IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

ERICSSON INC. and TELEFONAKTIEBOLAGET LM ERICSSON, **Plaintiffs,** **v.** **TCL COMMUNICATION TECHNOLOGY HOLDINGS, LTD., TCT MOBILE LIMITED, and TCT MOBILE (US), INC.,** **Defendants.**	**CIVIL ACTION NO.** **2:14-cv-00667-JRG-RSP** **JURY TRIAL DEMANDED**

ERICSSON'S AMENDED MOTION FOR LEAVE TO FILE AMENDED COMPLAINT TO ADD PATENTS

Pursuant to Fed. R. Civ. P. 15(a)(2), Plaintiffs Ericsson Inc. and Telefonaktiebolaget LM Ericsson (together, "Ericsson") respectfully submit this Amended Motion for Leave to File Amended Complaint to Add Patents.[1] The amendments contained in the Fourth Amended Complaint assert five additional patents against Defendants TCL Communication Technology Holdings, Ltd., TCT Mobile Limited, and TCT Mobile (US), Inc. (collectively, "TCL"). For the reasons set forth below, Ericsson's request for leave to amend should be granted.

I. BACKGROUND

In its Original Complaint, filed on June 3, 2014, Ericsson asserted that TCL infringed two patents that are essential for compliance with certain cellular communication standards ("Essential Patents"): United States Patent Nos. 6,301,556 (the '556 Patent) and 6,473,506 (the '506 Patent) against TCL. Dkt. 1 at ¶¶ 35-52. In the course of its ongoing factual investigation

[1] Ericsson initially filed a Motion for Leave to Amend to Assert Three Additional Patents on October 7, 2014, Dkt. 54. TCL has not yet responded to that motion. In the meantime, Ericsson has been continuing to investigate TCL's products and has developed a good faith basis to assert that TCL infringes two additional implementation patents owned by Ericsson. In the interest of judicial economy, Ericsson now files an amended motion to amend the complaint to assert all five new patents at the same time. Ericsson's original motion, Dkt. 54, and the accompanying Third Amended Complaint, Dkt. 55, are therefore moot, and Ericsson contemporaneously files a Fourth Amended Complaint.

surrounding TCL's accused products, Ericsson has discovered that TCL also infringes five additional patents owned by Ericsson: United States Patent Nos. RE 43,931, 6,029,052, 6,418,310, 6,535,815, and 7,149,510. These five patents, while not essential to compliance with industry standards, are nonetheless used in TCL's cellular phones ("Implementation Patents").

Pursuant to the agreed Docket Control Order submitted by the parties on September 16, 2014, there are seven months remaining until the Court's claim construction hearing, eight months remaining in the fact discovery period, nine months remaining before opening expert reports are due to be exchanged, and more than one year before jury selection commences. The parties have not yet conducted any depositions, and claim construction briefs have not been exchanged. Accordingly, Ericsson's addition of the Implementation Patents at this time will not prejudice TCL or create any meaningful delay in this litigation.

II. LEGAL STANDARD

It is well-settled that leave to amend under Rule 15 of the Federal Rules of Civil Procedure "shall be freely given when justice so requires." *Foman v. Davis*, 371 U.S. 178, 182 (1962). Indeed, Rule 15(a) "evinces a bias in favor of granting leave to amend." *Martin's Herend Imp., Inc. v. Diamond & Gem Trading U.S. of Am. Co.*, 195 F.3d 765, 770 (5th Cir. 1999).[2] "In the absence of any apparent or declared reason—such as undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, futility

[2] Because it is long before the Court's deadline to amend pleadings, Rule 15(a) rather than Rule 16 guides the analysis. *S&W Enters., L.L.C. v. SouthTrust Bank of Ala., NA*, 315 F.3d 533, 536 (5th Cir. 2003). Ericsson notes that one Eastern District of Texas opinion provides that "[w]hen a party moves to amend after the deadline set by the scheduling order *or seeks to add a new patent*, the more stringent 'good cause' standard of Federal Rule of Civil Procedure 16(b) applies." *Blue Calypso, Inc.*, 6:12-cv-00486-MHS, Dkt. 86, at *2 (E.D. Tex. July 19, 2013) (emphasis added). Ericsson respectfully submits that under *S&W Enterprises* and Rule 16(b)(4), the more stringent "good cause" standard does not apply unless a schedule needs to be modified—which is not the case here. Nonetheless, and for the reasons stated herein, Ericsson also satisfies the Rule 16 "good cause" standard.

of amendment, etc.—the leave sought should, as the rules require, be 'freely given.'" *Foman*, 371 U.S. at 182.

