Anascape, Ltd v. Microsoft Corp. et al Doc. 355

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

Anascape, Ltd., Plaintiff, v. Microsoft Corp., and Nintendo of America, Inc., Defendants.	Civil Action No. 9:06-cv-158-RC

ANASCAPE, LTD.'S MOTION TO SEVER PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 21

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ANASCAPE, LTD.'S MOTION TO SEVER
PURSUANT TO FEDERAL RULE OF CIVIL PROCEDURE 21

Anascape, Ltd. ("Anascape") files this Motion to Sever Pursuant to Fed. R. Civ. P. 21, and respectfully shows as follows:

I. SUMMARY OF THE MOTION

Anascape requests that the Court, pursuant to Fed. R. Civ. P. 21, sever all claims relating to the '525 and '700 patents from the stayed claims relating to the '791, '205, and '415 patents (collectively, the "stayed patents"). Severing the claims of the '525 and '700 patents from those claims relating to the stayed patents will allow the parties to appeal issues relating to the '525 and '700 patents (such as claim construction orders and the jury verdict regarding the '700 patent) now, while allowing the litigation to proceed promptly as to the stayed patents in the event that the reexaminations conclude and this Court lifts the stay.

From its meet and confers, Anascape understands that Nintendo agrees that the claims relating to the '525 and '700 patents deserve a timely appeal, but the parties disagree as to the appropriate procedural device to employ to effectuate an appeal. Anascape requests a severance under Rule 21, which would create a new, separate case number for the severed

claims, and allow the claims related to the ‘525 and ‘700 patents to proceed independently of the claims related to the stayed patents. Nintendo argues that the appropriate vehicle to make such issues appealable is Rule 54(b).

Without a Rule 21 severance, this Court’s jurisdiction over the stayed patents pending an appeal would be unclear. If the reexaminations conclude while the appeal remains pending, a Rule 54(b) severance will likely result in needless satellite motion practice as the parties argue over whether this Court has jurisdiction to allow the litigation to proceed as to the stayed patents. On the other hand, severing the case pursuant to Rule 21 will resolve any doubt as to this Court’s continued jurisdiction over the stayed patents and is therefore appropriate and in the interest of quickly and efficiently resolving the parties’ dispute as to those patents.

II. UNDISPUTED FACTS

1. Anascape’s First Amended Complaint for Patent Infringement (Docket No. 38) alleged infringement of twelve United States Patents: 5,999,084 (the "‘084 patent"); 6,102,802 (the "‘802 patent"); 6,135,886 (the "‘886 patent"); 6,208,271 (the "‘271 patent"); 6,222,525 (the "‘525 patent"); 6,343,991 (the "‘991 patent"); 6,344,791 (the "‘791 patent"); 6,347,997 (the "‘997 patent"); 6,351,205 (the "‘205 patent"); 6,400,303 (the "‘303 patent"); 6,563,415 (the "‘415 patent"); and 6,906,700 (the "‘700 patent").

2. Anascape claimed Microsoft infringed all twelve patents. (*Id.*) Anascape resolved its claims against Microsoft pursuant to a settlement agreement. (*See generally* Docket 315.)

3. Anascape claimed Nintendo infringed the ‘525, ‘791, ‘205, ‘415 and ‘700 patents. (Docket No. 38.)

4. On February 23, 2007, this Court stayed litigation as to the stayed patents. (Docket No. 75.)

5. Thereafter, Anascape and Nintendo stipulated that Nintendo's accused products do not comprise a "flexible membrane sheet" as that term has been construed by this Court in its Order of February 2, 2008. (*See* Docket 186; *see also* Docket No. 223, Ex. 1.)

6. Nintendo moved for summary judgment on all of the asserted claims of the '525 patent and certain claims of the '700 patent based on this stipulation. (Docket No. 223.)

7. This Court granted Nintendo's motion for summary judgment as to these claims on March 31, 2008. (Docket No. 249.)

8. Certain claims of the '700 patent proceeded to trial in May 2008. On May 15, 2008, the jury found that Nintendo infringed all of the then-asserted claims of the '700 patent. (Docket No. 335.)

9. Nintendo filed a remittitur motion, which this Court denied on June 26, 2008. (Docket No. 354.)

10. This Court has scheduled a post-trial hearing for July 18, 2008.

III. <u>ISSUES PRESENTED</u>

The case in the district court as to the '525 and '700 patents will be fully resolved after the July 18 hearing. All that will be left with respect to these patents is an appeal, which both parties agree should proceed in a timely fashion. This Motion raises two questions:

- Should this Court enter an appealable final judgment as to the '525 and '700 patents?

