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7 SPEX TECHNOLOGIES, INC.

8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **SOUTHERN DIVISION**

11 SPEX TECHNOLOGIES, INC.,

12 Plaintiff,

13 v.

14 TOSHIBA AMERICA ELECTRONIC
15 COMPONENTS, INC., TOSHIBA
AMERICA INFORMATION
SYSTEMS, INC., TOSHIBA
AMERICA, INC., TOSHIBA
CORPORATION

16 Defendants.
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Case No. 8:16-cv-01800

**COMPLAINT FOR PATENT
INFRINGEMENT**

JURY TRIAL DEMANDED

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JURISDICTION AND VENUE

9. This Court has original jurisdiction over the subject matter of this Complaint under 28 U.S.C. §§ 1331 and 1338(a) because this action arises under the patent laws of the United States, including 35 U.S.C. §§ 271, et seq.

10. Defendants are subject to personal jurisdiction in this judicial district because Defendants regularly transact business in this judicial district by, among other things, offering Defendants' products and services to customers, business affiliates and partners located in this judicial district. In addition, Defendants have committed acts of direct infringement of one or more of the claims of one or more of the Patents-in-Suit in this judicial district.

11. Venue in this district is proper under 28 U.S.C. §§ 1400(b) and 1391(b) and (c), because Defendants are subject to personal jurisdiction in this district and have committed acts of infringement in this district.

FACTUAL BACKGROUND

12. The Patents-in-Suit were originally assigned to Spyrus, Inc. ("Spyrus"). SPEX acquired full rights to the Patents-in-Suit from Spyrus.

SPYRUS IS A PIONEERING ENCRYPTION COMPANY THAT HAS DEVELOPED CRYPTOGRAPHIC PRODUCTS RELIED ON TO SECURE ALL TYPES OF SENSITIVE INFORMATION

13. Spyrus was founded around October 1992 by two pioneering women. The founding concept of Spyrus was to make cryptography more affordable and usable for distributing and accessing electronic content.

14. Instead of building up the company with venture capital money, Spyrus initially built itself up using small capital investments from friends and family. Spyrus' first major achievement was to propose and win a contract with the Department of Defense ("DoD") to design a specification for a hardware security module ("HSM") to be used for encrypting sensitive communications. In 1993, Spyrus released the LYNKS HSM based on an ARM processor.

15. In approximately 1993 or 1994, in partnership with Mykotronx, Spyrus released the successor to the LYNKS HSM, the Fortezza Crypto Card, originally named the Tessera Crypto Card. *See, e.g.,* <https://en.wikipedia.org/wiki/Fortezza>. The Fortezza Crypto Card and its successor versions were capable of protecting sensitive data, including classified information. The Fortezza Crypto Card was used in a number of government and military applications.

16. Around 1996 or 1997, Spyrus began expanding on the cryptographic technology embodied in the LYNKS HSM and Fortezza Crypto Card technologies. In particular, Spyrus developed its Hydra series of products, which added capabilities such as flash memory or modem functionalities to the family of LYNKS HSM and Fortezza Crypto Card technologies. Spyrus' initial Hydra products were released around 1997. Spyrus' Hydra-based products are still sold today. Spyrus' Hydra-based products include the PocketVault P-3X, PocketVault P-384, PocketVault P-384E, Worksafe, Worksafe Pro and Secure Portable Workplace.

17. Spyrus' Hydra-based products have won awards and have been consistently praised. *See, e.g.,* <http://www.pcmag.com/article2/0,2817,2478715,00.asp> (editor rating of "Excellent" for the Worksafe Pro); <http://www.pcmag.com/article2/0,2817,2478716,00.asp> (editor rating of "excellent" for the Worksafe); <http://www.thessdreview.com/our-reviews/spyrus-worksafe-pro-wtg-secure-flash-drive-review-worlds-secure-flash-drive/3/> (Worksafe Pro was given an "Editor's Choice" award; called the "worlds most secure flash drive"); <http://www.spyrus.com/spyrus-named-winner-in-2011-golden-bridge-awards-for-virtual-office-technology/> (Secure Pocket Drive named the winner in the Virtual Office Technology category of the 3rd Annual 2011 Golden Bridge Awards as well as the Security Products Guide's Tomorrow's Technology Today award and the GSN Homeland Security award); <http://www.darkreading.com/risk/nsa-approves-spyrus-hydra-pc-for-protection-of-classified-government-data/d/d-id/1132286?print=yes>

(Hydra Privacy Card Series II was first commercial-off-the-shelf device approved by the DoD to protect confidential information at SECRET level and below); <http://www.businesswire.com/news/home/20060612005367/en/Info-Security-Products-Guide-Names-SPYRUS-Hydra> (Hydra Privacy Card Series II won 2006 Global Excellence in Secure and Removable Mass Storage Device Award from Info Security Products Guide); <http://www.scmagazine.com/spyrus-hydra-privacy-card-series-ii/review/1087/> (very positive review of Hydra Privacy Card Series II; "If you deal with sensitive data, especially on laptops, you need the Hydra").

