

**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. §

**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. §

CIVIL ACTION NO. 6:15-cv-907

JURY TRIAL DEMANDED

MEMORANDUM OPINION AND ORDER

Before the Court is Defendant Emerson Electric Co., Fisher-Rosemount Systems, Inc. and Rosemount Inc.’s Motion to Dismiss or Transfer This Action (“the Motion”). Doc. No. 10. For the reasons set forth below, the Motion is **GRANTED-IN-PART**.

BACKGROUND

The Texas Action

Plaintiffs SIPCO, LLC and IP CO, LLC (collectively, “SIPCO”) filed this infringement action against Emerson Electric Co., Fisher-Rosemount Systems, Inc., and Rosemount Inc. (“Emerson”) on October 16, 2015 (“the Texas action”). The Original Complaint alleged infringement of ten patents: U.S. Patent Nos. 7,697,492 (“the ’492 patent”), 6,437,692 (“the ’692 patent”), 6,914,893 (“the ’893 patent”), 7,468,661 (“the ’661 patent”), 8,754,780 (“the ’780 patent”), 8,908,842 (“the ’842 patent”), 6,249,516 (“the ’516 patent”), 8,000,314 (“the ’314 patent”), 8,233,471 (“the ’471 patent”), and 8,625,496 (“the ’496 patent”). See Doc. No. 1. On

December 30, 2015, SIPCO amended its complaint to include defendants BP America, Inc., BP America Production Company, and BP p.l.c. (collectively, “BP defendants”). Doc. No. 19 at 1-2. The Amended Complaint also alleged infringement of one additional patent: U.S. Patent No. 8,013,732 (“the ’732 patent”). *Id.* at 8.

History

On January 31, 2007, SIPCO wrote to Emerson asking Emerson to review its products in light of the ’062 and ’511 patents, as well as two other patents in the same family. Doc. No. 10 at 3. Emerson responded on February 16, 2007, and asked SIPCO to identify the products and claims of the patents at issue. SIPCO did not respond until February 27, 2013, when it wrote Emerson again about the same two patent families. *Id.* SIPCO identified one claim from eight patents as being relevant to Emerson’s Smart Wireless products. *Id.*

The Georgia Action

On July 31, 2013, Emerson filed a declaratory judgment action against SIPCO asserting invalidity and non-infringement of each of the eight patent claims. *Id.* Emerson ultimately dismissed that action without prejudice and filed another declaratory judgment action on January 30, 2015 (“the Georgia action”). *Id.*; *Emerson Electric Co., et al. v. SIPCO LLC, et al.*, Case No. 1:15-cv-319-AT. The Georgia action only asserts one patent from each of the two patent families: U.S. Patent No. 6,044,062 (“the ’062 patent”) from the IP CO LLC patent family, and U.S. Patent No. 7,103,511 (“the ’511 patent”) from the SIPCO LLC patent family. Doc. No. 10 at 3.

APPLICABLE LAW

The Supreme Court has repeatedly observed that under the doctrine of comity, when cases involving substantially overlapping issues are pending before two federal district courts,

there is a strong preference to avoid duplicative litigation. *In re Google Inc.*, 588 Fed. Appx. 988, 990 (Fed. Cir. 2014); *Colo. River Water Conservation Dist. v. United States*, 424 U.S. 800, 817 (1976); *Kerotest Mfg. Co. v. C–O–Two Fire Equip. Co.*, 342 U.S. 180, 183 (1952). “The ‘first-to-file’ rule is a 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.” *Texas Instruments Inc. v. Micron Semiconductor, Inc.*, 815 F. Supp. 994, 997 (E.D. Tex. 1993). As a general rule, a first-filed declaratory judgment suit will be entitled to precedence over a later-filed patent infringement action. *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed.Cir.1993), *abrogated on other grounds by Wilton v. Seven Falls Co.*, 515 U.S. 277, 115 S. Ct. 2137, 132 L.Ed.2d 214 (1995) (the “first to file” rule “favors the forum of the first-filed action, whether or not it is a declaratory judgment action.”)

In determining whether to apply the first-to-file rule, a court must resolve two questions: 1) are the two pending actions so duplicative or involve substantially similar issues that one court should decide the subject matter of both actions; and 2) which of the two courts should take the case? *Third Dimension Semiconductor, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 2008 WL 4179234 at *1 (E.D. Tex. Sept. 4, 2008). Under the first to file rule, when two related cases are pending in two district courts, the court in the later-filed action may refuse to hear the action before it if the issues raised in the two cases “substantially overlap.” *Cadle Co. v. Whataburger of Alice, Inc.*, 174 F.3d 599, 603 (5th Cir. 1999).

To find substantial overlap, “all that need be present is that the two actions involve closely related questions or common subject matter, or that the core issues substantially overlap. The cases need not be identical to be duplicative.” *Id.* The Court considers factors such as whether the core issues are the same and whether the proof in both cases would be identical.

