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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

Philips North America LLC,

Plaintiff,

vs.

Garmin International, Inc. and Garmin Ltd.,

Defendants.

Case No. 2:19-cv-06301-AB-KS

FINAL JOINT STATUS REPORT

Hon. André Birotte Jr.

Plaintiff Philips North America LLC ("Philips") and Defendants Garmin International, Inc. and Garmin Ltd. (collectively "Garmin") jointly file this Final Status Report in accordance with the Court's Order of February 25, 2021 (Dkt. 125), which requested that the parties provide a "Stipulation and Proposed Order for moving the case forward."

The Patent Trial and Appeal Board ("PTAB") entered a final written decision ("FWD") on October 4, 2021 finding all claims asserted in this case of U.S. Patent No. 7,088,233 ("the '233 Patent") unpatentable.

The parties have met and conferred and are unable to come to an agreement with regards to moving the case forward with respect to U.S. Patent Nos. 8,277,377 ("the '377 Patent) and 9,801,542 ("the '542 Patent"), which were not subject to any instituted IPR proceeding. Accordingly, the parties are submitting competing proposals as summarized below.

PHILIPS'S PROPOSAL

As contemplated by the Court in its order granting a limited stay through a final written decision in the IPR against the '233 Patent, this case should move forward on Philips's unrelated claims for infringement of the '377 and '542 Patent. Indeed, had the PTAB exhausted the statutory time limit within which to issue a final written decision, the Court's limited stay would expire on November 10, 2021. (*See* Dkt. No. 125 at 7.) While the Court noted Garmin's shifting request for a stay of "three months, an order extending the dates by nearly one year, or a stay generally" (Dkt. No. 125 at 7), at no time in its prior request for a stay did Garmin argue that any stay should last through any appeals of the PTAB's FWD on the '233 Patent—nor did the Court order such a stay. (*See id.*)

Accordingly, the case should proceed on Philips's claims that Garmin infringes the '377 Patent and the '542 Patent. (*See* Second Amended Complaint, Dkt. No. 126.) However, in light of proceeding in the most efficient way possible, and to avoid potentially unnecessary expenses and burden on the parties and the Court were the PTAB's final written decision on the '233 Patent affirmed on appeal, Philips does agree that proceedings **with regard to the '233 Patent** should be the subject of a partial stay such that the parties need not address those claims further until if and when necessary to do so.

Revisiting the factors the Court considered when granting a limited stay until the PTAB issued its FWD, no factor weighs in favor of continuing a stay of this case with respect to the '377 Patent and the '542 Patent. The stage of the case is still as advanced as it was in February, with expert discovery nearly complete and with only dispositive motions and trial to complete, and the court found this factor did not weigh in favor or against a stay. (Dkt. No. 125 at 4.) The anticipated simplification of the issues has occurred in light of the PTAB's FWD and Philips's agreement that proceedings with regard to the '233 Patent should be stayed, with the case proceeding only with regard to the '377 Patent and the '542 Patent. (*See* Dkt. No. 120 at 5; Dkt. No. 125 at 5.) This counsels against any further stay of the '377 Patent and '542 Patent. Finally, Philips has the right to enforce its patents and a continued stay of the '377 Patent and the '542 Patent which are not encumbered or under any review or appeal is prejudicial. *See IOENGINE, LLC v. PayPal Holdings, Inc.*, CV 18-452-WCB, 2020 WL 6270776, at *7 (D. Del. Oct. 26, 2020) (collecting cases) ("the open-ended delay resulting from a stay pending a Federal Circuit appeal from the PTAB's decision in an IPR proceeding comes on top of the delay entailed in a stay pending the IPR proceeding itself, thus increasing the prejudice to the patent owner's interest in having its patent rights enforced on a timely basis.").

Finally, courts have endorsed a partial stay for a patents or claims under appeal, while allowing the remainder of a case to proceed to trial. *See e.g., AgroFresh Inc. v. Essentiv LLC,* CV 16-662 (MN), 2019 WL 2327654, at *3 (D. Del. May 31, 2019) (staying proceedings on one patent until resolution of appeal while proceeding to trial on the other two asserted patents.); *Vivint, Inc. v. Alarm.com Inc.*, 351 F. Supp. 3d 1341, 1358 (D. Utah 2018) (Proceeding with the case, while ordering "a limited stay pending the decision of the Federal Circuit—but only as to the nine claims rejected by the USPTO."); *LG Elecs., Inc. v. Toshiba Samsung Storage Tech. Korea Corp.*, CV 12-1063-LPS-CJB, 2015 WL 8674901, at *7 (D. Del. Dec. 11, 2015) (proceeding with one patent with claims not part of the PTAB proceeding while staying case on second patent under appeal of FWD).

