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9
 10 **UNITED STATES DISTRICT COURT**
 11 **NORTHERN DISTRICT OF CALIFORNIA**
 12 **SAN FRANCISCO DIVISION**

13 GOOGLE INC., a Delaware corporation,

14 Plaintiff,

15 v.

16 COMPRESSION LABS, INC., a Delaware
 corporation; FORGENT NETWORKS, INC., a
 17 Delaware corporation; and GENERAL
 INSTRUMENTS [sic] CORPORATION, a
 18 Delaware corporation,

19 Defendants.

Case No. CV 04-03934 PJH

**DEFENDANTS' REPLY IN SUPPORT
 OF MOTION TO DISMISS OR, IN THE
 ALTERNATIVE, TO TRANSFER**

Date: December 8, 2004

Time: 9:00 a.m.

Court: Hon. Phyllis J. Hamilton

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1 Defendants submit this reply brief to Google's opposition to Defendants' Motion to Dismiss
2 or Transfer.

3 **I.**

4 **THE FIRST TEXAS CASES ARE ENTITLED TO FIRST-FILED PREFERENCE.**

5 **A. GI Has No Claim to Any of the Relief Sought in Any of the '672 Patent Lawsuits**

6 Google asserts that the First Texas Cases should not be considered the first-filed and should
7 be ignored for purposes of the first-to-file rule, because all co-owners, specifically GI, were not
8 joined. The overriding flaw in Google's arguments is its assertion that CLI had no right to file suit
9 in Texas without joining GI and that such failure to join GI in Texas somehow results in a void and
10 non-existent suit. Google ignores the reality that prior to the filing of any '672 Patent litigation GI
11 had entered into an agreement that CLI had the exclusive right to sue and recover for infringement
12 of the '672 Patent with respect to the accused devices in the First Texas Cases, and that GI later
13 assigned, conveyed, and released to CLI all of GI's right, title, and interest in the '672 Patent and
14 the outcome of any of the '672 Patent litigation. GI's assignment of all of its rights in the '672
15 Patent to CLI demonstrates that is not, and should not be considered, a necessary party.

16 It is well established that co-owners can modify their rights by agreement. 35 U.S.C. § 262;
17 *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1468 n.9 (Fed. Cir. 1998); *Shering Corp. v.*
18 *Roussel-UCLAF SA*, 104 F.3d 341, 344 (Fed. Cir. 1997) (quoting 35 U.S.C. § 262); *Willingham v.*
19 *Lawton*, 555 F.2d 1340, 1345 (6th Cir. 1977) ("35 U.S.C. § 262, the only statutory section dealing
20 with joint ownership of patents, specifically allows joint owners to change the relationship among
21 themselves by agreement."). Specifically, they may structure their interests so that one party is no
22 longer an owner. *IBM v. Conner Peripherals, Inc.*, 30 U.S.P.Q.2d 1315, 1319 (N.D. Cal. 1994)
23 ("Co-owners may avoid 'the inconvenience or undesirability of the joinder rule by structuring their
24 interests so that one party is no longer in law an 'owner.'"). When a former owner assigns its entire
25 interest in the patent-in-suit, the former owner is not a necessary or indispensable party. *Rawlings v.*
26 *National Molasses Co.*, 394 F.2d 645 (9th Cir. 1968); *E-Z Bowz, L.L.C. v. Professional Prod.*
27 *Research Co.*, No. 00-Civ-8670, 2003 WL 22064257 (S.D.N.Y. Sept. 5, 2003); *Procter & Gamble*

1 *Co. v. Kimberly-Clark Corp.*, 684 F. Supp. 1403 (N.D. Tex. 1987); *Biovail Labs., Inc. v. Torpharm,*
2 *Inc.*, No. 01 C 9008, 2002 WL 31687610 (N.D. Ill. Nov. 26, 2002).

