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I. NATURE AND STAGE OF THE PROCEEDINGS

On September 10, 2012, Bonutti Skeletal Innovations LLC (“BSI”) filed in this District four companion actions against Smith & Nephew, Inc. (“S&N”); Zimmer, Inc. and Zimmer Holdings, Inc. (collectively, “Zimmer”); ConforMIS, Inc.; and Wright Medical Group, Inc. and Wright Medical Technology, Inc. (collectively, “Wright Medical”).¹ BSI asserts against Zimmer six related patents directed to knee implants (the “knee patents”).² BSI asserts one of the six knee patents against ConforMIS and three of the six knee patents against Wright Medical.³ BSI also asserted four of the six knee patents against S&N.⁴

In September 2013, S&N filed *inter partes* review (“IPR”) petitions in the U.S. Patent and Trademark Office (“PTO”) on all of the patents asserted against it and, two weeks later, moved to stay its action. BSI and S&N recently stipulated to a dismissal without prejudice of the S&N action. To date, however, two of S&N’s four IPR petitions on knee patents (specifically, petitions on the ’9229 and ’896 patents) remain pending before the PTO.

Although the six patents asserted against Zimmer collectively contain 258 claims and the single patent asserted against ConforMIS contains 48 claims, BSI has yet to identify a single claim that Zimmer or ConforMIS allegedly infringes. With respect to the three patents asserted against Wright Medical, BSI has identified five of the 148 claims as allegedly infringed, but BSI has not limited its infringement allegations to those five claims. The Court has not entered a

¹ The Zimmer, ConforMIS, and Wright Medical cases are referred to herein, collectively, as the “BSI cases.”

² U.S. Patent Nos. 6,702,821 (“’821 patent”); 7,806,896 (“’896 patent”); 8,133,229 (“’3229 patent”); 7,837,736 (“’736 patent”); 7,959,635 (“’635 patent”); and 7,749,229 (“’9229 patent”).

³ BSI asserts the ’896 patent against ConforMIS and the ’821, ’896, and ’3229 patents against Wright Medical.

⁴ BSI asserted the ’821, ’896, ’3229, and ’9229 patents against S&N, along with U.S. Patent Nos. 7,087,073 and 5,980,559.

scheduling order, and discovery has not begun, in any of the BSI cases. Indeed, apart from the pleadings, a motion to dismiss granted in part in the ConforMIS action, and the conferences before this Court on scheduling and a potential stay, there has been no activity in the BSI cases.⁵

After S&N filed its stay motion in October 2013, Zimmer filed its own IPR petitions on the two knee patents asserted only against Zimmer (the '635 and '736 patents) and an additional IPR petition on the '896 patent. Wright Medical has also filed its own IPR petition on the '896 patent. Thus, including S&N's pending petitions, four of the six knee patents BSI asserts against Zimmer are presently the subjects of IPR petitions—the '635, '736, '896, and '9229 patents.

This Court has held several conferences to discuss staying the BSI cases and the scope of any estoppel that should apply to parties seeking a stay but who are not IPR petitioners for a given patent-at-issue. The parties were unable to reach agreement on these issues, and the Court ordered the parties to submit a stipulated briefing schedule regarding a motion to stay pending the IPR petitions. The parties did so, and Zimmer, ConforMIS, and Wright Medical (collectively, the "Defendants," or individually, a "Defendant") now jointly move to stay the BSI cases pending resolution of the IPR petitions.

II. SUMMARY OF THE ARGUMENT

The BSI cases should be stayed because each of the pertinent factors favors a stay:

1) Simplification. As this Court and others have repeatedly found, staying a complex patent case pending PTO review likely will promote judicial economy and simplify issues of claim construction, infringement, invalidity, and damages—four of the most significant issues in any patent case. In view of the pending IPR petitions, this Court should stay the BSI cases. Even though not every claim BSI could eventually assert against the Defendants is

⁵ The Court has deferred setting a schedule until it has decided the motions seeking a stay of the BSI cases. (C.A. No. 12-1107, D.I. 23, Oct. 24, 2013 Tele. Conf. Tr. at 21:7-23:1.)

