

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MONTEREY RESEARCH, LLC,)	
)	
Plaintiff,)	
)	
v.)	C.A. No. 19-2083-NIQA-LAS
)	
QUALCOMM INCORPORATED,)	
QUALCOMM TECHNOLOGIES, INC., and)	
QUALCOMM CDMA TECHNOLOGIES)	
ASIA-PACIFIC PTE LTD.,)	
)	
Defendants.)	

**QUALCOMM INCORPORATED, QUALCOMM TECHNOLOGIES, INC., AND
QUALCOMM CDMA TECHNOLOGIES ASIA-PACIFIC PTE LTD.’S
OPENING BRIEF IN SUPPORT OF THEIR MOTION TO STAY
PENDING INTER PARTES REVIEW**

OF COUNSEL:
David Nelson
Stephen Swedlow
Nathan Hamstra
Daniel R. Schwartz
QUINN EMANUEL URQUHART
& SULLIVAN, LLP
191 N. Wacker Drive, Suite 2700
Chicago, IL 60606
(312) 705-7400

Karen E. Keller (No. 4489)
Jeff Castellano (No. 4837)
Nathan R. Hoeschen (No. 6232)
SHAW KELLER LLP
I.M. Pei Building
1105 North Market Street, 12th Floor
Wilmington, DE 19801
(302) 298-0700
kkeller@shawkeller.com
jcastellano@shawkeller.com
nhoeschen@shawkeller.com
*Attorneys for Qualcomm Incorporated,
Qualcomm Technologies, Inc., and
Qualcomm CDMA Technologies Asia
Pacific Pte Ltd.*

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I. INTRODUCTION

A stay of the present case pending resolution of *inter partes* review (“IPR”) proceedings that have been initiated against all of the Patents-in-Suit promotes judicial efficiency, will streamline the issues in dispute, and will impose no prejudice on Plaintiff Monterey Research, LLC (“Monterey”), a licensing company that does not sell any commercial products. Between November 2019 and January 2020, Monterey initiated five lawsuits against various chipmakers alleging infringement of overlapping patents. The suit against Qualcomm was filed on November 1, 2020 and asserts infringement of U.S. Patent Nos. 6,459,625 (“the ’625 patent”); 6,534,805 (“the ’805 patent”); 6,642,573 (“the ’573 patent”); 6,651,134 (“the ’134 patent”); 6,680,516 (“the ’516 patent”); 6,765,407 (“the ’407 patent”); 7,572,727 (“the ’727 patent”); and 7,977,797 (“the ’797 patent”) (collectively, “the Patents-in-Suit”) – all of which are directed to semiconductor layout and manufacturing processes.

To date, Qualcomm has filed IPR petitions against claims of each of the Patents-in-Suit, and petitions filed by co-defendant AMD have been instituted against all asserted claims of the ’407 and ’134 Patents, as well as certain claims of the ’805 Patent. Qualcomm filed its own petitions against the asserted claims of the ’407, ’134, and ’805 Patents, as well as the other Patents-in-Suit between August-November 2020 and expects institution decisions on its petitions to be made starting in March 2021. In addition, Monterey’s overlapping claims against AMD have been stayed and co-defendants STMicroelectronics and Nanya filed their own Motions to Stay their cases on January 29, 2021 and February 12, 2021, respectively.

Just as this Court found when it stayed the *AMD* litigation, all of the factors at issue favor a stay. Monterey itself advocated for “synchrony” in the schedules of the five related cases it has filed and argued that the absence of a “common schedule” would “serve no purpose” and “squanders judicial resources.” *Monterey Research*, Case No. 19-cv-2149, (Opp. Br.) Dkt. 56 at

15, Ex. 14. Having stayed the *AMD* litigation, by Monterey’s own logic, judicial efficiency heavily favors staying this case as well. Moreover, while Qualcomm is confident that the PTAB’s review will result in invalidation of the asserted claims, even if it does not, at a minimum publication-based invalidity defenses will be streamlined pursuant to 35 U.S.C. § 315. Thus, regardless of the outcome of the IPR, a stay at this stage will simplify the case and promote efficient resolution of the dispute. Since Monterey does not practice the patents or compete with Qualcomm in the market, it will not be prejudiced by any stay pending completion of the IPR process.

II. FACTUAL AND PROCEDURAL BACKGROUND

Monterey filed the operative amended complaint in this case on February 14, 2020 (Dkt. 16) alleging direct and indirect infringement of certain claims of the Patents-in-Suit against defendant Qualcomm Incorporated (“Qualcomm”). In its Amended Complaint, Monterey alleges that the inventions in its patents “stem from” work done by Cypress Semiconductor Corporation (“Cypress”). (Dkt. 16 at ¶ 33.) Monterey did not develop the claimed technology nor has it commercialized any products that utilize the alleged inventions. Instead, Monterey’s sole business is monetizing the patents it has acquired from other companies. *Monterey Research, LLC v. Advanced Micro Devices, Inc.*, Case No. 19-cv-2149, Dkt. 96, n.1 (D. Del. Jan. 5, 2021) (“AMD Stay Order”), Ex. 8.

Between May-December 2020, four different companies filed IPR petitions against various claims of the Patents-in-Suit. The pending petitions are summarized as follows:

Patent	Petitioner	IPR	Filing Date Accorded	Institution Date (or expected)
6,459,625	Qualcomm	IPR2021-00130	November 5, 2020	June 17, 2021
6,534,805	AMD	IPR2020-00990	May 26, 2020	December 2, 2020
6,534,805	Qualcomm	IPR2020-01491	August 20, 2020	March 10, 2021
6,534,805	STMicro	IPR2021-00356	December 23, 2020	July 19, 2021

6,642,573	Qualcomm	IPR2021-00125	October 30, 2020	June 3, 2021
6,651,134	Qualcomm	IPR2020-01492	August 20, 2020	March 10, 2021
6,651,134	AMD	IPR2020-00985	May 26, 2020	December 2, 2020
6,651,134	STMicro	IPR2021-00355	December 23, 2020	July 19, 2021
6,651,134	Nanya	IPR2021-00167	November 4, 2020	June 17, 2021
6,680,516	Qualcomm	IPR2021-00119	October 26, 2020	May 18, 2021
6,680,516	Nanya	IPR2021-00171	November 4, 2020	June 3, 2021
6,765,407	AMD	IPR2020-00989	May 26, 2020	December 2, 2020
6,765,407	Qualcomm	IPR2020-01493	August 20, 2020	March 10, 2021
7,572,727	Qualcomm	IPR2021-00120	October 26, 2020	May 18, 2021
7,977,797	Qualcomm	IPR2021-00121	October 26, 2020	May 19, 2021

By the time this Motion has been fully briefed, Qualcomm reasonably expects that the PTAB will have granted Qualcomm's IPR challenges against three of the Patents-in-Suit, with institution decisions on the remaining patents following shortly thereafter.

The Court entered a Scheduling Order on October 2, 2020. (Dkt. 44.) Pursuant thereto, Monterey served initial infringement contentions on November 20, 2020 and Qualcomm served invalidity contentions on January 11, 2021. The parties were working toward an agreed upon Protective Order to govern source code and other confidential evidence to be produced in this case, but were unable to reach a consensus and on January 28, Monterey abruptly filed a motion for entry of a supplemental Protective Order against three co-defendants: Qualcomm, Nanya, and STMicroelectronics. (Dkt. 62.) While self-styled as a motion to compel, Monterey's motion actually seeks entry of a supplemental protective order that would allow it to access defendants' source code and other evidence made available for inspection without adequate protections against copying and disclosure. (Dkt. 62.) The motion ignores the fact that Qualcomm has already collected and made available for inspection responsive source code and physical design layout files, which Monterey has not bothered to inspect yet because of its recalcitrance over the source code provisions. Qualcomm responded to Monterey's Motion on February 11, 2021.

As a result of Monterey's rush to motion practice, discovery has not commenced in earnest and Monterey has not even inspected much of the technical evidence (*e.g.*, source code) Qualcomm has produced to date. No depositions have been taken. No substantive motions or briefing, including *Markman*, have been filed, much less decided. A Final Pretrial Conference is scheduled in this case for October 11, 2022. (Dkt. 44 at 19.) No trial date has been set yet.

III. LOCAL RULE 7.1.3(C) DISCLOSURE

A. Statement Of The Nature And Stage Of The Proceedings

This case involves plaintiffs' assertion of infringement of patent claims, all of which are currently subject to pending IPR petitions. The case is at its earliest stages. Monterey only served its infringement contentions on November 20, 2021. Expert discovery has not started. No dispositive motions have been filed or decided. No trial date has been set.

B. Summary Of Argument

The Court should exercise its discretion to stay the present litigation pending the outcome of Qualcomm's IPR petitions because:

(1) The proposed stay will not cause Monterey any undue prejudice from any delay and will not give Qualcomm an unfair tactical advantage in the case. Monterey is a non-practicing entity that does not compete with Qualcomm in any market.

(2) The proposed stay will simplify the issues for trial. Monterey itself has argued that the related cases should be litigated on a synchronous schedule to promote judicial economy. This Court previously stayed Monterey's related case against AMD, and STMicroelectronics and Nanya have filed their own motions to stay. And under any permutation of outcomes of the 15 pending IPR petitions relating to the patents-in-suit (8 of which were filed by Qualcomm), the litigation will be streamlined by their outcome.

(3) The stage of litigation supports a stay because the “most burdensome” litigation milestones including completion of fact and expert discovery, dispositive motions and pretrial submissions, and trial have yet to be completed. Additionally, no trial date is set.

IV. LEGAL STANDARD

The decision to stay litigation lies within the sound discretion of the Court. *AMD Stay Order* at 1 (citing *Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988)). “This inherent authority includes the discretion to stay judicial proceedings pending post-grant proceedings that will consider the validity of an issued patent.” *See British Telecommunications PLC v. IAC/InterActiveCorp*, No. CV 18-366-WCB, 2020 WL 5517283, at *2 (D. Del. Sept. 11, 2020) (citing *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (Ex. 4).

“In deciding a motion to stay, the court considers three factors: ‘(1) whether the granting of a stay would cause the non-moving party to suffer undue prejudice from any delay or allow the moving party to gain a clear tactical advantage over the non-moving party; (2) whether a stay will simplify the issues for trial; and (3) whether discovery is complete and a trial date set.’ *AMD Stay Order* at 1 (quoting *Cephalon, Inc. v. Impax Labs., Inc.*, 2012 WL 3867568, at *2 (D. Del. Sept. 6, 2012) (Ex. 5)). “A stay is particularly justified when “the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues.” *British Telecom.*, 2020 WL 5517283 at *2 (citing *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058, 2015 WL 1069111, at *1 (E.D. Tex. Mar. 11, 2015) (Ex. 10)). “Because of the benefits conferred by PTO post-grant proceedings, courts have concluded that” a “liberal policy” applies “to staying cases pending . . . post-grant proceedings.” *Id.* at *4.

V. ARGUMENT

A. The Requested Stay Will Not Impose Undue Prejudice On Plaintiff

Here, the Court has already stayed a companion case and has already concluded that in view of Monterey's status as a non-practicing entity, the risk of undue prejudice from a stay is minimal. *AMD Stay Order* at 2 ("The relationship of the parties also favors granting a stay here since Plaintiff is a non-practicing entity and does not compete with Defendant.") (citing *AIP Acquisition LLC v. Level 4 Commc'ns, LLC*, 2014 WL 1264200, at *3 (D. Del. Jan. 9, 2014) (Ex.1); *Uniloc 2017 LLC v. Vudu, Inc.*, Civ. A. No. 19-0183, DI 72 at *2 (D. Del. Mar. 26, 2020) (Ex. 13)). As Monterey has averred, its sole business is licensing and its goal in this litigation is licensing revenue and/or a favorable settlement. *Monterey Research, LLC v. Advanced Micro Devices, Inc.*, Case No. 19-cv-2149, Dkt. 56 at 18 (D. Del. Sept. 16, 2020) (Ex. 14). There is no reason why a stay pending resolution of the IPRs prejudices Monterey's ability to remediate its alleged injury through this lawsuit. *IOENGINE, LLC v. PayPal Holdings, Inc.*, No. CV 18-452-WCB, 2019 WL 3943058, at *6 (D. Del. Aug. 21, 2019) (general interest in "prompt enforcement of patent rights" is "insufficient, standing alone, to defeat a stay motion") (Ex. 7). Monterey's general complaint about delay is insufficient to establish any undue prejudice or undermine the justification for a stay. *AMD Stay Order* at 2 ("The mere potential for delay does not in itself establish undue prejudice.") (citing *BodyMedia, Inc. v. Basis Sci., Inc.*, 2013 WL 2462105, at *1 (D. Del. Jun. 6, 2013) (Ex. 3)); *see also British Telecom.*, 2020 WL 5517283 at *6 (D. Del. Sept. 11, 2020) ("the potential for delay does not, by itself, establish **undue** prejudice) (emphasis original) (quoting *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662, 2013 WL 424754, at *2 (D. Del. Jan. 31, 2013) (Ex. 9)).

In addition, Qualcomm's prompt efforts to seek review of the Patents-in-Suit demonstrate diligence and the absence of dilatory motive in seeking a stay. *AMD Stay Order* at 2 (finding

that petitions filed with in “a few months of Monterey having filed its operative amended complaint” reflected “no dilatory motive”); *IOENGINE, LLC v. PayPal Holdings, Inc.*, No. CV 18-452-WCB, 2019 WL 3943058, at *5 (D. Del. Aug. 21, 2019) (Ex. 7). Qualcomm filed eight petitions between August 20, 2020 and November 5, 2020. Then, Qualcomm filed the present motion to stay within three months following submission of its final petition to the PTAB. *AMD Stay Order* at 2. Qualcomm has moved quickly to file its IPR petitions and seek a stay before the parties have invested in substantial litigation such as claim construction proceedings or dispositive motions. *Id.* Thus, this factor weighs in favor of a stay.

B. A Stay Will Simplify The Issues And Make Litigation More Efficient

This Court has already found that a stay is likely to simply the issues in this case. *AMD Stay Order* at 2. Three of the Patents-in-Suit are subject to ongoing, instituted IPR proceedings. Qualcomm has filed its own petitions addressing all asserted claims of the Patents-in-Suit and expects institution decisions on some within a month. As this Court has already found:

Should all of the asserted claims be found invalid, this litigation would be “simplified” because it would be concluded. Alternatively, should even some of the asserted claims be found invalid, that finding would reduce the number of issues left to be litigated. . . . Should the claims survive the IPR process, this Court will benefit from the PTAB’s expertise and review. . . Moreover, if some or all of the claims are found not invalid, litigation is likely to be simplified due to the estoppel effect on Defendant of the PTAB findings relating to certain prior art. Thus, the simplification factor favors a stay.

AMD Stay Order at 2 (collecting cases). By the time briefing is completed on this motion to stay, the PTAB will likely have decided whether to institute at least the first filed petitions. Thus, this Motion does not fall within the ambit of the case law addressing pre-institution stays. Here, three patents are already subject to instituted IPR proceedings (two covering all claims asserted against Qualcomm) and this Motion will be fully briefed by the time that at least

Qualcomm’s first three petitions (IPR2020-01491, IPR2020-01492, IPR2020-01493) on the ’805, ’134, and ’407 Patents will be instituted (or not) by the PTAB.

A prompt stay is particularly appropriate in this case because Monterey has argued to this Court that maintaining the “synchrony” between the five cases it filed is “critical . . . to judicial efficiency.” *Monterey Research*, Case No. 19-cv-2149, (Opp. Br.) Dkt. 56 at 15 (Ex. 14). As Monterey argued “this case is one of five Related Actions” that should “progress[] in a coordinated manner under a common schedule.” *Id.* Staying one case but not the others “will guarantee piecemeal, duplicative litigation,” “would serve no purpose,” “obstructs coordination of all related actions,” and “squanders judicial resources.” *Id.* Monterey’s advocacy for keeping the related actions on the same schedule militates heavily in favor of staying the present case just as this Court stayed the *AMD* litigation and should the *STMicronics* case in response to its pending motion as well. As Monterey argued, there is little to be gained by staying one case and not the others, and since this Court has already stayed *AMD*, all of the factors relating to judicial economy cited by Monterey now favor staying this case.

C. The Stage Of Litigation Favors A Stay

None of the critical litigation milestones that impact the stay analysis have occurred in the present case. In considering this factor, the Court generally considers “whether discovery is complete and whether a trial date has been set.” *AMD Stay Order* at 2 (quoting *First Am. Title Ins. Co. v. MacLaren LLC*, 2012 WL 769601, at *4 (D. Del. Mar. 9, 2012) (Ex. 6)). “Staying a case in its early stages advances judicial efficiency and prevents the court and the parties from expending resources on claims that may be rendered invalid.” *Id.* (citing *SenoRx, Inc. v. Hologic, Inc.*, 2013 WL 144255, at *5-6 (D. Del. Jan. 11, 2013) (Ex. 12)). Stays are most “favored” when, as here, “the most burdensome stages of the case” – completion of fact and expert discovery, filing and responding to pretrial motions, preparing for trial, and going to trial

– “all lie in the future.” *Id.* (citing *Bio-Rad Laboratories, Inc. v. 10X Genomics, Inc.*, Civ. A. No. 18-1679, D.I. 123 at *2 (D. Del. Jun. 2, 2020) (Ex. 2)).

However, even in cases where there has been “substantial progress” including completion of fact discovery and claim construction, Courts often find that the stage of litigation favors a stay because of the magnitude and cost of tasks left to be completed including, most notably, trial. *British Telecom*, 2020 WL 5517283 at *5-6 (the “stage of litigation” factor weighed in favor of a stay even though fact discovery was complete and expert discovery was underway); *RetailMeNot, Inc. v. Honey Sci. LLC*, No. CV 18-937-CFC-MPT, 2020 WL 373341, at *2 (D. Del. Jan. 23, 2020) (the parties service of written discovery and production of “hundreds of thousands of pages of documents” does not weigh against a stay) (Ex.11); *see also IOENGINE, LLC v. PayPal Holdings, Inc.*, No. CV 18-452-WCB, 2019 WL 3943058, at *5 (D. Del. Aug. 21, 2019) (“While IOENGINE’s observations indicate that there has been significant progress in the two cases, the most burdensome stages of the cases—completing discovery, preparing expert reports, filing and responding to pretrial motions, preparing for trial, going through the trial process, and engaging in post-trial motions practice—all lie in the future.”) (Ex. 7).

Here, the parties have exchanged initial contentions but discovery remains at its very earliest stages. Monterey has yet to review the source code and design files that Qualcomm has made available for review, conduct any depositions, or provide the written discovery it agreed should take place after contentions were exchanged (*e.g.*, written discovery regarding Monterey’s claimed priority date and documentary evidence of alleged conception and reduction to practice). Neither claim construction nor expert discovery has been completed; no dispositive

motions have been filed or heard; and no trial date has been set. Thus, the early stage of the case favors a stay.¹

VI. CONCLUSION

Since all three factors considered by this Court favor staying the litigation pending completion of Qualcomm's IPR petitions filed against the Patents-in-Suit, Qualcomm respectfully requests that this Court grant its motion to stay.

¹ Notably, evaluation of this factor is forward-looking, not backward looking. Thus that “there has been substantial progress” in a litigation does not mean that this factor weighs against a stay. What matters is what “parts of the case . . . lie in the future” and whether the IPR proceedings are likely to eradicate or ease the burden of those future proceedings. *See CyWee Grp. Ltd. v. Samsung Elec. Co.*, No. 2:17-cv-140, Dkt. No. 331, at 13; *see also Smartflash LLC v. Apple Inc.*, 621 F. App'x 995, 1005 (Fed. Cir. 2015); *NFC Tech.*, 2015 WL 1069111, at *3

Exhibit 1

2014 WL 12642000

Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

AIP ACQUISITION LLC, Plaintiff,
v.
LEVEL 3 COMMUNICATIONS, LLC, Defendant.
AIP Acquisition LLC, Plaintiff,
v.
Cablevision Systems Corporation,
and CSC Holdings, LLC, Defendants.
AIP Acquisition LLC, Plaintiff,
v.
Charter Communications, Inc.,
and Charter Communications
Holding Company, LLC, Defendants.
AIP Acquisition LLC, Plaintiff,
v.
Comcast Corporation, Comcast Cable
Communications, LLC, Comcast Cable
Communications Management, LLC,
Comcast IP Phone, LLC, and Comcast
Business Communications, LLC, Defendants.
AIP Acquisition LLC, Plaintiff,
v.
Cox Communications, Inc. and
CoxCom, LLC, Defendants.
AIP Acquisition LLC, Plaintiff,
v.
Time Warner Cable Inc., Time Warner Cable
Enterprises LLC, Twc Communications, LLC,
and TWC Digital Phone LLC, Defendants.

C.A. No. 12-617-GMS, C.A. No. 12-
1688-GMS through 12-1692-GMS

Signed 01/09/2014

Attorneys and Law Firms

Richard D. Kirk, Stephen B. Brauerman, Bayard, P.A.,
Wilmington, DE, Damir Cefo, Pro Hac Vice, Francisco A.
Villegas, Pro Hac Vice, Joyce E. Kung, Pro Hac Vice, Karen
H. Bromberg, Pro Hac Vice, for Plaintiff.

Kelly E. Farnan, Richards, Layton & Finger, PA Wilmington,
DE, Daniel L. Reisner, Pro Hac Vice, David Benyacar Pro
Hac Vice, David Soofian, Pro Hac Vice, for Defendant.

ORDER

Gregory M. Sleet, CHIEF, UNITED STATES DISTRICT
JUDGE

*1 On May 17, 2012, the plaintiff, AIP Acquisition
LLC (“AIP”), filed suit against Level 3 Communications,
LLC (“Level 3”) alleging, *inter alia*, infringement of
U.S. Patent No. 7,724,879 (“the ‘879 patent”) (12-
617-GMS, D.I. I).¹ AIP filed five additional patent
infringement actions on December 11, 2012, asserting the
‘879 patent against: Cablevision Systems Corporation
and CSC Holdings, LLC (“CSC”); Charter Communications
Inc. and Charter Communications Holding Company,
LLC (“Charter”); Comcast Corporation, Comcast Cable
Communications, LLC, Comcast Cable Communications
Management, LLC, Comcast IP Phone, LLC, and
Comcast Business Communications, LLC (“Comcast”); Cox
Communications, Inc. and CoxCom, LLC (“Cox”); and Time
Warner Cable Inc., Time Warner Cable Enterprises LLC,
TWC Communications, LLC, and TWC Digital Phone LLC
(“Time Warner”) (collectively, the “Cable defendants” and
the “Cable Cases”) (*see, e.g.*, 12-1688-GMS, D.I. 1).² On
May 21, 2013, Level 3 filed a petition for an *inter partes*
review (“IPR”) of the ‘879 patent with the United States
Patent and Trademark Office (“PTO”). (12-617-GMS, D.I.
27, Ex. D.) The PTO granted Level 3’s IPR petition as to every
claim of the ‘879 patent on October 31, 2013, (*id.*, D.I. 53,
Ex. 23). Presently before the court is Level 3’s Motion to Stay
Pending *Inter Partes* Review (*id.*, D.I. 25)³.

A decision to stay litigation lies within the sound discretion
of the court and represents an exercise of the court’s “inherent
power to conserve judicial resources by controlling its own
docket”. *Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d
58, 60 (3d Cir. 1985). It is well settled that this authority
extends to patent cases in which a PTO review has been
requested. *See Ethicon, Inc. v. Quigg*, 849 F.2d 1422,
1426-27 (Fed. Cir. 1988) (citations omitted) (“Courts have
inherent power to manage their dockets and stay proceedings,
including the authority to order a stay pending conclusion

of a PTO reexamination.”). The court performs a balancing analysis using the following three factors to determine if a stay is appropriate: “(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.” *First Am. Title Ins. Co. v. McLaren LLC*, No. 10–363–GMS, 2012 WL 769601, at *4 (D. Del. Mar. 9, 2012).

*2 After considering the parties' positions as set forth in their papers, as well as the applicable law, the court finds that a stay pending resolution of the '879 IPR proceeding is warranted here because it will simplify issues before the court and will not unduly prejudice AIP.

A stay will simplify issues before court and conserve judicial resources.⁴ In its decision to grant Level 3's IPR petition, the PTO concluded that Level 3 “demonstrate[d] a reasonable likelihood of prevailing on its challenge to the patentability of [all claims] of the '879 patent.” (12–617–GMS, D.I. 53, Ex. 23 at 33.) As such, a stay will allow the court and the parties to avoid wasting resources on a *Markman* hearing and at trial to address claims that have a “reasonable likelihood” of being amended or canceled.⁵ See *In re Bear Creek Techs. Inc.*, No. 12–md–2344–GMS, 2013 WL 3789471, at *3 n.8 (D. Del. Jul. 17, 2013) (staying multiple actions pending *inter partes* reexamination of a common asserted patent). If the '879 patent is not invalidated, the court and the parties will have the benefit of the IPR record in any post-stay *Markman* process. See *Gioello Enters. Ltd. v. Mattel, Inc.*, No. 99–375–GMS, 2001 WL 125340, at *1 (D. Del. Jan. 29, 2001). Additionally, a stay will simplify issues at trial because Level 3 will be estopped from asserting invalidity arguments that were raised or reasonably could have been raised during the IPR proceeding. See 35 U.S.C. § 315(e)(2). Issues in the Cable Cases will also be simplified at trial because the Cable defendants have stipulated to a limited estoppel based upon invalidity arguments considered in the IPR proceeding that lead to a final, nonappealable judgment. (See, e.g., 12–1688–GMS, D.I. 74.)


*3 Further, the court finds that the existence of other patents-in-suit does not influence the court's calculus. The patents-in-suit are directed to communications network technology and claim construction of these patents will require significant time and resources from the court. While the '879 patent

is one of three patents in the Level 3 action, it is the only patent that the parties determined requires claim construction. (See 12–617–GMS, D.I. 44 at n.1.) Further, to resolve the Cable Cases, the court must construe the disputed terms in the '879 patent, notwithstanding the three remaining patents in the Cable Cases. As discussed above, such an effort would be a waste of judicial resources. Moreover, if the court proceeded through to trial, a jury verdict finding the '879 patent valid might be vacated if a later IPR final decision invalidated the '879 patent. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013) (holding that the PTO's cancellation of claims moots any pending litigation on those claims where no final judgment has been entered). Therefore, the court finds a stay pending resolution of the '879 IPR proceeding will simplify issues and advance the interests of judicial economy.

Additionally, the court finds that the remaining factors do not alter the balancing analysis. AIP is unlikely to suffer undue prejudice as a result of the stay. The timing of the *inter partes* review petitions and motion to stay does not suggest the defendants sought an unfair tactical advantage. AIP is a licensing entity and not a direct competitor of Level 3 or the Cable defendants. Thus, it can be adequately remedied for any delay by “money damages, including any appropriate interest accrued during the stay.” *Bear Creek*, 2013 WL 3789471, at *3 n.8. Further, the prejudice against AIP resulting from a stay of the Cable Cases is reduced by the Cable defendants stipulation to a limited estoppel regarding invalidity arguments adjudicated during the IPR proceeding. (See, e.g., 12–1688–GMS, D.I. 74.) Finally, the court notes that discovery is not complete and trial is scheduled for January 2015. Although the parties have expended resources on their respective actions, to continue the action would result in the court and the parties wasting further resources on a patent “reasonably likely” to be amended or invalidated in the IPR proceeding. Accordingly, the court grants Level 3's Motion to Stay Pending *Inter Partes* Review and stays all of the above captioned actions pending resolution of the '879 IPR proceeding.

IT IS HEREBY ORDERED that:

1. Level 3's Motion to Stay Pending *Inter Partes* Review (12–617–GMS, D.I. 25) is GRANTED.

2. The above-captioned actions are STAYED pending resolution of the *inter partes* review of  U.S. Patent No. 7,724,879.

All Citations

Not Reported in Fed. Supp., 2014 WL 12642000

Footnotes






- 1 AIP's Complaint against Level 3 also alleged infringement of U.S. Patent Nos.: 6,757,275 ("the '275 patent"); 7,486,662 ("the '662 patent"); 5,606,602 ("the '602 patent") and 5,917,897 ("the '897 patent"). (12-617-GMS, D.I. 1.) AIP subsequently withdrew its allegations of infringement of the '602 and '897 patents against Level 3; only the  '879, '275, and '662 patents remain at issue. (See *id.*, D.I. 22.)
- 2 AIP also asserted U.S. Patent Nos. 6,496,579 ("the '579 patent"), 6,078,654 ("the '654 patent"), and 6,188,756 ("the '756 patent") against the CSC, Charter, Comcast, and Cox defendants. (See, e.g., 12-1688-GMS, D.I. 1). The  '879 patent is the only patent AIP asserted against Time Warner. (12-1692-GMS, D.I. 10.)
- 3 The Cable defendants are not parties to, or otherwise participating in, Level 3's IPR petition, but nevertheless the Cable defendants do not oppose a stay of the Level 3 case or the Cable Cases (12-617-GMS, D.I. 26 at 4-5; 12-1688-GMS, D.I. 52 at 1-2.)
- 4 The court notes that in the decision to grant Level 3's IPR, the PTO rejected the same proposed constructions for "Internet protocol" and "signaling messages" that AIP submitted in its opening claim construction brief to this court. (12-617-GMS, D.I. 53, Ex. 23 at 12-16; *id.*, D.I. 44 at 6-13.) Further, the court rejects AIP's contention that the issues before the court will not be simplified because Level 3 is "hedging its bets by not disclosing all of the prior art references in its IPR petition that it disclosed in its invalidity contentions." (12-617-GMS, D.I. 29 at 12.) IPR petitions are limited to 60 pages, see 37 C.F.R. § 42.24 (a)(1)(i), and the PTO only relied upon a subset of the submitted prior art references in its decision to grant IPR of all of the  '879 patent claims. (12-617-GMS, D.I. 53, Ex. 23 at 33.) Similarly, the Court rejects AIP's argument that the IPR proceeding cannot resolve all issues regarding the  '879 patent, including infringement, damages, equitable defenses, and other claims of invalidity. "While the court recognizes that this case likely presents certain questions that simply cannot be addressed through *inter partes* review, it notes that the 'issue simplification' factor does not require complete overlap."  *Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 12-1744-GMS, 2013 WL 3353984, *5 (D. Del. July 2, 2013).
- 5 Indeed, if the court does not stay the action, the PTO's final decision will likely issue after the scheduled *Markman* hearing (January 16, 2014) but before trial (January 5, 2015) thereby nullifying the court's *Markman* efforts in the "reasonably likely" event the claims are amended or canceled during the IPR proceeding.

