

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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CIVIL MINUTES- GENERAL
UNDER SEAL

CASE NO.: SA CV 16-00545 SJO
(MRWx)

DATE: February 2, 2017

TITLE: Nichia Corporation v. Vizio, Inc.

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PRESENT: THE HONORABLE S. JAMES OTERO, UNITED STATES DISTRICT JUDGE

Victor Paul Cruz
Courtroom Clerk

Not Present
Court Reporter

COUNSEL PRESENT FOR PLAINTIFF:

COUNSEL PRESENT FOR DEFENDANT:

Not Present

Not Present

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PROCEEDINGS (in chambers): ORDER GRANTING DEFENDANT'S MOTION TO STAY PENDING COMPLETION OF *INTER PARTES* REVIEW PROCEEDINGS [Docket No. 57]

This matter is before the Court on Defendant VIZIO, Inc.'s ("VIZIO" or "Defendant") Motion to Stay Pending Completion of *Inter Partes* Review Proceedings ("Motion"), filed January 3, 2017. Plaintiff Nichia Corporation ("Nichia" or "Plaintiff") opposed the Motion ("Opposition") on January 23, 2017, and VIZIO replied ("Reply") on January 30, 2017. The Court found this matter suitable for disposition without oral argument and vacated the hearing set for February 13, 2017. See Fed. R. Civ. P. 78(b). For the following reasons, the Court **GRANTS** VIZIO's Motion.

I. FACTUAL AND PROCEDURAL BACKGROUND

1. Procedural Background

Nichia initiated the instant action on March 23, 2016 by filing a Complaint for Patent Infringement ("Complaint") against VIZIO. (See Compl., ECF No. 1.) In its Complaint, Nichia alleges that certain VIZIO televisions infringe claims of the following four patents: (1) U.S. Patent No. 7,901,959 (the "'959 Patent"), entitled "Liquid Crystal Display and Back Light Having a Light Emitting Diode;" (2) U.S. Patent No. 7,915,631 (the "'631 Patent"), entitled "Light Emitting Device and Display;" (3) U.S. Patent No. 8,309,375 (the "'375 Patent"), also entitled "Light Emitting Device and Display;" and (4) U.S. Patent No. 7,855,092 (the "'092 Patent"), entitled "Device or Emitting White-Color Light" (together, the "Asserted Patents"). (See *generally* Compl., ECF No. 1.) The Asserted Patents are generally directed to light-emitting diode ("LED") semiconductor chips and phosphor materials that are combined to produce white light. (See Compl., Exs. A-D.) Although Nichia does not identify all of the allegedly infringed claims of the Asserted Patents in its Complaint, it alleges infringement of at least claims 1 and 9 of the '959 Patent; at least claims 1 and 4 of the '631 Patent; at least claim 4 of the '375 Patent; and at least claim 1 of the '092 Patent. (Compl. ¶¶ 8, 14, 20, 26.) Notably, Nichia has not sought preliminary injunctive relief against VIZIO. (See *generally* Compl.)

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Although this action was initially assigned to Judge John F. Walter, it was transferred to this Court via this District's Patent Pilot Program on March 24, 2016. (See Order to Transfer Case to the Patent Pilot Program, ECF No. 13.) On April 12, 2016, the parties filed their first of several stipulations, asking for an additional thirty (30) days for VIZIO to respond to the Complaint. (See First Stip. to Extend Time to Respond to Initial Compl., ECF No. 15.) On May 16, 2016, the parties filed their second stipulation for an extension of time, submitting they had "agreed to a process that they believe will lead to the settlement of this case," and asking for (1) a 120-day extension of time, until September 20, 2016, for VIZIO to respond to the Complaint; and (2) a status conference, should the Court desire to hold such a conference. (See Second Stip. to Extend Time to Respond to Initial Compl., ECF No. 24.) The Court held a telephonic status conference with the parties on May 26, 2016 during which it signed and approved the second stipulation. (Minutes of Telephonic Status Conference, ECF No. 35.)

