

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

APPLE, INC. and NeXT SOFTWARE, INC.,
f/k/a NeXT COMPUTER, INC.,

OPINION and ORDER

Plaintiffs,

10-cv-662-bbc

v.

MOTOROLA, INC. and
MOTOROLA MOBILITY, INC.,

Defendants.

In this patent infringement case, plaintiffs Apple, Inc. and NeXT Software, Inc. contend that the smart phone products and associated software sold by defendants Motorola, Inc. and Motorola Mobility, Inc. infringe 15 of plaintiffs' United States patents. Defendants have filed counterclaims, contending that plaintiff Apple, Inc. is infringing six of defendants' United States patents. Now before the court is defendants' motion to dismiss plaintiffs' claims with respect to 12 of the 15 patents for improper venue under Fed. R. Civ. P. 12(b)(3) and pursuant to the first-to-file rule or, in the alternative, to sever and transfer the 12 claims to the District of Delaware under Fed. R. Civ. P. 21 and 28 U.S.C. § 1404(a).

I will deny without prejudice defendants' motion to dismiss plaintiffs' claims pursuant

to the first-filed rule. Although defendants filed a declaratory judgment action in Delaware nearly two months before plaintiffs asserted claims under the 12 patents, it is not clear whether venue is proper in the District of Delaware and this court is not in the position to make that determination. Defendants may renew their motion to dismiss if the Delaware court concludes that venue and personal jurisdiction are proper in that district. Additionally, I will deny defendants' motion to transfer the case under 28 U.S.C. § 1404. Although there may be some additional convenience and efficiency in litigating the parties' disputes regarding the 12 patents in Delaware, there are also benefits to keeping the parties' disputes here. In sum, defendants have failed to show that Delaware would be a "clearly more convenient" forum.

From the complaint and the documents the parties submitted with the pending motion, I find the following facts to be undisputed for the purpose of deciding this motion.

FACTS

A. The Delaware Declaratory Judgment Action and the Present Action

On October 8, 2010, defendant Motorola Mobility, Inc. filed an action in the District of Delaware seeking a declaration of noninfringement and invalidity of eleven patents owned by plaintiff Apple, Inc. and one owned by plaintiff NeXT Software, Inc. Motorola Mobility, Inc. v. Apple, Inc., 10-cv-867-GMS. The patents are United States Patent Nos. 5,455,599;

5,519,867; 5,566,337; 5,915,131; 5,929,852; 5,946,647; 5,969,705; 6,275,983; 6,343,262; 6,424,354; RE 39,486; and 5,481,721 (collectively the “twelve patents”). Motorola sought a declaration that its activities related to its Droid, Droid 2, Droid X, Cliq, Cliq XT, BackFlip, Devour A555, Devour il and Charm products (products using the “Android operating system”) did not infringe any valid, enforceable claim of the twelve patents. The twelve patents relate to “low-level functionality” of smart phones. In particular, the ‘354, ‘867, ‘337, ‘131, ‘705, ‘983, ‘263 and ‘721 patents relate to low-level operation system functionality. The ‘486 and ‘852 patents relate to “object-oriented networking”; the ‘647 patent relates to detecting data structures in a document; and the ‘599 patent relates to “object-oriented graphics.”

On October 29, 2010, plaintiffs Apple and NeXT commenced the present lawsuit in this court, at first asserting only three patents against defendants, none of which were at issue in the Delaware case. In particular, plaintiffs alleged infringement of United States Patent Nos. 7,479,949; 6,493,002; and 5,838,315. The patents are asserted against the same products at issue in the declaratory judgment action, namely the Droid, Droid 2, Droid X, Cliq, Cliq XT, BackFlip, Devour A555, Devour il and Charm. The patents relate to “high-level, user interface functionality.” The ‘949 patent relates to interpreting a user’s touches on a touch-sensitive screen, and ‘315 and ‘002 patents relate to aspects of a graphical user interface.

On November 9, 2010, defendants filed counterclaims against plaintiffs in the present lawsuit, accusing plaintiffs' iPhone, iPad and Mac products of infringing six patents owned by defendants.