While meeting and conferring prior to this filing, Garmin suggested that the entire case should be stayed (and not simply proceedings with regard to the '233 Patent) because of the

relatedness of the accused products and technology at issue, suggesting that the Court should therefore hold a single trial on all the patents upon exhaustion of all appeals with regard to the '233 Patent. However, Garmin overstates any such "relatedness" between the '233 Patent and the '377 Patent and '542 Patent. The principal issue on any appeal of the PTAB's FWD on the '233 Patent will be the meaning of the term "security mechanism governing information transmitted" on which the PTAB's FWD rests. That term does not appear in either the '377 and '542 patents, and none of the presently asserted patents are from the same patent family. There is no logical reason to stay proceedings across all the asserted patents simply because of overlap in the product accused of infringement—particularly where, as here, fact discovery closed long ago and expert reports have been served.

Garmin also argues that the claims of the '233 Patent should be dismissed due to the PTAB's final written decision. However, there is no conceivable basis for such a dismissal. First, Garmin has not filed a Motion to Dismiss. Second, there would be no basis for granting such a motion. The PTAB's "Final Written Decision," its title notwithstanding, is actually a non-final order by an administrative agency that remains subject to appeal to the Federal Circuit. Accordingly, the decision has no preclusive effect. *See Trustid, Inc. v. Next Caller Inc.,* No. 18-172, 2021 WL 3015280, at *3 (D. Del. July 6, 2021) ("IPR decision is not 'final' for purposes of issue preclusion."). Indeed, Plaintiffs have obtain damages awards on patents found unpatentable by the PTAB while an appeal of such a decision was pending (though Philips is not advocating for that approach here, instead suggesting the approach many other courts have taken by applying a partial stay). *See VirnetX Inc. v. Apple, Inc.*, No. 6:12-cv-00855-RWS, 2021 WL 1941740, at *5 (E.D. Tex. Jan. 15, 2021). It is also worth noting, as the Court in *VirnetX* did, that no claims of the '233 Patent will be cancelled until all appeals have been exhausted. *See* 35 U.S.C. § 318(b) ("If the Patent Trial and Appeal Board issues a final written decision under subsection (a) **and the time for appeal has expired or any appeal has terminated**, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable....") (emphasis added).Philips proposes proceeding with the below case schedule, which sets forth the parties agreed schedule for move the case forward on the '377

Patent and the '542 Patent, which is also set forth in the accompanying proposed order.

GARMIN'S PROPOSAL

The asserted claims of the '233 Patent have been invalidated in a Final Written Decision. The '233 Patent should be dismissed from the case with prejudice for it to proceed, as the Court noted: "[i]f the six claims of the '233 patent do not survive review, it would eliminate the need for trial [on those claims]". Dkt. No 125, at 5 (*quoting Semiconductor Energy Lab. Co., Ltd. v. Chimei Innolux Corp.,* No. 8:12-cv-00021 JST (JPRx), 2012 WL 7170593, at *2 (C.D. Cal. Dec. 19, 2012). Garmin sees no good faith basis for Philips' suggestion that the parties should continue to litigate claims that have been invalidated, a decision very likely to be upheld on appeal[1], and has asked Philips to dismiss the '233 Patent so that the matter may proceed. Philips denied Garmin's request.

As such, Garmin believes that the stay should remain in effect until Philips' appeal has concluded: "waiting for the conclusion of the pending appeals and PTAB decisions advances the court's and parties' interests in avoiding unnecessary expenditure of resources." *Realtime Data LLC v. Silver Peak Sys.,* No. 17-cv-02373-PJH, 2018 U.S. Dist. LEXIS 133041, at *5-6 (N.D. Cal. Aug. 7, 2018). "Still worse, the court would have to duplicate its efforts and potentially conduct multiple trials if claims deemed non-patentable today are later found to be patentable—a loss of efficiency compounded when the patents are related and involve overlapping witnesses, experts, or evidence." *Id; see also Baxter Healthcare Corp. v. Becton, Dickinson & Co*., No. 3:17-cv-2186 JLS-RBB, 2021 U.S. Dist. LEXIS 412, at *10 (S.D. Cal. Jan. 4, 2021). The reasoning of the Court's order staying the entire case continues to apply here.

Instead, for the third time, Philips asks this Court and the Garmin Defendants to try the case in piecemeal fashion; that is, for the third time, Philips asks this Court and the defendants

[1] "In IPR appeals, the Federal Circuit affirmed the PTAB on every issue in 602 (73.87%) cases and reversed or vacated the PTAB on every issue in 105 (12.88%) cases. A mixed outcome on appeal, where at least one issue was affirmed and at least one issue was vacated or reversed, occurred in 80 (9.82%) cases." https://www.finnegan.com/en/insights/blogs/at-the-patent-table/federal-circuit-at-t

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