Exhibit 2

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

BIO-RAD LABORATORIES, INC.)	
)	C.A. No. 18-1679-RGA
Plaintiff,)	
)	JURY TRIAL DEMANDED
v.)	
)	
10X GENOMICS, INC.)	PUBLIC VERSION
)	
Defendant.)	

**DECLARATION OF ANDREW NARAVAGE
IN SUPPORT OF BIO-RAD LABORATORIES, INC.’S OPPOSITION TO
DEFENDANT’S MOTION TO STAY PENDING *INTER PARTES* REVIEW**

OF COUNSEL:

David Bilsker
Andrew E. Naravage
QUINN EMANUEL URQUHART &
SULLIVAN, LLP
50 California Street, 22nd Floor
San Francisco, CA 94111
Tel.: (415) 875-6432

Kevin P.B. Johnson
QUINN EMANUEL URQUHART &
SULLIVAN, LLP
555 Twin Dolphin Dr., 5th Floor
Redwood Shores, CA 94065
Tel.: (650) 801-5015

Anne S. Toker
James E. Baker
Nathan Sun
QUINN EMANUEL URQUHART &
SULLIVAN, LLP
51 Madison Ave, 22nd Floor
New York, NY 10010
Tel: (212) 849-7000

David E. Moore (#3983)
Bindu A. Palapura (#5370)
Stephanie E. O’Byrne (#4446)
POTTER ANDERSON & CORROON LLP
Hercules Plaza, 6th Floor
1313 N. Market Street
Wilmington, DE 19801
Tel: (302) 984-6000
dmoore@potteranderson.com
bpalapura@potteranderson.com
sobyrne@potteranderson.com

*Attorneys for Plaintiff Bio-Rad Laboratories,
Inc.*

Jeffrey C. Wu
QUINN EMANUEL URQUHART &
SULLIVAN, LLP
865 S. Figueroa St., 10th Floor
Los Angeles, CA 90017
Tel: (213) 443-3000

Dated: May 20, 2020
6738119 / 45514

Public Version Dated: May 27, 2020

I, Andrew Naravage, declare as follows:

1. I am an attorney at the law firm of Quinn Emanuel Urquhart & Sullivan, LLP, counsel of record for plaintiff Bio-Rad Laboratories, Inc. ("Bio-Rad") in the above-captioned matter. I am an attorney in good standing and licensed to practice before the courts of the State of California.

2. I submit this declaration in support of Bio-Rad's Opposition to Defendant's Motion to Stay Pending *Inter Partes* Review.

3. To date, and setting aside documents that the parties deemed reproduced, Bio-Rad has produced documents with a Bates range from BRL00000001 through BRL00080212, a total of 10,541 individual documents.

4. To date, and setting aside documents that the parties deemed reproduced, Defendant has produced documents with a Bates range from 10X1679-000000001 through 10X1679-000041100, a total of 2,150 individual documents.

5. Attached hereto as **Exhibit A** is a true and correct copy of an email from S. Jameson to A. Naravage re: Bio-Rad v. 10X (1679): 10X Search Terms, last email in the chain dated May 20, 2020.

6. Attached hereto as **Exhibit B** is a true and correct copy of an email from S. Jameson to S. Adams re: Bio-Rad v. Bio-Rad v. 10X (1679): Bio-Rad's Discovery Responses, last email in the chain dated February 7, 2020.

7. Attached hereto as **Exhibit C** is a true and correct copy of Defendant 10X Genomics, Inc.'s Initial Disclosures, served on July 3, 2019.

8. Attached hereto as **Exhibit D** is a true and correct copy of Defendant 10X Genomics, Inc.'s First Amended Initial Disclosures, served on March 16, 2020.

9. Attached hereto as **Exhibit E** is a true and correct copy of 10X's Initial Invalidity Contentions and Appendices H-J, served on October 30, 2019.

10. Attached hereto as **Exhibit F** is a true and correct copy of Patent Owner's Preliminary Response Pursuant to 35 U.S.C. § 313 and 37 C.F.R. § 42.107, *Inter Partes* Review No. IPR2020-00086, dated January 29, 2020.

11. Attached hereto as **Exhibit G** is a true and correct copy of Patent Owner's Preliminary Response Pursuant to 35 U.S.C. § 313 and 37 C.F.R. § 42.107, *Inter Partes* Review No. IPR2020-00087, dated January 29, 2020.

12. Attached hereto as **Exhibit H** is a true and correct copy of Patent Owner's Preliminary Response Pursuant to 35 U.S.C. § 313 and 37 C.F.R. § 42.107, *Inter Partes* Review No. IPR2020-00088, dated January 29, 2020.

13. Attached hereto as **Exhibit I** is a true and correct copy of Patent Owner's Preliminary Response Pursuant to 35 U.S.C. § 313 and 37 C.F.R. § 42.107, *Inter Partes* Review No. IPR2020-00089, dated January 29, 2020.

14. Attached hereto as **Exhibit J** is a true and correct copy of the Transcript of Motion to Stay Before the Honorable Richard G. Andrews in *Bio-Rad Laboratories, Inc. v. 10X Genomics, Inc.*, C.A. No. 15-152-RGA (Apr. 5, 2016), D.I. 38.

15. Attached hereto as **Exhibit K** is a true and correct copy of an email from A. Naravage to S. Jameson re: Bio-Rad v. 10 (No. 18-1679-RGA) - ESI search term hit counts, last email in the chain dated May 3, 2020.

16. Attached hereto as **Exhibit L** is a true and correct copy of an email from G. Cremona to J. McCauley re: Bio-Rad v. 10X (DE 1679): Damages Discovery, last email in the chain dated May 19, 2020.

17. Attached hereto as **Exhibit M** is a true and correct copy of the Response Brief for Bio-Rad Laboratories, Inc. and The University of Chicago in *Bio-Rad Laboratories, Inc. v. 10X Genomics Inc.*, Nos. 2019-2255, -2285 (Fed. Cir. Nov. 27, 2019), D.I. 32.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on May 20, 2020, in San Francisco, California.

/s/ Andrew Naravage
Andrew Naravage

Exhibit 3

2013 WL 2462105

2013 WL 2462105
Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

BODYMEDIA, INC., Plaintiff,
v.
BASIS SCIENCE, INC., Defendant.

C.A. No. 12-cv-133 (GMS).
|
June 6, 2013.

ORDER

GREGORY M. SLEET, Chief Judge.

*1 WHEREAS, on February 2, 2012, the plaintiff, BodyMedia, Inc. (“BodyMedia”), filed a Complaint (D.I.1) against the defendant, Basis Science, Inc. (“Basis Science”), alleging that Basis Science’s products infringe its U.S. Patent Nos. 6,605,038 (“the ‘038 Patent”), 7,020,508 (“the ‘508 Patent”), 7,261,690 (“the ‘690 Patent”), 7,285,090 (“the ‘090 Patent”), 7,689,437 (“the ‘437 Patent”), and 8,073,707 (“the ‘707 Patent”) (collectively, the “patents-in-suit”);

WHEREAS, on May 24, 2012, Basis Science filed its Answer to the Complaint (D.I.8), on June 11, 2012, BodyMedia filed its first Amended Complaint (D.I.10), and, on June 28, 2012, Basis Science filed its Answer to the first Amended Complaint (D.I.12);

WHEREAS, on October 24, 2012, Basis Science filed a Motion to Stay Pending Reexamination (D.I.15), which also requests that the court, should it deny the stay, transfer the above-captioned action to the Northern District of California (*id.*);

WHEREAS, on November 13, 2012, BodyMedia filed its Answering Brief in Opposition to Basis Science’s Motion to Stay and, on November 26, 2012, Basis Science filed its Reply (D.I.25);

WHEREAS, the court, having considered the instant motion, the response and reply thereto, supplemental submissions, and the applicable law, concludes that Basis Science has demonstrated that a stay of the above-captioned matter pending completion of the *inter partes* reexamination is appropriate in this case ¹;

IT IS HEREBY ORDERED that:

1. Basis Science’s Motion to Stay and, in the Alternative, to Transfer (D.I.15) is GRANTED IN PART and DENIED IN PART, such that Basis Science’s Motion to Stay is GRANTED and its Motion to Transfer is DENIED as MOOT;
2. This matter is STAYED pending resolution of the *inter partes* reexamination of U.S. Patent Nos. 7,261,690, 6,605,038, 7,689,437, 7,285,090, and 8,073,707.

All Citations

Not Reported in F.Supp.2d, 2013 WL 2462105

Footnotes

¹ The decision to stay a case lies within the sound discretion of the trial court. See *Cost Bros., Inc. v. Travelers Indent. Co.*, 760 F.2d 58, 60 (3d Cir.1985); *First Am. Title Ins. Co. v. MacLaren, LLC*, No. 10–363–GMS, 2012 WL 769601, at *4 (D.Del. Mar. 9, 2012); *Nokia Corp. v. Apple, Inc.*, No. 09–791–GMS, 2011 WL 2160904, at *1 (D. Del. June 1, 2011). In determining whether a stay is appropriate, the court is tasked with assessing 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.” *First Am. Title Ins. Co.*, 2012 WL 769601, at *4 (quoting *Xerox Corp. v. 3 Comm. Corp.*, 69 F.Supp.2d 404, 406 (W.D.N.Y.1999)).

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For the reasons that follow, the court finds that the first two factors favor the imposition of a stay pending resolution of the *inter partes* reexamination and, therefore, will grant the instant motion.

With regard to the “undue prejudice” consideration, the court notes that the potential for litigation delay is not, by itself, dispositive and does not demonstrate that a party will be unduly prejudiced. See *Wall Corp. v. BondDesk Grp, LLC*, C.A. No. 07–844–GMS, 2009 WL 528564, at *2 (D.Del. Feb. 24, 2009). Rather, the court must assess a variety of “sub-factors,” including “the timing of the stay request ... the relationship between the parties and the related question of whether the plaintiff may be compensated through future money damages.” *Nestle Oil Oyj v. Dynamic Fuels, LLC*, No. 12–662–GMS, 2013 WL 424754, at *2 (D.Del.

Jan. 31, 2013). The court should also consider the status of the reexamination proceedings. See *Boston Scientific Corp. v. Cordis Corp.*, 777 F.Supp.2d 783, 789 (D.Del.2011). Moreover, regarding the timing of the request for a stay, a court will not grant a stay where it determines that a party is attempting to seek a “tactical advantage.” See *Imagevision.Net, Inc. v. Internet Payment Exch., Inc.*, 2012 WL 5599338, at *3 (D.Del. Nov. 25, 2012).

Here, BodyMedia argues that a stay should not be granted pending resolution of reexamination proceedings because: (1) at the time the defendant filed the instant motion, no reexaminations had been granted and the art cited in the reexamination requests is “redundant of that before the USPTO during prosecution,” such that the examination would be cumulative and not relevant for determining whether to grant these requests (D.I. 21 at 5–6); (2) the defendant is a direct competitor of BodyMedia, in that both companies offer wearable electronic devices aimed at improving the health of its user, and this relationship weighs against granting a stay (*id.* at 6–7 (citing *Cooper Notification, Inc. v. Twitter, Inc.*, 2010 WL 5149351, at *3 (D.Del. Dec. 13, 2010)); and (3) the typical length of the reexamination proceedings will result in prejudice to it (*id.* at 7). The court disagrees.

First, at present, six of Basis Science's seven requests for reexamination have been granted. Specifically:

(1) on December 6, 2012, the PTO granted *inter partes* reexamination of the # 690 Patent and issued an office action rejecting all one hundred forty-one claims that were the subject of Basis Science's request; (2) on December 6, 2012, the PTO granted *inter partes* reexamination of the # 038 Patent and issued an office action rejecting all twenty-eight claims that were the subject of Basis Science's request; (3) on November 27, 2012, the PTO granted *inter partes* reexamination of the # 090 Patent and issued an office action rejecting all but one of the twenty-seven claims that were the subject of Basis Science's request; (4) on November 29, 2012, the PTO granted *inter partes* reexamination of the # 437 Patent and issued an office action rejecting all fifty-five claims that were the subject of Basis Science's request; and (5) as noted in Basis Science's Reply, the PTO granted *inter partes* reexamination on the # 707 Patent and issued an office action rejecting all twenty-one claims at issue in the request. (D.I. 29 at 1–2.) Thus, BodyMedia's argument that the stay should not be granted in this matter because the PTO has not granted Basis Science's reexamination requests is now moot.

Second, while BodyMedia is correct that the parties offer products in the same market and, therefore, would be direct competitors, the court finds unpersuasive the assertion that this factor weighs against a stay. Specifically, Basis Science asserts that it has not, to date, sold its product, although it has marketed it at trade shows, advertised it, and discussed its intent to launch even in light of the present lawsuit. (D.I. 21 at 6–7.) BodyMedia is unable to conclusively demonstrate that Basis Science has, in fact, sold its device. Even assuming that the parties are appropriately characterized as direct competitors, however, courts are generally “reluctant” to issue a stay in the direct competitor scenario where potential preliminary injunctive relief would be postponed. See *Ever Win Int'l Corp. v. Radioshack Corp.*, C.A. No. 11–1104–GMS–CJB, 2012 WL 4801890, at *7 (D.Del. Oct. 9, 2012). Here, however, BodyMedia has not sought any preliminary relief, notwithstanding its allegation that “Basis [Science] uses, makes, offers to sell, and sells and/or imports a line of Basis Band, wearable, multi-sensor monitors” that “infringe the Patents–in–Suit,” and has not filed a

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motion for preliminary injunction. (D.I. 1 at ¶¶ 40, 42.) In light of this, and the fact that Basis Science has not yet sold its product, the court finds that the relationship between the parties as competitors does not weigh against granting the defendant's Motion to Stay.

Third, the court also disagrees with BodyMedia that staying the matter will prejudice it. Specifically, BodyMedia asserts that, given the early stage of the reexaminations and the average length it takes to complete a reexamination, including appeals, a stay will prejudice it because it would "allow Basis [Science], as an infringing party, to try to develop a market for its product at the expense of BodyMedia." (D.I. 21 at 7.) BodyMedia further asserts that, "[n]ot only might BodyMedia lose good will and sales, but also, because of the instability of the Basis [Science] business (as pleaded in its papers), BodyMedia may never be able to receive damages to compensate for infringement." (*Id.*) The court is not persuaded by either assertion. Indeed, it is well-established that the potential for litigation delay, by itself, is insufficient to demonstrate that BodyMedia will be unacceptably prejudiced and is, therefore, not dispositive in the analysis. See *Wall Corp. v. BondDesk Grp., L.L.C.*, C.A. No. 07-844-GMS, 2009 WL 528564, at *2 (D.Del. Feb. 24, 2009). In addition, the timing of the reexamination and stay requests do not evidence any dilatory motive on Basis Science's part and BodyMedia does not allege such motive. Basis Science filed the reexamination requests four months after BodyMedia filed its first Amended Complaint and before a Scheduling Order was entered and any discovery was conducted. Basis Science likewise filed its Motion to Stay before a Scheduling Order was entered. Moreover, and with respect to the relationship between the parties and the issue of compensation via money damages, the court finds that the relationship between the parties does not weigh against a stay for the reasons state above. With respect to monetary compensation, BodyMedia asserts that Basis Science is a small company and financially unstable, such that Basis Science would be unable to monetarily compensate BodyMedia if this action is resolved in its favor. Aside from offering speculation, however, BodyMedia has not demonstrated that Basis Science will be unable to compensate it monetarily or that it would be insufficiently compensated by money damages. Thus, the court is not persuaded by either prejudice argument.

In fact, the court finds that staying this matter pending resolution of the above-named reexaminations will aid in simplifying the issues before it. As the defendant notes, of the 111 claims identified in BodyMedia's amended complaint, and reasserted in its Preliminary Patent Disclosures, 107 have been rejected in the pending reexaminations before the PTO. (D.I. 33 at 1.) The PTO has also rejected 114 of the 132 claims BodyMedia recently added in its Preliminary Patent Disclosures. (*Id.* at 1-2.) As a result, if the court were to deny Basis Science's request for a stay, it would be adjudicating less than ten percent of BodyMedia's 243 asserted claims. Further, 15 of the 22 claims not covered by the pending reexaminations depend on claims that have been rejected. (*Id.* at 2.) Thus, while BodyMedia is correct that there will be issues for judicial resolution not involved in the *inter partes* reexamination, the court is convinced that, in view of the foregoing, the reexamination proceedings will simplify the overlapping issues present in the reexamination and that will ultimately be before the court. Therefore, the court concludes that granting a stay is appropriate in this case as it will simplify the issues ultimately before the court and will conserve judicial resources.

Finally, the court finds that, although a Scheduling Order is in place and an October 2014 trial date has been set, this action is still in its early stages and, therefore, the setting of these dates does not weigh against issuing a stay pending completion of the reexamination proceedings. Thus, the court agrees with Basis Science that a stay of this action will promote judicial economy and avoiding wasting the parties' efforts and expense in parallel proceedings. (D.I. 25 at 5-6.)

Exhibit 4

2020 WL 5517283

2020 WL 5517283

Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

BRITISH TELECOMMUNICATIONS PLC, Plaintiff,

v.

IAC/INTERACTIVECORP, Match Group, Inc.,
Match Group, LLC, and Vimeo, Inc., Defendants.

Civil Action No. 18-366-WCB

|
Signed 09/11/2020

Attorneys and Law Firms

Philip A. Rovner, Jonathan A. Choa, Potter Anderson & Corroon, LLP, Wilmington, DE, Daniel A. Boehnen, Pro Hac Vice, George T. Lyons, III, Pro Hac Vice, Grantland G. Drutchas, Pro Hac Vice, Jeffrey P. Armstrong, Pro Hac Vice, for Plaintiff.

Jack B. Blumenfeld, Lucinda Cole Cucuzzella, Morris, Nichols, Arsht & Tunnell LLP, Wilmington, DE, T. Cy Walker, Pro Hac Vice, for Defendants.

MEMORANDUM OPINION AND ORDER

WILLIAM C. BRYSON, UNITED STATES CIRCUIT JUDGE

*1 Before the court is a motion by the defendants (collectively, "IAC") for a stay of this action pending reexamination of claim 10 of U.S. Patent No. 7,243,105 ("the '105 patent") by the Patent and Trademark Office ("PTO"). The motion is GRANTED.

BACKGROUND

The '105 patent is owned by plaintiff British Telecommunications PLC ("BT"). On March 8, 2018, BT filed this action against IAC alleging infringement of six of BT's patents by IAC and its corporate affiliates. I granted IAC's motion to dismiss Counts I, II, III, and VI of the complaint, which were based on four of the six asserted patents, on grounds of patent ineligibility under 35 U.S.C. § 101. *British Telecomms. PLC v. IAC/InterActiveCorp*, 381 F. Supp. 3d 293 (D. Del. 2019). BT took an appeal from

the dismissal order with respect to one of those four patents, but the dismissal order was affirmed on appeal. *British Telecomms. PLC v. IAC/InterActiveCorp*, 813 F. App'x 584 (Fed. Cir. 2020). I severed Count V of the complaint, which was based on the fifth patent, U.S. Patent No. 7,974,200, and I stayed that severed action pending *inter partes* review of various claims of that patent by the PTO. Dkt. No. 96. The present case, which is based on Count IV of the complaint, has been narrowed so that it now involves an infringement allegation of only a single claim from the sixth patent—claim 10 of the '105 patent. This case is currently scheduled for a week-long jury trial beginning on November 30, 2020.

Claim 10 of the '105 patent recites as follows:

A method of updating a user profile, the user profile being suitable for use in providing customized services to a respective user, the method comprising:

- (i) storing a first set of rules;
- (ii) generating a set of personalized rule weightings according to a second set of rules and with reference to a set of user preference data;
- (iii) receiving event statistics relating to a user's activity; and
- (iv) applying an inference engine to infer and output at least one update to a profile for the user according to said first set of rules weighted according to said generated set of personalized rule weightings, using said received event statistics.

In June 2020, BT dropped its allegations of infringement as to apparatus claims 1, 6, and 7 of the '105 patent, leaving only method claim 10 of the '105 patent in dispute. On June 26, 2020, IAC filed a request with the PTO seeking *ex parte* reexamination of that claim. On August 18, 2020, the PTO granted that request, finding that the references cited by IAC had raised several substantial new questions of patentability as to method claim 10 of the '105 patent.

The examiner made a number of findings in support of the order granting reexamination. First, the examiner found that there is a substantial likelihood that a reasonable examiner would consider the teachings of U.S. Patent No. 6,757,691 ("Welsh") to be important in deciding whether claim 10 of the '105 patent is patentable. Dkt. No. 243-1, at 12. In particular, the examiner found that Welsh teaches the

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following limitations of claim 10: (1) storing a first set of rules; (2) a second set of rules; (3) personalized rule weighting; and (4) “one update to a profile for the user according to said first set of rules weighted according to said generated set of personalized rule weightings.” *Id.* at 11–12. The examiner stated that “it appears from the record” that those limitations were the “key feature[s] missing from the prior art at the time of allowance of claim 10 of the ‘105 patent.” *Id.* at 9. The examiner further found that Welsh presents “a new, non-cumulative technological teaching that was not previously considered, and discussed on the record during the prosecution of the application[] that resulted in the ‘105 patent.” *Id.* at 12.

*2 Second, the examiner found that there is a substantial likelihood that a reasonable examiner would consider the teachings of U.K. Patent Application No. GB 2,354,089 (“Zhou”) to be important in deciding whether claim 10 of the ‘105 patent is patentable. Dkt. No. 243-1, at 13. In particular, the examiner found that Zhou teaches the following limitations of claim 10: (1) storing a first set of rules; (2) a second set of rules; (3) personalized rule weighting; and (4) “one update to a profile for the user according to said first set of rules weighted according to said generated set of personalized rule weightings.” *Id.* As with Welsh, the examiner found that Zhou presents “a new, non-cumulative technological teaching that was not previously considered and discussed on the record during the prosecution of the application” for the ‘105 patent. *Id.*

Third, the examiner found that there is a substantial likelihood that a reasonable examiner would consider the teachings of the Applicant Admitted Prior Art (“AAPA”), together with Welsh and Zhou, to be important in deciding whether claim 10 of the ‘105 patent is patentable. *Id.* at 14. The examiner stated that “each of Welsh or Zhou discloses the key limitations that raises [a substantial new question of patentability] and therefore, the AAPA in view of Welsh or Zhou teaches and/ or renders obvious every claim limitation of claim 10.” *Id.* In sum, the examiner found substantial new questions of patentability concerning claim 10 of the ‘105 patent based on four sets of references: Welsh, Zhou, and the Admitted Prior Art in combination with either Welsh or Zhou. *Id.* at 12–14.

The order granting reexamination provided that the patent owner may submit a responsive statement by October 18, 2020, and the challenger may submit a reply two months after the patent owner serves its response. *Id.* at 4. The order noted that extensions of time would not be permitted in the

reexamination proceeding and that the proceeding would be conducted “with special dispatch,” as required by statute, 35 U.S.C. § 305. Dkt. No. 243-1, at 16. Thus, the parties’ submissions to the examiner in the reexamination proceeding will be completed by December 18, 2020, at the latest. *See id.* at 4, 16.

Following the issuance of the order granting reexamination, IAC filed this motion seeking a stay of proceedings in this court pending resolution of the reexamination proceedings. Dkt. No. 245. BT responded, opposing a stay, Dkt. No. 249, and IAC filed a reply, Dkt. No. 252.

DISCUSSION

The question whether district court proceedings should be stayed when post-grant proceedings are instituted on some or all of the patent claims at issue in the district court litigation has arisen frequently, particularly in the years since the enactment of the Leahy-Smith America Invents Act (“AIA”) in 2011. The principles governing that question have been developed by courts in numerous cases involving different types of post-grant proceedings, including reexamination, *inter partes* review, post-grant review, and covered business methods (“CBM”) review.

It is well settled that the power to stay proceedings “is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.” *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936); *see also* *Clinton v. Jones*, 520 U.S. 681, 706 (1997). This inherent authority includes the discretion to stay judicial proceedings pending post-grant proceedings that will consider the validity of an issued patent. *See* *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (request for a stay pending reexamination).

District courts typically consider three factors when determining whether to grant a stay pending PTO proceedings with respect to a patent in suit: “(1) whether granting the stay will simplify the issues for trial; (2) the status of the litigation, particularly whether discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from any delay, or allow the movant to gain a clear tactical advantage.” *Princeton*

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Digit. Image Corp. v. Konami Dig. Entm't Inc., Nos. CV 12-1461 *et al.*, 2014 WL 3819458, at *2 (D. Del. Jan. 15, 2014) (citing cases). A stay is particularly justified when “the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues.” *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058, 2015 WL 1069111, at *1 (E.D. Tex. Mar. 11, 2015) (citing cases).

*3 The related context of CBM review provides guidance as to the principles that apply to stay applications in other post-grant proceedings. In the uncodified portion of the AIA directed to CBM review, Congress set forth four factors governing whether a stay should be granted pending CBM review by the Patent Trial and Appeal Board (“PTAB”). Those four factors are:

- (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.

Pub. L. No. 112-29, § 18(b)(1), 125 Stat. 284, 331 (2011). Those statutory factors largely track the three factors traditionally used by courts in determining whether to grant stays pending post-grant proceedings, with a fourth factor added. See *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 489 (D. Del. 2013) (“This [CBM] statutory test closely resembles the stay analysis courts have applied in assessing a motion to stay pending *inter partes* or *ex parte* reexamination”). The fourth factor, which requires an inquiry into whether a stay will reduce the burden of litigation on the parties and the court, was intended to ensure that courts apply their discretion to grant stays liberally so as to minimize the duplicative litigation of patent validity issues in parallel forums.¹ See *IOENGINE, LLC v. PayPal Holdings, Inc.*, No. 18-452, 2019 WL 3943058, at *3 (D. Del. Aug. 21, 2019).

While Congress's four-factor test for granting stays in the CBM context does not expressly extend to other types of post-grant proceedings, such as *ex parte* reexaminations, the

policy considerations are similar in both contexts. The Federal Circuit and various district courts have held that courts may weigh the fourth factor set forth in the CBM statute when considering staying cases that are co-pending with other types of post-grant proceedings. See, e.g., *Murata Mach. USA v. Daifuku Co.*, 830 F.3d 1357, 1362 (Fed. Cir. 2016); *British Telecomms. PLC v. IAC/InterActiveCorp*, No. 18-366, 2019 WL 4740156, at *3 (D. Del. Sept. 27, 2019); *Neuro Cardiac Techs., LLC v. LivaNova, Inc.*, No. H-18-1517, 2018 WL 4901035, at *2 (S.D. Tex. Oct. 9, 2018); *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 13-cv-346, 2013 WL 6044407, at *2 (W.D. Wis. Nov. 14, 2013). I will therefore address the “burden of litigation” factor as a component of the factor directed to “simplifying the issues.”

The legislative history of the AIA makes it apparent that Congress intended for district courts to be liberal in granting stays pending CBM review. As Senator Schumer observed regarding the CBM review provision, Congress intended to place “a very heavy thumb on the scale in favor of a stay being granted” once the PTAB instituted CBM review proceedings. 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Chuck Schumer).

*4 Congress's desire to enhance the role of the PTO and limit the burden of litigation on courts and parties was not limited to CBM review proceedings. The AIA's legislative history indicates that Congress viewed both CBM review and *inter partes* review as serving the policy of adjudicating patent validity in an efficient manner. See H. Rep. No. 112-98, Part I, at 48 (2011) (statutory post-grant proceedings were designed to be “quick and cost effective alternatives to litigation”); 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (*inter partes* review was intended to provide a “faster, less costly alternative[] to civil litigation to challenge patents”); (statement of Sen. Chuck Grassley); *id.* at S5319 (daily ed. Sept. 6, 2011) (post-grant proceedings, including *inter partes* review, were meant to be “an inexpensive substitute for district court litigation” that “allows key issues to be addressed by experts in the field”) (statement of Sen. Jon Kyl).

In light of the similar policies underlying the CBM and *inter partes* review proceedings, it is not surprising that courts have applied generally similar analysis to requests for stays in both settings. Moreover, given the close parallels between *inter partes* review and other forms of post-grant proceedings, courts have applied similar stay analysis in the context of reexaminations, such as the *ex parte* reexamination at issue in this case. See *Goldfinch Design Studio LLC v. Collector's*

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Universe, Inc., No. 20-2542, 2020 WL 5017351, at *1 (D.N.J. Aug. 25, 2020); *BodyMedia, Inc. v. Basis Sci., Inc.*, No. 12-cv-133, 2013 WL 2462105, at *1 (D. Del. June 6, 2013); *Ever Win Int'l Corp. v. Radioshack Corp.*, 902 F. Supp. 2d 503, 505 (D. Del. 2012); *Round Rock Rsch. LLC v. Dole Food Co.*, Nos. 11-1239 *et al.*, 2012 WL 1185022, at *1 (D. Del. Apr. 6, 2012). In particular, the benefits of reexamination are the same as those served by CBM review: giving the PTO an opportunity to reconsider patents that have become the focus of litigation, relieving the courts of the need to decide some patent validity issues, and saving the courts from adjudicating infringement claims based on patents of questionable validity.

