

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION**

PAPST LICENSING GMBH & CO., KG,

Plaintiff,

v.

SAMSUNG ELECTRONICS CO., LTD.,  
SEVERED FROM; AND SAMSUNG  
ELECTRONICS AMERICA, INC.;

Defendants.

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CIVIL ACTION NO. 6:18-CV-00388-RWS

**ORDER**

Before the Court is Samsung’s Motion for Leave to File Supplemental Pleading of Inequitable Conduct. Docket No. 386. For the reasons discussed herein, the motion is **DENIED**.

**BACKGROUND**

Papst filed this action in November 2015, asserting Samsung infringed five related patents (the “Tasler” patents): U.S. Patent Nos. 6,845,449, 6,473,399, 8,504,746, 8,966,144 and 9,189,437. Four of the asserted patents—the ’399, ’746, ’144 and ’437 patents—were the subject of *inter partes* reviews. Docket No. 386 at 2. Papst’s infringement claims on the fifth patent—the ’449 patent—were severed from the original five-patent case and proceeded to trial. *Id.* at 3. A jury found that the ’449 patent was not invalid and that Samsung infringed claims 1 and 17 of the patent, ultimately awarding approximately \$5.9 million in damages. *Id.* During the litigation, the ’449 patent was also the subject of an *ex parte* reexamination. *Id.*

## I. IPR Proceedings

The PTAB issued final written decisions (FWDs) finding all final elected claims of the '399, '746, '144 and '437 patents unpatentable. Of relevance to Samsung's motion, the PTAB determined that certain claims in the '746 patent and '144 patent were unpatentable, in part, based on the disclosure of prior art reference "Kawaguchi." See Docket No. 385-1, 385-2 and 385-3. Papst appealed. Docket No. 386 at 2-3. However, following briefing, Papst voluntarily dismissed its appeals related to the '746 and the '144 FWDs. *Id.* at 3.

On May 23, 2019, the Federal Circuit held that the PTAB's findings on a different prior art reference ("Aytac") in the '746/'144 FWDs precluded Papst's arguments regarding Aytac in its '437 FWD appeal. *Papst Licensing & Co. KG v. Samsung Elec. Am., Inc.*, 924 F.3d 1243 (Fed. Cir. 2019). The prior-art issue on appeal was "whether Aytac teaches that performance of the process is made possible without the CaTbox software, through SCSI software (or other software already on the computer) alone." *Id.* at 1252. The court held that the PTAB made the same findings on this issue in the '144 Patent Aytac Decision, for which Papst dismissed its appeal, as it did in the '437 FWD then on appeal. *Id.* at 1253. The Federal Circuit also held that this finding was essential to the Board's decision in the '144 Patent Aytac Decision. *Id.* Accordingly, the court concluded that issue preclusion applied to Papst's prior art arguments on appeal. *Id.*

On the same day, the Federal Circuit issued a separate opinion on Papst's appeals from the three decisions invalidating claims of the '399 patent. *Papst Licensing GmbH & Co. KG v. Apple Inc.*, 767 F. App'x 1011 (Fed. Cir. 2019) (unpublished). Papst similarly argued that the Board lacked evidence for its conclusion regarding Aytac's teachings. The Federal Circuit did not discuss issue preclusion but found that Papst's arguments otherwise lacked merit. *Id.* at 1013.

## **II. Reexamination Proceedings**

During the pendency of this '449 patent litigation and the related IPR appeals, Samsung requested *ex parte* reexamination of the '449 patent. Docket No. 386 at 3. The USPTO granted the request. Docket No. 386 at 3. During the reexamination, the Examiner issued a Non-Final Office Action rejecting several claims as anticipated by Kawaguchi. Docket No. 385 ¶ 139. Papst responded on March 28, 2019, arguing that Kawaguchi did not anticipate certain claims because “Kawaguchi does not teach the ‘signaling’ and ‘stimulating a virtual file system limitations.’ ” *Id.* ¶ 143.

