UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

ACTIVISION BLIZZARD INC.,

Plaintiff,

v.

ACCELERATION BAY LLC,

Defendant.

TAKE-TWO INTERACTIVE SOFTWARE, INC., et al.,

Plaintiffs,

v.

ACCELERATION BAY LLC,

Defendant.

ELECTRONIC ARTS INC.,

Plaintiff,

v.

ACCELERATION BAY LLC,

Defendant.

Case No. 16-cv-03375-RS; 16-cv-3377-RS; 16-cv-3378-RS

ORDER GRANTING MOTIONS TO TRANSFER AND DENYING AS MOOT MOTIONS TO DISMISS

I. INTRODUCTION

Plaintiffs Activision Blizzard Inc. ("Activision"), Electronic Arts Inc. ("EA"), Take-Two Interactive Software, Inc. ("Take-Two"),[1] and defendant Acceleration Bay LLC ("AB") have been

[1] Take-Two is comprised of two subsidiary companies, Rockstar Games, Inc. and 2K Sports, Inc. These entities will be referred to collectively as "Take-Two." Additionally, Activision, EA, and

tussling in the District of Delaware over allegations that plaintiffs' video games infringe AB's networking patents. A little over a year into those proceedings, the video game companies moved to dismiss based on a defect in AB's prudential standing. The court spotted the same defect but elected to give AB fourteen days to fix it. Twelve days thereafter, AB announced the problems with prudential standing were resolved, yet sensing opportunity, the video game companies quickly commenced these declaratory actions on the opposite coast. AB, for its part, in lieu of amending its pleadings, filed new Delaware complaints the next day. Now, as so often is the case in these patent venue chess games, AB moves to dismiss or transfer these actions back to Delaware.

For the reasons explained below, AB's motions to transfer under the first-to-file rule will be granted. AB's re-filed complaints functionally amended its original 2015 Delaware pleadings, and in any event, the instant matters were filed in anticipation of imminent litigation. It also is appropriate to defer to the Delaware court's superior familiarity with these proceedings. As such, these suits will be transferred back to "The First State" where they belong.

II. BACKGROUND

AB is an incubator for next generation businesses, particularly those delivering content in real-time. Activision, EA, and Take-Two are video game developers and publishers. The patents-in-suit disclose "Small-world Wide Area Networking ("SWAN")" technology that allegedly implicates multiplayer or multisystem gaming environments.[2] Lin Decl. Ex. 11. Fred Holt and Virgil Bourassa, the inventors of the technology, worked at The Boeing Company ("Boeing") when the patents were issued. *See id.* Ex. 10.

Holt and Bourassa established Panthesis Inc. in 2001 to develop and commercialize Boeing's SWAN technology. *Id.* They eventually sought to sell or license the patents, and ostensibly came into contact with Sony Entertainment, RPX Corporation, and Acorn

[2] The patents-in-suit include U.S. Patent Nos. 6,701,344 ("the '344 patent"), 6,829,634 ("the '634 patent"), 6,732,147 ("the '147 patent"), 6,714,966 ("the '966 patent"), 6,920,497 ("the '497 patent"), and 6,910,069 ("the '069 patent").

Technologies, Inc. None of these suitors ultimately worked out, but that changed in December 2014, when Boeing and AB entered into a "Patent Purchase Agreement." Through the agreement, AB purportedly acquired all "substantial rights" to the patents, and it commenced suit shortly thereafter against Activision in the District of Delaware on March 11, 2015. AB sued EA and Take-Two in the same venue on March 30 and April 13, 2015, respectively. The suits allege infringement of the SWAN patents, which the video game companies reject.

The Delaware court related the cases for discovery, claim construction, and pre-trial activities. Discovery then kicked off in December 2015. The parties served and responded to 434 requests for production and 42 interrogatories, while collectively serving eighteen (18) third-party subpoenas. Kobialka Reply Decl. ¶ 8. Over 118,000 pages of documents were produced and the parties held over two dozen days of source code review. *Id.* ¶ 9. After twice moving to compel depositions, AB deposed two Activision 30(b)(6) employees. *Id.* ¶ 7. Four additional depositions were scheduled to take place, and all depositions were conducted in locations convenient for the witnesses. *Id.* AB served initial infringement claim charts on March 2, 2016, and the video game companies served invalidity contentions on May 6, 2016. *Id.* ¶ 10. The Delaware court appointed a special master *sua sponte*, and together with the special master held six hearings and issued ten orders covering a range of matters.

