Microsoft Corporation v. TIVO Inc Doc. 27

1 The Honorable Ricardo S. Martinez
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8 UNITED STATES DISTRICT COURT
9 WESTERN DISTRICT OF WASHINGTON

MICROSOFT CORPORATION,	)	
	)	
Plaintiff,	)	No. 2:11-cv-00134 RSM
	)	
v.	)	**DEFENDANT'S REPLY IN SUPPORT OF MOTION TO STAY PURSUANT TO 28 U.S.C. § 1659 AND TO TRANSFER VENUE PURSUANT TO 28 U.S.C. § 1404(a)**
TIVO INC.,	)	
Defendant.	)	
	)	NOTE ON MOTION CALENDAR: FRIDAY, MARCH 18, 2011
	)	

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INTRODUCTION

Microsoft's opposition is wrong when it argues that the Court lacks power to transfer this case, and doubly wrong when it says that the facts do not favor transfer to California, the forum in which Microsoft itself filed its first, related action. Microsoft's opposition to transfer is part-and-parcel of its attempt to multiply proceedings against TiVo and to make those proceedings as expensive and unmanageable as possible.

The *Broadcom* case discussed by TiVo expressly considered whether a court had the power to transfer a case to another district after imposing a stay under 28 U.S.C. § 1659 – and squarely held that a court has such power. By contrast, none of the cases cited by Microsoft even considers the question. Microsoft's cases dealing with a stay under Section 1659 simply held unremarkably that merits issues such as damages and willfulness are subject to the mandatory stay. The case from this district that Microsoft cites as purportedly "analogous" involves arbitration, not ITC proceedings, and raises a different set of issues.

In opposing transfer, Microsoft all-but-ignores ***its own decision to affirmatively file a related action against TiVo in Northern California***. Microsoft does not deny that the case it has filed here and the case it previously filed in Northern California are related in subject matter, patents (including overlapping inventors, specifications, and claim language), accused products, parties, and evidence. Nor does it have anything to say about the problems pointed out by TiVo: that Microsoft's strategic decision to split claims into different fora has made these matters more expensive, difficult to administer, and burdensome for both TiVo and the Courts. Transferring the case to California now would allow a single court to administer the cases jointly and on the same schedule.

Microsoft offers no reason to avoid this common sense result. Its primary argument – that the inventors live in this district – should carry little weight. That same fact did not stop Microsoft from filing claims on patents with some of the same inventors in Northern California in its first action. Moreover, Microsoft has informed TiVo that its counsel represents these

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inventors, making concerns about the need for compulsory process less compelling. Nor does Microsoft deny that its current business allegedly relating to the subject matter of the patents has been located for over a decade (like TiVo's business) in Northern California.

Microsoft does not (and could not) oppose the mandatory statutory stay of this matter, and the Court should enter the unopposed stay. Moreover, TiVo asks the Court to ensure that Microsoft's suite of retaliatory cases proceed in a rational manner by transferring this case to the Northern District of California, where Microsoft should logically have filed it in the first place.

I. THIS COURT MAY TRANSFER AFTER IMPOSING A STAY

As noted above, a court in the Ninth Circuit has held – squarely and explicitly – that a district court may transfer an action after imposing a stay under Section 1659. *Broadcom Corp. v. Qualcomm, Inc.*, No. SACV 05-468-JVS, 2005 WL 5925585, at *2 (C.D. Cal. Sept. 26, 2005). Specifically, the *Broadcom* court held that it had the ability to address the applicability of a forum selection clause (and later did order a transfer), notwithstanding its previous stay order pursuant to Section 1659, holding: "[Section] 1659 directs courts to stay 'proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission.' The Court finds that the issue of the applicability of the forum selection clause does not fall within the plain language of 1659 as a 'claim' or 'same issue' involved in the proceeding before the Commission." *Id.* at *2. The Court also examined the statute's legislative history, finding further support: "the legislative history of 1659 shows that the issues envisioned as covered by the stay were those that 'would include questions of patent validity, infringement, and any defense that may be raised in both proceedings.' 1994 U.S.C.C.A.N. 4040, 4076, Statement of Administrative Action to Accompany H.R. 103-826(I), H.R. Rep. No. 103-316, at 705. Again, the Court finds that the applicability of a forum selection clause does not fall within any of those categories." *Id.* After concluding it had jurisdiction, the court requested briefing from the parties. The court then held that certain claims related to an agreement between the parties that included a forum selection clause. In a later ruling, the court transferred certain

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claims by Broadcom (notwithstanding the 1659 stay) to the Southern District of California pursuant to 1404(a) – the precise relief that TiVo is requesting here. *Broadcom Corp. v. Qualcomm, Inc.*, No. SACV 05-468-JVS, 2005 WL 5925582, *4 (C.D. Cal. Dec. 5, 2005).

