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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

ADOBE SYSTEMS
INCORPORATED, a Delaware
Corporation,

Plaintiff,

v.

SELECT RETRIEVAL, LLC, a Texas
Limited Liability Corporation,

Defendant.

Case No. 3:12-cv-2342-GPC-WMC

**ORDER DENYING SELECT
RETRIEVAL, LLC’S MOTION
TO DISMISS PLAINTIFF ADOBE
SYSTEM INCORPORATED’S
FIRST AMENDED COMPLAINT
FOR DECLARATORY
JUDGMENT**

(ECF NOS. 51, 55)

INTRODUCTION

Before the Court in this patent case is defendant Select Retrieval, LLC’s (“Select Retrieval”) Motion to Dismiss plaintiff Adobe System Incorporated’s (“Adobe”) currently operative First Amended Complaint (“FAC”) pursuant to the first-to-file rule. (ECF Nos. 51, 54.) Adobe has filed a response in opposition, (ECF No. 59), and Select Retrieval has filed a reply, (ECF No. 65). The Court find’s Select Retrieval’s Motion to Dismiss suitable for disposition without oral argument. See CivLR 7.1.d.1. Having considered the parties’ submissions and the applicable law, and for the reasons that follow, the Court will **DENY** Select Retrieval’s Motion to Dismiss.

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1 **BACKGROUND**

2 Adobe filed this case on September 25, 2012,¹ following Select Retrieval’s
3 decision to sue several of Adobe’s customers for infringement of U.S. Patent No.
4 6,128,617 (“617 patent”) and U.S. Patent No. 5,953,724 (“724 patent”). (ECF Nos.
5 41, 43.) The patent-infringement cases Select Retrieval filed included at least one case
6 each in this District (“California Action”), the Northern District of Illinois (“Illinois
7 Action”), the Middle District of Florida (“Florida Action”), the District of Oregon
8 (“Oregon Action”), and the District of Maine (“Maine Action”). (Id. ¶¶ 16-18, 20-21.)

9 All defendants in the California Action have been dismissed, and the case is
10 closed.² Before the California Action was closed, however, Adobe sought to intervene
11 per Select Retrieval’s allegations against a licensee of Adobe’s Digital Marketing
12 technology (“DM technology”)—Pacific Sunwear of California, Inc. (“Pacific
13 Sunwear”). Unsuccessful in its attempt to intervene, Adobe agreed to defend and
14 indemnify Pacific Sunwear and, in doing so, filed counterclaims against Select
15 Retrieval for declarations of invalidity and non-infringement of the ‘617 patent. Select
16 Retrieval thereafter executed a covenant not to sue Pacific Sunwear, which led to the
17 parties’ joint motion to dismiss their respective claims and counterclaims.

18 Only two defendants remain in the Illinois Action—OfficeMax, Inc.
19 (“OfficeMax”) and Sears Holdings Corp. (“Sears”)—both of which are licensees of
20 Adobe’s DM technology. (ECF No. 43 ¶ 17.) The Illinois Action has been stayed
21 pending resolution of this action. (ECF No. 63.) The Florida Action has been
22 dismissed. (ECF No. 43 ¶ 18.) The Oregon Action has been dismissed. (Id. ¶ 20.)
23 The Maine Action involves one licensee of Adobe’s DM technology, L.L. Bean, Inc.
24 (“L.L. Bean”), and is currently stayed pending resolution of this action. (Id. ¶ 21.)

25 ¹ The redacted version of Adobe’s initial Complaint was filed on the docket on October 9,
26 2012.

27 ² Pursuant to Federal Rule of Evidence 201, the Court takes judicial notice of facts relating to
28 the procedural histories of this case, the related case filed in this District, Select Retrieval, LLC v. American Apparel, LLC, 3:11-cv-2158-GPC-WMC, and the First Delaware Action, Select Retrieval, LLC v. Amerimark Direct, LLC, 1:11-cv-0812-RGA.

1 Select Retrieval also filed at least two patent-infringement cases in the District
2 of Delaware, the first of which (“First Delaware Action”) is still pending, and the
3 second of which has been dismissed. (Id. ¶¶ 19, 22.) Select Retrieval filed the First
4 Delaware Action on September 13, 2011, naming, among others, five licensees of
5 Adobe’s DM technology as defendants: B&H Foto & Electronics Corp. (“B&H”);
6 Charming Shoppes, Inc. (“Charming”); Hayneedle, Inc. (“Hayneedle”); Macys.com,
7 Inc. (“Macy’s”); and Ross-Simons of Warwick, Inc. (“Ross-Simons”). (Id. ¶ 19.)

