UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
Alexandria Division

TECSEC, INCORPORATED,
 	
             Plaintiff,
 	
      v.
 	
INTERNATIONAL BUSINESS MACHINES
CORPORATION, *et al.*,
 	
             Defendants.
	Case No. 1:10-cv-00115-LMB-TCB

**IBM'S OPPOSITION TO PLAINTIFF TECSEC'S MOTION FOR ENTRY
OF A CASE MANAGEMENT ORDER AND PROPOSED BIFURCATION**

Despite the Court's directive and orders, the parameters of this case remain undefined, and plaintiff TecSec refuses to "streamline" its case. Instead, TecSec now proposes a bifurcation that will multiply the proceedings by dividing the case into two separate discovery periods and trials against IBM and two other defendants (Doc. No. 124, *Motion for the Entry of a Case Management Order*). IBM opposes TecSec's proposed bifurcation because it does nothing to simplify or streamline this case and would substantially and unnecessarily prejudice IBM.

IBM does not oppose the motion filed by the other defendants for misjoinder and severance of the cases against themselves. If that motion is granted, then IBM is prepared to proceed with the case just against itself. As an alternative, in the event the Court decides to keep this case consolidated with all defendants and all eleven patents, then IBM proposes the discovery plan attached hereto as Exhibit A. IBM submits that its proposed plan will be workable ***provided that*** TecSec immediately complies with the Court's April 30, 2010, Order— which, despite its protestations, TecSec has not done—and provides its final infringement contentions, so that IBM and the other defendants can determine exactly what is accused.

I. **Because Of The Extreme Complexity Of This Case, And Because TecSec Disregarded The Court's Order To Provide Final Infringement Contentions, IBM Requests Entry Of The Proposed Discovery Plan Attached As Exhibit A.**

TecSec chose to join 13 different defendants in this one massive patent infringement litigation involving 11 different patents from which TecSec asserts hundreds of claims against dozens of unrelated products. Because of the extreme complexities of this case, the parties negotiated a schedule premised upon TecSec providing detailed infringement contentions at the onset to narrow the issues and focus the scope of discovery. (Ex. B at § III(B).) Thereafter, at the April 28, 2010, hearing the parties and the Court discussed additional mechanisms for managing this massive case, such as staying the case for all Defendants but IBM, but the Court suggested that discovery could proceed simultaneously *if* TecSec focused its case and provided "finalized" infringement contentions by May 12, 2010. (Ex. C.) Rather than focusing the case, however, TecSec disregarded the Court's directive and served only "preliminary" contentions that *substantially expanded* the scope of this case. For example, TecSec is asserting 196 patent claims from the 11 patents-in-suit against at least 29 IBM products and technologies—including at least 18 of which were not even identified in the Amended Complaint. (Ex. D.)[1]

And contrary to the Court's directive, TecSec's claim charts fail to identify exactly what features of the accused products allegedly meet the vast majority of asserted claim limitations. Instead, TecSec largely parrots the claim language and cites large excerpts of multiple documents for each claim element in a manner that provides IBM no meaningful way to ascertain what feature of each accused product TecSec contends meets each limitation. As merely one of many examples, TecSec's infringement contentions for the '448 patent concerning

---

[1] Exhibit D is TecSec's "preliminary" infringement contentions with a representative claim chart that demonstrates TecSec's failure to identify the specific features of the accused product that allegedly meet each claim limitation.

IBM's z9 mainframe (Ex. D) fail to identify how this product meets even a single claim limitation, including the following limitations:

- "a format filter adapted to extract control data and main data from the input data";

- "a control unit adapted to receive the control data from said format filter, and to forward, based at least in part on the control data, at least one respective control parameter and at least one respective cryptographic parameter to each of the plurality of processors";

- "a first distributor adapted to receive the main data from said format filter, and to distribute to each of the plurality of processors a respective at least a portion of the main data";

- "a second distributor adapted to receive respective output information from each of the plurality of processors, and to generate, based at least in part on the respective output information, output data";

- "each of the plurality of processors is adapted to generate its respective output information based at least in part on the control parameters and the cryptographic parameters";

- "extracting, from the input data, control data and main data";

- "forwarding, based at least in part on the control data, at least one respective control parameter and at least one respective cryptographic parameter to each of the plurality of processors";

- "distributing to each of the plurality of processors a respective at least a portion of the main data"; and

- "generating, by each of the plurality of processors, respective output information based at least in part on the at least one respective control parameter and the at least one respective cryptographic parameter."

