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HTC Corporation, HTC America, Inc., and Exedea Inc. (collectively, “HTC”) respectfully request the Court to sever for trial Plaintiff Wi-LAN, Inc.’s claims against HTC from Wi-LAN’s claims against the other, unrelated defendants.

**I. Introduction**

HTC brings this motion seeking a fair opportunity to present its defenses against Wi-LAN’s claims without confusion or prejudice. Wi-LAN is seeking to try four highly complex cases asserting different patents and different claims against four separate corporate families in a single trial. On October 5, 2010, Wi-LAN brought this patent infringement action against eleven defendants alleging infringement of four patents. The defendants still in the case break down into four separate groups of related entities: (1) HTC Corporation, HTC America, Inc., and Exedea Inc. (collectively “HTC”); (2) Alcatel-Lucent USA Inc. (“Alcatel-Lucent”); (3) Ericsson Inc. and Telefonaktiebolaget LM Ericsson (collectively, “Ericsson”); and (4) Sony Mobile Communications AB and Sony Mobile Communications (USA) Inc. (collectively, “Sony Mobile”).<sup>1</sup>

Wi-LAN has accused HTC of infringing U.S. Patent No. 6,381,211 (the “211 patent”) by selling *cellular phones*. In contrast, Wi-LAN accuses Alcatel-Lucent and Ericsson of infringing *three different* patents, namely U.S. Patent Nos. 6,088,326 (the “326 patent”), 6,195,327 (the “327 patent”), and 6,222,819 (the “819 patent”), by selling *base stations*. Thus, there are no common patent claims between HTC and Alcatel-Lucent or Ericsson. Moreover, there are no common products (or even categories of products) between HTC (who sells cellular phones) and Alcatel-Lucent or Ericsson (who both sell base stations). If not severed from Alcatel-Lucent and

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<sup>1</sup> While Ericsson and Sony Mobile are different corporate entities, they are represented by the same counsel and have common issues with respect to a conflict and resolution agreement.

Ericsson, any portion of a trial involving those parties would be irrelevant and would confuse and prejudice the jury as with respect to HTC.

The only other defendant Wi-LAN is asserting the '211 patent against, Sony Mobile, has counter-claims and defenses that are entirely unrelated to defenses raised by HTC. (Dkt. Nos. 253, 254.) Namely, Sony Mobile asserts that Wi-LAN granted it a license and covenant not to sue under the patents-in-suit in a prior contract it has with Wi-LAN. (Dkt Nos. 250, 251, 253, 254.) Additionally, Sony Mobile is asserting a counterclaim for breach of contract that is entirely unrelated to HTC. (*Id.*) Sony Mobile also sells different products than HTC. Sony Mobile and HTC also have different expert witnesses on the issues of non-infringement and damages, who rely largely on different information, different methodology, and different documents.

HTC does not have any link to any of the other defendants. HTC does not sell the same products as other defendants. HTC did not jointly develop its products with other defendants. HTC did not act in concert with the other defendants to allegedly infringe any of Wi-LAN's patents. HTC sells cellular telephones that it manufactures. In contrast, Alcatel-Lucent and Ericsson sell cellular base stations and Sony Mobile sells different cellular phones. Thus, there are no common products at issue between the defendants.

HTC submits it is improper for the case to be tried with all of the defendants for at least the following reasons: (1) it is contrary to the law and Federal Circuit precedent, because HTC and other defendants have different products that operate in different ways; (2) it is contrary to public policy as set forth in the America Invents Act; (3) it would impede HTC's ability to fairly present its defenses; and (4) a trial of all defendants will likely lead to jury confusion about the three patents *not* asserted against HTC and the three other defendant groups and their products

that are unrelated to HTC. Thus, the Court should sever Wi-LAN's claims against HTC for trial separate from those of the other defendants.