VIZIO filed its Answer on September 20, 2016, and the Court held a scheduling conference on December 5, 2016. (See Answer, ECF Nos. 35; Order Setting Scheduling Conference, ECF No. 43; Minutes of Scheduling Conference, ECF No. 53.) During the scheduling conference, the Court viewed the parties' technology tutorials, heard argument from counsel regarding various scheduling issues, and set the following relevant dates and deadlines:

Infringement Contentions:	December 28, 2016
Invalidity Contentions:	February 3, 2017
Simultaneous Opening <i>Markman</i> Briefs:	May 9, 2017
<i>Markman</i> Hearing:	June 26, 2017
Substantial Completion of Document Production:	September 15, 2017
Close of Fact Discovery:	September 29, 2017
Disclosure of Opening Expert Reports:	October 13, 2017
Disclosure of Rebuttal Expert Reports:	November 17, 2017
Close of Expert Discovery:	December 28, 2017
Dispositive Motion Cutoff:	January 15, 2018
Last Day for Hearing Motions:	February 26, 2018
Pretrial Conference:	April 2, 2018
Jury Trial:	April 17, 2018

(Minutes of Scheduling Conference.) During the scheduling conference, the parties stated that although they had engaged in settlement discussions, those discussions were unsuccessful, but also indicated that they might continue such discussions at a later date. (Reporter's Tr. of Scheduling Conference ("Scheduling Tr.") at 31:23-32:13, 47:15-48:5, ECF No. 58.) Moreover, counsel for VIZIO indicated that VIZIO would file petitions for *inter partes* review once it received Nichia's supplemental infringement contentions to ensure that the petitions would cover each asserted claim. (Scheduling Tr. at 45:19-46:8.)

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2. The IPR Petitions

On December 30, 2016, two days after Nichia served Nichia with its Second Amended and Supplemental Infringement Contentions ("Second Amended Infringement Contentions"), VIZIO filed four (4) petitions for *inter partes* review (the "IPR Petitions"). (See Decl. Avraham Schwartz in Supp. Mot. ("Schwartz Decl.") ¶ 4; Decl. Richard W. Erwine in Supp. Mot. ("Erwine Decl."), Exs. B ("Second Amended Infringement Contentions"), E-H ("IPR Petitions").)¹ In its Second Amended Infringement Contentions, Nichia accuses certain VIZIO's televisions of infringing (1) claims 1, 3, 4, 5, and 18 of the '959 Patent; (2) claims 1, 4, 7, and 8 of the '631 Patent; (3) claim 4 of the '375 Patent; and (4) claims 1 and 12 of the '092 Patent. (See *generally* Supp'l Infringement Contentions.) The IPR Petitions are directed toward these, and other, claims, and each seeks to invalidate the listed claims solely on the basis of obviousness under 35 U.S.C. § 103(a). (See *generally* IPR Pets.)² The principal prior art reference asserted in each of the four IPR Petitions is U.S. Patent No. 6,600,175, which issued to inventor Baretz (the "Baretz Reference"). (See *generally* IPR Pets.)

3. Status of the Parties' Discovery Efforts

Nichia served VIZIO with Nichia's Preliminary Disclosure of Asserted Claims and Infringement Contentions on April 25, 2016. (See Decl. David E. Cole in Supp. Opp'n ("Cole Decl.") ¶ 2, Ex. A, ECF No. 64-3.) These preliminary infringement contentions include ninety-three (93) pages of claim charts based on Nichia's testing of two VIZIO televisions and are directed to each of the claims now included in the IPR Petitions. (See Cole Decl. ¶ 2, Ex. A.) Nichia also served over five thousand (5,000) pages of documents related to its infringement contentions. (See Cole Decl. ¶ 3, Ex. B.)

On May 26, 2016, after the Court granted the parties' second stipulation, Nichia served VIZIO with Nichia's Amended and Supplemental Preliminary Disclosure of Asserted Claims and Infringement Contentions ("First Amended Infringement Contentions"). (See Cole Decl. ¶ 4, Ex. C.) These contentions accuse the same two VIZIO televisions of infringing the same claims that Nichia previously asserted and that are now the subject of the IPR Petitions. (See Cole Decl., Ex. C.)

¹ Nichia does not contest the accuracy of the IPR Petitions, and the Court therefore takes judicial notice of the contents of these documents. See Fed. R. Evid. 201(b) & ©.

² In particular, VIZIO seeks to invalidate (1) claims 1, 3-5, 7-9, 11-13, and 15-20 of the '959 Patent; (2) claims 1, 4, 7, 8, and 10-14 of the '631 Patent; (3) claim 4 of the '375 Patent; and (4) claims 1 and 12 of the '092 Patent.

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On December 12, 2016, the parties exchanged their initial disclosures, and on December 28, 2016, Nichia served its Second Amended Infringement Contentions upon VIZIO. (See Cole Decl. ¶¶ 6-8, Exs. E-G; see also Second Am. Infringement Contentions.) The Second Amended Infringement Contentions assert twelve (12) of the previously asserted claims and accuse seven (7) VIZIO televisions of infringement. (See Second Am. Infringement Contentions.) On the same day, Nichia supplemented its previous document production, making Nichia's document production total almost 16,000 pages. (Cole Decl. ¶ 9, Ex. H.) Nichia also served VIZIO with its first sets of interrogatories and document requests. (Cole Decl. ¶¶ 10-11, Exs. I, J.)