- If so, should the claims of the stayed patents be severed pursuant to Rule 21, which would clearly allow this Court to retain jurisdiction over the stayed patents during the pendency of any appeal?

IV. ARGUMENT

A. Allowing the Parties to Appeal Issues Relating to The '700 and '525 Patents Now is Appropriate

Shortly following the July 18 hearing, all claims relating to the '525 and '700 patents will have been resolved. The three remaining patents in this case have been stayed while they are being reexamined. It is difficult to predict when these reexaminations will conclude.

Because of this, any appeal of issues relating to the '525 and '700 patents should occur now, as opposed to after the conclusion of the litigation as to the stayed patents. An appeal now will promote finality for the jury's verdict regarding the '700 patent and allow the parties to appeal issues relating to the claim construction of the '525 patent. Allowing an appeal now is consistent with this Court's decision not to stay the case as to the '525 and '700 patents. Requiring the parties to wait until the stayed patents emerge from reexamination to appeal would be tantamount to having stayed the case as to the '525 and '700 patents in the first instance.

In any event, both parties wish to appeal issues relating to the '525 and '700 patents now, as opposed to years later. Accordingly, Anascape requests that this Court enter a final judgment as to the '525 and '700 patents that allows the parties to appeal.

B. Rule 21 is the Appropriate Procedural Vehicle to Allow for an Appeal as a Severance Would Make Clear that This Court Retains Jurisdiction Over the Stayed Patents

If the Court agrees to allow a timely appeal, it must decide the best procedural vehicle to effectuate such appeal. This is an important question, as the vehicle used to allow for an appeal could have consequences for this Court's jurisdiction over the stayed patents.

Anascape suggests that a Rule 21 severance is an appropriate vehicle and superior to a Rule 54(b) certification.

Rule 21 provides this Court with broad discretion to sever claims. Fed. R. Civ. P. 21 ("The court may also sever any claim against a party."). Severing the claims pursuant to Rule 21 would obviate the inquiry as to whether this Court retains jurisdiction over the stayed patents pending an appeal because two separate cases would exist:

> Severance under Rule 21 creates two separate actions or suits where previously there was but one. Where a single claim is severed out of a suit, it proceeds as a discrete, independent action, and a court may render a final, appealable judgment in either one of the resulting two actions notwithstanding the continued existence of unresolved claims in the other.

Allied Elevator, Inc. v. E. Tex. State Bank, 965 F.2d 34, 36 (5th Cir. 1992) (quoting *United States v. O'Neil*, 709 F.2d 361, 368 (5th Cir.1983)); *see also Gomez v. Dept. of the Air Force*, 869 F.2d 852, 859 (5th Cir. 1989) ("It is clear that district courts, pursuant to Rule 21, have the power to sever claims and have the claims proceed separately."); *Rice v. Sunrise Express, Inc.*, 209 F.3d 1008, 1016 (7th Cir. 2000) ("It is within the district court's broad discretion whether to sever a claim under Rule 21. Before making the severance, the district court does not need to determine the merit of the second claim. As long as there is a discrete and separate claim, the district court may exercise its discretion and sever it.") (citations omitted); *cf. Gomez*, 869 F.2d at 859 n.16 ("Rule 54(b) does not create two separate actions as Rule 21 does, but rather entitles the claimant to an expedited appellate review of a finally-decided, discrete claim in a single suit, even though other claims therein remain unresolved.").

Following severance, this Court could enter a final judgment, allowing issues relating to the '525 and '700 patents to be appealed. *See, e.g.*, *Chrysler Credit Corp. v. Country Chrysler, Inc.*, 928 F.2d 1509, 1519 n.8 (10th Cir. 1991) ("[J]udgment on a claim severed under