## **II. Argument**

### **A. Law and Public Policy Require a Separate Trial for HTC**

Courts in nearly all districts refuse to join unrelated defendants and products in a single suit based only on a commonly asserted patent. *See, e.g., Ho Keung, TSE v. eBay, Inc.*, No. C 11-01812, 2011 U.S. Dist. LEXIS 59675, at \*6 (N.D. Cal. June 2, 2011) (citing *Philips*); *WiAV Networks v. 3Com Corp.*, No. C 10-03448, 2010 WL 3895047, 2010 U.S. Dist. LEXIS 110957, at \*14–23 (N.D. Cal. Oct. 1, 2010) (citing *Philips*); *Sorenson v. DMS Holdings, Inc.*, No. 08cv559, 2010 WL 4909615, at \*1 (S.D. Cal. Nov. 24, 2010) (citing *Philips*); *see also, e.g., Interval Licensing LLC v. AOL, Inc.*, No. C10-1385, 2011 WL 1655713, at \*1 (W.D. Wash. Apr. 29, 2011) (“It is difficult to find joinder proper when the only shared facts alleged against multiple defendants is that each infringed the same patent.”); *Multi-Tech Sys., Inc. v. Net2Phone, Inc.*, No. Civ. 00-346, 2000 WL 34494824, at \*7 (D. Minn. June 26, 2000) (finding joinder improper because “[t]he only common thread running through the Complaint is Plaintiff’s contention that each Defendant infringed one or more of the four patents”); *Therma-Pure, Inc. v. Temp-Air, Inc.*, No. 10-cv-4724, 2010 WL 5419090, at \*4 (N.D. Ill. Dec. 22, 2010) (“Courts in this district, however, have consistently held that Rule 20(a)’s requirement for a common transaction or occurrence is not satisfied where multiple defendants are merely alleged to have infringed the same patent or trademark.”). Likewise, the United States, in passing the America Invents Act has codified the public policy preventing joinder of parties based only on claims of infringement of a common patent. *See* 35 U.S.C. § 299.

Under Federal Rule of Civil Procedure 20, defendants may be joined together in one action “only if the two independent requirements of Rule 20 are satisfied: (1) the claims against

them must be asserted ‘with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences,’ and (2) there must be a ‘question of law or fact common to all defendants.’” *In re EMC Corp.*, 677 F.3d 1351, 1356 (Fed. Cir. 2012) (quoting Fed. R. Civ. P. 20(a)(2)).

Here, a common question of law or fact is missing between all defendants. Wi-LAN has not alleged infringement of the same patents and the same claims against HTC and Alcatel-Lucent and Ericsson. (Decl. Ex. 1.) Since the infringement allegations do not overlap in any way, there is no common question of law or fact. Thus, the Court must sever HTC from Alcatel-Lucent and Ericsson for trial. The Court should also sever HTC from Sony Mobile because Sony Mobile has a separate contract defense and counterclaim, separate products, and a separate damages expert.

Even if Wi-LAN accused HTC of infringing the same claims of the same patent as the other defendants, that alone would not be sufficient to keep the parties together and a separate trial would be necessary. *Id.* at 1357 (“the mere fact that infringement of the same claims of the same patent is alleged does not support joinder”). If a party asserts the same patents and claims, joinder “is only appropriate where the accused products or processes are the same in respects relevant to the patent.” *Id.* at 1359. “Unless there is an actual link between the facts underlying each claim of infringement, independently developed products using differently sourced parts are not part of the same transaction, even if they are otherwise coincidentally identical.” *Id.* In addition to finding the same products or processes are involved, the Court should also consider the following factors, which support joinder and cut against severing defendants:

- (1) whether the alleged acts of infringement occurred during the same time period,
- (2) the existence of some relationship among the defendants,
- (3) the use of identically sourced components,



- (4) licensing or technology agreements between the defendants,
- (5) overlap of the products' or processes' development and manufacture, and
- (6) whether the case involves a claim for lost profits.

*Id.* at 1359-60.

