

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

MOSAID TECHNOLOGIES, INC.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Civil Action No. 2:06-CV-302-DF
	§	
MICRON TECHNOLOGY, INC. and	§	
POWERCHIP SEMICONDUCTOR CORP.,	§	
	§	
Defendants.	§	

**DEFENDANT POWERCHIP SEMICONDUCTOR CORPORATION’S
EMERGENCY MOTION TO STAY PROCEEDINGS**

Defendant Powerchip Semiconductor Corporation (“Powerchip”) files this emergency motion to stay proceedings in this lawsuit in view of the Federal Circuit’s February 29, 2008 decision in *Micron Technology, Inc. v. MOSAID Technologies, Inc.*, reversing and remanding the *Micron* declaratory judgment action back to the Northern District of California (attached at Sangalli Decl., Ex. 1).

Anticipating that the Federal Circuit would reverse the dismissal of a substantially similar declaratory judgment action filed by Defendant Micron Technologies, Inc. (“Micron”) in the Northern District of California, Powerchip had earlier filed a motion to stay proceedings. (D.I. 95). This Court denied Powerchip’s motion to stay without prejudice to re-filing following a decision in the Micron appeal that was then currently pending before the Federal Circuit. (D.I. 98). That decision has now come down, and, as expected, the Federal Circuit has reversed the dismissal of Micron’s declaratory judgment action and remanded Micron’s case to the Northern District of California. Accordingly, two substantially similar proceedings will be concurrently pending in two different courts: Micron’s earlier-filed declaratory judgment action in California; and MOSAID’s later-filed action in this Court. In view of the Federal Circuit’s holding that the

Northern District of California is the more appropriate forum for Micron's action to proceed and the substantial overlap between the Micron's action and the action pending in this Court, an immediate stay in this lawsuit is warranted pending decision on motions to transfer and dismiss being filed by Powerchip and Micron.

I. BACKGROUND

Plaintiff Mosaid Technologies, Inc. ("MOSAID") owns several patents in the area of dynamic random access memory ("DRAM"). As recognized by the Federal Circuit in the Micron appeal, MOSAID has pursued a systematic licensing and litigation strategy. (Sangalli Decl., Ex. 1, p. 3). As part of that strategy, MOSAID has filed and litigated patent infringement actions against Samsung Electronics Company, Ltd. ("Samsung") in the District of New Jersey in 2001, Infineon Technologies North America Corporation ("Infineon") in the Northern District of California in 2002, Hynix Semiconductor, Inc. ("Hynix") in the Eastern District of Texas in 2005, and Infineon again in the Eastern District of Texas in 2005. All of these actions involved the same or related patents pertaining to DRAM technology as have been asserted in the present action.

The Hynix litigation settled in 2005 shortly after filing and the Infineon action in Texas settled before the *Markman* hearing. With respect to the California Infineon case and the New Jersey Samsung case, the Judicial Panel for Multidistrict Litigation consolidated the Infineon case for pretrial proceedings with the earlier filed Samsung action in New Jersey because of the complexity of the technology and the need to avoid duplicative consideration of related factual and legal questions. Samsung and MOSAID settled in 2005. After the New Jersey court had issued claim construction and summary judgment non-infringement rulings in the Infineon action that were unfavorable to MOSAID, the Infineon action was returned to California. The Infineon

action then settled, and, as part of that settlement, MOSAID attempted to obtain vacatur of the unfavorable claim construction and non-infringement rulings so as to “strengthen MOSAID’s case in future litigation against other DRAM manufacturers,” such as Powerchip. (Sangalli Decl., Ex. 1, p. 3). A joint motion with respect to the vacatur was filed on July 24, 2006, which according to MOSAID was to “reset the clock” so that “no one can rely on any of these former rulings.” (*Id.* at p. 3). This motion with respect to vacatur was later denied by the California court in the Infineon case. (Sangalli Decl., Ex. 2).

Also on July 24, 2006, Micron filed its declaratory judgment action in the Northern District of California. Due to the similarities between the earlier-filed Infineon case and Micron’s declaratory judgment action, Micron’s action was found to be a related case and was assigned to the same judge who was presiding over the Infineon action. The day after Micron filed its declaratory judgment action, MOSAID filed the present action in the Eastern District of Texas asserting infringement of substantially the same patents at issue in Micron’s action. Although Micron’s action was the earlier-filed case, it was never allowed to proceed as the California court dismissed it for lack of subject matter jurisdiction based on the “reasonable apprehension of suit” test. (Sangalli Decl., Ex. 3 at p. 4). The court also held that even if subject matter jurisdiction did exist, the court would exercise its discretion and still decline to hear the case. (*Id.*). Micron appealed the Northern District of California’s dismissal of its action to the Federal Circuit.

