

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

WI-LAN INC.,

Plaintiff,

v.

ALCATEL-LUCENT USA INC.; *et al.*

Defendants.

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Civil Action No. 6:10-cv-521-LED

JURY TRIAL DEMANDED

WI-LAN'S RESPONSE OPPOSING HTC'S SECOND MOTION TO SEVER

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Plaintiff Wi-LAN, Inc. (“Wi-LAN”) opposes HTC’s Motion to Sever (the “Second Motion”) (Dkt. 306). For the reasons explained in this Response, as well as the Court’s previous order (Dkt. 128) denying HTC’s first motion to sever (the “First Motion”) (Dkt. 72), Wi-LAN respectfully requests that HTC’s Second Motion be denied.

1. The Court Has Already Ruled on this Issue.

As detailed in the Court’s Memorandum Opinion and Order (“Order”) denying HTC’s First Motion, Wi-LAN asserts patent infringement claims based on four related patents against four defendant groups that make and sell products that implement certain releases of the 3rd Generation Partnership Project (“3GPP”) standards for wireless communications. Order at 1-2.

Reading HTC’s Second Motion, one would never know that the Court has already addressed this exact issue. HTC’s Second Motion ignores the First Motion and also the Court’s Order, apparently choosing to pretend that the Court’s Order never happened. But it did. After full briefing, the Court ruled against HTC, noting the following:

- “All defendants . . . allegedly make, sell, or offer for sale wireless devices that implement certain releases of the 3GPP standard. Therefore, questions of fact involving the alleged infringement will be similar among these products.” (Order at 3.)
- “While [base stations and handsets] are generally different product types, both are involved in wireless data transmission. . . . Both product types send and receive data via wireless communication protocols that comply with 3GPP standards.” *Id.*
- “Even though the product types have general differences, their accused properties—specific communication methods—are tightly interrelated.” *Id.*
- “The ’211 patent is a continuation of the ’326 patent, and their specifications are nearly identical. . . . Thus, factual determinations regarding one patent are likely to be relevant to other patents.” *Id.* at 4 (footnote and citations omitted).

As the Court correctly concluded:

The close relationship among the patents, the interdependence of the accused products, and the narrow focus on a specific wireless communication standard provides the required logical relationship among the defendants, yielding a nucleus of both

fact and law sufficient to warrant joinder under Rule 20. Even so, the Court can and will consider any arguments defendants may wish to advance for separate trials as the date of trial approaches. Separate trials, if warranted, make more sense than severing this multiple-defendant case into separate cases resulting in all of the inefficiencies and potential inconsistencies that could well arise from severing the common issues of law and fact that are prominent in this case.

Order at 4 (emphasis added).

HTC's Second Motion fails to address any of the Court's findings. HTC seems to pretend that its Second Motion is not a motion for reconsideration, but it is. Wi-LAN therefore responds with additional information not included in response to HTC's First Motion, but avoids repeating Wi-LAN's previous briefing.

2. Joinder in this Case Is Proper.

a. The Applicable Standard for Joinder.

The Court correctly stated the applicable standard for joinder before:

HTC first moves to sever under Rule 21, which states that “[o]n motion or on its own, the court may at any time, on just terms, add or drop a party.” FED. R. CIV. P. 21. In determining whether parties should be severed under Rule 21, a court looks to Rule 20 to determine whether the parties were misjoined. *Ams. For Fair Patent Use, LLC v. Sprint Nextel Corp.*, No. 2:10-cv-237-TJW, 2011 U.S. Dist. LEXIS 2947, at *5 (E.D. Tex. Jan. 12, 2011) (citing *Acevedo v. Allsup's Convenience Stores, Inc.*, 600 F.3d 516, 521 (5th Cir. 2010)). Joinder under Rule 20 is proper if (1) the claims arise out of the “same transaction occurrence, or series of transactions or occurrences” and (2) there is a “question of law or fact common to all defendants.” FED. R. CIV. P. 20(a)(2). “Under the Rules, the impulse is towards entertaining the broadest possible scope of action consistent with fairness of the parties; joinder of claims, parties and remedies is strongly encouraged.” *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715, 724 (1966).

