

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

AGIS SOFTWARE DEVELOPMENT LLC,

Plaintiff,

v.

T-MOBILE, USA, INC., AND T-MOBILE
US, INC.,

Defendants

CIVIL ACTION NO. 2:21-cv-00072-JRG

LEAD CASE

**SMITH MICRO SOFTWARE, INC.'S AND SMITH MICRO SOFTWARE, LLC'S
REPLY IN SUPPORT OF MOTION TO INTERVENE, AND MOTION TO STAY
PROCEEDINGS AS TO ITS ACCUSED TECHNOLOGY PENDING ADJUDICATION
OF THEIR PENDING DECLARATORY JUDGMENT ACTION AGAINST AGIS
SOFTWARE DEVELOPMENT LLC**

I. INTRODUCTION

AGIS's opposition to Smith Micro's motion to stay lacks merit because both the customer-suit exception and the more traditional three-factor test support a grant of a stay.¹ The accused FamilyWhere/FamilyMode products are quite dissimilar from the other T-Mobile accused product – T-Mobile Fleet Management Solutions.² Severing them is bright-line easy and efficient, and is wholly consistent with, and promotes the goals of, the customer suit exception to the first-filed rule in favor of the DJ Action in the Northern District of California between the real-parties-in-interest as to the Family products, AGIS and Smith Micro..

II. THE POTENTIAL FOR ADVANCEMENT OF MAJOR ISSUES IS SUFFICIENT FOR A STAY, AND NEED NOT ADDRESS ALL ACCUSED PRODUCTS

AGIS argues that the customer-suit exception is inapplicable because the DJ Action “would not resolve all issues with regard to the T-Mobile [products].” Opp'n at 9. AGIS's argument misstates the law. There is no requirement that all issues as to all accused products be resolved. Here, the customer-suit exception applies because litigation by Smith Micro in the DJ Action would resolve all issues as to the Family products, and at a minimum would advance major issues in the case against Smith Micro's customer T-Mobile, and that is all that is required to grant a stay.

At its core, the customer-suit exception recognizes the benefits to judicial economy in avoiding duplicative and vexatious litigation. Patent owners will sometimes view multiple customer suits as strategically beneficial as opposed to a single case against the real-party-in-

¹ Smith Micro will only address its motion to stay given that AGIS does not oppose its request to intervene.

² For example, compare the screenshots in the Complaint of the “Family” products (on pages 7-11, 17-22, 29-34, 40-45, 56-62, 67-70, and 78-83) to the screenshots in the Complaint of the “Fleet” product (on pages 13, 47, 71 and 84). As shown in these screenshots and as alleged in the Complaint, the Family products are designed for personal use and “enable family member devices to form location sharing groups,” whereas the Fleet product “allows users to view the location of any tracked user or vehicle (e.g. with a GPS tracking system) every second or every fifteen seconds.” *Id.*, ¶¶ 18, 21.

interest. Therefore, the courts have recognized the significant benefits in staying the first-filed customer case in favor of the second-filed manufacturer case. In the simplest case, a court may (and should) stay a customer case in favor of the manufacturer case when the allegations are identical as to the accused products (which is the situation with respect to the accused Family products). Moreover, judicial economy will still be advanced even if the manufacturer's DJ Action might not resolve all issues in the customer case, as the Federal Circuit has expressly held in a finding that is on point here:

“Although there may be additional issues involving the defendants in [the customer] action, their prosecution will be advanced if [the patent-plaintiff] is successful on the major premises being litigated in [the manufacturer litigation], and may well be mooted if [the patent-plaintiff] is unsuccessful.”

In re Nintendo of Am., Inc., 756 F.3d 1363, 1366 (Fed. Cir. 2014) (quoting *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990) (*reversing* E.D.Tex. denial of the Motion).

In such cases, the convenience of first resolving the common issues in the suit against the manufacturer weighs in favor of a stay. *Spread Spectrum Screening LLC v. Eastman Kodak Co.*, 657 F.3d 1349, 1358 (Fed. Cir. 2011) (“[T]he manufacturer's case need only have the potential to resolve the ‘major issues’ concerning the claims against the customer – not every issue – in order to justify a stay of the customer suits.”) (quoting *Katz*, 909 F.2d at 1464).