While Micron’s appeal was pending, the Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (2007) rejected the “reasonable apprehension of suit” test and set forth the correct legal standard for determining whether declaratory judgment jurisdiction exists. Applying the Supreme Court’s articulation of the appropriate standard, the Federal Circuit has

now ruled on Micron's appeal, finding that Micron's case should be heard by the California court, rather than deferring to the forum (*i.e.*, this Court) of the later filed suit. (Sangalli Decl., Ex. 1 at p. 8). Significantly, the Federal Circuit did not reach its decision that California was the most appropriate forum for the case by applying categorical rules, such as "tenuousness of jurisdiction, broadness of the case, and degree of vestment," or even the first-to-file rule. (*Id.* at p. 10). Indeed, the Federal Circuit found that it would be an abuse of discretion to decline declaratory judgment jurisdiction and thus effectively transfer the case to another forum based on such considerations. For example, the Federal Circuit noted that the fact that another case was seemingly broader because it involved additional defendants should not be given undue weight because a patent holder could easily manipulate this factor in a later-filed case by simply naming additional defendants. (*Id.*). (Notably, this exact scenario has occurred in the present action.) Instead, where (as is also the case here) the declaratory judgment action and infringement action are filed or looming on the horizon at close to the same time, the Federal Circuit found that "the more appropriate analysis [regarding the discretionary jurisdictional question] takes account of the convenience factors under 28 U.S.C. § 1404(a)." (*Id.* at pp. 10-11; *see also id.* at 12 (noting that "when the discretionary determination is presented after the filing of an infringement action, the jurisdiction question is basically the same as a transfer action under § 1404(a)")).

While the transfer analysis under § 1404(a) generally favors a first-to-file rule, exceptions to the rule are not rare. Additionally, as recognized by the Federal Circuit in the Micron appeal, "[t]he convenience and availability of witnesses, absence of jurisdiction over all necessary or desirable parties, possibility of consolidation with related litigation, or considerations relating to the interest of justice must be evaluated to ensure the case receives attention in the most appropriate forum." (*Id.* at p. 12). After examining these factors, the Federal Circuit found that

“the Northern District of California is the more appropriate forum for the dispute between Micron and MOSAID.” (*Id.*). More specifically, the Federal Circuit found that MOSAID’s U.S. operations are based out of California, both Micron and MOSAID conduct business in California (as well as in Texas), and the availability of witnesses or jurisdiction over desirable parties does not favor Texas over California. Moreover, the Federal Circuit found that “[w]hile the well-known patent forum of the Eastern District of Texas has heard cases involving some of the same patents, the record does not show any ongoing litigation requiring consolidation.” (*Id.* at p. 13). After considering these factors, the Federal Circuit held that “it would be an abuse of discretion to transfer the [Micron] action” to Texas. (*Id.*). Accordingly, the Federal Circuit reversed and remanded the Micron action back to the Northern District of California, with the result that two substantially similar cases will be concurrently pending in two different districts.

Due to the Federal Circuit’s remand of the earlier-filed Micron action to California, a stay in this case is now appropriate to allow for decisions on motions to transfer venue and/or to dismiss that are being filed by Powerchip and Micron.

II. ARGUMENT

A. TO AVOID DUPLICATIVE LITIGATION AND THE POSSIBILITY OF INCONSISTENT RULINGS, THESE PROCEEDINGS SHOULD BE STAYED.

“The general principle in the interrelation of federal district courts is to avoid duplicative litigation.” *California Security Co-op, Inc. v. Multimedia Cablevision, Inc.*, 897 F. Supp. 316, 317 (E.D. Tex. 1995). Thus, when multiple cases involving substantially overlapping issues are filed, the Court must resolve two questions: 1) are the two pending actions so duplicative or do they involve such substantially similar issues that one court should decide the subject matter of both actions, and if so, 2) which of the two courts should take the case. *Nat’l Instruments Corp. v. Softwire Tech., LLC*, 2003 U.S. Dist. LEXIS 26952 *2 (E.D. Tex. May 9, 2003). While

resolving these questions, a stay is appropriate to allow decisions on motions to transfer and dismiss. *West Gulf Maritime Ass'n v. ILA Deep Sea Local 24*, 752 F.2d 721, 729 n.1 (5th Cir. 1985); *see also California Security*, 897 F. Supp at 321.