Jumpsport, Inc. v. Springfree L.P., et al., Case No. 6:13-cv-929, Doc. No. 84 at 4 (E.D. Tex. Nov. 17, 2014); *Int'l Fid. Ins. Co. v. Sweet Little Mexico Corp.*, 665 F.3d 671, 678 (5th Cir. 2011). “In patent cases, courts determining whether cases were substantially similar have examined whether they involved the same parties, the same technology, the same inventors, overlapping remedies, the same witnesses, or overlapping issues in claim construction.” *Hydro-Quebec v. A 123 Systems, Inc., et al.*, No. 3:11-cv-1217-B, Doc. No. 59 at 7 (N.D. Tex. March, 16, 2012); *See, e.g., E-Z-EM, Inc. v. Mallinckrodt, Inc.*, 2010 WL 1378820, at *2 (E.D. Tex. Feb. 26, 2010). Once the likelihood of substantial overlap is determined, the second-filed court must transfer the action to the first-filed court who determines the ultimate disposition. *Cadle*, 174 F.3d at 603; *Mann Mfg., Inc. v. Hortex, Inc.*, 439 F.2d 403, 408 (5th Cir. 1971).

ANALYSIS

There is some dispute as to whether Fifth Circuit or Federal Circuit law applies when deciding whether a case should be dismissed or transferred under the first-to-file rule. *Robert Bosch Healthcare Systems, Inc. v. Cardiocom, LLC and Abbott Diabetes Care, Inc., et al.*, Case No. 2:13-cv-349, Doc. No. 51 at 1 (E.D. Tex. March 10, 2014); *Hydro-Quebec*, Case No. 3:11-cv-1217-B, Doc. No. 59 at 5 n. 5; *E-Z-EM*, 2010 WL 1378820, at *2. In *Micron*, the Federal Circuit noted that when a declaratory judgment action and an infringement action are filed “almost simultaneously” the considerations that the first-filed court may rely upon in declining to hear the case under the first-to-file rule essentially mirror the § 1404(a) convenience transfer factors. *Micron Technology, Inc. v. Mosaid Technologies, Inc.*, 518 F.3d 897, 904 (Fed. Cir. 2008). Thus, the Federal Circuit held that, on the specific facts of the *Micron* case, the trial court should use the § 1404(a) transfer analysis to determine whether to transfer the case. *Id.* at 904. The *Micron* Court specifically noted that the convenience transfer factors are applicable when

the *first-filed court* is deciding whether to keep the case or decline to hear it in favor of a later-filed case in another forum. *Id.* The Court also noted that the convenience factors are applicable “on the facts of this case, where the two actions [are] filed almost simultaneously.” *Id.* Thus, the *Micron* Court created a guideline for a first-filed court to follow when the two actions were filed almost simultaneously. *Id.* The *Micron* decision does not change the initial inquiry of the *second-filed court*, when the motion to transfer or dismiss is filed in that forum.

The Federal Circuit has not stated that Federal Circuit law applies to the analysis of the first-to-file rule when the question to transfer or dismiss is presented to the second-filed court. The Federal Circuit has stated that the ultimate resolution of the second-filed case is governed by Federal Circuit law¹. However, this ultimate resolution of whether the second-filed action should proceed is a question that is not posed to the second-filed court, but rather will be posed to the first-filed court if substantial overlap is found and the case transferred to the first-filed court. Thus, the Federal Circuit has made clear that once the decision is in the hands of the first-filed court, Federal Circuit law will apply. But that decision is not before this court today. Where, as here, the question is whether the second-filed court should transfer to case to the first-filed court under the first-to-file rule, virtually every court in this circuit has applied Fifth Circuit law².

¹ *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993)(“question of whether a properly brought declaratory action to determine patent rights should yield to a later-filed suit for patent infringement raises the issue of national uniformity in patent cases, and invokes the special obligation of the Federal Circuit to avoid creating opportunities for dispositive differences among the regional circuits.”); *Futurewei Technologies, Inc. v. Acacia Research Corporation*, 737 F.3d 704, 708 (Fed. Cir. 2013)(“[r]esolution of whether the second-filed action should proceed presents a question sufficiently tied to patent law that the question is governed by this circuit's law”); *Elecs. for Imaging, Inc. v. Coyle*, 394 F.3d 1341, 1345–46 (Fed. Cir. 2005)(same).

² *See Datamize, Inc. v. Fidelity Brokerage Servs. LLC*, 2004 WL 1683171 (E.D. Tex. Sept. 5, 2003)(applying Fifth Circuit law); *Jumpsport, Inc. v. Springfree L.P., et al.*, Case No. 6:13-cv-929, Doc. No. 84 (E.D. Tex. Nov. 17, 2014)(post-*Micron* case applying Fifth Circuit law); *Monster Moto, LLC v. APT Group, Inc., et al.*, Case No. 3:14-cv-2625-N, Doc. No. 17 (N.D. Tex. Oct. 21, 2014)(same); *Victaulic Company v. Romar Supply, Inc.*, Case No. 3:13-cv-2760-K, Doc. No. 36 (N.D. Tex. Nov. 14, 2013)(same); *Hydro-Quebec v. A 123 Systems, Inc., et al.*, Case No. 3:11-cv-1217-B, Doc. No. 59 (N.D. Tex. March, 16, 2012)(same); *Vertical Computer Systems*, Case No. 2:10-cv-490, Doc. No. 41 (E.D. Tex. May 20, 2011)(same); *E-Z-EM*, Case No. 2:09-cv-127, Doc. No. 33 (E.D. Tex. Feb. 26, 2010)(same); *Yeti Coolers, LLC v. Beavertail Products, LLC*, 2015 WL 4759297 (W.D. Tex. Aug. 12, 2015) (same); *But see Sanofi*, 614 F. Supp. 2d 772.

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.