3 GI has never been a necessary party to the '672 Patent litigation because, prior to any '672
4 Patent litigation being filed, it released to CLI the "sole, exclusive and unrestricted right and power"
5 to enforce, by licensing, litigation or otherwise, the '672 patent in the JPEG field-of-use, and to
6 defend any action involving such field-of-use without any accounting or other rights of GI. This
7 release deprived GI of any right to sue anyone for infringement based on the JPEG standard and to
8 control or direct any aspect of the '672 Patent litigation in any manner. Such a release disqualifies
9 the absent co-owner as a necessary or indispensable party under Rule 19.

10 Further, GI's subsequent assignment of its entire ownership interest in the '672 Patent to
11 CLI puts this case squarely on all fours with numerous other cases involving precisely the same
12 situation present here. In *E-Z Bowz, L.L.C. v. Professional Product Research Co.*, No. 00 Civ. 8670,
13 2003 WL 22064257 (S.D.N.Y. 2003), a co-owner assigned her interest in the patents in-suit
14 *pendente lite*, and thereafter was no longer an owner. After concluding that none of the Rule 19
15 factors was present, the court noted that "[n]othing in the language of Rule 19 suggests that [the
16 former co-owner's] subsequent assignment requires that she be dragooned into being part of a
17 litigation in which she has disclaimed all interest." *Id.* at *4.

18 *E-Z Bowz* cites *Procter & Gamble Co. v. Kimberly-Clark Corp.*, 684 F. Supp. 1403 (N.D.
19 Tex. 1987), in which a patent's owner assigned all of its rights under the patent to Procter &
20 Gamble. Upon Kimberly-Clark's motion to dismiss, the court held that "even if Raychem owned
21 the . . . patent on the day suit was filed, dismissal [as to the unnecessary party] was proper once the
22 patent had been assigned." *Id.* at 1406-07. The court concluded:

23 A party which assigns all of its rights and interests under a patent should not be
24 compelled to litigate an infringement action merely because it was the patent owner
25 on the day suit was filed and for a few days thereafter. A party which divests itself of
26 all of its interest in a patent does not have a sufficient stake in the outcome of the
27 controversy to require that it remain a party. Any other result would exalt form over
28 substance.

27 *Id.* at 1407. The court found that the former owner was not a necessary or indispensable party under
28 Rule 19, and dismissed the former owner. *Id.*

1 The court in *Biovail Laboratories, Inc. v. Torpharm, Inc.* cited *Procter & Gamble* to hold
2 that a complete assignment *pendente lite* of an ownership interest nullified the former patent
3 owner's status as an indispensable party to the lawsuit. 2002 WL 31687610, at *1. By virtue of the
4 assignment, the assignor had no stake in the underlying infringement suit because it had no interest
5 in the patent-at-issue. *Id.* at *3. Accordingly, the court dismissed the assignor as a party. Similarly,
6 in *Rawlings v. Nat'l Molasses Co.*, 394 F.2d 645 (9th Cir. 1968), plaintiff and Feed Service were
7 joint owners of a patent, but after the lawsuit was commenced Feed Service assigned all of its rights
8 in the patent to the plaintiff, leaving the plaintiff as the sole owner. The district court dismissed the
9 action, saying that Feed Service was an indispensable party. The Ninth Circuit reversed, concluding
10 that the "absence of Feed Service as a party does not leave the defendants subject to a substantial
11 risk of incurring double, multiple, or otherwise inconsistent obligations because no matter what the
12 outcome of this litigation there is no substantial risk of the defendants being troubled with actions
13 brought by Feed Service. Feed Service has no capacity to sue strangers for infringement of the
14 patent." *Id.* at 647.

15 In this case, Google faces no risk of incurring inconsistent obligations because GI has no
16 capacity to sue it for infringement of the patent-in-suit nor can GI force CLI to sue anyone for
17 infringement. Indeed, GI has assigned and disclaimed its entire interest in the patent-in-suit and no
18 longer owns any part of it. GI is simply no longer an owner and makes no claim for any of the
19 damages that would result from the '672 Patent litigation.

