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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

GRACENOTE, INC., a Delaware corporation,

Plaintiff,

v.

MUSICMATCH, INC., a Washington corporation,

Defendant.

Case No. C 02-3162 CW

MUSICMATCH, INC.'S NOTICE OF MOTION, MOTION AND MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF ITS MOTION TO DISMISS

Date: August 30, 2002
Time: 10:00 a.m.
Dept: Courtroom 2, 4th Floor

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD HEREIN:

PLEASE TAKE NOTICE that on August 30, 2002 at 10:00 a.m. at Courtroom 2 of the above entitled Court located at 1301 Clay Street, Oakland, California 94612, Defendant MusicMatch, Inc. will and hereby does move to dismiss Gracenote, Inc's Complaint in this action.

This motion to dismiss is made on the grounds that Gracenote's action is duplicative of an earlier-filed case in San Diego district court.

This Motion is based on the Notice of Motion and Motion, on the accompanying Memorandum of Points and Authorities in support thereof, the accompanying Declaration of Douglas Robbins in support thereof, the complete record and file in this matter, and on such other and further documentary evidence as the Court may consider at the time of the hearing.

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION.

On June 27, 2002, after nearly a year of operating under the threat of patent litigation by Gracenote, MusicMatch filed a declaratory relief action in San Diego district court against Gracenote. Nonetheless, Gracenote filed the present action on July 2, alleging infringement of two of the three patents already named in the San Diego action. The first-to-file rule compels the dismissal of Gracenote's second-filed action. MusicMatch was entitled to act on Gracenote's repeated threats, and Gracenote cannot now rely on a second-filed action to remove the patent issues from their proper venue in San Diego. Further, while Gracenote may argue that the parties have a contract which provides for venue in Oakland federal or state court, that provision has no effect here because the patent issues are not dependent on the interpretation of the contract.

Gracenote's two transparent efforts to try to have its case stay in Oakland fail to provide any basis for avoiding dismissal of this case. First, Gracenote has alleged in its complaint some state law claims, in an effort to make the case appear different than the San Diego case. But there is no independent Federal jurisdiction over these state law claims, and to the extent Gracenote even intends to pursue them, it can do so in a pending state court action brought by MusicMatch in Oakland superior court. Second, Gracenote has tried to commence discovery in the present case by filing—ex parte—a motion seeking expedited discovery. This motion is prohibited by Local

Rule 7-10(a) and improperly seeks to obtain discovery on the heart of the case—the patent issues—outside the schedule provided for by the Local Rules. The filing of such motions is gamesmanship and should have no bearing on the proper course of action: the dismissal of this case.

II. STATEMENT OF FACTS.[1]

A. The Parties' Business and Products.

MusicMatch was founded in 1997 to develop complete digital music management through jukebox software. MusicMatch is now the recognized global leader in personalized music software and services. Among its products, the MusicMatch "Jukebox" is the world's most actively used jukebox software enabling users to play, record tracks to a hard drive and/or compact disc ("CD") and organize music collections. MusicMatch maintains its principal place of business in San Diego, California.

Gracenote operates a publicly accessible database that contains information about music and audio CDs, such as artist names, song titles, and track lengths. This information can be and is accessed through the Internet by third parties for use with respect to the play and enjoyment of commercial, audio CDs. Gracenote maintains its principal place of business in Berkeley, California. MusicMatch has had two licensing arrangements with Gracenote to allow MusicMatch users access to Gracenote's database.

B. Background Regarding the Development by the Public of Gracenote's Database and Gracenote's Inequitable Conduct Before the Patent Office.

Some background regarding Gracenote's inception is necessary to understand the events giving rise to MusicMatch's filing for declaratory relief in San Diego and Gracenote's retaliatory filing of this case.

Beginning almost a decade ago, software programs were being created and distributed that allowed users to play selections or "tracks" from audio CDs on a computer. Many of these programs provided access to a database that had album information such as the title and track

[1] Information contained in this section can be found in MusicMatch, Inc.'s First Amended Complaint for Damages and Declaratory Relief, filed July 19, 2002. (*See* Declaration of Douglas Robbins ("Robbins Decl."), Ex. 1.)

names. One of these databases was the precursor to the database that Gracenote now claims to own and licenses to others. However, the creation of this database was fueled by consumers, who submitted album information with the understanding that the database would be freely accessible. In light of this understanding, the database grew quickly and became the standard industry database for album information.

Despite the promises of free accessibility, however it eventually became clear that it was intended all along that the database would be proprietary and not only allow the charging of fees, but monopolistic fees. After gaining substantial popularity, the database—the foundation of Gracenote's current database—was withdrawn from public distribution by its originator, Ti Kan.

To make matters worse, Ti Kan and his colleagues began to seek patent protection that allegedly covers the methods of accessing a CD database and associated activity, even though these methods came from software that was previously available and distributed. On April 15, 1997, United States Patent Application No. 08/838,082 ("the '082 application") was filed with the United States Patent and Trademark Office. This filing was made without disclosure of the substantial prior software and activity that predated the application and rendered the claims unpatentable. In continued filings with the Patent Office, the substantial prior activity again was not disclosed. On May 9, 2000, the United States Patent and Trademark Office issued United States Patent No. 6,061,680 ("the '680 patent"), which claims priority from the '082 application.

