

1 JASON M. KIRBY (SBN 213370)
2 KIRBY & KIRBY, LLP
3 501 W. Broadway, Suite 1720
4 San Diego CA 92101
5 Telephone: 619-487-4404

6 SCOTT D. STIMPSON (Pro Hac Vice)
7 TOD M. MELGAR (Pro Hac Vice)
8 STEVEN Z. LUKSENBERG (Pro Hac Vice)
9 SILLS CUMMIS & GROSS, P.C.
10 101 Park Avenue, 28th Floor
11 New York, NY 10178
12 Telephone: 212-500-1519

13 *Attorneys for Plaintiff PARK ASSIST, LLC*

14 **UNITED STATES DISTRICT COURT**
15 **FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

16 PARK ASSIST LLC,
17 Plaintiff,

18 v.

19 SAN DIEGO COUNTY REGIONAL
20 AIRPORT AUTHORITY; ACE
21 PARKING MANAGEMENT, INC.,
22 Defendants.

Case No.: 18-CV-2068-BEN-MDD

**PARK ASSIST’S MEMORANDUM
IN OPPOSITION TO ACE
PARKING MANAGEMENT,
INC.’S MOTION FOR RULE 11
SANCTIONS**

Date: April 22, 2019

Time: 10:30 a.m.

Courtroom: 5A

Judge: Hon. Roger T. Benitez

23
24
25
26
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Table of Contents

- I. PRELIMINARY STATEMENT 1
- II. FACTUAL BACKGROUND 1
- III. THE LAW OF RULE 11..... 3
- IV. THE OVERRIDE FEATURE 5
 - A. Park Assist’s Strong Pre-Suit Evidence Shows the Override Feature..... 5
 - B. Ace Criticisms of the Override Evidence Fail 7
 - C. Ace’s Post-Filing Declarations 10
 - 1. The Declarations are Irrelevant on a Rule 11 Motion 10
 - 2. The Substance of the Declarations 11
 - 3. Refusal of the Defendants to Provide any Supporting Discovery, Hire a Neutral Expert, or Even Respond to Amicable Overtures 12
- V. PERMIT PARKING ENFORCEMENT 15
 - A. Park Assist’s Strong Pre-Suit Evidence Shows Permit Parking..... 15
 - B. Ace Criticisms of the Permit Parking Evidence Fail 16
- VI. THE INVALIDITY ARGUMENT IS INCONSISTENT WITH FEDERAL CIRCUIT LAW 20
- VII. PARK ASSIST MADE A REASONABLE PRE-FILING INQUIRY 22
- VIII. CONCLUSION 25

TABLE OF AUTHORITIES

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Page(s)

FEDERAL CASES

AIA Eng’g Ltd. v. Magotteaux Int’l S/A,
657 F.3d 1264 (Fed. Cir. 2011) 21

Barjo v. Cherian,
No. RWT 18-cv-1587, 2018 U.S. Dist. LEXIS 180715 (D. Md. Oct.
22, 2018) 11

Baron Servs. v. Media Weather Innovations LLC,
717 F.3d 907 (Fed. Cir. 2013) 20

Bd. of Regents of the Univ. of Tex. Sys. v. BENQ Am. Corp.,
533 F.3d 1362 (Fed. Cir. 2008) 21

Becton, Dickinson & Co. v. Tyco Healthcare Group, LP,
616 F.3d 1249 (Fed. Cir. 2010) 21

Brady Constr. Innovations v. Cal. Expanded Metal Co.,
No. CV 07-217 AHS, 2007 U.S. Dist. LEXIS 98156 (C.D. Cal.
Sept. 25, 2007) 20

Brown v. SBC Communs., Inc.,
2007 U.S. Dist. LEXIS 14790 (S.D. Ill. Mar. 1, 2007) 22

Christian v. Mattel, Inc.,
286 F.3d 1118 (9th Cir. 2002) 4

CreAgri, Inc. v. PinnacLife, Inc.,
No. 11-CV-6635-LHK, 2014 U.S. Dist. LEXIS 77484 (N.D. Cal.
Jun. 3, 2014) 4, 14, 24, 25

Cunningham v. County of Los Angeles,
879 F.2d 481 (9th Cir. 1998) 10

EMC Corp. v. Sha,
2014 U.S. Dist. LEXIS 5481 (N.D. Cal. Jan. 14, 2014) 23fn. 4

Frost v. LG Elecs. Inc.,
No. 16-cv-05206-BLF, 2017 U.S. Dist. LEXIS 99615 (N.D. Cal.
Jun. 27, 2017) 10

1 *Gen-Probe Inc. v. Becton Dickinson & Co.*,
 2 899, 988 F. Supp. 2d 971 (S.D. Cal. 2012) 21

3 *Indect USA Corp, v. Park Assist, LLC*,
 4 18-cv-2409 (BEN) (S.D. Cal.), D.I. 23 7

5 *Indect USA Corp, v. Park Assist, LLC*,
 6 18-cv-2409 (BEN) (S.D. Cal.), D.I. 7 25

7 *Innovention Toys, LLC v. MGA Entertainment, Inc.*,
 8 637 F.3d 1314 (Fed. Cir. 2011) 20

9 *Kimberly-Clark Worldwide, Inc. v. First Quality Baby Prods.*,
 10 LLC, No. 10-C-1118, 2011 U.S. Dist. LEXIS 66745 (E.D. Wis. Jun.
 11 22, 2011)..... 20

12 *Modine Mfg. Co. v. United States Int’l Trade Comm’n*,
 13 75 F.3d 1545 (Fed. Cir. 1996) 21

14 *Morrison v. YTB Int’l, Inc.*,
 15 641 F. Supp. 2d 768 (S.D. Ill. Jun. 5, 2009)..... 22

16 *Operating Eng’rs Pension Trust v. A-C Co.*,
 17 859 F.2d 1336 (9th Cir. 1988)..... 3, 24

18 *Pantry Queen Foods, Inc. v. Lifschultz Fast Freight, Inc.*,
 19 809 F.2d 451 (7th Cir. 1987) 10

20 *Phigenix, Inc. v. Genentech Inc.*,
 21 No. 15-cv-01238-BLF, 2016 U.S. Dist. LEXIS 150752 (N.D. Cal.
 22 Oct. 31, 2016) 4, 22fn. 4

23 *Q-Pharma, Inc. v. Andrew Jergens Co.*,
 24 360 F.3d 1295 (Fed. Cir. 2004) passim

25 *Riverhead Sav. Bank v. National Mortg. Equity Corp.*,
 26 893 F.2d 1109 (9th Cir. 1990)..... 1, 4

27 *Schaefer v. Transportation Media, Inc.*,
 28 859 F.2d 1251 (7th Cir. 1988) 10

Taurus IP, LLC v. DaimlerChrysler Corp.,
 726 F.3d 1306 (Fed. Cir. 2013) 4

1 *TecSec, Inc. v. Adobe Sys.*,
2 658 Fed. Appx. 570 (Fed. Cir. 2016) 16

3 *Vedatech, Inc. v. St Paul Fire & Marine Ins. Co.*,
4 2005 U.S. Dist. LEXIS 45095 (N.D. Cal. Jun. 22, 2005) 12

5 *View Eng’g, Inv. v. Robotic Vision Sys., Inc.*,
6 208 F.3d 981 (Fed. Cir. 2000) 22, 24, 25

7 **STATE CASES**

8 *Eel River Disposal & Res. Recovery, Inc. v. County of Humboldt*,
9 221 Cal. App. 4th 209 (Cal. App. 2013) 7

10 **FEDERAL STATUTES**

11 35 U.S.C. § 112..... 21

12 35 U.S.C. § 282..... 21

13 **RULES**

14 Rule 11 passim

15
16
17
18
19
20
21
22
23
24
25
26
27
28

1

2 **I. PRELIMINARY STATEMENT**

3 In the Ninth Circuit, Rule 11 sanctions are appropriate “only in the exceptional
4 circumstance, where a claim or motion is patently unmeritorious or frivolous.”
5 *Riverhead Sav. Bank v. National Mortg. Equity Corp.*, 893 F.2d 1109, 1115 (9th Cir.
6 1990) (internal quotations and citations omitted). The only exceptional circumstance
7 here is that Ace proceeded to file this meritless Rule 11 motion – Ace’s brief is
8 founded on fundamental errors, and irrelevant post-complaint declarations.

