

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

EXCENTUS CORPORATION,

Plaintiff,

v.

CODEPRO INNOVATIONS, LLC,

Defendant.

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3:12-cv-01988-P

**ORDER**

Now before the Court are two motions. First, Plaintiff filed a Motion to Enjoin on August 29, 2012. (Mot. Enjoin, Doc. 11) Defendant filed a Response on October 2, 2012. (Resp. to Mot. Enjoin, Doc. 21) Plaintiff filed a Reply on October 16, 2012. (Reply to Mot. Enjoin, Docs. 22-23) Second, Defendant filed a Motion to Dismiss on October 2, 2012.<sup>1</sup> (Mot. Dismiss, Doc. 20) Plaintiff filed a Response on October 30, 2012. (Resp. to Mot. Dismiss, Docs. 27-28) Defendant filed a Reply on November 13, 2012. (Reply to Mot. Dismiss, Doc. 29) After reviewing the parties' briefing, the evidence, and the applicable law, the Court DENIES Plaintiff's Motion to Enjoin and DENIES Defendant's Motion to Dismiss.

**I. Background**

The present issues in this case essentially ask when should one lawsuit be favored over another. (Compl. ¶ 10) Defendant is the assignee of two patents related to loyalty card discounts. (*Id.* at ¶ 6) U.S. Patent No. 5,924,078 ("the '078 Patent") was issued on June 28, 1996 and is titled "Consumer Provided Promotional Code Actuatable Point-of-Sale Discounting System." (Mot. Dismiss 2; Compl. ¶ 6) The '078 Patent has 38 claims (including 9 method

<sup>1</sup> Defendant filed a prior Motion to Dismiss on October 1, 2012. (Doc. 17) As Defendant styles the subsequent filing as an amendment, the Court denies this Motion as moot.

claims) through which consumers receive discounts from promotional codes entered at the point of sale. (Mot. Dismiss 2) U.S. Patent No. 5,717,866 (“the ’866 Patent”) was issued on February 10, 1998 and is titled “Method for Comparative Analysis of Consumer Response to Product Promotions.” (Mot. Dismiss 3; Compl. ¶ 6) The ’866 Patent has 13 method claims related to a computer implemented discounting system used in conjunction with a point-of-sale transaction device. (Mot. Dismiss 3)

On June 2, 2011, Defendant sued various entities for infringing the ’078 and ’866 Patents in the U.S. District Court for the Northern District of Texas. (Docs. 1, 6, 26, 3:11-cv-01171-P; Compl. ¶ 7) The parties settled and the case closed on October 5, 2012. (Doc. 79, 3:11-cv-01171-P) Plaintiff was not a party to this suit.

Nearly one year later, on May 21, 2012, Defendant sent letters to various entities alleging that they were infringing on the very same patents. (Compl. ¶¶ 8-9) Specifically, Defendant sent a letter to Plaintiff accusing it of directly infringing, inducing others to infringe, and contributing to the infringement of the ’078 and ’866 Patents. (*Id.* at ¶ 8, Ex. 1) The letter listed the following entities as either induced or contributing to the infringement through Plaintiff as a conduit: “Shell Oil Company (‘Shell’), Winn-Dixie Stores, Bi-Lo Stores, and Save Mart Supermarkets.” (*Id.* at Ex. 1) Defendant also sent a letter to Winn-Dixie Stores, Inc. (“Winn-Dixie”) accusing it of similar activity. (*Id.* at ¶ 9, Ex. 2) Distilling the accusations, the letters identify Plaintiff’s “Fuel Rewards Network and fuelperks! programs,” as well as Winn-Dixie’s “Winn-Dixie Reward Card and MY BI-LO BONUSCARD” as the culprits of infringing activity. (*Id.* at Exs. 1-2) These allegedly infringing articles involve loyalty cards for consumer discounts. (*Id.* at ¶ 10, Exs. 1-2)