In determining whether to grant a party's request for leave to amend its pleadings, "[i]t is appropriate for the court to consider judicial economy and the most expeditious way to dispose of the merits of the litigation." *Dussouy v. Gulf Coast Inv. Corp.*, 660 F.2d 594, 598 (5th Cir. 1981). This is because, if a party is denied leave to amend, its recourse is to file a new action. And, where a new action must be filed, "[a]ll that is accomplished is that the case is set back on the docket, and disposition of the merits delayed, a result that *rule 1* directs us to avoid and that undercuts the policy of the federal rules in favor of consolidating litigation to facilitate an efficient and expeditious resolution of disputes." *Id.* at 600. "Of course, the grant or denial of an opportunity to amend is within the discretion of the District Court, but outright refusal to grant the leave without any justifying reason appearing for the denial is not an exercise of discretion; it is merely abuse of that discretion and inconsistent with the spirit of the Federal Rules." *Foman*, 371 U.S. at 182.

III. ARGUMENT

Foman and *Dussouy* set forth five factors relevant to a party's request for leave to amend its pleadings: (1) whether the party moving for leave to amend has done so based on a good-faith belief and without undue delay; (2) the potential for prejudice to the opposing party; (3) whether the party has repeatedly failed to cure deficiencies by amendments previously allowed; (4) whether the party's proposed amendments would be futile; and (5) whether the party's requested amendment will conserve judicial resources. *Foman*, 371 U.S. at 182; *Dussouy*, 660 F.2d at 598. As set forth below, these factors weigh squarely in favor of granting Ericsson's request for leave to amend to add the Ericsson Implementation Patents to this case.

A. Ericsson Seeks Leave to Amend In Good Faith and Without Undue Delay (Factor 1).

Ericsson filed this motion promptly upon developing a good-faith belief—based on its ongoing factual investigation surrounding the TCL accused devices—that TCL devices infringe Ericsson's Implementation Patents in addition to the current patents-in-suit. This Court routinely grants leave to amend when ample time remains in the discovery period and prior to the *Markman* hearing and jury selection, as is the case here. *See, e.g.*, *Tendler Cellular of Texas, LLC v. Mercedes-Benz USA, LLC*, No. 6:11-cv-00178-LED-JDL, Dkt. 96 (E.D. Tex. Apr. 3, 2012) (granting patentee leave to assert an additional patent a year after the original complaint was filed and with the claim construction hearing only months away because "ample time" remained); *Advanced Neuromodulation Sys. v. Advanced Bionics Corp.*, 4:04-cv-131, 2005 U.S. Dist. LEXIS 47693, at *7-9 (E.D. Tex. Jan. 28, 2005) (granting motion for leave to amend to add patents where patentee sought to amend complaint at the outset of fact discovery). This factor therefore favors granting Ericsson leave to amend.

B. Ericsson's Amendment Will Not Unduly Prejudice TCL (Factor 2).

A party's requested amendment does not unduly prejudice the opposing side where the opponent has adequate opportunity to address the amended complaint and to complete any requisite discovery. *See e.g., Tendler*, No. 6:11-cv-00178-LED-JDL, Dkt. 96, at *3. Here, TCL has *more* than ample time to respond to Ericsson's allegations that TCL infringes the Ericsson Implementation Patents. *See Visto Corp. v. Research in Motion LTD.*, 2:07-cv-375, Dkt. 77, at *1 (E.D. Tex**.** Feb. 24, 2009) (holding that the defendants would not suffer prejudice arising from the plaintiff's second amended complaint adding additional patents where the close of discovery and jury selection were over one year away); *Tendler*, No. 6:11-cv-00178-LED-JDL, Dkt. 96, at *2-3 (rejecting defendants' argument that they would suffer undue prejudice if the plaintiff was permitted to add an additional patent after discovery had commenced); *Greatbatch Ltd. v. AVX*

Corp., No. 13-723-LPS, 2014 U.S. Dist. LEXIS 13473, at *4 (D. Del. Feb. 4, 2014) (granting the plaintiff's request for leave to amend complaint to add five additional patents and finding no undue prejudice even though discovery had begun months earlier). Indeed, Ericsson has already served its infringement contentions for three of the Ericsson Implementation Patents and will be serving its infringement contentions for the other two patents within two weeks of this motion. As such, this factor also weighs in favor of granting leave to amend.

C. Ericsson Did Not Fail To Cure Deficiencies By Prior Amendments (Factor 3).

This is not a circumstance where there has been a "repeated failure [by Ericsson] to cure deficiencies by amendments previously allowed." *Foman*, 371 U.S. at 182. Although Ericsson has amended its complaint twice since instituting this action, it was not yet aware of the factual basis for its assertion of the Ericsson Implementation Patents against TCL at the time of either prior amendment. This factor therefore counsels that Ericsson's request for leave to amend should be granted.

D. Ericsson's Amendment is Not Futile (Factor 4).

A party's request for leave to amend is futile if the proposed amended complaint would not survive a motion to dismiss for failure to state a claim under Fed. R. Civ. P. 12(b)(6). *Rio Grande Royalty Co. v. Energy Transfer Partners, L.P.*, 620 F.3d 465, 468 (5th Cir. 2010). Here, Ericsson's Fourth Amended Complaint (filed concurrently with this Motion) sets out a well-pled basis for relief that surpasses the pleading standards for patent infringement claims as set forth in Form 18 of the Appendix of Forms to the Federal Rules of Civil Procedure and the United States Supreme Court's holding in *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). *See K-Tech Telecomms., Inc. v. Time Warner Cable, Inc.*, 714 F.3d 1277, 1279 (Fed. Cir. 2013) (outlining pleading requirements for patent infringement). Indeed, Ericsson's claims for infringement of the Ericsson Implementation Patents are as least as detailed as Ericsson's claims for infringement of

the ’506 and ’556 patents-in-suit, which TCL did not move to dismiss pursuant to Federal Rule Civ. P. 12(b)(6). This factor likewise favors allowing Ericsson’s requested amendment.