9 First, Park Assist’s complaints are meritorious and well-founded – they were
10 based on and supported by the publicly available evidence. Ace’s arguments of non-
11 infringement, which contradict the documentary evidence and are based on post-
12 complaint, unverified declarations, cannot support a Rule 11 violation. Second, Park
13 Assist conducted a thorough pre-suit investigation over many months and hours,
14 prepared a detailed element-by-element analysis before filing its Complaint, and
15 provided a detailed element-by-element analysis in its Amended Complaint. Third,
16 Park Assist made numerous requests to Ace and the Airport to prove the merits of
17 their non-infringement positions through limited early discovery of the system and its
18 non-publicly-accessible components. But, all such overtures were refused.

19 This meritless Ace motion coupled with refusal to substantiate alleged non-
20 infringement positions, raises serious questions about the accuracy of the Ace factual
21 allegations, and Ace’s motivation for filing this motion, which appears to be an effort
22 at some *in terrorem* effect on Park Assist and its counsel, or to try to force Park Assist
23 to waive privilege and work product. Notably, Ace’s co-defendant, the San Diego
24 County Regional Airport Authority (the “Airport”), did not join in the Ace motion.

25 **II. FACTUAL BACKGROUND**

26 Plaintiff Park Assist is a leading innovator and supplier of parking guidance
27 systems, and owner of the patent-in-suit, United States Patent No. 9,594,956 (“the
28 ‘956 Patent”). The parking guidance systems include public facing hardware, as well

1 as, backend hardware and software control and management systems. Neff Dec. ¶ 26.
2 Together these systems are used, *inter alia*, to efficiently manage parking lot usage,
3 and they have become increasingly important in high volume parking structures such
4 as at airports and shopping centers. Neff Dec. ¶ 7.

5 In the summer of 2016, the Airport issued a request for proposal (“Airport
6 RFP”) for the development and installation of a parking guidance system at its new
7 Terminal 2 Parking Plaza at the San Diego Airport. Neff Dec. ¶ 11, Ex. 1 (“Airport
8 RFP”) at 1. The documents issued with the Airport RFP included the “Reference
9 specification section 111201 Parking Guidance System dated July 27, 2016”
10 (“PGSR”) (D.I. 23, Ex C.), which set forth requirements for the Parking Guidance
11 System. Neff Dec. ¶¶ 12-13. Park Assist provided a proposal in response to the
12 Airport RFP. Neff Dec. ¶ 15. Indect USA, Inc. (“Indect”), another supplier of parking
13 guidance equipment and competitor of Park Assist, also submitted a proposal. *Id.* The
14 contract for the Airport parking system was later awarded to Indect. *Id.*

15 In March of 2017, Sills Cummis & Gross (“SCG”) began to investigate whether
16 certain uses of Indect’s camera based parking guidance system would infringe Park
17 Assist’s ‘956 Patent. Melgar Dec. ¶ 12. Over the next two months, SCG reviewed
18 the ‘956 Patent and prosecution history, consulted with Park Assist personnel, and
19 reviewed and studied the publicly available literature related to Indect’s camera-based
20 parking guidance systems. Melgar Dec. ¶¶ 7, 12. SCG subsequently sent Dale Fowler
21 of Indect a letter on May 17, 2017, notifying Indect of the ‘956 Patent. Melgar Dec.
22 ¶ 13, Ex. 2. Indect did not respond to the May 17, 2017 letter. Melgar Dec. ¶ 13.

23 Sometime in 2018, the Airport had opened the Terminal 2 Parking Plaza and
24 the Airport Parking System was operational. Melgar Dec., Ex. 1. According to the
25 Airport’s website and Ace’s counsel’s prior statements, Ace Parking Management,
26 Inc. (“Ace”) performs the parking management operations under the Airport’s
27 control. *See, e.g., Id.*, Ex. E (Airport Website) (“Parking management services
28 provided by Ace Parking.”); *Indect USA Corp, v. Park Assist, LLC*, 18-cv-2409

1 (BEN) (S.D. Cal.), D.I. 7 (Amended Complaint) at ¶ 41 (“with Ace Parking providing
2 parking management services”).

3 In 2018, SCG met with Park Assist regarding the Airport’s Terminal 2 Parking
4 Plaza. Melgar Dec. ¶ 6. Over the next weeks SCG again reviewed the ‘956 Patent
5 and prosecution history, and thoroughly reviewed publicly available documents,
6 including the PGSR, Indect product data sheets, Indect’s website, and the Airport’s
7 website. Melgar Dec. ¶ 7. SCG also reviewed site photos corroborating the
8 documentary evidence and showing that the system was installed. *Id.* Some system
9 components such as the administration system, servers and interface, are not
10 accessible for inspection. Neff Dec. ¶ 26. SCG performed a detailed, element-by-
11 element analysis of ‘956 Patent claim 1 to the Airport’s parking guidance system,
12 creating a detailed claim chart. Melgar Dec. ¶ 9; *cf.* Amended Complaint, D.I. 23.

13 Thereafter, on September 5, 2018, Park Assist filed the Complaint, which was
14 filed after many hours of additional work and research. Melgar Dec. ¶ 12. All told,
15 by the time the complaint was filed SCG had spent more than 60 hours on its pre-suit
16 investigation. Park Assist later also filed an Amended Complaint, which explicitly
17 pled fifteen pages of element-by-element infringement analysis, and included as
18 exhibits supporting documentary evidence. D.I. 23.

19 **III. THE LAW OF RULE 11**

20 As the Ninth Circuit has made very clear:

21 “Rule 11 is an extraordinary remedy, one to be exercised
22 with extreme caution.” *Operating Eng’rs Pension Trust v.*
23 *A-C Co.*, 859 F.2d 1336, 1345 (9th Cir. 1988). Rule 11
24 sanctions should be reserved for the “rare and exceptional
25 case where the action is clearly frivolous, legally
26 unreasonable or without legal foundation, or brought for an
27 improper purpose.” *Id.* at 1344. “Rule 11 must not be
28 construed so as to conflict with the primary duty of an
attorney to represent his or her client zealously.” *Id.*

1 *CreAgri, Inc. v. Pinnacliffe, Inc.*, No. 11-CV-6635-LHK, 2014 U.S. Dist. LEXIS
2 77484, at *12-13 (N.D. Cal. Jun. 3, 2014); *see also Riverhead Sav. Bank*, 893 F.2d at
3 1115 (Rule 11 sanctions are appropriate “only in the exceptional circumstance, where
4 a claim or motion is patently unmeritorious or frivolous.”) (internal quotations and
5 citations omitted). Even when there is a Rule 11 violation, sanctions are discretionary
6 with the Court, and the movant is required to make appropriate showings for requested
7 relief. *See, e.g., Rutherford v. Palo Verde Health Care Dist.*, 13-cv-1247-JAK (SPx),
8 2014 U.S. Dist. LEXIS 196691, at *25-28 (C.D. Cal. Apr. 17, 2014) (request for
9 corrective press release denied for failure to show necessary elements).

10 To prevail on a motion seeking sanctions under Rule 11, the movant must
11 establish that (1) “the complaint is legally or factually ‘baseless’ from an objective
12 perspective,” **and** (2) the attorney failed to conduct “‘a reasonable and competent
13 inquiry’ before signing and filing it.” *Phigenix, Inc. v. Genentech Inc.*, No. 15-cv-
14 01238-BLF, 2016 U.S. Dist. LEXIS 150752 at *6 (N.D. Cal. Oct. 31, 2016) (emphasis
15 added), *citing, Christian v. Mattel, Inc.*, 286 F.3d 1118, 1127 (9th Cir. 2002).

