IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

VERTICAL COMPUTER SYSTEMS, INC.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	CIVIL ACTION NO. 2:10-CV-490 TJW
	§	
INTERWOVEN, INC., LG ELECTRONICS MOBILECOMM U.S.A., INC., LG ELECTRONICS INC., SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC.,	§	
	§	
Defendants.	§	
	§	

SAMSUNG DEFENDANTS' MOTION TO DISMISS, STAY OR TRANSFER

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CASES

Defendants Samsung Electronics Co., Ltd. and Samsung Electronics America, Inc. (collectively, "Samsung") hereby move to dismiss, stay or transfer the present case to the United States District Court for the Northern District of California under the first-to-file rule.

I. INTRODUCTION

The present action is one of three currently-pending cases involving two patents allegedly assigned to Vertical Computer Systems, Inc. ("Vertical") – U.S. Patent Nos. 6,826,744 ("the '744 patent") and 7,716,629 ("the '629 patent") (collectively, "the Patents-in-Suit"). On October 14, 2010, Interwoven filed the first suit against Vertical in the Northern District of California, seeking a declaration that the Patents-in-Suit are invalid, unenforceable and not infringed. That suit was assigned to the Honorable Richard Seeborg. In response to Interwoven's first-filed action, Vertical subsequently filed the present suit in this Court on November 15, 2010, alleging that Interwoven, as well as Samsung, LG Electronics MobileComm U.S.A., Inc. ("LG Mobilecomm") and LG Electronics Inc. ("LG Electronics") (collectively, "LG"), infringe the same two Patents-in-Suit. Seeking an opportunity to be heard as a party in whichever jurisdiction proceeds first, Samsung filed its own declaratory judgment action against Vertical in the Northern District of California, again addressing the same two Patents-in-Suit.

Judge Seeborg has issued two significant orders in the California cases. First, Judge Seeborg denied Vertical's motion to dismiss or transfer Interwoven's California case to this Court. Judge Seeborg found that Interwoven's case was the first-filed action and that there was no persuasive reason to deviate from the first-to-file preference. Second, Judge Seeborg granted Samsung's motion to find that the Interwoven and Samsung actions are related, and reassigned Samsung's action to himself. In light of those orders and with the Case Management Conference for both the Interwoven and Samsung cases set for April 14, 2011, it is

clear that Judge Seeborg intends to proceed with the Interwoven and Samsung cases in the Northern District of California.

In the interests of comity and judicial economy, Samsung now moves to dismiss, stay or transfer the present case to the Northern District of California under the first-to-file rule. There is no dispute that Interwoven's complaint in the Northern District of California was the first-filed complaint. It is also undisputed that there is substantial overlap among the three cases given that they involve identical patents, identical issues of claim construction, invalidity and unenforceability, overlapping accused products, and overlapping parties. Accordingly, the dismissal, stay or transfer of the present case to the Northern District of California will promote comity, avoid duplicative litigation, and eliminate the risk of conflicting rulings.

II. BACKGROUND

Vertical first approached Interwoven in January 2009, accusing one of Interwoven's products of infringing the '744 patent. Declaration of Julian Moore ("Moore Decl.") Ex. A at 2. The '744 patent claims a "method for generating a computer application on a host system in an arbitrary object framework." Representatives of the two companies subsequently met in March 2009, at Interwoven's headquarters in San Jose, California, but did not reach agreement. *Id.* In August 2010, Vertical again approached Interwoven, this time accusing Interwoven of infringing both the '744 and '629 patents. *Id*. The '629 patent is a continuation of the '744 patent, and claims a "system for generating a computer application on a host system in an arbitrary object framework."

After the licensing discussions collapsed, Interwoven filed a declaratory judgment action against Vertical in the Northern District of California, the district in which Interwoven is headquartered, on October 14, 2010. Moore Decl. Ex. B. Interwoven's complaint sought a declaration that the Patents-in-Suit are invalid, unenforceable and not infringed.

Over a month later, on November 15, Vertical filed the present action, naming Interwoven and, in an apparent effort to avoid the first-to-file rule, Samsung and LG as defendants. Vertical alleges that Interwoven's TeamSite 2006 product, Samsung's Android-based Smartphones and tablet computers, and LG's Android-based Smartphones infringe certain claims of the Patents-in-Suit.

