

EXHIBIT H

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10 IN THE UNITED STATES DISTRICT COURT
11 FOR THE NORTHERN DISTRICT OF CALIFORNIA

12 INTERWOVEN, INC.,
13
Plaintiff,
14
v.
15 VERTICAL COMPUTER SYSTEMS, INC.,
16
Defendant.

Case No. 10-cv-4645-JL

**VERTICAL'S MEMORANDUM IN
SUPPORT OF ITS MOTION TO
TRANSFER VENUE OR, IN THE
ALTERNATIVE, TO DISMISS
INTERWOVEN'S COMPLAINT FOR
DECLARATORY JUDGMENT**

Date: January 12, 2011
Time: 9:30 a.m.
Courtroom F (5th Floor)
Magistrate Judge James Larson

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11 **STATUTES**

12 28 U.S.C. §1391(d)5

13 28 U.S.C. § 1404(a):10

14 Cal. Evid. Code §11523

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1 **I. INTRODUCTION**

2 After almost two years of negotiations to reach an amicable settlement of Vertical
3 Computer Systems, Inc.'s ("Vertical") patent claims against it, Interwoven, Inc. ("Plaintiff" or
4 "Interwoven") abandoned the negotiations and surreptitiously filed the present action. This
5 anticipatory filing for declaratory judgment is an improper attempt to exploit the first-to-file rule
6 and secure a venue that differs from the one that Vertical had already chosen in similar litigation.

7 The present lawsuit essentially comprises a wholly-owned subsidiary of a British
8 corporation (Interwoven) manipulating Vertical and the judicial system to improperly shop for a
9 forum that it perceives to be the best place for its interests. But, the forum that it chose is not the
10 one that is convenient for the parties and witnesses, and, as shown below, forcing Vertical to
11 defend the present action in this Court is certainly not in the best interest of justice.

12 Vertical has brought an action in the Eastern District of Texas, where it resides, against
13 Interwoven, two LG companies and two Samsung companies for infringement of the same two
14 patents in suit here. That case will decide the same fact-dependent issues present in this case.
15 Thus, for the sake of judicial economy and for the convenience of the parties and witnesses,
16 Vertical respectfully requests that the Court either dismiss the present action or transfer it to the
17 Eastern District of Texas.

18 **II. FACTS**

19 On April 18, 2007, Vertical brought an action against Microsoft in the Eastern District of
20 Texas, its home district, alleging infringement of U.S. Patent No. 6,826,744 ("the '744 patent,"
21 attached as **Exhibit A**). Vertical prosecuted that action well into discovery and through briefing
22 of all the claim construction issues. On the eve of the claim construction hearing, the parties
23 settled the action. (**Valdetaro Decl. ¶1**).

1 Then, on January 12, 2009, Vertical contacted Interwoven, alleging that the '744 patent,
2 the same patent involved in the Microsoft action, covered one of Interwoven's products (letter
3 attached as **Exhibit B**). The '744 patent describes and claims a method for generating computer
4 applications on a host system in an arbitrary object framework. The method includes creating
5 arbitrary objects and managing and deploying them.

6 Unbeknownst to Vertical, Interwoven was in the middle of merger and acquisition
7 discussions at that time with Autonomy Corp. plc ("Autonomy"), a British corporation. A press
8 release, which Vertical recently discovered, had announced that those discussions would lead to
9 a merger in approximately the second quarter of 2009:

10 CAMBRIDGE, ENGLAND – January 22, 2009 – Autonomy Corporation plc
11 (LSE: AU or AU.L), A global leader in infrastructure software and Interwoven,
12 Inc. ("NASDAQ:IWOV), a global leader in content management software, today
announced that they have entered into a definitive agreement under which
Autonomy will acquire Interwoven.

13 (Press Release attached as **Exhibit C**).