Well before the '680 patent issued, however, Kan and his colleagues had formed the company now known as Gracenote and were continuing to use access to their database to ensure that no competition would be forthcoming. In late 1998, Gracenote required MusicMatch to enter into a formal database agreement before it would be granted access to the previously-public database. Gracenote imposed many anticompetitive and prejudicial conditions, such as prohibiting the use of other databases.

MusicMatch operated under the original agreement until the Fall of 1999, when Gracenote notified MusicMatch that it was terminating access and that MusicMatch would have to enter into a new agreement with respect to a supposedly "new" database Gracenote had developed. Gracenote's power was readily evident during the negotiating process. For example, Gracenote's

demanded compensation was equivalent to a royalty fee **plus** 50% of MusicMatch's revenues earned for e-commerce linking. Effective December 31, 1999, MusicMatch entered into a new agreement with Gracenote, under which it had to pay substantial royalties to Gracenote and suffer onerous exclusivity conditions.

C. Gracenote's Wrongful Assertions of Patent Infringement and the Filing for Declaratory Relief in San Diego.

In 2001, Gracenote continued its pattern, terminating the agreement and making a number of new demands. In the summer of 2001, during negotiations for another license to Gracenote's database, Gracenote sent MusicMatch copies of the two patents involved in this case. This was a transparent negotiation tactic, as Gracenote no doubt was fully aware of the invalidity of its patents. MusicMatch could not accept Gracenote's overreaching demands, and the negotiations faltered. To gain further leverage, Gracenote then sent MusicMatch a draft complaint on April 17, 2002, alleging (1) infringement of United States Patent No. 6,230,192 ("the '192 patent") and United States Patent No. 6,330,593 ("the '593 patent"), (2) breach of contract, and (3) unfair competition. (Robbins Decl., Ex. 2.) Based on Gracenote's conduct, another of its patents, the '680 patent, was also implicated.

Despite Gracenote's threats and demands, MusicMatch made further attempts to come to agreement. These attempts also were unsuccessful. MusicMatch filed suit against Gracenote in San Diego district court on June 27, 2002, seeking declaratory relief regarding the '192 patent, the '593 patent, and the '680 patent, and alleging unfair competition.[2]

Gracenote filed this case on July 2, 2002, alleging infringement of the '192 and '593 patents, among other things. On July 11, 2002, MusicMatch filed suit against Gracenote in Oakland superior court seeking a declaratory judgment and damages regarding the contract between the parties.[3]

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[2] *MusicMatch, Inc. v. CDDB, Inc. d/b/a Gracenote, Inc.*, Case No. 02CV01273 JM (JAH), United States District Court, Southern District of California.

[3] *MusicMatch, Inc. v. Gracenote, Inc.*, Case No. 2002057572, Superior Court of the State of California, County of Alameda, Oakland Branch. (*See* Robbins Decl., Ex. 3.)

III. GRACENOTE'S ACTION SHOULD BE DISMISSED BECAUSE IT IS DUPLICATIVE OF AN EARLIER-FILED CASE.

A. Legal Standard.

Under the generally recognized doctrine of federal comity, a district court may decline jurisdiction over an issue that is properly before another district court. *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 185-86 (1952). The purpose of the comity principle is of paramount importance because it is designed to promote judicial efficiency by avoiding any unnecessary burden on the federal judiciary and by avoiding duplicative or conflicting judgments. *Church of Scientology v. U.S. Dep't of the Army*, 611 F.2d 738, 750 (9th Cir. 1979).

In the Ninth Circuit, the "first-to-file" rule embodies the principles of federal comity. *Pacesetter Sys., Inc. v. Medtronic, Inc.*, 678 F.2d 93, 94-95 (9th Cir. 1982). Under this rule, a district court may dismiss, transfer, or stay, an action when a similar complaint has been filed in another district court. *Alltrade, Inc. v. Uniweld Prods., Inc.*, 946 F.2d 622, 623 (9th Cir. 1991). While it is not an inflexible rule and courts have discretion as to its application, the rule "should not be disregarded lightly." *Pacesetter Sys.*, 678 F.2d at 95; *Alltrade*, 946 F.2d at 625 (both quoting *Church of Scientology*, 611 F.2d at 750). There are three factors for determining whether the first-to-file rule applies: (1) a chronologically first-filed suit, (2) same parties, and (3) same issues. *Id.* All three requirements of the rule are satisfied here.

B. The First-to-File Rule Compels Dismissal of this Case.

1. The San Diego case was the first-filed action.

The first factor in applying the first-to-file rule is the existence of a first-filed case. Here, there is no dispute that MusicMatch's complaint in San Diego district court was first. It was filed on June 27, 2002. Gracenote's instant action was not filed until July 2. While Gracenote likely will argue that the first-to-file rule should nonetheless be ignored, Gracenote's anticipated arguments should be rejected.

Initially, equity compels dismissing this case. Gracenote threatened MusicMatch with patent infringement repeatedly over the course of a year. MusicMatch did try to reach an amicable resolution of the issues, but was unsuccessful. Gracenote could have filed suit at any time or

withdrawn its threat, but chose instead to just leave the cloud of litigation over MusicMatch. This forced MusicMatch to file suit in San Diego, where its offices are headquartered. The Court should not reward Gracenote's conduct by allowing it to now move the case near its own headquarters.

