

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

DALI WIRELESS, INC.,

Plaintiff,

v.

AT&T CORP., AT&T COMMUNICATIONS
LLC, AT&T MOBILITY, AT&T MOBILITY
II LLC, AT&T SERVICES INC., ERICSSON
INC., TELEFONAKTIEBOLAGET LM
ERICSSON, COMMScope HOLDING
COMPANY, INC., COMMScope INC., and
COMMScope TECHNOLOGIES LLC,

Defendants.

Case No. 2:22-cv-12

JURY TRIAL DEMANDED

**DEFENDANTS' REPLY TO ITS OPPOSED MOTION TO SEVER AND STAY
PENDING FINAL RESOLUTION OF SUPPLIER LAWSUITS**

Dali's Opposition is premised on an assertion that its infringement claims as between AT&T, on the one hand, and the Supplier Defendants, on the other hand, "are not identical." Opp. at 2. The evidence of record demonstrates otherwise. Dali's Complaint (Dkt. 1) and its Infringement Contentions (Dkt. 77 at Gibson Decl.) expressly allege that one or more of the Supplier Defendants directly infringe each claim that AT&T is alleged to directly infringe, including the method claims. Dali's Complaint and Infringement Contentions also expressly (and exclusively) rely on the alleged functionality of the CommScope and Ericsson components that AT&T purchases and deploys in its network to present its infringement case against AT&T; Dali nowhere alleges that any limitation is met via an independent AT&T act or component. Dali's infringement case is thus identical as between AT&T and the Supplier Defendants, and is reliant solely upon "off-the-shelf" functionality allegedly found in the Supplier Defendants' products.

Whether viewed through the lens of Rule 21 or the customer-suit exception, therefore, the Court has broad discretion to stay Dali's claims against AT&T to promote judicial efficiency. *RPost Holdings, Inc. v. DocuSign, Inc.*, 2019 WL 1982531 (E.D. Tex. May 3, 2019) (rejecting application of the customer-suit exception but exercising discretion and finding that "a severance and stay is appropriate"). *In re Nintendo*, one of the leading case on the customer-suit exception, similarly involved allegations against a manufacture and customer defendants in the same suit. 756 F.3d 1363 (Fed. Cir. 2014). The Federal Circuit concluded that "[w]hile the circumstances of this case differ from those of the customer-suit exception, ... the same general principles govern in that Nintendo is the true defendant." *Id.* at 1365. The same is true here. The guiding principles of efficiency and judicial economy favor the Court exercising its broad discretion to stay the case against AT&T in favor of Dali's cases against the true defendants, CommScope and Ericsson.

A. Dali's Complaint and Infringement Contentions Allege Direct Infringement Of All Claims—including the Method Claims—By All Parties

Dali's Complaint alleges that that each of AT&T and CommScope, and AT&T and Ericsson, directly infringe the Patents-in-Suit.¹ In each Count, Dali alleges direct infringement solely by reference to functionality allegedly found in the Supplier Defendants' products. *See generally* Dkt. 1. At no point in its Complaint does Dali allege that AT&T itself undertakes any independent act of infringement or otherwise configures the products sold by the Supplier Defendants to have them function in an infringing manner. *Id.*² In its Infringement Contentions, too, Dali alleges that each of AT&T, CommScope, and Ericsson "literally infringes the following claims *directly*" and lists the same claims as infringed by AT&T and CommScope, and AT&T and Ericsson, including the method claims. *See* Dkt. 77, Gibson Decl. Exs. 1-3.³ Dali attaches Exhibits A-F to the AT&T contentions, a subset of these same exhibits (Exhibits A-C) to the Ericsson contentions, and a different subset (Exhibits D-F) to the CommScope contentions. *Id.* The Infringement Contentions also do not allege that AT&T itself undertakes any activities (including with respect to the "configured to" limitations that Dali references in its Opposition), but instead points exclusively to functionality allegedly found in the Supplier Defendants' products as they

