

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

GOOGLE INC.,

Plaintiff,

v.

ROCKSTAR CONSORTIUM U.S. LP,  
MOBILESTAR TECHNOLOGIES, LLC,

Defendants.

No. C 13-5933 CW

ORDER DENYING  
MOTION TO DISMISS  
OR, IN THE  
ALTERNATIVE, TO  
TRANSFER

(Docket No. 20)

United States District Court  
For the Northern District of California

Google Inc. filed this declaratory judgment action for non-infringement of seven patents owned by Defendants Rockstar Consortium U.S. LP (Rockstar) and MobileStar Technologies, LLC (MobileStar). Defendants now move to dismiss or, in the alternative, to transfer the action to the Eastern District of Texas, where the action could be consolidated with several other actions filed by Defendants against Google's customers. Google opposes the motion or, in the alternative, requests jurisdictional discovery. The Court held oral argument on March 13, 2014. After considering the papers and the arguments of counsel, the Court DENIES the motion to dismiss or transfer.

BACKGROUND

Google is a corporation located in Mountain View, California. Docket No. 1 ¶ 2. Google produces the Android mobile platform, an open-source operating system that is used by many original equipment manufacturers around the world. Id. at ¶¶ 1-2.

1 Nortel Networks was a prominent Canadian telecommunications  
2 provider headquartered in Ottawa, Canada. See Madigan Decl., Exs.  
3 1-2. Nortel had offices throughout the United States, including  
4 one in Santa Clara, California. See id., Ex. 2. On January 14,  
5 2009, Nortel filed for bankruptcy. Id., Exs. 3-4. The bankruptcy  
6 court ordered an auction of Nortel's patent licensing operations,  
7 including a portfolio of over 6,000 patents "spanning wireless,  
8 wireless 4G, data networking, optical, voice, internet, service  
9 provider, semiconductors" and many other aspects of  
10 telecommunications and Internet search. Id., Exs. 4-6. Around  
11 the same time, five of the world's largest technology companies --  
12 Apple, Microsoft, Research in Motion, Sony, and Ericsson --  
13 jointly created and funded an entity called "Rockstar Bidco LP," a  
14 Delaware limited liability partnership. See id., Exs. 7-8. Apple  
15 contributed approximately \$2.6 million to Rockstar Bidco. Id.,  
16 Ex. 9 at 34. Both Google and Rockstar Bidco bid on the Nortel  
17 patent licensing operation at the June 2011 auction, but Rockstar  
18 Bidco ultimately prevailed with a bid of \$4.5 billion. Id.,  
19 Ex. 7.

20 Rockstar Bidco transferred around 2,000 patents to its  
21 owners, with at least 1,147 going to Apple. Id., Exs. 7, 14.  
22 Rockstar Bidco then reorganized itself into Rockstar, a Delaware  
23 limited partnership which claims a principal place of business in  
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1 Plano, Texas. Id., Exs. 7, 15.<sup>1</sup> Led by former Nortel executive  
2 and current Rockstar CEO John Veschi, Nortel's patent portfolio  
3 and licensing team of about forty employees immediately moved to  
4 Rockstar. Id., Exs. 10-12. Rockstar's CFO and CTO had also been  
5 executives at Nortel. Id. Veschi and the rest of his team remain  
6 in Nortel's old headquarters in Ottawa, Canada. Id., Ex. 12.  
7 According to its own website, Rockstar produces no products, but  
8 operates a "patent licensing business that owns and manages a  
9 portfolio of more than 4,000 patents developed by" Nortel. Id.,  
10 Ex. 13.

11 Rockstar has worked with Mark Wilson, an independent  
12 contractor in California who provides Rockstar with "licensing  
13 consulting services." Dean Decl. ¶ 34. In Rockstar organization  
14 charts appearing in a news article to which Rockstar contributed  
15 and which it featured on its own website, Wilson was named as a  
16 "licensing executive" in senior management. Madigan Decl., Exs.  
17 12-13. This suggestion of an employee relationship has now been  
18 deleted from the website and Wilson has removed "Rockstar  
19 Consortium" from his professional profile. See id., Exs. 12-13,  
20  
21

22 <sup>1</sup> Although Defendants assert that they both have principal  
23 places of business in Texas, they have not named any executives or  
24 employees who reside or work there. Rockstar's website and the  
25 declaration of Afzal Dean, Rockstar Vice President and President  
26 of MobileStar, identifies officers and board members who represent  
27 both Defendants and who are almost all based in Canada, except one  
28 in Colorado. See, generally, Dean Decl; see also Madigan Decl.,  
Exs. 10, 19, 23. Rockstar's "nerve center," or the place where  
its "officers direct, control, and coordinate the corporation's  
activities," thus appears to be in Ottawa, Canada. Hertz Corp. v.  
Friend, 559 U.S. 77, 92-93 (2010).

1 37. Defendants assert that Wilson's patent licensing duties do  
2 not encompass enforcement of the patents-in-suit.

3 On October 30, 2013, Rockstar created MobileStar, a wholly-  
4 owned subsidiary and Delaware limited liability corporation  
5 claiming a principal place of business in Plano, Texas. Dean  
6 Decl. ¶ 5. A day later, on October 31, 2013, Defendants filed  
7 suit in the Eastern District of Texas against ASUS, HTC, Huawei,  
8 LG, Pantech, Samsung, and ZTE, alleging each company infringes  
9 seven patents: U.S. Patent Nos. 6,037,937 (the '937 patent),  
10 6,463,131 (the '131 patent), 6,765,591 (the '591 patent),  
11 5,838,551 (the '551 patent), 6,128,298 (the '298 patent),  
12 6,333,973 (the '973 patent), and 6,937,572 (the '572 patent). (the  
13 Halloween actions). In each of the Halloween actions, Rockstar  
14 and MobileStar alleged infringement by "certain mobile  
15 communication devices having a version (or adaptation thereof) of  
16 Android operating system," which is developed by Google. See Dean  
17 Decl., Exs. A-H. Rockstar owns two of the seven patents-in-suit  
18 and transferred the remaining five patents to MobileStar shortly  
19 before filing litigation, but retained an exclusive license to  
20 those patents. See Dean Decl. ¶¶ 5, 15, 24.