currently the subject of an IPR petition, staying the BSI cases likely will simplify the issues due to the relatedness of the asserted patents, the claims challenged in the IPRs, their dependent claims, and, due to the overlap in asserted patents, the BSI cases. *See, e.g., Alloc, Inc. v. Unilin Decor NV*, No. 03-cv-253-GMS, 2003 WL 21640372, at *2 (D. Del. July 11, 2003). This simplification is enhanced by each Defendant's willingness—at this Court's request, in order to facilitate a stay—to consent to an estoppel with respect to the '821, '3229, '9229, and '896 patents as to grounds actually raised in an IPR petition filed by another Defendant or S&N and used by the PTO as the basis for a final, non-appealable judgment on the merits with respect to such petition.⁶ Moreover, there are two actions involving three of the knee patents pending in other Districts, and their relatively advanced stages may result in issues of validity being decided while the BSI cases are stayed, further simplifying the issues. *See Consolidated Aluminum Corp. v. Hi-Tech Ceramics, Inc.*, No. CIV-87-983E, 1988 WL 32213, at *1 (W.D.N.Y. Apr. 1, 1998).

2) Lack of Prejudice. BSI, a non-practicing entity, will not be prejudiced by a stay because it can be compensated with money damages for any resulting delay. *Walker Digital, LLC v. Google, Inc.*, No. 11-cv-309-SLR, 2013 WL 1489003, at *2 (D. Del. Apr. 11, 2013).

3) Early Timing. The timing of this motion favors a stay, as BSI has done nothing to move the BSI cases forward, the Court has deferred setting a schedule, and the parties have not even begun discovery. *Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 12-1744-GMS, 2013 WL 3353984, at *5 (D. Del. July 2, 2013).

⁶ The stipulated estoppel does not apply to situations in which an IPR petition is withdrawn, terminated due to settlement, or otherwise terminated in a manner that does not address the merits of the arguments made in support of the petition, such as, for example, as a result of a settlement or BSI's disclaimer of one or more claims at issue in the petition. *See, e.g., infra* note 9 and accompanying text.

III. STATEMENT OF FACTS

A. BSI Monetizes Patents Through Licensing and Litigation.

BSI is owned by Acacia Research Corporation (“Acacia”), which is in the business of “patent licensing.” (See Ex. A at 1; D.I. 4.)⁷ BSI and Acacia do not compete in the knee replacement market or produce any knee replacement products. (See Ex. B at 7 (Acacia “promote[s] a **secondary market**” for patents (emphasis added)).) Rather, their interest in patents is that of “strategic patent licensing and monetization.” (See Ex. C at 1.) Acacia intends its medical device patents, such as the knee patents at issue here, to be “another major growth driver for Acacia.” (See Ex. D at 1.)

To accomplish its monetization strategy, BSI has filed multiple actions, against multiple medical device companies, in multiple jurisdictions. On September 10, 2012, BSI filed the pending BSI cases and its action against S&N, but then waited 116 days to serve the Complaints. (See D.I. 1, 5-7; *Bonutti Skeletal Innovations LLC v. ConforMIS, Inc.*, Civil Action No. 12-1109 (GMS) (“*BSI v. ConforMIS*”), D.I. 1, 5; *Bonutti Skeletal Innovations, LLC v. Wright Medical Group, Inc.*, Civil Action No. 12-1110 (GMS) (“*BSI v. Wright Medical*”), D.I. 1, 5-7.) BSI currently alleges that Zimmer infringes the ’821, ’896, ’3229, ’9229, ’736, and ’635 patents; that ConforMIS infringes the ’896 patent, and that Wright Medical infringes the ’821, ’896, and ’3229 patents. (See D.I. 10; *BSI v. ConforMIS*, D.I. 1; *BSI v. Wright Medical*, D.I. 7.)