(Ex. D.) Instead, TecSec cites excerpts of various documents that have no apparent connection to the limitations of the claim. IBM is thus unable to determine what aspects of the product TecSec alleges infringes, substantially prejudicing IBM's ability to engage in discovery.

IBM attempted to address the multiple deficiencies with TecSec's infringement contentions, expressly identifying to TecSec specific claim limitations from each asserted patent for which IBM is unable to determine TecSec's contention. (Ex. E.) In response, TecSec

expressly refused to identify what feature(s) of the accused products allegedly meet these limitations or provide any more detail whatsoever, telling IBM instead to figure it out for itself. (Ex. F at 2 ("As an experienced patent litigant, IBM certainly can read the language recited and the corresponding evidence for purposes of understanding TecSec's basis for asserting infringement.").)   IBM should not have to face moving-target infringement contentions or speculate how TecSec may contend it patents allegedly cover IBM products—especially considering that IBM's investigation to date reveals no basis for any of the infringement claims.

TecSec initiated this action, and there is simply no reason that TecSec cannot identify the exact features of the accused products and how they allegedly meet each claim limitation.[2] Only then can IBM understand TecSec's claims and proceed with the most relevant discovery.   In patent litigation, a plaintiff must conduct a thorough pre-filing investigation—the plaintiff must construe the claims, obtain and test the accused device (or at least attempt to do so), and then read the claims on the accused device. *Judin v. U.S.*, 110 F.3d 780, 783-85 (Fed. Cir. 1997) (standard for Rule 11 pre-filing investigation). Accordingly, IBM respectfully requests that the Court again order TecSec to provide final infringement contentions—so that TecSec expressly identifies exactly what feature of each accused product allegedly meets each and every claim limitation—so that its allegations and the scope of discovery are clear.[3] Once that is done, the parties should be able to timely complete discovery in accordance with the proposed discovery plan attached hereto as Exhibit A.

---

[2] On or before June 11, 2010, TecSec should serve Final Infringement Contentions that include all of the information identified in Section III.B of the original Joint Discovery Plan as agreed to by the parties (attached as Exhibit B) and in Section III.B of IBM's Proposed Discovery Plan (attached as Exhibit A).

[3] TecSec should not be permitted to add any new products or claims to the case, but rather, should be required to clearly identify what specific feature(s) of the already-identified products allegedly meet each and every claim limitation.

**II.   TecSec's Bifurcation Proposal Would Complicate Rather Than Simplify This Case
And Cause Extreme Prejudice To IBM.**

TecSec's proposal to artificially bifurcate this case between two sets of patents—rather
than between the separate distinct parties—does nothing to resolve the complexity and would
pose extreme prejudice to IBM. TecSec's proposal should thus be rejected.

As an initial matter, IBM should not be forced into two separate discovery periods and
two separate trials simply to accommodate TecSec's desire to narrow the larger case that TecSec
itself initiated. The substantial added expense and prejudice to IBM of such an approach is
clear—it would effectively force IBM to do everything twice and substantially extend the time
before ultimate resolution of the case. Irrespective of whether IBM proceeds alone or in
consolidation with the other defendants, IBM should be permitted to develop and present its
defenses in a single action, as TecSec originally brought it.

Additionally, in the case of IBM, there are numerous common issues between the two
sets of patents that makes TecSec's bifurcation proposal especially prejudicial. For example,
TecSec accuses some of the same products of infringing both sets of patents, meaning that
TecSec's bifurcation proposal would unnecessarily force IBM to engage in discovery and trial
twice on the very same products. For example, TecSec accuses a significant array of products of
infringing its so-called "DCOM" patents, which it proposes to include as part of its "first" case
against IBM:

> The Accused System and Method include an instance of DB2.
> There are multiple infringing modes with various configurations of
> hardware and software. Infringing modes may include one or
> more of the following: an IBM operating system (e.g., z/OS, OS
> 390, AIX, OS/400, z/VM, z/VSE, z/TPF), an IBM computer,
> Enterprise Identity Mapping, Tivoli Access Manager, Tivoli
> Directory Server, CP Assist for Cryptographic Function (CPACF)
> along with enabling code (e.g., FC 3863), Integrated Cryptographic
> Service Facility (ICSF), Resource Access Control Facility
> (RACF), an ***IBM cryptography co-processor (e.g., 4758 PCI***