E. Ericsson’s Amendment Will Foster Judicial Economy (Factor 5).

The Court may also consider whether judicial economy would be served by granting leave to amend. *Dussouy*, 660 F.2d at 600. In this case, efficiency favors amendment. If Ericsson cannot amend to add the Ericsson Implementation Patents to this suit, it would be required to file a separate action to assert the patents against TCL, which would serve only to delay disposition on the merits of Ericsson’s infringement claims. *Id*. Such an outcome would “undercut the policy of the federal rules in favor of consolidating litigation to facilitate an efficient and expeditious resolution of disputes.” *Id.*; *see also Cloud Farm Assocs., L.P. v. Volkswagen Grp. of Am., Inc.*, No. 10-502-LPS, 2012 U.S. Dist. LEXIS 104982, at *18-19 (D. Del. July 27, 2012) (granting plaintiff leave to amend to add patents after the *Markman* hearing in part because if leave were denied “the likely result would be that Plaintiff would assert the claims it attempts to add to this lawsuit in a new lawsuit against Defendants—which will require completely new discovery, another *Markman* hearing, and a separate trial—likely resulting in even higher increased costs for Defendants and further delay in resolution of the parties’ disputes”). This reasoning counsels strongly in favor of granting Ericsson leave to amend here.

TCL has moved to transfer this case to the Central District of California, where TCL has filed a case challenging whether Ericsson’s negotiations as to its standard essential patents are fair, reasonable, and non-discriminatory. *See* Dkt. 47. The California case only pertains to Ericsson’s standard essential patents, and as a result, even if the Court were to transfer the claims in this case related to the essential patents (the breach of FRAND claims and the claims for infringement of essential patents), those claims have no bearing on the Implementation Patents that Ericsson seeks leave to assert via this amendment. The Implementation Patents are first-filed

in Texas, are not tied to any of the claims related to essential patents that are currently asserted in California, and the first-to-file rule counsels that they should be tried here. *See BridgeLux, Inc. v. Cree, Inc*., No. 9:06-CV-240, 2007 U.S. Dist. LEXIS 95476, at *7-8 (E.D. Tex. Feb. 5, 2007) (severing patent claims first-filed in Texas from patent claims first-filed in North Carolina and transferring only the latter).

Judicial economy—like all of the factors relevant to the Court's analysis—weighs in favor of granting Ericsson's request to amend its complaint to assert five additional patents.

IV. CONCLUSION

For the reasons set forth above, the relevant factors outlined in *Foman* and *Dussouy* uniformly favor granting Ericsson leave to amend its pleadings to add the Ericsson Implementation Patents to this action. The Court should therefore grant Ericsson leave to file its Fourth Amended Complaint.

Dated: October 21, 2014

Respectfully submitted,

MCKOOL SMITH, P.C.

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**ATTORNEYS FOR PLAINTIFFS
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that all counsel of record who are deemed to have consented to electronic service are being served with this document via the Court's CM/ECF system pursuant to Local Rule CV-5(a) on October 21, 2014.

/s/ Laurie Fitzgerald

CERTIFICATE OF CONFERENCE

The undersigned certifies that the parties met and conferred regarding this motion pursuant to Local Rule CV-7(h) in a telephone conference on October 3, 2014. Kristina Baehr and I represented the Plaintiffs in this meeting, and Martin Bader represented the Defendants. At the conclusion of the call, we agreed that Mr. Bader would speak with his client regarding this motion and subsequently indicate whether TCL would oppose. Mr. Bader and I communicated about the motion via e-mail between October 3, 2014 and October 7, 2014. On October 7, 2014, it became clear that the parties have reached an impasse, leaving open issues for this Court to address. Ericsson filed its original motion on October 7, 2014.

Ericsson then met and conferred regarding an amended motion on October 21, 2014. Kristina Baehr represented the Plaintiffs in this meeting, and Martin Bader represented the Defendants. Mr. Bader indicated that the Defendants oppose the amended motion for the same reasons they opposed the initial motion.

/s/ Laurie Fitzgerald

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ORDER GRANTING ERICSSON'S AMENDED MOTION FOR LEAVE TO FILE AMENDED COMPLAINT TO ADD PATENTS

Before the Court is the Amended Motion for Leave to File Amended Complaint by Plaintiffs Ericsson Inc. and Telefonaktiebolaget LM Ericsson. After careful consideration, the Court GRANTS the motion and hereby ALLOWS Plaintiffs to file their Fourth Amended Complaint.