After these letters, the courthouse was the next stop for many involved. As the instant action before the Court, on June 22, 2012, Plaintiff sued Defendant for declaratory judgment that it did not infringe, either directly or indirectly through contribution or inducement, on the '078 and '866 Patents. (*Id.* at ¶¶ 13-22) Plaintiff also seeks a judgment that its customers—Shell, Wine-Dixie, Bi-Lo Stores, and Save Mart Supermarkets—have not infringed on these patents. (*Id.*) Plaintiff alleges that its right to seek relief on behalf of its customers stems from contractual indemnification agreements. (*Id.* at ¶ 11) On July 23, 2012, Defendant sued Safeway, Inc. for allegedly infringing the same patents in the U.S. District Court for the District of Delaware. (Doc. 1, 1:12-cv-00970-MPT) This case is still ongoing. On August 6, 2012, Defendant sued various entities for allegedly infringing the same patents in the U.S. District Court for the Southern District of Texas. (Doc. 1, 4:21-cv-02351) Shell, Save Mart Supermarkets, and the Kroger Company remain as defendants in this suit. During litigation, the Southern District lawsuit spawned orders severing defendants and transferring separate lawsuits to other federal district courts. (Docs. 78-79, 4:12-cv-02351) Among these is a suit brought by Defendant against Winn-Dixie arising under same patents. (3:12-cv-04719-P) This case is still ongoing as a separate action in this Court.

Plaintiff now moves to enjoin Defendant's lawsuit in the Southern District. Correspondingly, Defendant moves to dismiss.

## **II. Discussion**

### **a. Plaintiff's Motion to Enjoin**

#### **i. Legal Standard**

Modern patent litigation lends itself to parallel and competing lawsuits arising under the same patents and impacting generally the same parties. *See Micron Tech., Inc. v. Mosaid Techs.,*

*Inc.*, 518 F.3d 897, 903-04 (Fed. Cir. 2008) (“In the present environment, with competing lawsuits as the likely norm, those considerations are no longer appropriate. . . . Accordingly, although the relationship between the two competing lawsuits remains a consideration, this consideration cannot be given undue weight because it is easily manipulated.”). Although addressing a motion to dismiss, *Mictron Technology* succinctly lays out a trial court’s dilemma when weighing what to do when separate lawsuits are seemingly filed *ad infinitum*:

Given the greater likelihood of jurisdiction for declaratory judgment filers, these potential defendants will have greater opportunity to race to the courthouse to seek a forum more convenient and amenable to their legal interests. By the same token, patent holders will similarly race to protect their convenience and other perceived advantages. Therefore, the district court judge faced with reaching a jurisdictional decision about a declaratory judgment action with an impending infringement action either filed or on the near horizon *should not reach a decision based on any categorical rules*. The first-filed suit rule, for instance, will not always yield the most convenient and suitable forum. Therefore, the trial court weighing jurisdiction additionally must consider the real underlying dispute: the *convenience* and *suitability* of competing forums.

*Id.* at 905 (emphasis added). The Federal Circuit likened an order resolving a motion to dismiss in favor of another lawsuit to a motion to transfer under 28 U.S.C. § 1404(a). *Id.* Where, as here, a party moves to enjoin another case filed in a different forum, this rationale still illuminates the sharp issues at hand. Resisting the inclination to endorse a rigid framework when contemplating an order to outright halt another lawsuit, some general provisos are helpful.

When competing lawsuits circulate, both the Fifth and Federal Circuits follow similar approaches. The Fifth Circuit “adheres to the general rule that the court in which an action is first filed is the appropriate court to determine whether subsequently filed cases involving *substantially similar* issues should proceed.” *Save Power Ltd. v. Syntek Fin. Corp.*, 121 F.3d 947, 950 (5th Cir. 1997) (emphasis added); *see also Synqor, Inc. v. Ericsson, Inc.*, No. 2:11-cv-54-TJW-CE, 2011 U.S. Dist. LEXIS 39904, at \*4-5 (E.D. Tex. Mar. 7, 2011) (“Courts in this