18. The Patents-in-Suit, and Spyrus' technology, have been licensed in the past by Kingston Digital, Inc. and PNY Technologies, Inc.

19. SPEX was formed to facilitate licensing of the technology developed and practiced by Spyrus in both domestic and foreign markets.

THE PATENTS-IN-SUIT

20. SPEX is the owner by assignment of the Patents-in-Suit. SPEX owns all rights to the Patents-in-Suit, including the right to enforce the Patents-in-Suit.

21. United States Patent No. 6,088,802, entitled "Peripheral Device With Integrated Security Functionality," issued on July 11, 2000 from United States Patent Application No. 08/869,305 filed on June 4, 1997. A true and correct copy of the '802 patent is attached as Exhibit A.

22. United States Patent No. 6,003,135, entitled "Modular Security Device," issued on December 14, 1999 from United States Patent Application No. 08/869,120 filed on June 4, 1997. A true and correct copy of the '135 patent is attached as Exhibit B.

23. All maintenance fees for the Patents-in-Suit have been timely paid, and there are no fees currently due.

COUNT I**(DEFENDANTS' INFRINGEMENT OF THE '802 PATENT)**

24. Paragraphs 1 through 23 are incorporated by reference as if fully restated herein.

25. United States Patent No. 6,088,802, entitled "Peripheral Device With Integrated Security Functionality," issued on July 11, 2000 from United States Patent Application No. 08/869,305 filed on June 4, 1997. A true and correct copy of the '802 patent is attached as Exhibit A.

26. On information and belief, Defendants have made, used, offered for sale, sold and/or imported into the United States products that infringe various claims of the '802 patent, and continue to do so. By way of illustrative example, these infringing products include, without limitation, Defendants' hardware encrypting storage solutions, including but not limited to Defendants' Encrypted USB Drive, HG6 series, HKR series (SED model), and hard drives with the model numbers of at least MQ01ABU050BW, MQ01ABU032BW, MQ01ABU025BW, PX04SVQ080B, PX04SVQ160B, PX04SRQ384B, PX04SVQ096B, PX04SVQ048B, AL14SEQ18EPB, AL14SEQ12EPB, AL14SEQ09EPB, PX02SMU160, PX02SMU080, PX02SMU040, PX02SMU020, AL13SXQ300NB, AL13SXQ450NB, AL13SXQ600NB, PX02SMU020, PX02SMU040, PX02SMU080, PX02SMQ160, PX02SSU010, PX02SSU020, PX02SSU040, PX02SSQ080, PX03SNU020, PX03SNU040, PX03SNU080, PX03SNQ160, MQ01ABU050W, MQ01ABU032W, MK3001GRRR, MK1401GRRR, AL14SEQ120N, AL14SEQ090N, AL14SEQ060N, AL14SEQ045N, AL14SEQ030N, PX04SHQ160, PX04SHQ080, PX04SHQ040, PX04SHQ020, PX02SSU040, PX02SSU020, PX02SSU010, PX04SMQ320, PX04SMQ160, PX04SMQ080, PX04SMQ040, PX04SVQ384, PX04SVQ192, PX04SVQ096, PX04SVQ048, PX04SLQ400, PX04SLQ200, PX04SRQ384, PX04SRQ192,

1 PX04SRQ096, PX04SRQ048, PX03SNQ160, PX03SNU080, PX03SNU040, and
 2 PX03SNU020.

3 27. Defendants have been and now are directly infringing one or more
 4 claims of the '802 patent under 35 U.S.C. §271(a), in this judicial District and
 5 elsewhere in the United States, by, among other things, making, using, selling,
 6 offering to sell and/or importing into the United States for subsequent sale or use
 7 hardware encrypting storage solutions that include, for example, (a) a cryptographic
 8 processor for performing security operations on data; (b) mass storage memory, such
 9 as flash or magnetic storage; (c) an interface between the cryptographic processor
 10 and the mass storage memory; (d) an interface with the host computer (*e.g.*, a USB
 11 or SATA interface); and (e) a mediating interface that ensures that data
 12 communicated between the host computer and mass storage memory passes through
 13 the cryptographic processor. An exemplary chart showing how Defendants infringe
 14 the '802 patent is attached as Exhibit C.¹ Exhibit C is based on the public information
 15 available to Plaintiff, and Plaintiff reserves the right to amend Exhibit C based on
 16 information obtained through discovery. Accordingly, the aforementioned products
 17 infringe the '802 patent literally and/or under the doctrine of equivalents.