Order at 2.

b. As the Court Previously Held, Joinder Is Proper.

Since the Court's Order, the parties have moved towards trial, completing fact and expert discovery. Besides the facts previously addressed by this Court in the briefing connected with HTC's First Motion are the following:

- The accused handset products of HTC and Sony Mobile both use Qualcomm chips with essentially the same software that provide some of the functionality that is pertinent in establishing infringement.
- The expert reports of the defendants on the infringement issues rely on several of the same arguments to try to establish non-infringement.
- Wi-LAN seeks a reasonable royalty measure of damages from each of the defendants.
- HTC and Alcatel-Lucent share the same expert on damages issues.
- A single invalidity expert report by the same, shared expert was submitted on behalf of all Defendants.
- The contract issues presented by Sony Mobile and Ericsson are the subject of pending cross-motions for summary judgment.

Thus, the evidence at trial involving HTC will necessarily involve a substantial overlap with the evidence involving the other defendants.

i. HTC Uses the Same Qualcomm Chips as Sony Mobile.

HTC and Sony Mobile use the same Qualcomm chips in most of their accused handsets.¹ Among other things, these Qualcomm chips include software which generates orthogonal and overlay codes and applies those codes. As even HTC concedes, the use of chips from the same supplier (*i.e.*, "identically sourced components") provides a basis for concluding that there is a common nucleus of fact. Second Motion at 4-5 (citing *In re EMC Corp.*, 677 F.3d 1351, 1356 (Fed. Cir. 2012)).

¹ To the extent that a few of the HTC and Sony Mobile products use different models of Qualcomm chips, these models are still essentially identical with respect to the functionality pertinent to establishing the infringement of the asserted claims.

In addition, HTC tries to distinguish *Negotiated Data Solutions, Inc. v. Apple, Inc.*, No. 2:11–CV–390–JRG, 2012 WL 6161785, at *2 (E.D. Tex. Dec. 11, 2012) on the grounds that the manufacturer of the chips used by HTC and Sony Mobile is not a party in the case. Second Motion at 9. HTC suggests that Wi-LAN’s “failure” to name Qualcomm as a defendant in this action somehow distinguishes this case from *Negotiated Data Solutions*. Second Motion at 9. HTC had the same opportunity to add Qualcomm as a party, but did not do so. HTC’s argument regarding the non-joinder of Qualcomm is a red herring.

Moreover, the *EMC* case upon which HTC heavily relies did not suggest that joinder was appropriate only in cases involving a manufacturer and its customers. Instead, *EMC* specifically identified the existence of “identically sourced components” as supporting a conclusion that there is a common nucleus of fact making joinder proper. *EMC*, 677 F.3d at 1359. Thus, the use of the Qualcomm chips by HTC and Sony Mobile justifies joinder of the parties even under the *EMC* decision on which HTC relies. *See id.*; *see also Report and Recommendations* at 4, *U.S. Ethernet Innovations, LLC v. Samsung Elecs. Co., Ltd.*, No. 12-cv-00398-MHS-JDS, No. 48 (E.D. Tex. Feb. 6, 2013) (recommending denial of motion for improper joinder in case governed by AIA provisions due to common questions of fact regarding defendants’ integration of Samsung “System-on-Chips” in their respective products).

ii. HTC’s Experts’ Positions Overlap with those of the Other Defendants.

HTC shares an invalidity expert with the other defendants. This expert (Mark Lanning) submitted one report on behalf of all the defendants. Thus, HTC’s invalidity positions are identical to those of the other defendants.

HTC’s expert Dr. Akl submitted a report in which he opined that HTC’s accused handset products do not infringe. Many of the opinions of non-infringement provided by Dr. Akl are

essentially the same as those offered by Dr. Olivier, Sony Mobile's expert, and are essentially the mirror-image of those offered by Drs. Wicker and Olivier regarding the accused base station products of Ericsson and Alcatel-Lucent. Attached as Exhibit A hereto is a chart which summarizes the overlap of six non-infringement arguments advanced by the various defendants' experts in their reports. As indicated by the chart, the defendants' experts' testimony on non-infringement issues will involve substantial overlap across product lines and as to the various patents-in-suit.

