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

ASUS TECHNOLOGY LICENSING INC. AND CELERITY IP, LLC,

Plaintiffs,

vs.

AT&T CORP., AT&T MOBILITY LLC, AT&T MOBILITY II LLC, AT&T SERVICES INC., T-MOBILE USA, INC., AND CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS,

Defendants.

AT&T CORP., AT&T MOBILITY LLC, AT&T MOBILITY II LLC, AT&T SERVICES INC., T-MOBILE USA, INC., AND CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS,

Counterclaim Plaintiffs,

vs.

ASUSTEK COMPUTER INC., ASUS TECHNOLOGY LICENSING INC., AND CELERITY IP, LLC,

Counterclaim Defendants.

ERICSSON INC.,

Intervenor.

NOKIA OF AMERICA CORPORATION,
Intervenor.

Civil Action No. 2:23-cv-00486

(Lead Case)

Civil Action No. 2:23-cv-00487

(Member Case)

Civil Action No. 2:23-cv-00488

(Member Case)

JURY TRIAL DEMANDED

INNOVATIVE SONIC LIMITED AND CELERITY IP, LLC,

Plaintiffs,

vs.

AT&T CORP., AT&T MOBILITY LLC, AT&T MOBILITY II LLC, AT&T SERVICES INC., T-MOBILE USA, INC., AND CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS,

Defendants.

ERICSSON INC.,

Intervenor.

NOKIA OF AMERICA CORPORATION,
Intervenor.

AT&T CORP., AT&T MOBILITY LLC, AT&T MOBILITY II LLC, AT&T SERVICES INC., T-MOBILE USA, INC., AND CELLCO PARTNERSHIP D/B/A VERIZON WIRELESS,

Counterclaim Plaintiffs,

vs.

ASUSTEK COMPUTER INC., INNOVATIVE SONIC LIMITED, AND CELERITY IP, LLC,

Counterclaim Defendants.

Civil Action No. 2:23-CV-490

(Lead Case)

Civil Action No. 2:23-CV-489

(Member Case)

Civil Action No. 2:23-CV-491

(Member Case)

JURY TRIAL DEMANDED

DEFENDANTS' AND INTERVENORS' RESPONSE TO PLAINTIFFS' MOTION TO LIFT STAY

Defendants and Counterclaim-Plaintiffs AT&T Corp., AT&T Mobility LLC, AT&T Mobility II LLC, AT&T Services, Inc., Cellco Partnership d/b/a Verizon Wireless, and T-Mobile USA, Inc. (collectively, the "Carriers") and Intervenors and Counterclaim-Plaintiffs Ericsson, Inc. and Nokia of America Corporation file this Response to Motion to Lift Stay (Dkt. No. 329).

INTRODUCTION

For six months, Plaintiffs have marshaled an assortment of antitrust, tortious interference, and unfair competition claims to collaterally attack Defendants' joint defense of this case. Plaintiffs demanded the joint defense group's communications and noticed the depositions of the in-house attorneys who participate in the joint defense group to inquire about their privileged communications with the undersigned counsel. The Court recognized that Plaintiffs' collateral litigation "has the appearance that it's a tactical decision." *See generally Celerity IP, LLC v. AT&T Corp.*, Case No. 2:24-cv-721 (the "-721 Case"). Recognizing the chilling effect these demands put on the Defendants' ability to litigate this case and noting Plaintiffs' reluctance to simply dismiss with prejudice the problematic antitrust claims, the Court stayed this case pending the resolution those claims in the -721 Case.

Now that its maneuvers have led to a stay, Plaintiffs seek to undo the past four months and urge the Court to immediately lift the stay. But even setting aside that Plaintiffs cannot undo the significant prejudice, cost, and burden their tactics have imposed on Defendants and the Court, Plaintiffs' request to lift the stay falls short on the merits. Though Plaintiffs have finally agreed to dismiss with prejudice the claims collaterally attacking the joint defense of this case, they once again seek to amend their pleadings in the -721 Case to add a sweeping claim seeking a global declaratory judgment that Plaintiffs have abided by, and Defendants have breached, their respective contractual obligations to certain Standard Setting Organizations ("SSOs"). This

proposed claim is duplicative of claims already pending in *this case*. It would be inefficient and prejudicial to lift the stay in this case and allow duplicative SSO claims to proceed in two separate cases on two different schedules.

