Microsoft Corporation v. TIVO Inc Doc. 24

HONORABLE RICARDO S. MARTINEZ

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

MICROSOFT CORPORATION,

Plaintiff,

vs.

TIVO, INC.,

Defendant

Case No. 11-0134

MICROSOFT'S RESPONSE TO DEFENDANT'S MOTION TO STAY PURSUANT TO 28 U.S.C. § 1659 AND TO TRANSFER VENUE PURSUANT TO 28 U.S.C. § 1404(A)

NOTED: MARCH 18, 2011

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I. INTRODUCTION

In its motion, TiVo initially invokes its right to stay the present case pursuant to 28 U.S.C. § 1659 in light of the investigation currently underway against it in the United States International Trade Commission ("ITC"). Microsoft does not oppose that stay. Immediately after invoking a stay, however, TiVo seeks to transfer this case to the Northern District of California. That makes no sense. The plain language of Section 1659 requires the Court to stay all "proceedings" in this case, which include by their very nature both substantive and procedural issues, such as TiVo's motion to transfer. Moreover, requiring this Court to decide whether to transfer a case that has been stayed under Section 1659 would undermine the very purpose of the stay – to increase judicial economy and efficiency. In addition, federal courts have uniformly held that, pursuant to Section 1659, *all* issues concerning the asserted patents must be stayed until the resolution of the Commission's proceeding. Indeed, when faced with a motion to transfer in a case stayed under an analogous statute, another court in this District denied the motion to transfer as moot in light of the stay. Accordingly, TiVo's motion to transfer should be denied as moot in light of the stay.

Even if the Court were to reach the merits of TiVo's motion to transfer, the motion should be denied because TiVo has not met its burden of proving that the Northern District of California is clearly more convenient than this District. Microsoft's headquarters are located in this District. The conception and reduction to practice of the inventions claimed in the asserted patents occurred in this District. All of the inventors named on the asserted patents still live in this District. Microsoft's documents related to the conception and reduction to practice of the claimed inventions are located in this District. And given Microsoft's established presence in this District and the fact that the asserted patents claim inventions created in this District, there is significant local interest in adjudicating this dispute.

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II. BACKGROUND

A. The International Trade Commission's Investigation of TiVo

On January 24, 2011, Microsoft filed a complaint against TiVo in the ITC, alleging that TiVo's importation into the United States, sale for importation into the United States, and sale within the United States after importation of certain digital video recorders infringes four Microsoft patents. *See* Ex. 1.[1] On February 24, 2011, the ITC instituted an investigation of TiVo's alleged infringement of Microsoft's patents, entitled *In the Matter of Certain Set-Top Boxes, and Hardware and Software Components Thereof*, Investigation No. 337-TA-761. *See* Ex. 2.

On March 3, 2011, Administrative Law Judge E. James Gildea issued a Notice of Ground Rules and Setting Target Date and Date for Submission of Proposed Procedural Schedule. *See* Ex. 3. Under Judge Gildea's March 3rd order, a final determination from the ITC is expected in July 2012. *Id*. That final determination, however, is appealable to the Federal Circuit. A final unappealable decision in the ITC Investigation is, therefore, not expected until late 2012 or early 2013.

Discovery has already begun in the ITC; the parties served interrogatories and document requests on March 3, and responses are due on March 14. Under Judge Gildea's order, fact discovery will be completed on a date prior to September 19, 2011. *See* Ex. 3. Given that the parties, claims, and asserted patents are identical in this case and the ITC, virtually all fact discovery relevant to the present case – other than on the issues of damages and willfulness – should be completed by the time fact discovery ends in the ITC investigation.

[1] All references herein to exhibits refer to those exhibits attached to the Declaration of Shane Cramer in Support of Microsoft's Response to Defendant's Motion to Stay Pursuant to 28 U.S.C. § 1659 and to Transfer Venue Pursuant to 28 U.S.C. § 1404(A), filed herewith.

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B. Microsoft Invented and Developed the Technology Claimed in the Asserted Patents in this District

Microsoft is a corporation organized under the laws of the State of Washington, with its principal place of business located in Redmond. Microsoft's headquarters have been located in the Western District of Washington for two and a half decades and Microsoft has established strong ties to the district. In the mid-1990's, a team of Microsoft engineers working at the Redmond campus foresaw a new market for interactive television. Microsoft's interactive television group in Redmond was one of the very first to explore electronic program guides, video on demand and parental locking features. Microsoft worked diligently to beat the curve and also to obtain intellectual property rights in their technology, including the patents asserted in this litigation. The inventors of these four patents conceived of their inventions and reduced them to practice at Microsoft's offices in Redmond.