21 On December 23, 2013, Google filed the present action in the  
22 Northern District of California. In this action, Google seeks a  
23 declaration that its Android platform and products (the Nexus 5,  
24 Nexus 7, and Nexus 10) do not infringe the seven patents held by  
25 Defendants that were asserted in the Halloween actions. See  
26 Docket No. 1.

27 On December 31, 2013, Defendants responded with a New Year's  
28 Eve amendment to one of the Halloween actions to include

1 allegations that Google infringes three of the asserted patents at  
2 issue in this case: the '937, '131, and '591 patents. Rockstar v.  
3 Samsung, Case No. 13-0900 (E.D. Tex.), Docket No. 19. Defendants  
4 did not, however, assert that Google infringed the four additional  
5 patents at issue in the Halloween actions and in this case: the  
6 '551, '298, '973, and '572 patents. See id. On March 10, 2014,  
7 Defendants moved to amend their complaint in the Texas case to  
8 allege that Google infringed these four additional patents. Case  
9 No. 13-0900, Docket Nos. 45-46.

#### 10 LEGAL STANDARDS

11 Under Rule 12(b)(2) of the Federal Rules of Civil Procedure,  
12 a defendant may move to dismiss for lack of personal jurisdiction.

13 In a declaratory action for non-infringement, because the  
14 jurisdictional issue is intimately connected with substance of  
15 patent laws, Federal Circuit law applies. Avocent Huntsville  
16 Corp. v. Aten Int'l Co., Ltd., 552 F.3d 1324, 1328 (Fed. Cir.  
17 2008).

18 Where the court decides the personal jurisdiction question  
19 based on affidavits and other written materials, and without an  
20 evidentiary hearing, a plaintiff need only make a prima facie  
21 showing that a defendant is subject to personal jurisdiction.  
22 Nuance Commc'ns, Inc. v. Abbyy Software House, 626 F.3d 1222, 1231  
23 (Fed. Cir. 2010); Electronics For Imaging, Inc. v. Coyle, 340 F.3d  
24 1344, 1349 (Fed. Cir. 2003). Uncontroverted allegations in the  
25 complaint must be taken as true. Id. If both the plaintiff and  
26 the defendant submit admissible evidence, conflicts in the  
27 evidence must be resolved in the plaintiff's favor. Trintec  
28

1 Indus., Inc. v. Pedre Promotional Products, Inc., 395 F.3d 1275,  
2 1282 (Fed. Cir. 2005).

3 There are two independent limitations on a court's power to  
4 exercise personal jurisdiction over a non-resident defendant: the  
5 applicable state personal jurisdiction rule and constitutional  
6 principles of due process. Electronics For Imaging, Inc., 340  
7 F.3d at 1349. Because California's jurisdictional statute is co-  
8 extensive with federal due process requirements, jurisdictional  
9 inquiries under state law and federal due process standards merge  
10 into one analysis. Id.

11 The "constitutional touchstone" for the exercise of personal  
12 jurisdiction "remains whether the defendant purposefully  
13 established minimum contacts" in the forum state such that  
14 "maintenance of the suit does not offend traditional notions of  
15 fair play and substantial justice." Burger King Corp. v.  
16 Rudzewicz, 471 U.S. 462, 474 (1985); Int'l Shoe Co. v. Washington,  
17 326 U.S. 310, 316 (1945). Although the application of this  
18 doctrine has evolved to keep pace with the increasingly national  
19 and international nature of modern business affairs, the Supreme  
20 Court has repeatedly stressed that there must always be "some act  
21 by which the defendant purposefully avails itself of the privilege  
22 of conducting activities within the forum state, thus invoking the  
23 benefits and protections of its laws." Avocent Huntsville Corp.,  
24 552 F.3d at 1329 (quoting Hanson v. Denckla, 357 U.S. 235, 253  
25 (1958)). "This purposeful availment requirement ensures that a  
26 defendant will not be haled into a jurisdiction solely as a result  
27 of random, fortuitous, or attenuated contacts, or of the  
28

1 unilateral activity of another party or a third person." Id.  
2 (quoting Burger King Corp., 471 U.S. at 475).

3 Personal jurisdiction may be either general or specific.  
4 General jurisdiction exists when the defendant maintains  
5 "continuous and systematic" contacts with the forum state, even if  
6 the cause of action is unrelated to those contacts. Helicopteros  
7 Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408, 415-16 (1984).  
8 Specific jurisdiction is satisfied where the defendant has  
9 "purposefully directed his activities at residents of the forum,  
10 and the litigation results from alleged injuries that 'arise out  
11 of or relate to' those activities." Burger King Corp., 471 U.S.  
12 at 472.

13 I. Personal Jurisdiction over Rockstar through MobileStar

14 As a preliminary matter, Defendants argue that jurisdiction  
15 over Rockstar and MobileStar should be assessed independently  
16 because they are separate corporate entities. Google disagrees,  
17 contending that Rockstar's contacts should be imputed to  
18 MobileStar.