The Motion to Lift the Stay in this case should be denied, at least until Plaintiffs' Motion to Amend the Pleadings in the -721 Case is resolved. At that point, the Court and the parties will have clarity as to what claims are live and how those claims should be scheduled. Defendants' position is that all claims from the -721 Case should be consolidated into this action with a modest amendment to the Docket Control Order. This would streamline the case management of these claims, promote the efficient adjudication of the parties' dispute, avoid duplicative and wasteful litigation, and ensure that all of the parties' claims (including Ericsson's and AT&T's non-infringement counterclaims still pending in the -721 Case) will proceed together on a single track through discovery and the pretrial phase.

BACKGROUND

A. Plaintiffs assert patent infringement and SSO claims, and Defendants counterclaim for failure to negotiate in good faith.

On October 23, 2023, Plaintiffs filed this case, asserting eight claims for patent infringement and a claim that "Plaintiffs have complied with ETSI obligations and competition law and that the Defendants have not." *See, e.g.*, Dkt. No. 21 at 34. Plaintiffs allege that to "ensure their compliance with ETSI's IPR Policy," they informed the Carriers that they were prepared to grant a license on FRAND terms. *Id.* 120. Plaintiffs further allege that the Carriers have "not reciprocated" and have not negotiated in good faith. *Id.* 123-24. These claims are based on the parties' obligations to ETSI, an SSO, and the related duty to negotiate in good faith and to license essential patents on FRAND terms and conditions.

Defendants' counterclaims assert similar claims against Plaintiffs. These counterclaims

assert that, in violation of their ETSI SSO obligations, Plaintiffs failed to negotiate in good faith. *See, e.g.*, Dkt. No. 34 at 30-31.

B. Plaintiffs launch their collateral antitrust claims for litigation leverage.

On July 17, 2024, Plaintiffs Celerity IP, LLC, Innovative Sonic Limited, and ASUS Technology Licensing Inc. filed a new lawsuit against the Carriers and Ericsson in Dallas County Court, alleging violations of Texas unfair competition law. Those claims were premised on the Carriers' and Ericsson's joint defense of the infringement and licensing claims pending in this case.

On August 15, 2024, AT&T and Ericsson filed answers and counterclaims in Dallas County Court and asserted claims for declaratory judgment of non-infringement of certain patents owned by Plaintiffs, including the eight patents asserted in this case and four additional patents not previously asserted here but that were identified in the parties' presuit correspondence. AT&T, joined by Ericsson, removed the case to the Northern District of Texas, pursuant to 28 U.S.C. § 1454. T-Mobile and Verizon consented to the removal. The Carriers and Ericsson subsequently moved to stay this case. That motion noted Plaintiffs' attempt to mount a collateral attack on Defendants' joint defense of the infringement and licensing claims, and warned that Plaintiffs would seek to pry into privileged communications in this action. *See* Dkt No. 211.

C. The Court stays this case pending resolution of claims in the -721 Case.

On November 19, 2024, the Court held a Case Management Conference in the -721 Case and heard argument on whether it should stay this case pending the resolution of certain claims in the -721 Case. At the Conference, the Court expressed concern about the antitrust claims proceeding in parallel with the infringement and licensing claims in this case, explaining that "the presence of the antitrust claims and the way in which they're being framed has a chilling effect on the way the Defendants would go about their joint defense of the infringement case." Dkt. No. 82-

1 at 4:18-22. To resolve this inherent prejudice, the Court decided to "delay the patent infringement case unless there is some resolution of the concerns . . . on [Defendants'] ability to defend the patent infringement case unhindered . . . either by motion practice, summary judgment, trial, whatever it takes." *Id*. at 22:23-23:6. Plaintiffs quickly pivoted and volunteered to dismiss their claims against the Carriers to avoid a stay. *Id*. at 24:15-16 ("[M]y expectation is the client will just dismiss it with prejudice.").