Gracenote may argue that the short time difference between the filing of the two cases should make this case an exception to the first-to-file rule. Courts have rejected this argument. *See Quickturn Design Sys., Inc. v. Meta Sys.*, No. C-96-0881 MHP, 1996 WL 671230, at *6 (N.D. Cal. Oct. 31, 1996) (attached hereto as Ex. A). In *Quickturn*, defendant Mentor filed an action in Oregon district court for declaratory relief regarding six of Quickturn's patents on March 5, 1996. *Id.* at *1. A mere two days later on March 7, Quickturn filed an action for patent infringement on the same six patents in the Northern District of California. *Id.* Mentor brought a motion to dismiss Quickturn's Northern District action based on the first-to-file rule. *Id.* at *4. Quickturn argued that the rule should not apply because the Oregon suit was filed only two days prior to the Northern District case. *Id.* The court rejected Quickturn's argument:

> [T]he rule favoring the right of the first litigant to choose the forum, absent countervailing interests of justice or convenience, is supported by "[reasons] just as valid when applied to the situation where one suit precedes the other by a day as they are in a case where a year intervenes between the suits."

Id. at *6 (quoting *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 938 (Fed. Cir. 1993), *abrogated on other grounds by Wilton v. Seven Falls Co.*, 515 U.S. 277 (1995)).

Gracenote may also argue that MusicMatch has engaged in forum shopping. This argument, too, has been rejected. In *Quickturn,* the court noted that forum shopping may be an exception to the rule when it is the *sole motive* for filing, and thus declined to find an exception in that case. *Quickturn*, 1996 WL 671230, at *7. The court found that both parties had engaged in some forum-shopping (as evidenced by the fact that Quickturn had filed a complaint in a different forum two days after Mentor filed suit). *Id.* Moreover, the court determined that Mentor had numerous legitimate reasons for choosing Oregon, such as the fact that it was headquartered there. *Id.* Thus, the court concluded that it would not make an exception to the first-filed rule "based upon Quickturn's loss by a nose in the forum-shopping race." *Id.* This reasoning applies here.

MusicMatch filed in San Diego because it is headquartered there; Gracenote filed this suit because it is headquartered in Berkeley. On this basis alone, MusicMatch had a legitimate reason for filing in San Diego, and the forum-shopping exception does not apply.

The lack of forum shopping is also evident from MusicMatch's restraint despite the continued improper conduct of Gracenote. Musicmatch did not simply rush to file its San Diego suit at the first inkling of Gracenote's improper infringement assertions over one year ago. Rather, MusicMatch attempted to reach agreement with Gracenote many times. For its part, Gracenote's assertion of its patents was plainly a ploy to gain negotiating leverage, as it simply let the cloud of litigation hang over MusicMatch, and did not file its own complaint until after MusicMatch filed in San Diego. Gracenote's filing of its complaint clearly serves no purpose but to bring the litigation to its home territory, while MusicMatch's filing was necessary to demonstrate that Gracenote's assertions were wrong and its patents invalid and unenforceable.

Finally, Gracenote may argue that this case should not be dismissed because Gracenote is the patent owner and MusicMatch's action is for declaratory relief. Courts have also rejected this argument. In the *Genentech* case, Genentech filed a declaratory action against Eli Lilly and the University of California in the Southern District of Indiana. *Genentech*, 998 F.2d at 935. The next day, the University filed a patent infringement suit against Genentech in the Northern District of California. *Id.* Although it had the first-filed case, the Indiana court dismissed the University from that case in favor of the later-filed suit in California. The Federal Circuit held that the Indiana court's dismissal was improper, reasoning that first-to-file rule "favors the forum of the first-filed action, *whether or not it is a declaratory action*." *Id.* at 937 (emphasis added). The Federal Circuit observed that to treat declaratory actions differently would be contrary to the purpose of the Declaratory Judgment Act, which enables a "person caught in controversy to obtain resolution of the dispute, instead of being forced to await the initiative of the antagonist." *Id.* Applied here, *Genentech* confirms that MusicMatch is entitled to the benefit of the first-to-file rule.

2. Both cases involve the same parties.

It is undisputed that this case and the San Diego case involve the exact same parties:

MusicMatch and Gracenote.

3. Both cases involve the same issues.

MusicMatch's San Diego complaint seeks declaratory relief of non-infringement, invalidity and unenforceability of three of Gracenote's patents: the '680 patent, the '192 patent, and the '593 patent. Gracenote's complaint alleges patent infringement of the '192 and '593 patents. Thus, the San Diego cases clearly encompasses all of the patent issues in this case.