On December 2, 2010, plaintiffs filed an amended complaint in this case adding allegations of infringement by defendants' smart phone products of twelve more patents, the same patents at issue in the Delaware declaratory judgment action. On the same day, plaintiffs filed a motion to dismiss in the Delaware court, or in the alternative, to transfer defendants' Delaware declaratory judgment action to this district. In the motion to dismiss, plaintiffs contend that venue is improper in the District of Delaware because the district lacks personal jurisdiction over plaintiff NeXT. The motion is fully briefed and awaiting adjudication in Delaware.

B. Related Delaware Actions

Aside from the declaratory judgment action filed by defendant Motorola Mobility, five other cases pending in the District of Delaware involve one or more of the twelve patents at issue in the present motion:

- Apple, Inc. v. High Tech Computer Corp., 10-cv-167-GMS (D. Del.) (10 of the 12 patents are asserted in this case);
- Apple, Inc. v. High Tech Computer Corp., 10-cv-166-GMS (D. Del) (two of

the 12 patents are asserted in this case, which is stayed pending an International Trade Commission proceeding);

- Nokia Corp. v. Apple, Inc., 09-cv-1002-GMS (D. Del.) (seven of the 12 patents are asserted as counterclaims in this case, which is stayed pending an International Trade Commission proceeding);
- Nokia Corp. v. Apple, Inc., 09-cv-791-GMS (D. Del.) (three of the 12 patents are asserted as counterclaims in this case)
- Nokia Corp. v. Apple Inc., 11-cv-15-GMS (D. Del.) (one of the 12 patents is asserted as counterclaims in this case; it was transferred to Delaware from the Western District of Wisconsin on January 6, 2011 by Judge Conley on Apple's motion)

All of the actions are assigned to the same Delaware judge, Chief Judge Sleet. He has denied a motion to consolidate the cases, but has agreed to coordinate some issues related to claims construction in the cases that are moving forward. The parties have begun briefing on claims construction in those cases. In the High Tech Computer (HTC) Actions, plaintiffs Apple and NeXT successfully opposed a motion by the defendants to transfer the case to the Northern District of California, where Apple is located, arguing that "[l]ike HTC, Apple is capable of litigating cases on the East Coast." In addition, Apple argued that transfer would be wasteful and inefficient because of the pending Nokia cases in Delaware involving some

of the same patents and issues.

OPINION

A. First-to-File Rule

In applying the first-to-file rule in patent cases, a district court must look to the case law of the Federal Circuit. Electronics for Imaging, Inc. v. Coyle, 394 F.3d 1341, 1345-46 (Fed. Cir. 2005); Genentech, Inc. v. Eli Lilly & Co., 998 F.2d 931, 937 (Fed. Cir. 1993), abrogated in part on other grounds by Wilton v. Seven Falls Co., 515 U.S. 277 (1995) (applying first-to-file rule to reverse dismissal of first-filed declaratory-judgment action). The general rule in the Federal Circuit is that the forum of the first-filed case is favored, regardless whether the first-filed action is a declaratory judgment action. Electronics for Imaging, 394 F.3d at 1348 (reversing district court’s dismissal of first-filed declaratory judgment action and stating that “[t]he considerations affecting transfer to or dismissal in favor of another forum do not change simply because the first-filed action is a declaratory action”); Genentech, Inc. v. Eli Lilly and Co., 998 F.2d at 938–39; see also Vanguard Products Group, Inc. v. Protex International Corp., 2006 WL 695700 (N.D. Ill. Mar. 14, 2006) (dismissing infringement action pursuant to Rule 12(b)(3) on basis of first-to-file rule in favor of earlier-filed declaratory judgment action). The court has instructed the district courts that the rule applies “unless considerations of judicial and litigant economy, and the just and effective

disposition of disputes, requires otherwise.” Genentech, 998 F.2d at 937. However, the court has also cautioned against “rigid mechanical solutions” and has stated that exceptions to the general rule exist and should be made as “justice or expediency requires.” Id. at 937-38; see also Micron Technology, Inc. v. Mosaid Technologies, Inc., 518 F.3d 897, 904 (Fed. Cir. 2008) (application of first-to-file rule may be inappropriate where first-filed action was result of race to courthouse).