20 **B. The First-Filed Texas Lawsuits Cannot Simply Be Ignored.**

21 Since the introduction of FED. R. CIV. P. 19 and the 1966 amendments to the rule, "courts are
22 less concerned with abstract characterizations of the parties and more concerned with whether the
23 rights of the parties can be fairly adjudicated absent joinder of the patent co-owner." *E-Z Bowz,*
24 *L.L.C.*, 2003 U.S. Dist. LEXIS 15364, at *3 (quoting *Michaels of Oregon Co. v. Mil-Tech, Inc.*,
25 1995 U.S. Dist. LEXIS 20875, at *1 (D. Or. Oct. 17, 1995)). Accordingly, "the adoption of the
26 1966 amendments to Rule 19 'makes inappropriate any contention that patent co-owners are *per se*
27 indispensable in infringement suits.'" *Howes v. Med. Components, Inc.*, 698 F. Supp. 574, 576
28

1 (E.D. Pa. 1988) (quoting *Catanzaro v. Int'l Tel. & Tel. Corp.*, 378 F. Supp. 203, 205 (D. Del.
2 1974)).

3 Many courts have held that joinder of the co-owner is not necessary “where the co-owner of
4 a patent or other entity or individual whose interest in a patent might be directly affected by
5 litigation has specifically disclaimed all interest in pursuing litigation related to the patent in favor
6 of the party who has brought the suit.” *Agilent Techs., Inc. v. Micromuse, Inc.*, 2004 U.S. Dist.
7 LEXIS 20723, 21-22 (S.D.N.Y., October 19, 2004) (citing *Vaupel Textilmaschinen*, 944 F.2d at
8 875-76 (concluding that the policy to join an owner when an exclusive licensee brings suit in order
9 to preclude the possibility of duplicative lawsuits was not undercut where, pursuant to express
10 agreements, the right to sue rested solely with the licensee and denying the defendant's Rule 19
11 motion); *E-Z Bowz*, 2003 U.S. Dist. LEXIS 15364, at *4-5 (holding that the defendant would not be
12 subject to a substantial risk of incurring inconsistent obligations where the former co-owner of
13 certain patents had relinquished her interest in the patents as well as any rights of action relating to
14 the patents and concluding that the rights of the parties could be fairly adjudicated without joinder
15 of the absent former co-owner); *Michaels of Oregon*, 1995 U.S. Dist. LEXIS 20875, at *2-3
16 (determining that an absent co-owner of certain patents was not a necessary party where that absent
17 co-owner had entered into an agreement with the plaintiff providing that only the plaintiff might file
18 actions for patent infringement).

19 None of the cases cited by Google support its contention that the Texas action is somehow
20 void and non-existent for purposes of the first-filed rule.¹ See *Int'l Nutrition Co. v. Horphag*
21 *Research Ltd.*, 257 F.3d 1324, 1331 (Fed. Cir. 2001); *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d
22 1456, 1467 (Fed. Cir. 1998); *Schering Corp. v. Rouseel-UCLAF SA*, 104 F.3d 341, 345 (Fed. Cir.
23 1997). Indeed, these cases hold that what is required is consent by all co-owners to bringing an
24 infringement action and that only if a co-owner withholds his consent to suing an infringer would

25
26 ¹ The Texas court has given no indication that it places any merit in Google's arguments.
27 The accused infringers have asserted the same arguments in Texas in motions to dismiss the Texas
28 lawsuits or to transfer them to Delaware or California based on the failure of CLI to join GI as a
necessary party. While Judge Folsom has not yet ruled on the motions, it is telling that the parties
have continued to litigate and engage in discovery in Texas and that the Texas court has not stayed
discovery between the parties pending a ruling on the motions to dismiss or transfer.

1 dismissal of that infringement action be required. *See Int'l Nutrition Co.*, 257 F.3d at 1331. In the
2 instant case, GI consented to the filing of the Texas lawsuits, and that consent is clearly evidenced
3 by its agreement that CLI shall have the exclusive right to enforce the '672 Patent in the JPEG field-
4 of-use and by its subsequent assignment of all ownership rights in the '672 patent to CLI.

