UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF KENTUCKY
CENTRAL DIVISION
at LEXINGTON

(Electronically Filed)

iLOR, LLC, Plaintiff, v. GOOGLE INC., Defendant.	Civil Action No. 5:07-cv-00109-JMH

DEFENDANT GOOGLE INC.'S REPLY IN SUPPORT OF ITS MOTION TO DISMISS REMAINING CLAIMS AND COUNTERCLAIMS WITHOUT PREJUDICE, AND FOR ENTRY OF FINAL AND APPEALABLE JUDGMENT

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I. INTRODUCTION

By their clear and express terms, the Court's Judgment of November 30, 2007 ("Judgment") and underlying contemporaneous Order ("Order") disposed only of iLOR's claims, on the merits and with prejudice. iLOR has previously conceded this self-evident fact, stating in its Notice Of Appeal that the Order "dismiss[ed] with prejudice ***Plaintiff's claims*** pending against Defendant in this action" and that the Judgment "dismiss[ed] ***Plaintiff's actions*** with prejudice and str[uck] it from the active docket." (Doc. No. 72; emphasis added.) Nonetheless, iLOR now takes the remarkable, and untenable, position that the Judgment also dismissed all of Google's declaratory judgment counterclaims ***on the merits***.

iLOR has turned what in other patent cases is a routine and ministerial practice—dismissing the pending counterclaims of a victorious defendant without prejudice, and then entering a final and appealable judgment, so that the plaintiff can if it chooses properly appeal its lost case—into a needless and protracted contested motion. The rules governing this situation are straightforward, and well-known. The Federal Circuit has identified four "clear and precise" routes to a final judgment in a patent infringement case where, like here, summary judgment of noninfringement is granted while counterclaims of invalidity remain unresolved on the merits:

1. the district court can proceed to trial on the invalidity counterclaims and adjudicate them to finality;

2. the district court can dismiss the counterclaims without prejudice;

3. the district court can, where proper, enter judgment under Federal Rule of Civil Procedure 54(b); or

4. the procedures of 28 U.S.C. § 1292(b), (c)(1) can be invoked.

See, e.g., Korszun v. Public Techs. Multimedia, Inc., 96 Fed. Appx. 699, 700 (Fed. Cir. 2004); *Nystrom v. TREX Co.*, 339 F.3d 1347, 1350-51 (Fed. Cir. 2003).

Given the procedural posture of this case, Google has appropriately moved for relief in accordance with option 2, dismissal of its counterclaims without prejudice, followed by entry of a proper final judgment. None of the other options is applicable here. Neither party is pressing for option 1, to proceed to trial. As to options 3 and 4, iLOR is plainly not taking an interlocutory appeal. Nor has iLOR sought to amend or withdraw the Judgment in order to take an interlocutory appeal. iLOR likewise has not sought the certification required by Fed. R. Civ. P. 54(b) in order to take an interlocutory appeal under that Rule. If, contrary to fact, this were an interlocutory appeal, then by definition there has been no final judgment of the action, and so the Court would remain free to dismiss Google's counterclaims without prejudice, and enter a final judgment that fully disposes of the action and puts it in condition for appeal, without any risk that the Federal Circuit would exercise its discretion to decline a putative interlocutory appeal. In sum, all procedural roads lead back to the relief that Google seeks on its motion.

II. ARGUMENT

A. This Court Has Jurisdiction To Entertain This Motion

As recently confirmed by the Federal Circuit, a district court has jurisdiction to grant a motion to dismiss where, as here, an appeal has been improperly noticed, for the simple reason that the case is not ripe for appeal. In *Hyperphrase Techs., LLC v. Google, Inc*., Google obtained summary judgment of non-infringement, and the District Court entered judgment on the plaintiff's infringement claims. Although the plaintiff noticed an appeal, Google, just like here, still had declaratory judgment counterclaims pending. *See* 2007 WL 4509047, at *3 n.4 (Fed. Cir. Dec. 26, 2007).

In similar settings, the Federal Circuit has recognized that premature appeals, noticed before an action is truly final, are a serious and chronic problem:

> The court takes umbrage at parties who have not carefully screened their cases to ascertain whether or not a judgment is final. It is incumbent on all parties to do so. The court should not be required or obligated to scrub every case to determine finality. ***At this time, the court shall not issue an order to show cause as to whether both parties should be cited or sanctioned for failing to determine finality before filing; however, the parties and other members of the bar are hereby placed on notice that the court shall in the future begin to cite counsel for failure to determine whether or not the appealed judgment is final.***

Int'l Elec. Tech. Corp. v. Hughes Aircraft Co., 476 F.3d 1329, 1331 (Fed. Cir. 2007) (emphasis added).