When looking at the factors deemed pertinent to whether the claims arise out of the same transaction or occurrence, the differences between Sony Mobile, Alcatel-Lucent, and Ericsson and HTC are apparent. The time period for infringement and the corresponding hypothetical negotiation point are different for HTC and the other defendants, as stated by Wi-LAN's own damages expert. (Decl., Ex. 2, at pp. 43–45.) Second, there is no relationship between HTC and any of the other defendants. Third, while some licenses exist between HTC and other defendants, these licenses are unrelated to the technology at issue and create no joint action between HTC and any defendant in this case. Fourth, HTC develops and manufactures its products independently of the other defendants. Finally, Wi-LAN admittedly has no claim for lost profits, because it is an entity with a business model built on buying and licensing patents rather than actually making and selling products.

HTC did not act in concert with any of the other defendants, and Wi-LAN does not allege HTC infringes the same patents as Alcatel-Lucent and Ericsson. Therefore, Wi-LAN's allegations against HTC fail to satisfy the Rule 20 joinder requirements and the Court should sever HTC for a separate trial. *See EMC Corp.*, 677 F.3d at 1359; *see also Frank's Casing Crew & Rental Tools, Inc. v. PMR Techs., Ltd.*, 292 F.3d 1363, 1372 n.6 (Fed. Cir. 2002); *Reid v. Gen. Motors Corp.*, 240 F.R.D. 260, 263 (E.D. Tex. 2007) (“[a]llegations of infringement against two unrelated parties based on different acts do not arise from the same transaction”); *Pinpoint, Inc. v. Groupon, Inc.*, No. 11 C 5597, 2011 U.S. Dist. LEXIS 139183, 2011 WL 6097738, at \*1 (N.D. Ill. Dec. 5, 2011).

**B. Forcing HTC to Trial with the Other, Unrelated Patents and Defendants Will Prejudice HTC's Ability to Defend Itself**

HTC will be prejudiced if left to stand trial next to three other unrelated defendants with different products, different potential liability for damages, and different defenses. There is a “substantial risk of prejudice to [HTC] were the jury to believe that [it] is somehow linked to” other defendants, who do not share all of its defenses to infringement or damages. *Philips Elecs. N. Am. v. Contec Corp.*, 220 F.R.D. 415, 418 (D. Del. 2004). Under Rule 20, the Court can sever defendants for trial, if a combined trial of defendants would result in prejudice to another defendant. *Aleman v. Chugach Support Servs., Inc.*, 485 F.3d 206, 218 n.5 (4th Cir. 2007).

HTC does not have the same strategy and interests as Alcatel-Lucent, Ericsson, and Sony Mobile, and is therefore entitled to present its own assault on non-infringement and damages. *WiAV Networks*, 2010 U.S. Dist. LEXIS 110957, at \*16. In fact, HTC has a different non-infringement expert than the other defendants and a different damages expert than Sony Mobile and Ericsson. The only common defense expert is on the issue of invalidity, which cannot be a basis for keeping HTC in a trial with other defendants. *Id.* at \*21 (“FRCP 20(a)(2)(A) does not encompass defenses asserted against a plaintiff. Rather, only a ‘right to relief’ asserted by the plaintiff can satisfy the requirements for joining defendants under FRCP 20(a)(2)(A).” (emphasis in original)).

1. Infringement

HTC's interests are not connected to the other defendants on the issue of infringement. As noted earlier, Wi-LAN does not accuse HTC of infringing the same patents as Alcatel-Lucent and Ericsson. HTC also has a separate non-infringement expert from any of the other defendants, because its products are separate and distinct from those of the other defendants. If

tried with the other defendants, HTC is subjected to a substantial risk that a jury would think infringement by another defendant means that HTC also infringes.