C. Key Sources of Proof Are Located in This District

Because the named inventors conceived of their ideas for an electronic program guide with user friendly features, a preview feature for a user interface and selective delivery of programming while working at Microsoft's Redmond offices, most documentation that still exists from this time period is located in Redmond. Similarly, when these Microsoft engineers were building the first prototypes of these inventions and working diligently to reduce them to practice, they were working at Microsoft's Redmond office, making that office a key source of evidence.

D. Identified Party and Non-Party Witnesses are Located in the Western District of Washington

All nine named inventors on the asserted patents in this case are still living or working in the Western District of Washington. *See* Ex. 4. And of the nine named inventors, six of them are no longer employed by Microsoft . *See id*. In addition, three of the twelve attorneys who prosecuted the asserted patents live in this District and three live in Portland, Oregon. *See*

Ex. 5. The other six are scattered around the country, with only one of them located in Northern California. *See id*.

III. ARGUMENT

A. Microsoft Does Not Dispute that This Matter Must Be Stayed Pursuant to 28 U.S.C. § 1659

Pursuant to 28 U.S.C. § 1659, a party to a district court action who is also a respondent in an ITC investigation involving the same issues has the right to request a stay of the district court action:

> In a civil action involving the parties to a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930, at the request of a party to the civil action that is also a respondent in the proceeding before the Commission, the district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission.

Because TiVo is a party to the present action and a respondent in the ITC Investigation in which Microsoft is asserting the same patents against the same TiVo products, TiVo has a right to request a stay of the present case.

That stay will remain in place until the ITC determination "becomes final." 28 U.S.C. § 1659. According to the Federal Circuit, an ITC determination "becomes final" when the Commission proceedings are no longer subject to review (i.e., after all appeals have been exhausted or the time for appeal has expired). *See In re Princo Corp.*, 478 F.3d 1345, 1355 (Fed. Cir. 2007).

B. TiVo's Attempt to Transfer The Present Case Is Improper

TiVo's attempt to transfer the present case to the Northern District of California – after invoking its right to stay – is contrary to the plain language of Section 1659, the purpose of Section 1659, and the case law interpreting Section 1659.

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First, the plain language of Section 1659 states that "the district court shall stay . . . *proceedings* in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission." 28 U.S.C. § 1659 (emphasis added). The statute explicitly directs district courts to stay all "proceedings in the civil action." *See Fuji Photo Film Co. v. Benun*, 463 F.3d 1252, 1256 (Fed. Cir. 2006) ("[T]he district court must await a final decision from the Commission before proceeding with its *action*.") (emphasis added). By their very nature, "proceedings" in district court actions include both substantive and procedural issues, such as TiVo's motion to transfer. Because Section 1659 does not exempt procedural issues from the stay, TiVo's motion to transfer should be denied as moot.

Second, requiring this Court to decide whether to transfer a case that has been stayed under Section 1659 would undermine the very purpose of the stay – to increase judicial economy and efficiency. *See In re Princo Corp.*, 478 F.3d 1345, 1355 (Fed. Cir. 2007) ("The purpose of § 1659 is to prevent separate proceedings on the same issues occurring at the same time.") (citing H.R. Rep. No. 103-826(I), at 141 (1994), *reprinted in* 1994 U.S.C.C.A.N. 3773, 3913). It makes no sense for this Court to spend its time deciding a motion to transfer in a case that is stayed until a final determination in the ITC Investigation.