14 Representatives of Vertical and Interwoven met in San Jose, California on March 5, 2009
15 to discuss Vertical's claims against Interwoven. At that meeting, Interwoven's representatives
16 made a detailed presentation, alleging that Interwoven had developed its products before the
17 invention of the '744 patent. Interwoven did not disclose its Teamsite 2006 product or how it
18 functions. Its representatives deflected the entire presentation and subsequent discussion to
19 products from the 1990s. Their motivation is now clear – avoid disruption of the closing in any
20 way possible. (**Valdetaro Decl. ¶3**).

21 The acquisition of Interwoven closed on March 17, 2009 (See **Autonomy Corp. plc**
22 **Annual Report and Accounts for 2009**, pages 58-59, attached as **Exhibit D**). Interwoven is
23 now a wholly owned subsidiary of Autonomy. The Autonomy brand has eclipsed everything
24

1 previously associated with Interwoven. Even the Interwoven website, www.interwoven.com,
2 prominently displays the name Autonomy – not Interwoven.

3 Vertical continued its investigation of Interwoven's products and with the help of a book
4 titled "The Definite Guide to Interwoven Team Site" and written by Brian Hastings and Justin
5 McNeal, identified Interwoven's Teamsite 2006 product as the one that infringes the '744 patent.
6 In the meantime, a continuation of the '744 patent application issued into U.S. Patent No.
7 7,716,629 ("the '629 patent," attached as **Exhibit E**). This patent has the same specification and
8 drawings as the '744 patent but different claims. Vertical has concluded that the Teamsite 2006
9 product also infringes the '629 patent. (**Valdetaro Decl. ¶4**)

10 On August 12, 2010, Vertical sent correspondence to counsel that previously represented
11 Interwoven in the 2009 meeting, renewing the settlement discussions (letter attached as **Exhibit**
12 **F**). It provided claim charts showing how the Teamsite 2006 product infringes the '744 and '629
13 patents. In that correspondence, Vertical asked for a response by September 15, 2010. Vertical
14 sought to continue the settlement discussions that the parties had started in early 2009 and to
15 amicably reach a resolution.

16 Autonomy's general counsel, Mr. Joel Scott, responded before the deadline and stated
17 that he wanted to discuss the matter further and asked for an extension to October 15, 2010, so
18 that the parties may attempt to resolve Vertical's claim. Scott stated that many of the Interwoven
19 employees, including those involved in the March, 2009 meeting, were no longer with the
20 company, and that he needed time to investigate the matter. (**Valdetaro Decl. ¶5**). In fact, Scott
21 labeled a confirming email "PRIVILEGED-FOR SETTLEMENT PURPOSES ONLY,
22 Fed.R.Evid. 408, Cal. Evid. Code §1152." (See email attached as **Exhibit G**).

23 Based on the subsequent events outlined below, Interwoven had other intentions. It
24 brought the present declaratory judgment action on October 14, 2010, the day before the end of

1 its extension. This ended the evasions, misrepresentations, and diversions perpetrated on
2 Vertical by Interwoven. But, Interwoven chose not to serve its complaint for a whole month. It
3 served its complaint two days after Vertical filed its action in Texas against Interwoven and the
4 LG and Samsung companies.

5 Vertical filed suit in the Eastern District of Texas on November 15, 2010, claiming
6 infringement of the '744 and '629 patents against the following companies:

- 7 1. Interwoven, Inc.;
- 8 2. LG Electronics MobileComm U.S.A., Inc.;
- 9 3. LG Electronics Inc.;
4. Samsung Electronics Co., Ltd.; and
5. Samsung Electronics America, Inc.

10 (Texas Complaint, attached as **Exhibit H**). Vertical continues to investigate infringement of the
11 '744 and '629 patents; and it may add more parties to the Texas action. The Texas action, in any
12 event, will continue irrespective of the present action.

13 Vertical has its principle place of business in Richardson, Texas, located in the Eastern
14 District of Texas. The material witnesses for this case reside in or near this district. Vertical
15 houses most of the documents relevant to this litigation in Richardson. And, Vertical sells and
16 services its products, including the SiteFlash product that the patents-in-suit cover, out of
17 Richardson. (**Valdetaro Decl. ¶6**).