district have also directly addressed the issue, holding that “the first-to-file rule gives the first filed court the responsibility to determine which case should proceed.” (quoting *Tex. Instr., Inc. v. Micron Semiconductor, Inc.*, 815 F. Supp. 994, 999 (E.D. Tex. 1993)). Similarly, the Federal Circuit has recognized that when two parties file competing declaratory judgment and patent infringement actions in different jurisdictions, the district court presiding over the first-filed action should decide the forum. *Micron Tech.*, 518 F.3d at 904 (holding that typically the court of the first-filed action “will have to decide whether to keep the case or decline to hear it in favor of the other forum”). Moreover, “the forum of the first-filed case is favored, unless considerations of judicial and litigant economy, and the just and effective disposition of disputes, require otherwise.” *Genentech, Inc. v. Eli Lilly and Co.*, 998 F.2d 931, 937-38 (Fed. Cir. 1993) (overruled on other grounds by *Wilton v. Seven Falls Co.*, 515 U.S. 277 (1995)).

As a threshold, a court must decide whether the issues involved in one action are substantially similar to those involved in another. *Save Power Ltd.*, 121 F.3d at 950. Substantial overlap between cases does not require exact identity of parties or issues. *Id.* Nevertheless, the two actions “must involve closely related questions or common subject matter[.]” *Excentus Corp. v. Kroger Co.*, No. 3: 10-CV-0483-B, 2010 U.S. Dist. LEXIS 97130, at \*4 (N.D. Tex. Sept. 16, 2010) (quoting *Rooster Prods. Int’l, Inc. v. Custom Leathercraft Mfg. Co.*, No. SA: 04-CA-864-XR, 2005 U.S. Dist. LEXIS 1643, \*6 (W.D. Tex. Feb. 1, 2005)). Even upon a finding of substantial similarity, an order enjoining a party from prosecuting a lawsuit is a matter committed to the sound discretion of the district court. *Cf. L-3 Communs. Integrated Sys., L.P. v. Lockheed Martin Corp.*, No. 3: 07-CV-0341-B, 2008 U.S. Dist. LEXIS 1654, \*5 (N.D. Tex. Jan. 8, 2008) (denying a motion to stay and noting that “[even if] the Court does find sufficient similarity, the Court must still exercise discretion”).

**ii. Application**

Plaintiff moves to enjoin Defendant's lawsuit filed in the Southern District of Texas on a variety of grounds. Plaintiff principally argues that Defendant should be enjoined from prosecuting that lawsuit because it was filed after the instant case. (Mot. Enjoin 7-8) In support, Plaintiff alleges that this lawsuit substantially overlaps with the later-filed case because it involves the same patents and same legal issues. (*Id.* at 8-10) Moreover, an injunction would conserve judicial resources and avoid inconsistent outcomes. (*Id.* at 10-12) Disposition of these issues would be more convenient in the Northern District of Texas. (*Id.* at 15) Purportedly, this lawsuit will also resolve the latter lawsuit. (*Id.* at 12-13) Additionally, the Southern District may lack personal jurisdiction over some defendants in the latter case. (*Id.* at 13-15) Finally, the customer suit exception favors an injunction because the Southern District lawsuit involves Plaintiff's customers as parties. (Mot. Enjoin 16-17); *see also Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990) ("However, this point was not substantiated, and on the record before us this case fits the 'customer suit' exception, whereby litigation against or brought by the manufacturer of infringing goods takes precedence over a suit by the patent owner against customers of the manufacturer.").

Weighing these arguments against the coordinate interests of convenience and forum suitability, the Court declines to enjoin the lawsuit filed in the Southern District of Texas. Although properly poised as the court of first filing, the record at this stage in the litigation is inadequate to effectively determine if an injunction in favor of one forum would serve the interests of the parties and lend itself to consistency. Juxtaposing an inadequate record to determine a suitable forum with the aforementioned arguments in favor of convenience, injunctive relief necessarily lacks a proper basis in fact at this time.