Gracenote may argue that dismissal is inappropriate because its complaint also alleges state law claims of breach of contract and unfair competition. This argument must fail. If a patent litigant could avoid the first-to-file rule by simply adding some non-patent claims, all patent litigants would do precisely that, and the exception would swallow the rule. *See Dumas v. Major League Baseball Props., Inc.*, 52 F. Supp. 2d 1183, 1193 (S.D. Cal. 1999), *order vacated on other grounds by Rodriguez v. Topps Co., Inc.*, 104 F. Supp. 2d 1224 (S.D. Cal. 2000). In *Dumas*, the court granted defendants' motion to stay a second-filed case. In analyzing the similarity of issues under the first filed rule, the court noted that both cases related first and foremost to RICO actions. 52 F. Supp. 2d at 1193. While plaintiffs asserted that the matters were dissimilar because the second-filed complaint contained allegations of the California Unfair Business Practices Act, the court dismissed the argument, noting that the underlying complained-of conduct was nearly identical. Thus, "[t]he additional California state law allegation [was] not sufficient to take the case out of the first-to-file rule." *Id.*

Here, all of Gracenote's non-patent claims relate in some way to the license agreement between the parties. However, issues related to that agreement are already part of the action in Oakland Superior Court. (Robbins Decl., Ex. 3.) Indeed, MusicMatch filed the Oakland Superior Court action to specifically address the disagreement between the parties about their rights and obligations under the license. Thus, as in *Dumas*, non-patent issues in Gracenote's complaint can be raised in other cases.

Further, Gracenote's remaining state law claims in this case do not have an independent basis for federal jurisdiction, since both parties have their principal place of business in California. *See Bank of Cal. Nat'l Ass'n v. Twin Harbors Lumber Co.*, 465 F.2d 489, 491-92 (9th Cir. 1972)

(finding that where plaintiff and defendant both conducted business in California (even though they were not organized under the laws of the state) diversity did not exist.) At best, Gracenote's state law claims are just a distraction. At worst, as evidenced by its *ex parte* motion for relief from stay of formal discovery, Gracenote is using those state claims to improperly obtain discovery for its patent issues. (Robbins Decl., Ex. 4.) If Gracenote really wants to pursue these meritless claims, it can do so in the contract action filed in Oakland superior court by MusicMatch on July 11.[4] Accordingly, the "same issues" prong of the first-to-file rule is plainly met.

4. Gracenote's other likely arguments should also be rejected.

Although not a factor in the context of a motion to dismiss, Gracenote likely will rely heavily on a provision in the parties' license agreement that sets San Francisco and Oakland as the venue for disagreements related to the license. (Robbins Decl., Ex. 5 at 19.c.) Gracenote's reliance will be misplaced. First, MusicMatch filed the Superior Court case in Oakland, in compliance with the venue provision and for the purpose of addressing the dispute regarding the license. Second, the venue provision is directed to the license issues and cannot be construed to apply to any dispute on any issue. At the time it signed the agreement, MusicMatch was not even aware of Gracenote's patents, much less Gracenote's improper allegations of infringement. MusicMatch is clearly within its rights to have brought the patent issues in San Diego. *See Corcovado Music Corp. v. Hollis Music, Inc.*, 981 F.2d 679 (2d Cir. 1993). In *Corcovado*, assignee of a contract brought an action in the Southern District of New York for copyright infringement against defendant (also an assignee of the contract). *Id.* at 681. The contract contained a forum-selection clause setting venue in Brazil. *Id.* Defendant moved to dismiss. *Id.* The district court granted the motion based on the forum-selection clause. *Id.* The Court of Appeal reversed finding that interpretation of the contract was not at issue. *Id.* at 681-82. The court held "where a plaintiff sues for copyright infringement and asserts no rights under a contract with the defendant containing a forum-selection clause, the forum-selection clause has no effect." *Id.* at 682. Here, because the patent issues raised in the San Diego action are not dependent upon

[4] In that case, MusicMatch alleges breach of contract – the same contract that is referenced in Gracenote's complaint.

an interpretation of the contract, the forum-selection clause has no effect.

Gracenote will no doubt argue that it would be easier to have the state law claims and the patent claims proceed in the same case. This ignores the significant equity considerations that compel the application of the first-to-file rule, as set forth by the Federal Circuit in *Genentech*. The patent laws give MusicMatch the right to seek resolution of Gracenote's baseless patent infringement claims, rather than just sit idly by and endure the negative impact to MusicMatch's business caused by Gracenote's continued threats. *Genentech*, 998 F.2d at 937. The assertion of state law claims by Gracenote should not be allowed to cause MusicMatch further prejudice by requiring MusicMatch litigate the baseless patent claims in a forum that will result in increased attorneys fees and travel expenses. Gracenote knew at all times that its patent infringement assertions subjected it a declaratory judgment action in San Diego, but if failed to file suit, knowing that its claims were for the purpose of mere harassment. Any convenience of litigating the issues in one Court is plainly outweighed by the unfairness and prejudice to MusicMatch.

Thus, under the first-filed rule, the patent issues presented in Gracenote's complaint should be dismissed in favor of MusicMatch's San Diego action.

IV. CONCLUSION.

In sum, all three requirements of the first-to-file rule are satisfied here. Accordingly, the Court should exercise its discretion to dismiss Gracenote's action.

Dated: July 22, 2002

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By: _____
Ricardo Rodriguez

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MusicMatch, Inc.

EXHIBIT A

United States District Court, N.D. California.

QUICKTURN DESIGN SYSTEMS, INC., a Delaware Corporation Plaintiff,
v.
META SYSTEMS and Mentor Graphics, Inc., Defendants.

No. C-96-0881 MHP.

Oct. 31, 1996.

MEMORANDUM AND ORDER

PATEL, District Judge.