16 With regard to the first requirement, “‘to be objectively baseless, the patentee’s
17 assertions—whether manifested in its infringement allegations or its claim
18 construction positions—must be such that no reasonable litigant could reasonably
19 expect success on the merits.’” *CreAgri*, 2014 U.S. Dist. LEXIS 77484, at *34, *citing,*
20 *Taurus IP, LLC v. DaimlerChrysler Corp.*, 726 F.3d 1306, 1327 (Fed. Cir. 2013). On
21 the second requirement, the Federal Circuit has emphasized that “our case law makes
22 clear that the key factor in determining whether a patentee performed a reasonable
23 pre-filing inquiry is the presence of an infringement analysis. And an infringement
24 analysis can simply consist of a good faith, informed comparison of the claims of a
25 patent against the accused subject matter.” *Q-Pharma, Inc. v. Andrew Jergens Co.*,
26 360 F.3d 1295, 1302 (Fed. Cir. 2004) (internal citations omitted).

27
28

1 **IV. THE OVERRIDE FEATURE**

2 **A. Park Assist’s Strong Pre-Suit Evidence Shows the Override Feature**

3 Contrary to Ace’s arguments the documentary evidence in support of the
4 complaints showed that the Airport Parking System had the “Override Feature” –
5 namely, claim 1 elements (f) through (h), which require: “(f) displaying a thumbnail
6 image of said parking space on a graphical user interface (GUI)...”; “(g) deciding
7 whether said occupied status is incorrect based on a visual review of said thumbnail
8 image on said GUI” and (h) “correcting said occupied status, ... if [the thumbnail
9 shows the space is actually vacant].” D.I. 23, Ex. A at col. 22 ll. 49-55.

10 The Indect system used at the Airport relies on machine vision to detect the
11 presence of vehicles in parking spaces and illuminates occupancy indicators based on
12 occupancy detection. Neff Dec. ¶ 24. Camera-based detection systems like Indect’s
13 are not fool-proof however, and sometimes the systems detect occupancy when there
14 is no vehicle in the space, and vice-versa. *Id.*, ¶ 8. Accordingly, like the patent
15 teaches, the ability to override the indicator status allows the operator to correct
16 detection errors. *See, e.g.*, D.I. 23, Ex. 1 (‘956 Patent) at col. 16 ll. 25-61.

17 The Airport specifically sought a camera-based parking guidance system, and
18 required manual override capabilities to address the inevitable errors. *Id.*, Ex C.
19 (PGSR) at 12-13. The Indect system installed at the Airport, as clearly described and
20 shown in its product literature and website, provides these features including the GUI
21 that displays thumbnail images with occupancy status indicator buttons. The strong
22 bases for Park Assist’s allegations are set forth in Park Assist’s complaints:

- 23 • The Airport PGSR required “monitoring, supervision, and remote
24 control of parking guidance equipment” and that it “***shall work***
25 ***through a web based interface***” (*see, e.g., id.* at ¶ 45(g), citing Ex.
26 C (PGSR) at 12; emphasis added);
- 27 • The Indect website shows its GUI displaying thumbnails with
28 occupancy status indicator buttons of the type you can typically

1 click to toggle in a GUI (*see, e.g., id.* at ¶ 45(g), citing Ex. G
2 (Indect Data Sheet) at 2); and

- 3 • The Airport PGSR required “the system *shall be* designed so the
4 Operator can override” and “make adjustments to” all field
5 devices, including parking occupancy indicators (*see, e.g., id.* at ¶
6 45(i), citing Ex. C (PGSR) at 12-13; emphasis added).

7 These PGSR sections say the system “shall be” designed to have these features.
8 There is nothing flexible about the phrase “*shall be*” – the ability to override “any
9 sign” from the system, and adjust “all field devices from the central system,” was a
10 requirement of the Airport system. *See id.*

11 The Airport got what it demanded in its specification – it selected and installed
12 an Indect system touting the ability to comply with these requirements. *Id.*, Ex. H
13 (Indect Website) (“You are always in control of your parking administration
14 system. Quickly change ... colors ... from your desktop.”), and Ex. J (Indect Data
15 Sheet) at 1 (the graphic user interface “shows level floor plans, allowing you to control
16 virtually any aspect dealing with signage ...” and referring to the system’s “Manually
17 override configuration.”).¹ And it was reasonable to infer that defendants were using
18 these required and installed features, especially in view of pre-suit reports that the
19 Indect system was error-prone. *See, e.g., Melgar Dec.*, Ex. 1 (transcript of early news
20 reported finding seven erroneous indications in a single row).

21 As confirmed in the declaration of Park Assist Chief Executive Officer Garrett
22 A. Neff, it would have been “extraordinary” for Indect to submit a bid to the Airport
23

24
25 ¹ In correspondence, counsel for Ace has argued that the Indect website about
26 changing colors does not apply to the colors indicating occupancy. *Melgar Dec.*, Ex.
27 18 at 2. This argument is inconsistent with the Indect documents, which address
28 control of “*any* aspect dealing with signage,” and it is also inconsistent with the
requirements of the Airport. D.I. 23, Ex. C (PGSR) at 12-13 (“override *any sign* from
the central system” and “make adjustments ... *to all field devices*”) (emphases added).

1 that did not meet these requirements of the Airport of an override ability, and the
2 permit parking (addressed in Section V, *infra*). Neff Dec. ¶ 20. Similarly, in his
3 experience, it would be a “very unusual” situation if the Airport did not employ the
4 PGSR’s required features and functions, and that is “very unlikely” to be the case.
5 Neff Dec. ¶ 25.

6 **B. Ace Criticisms of the Override Evidence Fail**

7 Ace argues “Park Assist does not cite any basis that would support the inference
8 that the PGSR has any bearing on the operation of the Airport Parking Plaza.” Ace
9 Br. at 12. This argument is baffling – the Airport’s PGSR provided the *specifications*
10 for the Airport Parking System and the requirements for any entity bidding on that
11 project. Neff Dec ¶ 11, Ex. 1 (Airport RFP) at 1, 4 (including PGSR as integral part
12 of the RFP). *See also* Neff Dec. ¶ 25 (“very unlikely” the Airport would not use this
13 required feature). Even Ace’s counsel candidly refers to the PGSR as the
14 “specification” for the Airport Parking System. *Indect USA Corp, v. Park Assist,*
15 *LLC*, 18-cv-2409 (BEN) (S.D. Cal.), D.I. 23 (Indect Opp. to Motion to Dismiss) at 13
16 (Indect confirming the PGSR is the “Airport’s *specification*” for the system)
17 (emphasis added)). Indeed, if the Airport changed its requirements for Indect as Ace
18 implies, questions would arise about compliance with the California open-bidding
19 laws. *See, e.g., Eel River Disposal & Res. Recovery, Inc. v. County of Humboldt*, 221
20 Cal. App. 4th 209, 238-39 (Cal. App. 2013) (judicial intervention justified where
21 “bidders were misled” and holding that policy considerations “mandate strict
22 compliance with bidding requirements”).

23 Ace also criticizes Park Assist for not having evidence that the override feature
24 would actually be used. Ace Br. at 13. However, as discussed in Section IV.A., *infra*,
25 camera based systems are not completely accurate and make errors; indeed, both the
26 Airport PGSR and Indect documents acknowledged this fact. D.I. 23 at ¶ 45(h), and
27 the news reported on the inaccuracies. *See also* Melgar Dec., Ex.1. The Airport thus
28

1 required, and the Indect system touted, the capability to override these errors. *Id.* at ¶
2 45(i). Why would the Airport insist on, and pay for, override capability, if it was not
3 going to be used? With the override feature at their fingertips, it is an obvious and
4 inevitable conclusion that operators correct the erroneous indications of occupancy.
5 Neff Dec. ¶¶ 24-25. Reliance on circumstantial evidence and reasonable inferences
6 is perfectly acceptable in the Rule 11 context. *Rachel v. Banana Rep. Inc.*, 831 F.2d
7 1503, 1508 (9th Cir. 1987) (reversing sanctions because of existence of circumstantial
8 evidence plaintiffs relied upon in their complaint); *Benedict v. Hewlett-Packard Co.*,
9 No.: 13-CV-00119-LHK, 2014 U.S. Dist. LEXIS 7323, *18 (N.D. Cal. Jan. 21, 2014)
10 (“circumstantial evidence, and the reasonable inferences drawn from that evidence,
11 are treated as evidentiary support” for purposes of Rule 11), *quoting MetLife Bank,*
12 *N.A. v. Badostain*, 10–CV–118–CWD, 2010 U.S. Dist. LEXIS 138261, at *6 (D.
13 Idaho 2010).