Cryptographic Coprocessor or *4764 PCI-X Cryptographic Coprocessor)*, and IBM Data Encryption for IMS and DB2 Databases and IBM Database Encryption Expert.[4]

But TecSec also accuses some of these same products (e.g., the *4758 PCI Cryptographic Coprocessor* and the *4764 PCI-X Cryptographic Coprocessor*) of infringing the so-called "Split Key Patents," which TecSec proposes to include as part of its "second" case against IBM.[5] There is no legitimate reason for forcing IBM to defend the *same products* against TecSec in two separate litigations. This simply allows TecSec to take two bites at the apple at IBM's expense.

Additionally, the evidence demonstrates that TecSec licenses it patent portfolio—including all the patents-in-suit—as a group, for a single lump sum amount. (Ex. G.) Splitting the case into two trials against IBM as TecSec proposes would thus improperly enable TecSec to circumvent its own licensing practice and potentially recover its lump sum royalty twice. The importance of TecSec's lump sum licensing practice cannot be overstated, as IBM is entitled to introduce evidence of this licensing practice on the issue of damages. *See, e.g., Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1325-26 (Fed. Cir. 2009) (explaining that lump sum royalty may be appropriate measure of damages given evidence of what the parties had agreed to in comparable licenses), *cert. denied*, 78 USLW 3523 (May 24, 2010) (U.S. 09-1006); *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (factor 1: "The royalties received by the patentee for the licensing of the patent in suit, proving or tending to prove an established royalty."), *modified and aff'd sub nom.*, *Georgia-Pacific Corp. v. U.S.*

---

[4] IBM is quoting from TecSec's infringement contentions for the '452 patent, '702 patent, '755 patent, and '781 patent (emphasis added).

[5] These infringement accusations are made in TecSec's infringement contentions for the '608 patent, '386 patent, '747 patent, '852 patent, and '632 patent.

Plywood-Champion Papers, Inc., 446 F.2d 295 (2d Cir. 1971). The issue of damages alone reveals the prejudice to IBM that would result from TecSec's proposed bifurcation.

IBM should not, therefore, be forced to bear the expense and prejudice of multiple discovery periods and trials, simply because TecSec chose to improperly combine so many unrelated parties into the same case. It would be much more efficient and fair to accommodate the complexity caused by TecSec to either extend the discovery schedule for a unified case, or separate the *defendants* into separate cases (rather than the *claims*), as the other defendants have proposed in their misjoinder motion. Accordingly, TecSec's bifurcation proposal—which would serve no purpose other than to increase IBM's cost and delay resolution of this action—should be rejected.

CONCLUSION

For the foregoing reasons, IBM respectfully requests that this Court deny TecSec's motion for entry of a case management order and TecSec's proposed bifurcation, and order TecSec to provide final infringement contentions. If the Court chooses to keep this as one unified action, then IBM respectfully requests that the Court also adopt the proposed discovery plan attached hereto as Exhibit A.

Dated: May 28, 2010   Respectfully submitted,

                                             /s/ Craig C. Reilly
                                             Craig C. Reilly, Esq. (VSB # 20942)
                                             111 Oronoco Street
                                             Alexandria, Virginia 22314
                                             Telephone: 703-549-5354
                                             Facsimile: 703-549-2604
                                             E-mail: craig.reilly@ccreillylaw.com

                                             Counsel for Defendant IBM

Of Counsel for Defendant IBM:

John M. Desmarais
DESMARAIS LLP
230 Park Avenue
New York, NY 10169
Telephone: 917-340-6940
Facsimile: 914-666-6962

Jon T. Hohenthaner
KIRKLAND & ELLIS LLP
601 Lexington Avenue
New York, NY 10022-4675
Telephone: 212-446-4800
Facsimile: 212-446-4900

Elizabeth Bernard
KIRKLAND & ELLIS LLP
655 15th Street, N.W.
Washington, D.C. 20005
Telephone: 202-879-5000
Facsimile: 202-879-5200