1. When “Substantial Overlap” Is Present, A Stay Or Dismissal Of A Subsequently-Filed Case Is Appropriate.

When deciding whether the two actions are duplicative, there is no requirement that the cases be identical. Rather, the crucial inquiry is one of “substantial overlap.” *Save Power Ltd v. Syntek Finance Corp.*, 121 F.3d 947, 950 (5th Cir. 1997); *see also Mann Mfg. Inc. v. Hortex, Inc.*, 439 F.2d 403, 408 n.6 (5th Cir. 1971) (noting that “regardless of whether or not the suits here are identical, if they overlap on the substantive issues, the cases would be required to be consolidated”). In determining whether “substantial overlap” is present, neither complete identity of issues nor complete identity of parties is required. *Save Power*, 121 F.3d at 951; *see also West Gulf Maritime Assoc. v. ILA Deep Sea Local 24*, 751 F.2d 721, 731 n.5 (5th Cir. 1985) (noting that incomplete identity of parties does not mandate that two “essentially identical” actions remain pending simultaneously where complete relief was nevertheless available in one forum and the missing parties probably could be made parties to the action in that forum).

Here, substantial overlap exists between the Micron action in California and the present action in Texas. The earlier-filed Micron action involves fourteen patents relating to DRAM technology. The later-filed Texas action involves eight of the same patents in the California action; three of the remaining four patents in the Texas action are continuations of the patents at issue in the California action, and all eleven of these related patents have been asserted against both Powerchip and Micron in the Texas action. Accordingly, should both cases proceed in parallel, this Court and the Northern District of California would be faced with essentially identical issues, particularly with respect to claim construction and invalidity as to both

Powerchip and Micron. Not only would this be a waste of judicial resources, but the impact on the resources of all parties would also be severe as the parties would be forced to engage in duplicative discovery and proceedings. In view of this substantial overlap, Powerchip also is filing a motion to transfer the proceedings against Powerchip in this Court to the Northern District of California, where it can be consolidated with the currently pending Micron action.

Significantly, it was precisely because of these concerns for the courts' and the parties' resources, coupled with the overlap of the extremely technical and complex legal and factual issues, that the Judicial Panel for Multidistrict Litigation had consolidated the California Infineon action (an action that the Northern District of California deemed related to the Micron declaratory judgment action) with the Samsung action for pretrial proceedings in New Jersey. In the Order consolidating the cases, the Panel stated:

At issue in both of the actions are the same seven complex patents, which purportedly relate to circuitry used in dynamic random access memory chips. Both actions can thus be expected to share factual and legal questions concerning such matters as patent validity, prior art, obviousness and interpretation of various claims of the patents. Centralization under Section 1407 is necessary in order to eliminate duplicative discovery; prevent inconsistent pretrial rulings, especially with respect to time-consuming and complex matters of claims construction; and conserve the resources of the parties, their counsel and the judiciary.

(Sangalli Decl., Ex. 4).

The situation here is no different and no different conclusion should be reached. The patents in both actions all are in the same patent families, and eight of the patents at issue are identical. As such, there is substantial overlap on the substantive issues, such as validity and claim construction. Accordingly, because allowing these actions to proceed in parallel would waste both judicial and party resources, and create the risk of inconsistent rulings, an immediate stay in this later-filed case is warranted to allow for a determination of which court should take the case.

2. The Federal Circuit Has Decided that Micron's Action Should Proceed in the Northern District Of California.

If substantial overlap is present between actions filed in different districts, the next inquiry is which of the two courts should take the case. Generally, the court of the first-filed action is the court which should decide whether it should try the case. *California Security*, 318 F.2d at 407; *see also Mann Mfg.*, 439 F.2d at 407. Here, the first-filed court is the Northern District of California. However, the Federal Circuit has decided this issue for the California court by holding in Micron's appeal that it would be an abuse of discretion for the California court to transfer Micron's case to Texas. (Sangalli Decl., Ex. 1, p. 13). Accordingly, in light of the Federal Circuit's decision in Micron's appeal and the substantial overlap between Micron's case and this case, both cases should proceed in California.