***1** Plaintiff Quickturn Design Systems, Inc. ("Quickturn") brought this action against defendants Meta Systems ("Meta") and Mentor Graphics Inc., ("Mentor") alleging infringement of six patents. Now before the court are defendants' motion to dismiss for lack of personal jurisdiction, motion to quash for insufficiency of service of process, and motion to dismiss, stay or transfer. Also before the court is defendants' motion to stay all proceedings in this court until the resolution of proceedings before the United States International Trade Commission ("ITC").

Having considered the parties' arguments and submissions, and for the reasons set forth below, the court enters the following memorandum and order.

BACKGROUND [FN1]

> FN1. Unless otherwise indicated, the following facts are taken from the complaint.

Defendant Meta is in the business of developing and selling advanced hardware simulation accelerators which increase productivity in designing integrated circuits. Meta is a French corporation with France constituting its principal place of business. Defendant Mentor, an Oregon corporation, allegedly agreed to acquire Meta and distribute Meta's products in the United States.

Like Meta, plaintiff Quickturn Design Systems, Inc., develops and sells advanced hardware simulation accelerators. On October 27, 1995, Mentor brought suit in the Northern District of California for a declaratory judgment of non-infringement of three Quickturn patents. This suit, C-95-3867SI apparently was sparked by Mentor's belief that Quickturn would sue for patent infringement should Mentor purchase Meta.

Quickturn then brought suit against Mentor and Meta in the International Trade Commission for patent infringement on January 26, 1996. A fully briefed motion to strike portions of the complaint and for a more definite statement was set for hearing on March 8, 1996. On March 5, 1996, Mentor dismissed its declaratory judgment action before Quickturn had answered the complaint. On or about the same day, Mentor filed another action for declaratory judgment in the District of Oregon. Quickturn answered that complaint, counterclaimed, and that action is currently proceeding. On March 7, 1996, Quickturn filed the present action for patent infringement with this court.

LEGAL STANDARD

Under Rule 12(b)(2) of the Federal Rules of Civil Procedure, an individual defendant may move to dismiss an action if the court lacks personal jurisdiction over that individual.

In a diversity action, the question of whether a federal court can exercise personal jurisdiction over a nonresident defendant "turns on two independent considerations: whether an applicable state rule or statute potentially confers personal jurisdiction over the defendant, and whether assertion of personal jurisdiction accords with constitutional principles of due process." *Data Disc, Inc. v. Systems Tech. Assoc., Inc.*, 557 F.2d 1280, 1286 (9th Cir.1977) (citing *Amba Marketing Systems, Inc. v. Jobar International, Inc.*, 551 F.2d 784, 786 (9th Cir.1977)).

***2** California's jurisdictional statute provides that a court may exercise jurisdiction on any basis not inconsistent with the California Constitution or the Constitution of the United States. Cal.Civ.Proc.Code § 410.10 (West 1973). The California Constitution imposes no greater restrictions on jurisdiction than does the due process clause of the United States Constitution. *Data Disc*, 557 F.2d at 1286-87 n. 3. Thus, the California jurisdictional statute permits California courts to exercise jurisdiction to the fullest extent authorized by the due process clause of the United States Constitution. *Id.* at 1286 n. 3 (citing

Michigan Nat'l Bank v. Superior Court, 31 CalApp.3d 1, 6 (1972)).

The exercise of personal jurisdiction by a federal court over a nonresident defendant does not deny due process where the defendant has "minimum contacts" with the forum state such that maintenance of the action "does not offend traditional notions of fair play and substantial justice." *International Shoe Co. v. Washington,* 326 U.S. 310, 316, 66 S.Ct. 154, 158 (1945).

For the court to find that minimum contacts exist between the nonresident defendant and the forum state, there must be some act by which the defendant "purposefully avails itself of the privilege of conducting activities" within that state, thus "invoking the benefits and protection" of the state's laws. *Hanson v. Denckla,* 357 U.S. 235, 253, 78 S.Ct. 1228, 1240 (1958). The defendant's conduct and connection with the forum state must be such that he or she would reasonably anticipate being haled into court in that state. *World-Wide Volkswagen Corp. v. Woodson,* 444 U.S. 286, 297 (1980).

DISCUSSION

I. *Timing of Motions*

Plaintiff asserts that defendants' motions are untimely and should therefore be denied. However, plaintiff's brief argument is conclusory and fails to provide any facts supporting this assertion. Therefore, this court has no basis upon which to consider this argument.

II. *Motion to Dismiss for Lack of Personal Jurisdiction*

Meta asserts that this court lacks personal jurisdiction over it. The burden of establishing appropriate jurisdiction rests on the party that wishes to invoke the jurisdiction of the federal court. *See Data Disc,* 557 F.2d at 1285 (citing *KVOS, Inc. v. Associated Press,* 299 U.S. 269 (1936)). Therefore, the burden is on plaintiff Quickturn to demonstrate the existence of either general or specific personal jurisdiction here.

A. *General Jurisdiction*

If the nonresident defendant's activities within the forum state are "substantial" or "continuous and systematic," then the defendant is subject to "general jurisdiction." *Data Disc,* 557 F.2d at 1287. This means that the defendant is subject to jurisdiction even if the cause of action is unrelated to the defendant's forum activities. *Id.* The issue here is whether this court has general jurisdiction over defendant Meta.