8 Adobe’s successfully moved to intervene in the First Delaware Action for the
9 limited purpose of filing a motion to sever and stay proceedings against its customers.
10 (ECF No. 55-5.) And while Adobe’s motion to sever was granted, its motion to stay
11 was denied. Because Adobe agreed to defend and indemnify its licensees, the First
12 Delaware Action has been proceeding with Adobe’s counsel at the helm of its
13 licensees’ defense, even though Adobe is not itself a party to that action.

14 The parties in the First Delaware Action have exchanged initial disclosures,
15 preliminary infringement contentions, preliminary invalidity contentions. The parties
16 have also engaged in significant discovery, including document productions and
17 depositions. On October 23, 2013, the court there issued a claims construction order,
18 (ECF No. 55-6), in which the court addressed nearly all of the claim terms that Adobe,
19 in its representation of Pacific Sunwear in the case related to this one, would have had
20 this Court construe.³ Fact discovery is set to close on February 5, 2014; expert
21 discovery is set to close on May 14, 2014; the dispositive motion filing deadline is set
22 for June 13, 2014; and trial is scheduled for November 3, 2104. (ECF No. 55-7.)

23 As to Select Retrieval’s allegations against Adobe’s customers in the First
24 Delaware Action, the Maine Action, and the Illinois Action, Adobe explains: “Select
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27 ³ Those claim terms include: “plural successive integrated active information documents”;
28 “control element selections”; “database”; “a database record having plural fields”; “database query”;
“rendering”; and “plural nodes at plural levels.” The court in the First Delaware Action construed all
of these terms except the three database terms. It appears the court has received briefing on whether
to construe these database terms but has not yet decided whether and, if so, how to construe them.

1 Retrieval alleges that Pacific Sunwear,⁴ OfficeMax, Sears, B&H, Charming,
2 Hayneedle, Macy's,⁵ Ross-Simons, and L.L. Bean, all of whom are Adobe licensees
3 (collectively, the "Adobe Licensees"), infringe the '617 patent 'by making, using,
4 owning, operating, and/or maintaining one or more websites . . . that embody the
5 inventions claimed in the '617 Patent.'" (ECF No. 43 ¶ 23.) In other words, Select
6 Retrieval's allegations against each of Adobe's customers are essentially the same,
7 varying only to the extent that each Adobe customer maintained its own website.

8 Adobe further explains that "Select Retrieval has also alleged that OfficeMax
9 infringes the '724 patent 'by making, using, selling, offering for sale or license,
10 advertising and/or importing in the United States, including within this judicial district
11 [i.e., the Northern District of Illinois], their products and services on the Internet using
12 methods or instrumentalities that embody the inventions claimed in the '724 Patent.'"⁶
13 (Id. ¶ 24.)

14 Adobe asserts the "Adobe Licensees provided to Adobe copies of the allegations
15 made against them by Select Retrieval, represented that these allegations are based on
16 customer use of the Adobe [DM] technology, and requested defense and indemnity
17 from Adobe." (Id. ¶ 26.) "Adobe has agreed to defend and indemnify all of the Adobe
18 Licensees Select Retrieval has accused of infringing the '617 patent." (Id. ¶ 33.)

19 Adobe explains that, while two district courts (this one and the District Court for
20 the District of Oregon) have found that Adobe did not have a significant protectable
21 interest in Select Retrieval's allegations, these decisions were issued before Adobe
22 filed notices as to Adobe's agreement to defend and indemnify its licensees. (Id. ¶ 34

24 ⁴ As noted above, Pacific Sunwear has been dismissed from the California Action.

25 ⁵ Macy's was dismissed from the First Delaware Action on January 21, 2014. B&H, Charming,
26 Hayneedle, and Ross-Simons remain as defendants in the First Delaware Action, having recently
served their Fourth Amended Invalidity Contentions.

27 ⁶ Adobe explains that, "In an amended complaint filed on September 14, 2011, Select Retrieval
28 omitted allegations related to the '724 patent," but that "Select Retrieval has refused to give
OfficeMax, Adobe, or any other Adobe Licensees (other than Pacific Sunwear) a covenant not to sue
on the '724 patent." (Id. ¶ 24.)

1 n.1.) Adobe explains that, once it agreed to defend and indemnify the Adobe
2 Licensees, the District Courts for the District of Maine and the District of Delaware
3 “held that Adobe has a ‘substantial’ or ‘protectable’ interest in Select Retrieval’s
4 allegations regarding infringement of the ‘617 patent.” (Id. ¶¶ 34-36.)