But Plaintiffs failed to act consistently with their representation to the Court, and proposed amended pleadings that repackaged the same problematic allegations that underpinned the federal antitrust claims, rebranding them as Texas antitrust and tortious-interference claims. *See* Dkt. No. 79-2 ¶¶ 36-57. After reviewing Plaintiffs' proposal and Defendants' oppositions, the Court stayed the Infringement Case. It found "the chilling effect of the Antitrust Case on Defendants' joint defense of the Infringement Case is too prejudicial to allow the Infringement Case to proceed as scheduled." Dkt. No. 328, at 5. The Court noted its surprise that "despite having more than adequate opportunity to do so, Plaintiffs' Counsel did not indicate at the hearing that Plaintiffs planned to reassert any collateral claims against the Carriers (whether couched as antitrust claims or as now pleaded—tortious interference claims)." *Id*.

D. Plaintiffs propose yet another amendment to circumvent the stay.

Within hours of the Court staying the Infringement Case, Plaintiffs pivoted again. Rather than simply dismiss with prejudice their problematic antitrust and tortious-interference claims, Plaintiffs filed a Motion for Leave to File Amended Pleadings. -721 Case, Dkt. No. 84. The proposed Second Amended Complaint *adds* a new claim against the Carriers and Ericsson for "Declaratory Judgment that the Plaintiffs Have Complied with SSO Obligations and that the Carriers and Ericsson Have Not." Dkt. No. 84-1, at 8.

This new claim—which Plaintiffs never raised at the scheduling conference or otherwise—

aims at the parties' compliance with or breach of their respective SSO contractual obligations in connection with licensing negotiations. For instance, the proposed claim asserts that "the Carriers have not negotiated in good faith," and have "failed to reciprocate the Plaintiffs' good faith efforts." *Id*. ¶ 37. Plaintiffs further assert that "the Service Providers have refused to license Plaintiffs' patents on the FRAND terms the Plaintiffs have offered." *Id*. ¶ 38. These so-called "SSO" claims cover not only the ETSI IPR Policy but the "IEC, ISO, ITU Guidelines for Implementation of the Common Patent Policy." *Id*. ¶¶ 40-41. The new SSO claim overlaps significantly with claims Plaintiffs previously asserted against the Carriers in this. *Compare* -721 Case, Dkt. No. 84-1 *with* Dkt. No. 21.

ARGUMENT

A. The stay was a result of Plaintiffs' efforts to manufacture a tactical litigation advantage.

Plaintiffs filed the antitrust, unfair competition, and tortious interference claims against the Carriers and Ericsson in state court in a transparent effort to undermine the joint defense of the infringement and licensing claims pending in this case. The original state court petition sought the equivalent of a temporary restraining order that by its own terms would have enjoined the joint defense group in this case from even discussing the central legal disputes in this case, which relate to the licensing claims and counterclaims. *See* -721 Case, Dkt. No. 1, Ex. 2 ¶¶ 65-66. Even after the case was removed to federal court and transferred to this Court, Plaintiffs relentlessly sought to use these collateral claims to pierce privilege, as they demanded production of joint defense communications and noticed depositions of in-house counsel to inquire about their privileged communications with counsel. Dkt. No. 286-1 (letter demanding "communications from outside counsel of one Defendant/Intervenor to another Defendant/Intervenor or their counsel").

Despite the Court providing Plaintiffs ample opportunity to avoid the stay of the

infringement and licensing claims, Plaintiffs persisted in their efforts. Even after assuring the Court that they would dismiss the problematic claims, Plaintiffs proposed amended pleadings in the -721 Case that merely rebranded the same dubious antitrust allegations as tortious interference claims. *See* -721 Case, Dkt. No. 79. The Court gave no credit to Plaintiffs' proposed amendment, finding that "[t]he Court does not believe that Plaintiffs' proposed SAC adequately cures the concerns the Court has about the chilling effect on Defendants' ability to jointly litigate a patent infringement case. Dkt No. 358 at 5.