That point is made clear by the legislative history of the 1980 statute authorizing the PTO to conduct administrative reexaminations of issued patents. Early versions of the 1980 statute contained a section providing for a stay of court proceedings during reexamination. The stay provision was omitted from the final version of the statute on the ground that it was unnecessary. See *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983). The House Report on the bill that became the 1980 statute, H.R. Rep. No. 96-1307, part 1 (1980), explained that a stay provision was unnecessary because “such power [to stay] already resides with the Court to prevent costly pretrial maneuvering which attempts to circumvent the reexamination procedure.” *Id.* at 4. Moreover, the House Report anticipated that reexaminations would “provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner,” and that reexaminations would permit the validity of patents to be tested in the PTO “where the most expert opinions exist and at much reduced costs.” *Id.*

Because of the benefits conferred by PTO post-grant proceedings, courts have concluded that the “liberal policy” in favor of staying cases pending CBM review also applies to staying cases pending other post-grant proceedings. See *British Telecomms.*, 2019 WL 4740156, at *3 (citing cases). In addition to the numerous decisions cited in *British Telecomms.*, 2019 WL 4740156, at *3, courts in many other cases have noted, and acted on, the liberal policy in favor of issuing stays pending post-grant proceedings. See, e.g., *Goldfinch*, 2020 WL 5017351, at *1; *Jiaying Super Lighting Elec. Appliance Co. v. MaxLite, Inc.*, No. cv-19-4047, 2020 WL 5079051, at *2 (C.D. Cal. June 17, 2020); *Rembrandt Wireless Techs., LP v. Qualcomm Inc.*, No. 8:19-cv-705, 2020 WL 5044195, at *2 (C.D. Cal. Apr. 9, 2020); *No Spill, Inc.*

v. Scepter Canada, Inc., No. 18-2681, 2020 WL 1528542, at *2 (D. Kan. Mar. 31, 2020); *Larada Scis., Inc. v. Flosonix Ventures, LLC*, No. 3:18-cv-320, 2020 WL 1481571, at *2 (W.D.N.C. Mar. 23, 2020); *Horizon Glob. Ams. Inc. v. Curt Mfg., LLC*, No. 2:17-cv-11870, 2019 WL 8750416, at *3 (E.D. Mich. Dec. 14, 2019); *DMF, Inc. v. AMP Plus, Inc.*, No. 2:18-cv-7090, 2019 WL 9077477, at *6 (C.D. Cal. Dec. 13, 2019); *Lodge Mfg. Co. v. Gibson Overseas, Inc.*, No. CV 18-8085, 2019 WL 9443180, at *2 (C.D. Cal. Sept. 24, 2019); *Zomm, LLC v. Apple Inc.*, 391 F. Supp. 3d 946, 956 (N.D. Cal. 2019).


*5 Although the three-factor test set forth above informs the decision whether to issue a stay pending post-grant proceedings, that test merely provides general guidance; it is not a rigid template for decision. Rather, district courts retain the “discretionary prerogative to balance considerations beyond those captured by the three-factor stay test.” *Murata Mach. USA*, 830 F.3d at 1362. “[U]ltimately the Court must decide stay requests on a case-by-case basis,” and whether a stay should be granted turns in each case on the totality of the circumstances. *IOENGINE*, 2019 WL 3943058, at *3 (quoting *Norman IP Holdings, LLC v. TP-Link Techs. Co.*, No. 6:13-cv-384, 2014 WL 5035718, at *2 (E.D. Tex. Oct. 8, 2014), and *Lund Motion Prods., Inc. v. T-Max Hangzhou Tech. Co.*, No. SACV 17-1914, 2019 WL 116784, at *2 (C.D. Cal. Jan. 2, 2019), and citing other cases). In addition to the cases cited in *IOENGINE*, courts in numerous other contemporaneous and subsequent cases have ruled that stay requests must be decided on a case-by-case basis. See, e.g., *Collect LLC v. Samsung Elecs. Co.*, No. 19-cv-438, 2020 WL 3425166, at *2 (D. Colo. June 23, 2020); *Jiaying Super Lighting Elec. Appliance Co.*, 2020 WL 5079051, at *2; *Document Sec. Sys., Inc. v. Nichia Corp.*, No. CV 19-8172, 2020 WL 4529613, at *1 (C.D. Cal. June 15, 2020); *DivX, LLC v. Netflix, Inc.*, Nos. CV 19-1602 *et al.*, 2020 WL 3026034, at *2 (C.D. Cal. May 11, 2020); *Larada Scis.*, 2020 WL 1481571, at *1; *British Telecomms.*, 2019 WL 4740156, at *4; *Lodge Mfg.*, 2019 WL 9443180, at *2; *Zomm*, 391 F. Supp. 3d at 956.

With that caveat, I now turn to each of the principal specific factors courts have recognized as bearing on whether to grant a motion for a stay pending post-grant proceedings in the PTO.


I. The State of the Proceedings

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One of the factors courts have considered in determining whether to issue a stay pending post-grant proceedings is the state of the district court proceedings, i.e., how far along the district court case is at the time the motion for a stay is filed.

In this case, claim construction and fact discovery have been completed. Expert discovery is ongoing. A trial date has been set for November 30, 2020, and thus as of the time the motion for a stay was filed, a period of three months remained before trial. BT emphasizes that the stay motion has been filed late in the pretrial period. Stays have been granted in other cases that were similar time periods away from trial, however. See *CyWee Grp. Ltd. v. Samsung Elec. Co.*, No. 2:17-cv-140, Dkt. No. 331 (E.D. Tex. Feb. 14, 2019) (stay granted three months before trial);  *Broadcast Innovation, L.L.C. v. Charter Commc'ns, Inc.*, No. 03-CV-2223, 2006 WL 1897165, at *8–10 (D. Colo. July 11, 2006) (stay granted less than three months before trial; court cited cases in which stays were granted as little as 20 days before trial).

Moreover, in light of the COVID-19 pandemic, it seems highly unlikely that the present schedule will hold. Currently, all civil and criminal jury selections and jury trials in the District of Delaware have been continued pending further order from the court. See Standing Order re: Criminal Civil Jury Selections: Jury Trials; and Transition to Phase 2 (D. Del. Sept. 1, 2020). When the court transitions to “phase 2,” it will begin conducting jury trials, but at a significantly reduced rate from normal, holding no more than one jury trial at a time. Furthermore, the court has announced that for jury trials held in phase two, criminal cases will be given precedence. And once trials resume, the district court will be faced with the challenge of dealing with the backlog of civil cases that has built up during the past five months. It thus seems highly likely that, even if the request for a stay were denied, the trial in this case could not be conducted before the end of this calendar year. Thus, as of the time the motion for a stay was filed, it appears that a period of significantly more than three months remained before trial could be held.²


*6 While there has been substantial progress in this case, the most burdensome parts of the case for the parties and the court—preparation for trial, going through the trial process, and engaging in post-trial motions practice—all lie in the future. See *CyWee Grp. Ltd. v. Samsung Elec. Co.*, No. 2:17-cv-140, Dkt. No. 331, at 13; see also  *Smartflash LLC v. Apple Inc.*, 621 F. App'x 995, 1005 (Fed. Cir. 2015) (holding that the district court abused its discretion when it denied a stay

prior to trial, explaining that “[d]espite the substantial time and effort already spent in this case, the most burdensome task is yet to come”); *NFC Tech.*, 2015 WL 1069111, at *3 (“[I]t appears likely that the bulk of the expenses that the parties would incur in pretrial work and trial preparation are still in the future.”).

In *Ethicon LLC v. Intuitive Surgical, Inc.*, No. 17-871, 2019 WL 1276029 (D. Del. Mar. 20, 2019), the proceedings were roughly as far along as the proceedings in this case: Claim construction and fact discovery were complete, and expert discovery was nearly concluded. *Id.* at *2. The court noted that the case was “further along than is typical for a motion to stay,” but nonetheless found that any weight given to the stage of the case was “outweighed by the likelihood that the issues for trial will be simplified by a stay.” *Id.* Likewise, in this case, the relatively advanced stage of the proceedings is entitled to weight, and thus the “state of the proceedings” factor cuts somewhat against issuing a stay. But that weight is not dispositive and must be balanced against other factors, including the prospect that a stay—and the PTO’s ruling in the interim—would simplify the issues for trial, thereby reducing the burden on the parties and the court.

II. Undue Prejudice or Clear Tactical Advantage

A second factor that courts consider in determining whether to issue a stay of district court litigation pending post-grant proceedings is whether a stay would result in undue prejudice to the non-moving party or provide a clear tactical advantage to the moving party.

As BT argues, its interest in the prompt enforcement of its patent rights is entitled to weight. See *NFC Tech.*, 2015 WL 1069111, at *2. However, that interest is present in every case in which a patentee resists a stay, and that interest is therefore insufficient, standing alone, to establish the undue prejudice necessary to defeat a stay motion. See *BodyMedia, Inc.*, 2013 WL 2462105, at *1 n.1; *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662, 2013 WL 424754, at *2 (D. Del. Jan. 31, 2013) (“[T]he potential for delay does not, by itself, establish undue prejudice.”);  *Ever Win*, 902 F. Supp. 2d at 509 (“Potential delay from reexamination ‘does not, by itself, amount to undue prejudice.’” (quoting *Wall Corp. v. BondDesk Grp., L.L.C.*, No. 07-844, 2009 WL 528564, at *2 (D. Del. Feb. 24, 2009))); see also *Rembrandt Wireless Techs.*, 2020 WL 5044195, at *3 (“Rembrandt asserts two forms of prejudice: reduction in the quality of evidence due to lapse of

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time and indefinite delay of the time to trial.... [Both] arise [] from the delay necessarily inherent in any stay.... That is not enough. Rather, Rembrandt must show it is likely to suffer prejudice beyond what any plaintiff necessarily experiences when its suit is stayed” (quotations and citations omitted); *CyWee Grp. Ltd. v. Huawei Device Co.*, No. 2:17-cv-495, 2018 WL 4002776, at *3 (E.D. Tex. Aug. 22, 2018); *VirnetX Inc. v. Apple Inc.*, No. 6:12-cv-855, 2018 WL 398433, at *3 (E.D. Tex. Jan. 12, 2018); *NFC Tech.*, 2015 WL 1069111, at *2.

BT argues that reexamination proceedings are typically slower than *inter partes* review proceedings and that a stay would risk putting this case on hold for years. It is far from clear, however, that granting a stay in this case will delay final resolution of the dispute for as long as BT contends. As noted, the parties’ submissions to the examiner in the reexamination proceeding will be completed by December 18, 2020, and by statute the reexamination must be conducted “with special dispatch within the Office.” 35 U.S.C. § 305. Moreover, the Manual of Patent Examining Procedure (“MPEP”) provides that when cases are involved in litigation, reexamination proceedings “will have priority over all other cases,” MPEP § 2261, and when the reexamination is conducted concurrently with litigation, the examination following the patent owner’s responsive statement and the challenger’s reply “will be expedited to the extent possible,” MPEP § 2686.04(I). And because only a single claim is at issue in the reexamination proceeding for the ’105 patent, it can be anticipated that the reexamination will take less time than would be the case for reexaminations involving multiple claims or multiple patents.

*7 PTO statistics show that the median pendency time for a reexamination proceeding in recent years has been less than 20 months. See *Ex Parte Reexamination Historical Statistics*, UNITED STATES PATENT AND TRADEMARK OFFICE, pp. 1–8 (Dec. 2019), https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf. Because the reexamination of the ’105 patent will be conducted on an expedited basis, it can be expected to take less time than the median pendency time, i.e., less than 20 months. In addition, the fact that the reexamination involves only a single claim of a single patent and only two new references suggests that the reexamination proceedings may be far quicker than the median pendency period.³

BT also argues that the delay pending the reexamination would be extended by possible appellate proceedings in the PTO and, subsequently, in the Federal Circuit. There is no reason, however, that a stay of district court proceedings needs to allow for possible appeals from the examiner’s decision. If the examiner confirms claim 10 of the ’105 patent, the balance of factors would shift against further extension of any stay, because the likelihood that the claim would ultimately be invalidated would be considerably reduced. And if the examiner concludes that the claim is unpatentable, there would be no need or justification for resuming the district court proceedings pending BT’s exhaustion of its appeal rights.

On the other side of the ledger, as noted, the date on which it will be possible to conduct the jury trial in this case is far from certain. Rather, it seems highly likely that even if the stay request were denied, the trial in this case would have to be postponed for a significant period. Considering all the circumstances, the delay that would be caused by a stay pending reexamination is likely shorter than BT fears. While the COVID-19 pandemic adds an additional layer of uncertainty to predicting the amount of delay that would result from a stay, any postponement of the trial caused by the pandemic would mean the period of delay resulting from a stay would be less than under normal circumstances. For those reasons, I do not find that the delay factor constitutes undue prejudice to BT.

Aside from BT’s general interest in the prompt enforcement of its patent rights, BT has not pointed to any specific hardship or inequity that it will suffer as a result of a stay. The absence of any specific hardship or inequity is a factor that weighs against a finding of undue prejudice. See *Yodlee, Inc. v. Plaid Techs. Inc.*, No. 14-1445, 2017 WL 401896, at *2 (D. Del. Jan. 27, 2017); *Cooper Notification, Inc. v. Twitter, Inc.*, No. 09-865, 2010 WL 5149351, at *2 (D. Del. Dec. 13, 2010); *Neodron, Ltd. v. Lenovo Grp., Ltd.*, No. 19-cv-5644, 2020 WL 5074308, at *2 (N.D. Cal. Aug. 27, 2020) (“Courts have repeatedly found no undue prejudice unless the patentee makes a specific showing of prejudice beyond the delay necessarily inherent in any stay.”).

Courts have found that a stay of litigation would prejudice a patent owner if the parties are direct competitors and the patent owner is likely to suffer a competitive disadvantage from a stay pending reexamination. See *AgroFresh, Inc. v. Essentiv LLC*, No. 16-662, 2019 WL 2327654, at *3 (D. Del. May 31, 2019) (“Courts have recognized that when the

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parties are direct competitors, there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill.”); *frealfoods, LLC v. Hamilton Beach Brands, Inc.*, No. 16-cv-41, 2017 WL 10619854, at *1 n.3 (D. Del. Mar. 9, 2017); *Neste Oil*, 2013 WL 3353984, at *3. BT, however, has not shown that it will be subject to such a competitive disadvantage in this case. There is no evidence that BT competes with IAC (through IAC's Match subsidiaries) in the market space that the Match entities occupy. Because BT does not appear to participate in the relevant market, it “will not suffer any loss of market share or erosion of goodwill due to a stay.” *Princeton Digit. Image Corp.*, 2014 WL 3819458, at *6; see also *SZ DJI Tech. Co. v. Autel Robotics USA LLC*, No. 16-706, 2019 WL 1244948, at *2 (D. Del. Mar. 18, 2019) (“[T]he stay of proceedings with respect to a patent Autel does not practice will not greatly harm Autel.”); *Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, Nos. 12-cv-1107 *et al.*, 2014 WL 1369721, at *5 (D. Del. Apr. 7, 2014) (holding that the plaintiff's status “as a non-practicing entity, rather than a market participant, suggests there is little risk that it will lose sales or goodwill in the market” if a stay is granted); *Market-Alerts*, 922 F. Supp. 2d at 495. The relationship of the parties therefore does not cut against issuance of a stay.

*8 Because BT does not compete against the Match entities, it is likely that any remedy BT might obtain in this case would be limited to an award of damages. And, as the Federal Circuit pointed out in *Virtual Agility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1318 (Fed. Cir. 2014), a stay “will not diminish the monetary damages to which [a patentee] will be entitled if it succeeds in its infringement suit—it only delays realization of those damages.” BT has failed to identify any prejudice it would suffer other than a delay in the receipt of a damages award if it succeeds in this action. Prior cases in this district involving stays pending post-grant proceedings have held that such a delay in the payment of damages does not constitute “undue prejudice.” See *BodyMedia*, 2013 WL 2462105, at *1 n.1. Further, BT's prejudice from any delay would be mitigated by an award of pre-judgment interest on any judgment that BT might be awarded if it prevails on its infringement claim. In the context of this case, I do not find that degree of prejudice to be “undue.”

Nor do I find that granting a stay would confer a clear tactical advantage on IAC. A stay will ensure that the PTO

has an opportunity to consider whether claim 10 of the '105 patent was improvidently issued. Since the PTO was responsible for issuing that claim in the first instance, it is appropriate that the PTO have an opportunity to determine if that claim was improperly issued in the first instance. Of course, even if a stay were not granted, the PTO would continue with the reexamination process and would determine whether claim 10 of the '105 patent should be cancelled. The only effects of denying a stay would be (1) that the proceedings before the PTO and before the court would proceed concurrently, with the waste of resources entailed in such duplicative proceedings, and (2) that if the district court proceedings resulted in a final court judgment in BT's favor before the PTO reexamination proceeding became final, and the reexamination resulted in the cancellation of claim 10 of the '105 patent, the final judgment as to the validity of claim 10 of the '105 patent would not be affected by the PTO's determination, at least with respect to the parties in this case. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340–45 (Fed. Cir. 2013). However, the prospect of such a conflict between a district court judgment and the PTO's ruling would be unseemly and should be avoided if possible.

To be sure, the effect of granting a stay would be to allow IAC to litigate the validity of claim 10 of the '105 patent before the PTO in light of the Welsh and Zhou references, when IAC's failure to timely include those references in its invalidity contentions has effectively barred IAC from litigating invalidity theories based on Welsh or Zhou in this court. However, Congress has provided two separate mechanisms for raising validity challenges—through the administrative process and through litigation in federal court. A party's failure to raise an issue in a court proceeding does not bar it from raising that issue in an administrative proceeding, so IAC's challenge to the validity of claim 10 based on Welsh and Zhou is not undermined by IAC's failure to preserve that challenge in this court. To the contrary, denying a stay could have the effect of depriving IAC of its right to an effective administrative remedy notwithstanding Congress's intent to make such a remedy available as a supplement to invalidity defenses in district court litigation.

It appears that IAC's failure to raise the Welsh and Zhou references in this litigation and in administrative proceedings earlier than June 2020 is attributable not to a tactical ploy, but rather to IAC's failure to become aware of or appreciate the strength of those references at an earlier date. In addition, IAC suggests that its decision to seek reexamination was triggered

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by BT's decision to narrow the infringement case to claim 10 of the '105 patent. In any event, raising the Welsh and Zhou references belatedly has provided no benefit to IAC, and in fact has proved to be a disadvantage, at least to the extent that the failure to include those references in its final invalidity contentions barred IAC from asserting Welsh and Zhou as invalidating references in this litigation. I discern no clear tactical advantage to IAC from its failure to raise the Welsh and Zhou references earlier in this litigation and its decision to raise those references in its reexamination request only as of June 2020.

*9 Accordingly, I conclude that the factor discussed above—whether BT will experience undue prejudice and whether IAC will gain a tactical advantage—does not counsel against granting a stay of this litigation pending the reexamination proceeding.

III. Simplification of the Issues

The most important factor bearing on whether to grant a stay is whether the stay is likely to simplify the issues at trial. As explained in *NFC Technology*, with respect to *inter partes* review,

Congress's purpose in creating an *inter partes* review procedure was to allow the administrative agency that issues patents to consider new information bearing on whether those patents should be canceled or confirmed. Giving the agency the authority to consider the validity of patents in the *inter partes* review process was designed in large measure to simplify proceedings before the courts and to give the courts the benefit of the expert agency's full and focused consideration of the effect of prior art on patents being asserted in litigation.

2015 WL 1069111, at *4; *RetailMeNot v. Honey Sci. LLC*, No. 18-937, 2020 WL 373341, at *3 (D. Del. Jan. 23, 2020) (quoting *IOENGINE*, 2019 WL 394 3058, at *8; 2019 WL 394 3058, at *8). The same is true for *ex parte* reexaminations. See

In re Etter, 756 F.2d 852, 857 (Fed. Cir. 1985); *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994).

This litigation is a prime example of a case in which a reexamination decision has the greatest likelihood of simplifying issues at trial. The reexamination of the '105 patent will result in either cancellation, confirmation, or amendment of claim 10, which is the only claim at issue in this litigation. “When a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot.” *Fresenius*, 721 F.3d at 1340. In *454 Life Sciences Corp. v. Ion Torrent Systems, Inc.*, No. 15-595, 2016 WL 6594083, at *3 (D. Del. Nov. 7, 2016), the court found a “very strong likelihood that the IPR proceedings will simplify the issues for trial,” primarily because the PTAB had granted review with respect to every claim asserted in the district court litigation. Similarly, in *Finjan, Inc. v. Symantec Corp.* 139 F. Supp. 3d 1032, 1036 (N.D. Cal. 2015), all of the patentee's asserted claims were being challenged in an *inter partes* review. The *Finjan* court took note of the situation and concluded that “[g]ranteeing a stay pending [*inter partes* review] is particularly likely to simplify the case when a party has obtained PTO review of each of the asserted claims in the patents-in-suit.” *Id.* (quotations and citations omitted). And in *Ethicon*, 2019 WL 1276029, at *2, the court found that the potential for simplification of the issues was “quite substantial” where 14 of the 15 asserted claims were under review by the PTO.

The same can be said in this case with respect to the '105 patent and the pending reexamination. If the reexamination results in the cancellation of claim 10, “this litigation would be ‘simplified’ because it would be concluded.” *Softview LLC v. Apple Inc.*, No. 12-989, 2013 WL 4757831, at *1 (D. Del. Sept. 4, 2013). If the reexamination results in the amendment of claim 10, the complexion of this case will change dramatically; conducting a trial on a claim that is subsequently amended is an invitation to a waste of resources. And even if the patentability of claim 10 is confirmed through reexamination, the reexamination decision will likely clarify some of the invalidity issues presented in this litigation.

*10 In the *Virtual Agility* case, the Federal Circuit noted the significance of the simplification factor when post-grant proceedings are instituted on all the claims at issue in the district court litigation. *759 F.3d* at 1314. The court

emphasized that CBM review had been instituted “on all asserted claims of the sole asserted patent.” *Id.* The post-grant proceedings could therefore “dispose of the entire litigation,” which the court referred to as “the ultimate simplification.” *Id.* The same is true here, as the reexamination will consider the patentability of the only claim at issue in the litigation, claim 10 of the ‘105 patent. The simplification factor is thus at its apex.

To be sure, the standard for granting reexamination (the existence of a substantial new question of patentability) is not as rigorous as the standard necessary to trigger *inter partes* review or CBM review (a finding that the disputed claims are more likely than not to be found unpatentable). See *Aavid Thermalloy LLC v. Cooler Master, Ltd.*, No. C 17-5363, 2019 WL 4009166, at *3 (N.D. Cal. Aug. 26, 2019); *Parsons Xtreme Golf LLC v. Taylor Made Gold Co.*, No. CV 17-3125, 2018 WL 6242280, at *5 (D. Ariz. Nov. 29, 2018). For that reason, the examiner’s findings upon instituting the reexamination do not necessarily provide as strong a basis for concluding that claim 10 is likely to be invalidated or amended relative to similar findings in an *inter partes* review. However, the standard for reexamination is sufficiently exacting that the great majority of *ex parte* reexaminations end in the cancellation or amendment of at least some of the reexamined claims.⁴ In this case, the examiner found that substantial questions of patentability are raised by two separate prior art references and two combinations of those references with the applicant’s admitted prior art. It would be inappropriate at this point to assess the strength of the references that are subject to reexamination. See *Virtual Agility*, 759 F.3d at 1313. Yet, based on the examiner’s finding that multiple prior-art combinations present substantial new questions of patentability as to claim 10, there appears to be a high likelihood that claim 10 will be cancelled or amended in a way that will dramatically affect this litigation. In its brief, BT relies heavily on the decision denying a stay in *Cronos Technologies, LLC v. Expedia, Inc.*, Nos. 13-1538 *et al.*, 2016 WL 1089752 (D. Del. Mar. 21, 2016). In that case, the court found that the simplification factor “neither favors nor disfavors a stay.” *Id.* at *1. The court emphasized that there were multiple claims being challenged in the reexamination proceedings and that while “there is at least a potential for significant simplification of the issues,” if the PTO did not invalidate all of the asserted claims, “significant issues will

remain to be resolved.” *Id.* In this case, by contrast, only a single claim is at issue in the reexamination proceeding, which makes the prospect of simplification, in the form of cancellation of the only claim in dispute, much more likely.

I therefore conclude that there is a high likelihood that the reexamination proceeding will simplify this litigation and reduce the burden on the parties and on the court, and that the simplification factor therefore cuts strongly in favor of granting a stay.

CONCLUSION

*11 After weighing all the factors that bear on whether to grant a stay pending reexamination of claim 10 of the ‘105 patent, I conclude that a stay of this action is warranted. Accordingly, further proceedings in this matter are stayed, and the scheduling order for upcoming proceedings in this case is vacated. The stay will extend until the examiner in the reexamination proceeding renders a decision as to the patentability of claim 10 of the ‘105 patent.

BT has stated that it intends to proceed with its claim of infringement of U.S. Patent No. 7,974,200 (“the ‘200 patent”). BT’s claim of infringement of that patent was severed from the remainder of its claims pending *inter partes* review of the ‘200 patent. The PTAB has recently completed its *inter partes* review of the ‘200 patent. The PTAB found claims 1–3, 5–7, and 10–12 of the ‘200 patent to be unpatentable, and it found that claim 4 was not shown by a preponderance of the evidence to be unpatentable. *Vimeo, Inc. v. British Telecomm. PLC*, IPR No. 2019–00833, Paper 20, at 2 (PTAB Aug. 5, 2020). The present stay order does not affect further proceedings in this court relating to the ‘200 patent.

IT IS SO ORDERED.

All Citations

Slip Copy, 2020 WL 5517283

Footnotes


- 1 The four-factor test was added to the AIA through an amendment offered by Senator Charles Schumer. The provision was added in order to encourage district courts to issue stays when district court litigation and post-grant proceedings were co-pending. Senator Schumer commented: “Too many district courts have been content to allow litigation to grind on while a reexamination is being conducted, forcing the parties to fight in two fora at the same time. This is unacceptable, and would be contrary to the fundamental purpose of the Schumer-Kyl amendment to provide a cost-efficient alternative to litigation.” 157 Cong. Rec. S1364 (daily ed. Mar. 8, 2011).
- 2 The date on which the motion for a stay is filed is generally regarded as “the relevant time to measure the stage of litigation,”  *Virtual Agility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1317 (Fed. Cir. 2014), which in this case was September 2, 2020. Dkt. No. 245.
- 3 To a significant degree, the speed with which the reexamination proceeding progresses is within BT’s control. For example, although the examiner has given BT two months to file the patent owner’s responsive submission, BT can self-expedite the process by filing that submission in less than two months and taking other steps throughout the process to facilitate a rapid resolution of the reexamination.
- 4 PTO statistics show that only 21 percent of all *ex parte* reexaminations have resulted in all reexamined claims being confirmed without amendment. *Ex Parte Reexamination Historical Statistics*, UNITED STATES PATENT AND TRADEMARK OFFICE, p. 2 (Dec. 2019), https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf. That number has remained fairly steady over the past eight years. See *id.* at pp. 2–16.

Exhibit 5

2012 WL 3867568

Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

CEPHALON, INC. and CIMA Labs, Inc., Plaintiffs,
v.
IMPAX LABORATORIES, INC., Defendant.

Civ. No. 11-1152-SLR.

Sept. 6, 2012.

Attorneys and Law Firms

William J. Marsden, Jr., Gregory Robert Booker, Fish & Richardson, P.C., Wilmington, DE, for Plaintiffs.

Mary Matterer, Wilmington, DE, Marc N. Zubick, Latham & Watkins LLP, Chicago, IL, Michael R. Seringhaus, Latham & Watkins LLP, Menlo Park, CA, Roger J. Chin, Latham & Watkins LLP, San Francisco, CA, for Defendant.


MEMORANDUM ORDER

SUE L. ROBINSON, District Judge.




*1 At Wilmington this 6th day of September, 2012, having considered defendant Impax Labs., Inc.'s ("Impax's") motion to dismiss and the papers submitted therewith;


IT IS ORDERED that said motion (D.I.9) is granted, as follows.

1. Background. On November 18, 2011, plaintiffs Cephalon, Inc. ("Cephalon") and CIMA Labs., Inc. ("CIMA") (collectively, "plaintiffs") filed the present lawsuit alleging infringement of U.S. Patent Nos. 6,200,604 ("the '604 patent"), 6,974,590 ("the '590 patent"), 7,862,832 ("the '832 patent") and 7,862,833 ("the '833 patent") by Impax. (D.I.1) Plaintiffs' action arises out of the filing of an Abbreviated New Drug Application ("ANDA")¹ by Impax in 2011² for a generic version of Fentora® (fentanyl buccal tablets), used to treat breakthrough pain in cancer patients. The '604 and '590 patents, assigned to CIMA and exclusively licensed to Cephalon, have been addressed in previous ANDA litigation in this court, wherein the court found both patents invalid for lack of enablement. *See*

 *Cephalon, Inc. v. Watson Pharma., Inc.*, Civ. No. 08-330, 769 F.Supp.2d 729 (D.Del.2011) (hereinafter, "*Watson*").³

2. Plaintiffs allege that Impax infringes each of the patents in suit by virtue of its filing of an ANDA containing a paragraph IV certification⁴ as to the '604, '590, '832 and '833 patents (hereinafter, "the patents-in-suit").⁵ "Count I" through "Count IV" of plaintiffs' complaint are directed to the '604 and '590 patents, and are the subject of Impax's currently-pending motion to dismiss. (D.I.9) Therein, Impax argues that there is no reason to litigate any issues involving the invalid '604 and '590 patents, as validity was actually litigated in the *Watson* litigation, culminating with a final judgment of invalidity against plaintiffs. (D.I.10)

3. Standard. In  *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), the Supreme Court held that, in the patent context, defensive collateral estoppel may be used if the accused infringer shows: "(1) that a patent was found invalid in a prior case that had proceeded through final judgment and in which all procedural opportunities were available to the patentee; (2) that the issues litigated were identical; and (3) that the party against whom estoppel is applied had a full and fair opportunity to litigate."  *Abbott Labs. v. Andrx Pharma., Inc.*, 473 F.3d 1196, 1203 (Fed.Cir.2007). Regional Circuit law controls the determination of whether prior findings invoke collateral estoppel pursuant to these guidelines.  *Id.* at 1202-03.