5 Based on the foregoing, Adobe asserted, in its FAC, four claims against Select
6 Retrieval: (1) declaratory judgment of non-infringement of the ‘617 patent; (2)
7 declaratory judgment of non-infringement of the ‘724 patent; (3) declaratory judgment
8 of invalidity of the ‘617 patent; and (4) declaratory judgment of invalidity of the ‘724
9 patent. (ECF No. 43 ¶¶ 43-72.) Thereafter, Select Retrieval executed a covenant not
10 to sue Adobe or its customers for infringement of the ‘724 patent for a period of six
11 years after the expiration of the ‘724 patent. (ECF No. 53-1.) The Court thus granted
12 Adobe and Select Retrieval joint motion to dismiss Adobe’s second and fourth claims
13 as to the ‘724 patent. (ECF Nos. 53, 54.) Thus, only Adobe’s first and third claims for
14 declarations of non-infringement and invalidity of the ‘617 patent remain.

15 Select Retrieval now moves to dismiss Adobe’s first and third claims under the
16 first-to-file rule.

17 DISCUSSION

18 Select Retrieval does not dispute that a justiciable controversy exists between it
19 and Adobe, such that this Court has jurisdiction over this case under the Declaratory
20 Judgment Act. Rather, Select Retrieval asserts the Court should, in its discretion,
21 decline to exercise jurisdiction and dismiss this action in favor of the First Delaware
22 Action.

23 More specifically, Select Retrieval argues this Court should decline to exercise
24 declaratory-judgment jurisdiction because the First Delaware Action: (1) was the first-
25 filed case; (2) involves substantially similar parties and issues; (3) has significantly
26 progressed through the discovery phase; (4) has proceeded through claims
27 construction; (5) is set for trial on November 3, 2014; and (5) will fully resolve
28 Adobe’s remaining claims in this case.

1 In opposition, Adobe argues the first-to-file rule is inapplicable because it is not
2 technically a party to the First Delaware Action; rather, this is the first-filed (and only)
3 action specifically between Adobe and Select Retrieval. Adobe further argues this suit,
4 which is a “manufacturer suit,” should take precedence of the First Delaware Action,
5 which is a “customer suit.” Adobe contends the First Delaware Action will not resolve
6 all disputes between itself and Select Retrieval because the First Delaware Action will
7 resolve the dispute “as it touches on only those customers involved in the particular
8 action,” and not the customers in the Maine and Illinois Actions, both of which remain
9 stayed pending the outcome of this case. (See ECF No. 63-1.)

10 The first-to-file rule is a generally recognized doctrine of federal comity that
11 permits a court to decline jurisdiction over an action “when a complaint involving the
12 same parties and issues has already been filed in another district.” Pacesetter Sys., Inc.
13 v. Medtronic, Inc., 678 F.2d 93, 95 (9th Cir. 1982); see also Kahn v. Gen. Motors
14 Corp., 889 F.2d 1078, 1081 (Fed. Cir. 1989) (considering first-to-file rules of circuit
15 in which patent case arose). “Underlying the first-to-file rule is the notion that ‘[s]ound
16 judicial administration . . . indicate[s] that when two identical actions are filed in courts
17 of concurrent jurisdiction, the court which first acquired jurisdiction should try the
18 lawsuit and no purpose would be served by proceeding with a second action.’” Best
19 Western Int’l, Inc. v. Patel, 2008 WL 608382, at *4 (D. Ariz. Mar. 3, 2008) (emphasis
20 added) (quoting Pacesetter, 678 F.2d at 95).

21 Three “prerequisites” must be satisfied for the rule to apply: (1) both cases must
22 involve the same parties; (2) both cases must involve the same issues; and (3) one case
23 must have been filed before the other. See Alltrade, Inc. v. Uniweld Prods., Inc., 946
24 F.2d 622, 625 (9th Cir. 1991).

25 Acknowledging that Adobe “is not technically a party to the [First Delaware
26 Action],” (ECF No. 55 at 8), Select Retrieval relies heavily on Proofpoint, Inc. v.
27 InNova Patent Licensing, LLC, 2011 WL 4915847 (N.D. Cal. Oct. 17, 2011), to argue
28 the Court should nonetheless dismiss this case under the first-to-file rule.

