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

SMARTFLASH LLC, *et al.*,

Plaintiffs,

v.

SAMSUNG ELECTRONICS CO., LTD., *et al.*,

Defendants.

Case No. 6:13-CV-00448-MHS-KNM

JURY TRIAL DEMANDED

DEFENDANTS' MOTION TO STAY LITIGATION PENDING "COVERED BUSINESS METHOD" REVIEW OF U.S. PATENT NOS. 7,334,720; 7,942,317; 8,033,458; 8,061,598; 8,118,221; AND 8,336,772 BY THE UNITED STATES PATENT & TRADEMARK OFFICE

On May 29, 2013, Smartflash filed both the instant action against Defendants Samsung,[1] HTC,[2] and Game Circus LLC, and a parallel suit (Case No. 6:13-cv-00447-MHS-KNM (E.D. Tex.)) against Apple Inc., Robot Entertainment, Inc., KingsIsle Entertainment, Incorporated, and Game Circus LLC. Both suits allege infringement of the same patent claims of the same six patents.[3]

Between March 28, 2014 and April 3, 2014, Apple filed twelve petitions for "Covered Business Method Review"—two petitions for each of the six patents-in-suit—asking the U.S. Patent Trial and Appeal Board ("PTAB") to invalidate the challenged claims (including every claim asserted in this litigation) under 35 U.S.C. §§ 102 and/or 103. In these CBM petitions, Apple asserts that it is more likely than not that at least one—and indeed all—of the claims at issue in both the -447 case and the instant case will be declared unpatentable.

On April 3, 2014, based on these twelve CBM petitions, the -447 Defendants filed a motion to stay the -447 case. (-447 Case, Dkt. 128.) In view of the -447 Defendants' motion to stay litigation involving the same asserted patent claims at issue here, Defendants Samsung, HTC, and Game Circus LLC respectfully move to stay all proceedings in the present case until the PTAB has completed its CBM review of the asserted patents. ***Specifically, should the Court determine that there is good cause to stay the -447 case pending resolution of that CBM review, Defendants respectfully request that the Court stay this action as well.*** In the alternative, should the Court determine that a limited stay until early October 2014, when the

[1] Samsung refers to the three Samsung entities named as defendants in this case: Samsung Electronics Co., Ltd., Samsung Electronics America, Inc., and Samsung Telecommunications America, LLC.

[2] HTC refers to the three HTC entities named as defendants in this case: HTC Corporation, HTC America, Inc., and Exedea, Inc.

[3] The patents-in-suit for both actions are U.S. Patent Nos. 7,334,720; 7,942,317; 8,033,458; 8,061,598; 8,118,221; and 8,336,772.

PTAB will issue its decision regarding the institution of the requested CBM reviews, is appropriate in the -447 case, Defendants request that the Court stay this action until October 2014 as well.

I. IF THE COURT DETERMINES A STAY IS WARRANTED IN THE -447 CASE, THEN ALL LITIGATION PROCEEDINGS SHOULD BE STAYED

Although Defendants in this case believe that judicial economy counsels in favor of staying both the -447 case and the present case pending resolution of Apple's CBM petitions, the question Defendants raise here is far narrower: namely, if the Court decides that a stay of the -447 case is appropriate, should the Court also stay the present action? Judicial equities and efficiencies, as well as applicable case law, all suggest it should. Because all of the patents at issue in this case—and all of the patent claims at issue—are subject to Apple's petitions for CBM review, staying both cases maximizes the overall judicial economy. In fact, recognizing that judicial economy is best served by staying all related actions, courts have stayed co-pending litigation even where (unlike here) the co-pending defendants *never requested a stay*. *See, e.g.*, *Market-Alerts Pty. Ltd. v. Bloomberg Finance LP*, 922 F. Supp. 2d 486, 496 (D. Del. 2013) (staying all co-pending cases *sua sponte* "as an exercise of its discretion and in the interests of judicial and litigant economy").

