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

Valtrus Innovations Ltd.	§	**CIVIL ACTION NO. 2:24-cv-00361-JRG**
	§	
Plaintiff,	§	**JURY TRIAL DEMANDED**
v.	§	
	§	**LEAD CASE**
NTT Data Services, LLC et al	§	
	§	
Defendant.	§	
Vertiv Corporation,	§	**CIVIL ACTION NO. 2:24-cv-00907-JRG**
	§	
Plaintiff,	§	**JURY TRIAL DEMANDED**
	§	
v.	§	
	§	
Valtrus Innovations Ltd.,	§	
	§	
Defendant.	§	

DEFENDANT VALTRUS INNOVATIONS LTD.'S MOTION TO DISMISS FOR LACK OF JURISDICTION UNDER FEDERAL RULE OF CIVIL PROCEDURE 12(B)(1)

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INTRODUCTION

Vertiv's declaratory judgment complaint should be dismissed. Three of the five patents involved in Vertiv's complaint (the "Expired Patents") expired before any of the actions raised in Vertiv's complaint and Vertiv has no potential liability for infringement. A fourth (the '870 patent) expired since Vertiv's complaint was filed, involves only method claims that are directly infringed only by data center operators, and is entirely duplicative of Valtrus' existing claims against those operators. And Valtrus is dismissing its claims for the fifth patent and will agree not to sue Vertiv or its customers for infringement of it. Under these facts, the Court lacks jurisdiction over Vertiv's complaint entirely for the Expired Patents and should use its discretion to decline jurisdiction over the last patent (the '870 patent).

First, Vertiv cannot establish a case or controversy over its own potential liability for the Expired Patents. Valtrus has only ever asserted method claims from both those patents and the '870 patent against data center operators. All those claims are directed to methods of cooling data centers, the warehouse-like buildings housing large numbers of heat-generating servers. Vertiv supplies air-conditioning equipment *to* data centers; Vertiv does not allege it owns any data centers itself or otherwise explain how it could possibly be a direct infringer of any method claim in any of Valtrus' patents, expired or otherwise. Vertiv alternatively alleges that Valtrus has "implicitly" accused it of indirect infringement. Not so. Again, Valtrus has never asserted indirect infringement against Vertiv. Moreover, liability for indirect infringement requires knowledge of the patent during its life. Vertiv does not allege it was on notice of the three Expired Patents during their lives, eliminating any potential indirect infringement liability for those three patents.

Second, Vertiv's claims that it has indemnity obligations to customers Valtrus has accused of infringement also fail to support jurisdiction here. Federal Circuit precedent dictates that a supplier such as Vertiv seeking to defend its customers should intervene in the existing lawsuits

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between the patentee and the customers and cannot run to a different court to seek declaratory relief. Indeed, Vertiv has already done just that—shortly after filing this complaint in the Northern District of Texas, Vertiv intervened in the first-filed cases between Valtrus and Vertiv's customers already pending in this Court. Vertiv also alleges it has indemnity obligations to additional unnamed customers that Valtrus might theoretically sue in the future. This too fails to support jurisdiction; such speculative and vague indemnification obligations do not rise to the level of a case or controversy worth litigating separately when Valtrus and Vertiv are already in litigation in this Court in a first-filed action.

Finally, even if Vertiv's declaratory judgment complaint raised sufficient allegations to support subject matter jurisdiction, the Court should still exercise its broad discretion to decline to hear it, given the practical problems and layers of inefficiencies that would come from this case proceeding. As to the remaining '870 patent, a declaratory judgment would be inefficient: Valtrus asserts only method claims and seeks to recover damages for the full period of infringement against data center operators (i.e., pre-dating notice, as is required for indirect infringement). Even if it could claim indirect infringement against Vertiv, Valtrus could only recover a few months of damages during which Vertiv was on notice.