Following Papst’s voluntarily dismissal of the '746 and '144 appeals, and again following the Federal Circuit’s '437 appeal decision, Samsung’s counsel told Papst’s counsel that Papst had a duty to inform the Patent Office of the finality of the FWDs and their issues-preclusive effects. Docket No. 386-1 and 386-2.

On June 28, 2019, over a month after the Federal Circuit’s collateral estoppel opinion and six months after the jury verdict in this case, the Examiner issued a Notice of Intent to Reissue a Reexam Certificate. Docket No. 385 at 5. The Examiner allowed the claims of the '449 Patent to stand and issued a Reexamination Certificate on July 19, 2019. Docket No. 386-3.

## **III. Trial and Motion for Leave to Supplement Pleading**

The jury returned its verdicts<sup>1</sup> on November 6, 2018. Docket Nos. 293, 298. The parties filed post-trial motions in December 2018 and completed briefing in March 2019. However, on June 18, 2019, the Court granted Samsung’s motion for leave to file supplemental briefing on the post-trial motions concerning collateral estoppel. Docket No. 355. The Court heard argument on

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<sup>1</sup> The trial proceeded in two phases, with willfulness evaluated in a second phase of trial. The jury returned both verdicts on the same day.

all post-trial motions, including consideration of Samsung's collateral estoppel arguments, on July 11, 2019. Docket No. 368.

Samsung moved for leave to supplement its pleading on August 27, 2019. Docket No. 386. Three days later, the Court issued its order on post-trial motions. Docket No. 387. The Court denied Papst's motion for entry of judgment in light of Samsung's motion for leave. *Id.* at 52.

## LEGAL STANDARD

### I. Rule 15(d) Leave to Supplement

Rule 15(d) provides that a court may, “on just terms, permit a party to serve a supplemental pleading setting out any transaction, occurrence, or event that happened after the date of the pleading to be supplemented.” FED. R. CIV. P. 15(d). This includes pleading new affirmative defenses in a supplemental answer. *Realtime Data LLC v. Echostar Corp.*, No. 6:17-cv-00084-JDL, 2018 WL 10466828, at \*2 (E.D. Tex. Dec. 6, 2018). The decision of whether to grant or deny leave to supplement a pleading is within the sound discretion of the court. *Gentilello v. Rege*, 627 F.3d 540, 546 (5th Cir. 2010) (citing *Burns v. Exxon Corp.*, 158 F.3d 336, 343 (5th Cir. 1998)). Amendment can be appropriate as late as trial or even after trial. *See Dussouy v. Gulf Coast Inv. Corp.* 660 F.2d 594, 598 (5th Cir. 1981); 6 C. Wright & A. Miller, Federal Practice and Procedure § 1488 (1971). At some point, however, the delay becomes procedurally fatal. *Smith v. EMC Corp.*, 393 F.3d 590, 595 (5th Cir. 2004); *see also Dussouy*, 660 F.2d at 598 n.2 (noting that a motion for leave to amend may be too late if the trial court has disposed of the case on the merits where concerns of finality in litigation become more compelling).

There are several factors that justify denial of leave to amend: “(1) undue delay, (2) bad faith or dilatory motive by the movant, (3) repeated failure to cure deficiencies by previous amendments, (4) undue prejudice to the opposing party, or (5) futility of amendment.” *Dussouy* 660 F.2d at 598. “A supplemental pleading is futile if it ‘would fail to state a claim upon which

relief could be granted.’ ” *Enniss Family Realty I, LLC v. Schneider Nat. Carriers, Inc.*, 916 F. Supp. 2d 702, 717 (S.D. Miss. 2013)(quoting *Stripling v. Jordan Prod. Co.*, 234 F.3d 863, 873 (5th Cir. 2000)).