4. In this regard, the Third Circuit has held that collateral estoppel applies when "(1) the identical issue was previously adjudicated; (2) the issue was actually litigated; (3) the previous determination was necessary to the decision; and (4) the party being precluded from relitigating the issue was fully represented in the prior action."  *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 249 (3d Cir.2006) (citations omitted). The Third Circuit has also considered whether the party being precluded had "a full and fair opportunity to litigate the issue in question in the prior litigation" and, in addition, whether the issue was determined by final judgment. *Id.* (citations omitted).

*2 **5. Discussion.** Plaintiffs' response to Impax's motion is two-fold. First, plaintiffs argue that collateral estoppel does

not apply to bar its claims on the '604 and '590 patents because it did not have a "full and fair opportunity" to litigate enablement defenses in the *Watson* action. (D.I. 23 at 5–9) Specifically, plaintiffs assert that the court improperly supplemented the trial evidence (i.e., the testimony of Watson's expert, Dr. Mumper) with party briefing and attorney argument in order to arrive at its non-enablement conclusion post-trial. (*Id.* at 8) "[W]hile Cephalon was able to address—and rebut—Watson's inadequate trial evidence, it had no opportunity to answer the attorney argument back-filled by the court into the evidentiary holes in Watson's enablement case." (*Id.*) Plaintiffs also argue that the court improperly applied the reasoning from Watson's failed non-adopted claim construction position to the enablement inquiry. (*Id.* at 8–9)

6. The court does not agree with plaintiffs' characterizations of the *Watson* decision and, upon review, is not inclined to find that plaintiffs did not have an opportunity to address enablement. The court took into consideration plaintiffs' enablement arguments in the *Watson* opinion, with accompanying citations to the record. See [Watson](#), 769 F.Supp.2d at 752–54. Pursuant to *Blonder–Tongue*, collateral estoppel applies to bar the re-litigation of the invalid '604 and '590 patents. Therefore, the court grants Impax's motion to dismiss the related claims.

7. Alternatively, plaintiffs request that the court stay this litigation pending the Federal Circuit's review of the court's *Watson* decision on appeal.⁶ (D.I. 23 at 9–10) Impax opposes a stay on the basis that the '832 and '833 patents "issued from unrelated patent applications, name entirely different inventors, and will be unaffected by the *Watson* appeal."⁷ (D.I. 27 at 6)

8. Motions to stay invoke the broad discretionary powers of the court. *Dentsply Int'l, Inc. v. Kerr Mfg. Co.*, 734 F.Supp. 656, 658 (D.Del.1990) (citing *Bechtel Corp. v. Laborers' Int'l Union*, 544 F.2d 1207, 1215 (3d Cir.1976)). Three general factors inform the court in this regard:

- (1) whether the granting of a stay would cause the non-moving party to suffer undue prejudice from any delay or allow the moving party to gain a clear tactical advantage over the non-moving party;
- (2) whether a stay will simplify the issues for trial; and
- (3) whether discovery is complete and a trial date set.

Enhanced Security Research, LLC v. Cisco Sys., Inc., Civ. No. 09–571, 2010 WL 2573925, at *3 (D. Del. June 25, 2010) (citing *St. Clair Intellectual Prop. Consultants v. Sony Corp.*, Civ. No. 01–557, 2003 WL 25283239, at *1 (D.Del. Jan.30, 2003)).


9. The court has entered a schedule in this case with a trial date of June 24, 2013. (D.I.26) Plaintiffs have stated that the 30-month stay deadline is April 7, 2014. (D.I.4) The court is currently scheduling trials in October 2014. Thus, the court could not resolve the present dispute within thirty months if the remaining claims are stayed. Given the public interest at stake, the court declines plaintiffs' request for a stay.

All Citations

Not Reported in F.Supp.2d, 2012 WL 3867568

Footnotes

- 1 No. 203357.
- 2 Plaintiffs received notice of Impax's ANDA on October 7, 2011. (D.I.4)
- 3 The court incorporates its prior opinion by reference here and henceforth presumes familiarity with that decision.
- 4 See [21 U.S.C. § 355\(j\)\(2\)\(A\)\(vii\)\(IV\)](#).

- 5 See  35 U.S.C. § 271(e)(2)(A) (“(2) It shall be an act of infringement to submit—(A) an application under section 505(j) of the Federal Food, Drug, and Cosmetic Act or described in section 505(b)(2) of such Act for a drug claimed in a patent or the use of which is claimed in a patent[.]”).
- 6 According to the Federal Circuit’s PACER site, the *Watson* case was appealed to the Federal Circuit on April 18, 2011. Plaintiffs filed several extensions of time to file its opening brief between May 19, 2011 and May 4, 2012; briefing commenced in the appeal on May 18, 2012 and has only recently been completed. Oral argument does not appear to have been scheduled.
- 7 Impax also lists the “#981 patent” in this regard, which appears to be in error.

End of Document

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Exhibit 6

2012 WL 769601

2012 WL 769601

Only the Westlaw citation is currently available.

United States District Court, D. Delaware.

FIRST AMERICAN TITLE
INSURANCE CO., Plaintiff,

v.

MACLAREN, L.L.C., Defendant.

C.A. No. 10-cv-363 (GMS).

March 9, 2012.

Attorneys and Law Firms

Sheldon Kevin Rennie, Fox Rothschild LLP, Wilmington, DE, Edward J. Hayes, Pro Hac Vice, for Plaintiff.

Jonathan L. Parshall, Murphy, Spadaro & Landon, Wilmington, DE, for Defendant.

MEMORANDUM

GREGORY M. SLEET, Chief Judge.

I. INTRODUCTION

*1 On April 29, 2010, the plaintiff, First American Title Insurance Company (“First American”), filed the above-captioned action against MacLaren, L.L.C. (“MacLaren”), seeking: (1) declaratory judgment, pursuant to 28 U.S.C. § 2201, that it does not have a duty to defend MacLaren in a state court action in which MacLaren is the defendant (“the underlying state court action”); and (2) reformation of the parties' title insurance policy, due to the parties' mutual mistake or to unilateral mistake. (D.I.1.) On July 30, 2010, MacLaren filed its Answer to First American's Complaint, pleading, among its affirmative defenses, a counterclaim seeking declaratory judgment that First American has a duty to defend it in the underlying state court action. (D.I. 10 at ¶¶ 5–15.)

On November 4, 2011, following completion of discovery, MacLaren filed a Motion for Summary Judgment with respect to its duty to defend counterclaim, as well as a Motion to Stay the remaining proceedings pending resolution of the underlying state court action. (D.I.30.) In response, First American filed an Answering Brief opposing the motions on November 16, 2011 (D.I.33) and, on November 28, 2011,

MacLaren filed its Reply (D.I.34). Presently before the court are MacLaren's motions for summary judgment and to stay the remaining proceedings. (D.I.30.) For the reasons that follow, the court will grant MacLaren's motions.

II. BACKGROUND

The following facts are taken from First American's Complaint and, where identified, the parties' submissions in connection with the instant motions. First American is a California company that maintains an office in Wilmington, Delaware, and “issues commitments to insure and policies of title insurance in connection with real estate transactions.” (*Id.* at ¶ 5.) The defendant, MacLaren, is a limited liability company located in Milton, Delaware, and is comprised entirely of its principal, Dr. Jonathan L. Patterson (“Patterson”). (*Id.* at ¶ 6; D.I. 33 at 1.) In the spring or summer of 2007, Patterson began searching for a commercial property in which he could open a radiology practice. (D.I. 33 at 1.) During his search, Patterson identified a commercial office park (“the office park”) in Milton, Delaware, which was owned by Point Management, L.L.C. (“Point Management”) and listed for sale. (D.I. 1 at ¶ 8.) Point Management also owned a residence located approximately two or three blocks from the office park (“the residence”), which was not for sale. (*Id.* at ¶¶ 8–11.)

After visiting the office park, Patterson, via MacLaren, submitted an offer for it on August 21, 2007 in the amount of \$2,000,000.00. (*Id.* at ¶ 13.) Patterson did not visit the residence, nor was he aware of it, before submitting his offer for the office park to Point Management. (*Id.* at ¶ 16.) Point Management tasked its attorneys at Young, Conaway, Stargatt & Taylor (“Young Conaway”) with reviewing MacLaren's offer and preparing an executable Purchase and Sale Agreement (the “Agreement”). (*Id.* at ¶ 17.) According to Point Management, Young Conaway inadvertently included the residence's tax parcel number in the Agreement selling the office park to MacLaren. (*Id.* at ¶ 18.) The parties executed the Agreement without discussing the residence and, according to First American and Point Management, Point Management did not intend to sell the residence, did not reference the residence in its listing agreement with its broker, and did not know that it was erroneously included in the Agreement. (*Id.* at ¶¶ 20–23.) Prior to settlement, an issue arose regarding Point Management's sale of a portion of the office park to a third party at an earlier date. (*Id.* at ¶¶ 21–22.) The parties ultimately resolved the issue by requiring the third party to convey property back to Point Management, delaying settlement until February 29, 2008. (*Id.*)

*2 MacLaren's counsel, Tunnell & Raysor, P.A., prepared the deed to be executed at settlement. (*Id.* at f 23.) This deed, which was substantively based on the Agreement Young Conaway drafted, also referenced the residence's tax parcel number, but, according to Point Management, did not include an actual metes and bounds description encompassing it. (*Id.* at ¶ 24.) Point Management asserts, however, that after the parties executed the deed Tunnell & Raysor prepared, it was altered prior to recordation to include the residence within the metes and bounds description of parcels conveyed in the transaction.¹ (*Id.* at ¶¶ 25–27.) In support of this allegation, First American attaches copies of what it alleges to be the original and the altered deed as exhibits to its Complaint. (*Id.* at Ex. A; Ex. B.) MacLaren purchased title insurance from First American, covering the parcels detailed in the legal description of the recorded deed. (*Id.* at ¶ 29.) Because the recorded deed was used to describe the insured parcels, the residence was included in the title insurance policy. (*Id.*)

In January 2009, Point Management learned that the residence had been conveyed to MacLaren. (*Id.* at ¶¶ 44–45.) Point Management asserts that it contacted MacLaren's counsel at Tunnell & Raysor, who admitted that the residence was not supposed to be included as a parcel in the transaction.² (*Id.* at ¶ 46.) Despite this admission, however, MacLaren refused to cooperate with Point Management in filing a corrective deed. (*Id.* at ¶ 47.) Following this refusal, Point Management filed suit against MacLaren and others³ on August 26, 2009 in the Chancery Court of the State of Delaware. (*Id.*) Point Management's Chancery Court complaint in the underlying state action sets forth ten counts, including claims for reformation, fraud, misrepresentation, tortious interference, and conversion, and seeks the imposition of a constructive trust on the residence. (*Id.* at ¶ 48.) Point Management's reformation counts allege mutual mistake and unilateral mistake coupled with fraud or inequitable conduct. (*Id.* at Ex. D.)

MacLaren tendered the defense of the underlying state action to First American under the terms of its policy. (*Id.* at ¶ 52.) First American took a statement from Patterson prior to accepting the tender of defense, in which Patterson admitted he had a conversation with his attorneys at some earlier point during which he stated he was unaware the residence was included in the deed. (*Id.* at ¶¶ 55–56.) However, Patterson told First American that this earlier statement to his attorneys was not accurate.⁴ (*Id.*) First American ultimately accepted

the tender of defense under reservation of right because it recognized that the “duty to defend is broader than the duty to indemnify” and supplied MacLaren with counsel in the ongoing underlying state court action. (*Id.*)

*3 First American filed suit against MacLaren in this court seeking declaratory judgment that it is not required, based on the terms of its policy, to defend MacLaren in the underlying state court action. (*Id.*) Specifically, First American alleges that, even though the terms of its policy insure the residence, MacLaren's actions before and/or after settlement demonstrate that he did not intend to buy the residence and, therefore, should not have been included.⁵ (*Id.*) To this end, First American asserts that MacLaren's conduct constituted “creat[ing], assum[ing], suffer[ing], or agree[ing]” to the problem it seeks to have defended under the policy. (D.I. 33 at 12.) As this type of conduct falls within coverage Exclusion 3(a) of the policy, First American contends that it is entitled to judgment declaring that it does not have to defend MacLaren in the underlying state court action. First American also seeks reformation of the title insurance policy to exclude the residence from coverage. (D.I.1.)



III. STANDARDS OF REVIEW

A. Summary Judgment




Summary judgment is appropriate if “the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.” *FED. R. CIV. P. 56(c)*. A “material fact” is one that “could affect the outcome” of the proceeding. See *Lamont v. New Jersey*, 637 F.3d 177, 181 (3d Cir.2011). The moving party bears the burden of proving that no genuine issue of material fact exists. See *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 568 n. 10 (1986). The district court, when determining whether a genuine issue of material fact exists, must view the evidence in the light most favorable to the nonmoving party and draw inferences in that party's favor. See *Wishkin v. Potter*, 476 F.3d 180, 184 (3d Cir.2007). If the moving party is able to demonstrate an absence of disputed material facts, the nonmoving party then “must come forward with ‘specific facts showing that there is a genuine issue for trial.’ ” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986); see also

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 *Matsushita Elec. Indus.*, 475 U.S. at 587 (quoting FED. R. CIV. P. 56(e)).

However, the mere existence of some evidence in support of the nonmoving party will not prove sufficient for denial of a summary judgment motion. See *Anderson, All U.S.* at 249. Rather, the nonmoving party must present enough evidence to enable a jury to reasonably find for it on that issue. *Id.* Specifically, the party opposing summary judgment “must present more than just ‘bare assertions, conclusory allegations or suspicions’ to show the existence of a genuine issue.”  *Podobnik v. U.S. Postal Serv.*, 409 F.3d 584, 594 (3d Cir.2005) (quoting  *Celotex Corp. v. Catrett*, 477 U.S. 317, 325, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986)). If the nonmoving party fails to make a sufficient showing on an essential element of its case for which it has the burden of proof, the moving party is entitled to judgment as a matter of law. See *Celotex Corp., All U.S.* at 322.

B. Motion to Stay an Action

*4 The power to stay a case is “incidental to the power inherent in every court to control the disposition of the cases on its docket with economy of time and effort for itself, for counsel, and for litigants.” See  *Landis v. North American Co.*, 299 U.S. 248, 254, 57 S.Ct. 163, 81 L.Ed. 153 (1936). To this end, the power to stay an action, in non-mandatory stay cases, is firmly within the discretion of the court. See *id.*; see also  *Cost Brothers, Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir.1985). In assessing whether to stay an action, courts are tasked with “balanc[ing] interests favoring a stay against interests frustrated by the action.”⁶ This balance is guided by consideration of such factors as: “(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.” See  *Xerox Corp. v. 3 Comm. Corp.*, 69 F.Supp.2d 404, 406 (W.D.N.Y.1999) (citations omitted).



IV. DISCUSSION

As noted, First American contends that it does not have a duty to defend MacLaren in the underlying state action because MacLaren “created, assumed, suffered[,] or agreed to the problem it now seeks to have defended under the policy.” (D.I. 33 at 12.) Because such conduct falls within policy Exclusion

3(a), First American seeks declaratory judgment to this effect. (D.I.1.) Moreover, First American seeks reformation of the parties' title insurance policy with respect to the policy's current inclusion of the residence as an insured parcel. (*Id.*)

In response, MacLaren asserts, in its Motion for Summary Judgment, that First American has a duty to defend it in the underlying state court action because at least one claim of Point Management's Chancery Court complaint—specifically, its Count I claim of mutual mistake—is clearly covered by the title insurance policy. In particular, MacLaren points to the First American policy provisions creating a duty to defend “any matter insured against by this policy,” including “[t]itle being vested other than in Schedule A”⁷ or “[a]ny defect or lien or encumbrance on the Title.” (D.I. 34 at 5–6.) MacLaren argues that Point Management's mutual mistake claim is a risk clearly contemplated by the policy and, therefore, that First American must defend it in the action. Moreover, and with respect to First American's reformation claim, MacLaren asserts that this claim should be stayed pending resolution of the underlying state court action in order to avoid needlessly expending limited judicial resources by trying the same issue in two fora.⁸ (*Id.* at 5.)

A. MacLaren's Motion for Summary Judgment

MacLaren argues that the court should grant its Motion for Summary Judgment on its counterclaim because, in consideration of Delaware law and the relevant pleadings, First American has failed to show that there are genuine issues of material fact with respect to whether it has a duty to defend MacLaren in the underlying state court action. (D.I. 31 at 10–13; D.I. 34 at 3–5.) Under Delaware law, an insurance company's duty to defend is broader than its duty to indemnify. See  *State Farm Fire & Cas. Co. v. Maltman ex rel. Maltman*, No. 345 Civ. A.1975, 1976 WL 168381, at *2 (Del.Super.1981). In determining whether an insurance company has a duty to defend an insured against a third party, courts are instructed to look to the allegations of the underlying third party complaint to assess whether that complaint “alleges a risk within the coverage of the policy.” See  *Continental Cas. Co. v. Alexis I. DuPont Sch. Dist.*, 317 A.2d 101, 103 (Del.1974) (citations omitted). In this assessment, courts are often guided by the principles that: (1) “where there exists some doubt as to whether the complaint against the insured alleges a risk insured against, that doubt should be resolved in favor of the insured”; (2) “any ambiguity in the pleadings should be resolved against

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the carrier”; and (3) “if even one count or theory of plaintiff’s complaint lies within the coverage of the policy, the duty to defend arises.” *Id.* at 105.

*5 Moreover, the determination as to whether a duty to defend exists is objective, in that the court should seek to ascertain “not what the parties to the contract intended it to mean, but what a reasonable person in the position of the parties would have thought it to mean.” See *Rhone–Poulenc Basic Chems. Co. v. American Motorist Ins. Co.*, 616 A.2d 1192, 1196 (Del.1992).

Delaware law also clarifies that:

The obligation of the insurance company to defend an action against insured, as distinguished from its obligation to pay a judgment in that action, by the overwhelming weight of authority is to be determined by the allegations of the complaint. *This obligation is not affected by facts ascertained before suit or developed in the process of litigation* or by the ultimate outcome of the suit. If the allegations of the complaint state a cause of action within the coverage of the policy, the insurance company must defend. On the other hand, if the complaint alleges a liability not within the coverage of the policy, the insurance company is not required to defend. *In case of doubt such doubt ought to be resolved in the insured’s favor.*

Maltman ex rel. Maltman, 1976 WL 168381, at *2 (emphasis in original) (citation omitted). To this end, where an insurer’s duty to defend an insured is established, an insurer will be excused from its duty to defend only if it can demonstrate that the “allegations of the underlying complaint are ‘solely and entirely’ within specific and unambiguous exclusions from coverage.” See *Brosnahan Builders, Inc. v. Harleysville Mut. Ins. Co.*, 137 F.Supp.2d 517,

526 (D.Del.2001) (quoting *Nat’l Union Fire Ins. Co. of Pittsburgh, PA v. Rhone–Poulenc Basic Chems. Co.*, No. 87 C–SE–11, 1992 Del.Super. LEXIS 45, *8, 1992 WL 22690 (Del.Super.Ct. Jan. 16, 1992)).

In view of relevant Delaware law, the Point Management complaint in the underlying state court action, and the title insurance policy attached to the parties’ pleadings, the court concludes that First American has failed to show there are genuine issues of material fact for trial. Here, the parties do not dispute that the title insurance policy requires First American to defend MacLaren where the property it acquired is challenged as: (1) “vested other than as stated in Schedule A,” which states, for instance, the name of the insured and legal description of the conveyance; and/or (2) subject to a “defect or lien or encumbrance.” (D.I. 31 at 12; D.I. 1, Ex. C.) The parties also do not dispute that Point Management’s complaint includes: (1) Count I, which alleges a claim for reformation due to Point Management and MacLaren’s mutual mistake as to the inclusion of the residence; and (2) Count IV, which alleges a claim for reformation based on Point Management’s unilateral mistake, wherein no misconduct by MacLaren is claimed.⁹

Despite these undisputed facts, First American asserts that summary judgment should not be granted on MacLaren’s counterclaim. Specifically, First American notes that Point Management, in addition to alleging a mutual mistake claim, also asserted claims that MacLaren acted fraudulently, as demonstrated by its actions of altering the deed prior to recordation, admitting to its counsel that it was unaware the residence was included in the Agreement, and refusing to correct the deed though it took no actions after settlement demonstrating knowledge of the residence. First American argues that it is clear from MacLaren’s combined actions that it “assumed” and/or “accepted” the defect in title Point Management alleges. Because MacLaren’s assumption or acceptance of any defect in title is expressly excluded from insurance coverage, First American contends it does not have a duty to defend. While First American’s assertions may raise genuine issues of material fact as to whether MacLaren was aware the residence was included in the deed—and, therefore, raise facts material to whether First American has a duty to indemnify¹⁰—they do not raise genuine issues of material fact relevant to its duty to defend under Delaware law. Rather, the fact material to MacLaren’s duty to defend counterclaim is whether the underlying third party complaint pleads at least one cause of action covered by the policy. Consequently, because Count I alleges a cause of action covered by the title insurance policy and First American

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has failed to show that Point Management's allegations of mutual mistake "are 'solely and entirely' within specific and unambiguous exclusions from coverage," summary judgment is appropriate.¹¹

B. MacLaren's Motion to Stay the Remaining Proceedings

*6 MacLaren argues that the court should stay the remaining proceedings—specifically, First American's claim with respect to reformation of the parties' title insurance policy—pending resolution of the underlying state court action. (D.I. 34 at 5.) In support of this argument, MacLaren contends in part¹² that allowing this action to proceed during the pendency of the underlying state court action would unnecessarily waste judicial resources and potentially result in inconsistent factual findings. (*Id.*) This court agrees.

Under Delaware law, parties may reform a contract where there is evidence of mutual mistake or unilateral mistake. *See Cerberus International v. Apollo Management, L.P.*, 794 A.2d 1141, 1151 (Del.2002). To support reformation based on mutual mistake, it must be shown that the contract does not represent the parties' intent due to a mistake, "common to both parties," when the contract was reduced to writing. *See Westfield Insurance Co. v. Chip Slaughter Auto Wholesale*, 717 F.Supp.2d 433, 434–444 (D.Del.2010). To meet this requirement, the moving party must show by "clear and convincing evidence that the parties came to a specific prior understanding that differed materially from the written agreement." *Id.* at 1151–52. To reform a contract based on unilateral mistake, the party asserting reformation must "show that it was mistaken and that the other party knew of the mistake but remained silent." *See Cerberus Int'l*, 794 A.2d at 1151.

A review of Point Management's complaint in the underlying state court action makes clear that questions of fact related to First American's reformation claim will be resolved in that proceeding. Specifically, Point Management's complaint includes claims for reformation of MacLaren's deed based on mutual mistake and unilateral mistake. First American does not dispute that the title insurance policy's coverage was based on the Point Management–MacLaren deed and encompasses the parcels conveyed in that deed.¹³ Consequently, the determination of whether the title insurance policy should be reformed will depend on factual findings related to whether the deed conveying the residence from Point Management to MacLaren was the result of mutual or unilateral mistake. In

light of this factual overlap and the fact that the same issues will otherwise be tried in two fora, the court concludes that the interests of judicial efficiency and economy would be served by staying this action pending the outcome of the underlying state court proceeding. Additionally, the court also finds that the resolution of these factual disputes in the state court matter will serve to simplify the issues in question in this case, as well as ensure consistent rulings in both actions.

The court also notes that First American's assertion that it will be "severely prejudiced" if the court stays this matter pending resolution of the underlying state court action does not undermine its findings. (D.I. 33 at 19.) First American contends, in support of this assertion, that it is accumulating significant fees defending MacLaren in state court and that, if it "is correct that there is no coverage for the claims in the Point Management litigation and/or that the Policy should be reformed to remove the Residence from the legal description, First American would have no duty to defend or indemnify MacLaren." (*Id.*) In light of this court's ruling that First American has a duty to defend MacLaren in the underlying state action, however, the court is not persuaded that First American will be severely prejudiced by the accumulation of legal fees it has a duty to incur. Finally, and in consideration of the foregoing, the court further concludes that the fact that discovery is complete and a trial date is set in this matter, does not outweigh the interests of judicial efficiency and consistent adjudications that can be achieved by staying this matter pending resolution of the state action and the factual issues bearing on First American's reformation claim in this court.

V. CONCLUSION

*7 For the foregoing reasons, the court will grant MacLaren's Motion for Summary Judgment and its Motion to Stay the proceedings pending resolution of the underlying state court action.

ORDER

For the reasons stated in the court's Memorandum of this same date, IT IS HEREBY ORDERED that:

1. The defendant's Motion for Summary Judgment (D.I.30) is GRANTED;

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2. The defendant's Motion to Stay the remaining proceedings pending resolution of the underlying state court action (D.I.30) is GRANTED; and

All Citations

Not Reported in F.Supp.2d, 2012 WL 769601

3. The parties are directed to submit a joint status report to the court every six months.

Footnotes

1 In its Opening Brief in support of summary judgment, MacLaren challenges Point Management's assertion that it fraudulently altered the deed, stating that, after the parties resolved the conveyance issue identified prior to settlement:

Point Management's attorneys from Young Conway Stargatt & Taylor drafted a new sales agreement which took out the portion of the office park that had been sold to Mr. Reed and added the [] residence. Hal Dukes of Tunnel & Raysor told Dr. Patterson that the [] residence was included in the revised transaction. Shortly after settlement, Jane Patchell, Esq. of Tunnell & Raysor saw that there was an error in the deed signed at settlement in that tax parcel number 52.03 (the tax parcel number for the [] residence) and the legal description in the deed did not match that in the sales agreement. She called Colby Cox of Point Management and he authorized her to change the deed to be filed so that it would conform with the sales agreement.

(D.I. 31 at 9–10.) The court notes that these assertions are not supported by citations to the record.

2 Specifically, First American notes that MacLaren attorney, Hal Dukes, sent a letter to Point Management after it discovered the residence was included in the deed, stating:

I have had several conversations with the MacLaren group concerning the mistake in the deed description. I have explained to them that the realtors and the parties to the negotiations never included this property to be part of the transfer. While it is obvious that the MacLaren group should not receive the house as a result of this mistake, they have not replied to any of my requests.

(D.I. 33 at 8 (quoting Letter from Dukes to Point Management, D.I. 33, Ex. 7).) First American notes that Dukes was terminated as counsel shortly thereafter. (*Id.*)

3 Point Management's complaint also brings suit against Tunnell & Raysor and Artisans' Bank, the entity through which MacLaren obtained a mortgage. (D.I. 1 at ¶ 49.)

4 First American includes its conversation with Patterson in its Answering Brief:

Q: Did you ever tell anyone that you were not aware that the residential house was included on the deed?

A: There was a discussion with the attorneys at the time.

Q: Which attorneys?

A: Patchell and Hal Dukes.

Q: What was the nature of the discussion?

A: We were just confirming what tax ID goes with what taxes I had paid.

Q: And so, you told them at that time that you were not aware that the residential house was included on the deed?

A: I did at that time, but it was incorrect. (D.I. 33 at 10 (quoting Patterson Statement, January 5, 2010, at 6–10, D.I. 33, Ex. 4).)




5 Specifically, First American asserts that the following actions are inconsistent with MacLaren's contention that it knew of the residence, intended to buy it, and understood in advance of the closing that it was included in the deed: (1) Patterson did not visit the residence before making an offer for the office park and the residence was not referenced in MacLaren's initial office park offer; (2) Patterson did not visit the residence between the time the Agreement was signed and the closing; (3) MacLaren did not tell its lender for the office park

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about the residence; (4) MacLaren had the office park inspected prior to closing but did not order inspections on the residence; (5) MacLaren insured the office park after closing and contracted for lawn maintenance and snow removal of that location, but did not contract for insurance or similar services at the residence; and (6) MacLaren did not collect rent from the tenants living at the residence for the first year after it was purchased. (D.I. 33 at 1–8.) In sum, First American argues that MacLaren did not act or assert its ownership of the residence until Point Management recognized that it was inadvertently conveyed during the settlement transaction. (*Id.* at 8–9.)

6 See  [Cherokee Nation of Oklahoma v. United States](#), 124 F.3d 1413, 1416 (Fed.Cir.1997).


7 MacLaren notes that Schedule A “identifies the titleholder as MacLaren and in the description of the property covered by the policy includes “Tract No. 22–35 20.11 52.03,” the tax parcel number for the [residence], and the legal description of the [residence].” (D.I. 34 at 5–6.)



8 The court notes that MacLaren also argues that this case should be stayed because “the issue of MacLaren’s and Point Management’s intent is being litigated in the first-filed *Point Management* action” and “[u]nder Delaware law, ‘litigation should be confined to the forum in which it is first commenced.’ ” (*Id.* at 14 (quoting  [McWane Cast Iron Pipe Corp. v. McDowell–Wellman Engineering, Co.](#), 263 A.2d 281, 283 (Del.1970)). To the extent that MacLaren presents a “first-filed” argument in support of its Motion to Stay, the court clarifies that the “first-filed doctrine” is inapplicable in this case. Specifically, Third Circuit controlling law dictates that the firstfiled rule only applies to parallel proceedings in federal courts. See  [Nihon Tsushin Kabushiki Kaisha v. Davidson](#), 595 F.Supp.2d 363, 368 (D.Del.2009) (quoting  [E.E.O.C v. Univ. of Pa.](#), 850 F.2d 969, 971 (3d Cir.1988)). In fact, the “first-filed doctrine has long functioned as a ‘policy of comity’ counseling ‘trial judges to exercise their discretion by enjoining the subsequent prosecution of similar cases ... in different federal district courts.’ ” See *id.* To this end, the court notes that, in granting MacLaren’s Motion to Stay the remaining proceedings, it does not, as explained below, rely on the first-filed doctrine.

