

UNITED STATES DISTRICT COURT
DISTRICT OF MAINE

SURFCAST, INC.,)	
)	
Plaintiff,)	
)	
v.)	2:12-cv-00333-JDL
)	
MICROSOFT CORPORATION,)	
)	
Defendant.)	

**REDACTED¹ ORDER DENYING DEFENDANT’S MOTION TO DISMISS
FOR WITNESS TAMPERING**

SurfCast, Inc. claims that Microsoft Corporation directly and willfully infringed its patent, “System and Method for Simultaneous Display of Multiple Information Sources,” U.S. Patent No. 6,724,403 (the “403 Patent”). Microsoft has moved to dismiss SurfCast’s complaint on the basis of witness tampering. Def.’s Mot. to Dismiss, ECF No. 122-1. The motion has been fully briefed and oral argument was held on June 4, 2014.

Microsoft asserts that

[REDACTED]

[REDACTED] Def.’s Mot. at 10. Microsoft asks that I exercise the court’s equitable authority to dismiss the case for witness tampering, arguing that dismissal in this case would be consistent with “Supreme Court precedent and the ancient doctrine of unclean hands.” *Id.* Because I am not persuaded that dismissal is justified under the circumstances presented, I **DENY** the Motion to Dismiss.

¹ This language was redacted by agreement of the parties and the court.

I. BACKGROUND

There are no serious disputes between the parties as to the facts that are material to Microsoft's motion.

Lagermann was SurfCast's co-founder and Chief Technology Officer. Def.'s Mot. at 3; Plaintiff's Response 5, ECF No. 132-1. In 1998, Lagermann and Ovid Santoro, SurfCast's Chief Executive Officer, invented the "System and Method for Simultaneous Display of Multiple Information Sources," for which they obtained a patent in 2000. Claim Construction Order 4, ECF No. 158. The '403 Patent describes a computerized method of presenting information from a variety of sources on a display device; this method organizes content into a grid of tiles which can independently refresh its content. *See id.* at 4–5.

Santoro is the focus of Microsoft's inequitable conduct defense to SurfCast's infringement claim. Def.'s Mot. at 5. Microsoft contends, and SurfCast does not dispute, that "Lagermann . . . has detailed knowledge about the most relevant prior art and of SurfCast's awareness of that prior art during the prosecution of the ['403 Patent]." *Id.* at 4. [REDACTED]

[REDACTED] In short, it is undisputed that Lagermann possesses detailed personal knowledge regarding the validity and enforceability of the '403 Patent. *Id.* at 5.

II. ANALYSIS

A. The Parties' Positions

Microsoft claims that the complaint should be ordered dismissed with prejudice on the basis of unclean hands. Def.'s Mot. at 9. Alternatively, Microsoft asks the Court to preclude SurfCast from eliciting or relying on Lagermann's testimony, to compel SurfCast to produce Lagermann at trial and permit Microsoft to examine him, and to instruct the jury on the effect of SurfCast's alleged witness tampering. Def.'s Mot. at 14–16.

[REDACTED]

² [REDACTED]

[REDACTED]

SurfCast’s response is twofold. First, SurfCast argues that the court need not address the merits of Microsoft’s motion because the motion is not authorized by the Federal Rules of Civil Procedure in that: (1) it cannot be treated as a motion for sanctions pursuant to Fed. R. Civ. P. 11 because Microsoft failed to comply with the rule’s service requirement; (2) it does not qualify as a motion to dismiss pursuant to Fed. R. Civ. P. 12(b) because Microsoft fails to present a defense enumerated in that rule; and (3) it fails as a motion for summary judgment because Microsoft did not comply with D. Me. Local R. 56.³

Second, SurfCast argues the motion should be denied on its merits [REDACTED]

[REDACTED]

³ SurfCast asserts that Microsoft failed to provide a written notice of intent to file a motion for summary judgment pursuant to D. Me. Local R. 56(h).