5 If any of the parties to the Texas lawsuits, including Google, believed that GI should have
6 been joined as a necessary party, the proper procedural action would have been to join GI under
7 FED. R. CIV. P. 19 – not to file a completely new lawsuit in a completely different federal district.

8 Google's argument that the Texas action cannot be considered the first-filed, because CLI
9 did not include GI as a party in this case, and that the Delaware action should be considered the
10 first-filed because it was the first to include GI as a necessary party, is moot in light of GI's
11 assignment of all rights in and to the '672 patent to CLI. GI is not a necessary party. Further, in
12 any event, the case law is clear that *even if* GI were necessary to this action, the case does not
13 belong in California. Absent compelling circumstances, "the court initially seized of a controversy
14 should be the one to decide whether it will try the case." *Mann Mfg., Inc. v. Fortex, Inc.*, 439 F.2d
15 403, 407 (5th Cir. 1971); *see also Charles E. Hill & Assocs., Inc. v. Amazon.com, Inc.*, Civ. A. No.
16 02-CV-186, 2003 U.S. Dist. LEXIS 18479, at *1-2 (E.D. Tex. Jan. 23, 2003).

17 The presence of additional parties in a later-filed action, even if those parties turn out to be
18 necessary parties in the first-filed action, does not strip the first-filed case of its "first-filed" status.
19 The touchstone of the first-to-file rule is whether there is a likelihood of substantial overlap, not
20 identity of parties. *Save Power Ltd. v. Syntek Fin. Corp.*, 121 F.3d 947, 951 (5th Cir. 1997). The
21 fact that additional parties have been joined as defendants does not alter this result. *Charles E. Hill*,
22 2003 U.S. Dist. LEXIS 18479, at *4.

23 Google's tactical maneuver naming GI in this declaratory judgment action does not change
24 the fact that the Texas court was first seized of jurisdiction over CLI's actions for infringement. In
25 fact, none of the cases cited by Google supports its assertion that the California action's being the
26 first to have included GI makes it the first-filed. For example, *Mallinckrodt Med., Inc. v. Nycomed*
27 *Imaging A.S.*, 49 U.S.P.Q.2d 1474, 1477-88 (D. Mo. 1998), affirms that it is the court that first
28 acquires possession of the subject of the dispute (rather than particular parties) is considered the

1 first-filed. *Id.* at 1477. The *Mallinckrodt* district court’s decision to transfer was based, instead, on
2 its determination that it did not possess personal jurisdiction over the sole defendant named in the
3 plaintiff’s original complaint. *Id.* at 1477.

4 **C. The Relation Back Doctrine Is Inapplicable.**

5 Because the Texas Court had subject matter jurisdiction over the original action, Google’s
6 argument that an amended complaint adding GI cannot relate back to the original complaint in order
7 to retrospectively validate jurisdiction is irrelevant. The cases cited by Google for its relation back
8 theory do not control the outcome here. First, Google cites three cases which have nothing to do
9 with patent infringement actions and which have nothing to do with this fact scenario. Those cases
10 are *Miguel v. Country Funding Corp.*, 309 F.3d 1161 (D. Hawaii 2002) (lawsuit filed on last day of
11 statutory period against wrong party cannot not be cured by amended pleading), *USM Corp. v. GKN*
12 *Fasteners, Ltd.*, 578 F.2d 21 (1st Cir. 1978) (proper pleading not filed within appellate time limit
13 cannot be cured by filing amended pleading as it would improperly expand time limits to perfect
14 appeal), and *Austin v. Trandell*, 207 F. Supp. 2d 616 (E.D. Mich. 2002) (conditions precedent to
15 filing suit not satisfied at the time of filing original complaint cannot be cured by amended pleading
16 filed after conditions satisfied but after statutory time limit to file suit expired).