Defendants contend that plaintiffs’ claims based on the twelve amended complaint patents should be dismissed under the first-to-file rule in favor of the defendants’ declaratory judgment action pending in Delaware. However, plaintiffs have raised a jurisdictional issue with respect to the first-filed declaratory judgment action. They contend that venue is improper in the District of Delaware because plaintiff NeXT is not subject to personal jurisdiction in that district. In other words, plaintiffs contend that the action in this court is actually the first *properly* filed action and thus, the first-to-file rule should not apply. The parties dispute whether the District of Delaware may exercise personal jurisdiction over NeXT. Defendants contend that NeXT has waived any defense of personal jurisdiction by seeking to enforce one of the twelve patents in Delaware against another party. Plaintiff responds that NeXT’s litigation with other parties is insufficient to subject it to personal jurisdiction or waive a personal jurisdiction defense.

It would be inappropriate for this court to determine whether venue is proper in

Delaware for the declaratory judgment action when that issue is pending in the Delaware court. Any ruling I made on the issue would be merely advisory. However, until that issue is resolved, I cannot conclude that defendants' declaratory judgment action is the first properly filed action. It makes little sense to dismiss plaintiffs' claims regarding the twelve patents in favor of a first-filed case that may be dismissed for improper venue. Therefore, I will not dismiss plaintiffs' amended complaint infringement claims at this time simply because defendants filed their action first. However, once the District of Delaware determines whether venue is appropriate for defendants' declaratory judgment action, defendants are free to renew their motion to dismiss.

B. Transfer under 28 U.S.C. § 1404

Defendants have moved in the alternative to sever plaintiffs' claims on the twelve amended complaint patents under Fed. R. Civ. P. 21 and transfer the claims under 28 U.S.C. § 1404. Under Rule 21, the court may "sever any claim against a party." It is appropriate to sever claims if they are clearly separate and severance would promote efficiency or justice. Gaffney v. Riverboat Services of Indiana, Inc., 451 F.3d 424, 442-43 (7th Cir. 2006) (finding severance of claims by district court appropriate where claims were "clearly independent" of each other and "capable of resolution despite the outcome of the other claim"); Kraft Foods Holdings, Inc. v. Procter & Gamble Co., 2008 WL 4559703, *2-3

(W.D. Wis. Jan. 24, 2008) (severing plaintiff's infringement claim relating to one patent from defendant's infringement counterclaim and third party claim relating to different patent).

Defendants contend that the twelve amended complaint patents may be severed for the purpose of transfer because they are sufficiently "discrete and separate" from plaintiffs' claims of infringement of the three original patents in this action and defendants' counterclaims of infringement of six additional patents. Although plaintiffs state that the patents at issue involve "related technologies" and concern "substantially overlapping accused products," Plfs.' Br., dkt. #44, at 4, plaintiffs do not deny that the patents are sufficiently distinct or that resolution of the twelve patents would in any way turn on the resolution of the other claims in this case. Thus, I conclude that severance would be appropriate if necessary to effectuate transfer.

A district court "may transfer any civil action to any other district or division where it might have been brought" if transfer is "[f]or the convenience of the parties and witnesses [and] in the interest of justice." 28 U.S.C. § 1404(a). Decisions regarding transfer of patent actions are governed by the law of the regional circuit. Winner International Royalty Corp. v. Wang, 202 F.3d 1340, 1352 (Fed. Cir. 2000). In the Seventh Circuit, the movant has the burden of establishing that the transferee forum is "clearly more convenient." Coffey v. Van Dorn Iron Works, 796 F.2d 217, 219-20 (7th Cir. 1986) (discussing factors relevant to §

1404 transfer analysis). In a recent decision, Research Automation, Inc. v. Schrader-Bridgeport International, Inc., 626 F.3d 973 (7th Cir. 2010), the Court of Appeals for the Seventh Circuit explained that § 1404(a) “permits a ‘flexible and individualized analysis’ and affords district courts the opportunity to look beyond a narrow or rigid set of considerations in their determinations.” Id. at 978 (quoting Stewart Organization, Inc. v. Ricoh Corp., 487 U.S. 22, 29 (1988)). However, the court summarized the most salient factors:

With respect to the convenience evaluation, courts generally consider the availability of and access to witnesses, and each party’s access to and distance from resources in each forum. Other related factors include the location of material events and the relative ease of access to sources of proof.