14 Contrary to the documents of the Airport and Indect, Ace alleges that the
15 capability is lacking and correction has not occurred because Ace is not trained to
16 review and override occupancy determinations, including alleging through the
17 DeGraffenreid declaration that it “... has not received any comments or complaints
18 that the system is inaccurate,” Ace Br. at 15. Even if this declaration was relevant in
19 a Rule 11 context (it is not – *see* Section IV.C, *infra*), these statements say nothing
20 about whether other actors (*e.g.*, the Airport or Indect) are handling the correction,
21 and they are inconsistent with other evidence, including the statement on the news
22 about the errors in the system. Melgar Dec., Ex. 1.

23 Ace next argues that Park Assist was somehow hiding the ball by “not cit[ing]
24 to the section of the PGSR on operator training,” because Ace asserts the PGSR did
25 not explicitly mention training on error correction. Ace Br. at 13-14. This argument
26 is also perplexing as (1) the PGSR is not a training manual and explicitly requires the
27 winning bidder to prepare and provide separate training manuals for the operator (*see*
28 D.I. 23, Ex. C at 15), and (2) the Ace cited sections of the PGSR equally support the

1 conclusion that training should be provided on the override feature, which at least
 2 comes within “an adjustment” to the system. (*see id.* (“train ... personnel in adjusting
 3 ... the parking control system...”; “provide training [on] ... adjustment of system...”
 4 and “trouble shooting” and “use of any special tools required for adjustment.”).

5 In yet another confusing argument, Ace asserts that the PGSR’s requirement
 6 for manual control and override of “signs” and “field devices” excludes occupancy
 7 indicator lights and “backend human review and override of individual occupancy
 8 determinations.” Ace. Br. at 16. First, an occupancy indicator is a “device” or a “sign”
 9 in the PGSR – occupancy indicators are multicolored LED devices and they reside in
 10 the field. Neff Dec., Ex 4 at 3. Second, regarding the argument that the PGSR
 11 excludes backend human review and correction of signs and field devices, a simple
 12 review of the language shows this is false – “[t]he system shall be designed so *the*
 13 *Operator* can override *any sign* from the central system” and “[t]he system shall be
 14 designed so *the Operator can make adjustments to ... all field devices* from the
 15 central system.” D.I. 23, Ex. C at 12-13 (emphases added). The absurdity of Ace’s
 16 argument is compounded by a review of Indect’s product literature similarly touting
 17 this ability: “All of our products are driven by powerful software that allows you to
 18 quickly and easily *manage every aspect* of your parking management and guidance
 19 program...” and “...you are always in control of your parking administration system.
 20 *Quickly change* parking zones, *colors...*” *Id.*, Exs. H and I.

21 Ace’s arguments are unsupported, in direct conflict with the documentary
 22 evidence, and lack any explanation as to why the documents are wrong, let alone how
 23 Park Assist and its counsel could have possibly known if so.²

24
 25 ² The evidence of defendants’ use of the override feature is very strong, but in the end
 26 may not be necessary. In Section V.C of its brief, Ace indirectly raises the prospect
 27 of the claim being interpreted so that the override feature does not need to be practiced
 28 at all in order to infringe. *See* Section V, *infra*. For purposes of the objectively
 reasonable basis for infringement, this broader interpretation makes no difference

1 **C. Ace’s Post-Filing Declarations**

2 **1. The Declarations are Irrelevant on a Rule 11 Motion**

3 Ace submits a declaration of Mr. DeGraffenreid and submits an earlier
4 declaration of Mr. Fowler (Ace Br., Ex. J), both of which were provided to Park Assist
5 long after these complaints were filed. Relying on these declarations Ace repeatedly
6 argues that Park Assist violated Rule 11, because it “persisted to pursue this lawsuit”
7 and “refused to dismiss its Complaint” upon reviewing these documents. *See, e.g.*,
8 Ace Br. at 16-17. With these submissions and arguments, Ace demonstrates a
9 fundamental misunderstanding of its own motion.

10 The period tested by Rule 11 is the time when the documents at issue (here, the
11 complaints) were signed. As confirmed by the Ninth Circuit in *Cunningham v.*
12 *County of Los Angeles*, 879 F.2d 481, 490 (9th Cir. 1998): “Rule 11 applies only to
13 the initial signing of a ‘pleading, motion, or other paper’. Limiting the application of
14 rule 11 to testing the attorney’s conduct at the time a paper is signed is virtually
15 mandated by the plain language of the rule.” (citations omitted); *accord, Schaefer v.*
16 *Transp. Media, Inc.*, 859 F.2d 1251, 1256 n.6 (7th Cir. 1988) (“the plaintiff’s
17 continuation with his suit is not a Rule 11 problem”), *citing Pantry Queen Foods, Inc.*
18 *v. Lifschultz Fast Freight, Inc.*, 809 F.2d 451 (7th Cir. 1987) (Rule 11 does not require
19 updating of pleadings to reflect developments); *see also*, Advisory Committee Notes
20 to 1983 Amendment (“The court is expected to avoid using the wisdom of
21 hindsight...”).”

22 Even if these declarations were relevant, Ace’s argument that Park Assist is
23 required to accept the statements in them (or in Indect’s DJ complaint, or counsel
24 letters) as true and drop its claims, is legally baseless. *Frost v. LG Elecs. Inc.*, No.

25
26
27 because all of the evidence shows that it is practiced regardless of which construction
28 the Court ultimately adopts.

1 16-cv-05206-BLF, 2017 U.S. Dist. LEXIS 99615, at *10-11 (N.D. Cal. Jun. 27, 2017)
 2 (“When confronted with evidence allegedly contrary to their claims, Plaintiffs have
 3 ‘the right to decide whether to dismiss the action or proceed with discovery.’”),
 4 quoting *Hewlett-Packard Co.*, 2014 U.S. Dist. LEXIS 7323, at *8; *see also*, *OSF*
 5 *Healthcare Sys. v. Sivyer Steel Corp. Health Care Plan*, No. 1:14CV01102, 2015 U.S.
 6 Dist. LEXIS 106310, at *11 (C.D. Ill. Aug. 13, 2015) (“Without discovery, the
 7 plaintiff had no opportunity to test the veracity of the statement, making it
 8 fundamentally unfair”); *Barjo v. Cherian*, No. RWT 18-cv-1587, 2018 U.S. Dist.
 9 LEXIS 180715, at *11-12 (D. Md. Oct. 22, 2018) (“Barjo has not had the opportunity
 10 to depose Defendants; to evaluate the veracity of Defendants’ affidavits via
 11 discovery”).

12 2. The Substance of the Declarations

13 The substance of these declarations raises many questions. For example, the
 14 DeGraffenreid declaration attempts to belittle the importance of the PGSR, stating
 15 that he personally has “never seen” the PGSR. Ace Br. at 12. The gaping hole in this
 16 Ace argument, however, lies in the fact that “Ace Parking had nothing to do with
 17 construction of or the selection of the parking guidance system” at the Airport.
 18 Meglar Dec., Ex. 3. As Ace was not bidding on the system, it had no reason to ever
 19 see the specifications on the system that had to be installed; rather the PGSR expressly
 20 required that the winning bidder provide manuals and training on the system for
 21 operators like Ace. D.I. 23, Ex. C at 15.