As with the defendants' non-infringement arguments, the defendants also share arguments as to the reasonable royalty sought by Wi-LAN. Indeed, HTC and Alcatel-Lucent share a single damages expert whose damages theories are essentially the same for HTC and Alcatel-Lucent. The substantial overlap in the defendant's' non-infringement, invalidity, and damages positions demonstrates that there is a common nucleus of fact and joinder is proper.

iii. The Contract Issues Are for the Court, Not the Jury.

HTC correctly notes that Sony Mobile and Ericsson have asserted contract defenses and counterclaims. But HTC fails to note that these issues have been submitted to the Court for resolution through cross-motions for summary judgment. Indeed, these defenses and counterclaims hinge on contract construction—a legal issue for the Court. *See* Dkt. Nos. 171, 172, 181. Wi-LAN anticipates that the Court will rule in advance of trial and, one way or another, these issues will not remain for trial. HTC thus exaggerates the potential prejudice to it from the contract issues raised by Sony Mobile and Ericsson.

3. Even if Joinder Was Improper, the Court May Consolidate the Defendants.

HTC's myopic focus on severance misses the big picture. As the *EMC* case cited by HTC expressly notes, the Court "has considerable discretion to consolidate cases for discovery

and for trial under Rule 42 where venue is proper and there is only ‘a common question of law or fact.’” *EMC*, 677 F.3d at 1360. Thus, even assuming the Court decides to grant HTC’s Second Motion, the Court nonetheless can and should consolidate HTC’s case for trial.

In every Eastern District case citing *EMC* that Wi-LAN found in which a court granted severance, the court nonetheless consolidated the severed defendant. *See Negotiated Data Solutions, Inc. v. Apple, Inc.*, No. 2:11-CV-390-JRG, 2012 WL 6161785, at *2 (E.D. Tex. Dec. 11, 2012); *Oasis Research, LLC v. Carbonite, Inc.*, No. 4:10-CV-435-ALM, 2012 WL 3544881, at *6–7 (E.D. Tex. Aug. 15, 2012); *Norman IP Holdings, LLC v. Lexmark Intern., Inc.*, No. 6:11-CV-495 2012 WL 3307942, at *4 (E.D. Tex. Aug. 10, 2012). This practice reflects a sensible, practical approach to resolving cases with overlapping evidence in an efficient manner.

As detailed above, a trial involving HTC will necessarily involve much of the same evidence as the other defendants, including identical evidence on invalidity issues. Moreover, a trial involving HTC will include a substantial overlap of factual and legal issues, such as those involving the Qualcomm chips, the defendants’ non-infringement arguments, and the reasonable royalty sought by Wi-LAN. Given such substantial overlap of the evidence and issues, it is not surprising that HTC’s Second Motion ignores consolidation.

4. The Real Issue – the Trial Plan.

In the Order denying HTC’s First Motion, the Court expressly noted that it “can and will consider any arguments defendants may wish to advance for separate trials as the date of trial approaches.” Order at 4. For whatever reason, HTC ignored this offer from the Court and instead sought the same relief that the Court previously denied. Regardless of the label used by HTC, Wi-LAN believes the only relevant issue raised by HTC’s Second Motion is determining

an appropriate trial plan. Indeed, the Court has requested that the parties provide trial plans by February 25.

a. A Separate Trial for HTC Is Not Needed.

In its Second Motion, HTC emphasizes the perceived prejudice it sees in being tried with the other defendants. *See* Second Motion at 6–9. HTC exaggerates any potential for prejudice. On this point, the silence from the other three defendants is deafening. No one else claims undue prejudice from a trial involving all defendants. No one else seeks severance. Indeed, HTC fails to offer any concrete details establishing prejudice.

The most efficient trial plan is to have a single trial on all issues with all parties. This minimizes the cost to the parties, the potential for conflicting results, and avoids undue use of the Court’s resources. Given the substantial overlap of the facts, law, and evidence on invalidity, infringement, and even damages, no party will suffer undue prejudice.

b. Wi-LAN’s Offered Alternative Trial Plan.