18 Vertical does not have any offices in California. It does not have any employees that are
19 material witnesses and that have resided in California. Vertical has not sold its SiteFlash product
20 in California. To the best of its knowledge, a prior owner of the patents-in-suit (a company that
21 did not have any relation to Vertical) sold a product covered by those patents to a company in
22 California. Vertical collected maintenance fees for that product, but it has not collected any fees
23 or serviced that product since 2004. Since that time, Vertical has not sold any product or

1 provided any services in California. California is simply not a convenient forum for Vertical.
2 (**Valdetaro Decl. ¶7**).

3 The inventor of the patents-in-suit, Aubrey McAuley, is one of the most important
4 witnesses in this case. He resides in Austin, Texas. He is not an employee of Vertical. He is an
5 employee of an unrelated third party who does not allow him the flexibility to travel to faraway
6 places for this litigation. (**Valdetaro Decl. ¶8**) It goes without saying that the most convenient
7 forum for Mr. McAuley is the Eastern District of Texas.

8 In contrast, Interwoven is a wholly owned subsidiary of Autonomy, a British corporation.
9 (Under 28 U.S.C. §1391(d), an alien may be sued in any district). Its website,
10 www.interwoven.com, identifies the company as Autonomy. The website also identifies entities
11 such as Texas Instruments of Richardson, Texas and the Texas Department of Transportation as
12 its customers. (**Valdetaro Decl. ¶9**). Thus, the accused product is located in Texas and material
13 third party witnesses are located in Texas. Clearly, the most convenient forum for this litigation
14 is Texas.

15 Interwoven's complaint is defective for many reasons. For example, it does not specify
16 the patent claims that Vertical has asserted, the specific patent claims that Interwoven asserts are
17 invalid, the reasons why it believes those claims are invalid, or the details of its unenforceability
18 allegations, as required by Fed.R.Civ.P. 9(b). This is indeed what a disorderly dash to the
19 courthouse has produced. The complaint also has false and misleading venue-related allegations.

20 The following provides each venue-related allegation made by Interwoven, followed by
21 an explanation by Vertical:

22 A. From 2000 through at least mid-2004, Vertical was based in California at
23 6336 Wilshire Boulevard, Los Angeles, CA 90048.

24 Response: This statement is false. **Effective on September 8, 2003, Vertical**
25 **announced the closing of its office in Los Angeles, California** and moved its

1 principal executive office to Austin, Texas. It subsequently moved to Richardson,
2 Texas. Vertical has not kept any offices in California. (**Valdetaro Decl. ¶10**).

3 B. Vertical maintains a registered agent for service of process in California.
4 William Kenneth Mills of 865 South Figueroa Street, Suite 3200, Los Angeles,
5 CA 90017 who has been a director of Vertical since December 2000 and is listed
6 as Vertical's agent for service of process in California.

7 **Response:** This statement is true. (**Valdetaro Decl. ¶11**).

8 C. Based on publicly available information, Vertical is actively acquiring the
9 business and assets of California companies. On May 21, 2010, Vertical
10 Healthcare Solutions, Inc., a company wholly-owned by Vertical, purchased the
11 business and substantially all the assets of Pelican Applications, LLC, a California
12 Limited Liability Company.

13 **Response:** This statement is misleading. SnAPPnet, Inc., a Texas corporation
14 and a subsidiary of Vertical, not Vertical Healthcare Solutions, Inc., a Texas
15 corporation and another Vertical subsidiary, purchased the business and assets of
16 Pelican Applications, LLC. The assets that SnAPPnet purchased from Pelican
17 were not located in California. (**Valdetaro Decl. ¶12**).

18 D. Based on publicly available information, Vertical has two California-
19 based subsidiaries. Vertical Internet Solutions, Inc. and Pointmail.com, Inc. that
20 are California corporation, and are wholly-owned subsidiaries of Vertical.

21 **Response:** This statement was true at one time, but Pointmail.com, Inc. and
22 Vertical Internet Solutions, Inc. have been inactive entities since at least 2003 and
23 their status with the California Secretary of State office is "suspended."
24 (**Valdetaro Decl. ¶13**).

