

UNITED STATES DISTRICT COURT  
 NORTHERN DISTRICT OF CALIFORNIA

OPLINK COMMUNICATIONS, INC., *et al.*,                      No. C-11-2361 EMC

Plaintiffs,

v.

**ORDER RE DEFENDANT’S MOTION  
TO DISMISS**

FINISAR CORPORATION,

(Docket No. 7)

Defendant.

**I. INTRODUCTION**

Defendant Finisar Corporation’s (“Finisar”) motion to dismiss Plaintiff Oplink Communications’ (“Oplink”) declaratory judgment action came before the Court on August 12, 2011. Docket. No. 7. Oplink seeks declaratory judgment of non-infringement of five Finisar patents<sup>1</sup> under the Declaratory Judgment Act, 28 U.S.C. §§ 2201-02, and the patent laws of the United States. Finisar argues that Oplink has waived and is precluded by res judicata from asserting the compulsory counterclaims that it failed to assert in its previously-filed answer to Finisar’s patent infringement claims in Texas litigation between the parties. Having considered the parties’ submissions and oral argument, the Court enters the following order.

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<sup>1</sup> The patents are U.S. Patent No. 6,439,918, U.S. Patent No. 6,884,097, U.S. Patent No. 6,908,323, U.S. Patent No. 7,088,518, and U.S. Patent No. 7, 255,484. Finisar refers to these patents as the “Texas patents” in its motion to dismiss, and the Court will use the same reference here for convenience.

## II. FACTUAL & PROCEDURAL BACKGROUND

The parties are currently engaged in multiple litigation matters spanning two district courts. First, on December 10, 2010, Finisar filed suit in the Northern District of California (“NDCA”) for patent infringement of eleven Finisar Patents not at issue here (769, 755, 021, 310, 531, 160, 668, 720, 886, 150, 154). These patents are related to the physical structure of optoelectric transceiver housing. As Finisar describes them, optoelectric transceivers “provide the electrical-to-optical and optical-to-electrical conversion required for modern communication over fiber optic cables.” Docket No. 1-6 at 4. Finisar alleges that Oplink’s optoelectric transceiver products, including SFP, SFP+, and XFP, are infringing on these patents. This case has been assigned to Judge Seeborg as of June 8, 2011. Case No. 3:10-cv-05617-RS.

On March 7, 2011, OCP, a subsidiary of Oplink, filed suit in the Eastern District of Texas (“EDTX”) for patent infringement of five patents (622, 585, 065, 642, 736). Case No. 6:11-cv-104. These patents are related to Vertical-Cavity Surface Emitting Lasers (VCSELs), which are transmitters for optical fiber communications and can be used in products like computer mice and optical clocks that could in turn be used in GPS devices. *See* Texas Compl. ¶ 10, Docket No. 1-7 at 3 ¶ 10. Oplink asserts they are not related to the transceiver technology that is in litigation in NDCA. When Finisar filed its answer in EDTX on April 29, 2011, it included counterclaims against OCP and Oplink (as a third-party defendant) involving the transceiver technology. Finisar’s counterclaim alleged infringement of five patents (918, 097, 323, 518, 484). Texas Docket No. 10. Four patents cover the latching mechanism for transceiver modules, and the fifth is a bidirectional optical device. Oplink’s optoelectric transceiver products, including SFP, SFP+, and XFP, are allegedly infringing these patents. On May 12, 2011, Oplink filed a motion to sever Finisar’s counterclaims and transfer them to the Northern District to be consolidated with the matter before Judge Seeborg (and, ultimately, the present case as well). Texas Docket No. 16. It also filed an answer to Finisar’s counterclaims on the same day. Texas Docket No. 17. Oplink argues that the cases should be heard together in California because the NDCA action and the April 29 EDTX counterclaim both involve the same transceiver products (SFP, SFP+, and XFP), though they

1 involve different patents. Its motion has been fully briefed in Texas and awaits an order from that  
2 court.