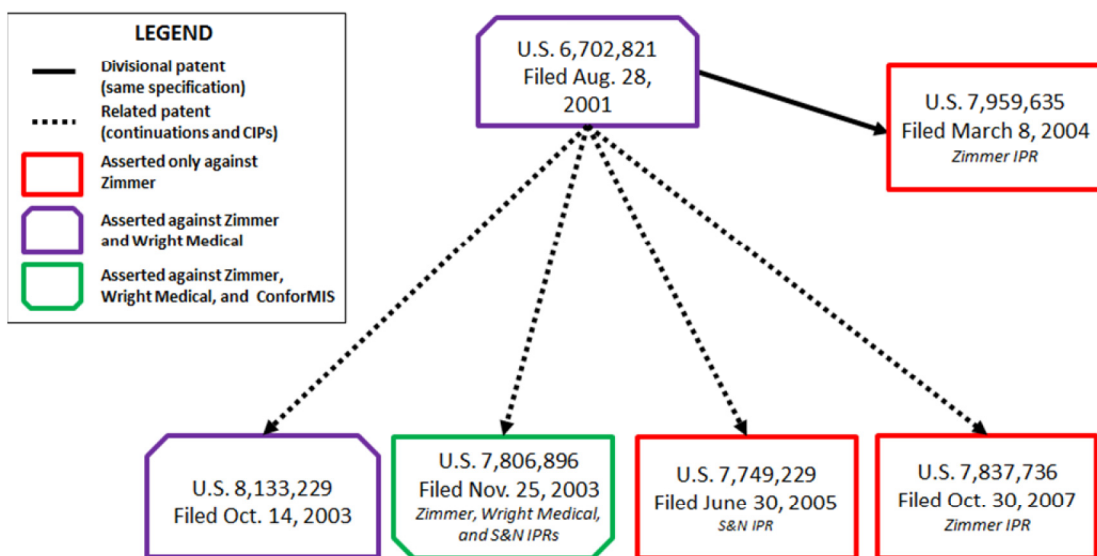
Three of the knee patents asserted in the BSI cases—the ’821, ’896, and ’3229 patents—are the subjects of two actions pending in other Districts. On September 10, 2012, the same day that BSI initiated the BSI cases, BSI sued several DePuy subsidiaries of Johnson & Johnson in

⁷ Unless otherwise indicated, citations to ECF docket entries (introduced with “D.I.”) are citations to *Bonutti Skeletal Innovations LLC v. Zimmer Holdings, Inc.*, Civil Action No. 12-1107 (GMS) (“*BSI v. Zimmer*”). Citations to lettered exhibits are citations to the Exhibits to the Declaration in Support of Defendants’ Joint Motion to Stay, filed herewith.

the District of Massachusetts, and currently alleges infringement of seven patents, including those three knee patents. (*Bonutti Skeletal Innovations LLC v. DePuy Mitek LLC*, No. 1:12-cv-11667-RGS (D. Mass.) (the “*DePuy Action*”); see Ex. E ¶¶ 11-13.) The parties in the *DePuy Action* have exchanged preliminary infringement and invalidity contentions, *Markman* briefing has begun, a *Markman* hearing is set for March 27, 2014, and dispositive motions are due on October 23, 2014. (See Ex. F at 5-8.) In addition, Biomet, Inc. filed suit against BSI on March 8, 2013 in the Northern District of Indiana seeking a declaratory judgment that fifteen patents are not infringed and are invalid. (*Biomet, Inc. v. Bonutti Skeletal Innovations LLC*, No. 3:13-cv-00176-JVB-CAN (N.D. Ind.) (the “*Biomet Action*”); see Ex. G.) BSI counterclaimed for infringement of all fifteen patents, including the three aforementioned knee patents. (See Ex. H.) *Markman* briefing in the *Biomet Action* is due to conclude on May 12, 2014. (Ex. I at 2.)

B. The BSI Knee Patents Are Related Members of a Single Patent Family.

As shown in the chart below, all six knee patents asserted in the BSI cases are related as divisional, continuation, and/or continuation-in-part applications and, with certain modifications, share a common specification:



The '635 patent is a divisional of the '821 patent asserted against both Zimmer and Wright Medical and, therefore, has a specification identical to the '821 patent's and also shares common claim terms with the '821 patent, such as "guide member," "cutting tool," and "guide surface." (Ex. J (identifying common claim terms).) The '3229 and '9229 patents, which are related to the '821 and '635 patents through a series of continuations and continuations-in-part, also share those same claim terms. (*Id.*)