25 E. Based on publicly available information, Vertical has a royalty interest in
26 TranStar, based in Claremont, CA. TranStar is a system integrator and consulting
firm. Vertical is entitled to receive 3% of any transaction fees generated by
TranStar in perpetuity.

Response: While Vertical had previously entered into a royalty agreement with
TranStar, Inc. ("TranStar"), it has never received royalties from TranStar. To its

1 knowledge, TranStar is not active. TranStar is a Nevada corporation and its status
2 with the Nevada Secretary of State's offices is "revoked." (**Valdetaro Decl. ¶14**).

3 F. Based on publicly available information, Vertical also has a distribution
4 agreement with TranStar, based in Claremont, CA to market Vertical's products.

5 Response: This is a false statement. Vertical does not have a distribution
6 agreement with TranStar, Inc. (**Valdetaro Decl. ¶15**).

7 G. Vertical maintains a website (www.vcsy.com) that advertises its products,
8 including SiteFlash, ResponseFlash, emPath, and Emily Solutions. These
9 products are the subject of the distribution agreement with TranStar, outlined
10 above, based on publicly available information. The website solicits both
11 customers, through its product and service advertisements and investors, through
12 its investor relations section. It further provides contact information for Vertical
13 for both customers and investors and an interactive form for submitting questions
14 including for residents of California.

15 Response: This is a false statement. Vertical has no distribution agreement with
16 TranStar. (**Valdetaro Decl. ¶15**).

17 Interwoven cannot create contacts and activity in California. As the above facts clearly
18 show, the most convenient forum is Texas.

19 **III. ARGUMENT**

20 **A. Declaratory Judgment Is Not Available To An Accused 21 Infringer who Unilaterally Abandons Negotiations To File Suit**

22 A wealth of legal authority holds that when an accused infringer files suit in its home
23 jurisdiction in anticipation of a coercive action by a patent holder, such suit should be dismissed
24 as improper procedural fencing. Interwoven filed this suit in an attempt to secure this
25 jurisdiction as the forum for the resolution of its dispute with Vertical, knowing that a suit by
26 Vertical against Interwoven was imminent.

Courts have made it abundantly clear that a district court should not exercise its
discretion to hear a declaratory judgment action when the declaratory remedy is being used for
the purpose of procedural fencing or to provide an arena for a race to *res judicata*. "Such

1 anticipatory suits are disfavored because they are examples of forum shopping.” *Callaway Golf*
2 *Co. v. Corporate Trade, Inc.*, 2010 U.S. Dist. LEXIS 17906 at *9 (S.D. Cal. Mar. 1, 2010)
3 (citing *Mission Ins. Co. v. Puritan Fashions Corp.*, 706 F.2d 599, 602 n. 3 (5th Cir. 1983)); see
4 also *Herbert Ltd. Partnership v. Electronic Arts, Inc.*, 325 F.Supp.2d 282, 292 (S.D.N.Y.
5 2004)). Courts seek to “eliminate the race to the courthouse door in an attempt to preempt a later
6 suit in another forum.” *Id.*; see also *Learning Network, Inc. v. Discovery Communications, Inc.*,
7 11 Fed. Appx. 297; 301; 2001 WL 627618 at *3 (4th Cir. 2001) (citing *Myles Lumber Co. v. CNA*
8 *Financial Corp.*, 233 F.3d 821, 824 (4th Cir. 2000)).

9 “In patent cases, where 1) the patentee notifies an alleged infringer of suspected
10 infringement, 2) good faith negotiations ensue and 3) the alleged infringer then files a
11 declaratory judgment action in another forum, a subsequently-filed action by the patentee in the
12 nature of patent infringement filed within a reasonable time after the first action is entitled to
13 some deference and the 'first-filed rule' will not be dispositive.” *Saes Getters S.P.A. v. Aeronex,*
14 *Inc.*, 219 F. Supp. 2d 1081, 1091 (S.D. Cal. 2002) (citing *Kleinerman v. Luxtron Corp.*, 107 F.
15 Supp. 2d 122 (D. Mass. 2000)).