17 Next Google cites *PE Corp. v. Affymetrix, Inc.*, 2001 WL 1180280, No. Civ.A. 00-629-SLR
18 (D. Del. Sept. 27, 2001), an unreported case from the District of Delaware. It is easily
19 distinguishable, and when read closely, actually supports CLI’s position. The plaintiff, relying on
20 the *Schering* and *Calgon* cases discussed above, argued that its amended complaint related back to
21 the original complaint’s filing date. Disagreeing, the court distinguished the *Schering* and *Calgon*
22 cases, emphasizing that “*Schering* and *Calgon* are inapposite, however, because they involve
23 licensees who possessed some, but not all, substantial rights in the patents at issue and who failed to
24 join the patent owners.” *Id.* at *2 (emphasis added). By contrast, the plaintiff in *PE Corp.* had
25 sought the “addition of the party possessing all substantial rights to the patent.” *Id.* (emphasis
26 added). Indeed, the patent owner, who initially tried to sue in its own name, had no right to file suit
27 at all and was not even deemed to be a necessary party to the suit. *Id.* at *3. Certainly, Google
28

1 cannot dispute that CLI at least had some substantial rights in the patent-in-suit and, thus, the right
2 to bring this action and confer jurisdiction on this Court.

3 Finally, Google makes a “*cf*” cite to *GAF Bldg. Materials Corp. v. Elk Corp.*, 90 F.3d 479
4 Fed. Cir. 1996) in support of its proposition that an amended pleading cannot relate back to cure
5 lack of subject matter jurisdiction. However, *GAF Bldg.* involved a case where the plaintiff filed
6 suit before the patent had even issued. That is not the situation here.

7 There simply is no basis for concluding that the Texas Action is not the first-filed case
8 related to this patent dispute. This case should be dismissed or transferred to Texas on this basis
9 alone.

10 II.

11 CLI AND FORGENT ARE NOT ALTER EGOS.

12 Despite the fact that Forgent is not an owner of the '672 Patent and has no right to assert any
13 patent infringement claims on its own behalf against any infringer, Google argues that Forgent is a
14 properly named party in this declaratory judgment action and that there is an “actual controversy,”
15 because Forgent is an alter ego of CLI, the sole owner of the '672 Patent. Tellingly, Google does
16 not direct the Court to a single piece of correspondence or communication that shows that Forgent
17 ever manifested an intention to enforce the '672 Patent against anyone, including Google. Instead,
18 Google attempts to attribute CLI's actions to Forgent. Goggle has created a fiction that does not
19 comport with the legal requirements for proving alter ego in an attempt to force Forgent's
20 participation in this suit. Indeed, Google glaringly fails to cite any case law holding that the mere
21 fact that a subsidiary is wholly owned and controlled by its parent means *ipso facto* that the two
22 companies are alter egos.

23 Google's conclusory allegations of alter ego are unfounded and insufficiently asserted. As a
24 preliminary matter, “a parent company is presumed to have an existence separate from its
25 subsidiaries.” *Neilson v. Union Bank of Cal., N.A.*, 290 F. Supp. 2d 1101, 1116 (D. Cal. 2003).
26 Indeed, “the mere fact that it owns the stock of the subsidiary will not suffice to prove that the two
27 entities are alter egos of one another. . . .” *Id.* That CLI is Forgent's wholly owned subsidiary and
28 that Forgent is obligated to submit quarterly and annual filings to the Securities and Exchange

1 Commission as a publicly held company regarding its activities and the activities of its subsidiaries
2 are the only facts that Google has provided to the Court. This is unequivocally insufficient to
3 support an alter ego theory of liability.

4 Before the alter ego doctrine can be invoked, two elements must be alleged: “First, there
5 must be such a unity of interest and ownership between the corporation and its equitable owner that
6 the separate personalities of the corporation and the shareholder do not in reality exist. Second,
7 there must be an inequitable result if the acts in question are treated as those of the corporation
8 alone.” *Id.* at 1115 (D. Cal., 2003) (quoting *Sonora Diamond Corp. v. Superior Court*, 83 Cal.
9 App. 4th 523, 526 (2000)). Conclusory allegations of “alter ego” status are insufficient to state a
10 claim. “Rather, a plaintiff must allege specifically both of the elements of alter ego liability, as well
11 as facts supporting each.” *Id.* (citing *In re Currency Conversion Fee Antitrust Litig.*, 265 F. Supp.
12 2d 385, 426 (S.D.N.Y. 2003) (“These purely conclusory allegations cannot suffice to state a claim
13 based on veil-piercing or alter-ego liability, even under the liberal notice pleading standard”)).
14 Google has failed in both respects – it has failed to allege the required elements and has provided no
15 facts to support its *ipse dixit* allegations of alter ego.