C. S&N, Zimmer, and Wright Medical Each Independently Petitioned for *Inter Partes* Review of Certain BSI Knee Patents.

In September 2013, S&N filed IPR petitions on every claim identified by BSI as purportedly infringed by S&N and then moved to stay the case against it. (*See Bonutti Skeletal Innovations LLC v. Smith & Nephew, Inc.*, Civil Action No. 12-1111 (GMS) ("*BSI v. S&N*"), D.I. 28 at 3; *id.*, D.I. 27.) Subsequently, on January 3, 2014, BSI and S&N stipulated to a dismissal without prejudice of BSI's claims against S&N. (*Id.*, D.I. 51, 52.) The timing of this stipulation of dismissal prejudiced the Defendants' ability to file additional IPR petitions on the patents for which S&N had previously filed IPR petitions, as BSI did not file the stipulation of dismissal until immediately prior to the January 6, 2014 statutory deadline for Zimmer and ConforMIS to file stand-alone⁸ IPR petitions. To date, however, S&N's IPR petitions on two of the six knee patents—the '896 and '9229 patents—remain pending before the PTO.⁹

⁸ In this context, "stand-alone" is used to refer to an IPR petition (1) filed prior to the statutory deadline for such filing, and (2) whose pendency is not dependent upon a predicate finding that the petition properly can be joined with another, timely filed petition on the same patent. *See Microsoft Corp. v. ProxyConn, Inc.*, Nos. IPR2012-00026 (TLG), IPR2013-00109 (TLG), 2013 WL 5947704, at *2 (P.T.A.B. Feb. 25, 2013) ("[T]he one-year time bar [under § 315(b) for filing an IPR petition] does not apply to a request for joinder.").

⁹ On January 8, 2014, BSI filed Notices of Disclaimer with the PTO as to claim 1 of the '821 patent and claim 1 of the '3229 patent, and on January 17, 2014, the PTO terminated S&N's IPR petitions as to those patents. (Exs. K, L.) However, BSI has not filed a Notice of

There are 258 claims in the six knee patents BSI asserts against Zimmer, 48 claims in the knee patent BSI asserts against ConforMIS, and 148 claims in the three knee patents BSI asserts against Wright Medical. (*See* D.I. 10-1 through 10-2 (39 claims); D.I. 10-3 through 10-5 (32 claims); D.I. 10-6 through 10-8 (48 claims); D.I. 10-9 through 10-11 (40 claims); D.I. 10-12 through 10-13 (39 claims); D.I. 10-14 through 10-16 (60 claims).) Because BSI's infringement allegations are extremely vague (BSI refused to identify all—and in two cases any—of the allegedly infringing claims¹⁰), Zimmer and Wright Medical separately filed petitions on a subset of the claims in the patents BSI asserts against them, respectively. Zimmer filed petitions on independent claims 15 and 31 of the '736 patent, independent claims 1 and 30 of the '635 patent, independent claim 40 of the '896 patent, and certain dependent claims of each patent. (Exs. M, N, O.) Similarly, Wright Medical filed an IPR petition on independent claims 1, 13, 25, and 40 of the '896 patent. (Ex. P.) Thus, of the six knee patents asserted in the BSI cases, two (the '635 and '736 patents) are the subjects of Zimmer's IPR petitions; a third (the '896 patent) is the subject of three IPR petitions independently filed by Zimmer, Wright Medical, and S&N; and a fourth (the '9229 patent) is the subject of an S&N petition. (*BSI v. S&N*, D.I. 29-4, 29-6.)

D. The Defendants' Proposed Estoppel and the Statutory Estoppel Arising from *Inter Partes* Review.

At this Court's request, in order to facilitate a stay, each Defendant is willing to stipulate to an estoppel with respect to a patent for which another Defendant or S&N has filed an IPR petition. Such stipulation would estop each Defendant from later contesting in its respective BSI

Disclaimer as to the '896 or '9229 patents, and, to date, S&N's IPR petitions on those patents remain pending in the PTO.