## II. Pleading Standard for Inequitable Conduct Claims

Federal Circuit law governs the sufficiency of allegations of inequitable conduct. *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1318 (Fed. Cir. 2009). “Inequitable conduct is an equitable defense to patent infringement that, if proved, bars enforcement of a patent.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285 (Fed. Cir. 2011). Inequitable conduct requires a finding of both “intent to deceive and materiality.” *Id.* at 1287 (citing *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008)). In other words, the accused infringer must show that the patent applicant “misrepresented or omitted material information with the specific intent to deceive the PTO.” *Id.* “Intent and materiality are separate requirements.” *Id.* at 1290 (citing *Hoffmann–La Roche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1359 (Fed. Cir. 2003)).

Claims of inequitable conduct are reviewed for sufficiency under the heightened pleading requirements of fraud. *Exergen*, 575 F.3d at 1327 (“inequitable conduct, while a broader concept than fraud, must be pled with particularity’ under Rule 9(b)” (quoting *Ferguson Beauregard/Logic Controls, Div. of Dover Resources, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003))). Courts apply the *Exergen* pleading standard post-*Therasense*. See *Delano Farms Co. v. Cal. Table Grape Comm’n*, 655 F.3d 1337, 1350 (Fed. Cir. 2011) (citing *Exergen* and *Therasense* in discussing the pleading standard for inequitable conduct).

Rule 9(b) provides that “a party must state with particularity the circumstances constituting fraud.” FED. R. CIV. P. 9(b). “[I]n pleading inequitable conduct in patent cases, Rule 9(b) requires identification of the specific who, what, when, where, and how of the material misrepresentation

or omission committed before the PTO.” *Exergen*, 575 F.3d at 1327; *Easton Tech. Prods., Inc. v. FeraDyne Outdoors, LLC*, No. 2019 WL 1513463, at \*4 (D. Del. Apr. 8, 2019) (explaining that a pleading of inequitable conduct must set forth “the particularized factual bases for the allegation”). Rule 9(b) further provides that “[m]alice, intent, knowledge, and other conditions of mind of a person may be averred generally.” FED.R.CIV.P. 9(b). While “knowledge” and “intent” may be averred generally, the pleadings must allege “sufficient underlying facts from which a court may reasonably infer that a party acted with the requisite state of mind.” *Exergen*, 575 F.3d at 1327. An exception for proving but-for materiality arises if an applicant engages in “affirmative egregious misconduct.” *Therasense*, 649 F. 3d at 1292. This type of egregious misconduct involves “deliberately planned and carefully executed schemes to defraud the PTO and the courts.” *Id.*

## ANALYSIS

Courts may deny leave if there is any “apparent or declared reason to do so.” *Orthosie Sys. LLC v. Synovia Solution, LLC*, No. 4:16-cv-00995, 2017 WL 3244244 at \*4 (E.D. Tex. July 31, 2017). It is within the district court’s discretion to deny a motion to amend if it is futile. *Id.*; *see also Stripling v. Jordan Prod. Co., LLC*, 234 F.3d 863, 872–72 (5th Cir. 2000). Leave to amend may also be denied where it is the result of undue delay or would cause undue prejudice. *Dussouy*, 660 F.2d at 598. In this case, the significant prejudice and futility of the amendment weigh against granting the motion to supplement.

### I. Futility of the Amendment

Samsung’s proposed amendment would be futile because Samsung failed to plausibly allege that the FWDs precluded Papst’s arguments during reexamination. Samsung argues that, when the ’746 and ’144 FWDs became final, Papst was precluded from “making arguments inconsistent with the PTAB findings in the IPRs due to collateral estoppel” and also “precluded

from taking action inconsistent with the adverse judgment[s]” under 37 C.F.R. § 42.73(d)(3). Docket No. 385 ¶ 157.