Unhappy that their collateral claims backfired, Plaintiffs immediately sought to unwind the stay by (finally) agreeing to drop their antitrust, unfair competition, and tortious interference claims and requesting that Defendants agree to extremely expedited briefing schedule and that the Court—despite its busy docket—expedite ruling on the Motion to Lift the Stay. *See* Dkt. Nos. 330, 334. The Court rejected these requests, noting that "Plaintiffs have clearly not done 'everything they can to keep this case on track,'" and "remind[ing] Plaintiffs that the case is stayed pending further order of the Court, not when Plaintiffs unilaterally decide that the stay should be lifted." Dkt. No. 335 at 1. The Plaintiffs should not be heard to complain about the imposition or duration of a stay that was an appropriate and foreseeable result of their efforts to undermine the fair adjudication of this case.

B. The stay should remain in place until the Motion to Amend Pleadings is decided in the -721 Case.

The stay should not be lifted until the Court rules on Plaintiffs pending Motion for Leave to Amend Pleadings. Plaintiffs' proposed SSO claim in the -721 Case shares the same factual predicates as the SSO claims in this case. The proposed SSO claim arises from contractual obligations under the ETSI IPR Policy, just like the SSO claims in this case. *Compare* -721 Case, Dkt. No. 84-1 *with* Dkt. No. 21. In both cases, the alleged breach and compliance with those

policies arises from Plaintiffs' licensing negotiations with Defendants regarding patents and patent portfolios purportedly essential to the 4G and 5G standards. *Compare* -721 Case, Dkt. No. 84-1 *with* Dkt. No. 21. The table below summarizes the significant overlap between the proposed SSO claim in the -721 Case and those pending in this case.

Proposed SSO Allegations in the -721 Case (Dkt. No. 84-2)	**SSO Allegations in This Case (Dkt. No. 69)**[1]
"In an abundance of caution and to ensure their compliance with ETSI's IPR Policy, the Plaintiffs informed the Service Providers that they were prepared to grant Defendants a license, on FRAND terms, to the Plaintiffs' patents." ¶ 33.	"In an abundance of caution and to ensure their compliance with ETSI's IPR Policy, the Plaintiffs informed AT&T that they were prepared to grant AT&T a license, on FRAND terms, to the Plaintiffs' patents that relate to AT&T's infringing Wireless Networks." ¶ 119.
"Not later than August 25, 2022, the Plaintiffs sent the Service Providers, in their individual capacities, correspondence initiating the Plaintiff's good faith efforts to license their patents to the Service Providers on FRAND terms." ¶ 34.	"Not later than August 25, 2022, the Plaintiffs sent AT&T correspondence initiating the Plaintiff's good faith efforts to license their patents to AT&T on FRAND terms." ¶ 120.
"Over the following months, the Plaintiffs' representatives routinely corresponded with the Service Providers' representatives on several occasions. The Plaintiffs' representatives provided, in good faith, materials concerning their patents and technical details evidencing the use of their patents, including the Patent-In-Suit." ¶ 35.	"Over the following months, the Plaintiffs' representatives routinely corresponded with AT&T representatives on several occasions. The Plaintiffs' representatives provided, in good faith, materials concerning their patents and technical details evidencing the use of their patents, including the Patents-In-Suit." ¶ 121.
"The Plaintiffs have provided the Service Providers multiple opportunities to license the Plaintiffs' patents on FRAND terms. Despite this, the Service Providers have not reciprocated Plaintiffs' good faith efforts. The Service Providers have instead declined to take a FRAND license, while continuing to operate	"The Plaintiffs have provided AT&T multiple opportunities to license the Plaintiffs' patents on FRAND terms. Despite this, AT&T has not reciprocated Plaintiffs' good faith efforts. AT&T has instead declined to take a FRAND license, while continuing to operate the infringing AT&T Wireless Networks

[1] These representative allegations are taken from Plaintiffs' First Amended Complaint against AT&T. Virtually identical allegations are found in Plaintiffs' First Amended Complaint against Verizon Wireless (Dkt. No. 23) and First Amended Complaint against T-Mobile (Dkt. No. 22).