The “interests of justice” is a separate element of the transfer analysis that relates to the efficient administration of the court system. For this element, courts look to factors including docket congestion and likely speed to trial in the transferor and potential transferee forums; each court’s relative familiarity with the relevant law; the relationship of each community to the controversy. The interests of justice may be determinative, warranting transfer or its denial even where the convenience of the parties and witnesses points toward the opposite result.

Id. (internal quotations and citations omitted).

It is undisputed that plaintiffs’ amended patent claims could have been brought against defendants in Delaware. Thus, the question is whether the District of Delaware is clearly more convenient than the Western District of Wisconsin. In this case, neither Delaware nor Western Wisconsin seems to be clearly more convenient or even have a significant connection to the parties’ disputes or the facts of the case. None of the parties

are incorporated in Wisconsin or have their headquarters or any major facilities here. Although defendants are Delaware corporations, their principal places of business are actually in Illinois. The parties do not identify any potential witnesses who are located in Wisconsin or Delaware, any relevant events that occurred in either state that did not occur in every other state or even any documents that are located in either state. Both parties state that potential witnesses and sources of evidence are likely to be located in either Illinois or California. As large corporations, both parties are capable of litigating cases in either Wisconsin or Delaware (in fact both parties are litigating multiple claims in both districts) and relevant employees and documents will be available equally in Delaware and Wisconsin.

Defendants contend that Delaware is a more convenient forum for both parties because of the pendency of the related actions involving one or more of the twelve patents. If the parties' disputes regarding the twelve patents are transferred, there is a possibility that they could coordinate discovery and reduce the travel requirements and duplicative testimony of witnesses. Moreover, the possibility of consolidation with the related cases promotes the interests of justice by reducing the potential for duplicative litigation or inconsistent rulings. Coffey, 796 F.2d at 219-20 (interest of justice factor includes question whether transfer would facility consolidation of related cases). At the very least, plaintiffs' twelve claims would likely be consolidated with defendants' declaratory judgment action. Finally, transfer may reduce judicial inefficiency by requiring only one judge, Judge Sleet, to

become knowledgeable about the patents, products and technology at issue.

On the other hand, plaintiffs propose several reasons why keeping all of their claims here would be convenient and promote the interests of justice. First, defendants' consolidation argument is weakened by the fact that Judge Sleet has denied previous motions to consolidate the related cases. Additionally, two of these related cases have been stayed, so there is unlikely to be much coordination with those cases. Although consolidation with defendants' declaratory judgment action after transfer is likely, this factor does not weigh strongly in favor of transfer when it remains speculative whether the Delaware court will dismiss the declaratory judgment action for improper venue.

Finally, defendants' arguments regarding convenience and judicial efficiency are undermined by the fact that defendants seek only partial dismissal of plaintiffs' amended complaint. Thus, regardless whether this court granted defendants' motion to transfer, it must nonetheless adjudicate plaintiffs' claims against defendants regarding three patents dealing with smart phone products, as well as defendants' claims against plaintiffs' devices regarding six patents. Keeping the parties' disputes in one forum allows the possibility of coordinated discovery, pretrial disputes and broad settlement discussions. Thus, although litigating all disputes regarding the same patents in one forum may be convenient and promote the interests of justice, defendants have not shown that organizing litigation around patents is "clearly more convenient" than organizing litigation between the same parties in

the same forum, especially when the disputes involve the same products and related technologies. Therefore, I conclude that without the benefit of the first-to-file rule, defendants have not shown that the § 1404 factors favor transfer in this case.

ORDER

IT IS ORDERED that the motion to dismiss or sever and transfer filed by defendants Motorola Mobility, Inc. and Motorola, Inc., dkt. #28, is DENIED. Defendants may renew their motion to dismiss on the basis of the first-to-file rule if the District of Delaware determines that venue for defendants' first-filed declaratory judgment action is proper in that district.

Entered this 8th day of March, 2011.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge