



Portfolio Media, Inc. | 860 Broadway, Floor 6 | New York, NY 10003 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@portfoliomedia.com

PACid Strikes Deal With Siemens In Encryption IP Suit

By **Erin Coe**

Law360, New York (December 08, 2009) -- The PACid Group LLC has resolved claims against Siemens AG and several defendants associated with the Munich-based electronics and engineering giant in a suit accusing dozens of companies of infringing two data encryption patents.

The encryption technology company and the settling defendants filed a motion with the U.S. District Court for the Eastern District of Texas on Monday seeking to dismiss PACid's claims with prejudice and the defendants' cross-claims as moot, following an accord reached in November.

In addition to Siemens AG, the settling defendants include Siemens Enterprise Communications GmbH & Co. KG; U.S. subsidiaries Siemens Enterprise Communications Inc., Siemens Corp. and Siemens Communications Inc.; Massachusetts-based Chantry Networks Corp., which was acquired by Siemens in 2004; and Massachusetts-based Enterasys Networks Inc., which has a strategic business alliance with Siemens.

The parties will bear their own attorneys' fees and costs, according to the motion.

Attorneys representing PACid and the settling defendants did not return calls seeking comment.

The motion came a few weeks after the district court allowed PACid to drop claims against a group of Alcatel-Lucent USA Inc. entities in its lawsuit and consolidate the action with a related case that has targeted only Alcatel-Lucent.

The plaintiff said it no longer wanted to prosecute claims against seven Alcatel-Lucent defendants after learning from opposing counsel that the entities were no longer operating

or did not engage in the activities needed to prove patent infringement.

As a result, claims were dismissed against Alcatel-Lucent, Alcatel Business Systems, Alcatel-Lucent Holdings Inc., Alcatel USA GP Inc., Alcatel USA Marketing Inc., Alcatel USA Resources Inc. and Alcatel USA Sourcing Inc. without prejudice and with each party agreeing to cover its own attorneys' fees and costs.

PACid filed suit against the Alcatel defendants, Cisco Systems Inc., Qualcomm Inc., Texas Instruments Inc., the Siemens defendants and dozens of other companies in July, seeking damages, interest and associated costs.

The patents-in-suit are U.S. Patent Numbers 5,963,646, titled "Secure deterministic encryption, key generator system and method," and 6,049,612, titled "File encryption method and system," according to the complaint.

The defendants are infringing the '646 patent by making, using, importing or selling products that employ methods for generating pseudo-random, symmetric encryption keys covered by its claims, PACid alleges.

The encryption keys are used to encrypt and decrypt data transmitted over wireless networks enabled by hardware or software made, used or sold by the defendants, which makes them liable for infringement of the '646 patent, according to the plaintiff.

The alleged infringement of the '612 patent stems from the manufacture, use, import or sale of products that employ methods of protecting information files from unauthorized access covered by one or more of that patent's claims, PACid claims.

These two patents have also been asserted against a series of companies in other infringement actions.

PACid filed a lawsuit in March against 19 defendants, including Apple Inc., Dell Inc., Intel Corp., Broadcom Corp. and Hewlett-Packard Co., alleging infringement of the encryption technology.

HP, Dell, Apple, Lenovo Inc., Thomson Inc. and Realtek Semiconductor Corp. are among several defendants that have opted for settlement in that matter.

And in December 2008, PACid filed suit against Nokia Corp. and some 30 companies, alleging each made and sold products that infringed the two patents.

A number of settlements have been reached in that case, including deals with Nokia, Canon Inc. and 2Wire Inc.

The patents-in-suit are U.S. Patent Numbers 5,963,646 and 6,049,612.

PACid is represented in the current matter by Russ August & Kabat, Spangler Law PC and Brochstein Law Firm PLLC.

The Siemens defendants are represented by Pepper Hamilton LLP.

The case is The PACid Group LLC v. Cisco Systems Inc. et al., case number 09-cv-00324, in the U.S. District Court for the Eastern District of Texas.

--Additional reporting by Christopher Norton, Samuel Howard and Ben James

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