On December 7, Vertical filed a motion to dismiss or transfer Interwoven's California action to the Eastern District of Texas. On December 9, Interwoven cross-moved to enjoin Vertical from pursuing its duplicative litigation in this Court.

During the pendency of those motions, concerned that the first-filed Interwoven action would proceed on the Patents-in-Suit without Samsung having the opportunity to be heard as a party, Samsung filed its own declaratory judgment action in the Northern District of California. Moore Decl. Ex. C. Samsung's complaint alleges that the Patents-in-Suit are invalid, unenforceable and not infringed by Samsung's Android-based Smartphones and tablet computers. Samsung subsequently filed a motion requesting that its California action be related to Interwoven's declaratory judgment action on the ground that they both sought declaratory judgment of non-infringement, invalidity and unenforceability of the Patents-in-Suit.

On January 21, 2011, Judge Seeborg granted Samsung's motion, ordered that the Interwoven and Samsung declaratory judgment actions be related, and assigned Samsung's action to himself. Moore Decl. Ex. D.

Just a few days later, by Order dated January 24, 2011, Judge Seeborg denied Vertical's motion to transfer to the Eastern District of Texas, and held that Interwoven's declaratory judgment action should proceed in California. After finding that "Interwoven's is the first-filed action," that Interwoven's complaint was a proper exercise of the Declaratory Judgment Act, and

that the Northern District of California was a suitably convenient forum, Judge Seeborg held that there was "no persuasive reason to deviate from the first to file preference," and denied Vertical's motion to transfer. Moore Decl. Ex. A at 5-6.[1]

Apparently undeterred by Judge Seeborg's denial of its motion, Vertical subsequently moved to dismiss, transfer or stay Samsung's California action based on the first-to-file rule, despite the fact that Judge Seeborg has already found that Interwoven's action was the first-filed.[2] And in a last desperate attempt to get out of California, Vertical has also renewed its motion to dismiss or transfer Interwoven's California action – this time for Interwoven's alleged failure to sufficiently plead non-infringement, invalidity and unenforceability.[3]

The joint Case Management Conference for both the Interwoven and Samsung California cases is now set for April 14, 2011.

Meanwhile, in the present case, Interwoven has filed a motion to stay, dismiss or transfer the present case to the Northern District of California. That motion has now been fully briefed. And on February 9, Vertical and LG filed a second motion to extend the time by which LG must respond to Vertical's complaint by an additional two months to April 12, 2011. The

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[1] In the same order, Judge Seeborg declined to enjoin Vertical from asserting the Patents-in-Suit in this Court, in large measure because no party has addressed the question of whether the California court had personal jurisdiction over LG. Moore Decl. Ex. A at 6 ("Although this Court well may have personnel jurisdiction over [LG] – no party has actually addressed the issue."). Defendant LG Mobilecomm, however, is a California corporation with offices in San Diego, California. Moore Decl. Ex. E at 1-2; Vertical Complaint ¶ 3. In addition, LG Mobilecomm markets and distributes LG products through a partnership with Verizon (Moore Decl. Ex. E at 1), and Verizon offers for sale the accused LG Ally phone at its stores in Northern California (Declaration of Steven O'Neill ("O'Neill Decl.") ¶ 3).

[2] Samsung's opposition is due on March 3, 2011.

[3] In response to Vertical's renewed motion, Interwoven filed an Amended Complaint that moots Vertical's renewed motion.

implication of that extension is that Vertical and LG are discussing settlement of Vertical's claims against LG.

