

Keywords: Assignment Infringement Suit; Standing in Rule 11 Opinions

General: Plaintiff's preliminary infringement contentions show that it failed to make reasonable inquiry into factual and legal basis for infringement before filing suit, as required by Fed. R. Civ. P. 11, since plaintiff did not reverse engineer defendants' allegedly infringing products, and did not compare those products to its patents on claim-by-claim, element-by-element basis.

Network Caching Technology LLC v. Novell Inc.
67 U.S.P.Q.2d 1034 (N.D. Cal.)
August 13, 2002

I. Facts

The action involves patent infringement of the '049, '914, '452, and '234 patents. The '049, '914, '452, and '234 patents relate to an algorithm for directing network traffic and speeding up networks through caching. This algorithm is useful in Internet or web-based applications. William Pitts was the inventor on the '049, '914, and '452 patents, while Pitts was a co-inventor on the '234 patent. Pitts had not assigned the '049, '914, and '452 patents, but had assigned the '234 patent to a company called Inca Technology, Inc. Network Caching Technology LLC, herein referred to as NCT, Inca, William Pitts and his wife entered into several agreements, which are disputed by the parties. In October 1996, Pitts granted an exclusive license to the '049, '914 and '452 patents to Inca, including the right to sublicense the patents. In December 1998, Inca granted NCT a license under all four patents. Finally, in April 2001, Inca, NCT and Pitts entered into an agreement that cancelled the prior agreements between the parties and assigned all interest to the '049, '914 and '542 patents from Pitts to NCT and all interest in the '234 patent from Inca to NCT. Under this agreement, Inca retained some rights with respect to the patents at issue.

NCT brought in infringement action against Novell Inc., Akamai Technologies Inc., Inktomi Corp., Volera, Inc., and Cacheflow Inc. for patent infringement on May 29, 2001. Novell, Volera, and Inktomi make and sell software products that contain algorithms, which allegedly infringe the patented algorithm. Cacheflow manufactures and sells computer equipment, such as network servers, and allegedly infringes the patented algorithm by utilizing the software. Finally, Akamai provides services based on the proprietary database of website usage, which allegedly infringe the patented algorithm.

In February and March 2002, defendants brought the court's attention to discovery disputes regarding NCT's preliminary infringement contentions (PICs). At a court conference, NCT admitted that it had not reverse engineered the defendants products to determine if the products infringe the patents at issue. Accordingly, the conference concluded with the court suggesting that NCT revise its PICs to provide more detailed infringement allegations. Based on this, NCT revised its PICs to provide the PICs with all the detail available to NCT at the time. However, defendants still contended that the NCT revised PICs are still inadequate. Accordingly, Inktomi filed a motion to dismiss the complaint for a lack of standing and the other defendants filed a motion to strike the PICs for inadequacy under Patent Local Rule 3-1(PLR 3-1) and Rule 11 of Fed. R. Civ. P.

II. Issues

- A. Does NCT have standing to sue for patent infringement?
- B. Does the inadequacy of the revised PICs give a ground for dismissal of the case under PLR 3-1?

- C. Do the revised PICs satisfy the PLR 3-1, which is based on Rule 11?
- D. Does NCT have to provide the location of each routine in the defendant's products?