***3** Plaintiff contends that general jurisdiction exists in this district. Much of plaintiff's argument is predicated upon the declaration given by Frederic Reblewski, president of Meta, in support of the present motion to dismiss. Specifically, plaintiff points to the fact that: (1) Mr. Reblewski made several trips to California during 1995 for the purpose of discussing the possible purchase of Meta by Quickturn or another buyer; (2) Mr. Reblewski negotiated with Quickturn, during 1995, for Quickturn to buy and distribute Meta products; (3) Mr. Reblewski traveled to San Francisco, California during January of 1996 in order to give a technical presentation to Mentor personnel; (4) in early 1996, Mr. Reblewski accompanied Mentor personnel during presentations in California to four potential customers; (5) Mr. Reblewski's role was to answer any technical questions which arose during those presentations; and (6) Mr. Reblewski conducted merger negotiations and meetings with Quickturn in California and made regular telephone calls to Quickturn. Plaintiffs argue that these facts meet the "continuous and systematic" criteria necessary to establish general jurisdiction.

This court disagrees. The limited contacts cited by plaintiff occurred over a period of less than one year. The contacts consisted of a few phone calls, letters, and visits to negotiate possible mergers or future transactions. These contacts fail to meet the substantial or continuous and systematic standard. Thus, this court does not have general jurisdiction over defendant Meta.

B. *Specific Jurisdiction*

If the defendant is not subject to general jurisdiction, he or she may still be subject to "specific jurisdiction" if the cause of action is directly related to the defendant's forum activities. *Data Disc,* 557 F.2d at 1287. Plaintiff argues that the Reblewski declaration establishes specific jurisdiction.

The Ninth Circuit has articulated a three-part test for determining whether a nonresident defendant is subject to specific jurisdiction: (1) the nonresident defendant must do some act or consummate some transaction with the forum state or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum state, thereby invoking the benefits and protection of its

laws; (2) the claim must be one which arises out of or results from the defendant's forum-related activities; and (3) exercise of jurisdiction must be reasonable. *Pacific Atlantic Trading Co. v. M/V Main Exp.* 758 F.2d 1325, 1327 (9th Cir.1985). Each of these conditions is required for asserting jurisdiction. *Insurance Co. of North America v. Marina Salina Cruz,* 649 F.2d 1266, 1270 (9th Cir.1981).

Plaintiff argues that its claim for patent infringement is directly related to Meta's activities in California. Specifically, plaintiff argues that 35 U.S.C. § 271 provides the owner of a patent the sole right to make, use, offer to sell, and sell an invention that has been patented. Plaintiff contends that Mr. Reblewski admittedly participated in an offer to sell by accompanying Mentor personnel to four presentations for potential customers and providing answers to technical questions during those presentations. Therefore, plaintiff asserts, specific jurisdiction is established.

***4** Meta contends that Quickturn's argument consists of a severe mischaracterization of Mr. Reblewski's declaration. Defendant points out that this could not have been a sale or offer to sell on the part of Meta since at the time the French government did not permit Meta to sell its products in the United States. Meta also notes that Quickturn fails to establish thatan "offer to sell" was actually made since that is never stated in Reblewski's declaration. Finally, Meta asserts that if any sales or offers to sell had been made, they would have been made by Mentor.

Plaintiff is correct that Mr. Reblewski gave technical advice during presentations by Mentor to potential customers. However, this does not necessarily establish a sale or offer to sell as is required by the statute. A fair reading of Mr. Reblewski's declaration suggests that only Mentor, if anyone, was engaged in selling or offers to sell. Furthermore, nowhere in the declaration does it specifically state that these presentations were connected to the patents at issue here. What the declaration does state is that Mr. Reblewski was forbidden by the French government to sell Meta products in the United States. Therefore, plaintiff has failed to establish specific jurisdiction here. Consequently, plaintiff's action against defendant Meta must be dismissed for lack of personal jurisdiction.

III. *Motion to Quash for Insufficiency of Service*

Meta provides an alternative argument had this court failed to dismiss this lawsuit based upon personal jurisdiction arguing that it has not been properly served under the Hague Convention, Federal Rule of Civil Procedure 4(f), or the California Code of Civil Procedure § 415.40.

This court, however, need not resolve this issue here. Having dismissed plaintiff's suit against Meta for lack of personal jurisdiction, the manner in which process was served is no longer relevant.

IV. *Mentor's Motion to Dismiss, Stay or Transfer*

A. *Defendant's Arguments*

Defendant Mentor argues that Quickturn's suit against it must be dismissed given an already existing action in the District of Oregon. Much of defendant's argument is predicated upon the fact that the Oregon action is the "first-filed" action. *See Genentech, Inc. v. Eli Lilly and Co.,* 998 F.2d 931 (Fed.Cir.1993), *cert. denied,* 510 U.S. 1140, 114 S.Ct. 1126 (1994). [FN2] Citing *Genentech,* defendant urges this court "to apply in patent cases the general rule whereby the forum of the first-filed case is favored, unless considerations of judicial economy, and the just and effective disposition of disputes, require otherwise." *Id.* at 937. *See also Pacesetter Systems Inc. v. Medtronic, Inc.,* 678 F.2d 93 (9th Cir.1982) (stating that "normally sound judicial administration would indicate that when two identical actions are filed in courts of concurrent jurisdiction, the court which first acquired jurisdiction should try the lawsuit and no purpose would be served by proceeding with a second action.")