Microsoft's attempted distinction of *Broadcom* is unavailing. First, Microsoft does not discuss the court's earlier ruling, where the court expressly decided it had power to consider the issue, the exact matter at issue here.[1] Moreover, Microsoft simply gets the facts wrong: Broadcom and Qualcomm did *not* agree on the issue of whether the court had the ability to transfer the action despite the 1659 stay. The matter was contested, and the Court ultimately ruled that Broadcom was correct: "the Court finds Broadcom's argument concerning both the plain language and legislative history of 1659 to be persuasive, and lends support to this Court's view that it has jurisdiction over the instant issue." *Broadcom*, 2005 WL 5925585, at *1. Finally, Microsoft's explanation of the result does not square with its interpretation of the statute: Microsoft distinguishes *Broadcom* as a situation in which both parties agreed that a transfer could occur, despite the presence of a stay; yet Microsoft's position – that a court lacks power to address administrative proceedings when a 1659 stay has been entered – would mean that the parties' agreement would be irrelevant. Simply put, Microsoft has misunderstood *Broadcom* – a case in which a court in this circuit squarely facing this issue held exactly as TiVo argues.

All of Microsoft's citations to cases involving stays under Section 1659 are inapposite: not one of them holds that a court lacks power to transfer a case after imposing a stay. Rather, they stand for the non-controversial proposition that, under Section 1659, all merits issues in a case are stayed. *See, e.g., Fuji Photo Film Co. v. Benun*, 463 F.3d 1252 (Fed. Cir. 2006) (district court proceeding may resume once final determination in ITC has been entered); *In re Princo Corp.*, 478 F.3d 1345 (Fed. Cir. 2007) (damages proceedings are stayed as part of the mandatory stay); *Micron Tech., Inc. v. Mosel Vitelic Corp.*, No. CIV 98-0293-S-LMB, 1999 WL 458168

[1] The December opinion, in which the transfer is ordered, refers to the September decision repeatedly. *See id.* at *2, 6.

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(D. Idaho Mar. 31, 1999) (damages and willfulness proceedings are stayed as part of the mandatory stay). This has nothing to do with the question of whether a court may transfer.

The case cited by Microsoft from this district does not involve a Section 1659 stay at all, but an agreement to arbitrate. In *Moura v. Personal Business Advisors LLC, et al.,* Case No. C08-5403-BHS, 2008 U.S. Dist. LEXIS 78065 (W.D. Wash. Sept. 2, 2008), defendants filed a motion to dismiss, to stay the action pending arbitration, *or* to transfer the action. *Id.* at *2. The court denied the motion to dismiss, granted the motion to stay pending arbitration, and then noted that the transfer motion was moot. *Id.* at *13. The transfer motion was in fact moot: the defendants had sought a transfer ***in the alternative***, if the court failed to dismiss or stay the case. Carsten Decl., Ex. 1 at 22. Because the stay was granted, the claims would actually be decided by the arbitrator, not the court, leaving little or nothing for the district court to do. By contrast, here the case will be subject to adjudication after the ITC proceeding is over. Indeed, the ITC proceeding does not even have res judicata effect on the present case. *See Texas Instruments, Inc. v. U.S. Int'l Trade Comm'n*, 851 F.2d 342, 344 (Fed. Cir. 1988) ("[T]his court has stated that the ITC's determinations regarding patent issues should be given no res judicata or collateral estoppel effect . . . ."). Thus, TiVo does not seek its relief in the alternative and the issue of where this case remains is far from moot. The obvious place to administer this case, even while stayed, is the Northern District of California, where Microsoft filed its first action.

A transfer also fulfills the goal behind Section 1659. Microsoft's own cited case, *In re Princo*, explains: "This again serves the purpose of the statute *which is designed to bar proceedings in two fora at the same time*." *In re Princo*, 478 F.3d at 1356. Here Microsoft is seeking to multiply the number of fora in which TiVo must defend itself in litigation, and a transfer will aid in reducing this multiplicity of actions.