Moreover, whether proceeding on just one patent or all four, the parties would have to take discovery of potentially dozens of third parties—Vertiv's data center operator customers—just to answer questions of whether, and to what extent, they are using the claimed methods. That alone could require inspections of hundreds of physical data centers across the country. And even that would not resolve all possible disputes between Valtrus and the data center operators. Vertiv is just one of many air-conditioning equipment suppliers to the same data center operators, meaning that even if Vertiv and Valtrus litigated with this subpoena-to-determine-infringement approach,

Valtrus would likely still have claims against these same data center operators regarding their use of other supplied equipment. And if every other supplier took Vertiv's approach, seeking declaratory relief for their specifically supplied products in separate cases, this would *still* not resolve all infringement questions. In this consolidated case alone, Valtrus has already asserted two patents (the '967 and '855 patents) that have nothing to do with air-conditioning and do not appear to implicate any suppliers. Valtrus would therefore still have to resolve the remainder of its disputes against the data center operators directly, even after numerous declaratory judgment cases and potentially hundreds of different subpoenas directed to these same customers. In other words, Vertiv's approach is the least efficient mechanism possible to address infringement questions relating to Valtrus' portfolio. The Court should not waste its time overseeing this case, particularly where Vertiv has already intervened in the existing cases and could do so again should it become necessary in future cases.

BACKGROUND

In 2021, Valtrus acquired approximately 2000 patents from Hewlett Packard Enterprises, including patents covering fundamental data center technology such as the five at issue here: U.S. Patent Nos. 6,718,277 (the '277 patent), 6,854,287 (the '287 patent), and 6,862,179 (the '179 patent) (the "Expired Patents); and U.S. Patent Nos. 7,031,870 (the '870 patent) and 7,339,490 (the '490 patent). Valtrus asserted those five patents plus two others in cases filed in this Court against data center companies that use equipment from both Vertiv and other suppliers. Dkt. 1 ¶ 17.[1] Those cases were filed months before Vertiv's declaratory judgment complaint and are

[1] The cases are *Valtrus Innovations Ltd. v. Digital Realty Trust, Inc.*, No. 2:24-cv-00139-JRG (E.D. Tex.); *Valtrus Innovations Ltd. v. Dawn Acquisitions LLC*, No. 2:24-cv-00142-JRG (E.D. Tex.); and *Valtrus Innovations Ltd. v. CyrusOne, LLC*, No. 2:24-cv-00259-JRG (E.D. Tex). Valtrus also previously asserted these patents in another case that is no longer active: *Valtrus Innovations Ltd. v. NTT Data Servs., LLC*, No. 2:24-cv-00361-JRG (E.D. Tex.). Valtrus later filed

proceeding with discovery; they are currently set for a *Markman* hearing in November 2025 and trial in April 2026. Case No. 2:24-cv-00361, Dkt. 60. Valtrus has also sent letters to other data center companies that infringe its patents, some of which include Vertiv customers. Dkt. 1 ¶ 21. And since Vertiv's original declaratory judgment complaint was filed, Valtrus has filed suit against two additional data center operators in this Court, asserting the Expired Patents, the '870 patent, and three other patents. Vertiv does not assert that Valtrus has ever accused Vertiv itself—which is in the business of selling cooling equipment, and not operating data centers—of patent infringement.

About three months after Valtrus brought the first of its cases in this Court, Vertiv filed its declaratory judgment action in the Northern District of Texas. Case No. 3:24-cv-01152 (N.D. Tex. May 14, 2024). Vertiv claims that Valtrus' allegations of direct infringement against Vertiv customers implicitly accuse Vertiv of both direct and indirect infringement. *Id.*, Dkt. 1 ¶¶ 65-66. And Vertiv contends that it "is contractually bound to indemnify and defend customers against patent infringement claims" under "various contracts and sales agreements," *id.* ¶ 67, though it does not identify any specific customers or any specific agreements, let alone any provision giving rise to its claimed obligations. Subsequently, Vertiv moved to intervene in Valtrus' still pending litigations against data center operators in this Court. *See* Dkts. 24, 27, 64, 65, 67, 68.

Valtrus moved to dismiss Vertiv's Northern District complaint for lack of subject matter jurisdiction, or alternatively to transfer that case to this Court. Case No. 3:24-cv-01152, Dkt. 13

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second complaints with its parent company as a co-Plaintiff against Digital Realty Trust and CyrusOne: *Valtrus Innovations Ltd. and Key Patent Innovations Ltd. v. Digital Realty Trust, Inc.*, No. 2:24-cv-00535-JRG (E.D. Tex.); *Valtrus Innovations Ltd. and Key Patent Innovations Ltd. v. CyrusOne, LLC*, No. 2:24-cv-00534-JRG (E.D. Tex.). The Dawn Acquisitions case was dismissed pursuant to settlement, and the two cases against Digital Realty Trust and CyrusOne were consolidated together into the NTT case caption, which remains the active, consolidated case. *See* Case No. 2:24-cv-00361, Dkt. 38 (Aug. 15, 2024). This Court sua sponte consolidated the Vertiv declaratory judgment case into the *NTT* case for all pretrial issues. Dkt. 78.