22 Moreover, the statements of the defendants and declarants are carefully crafted
 23 – limited to what each entity does (and allegedly does not do) *individually*, ignoring
 24 the fact that they are accused of joint infringement. *See, e.g.*, D.I. 42-2 (DeGraffenreid
 25 Dec.) at ¶¶ 8-14 (“Ace does not have...”; “Ace has not received...”; “As far as I
 26 know...”; “system that Ace Parking operates does not...”); D.I. 42, Ex. J (Fowler
 27 Affidavit) at ¶¶ 5-7 (addressing how system “typically” operates), and ¶ 11 (no
 28 capability “within the UPSOLUT System...” to change status – but note per Fowler

¶ 2 the network server is expressly excluded from the “UPSOLUT System”). The declarations, even if relevant, are guarded, appear to be based on erroneous Ace claim constructions, and dodge many of the key issues. *Vedatech, Inc. v. St Paul Fire & Marine Ins. Co.*, No. 04-cv-1249 VRW, 2005 U.S. Dist. LEXIS 45095, at *42 (N.D. Cal. Jun. 22, 2005) (“Rule 11 sanctions cannot be based upon ... meaningless word play”).

The declarations are also inconsistent with other evidence. They are first inconsistent with each other and the Ace brief. *Cf.* D.I. 42-2 (DeGraffenreid Dec.) at ¶ 8 (“Ace does not have any monitor connected to Indect system”) *with* Ace Br. at 2 (“the systems also inform the parking facility with real-time information on number and location of open spaces”) and D.I. 42, Ex. J (Fowler Dec.) at ¶ 2 (“camera units in an UPSOLUT system are connected to a network server”). The DeGraffenreid allegation that there is no monitor is also directly contradictory to both the PGSR (D.I. 23, Ex. C at 12) and the Indect documents on the system (*id.*, Ex. H). *See* Section IV.A, *supra*. Indeed, the declarations are both inconsistent with the documentary record on all these factual issues. *Id.*³

3. Refusal of the Defendants to Provide any Supporting Discovery, Hire a Neutral Expert, or Even Respond to Amicable Overtures

To date, there has been no discovery in this case. In correspondence prior to this motion, however, the defendants have made allegations about lacking claim elements (an omnipresent allegation in patent cases, as it is a rare patent defendant

³ The one entity that could be expected to have all facts about which entity performs which steps is the Airport. But the Airport chose to steer clear of this motion and remain silent, not even submitting a declaration. Relatedly, despite staying on the sidelines of this motion, the Airport took a leading role in refusing to allow Park Assist even basic discovery that could support the declarations (if they were accurate and candid). *See* Section IV.C.3, *infra*.

1 indeed that does not contest infringement). Counsel for Park Assist took the
2 allegations seriously, even though all the documentary evidence supported
3 infringement.

4 Park Assist counsel requested limited discovery on these issues, which
5 presumably would have supported the declarations if they were correct and complete.
6 Counsel for both Ace and the Airport also were asked to discuss the issues to seek an
7 amicable and inexpensive manner of addressing their concerns. By way of examples:

- 8 • “Regarding Ace Parking being a named party to the suit it is our
9 understanding that Ace Parking manages and operates the terminal 2
10 parking structure where the alleged infringing PGS system operates. If the
11 results of your research warrant, we are happy to discuss Ace Parking’s
12 involvement in the operation of the PGS system further once you have
13 completed your research.” Melgar Dec., Ex. 5 (10/2/18 Melgar email) at 1;
- 14 • “We also request an early inspection of the system with an appropriate
15 expert and/or 30(b)(6) witness, so we can see this for ourselves. I am sure
16 you can understand, with all the documentation showing that this feature
17 was required and a deliberate design feature, we would prefer to see this for
18 ourselves.” D.I. 42, Ex. F (11/2/18 Melgar letter) at 141;
- 19 • “[I]f our specific requests seem too broad for some reason we are available
20 to talk anytime to work out a reasonable compromise to make this as easy
21 as possible for you and the Airport... we can be available promptly to
22 review the Airport system with you.” Melgar Dec., Ex. 10 (11/6/18 Melgar
23 letter) at 2-3;
- 24 • “We repeat our request: If you and the Morrison Foerster team really have
25 evidence, contrary to all our documentary evidence, that claim steps are not
26 being practiced by the Airport and Ace and never have been, then show us.
27 We will come to California anytime to review this with them.” *id.*, Ex. 12
28 (11/13/18 Melgar letter) at 2;
- “Park Assist will not pursue infringement claims if it turns out the Airport
parking system is operating differently than the documents show. As
previously suggested, if there truly is support for the Airport’s non-
infringement position we propose working together to address this issue
promptly and efficiently.” *id.*, Ex. 14 (12/5/18 Melgar letter) at 4;

- 1 • “if you can truly resolve this case with some early discovery why not show
2 us....” *id.*, Ex. 16 (12/20/18 Melgar letter) at 2;
- 3 • “we remain amenable to discussing defendants’ non-infringement positions,
4 including, through early discovery. Further, we are amenable to a review of
5 the system by a neutral expert (costs split 50/50) to examine the installed
6 systems.” *id.*, Ex. 17 (3/14/19 Melgar letter) at 9.

6 Thus, Park Assist repeatedly attempted to engage the defendants amicably to
7 address their concerns and confirm infringement. *Cf. CreAgri*, 2014 U.S. Dist. LEXIS
8 77484, at *30 (finding pre-filing investigation reasonable and noting “in this case
9 *CreAgri* ‘served discovery immediately after the case began to confirm Pinnacle’s
10 infringement”). All the Park Assist requests for early, limited discovery were
11 rejected outright, and its requests to discuss and resolve these issues amicably were
12 ignored by counsel for both defendants. *See, e.g.,*:

- 13 • “You do not now get to force the Airport Authority to submit to an early
14 inspection of the Terminal 2 System and additional discovery....” D.I. 42,
15 Ex. G (11/5/19 Acker letter);
- 16 • “there is no basis under either the Federal or Local Patent Rules” for early
17 discovery. (Melgar Dec., Ex. 2 (12/13/18 Acker letter) at 2).

18 Logically, if a patent defendant had evidence conclusively showing no
19 infringement, the defendant would be expected to and wish to immediately disclose
20 that evidence, regardless of whether it had been requested. *Cf. CreAgri*, 2014 U.S.
21 Dist. LEXIS 77484, at *43 (defendant’s own failure to show the alleged lack of
22 infringement was “probative of the question of whether [the] infringement case was
23 objectively baseless” and noting that such a showing would have been done “if such
24 an analysis was as easy and dispositive as [defendant] contends, and if [plaintiff’s]
25 infringement case was as baseless as [defendant] contends in the instant motions”).

26 Because Ace and the Airport refused to consider even modest early discovery
27 on these issues, refused the suggestion of a neutral expert inspection, and indeed even
28 ignored requests to discuss limited discovery, there is nothing from which this Court

1 or Park Assist can test the Ace declarations. *Baron Servs. v. Media Weather*
2 *Innovations LLC*, 717 F.3d 907 at 913-14 (rejecting district court’s reliance on
3 affidavits: “Deposing Ritterbusch and Fannin would have provided Baron its principal
4 opportunity to directly challenge the veracity of the statements made in their
5 affidavits”); *cf.* Melgar Dec., Ex. 14 (12/5/18 Melgar Letter) at 3 (“we could not
6 properly represent our client by blindly relying on Mr. Fowler’s affidavit without
7 testing its thoroughness and veracity by deposition.”).

8 **V. PERMIT PARKING ENFORCEMENT**

9 **A. Park Assist’s Strong Pre-Suit Evidence Shows Permit Parking**

10 The elements at issue here are elements (i) and (j), which require extracting a
11 permit identifier from an image for comparison to a stored permit identification to
12 determine the permit status (element i), and then initiating an infringement process if
13 the permit identified does not coincide with the stored permit identification (element
14 j). D.I. 23, Ex 1, col. 22, l. 63 – col. 23, l. 4. The documentary evidence, including
15 the PGSR, demonstrate infringement of the properly construed claims.