16 **1. In Surreptitiously Filing Suit While Negotiations**
17 **With Vertical Were Ongoing, Interwoven Has**
18 **Engaged In Unethical And Improper Procedural Fencing**

19 An accused infringer that surreptitiously files suit in the midst of negotiations with the
20 patent holder is engaged in "procedural fencing," a well recognized and universally condemned
21 litigation practice. In filing a declaratory judgment action, such an infringer purports to seek
22 relief from the uncertainty of being accused of infringement without the ability to secure an
23 adjudication of its rights. In reality, however, the infringer has no need for declaratory relief in
24 that context because the patent owner is actively enforcing its infringement claim. Thus, the
infringer's true motive of securing its chosen forum is readily apparent.

1 Courts refuse to hear such suits because the purposes the Declaratory Judgment Act was
2 meant to serve would be undermined by a rule rewarding the choice of forum to an infringer that
3 unilaterally abandons negotiations to race to the courthouse. “The wholesome purposes of
4 declaratory acts would be aborted by its use as an instrument of procedural fencing either to
5 secure delay or to choose a forum. It was not intended by the act to enable a party to obtain a
6 change of tribunal and thus accomplish in a particular case what could not be accomplished
7 under the removal act, and such would be the result in the instant case.” *Exxon Shipping Co. v.*
8 *Airport Depot Diner*, 120 F.3d 166, 170 (9th Cir. Alaska 1997) (citing *H.J. Heinz Co. v. Owens*,
9 189 F.2d 505, 508 (9th Cir. 1951)); see also, *The Hartford Fire Ins. Co. v. McGhee*, 2010 U.S.
10 Dist. LEXIS 52180 at *8 (N.D. Cal. May 27, 2010) (declining to exercise jurisdiction over a
11 declaratory relief action because it would “encourage forum shopping, procedural fencing, and
12 the ‘race for res judicata.’”); *Gerin v. Aegon USA, Inc.*, 2007 U.S. Dist. LEXIS 28049 at *19
13 (N.D. Cal. Apr. 3, 2007) (transferring case to “discourage forum-shopping and duplicative
14 litigation); *Callaway Golf Co.*, 2010 U.S. Dist. LEXIS 17906 at *9 (granting motion to transfer
15 to “eliminate the race to the courthouse door in an attempt to preempt a later suit in another
16 forum”).

17 **2. Interwoven Filed This Suit As A Litigation Ploy**
18 **And Faced No Injury From Uncertainty Or Delay**

19 Interwoven filed this action for the purpose of avoiding the resolution of its dispute with
20 Vertical in Texas and gaining leverage against Vertical in its settlement negotiations.
21 Interwoven was not motivated by any fear that injury might result from the possibility of
22 uncertainty or delay. In this case, as in those cited above, the lack of any legitimate reason for
23 filing suit by the declaratory judgment plaintiff exposes Interwoven's true and improper motive.
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1 **3. Use of the Declaratory Action as a Litigation**
2 **Ploy is Contrary to the Public Interest**

3 Use of the declaratory judgment action to avoid a forum viewed as undesirable by an
4 infringer is a well-recognized litigation ploy and condemned as contrary to the public interest.
5 “[T]he Declaratory Judgment Act should not be used to ‘deprive the plaintiff of his traditional
6 choice of forum and timing...’” *Nat'l Broom Co. of Cal. v. Brookstone Co.*, 2009 U.S. Dist.
7 LEXIS 69630 at *7 (N.D. Cal. July 30, 2009); *see also First Nationwide Mort. Corp. v. FISI*
8 *Madison*, 219 F.Supp.2d 669 (D. Md. 2002) (dismissing declaratory judgment action as improper
9 anticipatory filing when filed "under the apparent threat of a presumed adversary filing the
10 mirror image of that suit in another court"); *Successories, Inc. v. Arnold Palmer Enters., Inc.*,
11 990 F.Supp. 1044, 1046-47 (N.D. Ill. 1998) (dismissing declaratory judgment action as improper
12 anticipatory filing when accused infringer had "engaged in no more than three months of
13 settlement negotiations" and trademark holder "believed that negotiations were still ongoing").

