

EXHIBIT C

**** NOT FOR PRINTED PUBLICATION ****

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

PERSONAL AUDIO, LLC,	§	
	§	
<i>Plaintiff,</i>	§	
	§	Civil Action No. 9:09-CV-111
v.	§	
	§	
APPLE, INC.; SIRIUS XM RADIO, INC.;	§	JUDGE RON CLARK
COBY ELECTRONICS CORP.; and	§	
ARCHOS, INC.,	§	
	§	
<i>Defendants.</i>	§	

ORDER DENYING PLAINTIFF’S MOTION TO AMEND AND MOTION TO CONSOLIDATE

Plaintiff Personal Audio, LLC filed suit against Defendants Apple, Inc., Sirius XM Radio, Inc., Coby Electronics Corp., and Archos, Inc., alleging infringement of United States Patent Nos. 6,199,076 and 7,509,178. The patents share a common specification. They relate to an audio program player which will automatically play a predetermined schedule of audio program segments, and includes controls that allow the listener to skip forward or backward. Personal Audio now moves for leave to add XM Satellite Radio, Inc. as a party in this case. Personal Audio filed suit separately against XM on March 16, 2010. *See Personal Audio v. XM Satellite Radio, Inc.*, 9:10-cv-35. In the alternative, Personal Audio seeks to consolidate the two cases.

Consideration of the applicable four factors favors denying Personal Audio’s motion for leave to amend. The court will also deny without prejudice the motion to consolidate. If

appropriate, consolidation will be addressed when the court resolves XM's motion to dismiss in related case 9:10-cv-35.

I. Background

A timeline of events is instructive:

- | | |
|--------------------|--|
| June 25, 2009 | Personal Audio files suit against Apple <i>et al.</i> Sirius XM Radio was one of the four Defendants; XM Satellite Radio, Inc. was not. Sirius XM was formed in 2007, when Sirius Satellite Radio Inc. and XM Satellite Radio Inc. merged. |
| September 22, 2009 | Sirius's counsel wrote Personal Audio's counsel a letter, in which it requested that Personal Audio provide an "exemplary infringement chart for at least one of the Sirius XM hardware players with an MP3 playback capability identified below." The letter then identified three players under the heading "Sirius" and seven players under the heading "XM." Pl. Mot. Consolidate, Ex. E [Doc. # 105]. |
| January 27, 2010 | The court enters a Scheduling Order, setting the deadline to "Join Additional Parties" as March 1, 2010 and the deadline for the parties' final amended pleadings as April 26, 2010. Doc. # 62, at 2. |
| February 1, 2010 | Personal Audio provided Sirius with infringement contentions for ten accused devices, including the seven players identified as belonging to "XM" in the September 22 letter. |
| February 16, 2010 | Sirius's counsel wrote a letter to Personal Audio's counsel in which it provided a list of witnesses whose documents would initially be searched and a list of proposed search terms. In a footnote, Sirius stated the following: |

XM employees have been included in this list based on Personal Audio's February 1, 2010 Infringement Contentions . . . However, XM Satellite Radio, Inc. is a separate legal entity from Sirius XM and is not a named Defendant in this lawsuit. Therefore, the products sold solely in connection with the XM satellite radio service are not properly in suit. If

Personal Audio intends to place those products at issue (and obtain corresponding discovery), it must properly file suit against XM.

Pl. Mot. Consolidate, Ex. G.