Third, federal courts have uniformly held that, pursuant to Section 1659, *all* issues concerning the asserted patents must be stayed until the resolution of the Commission's proceeding. *See Micron Tech., Inc. v. Mosel Vitelic Corp.*, No. CIV 98-0293-S-LMB, 1999 WL 458168, at *3 (D. Idaho Mar. 31, 1999); *see also Alloc, Inc. v. Unilin Decor N.V.*, No. Civ. A 03-253-GMS, 2003 WL 21640372, at *1 (D. Del. July 11, 2003); *Intel Corp. v. Altima Commc'ns, Inc.*, No. CV S-99-2488-GEB, 2003 WL 21856928, at *1 (E.D. Cal. May 20, 2003); *Proxim, Inc. v. 3COM Corp.*, No. C.A.01-155-SLR, 2003 WL 403348, at *1 (D. Del. Feb. 21, 2003). Thus, for example, even though the ITC cannot resolve the question of patent

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damages, inquiry into those issues is stayed along with the patent infringement questions. *See Micron Tech.*, 1999 WL 458168, at *5 – *6. As explained in the *Micron* case, "[i]f a court were to conclude that a patent infringement claim filed in a district court was not subject to a motion to stay under section 1659 even though it concerned the alleged infringement of the same patent before the ITC because the ITC was unable to determine the extent and willfulness of damages caused by the infringement, the automatic stay provision of section 1659 would be rendered a nullity." *Id.*

Finally, when faced with an analogous situation, another judge in this District determined that a defendant's motion to transfer was rendered moot by the imposition of a mandatory, statutory stay. *See Moura v. Personal Bus. Advisors, LLC*, Case No. C08-5403BHS, 2008 U.S. Dist. LEXIS 78065, at *10 – *13 (W.D. Wash. Sept. 2, 2008) (denying defendant's motion to transfer as moot in view of granting a mandatory stay under 9 U.S.C. § 3). This Court should reach the same result here.

In support of its contention that this Court should render a decision on the motion to transfer, TiVo argues that its motion is not a "claim that involves the same issues involved in the ITC proceedings" and is therefore not precluded by the mandatory stay. However, TiVo misquotes the language of the statute, which requires a stay of "proceedings" – not "claims." 28 U.S.C. § 1659. And, as explained above, a stay under section 1659 is not limited only to those issues involved in the ITC investigation. *See Micron Tech.*, 1999 WL 458168, at *5–6.

Moreover, the sole authority TiVo cites, *Broadcom Corp. v. Qualcomm, Inc.*, 2005 U.S. Dist. LEXIS 45831 (C.D. Cal. Dec. 5, 2005), does not support its argument. Unlike in the present case, the parties in *Broadcom agreed* that the case could be transferred to a different district court. Instead, the parties disagreed as to whether the district court action should be stayed in favor of ITC proceedings in light of a forum selection clause that one side argued

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required the case to be litigated in district court.[2] Because the *Broadcom* case is the exact opposite of this case, where the parties agree that the case should be stayed, but disagree about whether it should be transferred, it provides no support for TiVo's position.

Pursuant to Section 1659, this Court "must await a final decision from the Commission before proceeding with its action." *Fuji Photo Film Co. v. Benun*, 463 F.3d 1252, 1256 (Fed. Cir. 2006). That final decision is not expected until sometime in late 2012 or early 2013. By that time, it is possible that the entire case may have been resolved – rendering TiVo's motion to transfer moot. Common sense, in addition to the statutory language, statutory purpose, and the relevant case law, dictates that Court should refrain from deciding TiVo's motion to transfer at this time.

C. This Court Should Not Transfer This Case to the Northern District of California

"For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district court where it might have been brought." 28 U.S.C. §1404(a). Because Microsoft has chosen to litigate its claim in the Western District of Washington, where its corporate headquarters are located and where the conception and development of its claimed inventions occurred, Microsoft's choice of forum should be accorded "great weight" in the venue transfer analysis. *Lou v. Belzberg*, 834 F.2d 730, 739 (9th Cir. Cal. 1987) (citing *Texas Eastern Transmission Corp. v. Marine Office-Appleton &*

[2] Broadcom brought suit for infringement of five patents in both the Central District of California and the ITC, and the District Court action was stayed. Qualcomm moved to dismiss the claims in the Central District of California and enjoin the ITC proceedings on the grounds that an agreement between the parties contained a forum selection clause limiting venue to the Southern District of California. Qualcomm also filed suit in the Southern District of California seeking a preliminary injunction in the ITC and alleging that the patents at issue there were inextricably intertwined with related contract claims. Broadcom then asked the Central District of California to lift the stay in order to decide venue and agreed to transfer the case to the Southern District of California. The court transferred the case to the Southern District of California, holding that the stay of the patent infringement claims being litigated in the ITC would remain in effect after the transfer, but that Qualcomm was free to attempt to litigate both its contract claims and the question of enjoining the ITC proceedings in front of the Southern District.