While a passing review may find substantial similarities, dipping below the surface reveals two distinct lawsuits. Comparing the cases, the only common party is Defendant. Although each involves the same patents, different infringing products and different accused infringers are in play. Further, there is no guarantee that the same patent claims will be in dispute. Given the splintered nature of Defendant's lawsuits championing its rights under the '078 and '866 Patents, the record does not demonstrate substantial similarity to warrant enjoining an entire lawsuit against different adverse parties pending the resolution of this lawsuit. In lieu of a premature ruling, the issue of substantial similarity needs more time to develop if at all.

For comparable reasons, while restraining one lawsuit in favor of another would conserve resources and avoid inconsistent rulings, as the Federal Circuit cautioned in *Micron Technology*, the first-filed lawsuit is not automatically given overriding deference. To rule otherwise would incentivize precipitous litigation out of fear or extreme cautiousness. Moreover, while claim construction on the patents at issue could hypothetically dispose of either lawsuit, the principles of collateral estoppel stand firm and represent an elegant avenue to avoid inconsistent outcomes absent a showing that convenience and suitability weigh in favor of the Northern District. Even more so, the parties seem to dispute evidentiary convenience and availability to such a level that resolution of forum suitability is far from apparent. (Mot. Enjoin 15; Resp. to Mot. Enjoin 15-16; Reply to Mot. Enjoin 8) To the extent that Plaintiff asserts that the Southern District may lack jurisdiction over some parties, a hint without a motion to back it up is just an empty suggestion. Finally, insofar as Plaintiff argues that, under the customer suit exception, similar lawsuits should be enjoined in favor of lawsuits against manufacturers, this argument still does not address forum suitability and convenience. Even giving credence to this argument, it is unclear who the "true defendant" is at this time. *See Katz*, 909 F.2d at 1464 (quoting *Codex Corp. v.*

*Milgo Elec. Corp.*, 553 F.2d 735, 737-38 (1st Cir. 1977) (“At the root of the preference for a manufacturer’s declaratory judgment action is the recognition that, in reality, the manufacturer is the true defendant in the customer suit. . . . [I]t is a simple fact of life that a manufacturer must protect its customers, either as a matter of contract, or good business, or in order to avoid the damaging impact of an adverse ruling against its products.”)). At bottom, Plaintiff fails to establish that Defendant’s lawsuit in the Southern District should be enjoined.

In sum, Plaintiff’s Motion to Enjoin is denied. As the record develops, the parties may raise this issue again in due course with proper cause.

**b. Defendant’s Motion to Dismiss**

**i. Legal Standard**

A party may move to dismiss for want of subject matter jurisdiction. *See* Fed. R. Civ. P. 12(b)(1). Under the Declaratory Judgment Act,

In a case of actual controversy within its jurisdiction, . . . any 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, whether or not further relief is or could be sought.

28 U.S.C. § 2201(a) (West 2012). Declaratory relief is discretionary and only appropriate in certain cases. *See Centennial Life Ins. Co. v Poston*, 88 F.3d 255, 256 (4th Cir. 1996); *Huth v. Hartford Ins. Co. of the Midwest*, 298 F.3d 800, 803 (9th Cir. 2002) (“[The] decision whether to exercise jurisdiction over a declaratory action lies in the sound discretion of the district court.”).

A federal court has the power to hear a declaratory judgment action *only if* there is (1) a basis in subject matter jurisdiction, and (2) an actual controversy. *See* § 2201(a); *Hashemite Kingdom of Jordan v. Layale Enters.*, 272 F.3d 264, 270 (5th Cir. 2001) (“On the other hand, the Declaratory Judgment Act, 28 U.S.C. § 2201 *et seq.*, does not provide a federal court with an



independent basis for exercising subject-matter jurisdiction.”). Where, as here, a statutory basis in subject matter jurisdiction is not disputed, the analysis gravitates to whether an actual controversy exists. *See* 28 U.S.C. §§ 1331, 1338, 2201, & 2202 (West 2012); (Compl. ¶ 3)

Declaratory relief must resolve an actual controversy between the parties. *Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 901 (Fed. Cir. 2008); *United Transp. Union v. Foster*, 205 F.3d 851, 857 (5th Cir. 2000) (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 239-40 (1937)). An actual controversy is a dispute that is “definite and concrete, touching the legal relations of parties having adverse legal interests.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (internal citation and quotation marks omitted). “Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