III. LEGAL STANDARD

According to the Federal Circuit,[4] "[w]e apply the general rule favoring the forum of the first-filed case, unless considerations of judicial and litigant economy, and the just and effective disposition of disputes, requires otherwise." *Elec. for Imaging, Inc. v. Coyle*, 394 F.3d 1341, 1347 (Fed. Cir. 2005) (finding that lower court abused its discretion in dismissing first-filed declaratory judgment action) (citation omitted). "[A]s a principle of sound judicial administration, the first suit should have priority, absent special circumstances." *Kahn v. Gen. Motors Corp.*, 889 F.2d 1078, 1081 (Fed. Cir. 1989) (finding that lower court abused its discretion in staying first-filed suit) (citation omitted). "Restraint of the first-filed suit is made only to prevent wrong or injustice." *Id.* "There must . . . be sound reason that would make it unjust or inefficient to continue the first-filed action." *Genentech, Inc. v. Eli Lilly and Co.*, 998 F.2d 931, 938 (Fed. Cir. 1993) (finding that the lower court abused its discretion by dismissing a first-filed declaratory judgment action in light of a later-filed infringement action) *abrogated on other grounds by Wilton v. Seven Falls Co.*, 515 U.S. 277, 289 (1995). "Such reason may be the convenience and availability of witnesses, or absence of jurisdiction over all necessary or desirable parties, or the possibility of consolidation with related litigation, or considerations relating to the real party in interest." *Id.*

Similarly, "[t]he Fifth Circuit adheres to the general rule, that the court in which an action is first filed is the appropriate court to determine whether subsequently filed cases involving substantially similar issues should proceed." *The Cadle Co. v. Whataburger of Alice, Inc.*, 174

[4] The question of whether a later filed patent infringement action should yield to an earlier filed declaratory judgment action is governed by Federal Circuit law. *Genentech*, 998 F.2d at 937.

F.3d 599, 606 (5th Cir. 1999) (citation omitted). The manifest concern is "to avoid the waste of duplication, to avoid rulings which may trench upon the authority of sister courts, and to avoid piecemeal resolution of issues that call for a uniform result." *West Gulf Maritime Ass'n v. ILA Deep Sea Local 24 et al.*, 751 F.2d 721, 729 (5th Cir. 1985) (holding that a district court abused its discretion in failing to dismiss or transfer later-filed action). The essential issue is whether there is a likelihood that the second-filed action might substantially overlap with the first action. *Sutter Corp. v. P&P Indus., Inc.*, 125 F.3d 914, 920 (5th Cir. 1997) (holding that the lower court abused its discretion in denying a transfer motion where "[t]here [was] no doubt that substantial overlap exist[ed]."). Only in "compelling circumstances" is the first-filed litigant's choice of forum disturbed. *Mann Mfg., Inc. v. Hortex, Inc.*, 439 F.2d 403, 407 (5th Cir. 1971).

IV. ARGUMENT

A. Interwoven's California Case Was the First-Filed Action

There is no dispute that, as between Interwoven's, Samsung's and Vertical's cases, Interwoven's case was filed first. Interwoven filed its complaint in California on October 14, 2010, Vertical filed its complaint in Texas on November 15, 2010, and Samsung filed its complaint in California on January 12, 2011.

In addition, as Judge Seeborg has already found, Interwoven's, Samsung's and Vertical's cases substantially overlap and involve similar issues. *See* Moore Decl. Ex. A at 4 n.1 (finding that Interwoven's and Vertical's cases involved the same patents and overlapping parties); Moore Decl. Ex. D (finding that Interwoven's and Samsung's cases satisfied N.D. Cal. Civil L.R. 3-12, which requires that the two cases "concern substantially the same parties, property, transaction or event").

First, all three cases involve the same two Patents-in-Suit – the '744 and '629 patents. Accordingly, all three cases will involve the same issues of claim construction, validity and

enforceability. Indeed, as Vertical itself acknowledged in its motion to transfer Interwoven's California case to this Court, Interwoven's California case "and the case in Texas have numerous overlapping legal issues. For example, the meaning and scope of the claims of the '744 and '629 patents is an issue in both cases, as is the validity of those patents." Moore Decl Ex. F at 12.

