

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

| | | |
|------------------------------|---|---------------------------|
| T-REX PROPERTY AB, |) | |
| |) | No. 16 C 5667 |
| |) | |
| Plaintiff, |) | Judge Virginia M. Kendall |
| v. |) | |
| |) | |
| ADAPTIVE MICRO SYSTEMS, LLC, |) | |
| |) | |
| Defendant. |) | |

MEMORANDUM OPINION AND ORDER

Plaintiff T-Rex Property AB (“T-Rex”) sued Defendant Adaptive Micro Systems, LLC (“Adaptive”) alleging infringement of three patents related to controlling and coordinating digital information systems to multiple displays and devices. Following minimal discovery, Adaptive filed the instant motion seeking a stay of this case pursuant to Section 18(b) of the America Invents Act (“AIA”) pending United States Patent Trial and Appeal Board’s (“PTAB”) review of the three patents. For the following reasons, Adaptive’s Motion to Stay [28] is granted. The parties are ordered to file a status report with the Court within 24 hours of receipt of each of the PTAB’s institution decisions.

BACKGROUND

T-Rex, a non-practicing entity, has filed at least 58 lawsuits, including this one, against various defendants alleging infringement of U.S. Patent Nos. RE39,470 (the “’470 Patent”); 7,382,334 (the “’334 Patent”); and 6,430,603 (the “’603 Patent”) (collectively, the “Asserted Patents”). (See Dkt. No. 30 at 1-2.) BroadSign International, LLC (“Broadsign”), a defendant in a separate case, filed two petitions for *inter partes* review (“IPR”) and one petition for covered business method review (“CBM”) before the PTAB challenging the validity of the Asserted Patents. (See Dkt. No. 31-1 (IPR petition challenging ’470 Patent); Dkt. No. 31-2 (IPR petition

challenging '334 Patent); Dkt. No. 31-3 (CBM petition challenging '603 Patent).) The PTAB has not yet issued decisions regarding any of the petitions, but the decisions are due as follows:

| Petition | Date Filed | Latest Date for Institution Decision |
|---------------------|-------------------|---|
| IPR for '470 Patent | Sept. 24, 2016 | March 24, 2017 |
| IPR for '334 Patent | Oct. 6, 2016 | April 6, 2017 |
| CBM for '603 Patent | Oct. 28, 2016 | April 28, 2017 |

Following a hearing on November 21, 2016, the Court stayed discovery pending its ruling on the present motion. (*See* Dkt. No. 35.)

LEGAL STANDARD

Section 18 of the AIA provides for the establishment of transitional post-grant review proceedings to reexamine the validity of covered business method patents. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284 (Sept. 16, 2011). The AIA also establishes protocol with respect to related patent infringement actions and authorizes the district courts to stay such parallel litigation under certain circumstances. Specifically, Section 18(b)(1) states:

If a party seeks a stay of a civil action alleging infringement of a patent under section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on--

- (A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;
- (B) whether discovery is complete and whether a trial date has been set;
- (C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and
- (D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

Id. The statutory test closely resembles the stay analysis courts have applied in assessing a motion to stay pending *inter partes* or *ex parte* reexamination by the PTAB. *See, e.g., Genzyme Corp. v. Cobrek Pharm., Inc.*, No. 10 CV 00112, 2011 WL 686807, at *1 (N.D. Ill. Feb. 17, 2011) (applying three-factor stay test that considers “whether a stay will (1) unduly prejudice or tactically disadvantage the non-moving party, (2) simplify the issues in questions and streamline the trial, and (3) reduce the burden of litigation on the parties and on the court”); *JAB Distribs., LLC v. London Luxury, LLC*, No. 09 C 5831, 2010 WL 1882010, at *1 (N.D. Ill. May 11, 2010).

The fourth factor was included, in part, to favor the granting of stays. *See, e.g., Segin Sys., Inc. v. Stewart Title Guar. Co.*, 30 F. Supp. 3d 476, 480 (E.D. Va. 2014) (fourth factor “designed to place a thumb on the scales in favor of a stay”); *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 489-90 (D. Del. 2013) (fourth factor included “to ease the movant’s task of demonstrating the need for a stay”). Finally, as the movant, Adaptive bears the burden of demonstrating that a stay is warranted. *See, e.g., Segin*, 30 F. Supp. 3d at 479.

DISCUSSION

Adaptive argues that a stay is appropriate because the PTAB’s review of the patents will streamline the case and simplify the issues before the Court. T-Rex counters that Adaptive’s motion is premature and that it will be prejudiced by a stay.