16 III.

17 CLI IS NOT SUBJECT TO PERSONAL JURISDICTION IN CALIFORNIA.

18 Google argues that CLI is subject to both general and specific jurisdiction in California,
19 (1) because CLI is the alter ego of Forgent, which is subject to personal jurisdiction in California
20 and (2) because CLI did business in California in the 1980s. As discussed above, Google’s alter
21 ego theory has no merit, and Forgent’s contacts with California cannot provide a basis for personal
22 jurisdiction in California over CLI.

23 Further, CLI’s contacts with California in the 1980s are insufficient to create personal
24 jurisdiction in California over CLI *now*. For example, Google cites the fact that in the mid to late
25 1980’s CLI hired counsel in California to prosecute the patent-in-suit and had offices in California,
26 and that CLI was involved in litigation in California in the early to mid 1980’s. Sun claims that any
27 of these contacts would be sufficient to support personal jurisdiction in California over CLI.

28 Despite Sun’s claims to the contrary, the existence of federal jurisdiction “depends on the facts as

1 they exist *when the complaint is filed.*” *Newman-Green, Inc. v. Alfonzo-Larrain*, 490 U.S. 826, 830
2 (U.S. 1989) (emphasis added). What contacts CLI may have had ten to twenty years ago in
3 California do not dictate jurisdiction today.

4 General jurisdiction exists only where the defendant has “continuous and systematic general
5 business contacts” with the forum such that he could reasonably foresee being hailed into court in
6 that state for any matter. *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980).
7 Accordingly, “the critical focus for general jurisdictional purposes must necessarily be *on the time*
8 *the suit is filed.*” *Gummow v. Cole*, 2002 U.S. Dist. LEXIS 8271, *7-8 (D. Ill. May 8, 2002)
9 (emphasis added). Google has cited no evidence of any current CLI business contacts in California
10 that rise to the level of “continuous and systematic.” *See, e.g., id.* at *8 (holding court had no
11 general jurisdiction over defendant where defendant severed contacts with forum state four years
12 before plaintiffs filed patent declaratory action.). The examples cited by Google fail to establish
13 that CLI’s business contacts are presently continuous and systematic enough to confer personal
14 jurisdiction over CLI on this Court.

15 Further, Google has failed to provide any facts that show that CLI should be subjected to
16 specific jurisdiction in California. It has cited no case law that would support its position that CLI’s
17 license negotiation activities with companies based in California, including Google, are sufficient to
18 confer personal jurisdiction. The case at hand falls within the holdings of *Hildebrand, Red Wing*,
19 and *Oacis*, as cited in Defendants’ opening brief, that hold that CLI’s licensing negotiations with
20 Google and others by itself are not sufficient contacts with California to confer jurisdiction.
21 “[P]rinciples of fair play and substantial justice afford a patentee sufficient latitude to inform others
22 of its patent rights without subjecting itself to jurisdiction in a foreign forum. A patentee should not
23 subject itself to personal jurisdiction in a forum solely by informing a party who happens to be
24 located there of suspected infringement.” *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148
25 F.3d 1355, 1360-61 (Fed. Cir. 1998).

IV.

DECISION ON THIS MOTION SHOULD NOT BE STAYED.

Google incorrectly argues that this Court should stay its decision on Defendants' motion, should wait for the Judicial Panel on Multidistrict Litigation to decide whether to transfer eight cases asserting infringement of the '672 Patent by companies practicing the JPEG standard. Google correctly recognizes that an action is not automatically stayed upon filing a 28 U.S.C. § 1407 motion and that the Court should grant a discretionary stay only when it serves the interests of judicial economy and efficiency. In this case, staying a decision on Defendant's motion to dismiss does not serve the interests of judicial economy or efficiency.