Through the course of discovery, the video game companies received the "Patent Purchase Agreement," and after reviewing its terms, moved to dismiss based on a defect in prudential standing. They correspondingly moved to stay proceedings pending the court's decision, which AB opposed, claiming it "may cure any defect in prudential standing." Lin Decl. Ex. 15. At the hearing on the motions, AB represented that Boeing was unlikely to join the suits, but noted "prudential standing can be cured in multiple ways. To join the party and also amending the agreement." Kobialka Reply Decl. Ex. 1 at 69:21–23. On June 3, 2016, the court found AB was an "exclusive licensee," and that Boeing did not convey "all substantial rights," giving rise to a defect in prudential standing. Lin Decl. Ex. 5. The court accordingly indicated the video game companies' motion to dismiss would be granted "unless Boeing joins this action within 14 days."

Id.

Twelve days later, in connection with inter partes review ("IPR") proceedings initiated by the video game companies, AB sent a letter to the Patent Trial and Appeal Board ("PTAB"), with copies to the video game companies. It informed the PTAB "that subsequent to th[e] [Delaware court's] Order, Acceleration Bay and the Boeing Company entered into an Amended and Restated Patent Purchase Agreement resolving all of the issues identified by the District Court in its June 3, 2016 Order." Lin Decl. Ex. 32. The very next day, June 16, 2016—one day prior to expiration of AB's fourteen day window—the video game companies filed suit in this Court, seeking declaratory judgments of non-infringement of the SWAN patents. The complaints invoke the March 2015 Delaware litigation and AB's letter to the PTAB to support the proposition the video game companies have "a reasonable apprehension that [AB] may again commence litigation against [them] on the asserted patents." Compl. ¶ 14. The Northern California suits raise the same claims and defenses as the Delaware actions.

On June 17, 2016, prior to expiration of the fourteen day window, AB sent the Delaware court a letter to update it on the recent developments. It reported Boeing would not be joining the pending actions, but said the amended purchase and license agreement "confirm[s] that Acceleration Bay has standing to pursue its claims against the Defendants without Boeing." Lin Decl. Ex. 16. AB indicated it would "now" refile complaints against the video game companies, and asked the court to reserve the existing trial dates, "as only minor adjustments to the schedule will be necessary in view of the resolution of this standing issue within two weeks of the Court's Order." *Id.* AB also requested the 2015 Delaware actions be dismissed without prejudice. *Id.* AB refiled its claims against the video game companies in new actions that same day. Three days later, on June 20, 2016, the Delaware court dismissed without prejudice the March and April 2015 actions commenced by AB. The court also vacated the trial dates and closed the dismissed cases. *See id.* Exs. 17, 18.

All of the entities involved in this action are incorporated in the state of Delaware. Almost all of them, however, also have significant ties to California. AB maintains its principal place of

business in Redwood City, California, and its counsel is based in Menlo Park, California. Activision maintains its principal place of business in Santa Monica, California, and all but one of its subsidiaries is also based in this state. EA, like AB, maintains its principal place of business in Redwood City, California, and Take-Two's subsidiaries operate out of Novato and San Diego.

Holt and Bourassa invented the technology in Boeing's Phantom Works R&D Division. They reside in Washington, but Phantom Works apparently operates in Seal Beach, California. Linda Magnotti, the former CEO of Panthesis, is also located in Washington. All of the putative patent buyers—Sony, Acorn Inc., and RPX Corporation—are located in California.

The accused products are video games sold throughout the entire United States. In addition to California, they were developed in Florida, New York, Canada, and Romania. Some potentially relevant witnesses are located in Illinois and Washington. In the 2015 actions, third-party subpoenas were served on corporations in Texas and New York.

III. LEGAL STANDARD

The Declaratory Judgment Act permits courts the discretion to decline jurisdiction over declaratory judgment claims. *Wilton v. Seven Falls Co.*, 515 U.S. 277, 282 (1995); 28 U.S.C. § 2201 ("[A]ny court of the United States, upon the filing of an appropriate pleading, *may* declare the rights and other legal relations of any interested party seeking such declaration.") (emphasis added). Courts routinely do so under the "first-to-file" rule, the "generally recognized doctrine of federal comity which permits a district court to decline jurisdiction over an action when a complaint involving the same parties and issues has already been filed in another district." *Pacesetter Sys., Inc. v. Medtronic, Inc.*, 678 F.2d 93, 94–95 (9th Cir. 1982). The rule "favors the forum of the first-filed action, whether or not it is a declaratory action," *see Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993), in the service of "promot[ing] judicial efficiency and prevent[ing] the risk of inconsistent decisions that would arise from multiple litigations of identical claims," *Interactive Fitness Holdings, LLC v. Icon Health & Fitness, Inc.*, No. 10–CV–04628–LHK, 2011 WL 1302633, at *2 (N.D. Cal. Apr. 5, 2011). The rule "should not be disregarded lightly." *Alltrade, Inc. v. Uniwield Prods., Inc.*, 946 F.2d 622, 625 (9th Cir. 1991).

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