9 Specifically, Point Management alleges that:

At the time of closing Point Management reasonably believed and expected only the Federal Street Property was being conveyed to MacLaren in exchange for payment by MacLaren of the Purchase Price. Without this expectation, Point Management would not have sold the Federal Street Property to MacLaren for the Purchase Price. The identification of the Residential Property by tax map and parcel in the Agreement and the Original Deed executed by Point Management was a mistake.

(D.I. 34 at 5 (quoting D.I. 32, Ex. D, Point Management Complaint at ¶ 72).)

10 Under Delaware law, an insurer’s duty to defend an insured is broader than its duty to indemnify. See  [Alexis I. DuPont Sch. Dist. ...](#), 317 A.2d at 103. Specifically, while an insurer may have a duty to defend an insured in a third party action, the duty to indemnify is narrower and arises only when the insured is determined to be liable for damages within the policy’s coverage. See *id.* Consequently, while the court here concludes that First American has a duty to defend MacLaren in the underlying state court action, it does not reach the issue of whether First American has a duty to indemnify, as this determination will require assessment of whether MacLaren was aware that Point Management did not intend to convey the residence as a part of the transaction at issue.

11 See   [Brosnahan Builders, Inc.](#), 137 F.Supp.2d at 526 (citation omitted); see also [Goodville Mut. Cas. Co. v. Baldo](#), Civ. No. 09–338–SLR, 2011 U.S. Dist. LEXIS 59526, *5, 2011 WL 2181627 (D.Del. Jun.2, 2011) (concluding that, under Delaware law, an insured may be excused from its duty to defend only where it can be “determined, as a matter of law, that there is no possible fact or legal basis upon which the insurer might eventually be obligated to indemnify the insured”).

12 See *supra* note 8.

13 In its Answering Brief, First American notes that the title insurance policy “used the same legal description to describe the property as was used in the deed, which description included the Residence.” (D.I. 33 at 5.)

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Exhibit 7

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2019 WL 3943058
Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

IOENGINE, LLC, Plaintiff,

v.

PAYPAL HOLDINGS, INC., Defendant.

Ingenico Inc., Plaintiff,

v.

IOENGINE, LLC, Defendant.

IOENGINE, LLC, Counterclaim Plaintiff,

v.

Ingenico Inc., Ingenico Corp., and Ingenico
Group, S.A., Counterclaim Defendants.

Civil Action No. 18-452-WCB,

Civil Action No. 18-826-WCB

|
Signed 08/21/2019

Attorneys and Law Firms

Frederick L. Cottrell, III, Christine Dealy Haynes, Richards, Layton & Finger, PA, Wilmington, DE, Joel R. Leeman, Pro Hac Vice, Kerry L. Timbers, Pro Hac Vice, Lisa M. Tittlemore, Pro Hac Vice, Sharona H. Sternberg, Pro Hac Vice, for Plaintiff.

Beth Ann Swadley, Eve H. Ormerod, Neal C. Belgam, Smith, Katzenstein, & Jenkins LLP, Wilmington, DE, Derek J. Brader, Pro Hac Vice, Gregory T. Chuebon, Pro Hac Vice, Michael H. Joshi, Pro Hac Vice, Noah M. Leibowitz, Pro Hac Vice, for Defendant.

Beth Ann Swadley, Eve H. Ormerod, Neal C. Belgam, Smith, Katzenstein, & Jenkins LLP, Wilmington, DE, Gregory T. Chuebon, Noah M. Leibowitz, for Counterclaim Plaintiff.

Frederick L. Cottrell, III, Christine Dealy Haynes, Richards, Layton & Finger, PA, Wilmington, DE, for Counterclaim Defendants.

MEMORANDUM OPINION AND ORDER

WILLIAM C. BRYSON, UNITED STATES CIRCUIT
JUDGE

*1 Before this Court are motions by Ingenico Inc., Ingenico Corp., and Ingenico Group S.A. (collectively, “Ingenico”) and by PayPal Holdings, Inc., (“PayPal”) for stays of Civil Action Nos. 18-452 and 18-826 pending *inter partes* review (“IPR”) in IPR2019-00416 by the Patent Trial and Appeal Board (“PTAB”). The motions are granted.

BACKGROUND

IOENGINE, LLC (“IOENGINE”) is the assignee of U.S. Patent Nos. 8,539,047 (“the ‘047 patent”), 9,059,969 (“the ‘969 patent”), and 9,774,703 (“the ‘703 patent”), each of which is entitled “Apparatus, Method and System for a Tunneling Client Access Point.” *IOENGINE LLC v. PayPal Holdings, Inc.*, No. 18-cv-452 (“*PayPal Action*”), Dkt. No. 1, at 4. The applications that led to the ‘047, ‘969, and ‘703 patents were continuation applications from U.S. Patent Application No. 10/807,731, which issued as U.S. Patent No. 7,861,006 (“the ‘006 patent”). *Id.*; *PayPal Action*, Dkt. No. 60, at 1 n.1.

On March 23, 2018, IOENGINE filed a complaint against PayPal in a case designated as Civil Action No. 18-452. The complaint alleged that PayPal had infringed the ‘047, ‘969, and ‘703 patents in connection with mobile credit card reader products that included products that Ingenico, Inc., had supplied to PayPal. *PayPal Action*, Dkt. No. 1, at 4; *Ingenico Inc. v. IOENGINE LLC, Inc.*, No. 18-cv-826 (“*Ingenico Action*”), Dkt. No. 1, at 2–3. The filing of the complaint against PayPal triggered an indemnity request by PayPal to Ingenico Inc. *Ingenico Action*, Dkt. No. 1, at 3.

In response, on June 1, 2018, Ingenico Inc. filed a declaratory judgment action against IOENGINE, in a case designated as Civil Action No. 18-826. Ingenico Inc. sought a declaration of non-infringement of the three patents-in suit in the *PayPal Action*. IOENGINE filed an answer to Ingenico Inc.’s declaratory judgment complaint on August 17, 2018, and included counterclaims alleging infringement of the same three patents not only by Ingenico Inc., but also by two related companies, Ingenico Corp. and Ingenico Group S.A.

The three asserted patents contain a total of 189 claims. IOENGINE’s infringement contentions, served on March 1, 2019, asserted 20 of those 189 claims: claims 1-2, 4, 12, and

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25 of the '047 patent; claims 2-4 and 7 of the '969 patent; and claims 55-57, 61, 100, 104-06, 110-11, and 123 of the '703 patent. *Ingenico Action*, Dkt. No. 104, at 2.

claims of the three patents in suit and certain other claims of those patents as well. The tables below summarize the subject matter and timeline for each of those IPR petitions:

Between December 2018 and April 2019, PayPal and Ingenico separately filed a total of 12 petitions for *inter partes* review. Collectively, the petitions challenged all the asserted

Ingenico IPRs

IPR Petition Number	Challenged Patent	Challenged Claims	Filing Date	Institution Decision Date/Due Date	Final Written Decision Due Date
IPR2019-00416	'047 patent	1-21, 23-25, 27, 28	12/17/2018	07/15/2019	07/15/2020
IPR2019-00584	'703 patent	1-54	01/22/2019	08/12/2019	08/12/2020
IPR2019-00879	'969 patent	1-8, 10-16, 19-21, 24-29	03/25/2019	10/16/2019	10/16/2020
IPR2019-00929	'703 patent	55-63, 65-72, 74, 75, 77, 78, 81-87, 89, 90, 92-98, 100, 101, 103-112, 114-121, 123, 124, 126-129	04/05/2019	10/10/2019	10/10/2020

PayPal IPRs

IPR Petition Number	Challenged Patents	Challenged Claims	Filing Date	Institution Decision Date/ Due Date	Final Written Decision Due Date
IPR2019-00884	'047 patent	1-9, 12-16, 18-31	03/29/2019	10/17/2019	10/17/2020
IPR2019-00885	'047 patent	1, 7, 9-11, 14, 16-17	03/29/2019	10/17/2019	10/17/2020
IPR2019-00886	'047 patent	1-4, 6-9, 12-16, 18-31	03/29/2019	11/10/2019	11/10/2020
IPR2019-00887	'047 patent	5, 10-11, 17	03/29/2019	11/10/2019	11/10/2020
IPR2019-00906	'969 patent	1-22, 24-29	04/04/2019	12/06/2019	12/06/2020
IPR2019-00907	'969 patent	1-22, 24-29	04/04/2019	12/06/2019	12/06/2020
IPR2019-00930	'703 patent	55-72, 74-75, 77-79, 81-87, 89-90, 92-98, 100-101, 103-121, 123-124, 126-129	04/08/2019	11/15/2019	11/15/2020
IPR2019-00931	'703 patent	55-72, 74-75, 77-79, 81-87, 89-90, 92-98,	04/08/2019	11/15/2019	11/15/2020

The PTAB has already acted on two of Ingenico's IPR petitions. On July 15, 2019, the PTAB granted the petition in IPR2019-00416, and on August 12, 2019, it denied the petition in IPR2019-00584.¹

*2 In its decision instituting review in IPR2019-00416, the PTAB construed the terms "interactive user interface" and "communicate through the terminal network interface with the communications network node"/ "cause a communication to be sent through the terminal network interface to a communications network node," which are two of the eight terms that the parties identified as disputed terms in their Joint Claim Construction Chart in the district court cases. *Ingenico Inc. v. IOENGINE, LLC*, No. IPR2019-00416, Paper 20 (P.T.A.B. July 15, 2019); *PayPal Action*, Dkt. No. 91, at 1–2.

On July 17, 2019, Ingenico moved for a stay of the *Ingenico Action* pending the resolution of IPR2019-00416. *Ingenico Action*, Dkt. No. 103. Thereafter, on July 30, 2019, PayPal moved for a stay of the *PayPal Action* pending the resolution of the same IPR. *PayPal Action*, Dkt. No. 93. At the current stage of the proceeding, the parties are engaged in claim construction briefing and have conducted a significant amount of discovery. The following case milestones, however, lie ahead:

- (1) a claim construction hearing is scheduled for August 29, 2019;
- (2) fact discovery is continuing and does not close until October 30, 2019;
- (3) all depositions remain to be taken;
- (4) expert discovery has yet to begin; it is scheduled to close on February 18, 2020;
- (5) a pretrial conference is scheduled for July 20, 2020; and
- (6) trials in the two cases are scheduled to be conducted in July and August 2020.

See *PayPal Action*, Dkt. No. 49; *Ingenico Action*, Dkt. No. 57; see also *PayPal Action*, Dkt. No. 94, at 5; *Ingenico Action*, Dkt. No. 104, at 2.

DISCUSSION

The question whether a stay of district court proceedings should be granted when *inter partes* review is instituted on some or all of the claims at issue in the district court litigation has arisen frequently since the enactment of the Leahy-Smith America Invents Act ("AIA") in 2011. The principles governing the question whether to stay the case pending *inter partes* review have been developed by courts in numerous decisions since that time.

A district court has inherent power to control its own docket, including the power to stay the proceedings before it. See *Clinton v. Jones*, 520 U.S. 681, 706 (1997). In particular, the question whether to stay proceedings pending review by the Patent and Trademark Office ("PTO") of the validity of the patent or patents at issue in the lawsuit is a matter committed to the district court's discretion. See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (request for a stay pending *inter partes* reexamination). A stay is particularly justified when "the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues." *NFC Tech. LLC v. HTC Am., Inc.*, Case No. 2:13-cv-1058, 2015 WL 1069111, at *1 (E.D. Tex. Mar. 11, 2015) (citing cases).

District courts typically consider three factors when determining whether to grant a stay pending *inter partes* review of the patent in suit: "(1) whether granting the stay will simplify the issues for trial; (2) the status of the litigation, particularly when discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from any delay, or allow the movant to gain a clear tactical advantage." *Princeton Dig. Image Corp. v. Konami Dig. Entm't Inc.*, No. CV 12-1461, 2014 WL 3819458, at *2 (D. Del. Jan. 15, 2014) (citing cases).

The related context of Covered Business Methods ("CBM") review provides guidance as to the principles that apply to stay applications in the IPR setting. In the uncodified portion of the AIA that was directed to CBM review proceedings, Congress set forth four factors that govern whether a stay should be granted pending CBM review proceedings before the PTAB. Those four factors are:

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*3 (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.

Pub. L. No. 112-29, § 18(b)(1), 125 Stat. 284, 331 (2011). Those statutory factors largely track the three factors traditionally used by courts in determining whether to grant stays pending post-grant review proceedings, with a fourth factor added. The fourth factor, which requires an inquiry into whether a stay will reduce the burden of litigation on the parties and the court, indicates that the “burden of litigation” factor should be given special attention.


While the four-factor test that Congress enacted for stays in CBM proceedings does not expressly extend to IPR cases, the policy considerations that apply in the two contexts are similar, and the Federal Circuit has held that the fourth factor set forth in the CBM statute may properly be applied to stays in IPR cases as well. See *Murata Mach. USA v. Daifuku Co.*, 830 F.3d 1357, 1362 (Fed. Cir. 2016); see also *Neuro Cardiac Techs., LLC v. LivaNova, Inc.*, Civil Action No. H-18-1517, 2018 WL 4901035, at *2 (S.D. Tex. Oct. 9, 2018);

 *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 13-cv-346, 2013 WL 6044407, at *2 (W.D. Wis. Nov. 14, 2013). The Court will therefore address the “burden of litigation” factor as part of the factor directed to “simplifying the issues.”

The legislative history of the AIA makes it apparent that Congress intended for district courts to be liberal in granting stays pending CBM review. As Senator Schumer observed regarding the CBM review provision, Congress intended to place “a very heavy thumb on the scale in favor of a stay being granted” once the PTAB instituted CBM review proceedings. 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Chuck Schumer).

Congress’s desire to enhance the role of the PTO and limit the burden of litigation on courts and parties was not restricted to the CBM review context. The legislative history indicates that Congress recognized that the same underlying policy

considerations that apply to CBM review apply to *inter partes* review as well. See H. Rep. No. 112-98, Part I, at 48 (2011) (statutory post-grant review procedures were designed to be “quick and cost effective alternatives to litigation”); 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (*inter partes* review was intended to provide a “faster, less costly alternative[] to civil litigation to challenge patents”) (statement of Sen. Chuck Grassley); *id.* at S5319 (daily ed. Sept. 6, 2011) (post-grant review of patents, including *inter partes* review, was meant to be “an inexpensive substitute for district court litigation” that “allows key issues to be addressed by experts in the field”) (statement of Sen. Jon Kyl). In light of the parallel policies underlying the CBM and *inter partes* review proceedings, it is not surprising that courts have applied generally similar analysis to requests for stays in both settings.

*4 The benefits of *inter partes* review are the same as those served by CBM review: giving the PTO an opportunity to reconsider patents that have become the focus of litigation, relieving the courts of some of the burdens of deciding issues of obviousness and anticipation, and saving the courts from having to adjudicate infringement claims based on patents of questionable validity. For those reasons, courts have concluded that the “liberal policy” in favor of stays in CBM cases also applies to stays pending instituted IPR proceedings. See *Parsons Xtreme Golf LLC v. Taylor Made Golf Co.*, No. CV-17-03125, 2018 WL 6242280, at *3–8 (D. Ariz. Nov. 29, 2018); *Nautilus, Inc. v. ICON Health & Fitness, Inc.*, Case No. 1:17-cv-154, 2018 WL 4215095, at *2 (D. Utah Sept. 4, 2018); *Qualcomm Inc. v. Apple Inc.*, Case No. 3:17-cv-2403, 2018 WL 4104966, at *1 (S.D. Cal. Aug. 29, 2018); *Canfield Sci., Inc. v. Drugge*, Civil Action No. 16-4636, 2018 WL 2973404, at *2 (D.N.J. June 13, 2018); *Chrimar Sys. Inc. v. Ruckus Wireless, Inc.*, Case No. 16-cv-186 et al., 2016 WL 5403595, at *3 (N.D. Cal. Sept. 26, 2016); *Drink Tanks Corp. v. GrowlerWerks, Inc.*, Case No. 3:16-cv-410, 2016 WL 3844209, at *2 (D. Or. July 15, 2016); *Gatearm Techs., Inc. v. Access Masters, LLC*, Civil Action No. 14-62697, 2015 WL 13752667, at *1 (S.D. Fla. July 13, 2015); *Robert Bosch Healthcare Sys., Inc. v. Cardiocom, LLC*, No. C-14-1575, 2014 WL 3107447, at *3 (N.D. Cal. July 3, 2014);  *Intellectual Ventures II LLC v. Commerce Bancshares, Inc.*, No. 2:13-cv-04160, 2014 WL 2511308, at *2 (W.D. Mo. June 4, 2014) (“Although the decision to grant a stay remains firmly in the district court’s discretion, the interests of judicial economy and deference to the PTO’s expertise have given rise to a ‘liberal policy in favor of grant stays.’”). Summarizing the state of the law on this issue, the court in the *NFC Tech.* case stated that “after the PTAB

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has instituted review proceedings, the parallel district court litigation ordinarily should be stayed.” *NFC Tech.*, 2015 WL 1069111, at *7.

Although the three-factor test informs the Court’s inquiry, that test is not a prescriptive template. The district court retains the “discretionary prerogative to balance considerations beyond those captured by the three-factor stay test.” *Murata*, 830 F.3d at 1362. “[U]ltimately the Court must decide stay requests on a case-by-case basis.” *Norman IP Holdings, LLC v. TP-Link Techs., Co.*, Case No. 6:13-cv-384, 2014 WL 5035718, at *2 (E.D. Tex. Oct. 8, 2014); see also *Lund Motion Prods., Inc. v. T-Max Hangzhou Tech. Co.*, Case No. SACV 17-1914, 2019 WL 116784, at *2 (C.D. Cal. Jan. 2, 2019) (“the totality of the circumstances governs” (quoting *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013))); *Qualcomm Inc.*, 2018 WL 4104966, at *1; *Image Processing Techs., LLC v. Samsung Elecs. Co.*, Case No. 2:16-cv-505, 2017 WL 7051628, at *1 (E.D. Tex. Oct. 25, 2017) (“motions to stay are highly individualized matters”); *Realtime Data LLC v. Actian Corp.*, Case No. 6:15-cv-463, 2016 U.S. Dist. LEXIS 187446, at *7, 2016 WL 9340796 (E.D. Tex. Nov. 29, 2016); *Drink Tanks Corp.*, 2016 WL 3844209, at *2; *Wonderland Nursery Goods Co. v. Baby Trend, Inc.*, No. EDCV 14-1153, 2015 WL 1809309, at *2 (C.D. Cal. Apr. 20, 2015); *PersonalWeb Techs., LLC v. Apple Inc.*, 69 F. Supp. 3d 1022, 1025 (N.D. Cal. 2014).

The court now turns to an assessment of each of the factors bearing on whether to grant the motions for a stay.

I. The State of the Proceedings

In the two cases before the Court, claim construction briefing has been completed, and fact discovery is ongoing. According to IOENGINE, “[a] stay of proceedings would interrupt both the discovery and claim construction processes, processes that have already progressed significantly and which would need to be restarted on the same issues upon the conclusion of IPR proceedings.” *Ingenico Action*, Dkt. No. 109, at 19. Specifically, IOENGINE states that the parties have “produced over 100,000 pages of documents, conducted more than 110 hours of review of party source code, and served and responded to dozens of interrogatories, over 250 requests for production, and multiple requests for admission.” *PayPal Action*, Dkt. No. 107, at 14. IOENGINE also states that

both PayPal and Ingenico have served multiple third party subpoenas, with commanded response dates between May and August of 2019. *Id.*

*5 While IOENGINE’s observations indicate that there has been significant progress in the two cases, the most burdensome stages of the cases—completing discovery, preparing expert reports, filing and responding to pretrial motions, preparing for trial, going through the trial process, and engaging in post-trial motions practice—all lie in the future. *CyWee Grp. Ltd. v. Samsung Elec. Co.*, No. 2:17-cv-140, D.I. 331, at 13 (E.D. Tex. Feb. 14, 2019); See *Smartflash LLC v. Apple Inc.*, 621 Fed. Appx. 995, 1005 (Fed. Cir. 2015) (holding that the district court abused its discretion when it denied a stay prior to trial, because “[d]espite the substantial time and effort already spent in this case, the most burdensome task is yet to come.”). No depositions have been taken, expert discovery has not begun, and the trials in the two cases are approximately a year away, even assuming there is no slippage in the trial schedule. *Ingenico Action*, Dkt. No. 104, at 2. In the Court’s view, the state of the litigation cuts in favor of a stay. See *CallWave Commc’ns, LLC v. AT&T Mobility LLC*, Civil Action Nos. 12-1702 et al., 2015 WL 1284203, at *1 (D. Del. Mar. 18, 2015) (stage of the litigation favored a stay where “[d]iscovery is more advanced than would be ideal, but ... few depositions have been taken and expert discovery has not yet begun”); *ACQUIS, LLC v. EMC Corp.*, 109 F. Supp. 3d 352, 356–57 (D. Mass. 2015) (finding that the “stage of the litigation” factor weighed in favor of a stay where no depositions had been taken and expert discovery had not begun, “[n]otwithstanding the fact that substantial document and written discovery ha[d] already occurred, and a claim construction opinion ha[d] been issued”).

To be sure, this case is not “in its infancy.” Nonetheless, “it appears likely that the bulk of the expenses that the parties would incur in pretrial work and trial preparation are still in the future.” *NFC Tech.*, 2015 WL 1069111, at *3. The likelihood of substantial continuing pretrial work by the parties (and by the Court) is increased by IOENGINE’s recent filing of a motion for leave to supplement its complaint and its answer and counterclaims with a newly issued patent, see *Ingenico Action*, Dkt. No. 118, and the parties’ disputes over email production, see *Ingenico Action*, Dkt. No. 114, Exh. D. Therefore, the Court believes that “denying a stay because of the progress of the case to this point would impose significant expenses on the parties that might be avoided if the

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stay results in the simplification of further court proceedings.” *NFC Tech.*, 2015 WL 1069111, at *3.

II. Prejudice

a. The Ingenico Action

In analyzing whether a plaintiff would suffer undue prejudice (and relatedly whether a defendant would gain an unfair tactical advantage) if a stay were granted, courts in this district have examined four factors: (1) the timing of the request for review; (2) the timing of the request for a stay; (3) the status of the review proceedings; and (4) the relationship of the parties. *Ethicon LLC v. Intuitive Surgical, Inc.*, C.A. No. 17-871, 2019 WL 1276029, at *2 (D. Del. Mar. 20, 2019); *Contour IP Holding, LLC v. GoPro, Inc.*, No. CV 15-1108, 2016 WL 4474340, at *4 (D. Del. July 14, 2016); *Princeton Dig. Image Corp.*, 2014 WL 3819458, at *4. In light of those factors, IOENGINE makes several arguments about why granting a stay of its action against the Ingenico defendants would be unduly prejudicial.

First, IOENGINE argues that Ingenico could have filed its IPR petitions challenging IOENGINE’s patents immediately after being notified of IOENGINE’s complaint against PayPal. Instead, according to IOENGINE, Ingenico “chose to invoke the power of this Court ... [and] should not now be allowed to abandon its chosen forum.” *Ingenico Action*, Dkt. No. 109, at 16.

That characterization of the procedural history of the case ignores the indemnity request from PayPal that prompted Ingenico to seek declaratory relief. As noted by Ingenico, “[i]t was IOENGINE ... that initiated litigation against PayPal, a customer of Ingenico, alleging infringement of three products supplied by Ingenico, causing Ingenico to act.” *Ingenico Action*, Dkt. No. 114, at 8. For that reason, the Court discounts IOENGINE’s argument that Ingenico is seeking to walk away from a district court action that it filed on its own initiative.

IOENGINE also argues that “Ingenico did not file its first petition for *inter partes* review for more than *six months* after it initiated this action, and almost *nine months* after its customer and indemnitee PayPal was sued.” *Ingenico Action*, Dkt. No. 109, at 16 (emphasis in original). According to IOENGINE, the delay in filing the initial IPR petition was a calculated maneuver. On October 6, 2018, Ingenico

moved to dismiss the counterclaims against Ingenico Group S.A. (“Ingenico France”) for lack of personal jurisdiction. IOENGINE alleges that Ingenico, “[k]nowing that naming Ingenico France as a ‘real party in interest’ in the IPR proceedings would undermine its jurisdictional argument ... [.] timed its IPR petition for the same day as the hearing before the Court on its motion to dismiss—preventing IOENGINE from raising this issue before the Court at oral argument.” *Id.* at 16–17. IOENGINE also argues that Ingenico had an opportunity to seek *inter partes* review earlier in the case, but chose to pursue litigation and to aggressively challenge IOENGINE at every turn.



*6 Ingenico offers a different perspective. Ingenico argues that it was “extremely diligent” in filing its IPR. *Ingenico Action*, Dkt. No. 114, at 7. According to Ingenico, the ‘047 IPR was filed before the Court entered a scheduling order, before there was any material activity in the case, and six weeks before IOENGINE identified the subset of the claims (out of a possible 189) that it would be asserting. *See id.* As for IOENGINE’s gamesmanship theory, Ingenico insists that there was no dilatory motive behind the timing of the petition, and the fact that the petition was filed on the same day as the hearing on the motion to dismiss was purely coincidental. Ingenico adds that “[h]ad IOENGINE felt that the naming of Ingenico [France] as a real party-in-interest in the IPR was material to the Court’s decision relating to personal jurisdiction, IOENGINE could have brought this to the Court’s attention when that motion was pending.” *Id.* at 8.

The Court is not persuaded by IOENGINE’s argument. Notwithstanding that the IPR was filed on the same date that the Court held its hearing on the motion to dismiss, the facts do not suggest a dilatory motive behind the timing of the petition. Because Ingenico filed its IPR petition before the Court ruled on the motion to dismiss, Ingenico remained vulnerable to attack by the same “real party in interest” argument (assuming there was any force to that argument), which could have been raised after the hearing and before the Court acted on the motion. The claim of gamesmanship aside, the Court finds that in light of the complexity entailed in seeking *inter partes* review, a delay of six months from the filing of the complaint is not unreasonable. *NFC Tech.*, 2015 WL 1069111, at *4 (citing cases).


Second, with respect to the timing of the stay request, Ingenico filed its motion for a stay within three days after the ‘047 IPR institution decision was published. An earlier


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request for a stay would have been premature, as courts almost invariably deny requests for stays pending IPR proceedings when the stay requests are filed before the IPR is instituted, and a pre-institution request therefore would have been futile. *See, e.g., Invensas Corp. v. Samsung Elecs. Co.*, Civil Action No. 17-1363, 2018 WL 4762957, at *6 (D. Del. Oct. 2, 2018); *Universal Secure Registry, LLC v. Apple Inc.*, Civil Action No. 17-585, 2018 WL 4486379, at *4–5 (D. Del. Sept. 19, 2018); *454 Life Scis. Corp. v. ION Torrent Sys., Inc.*, No. 15-595, 2016 WL 6594083, at *4 (D. Del. Nov. 7, 2016) (stay motion filed shortly after PTAB issued its institution decisions, “which is generally the ideal time at which to file such a request.”). The Court finds that Ingenico diligently moved for the requested stay.

Third, with respect to the status of the review proceeding, the Ingenico IPR on the  '047 patent was instituted in July of this year and will presumably be completed by July 2020. *See* 37 C.F.R. § 42.100(c). In addition, institution decisions in the remaining petitions filed by Ingenico and PayPal will be made between October and December of this year. Thus, while the IPRs are not at an advanced stage, the potential for the IPRs to significantly affect the litigation is high. If a stay is not granted, a decision as to the validity of the  '047 patent (and decisions as to the validity of the other two patents-in-suit) could come at the time of the trials in the district court actions or during post-trial motions practice. The prospect that contemporaneous IPR decisions will have a significant effect on the issues presented in the litigation counsels in favor of a stay. *See Huvepharma Eood v. Associtated British Foods, PLC*, Civil Action No. 18-129, 2019 WL 3802472, at *1 (D. Del. Aug. 13, 2019) (“Plaintiffs contemplate having anticipation and obviousness tried twice, whereas a stay will mean that those issues will only need to be tried once.”).

Fourth, as to the relationship between the parties, it is undisputed that IOENGINE is a patent assertion entity and does not compete with Ingenico or PayPal. To be sure, IOENGINE’s interest in the prompt enforcement of its patent rights is entitled to weight. *See CyWee Grp. Ltd. v. Samsung Elec. Co.*, No. 2:17-cv-140, D.I. 331, at 7; *NFC Tech.*, 2015 WL 1069111, at *2. However, that factor is present in every case in which a patentee resists a stay, and it is therefore insufficient, standing alone, to defeat a stay motion. *See BodyMedia, Inc. v. Basis Sci., Inc.*, No. 12-cv-133, 2013 WL 2462105, at *1 n.1 (D. Del. June 6, 2013); *see also CyWee Grp. Ltd. v. Samsung Elec. Co.*, No. 2:17-cv-140, D.I. 331, at 7; *CyWee Grp. Ltd. v. Huawei Device Co.*, Case No. 2:17-

cv-495, 2018 WL 4002776, at *3 (E.D. Tex. Aug. 22, 2018); *VirnetX Inc. v. Apple Inc.*, Civil Action No. 6:12-cv-855, 2018 WL 398433, at *3 (E.D. Tex. Jan. 12, 2018); *NFC Tech.*, 2015 WL 1069111, at *2. That is especially true for non-practicing entities, such as IOENGINE, that “do[] not participate in the relevant market and will not suffer any loss of market share or erosion of goodwill due to a stay.”  *Princeton Dig. Image Corp.*, 2014 WL 3819458, at *6; *see also SZ DJI Tech. Co. v. Autel Robotics USA LLC*, C.A. No. 16-706, 2019 WL 1244948, at *2 (D. Del. Mar. 18, 2019) (“[T]he stay of proceedings with respect to a patent Autel does not practice will not greatly harm Autel.”); *Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, C.A. No. 12-cv-1107 et al., 2014 WL 1369721, at *5 (D. Del. Apr. 7, 2014) (holding that the plaintiff’s status “as a non-practicing entity, rather than a market participant, suggests there is little risk that it will lose sales or goodwill in the market” if a stay is granted). The relationship of the parties therefore does not cut against issuance of a stay.

