

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

SIPCO, LLC, and IP CO, LLC
(d/b/a INTUS IQ),

Plaintiffs,

v.

Civil Action No. 6:15-cv-907

EMERSON ELECTRIC CO., EMERSON
PROCESS MANAGEMENT LLLP, FISHER-
ROSEMOUNT SYSTEMS, INC.,
ROSEMOUNT INC., BP, p.l.c., BP
AMERICA, INC., and BP AMERICA
PRODUCTION COMPANY,

Defendants.

JOINT MOTION OF DEFENDANTS TO SEVER AND STAY

Defendants Emerson Electric Co., Emerson Process Management LLLP, Fisher-Rosemount Systems, Inc., Rosemount, Inc. (collectively the “Emerson Defendants”), BP America, Inc., and BP America Production Company (collectively the “BP Defendants”)¹ jointly request an Order severing the infringement claims against the BP Defendants, purchasers of certain of the Emerson products accused of infringement, from the infringement claims against the Emerson Defendants, the manufacturers/suppliers of the products accused of infringement, and staying the severed action against the BP Defendants.

I. BACKGROUND

This is the second of two actions involving the plaintiffs, the Emerson Defendants, the same two patent families (*i.e.*, the family of U.S. Patent No. 7,103,511 (“the ‘511 patent family”) and the family of U.S. Patent No. 6,044,062 (“the ‘062 patent family”)), and the Emerson Smart

¹ Defendant BP, p.l.c. is a foreign entity. It has not been served with the First Amended Complaint and it has not appeared in this action.

Wireless product line. The Emerson Defendants initiated the first-filed action by filing a Declaratory Judgment Complaint in the U.S. District Court for the Northern District of Georgia on January 30, 2015, asserting that the ‘511 and ‘062 patents, owned by Plaintiff SIPCO, LLC (“SIPCO”) and IP CO, LLC (“IPCO”), respectively, were invalid and not infringed by Emerson’s Smart Wireless products. Plaintiffs answered that Complaint six months later on July 27, 2015 with a counterclaim of infringement of those two patents. On October 16, 2015, plaintiffs initiated this action accusing the same Emerson Smart Wireless products of infringing a total of ten other patents in the ‘511 and ‘062 patent families. Given this overlap, the Emerson Defendants moved to dismiss or transfer this action on December 10, 2015. (*See* Doc. 10). On December 30, 2015, plaintiffs amended their Complaint in this action to add the BP Defendants as alleged infringers – limiting, however, the scope of the BP Defendants’ alleged infringement to the purchase and use of the Emerson Smart Wireless products already accused of infringement.² (Toohey Declaration ¶ 4, attached as Exhibit 1; *see also*, Doc. 19). Plaintiffs have subsequently relied upon the inclusion of the BP Defendants as a reason to deny the Emerson Defendants’ Motion to Dismiss or Transfer. (*See, e.g.*, SIPCO’s Surreply, Doc. 42, p. 7).

II. ARGUMENT

Plaintiffs Amended Complaint identifies two distinct defendant groups, the Emerson group and the BP group. The differences between the two groups are significant. Of relevance to this case, the Emerson Defendants make and sell the accused Smart Wireless products. By contrast, the BP Defendants are in the field of energy production. The BP Defendants are only relevant to this case because they, like dozens of other companies, have purchased and used

² Plaintiffs also added an eleventh patent to the case, a further patent from the same SIPCO patent family.

certain of the accused Smart Wireless products. Each and every one of plaintiffs' infringement allegations against the BP Defendants is limited to their use of the identified Emerson Smart Wireless products. (*See, e.g.*, Doc. 19 ¶ 101 (a-d)). Given the nature of the relationship between the two defendant groups, it is clear that the Emerson Defendants are the real parties in interest in this case. The BP Defendants, as mere purchasers of certain of the accused products, should not be forced to bear the burden of defending a patent infringement action when the dispute can be resolved without them. This is especially true where, as here, the purchaser of the accused products was added to the dispute solely to anchor the dispute in this forum.

A. The Claims against the BP Defendants Should Be Severed and Stayed

It is well settled that a district court “may properly sever a claim against one defendant to permit transfer of the cause against the remaining defendant where the administration of justice would be materially advanced thereby” especially where the defendant to be severed is only indirectly connected to plaintiff's cause of action. *Allway Tools, Inc. v. American Safety Razor*, 1979 WL 24969 *1 (S.D. Tex July 6, 1979) (severing and staying action against reseller of accused infringing products and transferring infringement action against accused manufacturer to more convenient forum), *citing Wyndham Associates v. Bintliff*, 398 F.2d 614 (2nd Cir. 1968); *see also Haworth, Inc. v. Herman Miller*, 821 F.Supp. 1476, 1481-82 (N.D. Ga. 1992) (severing co-defendant CWC, a local Georgia company, on the grounds that CWC was neither subject to jurisdiction in the transferee court and the accused manufacturer of the infringing product, Hermann Miller, was the primary defendant).