18 28. Defendants actively, knowingly, and intentionally induce, and continue
 19 to actively, knowingly, and intentionally induce, infringement of the '802 patent
 20 under 35 U.S.C. §271(b) by their customers and end users.

21 29. Defendants have had knowledge of and notice of the '802 patent and its
 22 infringement. For example, Defendants cited the '802 patent in an Information
 23 Disclosure Statement submitted to the Patent and Trademark Office in
 24 approximately November 2006 during the prosecution of the application that became
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 27 ¹ Plaintiff reserves the right to assert additional claims of the '802 patent against
 28 Defendants as the litigation proceeds. For example, Plaintiff expressly reserves the
 right to assert additional claims in its infringement contentions to be served during
 the discovery process.

1 U.S. Patent No. 7,180,934. In any event, Defendants have had knowledge and notice
2 of the '802 patent since at least the filing of this complaint.

3 30. Defendants have induced their customers and end users to infringe the
4 '802 patent by using hardware encrypting storage solutions to (a) communicate with
5 a host computer to exchange data with the hardware encrypting storage solution; (b)
6 perform security operations on the data; (c) store or retrieve the data; and (d) mediate
7 communications so that data must first pass through the hardware encrypting
8 processor. *See, e.g.*, Ex. C. For example, Defendants encourage their customers and
9 end users to perform infringing methods by the very nature of the products. When
10 using the infringing products, security operations are performed on all data passed
11 between Defendants' infringing products and the customer's or end user's computer.

12 31. Defendants specifically intend their customers and/or end users infringe
13 the '802 patent, either literally or by the doctrine of equivalents, because Defendants
14 have known about the '802 patent and how Defendants' products infringe the claims
15 of the '802 patent but Defendants have not taken steps to prevent infringement by
16 their customers and/or end users. Accordingly, Defendants have acted with the
17 specific intent to induce infringement of the '802 patent.

18 32. Accordingly, Defendants have induced, and continue to induce,
19 infringement of the '802 patent under 35 U.S.C. §271(b).

20 33. As discussed above, Defendants have had knowledge of and notice of
21 the '802 patent and its infringement since at least November 2006 and no later than
22 the filing of this complaint. Despite this knowledge, Defendants continue to commit
23 tortious conduct by way of patent infringement.

24 34. Defendants have been and continue to infringe one or more of the
25 claims of the '802 patent through the aforesaid acts.

26 35. Defendants have committed these acts of infringement without license
27 or authorization.
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36. Plaintiff is entitled to recover damages adequate to compensate for the infringement.

37. Defendants have and continue to infringe the '802 patent, acting with an objectively high likelihood that their actions constitute infringement of the '802 patent. Defendants have known or should have known of this risk at least as early as 2006. Accordingly, Defendants' infringement of the '802 patent has been and continues to be willful.

COUNT II

(DEFENDANTS' INFRINGEMENT OF THE '135 PATENT)

38. Paragraphs 1 through 23 are incorporated by reference as if fully restated herein.

39. United States Patent No. 6,003,135, entitled "Modular Security Device," issued on December 14, 1999 from United States Patent Application No. 08/869,120 filed on June 4, 1997. A true and correct copy of the '135 patent is attached as Exhibit B.