16 The PGSR required a permit parking system based on license plates. *Id.*, Ex. C
17 (PGSR) at 3. The patent specifically teaches the use of license plate numbers for
18 permit identification. *Id.*, col. 14, ll. 30-31 (rather than using a “badge ... permit
19 parking can be allocated by license plate”). The Airport expressly required using
20 license plates for this very purpose. *Id.*, Ex. C (PGSR) at 3 (“determine if the license
21 plate of the vehicle parked in the preferred parking space to the PARC system to
22 determine if the vehicle is a preferred parker. If the vehicle is not a registered
23 preferred parker the system shall, at the time of payment, increase the charged parking
24 rate....”) and at 5-6 (“License plate information for enforcement. Use license plate
25 information to adjust parking charges when out of compliance” and “if an
26 unauthorized vehicle parks in a preferred parking space the PARC system must charge
27 this vehicle the preferred parking rate at the time of payment.”); *id.*, ¶¶ 45(j)-(k). The
28 installed Indect system was specifically designed to facilitate these requirements by

1 reading and providing license plate information for the Airport’s use. *Id.*, Ex. G
2 (Indect Data Sheet) at 4 (“License Plate Reading/Optical Character Recognition
3 The license plate position is found, the plate is cut out and read.... The OCR then
4 stores the plate number ... for further usage.”); *id.*, ¶¶ 45(j), (a).

5 **B. Ace Criticisms of the Permit Parking Evidence Fail**

6 According to Ace “[n]either license plate recognition nor differential pricing,
7 if present, would meet elements (i) and (j) of the ‘956 patent.” Ace Br. at 19. It is
8 apparent, therefore, the Ace criticisms on these elements are one and the same as the
9 claim construction positions Ace intends to argue during the *Markman* proceedings.
10 But the Ace proposed claim interpretations are inconsistent with both the patent and
11 the prosecution history.

12 First, Ace argues that “the ‘956 patent specification makes clear that variable
13 pricing and permit parking are different concepts.” *Id.* It appears that Ace is
14 indirectly arguing that the “infringement process” of element (j) of claim 1 cannot be
15 charging different rates for different spaces (“differential rates”), because differential
16 rates are referenced in the patent under the “Tiered Parking Control” heading rather
17 than under “Permit Parking Control.” What is lacking from this Ace claim
18 construction position is any explanation as to why “infringement process” cannot
19 include charging the customer a higher rate. Indeed, increased monetary payments
20 would naturally be included as infringement remedies, just as they are in every other
21 infringement context. Ace is simply attempting to read in claim limitations it believes
22 (erroneously) to be found in the specification. *TecSec, Inc. v. Adobe Sys.*, 658 Fed.
23 Appx. 570, 578 (Fed. Cir. 2016) (“it is improper to import limitations from the
24 specification into the claims”); *cf. e.g., Eon-Net L.P. v. Flagstar Bancorp.*, 249 Fed.
25 Appx. 189, 196 (Fed. Cir. 2007) (reversing grant of Rule 11 sanctions as an abuse of
26 discretion: “without a full claim construction analysis it is impossible to assess
27 whether Eon-Net’s claim construction was unrealistic”).

28

1 Next, Ace argues that it does not use the permit identifiers of element (j)
2 because it contends applicants disclaimed a license plate from being a permit
3 identifier in arguments made during prosecution. Ace Br. 20-22. Ace’s argument
4 however is flatly contradicted by the evidence and law of disclaimer. First, the patent
5 specification explicitly states that a license plate can be used as the permit identifier.
6 D.I. 23., Ex. A, col. 14, ll. 30-31 (rather than using a “badge ... permit parking can be
7 allocated by license plate”). Second, from a simple reading of the cited prosecution
8 history argument the applicant never even mentioned license plate recognition, but
9 rather argued simply that the prior art lacked a combination of permit identifier
10 limitations – there was no discussion of excluding the use of a license plate. Third,
11 Ace neglects to mention the standard for prosecution history disclaimer, which
12 requires “clear and unmistakable” disclaimer – a standard not remotely met with this
13 Ace argument. *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1325-26
14 (Fed.Cir.2003).

15 Ace further argues that “in operation” there is no infringement process
16 employed. Ace Br. at 22. The basis for this assertion is that “Defendants have made
17 clear to Park Assist numerous times” that this is the case. *Id.* And at page 23: “To
18 avoid any doubt, Mr. DeGraffenreid confirms that the Airport Parking Plaza does not
19 have any permit parking system....” But post-complaint protestations of no
20 infringement simply cannot be a basis for Rule 11 sanctions. *See* Section IV.C.1,
21 *supra*. And the only way this broad Ace representation could be factually accurate is
22 if Ace is relying on its interpretation that license plates cannot be permits, as otherwise
23 the Airport very clearly uses permits for parking. *See, e.g.*, Melgar Dec., Ex. 19
24 (Airport reservation website) (“If you provide your car’s license plate number the
25 parking plaza’s license plate recognition system should automatically open the gate
26 for you upon arrival”), *compare* the patent, D.I. 23, Ex A, col. 14, ll. 30-31 (“permit
27 parking can be allocated by license plate”).
28

1 Ace next argues that a visit to the airport would show there is no permit parking.
2 This argument is wrong for a number of reasons.

3 First, before Park Assist filed the complaints, it knew that the Airport **required**
4 the permit features – the PGSR clearly required use of license plates to confirm that
5 designated spaces are for vehicles with license plates registered for those spaces (*id.*,
6 Ex. C at 3, 6), and Indect provided hardware and software enabling the license plate
7 recognition features that the Airport required (*id.*, Ex. G at 4). The Airport itself thus
8 showed the feature with its own documents, and from the years in this business, Park
9 Assist knew that it would be very unlikely for the Airport to not implement this
10 feature. Neff Dec. ¶ 25. There was ample evidence of infringement without need for
11 an Airport visit (even if such a visit could sufficiently inform the issue – it could not).

12 Second, Park Assist **did** visit the Airport before filing the initial complaint and
13 the pictures were attached to Park Assist’s Amended Complaint. They are perfectly
14 consistent with the documentary evidence of the infringement. D.I. 23 (Amended
15 Complaint) at ¶ 45(a)).

16 Third, contrary to Ace’s arguments, no amount of public inspection could ever
17 confirm the **absence** of the permit elements because the system can be implemented
18 in any of many different ways -- *e.g.*, for premium parking; for reservation parking,
19 for EV parking, for disabled person parking, for employee parking, or for any other
20 defined parking group. Park Assist could not possibly anticipate or practically test all
21 possible implementations. At least one may require violating local parking ordinances
22 and another inserting an employee into the Airport. The documents clearly show that
23 the Airport **required and implemented** this feature, and nothing that could be learned
24 at the parking facility could confirm otherwise. *Cf. Q-Pharma*, 360 F.3d at 1301-2
25 (rejecting defendant’s allegation that testing should have been conducted, where
26 public documents evidenced infringement, and plaintiff concluded that testing “would
27 not likely have changed its infringement analysis.”).

28

1 Fourth, when defendants first alleged they were not practicing the limitation
2 (after the initial complaint) they were represented by counsel. Thus, even if another
3 visit would have allowed Park Assist to test defendants’ non-infringement position (it
4 would not), a visit by Park Assist attorneys would not be helpful without speaking to
5 employees (and speaking with employees inside the parking area may be
6 unavoidable). Speaking with employees about the parking facility (the very subject
7 of the litigation) could raise potential ethical issues. *Graham v. United States*, 96 F.3d
8 446, 449 (9th Cir. 1996) (direct contact with opposing party that is represented by
9 counsel “contradicts prevailing ethical standards”). When defense counsel raised
10 these issues, however, Park Assist offered to review the system *with them*. Melgar
11 Dec., Ex. 10 (11/6/18 Melgar letter) at 3 (“we can be available promptly to review the
12 Airport system with you”); *id.*, Ex. 12 (11/13/18 Melgar letter) at 2 (“we will come to
13 California anytime to review this with them”). The requests were ignored.

