UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
LUFKIN DIVISION

Personal Audio, LLC,	)	
Plaintiff,	)	
v.	)	Case 9:10-CV-00035-RC
XM Satellite Radio, Inc.,	)	
Defendant.	)	

PERSONAL AUDIO, LLC'S RESPONSE TO DEFENDANT'S
MOTION TO DISMISS AND CROSS-MOTION TO CONSOLIDATE

INTRODUCTION

XM Satellite Radio, Inc. ("XM") has moved to dismiss this action under Fed. R. Civ. P. 12(b)(6). XM's only argument for dismissal is that Personal Audio failed to add XM as a defendant in Civil Action No. 9:09-CV-111 (the "Sirius action"). XM's motion overlooks the fact that XM and Sirius XM Radio, Inc. ("Sirius") are different companies, and XM was never a defendant in the Sirius action. Therefore, Personal Audio still has every right to sue XM for patent infringement, and XM's motion to dismiss should be denied. Furthermore, because the present action and the Sirius action contain numerous common questions of fact and law, it would be a waste of judicial resources to try them separately. Therefore Personal Audio moves that this Court consolidate the two cases on the Sirius action's schedule.

ARGUMENT

I. XM'S MOTION TO DISMISS SHOULD BE DENIED

XM has failed to show it is entitled to the extreme relief it requests. In its motion, XM seeks dismissal of the current action for the sole reason that XM was not joined as a party by the

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deadline in the Sirius action, a completely different lawsuit. XM has pointed to no federal or local rule that would dictate this result, and only cites to one case in support of its argument. That case—*Orion IP*—is not applicable. Despite XM's attempt to characterize the *Orion IP* decision as prohibiting "end runs around the Scheduling Order," the *Orion IP* court was quite clear that it denied a second lawsuit in that case because "the allegations in the second action are barred by the doctrine of claim splitting." Exh. A,[1] at 1 (emphasis added). The doctrine of claim splitting only applies "if the [barred] claim involves the same parties and arises out of the same transaction or series of transactions as the first claim." *Ameritox, Ltd. v. Aegis Scis. Corp.*, No. 3:08-CV-1168-D, 2009 U.S. Dist. LEXIS 13305, at *16 (N.D. Tex. Feb. 9, 2009) (emphasis added); *see also In re Super Van*, 92 F.3d 366, 371 (5th Cir. 1996) ("A main purpose behind the rule preventing claim splitting is to protect the defendant from being harassed by repetitive actions based on the same claim") (emphasis added). This logic is consistent with the *Orion IP* decision, which was clearly intended to protect defendants, not third parties. *See* Exh. A, at 2-3 ("When a plaintiff serves its [preliminary infringement contentions], a defendant must have some assurance that . . . these are the contentions the defendant must defend against as to the asserted patents.") (emphasis added). As both Sirius and XM have steadfastly argued, Sirius and XM are entirely different legal entities and XM was never a defendant in the Sirius action. Thus the reasoning of *Orion IP* does not apply to this case, and XM has not presented any other authority that permits the extreme result of dismissing this action. XM's motion to dismiss the present action should be denied.

II. THIS ACTION SHOULD BE CONSOLIDATED WITH THE SIRIUS ACTION

Under Fed. R. Civ. P. 42(a), a court may consolidate multiple actions if the actions involve common questions of law or fact and are pending before the same court. The purpose of

[1] All exhibits cited herein are attached to the Declaration of Cyrus A. Morton unless otherwise indicated.

consolidation is to "enhance efficiency and avoid the substantial danger of inconsistent adjudications." *Bristol-Myers Squibb Co. v. Safety Nat'l Casualty Corp.*, 43 F. Supp. 2d 734, 745 (E.D. Tex. 1999). "The proper solution to the problems created by the existence of two or more cases involving the same parties and issues, simultaneously pending in the same court, would be to consolidate them . . . ." *Miller v. United States. Postal Serv.*, 729 F.2d 1033, 1036 (5th Cir. 1984) (internal quotation omitted). Trial courts have broad discretion when determining whether to consolidate cases under Fed. R. Civ. P. 42(a). *See Mills v. Beech Aircraft Corp.*, 886 F.2d 758, 762 (5th Cir. 1989).

In the present case, the XM action should be consolidated with the Sirius action under Fed. R. Civ. P. 42(a). The XM and Sirius actions clearly contain common questions of fact and law. Both actions will focus on the same claims in the same asserted patents, and will involve the same basic MP3 player functionality. Sirius and XM likely will make similar or identical arguments on multiple issues like claim construction, anticipation, obviousness and inequitable conduct. Even the infringement issues, while requiring separate proof, are likely to be similar. Unless this case is consolidated with the Sirius action, this Court will be required to expend judicial resources deciding the same issues multiple times. This is exactly the kind of waste of judicial resources that Fed. R. Civ. P. 42(a) was designed to prevent.

Indeed, counsel for both Personal Audio and XM agree that if this action is not dismissed, the Sirius and XM cases should be tried together. At the Status Conference on May 10, 2010, counsel for XM stated that "if there is going to be a separate trial for Sirius and XM, ultimately we're in the case; they should be tried together." Exh. B, at 35. Counsel for XM also admitted that consolidating the two cases would serve the purposes of judicial economy. *See* Exh. B, at 35 ("So, I think judicial economy – that that argument makes sense that Sirius and

XM, if they are both in the case, should go together."). Finally, consolidation of the two cases would not prejudice XM, as this Court has already ruled that the existing deadlines in the Sirius action "provide an adequate, although not generous, period of time for additional discovery and preparation" for XM. Exh. C, at 7. The two actions should therefore be consolidated.

CONCLUSION

For the reasons above, XM's motion to dismiss should be denied and this case should be consolidated with the Sirius action on the same schedule.

Dated: May 19, 2010

Respectively submitted,

By:/s/ Charles W. Goehringer

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CERTIFICATE OF SERVICE

I hereby certify that on May 19, 2010, I caused a true and correct copy of this document (Personal Audio, LLC's Response to Defendant's Motion to Dismiss and Cross-Motion to Consolidate) to be served on all counsel of record via Electronic Case Filing (ECF) pursuant to Local Rule CV-5(a).

Dated: May 19, 2010

/s/ Charles W. Goehringer, Jr.
Charles W. Goehringer, Jr.