The plaintiff in *Hyperphrase* readily stipulated to the dismissal of Google's counterclaims without prejudice when alerted to the fact that the case was not ripe for appeal. (*See* Ex. A, *Hyperphase v. Google*, Stipulated Dismissal of Patent Claims, Jan. 18, 2007.)[1]. The plaintiff then properly noticed a second appeal. The Federal Circuit dismissed the first appeal for lack of jurisdiction because at the time it was noticed, Google's counterclaims remained unresolved, and in so doing implicitly confirmed that the district court retained jurisdiction to dismiss those counterclaims without prejudice, notwithstanding the premature first notice of appeal:

> Hyperphrase initially filed a notice of appeal on December 27, 2007... But while the district court had entered a judgment as to Hyperphrase's infringement claims on the Patents-In-Suit, it had not yet disposed of Google's extant counterclaims. On January 19, 2007, the district court entered a stipulated order dismissing without prejudice all of Google's defenses and counterclaims with respect to the Patents-In-Suit. Noting that its earlier-filed appeal was premature, Hyperphrase then filed a second notice of appeal on February 8, 2007... We hereby dismiss [the first appeal] for lack of jurisdiction and decide [the second appeal] as set forth this opinion.

Hyperphrase, 2007 WL 4509047, at *3 n.4.

Even where an appeal is properly taken, the district court retains jurisdiction for matters unrelated to the appeal, a point iLOR tacitly concedes at pages 2-3 of its Opposition. *See, e.g.*,

[1] This is the standard approach for putting a case in condition for appeal when a defendant prevails on summary judgment, but where its counterclaims remain unresolved. (*See* Exs. B-C.)

Tancredi v. Metro. Life Ins. Co., 378 F.3d 220, 225 (2d Cir. 2004) (notwithstanding pending appeal, district court retains residual jurisdiction over collateral matters, not related to appeal); *Fieldturf, Inc. v. Southwest Recreational Indus.*, 212 F.R.D. 341, 342-43 (E.D. Ky. 2003) (notice of appeal did not divest district court of jurisdiction to consider defendant's motion for discovery sanctions). iLOR's premature appeal concerns the issue of non-infringement, whereas Google's counterclaims are directed not only at (1) non-infringement, but also (2) invalidity and (3) unenforceability. The latter two issues were never addressed, let alone disposed of, on the merits. The Court also has never entered a declaratory judgment of non-infringement, even though Google requested that relief, and iLOR lost on that basis. Therefore, iLOR's improper and premature appeal did not divest this Court of jurisdiction over the matters now at issue.

B. The Court's Order And Judgment Did Not Impliedly Dismiss Google's Counterclaims With Prejudice, And It Would Have Been Improper To Do So

It is beyond any genuine dispute that this Court's Order and Judgment addressed, and disposed of, only iLOR's infringement claim against Google. iLOR's position to the contrary rests on its contention that the single word "action" in the Judgment summarily dismissed all of Google's counterclaims, with prejudice, as well. This argument goes too far. iLOR completely ignores that the Judgment expressly states that it is entirely based on the Court's Order:

GOOGLE, INC.) **JUDGMENT**
)
Defendant.)
)

** ** ** ** **

In accordance with the Order of even date and entered contemporaneously herewith,

IT IS HEREBY ORDERED:

(1) That this action be, and the same hereby is, **DISMISSED WITH PREJUDICE AND STRICKEN FROM THE ACTIVE DOCKET.**

(Doc. No. 71, Judgment (emphasis added).) The Order in question clearly dismissed only iLOR's claims against Google, with no mention whatsoever of Google's counterclaims:

IT IS ORDERED:

(1) that Plaintiff's Motion for Preliminary Injunction [Record No. 12] shall be and the same hereby is **DENIED;**

(2) that Defendant's cross-Motion for Summary Judgment [Record No. 52] shall be and the same hereby is **GRANTED;** and

(3) that Plaintiff's claims pending against Defendant in this matter shall be and the same hereby are **DISMISSED WITH PREJUDICE.**

(Doc. No. 70.)

iLOR's position is also illogical. According to iLOR, all of Google's counterclaims were dismissed with prejudice. But one of those counterclaims sought a declaratory judgment of non-infringement. The Court has never entered judgment on that counterclaim, and it is absurd for iLOR to suggest that the Court dismissed that counterclaim with prejudice "in accordance with" its Order, where that Order concluded that Google does ***not*** infringe. As to Google's counterclaims for declaratory judgment of invalidity and unenforceability, since the Court did

not even reach those issues on the merits, there simply is no record or disposition for the Federal Circuit to review.

