UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES—GENERAL

Case No. CV 19-7475-MWF (FFMx) **Date: July 23, 2021**
Title: GCP Applied Technologies Inc. v. AVM Industries, Inc.

Present: The Honorable MICHAEL W. FITZGERALD, U.S. District Judge

Deputy Clerk:	Court Reporter:
Rita Sanchez	Not Reported
Attorneys Present for Plaintiff:	**Attorneys Present for Defendant:**
None Present	None Present

Proceedings (In Chambers): ORDER GRANTING DEFENDANT'S MOTION TO AMEND ANSWER [85]

Before the Court is Defendant AVM Industries, Inc.'s ("AVM") Motion to Amend Answer (the "Motion"), filed on June 7, 2021. (Docket No. 85). On June 21, 2021, Plaintiff GCP Applied Technologies, Inc. ("GCP") filed an opposition. (Docket No. 88). AVM filed a reply on June 28, 2021. (Docket No. 90).

The Court has read and considered the papers filed in connection with the Motion and held a telephonic hearing on July 12, 2021, pursuant to General Order 21-08 arising from the COVID-19 pandemic.

For the reasons that follow, the Motion is **GRANTED**. AVM has met its burden to demonstrate good cause to modify the Scheduling Order and the Court is unconvinced that amendment would be futile or unduly prejudice GCP.

AVM moves to modify the Scheduling Order and amend its Answer to the Second Amended Complaint ("SAC"). (Motion at 1).

When ruling on a motion to amend a scheduling order pursuant to Federal Rule of Civil Procedure 16, "the focus of the inquiry is upon the moving party's reasons for seeking the modification. If that party was not diligent, the inquiry should end." *Johnson v. Mammoth Recreations, Inc.*, 975 F.2d 604, 609 (9th Cir. 1992) (internal citation omitted).

Pursuant to Federal Rule of Procedure 15, "[t]he court should freely give leave when justice so requires." Fed. R. Civ. P. 15(a)(2). "This policy is to be applied with extreme liberality." *Eminence Capital, LLC v. Aspeon, Inc.*, 316 F.3d 1048, 1051 (9th Cir. 2003). The Supreme Court has identified five factors that a court should consider when deciding whether to grant leave to amend: (1) bad faith, (2) undue delay, (3) prejudice to the opposing party, (4) futility of amendment, and (5) whether the plaintiff has previously amended its complaint. *Foman v. Davis*, 371 U.S. 178, 182 (1962). Of these, "the consideration of prejudice to the opposing party carries the greatest weight." *Sonoma Cty. Ass'n of Retired Employees v. Sonoma Cty.*, 708 F.3d 1109, 1117 (9th Cir. 2013) (quoting *Eminence Capital, LLC*, 316 F.3d at 1052). "The party opposing amendment bears the burden of showing prejudice, unfair delay, bad faith, or futility of amendment." *United Steel, Paper & Forestry, Rubber, Mfg., Energy, Allied Indus. & Serv. Workers Int'l Union, AFL-CIO, CLC v. ConocoPhillips Co.*, CV 08-2068 PSG (FFMx), 2009 WL 650730, at *2 (C.D. Cal. Mar. 12, 2009) (citations omitted).

AVM seeks to add an affirmative defense and counterclaim for invalidity and unenforceability of U.S. Patent No. 8,713,879 (the "'879 Patent") for inequitable conduct, including but not limited to, obtaining a patent by making fraudulent representations and omissions to the U.S. Patent and Trademark Office ("PTO"). (Motion at 1). AVM contends that it has met the good cause standard established by Federal Rules of Civil Procedure 16 and 15 because it did not know the factual basis of its inequitable conduct defense until April 20, 2021, when it deposed lead inventor Robert A. Wierinski. (Motion at 4; Reply at 1-18).

GCP opposes the modification under Rule 16, arguing that if AVM had been diligent, it would have discovered the factual basis of its inequitable conduct defense long before the Scheduling Order's deadline to amend, since such facts were available to AVM either in the public record or in documents already in AVM's possession. (Opposition at 5-7). At the hearing, GCP pointed the Court to the parties' Joint Rule 26(f) Report from June 2020, in which AVM flagged inequitable conduct as a potential legal issue in the case. (*See* Joint Rule 26(f) Report at 7 (Docket No. 45)). GCP also

contends that amendment is unduly delayed, futile, and prejudicial under Rule 15. (*Id.* at 9-22).

As to Rule 15, GCP asserts that AVM's proposed amendments are unduly delayed for the same reasons underlying AVM's lack of diligence under Rule 16.

With respect to futility, GCP challenges the plausibility of AVM's inequitable conduct defense. To prevail on a defense of inequitable conduct, AVM would have to prove by clear and convincing evidence that the Patent applicant "misrepresented or omitted material information with the specific intent to deceive the PTO." *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1287 (Fed. Cir. 2011). GCP contends that amendment would be futile because AVM's proposed allegations cannot plausibly establish (i) the existence of undisclosed information that was material to the patent prosecution, (ii) that the inventor or GCP's counsel knew of the alleged materiality, or (iii) that the inventor or GCP's counsel made a conscious, deliberate decision to conceal that information in order to deceive the PTO. (Opposition at 10-21).

With respect to prejudice, GCP argues that it would be prejudicial to force GCP to respond to an ultimately futile charge, and additionally, would waste the Court's time and resources. (*Id.* at 21-22).

While it is a close call, the Court determines that AVM has met its burden of showing diligence and has therefore satisfied the Rule 16 good cause standard. At the hearing, GCP pointed to specific facts and documents in AVM's possession that GCP argued should have put AVM on notice to investigate its inequitable conduct defense long before Wierinski's deposition. Even if GCP is correct, the Court will nonetheless give AVM the benefit of the doubt that it pieced together the facts underlying its proposed amended answer and the existence of its inequitable conduct defense only after taking Wierinski's deposition in April 2021. Further, it was reasonable for AVM to wait to depose Wierinski until after AVM had ample opportunity to sift through and become familiar with the relevant documents produced in discovery. Given Wierinski's central role in the case, the Court will not fault AVM for waiting until the end of the discovery period to conduct his deposition.

The Court also determines that leave to amend is warranted under Rule 15. Particularly given the complex nature of the claims at issue in this action, the Court is not prepared to conclude at this juncture that amendment would be futile. However, this Order in no way prevents GCP from challenging the defense by bringing an appropriate motion or at the Final Pretrial Conference. It may be that GCP is correct and AVM cannot succeed on an inequitable conduct defense. But before making that determination, the Court will give both parties the opportunity to put their best foot forward: AVM may file its amended answer, and GCP may thereafter challenge the amended answer in the appropriate manner.

Accordingly, the Motion is **GRANTED**. AVM shall file its amended answer on or before **August 3, 2021**. At the hearing, the parties agreed that amending the Answer would not necessitate reopening discovery. Therefore, all other deadlines in the Scheduling Order remain the same.

IT IS SO ORDERED.