*7 Beyond those factors, IOENGINE argues that it “will suffer some prejudice from a stay, due to loss of [its] chosen forum, the possibility of necessary witnesses’ memories fading, and negative impact on [its] ability to license the patents-in-suit.” *Ingenico Action*, Dkt. No. 109, at 18 (quoting  *Intellectual Ventures I LLC v. Toshiba Corp.*, No. Civ. 13-453-SLR/SRF, 2015 WL 3773779, at *2 (D. Del. May 15, 2015) (internal quotations omitted)).

IOENGINE’s assertion that a stay will deprive it of its chosen forum is entitled to little weight. Because the IPR process has been invoked, IOENGINE will be required to defend its patent rights before the PTAB without regard to whether this Court grants a stay. Moreover, given that the trials in these cases are a year away—even assuming no slippage in the current schedule—it is unlikely that final judgments will have been rendered in the district court actions before the PTAB decides the IPR. If the challenged patent survives the IPR, IOENGINE will retain its chosen forum. If not, IOENGINE’s  '047 patent will be canceled and the enforcement efforts in the district court with regard to that patent will be rendered nugatory. *See*  *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013). All that would be affected by granting a stay is the sequencing of the proceedings and the possible avoidance of duplication of effort by the PTAB and the district court.

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IOENGINE's assertion that witness memories are apt to fade with the passage of time resulting from a stay is also unconvincing. Unspecific assertions of possible loss of memory are not persuasive, especially in patent cases in which witnesses' recollection of historical facts ordinarily play little or no role. IOENGINE has not identified any particular witnesses whose memory of historical facts is likely to fade and has not otherwise made any showing that evidence will be lost by staying the district court actions pending the disposition of the IPR. *See NFC Tech.*, 2015 WL 1069111, at *3 ("A blanket statement that evidence may become stale or be lost does not amount to a compelling showing of prejudice.").

Similarly, there is little force to IOENGINE's argument that even though it does not compete with Ingenico or PayPal, a stay will interfere with its ability to license its patents. To the extent that the uncertainty caused by the pendency of the IPR proceeding is an impediment to licensing, that uncertainty would be present whether the stay is granted or not.

Further undermining IOENGINE's call for timely enforcement of its patent rights is the fact that IOENGINE recently filed a motion for leave to supplement its complaint and its answer and counterclaims. *See Ingenico Action*, Dkt. No. 118. In that motion, IOENGINE seeks leave to assert an independent claim and five dependent claims from a newly allowed continuation patent in the same family as the existing patents in suit. IOENGINE argues that it "has already provided infringement contentions of its asserted claims, and the addition of [the new patent] is unlikely to require any additional claim construction, changes to the schedule, or additional discovery." *PayPal Action*, Dkt. No. 107, at 16.

Although IOENGINE insists that the introduction of a new patent into the case will not disrupt the schedule for these two cases, the Court is skeptical. The new patent contains more than 200 claims. The Court will have to decide whether to allow the new patent to be added to the case, and Ingenico and PayPal will have to be allowed an opportunity to answer or move for relief from the new patent and to serve invalidity contentions with respect to the newly added claims. In addition, the new patent could require further claim construction proceedings and additional discovery. Thus, IOENGINE's introduction of new claims has the potential to add further delay to the progress of the district court actions. It also suggests that expeditious disposition of the district court proceedings is not of primary concern to IOENGINE. As the Federal Circuit has stated, delays caused by the plaintiff

render arguments of timely enforcement unpersuasive. *See VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1319 (Fed. Cir. 2014) (undue prejudice not found where plaintiff waited nearly a year after the patent issued before bringing suit); *Lund Motion Prods.*, 2019 WL 116784, at *2 ("Plaintiff's own delay in bringing the instant action renders its arguments of undue prejudice unpersuasive.").

*8 In sum, the Court finds that granting a stay of the Ingenico action will not unduly prejudice IOENGINE.

b. The PayPal Action

Apart from the above arguments, which apply to the PayPal action as well as to the Ingenico action, IOENGINE argues that PayPal failed to diligently move for the requested stay, but rather "waited until late at night the day before IOENGINE's opposition to Ingenico's motion to stay was due before filing its motion to stay, more than two weeks after it had informed IOENGINE of its intentions." *PayPal Action*, Dkt. No. 107, at 12. Again, the Court is unconvinced by IOENGINE's claim of gamesmanship on the part of opposing counsel. Regardless of the reason for the delay in filing the stay motion, IOENGINE admits that it was informed of PayPal's intentions to seek a stay before IOENGINE filed its opposition to Ingenico's stay motion. Moreover, IOENGINE was entitled to—and did—file a separate response to PayPal's stay motion. Accordingly, the Court discerns no impairment of IOENGINE's ability to frame its arguments regarding the stay as a result of PayPal's delay in filing its motion. As for the two-week period between when the IPR was granted and when PayPal filed its motion to stay the action against it, the Court considers the filing of PayPal's motion to have been relatively prompt.

IOENGINE also makes a claim of prejudice based on the delay between the filing of the complaint against PayPal and the filing of PayPal's first petition for IPR. That issue, however, does not provide a sufficient basis for denying a stay. The Court's principal concern is about the period of delay between the filing of the complaint and the filing of Ingenico's IPR petitions, when the issue of the co-pendency of the district court actions and the IPR became ripe. As discussed above, that period was not unreasonable, so the delay factor does not weigh against the granting of a stay.

The Court therefore finds that the prejudice factor does not favor denying a stay of the PayPal litigation.

III. Simplification of the Issues

The most important factor bearing on whether to grant a stay is whether the stay is likely to simplify the issues at trial. As this Court explained in *NFC Technology*,

Congress's purpose in creating an inter partes review procedure was to allow the administrative agency that issues patents to consider new information bearing on whether those patents should be canceled or confirmed. Giving the agency the authority to consider the validity of patents in the inter partes review process was designed in large measure to simplify proceedings before the courts and to give the courts the benefit of the expert agency's full and focused consideration of the effect of prior art on patents being asserted in litigation.

NFC Tech., 2015 WL 1069111, at *4; See *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (“When the patent is concurrently involved in litigation [one function of reexamination] is to free the court from any need to consider prior art without the benefit of the PTO’s initial consideration.”).

IOENGINE posits a number of reasons that the issues will not be simplified by postponing further action in the district court proceedings until after the IPR has been concluded. First, IOENGINE argues that the currently instituted IPR addresses only one of the three patents-in-suit and implicates only five of the 20 claims asserted in the district court proceedings. Thus, IOENGINE argues, “[e]ven in the unlikely event that the PTAB were to cancel every asserted claim of the ‘047 Patent, which is a speculative outcome ... similar infringement, enforceability, claim construction, and other issues would require resolution by this Court.” *Ingenico Action*, Dkt. No. 109, at 9. Additionally, IOENGINE argues that this case involves issues that the IPR process cannot resolve, including Ingenico’s invalidity arguments

under 35 U.S.C. §§ 101 and 112, Ingenico’s defense of inequitable conduct for all claims of the patents in suit, and Ingenico’s declaratory judgment action on certain claims not affirmatively asserted by IOENGINE. See *id.* at 11–12.

*9 Contrary to IOENGINE’s argument, the Court believes it is highly likely that the IPR will result in simplification of the district court proceedings. The ‘047, ‘969, and ‘703 patents share a common specification, and they share claim terms relevant to claim construction, including two terms the PTAB construed in its institution decision: “interactive user interface” and “through the terminal network interface.” See *Ingenico Action*, Dkt. No. 104, at 10 (“The claim term ‘interactive user interface’ is common to every single asserted claim in this litigation, and the PTAB’s construction of ‘through the terminal network interface’ affects at least assert[ed] claims 1 and 24 of the ‘047 patent, claim 1 of the ‘969 [patent], and claims 55, 93, and 104 of the ‘703 patent.”). As noted by Ingenico, “[t]he relatedness of the ‘047, ‘969 and ‘703 Patents is so strong that during prosecution for both the ‘969 and ‘703 Patents, the examiner issued non-statutory double patenting rejections in light of the ‘047 Patent,” and the patentee “only overcame these rejections by filing terminal disclaimers.” *Id.* at 12. Therefore, although the claims of the ‘969 and the ‘703 patents are not directly at issue in IPR2019-00416, the PTAB’s judgment with respect to the proper construction of the claims of the ‘047 patent and its assessment of the art will likely be instructive in the district court litigation. See *Contour IP Holding, LLC v. GoPro, Inc.*, 2016 WL 4474340, at *3; *ACQUIS, LLC v. EMC Corp.*, 109 F. Supp. 3d 352, 357–58 (D. Mass. 2015) (stay granted even though only two of 11 patents-in-suit and only 3 of the 22 claims were challenged in IPRs, but there was “significant overlap among the patents-in-suit.”); *SMT Sols., Inc. v. ExpoEvent Supply LLC*, No. 11-6225, 2012 WL 3526830, at *4 (D.N.J. Aug. 15, 2012) (case would be simplified, even though “not all of the patents-in-suit are under reexamination,” because “the patents-in-suit all share nearly identical disclosures”); *Procter & Gamble Co. v. Kraft Foods Glob., Inc.*, No. C 08-0930, 2008 WL 3833576, at *1 (N.D. Cal. Aug. 15, 2008) (staying case because a “closely related” and “sufficiently similar” patent was undergoing reexamination); *Alloc, Inc.*

v. Unilin Decor N.V., No. 03-cv-253, 2003 WL 21640372 (D. Del. July 11, 2003) (stay issued where “there is a sufficient correlation among all of the patents,” even though the asserted patent was not undergoing review).

More generally, district courts have frequently issued stays in cases in which IPR proceedings have been instituted on fewer than all the claims asserted in the related litigation. *See, e.g., Parsons Xtreme Golf LLC v. Taylor Made Golf Co.*, 2018 WL 6242280, at *5; *Clinicomp Int’l, Inc. v. Cerner Corp.*, Case No. 17-cv-2479, 2018 WL 5617694, at *4–5 (S.D. Cal. Oct. 30, 2018); *Canfield*, 2018 WL 2973404, at *2; *Stingray Music USA, Inc. v. Music Choice*, No. 2:16-cv-586, 2017 WL 9885167, at *2 (E.D. Tex. Dec. 12, 2017); *Image Processing Techs.*, 2017 WL 7051628, at *1; *Uniloc USA, Inc. v. Samsung Elecs. Am., Inc.*, Case Nos. 2:16-cv-642 et al., 2017 WL 9885168, at *1 (E.D. Tex. June 13, 2017); *Realtime Data, LLC v. Hewlett Packard Enter. Co.*, Civil Action Nos. 6:16-cv-86 et al., 2017 WL 3712916, at *3 (E.D. Tex. Feb. 3, 2017); *Intellectual Ventures II LLC v. BITCO Gen. Ins. Corp.*, Case Nos. 6:15-cv-59 et al., 2016 WL 4394485, at *3 (E.D. Tex. May 12, 2016); *e.Digital Corp. v. Arcsoft, Inc.*, Case No. 15-cv-56, 2016 WL 452152, at *1–2 (S.D. Cal. Feb. 3, 2016); *Personal Audio LLC v. Google, Inc.*, Civil Action No. 1:15-cv-350, 2015 WL 12915558, at *3 (E.D. Tex. Nov. 3, 2015); *NFC Tech.*, 2015 WL 1069111, at *7; *PersonalWeb Techs., LLC v. Apple Inc.*, 69 F. Supp. 3d 1022, 1027–28 (N.D. Cal. 2014) (citing cases). As those cases make clear, even when IPRs are instituted on fewer than all the asserted claims, the policies favoring simplification and the reduction of litigation burdens on the parties and the court are often applicable, particularly when the claims that are before the PTAB in an IPR are similar to those that are not. That is true in this case, for several reasons.

First, if the PTAB invalidates all of the claims before it, the case will unquestionably become simpler. One patent will be removed from the case altogether, and the task of dealing with the remaining 15 related claims from the other patents—for the parties, the jury, and the Court—will become significantly easier than it would have been with the 20 claims from three different patents. In a case involving technology as complex as the technology in this case, which is sure to challenge the ability of the jury to absorb and rationally decide issues of infringement and invalidity, there is a particularly high premium on simplification.

Second, even if the PTAB does not cancel all (or even any) of the asserted claims of the ‘047 patent, any conclusion that the PTAB reaches will have a likely effect on the litigation by limiting the arguments Ingenico and PayPal can make regarding validity. Ingenico acknowledges that the statutory estoppel provision, 35 U.S.C. § 315(e)(2), will bar it from seeking to invalidate the claims that were included in the IPR on any ground that was raised in the IPR petitions or could have been raised in those petitions. *See Ingenico Action*, Dkt. No. 104, at 8. For its part, PayPal has agreed to a limited estoppel, acknowledging that it will not challenge the ‘047 patent claims based on any argument made by Ingenico in its IPR proceeding and relied upon in a final written decision of the PTAB that becomes the subject of a final non-appealable judgment. *See PayPal Action*, Dkt. No. 104, at 17.

*10 Third, and relatedly, even if the PTAB does not invalidate any of the claims in the pending IPR proceedings, the Court will benefit from the PTAB’s guidance on the construction of certain claim terms, which are also relevant to the ‘969 and ‘703 patents. More generally, the expertise of the PTAB judges in this complex field of art is likely to be of considerable assistance to the Court. *See PersonalWeb Techs., LLC v. Facebook, Inc.*, Case Nos. 5:13-cv-1356 et al., 2014 WL 116340, at *2 (N.D. Cal. Jan. 13, 2014) (“IPR provides a path to receive expert guidance from the PTO”); *Evolutionary Intelligence, LLC v. Apple, Inc.*, No. C 13-4201, 2014 WL 93954, at *2–3 (N.D. Cal. Jan. 9, 2014); *E-Watch, Inc. v. Lorex Can., Inc.*, Civil Action No. H-12-3314, 2013 WL 5425298, at *2 (S.D. Tex. Sept. 26, 2013) (“At a minimum, even assuming that all the patents-in-suit survive the reexamination intact, the USPTO’s insight and expertise regarding the validity of the patents would be of invaluable assistance to this court.”); *TimeBase Pty Ltd. v. Thomson Corp.*, Civil No. 07-1687, 2008 WL 1959061, at *2 (D. Minn. May 6, 2008); *see generally Ethicon, Inc.*, 849 F.2d at 1428 (even if reexamination does not lead to claim amendment or cancellation, “it could still provide valuable analysis to the district court”); *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983) (“One purpose of the reexamination procedure is to eliminate trial of that issue (when the claim is canceled) or to facilitate trial of that issue by providing the district court with the expert view of the PTO (when a claim survives the reexamination proceeding).”)

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Fourth, the IPR proceeding may produce additional prosecution history that could assist the Court in addressing the issues of claim construction and validity. *See Ethicon LLC*, 2019 WL 1276029, at *2 (“There will be additional prosecution history relating to all of the claims in this case. Some claims may be cancelled. There may be amendments.”);

Fifth, as alluded to earlier, allowing the PTO to adjudicate the validity of the claims before it in the IPR proceeding reduces what otherwise could be duplication of effort and possibly inconsistent results between the administrative agency and this Court. *See Evolutionary Intelligence, LLC v. Apple, Inc.*, 2014 WL 93954, at *3 (a stay “will minimize the risk of inconsistent results and conserve resources”; there is “little benefit to be gained from having two forums review the validity of the same claims at the same time”); *Evolutionary Intelligence LLC v. Yelp Inc.*, No. C-13-3587, 2013 WL 6672451, at *6 (N.D. Cal. Dec. 18, 2013); *Microsoft Corp. v. Tivo Inc.*, No. 10-cv-240, 2011 WL 1748428, at *5 (N.D. Cal. May 6, 2011).

Finally, there is no force to IOENGINE’s argument that the IPR proceedings will not address several of the issues in the district court proceedings, such as patent ineligibility, inequitable conduct, and patent invalidity under section 112. When a court is deciding whether to grant a stay, “there is no requirement that issues in the IPR be identical to those in the litigation.” *Bonutti Skeletal Innovations*, 2014 WL 1369721, at *5; *See 454 Life Scis. Corp.*, 2016 WL 6594083, at *3 (“Plaintiff correctly points out that the IPR proceedings will not address a number of the defenses that Defendants have raised in this litigation Nevertheless, on the whole, the IPR is very likely to substantially simplify the issues to be litigated in this case, resulting in the first factor weighing heavily in favor of ... granting a stay.”); *Neste Oil OYJ v. Dynamics Fuels, LLC*, No. 12-cv-1744, 2013 WL 3353984, at *5 (D. Del. July 2, 2013) (“[W]hile the court recognizes that this case likely presents certain questions that simply cannot be addressed through *inter partes* review, it notes that the ‘issue simplification’ factor does not require complete overlap.”). Because an IPR is restricted to determining patentability under sections 102 and 103 of the Patent Act on the basis of prior art consisting of patents or printed publications, 35 U.S.C. § 311(b), issues of patent eligibility, inequitable conduct, and validity under section 112 of the Patent Act will never be subject to review in an IPR. But that does not mean that the IPR will not significantly simplify the litigation both with respect to the invalidity issues that are addressed in

the IPR and with respect to collateral matters such as claim construction and characterization of the state of the art on which the PTAB’s expertise may be helpful in the district court proceeding.

*11 In opposing PayPal’s motion for a stay, IOENGINE argues that even though Ingenico “will be barred from seeking to invalidate the claims that were included in the ‘047 IPR on any ground that Ingenico raised in the ‘047 IPR Petition or reasonably could have been raised in that petition,” *Ingenico Action*, Dkt. No. 109, at 12; see 35 U.S.C. § 315(e)(2), PayPal refuses to be so limited. PayPal has agreed “to be estopped in this litigation from challenging the validity of such claim as being anticipated under 35 U.S.C. § 102 or obvious under § 103 on the basis of the specific prior art and combinations raised by Ingenico in its ‘047 IPR if such prior art is relied upon in a final written decision of the PTAB that becomes the subject of a final non-appealable judgment as to any surviving claim.” *PayPal Action*, Dkt. No. 94, at 17. IOENGINE argues that under that stipulation, PayPal “would be able to re-litigate validity of the ‘047 Patent in the PayPal Action, including by using arguments that could have been raised in Ingenico’s IPR, thereby undermining any purported simplification.” *Ingenico Action*, Dkt. No. 109, at 13–14.

As noted by Chief Judge Gilstrap of the United States District Court for the Eastern District of Texas, district courts have taken three different approaches to conditioning a stay on an estoppel of a party other than the IPR petitioner: not requiring any estoppel; requiring estoppel limited to the arguments made by the IPR petitioner; or requiring full estoppel, barring any arguments that were actually made by the IPR petitioner or could have been made by the IPR petitioner. *See Intellectual Ventures II LLC v. Kemper Corp.*, No. 6:16-CV-0081, 2016 WL 7634422, at *3 (E.D. Tex. Nov. 7, 2016). In the *Kemper* case, Judge Gilstrap adopted the third approach, explaining that “[t]he absence of a full statutory estoppel not only increases the ability of litigants to ‘game the system’ and devise an unfair second bite at the apple, it also has the potential to increase rather than reduce the complexity of the validity issues that may come before the Court.” *Id.* Other courts, including courts in this district, have granted stays based on a party’s stipulation to a limited estoppel of the sort agreed to by PayPal. *See, e.g., e.Digital Corp.*, 2016 WL 452152, at *2; *Parallel Networks, LLC v. KOG*

Games, Inc., No. 13-178, Hr. Tr. At 29:4-30:4, 62:18-63:17 (D. Del. Feb. 4, 2014); *AIP Acquisition LLC v. Level 3 Commc'ns, LLC*, No. 12-617, D.I. 63, at 6–7 (D. Del. Jan. 9, 2014) (“Issues in the Cable Cases will also be simplified at trial because the Cable defendants have stipulated to a limited estoppel based upon invalidity arguments considered in the IPR proceeding that lead to a final, non-appealable judgment.”); *In re Bear Creek Techs. Inc.*, No. 11-cv-721, 2013 WL 3789471, at *3 n.8 (D. Del. July 17, 2013) (“[T]he court finds the defendants’ [agreed-upon limited] estoppel sufficient to guard against prejudice.”).

Under the circumstances of this case, the Court finds that the concerns raised by Judge Gilstrap and echoed by IOENGINE, are somewhat tempered. Here, PayPal has filed its own IPRs addressed to the '047 patent, which are due to be acted upon in October and November of this year. If PayPal’s IPRs are instituted, PayPal will be estopped from relitigating arguments that it could have raised in its own IPRs, which include any argument that could have been raised in Ingenico’s IPR. On the other hand, if PayPal were required to agree to a full estoppel and PayPal’s IPRs were denied, the consequence would be that PayPal would be deprived of its opportunity to litigate the validity of the '047 patent in any forum. In the circumstances of this case, the Court believes that PayPal’s stipulation to a limited estoppel is not fatal to its argument for a stay.

Whatever the outcome of the pending IPR petitions, the picture regarding the relationship between the PTAB proceedings and the proceedings before this Court will become clearer after the PTAB acts on those petitions over the next four months. At that point, if the actions of the PTAB result in a significant change in the weight of the competing factors bearing on the propriety of a stay, IOENGINE can request that the Court reconsider its order granting a stay of the two actions and allow the district court actions to resume.

*12 IOENGINE makes the related contention that “PayPal’s and Ingenico’s interests are closely aligned” such that “PayPal and Ingenico should be treated as real parties in interest or privies for purposes of § 315(e).” *Ingenico Action*, Dkt. No. 109, at 13 n.5. For that reason, IOENGINE argues, the Court should hold that PayPal should be legally barred from agreeing to only a “limited estoppel” of the sort PayPal has stipulated to. Instead, IOENGINE argues that that PayPal should be subject to the full degree of estoppel that falls on Ingenico.

The Court declines to address the “real party in interest” issue. That issue is more appropriately left to be addressed by the PTAB in the first instance, not by this Court. See 35 U.S.C. § 315(b). The relationship between PayPal and Ingenico is therefore not a ground on which this Court is prepared to base the denial of a stay pending the IPR proceedings, at least prior to any ruling by the PTAB regarding that issue.

A further consideration bearing on the question whether to grant a stay is the pendency of a total of seven petitions for *inter partes* review, filed by Ingenico and PayPal, that are addressed to the '969 patent and the '703 patent. Those petitions are scheduled to be acted upon between October 10 and December 6, 2019. If those petitions are granted, the case for staying the district court actions will become substantially stronger. However, postponing a decision on whether to grant a stay until that time would impose significant additional costs on the parties for the work required to be done in the intervening period. In the Court’s view, the preferable course is to enter a stay now, subject to possible reconsideration if circumstances change in the coming months and a request is made to vacate the stay.

For the foregoing reasons, the Court concludes that the likelihood that the IPR proceeding will simplify this litigation and reduce the burden on the parties and on the Court is sufficiently high that the Court regards the “simplification/burden” factor as cutting strongly in favor of granting a stay.

* * * * *

As a final point, IOENGINE argues that if the Court were to grant a stay in the Ingenico Action, but deny a stay in the PayPal action, complications would arise. According to IOENGINE, if the PayPal Action continues, “the parties will still require the involvement of Ingenico” because “[a] significant portion of the source code and other documents and materials relevant to PayPal’s accused products are in the possession of PayPal’s supplier—Ingenico.” *Ingenico Action*, Dkt. No. 109, at 15.

The Court is fully persuaded that granting a stay in one of the two cases before it and denying a stay in the other would be imprudent. IOENGINE’s argument, however, does not persuade the Court that the proper course is to deny a stay in both cases, but only that the cases should be treated

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similarly. Because the Court is otherwise persuaded that a stay is appropriate, it concludes that a stay should be granted in both cases.

CONCLUSION

After weighing all the factors that bear on whether to grant a stay pending *inter partes* review, the Court concludes that all three factors favor Ingenico and PayPal, and that a stay of both actions is warranted. Accordingly, the Court grants Ingenico and PayPal's motions to stay all proceedings in Civil Action No. 18-452 and Civil Action No. 18-826 pending the

completion of the '047 *inter partes* review proceeding before the PTAB.

In light of this order, the claim construction hearing scheduled for August 29, 2019, is canceled, and the request by Ingenico and PayPal for a teleconference regarding the postponement of the August 29 hearing is denied as moot.

***13** IT IS SO ORDERED.

All Citations

Slip Copy, 2019 WL 3943058

Footnotes

- 1 As PayPal points out, Dkt. No. 114, at 4, IPR2019-00584 sought review of claims are not at issue in the two district court actions.

End of Document

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Exhibit 8

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

<p>MONTEREY RESEARCH, LLC <i>Plaintiff</i></p> <p style="text-align: center;">v.</p> <p>ADVANCED MICRO DEVICES, INC. <i>Defendant</i></p>	<p>: : : : : : : : : : :</p>	<p>CIVIL ACTION</p> <p>NO. 19-2149</p>
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ORDER

AND NOW, this 5th day of January 2021, upon consideration of Defendant’s *motion to stay pending inter partes review*, [ECF 51, 52], Plaintiff’s opposition thereto, [ECF 56], and Defendant’s reply, [ECF 58], it is hereby **ORDERED** that the motion is **GRANTED**, and this matter is **STAYED** pending the *inter partes* review of the patents-in-suit.¹

¹ In the operative amended complaint, Plaintiff Monterey Research, LLC (“Plaintiff” or “Monterey”), a non-practicing entity focused on monetizing patents it obtained from other companies, asserts claims against Defendant Advanced Micro Devices, Inc. (“Defendant” or “AMD”) for direct and indirect patent infringement premised on Plaintiff’s ownership of six (6) patents: the ‘805 patent, the ‘226 patent, the ‘134 patent, the ‘407 patent, the ‘807 patent, and the ‘455 patent (the “Asserted Patents”). AMD filed five petitions for *inter partes* review (“IPR”) with the United States Patent and Trademark Office, Patent Trial and Appeal Board (“PTAB”) challenging every claim of four of the Asserted Patents, and each claim in the ‘407 and ‘805 patents identified by Monterey as allegedly infringed by AMD. As of the date of this Order, the PTAB has granted Defendant’s petitions with respect to four of the six patents-in-suit, with two petitions challenging the remaining patents yet to be decided. Defendant seeks a stay of this litigation pending the PTAB’s decisions with respect to the challenged patents.

Generally, a decision to stay litigation lies within the sound discretion of the court. *See Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citations omitted) (“Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.”). Granting or denying a motion to stay is within the broad discretionary powers of the court. *See Dentsply Int’l, Inc. v. Kerr Mfg. Co.*, 734 F. Supp. 656, 658 (D. Del.1990) (citing *Bechtel Corp. v. Local 215, Laborers’ Int’l Union of N. Am.*, 544 F.2d 1207, 1215 (3d Cir. 1976)). In deciding a motion to stay, the court considers three factors: “(1) whether the granting of a stay would cause the non-moving party to suffer undue prejudice from any delay or allow the moving party to gain a clear tactical advantage over the non-moving party; (2) whether a stay will simplify the issues for trial; and (3) whether discovery is complete and a trial date set.” *Cephalon, Inc. v. Impax Labs., Inc.*, 2012 WL 3867568, at *2 (D. Del. Sept. 6, 2012). Here, on balance, the factors weigh in favor of a stay.

Undue Prejudice

In determining whether there is undue prejudice, the court weighs a variety of factors, including: “the timing of the request for reexamination, the timing of the request for stay, the status of the reexamination proceedings, and the relationship of the parties.” *Boston Scientific Corp. v. Cordis Corp.*, 777 F. Supp. 2d 783, 789 (D. Del. 2011). The mere potential for delay does not in itself establish undue prejudice. *See, e.g., BodyMedia, Inc. v. Basis Sci., Inc.*, 2013 WL 2462105, at *1 (D. Del. Jun. 6, 2013). After considering these three factors, this Court concludes that there is no evidence of undue prejudice. Regarding the timing of the request for reexamination, Defendants filed their IPR petitions in May, June and July of 2020, within a few months of Monterey having filed its operative amended complaint, and before the initial case management conference, substantial discovery disclosures, contention disclosures, or claim construction disclosures and proceedings. Defendant’s filing was also well within the one-year timeframe that the statute provides. *See* 35 U.S.C. § 315(b). In addition, the timing of the request for stay suggests no dilatory motive, as Defendant filed the underlying motion to stay less than two months after filing its last IPR petition. The PTAB has granted the petitions as to four of the asserted patents (two petitions which challenge the other two patents remain outstanding). The relationship of the parties also favors granting a stay here since Plaintiff is a non-practicing entity and does not compete with Defendant. *See AIP Acquisition LLC v. Level 4 Commc’ns, LLC*, 2014 WL 1264200, at *3 (D. Del. Jan. 9, 2014) (holding that because plaintiff was “not a direct competitor” it would not suffer any undue prejudice); *Uniloc 2017 LLC v. Vudu, Inc.*, Civ. A. No. 19-0183, DI 72 at *2 (D. Del. Mar. 26, 2020 (“[B]ecause Plaintiff is a non-practicing entity that does not compete with [defendant] and thus any alleged harm it may suffer is purely monetary, Uniloc will not be unduly prejudiced by a stay.”)). This factor, therefore, favors a stay.

Simplification of Issues

A stay is likely to simplify the issues for trial. The PTAB has granted IPR with respect to four of the six asserted patents-in-suit. Should all of the asserted claims be found invalid, this litigation would be “simplified” because it would be concluded. Alternatively, should even some of the asserted claims be found invalid, that finding would reduce the number of issues left to be litigated. *See Neste Oil OYJ v. Dynamic Fuels, LLC*, 2013 WL 3353984, at *4 (D. Del. Jul. 2, 2013); *Gioello Enters. Ltd. v. Mattel, Inc.*, 2001 WL 125340, at *1 (D. Del. Jan. 29, 2001). Should the claims survive the IPR process, this Court will benefit from the PTAB’s expertise and review. *Canatelo LLC v. Axix Commc’ns AB*, 2014 WL 12774920, at *2 n.3 (D. Del. May 14, 2014). Moreover, if some or all of the claims are found not invalid, litigation is likely to be simplified due to the estoppel effect on Defendant of the PTAB findings relating to certain prior art. Thus, the simplification factor favors a stay.