Proposed SSO Allegations in the -721 Case (Dkt. No. 84-2)	SSO Allegations in This Case (Dkt. No. 69)[1]
infringing Wireless Networks without a license to the Plaintiffs' patents." ¶ 36.	without a license to the Plaintiffs' patents." ¶ 122.
"The parties' license negotiations have been unsuccessful because the Service Providers have not negotiated in good faith. The Service Providers have failed to reciprocate the Plaintiffs' good faith efforts." ¶ 37.	"The parties' FRAND license negotiations have been unsuccessful because AT&T has not negotiated in good faith. AT&T has failed to reciprocate the Plaintiffs' good faith efforts." ¶ 123.

As this chart shows, Plaintiffs have already asserted the same the factual allegations against the Carriers in this case that they propose to assert in the -721 Case. Given the overlap of parties and the factual allegations between the proposed SSO claim in the -721 Case and the SSO claims pending in this case, Defendants have opposed the amendment and argued that any SSO claim should be litigated in this case, where the Plaintiffs, Carriers, and Intervenors all have SSO claims or counterclaims. *See* -721 Case, Dkt. No. 89 (arguing that the rule against claim splitting prohibits the amendment).

The stay should remain in place at least until the Court determines whether Plaintiffs will be permitted to add the new SSO claim in the -721 Case, and, if so, whether that claim (along with the four patent counterclaims from the -721 Case) should be consolidated in this case. If the Court were to lift the stay before resolving that motion, as Plaintiffs propose, then the parties would be faced with potentially litigating nearly identical SSO claims in two different cases, with two different schedules, with two different discovery orders. This sort of duplicative litigation is facially inefficient, prejudicial, and could lead to inconsistent outcomes.

C. All claims from the -721 Case should be consolidated in this action for pretrial purposes.

Once the Court resolves whether Plaintiffs may amend their pleadings in the -721 Case, the Parties and the Court can resolve several of the case management issues that have been raised

in other briefs. Defendants' proposal in this regard is straightforward: all claims in the -721 Case (i.e., the new SSO claim (if allowed) and the four patent non-infringement counterclaims) should be consolidated in the above-styled case for pretrial purposes. All of these claims arise out of the same nucleus of operative facts, center on the same evidence, and will call for testimony from the same witnesses. Consolidation would require a modest amendment to the Docket Control Order to ensure, for instance, that the parties would have time to supplement their contentions to address the four counterclaim patents and pursue discovery on the broadened SSO claim, which encompasses one additional SSO patent policy agreement.[2] This approach would streamline the case management of these claims, promote the efficient adjudication of the Infringement Case, avoid duplicative and wasteful litigation, and ensure that all of the parties' claims would proceed together on a single track through discovery and the pretrial phase.

CONCLUSION

For the foregoing reasons, Defendants and Intervenors request that the Court deny Plaintiffs' Motion to Lift the Stay and keep the stay in place at least until the Court rules on Plaintiffs' Motion for Leave to Amend Pleadings in the -721 Case. Once that motion is decided, Defendants request an order consolidating all pending claims between the parties into one case for pretrial purposes that can proceed on an amended Docket Control Order.

Defendants are prepared to discuss this and all other case management issues at the scheduled January 23, 2024, hearing.

[2] The existing SSO claims in this case center on the ETSI IPR Policy. Plaintiffs' proposed SSO claim in the -721 Case also asserts breaches of the ITU Guidelines for Implementation of the Common Patent Policy Obligations, which apply to patents that are essential to certain video decoding standards (*e.g.*, H.265).

Dated: December 23, 2024.

MCKOOL SMITH, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document has been served on all counsel of record via the Court's ECF system on December 23, 2024.

/s/ *Erik B. Fountain*
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