- February 26, 2010 Sirius's counsel wrote another letter to Personal Audio, stating that it has received no response from Personal Audio regarding its position on the issue of XM not being a party discussed in the February 16 letter. The letter states that "Personal Audio has not made any effort to add XM as a defendant to this lawsuit" and that, although Sirius "in good faith [has] been providing Personal Audio with information regarding XM as part of the discovery process thus far, XM need not and will not further participate in discovery unless and until Personal Audio properly files suit against XM." *Id.* at Ex. H.
- March 1, 2010 Deadline to add parties. Personal Audio does not add XM as a party.
- March 4, 2010 Personal Audio responds to Sirius's February 26 letter, stating simply that "Personal Audio intends to file a second amended complaint next week, which will include allegations against XM Satellite Radio, Inc. Please continue to include XM as part of Sirius' discovery responses in this matter." *Id.* at Ex. I.
- March 11, 2010 Sirius responds to Personal Audio's March 4, letter, stating that the deadline to add parties had passed, Personal Audio failed to join XM to the lawsuit before the deadline, and requesting Personal Audio explain the basis for a proposed amended complaint. *Id.* at Ex. K.
- March 16, 2010 Personal Audio, still without ever adding or seeking to add XM as a party, files a separate suit against XM. *See Personal Audio v. XM Satellite Radio, Inc.*, 9:10-cv-35 [Doc. # 1].
- March 17, 2010 Personal Audio contacts Sirius's counsel, requesting Sirius's position on adding XM to the original lawsuit or consolidating the two cases. By letter of March 30,

Personal Audio indicates that Sirius has not responded. Pl. Mot. Consolidate, Ex. M.

April 2, 2010

Sirius responds to Personal Audio's request to join XM/consolidate the two cases, reiterating that March 1 was the deadline to join parties, Sirius informed Personal Audio prior to that date that XM products were not properly at issue, and that Personal Audio nevertheless failed to join XM by the March 1 deadline. It concludes by stating that "Personal Audio is now barred from joining XM to the lawsuit. Moreover, the claims that Personal Audio has asserted in its March 16 complaint against XM constitute an attempted end-run around the scheduling order in this action and are also barred as a matter of law." *Id.* at Ex. N.

April 14, 2010

Personal Audio responds to Sirius's April 2 letter, summarizing the results of the parties' April 13 meet and confer on the issue of joinder/consolidation.

April 16, 2010

The instant motion is filed.

II. Discussion

A. Motion for Leave to Add XM as a Defendant

1. *Applicable law*

Fed. R. Civ. P. 16(b) governs amendment of pleadings once a scheduling order has been issued by the court. *S & W Enters., LLC v. South Trust Bank of Ala., N.A.*, 315 F.3d 533, 536 (5th Cir. 2003). "Only upon the movant's demonstration of good cause will the more liberal standard of Rule 15(a) apply to the district court's decision to grant or deny leave." *Id.* "The good cause standard requires the [p]arty seeking relief to show that the deadlines cannot reasonably be met despite the diligence of the party needing the extension." *Id.* (internal quotation omitted).

When determining whether leave to amend should be granted, the court should consider four factors: (1) the explanation for the failure to timely move for leave to amend; (2) the importance of the amendment; (3) the potential prejudice in allowing the amendment; and (4) the availability of a continuance to cure such prejudice. *Id.*

2. *Analysis*

a. **The explanation for the failure to timely move for leave to amend**

Personal Audio argues that it missed the March 1 deadline to add parties because counsel incorrectly thought they had until April 26, the deadline to amend pleadings, to add XM as a party. After this came to its attention, Personal Audio argues that it then acted quickly to remedy the problem (by filing a new case against XM on March 16) and filing this motion (on April 16).

The court does not find this explanation particularly credible. Personal Audio has experienced counsel, all of whom have tried cases before the undersigned before, and should be well aware that the deadline to join parties is independent from the deadline to amend the pleadings. Personal Audio received two letters from Sirius before the deadline to add parties—on February 16 and 26, 2010—reminding Personal Audio of the need to add XM as a Defendant. If Scheduling Orders are to have any weight at all, this factor weighs heavily against allowing amendment.

b. **The importance of the amendment**

Personal Audio argues that XM's presence in this case is important, because seven of the accused products are XM players. It argues that not permitting joinder would result in wasted time and resources, as Sirius did produce some XM discovery until March 2010. It also argues that judicial economy requires joinder or, at the very least, consolidation. Sirius responds that

Personal Audio's carelessness with deadlines only emphasizes XM's unimportance to the overall suit.