Samsung alleges that Papst committed inequitable conduct by (1) impermissibly making arguments in reexamination regarding Kawaguchi’s teachings that were barred by collateral estoppel; and (2) withholding certain information from the PTO—namely Papst’s voluntary dismissal of the ’746/’144 IPR appeals, the collateral estoppel effects of those dismissals and the Federal Circuit’s May 23, 2019, decision applying collateral estoppel to Papst’s arguments in the ’437 IPR appeal. *Id.* ¶ 171. Samsung further alleges that Papst’s committed egregious misconduct by making or failing to withdraw its arguments that were inconsistent with the PTAB findings. *Id.* ¶ 169–70.

As to materiality, Samsung contends that the Examiner credited Papst’s arguments and that “the Examiner would not have confirmed patentability of the claims of the ’449 Patent if Papst had not made these arguments or if Papst had disclosed the voluntary dismissals and Federal Circuit decision.” *Id.* ¶¶ 148, 176. Thus, Samsung’s inequitable conduct claims hinge on its contention that collateral estoppel applied to Papst’s arguments as to Kawaguchi’s teachings.

Notably, this Court rejected Samsung’s related arguments that the PTAB’s Kawaguchi findings had preclusive effects in this litigation.<sup>2</sup> Samsung asserted that the PTAB’s Kawaguchi findings precluded Papst from making contradictory arguments in its post-trial motions. *See* Docket No. 357 at 5. Samsung raises several of the same PTAB findings in its supplemental pleading. *Compare id.* at 5–8 *with* Docket No. 385 ¶ 170. Following briefing and a hearing, the Court held that issue preclusion did not apply, in part because “the invalidity issues in this case are

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<sup>2</sup> As explained above, the Federal Circuit also declined to address Samsung’s collateral estoppel argument in deciding the ’339 appeal.

not identical and were not actually litigated in the '746 and '144 patents' FWDs." Docket No. 387 at 40. Similarly here, Samsung has not adequately pled that collateral estoppel applies because Samsung has not pled that Kawaguchi's teachings at issue were "actually litigated" in the '746 and '144 patents' FWDs.

To adequately plead inequitable conduct, Samsung must set forth the particularized factual basis for its allegation that Papst's representations in the reexamination were "false" or misleading. *See Power Integrations, Inc. v. ON Semiconductor Corp.*, 2018 WL 1438767, at \*2–\*3 (N.D. Cal. 2018) (dismissing inequitable conduct claim where alleged infringer failed to plead facts to support a reasonable inference that patentee made false statements); *Unified Pharmaceuticals LLC v. Perrigo Co.*, No. 13-236-RGA, 2015 WL 106851, at \*2 (D. Del. Jan. 6, 2015) (dismissing inequitable conduct claim where there was "no allegation of falsity" and "barely even an allegation that [the] argument was 'misleading' "); *Synqor, Inc. v. Artesyn Tech., Inc.*, No. 2:07-CV-497-TJW-CE, 2010 WL 3768093, at \*6 (E.D. Tex. Sept. 9, 2010) (dismissing inequitable conduct claim where facts alleged did not give rise to reasonable inference that statements were false).

It is not sufficient for Samsung to merely allege that Papst's arguments were contrary to the PTAB's findings. First, this is not a case where the prior art or the PTAB's findings on the prior art were not disclosed to the PTO. *See Techshell, Inc. v. Max Interactive, Inc.*, No. SACV 19-00608 AG, 2019 WL 4422682, at \*3 (C.D. Cal. Aug. 5, 2019). Moreover, a prosecution attorney's argument regarding a prior art teaching generally does not constitute a misrepresentation. *Young*, 492 F.3d at 1349; *Pacific Biosciences of California, Inc. v. Oxford Nanopore Techs., Inc.*, No. 17-CV-275-LPS, 2019 WL 668843, at \*3 (D. Del. Feb. 29, 2019) ("The mere fact that a patent applicant attempts to distinguish its patent from prior art does not constitute a material omission or misrepresentation where the patent examiner has the prior art before him or



her, and therefore, is free to make his or her own conclusions regarding the claimed limitations.”). Samsung must therefore plead facts to allege not only that Papst’s arguments were contrary to the PTAB findings, but that “issue preclusion” applies to those findings.