14 In the lawsuit currently before the Court, the two parties were engaged in negotiations.
15 Interwoven never advised Vertical that the negotiations were over or that delay in resolution of
16 the matter might cause it harm. In fact, Interwoven was the one that caused any delay by
17 misguiding Vertical's investigation.

18 **B. This Case Should Be Transferred**
19 **To The Eastern District Of Texas**

20 This case logically belongs in the Eastern District of Texas, consolidated with the related
21 cases pending there. Having a court already involved in related cases trying this case as well will
22 serve judicial economy. Permissive transfers are governed by 28 U.S.C. § 1404(a):

23 For the convenience of the parties and witnesses, in the interest of justice, a
24 district court may transfer any civil action to any other district or division where it
25 might have been brought.

1 The threshold question under Section 1404(a) requires the court to determine whether the case
2 could have been brought in the forum to which the transfer is sought. *Roling v. E*Trade Sec.,*
3 *LLC*, 2010 U.S. Dist. LEXIS 123714 at *4 (N.D. Cal. Nov. 22, 2010). If venue would be
4 appropriate in the would-be transferee court, then the court must make an "individualized, case-
5 by-case consideration of convenience and fairness." *Id.* Among all considerations, "[t]he
6 convenience of witnesses 'is often the most important factor considered by the court when
7 deciding a motion to transfer for convenience.'" *Genentech, Inc. v. GlaxoSmithKline, LLC*, 2010
8 U.S. Dist. LEXIS 126773 at *6 (N.D. Cal. Nov. 30, 2010) (citing *Kannar v. Alticor, Inc.*, No. C-
9 08-5505 MMC, 2009 U.S. Dist. LEXIS 35091, 2009 WL 975426, at *2 (N.D. Cal. April 9,
10 2009)). Moreover, "[i]n evaluating the 'interests of justice,' the pendency of related actions in
11 the proposed transferee forum is a highly persuasive factor." *Wiley v. Trendwest Resorts*, 2005
12 U.S. Dist. LEXIS 38893 at *10 (N.D. Cal. Aug. 9, 2005). Other relevant considerations include
13 the cost of litigation, and the plaintiff's choice of forum. *Genentech, Inc.*, 2010 U.S. Dist.
14 LEXIS 126773 at *6.

15 The statement of facts above clearly shows that the transferee district is not only where
16 Vertical could have brought the action, Vertical did bring the action there. It also shows that
17 Texas is the most convenient forum for witnesses, document collection and all aspects of
18 discovery. As such, Texas is not only the most convenient forum, but would also affect
19 substantial cost savings.

20 **1. Related Cases Are Pending In**
21 **The Eastern District of Texas**

22 Perhaps the most compelling reason that this case should be transferred to the Eastern
23 District of Texas is the existence of related litigation pending there. Vertical brought suit on
24 November 15, 2010, in the Eastern District of Texas against Interwoven, two LG companies, and
25 two Samsung companies. The fact that cases in which the same utility patents that are at issue in

1 this case are pending in the Eastern District of Texas weighs strongly in favor of transfer of this
2 case to that district for consolidation with the cases against the LG and Samsung companies.
3 The present case and the case in Texas have numerous overlapping legal issues. For example,
4 the meaning and scope of the claims of the '744 and '629 patents is an issue in both cases, as is
5 the validity of those patents. In addition, the same documentary evidence will likely be
6 presented in both cases. Many of the same witnesses will be called to testify. And the Texas
7 district court is already familiar with the '744 patent, given its experience with the prior case
8 between Vertical and Microsoft.

9 As the Supreme Court observed in *Continental Grain Co. v. Barge FBL-585*, 364 U.S. 19
10 (1960):

11 To permit a situation in which two cases involving precisely the same issues are
12 simultaneously pending in different District Courts leads to the wastefulness of
13 time, energy and money that § 1404(a) was designed to prevent. Moreover, such
14 a situation is conducive to a race of diligence among litigants for a trial in the
15 District Court each prefers.

