IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

KONINKLIJKE PHILIPS N.V. and PHILIPS ELECTRONICS NORTH AMERICA CORPORATION,

Plaintiffs,

v.

ZOLL LIFECOR CORPORATION,

Defendant.

Civil Action No. 2:12-cv-1369

Judge Nora Barry Fischer

Electronically Filed

ZOLL LIFECOR CORPORATION'S OPPOSITION TO PHILIPS'S MOTION TO LIFT STAY

Defendant ZOLL LifeCor Corporation ("ZOLL"), hereby opposes the motion of Plaintiffs Koninklijke Philips N.V. and Philips Electronics North America Corporation (collectively, "Philips") to lift the stay in the present litigation. ZOLL respectfully requests oral argument on the motion should the Court find it beneficial.

I. Introduction

Recognizing the size and complexity of this litigation, a complexity Philips engineered by bringing three largely-overlapping lawsuits in three different states, this Court previously opted for efficiency and good sense in temporarily staying this case. It was the Court's hope that "a hearty mediation with a skilled mediator" might bring about a global resolution to the parties' disputes. Mem. Order at 4, Feb. 6, 2013, ECF No. 45. Despite ZOLL's best efforts—it brought its President, General Counsel, Director of Intellectual Property, and its lead outside litigation counsel—the mediation was unsuccessful.

That the mediation failed, however, does not change the facts that formed the foundation of the Court's rationale. The parties are currently concentrated on preparing for trial in October

in the Massachusetts litigation, a trial that will decide infringement and validity of five of the eight asserted patents in this matter. The results of that trial are likely to have a significant impact on both the scope of this litigation and the parties' settlement postures. Efficiency and pragmatism dictate that the stay remain in place for just a few more months, at which time the Court can reevaluate the scope of this case and the parties can reassess their settlement positions. Lifting the stay would only serve Philips's broader strategy to harry ZOLL with duplicative litigations.

II. Nature and Stage of the Proceedings

This action is one battle in a broader, multi-state patent war that Philips initiated against ZOLL. The Court is familiar with the background of the parties' various litigations so ZOLL will not dwell on that here. *See, e.g.*, Mem. Order at 1-3, Feb. 6, 2013, ECF No. 45; ZOLL's Br. in Supp. of its Mot. for Sanctions for Plaintiffs' Failure to Mediate in Good Faith at 3-8, May 4, 2013, ECF No. 58. At the Court's direction, the parties engaged in an unsuccessful mediation on April 17, 2013. The Court had stayed this matter to give the ADR process time to play itself out. *See* Mem. Order, Feb. 6, 2013, ECF No. 45.

The most advanced of the parties' litigations is set for trial in the District of Massachusetts in October. At issue in that trial will be five of the eight patents Philips is asserting in this case.[1] While Philips makes the odd assertion that "it is less clear now … whether the Massachusetts trial will commence in October," Philips's Mem. in Supp. of its Mot. to Lift Stay at 2, Jun. 21, 2013, ECF No. 82 (hereinafter, "Philips's Mem."), the operative scheduling order in the Massachusetts case makes it quite clear that trial is scheduled for October. *See* Order, No. 10-cv-11041 (D. Mass. Aug. 18, 2011) (Ex. A) ("Jury Trial set for

[1] Philips dropped from the Massachusetts litigation a sixth patent that had been asserted in both cases.

10/7/2013 at 9:00 AM in Courtroom 4 before Judge Nathaniel M. Gorton."). Indeed, just days after making this representation to this Court, in trying to get ZOLL precluded from relying on certain allegedly-late produced documents, Philips argued to Judge Gorton that its prejudice was particularly acute because trial is "fast approaching" and "imminent." Mem. in Supp. of Plaintiffs' Mot. to Preclude ZOLL's Reliance on Documents Not Produced as Required by Rule 26(a) at 4, No. 10-cv-11041 (D. Mass. Jun. 26, 2013) (Ex. B) ("[A]t this juncture, trial is fast approaching. The pre-trial conference is set for September 10, 2013, and the trial, which the parties expect to last three weeks, is set to begin on October 7, 2013."); *see also id.* at 7 ("trial is imminent"). The parties have also had conversations with the clerk about that date, and the Court has been issuing orders setting deadlines for pretrial disclosures that reflect that trial will indeed commence on October 7.