40. On information and belief, Defendants have made, used, offered for sale, sold and/or imported into the United States products that infringe various claims of the '135 patent, and continue to do so. By way of illustrative example, these infringing products include, without limitation, Defendants' hardware encrypting storage solutions, including but not limited to Defendants' Encrypted USB Drive, HG6 series, HKR series (SED model), and hard drives with the model numbers of at least MQ01ABU050BW, MQ01ABU032BW, MQ01ABU025BW, PX04SVQ080B, PX04SVQ160B, PX04SRQ384B, PX04SVQ096B, PX04SVQ048B, AL14SEQ18EPB, AL14SEQ12EPB, AL14SEQ09EPB, PX02SMU160, PX02SMU080, PX02SMU040, PX02SMU020, AL13SXQ300NB, AL13SXQ450NB, AL13SXQ600NB, PX02SMU020, PX02SMU040, PX02SMU080, PX02SMQ160, PX02SSU010, PX02SSU020, PX02SSU040, PX02SSQ080, PX03SNU020, PX03SNU040, PX03SNU080, PX03SNQ160,

1 MQ01ABU050W, MQ01ABU032W, MK3001GRRR, MK1401GRRR,
 2 AL14SEQ120N, AL14SEQ090N, AL14SEQ060N, AL14SEQ045N,
 3 AL14SEQ030N, PX04SHQ160, PX04SHQ080, PX04SHQ040, PX04SHQ020,
 4 PX02SSU040, PX02SSU020, PX02SSU010, PX04SMQ320, PX04SMQ160,
 5 PX04SMQ080, PX04SMQ040, PX04SVQ384, PX04SVQ192, PX04SVQ096,
 6 PX04SVQ048, PX04SLQ400, PX04SLQ200, PX04SRQ384, PX04SRQ192,
 7 PX04SRQ096, PX04SRQ048, PX03SNQ160, PX03SNU080, PX03SNU040, and
 8 PX03SNU020.

9 41. Defendants have been and now are directly infringing one or more
 10 claims of the '135 patent under 35 U.S.C. §271(a), in this judicial District and
 11 elsewhere in the United States, by, among other things, making, using, selling,
 12 offering to sell and/or importing into the United States for subsequent sale or use
 13 hardware encrypting storage solutions that include, for example, (a) a security
 14 portion including (i) a cryptographic processor for performing security operations
 15 on data; and (ii) an interface to the memory portion; (b) a memory portion including
 16 (i) mass storage memory, such as flash or magnetic storage; and (ii) an interface to
 17 the security portion; (c) an interface with the host computer (*e.g.*, a USB or SATA
 18 interface); and (d) a means for operably connecting the security module and/or the
 19 target module to the host computing device in response to an instruction from the
 20 host computing device. An exemplary chart showing how Defendants infringe the
 21 '135 patent is attached as Exhibit D.² Exhibit D is based on the public information
 22 available to Plaintiff, and Plaintiff reserves the right to amend Exhibit D based on
 23 information obtained through discovery. Accordingly, the aforementioned products
 24 infringe the '135 patent literally and/or under the doctrine of equivalents.

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 27 ² Plaintiff reserves the right to assert additional claims of the '135 patent against
 28 Defendants as the litigation proceeds. For example, Plaintiff expressly reserves the
 right to assert additional claims in its infringement contentions to be served during
 the discovery process.

1 42. Defendants actively, knowingly, and intentionally induce, and continue
2 to actively, knowingly, and intentionally induce, infringement of the '135 patent
3 under 35 U.S.C. §271(b) by their customers and end users.

4 43. Defendants have had knowledge of and notice of the '135 patent and its
5 infringement since at least the filing of the complaint.

6 44. Defendants have induced their customers and end users to infringe the
7 '135 patent by using hardware encrypting storage solutions to (a) communicate with
8 a host computer to exchange data with the hardware encrypting storage solution; (b)
9 perform security operations on the data; (c) mediate communications so that data
10 must first pass through the hardware encrypting processor; and (d) operably connect
11 the hardware encrypting storage solution in to the host computer in response to an
12 instruction from the host computer. *See, e.g.*, Ex. D. For example, Defendants
13 encourage their customers and end users to perform infringing methods by the very
14 nature of the products. When using the infringing products, security operations are
15 performed on all data passed between Defendants' infringing products and the
16 customer's or end user's computer.

17 45. Defendants specifically intend their customers and/or end users infringe
18 the '135 patent, either literally or by the doctrine of equivalents, because Defendants
19 have known about the '135 patent and how Defendants' products infringe the claims
20 of the '135 patent but Defendants have not taken steps to prevent infringement by
21 their customers and/or end users. Accordingly, Defendants have acted with the
22 specific intent to induce infringement of the '135 patent.

23 46. Accordingly, Defendants have induced, and continue to induce,
24 infringement of the '135 patent under 35 U.S.C. §271(b).

25 47. Defendants have been and continue to infringe one or more of the
26 claims of the '135 patent through the aforesaid acts.

27 48. Defendants have committed these acts of infringement without license
28 or authorization.

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Respectfully submitted,

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