III. Discussion

- A. Yes. Only Inktomi asserted that NCT does not retain sufficient rights under the 2001 agreement in the patents to have standing to sue. To sue under 35 U.S.C. § 281, a plaintiff must be a patentee. The statute defines a "patentee" as "not only the patentee to whom the patent was issued, but also the successors in title to the patentee." 35 U.S. § 100(d). In *Waterman v. Mackenzie*, the Supreme Court held that three types of assignments by the patent owner grant the assignee the right to bring an action for infringement in the assignee's own name: (1) assignment of the entire patent; (2) assignment of an undivided part of the patent; (3) assignment of all exclusive rights to the patent in the specific geographical region. See 138 U.S. 252, 255 (1891). Here, Pitts assigned all right, title and interest, including the right to sue for past and future damages from infringing companies to NCT for the '049, '914 and '452 patents. Similarly, Inca assigned to NCT all rights, title and interest, including the right to sue for past and future damages from infringing companies for the '234 patent. Accordingly, NCT now holds title to the four patents at issue. Accordingly, NCT has standing to sue.
- B. No. With regard to the motion to dismiss the complaint based non-compliance with PLR 3-1, the defendants assert that NCT's revised PICs, which rely solely on defendant's white papers and other marketing material, do not provide the specificity required by the PLR 3-1. However, the defendants provide no law that supports the motion to dismiss the claim. The court has no evidence before it that NCT has not attempted to comply with the court's orders and the local rules in this case. As a result, the court declines to dismiss this action at this time.
- C. No. With regard to defendant's motion to strike based on PLR 3-1, the core argument is that NCT failed to meet the Rule 11 obligations and make a reasonable inquiry into the factual basis for the complaint. Essentially, defendants assert that the revised PICs do not make it clear that NCT performed the inquiry necessary under PLR 3-1. PLR 3-1 requires disclosure at a minimum of NCT's reasonable basis for concluding that there was a factual basis for the complaint. NCT counters that Rule 11 is not a discovery device and its requirement should be read into PLR 3-1. Hence, the court reviewed whether Rule 11 is a minimum standard for PLR 3-1.

The PLR 3-1 is a discovery device wherein a party asserting infringement provides PIC within ten days of the initial case management conference. The PLR 3-1 states that the information is for each asserted claim against an accused apparatus, product, device, process, method, act or other instrumentality of each opposing party of which the party is aware, and a chart identifying specificity where each element of the asserted claim is found within each accused instrumentality. Accordingly, PLR 3-1 takes the place of a series of interrogatories the defendants would likely have produced had the PLRs not provided a streamlined discovery. NCT admits that the discovery request requires NCT to provide the facts currently known to NCT. Further, NCT asserts that the revised PICs include the relevant facts it obtained in its pre-filing inquiry. Accordingly, the court next determined whether NCT's revised PICs are adequate under Rule 11.

Rule 11 requires that any party make a reasonable inquiry into the applicable facts and law before filing a suit. The reasonable inquiry is of objective reasonableness standard. Accordingly, Rule 11 requires, at a bare minimum, application of the claim of each and

every patent that is being brought into the lawsuit to an accused device and conclude that there is a reasonable basis for finding of infringement of at least one claim of each patent so asserted. See *View Engineering, Inc. v. Robotic Vision Sys., Inc.*, 54 U.S.P.Q.2d 1179 (Fed. Cir. 2000). Further, in *Antonious*, the court stated that a plaintiff must compare the accused device with the construed patent claims. See *Antonious v. Spalding & Evenflow Co.*, 61 U.S.P.Q.2d 1245 (Fed. Cir. 2002). Finally, in *Refac Int'l Ltd.*, the court found that because plaintiff did not reverse engineer defendants products or obtain product schematics before bringing suit, it had not performed a reasonable pre-filing inquiry. See *Refac Int'l Ltd. v. Hitachi, Ltd.*, 21 U.S.P.Q.2d 1309 (C.D. Cal. 1991). Accordingly, Rule 11 requires that a plaintiff compare the accused product to its patent on a claim by claim, element by element basis for at least one of each defendant's products. As noted above, the NCT revised PICs rely entirely on defendants white papers and other marketing materials. The NCT revised PICs are filled with vague discussions of claim terms. Further, NCT revised PICs provide no link between the quoted passages and the infringement contention that simply mimics the claim language. Thus, the court held that NCT has not provided sufficient evidence to convince the court that reverse engineering would not provide more detail regarding any potential infringement.

- D. No. Finally, the court reviewed the argument that NCT must provide the specific location of each routine within the software product in order to properly assert its means-plus-function claims. Under PLR 3-1, NCT must provide the identity of each structure that performs the claimed function in any means-plus-function claim. Further, in *WMS Gaming*, the Federal Circuit required the plaintiff to prove its means-plus-function claim routine by routine. See *WMS Gaming, Inc. v. International Game Technology*, 51 U.S.P.Q.2d 1385 (Fed. Cir. 1999). However, as suggested by NCT's expert, the location of individual software routines is not obtainable via reverse engineering because software products are modular and may be located in several different locations. As such, NCT must rely on source code, which is solely the defendant's possession to determine the location and functionality of the software programs. As a result, NCT does not have to specify the routine that performs the specific function, but must provide more specificity in the direct contention.