3. To Conserve Resources And Prevent Inconsistent Results, These Proceedings Should Be Transferred To And Consolidated With the Micron Action In The Northern District of California.

Given that Micron's earlier-filed declaratory judgment action has been remanded to the Northern District of California, that district is the appropriate court for the present action against Powerchip to proceed. Both actions involve the same DRAM technology and have a substantial overlap of patents. If both actions are allowed to proceed in parallel, consideration of the complex and fact-intensive claims and technology at issue here will result in litigation of the same or very closely related issues in different forums, wasting both Court and party resources and creating substantial risk of inconsistent rulings and judgments.

To date, while this Court has heard and issued orders on discovery disputes, no substantive issues have been decided. Moreover, both the Northern District of California and the Eastern District of Texas have adopted substantially similar local patent rules. Thus, the efforts of the parties towards complying with this Court's patent rules, such as their preparation of

infringement and invalidity contentions and their joint claim construction statement, also are appropriate for use in the Northern District of California. Thus, little—if any—of the Court’s and the parties’ resources will be wasted by transferring this action for consolidation with the earlier-filed declaratory judgment action that the Federal Circuit has now remanded to California. These factors should be considered when performing a transfer analysis under § 1404(a) and, on balance, strongly favor transferring the proceedings against Powerchip to the Northern District of California for consolidation with the currently pending Micron action.

The need to prevent future waste of resources and the risk of inconsistent judgments is of immediate concern. MOSAID’s opening claim construction brief was filed the day before the Federal Circuit remanded Micron’s case to the Northern District of California. Defendants’ responsive claim constructive brief is due on March 17, 2008. A tutorial for the Court has been scheduled for April 14, and the *Markman* hearing is set for April 15. Significantly, the Federal Circuit was well aware that this action was pending in this Court when it issued its decision in Micron’s appeal. Yet, even so, the Federal Circuit found that the California court was the more appropriate forum, holding that “it would be *an abuse of discretion* to transfer the action” to the Eastern District of Texas. (*Id.* at p. 13 (emphasis added)).

Accordingly, in view of the Federal Circuit’s decision, the substantial overlap between the proceedings against Powerchip in this Court and the earlier-filed declaratory judgment action pending in the California court, and the looming prospect of inconsistent rulings and judgments and waste of Court and party resources, this Court should immediately stay the proceedings against Powerchip in this District pending decision on Powerchip’s motion to transfer venue that is being filed concurrently with this emergency motion to stay.

III. CONCLUSION

For the foregoing reasons, Powerchip respectfully requests that proceedings against Powerchip in this case immediately be stayed pending decision on Powerchip's motion to transfer venue.

Date: March 3, 2008

/s/ Diana M. Sangalli

Dan C. Hu (*Lead Attorney*)

State Bar No. 00796786

Diana M. Sangalli

State Bar No. 24033926

Reed J. Hablinski

State Bar No. 24046001

TROP, PRUNER & HU, P.C.

1616 S. Voss Road, Suite 750

Houston, TX 77057

713/468-8880 [Phone]

713/468-8883 [Fax]

hu@tphm.com

E.E. Richards, II

State Bar No. 24033004

TROP, PRUNER & HU, P.C.

7718 Wood Hollow Drive, Suite G-50

Austin, TX 78731

512/418-9944 [Phone]

Thomas W. Sankey

State Bar No. 17635670

DUANE MORRIS

3200 Southwest Freeway, Suite 3150

Houston, TX 77027

713/402-3924 [Phone]

J. David Crisp

CRISP, BOYD, POFF & BURGESS, LLP

2301 Moores Lane

P.O. Box 6297

Texarkana, TX 75505-6297

903/838-6123 [Phone]

903/832-8489 [Fax]

**ATTORNEYS FOR POWERCHIP
SEMICONDUCTOR CORP.**

CERTIFICATE OF SERVICE

I hereby certify that, on this 3rd day of March 2008, all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ Diana M. Sangalli
Diana M. Sangalli

CERTIFICATE OF CONFERENCE

Counsel for Powerchip conferred by telephone with John D. Hamann, counsel for MOSAID, on February 29, 2008, and MOSAID's counsel is opposed to this motion.

/s/ Diana M. Sangalli
Diana M. Sangalli