Second, all three cases involve overlapping parties. All three cases involve Vertical, two cases involve Interwoven, and two cases involve Samsung. In fact, the only difference between the California cases and the present case is the presence of LG. As this Court has previously found, however, "[i]t is well settled that complete identity of parties and claims is not required when evaluating a case under the first-filed principles." *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, No. 2:04-CV-359, 2006 WL 887391 at *2 (E.D. Tex. Mar. 28, 2006) (citation omitted) (granting transfer to the Northern District of California under first-to-file rule); *Amberwave Sys. Corp. v. Intel Corp.*, No. 2:05-CV-321, 2005 WL 2861476, at *1 (E.D. Tex. Nov. 1, 2005) ("A subsequent action that does not have complete identity of the parties can still substantially overlap on the substantive issues of the first-filed action, warranting dismissal or transfer."); *Charles E. Hill & Assoc., Inc. v. Amazon.com, Inc.*, No. 2:02-CV-186, 2003 U.S. Dist. LEXIS 18479, at *4 (E.D. Tex. Jan. 23, 2003) (granting transfer under first-to-file rule, noting "[t]hat additional parties have been joined as defendants does not alter [the] result"). As Judge Seeborg observed, were this not the case, a later filing party could circumvent the policies underlying the first-to-file rule by merely tacking on an additional defendant in a later, duplicative action. Moore Decl. Ex. A at 4 n.1; *see also Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 903 (Fed. Cir. 2008).

Finally, all three cases involve overlapping accused products. Interwoven's and Vertical's cases involve allegations against Interwoven's TeamSite 2006 product. Samsung's and Vertical's cases involve allegations against Samsung's Android-based Smartphones and tablet computers.

B. Transfer of the Present Case to the Northern District of California Will Promote Judicial and Litigant Economy and the Just and Effective Disposition of This Dispute

"The federal courts have long recognized that the principle of comity requires federal district courts – courts of coordinate jurisdiction and equal rank – to exercise care to avoid interference with each other's affairs." *E-Z-EM, Inc v Mallinckrodt, Inc.*, No. 2-09-cv-124, 2010 WL 1378665, at *1 (E.D. Tex. Mar. 31, 2010) (citation omitted). "The general principle in the interrelation of federal district courts is to avoid duplicative litigation." *California Sec. Co-Op, Inc. v. Multimedia Cablevision, Inc.*, 897 F. Supp. 316, 317 (E.D. Tex. 1995) (citation omitted). "Federal courts should try to avoid the waste of this duplication as well as rulings which may trench upon the authority of sister courts and piecemeal resolution of issues that call for a uniform result." *Id.*

As described above, Judge Seeborg denied Vertical's motion to transfer Interwoven's first-filed California action to this Court, and clearly intends to proceed with Interwoven's and Samsung's cases in California. In such a situation, this Court has recognized that the interests of justice support transfer of the later-filed case to the forum of the first-filed action. *See, e.g.*, *O2 Micro*, 2006 WL 887391, at *2 (transferring later-filed case to Northern District of California in "the interests of justice" where California judge had previously denied motion to transfer first-filed California case to Texas); *see also California Sec. Co-Op*, 897 F. Supp. at 317 (transferring later-filed case involving an additional defendant where the court in the first-filed action denied motion to transfer); *West Gulf Maritime*, 751 F.2d at 729 (holding that a district court abused its

discretion in failing to dismiss or transfer later-filed action where the judge in the first-filed forum had denied a transfer motion).

As Vertical acknowledged in its motion to transfer Interwoven's California case to this Court, transfer will enable "[t]he same court [to] decide the issues of claim interpretation, validity, and infringement, thereby saving judicial resources and avoiding duplic[ative] litigation and inconsistent results." Moore Decl Ex. F at 12-13. Transfer of the present action to the Northern District of California will thus promote judicial and litigant economy, as well as the just and effective disposition of this dispute. *See Amberwave*, 2005 WL 2861476, at *2 (transferring later-filed infringement action to forum of first-filed declaratory judgment action where failure to do so would result in "two complex and simultaneous actions between the same parties over related technologies and involving the same accused products."); *In re Aliphcom*, 2011 U.S. App. LEXIS 2604 (Fed. Cir. Feb. 9, 2011) (nonprecedential) (denying mandamus where district court transferred later-filed case to forum of first-filed case to promote judicial efficiency and avoid the risk of inconsistent judgments).[5]