3 Meanwhile, on May 13, 2011, Oplink filed suit in the instant case, No. 11-2361 EMC, for  
4 declaratory judgment of non-infringement of the five Finisar patents at issue in Finisar's EDTX  
5 counterclaim. Oplink did not include these declaratory judgment claims in its May 12, 2011 answer  
6 to Finisar's infringement claims in the Texas litigation. Pending before the Court is Finisar's motion  
7 to dismiss this declaratory judgment action under Federal Rule of Civil Procedure 12(b)(1) and  
8 12(b)(6). Docket No. 7.

### 9 III. DISCUSSION

10 Finisar argues that Oplink's declaratory judgment claims are precluded because Oplink was  
11 bound to assert them as compulsory counterclaims in the Texas litigation between the parties.  
12 Finisar contends that when Oplink filed its answer in that litigation without the declaratory judgment  
13 counterclaims, it cannot make those claims the basis of the new action. Oplink argues in response  
14 that it is not barred from raising these claims because the Texas litigation is still pending.

15 Rule 13(a)(1) of the Federal Rules of Civil Procedure requires a pleading to "state as a  
16 counterclaim any claim that – at the time of its service – the pleader has against an opposing party if  
17 the claim: (A) arises out of the transaction or occurrence that is the subject matter of the opposing  
18 party's claim; and (B) does not require adding another party over whom the court cannot acquire  
19 jurisdiction." Both parties acknowledge that a declaratory judgment claim of non-infringement is a  
20 compulsory counterclaim to a claim of infringement of the same patent. *See* Mot. to Dismiss,  
21 Docket No. 7, at 2; Opp., Docket No. 11, at 4; *Cf. Polymer Indus. Prod. Co. v.*  
22 *Bridgestone/Firestone, Inc.*, 347 F.3d 935, 938 (Fed. Cir. 2003) ("Rule 13(a) makes an infringement  
23 counterclaim to a declaratory judgment action for noninfringement compulsory."); *Vivid Tech., Inc.*  
24 *v. Am. Sci. & Eng., Inc.*, 200 F.3d 795, 802 (Fed. Cir. 1999) ("[W]hen the same patent is at issue in  
25 an action for declaration of non-infringement, a counterclaim for patent infringement is compulsory  
26 and if not made is deemed waived."); 6 C. Wright, A. Miller & M. Kane, Fed. Prac. & Proc. § 1410,  
27 at 73 (2d ed. 1990) ("Any counterclaim involving the same patent as involved in the original action  
28 usually is considered to arise from the same transaction as the main claim."). The parties also agree

1 that “a party that does not assert its compulsory counterclaim in the first proceeding has waived its  
2 right to bring the counterclaim and is forever barred from asserting that claim in future litigation.”  
3 *Id.*; *Southern Constr. Co., Inc. v. Pickard*, 371 U.S. 57, 60 (1962) (“[Rule 13(a)] was particularly  
4 directed against one who failed to assert a counterclaim in one action and then instituted a second  
5 action in which that counterclaim became the basis of the complaint.”); *see* Mot. at 3; Opp. at 4.  
6 However, they disagree over the implications of that general rule.

7         Finisar contends that since Oplink’s answer has already been filed in the Texas litigation,  
8 without those claims, the matter is settled and that this suit should be dismissed with prejudice.  
9 Oplink’s only hope, according to Finisar, is to attempt to amend its answer in the Texas litigation.  
10 Reply, Docket No. 12, at 1. Oplink, by contrast, reads Rule 13 to preclude its declaratory judgment  
11 claims only if the Texas litigation had proceeded to judgment. Cases have not held dismissal with  
12 prejudice is proper in these circumstances when the first action has not reached final judgment. *See*  
13 *Polymer Indus. Prod.*, 347 F.3d at 936-39 (finding that an unasserted compulsory counterclaim from  
14 previous, completed litigation is now barred); *Fire King Int’l, LLC v. Corp. Safe Specialists, Inc.*,  
15 2007 WL 4098067 (N.D. Tex. Nov. 16, 2007) at \*1 (“dismissal of a claim raised in a subsequent  
16 action that should have been raised as a counterclaim in a prior action is appropriate only if the prior  
17 action has been concluded at the time the subsequent action is filed”), citing Fed. R. Civ. P. 13, adv.  
18 comm. n.7 (1937) (“If the [prior] action proceeds to judgment without the interposition of a  
19 counterclaim as required by subdivision (a) of this rule, the counterclaim is barred.”).