19 The Court must begin from "the general rule that the  
20 corporate entity should be recognized and upheld, unless specific,  
21 unusual circumstances call for an exception." 3D Sys., Inc. v.  
22 Aarotech Labs., Inc., 160 F.3d 1373, 1380 (Fed. Cir. 1998). One  
23 exception is where the parent and subsidiary are not really  
24 separate entities and are alter egos of each other. Doe v. Unocal  
25 Corp., 248 F.3d 915, 926 (9th Cir. 2001); see also Danjaq, S.A. v.  
26 Pathe Commc'ns Corp., 979 F.2d 772, 775 (9th Cir. 1992) (finding  
27 that many courts have discussed whether a parent's citizenship can  
28 be imputed to the subsidiary and recognized that it can where the

1 subsidiary is the alter ego of the parent). Courts have invoked  
2 this exception where the plaintiff makes a prima facie case that  
3 (1) there is a unity of interest and ownership such that the  
4 separate personalities of the two entities no longer exist and  
5 (2) failure to disregard the separate identities "would result in  
6 fraud or injustice." Doe, 248 F.3d at 926.

7 In a similar situation, the Federal Circuit found that the  
8 parent-subsidary relationship between a parent company and its  
9 wholly-owned subsidiary holding company justified imputing the  
10 parent company's California contacts to the subsidiary. Dainippon  
11 Screen Mfg. Co., Ltd. v. CFMT, Inc., 142 F.3d 1266, 1271 (Fed.  
12 Cir. 1998). The court observed:

13 Stripped to its essentials, CFM contends that a parent  
14 company can incorporate a holding company in another state,  
15 transfer its patents to the holding company, arrange to have  
16 those patents licensed back to itself by virtue of its  
17 complete control over the holding company, and threaten its  
18 competitors with infringement without fear of being a  
19 declaratory judgment defendant, save perhaps in the state of  
20 incorporation of the holding company. This argument  
21 qualifies for one of our "chutzpah" awards. See Refac Int'l,  
Ltd. v. Lotus Dev. Corp., 81 F.3d 1576, 1584, 38 USPQ2d 1665,  
1671 (Fed. Cir. 1996); Checkpoint Sys., Inc. v. United States  
Int'l Trade Comm'n, 54 F.3d 756, 763 n. 7, 35 USPQ2d 1042,  
1048 n.7 (Fed. Cir. 1995) (noting that "chutzpah" describes  
22 "the behavior of a person who kills his parents and pleads  
23 for the court's mercy on the ground of being an orphan").

24 Id. (reversing district court's finding that it lacked personal  
25 jurisdiction because of CFMT, the newly-formed subsidiary). With  
26 these observations in mind, the Federal Circuit determined that it  
27 would be "reasonable and fair" to find jurisdiction over both CFM  
28 and CFMT because of their parent-subsidary relationship. Id.  
The court reasoned that, while a "patent holding subsidiary is a



1 legitimate creature . . . , it cannot fairly be used to insulate  
2 patent owners from defending declaratory judgment actions in those  
3 fora where its parent company operates under the patent and  
4 engages in activities sufficient to create personal jurisdiction  
5 and declaratory judgment jurisdiction." Id.<sup>2</sup>

6 The facts in this case are at least as strong as those in  
7 Dainippon. As in Dainippon, MobileStar here had some contact with  
8 the forum state: it met with Google in California to attempt to  
9 negotiate a license. See id. ("Moreover, CFMT's attempts to  
10 negotiation a sublicense with Dainippon in California further  
11 strengthen CFMT's contacts with that state."). More  
12 fundamentally, as in Dainippon, the circumstances here strongly  
13 suggest that Rockstar formed MobileStar as a sham entity for the  
14 sole purpose of avoiding jurisdiction in all other fora except  
15 MobileStar's state of incorporation (Delaware) and claimed  
16 principal place of business (Texas). A mere day before it  
17 initiated litigation against Google's customers, Rockstar freshly  
18 minted MobileStar, with no California contacts, and assigned the  
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20  
21 <sup>2</sup> Defendants initially attempted to argue that Dainippon's  
22 holding was based "first and foremost" on its determination "that  
23 the subsidiary itself had minimum contacts with the forum, and  
24 those contacts (not the parent's contacts) justified the  
25 imposition of personal jurisdiction," insinuating the rest was  
26 dicta. Defendants' Reply at 3 (internal quotation marks and  
27 italics omitted). However, Defendants later conceded that  
28 Dainippon stood for the proposition that one valid ground for  
setting aside corporate formalities for purposes of assessing the  
interests of fair play and substantial justice was if the  
defendants engaged in "a deliberate attempt to manipulate  
jurisdiction." Id. at 4.

1 asserted patents to that subsidiary. Dean Decl. ¶ 15. Other  
2 evidence suggesting MobileStar maintains no independent identity  
3 is the fact that all MobileStar employees also work for Rockstar.  
4 MobileStar has three officers (President Afzal Dean, Vice  
5 President Chad Hilyard, and Corporate Secretary Mike Dunleavy) and  
6 one board member (Director of the Board John Veschi); all serve on  
7 Rockstar's board as well. Dean Decl. ¶ 10. MobileStar  
8 purportedly operates out of the same office suite listed for  
9 Rockstar. Dean Decl. ¶¶ 5, 15. Although Rockstar asserts that  
10 "there is no hint whatsoever of any manipulation" and that  
11 "MobileStar was created for legitimate reasons having nothing to  
12 do with personal jurisdiction," Rockstar does not actually provide  
13 any evidence supporting this point. Defendants' Reply at 4.  
14 Because the evidence presented supports Google's allegation that  
15 Rockstar created MobileStar solely to dodge jurisdiction, the  
16 traditional notions of fair play and justice would not be offended  
17 if the Court considers the two entities jointly for purposes of  
18 jurisdiction and imputes Rockstar's contacts to the forum state to  
19 MobileStar.<sup>3</sup>  
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25 <sup>3</sup> Cf. In re Microsoft, 630 F.3d 1361, 1364-65 (Fed. Cir.  
26 2011) (for purposes of a motion to transfer, ignoring the impact  
27 of litigation-driven incorporation under the laws of Texas, which  
28 occurred sixteen days before filing suit); In re Zimmer Holdings, Inc.,  
609 F.3d at 1381 (rejecting connections to Texas as "recent,  
ephemeral, and an artifact of litigation").