[REDACTED]

B. Whether Microsoft’s Motion to Dismiss is Procedurally Infirm

For the reasons advanced by SurfCast, Microsoft’s motion to dismiss does not satisfy the requirements for motions brought under Fed. R. Civ. P. 11, 12, or D. Me. Local R. 56. Courts are, however, vested with the inherent authority “to manage [their] own affairs so as to achieve the orderly and expeditious disposition of cases.” *Aoude v. Mobil Oil Corp.*, 892 F.2d 1115, 1119 (1st Cir. 1989) (citations omitted); *see also* F.R. Civ. P. 83(b) (“A judge may regulate practice in any manner consistent with federal law”). That authority includes “the ability to do whatever is reasonably necessary to deter abuse of the judicial process.” *Id.* In addition, a federal district court possesses the power to dismiss a case as a sanction for truly egregious litigation misconduct by one of the parties. *See Zebrowski v. Hanna*, 973 F.2d 1001, 1006-07 (1st Cir. 1992) (upholding a district court’s dismissal of a claim where a plaintiff failed to obey lawful court orders); *Greviskes v. Univ. Research Ass’n, Inc.*, 417 F.3d 752, 759-60 (7th Cir. 2005) (upholding a district court’s

dismissal of a case for “fraudulent misconduct” in litigation that shows “fault, bad faith, or willfulness”).

The alleged misconduct at issue here—witness tampering—is, if true, truly egregious and strikes at the heart of the integrity of this proceeding. In addition, and as acknowledged by both parties at the hearing held on the motion, there are no factual disputes that must be resolved in order for the motion to be decided.⁴ Under these relatively unusual circumstances, I conclude that it is proper to address the merits of Microsoft’s motion.

C. The Merits of Microsoft’s Motion

I proceed by addressing Microsoft’s two primary arguments: (1) that under United States Supreme Court precedent, this patent infringement case should be dismissed [REDACTED]

[REDACTED] and (2) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1. [REDACTED]

In arguing for dismissal, Microsoft relies on *Keystone-Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, (1933), *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*,

⁴ The doctrine of “unclean hands” is a fact-intensive inquiry that usually requires the Court to evaluate matters well beyond the pleadings. Consequently, “unclean hands” is most often treated as an affirmative defense. E.g., Def.’s Second Am. Answer and Countercl. to Pl.’s First Am. Compl. ¶¶ 38, 44 (ECF No. 126) (asserting unclean hands as an affirmative defense). In that form, it is most appropriately resolved in a motion for summary judgment, not a motion to dismiss.

322 U.S. 238 (1944), and *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945). These decisions recognize that, in accordance with the “unclean hands” doctrine, a court may dismiss a patent infringement claim where it is shown that a patentee relied on fraudulently produced evidence or perjured testimony to support its infringement claim. Several recent lower court opinions offer additional guidance as to when payments to a witness in a patent case may call for sanctions.

In *Aristocrat Technologies v. Int’l Game Tech.*, the plaintiff paid the named inventor of the patents-in-suit 100,000 Australian dollars (“AU”). No. C-06-03717 RMW, 2010 WL 2595151, at *2 (N. D. Cal. 2010). Before the payment, the inventor was already “contractually bound to assist [the plaintiff] in litigation involving the patents-in-suit”; the defendant claimed that the additional payment amounted to payment for favorable testimony. *Id.* However, the district court noted that the prior contract only required “general cooperation and testimony as a fact witness”; the AU \$100,000 payment was made to the inventor for services as a “litigation consultant.” *Id.* The trial court concluded that the additional payment was reasonable in light of the additional consulting services to be provided by the inventor, and that, therefore, an attempt to add an “unclean hands” count to the counterclaim would be “futile.” *Id.* at *2-3.