A. Simplification of the Issues

Staying a patent infringement case pending administrative review of the asserted patents’ validity can simplify litigation in several ways:

1. All prior art presented to the Court will have been first considered by an expert PTO examiner;
2. The reexamination may alleviate discovery problems relating to the prior art;

3. The suit will likely be dismissed if the reexamination results in effective invalidity of the patent;
4. The outcome of the reexamination may encourage settlement;
5. The record of the reexamination would likely be entered at trial and thus reduce the complexity and length of the litigation;
6. The reexamination will facilitate limitation of issues, defenses, and evidence in pre-trial conferences;
7. Litigation costs to the parties and the Court will likely be reduced.

Genzyme, 2011 WL 686807, at 3-4 (quoting *Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, No. 85 C 7565, 1987 WL 6314, at 2 (N.D. Ill. Feb. 2, 1987); *see also, e.g., Tap Pharm. Prods., Inc. v. Atrix Labs., Inc.*, No. 03 C 7822, 2004 WL 422697, at *1 (N.D. Ill. Mar. 3, 2004) (stay warranted because “[t]here is a significant chance that the PTO will either invalidate this patent or drastically decrease its scope [due to reexamination] . . . [creating] a very real possibility that the parties will waste their resources litigating over issues that will ultimately be rendered moot by the PTO’s findings”).

Adaptive argues that a stay is appropriate pending the PTAB’s institution decisions as all three Asserted Patents and every asserted claim may be under review by the end of April, just over three months away. The fact that some, if not every, asserted claim may be under review in such a short time period of time weighs in favor of granting a stay. *See, e.g., Versata Software, Inc. v. Dorado Software, Inc.*, No. 2:13-cv-00920-MCE-DAD, 2014 WL 1330652, at *3 n.2 (E.D. Cal. Mar. 27, 2014) (staying case where CBM review granted for only one of three asserted patents); *Destination Maternity Corp. v. Target Corp.*, 12 F. Supp. 3d 762, 769 (E.D. Pa. 2014) (“courts have found significant potential for issue simplification even in cases where some but not all of the asserted claims are subject to PTO review”); *Genzyme*, 2011 WL 686807, at *3 (stay warranted even though “certain issues may remain in dispute even upon conclusion of the reexamination proceedings”). Given the Court’s inherent ability to stay cases even before the

PTAB acts, *see Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372, 1378-79 (Fed. Cir. 2015) (“our holding does not prevent a district court from choosing to decide a motion before the PTAB acts on a CBMR petition.”), and the upcoming deadlines for determinations, the first factor weighs in favor granting the stay.

T-Rex, however, argues that Adaptive’s motion is (1) premature and speculative because none of the reviews have actually been instituted and (2) inappropriate because “[t]he only circumstance in which the issues...will be substantially simplified is if the PTAB initiates review of all of the asserted claims and then invalidates all of the asserted claims of the” Asserted Patents. (Dkt. No. 36 at 9.) While it is certainly true that merely filing a petition for CBM or IPR review does not ensure that a review will in fact follow (or that even if a review were to follow, the patent would be found invalid), it is equally the case that the burden on the Court and the parties would be significantly lessened if any (or all) of these petitions led to IPR or CBM institutions.¹ *Versata*, 2014 WL 1330652, at *2. The fact that the PTAB has not yet rendered institution decisions does not eliminate the benefits of a stay. For example, if the PTAB institutes review proceedings, staying the case avoids duplicitous litigation on potentially moot claims and issues. *See VirtualAgility*, 759 F.3d at 1314 (disposing of the entire litigation is “the ultimate simplification of issues”); *see also, e.g., Old Reliable Wholesale, Inc. v. Cornell Corp.*, 635 F.3d 539, 548 (Fed. Cir. 2011) (“PTO has acknowledged expertise in evaluating prior art and assessing patent validity”); *SenoRx, Inc. v. Hologic, Inc.*, No. 12-173-LPS-CJB, 2013 WL

¹ T-Rex also argues that the PTAB is unlikely to institute a review of the ‘603 Patent because BroadSign’s petition for review cited to the PTAB decision that Federal Circuit overturned in *Unwired Planet L.L.C. v. Google, Inc.*, No. 2015-1966, 2016 WL 6832982 (Fed. Cir. Nov. 21, 2016). (*See* Dkt. No. 36 at 4.) Even if T-Rex’s argument is correct – Adaptive noticeably does not dispute the substance of T-Rex’s position in its Reply – a stay is nevertheless appropriate because the PTAB may still institute reviews of the other two Asserted Patents. *See, e.g., Trading Techs. Int’l, Inc. v. BCG Partners, Inc.*, 186 F. Supp. 3d 870 (N.D. Ill. 2016), *aff’d sub nom. Trading Techs. Int’l, Inc. v. Rosenthal Collins Grp., LLC*, No. 2016-2223, 2016 WL 5899197 (Fed. Cir. Oct. 11, 2016) (collecting cases supporting proposition that a stay is appropriate where only some claims or patents are under review).

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