Stage of Litigation

In considering the stage of litigation, the court considers “whether discovery is complete and whether a trial date has been set.” *First Am. Title Ins. Co. v. MacLaren LLC*, 2012 WL 769601, at *4 (D. Del. Mar. 9, 2012). Staying a case in its early stages advances judicial efficiency and prevents the court and the parties from expending resources on claims that may be rendered invalid. *See SenoRx, Inc. v. Hologic, Inc.*, 2013 WL 144255, at *5-6 (D. Del. Jan. 11, 2013). Indeed, “stays are favored when the most burdensome stages of the case—completing discovery, preparing expert reports, filing and responding to pretrial motions, preparing for trial, going through the trial process, and engaging in post-trial motions practice—all lie in the future.” *Bio-Rad Laboratories, Inc. v. 10X Genomics, Inc.*, Civ. A. No. 18-1679, D.I. 123 at *2 (D. Del. Jun. 2, 2020). Here, the parties are at the earliest stages of discovery. As such, this factor weighs in favor of a stay.

BY THE COURT:

/s/ Nitza I. Quiñones Alejandro

NITZA I. QUIÑONES ALEJANDRO

Judge, United States District Court

In sum, this Court find that all of the relevant factors weigh in favor of a stay of this litigation. Accordingly, Defendant's motion to stay this matter is granted.

Exhibit 9

2013 WL 424754

2013 WL 424754

Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

NESTE OIL OYJ, Plaintiff,

v.

DYNAMIC FUELS, LLC, Syntroleum
Corporation, and Tyson Foods, Inc., Defendants.

Civil Action No. 12–662–GMS.

Jan. 31, 2013.

Attorneys and Law Firms

John W. Shaw, Karen Elizabeth Keller, Shaw Keller LLP,
Wilmington, DE, Megan R. Leinen, Michael J. Flibbert, for
Plaintiff.

Maryellen Noreika, Michael J. Flynn, Morris, Nichols, Arsht
& Tunnell LLP, Wilmington, DE, Jason A. Berta, Jeanne M.
Gills, Michael R. Houston, for Defendants.

MEMORANDUM

GREGORY M. SLEET, Chief Judge.

I. INTRODUCTION

*1 The plaintiff, Neste Oil Oyj (“Neste Oil”) brought this patent infringement suit against Dynamic Fuels, LLC (“Dynamic Fuels”), Syntroleum Corporation (“Syntroleum”), and Tyson Foods, Inc. (“Tyson”) (collectively, “the defendants”) on May 29, 2012, alleging infringement of U.S. Patent No. 8,187,344 (the “344 Patent”). (D.I.1.) The defendants filed their respective Answers and Counterclaims to Neste Oil’s Complaint on August 20, 2012. (D.I. 15; D.I. 17; D.I. 19.)

On August 17, 2012, however, Syntroleum filed a request for *inter partes* reexamination of the 344 Patent with the Patent and Trademark Office (the “PTO”). (D.I. 22 at 1.) The defendants then filed the present Motion to Stay Litigation Pending Reexamination of the Patent–In–Suit. (D.I.21.) For the reasons that follow, the court will grant this motion and order that the case be stayed pending the PTO’s reexamination.

II. BACKGROUND

The 344 Patent, entitled “Fuel Composition for a Diesel Engine,” was issued to Neste Oil on May 29, 2012 by the PTO. (D.I. 25 at ¶ 13.) The 344 Patent is directed to a diesel fuel composition including waste animal fats. (D.I. 26 at 3.) Neste Oil alleges that defendants produce a competing renewable diesel product that infringes this patent.

Neste Oil is also the owner of an earlier patent, U.S. Patent No. 7,279,018 (the “018 Patent”), which shares the same specification with the 344 Patent. (D.I. 22 at 5.) The 018 Patent was the subject of a prior *ex parte* reexamination, in which all the claims of the 018 Patent were rejected. (*Id.* at 6.) Much of Syntroleum’s invalidity position in the 344 Patent reexamination flows from the PTO’s conclusions in this prior proceeding. (*Id.* at 9–13.)

III. STANDARD OF REVIEW

The decision to stay a case lies within the sound discretion of the court. See *Cost Bros., Inc. v. Travelers Indent. Co.*, 760 F.2d 58, 60 (3d Cir.1985); *First Am. Title Ins. Co. v. MacLaren, LLC*, No. 10–363–GMS, 2012 WL 769601, at *4 (D.Del. Mar.9, 2012); *Nokia Corp. v. Apple, Inc.*, No. 09–791–GMS, 2011 WL 2160904, at *1 (D.Del. June 1, 2011). This authority applies equally to patent cases in which a reexamination by the PTO has been requested. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed.Cir.1988) (“Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.” (internal citation omitted)); *Abbott Diabetes Care, Inc. v. Dexcom, Inc.*, No. 06–514–GMS, 2007 WL 2892707, at *4 (D.Del. Sept.30, 2007). In determining whether a stay is appropriate, the court looks to 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.” *First Am. Title Ins. Co.*, 2012 WL 769601, at *4 (quoting *Xerox Corp. v. 3 Comm. Corp.*, 69 F.Supp.2d 404, 406 (W.D.N.Y.1999)).

IV. DISCUSSION

Neste Oil Oyj v. Dynamic Fuels, LLC, Not Reported in F.Supp.2d (2013)
2013 WL 424754

*2 The court finds that, taken together, the three factors noted above favor granting a stay in this matter. The court will discuss each consideration in turn.

A. Undue Prejudice

The first factor involves the potential for a stay to cause the plaintiff undue prejudice or place it at a clear tactical disadvantage. *See id.* As an initial matter, the court notes that staying any case pending PTO reexamination risks prolonging the final resolution of the dispute and therefore may result in some inherent prejudice to the plaintiff. *See Textron Innovations, Inc. v. Toro Co.*, No. 05-486-GMS, 2007 U.S. Dist. LEXIS 100102, at *8 (D.Del. Apr. 25, 2007). The court also recognizes, however, that the potential for delay does not, by itself, establish *undue* prejudice. *See Enhanced Sec. Research, LLC v. Cisco Sys., Inc.*, No. 09-571-JJF, 2010 WL 2573925, at *3 (D.Del. June 25, 2010); *Wall Corp. v. BondDesk Grp., LLC*, No. 07-844-GMS, 2009 WL 528564, at *2 (D.Del. Feb. 24, 2009). Rather, in considering whether a plaintiff might be unacceptably prejudiced by a stay, the court looks to other considerations including the timing of the reexamination request, the timing of the stay request, the status of the reexamination proceedings, the relationship between the parties, and the related question of whether the plaintiff may be compensated through future money damages. *See, e.g., Boston Scientific Corp. v. Cordis Corp.*, 777 F.Supp.2d 783, 789 (D.Del. 2011).

Here, the timing of the reexamination request and motion to stay present no evidence that the defendants sought an unfair tactical advantage. Syntroleum filed the reexamination request less than three months after this case was commenced, and the defendants filed the present motion only five days later.

The status of the reexamination, however, may be cause for concern. As Neste Oil points out, the PTO proceeding could be expected to last for approximately three years. (D.I. 26 at 13.) Given that the PTO only granted reexamination about four months ago, it is reasonable to presume that the process might continue well into 2015. As noted above, delay can be prejudicial in its own right, even if not unduly so.

Finally, the court considers the relationship between the parties. Neste Oil contends that it will be severely prejudiced by a stay because it competes directly with the defendants in the renewable diesel fuel market. (D.I. 26 at 11.) Indeed, “[c]ourts are generally reluctant to stay proceedings where

the parties are direct competitors.” *Boston Scientific Corp.*, 777 F.2d at 789; *see also ImageVision.Net, Inc. v. Internet Payment Exch., Inc.*, No. 12-054-GMS-MPT, 2012 WL 5599338, at *4-5 (D.Del. Nov. 15, 2012); *Vehicle IP, LLC v. Wal-Mart Stores, Inc.*, No. 10-503-SLR, 2010 WL 4823393, at *2 (D.Del. Nov. 22, 2010). In such cases, “there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill.” *SenoRx, Inc. v. Hologic, Inc.*, No. 12-173-LPS-CJB, 2013 WL 144255, at *5 (D.Del. Jan. 11, 2013).

*3 There may be less cause for concern, however, when there are a number of active firms in the relevant market, *see Air Vent, Inc. v. Owens Corning Corp.*, No. 10-1699-TFM, 2012 WL 1607145, at *3 (W.D. Pa. May 8, 2012) (“[T]he fact that there are other competitors in the market undermines [the plaintiff’s] assertion of undue prejudice because of loss of market value.”), and that appears to be precisely the situation here, particularly if the court accepts the defendants’ position that the larger biomass-based diesel fuel industry represents the true “market” for purposes of the analysis.¹ (D.I. 31 at 8.) Moreover, it is not always obvious whether the parties, in fact, are direct competitors. In this case, the defendants have correctly noted that “the only proof of ‘direct competition’ ... offered by Neste [Oil] is wholly unsupported attorney argument.”² (*Id.*) Where the question of “direct competition” remains unanswered, courts have sometimes considered whether the plaintiff sought a preliminary injunction. *See, e.g., SenoRx, Inc.*, 2013 WL 144255, at *8 (“Our Court has recognized that if a party seeks a preliminary injunction at the outset of a case, that might also be a factor suggesting that the litigants are direct competitors (if that fact is in question) and that real prejudice could result from the imposition of a stay.”); *Ever Win Int’l Corp. v. Radioshack Corp.*, No. 11-1104-GMS-CJB, 2012 WL 4801890, at *7 (D.Del. Oct. 9, 2012) (“Plaintiff never sought a preliminary injunction, which suggests that any prejudice to Plaintiff that might result from delaying the ultimate resolution of this dispute is not as severe as it contends.”); *Belden Techs., Inc. v. Superior Essex Commc’ns LP*, No. 08-63-SLR, 2010 WL 3522327, at *3 n. 4 (D.Del. Sept. 2, 2010). Here, Neste Oil has not sought a preliminary injunction. Given this failure and the large number of firms in the biomass-based diesel fuel market,

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the court is not wholly convinced that Neste Oil and the defendants are such “direct competitors” that granting a stay in this matter would cause Neste Oil undue prejudice.

Viewing the “undue prejudice” factor as a whole, the court finds that it weighs lightly against staying this case. Though Neste Oil has not sufficiently demonstrated that it is a direct competitor of the defendants, its arguments to that effect coupled with the early stage of the reexamination process suggest that it might well suffer some degree of prejudice should the court stay this matter. On the other hand, the timing of the reexamination request and motion to stay erase any suspicion of dilatory motive on the defendants' part.³

B. Issue Simplification

The second stay factor is “whether a stay will simplify the issues in question and trial of the case.” *First Am. Title Ins. Co.*, 2012 WL 769601, at *4 (quoting *Xerox Corp.*, 69 F.Supp.2d at 406). Staying a case pending PTO reexamination can streamline the litigation in a number of important ways:

*4 (1) all prior art presented to the court at trial will have been first considered by the PTO with its particular expertise, (2) many discovery problems relating to the prior art can be alleviated, (3) if patent is declared invalid, the suit will likely be dismissed, (4) the outcome of the reexamination may encourage a settlement without further involvement of the court, (5) the record of the reexamination would probably be entered at trial, reducing the complexity and the length of the litigation, (6) issues, defenses, and evidence will be more easily limited in pretrial conferences and (7) the cost will likely be reduced both for the parties and the court.

Gioello Enters. Ltd. v. Mattel, Inc., No. 99–375–GMS, 2001 WL 125340, at *1 (D.Del. Jan.29, 2001). Here, the defendants suggest that staying the case pending reexamination is likely to narrow the litigation through cancellation or amendment

of some or all of the ' 344 Patent's claims. (D.I. 22 at 8–14.) Neste Oil, however, contends that a stay will not benefit the court, as (1) the two defendants not involved in the reexamination process may argue they are not estopped from raising invalidity issues after reexamination, (2) the litigation involves disputes that cannot be resolved by the PTO, and (3) the claims of the ' 344 Patent are likely to survive reexamination. (D.I. 26 at 5–7.)

Neste Oil's first two arguments concerning this “issue simplification” factor relate to the limited scope of the PTO reexamination and its consequent inability to fully resolve the dispute before the court. First, Neste Oil accuses the defendants of “procedural gamesmanship,” pointing out that only one of the three defendants, Syntroleum, is party to the PTO proceeding. (Id. at 5.) Thus, even after reexamination, the remaining two defendants may argue that they should not be estopped from relitigating validity questions. (Id. at 5–6.) Similarly, Neste Oil argues that the reexamination will be unable to address many of the issues presented by this case, as the defendants have raised certain affirmative defenses unrelated to validity. (Id. at 6.) If the claims of the ' 344 Patent survive reexamination, these defenses will remain available to the defendants, including Syntroleum. (Id.)

Both these arguments highlight the fact that, should the PTO rule in Neste Oil's favor, a stay pending reexamination would have little narrowing effect on the litigation—the absence of two of the defendants from the PTO proceeding and the assertion of additional defenses ensure that certain issues would remain unresolved. While these arguments are well taken and surely do reduce the potential for issue simplification to some degree, there remains the possibility that, rather than ruling in Neste Oil's favor, the PTO will cancel all the claims before it. If this were to occur, it would effectively end the case and render moot any concerns about the scope of the reexamination process. Thus, the strength of Neste Oil's first two arguments depends largely upon the likelihood of the PTO cancelling or amending the ' 344 Patent's claims, the very subject of Neste Oil's third argument. As such, the “issue simplification” factor before the court turns largely upon the broader question of the merits of the reexamination request.

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*5 Of course, the inherent difficulty with the “issue simplification” factor in this context is that it requires the court to guess at the outcome of a reexamination proceeding that, by definition, has not yet been completed. Both parties advance arguments predicated on assumed outcomes—Neste Oil's logic depends on at least some of the patent claims surviving, while the defendants note that cancellation of all the claims will extinguish the inefficiency concerns highlighted by Neste Oil. Unfortunately, any argument about the likelihood or unlikelihood of patent claims being cancelled during reexamination is speculative. See *Texas MP3 Techs., Ltd. v. Samsung Elecs. Co.*, No. 2:07–CV–52, 2007 WL 2319372, at *2 n. 2 (E.D.Tex. Oct. 3, 2007) (describing as “speculative” an argument that claims might be cancelled or narrowed during reexamination and noting that “final disposition of any reexamination proceeding is unknown”).

Nevertheless, such speculation is precisely what is demanded. Here, the court notes several elements that lead it to conclude there is at least a reasonable chance that some or all of the '344 Patent's claims will be canceled: (1) the defendants' facially plausible argument that the reasoning underlying the PTO's prior cancellation of the '018 Patent will also apply to the '344 Patent (D.I. 22 at 9–13); (2) the PTO's adoption of all four of Syntroleum's proposed grounds of rejection and its rejection of all twenty patent claims in its first office action (D.I. 31 at 2);⁴ and (3) the statistical evidence submitted by the defendants suggesting a “high likelihood ... that reexamination will result in cancellation or amendment of some or all of the claims of the '344 [P]atent,” (D.I. 22 at 13). Thus, while the court remains mindful that it should not engage in an premature validity inquiry at this early stage, there is reason to believe that the PTO's reexamination will result in the cancellation of at least some of the claims. To the extent that such cancellation does occur, it will not matter that only Syntroleum is party to the reexamination nor will it matter that defenses unrelated to validity have been raised—the litigation necessarily will be simplified.

Accordingly, the court finds that the “issue simplification” factor does lean in favor of granting the defendants' motion to stay. While the scope issues discussed above reduce somewhat the weight of this factor, the potential exists for reexamination to significantly narrow the issues before the court.

C. Stage of Litigation

Finally, the third stay factor, which has the court consider how far litigation has already progressed, weighs heavily in favor of granting the stay. Staying a case in its early stages “can be said to advance judicial efficiency and maximize the likelihood that neither the Court nor the parties expend their assets addressing invalid claims.” *SenoRx, Inc.*, 2013 WL 144255, at *5 (internal quotation omitted). On the other hand, when the court is faced with a stay decision in the later phases of a case, “the Court and the parties have already expended significant resources on the litigation, and the principle of maximizing the use of judicial and litigant resources is best served by seeing the case through to its conclusion.” *Id.* The present case is in its earliest stages—“the reexamination request was filed prior to any scheduling order being in place, less than three months after litigation began, and before Defendants' answers were due, and where the parties have incurred little, if any, resources with respect to scheduling, discovery disputes, or motion practice.” (D.I. 31 at 4.) Indeed, a scheduling order still has yet to be entered.

*6 The court finds Neste Oil's arguments on this point unpersuasive. First, Neste cites again to *Softview LLC v. Apple Inc.*, No. 10–389–LPS, 2012 WL 3061027 (D.Del. July 26, 2012), for its position that the early stage of litigation must be balanced against the correspondingly early stage of the PTO's reexamination. (D.I. 26 at 12.) While the stage of the reexamination process surely plays a role in the broader stay analysis, the court is unconvinced that it should affect the weight of this particular factor. As an initial matter, the *Softview* decision cited by Neste Oil is readily distinguishable from the facts now before the court.⁵ See 2012 WL 3061027, at *4. Moreover, the court has already accounted for the stage of the reexamination process within its analysis of the “undue prejudice” stay factor. Neste Oil next contends that a backlog of PTO reexaminations will unduly delay resolution of the '344 Patent's reexamination and, if a stay is granted, resolution of this case. (D.I. 26 at 13–14.) This argument, however, also falls more properly under the “undue prejudice” stay factor—it has little to do with the stage of the litigation.

Accordingly, the “stage of litigation” factor weighs strongly in favor of granting the defendants' motion to stay.

V. CONCLUSION

For the foregoing reasons, the court believes that staying this litigation pending the PTO's reexamination of the '344

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Patent will serve the interests of judicial efficiency, and the court therefore will grant the defendants' Motion to Stay (D.I.21.)

The defendants' Motion to Stay Litigation Pending Reexamination of the Patent-In-Suit. (D.I.21) be GRANTED.

ORDER

All Citations

At Wilmington this 31st day of January 2013, consistent with the memorandum opinion issued this same date, IT IS HEREBY ORDERED THAT:

Not Reported in F.Supp.2d, 2013 WL 424754

Footnotes

- 1 The defendants point out that, while Neste Oil and the defendants produce renewable diesel fuel, as a practical matter they are actually part of a much larger market for government subsidies that function as credit for the production of biomass-based diesel fuels. (D.I. 31 at 8.) The term “biomass-based diesel” encompasses not only renewable diesel, like that produced by the parties to this litigation, but also biodiesel. (*Id.* at 8 n. 9.)
- 2 The defendants suggest that Neste Oil predominantly serves markets other than North America, noting that its manufacturing facilities are located in Europe and Singapore and that it has submitted no evidence of any sales made within the United States. (D.I. 31 at 8.)
- 3 Both sides present additional arguments in support of their respective positions regarding the “undue prejudice” factor. For the reasons below, none of these supplemental points have significant effect on the court’s assessment of this factor.
First, Neste Oil submits that staying this matter “could lead to issues of stale evidence, faded memories, unavailable witnesses, and lost documents.” (D.I. 26 at 11.) The court recognizes that these concerns have the potential to disproportionately affect Neste Oil, see [Cooper Notification, Inc. v. Twitter, Inc., No. 09–85–LPSm 2010 WL 5149351, at *4 \(D.Del. Dec. 13, 2010\)](#), but it has not been presented with any information concerning “particular evidence or witnesses threatened by such delay,” [SenoRx, Inc., 2013 WL 144255, at *7 n. 8](#). As such, the court does not give much weight to this particular consideration in its analysis. Likewise, Neste Oil’s worry that the PTO *inter partes* reexamination represents an inadequate forum for its invalidity dispute, (D.I. 26 at 7–10), is effectively neutralized by the fact that it will be permitted to address Syntroleum’s challenged declaration in its response to the PTO’s office action, (D.I. 31 at 7.) Likewise, Neste Oil’s complaint that staying the case will effectively deprive it of its choice of forum is without merit—a plaintiff has no absolute right to resolution of a dispute in its chosen forum. (D.I. 26 at 10.)
Finally, the defendants suggest that prejudice is unlikely because the # [344 Patent](#) will not expire until 2030, leaving Neste Oil with ample time to exploit its patent rights after reexamination. (D.I. 22 at 17.) Neste Oil’s representations about the parties’ competitive relationship and the “rapidly evolving” nature of the industry, however, give the court reason to at least question the value of post-reexamination exploitation of patent rights. (D.I. 26 at 11.)
- 4 It is interesting that Neste Oil cites [Softview LLC v. Apple Inc., No. 10–389–LPS, 2012 WL 3061027 \(D.Del. July 26, 2012\)](#), for its argument that the assertion of affirmative defenses unrelated to the question of validity reduces the issue simplification value of granting a stay in this case. (D.I. 26 at 6.) In *Softview*, Judge Stark did find that the simplification factor neither favored nor disfavored a stay, observing that “the scope of the issues to be resolved during litigation substantially exceeds the scope of the issues that can be resolved

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during the reexamination proceedings.” 2012 WL 3061027, at *3. The *Softview* court, however, considered an argument similar to that now advanced by the defendants in this case before concluding its analysis:

Although Defendants argue that all or most of the claims of the patents-in-suit may be modified or cancelled during reexamination, thus potentially simplifying or eliminating the need for trial, SoftView correctly notes that 14 of the 20 claims asserted against Apple and AT & T presently stand confirmed by the Patent Office as patentable over the prior art identified by Apple in its request for reexamination.

Id. In essence, the *Softview* defendants relied on the same position as do the defendants here in responding to the plaintiffs' scope arguments; they noted that the cancellation of patent claims would extinguish the scope concerns. *Softview*, however, dealt with a much different set of facts—while the PTO has rejected all twenty of the # 344 Patent's claims here, most of the claims asserted against the *Softview* defendants stood confirmed at the time Judge Stark ruled on the motion to stay. *Id.* This distinction is important, as the strength of the scope argument depends upon the likelihood of claim cancellation, which is at least distantly signaled by a preliminary PTO action.

- 5 In *Softview*, Judge Stark found that the “stage of litigation” factor did not favor a stay because “the economies that might otherwise flow from granting a stay early in a case are somewhat offset by the substantial resources already incurred by both the parties and the Court in this litigation.” 2012 WL 3061027, at *4. Specifically, the court noted that “[s]ubstantial time and resources have been devoted ... to scheduling and the resolution of discovery disputes, as well as Defendants' motions to sever, stay, and dismiss.” *Id.* Judge Stark also observed that the *inter partes* reexamination request had been filed approximately one year after the case was commenced and that an *ex parte* request had been filed even more recently. *Id.*
In this case, neither the court nor the parties have yet devoted “substantial time and resources.” Additionally, as noted above, Syntroleum's reexamination request was filed less than three months after Neste Oil brought this suit.

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Exhibit 10

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Only the Westlaw citation is currently available.

United States District Court,
E.D. Texas, Marshall Division.

NFC TECHNOLOGY LLC, Plaintiff,

v.

HTC AMERICA, INC., et al., Defendants.

Case No. 2:13-CV-1058-WCB

Signed March 11, 2015

Attorneys and Law Firms

Benjamin Levi, Brandon M. Jordan, Robert A. Auchter, McKool Smith PC, Washington, DC, Jennifer Leigh Truelove, Samuel Franklin Baxter, McKool Smith, Marshall, TX, Laura A. Handley, McKool Smith PC, New York, NY, for Plaintiff.

Jerry Robin Selinger, Patterson & Sheridan LLP, Dallas, TX, Matthew C. Bernstein, Miguel J. Bombach, Philip Alcide Morin, Ryan B. Hawkins, Thomas N. Millikan, Perkins Coie LLP, San Diego, CA, Jennifer Parker Ainsworth, Wilson Robertson & Cornelius PC, Tyler, TX, for Defendants.

MEMORANDUM OPINION AND ORDER

WILLIAM C. BRYSON, UNITED STATES CIRCUIT JUDGE

*1 Before the Court is a motion to stay proceedings in the district court filed by defendants HTC America, Inc., and HTC Corporation. Dkt. No. 145. The motion is GRANTED, and this case will be stayed pending the completion of the inter partes review proceeding before the Patent Trial and Appeal Board ("PTAB").

BACKGROUND

Plaintiff NFC Technology LLC ("NFCT") filed this action against HTC America, Inc., on December 5, 2013. HTC Corporation was added as a defendant in an amended complaint filed on April 10, 2014. The two defendants are collectively referred to here as HTC. The amended complaint alleged that HTC infringed two patents owned by NFC:

U.S. Patent No. 6,700,551 ("the '551 patent") and U.S. Patent No. 7,665,664 ("the '664 patent").

On July 23 and 24, 2014, HTC filed two petitions with the PTAB requesting that the PTAB conduct an inter partes review of each asserted claim of the '551 patent and the '664 patent. NFCT subsequently asserted additional claims of the '664 patent in the litigation against HTC (claims 14, 15, and 19), after which HTC filed a third petition with the PTAB on December 6, 2014, seeking review of those claims in addition to the claims previously identified in the earlier petitions for review.

On February 4, 2015, the PTAB granted HTC's first two petitions for inter partes review. A week later, HTC filed the present motion seeking a stay pending the conclusion of the inter partes review proceedings before the PTAB. NFCT opposes the motion. The parties have briefed the motion to stay, which was orally argued before the Court on March 3, 2015.

DISCUSSION

A district court has the inherent power to control its own docket, including the power to stay proceedings before it. See *Clinton v. Jones*, 520 U.S. 681, 706 (1997) ("The District Court has broad discretion to stay proceedings as an incident to its power to control its own docket."). How to best manage the court's docket "calls for the exercise of judgment, which must weigh competing interests and maintain an even balance." *Landis v. N. Am. Co.*, 299 U.S. 248, 254-55 (1936); *Gonzalez v. Infostream Grp., Inc.*, No. 2:14-cv-906 (E.D.Tex. Mar. 2, 2015). In particular, the question whether to stay proceedings pending inter partes review of a patent is a matter committed to the district court's discretion. See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed.Cir.1988) (request for stay pending inter partes reexamination). A stay is particularly justified when "the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues." *Evolutionary Intelligence, LLC v. Millennial Media, Inc.*, No. 5:13-cv-4206, 2014 WL 2738501, at *2 (N.D. Cal. June 11, 2014); see also *3rd Eye Surveillance, LLC v. Stealth Monitoring, Inc.*, No. 6:14-cv-162, 2015 WL 179000, at *1 (E.D.Tex. Jan. 14, 2015);

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Surfast, Inc. v. Microsoft Corp., No. 2:12-cv-333, 2014 WL 6388489, at *2 (D.Me. Nov. 14, 2014); *Norman IP Holdings, LLC v. TP-Link Techs. Co.*, No. 6:13-cv-384, 2014 WL 5035718, at *2 (E.D.Tex. Oct. 8, 2014); *Air Vent, Inc. v. Owens Corning Corp.*, No. 2:10-cv-1699, 2012 WL 1607145, at *3 (W.D.Pa. May 8, 2012); *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed.Cir.1983).

*2 District courts typically consider three factors when determining whether to grant a stay pending inter partes review of a patent in suit: (1) whether the stay will unduly prejudice the nonmoving party, (2) whether the proceedings before the court have reached an advanced stage, including whether discovery is complete and a trial date has been set, and (3) whether the stay will likely result in simplifying the case before the court. See *Lennon Image Techs., LLC v. Macy's Retail Holdings, Inc.*, No. 2:13-cv-235, 2014 WL 4652117, at *2 (E.D.Tex. Sept. 17, 2014); *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F.Supp.2d 486, 489 (D.Del.2013); *Soverain Software LLC v. Amazon.com, Inc.*, 356 F.Supp.2d 660, 662 (E.D.Tex.2005). Based on those factors, courts determine whether the benefits of a stay outweigh the inherent costs of postponing resolution of the litigation. *EchoStar Techs. Corp. v. TiVo, Inc.*, No. 5:05-cv-81, 2006 WL 2501494 (E.D.Tex. July 14, 2006).

Those three factors largely overlap with the four factors that Congress has expressly set forth as governing the question whether a stay should be granted pending covered business method (“CBM”) review proceedings before the PTAB. Those four factors are:

- (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.

Leahy-Smith America Invents Act, Pub.L. No. 112-29, § 18(b)(1), 125 Stat. 284, 331 (2011) (“the AIA”). Congress's addition of a fourth factor requiring an inquiry into whether

a stay will reduce the burden of litigation on the parties and on the court indicates that special attention should be given to minimizing the burdens of litigation. While that factor has been noted as the basis for a distinction between the standard for stay motions in CBM review proceedings and stay motions in inter partes review proceedings, see *Progressive Cas. Ins. Co. v. Safeco Ins. Co.*, No. 1:10-cv-1370, 2013 WL 1662952, at *2 (N.D. Ohio Apr. 17, 2013), courts considering stay applications in the inter partes review setting have been attentive to that concern as well, see, e.g., *Market-Alerts Pty. Ltd. v. Bloomberg Finance L.P.*, 922 F.Supp.2d 486, 489 (D.Del.2013); *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 13-cv-346, 2013 WL 6044407 (W.D. Wis. Nov. 13, 2013). The Court now turns to an analysis of each of the factors bearing on whether to grant a stay of the district court proceedings pending the resolution of HTC's petitions for inter partes review.