Similarly, in *Ethicon, Inc. v. U.S. Surgical Corp.*, the Federal Circuit Court determined that a contingent payment agreement between a co-inventor and the defendant in a patent infringement case was not improper. 135 F.3d 1456, 1465

(Fed. Cir. 1998). The license agreement between the co-inventor and the defendant provided for future payments of up to \$100,000 for ten years which were contingent upon, among other things, the co-inventor providing assistance and testimony in litigation and the defendant prevailing in the action. *Id.* The *Ethicon* court held that “a witness’s pecuniary interest in the outcome of a case goes to the probative weight of testimony, not its admissibility.” *Id.*

However, in *Golden Door Jewelry Creations v. Lloyds Underwriters*, a district court barred a defendant from entering into evidence the deposition testimony of fact witnesses whom the defendant paid in exchange for testimony that was truthful, material, and helpful to its defense. 865 F. Supp. 1516, 1521–26 (S.D. Fla. 1994). The defendant, an insurer, paid the witnesses a total of \$120,000 to give testimony regarding the theft of gold from a warehouse in Florida, *id.* at 1518; the witnesses came forward in response to the insurer’s general offer of reward money for information regarding the robbery. *Id.* at 1520. Although the district court ruled that an agreement to pay for truthful testimony was not a violation of federal criminal law, it was a violation of the state’s ethics rules for attorneys. *Id.* at 1524-25. The *Golden Door* Court ordered the witnesses’ deposition testimony excluded from evidence as a sanction for the breach of ethical rules. *Id.* at 1526-27.

Unlike *Golden Door*, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] While the Maine Rules of Professional Ethics prohibit “offer[ing]

an inducement to a witness that is prohibited by law,” Me. R. Prof'l Ethics 3.4(b),

[REDACTED]

[REDACTED] *TypeRight Keyboard Corp. v.*

Microsoft Corp., 374 F.3d 1151, 1158 (Fed. Cir. 2004). Microsoft is free to cross-

examine Lagermann [REDACTED] and the jury may consider

[REDACTED] in weighing his credibility.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] None of these characterizations, however, rise to

the level of fraud or perjury condemned in *Keystone Driller, Hazel-Atlas*, and *Precision*

Instrument. In addition, these characterizations are conclusions which are not

compelled by the undisputed facts.

Aristocrat Technologies, Ethicon, and *Golden Door* all address the

implications of payments to fact witnesses. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]; that goes to Lagermann’s potential bias as a witness, but not to the issue of impermissible witness tampering. [REDACTED]
[REDACTED]

As *Aristocrat Technologies* and *Ethicon* make clear, in the complex and technical context of a patent lawsuit, it is permissible for a party to retain a person to provide technical and litigation consulting services, and for that person to remain available to testify as a fact witness—particularly where the person is one of the inventors of the patent-in-suit.

2. [REDACTED]

[REDACTED]
[REDACTED]

[REDACTED]

Microsoft's argument requires little discussion. As SurfCast correctly argues, a non-disparagement clause in a contract cannot prevent a witness from testifying truthfully before a legal tribunal. *See Cooper Tire & Rubber Co. v. Farese*, 423 F.3d 446, 457-58 (5th Cir. 2005); *see also EEOC v. Astra USA, Inc.*, 94 F.3d 738, 745 (1st Cir. 1996); *Ellis v. Kay-Kibbey*, 581 F. Supp.2d 861, 879-80 (W.D. Mich. 2008). The freedom to contract is not so elastic as to permit witnesses to contract away their solemn obligation to provide truthful testimony under oath. Because any contractual promise to the contrary would be against public policy, [REDACTED]

[REDACTED]

III. CONCLUSION

For the foregoing reasons, Microsoft's Motion to Dismiss for Witness Tampering is **DENIED**. This Order shall remain provisionally sealed to allow the parties to confer and propose which sections, if any, should remain sealed pursuant to the Consent Confidentiality Order. The Court **DIRECTS** the parties to submit their proposed redactions within fourteen days of the issuance of this Order.

SO ORDERED.

DATED THIS 5th DAY OF AUGUST, 2014.

/s/Jon D. Levy
U.S. District Judge
District of Maine

United States District Court
District of Maine (Portland)
Civil Docket No. 2:12-cv-333-JDL

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