Indeed, courts regularly grant a stay pending PTAB review even where such review was initiated not by a defendant but by a third party. *See, e.g.*, *Traffic Information, LLC v. Huawei Techs. Co.*, No. 2-10-cv-00145, Dkt. 223 (E.D. Tex. May 30, 2012) (granting stay pending reexamination proceedings where plaintiff sued multiple defendants in multiple actions and the reexamination proceedings were initiated by a defendant in a parallel litigation based on the same patent claims, and also finding no undue delay or prejudice in granting a six-month stay pending the non-party's appeal before the BPAI); *Luv N' Care v. Regent Baby Products Corp.*,

No. 10-civ-9492, 2014 WL 572524, at *2 (S.D.N.Y. Feb. 13, 2014) (granting stay pending reexamination proceedings initiated by third party, reasoning that "compelling both parties to undergo extensive discovery on potentially meaningless patent issues would be wasteful and prejudicial"); *Enhanced Sec. Research, LLC v. Cisco Systems, Inc.*, No. 09-civ-571, 2010 WL 2573925 (D. Del. June 25, 2010) (granting stay pending reexamination proceedings initiated by third party prior to the PTO's decision whether to grant review).[4] Thus, although co-pending defendant Apple alone filed the petitions for CBM review, a stay pending the PTAB's final determination on the validity of the asserted patents is equally warranted in this case as well.

Should the Court determine that the relevant stay factors tip in favor of staying the -447 case, the same logic and rationale apply equally to the present action, which involves the same patents and the same asserted claims. In fact, the logic of an across-the-board stay also applies equally well to Smartflash's latest installment of its serial litigation strategy on these patents: Smartflash's infringement lawsuit filed *last week* against Google Inc., Gearbox Software LLC, and Bonus XP, Inc. (Case No. 6:14-cv-435-KNM (E.D. Tex.), filed May 7, 2014) (the "Google action") asserting the same six patents-in-suit as in the -447 and -448 actions. Moreover, the Google Play software that Smartflash now accuses of infringement in the Google action is the *same software* that Smartflash accuses of infringing in the -448 complaint. Smartflash's decision

[4] Contrary to Smartflash's assertions in its Surreply to Apple's Motion To Stay in the -447 Case (*see* -447 Case, Dkt. 138 at 2, n.2), should the Court grant Defendants' Motion To Stay Pending CBM review, the present Defendants would stipulate to be bound to the same extent as Apple is under § 18(a)(1)(D) of the America Invents Act. Such agreement further supports the granting of stay. *See, e.g., Progressive Cas. Ins. Co., v. Safeco Ins. Co.*, No. 1:11-CV-00082, 2013 U.S. Dist. LEXIS 54899, at *13 (N.D. Ohio Apr. 17, 2013) (finding that a stay pending CBM review would help streamline issues for trial where non-petitioner defendants "agreed to be estopped from asserting invalidity arguments based on 35 U.S.C. §§ 102 and 103 on which the PTAB issues a final, written decision"); *Landmark Tech., LLC v. iRobot Corp.*, No. 6:13-cv-411, 2014 WL 486836, at *5 n.2 (E.D. Tex. Jan. 24, 2014) (noting that "[a] stay beyond the PTO's decision may only be beneficial if all Defendants agree that they are challenging validity of the patents through CBM review with the PTAB and not in Court").

to wait an additional year before filing suit against Google eliminates any argument that staying all of these related actions pending CBM review prejudices Smartflash in any way.[5]

Simultaneously staying the instant case involving the patents currently under CBM review is equitable and fair, as it does not create any additional prejudice to Smartflash that the Court would not have already considered in deciding to stay the -447 action. Even Smartflash was unable to come up with a reason to oppose a stay in this situation. During the parties' meet and confer on the present motion, Defendants' counsel asked Smartflash to explain why "it would make sense to continue our action if the Court agrees to stay your case against Apple." Smartflash's counsel articulated no reason other than to assert the generic claim that any stay is prejudicial. (Exh. A to Holmes Decl.).[6]

[5] In addition, now that Smartflash has filed suit against Google, the customer-suit exception likely applies in this case, as many of Smartflash's infringement contentions hinge on the use of Google Play. Consequently, a stay of this case is warranted regardless of the outcome of the CBM petitions. *See generally Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990) (citing *Kahn v. General Motors, Inc.*, 889 F.2d 1078, 1082 (Fed. Cir. 1989)).

[6] Moreover, given that Defendant Game Circus is a defendant in *both* the present action and the -447 case, should the Court grant a stay in the -447 action, basic notions of equity, judicial economy, and fairness dictate that Game Circus also be granted a stay in the present case since the *same asserted patents* are asserted against it in both cases.

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