Throughout this litigation, Personal Audio has consistently asserted claims against players which are apparently made by XM, rather than Sirius. *See, e.g.*, Pl. Mot. Amend, Ex. F (February 1, 2010 Initial Disclosures). Some discovery has been obtained regarding XM, and Personal Audio has served infringement contentions relating to XM devices. Despite not actually adding XM as a party, Personal Audio appears to have pursued this case under the mistaken assumption that the XM products were properly before the court. This indicates that Personal Audio does consider the XM products relatively important to its case, despite its inexplicable failure to timely add XM as a party. This factor weighs somewhat in favor of permitting leave to add XM.

c. The potential prejudice to XM and Sirius

Personal Audio argues that there is no prejudice to either party, as both have known for months that Personal Audio accuses a number of XM players. Discovery relating to XM has already been produced, and was stopped only very recently. There are no claims added, as Personal Audio's position is that XM has been treated as a defendant all along. Personal Audio also points to the fact that trial is not until March 2011, and the *Markman* hearing is not until August 31. Sirius responds that there would be a great deal of XM discovery that has not already been produced, and that adding XM at this point would cause further expense and delay.

One point neither side addresses, but which weighs against adding XM as a party at this point, is that XM did not have the opportunity to join in the venue motion the original four Defendants filed in January 2010. Sirius was a party to this motion, but XM is an independent

entity with a location different from the other four Defendants (Washington, D.C.). Because the court denied the motion to change venue, XM is potentially prejudiced by its lack of opportunity to join in this motion. Given the importance attached to venue issues in recent Fifth and Federal Circuit opinions, this weighs heavily against allowing leave to amend.¹

d. Availability of a continuance to cure any prejudice

Trial is set for March 2011. The *Markman* hearing is not until August 31, 2010. These deadlines provide an adequate, although not generous, period of time for additional discovery and preparation should XM be added as a party. This factor is neutral.

3. Conclusion

Consideration of the above four factors leads the court to conclude that Personal Audio's motion for leave to add XM as a defendant should be denied.

B. Motion to Consolidate

1. *Applicable law*

Under Fed. R. Civ. P. 42(a), the court may consolidate multiple actions if the actions involve common questions of law or fact. "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 under" Rule 42(a). *Miller v. United States Postal*

¹Of course, if amendment was allowed, XM could file a motion to reconsider the venue order. No such motion has been filed, but it seems likely that since XM is not incorporated and has no principal place of business in the proposed transferee District of Massachusetts, the analysis would remain the same. Nevertheless, it would seem only fair to permit XM to file the motion. Then, even though mandamus in the present case has been denied, there would be an opportunity for a second writ of mandamus. It simply makes little sense from the court's perspective to join XM, when doing so has the potential to needlessly delay the Congressionally mandated "just, speedy, and inexpensive determination" of the present action. *See* Fed. R. Civ. P. 1.

Serv., 729 F.2d 1033, 1036 (5th Cir. 1984) (internal quotation omitted). The court may invoke Rule 42 sua sponte if doing so would “expedite trial and eliminate unnecessary repetition and confusion.” *Id.*

2. *Analysis*

The court will deny without prejudice the motion to consolidate at this time. XM has only recently appeared, filing a motion to dismiss on May 10, 2010 based on Personal Audio’s failure to timely add it as a party in this case. *See Personal Audio, LLC v. XM Satellite Radio, Inc.*, 9:10-cv-35 [Doc. # 7]. The issue of consolidation may be rendered moot by the resolution of that motion.

IT IS THEREFORE ORDERED that Plaintiff Personal Audio, LLC’s Motion for Leave to Amend [Doc. # 105] is DENIED. The denial of the motion to consolidate is without prejudice.

So **ORDERED** and **SIGNED** this **13** day of **May, 2010**.



Ron Clark, United States District Judge