## 1 II. General Jurisdiction

2 General, or "all-purpose" personal jurisdiction, subjects a  
3 defendant to suit in a forum only where a defendant's contacts  
4 with that forum "are so continuous and systematic as to render  
5 them essentially at home in the forum State." Daimler AG v.  
6 Bauman, 134 S. Ct. 746, 754 (2014) (quoting Goodyear Dunlop Tires  
7 Operations, S.A. v. Brown, 131 S. Ct. 2846, 2851 (2011)). The  
8 "paradigm bases for general jurisdiction" for a corporation are  
9 its place of incorporation and principal place of business. Id.  
10 at 760.

11  
12 Both Rockstar and MobileStar are incorporated in Delaware and  
13 claim to have principal places of business in Plano, Texas. Dean  
14 Decl. ¶ 5, 15. Neither Defendant is licensed to do business in  
15 California, nor do they own real or personal property, pay taxes,  
16 maintain offices, or file lawsuits in California. Dean Decl.  
17 ¶¶ 6-9, 16, 22-24, 29-33.

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19 Google nevertheless contends that Rockstar has stepped in the  
20 shoes of its predecessor, Nortel, and assumed its jurisdictional  
21 position.<sup>4</sup> Although Nortel was a Canadian company, it maintained  
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23 \_\_\_\_\_  
24 <sup>4</sup> See Doe, 248 F.3d at 926 (explaining requirements for alter  
25 ego theory and agency theory for imputing contacts of one  
26 corporation to another). See also Katzir's Floor & Home Design,  
27 Inc. v. M-MLS.com, 394 F.3d 1143, 1150 (9th Cir. 2004) ("The  
28 general rule of successor liability is that a corporation that  
purchases all of the assets of another corporation is not liable  
for the former corporation's liabilities unless, among other  
theories, the purchasing corporation is a mere continuation of the  
selling corporation.").

1 its primary United States campus in Santa Clara and designated a  
2 registered agent for service of process in California. See  
3 Madigan Decl., Exs. 3, 27. Nortel routinely brought suits and  
4 defended them in California. See, e.g., Times Networks, Inc. v.  
5 Nortel Networks Corp., Case No. 06-00532 (N.D. Cal.) and Nortel  
6 Networks Inc. v. State Bd. of Equalization, 191 Cal. App. 4th 1259  
7 (2011).

8  
9 Google does not allege that Rockstar maintained Nortel's  
10 Santa Clara presence in California. Google contends instead that,  
11 although the bulk of Rockstar's employees operate out of Canada,  
12 Rockstar nevertheless pursues a significant patent licensing  
13 business aimed at the technology industry in the Silicon Valley,  
14 in California. As Rockstar has stated on many occasions to the  
15 press and others, Rockstar is exclusively "a patent licensing  
16 business" and operates by reverse-engineering products on the  
17 market and proposing that the companies which offer those products  
18 purchase licenses. Madigan Decl., Ex. 7, 13; Dean Decl. ¶¶ 18-21.  
19 Rockstar does not currently sell any products; commercialization  
20 of its significant patent portfolio is its only business. Because  
21 the Silicon Valley technology industry is Rockstar's main target,  
22 as acknowledged by Rockstar's CEO, Rockstar naturally would have  
23 to come into constant contact with the forum state. Madigan  
24 Decl., Exs. 16, 35. Rockstar confirmed that, as of May 2012, it  
25 had "started negotiations with as many as 100 potential licensees"  
26 and has since approached many more. Id., Exs. 7, 17. At least a  
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1 couple of these meetings were in California. See Dean Decl. ¶ 18.  
2 Rockstar has one employee or independent contractor in California,  
3 Wilson, who contacts potential licensees in California. See  
4 Madigan Decl. Ex. 17.

5 Google's showing is insufficient to render Defendants  
6 "essentially at home" in California. Even if it is true that  
7 Defendants engage in "continuous and systematic" business in the  
8 forum state, that does not mean that Defendants' presence in the  
9 forum state is so substantial that it should fairly be subject to  
10 suit "on causes of action arising from dealings entirely distinct  
11 from those activities." Daimler AG, 134 S. Ct. at 761.

## 12 II. Specific Jurisdiction

13  
14 Specific jurisdiction exists where the cause of action arises  
15 out of the defendant's contacts with the forum state, even if  
16 those contacts are isolated and sporadic. Red Wing Shoe Co., Inc.  
17 v. Hockerson-Halberstadt, Inc., 148 F.3d 1355, 1359 (Fed. Cir.  
18 1998) (citing Burger King Corp., 471 U.S. at 471-77). Even a  
19 single act may support a finding of personal jurisdiction so long  
20 as it creates a "substantial connection with the forum, as opposed  
21 to an attenuated affiliation." Id. The Federal Circuit has  
22 developed a three-factor test to determine whether specific  
23 jurisdiction exists: "whether (1) the defendant purposefully  
24 directed its activities at residents of the forum state, (2) the  
25 claim arises out of or relates to the defendant's activities with  
26 the forum state, and (3) assertion of personal jurisdiction is  
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1 reasonable and fair." Electronics For Imaging, Inc., 340 F.3d at  
2 1350.