¹ Dkt. 1 ¶ 56 ("AT&T and CommScope have directly infringed ... [method] claim 7 of the '358 patent"), ¶ 84 ("AT&T and Ericsson have directly infringed ... [method] claim 1 of the '338 patent"), ¶ 112 ("AT&T and CommScope have infringed ... at least [method] claim 12, of the '232 patent .. directly and/or indirectly"); ¶ 135 ("AT&T and Ericsson have infringed ... at least [method] claim 12, of the '232 patent ... directly and/or indirectly"), ¶ 158 ("AT&T and Ericsson have directly infringed ... [system] claim 1 of the '499 patent"), ¶ 190 ("AT&T and CommScope have directly infringed ... [system] claim 1 of the '499 patent").

² These allegations largely mirror those alleged by Dali in its later-filed case pending in the Western District of Texas against Verizon, CommScope, Corning, and Ericsson and involving these same patents. *See Dali Wireless, Inc. v. Celco Partnership d/b/a Verizon Wireless, et al.*, 6:22-cv-00104 (W.D. Tex.). Notably, in that case, Dali alleges only direct infringement by each of the Defendants via their respective "use" of the suppliers' products, and Dali does not bring forward any indirect infringement claims against any defendant. *See generally id.* Dkt. 1.

³ Dali's Infringement Contentions do not set forth any allegations regarding indirect infringement.

are sold to AT&T and then deployed in AT&T's network. *See, e.g.*, Gibson Decl. Ex. 1, at Ex. E p. 5 (describing '499 Patent Claim 1[E] (containing the "is configured to" language, and alleging that the "AT&T / CommScope Accused Instrumentalities ... satisfy this claim element" because "CommScope's ION-E/E ERA platform includes a baseband unit that is configured to receive a plurality of radio resources from the first signal source and the second signal source.")). Thus, Dali is just wrong when it asserts that "only AT&T is an alleged direct infringer as to Dali's asserted method claims." Opp. at 2. Dali's attempt to obfuscate its overlapping direct infringement claims against Defendants via strategically-placed "at minimum"⁴ and an "*inter alia*"⁵ should be rejected. This complete overlap in infringement allegations confirms that the general principles of the customer-suit exception apply to the actual facts and evidence of record.

B. Dali's Actual Infringement Allegations Show A Complete Overlap As Between AT&T, the Customer, and the Supplier Defendants, the True Defendants

The identical nature of Dali's Infringement Contentions "strongly suggests there will be substantial similarity involving the infringement and invalidity issues in all the suits," warranting a stay. *In re Google Inc.*, 588 F. App'x 988. Although Dali attempts to make much of a purported difference between AT&T as an "end-user" of the Supplier Defendants' products, as opposed to a "reseller" of such products, that is a distinction without a difference. *In re Google Inc.*, 588 F. App'x 988, 991 (Fed. Cir. 2014) (rejecting argument that a stay was not warranted because the handset manufacturers should not be considered "mere resellers"; "The way to avoid wasted

⁴ Opp. at 2 ("At minimum, Dali has asserted that CommScope and Ericsson indirectly infringe the asserted patents by, for example, inducing AT&T's infringement and committing contributory infringement by providing the hardware and software necessary for AT&T to infringe; conversely, only AT&T is an alleged direct infringer as to Dali's method claims.")

⁵ Opp. at 8 ("Here, Dali has asserted, *inter alia*, that CommScope indirectly infringe the asserted patents by, for example, inducing AT&T's infringement and committing contributory infringement by providing the hardware and software necessary for AT&T to infringe. On the other hand, Dali has asserted only direct infringement against AT&T.") (internal citations omitted).

resources is not through such a ‘mechanical solution’ or ‘precise rule.’”); *see also Global Equity Mgmt. (SA) Pty. Ltd. v. Ericsson Inc.*, 2017 WL 365398, * (E.D. Tex. Jan. 25, 2017) (“[T]he Court finds unpersuasive GEMS’s argument that the customer suit exception does not apply because the Amazon customer Defendants are not ‘mere resellers’ of Amazon technology.”); *Decapolis Sys., LLC v. Univ. Health Sys. Svcs. of Texas, Inc.*, 2022 WL 2373705 (W.D. Tex. June 30, 2022) (“Defendants do not need to be resellers for the customer suit exception to apply.”).

