

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**CIVIL MINUTES – GENERAL**

Case No. LA CV14-05150 JAK (AJWx)

Date February 5, 2015

Title Zenith Electronics, LLC, et al. v. Sceptre, Inc.

Present: The Honorable JOHN A. KRONSTADT, UNITED STATES DISTRICT JUDGE

Andrea Keifer

Not Reported

Deputy Clerk

Court Reporter / Recorder

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

**Proceedings: (IN CHAMBERS) ORDER DENYING CROSS-MOTIONS TO BIFURCATE
(DKTS. 65 AND 68)****I. INTRODUCTION**

Plaintiffs Zenith Electronics, LLC ("Zenith"), Panasonic Corporation ("Panasonic"), and U.S. Philips Corporation ("Philips") (collectively, "Plaintiffs") contend that Defendant Sceptre, Inc. ("Defendant") has, and continues, to infringe U.S. Patent Nos. 5,802,107 ("107 Patent"), 5,629,958 ("958 Patent"), RE 42,643 ("643 Patent"), and 5,684,541 ("541 Patent"). Compl., Dkt. 1. The patents-in-suit are allegedly essential for practicing certain Advanced Television Systems Committee, Inc. ("ATSC") Standards for the transmission and reception of digital television. *Id.* at ¶¶ 14-15.

Defendant asserts that Plaintiffs, together with Counterclaim-Defendant MPEG LA, LLC ("MPEG LA") (collectively, "Counterclaim-Defendants"), through their false representations during the ATSC standard-setting process, and by pooling, licensing, and enforcing the patents-in-suit, have violated §§ 1 and 2 of the Sherman Act and Cal. Bus. & Prof. Code § 17200, have breached contractual obligations and have liability under the doctrine of promissory estoppel. First Amended Counterclaims ("ACC"), Dkt. 62 at ¶¶ 113-160. Defendant has also brought counterclaims seeking declaratory judgment as to two matters -- that the asserted patents are invalid and they have not been infringed. *Id.* at ¶¶ 161-200.

The parties filed cross-motions for bifurcation of certain of their competing claims. On November 14, 2014, Counterclaim-Defendants filed a Motion to Bifurcate and Stay Sceptre's First Through Sixth Counterclaims ("Counterclaim-Defendants' Motion"), Dkt. 65. These are the Counterclaims for violations of the Sherman Act, breach of contract, promissory estoppel, and violation of Cal. Bus. & Prof. Code § 17200. See ACC, Dkt. 62 at ¶¶ 113-200. On November 24, 2014, Defendant filed an opposition. Dkt. 73. On December 2, 2014, Counterclaim-Defendants filed a Reply. Dkt. 78.

On November 17, 2014, Defendant filed a Motion to Bifurcate and Request for FRAND Determination ("Defendant's Motion"). Dkt. 68. Defendant's Motion seeks a stay of all aspects of the case other than the determination of the fair, reasonable, and non-discriminatory ("FRAND") license rate for the patents in

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suit. *Id.* On November 21, 2014, Counterclaim-Defendants filed an opposition. Dkt. 71. On December 2, 2014, Defendant filed a reply. Dkt. 79.

A hearing on these competing motions was held on December 15, 2014, and the matters were taken under submission. For the reasons stated in this Order, both Motions are DENIED.

II. ANALYSIS

A. Legal Standard

“For convenience, to avoid prejudice, or to expedite and economize, the court may order a separate trial of one or more separate issues, claims, crossclaims, counterclaims, or third-party claims. When ordering a separate trial, the court must preserve any federal right to a jury trial.” Fed. R. Civ. P. 42(b).

“[B]ifurcation may be proper upon a showing of any of these factors.” *Gen. Patent Corp. Int’l v. Hayes Microcomputer Products Inc.*, No. SA CV97-429 GLT(ANX), 1997 WL 770874, at *1 (C.D. Cal. Oct. 20, 1997). “It is the interest of efficient judicial administration that is to be controlling under [Rule 42(b)], rather than the wishes of the parties. . . . Thus, Rule 42(b) should be resorted to only as the result of the exercise of informed discretion when the district judge believes that separation will achieve the purposes of the separate trial rule.” 9A Charles Alan Wright et. al., *Federal Practice & Procedure* § 2388 (3d ed. 1998).