In the context of patent law, a declaratory judgment cures legal uncertainty when a party is confronted with allegations of patent infringement. *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 956 (Fed. Cir. 1987) (“The purpose of the Declaratory Judgment Act . . . in patent cases is to provide the allegedly infringing party relief from uncertainty and delay regarding its legal rights.”). The Federal Circuit has repeatedly elaborated on the idea that a suit for declaratory relief is an appropriate counterpunch when intellectual property rights are questioned and attacked:

[A] patent owner . . . attempts extra-judicial patent enforcement with scare-the-customer-and-run tactics that infect the competitive environment of the business community with uncertainty and insecurity. . . . Before the Act, competitors victimized by that tactic were rendered helpless and immobile so long as the patent owner refused to grasp the nettle and sue. After the Act, those competitors

were no longer restricted to an *in terrorem* choice between the incurrence of a growing potential liability for patent infringement and abandonment of their enterprises; they could clear the air by suing for a judgment that would settle the conflict of interests.

*Micron Tech., Inc.*, 518 F.3d at 902 (quoting *Elecs. for Imaging, Inc. v. Coyle*, 394 F.3d 1341, 1346 (Fed. Cir. 2005) (quoting *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735 (Fed. Cir. 1988))). This appreciation of marketplace realities lends itself to the availability of a claim arising under the Declaratory Judgment Act. *Id.* (“Whether intended or not, the now more lenient legal standard facilitates or enhances the availability of declaratory judgment jurisdiction in patent cases.”).

Similarly, Federal Rule of Civil Procedure 12(b)(6) provides for the dismissal of a complaint when a defendant shows that the plaintiff has failed to state a claim for which relief can be granted. *See* Fed. R. Civ. P. 12(b)(6). “To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” *Iqbal v. Ashcroft*, 129 S. Ct. 1937, 1949 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). The factual matter contained in the complaint must allege actual facts, *not* legal conclusions dressed up as facts. *Id.* at 1949-50 (“Although for the purposes of a motion to dismiss we must take all of the factual allegations in the complaint as true, we ‘are not bound to accept as true a legal conclusion couched as a factual allegation.’”) (quoting *Twombly*, 550 U.S. at 555). Additionally, the factual allegations of a complaint must state a plausible claim for relief. *Id.* A complaint states a “plausible claim for relief” when the factual allegations contained therein infer actual misconduct on the part of the defendant, not a “mere possibility of misconduct.” *Id.*; *see also Jacquez v. Procunier*, 801 F.2d 789, 791-92 (5th Cir. 1986).

Although a motion to dismiss is directed at the face of the pleadings, a court may also review any document incorporated into the pleadings and take judicial notice as permissible under the Federal Rules of Evidence. *Lovelace v. Software Spectrum*, 78 F.3d 1015, 1017-18 (5th Cir. 1996) (“Normally, in deciding a motion to dismiss for failure to state a claim, courts must limit their inquiry to the facts stated in the complaint and the documents either attached to or incorporated in the complaint. However, courts may also consider matters of which they may take judicial notice.”); *see also* Fed. R. Evid. 201(f) (“Judicial notice may be taken at any stage of the proceeding.”). A document is “incorporated in the complaint” if the plaintiff refers to the document in the complaint. *See Scanlan v. Tex. A&M Univ.*, 343 F.3d 533, 536 (5th Cir. 2003) (“[T]his Court restricted such consideration to documents that are referred to in the plaintiff’s complaint and are central to the plaintiff’s claim.”).<sup>2</sup>

## ii. Application

Defendant presents a tiered approach in favor of dismissing this lawsuit. First, Defendant offers a “facial challenge” under Rule 12(b)(1) by asserting that Plaintiff does not have standing because there is no case or controversy for infringement of the ’078 and ’866 Patents. (Mot. Dismiss 9-15) Defendant contends that Plaintiff’s allegations are too broad and conclusory. (*Id.* at 9) In particular, the pleadings fail to point to a specific contract on indemnification and cannot demonstrate facts underscoring infringement of the method claims at issue. (*Id.* at 10-13) Defendant also throws in an argument that this case is not ripe, adopting logic analogous to its case or controversy premise. (*Id.* at 13-15) Second, declaratory relief is an exercise of