20         *Res judicata* does not apply, because “[p]reclusion becomes operative only upon the  
21 termination of an action and therefore can have no bearing on the second action . . . since the first  
22 suit still is pending.” 6 C. Wright, A. Miller & M. Kane, Fed. Prac. & Proc. Civ. § 1418 (3d ed.  
23 2011). Nor does the doctrine of waiver where the first action has not yet reached judgment. *See*,  
24 *e.g.*, *Adam v. Jacobs*, 950 F.2d 89, 93 (2d Cir. 1991) (“Nothing in Rule 13 prevents the filing of a  
25 duplicative action instead of a compulsory counterclaim.”) (citing 6 C. Wright, A. Miller & M.  
26 Kane, Fed. Prac. & Proc. § 1418, at 142-43 (2d ed. 1990 & Supp. 1991)). The cases to which  
27 Finisar cites to support its waiver argument involve prior completed litigation, rather than simply  
28

1 unfinished litigation as the case is here. *See, e.g., Polymer Indus. Prod.*, 347 F.3d at 936-39; *Kane v.*  
2 *Magna Mixer Co.*, 71 F.3d 555, 562-63 (6th Cir. 1995). As Wright & Miller explain,

3           Although it is well established that a party is barred from suing on a  
4           claim that should have been pleaded as a compulsory counterclaim in  
5           a prior action, one closely related question remains unsettled. What  
6           would prevent a defendant who does not want to assert a claim as a  
7           compulsory counterclaim in the opposing party's suit from bringing an  
8           independent action on that claim while the first action still is pending?  
9           Neither claim preclusion nor waiver or estoppel are appropriate  
10          theories for barring a second suit of this type. Notions of waiver or  
11          estoppel, rather than being applied more strictly than claim preclusion,  
12          often are used to mitigate the possible rigors of *res judicata*. Thus it  
13          would be inappropriate to use these doctrines to bar a counterclaim  
14          when *res judicata* would not do so.

15 6 C. Wright, A. Miller & M. Kane, Fed. Prac. & Proc. Civ. § 1418 (3d ed. 2011). While the prior  
16 action remains pending, particularly when there is a pending motion to sever and transfer, there is no  
17 basis for finding an intentional relinquishment of Oplink's right to assert the claims herein.

18           Instead, the Court opts to stay the instant action until the Texas court has ruled on Oplink's  
19 motion to sever and transfer. This comports with Rule 13's purpose to ensure judicial economy and  
20 protect against inconsistent rulings. *See Mitchell v. CB Richard Ellis Long Term Disability Plan*,  
21 611 F.3d 1192, 1201 (9th Cir. 2010) ("The purpose of Rule 13(a) is to prevent multiplicity of  
22 litigation and to promptly bring about resolution of disputes before the court."); 14D Wright, A.  
23 Miller & M. Kane, Fed. Prac. & Proc. Juris. § 3823 (3d ed. 2011) ("When two actions involving  
24 nearly identical parties and closely related patent infringement questions are filed in separate  
25 districts, which happens with some frequency in contemporary litigation, the general rule is that the  
26 case first filed takes priority, and the subsequently filed suit should be dismissed or transferred or  
27 stayed."); *see also Intervet, Inc. v. Merial Ltd.*, 535 F. Supp. 2d 112, 114 (D.D.C. 2008); *Deering*  
28 *Milliken, Inc. v. Koratron Co.*, 293 F. Supp. 518, 522 (S.D.N.Y. 1968) (granting defendant's motion  
to stay declaratory judgment action pending the outcome of litigation in another district court that  
may have involved the same subject matter).

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**IV. CONCLUSION**

The Court hereby stays the instant action until the Texas court renders its decision. The parties are directed to notify the Court within 14 days of the Texas court's ruling on Oplink's motion to sever and transfer.

IT IS SO ORDERED.

Dated: August 16, 2011

  
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EDWARD M. CHEN  
United States District Judge