(N.D. Tex. Aug. 1, 2024). The Northern District granted the transfer motion and transferred Vertiv's declaratory judgment action to this Court without addressing the motion to dismiss. Case No. 3:24-cv-01152, Dkt. 37 (N.D. Tex. Oct. 15, 2024). The transferred case was initially assigned to Judge Schroeder and Judge Payne. Case No. 2:24-cv-00907-RWS-RSP, Dkt. 38 (Nov. 6, 2024). Judge Payne sua sponte reassigned the case to this Court and consolidated it with the pending, first-filed cases involving Digital Realty, CyrusOne, and Vertiv. Dkt. 78.

ARGUMENT

The role of Article III courts is adjudicating "Cases" and "Controversies"—"genuine, live dispute[s] between adverse parties"—not "issuing advisory opinions." *Carney v. Adams*, 141 S. Ct. 493, 498 (2020); *see also* 28 U.S.C. § 2201(a) (declaratory judgment remedy requires "a case of actual controversy within [the Court's] jurisdiction"). As the party invoking this Court's jurisdiction, Vertiv "bears the burden of demonstrating that a case of actual controversy existed at the time the declaratory action was filed." *AIDS Healthcare Found., Inc. v. Gilead Scis., Inc.*, 890 F.3d 986, 990 (Fed. Cir. 2018). To meet that burden, Vertiv must establish that "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." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007) (attribution omitted). Absent "a controversy as to a legal right, a mere adverse economic interest is insufficient to create declaratory judgment jurisdiction." *Arris Grp. v. British Telecomms. PLC*, 639 F.3d 1368, 1374-75 (Fed. Cir. 2011) (emphasis omitted); *see also 3M Co. v. Avery Dennison Corp.* 673 F.3d 1372, 1377 (Fed. Cir. 2012) (Federal Circuit law governs declaratory judgment jurisdiction in patent cases).

Vertiv offers three theories in support of jurisdiction, all premised on Valtrus' enforcement of its patents against certain data center operators who purchase some equipment from Vertiv (as

well as other suppliers). Vertiv contends that (i) Valtrus has implicitly alleged that Vertiv is directly infringing the patents, (ii) Valtrus has implicitly alleged that Vertiv is indirectly infringing the patents, and (iii) that Vertiv's alleged indemnification obligations give rise to declaratory judgment jurisdiction. Dkt. 1 ¶¶ 65-67. All three theories fall short of demonstrating a substantial controversy between Valtrus and Vertiv itself sufficient to support declaratory judgment jurisdiction. And regardless, the Court should decline to exercise jurisdiction.

I. There Is No Substantial Controversy as to Direct Infringement.

Vertiv must identify "allegations by [Valtrus] or other record evidence that establish at least a reasonable potential that" Valtrus could bring infringement claims against Vertiv. *Mitek Sys., Inc. v. United Servs. Auto. Ass'n*, 34 F.4th 1334, 1343 (Fed. Cir. 2022) (attribution omitted). It cannot do so here: Valtrus is no longer asserting the '490 patent that involved system claims, and Vertiv has no potential liability for infringement of the other four patents (the Expired Patents and the '870 patent) where only method claims are at issue.

Vertiv contends that Valtrus' claim charts illustrating how Vertiv's customers are infringing the patents in their data centers "implicitly contain allegations of direct" infringement against Vertiv. Dkt. 1 ¶¶ 65-66. That makes no sense. As to the four remaining patents, Valtrus sued Vertiv's customers for direct infringement only of method claims, all of which involve *using* the technology at issue *in* data centers. *See* Dkt. 1-6 at 16 (CyrusOne Complaint). Valtrus' claim charts show that the customers infringe by using Vertiv's products to perform various methods in data centers, such as specific methods of controlling atmospheric conditions within a building ('277 claim 1); methods of cooling a room configured to house a plurality of computer systems ('287 claim 1); and methods of cooling a plurality of racks in a data center ('179 claim 1); and methods of evaluating one or more components in a data center ('870 claim 1). So, too, for the claim charts Valtrus sent to Vertiv customers it has not sued. *E.g.*, Dkt. 1-7 (exemplary notice letter