Although Wi-LAN prefers to try the case on all issues against all defendants, Wi-LAN proposed an alternative trial plan as a way to address HTC’s concerns.² Attached as Exhibit B hereto is a copy of Wi-LAN’s proposal to HTC. Wi-LAN proposed the following trial plan:

Because multiple, duplicative trials on validity would waste the Court’s resources, increase the inconvenience to third-party witnesses, prejudice Wi-LAN, and generally result in inefficiency, Wi-LAN will agree to a single trial on invalidity, with Wi-LAN’s infringement and damages claims against Defendants severed for separate trials to follow immediately follow. Because common

² HTC asserts that “Wi-LAN was unable to make any colorable argument that HTC was properly joined with defendants Alcatel Lucent and Ericsson,” and “Wi-LAN’s only proposal” was its alternative trial plan. Second Motion at 10. Wi-LAN respectfully submits that HTC is properly joined for all the reasons noted above. Given the Court’s Order denying HTC’s First Motion, the overlapping and common nucleus of facts, and the broad discretion the Court enjoys for consolidation, Wi-LAN views the real issue as selecting a fair and efficient trial plan.

questions of fact and law will obviously be raised with regard to HTC and Sony Mobile, both handset manufacturers, those parties would remain together for a second trial on infringement and damages following the trial on validity. A final trial concerning infringement and damages would follow, if necessary, for Ericsson and Alcatel-Lucent, both of whom manufacture base stations.

See Exhibit B.

Wi-LAN's proposed alternative trial plan is consistent with this Court's approach in the *Fractus* and *Eolas* cases. See *Modified Trial Plan* at 2, *Fractus, S.A. v. Samsung Electronics, Co. Ltd.*, 6:09-cv-203-LED-JDL, No. 665 (E.D. Tex. Mar. 3, 2011); *Final Trial Plan* at 1, *Eolas Technologies, Inc. v. Adobe Systems Inc.*, 6:12-cv-619-LED, No. 1264 (E.D. Tex. Jan. 20, 2012). Wi-LAN's plan also balances the relevant factors identified by the Court in *CEATS, Inc. v. Continental Airlines, Inc.* See *Order* at 5, *CEATS, Inc. v. Continental Airlines, Inc.*, No. 6:10-cv-120-MHS, No. 888 (E.D. Tex. Feb. 14, 2012).

This case involves less defendants, patents, and claims than *Fractus* or *Eolas*, identical components at issue in the HTC and Sony Mobile handsets, identical invalidity evidence, and substantial overlap as to defendants' non-infringement and damages positions. Both of Wi-LAN's proposed trial plans minimize the risk of potentially conflicting results, the burden and costs of multiple trials, and the risk of jury confusion.

Wi-LAN's alternative proposal meets these goals better than HTC's go-it-alone proposal. If nothing else, HTC's proposal means two trials on invalidity, with the resulting waste of resources and the potential for conflicting results. Wi-LAN and the Court should not have to try validity twice, especially when all defendants share a single expert who submitted a single report. Further waste and potentially conflicting results will flow from HTC's proposal due to the substantial overlap of evidence on infringement issues. Wi-LAN's alternative proposal avoids duplicative trials on invalidity and also minimizes any potential for undue prejudice or

jury confusion. Wi-LAN's alternative proposal groups the infringement and damages issues by both products and asserted claims, thus minimizing any potential for conflicting results and further minimizing the overlap of evidence at the two infringement and damages trials.

Wi-LAN prefers to proceed with one trial with all defendants on all issues. Should the Court conclude that an alternative is necessary, however, Wi-LAN remains willing to proceed with its proposed alternative trial plan: invalidity first, with a second trial for HTC and Sony Mobile, followed by a third trial with Ericsson and Alcatel-Lucent.

5. Conclusion.

For the reasons detailed above and in the Court's Order denying HTC's First Motion, Wi-LAN respectfully requests that the Court **DENY** HTC's Second Motion.

Dated: February 19, 2013

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that 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(a)(3)(A). Pursuant to Fed. R. Civ. P. 5(d) and Local Rule CV-5(d) and (e), all other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of the foregoing by email and/or fax, on this the 19th day of February, 2013.

/s/ David B. Weaver

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