> FN2. The United States Supreme Court has questioned *Genentech* with regard to the standard of review used by the Court of Appeals. In *Wilton v. Seven Falls Co.,* 515 U.S. 277, 115 S.Ct. 2137 (1995), the Court held that the abuse of discretion standard must be used for appellate review of declaratory judgments rather than review de novo. *Id.* at 2144.

***5** Defendant's arguments in favor of applying the first-filed rule rest primarily on two grounds. First, defendant points to the fact that if this lawsuit is not dismissed, two federal courts will be deciding the identical issues. Second, defendant asserts that there are no convenience factors here that support a move away from the first-filed rule.

Defendant's first ground for applying the first-filed rule is based upon the important public policy of judicial economy. Mentor contends that should the court fail to dismiss this case, the validity of the same six patents will be decided simultaneously by this court and the court for the District of Oregon. Specifically, defendant points out that plaintiff answered the Oregon suit for declaratory relief, put forth five compulsory counterclaims, and even added a counterclaim for infringement of an additional patent. Further, defendant notes that the Oregon suit is procedurally advanced over the suit in this court. Therefore, defendant argues, failure to dismiss this suit will result in two federal lawsuits, in two different courts, on the same exact issues.

Defendant points out that the court must follow the first-filed rule unless there is a "sound reason that would make it unjust or inefficient to continue the first-filed action." *Id.* at 938. One possible reason to deviate from the first-filed rule is convenience. *Id.* Defendant argues that this court is no more convenient than the court in Oregon. In fact, defendant asserts, if anything, the District of Oregon is more convenient. Specifically, defendant notes that its headquarters are located in the state of Oregon, the majority of its research takes place in Oregon, and the inventors of three of the six patents at issue live in Oregon. Therefore, defendant argues, there is no exception to the first-filed rule and it must be followed here.

B. *Plaintiff's Arguments*

Plaintiff disagrees regarding the application of the first-filed rule to this matter. To begin with, plaintiff argues that the suit in Oregon was not the first-filed action in this case. Plaintiff points out that the initial suit brought in this court and dismissed by defendant under Federal Rule of Civil Procedure 41(a), constitutes the first-filed action. Therefore, it suggests, this court is the appropriate forum.

Plaintiff contends that even should this court consider the Oregon suit first- filed, the rule should still not be applied. Generally, plaintiff premises this argument upon the fact that the Oregon suit was filed only two days prior to the suit in this court. Specifically, plaintiff asserts three reasons as to why all the interests involved would best be served by resolving these patent issues in this court. These include comprehensive disposition of litigation, avoidance of forum shopping, and convenience of the parties.

With regard to comprehensive disposition of litigation, plaintiffs argue that this action should remain in California since Meta Systems is one of the two parties in interest. With regard to forum shopping, plaintiff contends that this is suggested by Mentor refiling its declaratory judgment action in Oregon.

***6** Plaintiff's main argument is predicated upon convenience. According to plaintiff, the balance of convenience, to both parties and witnesses, clearly tips in favor of this court as the forum in which to resolve these issues. In addition, plaintiff argues that its principal place of business is in California and points out that all of its senior officers, as well as a majority of its employees, reside and work in California. Plaintiff also notes that California was the state in which its patented devices were designed and manufactured. Finally, plaintiff asserts that all of its records regarding its patents are located in California. Consequently, according to plaintiff, it would be far more convenient for this action to proceed in this court.

C. *Analysis*

Plaintiff's initial argument, asserting that Mentor's now-dismissed declaratory judgment suit in this court constitutes the first-filed action, is untenable. Mentor voluntarily dismissed its initial action pursuant to Federal Rule of Civil Procedure 41(a). This suit was dismissed withoutprejudice and there is no argument that any exception applies. Consequently, the prior suit may not be considered here. *See Sandstrom v. Chemlawn Corp.*, 904 F.2d 83, 86 (1st Cir.1990) (pointing out that "a voluntary dismissal under Fed.R.Civ.P. 41(a) wipes the slate clean, making any future lawsuit based on the same claim an entirely new lawsuit unrelated to the earlier (dismissed) action.") Therefore, plaintiff's now-dismissed declaratory judgment action does not constitute the first-filed action for purposes of this claim.

The remainder of plaintiff's arguments are premised on the underlying fact that there is merely a two day difference between the time Mentor filed its declaratory judgment action in Oregon District Court and when Quickturn filed its patent infringement suit in this court. This short time span, however, does not necessarily impact this court's evaluation of plaintiff's arguments. "[T]he rule favoring the right of the first litigant to choose the forum, absent countervailing interests of justice or convenience, is supported by '[reasons] just as valid when applied to the situation where one suit precedes the other by a day as they are in a case where a year intervenes

between the suits.' " *Genentech*, 998 F.2d at 938 (quoting *Martin v. Graybar Elec. Co.*, 266 F.2d 202, 205 (7th Cir.1959)). Therefore, the fact that the time between the actions here was only two days does not abrogate the application of the first-filed rule to this matter.