1 In Proofpoint, the district court was faced with a motion to dismiss claims for
2 declarations of non-infringement and invalidity of the patent-in-suit for lack of subject-
3 matter jurisdiction. Id. at *1. The declaratory-relief plaintiff, like Adobe here, sought
4 to clear the cloud over its software after the patentee/declaratory-relief defendant had
5 sued several of the plaintiff’s customers in a previously filed suit. Id. After deciding
6 the plaintiff failed to allege a controversy sufficient for declaratory-judgment
7 jurisdiction, the court opined in the alternative that—even if it “were to find the
8 declaratory jurisdiction might be proper”—the court “would nevertheless decline
9 jurisdiction” under the first-to-file rule in favor of the first-filed action. Id. at *6. In
10 rendering this alternative opinion, however, the court found the first-to-file rule was
11 “not clearly applicable” because the plaintiff was “not a party” to the Texas action. Id.
12 at *7. Nonetheless, the court reasoned that its decision to decline jurisdiction was
13 further supported under the first-to-file rule’s underlying policy of judicial efficiency.
14 Id. In the end, the court went so far as to “encourage” the plaintiff to intervene in the
15 Texas action, instead of filing an amended complaint. Id.

16 Ultimately, Proofpoint is distinguishable and does not stand for the proposition
17 that the first-to-file rule applies where an essential party is absent from one of the two
18 filed cases. Indeed, the Proofpoint court did not squarely address the same-parties
19 prerequisite but instead found that the interests of judicial economy supported
20 application of the rule.

21 In this case, the Court finds the parties in this action and the First Delaware
22 Action are neither the same nor substantially similar. It is undisputed that Adobe is not
23 a party to the First Delaware Action, as Adobe’s role in that case is limited to
24 defending its customers against Select Retrieval’s allegations of individual
25 infringement as to each of those customers.

26 The Court further finds the issues in this case and the First Delaware Action are
27 neither the same nor substantially similar. Select Retrieval’s claims in the First
28 Delaware Action pertain only to the allegedly infringing acts by Adobe’s customers in

1 their use of Adobe’s technology. This is because the ‘617 patent covers certain
2 methods, meaning that a finding of infringement or non-infringement by each of
3 Adobe’s customers in the First Delaware Action may, in theory, vary depending on
4 how Adobe’s technology was or is used by each of its customers. Conversely, a
5 finding of infringement or non-infringement in this case will resolve the broader issue
6 of whether Adobe’s technology may be used to infringe the ‘617 patent at all—a
7 finding that will affect the outcome of Select Retrieval’s claims against Adobe’s
8 customers in the First Delaware, Maine, and Illinois Actions.

9 The District Court for the Northern District of Illinois similarly recognized the
10 difference between this suit and the suits in which Adobe is merely defending its
11 customers. In its recent decision permitting Adobe to intervene in the Illinois Action
12 for purposes of requesting a stay in favor of this action, the court stated:

13 Intervention of right also requires that the disposition of the case could
14 impair or impede the [Adobe]’s ability to protect its interest. Select
15 Retrieval contends that this is impossible because a finding of
16 infringement by any of Adobe’s customers would not have a preclusive
17 effect as to its other customers in other cases. But this fact supports,
18 rather than detracts from, Adobe’s request to intervene. It underscores
19 that Adobe (through its customers) would be subject to potentially
inconsistent judgments regarding whether its technology infringes the
patent. Without intervening in [and staying] this case, Adobe’s ability to
defend its technology could be compromised. And both Select Retrieval
and Adobe would be forced to proceed inefficiently in piecemeal fashion,
even though the same technology (albeit not solely Adobe’s technology)
is at issue in various cases.

20 (ECF No. 63-1 at 6.) The court went further, stating: “[A]lthough the customers’
21 interests are not inconsistent with Adobe’s, they are not adequate representatives of
22 Adobe’s position in the larger fight being waged nationwide between it and Select
23 Retrieval.” (Id. at 7.) In short, this action represents the battlefield on which that
24 “larger fight” is being fought.

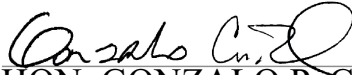
25 CONCLUSION & ORDER

26 Based on the foregoing, the Court concludes the facts of this case do not warrant
27 declining jurisdiction under the first-to-file rule. Accordingly, **IT IS HEREBY**
28 **ORDERED** that:

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1. Select Retrieval's Motion to Dismiss, (ECF Nos. 51, 55), is **DENIED**;
and
2. The hearing on Select Retrieval's Motion to Dismiss, currently set for
February 7, 2014, at 1:30 p.m., is **VACATED**.

DATED: February 5, 2014


HON. GONZALO P. CURIEL
United States District Judge