In deciding between the forum chosen by a patent owner and the forum chosen by the accused infringer, courts have considered both the “first-filed rule,” where the first court to have jurisdiction over the matter takes both cases, and the “customer suit exception,” where, as the

title implies, the first-filed court does not take the case if the first case involves only purchasers or re-sellers of the accused product and the manufacturer of the accused product, the real party in interest, files a subsequent action. *See In re Nintendo of America, Inc.*, 757 F.3d 1363, 1365-66 (Fed. Cir. 2014) (reversing district court's refusal to sever customer and to transfer claims against manufacturer); *see also Spread Spectrum Screening, LLC v. Eastman Kodak Co.*, 2010 WL 3516106 at 2-3 (N.D. Ill. September 1, 2010) (severing claims against "peripheral" purchasers of accused products added to establish venue in the chosen forum). Here, the result is the same under both analyses. Emerson is the manufacturer of the products accused of infringement. It is the real party in interest. At most, the BP defendants merely purchase and use certain of those products.³

A patent infringement claim against a retailer, distributor or customer of infringing products is peripheral to a claim against a manufacturer of the products. *See LG Electronics, Inc. v. Advance Creative Computer Corp.*, 131 F. Supp. 2d 804, 811 (E.D. Va. 2001). In *Corry v. CFM Majestic, Inc.*, 16 F. Supp. 2d 660 (E.D. Va. 1998), the court ruled that a distributor's involvement was peripheral to the case because (1) the distributor was secondarily involved, (2) did not manufacture the alleged infringing device, and (3) would be liable only if the manufacturer was liable. *Id.* at 665. In this case, the BP entities are peripheral.

Every infringement allegation SIPCO makes against the BP Defendants is derivative of a contention that SIPCO first levels against Emerson. Moreover, the only infringement allegations made against the BP Defendants are based on the BP Defendants' use of the Emerson Smart Wireless products. (Toohey Decl. ¶ 2). No other company's product is ever identified. (*Id.* at ¶

³ Because Defendant BP America Production Company operates the facilities identified in the SIPCO complaint, it is not clear at this juncture where Defendant BP America, Inc. has purchased or used any of the accused Emerson products.

3). Nor does SIPCO contend that the BP Defendants had any hand in designing, manufacturing or selling the accused Emerson products. Rather, in its amended complaint, SIPCO creates a collection of three parallel claims for many of the asserted patents. In the first, SIPCO accuses Emerson of infringing various patents by making, using, offering for sale, selling and importing a list of Emerson Smart Wireless products (*see e.g.*, Count I), SIPCO then accuses BP of infringing the *same* patent by using or importing the *same* list of Emerson products (*see, e.g.*, Count II), and SIPCO concludes each set with a claim that the defendants have jointly infringed (*see, e.g.*, Count III). (*See* Amended Complaint (Doc. 19), *see also* Toohey Decl. ¶ 4).

As grounds for its joint infringement claims, SIPCO alleges that, “BP performs at least one, but less than all the [claimed] steps” and, for its part, Emerson supplies BP products that are “preconfigured to perform at least one, but less than all of the remaining [claimed] steps.” (*See, e.g.*, Doc. 19 at p. 18). Not only does SIPCO fail to properly plead an allegation of joint infringement, discussed in Section B, below, but SIPCO’s allegations themselves establish the relationship between the defendant parties – the BP Defendants buy certain of the accused products from the Emerson Defendants and use them as designed. That is the classic customer suit exception – BP buys and uses Emerson’s products. Emerson is the real party in interest. Given their vendor/customer relationship, Emerson is indemnifying and defending BP against SIPCO’s claims in this action. (Declaration of Robert Karschnia, ¶ 9, attached as Exhibit 2).

SIPCO does not allege that: (i) BP designed the accused Emerson products, (ii) Emerson manufactured these products according to BP’s specifications, or (iii) BP has modified Emerson’s commercially available product offering. Nor is there any contention that BP and Emerson operate these products in concert, with BP performing some of the recited steps and Emerson performing others. SIPCO’s “joint infringement” allegations against Emerson are

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