Before it sought to take out-of-context and improper advantage of this Court's use of the word "action," iLOR itself conceded that the Judgment did not address Google's counterclaims. In its Notice Of Appeal, iLOR acknowledged that the Order and Judgment only dismissed ***iLOR's*** claims:

> Notice is hereby given that Plaintiff iLOR, LLC in the above named case hereby appeals to the United States Court of Appeals for the Federal Circuit from (1) the Order entered in this action on November 30, 2007 (a) denying Plaintiff's motion for preliminary injunction (Record No. 12), (b) granting Defendant's cross-motion for summary judgment (Record No. 52), and (c) dismissing with prejudice Plaintiff's claims pending against Defendant in this action; and (2) the Judgment entered in this action on November 30, 2007 dismissing Plaintiff's action with prejudice and striking it from the active docket.

(Doc. No. 72.)

Nor were Google's declaratory judgment counterclaims impliedly dismissed by entry of summary judgment of non-infringement against iLOR. *See Pause Tech. LLC v. TiVo Inc.*, 401 F.3d 1290, 1293-94 (Fed. Cir. 2005) (noting that "piecemeal litigation is as strictly precluded by the rule of finality for patent cases as it is for any other case" and refusing to deem defendant's invalidity counterclaim impliedly dismissed). Plaintiff's only response to *Pause Tech.* and similar authority is that those cases did not address situations where there was a Rule 54(b) certification or where interlocutory review of a denial of injunctive relief was involved. As explained in the next sections, neither of those exceptions is present here either.

Google's counterclaims were ***not*** impliedly dismissed with prejudice by the Judgment; indeed, it would have been improper to have done so. "A district court judge faced with an invalidity counterclaim challenging a patent that it concludes was not infringed may either hear

the claim or dismiss it ***without prejudice***." *Liquid Dynamics Corp. v. Vaughan Co., Inc.*, 355 F.3d 1361, 1371 (Fed. Cir. 2004) (emphasis added); *see also Nystrom*, 339 F.3d at 1351.[2]

The Federal Circuit has also emphasized that invalidity counterclaims are not automatically or necessarily "mooted" by a summary judgment decision of non-infringement. *Korszun*, 96 Fed. Appx. at 700 (acknowledging that while district courts can dismiss counterclaims of invalidity as moot in appropriate cases, a judgment that did not mention the pending counterclaims and merely stated that the "case is closed" failed to show any explicit action taken by the district court to dispose of the counterclaims in such a manner as to vest the appeals court with jurisdiction over a final judgment); *see also Kudlacek v. DBC, Inc.*, 115 F. Supp. 2d 996, 1075 (N.D. Iowa 2000) (citing *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83 (1993) for the proposition that the 'case is not over' after a finding of non-infringement of a patent that is also the subject of a defendant's counterclaim asserting invalidity). iLOR's argument that the Order and Judgment are "final appealable orders" and that the present motion is "moot" likewise do not hold up, considering that both presume that Google's counterclaims were dismissed with prejudice, when clearly that is not the case.

C. There Was No Entry Of Final Judgment On Defendant's Counterclaims Under Fed. R. Civ. P. 54(b)

Tacitly acknowledging the weakness of its principal argument, iLOR offers two backup theories. The first is that the inclusion of the words "there is no just cause for delay" in the Judgment implies that the court *sua sponte* certified this case for appeal under Fed. R. Civ. P.

[2] The single case cited by iLOR on this issue is not to the contrary. *H.R. Techs., Inc. v. Astechnologies, Inc.*, 275 F.3d 1378, 1384 (Fed. Cir. 2002), applied Sixth Circuit law to the different question of the propriety of the dismissal of the ***patentee's*** case without prejudice, due to a lack of standing, which the Court stated was "not an issue that goes to the merits of the underlying patent issues." By contrast, for patent issues concerning the finality of judgment, as presented here, Federal Circuit law applies. *See id*. at 1382 ("[b]ecause the finality of the dismissal presents an issue of our jurisdiction, we apply our own law, not that of the regional circuit from which the case arose."). *See also Liquid Dynamics* 355 F.3d at 1371; *Nystrom*, 339 F.3d at 1349-51 (noting that "[o]n matters relating to this court's jurisdiction, we apply Federal Circuit law, not that of the regional circuit from which the case arose", and citing *H.R. Techs*.).

54(b). But the Judgment makes no mention of Rule 54(b), Google's counterclaims, or any special circumstances why this case warrants piecemeal appeal. The Judgment does not even enter a declaratory judgment of non-infringement in Google's favor, even though that was the basis for disposing of iLOR's claims against Google. The lack of these requisite jurisdictional statements defeats iLOR's first alternate theory.