“Under the doctrine of issue preclusion, also called collateral estoppel, a judgment on the merits in the first suit precludes relitigation in a second suit of issues actually litigated and determined in the first suit.” *In re Freeman*, 30 F.3d 1459, 1465 (Fed. Cir. 1994). An issue is actually litigated and decided “if the parties to the original action *disputed the issue* and the trier of fact decided it.” *Id.* at 1466 (emphasis added); Restatement (Second) of Judgments § 27 cmt. e (“[A]n issue is not actually litigated . . . if it is raised by a material allegation of a party’s pleading but is admitted (explicitly or by virtue of a failure to deny).”); *Nosalok Coating Corp. v. Nylok Corp.*, 522 F.3d 1320, 1323 (Fed. Cir. 2008).

Samsung identifies several specific PTAB findings on Kawaguchi’s teachings. Docket No. 385 ¶ 170 (summarizing the PTAB’s findings). Samsung also identifies arguments that Papst made to the Examiner allegedly contradicting those findings. *Id.* However, Samsung does not allege, much less plead sufficient facts, that these Kawaguchi teaching issues were “actually litigated.” The supplemental complaint does not allege that Papst actually disputed the identified PTAB findings. The complaint does not reference any oppositional argument Papst raised before the PTAB. Nor do the FWD portions Samsung cites in its complaint show that Papst actually disputed these findings.

Samsung’s argument in briefing is revealing. In response to Papst’s lengthy allegations that the identified Kawaguchi’s teachings were not actually litigated, Samsung responded that Papst mischaracterized the “issues” and that “Papst denied in the IPRs that Kawaguchi worked as the petitioners asserted.” Docket No. 390 at 2. Like the complaint, this response fails to (1)

identify the specific Kawaguchi teaching issues that Papst disputed; or (2) cite to any evidence in the complaint or attachments supporting an inference that Papst actually disputed those issues. *Cf. Papst Licensing*, 924 F.3d at 1252 (identifying the “issue” as whether the “Atyac” reference taught a specific process). That Papst may have disputed some of Kawaguchi’s teachings does not mean that Papst disputed the precise Kawaguchi-teaching issues identified in Samsung’s pleading.

Samsung’s pleading seems to be similarly deficient in pleading that the issues in the FWDs and the reexamination were identical. *See Freeman*, 30 F.3d at 1466. Samsung alleges that Claims 1 and 17 of the ’449 patent have a similar “signaling” limitation to Claim 1 of the ’437 and ’144 patent. Docket No. 386 ¶¶ 164, 167. However, Samsung does not allege that the Kawaguchi teachings issues are identical. In the post-trial motions order, this Court found that the Samsung’s identified FWD findings involved different prior art than the ’449 litigation and, therefore, Samsung had not established that the “issues” were identical for purposes of issue preclusion. Docket No. 387 at 40. Similarly, many of the cited FWD findings here involve different claim limitations and different prior art. *Compare* 746 FWD-1211 at 23 (citing MS-DOS Encyclopedia) *with* Docket No. 389-2 at 3-12 (citing Kawaguchi alone or Kawaguchi/Schmidt). Though Papst argued that the pleading was deficient in this regard, Samsung’s response did not address the differing limitations or prior art. This deficiency further demonstrates that Samsung has failed to plausibly allege that collateral estoppel applies.