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of May 2010, a true and correct copy of the foregoing pleading or paper was served using the Court's CM/ECF system, with electronic notification of such filing to all counsel of record:

Brian Mark Buroker HUNTON & WILLIAMS 1900 K St NW Washington , DC 20006-1109 TEL: (202) 955-1500 FAX: (202) 778-2201 Email: bburoker@hunton.com Thomas J. Cawley HUNTON & WILLIAMS 1751 Pinnacle Drive McLean, VA 22102 Tel: (703) 714-7400 Email: tcawley@hunton.com *Counsel for Plaintiff*	Andrew James Isbester TOWNSEND AND TOWNSEND AND CREW LLP Two Embarcadero Ctr., 8th Floor San Francisco, CA 94111 Tel: (415) 273-4335 Email: jisbester@townsend.com Jonathan Dyste Link TOWNSEND AND TOWNSEND AND CREW LLP 1301 K St NW, 9Th Floor, East Tower Washington, DC 20005 Tel: (202) 481-9900 Email: jlink@townsend.com *Counsel for Defendants Oracle America, Inc. and Oracle Corp.*
Michael Robinson Stephen K. Gallagher VENABLE LLP 8010 Towers Crescent Drive Vienna, VA 22182 mwrobinson@venable.com skgallagher@venable.com Jeffri Kaminski VENABLE LLP 575 7th Street, NW Washington, DC 20004 jakaminski@venable.com *Counsel for Software AG Defendants*	Jeffrey K. Sherwood, Frank C. Cimino Matthew Weinstein Megan Sunkel Woodworth DICKSTEIN SHAPIRO LLP 1825 Eye Street NW Washington, DC 20006 sherwoodj@dicksteinshapiro.com ciminof@dicksteinshapiro.com weinsteinm@dicksteinshapiro.com woodworthM@dicksteinshapiro.com *Counsel for SAP Defendants*
Walter D. Kelley, Jr. Tara Lynn R. Zurawski JONES DAY 51 Louisiana Avenue, NW Washington, DC 20001 Tel: (202) 879-3939 Fax: (202) 626-1700 Email: wdkelley@jonesday.com *Counsel for Defendant SAS*	Henry C. Su HOWREY LLP 1950 University Ave 4th Floor East Palo Alto, CA 94303-2250 suh@howrey.com *Counsel for Defendant Adobe*

9

Sarah Hall George Pappas Gary Rubman COVINGTON & BURLING LLP 1201 Pennsylvania Avenue, N.W. Washington, D.C. 20004 shall@cov.com gpappas@cov.com grubman@cov.com Nitin Subhedar Bhanu Sadasivan COVINGTON & BURLING LLP 333 Twin Dolphin Drive Redwood Shores, CA 94065 nsubhedar@cov.com bsadasivan@cov.com *Counsel for Defendant Sybase*	William H. Boice bboice@kilpatrickstockton.com Mitchell G. Stockwell mstockwell@kilpatrickstockton.com KILPATRICK STOCKTON LLP 1100 Peachtree Street, N.E. Suite 2800 Atlanta, Georgia 30309 (404) 815-6500 (404) 815-6555 (Facsimile) *Counsel for Defendant Cisco Systems* Amr O. Aly aaly@kilpatrickstockton.com KILPATRICK STOCKTON LLP 31West 52nd Street, 14th Floor New York, NY 10019 (212) 775-8700 (212) 775-8800 (Facsimile) *Counsel for Defendant Cisco Systems*
Blair Jacobs Christina Ondrick Karla Palmer MCDERMOTT, WILL & EMERY LLP 600 13th Street, N.W. Washington, D.C. 20005 bjacobs@mwe.com kpalmer@mwe.com condrick@mwe.com Terrence McMahon Vera Elson Yar Chaikovsky Hong Lin MCDERMOTT WILL & EMERY LLP 275 Middlefield Road Menlo Park, CA 94025 tmcmahon@mwe.com velson@mwe.com hlin@mwe.com *Counsel for Defendants eBay and PayPal*	
	___s/____Craig C. Reilly_____ Craig C. Reilly (VSB No. 20942) craig.reilly@ccreillylaw.com 111 Oronoco Street Alexandria, Virginia 22314 (703) 549-5354 (703) 549-2604 (Fax) *Counsel for Defendant IBM*