## 2. Time Limits

Lumping HTC with the other defendants would prejudice HTC based on the Court's imposition of time limits on each side, rather than each party. If not severed from Alcatel-Lucent and Ericsson, HTC's already scant time would be consumed by three patents and many products entirely unrelated to HTC. Failing to sever HTC would also limit its ability to put on a non-infringement defense at trial, since the Court has strict time limit rules and HTC would have to share time with other defendants on three patents it has not been accused of infringing. If not severed from Sony Mobile and Ericsson, HTC's time would be consumed by contract and licensing defenses that have no application to HTC. Further, more time would be dedicated to Sony Mobile and Ericsson's breach of contract counterclaims, which are also wholly unrelated to HTC. Thus, if not severed, the substantial disparity between the amount of trial time allotted to plaintiff compared to the small amount of time just for HTC would likely result in an unfair trial.

## 3. Damages

HTC's potential liability is also different from other defendants and would have to be calculated in a different manner. For instance, in determining a reasonable royalty calculation, for HTC, given the date of first alleged infringement, the hypothetical negotiation for a license would have been with *Airspan*, the prior owner of the '211 patent, rather than Wi-LAN. (Decl., Ex. 2, at pp. 43–45.) The hypothetical negotiation for Sony Mobile, however, would have been with Wi-LAN given the much later date of first alleged infringement. (*Id.*) Thus, Wi-LAN's licensing activities are entirely irrelevant for HTC's damages calculations, but may have significance with respect to Sony Mobile. Likewise, the time of first infringement, sales margins, and other factors for damages are largely different for HTC and Sony Mobile.

Wi-LAN accuses Alcatel-Lucent and Ericsson of infringing completely different patents and a different category of products (i.e., base stations instead of cellular phones). Thus, the royalty base and apportionment of damages will command entirely different calculations from HTC. (Decl., Ex. 1.) HTC will be severely prejudiced if forced to trial with other these other defendants.

#### 4. Jury Confusion

Finally, as shown above, the case against HTC is much different than the case against the other defendants. The purpose of Rule 20, to streamline issues and promote trial convenience, would not be served here, where the case against each defendant is different. *Advantel, LLC v. AT&T Corp.*, 105 F. Supp. 2d 507, 515 (E.D. Va. July 21, 2000) (severing unrelated phone company defendants to avoid confusion at trial); *see also Saval v. BL Ltd.*, 710 F.2d 1027, 1031 (4th Cir. 1983) (justifying severance to keep facts straight on differing claims).

With four defendant groups of unrelated companies, there is a high likelihood of juror confusion as to which defendants are related. In addition, Wi-LAN accuses the defendants of infringing four different patents, but only asserted one of those patents against HTC. It would be nearly impossible for the jury to keep straight four different patents, four different defendant groups, and the numerous different products sold by each defendant group. HTC also has different expert witnesses. No jury can or should reasonably be expected to keep this number of defendants, defendant groups, patents, accused products, potential damages, and arguments straight. There is significant risk of jury confusion if HTC is not severed from the other defendants to defend itself based on its unique circumstances. Courts have granted severance for trial in circumstances presenting a much lower risk of juror confusion that exists in this case. *See, e.g., Philips*, 220 F.R.D. at 418 (granting motion to sever claims against two defendants where one defendant's weaker position was likely to negatively affect the jury's perception of

the other defendant). Thus, this Court should sever HTC for a trial separate from the claims made by Wi-LAN.

### **C. Wi-LAN's Position/Response**

It is anticipated that Wi-LAN will argue that severance is not warranted because: (1) Sony and HTC use the same accused processors, supplied by Qualcomm; and (2) the accused products allegedly comply with the 3GPP specification. Wi-LAN also points to the decision by Judge Gilstrap in *Negotiated Data Solutions, Inc. v Apple, Inc., et al* No. 2:11– CV–390–JRG, 2012 WL 6161785 (E.D. Tex., Dec. 11, 2012) denying a motion to sever brought by Apple as supportive of their position. All these arguments fail when examined closely.