to CyrusOne, which is representative of other customer notice letters); Dkt. 1 ¶¶ 21-22. But Vertiv does not (and cannot) allege that it operates any data centers. Valtrus' claim charts and communications with Vertiv's data center customers thus do not "establish at least a reasonable potential that" Valtrus could bring direct infringement claims against it. *Mitek*, 34 F.4th at 1343; *see also id.* at 1345 (considering whether the patent owner's actions could be "reasonably interpret[ed] . . . as an implicit assertion of infringement").

What is more, Vertiv spends much of its complaint seeking a declaratory judgment on claims that Valtrus has never asserted against any of Vertiv's customers. Specifically, Vertiv's complaint seeks relief as to claim 22 of the '277 patent, Dkt. 1 ¶ 80; claims 10, 14, 16, and 20 of the '287 patent, *id.* ¶¶ 89-92; claims 16 and 27 of the '179 patent, *id.* ¶¶ 101-02; and claims 13, 22, 32, and 37 of the '870 patent, *id.* ¶¶ 111-14. Valtrus has never asserted those claims in any of its Eastern District of Texas cases or in letters to other Vertiv customers, and Vertiv does not even allege as much. Vertiv provides no reason to believe that it—or even its customers—will be sued for infringement of these claims. *Cf. Allied Min. Prods., Inc. v. Osmi, Inc.*, 870 F.3d 1337, 1341 (Fed. Cir. 2017) (accusation that customers were infringing one patent was not an implicit allegation that the manufacturer was indirectly infringing another patent).

II. There Is No Substantial Controversy as to Indirect Infringement of Expired Method Patents.

Vertiv next contends that Valtrus has implicitly accused it of indirect infringement. Dkt. 1 ¶¶ 65-66. To be sure, an assertion that a customer is directly infringing a method claim by using a "supplier's product in the performance of the claimed method" may amount to "an implicit assertion of indirect infringement by [the] supplier." *Arris*, 639 F.3d at 1375-76. But there is no bright-line rule; Vertiv must still demonstrate that "the circumstances indicate there is a dispute between" it and Valtrus concerning Vertiv's indirect infringement liability—not just a dispute

between Valtrus and Vertiv's customers concerning the customers' direct infringement liability. *See id*. at 1379-81 (holding that the circumstances so indicated where, among other things, the patent owner "repeatedly communicated [its] implicit accusation directly to [the supplier] during the course of a protracted negotiation process"); *accord Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 904 (Fed. Cir. 2014) (suits against customers do not "automatically give rise to a case or controversy regarding induced infringement").

The analysis "requires separate consideration of the separate types of infringement." *Mitek*, 34 F.4th at 1343; *accord Microsoft*, 755 F.3d at 904-05 ("[I]n determining whether there is a case or controversy of sufficient immediacy to establish declaratory judgment jurisdiction we look to the elements of the potential cause of action."). Here, the critical elements of indirect infringement are notice and the specific intent requirement. To prove induced infringement, "the patentee must show that the accused inducer took an affirmative act to encourage infringement with the knowledge that the induced acts constitute patent infringement." *Microsoft*, 755 F.3d at 904 (citing *Global–Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 765-66 (2011)). "[S]imply selling a product capable of being used in an infringing manner is not sufficient to create a substantial controversy regarding inducement." *Id.* at 905. Contributory infringement likewise requires that the defendant "know[]" its product "to be especially made or especially adapted for use in an infringement of [the asserted] patent." 35 U.S.C. § 271(c).

Vertiv's complaint fails to make any allegations to support these required elements of indirect infringement for the Expired Patents. More specifically, even if Vertiv could establish that Valtrus' direct infringement accusations contain implicit accusations of all the other elements of indirect infringement, it nonetheless has not alleged that it had pre-expiration notice or established any "reasonable potential" that Valtrus could accuse it of satisfying the intent requirement based

on Valtrus' infringement allegations regarding method claims in the Expired Patents. *See Mitek*, 34 F.4th at 1343.

