

**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-00012-RWS-RSP

PLAINTIFF DALI WIRELESS, INC.'S SUR-REPLY TO
DEFENDANTS' MOTION TO SEVER AND STAY

I. INTRODUCTION

Defendants' Reply to their Motion to Sever and Stay Pending Final Resolution of Supplier Lawsuits (Dkt. No. 81) ("Reply") continues to ignore key components of Dali's case as actually detailed in Dali's pleadings. At base, Dali alleges that AT&T directly infringes method claims by deploying, operating, maintaining, testing, and using AT&T's own LTE and 5G networks, which include equipment provided by the component manufacturers. There can be no dispute that AT&T's actions in deploying, operating, maintaining, testing, and using its own networks are relevant to infringement in this case. Yet Defendants feign ignorance, claiming that Dali has not identified any independent actions taken by AT&T. This is simply not correct.

Moreover, Defendants' Reply makes crystal clear that the motion to stay AT&T is not meant to conserve judicial resources, but rather position AT&T to take a second bite at the apple should the component manufacturers be found liable. In particular, AT&T has not agreed to be bound by any claim construction rulings in this case, nor has AT&T agreed to admit that it implements the allegedly "off-the-shelf" functionality in the component manufacturers' equipment, nor has AT&T agreed to forgo PTAB filings. Together with the discovery that Dali will need from AT&T to prove damages and infringement, these strategic omissions demonstrate that staying the cases against AT&T will significantly prejudice Dali.

II. ARGUMENT

A. Dali's Direct Infringement Claims Against the Component Manufacturers Do Not Alter the "Customer-Suit Exception" Analysis in this Case.

Defendants argue that Dali's direct infringement claims against the component manufacturers somehow confirm the "complete overlap in infringement allegations." Reply at 3. This is not so. Dali's claims against the component manufacturers differ from its claims against AT&T as to at least the method claims asserted by Dali. Dali's infringement assertions against

Defendants are generally directed to “deploying, operating, maintaining, testing, and using AT&T’s LTE and 5G networks.” Dkt. No. 1 (Complaint) ¶¶ 2-7, 56, 84, 112, 135, 158, 190. But in relation to Dali’s asserted method claims, not all these infringing verbs apply equally to each Defendant. Specifically, though the component manufacturers may be responsible for deployment, maintenance, testing, and use of small cell wireless systems in their own ordinary course of business, there is no allegation in Dali’s complaint or infringement contentions, or in Defendants’ briefing in support of this motion, that any Defendant other than AT&T “operat[es] . . . AT&T’s LTE and 5G networks.” *Id.*; *see also generally* Dkt. No. 77-3; Dkt. No. 77. In other words, Dali’s method-claim assertions against the component manufacturers address a more limited range of activities like testing their own products, while Dali’s parallel assertions against AT&T relate to AT&T’s operation of its LTE and 5G networks to provide consumer services. As noted in Dali’s opposition, among the issues considered in assessing Dali’s damages from Defendants’ infringement is “[t]he extent to which the infringer has made use of the invention.” Dkt. No. 80 (“Opp’n”) at 12, quoting *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970). The extent to which AT&T uses Dali’s inventions via performance of infringing methods as it *operates its entire network* is simply of an entirely different character than the component manufacturers’ more limited use via their direct performance of those same methods.

Moreover, Defendants neglect to engage with the fact that Dali’s direct infringement claims against the component manufacturers and Dali’s direct infringement claims against AT&T may be interrelated precisely by way of AT&T. Dali’s opposition explains that certain claims of the asserted patents include “configured to” language that may be affected by actions taken by AT&T. Opp’n at 6-7. Nowhere do Defendants deny this. Rather, Defendants claim only that Dali has accused “off-the-shelf” functionality. Reply at 4. But the fact remains that Dali has accused AT&T

of infringing method claims by “deploying, operating, maintaining, testing, and using AT&T’s LTE and 5G networks which include equipment relating to small cell” provided by the component manufacturers. Dkt. No. 77-3, Ex. A at 1. And Dali anticipates that Defendants will likely argue that that whether AT&T actually turns this “off-the-shelf” functionality on or off is directly relevant to infringement.¹ Notably, Dali foreshadowed this issue in its opposition, pointing out that “AT&T may attempt to avoid liability by claiming not to use the infringing features.” Opp’n at 11. Defendants had the opportunity to say “we won’t argue that” in their reply, but chose not to do so—and this silence is telling.