3 Here, Defendants sued seven Google customers, alleging that  
4 they infringed by making and selling "certain mobile communication  
5 devices having a version (or adaptation thereof) of Android  
6 operating system" which is developed by Google. See Dean Decl.,  
7 Exs. A-H. Both Defendants met with Google in California to  
8 discuss licensing of the patents-in-suit. Rockstar also met in  
9 California with a few of the Google customers sued in the  
10 Halloween actions to discuss licensing of the patents-in-suit.  
11 These contacts with Google and its customers in California created  
12 a cloud of patent infringement charges over Google's Android  
13 platform. Google's causes of action for declaratory judgment of  
14 non-infringement, which are intended to "clear the air of  
15 infringement charges" targeting Google's Android platform, "arise  
16 out of or relate to" Defendants' contacts with the forum. See Red  
17 Wing Shoe Co., Inc., 148 F.3d at 1360 (holding that "cease-and-  
18 desist letters are the cause of the entanglement and at least  
19 partially give rise to the plaintiff's action").

22 Defendants argue that imposing jurisdiction based on the act  
23 of sending cease-and-desist letters alone violates the principles  
24 of fair play and substantial justice. Id. The Federal Circuit  
25 has explained that exercising personal jurisdiction over a  
26 patentee based solely on the sending of cease-and-desist letters  
27 would be unfair under the second prong of the traditional due  
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1 process inquiry: "whether the maintenance of personal jurisdiction  
2 would comport with fair play and substantial justice." Id. at  
3 1361 (quotation marks omitted). This is because due process  
4 "afford[s] the patentee sufficient latitude to inform others of  
5 its patent rights without subjecting itself to jurisdiction in a  
6 foreign forum." Id. An offer to license may sometimes be "more  
7 closely akin to an offer for settlement of a disputed claim rather  
8 than an arms-length negotiation in anticipation of a long-term  
9 continuing business relationship," and, if so, by itself may be  
10 insufficient to justify exercising specific jurisdiction. Id.  
11 Accordingly, to find specific jurisdiction, the Federal Circuit  
12 has required that a showing that a defendant engaged in "other  
13 activities" in the forum state related to the action at hand.  
14 Id.; Avocent Huntsville Corp., 552 F.3d at 1334. These activities  
15 need not be limited to those directed at Google itself, but must  
16 be related in some way to the patents-in-suit. Avocent Huntsville  
17 Corp, 552 F.3d at 1334.

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20 Courts have held that such "other activities" may include  
21 forming obligations with forum residents that relate to  
22 enforcement of the asserted patents. Some examples of "other  
23 activities" that courts have recognized include "initiating  
24 judicial or extra-judicial patent enforcement within the forum, or  
25 entering into an exclusive license agreement or other undertaking  
26 which imposes enforcement obligations with a party residing or  
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1 regularly doing business in the forum." Id.<sup>5</sup> A review of Federal  
2 Circuit case law reveals that the relationship must extend beyond  
3 the mere payment of royalties or cross-licensing payments, "such  
4 as granting both parties the right to litigate infringement cases  
5 or granting the licensor the right to exercise control over the  
6 licensee's sales or marketing activities." Breckenridge Pharm.,  
7 Inc. v. Metabolite Labs., Inc., 444 F.3d 1356, 1366 (Fed. Cir.  
8 2006). The defendants must create "continuing obligations between  
9 themselves and residents of the forum," forming a "substantial  
10 connection" that proximately results from the defendants' own  
11 actions such that it would not be "unreasonable to require  
12 defendants to submit to the burdens of litigation in that forum as  
13 well." Electronics For Imaging, Inc., 340 F.3d at 1350.

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17 <sup>5</sup> See Campbell Pet Co. v. Miale, 542 F.3d 879, 886 (Fed. Cir.  
18 2008) (finding jurisdiction over a patentee who conducted extra-  
19 judicial patent enforcement by enlisting a third party in the  
20 forum to remove defendant's products from a trade show); Genetic  
21 Implant Sys., Inc. v. Core-Vent Corp., 123 F.3d 1455, 1458 (Fed.  
22 Cir. 1997) (holding that specific jurisdiction existed over  
23 patentee because it had appointed an in-state distributor to sell  
24 a product covered by the asserted patent, which was a business  
25 relationship "analogous to a grant of a patent license" and  
26 created obligations to sue third-party infringers); Akro Corp. v.  
27 Luker, 45 F.3d 1541, 1548-49 (Fed. Cir. 1995) (because defendant  
28 had entered into an exclusive licensing agreement with one of the  
alleged infringer's competitors, which meant that defendant had  
"obligations . . . to defend and pursue any infringement" against  
the patent, specific jurisdiction was proper); SRAM Corp. v.  
Sunrace Roots Enter. Co., Ltd., 390 F. Supp. 2d 781, 787 (N.D.  
Ill. 2005) (specific jurisdiction was proper where defendant had  
"purposefully directed its activities" at residents of the forum  
by marketing a product that directly competed with the alleged  
infringer).



1 Google contends that Defendants have accepted substantial  
2 obligations to Apple, a forum resident, which require Defendants  
3 "to defend and pursue any infringement against" their patents.  
4 Akro Corp., 45 F.3d at 1543. Google alleges that Apple is a  
5 majority shareholder of Defendants and exerts substantial control  
6 over them, and as a result Defendants are obliged to act on  
7 Apple's behalf in a campaign to attack Google's Android platform.<sup>6</sup>  
8

9 In support of this allegation, Google submits strong evidence  
10 that Apple is indeed the majority shareholder of Defendants based  
11 on Apple's majority investment in Rockstar's predecessor entity,  
12 Rockstar Bidco.<sup>7</sup> Currently, Rockstar is a Delaware limited  
13 partnership which lists "Rockstar Consortium LLC" located in New  
14 York as general partner. Id., Exs. 32-33; Dean Decl. ¶ 15. But  
15 Apple contributed \$2.6 billion, or fifty-eight percent of the \$4.5  
16 billion total investment in Rockstar Bidco. Madigan Decl., Ex. 9  
17 at 34. Although Rockstar Bidco reorganized itself to become  
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21 <sup>6</sup> Defendants contend that Google has not proven that alter  
22 ego or agency theories apply, and thus Apple's contacts with the  
23 forum cannot be imputed to Defendants. See Defendants' Reply  
24 at 11. Defendants misunderstand Google's argument. Google does  
25 not seek to impute to Defendants Apple's contacts with the forum  
26 state, but instead argues that Defendants have undertaken a  
27 substantial obligation to Apple related to the asserted patents  
28 that makes it reasonable to impose specific jurisdiction.