The Expired Patents expired before Vertiv brought this suit and before Valtrus ever raised any allegations against any customers. Dkt. 1 ¶¶ 49, 53, 57. The '277 and '287 patents expired in 2022, and the '179 patent in 2023, all before the enforcement efforts in 2024 that gave rise to Vertiv's purported concern that it will be accused of indirect infringement. 28 U.S.C. § 154(a)(2); '277 patent at [22]; '287 patent at [22]; '179 patent at [22]; *see* Dkt. 1 ¶¶ 17, 21 (discussing suits filed and letters sent in 2024); *id.* ¶¶ 49, 53, 57 (acknowledging expiration). Vertiv does not allege that it had notice or the specific intent to cause infringement by its customers prior to expiration of these patents. Courts have dismissed declaratory judgment complaints for lack of jurisdiction in similar circumstances, and this Court should follow suit. *See, e.g.*, *Power Integrations, Inc. v. CogniPower LLC.*, 2020 WL 3574747, at *3 (D. Del. July 1, 2020) (dismissing declaratory judgment complaint for lack of jurisdiction where plaintiff failed to allege that products were "not a staple article or commodity of commerce suitable for substantial noninfringing use" or that it had knowledge of the patents or otherwise induced or encouraged their use).

As to the '870 patent, which expired last month, it is true that Vertiv could theoretically be liable for indirect infringement for the few months when it had notice of the patent before it expired. But as explained below, *infra* § IV, the Court should decline to exercise declaratory judgment jurisdiction over this claim. Not only has Valtrus never actually asserted such an indirect infringement allegation against Vertiv, but proceeding with duplicative litigation over Vertiv's liability for one patent where it has already intervened to defend its customers would be inefficient.

III. Vertiv's Alleged Indemnification Obligations Cannot Support Jurisdiction in This Second-Filed Suit.

Vertiv alleges that it "is contractually bound to indemnify and defend customers against

patent infringement claims related to the use of Vertiv products pursuant to various contracts and sales agreements." Dkt. 1 ¶ 67; *see also id.* ¶ 33 (alleging that "Vertiv has notified customers that have been sued that it will indemnify them"). Vertiv's failure to allege facts making that bare legal assertion plausible—such as a contractual provision or even any particular contract—is reason enough to disregard the assertion. *See, e.g.*, *Ashcroft v. Iqbal*, 556 U.S. 662, 678-79 (2009); *Finisar Corp. v. Capella Photonics, Inc.*, 2021 WL 810227, at *4 (N.D. Cal. Mar. 3, 2021) ("conclusory" assertion that indemnification obligations existed but that did not "specify the source" of the obligations, "describe the[ir] scope and nature," or identify a contract was insufficient).

But even assuming Vertiv's indemnification obligations exist, those obligations are insufficient to support jurisdiction under the circumstances here. Vertiv "cannot seek a declaration from a court on behalf of customers [it] must indemnify where [suits] against these very same customers on all the same issues [are] already underway in" this Court. *Microsoft*, 755 F.3d at 904; *see* Dkt. 1 ¶ 17 (alleging that four suits are pending in the Eastern District of Texas against Vertiv's customers alleging infringement of the patents at issue here).[2] If Vertiv would like to defend its customers, it can "efficiently and effectively participate in the [existing] action[s]"; it cannot run to court to complain about ongoing litigation that it is already party to. *Microsoft*, 755 F.3d at 904. Indeed, Vertiv has already done just that—it has intervened in the first-filed cases pending before this Court involving its customers and has been actively participating in those cases. *See* Case No. 2:24-cv-00361. And to the extent it believes any indemnity obligations arise from Valtrus' later-filed suits against DataBank or TierPoint, Vertiv can intervene in those cases, too. That is all the

[2] *See also Finisar*, 2021 WL 810227, at *4 (assuming indemnification obligations existed, they "would allow Finisar to sue in the Eastern District of Texas, not *this* Court"); *Early Warning Servs., LLC v. Grecia*, 2021 WL 3471165, at *7 (E.D. Pa. Aug. 6, 2021) ("*Microsoft* instructs us [that the supplier] should litigate this controversy in connection with the" case already filed against its customer elsewhere.).

more reason to decline jurisdiction over this duplicative suit. *See Microsoft*, 755 F.3d at 904.