II. THE COURT SHOULD TRANSFER THIS CASE TO CALIFORNIA

A. The Private Factors Support Transfer

TiVo has explained that the private interest factors overwhelmingly favor Northern

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California, where the following are located (mostly within 15 miles of the San Jose courthouse): documents and source code about the accused products; the TiVo and Microsoft businesses relevant to this lawsuit; the TiVo and Microsoft witnesses relevant to these businesses; the accused products; and prior art witnesses already identified in the California action (as Northern California is the locus of the interactive television industry). Mot. at 7-10. In an attempt to balance out these facts, Microsoft points out only that the named inventors reside in Washington and that Microsoft has chosen to file here.

The residence of the named inventors should carry little weight. As noted (Mot. at 11), several of them are also inventors on the patents Microsoft asserted against TiVo in the California action. That did not slow Microsoft down at all from filing its first lawsuit in California. Moreover, Microsoft has affirmed that it represents all the inventors, who should be contacted through them. Carsten Decl., Ex. 2. The inventors' apparent cooperation with Microsoft makes considerations such as compulsory process far less important.

Nor should Microsoft's choice of forum be afforded much weight, where it has chosen inexplicably to file related lawsuits against the same defendant and the same accused products in two different forums – lawsuits that are wholly retaliatory in nature, as TiVo pointed out in its motion and as Microsoft does not deny. Splitting claims and asserting them in different forums should not lead to any presumptions in Microsoft's favor. *See, e.g.*, *Digeo, Inc. v. Gemstar-TV Guide Int'l, Inc.*, No. C06-1417RSM, 2007 WL 295539, *2 (W.D. Wash. Jan. 29, 2007) (giving plaintiff's choice of forum less weight where "the timing and circumstances of plaintiff's filing suit raise suspicions of forum-shopping").

Finally, it is not the case that the location of evidence is irrelevant (as Microsoft asserts) on the theory that discovery here will merely mirror that of the ITC. For example, no damages case will occur in the ITC action; nor is willfulness an issue. Rather, discovery here will most closely follow the California action, another reason supporting transfer.

B. The Public Factors Support Transfer

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1 Even cases cited by Microsoft explain why this case should be transferred. As one case
2 explains: "The pendency of related actions in the transferee forum is a significant factor in
3 considering the interest of justice factor." *Digeo,* 2007 WL 295539, at *4 (quoting *Jolly v.*
4 *Purdue Pharma L.P.*, 2005 WL 2439197, at *2 (S.D. Cal. Sept. 28, 2005) (citation omitted)).
5 Microsoft does not even attempt to address seriously the overlap between this action and
6 the California case: the shared inventors, the identical accused products, similar claimed
7 inventions. It makes no sense to litigate these issues, construe related terms, and address the
8 same technology in two forums. *See, e.g., id.* at *5 ("'In a case . . . in which several highly
9 technical factual issues are presented and the other relevant factors are in equipoise, the interest
10 of judicial economy may favor transfer to a court that has become familiar with the issues.'")
11 (quoting *Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1565 (Fed. Cir. 1997)).
12 Microsoft's attempt to rely on a possible stay in California makes no sense; TiVo's
13 motion to stay the California case further *supports* a transfer now. The entire point is that a
14 single court should coordinate the administration of these two closely related cases. A stay in
15 California would assist that coordination, putting the cases on generally parallel timelines, given
16 the mandatory stay here. The California court, where Microsoft first filed, will best be able to
17 coordinate the two cases, especially if this action is transferred now.
18 Finally, Microsoft's own authority makes clear: "[I]n patent infringement actions, the
19 preferred forum is 'that which is the center of gravity of the accused activity.' The district court
20 'ought to be as close as possible to the milieu of the infringing device and the hub of activity
21 centered around its production.'" *Digeo,* 2007 WL 295539, at *4 (citations omitted). The center
22 of gravity here is Northern California. It has the strongest interest in the work of TiVo
23 employees (and Microsoft employees involved in interactive television less than 10 miles away).

24 **CONCLUSION**

25 Microsoft should not succeed in its strategy of splitting related claims to burden both the
26 courts and TiVo. TiVo respectfully asks the Court to stay the case and transfer it to California.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned attorney certifies that on the 18th day of March, 2011, I electronically filed the foregoing 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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