Similarly, Dali’s attorney argument that “whether AT&T dictates or is involved in the configuration” or “enables or inhibits certain accused features ... may be relevant to AT&T’s own infringement” (Opp. at 11)—should be disregarded. What Dali has actually alleged—in both its Complaint and Infringement Contentions—is that the infringing functionality is found exclusively in the Supplier Defendants’ products and that such “off-the-shelf” functionality is merely used by AT&T.⁶ The actual record evidence thus demonstrates that resolution of Dali’s claims against the Supplier Defendants will likely result in substantial savings of resources “by moot[ing] or at least advancing the ‘major premises’ being litigated” against AT&T. *In re Google*, 588 F. App’x at 991. Dali has also not identified any “essential issues” that AT&T has not agreed to be bound by.

C. AT&T Has Agreed To Be Bound By The Major Issues

Dali argues that AT&T’s agreement to be bound “does not encompass every determination that this Court might make on ‘all essential issues’ as this case progresses.” Opp. at 10. But Dali does not identify any “essential” issue that AT&T has not agreed to be bound by. And issues of infringement and validity are the “major issues” that Dali’s cases against the Supplier Defendants will resolve, or at least material advance. *See Global Equity*, 2017 WL 365398, at *10.

⁶ Dali chastises AT&T’s declarant for “not address[ing] whether AT&T dictates or is involved in the configuration of the infringing systems in its network.” Opp. at 11. But Dali ignores that neither its Complaint nor its Infringement Allegations allege that AT&T plays any role other than using the Supplier Defendants’ products, and thus there is no record evidence to which to respond.

Similarly, although Dali complains that Defendants have made an “unspecified offer” with respect to discovery, the proposal is consistent with the stipulation provided by the parties in *RPost* and which this Court “expressly relie[d] upon ... as the basis for its decision” to sever and stay. *RPost Holdings, Inc. v. DocuSign, Inc.*, No. 2:12-CV-00683-JRG, 2019 WL 1982531 (E.D. Tex. May 3, 2019). Nor do Defendants ignore AT&T’s current discovery obligations; AT&T has, and will continue to, fully comply with the Discovery Order in this case. But the general principles of the customer-suit exception “exist[] to avoid, if possible, imposing the burdens of trial,” and litigation more generally,” on the customer, and place them on the Supplier Defendants, the true defendants. *In re Nintendo of Am., Inc.*, 756 F.3d 1363, at 1365 (Fed. Cir. 2014).

Similarly, Dali’s arguments regarding its yet-to-be disclosed damages theories have previously been rejected by this Court in granting a stay. *See Arigna Technology Ltd. v. Nissan Motor Co. Ltd.*, 2022 WL 3113556 (E. D. Tex. Aug. 3, 2022) (rejecting plaintiff’s attempt to foreclose severance via an argument that plaintiff was entitled to recover a different value on the same chipset depending on whether the license was found in a radar module, or the vehicles in which the module was installed); *see also St. Lawrence Commc’ns LLC v. Apple Inc.*, No. 2:16-CV-82-JRG, 2017 WL 3712912, at *2 (E.D. Tex. July 12, 2017) (“The Court disagrees that disparate damage models mandate simultaneous adjudication.”). Nor will Dali suffer any prejudice by proceeding first against the Supplier Defendants. If one of the Supplier Defendants are found to infringe, it can fully recover against them for their sale, but it would not be permitted to seek recovery against AT&T for its use of those same products. *Id.*

For at least these reasons, Defendants respectfully request that the Court exercise its discretion and stay the cases against AT&T.

Dated: October 24, 2022

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies that on October 24, 2022, a true and correct copy of the foregoing response was served on all counsel of record who have appeared in this case via the Court's CM/ECF system per Local Rule CV-5.

/s/ Deron R. Dacus

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