16 364 U.S. at 26; see also *Wiley v. Trendwest Resorts*, 2005 U.S. Dist. LEXIS 38893 at *10 (N.D.
17 Cal. Aug. 9, 2005) ("The feasibility of consolidation is also a significant factor in a transfer
18 decision. Litigation of related claims in the same tribunal is strongly favored because it facilitates
19 efficient, economical and expeditious pre-trial proceedings and discovery and avoids duplicitous
20 litigation and inconsistent results.") (internal quotations omitted); *Heartland Payment Sys. v.*
21 *VeriFone Isr., Ltd.*, 2010 U.S. Dist. LEXIS 41226 at *13 (N.D. Cal. Apr. 22, 2010)
22 ("[A]ppearing in a single district is more convenient than appearing in two different districts on
23 opposite coasts of the country.") (internal citation omitted). Here, as in these cases, transfer also
24 avoids the evils that § 1404(a) is designed to prevent. Discovery can be consolidated, thereby
25 saving the time, energy, and money of the parties. The same court can decide the issues of claim
26 interpretation, validity, and infringement, thereby saving judicial resources and avoiding

1 duplicitous litigation and inconsistent results. And witnesses can appear one time in Texas
2 instead of once in the Eastern District of Texas and then again in the Northern District of
3 California.

4 Finally, transfer is still appropriate here even though there are different defendants in this
5 and the Texas action because "common questions of law and fact are involved, consolidation of
6 the instant action with the one[s] pending in [the Eastern District of Texas] is a possibility. The
7 feasibility of consolidation is a significant factor in deciding a transfer motion." *Cambridge*
8 *Filter Corp. v. International Filter Co.*, 548 F. Supp. 1308, 1311 (D. Nev. 1982). The retention
9 by this Court of this action will only "result in wasteful and unnecessary duplication." *Schneider*
10 *v. Sears*, 265 F. Supp. 257, 267 (S.D.N.Y. 1967).

11 **2. The Convenience Of The Witnesses**
12 **Will Be Served By Transfer**

13 The convenience of witnesses is an important factor in deciding a motion for transfer
14 under § 1404(a). *American Standard Co. v. Bendix Corp.*, 487 F. Supp. 254, 261 (W.D. Mo.
15 1980). Live testimony is a primary reason courts are concerned about the convenience of
16 witnesses. *Langford v. Ameritanz, Inc.*, 2006 U.S. Dist. LEXIS 32823 at *24 (E.D. Cal. May 12,
17 2006). In order to effectuate live testimony, this Court may properly consider the limits of its
18 subpoena power in deciding whether to transfer venue. *U-Haul Int'l, Inc. v. Hire a Helper, LLC*,
19 2008 U.S. Dist. LEXIS 77629 at *5-6 (S.D. Cal. Sept. 22, 2008) (citing *FUL Inc. v. Unified Sch.*
20 *Dist. No. 204*, 839 F. Supp. 1307, 1311 (N.D. Ill. 1993)) ("[W]itnesses outside the subpoena
21 power of the court[] weigh heavily in a transfer decision[.]"). This Court can subpoena any
22 witness within 100 miles of the courthouse in San Jose. Fed.R.Civ.P. 45(b). Few material
23 witnesses are within the subpoena power of this Court. *Heartland Payment Sys.*, 2010 U.S. Dist.
24 LEXIS 41226 at *15 (transferring case where only one identified witness was located in
25 California, and the remainder were in Georgia, Texas, and New Jersey). Vertical's headquarters,

1 on the other hand, is located approximately 125 miles from the Texas court and almost all of the
2 witnesses are in its district.

3 **3. The Convenience Of The Parties**
4 **Requires Transfer Of This Action**

5 Vertical's offices, personnel and documents are located in Texas. Clearly, Texas is the
6 most convenient forum for Vertical. Interwoven boasts of having customers in Texas. The
7 accused product is located in Texas. Interwoven should not have any problem in defending this
8 lawsuit in Texas under these circumstances.