<sup>7</sup> As previously noted, Rockstar wholly owns MobileStar and  
the Court considers the two entities jointly for purposes of  
jurisdiction because it is likely that MobileStar was created  
solely for litigation purposes.

1 Rockstar, it does not appear that any ownership interests changed,  
2 nor do Defendants assert otherwise.

3 Even if Apple is a majority shareholder of Rockstar, if  
4 Defendants were able to demonstrate that Apple is a mere passive  
5 shareholder and takes no part in patent assertion strategy, then  
6 the relationship between Apple and Defendants might not be  
7 sufficient to uphold specific jurisdiction. Cf. Breckenridge  
8 Pharm., Inc., 444 F.3d at 1366. Google alleges that Apple's role  
9 extends beyond the mere receipt of profits. Rockstar's CEO Veschi  
10 stated that he does not talk to its shareholders about potential  
11 licensing partners or infringement suits, but admitted that he has  
12 to show them "progress and that real work is being done." Madigan  
13 Decl., Ex. 12 at 4-5. Veschi holds periodic calls and meetings  
14 with the owners, primarily with their intellectual property  
15 departments, and Veschi acknowledges that they "work well  
16 together." Id. at 5. Although Veschi states they avoid talking  
17 about details, it does appear at least telling that Veschi speaks  
18 directly and periodically with the owners' intellectual property  
19 departments to demonstrate that "work is being done." Id. at 4-5.

22 Google demonstrates a direct link between Apple's unique  
23 business interests, separate and apart from mere profitmaking, and  
24 Defendants' actions against Google and its customers. Google and  
25

1 Apple's rivalry in the smartphone industry is well-documented.<sup>8</sup>  
2 Apple's founder stated that he viewed Android as a "rip off" of  
3 iPhone features and intended to "destroy" Android by launching a  
4 "thermonuclear war." Id., Ex. 31. Defendants' litigation  
5 strategy of suing Google's customers in the Halloween actions is  
6 consistent with Apple's particular business interests. In suing  
7 the Halloween action defendants, Defendants here limited their  
8 infringement claims to Android-operating devices only, even where  
9 they asserted a hardware-based patent. See, e.g., Dean Decl.,  
10 Ex. A and the '551 patent. This "scare the customer and run"  
11 tactic advances Apple's interest in interfering with Google's  
12 Android business. See Campbell, 542 F.3d at 887 (finding  
13 jurisdiction where the patentee "took steps to interfere with the  
14 plaintiff's business").  
15

16  
17 In sum, with conflicts in the allegations and evidence  
18 resolved in its favor, Google has shown that it is likely that  
19 Defendants have created continuing obligations with a forum  
20 resident to marshal the asserted patents such that it would not be  
21 unreasonable to require Defendants to submit to the burdens of  
22 \_\_\_\_\_

23 <sup>8</sup> See, e.g., Madigan Decl., Ex. 24 (Rockstar's "stockpile was  
24 finally used for what pretty much everyone suspected it would be  
25 used for -- launching an all-out patent attack on Google and  
26 Android"); Ex. 25 ("This is an all out assault on Google and the  
27 Android smartphone ecosystem and it would be fair to say that most  
28 experts expected those patents would rear their ugly head sometime  
in the future"); Ex. 26 (new attention focused on Rockstar  
"largely because it gives the appearance that three leading  
competitors to Android are teaming up against it"); Ex. 27  
(further detailing Apple's anti-Android litigation campaign).

1 litigation in this forum. Electronics For Imaging, Inc., 340 F.3d  
2 at 1350. Defendants have purposefully directed activities to  
3 residents of this forum in a way which relates materially to the  
4 enforcement or defense of the patent, which is sufficient to  
5 establish specific jurisdiction. Avocent Huntsville Corp., 552  
6 F.3d at 1338.<sup>9</sup>

7  
8 III. Jurisdiction under Declaratory Judgment Act

9 The Declaratory Judgment Act provides, "In a case of actual  
10 controversy within its jurisdiction, any court of the United  
11 States . . . may declare the rights and other legal relations of  
12 any interested party seeking such declaration, whether or not  
13 further relief is or could be sought." 28 U.S.C. § 2201. The  
14 declaratory judgment plaintiff must establish that the "facts  
15 alleged under all the circumstances show that there is a  
16 substantial controversy between parties having adverse legal  
17 interests of sufficient immediacy and reality to warrant the  
18 issuance of a declaratory judgment." Micron Tech., Inc. v. Mosaid  
19 Technologies, Inc., 518 F.3d 897, 901 (Fed. Cir. 2008) (citing  
20 MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118, 126 (2007)  
21 (holding that there was a real and substantial controversy based  
22 on threatening letters and public statements showing an "intent to  
23 continue an aggressive litigation strategy")).

24  
25  
26 <sup>9</sup> Because the Court finds personal jurisdiction over  
27 Defendants is proper, venue is also proper. Trintech Indus., 395  
28 F.3d at 1280 ("Venue in a patent action against a corporate  
defendant exists wherever there is personal jurisdiction").

