTI notes that Plaintiff "is wholly owned and controlled by [Mr.] Marlowe…[,] the sole inventor listed on [the '786 patent]", that Mr. Marlowe "assigned the rights [to] the '786 patent to his company Blitzsafe of America, Inc. ("Blitzsafe") on December 13, 2002", that "Blitzsafe assigned those rights back to [Mr.] Marlowe" on August 29, 2005, and that Mr. Marlowe "assigned [his] right[s] [to] the '786 patent to Plaintiff on March 4, 2010, the day before this

lawsuit was filed". *Id.* at 1. As a result, LTI claims, Mr. Marlowe "was intimately familiar with the design of Blitzsafe products sold and offered for sale in the United States more than one year before the filing date of the '786 patent". *Id.* Claiming that it was not able to locate or "review any Blitzsafe products from…the time the '786 patent was filed" until April 2012, LTI states that it "acquired…a Blitzsafe audio interface bearing product number CHY/ALPDMXV.1A" from a third party on April 4, 2012. *Id.* at 2. Thereafter, during his deposition on April 9, 2012, Mr. Marlowe "opened the Blitzsafe CHY/ALPDMXV.1A audio interface and found that the circuit board inside was dated 2001". *Id.* After Mr. Marlowe's deposition, LTI tested the Blitzsafe product and ascertained that the Blitzsafe product produced a "device presence signal" and, therefore, "anticipated all of the limitations of at least one claim of the '786 patent". *Id.*

In addition, LTI maintains that during his deposition, Mr. Marlowe "confirmed that…Blitzsafe asked archive.org to take down old Blitzsafe webpages" after the start of this litigation despite previously claiming that "Blitzsafe had no paper records before 2005 due to a flood and no computer records due to a file server problem". *Id.* LTI "first learned that there [was] a backup to archive.org" on April 24, 2012 and, thereafter, "was able to locate an old Blitzsafe web page showing that a Blitzsafe CHY/ALPDMXV.1A audio interface was on sale in the U.S. more than one year before the filing date of…[the '786 patent]". *Id.* Based on this information, on April 26, 2012, LTI informed Plaintiff's counsel, then Jeffrey Kaplan, Esq. ("Kaplan"), that it intended to move to amend its Counterclaim to add a claim for inequitable conduct.

1. Good cause exists to modify the Scheduling Order to permit the amendment.

LTI notes that FED. R. CIV. P. 16(b)(4) "provides that a scheduling order may be modified only for good cause and with the judge's consent" and contends that, in this instance, good cause

exists. *Id.* LTI further notes that it "should not be prejudiced because [Mr.] Marlowe deleted evidence of Blitzsafe's own prior art products and it took until after the Scheduling Order to locate the evidence from third parties". *Id.* Citing *E. Minerals & Chems. Co. v. Mahan*, 225 F.3d 330, 350 (3d Cir. 2000) and *Dimensional Communications, Inc. v. OZ Optics, Ltd.*, 148 Fed. Appx. 82, 85 (3d Cir. 2005), LTI notes that "the Third Circuit requires a showing of good cause in order to amend" after a pleading deadline has passed and maintains that "'good cause' exists when the ordered schedule cannot reasonably be met despite the diligence of the party seeking the extension". *Id.* at 4-5. Finally, citing *Enzo Life Sci., Inc. v. Digene Corp.*, 270 F. Supp. 2d 484, 487-89 (D. Del. 2003) and *Roquette Freres v. SPI Pharma, Inc.*, 2009 WL 1444835, at *5 (D. Del. 2009), Plaintiff notes that FED. R. CIV. P. 9(b) "requires that claims of inequitable conduct in patent cases be plead with particularity" and that "the pleading party is possibly required to confirm the factual allegations through discovery". *Id.* at 5. "LTI's proposed amendment is based on a new set of facts that could not be adequately confirmed prior to the Scheduling Order's deadline for amended pleadings". *Id.*

LTI argues that it "acted diligently in pursuing the inequitable conduct claim and in discovering facts necessary to plead it with particularity". *Id.* "LTI first acquired a Blitzsafe CHY/ALPDMXV.1A audio interface from a third party on or around April 4, 2012" because "[p]rior to that time, despite diligent efforts, LTI had not been able to review any Blitzsafe products from prior to the December 11, 2002 filing date of the '786 patent". *Id.* Thereafter, LTI "had to depose [Mr.] Marlowe regarding the characteristics of the Blitzsafe CHY/ALPDMXV.1A audio interface" and "[i]t then took LTI less than two weeks to locate a radio to test the Blitzsafe CHY/ALPDMXV.1A audio interface and determine that the interface produced a device presence signal and therefore anticipated all of the limitations of at least one

issued claim of the '786 patent". *Id.* at 5-6. Notably, "LTI was not able to confirm that the Blitzsafe CHY/ALPDMXV.1A audio interface was on sale more than one year prior to the filing date of the '786 patent until April 24, 2012" because Plaintiff allegedly had no documents regarding the sale of its products prior to 2005. *Id.* at 6. During his deposition, LTI maintains, Mr. Marlowe "confirmed that after the start of this litigation, Blitzsafe asked archive.org to take down old Blitzsafe webpages from prior to 2005 despite claiming that Blitzsafe had no paper records before 2005 due to a flood and no computer records due to a file server problem". *Id.*

"Within a week after having discovered the facts necessary to plead its inequitable conduct claim with particularity, LTI sought to meet and confer with Plaintiff's counsel". *Id.* Thereafter, LTI notes, "Plaintiff's counsel immediately moved to withdraw" and, as a result, "these proceedings were essentially frozen while Plaintiff sought and retained new counsel". *Id.* LTI points out that it informed the Court of its intention to file this motion during the Court's June 27, 2012 status conference. *Id.* As such, LTI argues that "any delay after LTI had discovered the facts necessary to plead its inequitable conduct claim with particularity was caused by the withdrawal of Plaintiff's counsel…." *Id.* at 6-7.

2. Leave to amend the Counterclaim should be granted.

LTI maintains that "[t]here has been no undue delay or bad faith and Plaintiff cannot credibly argue any prejudice when inequitable conduct was raised as an affirmative defense in LTI's Answer and when a claim for inequitable conduct was pled by PIE in its Counterclaim". *Id.* LTI contends that "[t]he additional claim for inequitable conduct should not require Plaintiff to conduct any additional discovery", to "expend significant additional resources preparing for trial", or create "any delay to resolution of the dispute or prevent Plaintiff from bringing a timely motion in another jurisdiction". *Id.* Citing *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d

DOCKET ALARM

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS
Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS
Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS
Sync your system to PACER to automate legal marketing.