9 **4. The Location Of Relevant Documents**
10 **And Other Evidence Favors Transfer**

11 The location of documents, records, and other sources of proof is a factor the Court may
12 properly consider when deciding whether to transfer venue. *Genentech, Inc., LLC*, 2010 U.S.
13 Dist. LEXIS 126773 at *6 (citing "the ease of access to sources of proof" as a factor to consider).
14 This factor weighs heavily in favor of transfer to the Eastern District of Texas. As such, virtually
15 all the documents and other evidence relevant to this litigation are more easily and economically
16 transported from their locations to the Eastern District of Texas than to the Northern District of
17 California.

18 **C. The Federal Circuit Has Already Held That**
19 **Dismissal Is Proper In The Circumstances Of This Case**

20 In a factually similar case, *Serco Services Co. v. Kelley Co.*, the Federal Circuit held that
21 dismissal of a first-filed declaratory judgment action in favor of a related case was proper. 51
22 F.3d 1037 (Fed. Cir. 1995). Serco received a letter from Kelley alleging that Serco's product
23 infringed the claims of Kelley's patent. *Id.* at 1037-38. Serco responded with a letter stating its
24 non-infringement position. *Id.* at 1038. Kelley sent another letter to Serco several months later
25 accusing Serco of infringement and stating that "unless you confirm to us by September 20, 1993
26 that Serco [will cease its infringing activities], Kelley will commence a law suit." *Id.* On

1 September 17, 1993, Serco brought a declaratory judgment action against Kelley in the Northern
2 District of Texas. *Id.* On September 20, 1993, Serco wrote back to Kelley, reiterating its non-
3 infringement position. That same day, Kelley brought suit against Serco for patent infringement.
4 *Id.*

5 The Texas district court granted Kelley's motion to dismiss, stating that the anticipatory
6 nature of the declaratory judgment action, coupled with convenience factors, merited dismissal
7 of the declaratory judgment action. *Id.* In affirming the judgment of the district court, the
8 Federal Circuit stated that (1) there is not absolute right to a declaratory judgment; (2) whether to
9 dismiss or transfer a first-filed declaratory judgment action in favor of a later-filed infringement
10 suit is left to the district court's discretion; and (3) the district court's consideration of the
11 convenience and availability of witnesses, the possibility of consolidation with related litigation,
12 and the anticipatory nature of the declaratory judgment action were supported dismissal of the
13 declaratory judgment action. *Id.* at 1038-40.

14 Interwoven, like Serco, filed an anticipatory declaratory judgment action in a forum
15 bearing no relation to the convenience and availability of witnesses or to the ease with which
16 documents could be obtained. And Interwoven, like Serco, ignored the possibility of
17 consolidation of its declaratory judgment action with related litigation. Thus, Vertical
18 respectfully requests that this Court, like the Serco court, dismiss the declaratory judgment
19 action. Interwoven's claims against Vertical, and Vertical's claims against Interwoven, can be
20 consolidated with related cases pending in the Eastern District of Texas. As explained above, the
21 Eastern District of Texas is indubitably more convenient than this district for the parties and
22 witnesses. In short, "the relative convenience of the parties [is] 'sound reason' not to continue
23 [Interwoven's] declaratory suit." *Id.* at 1040.

1 **IV. CONCLUSION**

2 Because Vertical promptly filed an infringement action against Interwoven in a
3 convenient forum, Interwoven has no need for the declaratory relief that it seeks. To allow this
4 suit to go forward, then, would not serve any purpose other than rewarding Interwoven for its
5 unseemly conduct in surreptitiously breaking off negotiations with Vertical and dashing to the
6 courthouse. Accordingly, Vertical's motion should be granted.

7 Dated: December 7, 2010

Respectfully submitted,

8 Mark V. Isola /s/

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VERTICAL'S MEMORANDUM IN SUPPORT OF ITS MOTION TO TRANSFER VENUE OR, IN THE ALTERNATIVE, TO DISMISS INTERWOVEN'S COMPLAINT FOR DECLARATORY JUDGMENT – CASE No. 10-cv-4645 (JL)