The Judicial Panel's Rules of Procedure expressly direct that an action pending before the Judicial Panel does not affect pretrial proceedings in an existing case or limit the court's pretrial jurisdiction. *See* R. PRO. JUD. PANEL ON MULTIDISTRICT LIT. 1.5, 199 F.R.D. 425 (2001); *see also Shields v. Bridgestone/Firestone, Inc.*, 232 F. Supp. 2d 715, 718 (E.D. Tex. 2002); *Tortola Restaurants, L.P. v. Kimberly-Clark Corp.*, 987 F. Supp. 1186, 1188-89 (N.D. Cal. 1997). In fact, in standard letters to district courts facing § 1407 motions, the Judicial Panel actually encourages the court to go ahead and rule on them:

Thus your jurisdiction continues until any transfer becomes effective. If you have a motion pending before you in the action – particularly a motion to remand to state court (if the action was removed to your court) – you are *encouraged* to rule on the motion unless you conclude that the motion raises issues likely to arise in other actions in the transferee court, should we order transfer, and would be best decided there.

Shields, 232 F. Supp. 2d at 718 n.1; *In re Massachusetts Diet Drug Litig.*, 2004 WL 2181572, at *2 (D. Mass. Sept. 17, 2004).

In the face of this strong authority disfavoring stays, a court's discretion to grant a stay should be guided by “the exercise of judgment, which must weigh competing interests and maintain an even balance.” *Wedgeworth v. Fibreboard Corp.*, 706 F.2d 541, 545 (5th Cir. 1983). Where there is even the possibility that the requested stay will serve to prejudice another party, the requesting party must make out a “clear case of hardship or inequity in being required to go forward.” *Id.* A stay in this case would prejudice both Defendants' and the accused infringers' ability to proceed to trial in Texas in October 2005. Google has not articulated any hardship or

1 inequity that would result if the court decided this motion to dismiss and does not even attempt to
2 allege that it would be prejudiced.

3 Furthermore, Sun's argument mistakenly assumes that the Judicial Panel is likely to
4 give them the result they want. The Judicial Panel, however, has not consolidated any cases to date
5 and is not reasonably likely to do so in the future. Transfer by the Judicial Panel is unlikely. The
6 accused infringers created the "multidistrict" litigation that they claim is the basis for transfer by
7 filing declaratory judgment actions in Delaware and California. They base their transfer request on
8 nothing but the various "multidistrict" cases that they themselves brought. In the mean time, the
9 Texas lawsuits are set for trial in October 2005 and the Texas court has ordered that discovery
10 continue.

11 The typical case for a motion to transfer to the Judicial Panel involves multiple plaintiffs
12 filing lawsuits against the same defendants in multiple jurisdictions. Here, the patent holder CLI
13 has accused multiple defendants of infringement and filed all of its infringement suits in the Eastern
14 District of Texas. The Texas lawsuits are all pending before the same judge. The only reason there
15 is duplicative litigation pending in multiple districts is because the accused infringers chose to
16 spread this dispute to other districts by filing declaratory judgment actions with issues identical to
17 those involved in the first-filed Texas lawsuits. CLI has moved to dismiss, stay or transfer each of
18 the mirror-image lawsuits to the Eastern District of Texas, where they belong.

19 Deciding Defendants' motion to dismiss would conserve, not waste, judicial resources.
20 Dismissal or transferring this and its sister case to the Eastern District of Texas would eliminate one
21 of the districts that the accused infringers say creates the "multidistrict" problem. It would clear this
22 case from the Court's docket and allow it to be handled by the court in Texas where accused
23 infringers are already defendants and where discovery is currently moving forward.

24 V.

25 CONCLUSION

26 For the foregoing reasons set forth in their opening brief and in this reply, Defendants
27 request that their motion to dismiss, or in the alternative motion to transfer be granted and that this
28 case be dismissed or, alternatively, be transferred to the Eastern District of Texas.

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Dated: November 24, 2004

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