C. No "Wrong or Injustice" Will Result from Proceeding in the Northern District of California

Dismissing or transferring the present case to the Northern District of California will not result in any wrong or injustice. All of the parties in Interwoven's, Samsung's and Vertical's actions are subject to personal jurisdiction in California. Interwoven and Samsung both consented to jurisdiction by filing their declaratory judgment actions in California; similarly, Vertical appeared in those actions without objecting to personal jurisdiction. According to

[5] To the extent Vertical takes the position that a 2007 Eastern District of Texas case between Vertical and Microsoft concerning the '744 patent mandates that the present action go forward in this Court, Vertical would be wrong. As Judge Seeborg observed, that case settled before the claim construction hearing and was presided over by a different judge (Magistrate Judge Everingham) than in the present case. Moore Decl. Ex. A at 5 n.3.

Vertical, LG Mobilecomm and its parent LG Electronics manufacture, import and sell the accused LG Ally Smartphone. Vertical Complaint ¶ 15. LG Mobilecomm, which is a California corporation with offices in California, markets and distributes LG products through a partnership with Verizon. Moore Decl. Ex. E at 1. Verizon offers the accused LG Ally Smartphone for sale in the Northern District of California. O'Neill Decl. ¶ 3.

Furthermore, as Judge Seeborg found, because "the parties, witnesses and documents are located in *both* Texas and California; neither district is demonstrably more convenient or less so than the other." Moore Decl. Ex. A at 6. Indeed, Vertical's allegations against Samsung and LG make the Northern District of California even more convenient to this dispute.

First, Vertical's infringement contentions implicate witnesses and documents located in the Northern District of California. In its complaint and claim charts that Vertical served on Samsung along with its complaint, Vertical accuses Samsung's Android-based Smartphones and tablet computers and LG's Android-based Smartphones of infringing the Patents-in-Suit. Moore Decl. Ex. G, H. The '744 and '629 patents claim a method and system, respectively, for generating a computer application in an "arbitrary object framework." Vertical specifically identifies Android as that "arbitrary object framework." *id*. Moore Decl. Ex. G. at 4-6, Ex. H at 6-7. The Android operating system, Android standard applications, and the Android software development kit (all of which Vertical identifies in its claim charts) have been developed, maintained, and distributed by Google, which is headquartered in Mountain View, California. Mountain View is in the Northern District of California. In addition, a subsidiary of defendant Samsung Electronics Co., Ltd. ("SEC") – Samsung Telecommunications America, LLC ("STA") – maintains a development lab in San Jose, California (also in the Northern District of California), which works with Google on the Android-related aspects of Samsung's Android-

powered Smartphones and tablet computers. Kwon Decl. ¶ 10. That lab performs a variety of software engineering work related to the Android platform, including optimizing device performance and conducting internal benchmarking. *Id.* The lab also works closely with the Android team at Google to ensure that Samsung's Android-powered Smartphones and tablet computers comply with Google's compatibility requirements. *Id.* Accordingly, relevant witnesses and documents are likely located in the Northern District of California. *Id.* ¶ 11.

Second, relevant witnesses and documents are likely located in Southern California. As described above, LG Mobilecomm has offices in San Diego, California. Moore Decl. Ex. E at 1-2; Vertical Complaint ¶ 3. According to publicly available information, LG Mobilecomm "(which does business as LG Mobile Phones) manufactures and markets cell phones, portable wireless-enabled PCs, and related accessories. The company also provides sales and marketing support in North America for its parent organization LG Electronics, a Korea-based manufacturer of consumer electronics, information technology, and communications products." Moore Decl. Ex. E at 1. According to Vertical, LG Mobilecomm and its parent LG Electronics manufacture, import and sell the accused LG Ally Smartphone. Vertical Complaint ¶ 15. It is likely that witnesses and documents relevant to the accused LG Ally Smartphone are located at LG Mobilecomm's offices in San Diego.