These factors are particularly relevant here in that Smith Micro's technology is used by other companies, so allowing Smith Micro to resolve all issues in a single DJ action, rather than face piecemeal litigation and an ongoing cloud over its technology, strongly favors the stay.

Here, a finding of non-infringement or invalidity of the Asserted Patents in the DJ Action would moot this case as to T-Mobile's Family products. *See, e.g., Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1578 (Fed. Cir. 1994). In addition, even if there were additional issues presented in this case against T-Mobile that might not be resolved in the DJ Action, there is a very high likelihood that any additional issues presented in the manufacturer case would be advanced in this action.³

AGIS argues that T-Mobile would still "be required to relitigate a number of issues with regard to the Fleet Management Solutions." Opp'n at 9. However, the Fleet product is not based upon technology supplied by Smith Micro and would not be part of the Family products severed and stayed under the customer-suit exception. Moreover, because the Family and Fleet products are quite dissimilar as discussed above, the Fleet product would need to be adjudicated separately since Smith Micro is not the supplier of the technology used in the Fleet product.

Therefore, resolving the DJ Action will simplify the overall issues of infringement relating to the accused Smith Micro technology in this action by either mooted the litigation in this Court against T-Mobile for its Family products, or advancing issues relating to invalidity and infringement in the DJ Action.

AGIS incorrectly contends that there would be "piecemeal resolution of the issues" if *this* case is stayed since "this case has been consolidated with three other actions which involve the same Asserted Patents." Opp'n at 9. However, the three other actions do not involve products based upon Smith Micro technology. Thus, this argument by AGIS actually supports carving the

³ To the extent that AGIS would rely on "intent based" issues in opposing the Stay, that reliance does not withstand scrutiny. As this Court has previously held, "[u]nder *Seagate*, 'a willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringers' pre-filing conduct.'" *Opticurrent, LLC v. Power Integrations, Inc.*, 2016 WL 9275395 at *2 (E.D. Tex., Oct. 19, 2016, J. Gilstrap). AGIS's Complaint alleges only that "Defendants have had knowledge of the [asserted patent] at least as of the filing of the Complaint." [Complaint ¶ 39]. *See also*, Complaint ¶¶ 60, 91, 113, 140 and 164. Therefore, any argument against the stay based upon "intent-based" issues does not pass muster.

Family products out from this case, and allowing issues as to Smith Micro's technology to proceed as between the real parties in interest (AGIS and Smith Micro), regardless of how that technology is implemented by a particular customers.

Finally, AGIS misplaces reliance on *Rembrandt Wireless Technologies, LP v. Apple Inc.*, No. 2:19-CV-00025-JRG, 2019 WL 6344471, at *3 (E.D. Tex. Nov. 27, 2019), for the proposition that a customer suit exception does not apply unless the manufacture is the "sole source." Opp'n. at 10. The *Rembrandt* decision is easily distinguishable because in that case the "customer," Apple, was *itself* a manufacturer of some of the accused products, and "also contribute[d] to the development of the Accused Products." *Rembrandt* at *4. Here, the customer-suit exception applies full force because T-Mobile did not develop or contribute to the development of the technology in the Family products.

Therefore, all of these factors favor staying this litigation as to the Family products under the customer-suit exception pending resolution of the DJ Action.

III. ALTERNATIVELY AND IN ADDITION, THE COURT SHOULD GRANT THE REQUESTED STAY UNDER THE TRADITIONAL TEST

Although AGIS claims it will be prejudiced by a stay, its arguments are unfounded. T-Mobile will not get "two bites at the apple" because resolving the DJ Action will either entirely moot the issues in this Court as to the Family products thus simplifying the case and any future case against any Smith Micro customers based upon its accused technology, or advance the issues relating to invalidity and infringement in the DJ Action. Thus, staying the case as to the Family products and allowing the DJ Action to proceed would relieve the burdens of litigation from T-Mobile as to the Family products that are based upon Smith Micro technology.

Moreover, AGIS will benefit from being able to resolve all issues related to Smith Micro in one case, as opposed to having to file other cases against other Smith Micro customers now or

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