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Cox Corp., 579 F.2d 561, 567 (10th Cir. 1978)). Accordingly, Microsoft's choice of forum should not be disturbed unless TiVo can show that California is clearly more convenient. *Id.*; *see also C.M.F. Indus., Inc. v. Ram Winch & Hoist, Ltd.*, C09-0349 MJP, 2009 WL 2045696 (W.D. Wash. July 13, 2009); *Corbis Corp. v. Integrity Wealth Mgmt., Inc.*, C09-708 MJP, 2009 WL 2486163 (W.D. Wash. Aug. 12, 2009). TiVo has not met that burden.

1. The Private Interest Factors Weigh Against Transfer

The private interest factors include: 1) the availability of compulsory process to secure the attendance of witnesses; 2) the relation of the parties and the cause of action to the venue; 3) the relative ease of access to sources of proof; and 4) the cost of attendance for willing witnesses. *See Decker Coal Co. v. Commonwealth Edision Co.*, 805 F.2d 834, 844 (9th Cir. 1986).

a. Availability of Compulsory Process in the Western District of Washington Weighs Against Transfer

In any patent infringement case, the named inventors of the asserted patents are key witnesses. In this case, all nine of the named inventors remain in the Western District of Washington and, of those nine, six are no longer employees of Microsoft. *See* Ex. 4. In addition, three of the twelve lawyers who prosecuted the asserted patents are also located in this district. *See* Ex. 5.

Although TiVo argues that "potential" prior art witnesses are located in the Northern District of California, invalidity contentions have not been exchanged in this case or in the ITC, and TiVo has not proven that this prior art is even relevant to the asserted claims of the patents-in-suit. TiVo's motion also vaguely refers to former (un-named) Microsoft and TiVo employees who are "likely" to still reside in the vicinity of northern California. However, TiVo has not actually identified any specific former employees, nor has TiVo identified the

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discoverable information they allegedly have. The most likely Microsoft employees to be named as witnesses are current employees, for whom compulsory process is not necessary.

Because the vast majority of non-party witnesses who have actually been identified are located in or near the Western District of Washington, the availability of compulsory process weighs against transferring this case to California.

b. The Relation of Microsoft and the Cause of Action to This District Weighs Against Transfer

As explained above, Microsoft has strong, long-standing ties with the Western District of Washington, and chose to file suit here. While Microsoft has a campus in northern California, Microsoft's Redmond campus has much closer ties to this case. All of the named inventors on the asserted patents worked at Microsoft's Redmond campus. In addition, the inventions claimed in the asserted patents were conceived and reduced to practice at Microsoft's Redmond campus. That work goes to the heart of this case. By contrast, the work done at Microsoft's northern California campus involves Mediaroom. Mediaroom may be relevant to damages and objective indicia of non-obviousness.

c. Accessibility of Sources of Proof Is at Most Neutral, Especially in Light of the Fact that Discovery Will Be Completed in the ITC Before This Case Even Begins

TiVo's attempt to argue that it will have a greater burden to produce evidence in this district than in California must be disregarded because the exchange of documents here will be electronic – and will be largely completed in the ITC Investigation long before this case even begins. *See Digeo, Inc. v. Gemstar-TV Guide Int'l, Inc.*, 2007 WL 295539 (W.D. Wash. Jan. 29, 2007) (Martinez, J.)("[T]he burden of producing and 'shipping' documents is greatly reduced in this age of electronic transmission."). In opposing Microsoft's attempt to transfer TiVo's Eastern District of Texas case to the Northern District of California, TiVo itself explicitly recognized the neutrality of the location of documents in the age of e-discovery. *See*

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Ex. 6 Tivo's Opp. Br. filed in E.D. Texas at p. 16. Beyond this, TiVo cannot dispute that the vast majority of document production necessary in this case will have been completed in the ITC case via electronic discovery long before this case begins.