B. AT&T’s Agreement to be Bound Falls Short.

Defendants further argue that “Dali does not identify any ‘essential’ issue that AT&T has not agreed to be bound by.” Reply at 4. Defendants are wrong. In addition to the essential issue discussed immediately above regarding AT&T’s actual usage of alleged “off-the-shelf” functionality, AT&T has notably not agreed to be bound by any claim constructions issued in the cases against the component manufacturers. “[T]he guiding principles of judicial economy and efficiency would be disserved by a stay when Defendants have not agreed to be bound by the . . . court’s decisions on major issues such as claim construction.” *GeoTag, Inc. v. Giorgio Armani SpA*, No. 2:10-cv-569, 2012 U.S. Dist. LEXIS 191706, at *320 (E.D. Tex. Aug. 27, 2012). Dali further pointed out in its opposition that Defendants make no mention of any agreement to be bound as to PTAB proceedings, which leaves open the possibility that Dali would be forced to defend additional requests for *inter partes* review initiated by AT&T in the future. See Opp’n at

¹ By way of example, Dali brings to the Court’s attention the position advocated by, *inter alia*, the CommScope and Ericsson Defendants in claim construction briefing in Dali’s companion litigation, to the effect that the proper construction of “configured to” “requires being actually configured, not merely capable of being configured.” *Dali Wireless, Inc. v. Cellco P’ship*, No. 6-22-cv-00104, Dkt. No. 63 at 19 (W.D. Tex. Sept. 23, 2022).

10. Thus, contrary to Defendants’ assertions, Dali has identified several “essential” issues that would not be inherently decided as to AT&T by cases solely against the component manufacturers.

C. AT&T’s Straw-Man Damages Argument Misstates Caselaw.

Defendants further argue that Dali’s damages theories “have previously been rejected by this Court in granting a stay.” But the cases cited by Defendants are inapposite. In *Arigna Technology Ltd. v. Nissan Motor Co.*, the defendants’ motion to sever was largely unopposed. Specifically, the plaintiff affirmatively offered the defendants the option of “a single trial against [supplier] to address infringement and validity with the outcome binding on all the Defendants and with Arigna permitted to use all discovery it has obtained.” No. 2:22-cv-00126-JRG-RSP, Dkt. No. 81 at 5 (E.D. Tex. Oct. 24, 2022). Here, Dali disputes that a separate trial against each component manufacturer, without AT&T, is appropriate for all the reasons set forth in its opposition and above. *St. Lawrence Communications LLC v. Apple Inc.* is likewise inapplicable, because it involved a bona fide supplier and reseller. There, the carrier defendants merely resold the accused handsets, “playing no role in the development, design, or implementation of the relevant software code.” No. 2:16-cv-82-JRG, 2017 U.S. Dist. LEXIS 188593, at *6 (E.D. Tex. July 12, 2017). Here, AT&T does not simply resell products provided by the component manufacturers; rather, AT&T incorporates those products into its own LTE and 5G networks and likely has a hand in how the systems are configured. Consequently, neither of the cases cited by Defendants refute Dali’s position that “Dali will necessarily need to take discovery from AT&T to determine the reasonable royalty based on AT&T’s infringing use of Dali’s patented technologies and any benefits AT&T realizes via that use.” Opp’n at 12.

III. CONCLUSION

For these reasons and as detailed in Dali’s opposition brief, Defendants’ Motion to Stay should be denied.

Date: October 31, 2022

Respectfully submitted,

Of Counsel:

Andrea L. Fair
Texas Bar No. 24078488
Claire Abernathy Henry
Texas Bar No. 24053063
WARD, SMITH & HILL, PLLC
1507 Bill Owens Pkwy.
Longview, TX 75604
Tel: (903) 757-6400
Fax: (903) 757-2323
Email: andrea@wsfirm.com
Email: claire@wsfirm.com

/s/ Steven Skelley

Cristofer I. Leffler, WA Bar No. 35020

LEAD COUNSEL

David Schumann, CA Bar No. 223936
Michael Saunders, CA Bar No. 270414
Cliff Win, Jr., CA Bar No. 270517
Steven Skelley, WA Bar No. 53017
Stefan Szpajda, WA Bar No. 50106
Folio Law Group PLLC
1200 Westlake Ave. N., Suite 809
Seattle, WA 98109
Tel: (206) 880-1802
Email: cris.leffler@foliolaw.com
david.schumann@foliolaw.com
mike.saunders@foliolaw.com
cliff.win@foliolaw.com
steve.skelley@foliolaw.com
stefan@foliolaw.com

Joseph M. Abraham, TX Bar No. 24088879
13492 Research Blvd., Suite 120, No. 177
Austin, TX 78750
Tel: (737) 234-0201
Email: joseph.abraham@foliolaw.com

Attorneys for Dali Wireless, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on the 31st day of October 2022, I electronically filed the foregoing with the clerk of Court using the CM/ECF system, which will send notification of such filing to all counsel of record.

By: /s/ Steven Skelley
Steven Skelley