LTL ATTORNEYS LLP
Enoch H. Liang (SBN 212324)
enoch.liang@ ltlattorneys.com
Joe H. Tuffaha (SBN 253723)
joe.tuffaha@ltlattorneys.com
601 S. Figueroa Street, Suite 3900
Los Angeles, CA 90017
Tel: (213) 612-8900
Fax: (213) 612-3773

Attorneys for Plaintiff
NEWEGG INC.

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

NEWEGG INC., a Delaware Corporation,

Plaintiff,

v.

EZRA SUTTON, P.A., a New Jersey Professional Corporation, and EZRA SUTTON, an individual,

Defendants.

Case No.: 2:15-cv-01395-TJH-JC

PLAINTIFF NEWEGG INC.'S OPPOSITION TO SUTTON'S MOTION FOR ORDER AMENDING PRETRIAL ORDER

[Declaration of Enoch H. Liang filed concurrently herewith]

Hearing:
Date: June 6, 2016
Time: UNDER SUBMISSION
Before: Hon. Terry J. Hatter, Jr.
Ctrm.: 17

MEMORANDUM OF POINTS AND AUTHORITIES

Plaintiff Newegg Inc. ("Newegg") hereby opposes Defendants Ezra Sutton's and Ezra Sutton P.A.'s (collectively, "Sutton" or "Defendants") motion to amend the final pretrial conference order ("Motion").

I. INTRODUCTION

The instant action was initiated on February 26, 2015. Sutton filed their Answer on March 25, 2015. In the past year, Newegg has developed its case and position on the issues, and there was no reason for Sutton not to do the same. Newegg propounded written discovery, subpoenas, and took the deposition of Mr. Sutton. All the while, Sutton, an experienced intellectual property lawyer and law firm, never raised fair use as a defense, either in their Answer or otherwise. Then, as trial approached, the parties completed their respective memoranda of contentions of fact and law. Again, Sutton did not raise fair use as a defense in their memorandum. Subsequently, the parties jointly submitted a Final Pretrial Conference Order close to the trial date, and ***again*** Sutton failed to include fair use as a defense in this action. Instead, three days before the Final Pretrial Conference, Sutton filed the instant belated motion. Sutton's request to amend should be denied.

The Federal Rules of Civil Procedure are clear that in responding to a pleading, a party must affirmatively state any avoidance or affirmative defense. Failure to do so results in waiver of such defense. Under Rule 16, once a deadline is set by the initial scheduling order, such as amendment of the pleadings, and the deadline has passed, "good cause" must be shown by the party seeking amendment. The primary criteria for determining "good cause" is the diligence of the party seeking amendment. However, even if a party can show "good cause" under Rule 16, that party must then meet Rule 15's standard, which provides for amendment of a pleading only in the absence of, *inter alia*, undue delay, undue prejudice to the opposing party, or futility of amendment. Here, Sutton cannot meet the good cause standard of Rule 16, nor can Sutton meet the standard set forth in Rule 15. Specifically, Sutton could not have

delayed more than they did in raising a fair use defense. Sutton, an experienced intellectual property lawyer and law firm, admit in the Motion that fair use is a common defense asserted in copyright cases involving judicial proceedings. This begs the question – which is not answered anywhere in the Motion – why then did Sutton wait until nearly the eve of the final pretrial conference to seek to raise this defense? There can be no reasonable explanation for Sutton's lack of diligence and undue delay here.

Furthermore, as to prejudice, Newegg has already expended significant attorney's fees and costs in propounding written discovery, subpoenas, and taking the deposition of Sutton, where the universe of Sutton's defenses did not include fair use. Moreover, Newegg has not addressed fair use in its memorandum of contentions of law and fact or in the final pretrial conference order – because Sutton never raised the fair use defense. Additionally, the witness testimony described on Newegg's witness list does not address fair use – again, because Sutton never raised this defense. To allow Sutton, at the last hour, to assert a fair use defense would require Newegg to serve additional discovery to decipher the precise contours of Sutton's defense, and to amend its pre-trial filings, which would result in additional significant attorney's fees and costs, as well as delay.