14 Lastly, the Ace argument does not account for the obvious temporal issues.
15 That is, an Airport visit is only capable of helping understand the system *at the*
16 *specific time of the visit*. The documents show that the Airport required a system
17 with these permit parking features, and that it specifically purchased a system
18 designed to implement those features. As Mr. Neff explained, it would be “very
19 unlikely” for the Airport to not implement those features. Neff. Dec. ¶ 25. Park Assist
20 would never have been able to determine the history of use of the feature by an Airport
21 visit, and if the Airport at some point changed the system it had so clearly required
22 and installed. *See also, e.g.*, Melgar Dec., Ex. 9 (Melgar 11/2/18 letter) (“We have
23 no way now to determine if the Airport’s parking guidance system has in fact been so
24 radically changed from the one that was required by the Airport and shown in the
25 Indect documents.....”); D.I. 23, Ex. I (Indect Brochure) at 2 (explaining ease of
26 change of the system).

27 If it is true – contrary to the Airport specifications and Indect’s description of
28 the installed system – that there is no infringement, and never has been, the only way

1 for Ace to show that is with discovery. But Ace refused to provide *any* discovery –
2 not the manual of operation, nor any other documents about the system and its
3 operation – *nothing*. The obviously-biased letters of counsel and untested
4 declarations are simply not enough to trump the strong evidence of infringement. If
5 Ace could show a lack of infringement it should have accepted the numerous
6 overtures of Park Assist counsel and cooperated for limited discovery on this issue.
7 *Baron*, 717 F.3d at 913-14 (parties must be allowed to challenge the content and
8 veracity of statements of no infringement).

9 **VI. THE INVALIDITY ARGUMENT IS INCONSISTENT WITH**
10 **FEDERAL CIRCUIT LAW**

11 The last Ace effort in this motion is also dependent on a unique Ace claim
12 construction. According to Ace, the claim language has a “fatal conflict” in that Ace
13 alleged the claim requires the same parking space to be both vacant (claim element h)
14 and occupied (claim elements i and j). Ace Br. at 24.

15 Patent claims are presumed valid, 35 U.S.C. § 282, and this presumption can
16 be overcome only by clear and convincing evidence to the contrary. *Innovation Toys,*
17 *LLC v. MGA Entm't, Inc.*, 637 F.3d 1314, 1320 (Fed. Cir. 2011). Park Assist would
18 be justified in relying only on the presumption of validity, especially in this situation,
19 where a skilled patent examiner reviewed and studied this claim language and found
20 no trace of the issue Ace now poses. *See, e.g., Q-Pharma*, 360 F.3d at 1303 (no Rule
21 11 violation based on invalidity: “Q-Pharma reasonably believed its patent to be valid
22 in light of the statutory presumption of validity”); *Brady Constr. Innovations v. Cal.*
23 *Expanded Metal Co.*, No. CV 07-217 AHS (MLGx), 2007 U.S. Dist. LEXIS 98156,
24 at *6 (C.D. Cal. Sept. 25, 2007) (denying Rule 11 sanctions in part because plaintiff
25 relied on the “presumptive validity of issued patents”); *Kimberly-Clark Worldwide,*
26 *Inc. v. First Quality Baby Prods., LLC*, No. 10-C-1118, 2011 U.S. Dist. LEXIS
27 66745, at *13 (E.D. Wis. Jun. 22, 2011) (denying Rule 11 sanctions: “a patent is
28

1 presumed valid, 35 U.S.C. § 282, and this presumption can be overcome only by clear
2 and convincing evidence to the contrary...”).

3 Ace’s reading – one that admittedly would “require a physical impossibility”
4 (Ace Br. at 1) and result in a “fatal conflict” (Ace Br. at 24) – is unsupported by the
5 patent and claim language and inconsistent with established law from the Federal
6 Circuit law and this Court. *AIA Eng’g Ltd. v. Magotteaux Int’l S/A*, 657 F.3d 1264,
7 1276 (Fed. Cir. 2011) (“We strive, where possible, to avoid nonsensical results in
8 construing claim language.”); *Becton, Dickinson & Co. v. Tyco Healthcare Group,*
9 *LP*, 616 F.3d 1249, 1255 (Fed. Cir. 2010) (A claim construction that renders asserted
10 claims facially nonsensical “cannot be correct.”); *Bd. of Regents of the Univ. of Tex.*
11 *Sys. v. BENQ Am. Corp.*, 533 F.3d 1362, 1370 (Fed. Cir. 2008) (“We decline to adopt
12 a construction that would effect this nonsensical result.”); *Gen-Probe Inc. v. Becton*
13 *Dickinson & Co.*, 899, 988 F. Supp. 2d 971, 988 (S.D. Cal. 2012) (a “construction
14 that renders asserted claims facially nonsensical cannot be correct.”) (internal
15 citations omitted).

16 Another reason the Ace reading fails under Federal Circuit law is because
17 claims should be interpreted to preserve their validity under 35 U.S.C. § 112. *Modine*
18 *Mfg. Co. v. U.S. Int’l Trade Comm’n*, 75 F.3d 1545, 1557 (Fed. Cir. 1996) (“When
19 claims are amenable to more than one construction, they should when reasonably
20 possible be interpreted so as to preserve their validity [under 35 U.S.C. § 112].”). Ace
21 is straining too hard to see problems with the claims. If the Court believes there would
22 be a “fatal conflict” under the Ace reading of the claim, then that reading is wrong –
23 an interpretation such that the override feature of element (h) is optional would
24 preserve validity if the Court believes the claim steps are otherwise in conflict. *In re*
25 *Johnston*, 435 F.3d 1381, 1384 (Fed. Cir. 2006) (“[O]ptional elements do not narrow
26 the claim because they can always be omitted.”); *cf., e.g., Cadence Pharms. v. Exela*
27 *Pharma Scis., LLC*, No. 11-733-LPS, 2013 U.S. Dist. LEXIS 166097, at *59-61 (D.
28 Del. Nov. 13, 2013) (finding some steps in claimed process “optional”).

1 **VII. PARK ASSIST MADE A REASONABLE PRE-FILING INQUIRY**

2 “The presence of an infringement analysis plays the key role in determining the
3 reasonableness of the pre-filing inquiry made in a patent infringement case under Rule
4 11.” *View Eng’g, Inv. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 986 (Fed. Cir. 2000).
5 The Federal Circuit has emphasized that “our case law makes clear that the key factor
6 in determining whether a patentee performed a reasonable pre-filing inquiry is the
7 presence of an infringement analysis. And an infringement analysis can simply consist
8 of a good faith, informed comparison of the claims of a patent against the accused
9 subject matter.” *Q-Pharma*, 360 F.3d at 1302 (internal citations omitted). Even if a
10 complaint is ultimately wrong, there can be no Rule 11 violation so long as the
11 complaint has some factual and legal support. *Dixon v. United States*, No. 89-16156,
12 1990 U.S. App. LEXIS 21130, at *5 (9th Cir. Dec. 5, 1990) (complaint “had some
13 basis in fact and in law” although it ultimately failed: “However, the benefit of
14 hindsight cannot affect Rule 11 determinations”).