Moreover, TiVo's argument that information material to this case is concentrated in the Northern District of California ignores the fact that many of Microsoft's documents and most identified non-party witnesses are located in Washington. A transfer of venue is not justified if the result is "merely to shift the inconvenience from one party to another party." *See, e.g., Banner Bank v. Superior Propane, LLC*, 2010 U.S. Dist. LEXIS 53061 (E.D. Wash. May 28, 2010). Rather, transfer is only warranted if the transferee forum is "clearly more convenient." *Id*. (citing *Decker Coal Co.*, 805 F.2d at 843.)

Finally, TiVo's contention that this District is a less convenient forum for Microsoft is baseless. Microsoft itself chose to file in this District, its headquarters are located here, and its choice is entitled to even greater deference. *Gates Learjet Corp. v. Jensen*, 743 F.2d 1325, 1335 (9th Cir. 1984) ("[A] plaintiff's choice of forum is entitled to greater deference when the plaintiff has chosen the home forum."). TiVo itself recognizes that the Court must presume that the Western District of Washington is the most convenient forum for Microsoft, as it chose to file suit here. *See* Ex. 6, TiVo's Opp. Br. filed in E.D. Texas p. 16.

2. The Public Interest Factors Also Weigh Against Transfer

The public interest factors include: 1) the local interest in having local issues decided at home; 2) judicial economy; and 3) the administrative difficulties flowing from court congestion. *Decker Coal Co.*, 805 F.2d at 844. These factors favor keeping the case in Washington.

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a. Local Interest in Deciding this Case Weighs Against Transfer

The interest of the transferor forum in having localized interests adjudicated at home is an important factor in the transfer analysis. In this case, Microsoft's headquarters are located in the Western District of Washington. Microsoft has invested significant time and money in this district in the research and development which led to the four patents asserted in this case. And importantly, all of the inventors of the patents are still located in this district. *See* Ex. 4. The connections between this dispute and this forum are obvious and significant. Microsoft and the inventors have an interest in vindicating their patent rights in their own community, the same community where those patents were developed.

b. Judicial Economy Weighs in Favor of Staying The Motion to Transfer – Not Deciding it

TiVo argues strenuously that judicial economy favors transfer to the Northern District of California because that district has experience adjudicating issues similar to those presented by this case in light of a pending patent infringement case between Microsoft and TiVo concerning different patents than those involved in this case. TiVo, however, has filed a motion to stay the Northern District of California case pending reexamination of the patents at issue there and takes a contradictory position in that motion. In its motion to stay the California case, TiVo urges the California court to grant a stay because that litigation is at a "relatively early stage," "the Court has not yet held a claim construction hearing," and "[n]o dispositive motions have been filed." *See* Ex. 7, TiVo Motion to Stay filed in N.D. California at 12:25-14:6. TiVo cannot credibly argue to this Court that a motion to transfer should be granted because the Northern District of California has experience with allegedly similar patents and technologies while at the same time arguing to the Northern District of California that that court and the parties have not invested significant time in analyzing Microsoft's patents or TiVo's technology in that case. Moreover, if TiVo's motion to stay the California

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case is granted, it is possible that the stay in the present case will actually be lifted before the stay in the California case, allowing the proceedings in this Court to move ahead of those in the California court.

It simply defies common sense to ask this Court to decide a motion to transfer based on arguments about judicial economy when this case is subject to a mandatory stay and TiVo itself has asked for a stay of the California case. Judicial economy would be best served by waiting to decide this motion until the ITC proceedings are concluded. By that time, any number of events could have occurred that would obviate the need to decide TiVo's motion at all.

c. Court Congestion Weights Against Transfer

Although TiVo argues here that court congestion is neutral to the transfer analysis, TiVo has recognized that the speed with which a case can come to trial and be resolved affects the public interest calculus. *See* Ex. 6, Tivo's Opp. Br. filed in E.D. Texas at p. 19; *see also In re Genentech, Inc.*, 566 F. 3d 1338, 1347 (Fed. Cir. 2009). According to the statistics cited in TiVo's brief, time to trial is approximate 17% greater in the Northern District of California. If this case actually proceeds when the stay is lifted, its resolution is likely to be less expeditious in California than in Washington.

IV. CONCLUSION

For the reasons set forth above, Microsoft respectfully requests that this Court stay the present case and deny TiVo's motion to transfer as moot. TiVo can renew its motion to transfer if and when it is appropriate.

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CERTIFICATE OF SERVICE

I hereby certify that on March 14, 2011, I electronically filed the foregoing document with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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