III. The Court Should Leave the Stay in Place For a Few More Months to Conserve Judicial and Party Resources

Despite the failure of the Court-ordered mediation, compelling reasons exist to maintain the stay in place for a little while longer. First, the Court's original rationales for temporarily staying the litigation—that "the parties' numerous pending litigations in multiple jurisdictions are a burden both on judicial resources and on the parties" (ECF No. 45 at 4), and "the general principle [] to avoid duplicative litigation," *Colorado River Water Cons. Dist. v. United States*, 424 U.S. 800, 817 (1976)—still hold true. At present, the parties are busy preparing for trial in the first Massachusetts case. Summary judgment motions have been briefed and pretrial preparations are well underway. Meanwhile, the parties have been content to let the second Massachusetts litigation (transferred from Washington State) sit relatively idle. The parties are exchanging initial contentions in that matter, but discovery and claim construction are on hold until after the October trial in the first Massachusetts litigation. The Delaware litigation is

likewise still in its initial phases, and Philips—relying on the stay that ZOLL obtained in this case—has moved to stay the Delaware case for about eighteen months on the grounds that economies and efficiencies will abound as a result of its recently filed (but not yet granted) challenge to the validity of ZOLL's patent in the U.S. Patent & Trademark Office ("USPTO").[2] There simply is no reason, at a time when the parties are focusing their resources on preparing for the October trial, to ramp up activity in this case.

The jury verdict expected in October will materially affect the scope of this case and should also affect the parties' views of the overall set of cases between them. The jury will pass judgment on the alleged infringement and validity of five of the asserted patents in this matter, as well as three others. That is approximately one-third of the total number of patents Philips is asserting against ZOLL in the various litigations. Additionally, in light of "the general principle [] to avoid duplicative litigation," the Court would likely want to take stock of where this case stands following the October verdict. For example, a finding of invalidity with regard to any of the overlapping patents will be binding on Philips in this litigation as well. It would make little sense to require the same parties to appear in this District to make the same arguments a second time.

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[2] On May 31, 2013, Philips's subsidiary Respironics Inc. filed in the USPTO a Petition for *Inter Partes* Review ("IPR") against ZOLL's U.S. Patent No. 6,681,003, the patent at issue in the Delaware litigation. IPR is a new USPTO procedure akin to reexamination, where the parties engage in a limited amount of discovery on narrow questions of validity followed by a decision from USPTO Administrative Law Judges as to whether the patent's claims should remain intact, be modified, or be cancelled altogether. The USPTO has not decided yet whether to institute an IPR against ZOLL's patent—Philips's petition will only be granted if it establishes a "reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition," 35 U.S.C. § 314(a)—but, by statute, the USPTO must make that decision no later than November 30, 2013. 35 U.S.C. § 316(a)(11). Even though granting the petition is only the first step in the process (if the petition is granted, the parties will engage in a 12-18 month process to dispute the patent's validity before the USPTO), the USPTO's decision as to whether to grant the petition should provide the parties with some additional clarity.

By November, the parties should also know whether the USPTO has granted Philips's IPR Petition, which may have an immediate impact on the Delaware litigation (*e.g.*, even if Philips's Petition is not granted, it will still be estopped from using any of the prior art that it raised in its Petition, or could have raised). Thus, the most sensible and efficient approach is to maintain the current stay in this action through the Massachusetts trial, then hold a status conference in November to reevaluate the scope of this case and reassess the parties' interests in additional mediation.

To the extent Philips suggests that the Court's stay has expired, *see* Philips's Mem. at 2-3, the Court's stay powers are broad, discretionary, and "incidental to the power inherent in every court to control the disposition of causes on its docket with economy of time and effort for itself, for counsel and for litigants." *Bechtel Corp. v. Local 215, Laborers' Int'l Union*, 544 F.2d 1207, 1215 (3d Cir. 1976) (quoting *Landis v. North Amer. Co.*, 299 U.S. 248, 254-55 (1936)); *see also Wonderland Nurserygoods Co., Ltd. v. Thorley Indus.*, LLC, 858 F. Supp. 2d 461, 463 (W.D. Pa. 2012). Thus, it is well within the Court's discretion to forego lifting the stay for a few more months while the events in Massachusetts play out. *See Complaint of Bankers Trust Co. v. Chatterjee*, 636 F.2d 37, 40 (3d Cir. 1980) ("a district court may properly consider the 'conservation of judicial resources and comprehensive disposition of litigation,' and attempt to avoid duplicating a proceeding already pending in a federal district court.") (quoting *Kerotest Manufacturing Co. v. C-O-Two Fire Equipment Co.*, 342 U.S. 180, 183 (1952), *quoted in Colorado River*, 424 U.S. at 817); *Crosley Corp. v. Hazeltine Corp.*, 122 F.2d 925, 929 (3d Cir. 1941), *cert. denied*, 315 U.S. 813 (1942) ("Courts already heavily burdened with litigation with which they must of necessity deal should therefore not be called upon to duplicate each other's work in cases involving the same issue and the same parties.").

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