Additionally, amendment would be futile here. Fair use, as argued in Newegg's motion for partial summary judgment, is not a viable defense given the facts of this case. Newegg incorporates its arguments and evidence from its partial summary judgment motion herein.

Finally, it must be noted that the type of conduct exhibited here by Sutton in delaying to raise what Sutton admits is a common defense until the last minute is indicative of the same sort of conduct that led to this lawsuit. The Court should not entertain Sutton's request. To do so would cause expense and delay to Newegg as well as to the Court. Accordingly, Newegg respectfully requests that the Court deny Sutton's Motion.

II. ARGUMENT

Rule 8 provides that "[i]n responding to a pleading, a party must affirmatively state any avoidance or affirmative defense." Typically, failure to properly raise an affirmative defense in the defendant's answer waives that defense. *See In re Cellular 101, Inc.*, 539 F.3d 1150, 1155 (9th Cir.2008); Fed.R.Civ.P. 8(b), (c). Pursuant to Rule 15(a) leave to amend is ordinarily granted "[i]n the absence of any apparent or declared reason-such as **undue delay**, bad faith or dilatory motion on the part of the movant . . . [or] **undue prejudice** to the opposing party [or] **futility of amendment** . . . ." *Foman v. Davis*, 371 U.S. 178, 182 (1962) (emphasis added). However, once a district court has filed a pretrial scheduling order pursuant to Rule 16 which establishes a timetable for amending pleadings, Rule 16's standards apply and amendment is only proper where good cause is shown. *Johnson v. Mammoth Recreations, Inc.*, 975 F.2d 604, 607-608 (9th Cir. 1992).

A. Sutton cannot show good cause under Rule 16.

Here, the Court entered its pretrial scheduling order on May 13, 2015. *See* Declaration of Enoch Liang "Liang Decl.", Ex. C. The scheduling order provided that the deadline to amend pleadings would be July 1, 2015. *Id.* The Court subsequently amended some of the dates in the scheduling order, but not the date for amending pleadings. *See* Liang Decl., Ex. D. Thus, Sutton must show good cause under Rule 16 in order to amend his pleadings. Sutton cannot do so.

According to the Ninth Circuit, Rule 16's good cause standard "primarily considers the diligence of the party seeking the amendment." *Mammoth*, 975 F.2d at 609. "If that party [seeking amendment] was not diligent, the inquiry should end." *Id.* Here, Sutton was anything but diligent in seeking amendment. The instant action was initiated on February 26, 2015. Liang Decl., Ex. A. Sutton filed their Answer on March 25, 2015. *Id.*, Ex. B. This case then proceeded for months – in fact, over a year. Newegg propounded written discovery and took the deposition of Mr. Sutton. Liang Decl., ¶8. All the while, Sutton never raised fair use as a defense, either in their

Answer or otherwise. Then, as trial approached, the parties filed their respective memoranda of contentions of fact and law. Liang Decl., Ex. E. Notably, again, Sutton did not raise fair use as a defense in their memorandum. *Id.* The parties subsequently jointly submitted a Final Pretrial Conference Order on the eve of trial, and ***again*** Sutton failed to include fair use as a defense in this action. *Id.*, Ex. F. Instead, three days before the Final Pretrial Conference (and nearly eight months after the deadline to amend the pleadings under the initial scheduling order), Sutton filed the instant belated motion.

There is no excuse for Sutton's extreme delay and lack of diligence here. In the Motion, Sutton readily admits that "fair use . . . is a common defense asserted in copyright cases involving judicial proceedings." (Motion, Page 5.) Given this admission, glaringly absent from the Motion or the concurrent declaration of Ezra Sutton, is any explanation for why Sutton waited until three days before the Final Pretrial Conference to seek to raise such a defense. The Motion simply states "[b]ased on additional research of copyright law, it has now become apparent that Defendants have a right to assert a fair use defense to copyright infringement . . . ." (Motion, Page 4.) This is hardly a reasonable excuse, especially considering that Sutton is an experienced intellectual property lawyer and law firm. *See* Liang Decl., ¶9. Why did Sutton not research this issue in the more than year-long period that the case had been pending? There can be no reasonable explanation for this lack of diligence and, therefore, the inquiry should stop here and the Motion should be denied.