First, Wi-LAN's argument as to an alleged logical relationship between Sony and HTC based upon use of the same Qualcomm processors fails when it's considered that, unlike in the *Negotiated Data* case, where the common supplier (Samsung) was a party defendant, here Wi-LAN--due to motives only known to it--has refused to bring any claims against Qualcomm in this litigation. *Id.* at 2. Thus, there is no similar manufacturer/customer relationship as in *Negotiated Data*, nor is there any supplier agreement between HTC and any of the defendants. *Id.*

Second, the alleged commonality of issues between Sony and HTC based upon use of the same Qualcomm processors is belied by the undisputed facts that: (a) Sony and HTC have different non-infringement and damages experts; (b) Sony has a dramatically different defense planned, based in part on a counter-claim for breach of contract and defenses of a license and/or covenant not to sue; and (c) Sony and HTC are competitors in the market place and their allegedly infringing products were developed wholly independent of one another.

Third, also critical is the lack of uniform allegations of infringement of the same patents in this case. Again, HTC is accused of infringement of only one of the four patents asserted by

Wi-LAN. Consequently, Wi-LAN here lacks even the presumed starting point in the post *In Re EMC* 677 F.3d 1351 (Fed. Cir. 2012) joinder analysis, i.e. allegation of infringement of the same patent(s).<sup>2</sup> By contrast, in *Negotiated Data* all the defendants were accused of infringing the same four asserted patents. (See 2:11-cv-390, Dkt. 1 Original Complaint for Patent Infringement.)

Finally, it is significant to note that during the meet and confer process regarding this motion, Wi-LAN was unable to make any colorable argument that HTC was properly joined with defendants Alcatel-Lucent and Ericsson. Wi-LAN's only proposal was for an initial invalidity only trial involving all four defendants covering all four asserted patents. Briefly stated, given the lack of uniformity of infringement allegations covering the defendants and the patents, the jury confusion and prejudice to HTC, accused of infringing only one of four patents, would be equally detrimental.<sup>3</sup>

### **III. Conclusion**

As set forth above, HTC's defenses and damages differ greatly from those of the other defendants in this case. The witnesses that every other defendant intends to present, including experts, have little overlap with HTC's witnesses. Wi-LAN's allegations against HTC involve the '211 patent, which Wi-LAN is not asserting against Alcatel-Lucent and Ericsson. Further, the '326, '327, and '819 patents, which Wi-LAN asserts against Alcatel-Lucent and Ericsson, are not asserted against HTC. Likewise, HTC's products are different than those of Alcatel-Lucent,

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<sup>2</sup> The "mere fact that infringement of the *same claims of the same patent* is alleged does not support joinder, even though the claims would raise common questions of claim construction and patent invalidity." *In Re EMC* 677 F.3d at 1357 (emphasis added).

<sup>3</sup> Should Wi-LAN present the invalidity only trial as a suggestion to the Court, HTC reserves its right to respond more fully, but for the purposes of this motion wanted merely to alert the Court to the possibility.

Ericsson, and Sony Mobile. In addition, Ericsson and Sony Mobile have a license defense and breach of contract counter claim that is inapplicable to HTC. It would be fundamentally unfair and prejudicial to dissipate HTC's limited and precious trial time with unrelated evidence and arguments. Thus, the Court should sever for trial Wi-LAN's claims against HTC from those claims against Alcatel-Lucent, Ericsson, and Sony Mobile.

Dated: February 4, 2013

Respectfully submitted,

By

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**CERTIFICATE OF SERVICE**

The undersigned certifies that on February 4, 2013, the foregoing document was filed electronically in compliance with Local Rule CV-5(a). As such, this document was served on all counsel who are deemed to have consented to electronic service. Local Rule CV-5(b)(1).

/s/ Eric H. Findlay  
Eric H. Findlay

**CERTIFICATE OF CONFERENCE**

The undersigned certifies that the parties complied with Local Rule CV-7(g)'s meet and confer requirement. On February 1, 2013, Martin Bader, Steve Korniczky, and Brian Craft, counsel for Defendants, conducted a telephone conference by telephone with Ajeet Pai, Brian Weaver and Wesley Hill, counsel for Wi-LAN, Inc. The parties attempted to resolve the issue in this motion but reached an impasse.

/s/ Eric H. Findlay  
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