Plaintiff's argument that this court must find an exception to the first-filed rule in order to facilitate the comprehensive disposition of this litigation is no longer valid. The District Court in Oregon has denied transfer of that action, plaintiff in this action has asserted its claims by way of counterclaims in that action and this court has determined that it does not have personal jurisdiction over Meta which, however, can be sued in Oregon.

***7** Plaintiff also argues that this court should find an exception to the first-filed rule in order to discourage forum shopping. Plaintiff is correct that first-filed suits may be dismissed when the sole motive for filing was to forum shop. *Genentech*, 998 F.2d at 938. However, this court concludes that both parties have engaged in this activity. The first action, C-95-3867SI, was filed in this court on October 27, 1995. A fully-briefed motion to strike and for a more definite statement was calendared. Three days before the scheduled hearing Mentor, the plaintiff in that action, filed a notice of voluntary dismissal. On the same date Mentor filed its action in the District Court in Oregon. Between the filing and the dismissal in this court Quickturn filed its suit before the International Trade Commission. Two days after Mentor's filing in Oregon Quickturn filed this action. Both parties appear to be in an even heat for the forum-shopping contest and this court is not prepared to award either of them the "prize" on that basis.

In addition, Mentor had numerous reasons for choosing Oregon not the least of which is that it is headquartered in that State. Consequently, this court will not make an exception to the first-filed rule based upon Quickturn's loss by a nose in the forum-shopping race

Equally without merit is plaintiff's argument that it is inconvenient to litigate this action in the District of Oregon. While plaintiff is correct that the "convenience and availability of witnesses" may be a "sound reason that would make it unjust or inefficient to continue the first-filed action," *Genentech*, 998 F.2d at 938, as defendant points out, this is not a mandatory consideration for this court. Convenience is an argument that is more properly addressed by the court in the first-filed action. *See Pacesetter Systems Inc. v. Medtronic, Inc.*, 678 F.2d 93, 96 (9th Cir.1982) (concluding that "the court in the second filed action is not required to duplicate this inquiry although the convenience of the parties and witnesses may play a part in the decision."); *see also Alltrade, Inc. v. Uniweld Products, Inc.*, 946 F.2d 622, 628 (9th Cir.1991). Therefore, this court need not even consider convenience in determining whether or not to dismiss here.

Even had this court chosen to consider convenience as a factor, plaintiff's reliance upon *Serco Services Co., L.P. v. Kelley Co., Inc.*, 51 F.3d 1037 (Fed.Cir.1995), is misplaced. In that case, the Federal Circuit upheld the district court's choice to dismiss a first-filed declaratory judgment action in favor of a patent infringement action filed three days later in a different district. *Id.* The court's decision was based in part upon the fact that the forum where the second-filed suit was brought was more convenient. *Id.* at 1040.

Here, however, it is far from clear that plaintiff is more inconvenienced by a suit in Oregon than defendant is by a suit in California. Regardless of which state is chosen, the company whose facilities are not in that state is more likely to be inconvenienced. Therefore, on balance, it appears as if the weight of inconvenience does not harm one party any more than it harms the other. Consequently, this is not a factor that sways this court in its decision whether or not to follow the first-filed rule.

***8** An important consideration by this court in determining whether the first-filed rule may be validly applied here is "judicial and litigant economy." *Genentech*, 998 F.2d at 937. If anything, as defendant suggests, the application of the first-filed rule to this matter promotes these considerations. Should this court fail to apply the first-filed rule, the same six patents will be at issue in this court and the court for the District of Oregon. Plaintiff has answered the declaratory judgment suit in the District of Oregon, brought five compulsory counterclaims, and even added a counterclaim for the infringement of an additional patent. Plaintiff is also currently pursuing an action in front of the International Trade Commission regarding these same issues. A third forum deciding these same issues once again will only harm judicial economy and may result in conflicting decisions.

Considerations of judicial economy and plaintiff's inability to demonstrate an applicable exception to the first-filed rule require this court to apply that rule here. Under that rule, this court must favor the

District of Oregon since it is the forum of the first-filed action. *Genentech*, 998 F.2d at 937.

Although the court could dismiss rather than transfer this action under section 1404(a), the court declines to do so finding transfer more appropriate. To the extent this action is a mirror image of the counterclaims in the action in Oregon that court may determine the appropriate disposition. To the extent there are other claims in this action they will not need to be reasserted.

V. *Motion to Stay Pursuant to 28 U.S.C. § 1659*

Prior to filing the above considered motions, defendants filed an ex parte motion to stay all proceedings on the matters now before this court. This motion was filed pursuant to 28 U.S.C. § 1659 which requires this court, upon the request of a party, to stay a civil action when the same issues are currently being litigated before the United States International Trade Commission. In light of this court's decision to grant defendants' motions to dismiss, defendants' ex parte motion to stay no longer applies.

CONCLUSION

For the foregoing reasons, the court hereby GRANTS defendant Meta's motion to dismiss and, treating defendant Mentor's motion as a motion to transfer under 28 U.S.C. § 1404(a), the motion to transfer is GRANTED.

The Clerk of the Court is instructed to transfer forthwith the file in this action to the Clerk of the Court for the United States District Court for the District of Oregon.

IT IS SO ORDERED.

1996 WL 671230, 1996 WL 671230 (N.D.Cal.)

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