The Manual for Complex Litigation observes that “[d]eferral of claims asserting unfair competition or antitrust until resolution of the patent issues frequently results in the claims’ voluntary dismissal or settlement.” Manual for Complex Litigation (Fourth) § 33.23 (2004). Courts characterize bifurcation of patent and antitrust claims as common, but not mandatory. See *Masimo Corp. v. Philips Elecs. N. Am. Corp.*, No. 09-80, 2010 WL 925864, at *1 (D. Del. Mar. 11, 2010); *Monsanto Co. v. E.I. Du Pont De Nemours & Co.*, No. CV 4:09-00686, 2009 WL 3012584, at *1 (E.D. Mo. Sept. 16, 2009); *Polycom, Inc. v. Codian, Ltd.*, No. CV 2:05-520, 2007 WL 7658922, at *2 (E.D. Tex. Apr. 23, 2007); *Applera Corp. v. MJ Research Inc.*, 389 F. Supp. 2d 344, 347 (D. Conn. 2005).

Conversely, it has become routine, sometimes as the result of a stipulation or agreement among the parties, to address FRAND rates before, or instead of, patent infringement issues. *Microsoft Corp. v. Motorola, Inc.*, No. C10-1823 JLR, 2012 WL 4827743, at *9 (W.D. Wash. Oct. 10, 2012) (court order determining to hold bench trial on FRAND issues before breach of contract jury trial where patentee proposed proceeding directly to breach of contract jury trial); Order re FRAND Issues, *One-Blue, LLC v. Imation Corp.*, Civ. No. 13-917 (D. Del. Jan. 7, 2013), Dkt. 35 (court order resolving dispute); Memorandum and Order, *In re Innovatio IP Ventures, LLC Patent Litig.*, Civ. No. 11-9308 (N.D. Ill. Sep. 27, 2013), Dkt. 975 at 2-3 (order based on party agreement).

B. Application

The resolution of any of the core issues presented in this action could simplify it as to those that remain. However, if the bifurcation proposed by either side were adopted, and all claims were ultimately adjudicated, the amount of time that would be required to complete the entire action would double. This approach would dissuade judicial and party efficiency.

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Defendant proposes that the Court first decide the FRAND rate for the entire ATSC patent pool. However, Defendant has not admitted that it practices the patents-in-suit or that they are in fact essential to the ATSC Standard. Therefore, any determination of a FRAND rate, even as to only the four patents-in-suit, could be entirely academic. *Cf. Microsoft Corp. v. Motorola, Inc.*, 864 F. Supp. 2d 1023, 1035, 1035 n.7 (W.D. Wash. 2012) (“Microsoft has stated to this court that not only does it believe that it needs a license, it is ready and willing to accept a license on RAND terms. . . . The court takes Microsoft’s assertion at its word and will hold Microsoft to that statement throughout the course of this litigation.”).

The outcome is the same with respect to the proposal by the Counterclaim-Defendants to postpone the state law and antitrust counterclaims. Thus, they propose to defer them until after the conclusion of the patent infringement case. However, determining the reasonable royalty applicable to the patents-in-suit will involve examination of comparable licenses, and the circumstances of those licenses, including those raised by Defendant’s antitrust theories, may assist the finder of fact in separating the value of the technology from the value of its inclusion in the standard. *See Ericsson, Inc. v. D-Link Sys., Inc.*, No. 2013-1625, 2014 WL 6804864, at *24 (Fed. Cir. Dec. 4, 2014) (“First, the patented feature must be apportioned from all of the unpatented features reflected in the standard. Second, the patentee’s royalty must be premised on the value of the patented feature, not any value added by the standard’s adoption of the patented technology. These steps are necessary to ensure that the royalty award is based on the incremental value that the patented invention adds to the product”) (emphasis omitted).

In light of the absence of a showing that judicial and party efficiency will be advanced by any form of bifurcation, the Court declines to do so. At present, it appears that the most efficient and appropriate means of addressing the competing, overlapping claims, is to proceed with them at the same time and on the same schedule.

III. CONCLUSION

For the foregoing reasons, both Counterclaim-Defendants’ Motion and Defendant’s Motion are DENIED.

IT IS SO ORDERED.

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