Further, and as discussed in additional detail below, Vertiv also asserts (again, without reference to a contract or a customer demand) that it owes indemnity beyond just the particular Defendants in the Eastern District cases. These allegations are insufficient alone to create jurisdiction. *See, e.g.*, *Intell. Prop. Dev., Inc. v. TCI Cablevision of California, Inc.*, 248 F.3d 1333, 1341-42 (Fed. Cir. 2001) ("even if [plaintiff] could potentially be required to indemnify that party, is not a suit that [plaintiff] itself faces. Therefore, the district court correctly determined that it lacked jurisdiction despite [plaintiff's] indemnity concerns."). Even if they were sufficient, as discussed below, *infra* § IV, the Court is broadly within its discretion to decline to exercise jurisdiction over those allegations. *See, e.g.*, *Mitek Sys.*, 34 F.4th at 1347 (district courts have "broad discretion to refuse to entertain a declaratory judgment action."); *Proofpoint, Inc. v. InNova Pat. Licensing, LLC*, 2011 WL 4915847, at *6-*7 (N.D. Cal. Oct. 17, 2011) (declining declaratory judgment jurisdiction and encouraging plaintiff to "move to intervene in the Texas Action": "Given the substantial similarity of the issues and the considerable energy already invested by the District Court for the Eastern District of Texas, it would not be in the interest of justice or judicial economy for this Court to entertain [plaintiff's] claim.").

IV. The Court Should Exercise Its Discretion to Decline Jurisdiction Over This Duplicative Litigation.

Even where jurisdiction exists, district courts have "broad discretion to refuse to entertain a declaratory judgment action." *Mitek Sys.*, 34 F.4th at 1347 (attribution omitted); *accord MedImmune*, 549 U.S. at 136 (The Declaratory Judgment Act's "text has long been understood to confer on federal courts unique and substantial discretion in deciding whether to declare the rights of litigants." (cleaned up)). In deciding whether to decline jurisdiction, courts consider "the purposes of the Declaratory Judgment Act and the principles of sound judicial administration."

Mitek, 34 F.4th at 1347 (attribution omitted); *accord Wilton v. Seven Falls Co.*, 515 U.S. 277, 288 (1995) ("In the declaratory judgment context, the normal principle that federal courts should adjudicate claims within their jurisdiction yields to considerations of practicality and wise judicial administration."). Among those considerations is "whether hearing the case would serve the objectives for which the Declaratory Judgment Act was created, namely, allowing a party who is reasonably at legal risk because of an unresolved legal dispute to obtain judicial resolution of that dispute without having to await the commencement of legal action by the other side." *Ford Motor Co. v. United States*, 811 F.3d 1371, 1378 (Fed. Cir. 2016) (cleaned up).

Those objectives are not served by entertaining parallel litigation when another "suitable avenue" for resolving the dispute is already in use. *See Ford Motor*, 811 F.3d at 1378-80; *see also Wilton*, 515 U.S. at 290 (affirming the district court's decision to stay a declaratory judgment action "where parallel proceedings, presenting opportunity for ventilation of the same state law issues, were underway in state court"). In particular, the Federal Circuit has recognized that intervention in preexisting litigation may be "preferable, considering statutory purposes and judicial-administration principles," to a standalone declaratory judgment action. *See Mitek*, 34 F.4th at 1347-48 (discussing relevant circumstances, including "whether ultimately the intervention route is more effective or efficient than the declaratory-judgment route"). And "the first-filed action is preferred" absent "sound reason that would make it unjust or inefficient to continue the first-filed action." *Commc'ns Test Design, Inc. v. Contec, LLC*, 952 F.3d 1356, 1362 (Fed. Cir. 2020) (attribution omitted) (discussing the interaction between the first-to-file rule and discretion to decline declaratory judgment jurisdiction).

Under these principles, "wise judicial administration" favors declining jurisdiction here. *Wilton*, 515 U.S. at 288. As discussed, the Court lacks jurisdiction over most of Vertiv's claims in

the first place. In particular, Vertiv cannot establish jurisdiction based on potential direct infringement of method claims in any of the four patents that it does not perform; Vertiv cannot be liable for indirect infringement of method claims in expired patents for which it has not established a reasonable possibility that it knew of before they expired; and Vertiv cannot rely on its alleged indemnification obligations to support this later-filed suit on overlapping issues, particularly when it has already intervened in ongoing suits involving its customers in this Court.