1 Even when declaratory judgment jurisdiction is present,  
2 courts have some discretion to decline to exercise that  
3 jurisdiction. Wilton v. Seven Falls Co., 515 U.S. 277, 289-90  
4 (1995). In order to decide whether to exercise jurisdiction under  
5 the Declaratory Judgment Act, the court "must determine whether  
6 hearing the case would serve the objectives for which the  
7 Declaratory Judgment Act was created." Capo, Inc. v. Dioptics  
8 Med. Products, Inc., 387 F.3d 1352, 1355 (Fed. Cir. 2004). When  
9 the objectives of the Declaratory Judgment Act are served by the  
10 action, dismissal is rarely proper. Id. "There must be well-  
11 founded reasons for declining to entertain a declaratory judgment  
12 action." Id.

14 The present suit serves the purposes of the Declaratory  
15 Judgment Act, which "in patent cases is to provide the allegedly  
16 infringing party relief from uncertainty and delay regarding its  
17 legal rights." Micron Tech., Inc., 518 F.3d at 902. A real and  
18 substantial controversy existed when Google filed suit.  
19 Defendants had sued a number of Google's customers, based in part  
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1 on their use of the Android platform developed by Google.<sup>10</sup>  
2 Defendants did not, however, name Google as a defendant. This  
3 tactic of targeting the customers instead of the manufacturer  
4 "infects the competitive environment of the business community  
5 with uncertainty and insecurity." Electronics for Imaging, Inc.  
6 v. Coyle, 394 F.3d 1341, 1346 (Fed. Cir. 2005). In response to  
7 the uncertainty caused by Defendants' actions, Google filed this  
8 declaratory judgment action to "clear the air of infringement  
9 charges." Avocent Huntsville Corp., 552 F.3d at 1329. That  
10 uncertainty still exists in part because, although Defendants  
11 later amended one of the Halloween actions to implicate Google  
12 directly, they accused Google of infringing only three of the  
13 seven of the patents at issue here. Case No. 13-0900, Docket  
14 No. 19. Although Defendants recently sought to include the final  
15 four other patents in the Texas case, leave to amend has not yet  
16  
17

18 <sup>10</sup> Defendants filed a Statement of Recent Decision calling the  
19 Court's attention to Microsoft Corp. v. DataTern, Inc., 2013-1184,  
20 2014 WL 1327923 (Fed. Cir. Apr. 4, 2014). The Federal Circuit  
21 noted that, although suits against customers do not "automatically  
22 give rise to a case or controversy regarding induced  
23 infringement," there is a case or controversy if "there is a  
24 controversy between the patentee and the supplier as to the  
25 supplier's liability for induced or contributory infringement  
26 based on the alleged acts of direct infringement by its  
27 customers." Id. at \*2-3. The vast majority of the claims brought  
28 in the Halloween actions appear to be targeted specifically at  
Android features; the exception is the '551 patent, with which it  
is not clear if Android is specifically involved. It is also not  
clear if Defendants approached Google to license the '551 patent.  
See id. at \*2. Because the DataTern court had the benefit of  
claim charts to discern the details of the patentee's infringement  
theories, the Court may revisit the inclusion of the '551 patent  
at a later date.

1 been granted. Case No. 13-0900, Docket Nos. 45-46. Because the  
2 patent owners failed to "grasp the nettle and sue," Google was  
3 justified in bringing the present action. Electronics for  
4 Imaging, Inc., 394 F.3d at 1346.

5 IV. Motion to Transfer

6 A. First-to-File Rule

7 When cases between the same parties raising the same issues  
8 are pending in two or more federal districts, the general rule is  
9 to favor the forum of the first-filed action, regardless of  
10 whether it is a declaratory judgment action. Micron Tech., Inc.,  
11 518 F.3d at 904. The court of the actual first-filed case should  
12 rule on motions to dismiss or transfer based on exceptions to the  
13 first-to-file rule or on the convenience factors. See id. The  
14 parties dispute which is the first-filed action. Google argues  
15 that the first-filed action is the present suit, which was filed  
16 before Google faced charges in the Eastern District of Texas due  
17 to Defendants' New Year's Eve amendment. Defendants argue that  
18 the Halloween actions themselves constituted the first-filed  
19 suits. Defendants' Motion to Dismiss at 5, 19-24. Although the  
20 Halloween actions did not name Google specifically, Defendants  
21 contend that they should be considered first-filed suits against  
22 Google because they involved "substantially the same" parties as  
23 those implicated here. Id. (citing Futurewei Techs., Inc. v.  
24 Acacia Research Corp., 737 F.3d 704, 706 (Fed. Cir. 2013)).  
25  
26  
27  
28 However, the present situation is not equivalent to the

1 "substantially similar" parties that were implicated in Futurewei,  
2 which were a patent owner, its exclusive licensee, and the  
3 licensee's wholly-owned subsidiary/assignee. Id. at 705-06. By  
4 contrast, the relationship between Google and the Halloween  
5 defendants is one of manufacturer and customer. Google and the  
6 Halloween defendants are not in privity. Cf. Microchip Tech, Inc.  
7 v. United Module Corp., 2011 WL 2669627, at \*3 (N.D. Cal.)  
8 ("similar" parties were parent and its wholly-owned subsidiary).  
9