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<sup>2</sup> For the purposes of this Order, the Courts reviews the documents attached to the Appendix of Defendant’s Response to the extent that these documents are referred to in the pleadings. (Resp. to Mot. Dismiss, Doc. 28)

discretion. (*Id.* at 15) Finally, Plaintiff fails to sufficiently plead claims for declaratory relief under Rule 12(b)(6). (*Id.* at 15-16)

Viewing the pleadings in the light most favorable to Plaintiff, the Original Complaint contains sufficient facts to merit standing and amply pleads causes of action for declaratory relief. From the outset, Plaintiff adequately states the elements for declaratory relief and attaches smoking-gun style letters accusing it and its customers of patent infringement on a variety of theories. Moreover, as alleged, Plaintiff has shown that Defendant exhibits the propensity to sue over these patents as evinced by past litigation. (Compl. ¶ 7; *see also* 3:11-cv-01171-P) According to Plaintiff, these facts elicit “reasonable apprehension” of an impending lawsuit. (Compl. ¶ 12) Taken together, these factual circumstances trigger a case or controversy. *See, e.g., Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 901 (Fed. Cir. 2008) (“Indeed the record supports a judgment that the dispute between Micron and MOSAID is a case and controversy within the purview of declaratory judgment jurisdiction. Beginning in 2001, after receiving several threats itself, Micron watched MOSAID sue each of the other leading DRAM manufacturers.”). Inasmuch as Defendant avers that Plaintiff must plead facts demonstrating infringement, Plaintiff is actually arguing that it is *not* infringing the patents at issue. (Mot. Dismiss 11-13) Accordingly, this inapposite position fails *ab initio*. Likewise, these findings dovetail to negate any contention that this lawsuit is not ripe because a live controversy has endured at all stages in the proceedings to date. Under all the circumstances, ample facts are present to withstand and guard against dismissal because an actual controversy was triggered by Defendant’s actions. In short, whether the arguments are styled under Rule 12(b)(1) or 12(b)(6), there is enough here for a lawsuit.

Regarding the declaratory relief sought for Plaintiff's customers, the pleadings direct Defendant to the existence of possible indemnity agreements between Plaintiff and its customers. (Compl. ¶ 16) Taking the pleadings as true and correct, Plaintiff has an obligation until proven otherwise to indemnify. Failing this, Plaintiff has standing by virtue of acting as a supplier. *See Arris Grp., Inc. v. British Telecomms. PLC*, 639 F.3d 1368, 1375 (Fed. Cir. 2011) ("We have recognized that, where a patent holder accuses customers of direct infringement based on the sale or use of a supplier's equipment, the supplier has standing to commence a declaratory judgment action if (a) the supplier is obligated to indemnify its customers from infringement liability, or (b) there is a controversy between the patentee and the supplier as to the supplier's liability for induced or contributory infringement based on the alleged acts of direct infringement by its customers."). Therefore, any actions for relief on behalf of Plaintiff's customers survive as well.

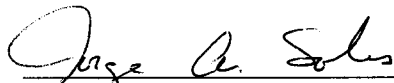
All told, the Court finds that Plaintiff has standing to bring suit and sufficiently pleads claims for declaratory relief.

### **III. Conclusion**

For the foregoing reasons, the Court DENIES Plaintiff's Motion to Enjoin and DENIES Defendant's Motion to Dismiss. In light of the ongoing lawsuit under case number 3:12-cv-04719-P, the parties SHALL submit a joint status report within 10 days from the date of this Order addressing whether to consolidate these two cases.

**IT IS SO ORDERED.**

Signed this 5<sup>th</sup> day of February, 2013.

  
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JORGE A. SOLIS  
UNITED STATES DISTRICT JUDGE