Beyond this, iLOR did not seek Rule 54(b) certification, and has not sought to amend or withdraw the Court's Judgment in order to take an appeal pursuant to Fed. R. Civ. P. 54(b). A "talismanic statement in the judgment that 'there is no just reason for delay in the entry of Final Judgment' is not sufficient to signal a deliberative and properly considered discretionary decision on [a Rule 54(b) certification]." *Santa Maria v. Owens-Illinois, Inc*., 808 F.2d 848, 854 (1st Cir. 1986). "[T]o avoid a finding of abuse of discretion in [the Sixth] Circuit a district court should do more than just recite the Rule 54(b) formula of 'no just reason for delay.'" *Corrosioneering, Inc. v. Thyssen Envtl. Sys., Inc.*, 807 F.2d 1279, 1282 (6th Cir. 1986). Instead, under Rule 54(b), a district court should consider factors including "(1) the relationship between the adjudicated and the unadjudicated claims; (2) the possibility that the need for review might or might not be mooted by future developments in the district court; (3) the possibility that the reviewing court might be obliged to consider the same issue a second time; (4) the presence or absence of a claim or counterclaim which could result in set-off against the judgment sought to be made final; (5) miscellaneous factors such as delay, economic and solvency considerations, shortening the time of trial, frivolity of competing claims, expense, and the like." *Akers v. Alvey*, 338 F.3d 491, 495 (6th Cir. 2003). The Court properly did not address these issues because iLOR never asked it to. iLOR's assertion now that it is appealing pursuant to Rule 54(b) is disingenuous and, if accepted,

would serve only to call the Judgment into question for not reflecting or articulating an analysis that the Court was never asked to make.

D. iLOR Is Not Presenting An Interlocutory Appeal Pursuant To 28 U.S.C. § 1292(a)(1) And § 1292 (c)(1)

iLOR's other fallback position, that it is presenting an interlocutory appeal pursuant to 28 U.S.C. § 1292(a)(1) and § 1292 (c)(1), is likewise untenable. There is no question that the Court purported to dismiss the entirety of the action when it entered Judgment. This is plainly not an interlocutory appeal of an interim order in a case that is proceeding on the merits, and iLOR cannot seriously maintain to the contrary. As noted, iLOR's Notice of Appeal purports to appeal the dismissal of the entirety of its action against Google. The Notice does not mention § 1292, and instead characterizes the Judgment being appealed as "dismissing Plaintiff's action" and "striking it from the active docket." (*See* Doc. No. 72.) iLOR has also not sought to amend or withdraw the Judgment in order to take an interlocutory appeal pursuant to 28 U.S.C. § 1292. Finally, if as iLOR contends this is merely an interlocutory appeal—contrary to reason, the Judgment, and iLOR's own Notice of Appeal—then by definition there has been no final judgment of the action, and the Court retains jurisdiction to dismiss Google's counterclaims without prejudice, and enter a proper final judgment.

III. CONCLUSION

Google therefore respectfully requests that the Court GRANT its Motion to Dismiss Remaining Claims and Counterclaims Without Prejudice, and for Entry of Final and Appealable Judgment. Google also respectfully request that the Court enter a declaratory judgment that it does not infringe United States Patent No. 7,206,839. Google also requests that the Court deny iLOR's request for sanctions, and instead impose appropriate monetary sanctions on iLOR. As noted in Google's moving papers, iLOR refused in the meet and confer process to articulate even

one of the off-the-mark arguments that it subsequently made in its brief, thus unnecessarily protracting the present motion practice by forcing Google to respond in the first instance on reply.

Dated: February 6, 2008

Frank E. Scherkenbach
Kurt L. Glitzenstein
Peter J. Kirk
Matthew J. Leary
Fish & Richardson, P.C.
225 Franklin Street
Boston, MA 02110-2804
Phone: (617) 542-2804
Facsimile: (617) 542-8906

James R. Higgins, Jr. (KBA No. 31790)
Charles G. Middleton IIII (KBA No. 47641)
Brian P. McGraw (KBA No. 90447)
Middleton Reutlinger
2500 Brown & Williamson Tower
Louisville, KY 40202-3410
Phone: (502) 584-1135
Facsimile: (502) 561-0442

Attorneys for Google Inc.

By: *s/ Brian McGraw*

CERTIFICATE OF SERVICE

It is hereby certified that I electronically filed the foregoing Reply in Support of Defendant Google Inc.'s Motion to Dismiss with the clerk of the court by using the CM/ECF system, which will send a notice of electronic filing to the following:

David E. Schmit
Eleanor Maria Farrell Schalnat
William S. Morriss
Frost Brown Todd LLC
2200 PNC Center
201 E. Fifth Street
Cincinnati, OH 45202-4182
Telephone: 513-651-6985
Facsimile: 513-651-6981

Attorneys for Defendant
iLOR, LLC

s/Brian McGraw
_____
ONE OF COUNSEL FOR DEFENDANT
GOOGLE, INC.