

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

SEMICONDUCTOR ENERGY
LABORATORY CO., LTD.,

Plaintiff,

v.

OPINION AND ORDER

09-cv-01-bbc

SAMSUNG ELECTRONICS CO., LTD.,
S-LCD CORPORATION, SAMSUNG
ELECTRONICS AMERICA, INC., and
SAMSUNG TELECOMMUNICATIONS
AMERICA, LLC,

Defendants.

In this patent infringement lawsuit, defendants Samsung Electronics Company, Ltd., S-LCD Corporation, Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC have filed two separate motions for leave to amend their answer, defenses and counterclaims to add factual allegations related to their counterclaim that plaintiff Semiconductor Energy Laboratory Company, Ltd. committed inequitable conduct in prosecuting United States Patent No. 6,900,463 (the '463 patent). Defs.' Mtn. to File Sec. Am. Answer, dkt. #144 (filed Nov. 25, 2009); Defs.' Mtn. to File Third Am. Answer, dkt. #156 (filed Dec. 28, 2009). Defendants' first request relates to a motion for reconsideration

plaintiff filed in previous litigation involving a separate but related patent. Their second request is to add allegations that plaintiff submitted forged documents to the patent office. Because defendants' later motion for leave to file a third amended pleading incorporates all of the allegations proposed in their motion for leave to file a second amended pleading, I will deny the first motion, dkt. #144, as moot and consider only the third proposed amended pleading, dkt. #156.

In an order entered on January 5, 2010, I dismissed some of defendants' counterclaims and affirmative defenses related to the '463 patent for failure to state a claim. Dkt. #170. However, some of defendants' allegations of inequitable conduct with respect to the '463 patent survived. The deadline for amending the pleadings was June 29, 2009. The following deadlines remain: (1) the dispositive motions deadline is January 22, 2010; (2) the discovery deadline is May 7, 2010; and (3) trial is scheduled for June 7, 2010.

Whether to grant a party leave to amend its pleadings is discretionary. Hudson v. McHugh, 148 F.3d 859, 864 (7th Cir. 1998). Although a court should freely grant a party leave to amend its pleadings "when justice so requires," Fed. R. Civ. P. 15(a)(2), a request to amend may be denied on several grounds, including undue delay, undue prejudice to the party opposing the motion or futility of the amendment. Sound of Music v. Minnesota Mining and Manufacturing Co., 477 F.3d 910, 922-23 (7th Cir. 2007). However, delay

alone is an insufficient basis for denying a motion to amend. Perrian v. O'Grady, 958 F.2d 192, 194 (7th Cir. 1992).

Here, justice does not require granting defendants leave to add allegations that plaintiff concealed the motion for reconsideration. Defendants delayed unduly before acting and granting leave would cause plaintiff undue prejudice. However, I will allow defendants leave to add allegations of forged documents because their doing so will not result in undue delay or prejudice and would not be futile. Therefore, I will grant defendants' motion for leave to file an amended answer adding the forged document allegations. Because defendants' third amended complaint contains the allegations of plaintiff's failure to submit the motion for reconsideration, defendants must file a new complaint adding only those allegations permitted by this order.

DISCUSSION

A. Allegations Regarding Motion for Reconsideration

In Semiconductor Energy Laboratory Co., Ltd. v. Samsung Electronics Co., Ltd., 4 F. Supp. 2d 477 (E.D. Va. 1998), recons. denied, 24 F. Supp. 2d 537 (E.D. Va. 1998) ("SEL I"), the United States District Court for the Eastern District of Virginia found plaintiff's United States Patent No. 5,543,636 (the '636 patent) invalid for inequitable conduct. According to defendants, plaintiff's motion for reconsideration of that order contained

information inconsistent with a position that plaintiff took later during the '463 patent prosecution, a fact that plaintiff failed to disclose to the patent office. Defendants contend that their request to amend their pleading to add these factual allegations should be granted because they acted diligently in reviewing the SEL I case files, which were not available online and not produced by plaintiff until late July 2009. Plaintiff disagrees and contends that defendants have been aware of these facts since 2006, or at least should have been. Plaintiff contends that it will be prejudiced by the amendment because it is too close to the summary judgment deadline to conduct necessary discovery. I agree.

Defendants have been aware of SEL I since 1997, when the case was filed against them. As parties, defendants would have received a copy of the motion for reconsideration filed by plaintiff in that case in 2006. Defendants contend that they turned over their case file to their outside counsel and that plaintiff placed unreasonable restrictions on their ability to retrieve those documents. I question this excuse because those restrictions related to privileged and confidential documents, and the motion for reconsideration was part of the court record and therefore a public document. Nonetheless, defendants allege that the court file is not available electronically, the Virginia court cannot locate the paper version and defendants did not receive a copy of the case file until late June 2009. They explain that at that time, they were inundated by documents, many of which were in foreign languages and thus, they did not find the motion for reconsideration until November 9, 2009.

Although I sympathize with the amount of work defendants faced, they had ample time to discover the facts necessary to support their counterclaim. In fact, defendants have been aware of the significance of SEL I since they filed their original pleading in this case on April 9, 2009. Dkt. #17. I am not convinced by their argument that the delay in locating the court documents was not preventable.