4. Everlight and the Michigan Patents

The Asserted Patents are all related to one another insofar as they (1) list the same four inventors; (2) share a common specification; and (3) claim priority to the same Japanese patent application, P 09-081010, and the same U.S. Patent Application No. 08/902,725, which issued as U.S. Patent No. 5,998,925 on July 29, 1997 (the "'925 Patent"). (See Compl., Exs. A-D.)

The '925 Patent, as well as U.S. Patent No. 7,531,960 (the "'960 Patent") (together, the "Michigan Patents"), list the same four inventors as the Asserted Patents, share the same specification as the Asserted Patents, and also claim priority to P 09-081010. (See Erwine Decl., Exs. I, J.) Non-party Everlight Electronics Co., Ltd. ("Everlight") filed a declaratory judgment action in the Eastern District of Michigan in 2012 against Nichia and Nichia America Corporation with respect to the Michigan Patents. See Complaint, *Everlight Elecs. Co., Ltd. et al. v. Nichia Corp. et al.* ("Everlight"), No. 4:12-cv-11758-GAD-MKM (E.D. Mich. Apr. 19, 2012), ECF No. 1. On April 22, 2015, the jury in *Everlight* found claims of the Michigan Patents to be invalid as obvious in light of. See Verdict Form, *Everlight*, No. 4:12-cv-11758-GAD-MKM (E.D. Mich. Apr. 22, 2015), ECF No. 505.

II. DISCUSSIONA. Legal Standards1. Inter Partes Review

The Leahy-Smith America Invents Act ("AIA") intended to improve the former *inter partes* reexamination proceeding with a new *inter partes* review proceeding. See 35 U.S.C. §§ 311-319. In pursuit of the AIA's stated goal "to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs," the United States Patent and Trademark Office ("PTO") sought "to create a timely, cost-effective alternative to litigation" in crafting the *inter partes* review regulations. *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered*

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et seq.). The inter partes review procedure is designed (1) to reduce to 12 months the time the PTO spends reviewing validity, from the previous reexamination average of 36.2 months, (*id.* at 48,725); (2) to minimize duplicative efforts by increasing coordination between district court litigation and *inter partes* review, (*id.* at 48,721); and (3) to allow limited discovery in the review proceedings, (*id.* at 48,719).

Inter partes review allows a party other than the patentee to bring an adversarial proceeding in the PTO to establish that the patent claims are invalid under 35 U.S.C. sections 102 or 103. See 35 U.S.C. § 311. Significantly, the AIA "convert[ed] *inter partes* reexamination from an examinational to an adjudicative proceeding." H.R. Rep. No. 112-98, 45 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 77. While *inter partes* reexamination was conducted through amendment-and-response practice before a PTO examiner, *inter partes* review is conducted before a panel of three technically-trained administrative patent judges of the newly formed Patent Trial and Appeal Board ("PTAB"). See 35 U.S.C. § 6. The parties can conduct discovery and respond to each other's arguments, and have the right to an oral hearing. See 35 U.S.C. § 316(a)(5), (8), (10), and (13). To prevail in an *inter partes* review proceeding, a petitioner need only prove invalidity by a preponderance of the evidence. 35 U.S.C. § 316(e).

After a party has filed a petition requesting *inter partes* review, the patent owner has three months to file a preliminary response opposing the request. 35 U.S.C. § 313; 37 C.F.R. § 42.107(b). Within three months of the time set for the patent owner's response, the PTO will grant the *inter partes* review request if "there is 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). This standard for granting review is more stringent than the previous "substantial new question of patentability" standard. If the PTO grants review, a final determination must be issued "not later than 1 year" after the petition is granted. 35 U.S.C. § 316(a)(11). The one-year period may be extended for good cause by not more than 6 months, although "[e]xtensions of the one-year period are anticipated to be rare." 77 Fed. Reg. at 48,695. The patent owner has an opportunity to add or amend claims during *inter partes* review. 35 U.S.C. § 318(b). After review concludes, the party that requested review is estopped from asserting that a claim is invalid "on any ground that the petitioner raised or reasonably could have raised during that inter partes review." 35 U.S.C. § 315(e)(2).

The AIA also seeks to limit the abuse of *inter partes* review as a tool for tactical delay by requiring that a defendant petition for review within one (1) year after being served with the complaint. 35 U.S.C. § 315(b). This one-year limit sets a ceiling on the PTO's ability to commence *inter partes* review where there is ongoing litigation, but "does not change the fact that delay in seeking the PTO's review of a patent within that year can adversely affect a district court's view of a request for a stay pending review." *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030 (C.D. Cal. 2013).

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