Third, relevant witnesses and documents are likely located in Korea, which is closer in proximity to the Northern District of California than to the Eastern District of Texas. Defendant SEC is a Korean corporation with its headquarters in Seoul, Korea. Kwon Decl. ¶ 3. SEC is responsible for the research, design, and manufacture of Samsung's Android-powered Smartphones and tablet computers. *Id.* ¶ 5. SEC obtains the source code for the Android operating system from Google. *Id.* ¶ 6. That code includes a number of standard Android

applications that Vertical has identified in its infringement claim charts (*e.g.*, dialer, SMS, email, internet browser, contacts, calendar, alarm clock, calculator, music player, camera, photo album, market, gmail, Google maps, and YouTube). *Id.* SEC's development group in Korea is responsible for the research, design and development of Samsung-specific Android applications. *Id*. ¶ 7. SEC's development labs in Korea compile the source code for the Android Operating System, the standard Android applications, and the Samsung-specific Android applications into binary code (executables). *Id*. ¶ 8. The binary code is then sent to SEC's factories in Korea and China, where it is installed onto Samsung's Android-powered Smartphones and tablet computers. *Id*. Witnesses and documents relevant to the research, design and manufacture of Samsung's Android-powered Smartphones and tablet computers are located in Korea. *Id.* ¶ 9. Like Samsung, LG Electronics is also a Korean company headquartered in Korea. Vertical Complaint ¶ 4. Vertical alleges that LG Electronics and its subsidiary LG Mobilecomm manufacture, import and sell the accused LG Ally Smartphone. *Id.* ¶ 15.

Finally, relevant witnesses and documents are likely located in Texas. STA, a Delaware corporation headquartered in Richardson, Texas, purchases the accused phones and tab computers from SEC in Korea, and imports them into the USA. Kwon Decl. ¶ 12. STA is then responsible for marketing and selling the accused phones and computers to wireless carriers (*e.g.*, Sprint, Verizon, AT&T), which distribute them to retailers and end users. *Id*. Witnesses and documents relevant to the importation, marketing and sales of the accused phones and tablet computers are located in Texas. *Id.* ¶ 13.

In sum, the location of witnesses and documents likely relevant to Vertical's allegations against Samsung and LG only reinforce Judge Seeborg's conclusion that "there is no persuasive reason to deviate from the first to file preference in this instance." Moore Decl. Ex. A at 6.

V. CONCLUSION

For the foregoing reasons, Samsung respectfully requests that this Court dismiss, stay or transfer the present case to the Northern District of California.

Dated: February 25, 2011

Respectfully submitted,

By: */s/ Eric H. Findlay*

Eric H. Findlay
State Bar No. 00789886
efindlay@findlaycraft.com
FINDLAY CRAFT LLP
6760 Old Jacksonville Hwy Suite 101
Tyler, TX 75703
Telephone: 903-534-1100
Fax: 903-534-1137

Matthew D. Powers
matthew.powers@weil.com
Steven Cherensky
steven.cherensky@weil.com
WEIL, GOTSHAL & MANGES LLP
201 Redwood Shores Parkway
Redwood Shores, CA 94065
Telephone: 650-802-3000
Fax: 650-802-3100

Timothy DeMasi
tim.demasi@weil.com
Julian Moore
julian.moore@weil.com
WEIL, GOTSHAL & MANGES LLP
767 5th Avenue
New York, NY 10153
Telephone: 212-310-8000
Fax: 212-310-8007

ATTORNEYS FOR DEFENDANTS
SAMSUNG ELECTRONICS CO., LTD.
SAMSUNG ELECTRONICS AMERICA, INC.

CERTIFICATE OF SERVICE

I hereby certify that all counsel of record, who are deemed to have consented to electronic service are being served this 25th day of February 2011, with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ *Eric H. Findlay*
Eric H. Findlay

CERTIFICATE OF CONFERENCE

Pursuant to Local Rule CV-7(h), the undersigned certifies that counsel for the movant has complied with the meet and confer requirement in Local Rule CV-7(h) and that the foregoing motion is opposed. The personal conference required by this rule was conducted telephonically on February 24, 2011, by Timothy DeMasi (counsel for Samsung), and Vasilios Dossas (counsel for Vertical). An agreement concerning the subject matter of the foregoing motion was not reached because Vertical would not consent to the requested relief, and the conference terminated in an impasse that has left an open issue for the court to resolve.

/s/ Timothy DeMasi
Timothy DeMasi