B. <u>Sutton cannot meet Rule 15's standard.</u>

According to the Ninth Circuit, if Sutton can establish good cause under Rule 16 (which he cannot), he must then demonstrate that amendment is proper under Rule 15. *Mammoth, supra*, 975 F.2d at 608. Amendment under Rule 15 is only proper in the absence of undue delay, prejudice and futility. *Foman, supra*, 371 U.S. at 182. Here, Sutton's request to amend falls far short under Rule 15 because (1) Sutton

engaged in undue delay; (2) Newegg would be prejudiced by amendment; and (3) fair use is a futile defense here.

1. Sutton engaged in undue delay.

As discussed above, in the discussion of good cause (Section II.A), Sutton engaged in undue delay in seeking to amend to add a fair use defense. There can be no reasonable explanation for this undue delay by an experienced intellectual property lawyer and law firm, with respect to a defense Sutton admit is a common one. Therefore, the Motion should be denied.

2. Newegg would be prejudiced if Sutton were allowed to raise the fair use defense at this stage.

Newegg would be prejudiced if Sutton's Motion were to be granted. Newegg has already expended significant attorney's fees and costs in propounding written discovery, subpoenas, and taking the deposition of Sutton, where the universe of Sutton's defenses did not include fair use. Liang Decl., ¶8. Moreover, Newegg has not addressed fair use (which previously was never raised as a defense by Sutton) in its memorandum of contentions of law and fact or in the final pretrial conference order. Additionally, the witness testimony described on Newegg's witness list does not address fair use. To allow Sutton, at the last hour, to assert a fair use defense would require Newegg to serve additional discovery to decipher the precise contours of Sutton's defense, and to amend its pre-trial filings, which would result in additional significant attorney's fees and costs, as well as delay. Therefore, the Motion should be denied.

3. Amendment would be futile here because fair use is not a viable defense based on the facts of this case.

Fair use is not a viable defense for Sutton, as described in detail in Newegg's motion for partial summary judgment, which has been concurrently filed, and as incorporated by reference herein. *See* Newegg's Motion for Partial Summary Judgment, Section III.C. Therefore, amendment is improper.

C. In the alternative, the Final Pretrial Conference Order may be amended only to prevent manifest injustice.

Sutton's Motion is ultimately directed at amending the Final Pretrial Conference Order and thus the more stringent standard of Federal Rules of Civil Procedure 16(e) is applicable. Pursuant to 16(e), "[t]he court may modify the order issued after a final pretrial conference only to prevent manifest injustice." Here, the parties filed the joint Final Pretrial Conference Order on February 25, 2016. [Dkt. 34]. In the Final Pretrial Conference Order there is no mention of fair use by Sutton. *Id.* While the Court has not signed the Final Pretrial Conference Order yet, the parties have both signed and stipulated to its contents. *Id.* Accordingly, there should be a higher threshold for Sutton to meet – he must show that failure to amend would result in "manifest injustice". Sutton cannot meet this high threshold because, as discussed *supra,* Sutton unreasonable delayed in attempting to raise a fair use defense, such defense is not viable, and allowing Sutton to amend at this late stage would prejudice Newegg.

III. CONCLUSION

For the foregoing reasons, Newegg respectfully requests that the Court deny Sutton's Motion as Sutton has failed to meet the standard for amendment under either Rule 16 or Rule 15.

Dated: May 16, 2016

LTL ATTORNEYS LLP

By: _____

Enoch H. Liang
Joe H. Tuffaha
Attorneys for Plaintiff
NEWEGG INC.