15 Here, the Amended Complaint itself is replete with evidence of the thorough
16 and reasonable analysis performed by Park Assist and its counsel. This analysis was
17 complete before the filing of the first Complaint and the PGSR was attached as an
18 exhibit to both complaints. *Cf. e.g., Morrison v. YTB Int’l, Inc.*, 641 F. Supp. 2d 768,
19 774-75 (S.D. Ill. Jun. 5, 2009) (“Plaintiffs’ Consolidated Complaint displays
20 sufficient pre-filing investigation”); *Brown v. SBC Communs., Inc.*, No. 05-cv-777-
21 JPG, 2007 U.S. Dist. LEXIS 14790, at *18 (S.D. Ill. Mar. 1, 2007) (“It is apparent
22 ... that the complaint is the product of ample pre-filing investigation”).⁴

23
24
25 ⁴ Ace cites to *Phigenix*, 2016 U.S. Dist. LEXIS 150752 at *7 for the proposition that
26 the “Court must assume that the pre-filing investigation was inadequate unless the
27 attorney waives the privilege/work product....” Ace Br. at 11. *Phigenix* stands for
28 no such thing. In *Phigenix*, absent the waiver, there was simply nothing from which
the Court could evaluate the issue. *Id.*, *cf.* Advisory Committee Notes to 1983
Amendment (“The Rule does not require a party or an attorney to disclose privileged

1 Moreover, as detailed in the declaration of Park Assist’s counsel, they
2 performed a thorough pre-suit investigation spanning several months of work,
3 including (1) carefully reviewing the patent and prosecution history to construe the
4 claims, (2) collecting and reviewing the publicly available evidence related to the
5 Airport Parking System, and (3) preparing a formal, written, element-by-element
6 infringement analysis. Melgar Dec. at ¶ 7. *Cf. Q-Pharma*, 360 F.3d at 1301 (“the
7 declaration of ... one of Q-Pharma’s attorneys, flatly rebuts” the argument that a
8 reasonable investigation was not conducted).

9 Specifically, SCG attorneys met with Park Assist regarding the Indect and
10 Airport Parking System, obtained and conducted detailed analyses of the patent and
11 prosecution history to construe the claims, and reviewed the publicly available
12 information including the Airport RFP, the PGSR and PARCS specification, and the
13 Indect brochures, data sheets and website. *Id.* at ¶¶ 6-7. Counsel was aware of the
14 reliability of these documents and practice in the industry of bidders closely following
15 such Airport requirements. *Id.* at ¶¶ 7-8; *cf. Neff Dec.* at ¶¶ 19-23. The Airport
16 parking facility was visited by a California Park Assist agent, and pictures were taken.
17 This analysis was in addition to many hours of prior review and analysis of the patent,
18

19 _____
20 communications or work product in order to show that the signing of the pleading,
21 motion, or other paper is substantially justified.”); *Applied Materials, Inc. v.*
22 *Advanced Micro-Fabrication Equip. Co.*, No. 07-cv-05248 JW, 2009 LEXIS 103759,
23 *8-10 (N.D. Cal. Oct. 22, 2009) (declarations of people who conducted investigation
24 can be used to rebut Rule 11 motion without waiving privilege). Indeed, courts have
25 repeatedly found reasonable pre-suit investigations without requiring waivers. *EMC*
26 *Corp. v. Sha*, No. 5:13-cv-00118-EJD-PSG, 2014 U.S. Dist. LEXIS 5481, at *4 (N.D.
27 Cal. Jan. 14, 2014) (“EMC did not waive its privilege claim to its internal
28 investigation by describing certain portions of its investigation in opposition to
Namboori’s Rule 11 sanctions motion”); *Applied Materials*, 2009 LEXIS 103759 at
*9 (same). Here, the substantial evidence of infringement was ***attached to and
explained in detail in the complaints themselves*** – obviously counsel did a thorough
analysis.

1 prosecution history and the Indect products conducted in 2017. Melgar Dec. ¶ 12. All
2 told, attorneys at SCG spent in excess of sixty hours on pre-suit infringement analyses
3 related to the Airport Parking System.

4 Park Assist proceeded with its Complaint against the Airport and Ace only after
5 having conducted the comprehensive, element-by-element infringement analysis.
6 After filing, the Airport alleged that the Complaint was deficient for a lack of factual
7 details of infringement. Melgar Dec., Ex. 6. While Park Assist’s counsel disagreed,
8 in an effort to avoid burdening the court and parties with meaningless disputes, Park
9 Assist filed the Amended Complaint to affirmatively allege 15-pages of element-by-
10 element analysis. *Cf.* Melgar Dec., ¶ 9 (element-by-element analysis) *with* D.I. 23
11 (Amended. Complaint). As the Federal Circuit has made clear on multiple occasions,
12 the presence of an infringement analysis such as this “plays the key role in
13 determining the reasonableness of the pre-filing inquiry made in a patent infringement
14 case under Rule 11.” *View Eng’g*, 208 F.3d at 984-86 (Rule 11 violation where claims
15 were filed with “no independent claim construction analysis” or “any formal written
16 infringement analysis”: “Robotic admits that it had no factual basis for its
17 counterclaims”); *see also Q-Pharma*, 360 F.3d at 1302 (“Again, our case law makes
18 clear that the key factor in determining whether a patentee performed a reasonable
19 pre-filing inquiry is the presence of an infringement analysis.”).

20 The Ninth Circuit has cautioned that Rule 11 is “an extraordinary remedy, one
21 to be exercised with extreme caution.” *Operating Eng’rs*, 859 F.2d at 1345. Here,
22 Park Assist’s pre-suit efforts are squarely in line with the *CreAgri* and *Q-Pharma*
23 Courts’ findings of a more than adequate pre-suit investigation on similar facts. In
24 *CreAgri*, like here, counsel (1) reviewed the patents, their written descriptions, and
25 the file histories to interpret the claims, (2) reviewed the publically available
26 information about the accused products, and (3) compared the claims to the accused
27 products in light of what they learned about them, leading to the filing of the
28 complaint. *CreAgri*, 2014 U.S. Dist. LEXIS 77484, at *29-30 (N.D. Cal. Jun. 3,

1 2014). Also similar to *CreAgri*, Park Assist sought early discovery to confirm the
 2 infringement. *Id.* at 30 (“Also, unlike the sanctioned party in *View Eng’g*, it is
 3 undisputed that in this case *CreAgri* ‘served discovery immediately after the case
 4 began to confirm PinnacLife’s infringement.’”). The *CreAgri* Court found that the pre-
 5 suit investigation there – that mirrored the pre-suit investigation here in all respects –
 6 “far exceeds” the analysis in *View Eng’g* that led to Rule 11 sanctions. *Id.* at 29. *Q-*
 7 *Pharma* was also similar, where counsel stated by declaration that the patent was
 8 reviewed and analyzed. *Q-Pharma*, 360 F.3d at 1301. Unlike here, the *Q-Pharma*
 9 counsel did not even prepare an infringement claim chart. *Id.* While “a claim chart
 10 is not a requirement of a pre-filing infringement analysis,” (*id.*) counsel for Park
 11 Assist prepared a detailed, element-by-element infringement chart. Melgar Dec., 9;
 12 *see also* D.I. 23 (Amended Complaint).

13 **VIII. CONCLUSION**

14 In sum, the complaints were well supported and Park Assist’s counsel
 15 conducted a thorough pre-suit investigation. Ace’s counsel was aware of these facts
 16 and refused all of Park Assist’s efforts to engage in limited early discover to test Ace’s
 17 alleged non-infringement positions before Ace filed this baseless, resource-wasting
 18 Rule 11 motion. For all the foregoing reasons, Ace’s motion should be denied.

19
 20 DATED: April 8, 2019

Respectfully submitted,
 SILLS CUMMIS & GROSS LLP

21
 22 Jason M. Kirby (SBN 213370)
 23 jason@kirbyandkirbylaw.com
 KIRBY & KIRBY, LLP
 24 501 W. Broadway, Suite 1720
 25 San Diego CA 92101
 Telephone: 619-487-1500

By: /s/Tod M. Melgar
 26 Tod M. Melgar (Pro Hac Vice)
 27 tmelgar@sillscummis.com
 Scott D. Stimpson (Pro Hac Vice)
 28 sstimpson@sillscummis.com
 Steven Luksenberg, (Pro Hac Vice)
sluksenberg@sillscummis.com
 101 Park Avenue, 28th Floor
 New York, NY 10178
 Telephone: 212-643-7000

Attorneys for Plaintiff
 PARK ASSIST, LLC

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing document has been served to all counsel of record, who are deemed to have consented to electronic service via the court’s CM/ECF system per CivLR 5.4(d).

I declare under penalty of perjury of the laws of the United States that the foregoing is true and correct.

Executed on April 8, 2019.

/s/ Tod M. Melgar
Tod M. Melgar