Defendants assert that even if delay occurred, there would be no undue prejudice to plaintiff because their original pleading included a counterclaim in which they alleged that the '463 patent was invalid because plaintiff failed to properly inform the patent office of material information arising from SEL I. However, this argument works against defendants because that counterclaim has been dismissed. Allowing defendants to amend a counterclaim that has been dismissed would be unduly prejudicial to plaintiff at this late stage. Moreover, it is likely that a counterclaim based on plaintiff's effort to conceal its motion for reconsideration would be futile. As discussed in this court's recent dismissal order, the patent examiner in this case referred specifically to SEL I on the face of the patent. Therefore, one can infer that he was aware of the litigation and the court's order in that case, including its denial of plaintiff's motion for reconsideration. Accordingly, defendants' motion for leave to file the second amended complaint will be denied.

B. Allegedly Forged Documents

Defendants seek to amend their pleading to allege that plaintiff submitted to the patent office a 1991 substitute declaration containing the forged signature of Yujiro Nagata, a co-inventor of the '463 patent. Defendants assert that they could not interview Nagata until November 30, 2009 because he was outside the subpoena power of this court and was a former plaintiff's employee whom plaintiff claimed could not be contacted *ex parte*. After receiving permission from Magistrate Judge Crocker in early October 2009, defendants attempted to meet with Nagata, who was not available until November 30, 2009. Two days after learning that the signatures on the documents were not Nagata's, defendants hired a handwriting expert, who submitted a report in accordance with defendants' December 15, 2009 expert disclosure deadline. Plaintiff opposes the amendment on the grounds that defendants waited too long to inform it of the alleged forgery and that it will be prejudiced if such amendments are allowed at this stage in the litigation.

Although plaintiff criticizes defendants for not interviewing Nagata earlier, it appears that defendants had good reason not to. Once confidentiality concerns were addressed, they diligently pursued discovery related to Nagata and almost immediately verified the alleged forgery with the help of a handwriting expert. It is very unlikely that defendants could have anticipated such allegations or discovered the forged signatures from another source at an earlier date.

Although it is late in the litigation, I am satisfied that plaintiff will not be unduly prejudiced by having to address defendants' newly raised affirmative defense. Plaintiff has met with Nagata and has access to him. Further, defendants have provided plaintiff the initial report from their handwriting expert.

Finally, plaintiff asserts that the amendment is futile because defendants have failed to allege that the questioned documents are material to the '463 patent or that its employees knew about the forgeries. Although I have some questions about defendants' allegations, I am unable to determine with certainty that their amendment would be futile. Defendants identify specific individuals who submitted the alleged forged declaration to the patent office and provide a detailed explanation of the problems that plaintiff encountered in prosecuting the '463 patent. In short, they allege that in February 1991, the patent examiner rejected the pending '463 patent claims as anticipated by United States Patent No. 4,239,554 (the '554 patent). In response, plaintiff allegedly sought to avoid the '554 patent by amending the '463 patent application in late 1991, to claim priority as a continuation-in-part to United States Patent No. 4,409,134 (the '134 patent), which has an earlier priority date than the '554 patent. Almost a year later, plaintiff identified the '463 patent application as a continuation of United States Patent No. 07/488,102 (the '102 application), which claims priority to the '134 patent. In order to claim continuation, plaintiff had to file a supplemental inventor oath or declaration under 37 C.F.R. § 1.63(d). The file history of the

'102 application allegedly contains a substitute declaration purportedly signed by Nagata September 30, 1991. Defendants allege that the declaration, which claims priority to the '134 patent and other intervening applications, is a forgery. The parties dispute whether the substitute declaration would be considered part of the '463 patent application file history.

Although plaintiff makes much of the fact that the allegedly forged declaration was filed in connection with the '102 application and not the '463 application, defendants assert that the declaration is material because it includes representations about the inventorship and chain of priority of the '463 patent. Because the newly raised allegations suggest that at the time the '463 patent was being prosecuted, plaintiff intentionally submitted false information that led to the removal of a prior art reference, I am not persuaded that defendants' proposed amendments would be futile. Although it may turn out that plaintiff has the better argument and the questioned documents have no bearing on the issuance of the '463 patent, that issue is better addressed in the parties' motions for summary judgment, which are likely to be filed soon. Accordingly, defendants' motion for leave to amend their pleading to add allegations related to the submission of forged documents will be granted.

ORDER

IT IS ORDERED that

1. The motion filed by defendants Samsung Electronics Company, Ltd., S-LCD Corporation, Samsung Electronics America, Inc. and Samsung Telecommunications America, LLC for leave to file a second amended pleading, dkt. #144, is DENIED as moot.

2. Defendants' motion for leave to file a third amended pleading, dkt. #156, is GRANTED in part and DENIED in part:

a. Defendants' request for leave to amend their pleading to add allegations related to plaintiff Semiconductor Energy Laboratory Company, Ltd.'s failure to disclose a motion for reconsideration filed in a previous lawsuit is DENIED.

b. Defendants' request for leave to amend their pleading to add allegations that plaintiff submitted forged documents to the patent office is GRANTED. Defendants have until January 22, 2010, within which to submit an amended pleading that adds these allegations.

Entered this 14th day of January, 2010.

BY THE COURT:
/s/
BARBARA B. CRABB
District Judge