10 Even if the parties were substantially similar in the  
11 Halloween actions and this one, the customer-suit exception to the  
12 first-to-file rule would apply. Codex Corp v. Milgo Elec. Corp.,  
13 553 F.2d 735, 737 (1st Cir. 1977) ("an exception to the first-  
14 filed rule has developed in patent litigation where the earlier  
15 action is an infringement suit against a mere customer and the  
16 later suit is a declaratory judgment action brought by the  
17 manufacturer of the accused devices"). Because the determination  
18 of the infringement issues here would likely be dispositive of the  
19 other cases, and the manufacturer presumably has a greater  
20 interest in defending against charges of patent infringement than  
21 the customers, the present suit takes precedence. Kahn v. Gen.  
22 Motors Corp., 889 F.2d 1078, 1081 (Fed. Cir. 1989); Cf.  
23 ContentGuard Holdings, Inc. v. Google, Inc., Case No. 14-0061  
24 (E.D. Tex.), Docket No. 37, at 6.  
25

26  
27 B. Convenience Factors

28 The Court could make an exception to the general rule giving



1 preference the first-filed case if doing so would be "in the  
2 interest of justice or expediency, as in any issue of choice of  
3 forum." Micron Tech., Inc., 518 F.3d at 904. To resolve disputes  
4 of "competing forum interests" between accused infringers and  
5 patent holders, the court may consider the "convenience factors"  
6 under the transfer analysis of 28 U.S.C. § 1404(a), including: the  
7 convenience and availability of witnesses, the absence of  
8 jurisdiction over all necessary or desirable parties, the  
9 possibility of consolidation with related litigation, and  
10 considerations relating to the interests of justice. Id. at 902-  
11 05. See Reflex Packaging, Inc. v. Audio Video Color Corp., 2013  
12 WL 5568345, at \*2 (N.D. Cal.) (listing additional transfer  
13 factors).

14  
15 1. Convenience and availability of witnesses

16 The convenience and availability of witnesses is "probably  
17 the single most important factor" in the transfer analysis. In re  
18 Genentech, Inc., 566 F.3d 1338, 1343 (Fed. Cir. 2009). This  
19 factor favors California because Google's Android products, the  
20 target of this infringement action, were designed and created  
21 here. Many of the witnesses who can testify to the design and  
22 development of the accused Android platform's features reside near  
23 Google's headquarters in Mountain View, California. Dubey Decl.  
24 ¶¶ 3-8. Other witnesses, such as the inventors of the patents-in-  
25 suit, are likely to be in Canada. Defendants do not name any  
26 witnesses in Texas essential to the suit.  
27  
28

1           2.     Jurisdiction over parties to this action and  
2                     possibility of consolidation with related  
                   litigation

3           Defendants argue that this Court lacks jurisdiction over some  
4 of the customer defendants to the Halloween actions in Texas.  
5 Defendants contend those customers necessarily would be  
6 indispensable parties to this litigation because their rights in  
7 the patents-in-suit are at play. However, those parties are not  
8 essential to resolution of claims between Defendants and Google.  
9 It cannot be said that any customer who uses the technology at  
10 issue is an indispensable party.  
11

12           The Halloween actions might not and need not be transferred  
13 here.<sup>11</sup> They might be stayed in Texas and be reopened upon  
14 completion of this suit, which likely will resolve some of the  
15 infringement issues there. If the Texas actions are transferred  
16 here, they can be consolidated with this case at least for  
17 pretrial purposes.  
18

19           3.     Other factors

20           Other factors that may be considered include: the plaintiff's  
21 choice of forum, the convenience of the parties, the ease of  
22 access to the evidence, the familiarity of each forum with the  
23 applicable law, the local interest in the controversy, the  
24

25  
26 \_\_\_\_\_  
27           <sup>11</sup> In each of the remaining Halloween actions, the defendant  
28 has filed a motion to stay or, in the alternative, to transfer the  
case to this district. See Docket Nos. 46, 48, 50-51, 55.

1 relative court congestion, and the interests of justice. Reflex  
2 Packaging, Inc., 2013 WL 5568345, at \*2.

3 Defendants argue that they are the true plaintiffs and  
4 accordingly, their choice of forum should take precedence. The  
5 Court finds this factor at best to favor Defendants only slightly  
6 because each side accuses the other of forum shopping. Indeed,  
7 Defendants have not identified any witnesses residing in Texas,  
8 their primary operations and headquarters are in Canada, and they  
9 admit that many of the inventors of the patents-in-suit were  
10 listed at least years ago as being from Canada. Defendants'  
11 argument of their own convenience is similarly attenuated because,  
12 again, their operations appear to be based in Canada, not Texas.

14 The Northern District of California has the greater interest  
15 in this litigation because the claims here will "call into  
16 question the work and reputation of several individuals residing  
17 in or conducting business in this community." In re Hoffman-La  
18 Roche, 587 F.3d 1333, 1336 (Fed. Cir. 2009). Courts in the  
19 Eastern District of Texas have recognized that the "Northern  
20 District of California has an interest in protecting intellectual  
21 property rights that stem from research and development in Silicon  
22 Valley." Affinity Labs of Texas v. Samsung Elecs. Co., Ltd., 2013  
24 WL 5508122, at \*3 (E.D. Tex.). Although Defendants claim to have  
25 substantial ties to Texas, their headquarters appear to be in  
26 Canada. The interest of the Eastern District of Texas in this  
27  
28

1 controversy is therefore outweighed by the compelling interests in  
2 California.

3 The remaining factors are either neutral or favor Google.  
4 Because Google, the accused infringer, resides in California, much  
5 of the evidence is here. Some of the evidence may be in Canada or  
6 other states; however, that does not make Texas the more  
7 convenient forum. Each forum is familiar with patent law, and  
8 both have similar court congestion and time to trial. All of the  
9 cases are in early stages.  
10

11 On balance, the factors do not weigh in favor of transferring  
12 the action to the Eastern District of Texas.

13 CONCLUSION

14 The motion to dismiss or transfer is DENIED.

15 IT IS SO ORDERED.  
16

17 Dated: 04/17/2014

18   
19 \_\_\_\_\_  
20 CLAUDIA WILKEN  
21 United States District Judge  
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