Rule 21 is final for purposes of appeal[.]"). Severing under Rule 21 offers the additional benefit of not requiring a Rule 54(b) certification. *See, e.g.*, *Sidag Aktiengesellschaft v. Smoked Foods Prods. Co.*, 813 F.2d 81, 84 (5th Cir. 1987) ("An entire claim may be severed under Rule 21 regardless of whether any portion of it, or of other claims in the suit, has been determined. And the thus severed claim becomes an entirely separate suit or judicial unit, so that a final adjudication of it is appealable, notwithstanding that there remain unresolved claims pending in the original action from which the severance was granted and that no Rule 54(b) certificate has been issued."); *Chrysler Credit Corp.*, 928 F.2d at 1519 n.8 ("While judgment on a claim severed under Rule 21 is final for purposes of appeal, judgment on a claim bifurcated under Rule 42(b) is not an appealable final judgment, absent a Rule 54(b) certification."); *Official Comm. of Unsecured Creditors v. Shapiro*, 190 F.R.D. 352, 354 (E.D. Pa. 2000) ("Determinations of claims that are severed pursuant to Rule 21 are final and appealable without the need for certification under Rule 54(b)[.]").

Most importantly, there would be no question that this Court retains jurisdiction as to the stayed patents, as there would be *two separate* cases. *Cf. Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58 (1982) (per curiam) (notice of appeal "divests the district court of its control over those aspects of *the case* involved in the appeal") (emphasis added).

C. Entering a Partial Final Judgment Under Rule 54(b) Raises Questions as to this Court's Jurisdiction Over the Stayed Patents and Invites Needless Motion Practice

Rule 54(b), which allows the district court to "direct entry of a final judgment as to one or more, but fewer than all, claims," is an inappropriate vehicle for this case. Although certification under Rule 54(b) would allow the parties to appeal issues relating to the '525 and '700 patents, it would create confusion as to this Court's continuing jurisdiction of claims related to the stayed patents.

It is black letter law that "[t]he filing of a notice of appeal is an event of jurisdictional significance—it confers jurisdiction on the court of appeals and divests the district court of its control over those aspects of the case involved in the appeal." *Griggs*, 459 U.S. at 58; *see also Ross v. Marshall*, 426 F.3d 745, 751 (5th Cir. 2005) ("Our court follows the general rule that the filing of a valid notice of appeal from a final order of the district court divests that court of jurisdiction to act on the matters involved in the appeal, except to aid the appeal, correct clerical errors, or enforce its judgment so long as the judgment has not been stayed or superseded.") (quotations omitted); *Gilda Indus., Inc. v. United States*, 511 F.3d 1348, 1351 (Fed. Cir. 2008) ("Ordinarily, the act of filing a notice of appeal confers jurisdiction on an appellate court and divests the trial court of jurisdiction over matters related to the appeal.").

If the reexaminations of the stayed patents conclude while an appeal is pending as to the '525 and '700 patents following a Rule 54(b) certification, Anascape would ask this Court to lift the stay. Nintendo, on the other hand, would be expected to file motions arguing that this Court lacks jurisdiction vis-à-vis the stayed patents while the appeal is pending because the stayed patents are "related to" or are somehow "involved in" the appeal. Anascape, of course, would argue to the contrary. This motion practice would not contribute to the just, speedy and inexpensive resolution of the case as to the stayed patents.

It is important to note that proceeding under Rule 21 would still provide this Court with the flexibility to determine whether the litigation as to the stayed patents should continue pending appeal. This Court could, of course, keep the stay in place, regardless of whether the reexaminations conclude. Said another way, proceeding under Rule 21 ensures that this Court retains jurisdiction to determine whether it *should* maintain the stay. Therefore, Rule 21 is a superior procedural device to effectuate an appeal.

V. CONCLUSION

Failing to sever the case under Rule 21 would invite wasteful motion practice over this Court's jurisdiction and could result in an entirely separate appeal to the Federal Circuit as to the jurisdictional question. Accordingly, Anascape requests that the Court sever its claims relating to the stayed patents from those relating to the '525 and '700 patents pursuant to Rule 21, which will ensure that this Court retains jurisdiction over the stayed patents during any appeal.

DATED: June 30, 2008

Respectfully submitted,

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CERTIFICATION OF CONFERENCE

The undersigned has met and conferred with Nintendo's counsel regarding the relief requested in this motion. Despite the parties' best efforts, agreement could not be reached, and Nintendo's counsel has advised that it opposes the relief requested in this motion.

/s/ Anthony Garza
Anthony Garza

The undersigned has met and conferred with Nintendo's counsel, who represented that Nintendo agreed that, conceptually speaking, the parties should be able to appeal issues relating to the '525 and '700 patents in a timely fashion.

/s/ Steven Callahan
Steven Callahan

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a) on June 30, 2008. 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).

/s/ Steven Callahan
Steven Callahan