¹⁰ BSI asserted that it could not identify allegedly infringed claims because it did not have the documents and devices it said it needed to properly assess infringement. (D.I. 28, Nov. 26, 2013 Tele. Conf. Tr. at 12:25-13:5, 15:17-22, 20:17-20.) Although ConforMIS produced, on an expedited basis, the documents BSI requested along with a representative sample of an accused infringing device, BSI still has not identified any allegedly infringed claim.

case the validity of claims at issue in an IPR petition filed by another Defendant or S&N on grounds actually raised in the petition and used by the PTO as the basis for a final, non-appealable judgment on the merits with respect to such petition,¹¹ as set forth in Paragraph 2 of the Proposed Order attached hereto. (Ex. Q ¶ 2.) The estoppel would not apply to any other judicial, administrative, or other proceeding. (*Id.* ¶ 4.) In particular, Defendants agree as follows:

Should any S&N IPR Claim, Wright Medical IPR Claim, or Zimmer IPR Claim survive a Knee Patent IPR after a final, non-appealable judgment on the merits of a Knee Patent IPR petition addressing such claim without being amended, narrowed, or substituted, and to the extent estoppel under 35 U.S.C. § 315(e)(2) does not apply, each Defendant shall be estopped in the above-captioned action in which it is named as a Defendant from challenging the validity of such claim, to the extent such claim is asserted in such action, as being (a) anticipated under 35 U.S.C. § 102 on the basis of any prior art reference specifically asserted by S&N, Wright Medical, or Zimmer to anticipate such claim and specifically used by the PTAB in a finding of anticipation as to such claim, or (b) obvious under 35 U.S.C. § 103 on the basis of (i) any prior art reference specifically asserted by S&N, Wright Medical, or Zimmer to alone render such claim obvious and specifically used by the PTAB in a finding of obviousness as to such claim in view of such reference alone, or (ii) a combination of two or more prior art references specifically asserted by S&N, Wright Medical, or Zimmer to render such claim obvious in combination and specifically used by the PTAB in a finding of obviousness as to such claim in view of the combination of such references.

(*Id.* (footnotes omitted).)

Although Zimmer and Wright Medical may ultimately be subject to statutory estoppel under 35 U.S.C. § 315 (e)(2) with respect to their own IPR petitions, ConforMIS, which has not filed any petitions, is not subject to such estoppel. (*Id.* ¶ 2 n.3.)¹² The Proposed Order further provides that regardless of the outcome of any IPR, the Defendants shall not be estopped from asserting invalidity based on any ground not specifically identified in Paragraph 2, quoted above.

¹¹ See *supra* note 6 and accompanying text.

¹² See also *infra* note 15 and accompanying text.

(*Id.* ¶ 3.) The Defendants’ proposed estoppel is consistent with that ordered by this Court in other cases in which the Court has imposed a stay and which involved a mix of defendants who were IPR petitioners and defendants who were not. *See, e.g., AIP Acquisitions v. Level 3 Commc’ns, LLC*, No. 1:12-cv-00617-GMS (D. Del. Jan. 7, 2014) (Ex. R), D.I. 62 (stipulation of limited estoppel); *id.* at D.I. 63 (D. Del. Jan. 9, 2014) (granting stay) (Ex. S); *In re Bear Creek Techs., Inc.*, No. 12-md-2344-GMS, 2013 WL 3789471 (D. Del. July 17, 2013) (same); *AIP Acquisitions v. Level 3 Commc’ns, LLC*, No. 1:12-cv-00617-GMS (D. Del. Dec. 27, 2013) (order regarding limited estoppel) (Ex. T).

IV. ARGUMENT

The Court’s inherent power to stay the BSI cases pending a PTO proceeding is well-established and lies within the sound discretion of the Court. *Viskase Corp. v. Am. Nat’l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001); *Celorio v. On Demand Books LLC*, No. 12-821-GMS, 2013 WL 4506411, at *1 n.1 (D. Del. Aug. 21, 2013) (citing *Cost Bros. Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60-61 (3d Cir. 1985)).

In determining whether a stay is appropriate, a court is guided by the following factors: “(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.” *Pegasus Dev. Corp. v. Directv, Inc.*, No. 00-1020-GMS, 2003 WL 21105073, at *1 (D. Del. May 14, 2003) (internal quotations omitted) (citing cases). However, a “court’s inquiry is not limited to these three factors—the totality of the circumstances governs.” *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1031 (C.D. Cal. 2013). Each and every one of these three factors, as well as the totality of the circumstances, weighs in favor of staying the BSI cases.