At bottom, Samsung has failed to plead facts sufficient to plausibly allege that collateral estoppel applied to Papst’s reexamination arguments and therefore that Papst’s statements/omissions are misrepresentations. Papst’s supplemental pleading fails to state a claim upon which relief can be granted and is futile.<sup>3</sup>

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<sup>3</sup> Because Samsung failed to plausibly allege that collateral estoppel applies in this case, the Court need not decide the merits of Samsung’s assertion that collateral estoppel would support an inequitable conduct claim here. However,

## II. Prejudice

Granting Samsung leave to supplement will cause extraordinary prejudice. Samsung filed its motion for leave more nine months after the jury's verdict, five months after most<sup>4</sup> post-trial briefing was complete, including briefing on Papst's motion for entry of judgment, and three days before the Court entered its order on all other post-trial motions. The Court declined to enter judgment in the case to consider Samsung's motion for leave to supplement. Docket No. 287 at 54.

Though post-trial motions for leave to amend may be granted, at some point the time delay becomes procedurally fatal. *See Smith*, 393 F.3d at 596. Granting leave to amend here would require the parties to litigate an entirely new legal issue in the case, to reopen discovery and ultimately to conduct a bench trial. *Smith*, 393 F.3d at 596 (denying leave to amend where motion was filed four days after jury trial began where it would require parties to reopen discovery and prepare for a new defense); *Little v. Liquid Air*, 952 F.2d 841, 846 (5th Cir. 1992); *see also Mayeaux v. La. Health Serv. And Indemn. Co.*, 376 F.3d 420, 427–28 (5th Cir. 2004) (finding that

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there are several apparent issues with Samsung's position. First, Samsung has not supported its assertion that 37 C.F.R. § 42.73(d)(3), which precludes patent owners from taking actions inconsistent with an "adverse judgment," applies to adverse Final Written Decisions. *See SDI Techs. v. Bose*, IPR2014-00343, Paper No. 32 at 9, 2015 WL 3749668, at \*4 (June 11, 2015) (finding that an "adverse judgment" under § 42.73(d)(3) does not refer to final written decisions). The parties did not address whether asserting collaterally estopped arguments constitutes misrepresentations before the PTO. The Court is not aware of any case finding that raising collaterally estopped arguments can serve as the basis of a misconduct or inequitable conduct claim. Moreover, attorney argument attempting to distinguish claims from prior art typically does not rise to the level of "affirmative misrepresentations." *See Young v. Lumenis, Inc.*, 492 F.3d 1336, 1349 (Fed. Cir. 2007). As to Samsung's assertion that Papst failed to disclose the collateral estoppel effects of its voluntary dismissal, patentees are not obligated to explain the legal significance of its disclosures to the PTO. *Finjan, Inc. v. ESET, LLC and ESET SPOL S.R.O.*, No. 17-cv-00183-CAB-BGS, 2017 WL 3149642, at \*6-7 (S.D. Cal. 2017). The Court also need not assess Samsung's materiality argument asserting that the Examiner would not have allowed the claims if the Examiner knew that collateral estoppel applied. Neither party has addressed the effect or relevance of *In re Trans Texas Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007), which holds that the PTO is not bound by collateral estoppel.

<sup>4</sup> While post-trial briefing was complete in March 2019, the Court subsequently granted Samsung leave to file supplemental briefing on the effects of collateral estoppel on post-trial briefing. Docket No. 355.


motions for leave to amend are prejudicial when the amendment would “fundamentally alter the nature of the case”).

Samsung accurately asserts that it did not delay in filing the motion because the facts underlying its inequitable conduct claim did not arise until July 2019 when the PTO granted the certificate of reexamination. Docket No. 386 at 11. Nevertheless, the eleventh-hour filing would cause significant delay in resolving this action and prejudice to Papst. The late filing therefore counsels strongly against granting leave to amend.

### CONCLUSION

In light of the apparent futility of Samsung’s supplemental pleading and the significant prejudice it would cause, Samsung’s motion for leave to supplement its pleading (Docket No. 386) is **DENIED**.

**So ORDERED and SIGNED this 12th day of March, 2020.**

  
ROBERT W. SCHROEDER III  
UNITED STATES DISTRICT JUDGE