However, even if Vertiv's indirect infringement allegations on the '870 patent or alleged indemnification obligations[3] might theoretically support jurisdiction under some circumstances, there is good reason to decline jurisdiction here given the many practical problems that proceeding with this declaratory judgment suit would bring. Primarily, the parties cannot efficiently or practically litigate infringement issues relating to Vertiv's customers without those customers (namely, the actual direct infringers and users of the patented methods) as parties. Indeed, at this stage, Valtrus does not even know how many customers Vertiv has or what products it seeks declaratory relief over. But given Vertiv's market share and size,[4] it likely has dozens if not hundreds of data center operator customers. Valtrus would need to take extensive third-party discovery from those customers to prove infringement of method claims (and the extent thereof), which could require inspections of hundreds if not thousands of individual data centers across the country. It makes little sense to litigate those infringement issues as it concerns some of Vertiv's customers while the parties are already litigating the same or similar issues in the already-pending cases in this Court, where Vertiv has already intervened or can intervene in the future. And to the

[3] Vertiv's complaint does not so much as reference an indemnification agreement, let alone a customer indemnification demand. Vertiv has the burden to prove indemnification obligations exist and has failed to do so here.

[4] https://www.vertiv.com/en-emea/about/news-and-insights/news-releases/2020/vertiv-ranked-as-global-leader-in-rapidly-evolving-data-centre-cooling-market/.

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extent there are later suits against additional customers, Vertiv can again intervene in those suits as necessary without burdening this Court with a full-scale patent litigation about hypothetical future conduct.

This Court in *Mitek Systems Inc. v. United Services Automobile Association* recently addressed a similar set of facts in declining to exercise declaratory judgment jurisdiction. 2023 WL 2734372, at *24-*28 (E.D. Tex. Feb. 23, 2023). There, the patent holder sued and sent notice letters to a large number of Mitek's customers and Mitek filed a declaratory judgment complaint. The Court found that "the declaratory judgment action as proposed by Mitek is not the best way to defend its software. Rather, the Court continues to believe that the best means by which Mitek can defend its software as that software is used by [customers] is to intervene, either as of right or permissively, in the next litigation, if any, brought by USAA against a Mitek customer which asserts the Asserted Patents." *Id.* at *26. The Court found, like here, that intervention would provide Mitek with the opportunity to seek relief "without the need to take third-party discovery or join additional parties." *Id.* And finally, the Court found that in any event, it would exercise its discretion because the patentee's "litigation strategy involves suing software users, not suppliers," finding "[u]nless Congress changes the law, it remains the patent holder's decision which alleged infringer[s] to sue." *Id.* *28. Like in *Mitek*, the Court would be well within its discretion to decline to exercise jurisdiction even if a theoretical basis for Article III jurisdiction exists. Those claims can be litigated in the existing cases, together with all of the parties' other disputes.

Beyond the inefficiencies and complexities in litigating infringement of all of Vertiv's customers in one suit, Vertiv's proposed declaratory judgment would not even resolve all the issues between Valtrus and data center operators at issue in the existing cases, let along potential future cases. For one, Valtrus can only recover damages on the asserted method claims for the full period

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of infringement from the directly infringing data center operators, not from Vertiv—particularly where Vertiv cannot be liable for indirect infringement since it had no notice of the Asserted Patents. Moreover, Vertiv is just one of many air-conditioning equipment suppliers to the same data center operators; even in the existing cases consolidated with this one, Valtrus has asserted infringement based on at least two other suppliers, and expects to identify additional supplier infringement through discovery. Even if every other supplier sought declaratory relief, though, that would not resolve all the infringement issues because Valtrus has already asserted two patents (the ’967 and ’855 patents) that do not implicate suppliers at all and must under all circumstances be litigated directly against data center operators.

At bottom, Vertiv’s proposed declaratory judgment would do little to resolve any issues, and instead would involve needless complexity and expense for the parties and the Court, contrary to the purpose of a declaratory judgment action.

CONCLUSION

For these reasons, the Court should dismiss Vertiv’s declaratory judgment complaint.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on November 15, 2024, I electronically filed the foregoing document with the Clerk of the Court using the CM/ECF system which will send notification of such filing *via* electronic mail to all counsel of record.

/s/ *Eric H. Findlay*
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