1. Prejudice

NFCT argues that the delay inherent in granting a stay would lead to undue prejudice. It makes no specific allegations of prejudice other than to claim that any delay in the vindication of patent rights is prejudicial to a patent owner. To be sure, that interest is entitled to weight. See *Network-1 Sec. Solutions, Inc. v. Alcatel-Lucent USA Inc.*, No. 6:11-cv-492, at 9 (E.D.Tex. Jan. 5, 2015); *Lennon Image Techs., LLC v. Macy's Retail Holdings, Inc.*, No. 2-13-cv-235, 2014 WL 4652117, at *2 (E.D.Tex. Sept. 17, 2014); *ThinkOptics, Inc. v. Nintendo of Am., Inc.*, No. 6:11-cv-455, 2014 WL 4477400, at *1 (E.D.Tex. Feb. 27, 2014); *Unifi Sci. Batteries, LLC v. Sony Mobile Commc'ns AB*, No. 6:12-cv-224, 2014 WL 4494479, at *2 (E.D. Tex. Jan. 14, 2014); *Voltstar Techs., Inc. v. Superior Commc'ns, Inc.*, No. 2:12-cv-82, 2013 WL 4511290, at *2 (E.D.Tex. Aug. 22, 2013). However, that factor is present in every case in which a patentee resists a stay, and it is therefore not sufficient, standing alone, to defeat a stay motion. See *E-Watch, Inc. v. Lorex Canada, Inc.*, No. H-12-331, 2013 WL 5425298, at *2 (S.D.Tex. Sept. 26, 2013); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21, 2012 WL 7170593, at *3 (C.D.Cal. Dec. 19, 2012); *TierraVision, Inc. v. Google, Inc.*, No. 11-cv-2170, 2012 WL 559993, at *3 (S.D.Cal. Feb. 21, 2012).

*3 NFCT does not dispute HTC's contention that it does not compete with HTC and that monetary relief will be sufficient to compensate it for any injury to its patent rights. NFCT's only other claim of prejudice is its conclusory claim that it

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“would be tactically disadvantaged because, during [the stay] period, memories will fade and discovery may likely be lost.” Dkt. No. 149, at 11. That generalized claim of injury is entitled to little weight, however, as NFCT has not made any showing as to particular evidence or discovery that is at risk of being lost. A blanket statement that evidence may become stale or be lost does not amount to a compelling showing of prejudice.

Finally, NFCT contends that “it would be unduly prejudiced and tactically disadvantaged by a stay because of HTC’s dilatory motive.” Dkt. No. 149, at 12; see also *id.* at 13–15 (contending that HTC has “unclean hands” based on HTC’s conduct by making “speaking objections” and raising improper claims of privilege during a series of depositions during the week of February 9–12, 2015). NFCT’s claim of dilatory behavior appears to be based principally on HTC’s motion to transfer this case to the Southern District of California (subsequently amended to seek transfer to the Northern District of California). There is nothing unusual about filing a motion to transfer, and NFCT has pointed to nothing about the filing of the transfer motion in this case that would affect HTC’s entitlement to a stay. NFCT also complains, without elaboration, about HTC’s motion to stay this action in light of a declaratory judgment action brought by a third party, a motion that was denied. The Court sees nothing facially improper in the filing of that motion, and NFCT’s brief offers nothing of substance that would lead the Court to conclude that the motion was inappropriate or that the stay should be denied because of the filing of that motion. Nor does the Court discern anything in the allegations regarding HTC’s conduct during the February 9–12 depositions that should have any effect on the Court’s decision on the stay motion. The Court therefore concludes that the prejudice factor cuts slightly against a stay, but no more than would typically be the case when a plaintiff is faced with the prospect of a delay in obtaining monetary relief on its claims.

2. The State of the Proceedings

This action was instituted more than a year ago. By the time the motion to stay was filed, the parties had engaged in significant discovery, and claim construction briefing was complete. However, fact discovery does not close for another month, and significant pretrial discovery, filings, motions, and other events remain to be completed before the scheduled trial date of September 8, 2015. Clearly, the case is not “in its infancy”; it is far enough along that a stay would interfere with ongoing proceedings. On the other hand, it appears likely that the bulk of the expenses that the parties would incur in pretrial work and trial preparation are still in the future. Thus,

denying a stay because of the progress of the case to this point would impose significant expenses on the parties that might be avoided if the stay results in the simplification (or obviation) of further court proceedings.

Another consideration that bears on this factor is whether the defendant acted with reasonable dispatch in filing its petitions for inter partes review and then, after the petitions were granted, in filing its motion for a stay. The petitions for inter partes review were filed seven and one-half months after the action was brought, and four months after NFCT filed its infringement contentions. The motion for a stay was filed very promptly after the PTAB instituted the inter partes review.

*4 Given the complexity entailed in seeking inter partes review, a delay of seven and one-half months from the filing of the complaint is not unreasonable. That is particularly true in light of the fact that the petitions were filed only four months after NFCT served its infringement contentions on HTC. See *Destination Maternity Corp. v. Target Corp.*, 12 F.Supp.3d 762, 766–68 (E.D.Pa.2014) (petition for inter partes review filed less than four months after infringement contentions was reasonably timely); *Software Rights Archive, LLC v. Facebook, Inc.*, No. 12–3970, 2013 WL 5225522, at *6 (N.D.Cal. Sept. 17, 2013) (petition filed just over four months after identification of asserted claims was reasonable); *Semiconductor Energy Lab. Co. v. Chimei Inmolux Corp.*, No. SACV 12–21, 2012 WL 7170593, at *3 (C.D.Cal. Dec. 19, 2012) (3–4 month delay in filing petition after infringement contentions is reasonable). To be sure, if the petitions had been filed several months earlier, the PTAB’s decision on the petitions would have come early enough that the stay motion could have been decided at a time that would have saved the parties some discovery expenses and much of the expense associated with the claim construction proceeding. Nonetheless, the Court does not regard HTC’s conduct in this regard as dilatory, and will not weigh the delay in filing the petitions for inter partes review against HTC. In sum, the state of the proceedings is neutral or, at most, cuts slightly against the issuance of a stay.

3. Simplification of the Issues

In the Court’s view, the most important factor bearing on whether to grant a stay in this case is the prospect that the inter partes review proceeding will result in simplification of the issues before the Court. Congress’s purpose in creating an inter partes review procedure was to allow the administrative agency that issues patents to consider new information


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bearing on whether those patents should be canceled or confirmed. Giving the agency the authority to consider the validity of patents in the inter partes review process was designed in large measure to simplify proceedings before the courts and to give the courts the benefit of the expert agency's full and focused consideration of the effect of prior art on patents being asserted in litigation.




The benefits of the reexamination process for cases in litigation have been described in a way that applies equally to inter partes review:



1. All prior art presented to the Court will have been first considered by the PTO, with its particular expertise.
2. Many discovery problems relating to prior art can be alleviated by the PTO examination.
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed.
4. The outcome of the reexamination may encourage a settlement without the further use of the Court.
5. The record of reexamination would likely be entered at trial, thereby reducing the complexity and length of the litigation.
6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination.
7. The cost will likely be reduced both for the parties and the Court.

Fisher Controls Co. v. Control Components, Inc., 443 F.Supp. 581, 583 (S.D.Iowa 1977), quoted with approval in *Premier Int'l Assocs. LLC v. Hewlett-Packard Co.*, 554 F.Supp.2d 717, 720 (E.D.Tex.2008).

In this case, the likelihood of some or all of those benefits flowing from inter partes review is high. If the proceedings before the PTAB result in confirmation of the patent claims being asserted in court, the defendant will be estopped from challenging the validity of the claims on any ground that was, or could reasonably have been, asserted in the inter partes proceeding.  35 U.S.C. § 315(e)(2). On the other hand, if the proceedings result in cancellation of some or all of the asserted claims, either some portion of the litigation will fall away, or the litigation will come to an end altogether.

While the PTAB's decision to institute inter partes review ordinarily means that there is a substantial likelihood of simplification of the district court litigation, that likelihood is far more speculative before the PTAB decides whether to institute inter partes review. For that reason, the grant of inter partes review has been treated as a highly significant factor in the courts' determination of whether to stay cases pending PTAB review. Thus, it is important to the Court's decision that in this case the PTAB has acted on two of the defendants' three petitions for inter partes review and in doing so has instituted inter partes review proceedings on most of the claims at issue in this case.

*5 The Federal Circuit recently addressed the closely related question whether a stay should be granted pending "covered business methods" ("CBM") review after the PTAB has instituted review proceedings. See  *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307 (Fed.Cir.2014). The circuit court in that case held that the district court erred in denying a stay after the PTAB had granted the defendants' petition for CBM review. The court stated that it was "not error for the district court to wait until the PTAB made its decision to institute CBM review before it ruled on the motion" to stay.  *Id.* at 1315. The court added that "[w]hile a motion to stay could be granted even before the PTAB rules on a post-grant review petition, no doubt the case for a stay is stronger after post-grant review has been instituted."  *Id.* at 1316.


The court in *VirtualAgility* held that the patentee, which could be adequately compensated through a damages remedy, could not make a showing of undue prejudice from a stay, and that the evidence did not indicate that a stay would give the defendants a clear tactical advantage.  759 F.3d at 1318–20. Moreover, the court found that the disposition of the review would streamline the proceedings before the district court and decrease the burden on the parties and the court, and that the case was not so far advanced at the time the stay motion was filed as to justify the denial of the requested stay.  *Id.* at 1313, 1320. For those reasons, the court held that the district court should have entered a stay pending the PTAB's resolution of the CBM review proceeding.

NFCT argues that because *VirtualAgility* involved CBM review, not inter partes review, the Federal Circuit's analysis in *VirtualAgility* does not apply here. It is true that the stay provisions for CBM review are statutory, while the

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stay practice for inter partes has been developed by the courts. However, the standards for granting stay relief are generally similar. As noted above, the additional statutory factor applied in the CBM review context—whether a stay will reduce the burden of litigation on the parties and the court—is a consideration that courts often taken into account in determining whether to grant a stay pending inter partes review.


The overlap between the standards for granting a stay in those two contexts is not surprising, since both CBM review and inter partes review, like reexamination, are designed to promote the same policy goals. That is to give the Patent and Trademark Office (“the PTO”), the expert agency that issued the patents in suit, an opportunity to determine in the first instance whether the patents are valid in light of the cited prior art and to simplify district court infringement proceedings.

See  *In re Etter*, 756 F.2d 852, 857 (Fed.Cir.1985) (“When the patent is concurrently involved in litigation [one function of reexamination] is to free the court from any need to consider prior art without the benefit of the PTO’s initial consideration.”).

NFCT is correct that Congress’s inclusion of a stay provision in the CBM review section of the AIA clearly signaled a desire to make stay relief readily available in CBM review cases. Moreover, the legislative history of the AIA makes it apparent that Congress intended for district courts to be liberal in granting stays pending CBM review. As Senator Schumer observed regarding the CBM review provision, Congress intended to place “a very heavy thumb on the scale in favor of a stay being granted” once the PTAB instituted CBM review proceedings. 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Chuck Schumer). But Congress’s desire to enhance the role of the PTO and limit the burden of litigation on courts and parties was not limited to the CBM review context. The legislative history indicates that Congress recognized that the same underlying policy considerations that apply to CBM review apply to inter partes review as well. See H. Rep. No. 112–98, Part I, at 48 (2011) (statutory post-grant review procedures were designed to be “quick and cost effective alternatives to litigation”); 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (inter partes review was intended to provide a “faster, less costly alternative[] to civil litigation to challenge patents) (statement of Sen. Chuck Grassley); *id.* at S5319 (daily ed. Sept. 6, 2011) (post-grant review of patents, including inter partes review, was meant to be “an inexpensive substitute for district court litigation” that “allows key issues to be addressed by experts in the field”) (statement of Sen.

Jon Kyl). In light of the parallel policies underlying the CBM and inter partes review proceedings, it is not surprising that courts have applied generally similar analysis to requests for stays in both settings.

*6 In fact, since the circuit court’s decision in *VirtualAgility*, courts have been nearly uniform in granting motions to stay proceedings in the trial court after the PTAB has instituted inter partes review proceedings. See *Capella Photonics, Inc. v. Cisco Sys., Inc.*, No. C–14–3348 (N.D.Cal. Mar. 6, 2015); *Gentherm Can., Ltd. v. IGB Auto., Ltd.*, No. 13–11536, 2015 WL 804657 (E.D.Mich. Feb. 26, 2015); *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12–cv–5501, 2015 WL 435457 (N.D.Cal. Feb. 2, 2015); *Service Solutions U.S., L.L.C. v. Autel.US Inc.*, No. 13–10534, 2015 WL 401009 (E.D.Mich. Jan. 28, 2015); *In re CTP Innovations, LLC, Patent Litig.*, MDL 14–MD–2581, 2015 WL 317149 (D.Md. Jan. 23, 2015); *Safe Storage LLC v. Dell Inc.*, Civil Action No. 12–1624 (D.Del. Jan. 22, 2015); *Cutsforth, Inc. v. Westinghouse Air Brake Techs. Corp.*, Civil No. 12–1200 (D.Minn. Jan. 15, 2015); *CANVS Corp. v. United States*, No. 10–540 C (Fed.Cl. Dec. 19, 2014); *Kaneka Corp. v. SKC Kolon PI, Inc.*, No. CV 11–3397 (C.D.Cal. Dec. 5, 2014); *Locata LBS LLC v. Paypal Inc.*, No. C 14–1864 (N.D.Cal. Dec. 4, 2014);  *Surfcast, Inc. v. Microsoft Corp.*, No. 2:12–cv–333, 2014 WL 6388489 (D.Me. Nov. 14, 2014); *Norman IP Holdings, LLC v. Chrysler Group LLC*, No. 6:13–cv–278 (E.D.Tex. Oct. 8, 2014); *Cypress Semiconductor Corp. v. GSI Tech., Inc.*, No. 13–cv–2013, 2014 WL 5021100 (N.D.Cal. Oct. 7, 2014); *Intellectual Ventures II LLC v. Suntrust Banks, Inc.*, No. 1:13–cv–2454, 2014 WL 5019911 (N.D.Ga. Oct. 7, 2014);  *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. C–13–4513, 2014 WL 4802426 (N.D.Cal. Sept. 26, 2014);  *PersonalWeb Techs., LLC v. Google Inc.*, No. 5:13–cv–1317, 2014 WL 4100743 (N.D.Cal. Aug. 20, 2014); *Intellectual Ventures II LLC v. U.S. Bancorp*, Civil No. 13–2071, 2014 WL 5369386 (D.Minn. Aug. 7, 2014);  *Affinity Labs of Texas LLC v. Samsung Elecs. Co.*, No. 14–cv–2717, 2014 WL 3845684 (N.D.Cal. Aug. 1, 2014); *Depomed Inc. v. Purdue Pharma L.P.*, Civil Action No. 13–571, 2014 WL 3729349 (D.N.J. July 25, 2014).¹

The same has been true of motions to stay proceedings in the trial court after the PTAB has instituted CBM review proceedings. See  *Moneycat Ltd. v. Paypal Inc.*, No. 14–cv–2490, 2014 WL 5689844 (N.D.Cal. Nov. 4, 2014); *Secure Access, LLC v. U.S. Bank Nat’l Ass’n*, No. 6:13–cv–717

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(E.D.Tex. Oct. 20, 2014); *DataTreasury Corp. v. Fiserv, Inc.*, No. 2:13-cv-431 (E.D.Tex. Sept. 29, 2014); *Solutran, Inc. v. Elavon, Inc.*, No. 13-cv-2637 (D.Minn. Sept. 18, 2014); *Segin Sys., Inc. v. Stewart Title Guar. Co.*, No. 2:13-cv-190, 2014 WL 3895931 (E.D.Va. Aug. 8, 2014); see also *Versata Software, Inc. v. Callidus Software, Inc.*, No.2014-1468, 2015 WL 981523 (Fed.Cir. Feb. 27, 2015); *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Ctrs. Inc.*, 767 F.3d 1383 (Fed.Cir.2014).

*7 That near-uniform line of authority reflects the principal point made by the court in *VirtualAgility*—that after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed. The decisions cited above have applied the same general approach in the analogous setting of inter partes review.²

With that said, it is nonetheless necessary to determine whether there are circumstances in this case that would call for a departure from that general practice and make a stay inappropriate. As noted above, the other factors bearing on the Court's exercise of its discretion to grant or deny a stay do not cut strongly either in favor of or against a stay. Nor has NFCT pointed to any special circumstances that would counsel against granting a stay in this case.

The only wrinkle pointed out by NFCT is that the PTAB's order granting inter partes review did not include all of the asserted claims of the '664 patent. In particular, currently asserted claims 14, 15, and 19 were not included in the petition for inter partes review of the '664 patent or the PTAB's order granting inter partes review of that patent. For that reason, NFCT contends that the stay should be denied. NFCT argues that with those claims omitted from the inter partes review, the PTAB's decision in the review proceeding is unlikely to result in a significant simplification of the case. The Court does not agree.

The reason that three of the claims of the '664 patent were not included in the defendant's original petition for inter partes review of the '664 patent is that at the time the petition was filed, NFCT had not asserted those claims against HTC. When NFCT asserted those claims in the litigation, HTC promptly petitioned for those claims to be added to the inter partes review proceeding. The absence, at least for now, of those claims from the inter partes review is therefore chargeable to NFCT, not to HTC. In light of the relationship between those claims and the claims for which review was granted, it seems entirely possible that the claims will be added to the review. In any event, even if the PTAB restricts its review to the claims of the '551 patent and the initially asserted claims of the '664 patent, any disposition by the PTAB is likely to simplify the proceedings before this Court, at the very least with respect to the '551 patent. Accordingly, in light of the fact that the PTAB has already instituted review of the two patents in suit in this case, the "simplification" factor cuts strongly in favor of granting a stay in this case pending the completion of the inter partes review process.

CONCLUSION

*8 After weighing all the factors that bear on whether to grant a stay pending inter partes review, the Court concludes that the balance of those factors favors HTC. Accordingly, in the exercise of its discretion this Court will grant HTC's motion to stay all proceedings in this case pending the completion of the inter partes review before the PTAB. The parties are directed to advise the Court promptly when the PTAB issues its decision in the inter partes review proceeding.

IT IS SO ORDERED.

All Citations

Not Reported in Fed. Supp., 2015 WL 1069111

Footnotes

- 1 The post-*VirtualAgility* cases that have departed from that general approach have involved unusual facts. For example, in *Drone Technologies, Inc. v. Parrot S.A.*, No. 14-cv-111, 2014 WL 6607484 (W.D.Pa. Nov. 19, 2014), the court noted that the defendants had been guilty of "flagrant failure to permit this case to

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proceed through discovery” and had entered a default judgment against the defendants on the merits. Under those circumstances, the court saw no reason to further delay the proceedings before it. In [SCVNGR, Inc. v. eCharge Licensing, LLC](#), Civil Action No. 13–12418, 2014 WL 4804738 (D.Mass. Sept. 25, 2014), [Intellectual Ventures II L.L.C. v. JP Morgan Chase & Co.](#), No. 13 Civ. 3777 (S.D.N.Y. Aug. 11, 2014), and [Invensys Systems, Inc. v. Emerson Electric Co.](#), No. 6:12–cv–799, 2014 WL 4477393 (E.D.Tex. July 27, 2014), the courts denied stays because the PTAB had granted review of only some of the asserted claims or patents, and the courts were not persuaded that the PTAB review proceedings were likely to result in significant simplification of the issues in suit.

- 2 Without acknowledging the line of authority cited above, NFCT argues that courts “routinely deny motions to stay where the litigation has progressed as far as the present litigation.” Dkt. No. 149, at 8. NFCT cites four cases for that proposition. In three of the four cited cases, a large number of the claims at issue were not undergoing inter partes review. The remaining case, [Unifi Sci. Batteries, LLC v. Sony Mobile Commc'ns AB](#), No. 6:12–cv–224, 2014 WL 4494479 (E.D.Tex. Jan. 14, 2014), predated the Federal Circuit’s decision in *VirtualAgility*. Moreover, the inter partes review proceeding in that case involved only a small minority of the references at issue in the litigation, which the court found reduced the likelihood that the inter partes review proceeding would result in simplification of the case before the court. Thus, contrary to NFCT’s suggestion, the four cases it cites do not represent the “routine.” Instead, they contain unusual facts that render them exceptions, rather than representing the general rule.

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Exhibit 11

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Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

RETAILMENOT, INC., Plaintiff,

v.

HONEY SCIENCE LLC,¹ Defendant.

C.A. No. 18-937-CFC-MPT

Signed 01/23/2020

Attorneys and Law Firms

Jack B. Blumenfeld, Jeremy A. Tigan, Morris, Nichols, Arsht & Tunnell LLP, Wilmington, DE, Christopher DeCoro, Pro Hac Vice, Eric Schlabs, Pro Hac Vice, Jeanne M. Heffernan, Pro Hac Vice, Jessica K. Lam, Pro Hac Vice, Jon R. Carter, Pro Hac Vice, Nikhil R. Krishnan, Pro Hac Vice, Noah Frank, Pro Hac Vice, Patrick Arnett, Pro Hac Vice, Robert A. Appleby, Pro Hac Vice, for Plaintiff.

Kelly E. Farnan, Renee Marie Mosley, Richards, Layton & Finger, PA, Wilmington, DE, Lisa K. Nguyen, Pro Hac Vice, Tara D. Elliott, Latham & Watkins LLP, Washington, DC, Will Orlady, Pro Hac Vice, for Defendant.

REPORT AND RECOMMENDATION

Mary Pat Thyngne, Chief U.S. Magistrate Judge

*1 Presently before the court is RetailMeNot, Inc.'s ("RetailMeNot") Motion to Stay Pending PTAB Review of U.S. Patent No. 10,140,625 ("the '625 patent").² RetailMeNot requests the court stay Honey Science LLC's ("Honey") counterclaim for infringement of the '625 patent pending resolution of RetailMeNot's August 2019 petitions to the Patent Trial and Appeals Board ("PTAB") challenging the validity of all claims of the '625 patent.³ For the reasons discussed below, the court recommends the Motion to Stay be granted.

I. BACKGROUND

On June 25, 2018, RetailMeNot filed its initial complaint in this action asserting infringement of four patents.⁴ On September 17, 2018, Honey filed its Answer to the Complaint and Counterclaims for non-infringement and invalidity of

the RetailMeNot patents.⁵ On November 27, 2018, the '625 patent issued and, on December 20, 2018, Honey amended its counterclaims to accuse RetailMeNot of infringing that patent.⁶

On April 5, 2019, RetailMeNot served on Honey its invalidity contentions related to the '625 patent.⁷ These invalidity contentions included as Exhibit I, a 113-page claim chart allegedly mapping U.S. Pub. No. 2017/0184046 ("Mashadi") on the '625 patent.⁸

On August 23, 2019, approximately four-and-a-half months after serving its invalidity contentions, RetailMeNot filed a petition for post grant review ("PGR") challenging all claims of the '625 patent as obvious in view of Mashadi ("§ 103 PGR Petition").⁹ The Mashadi reference was not considered by the examiner during prosecution of the '625 patent.¹⁰ On the same day, RetailMeNot filed a second PGR petition alleging invalidity on two additional grounds: (1) that the subject-matter of the '625 patent claims are ineligible for patentability under 35 U.S.C. § 101; and (2) that the claims of the '625 patent are indefinite under 35 U.S.C. § 112 ("§ 101 PGR Petition").¹¹ On August 29, 2019, RetailMeNot filed an inter partes review ("IPR") petition ("IPR Petition") on the same obviousness grounds raised in its § 103 PGR Petition (i.e., based on the Mashadi reference).¹² Honey's preliminary responses were due December 12, 2019, the PTAB is expected to issue institution decisions by March 12, 2020 and, if the PTAB initiates a review, its final written decision would be due in March 2021.¹³

On May 3, 2019, during the pendency of the currently litigation, and after RetailMeNot served its '625 patent invalidity contentions, Honey filed U.S. Patent Application No. 16/403,036 ("the '036 application"), which is a continuation of the '625 patent.¹⁴ The '036 application is pending before the same examiner that previously allowed the claims of the '625 patent.¹⁵ The claims of the '036 application substantially overlap with the claims of the '625 patent.¹⁶

*2 On September 11, 2019, Honey filed an Information Disclosure Statement ("IDS") for the pending '036 application, notifying the examiner of RetailMeNot's IPR Petition against the '625 patent.¹⁷ On September 23, 2019,

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the examiner issued a final rejection of all claims in the '036 application as anticipated or rendered obvious by Mashadi.¹⁸ In that final rejection, the examiner incorporated much of the analysis RetailMeNot set forth in its IPR Petition.¹⁹ On November 25, 2019, Honey submitted its response to the office action.²⁰ At the time of briefing, Honey advises it is still in prosecution pending review of its response.²¹

On December 20, 2018, the court issued its scheduling order, pursuant to which: fact discovery was to close January 17, 2020; opening expert reports are due March 6, 2020; the deadline for expert discovery is May 29, 2020; dispositive motions are due June 26, 2020; and trial is set for October 26, 2020.²²

On November 27, 2019, after RetailMeNot filed the Motion to Stay, and prior to the parties' submission of answering and reply briefs, the court issued its claim construction Report and Recommendation finding the "server" limitation of Honey's '625 patent invalid for indefiniteness.²³

Prior to filing the Motion to Stay, the parties had served written discovery and produced hundreds of thousands of pages of documents.²⁴ At the time the Motion to Stay was filed on November 15, 2019, no depositions had occurred, but eighteen "NOTICE[S] to Take Deposition[s]" had been filed with those depositions scheduled to occur from December 3 through December 20, 2019.²⁵ While briefing was ongoing, four additional deposition notices were filed, with an additional five filed post-briefing, the last deposition of which was scheduled for January 17, 2020, the final day of fact discovery.²⁶ On that date, however, the parties filed their Stipulation to Extend Time.²⁷

A follow-on case is also pending. On July 18, 2019, RetailMeNot filed a second suit, claiming infringement of three continuation patents by the same Honey products accused in this action.²⁸ On September 10, 2019 Honey filed its Answer to the Complaint and Counterclaims in the second case.²⁹ A case management conference has not yet occurred in that case.

II. LEGAL STANDARDS

*3 It is committed to a district court's discretion whether to stay proceedings pending review by the PTAB of the

validity of the patent(s) at issue in the lawsuit.³⁰ "A stay is particularly justified when 'the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues.'³¹ Typically, motions to stay are granted *after the* PTAB institutes proceedings, however,

as a general matter the arguments for a stay pending institution and/or completion of an IPR have been *strengthened* by recent changes in the law: namely, institution must be on all or none of the claims on which IPR is sought and claim construction undertaken by the [PTAB] is now conducted according to the same legal standards this Court must apply.³²

When considering motions to stay, courts "must weigh competing interests and maintain an even balance."³³ To strike the balance when a patent challenger moves to stay a case pending PTAB review, courts typically consider three factors: "(1) whether a stay will simplify the issues for trial, (2) whether discovery is complete and a trial date has been set, and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party."³⁴

III. DISCUSSION

The parties each assert that all three factors support their respective positions.³⁵ For the reasons discussed below, the court determines that those factors weigh in favor of granting RetailMeNot's Motion to Stay.

A. Simplification of Issues for Trial

The first factor the court considers is "whether a stay will simplify the issues for trial[.]"³⁶

The most important factor bearing on whether to grant a stay is whether the stay is likely to simplify the issues at trial. As this Court explained in *NFC Technology*,

Congress's purpose in creating an inter partes review procedure was to allow the administrative agency that

issues patents to consider new information bearing on whether those patents should be canceled or confirmed. Giving the agency the authority to consider the validity of patents in the inter partes review process was designed in large measure to simplify proceedings before the courts and to give the courts the benefit of the expert agency's full and focused consideration of the effect of prior art on patents being asserted in litigation.³⁷

*4 RetailMeNot asserts granting the Motion to Stay has the potential for substantial simplification of the current action.³⁸ In support, it contends the PTAB is likely to institute one or more of RetailMeNot's petitions; PTAB review of Honey's '625 patent will simplify issues in this case; and the case will be simplified even if the PTAB ultimately finds claims of the '625 patent valid because estoppel would apply in this case for "any ground that [RetailMeNot] raised or reasonably could have raised during that inter partes review."³⁹ Honey argues a partial stay will complicate, not simplify, the case.⁴⁰

The court agrees with RetailMeNot that the PTAB will likely institute review of one or more of its petitions. In general, the PTAB may institute if (for an IPR) "there is a reasonable likelihood," or (for a PGR) it is "more likely than not," that RetailMeNot will prevail with respect to at least one claim of the '625 patent.⁴¹ According to recent United States Patent and Trademark Office statistics, the PTAB institutes approximately 63% of petitions.⁴² The probability of institution is greater here in view of the examiner's rejection of Honey's co-pending continuation application that incorporated RetailMeNot's invalidity analysis of Mashadi almost verbatim, suggesting RetailMeNot's petitions can meet both standards.⁴³ Additionally, this court applied the same claim construction standard as the PTAB's review would when the court found the "server" limitation of Honey's '625 patent invalid for indefiniteness.⁴⁴ In the court's view, under either standard the PTAB applies to determine institution, the unique facts of this case make institution more probable.

The court is not persuaded otherwise by Honey's argument that institution is unlikely because the PTAB "has emphasized that it would 'be an inefficient use of the Board resources' to institute review of a patent where the district court trial would occur before the Board could institute a final written decision."⁴⁵

*5 The PTAB recently rejected an argument citing *NHK Spring* that it should deny IPR institution where its final written decision would issue after the same validity issues have been resolved by a district court, explaining there is "no *per se* rule against instituting an *inter partes* review when any Final Decision may issue after a district court has addressed the patentability of the same claims."⁴⁶ The Board continued, "[i]nstituting under such circumstances gives the district court the opportunity, at its discretion, to conserve judicial resources by staying the litigation until the review is complete, thus satisfying the AIA's objective of providing 'an effective and efficient alternative to district court litigation.'" ⁴⁷ Another recent decision rejecting an argument for denial of IPR institution that cited *NHK Spring* noted the Board employs a "balanced assessment of all relevant circumstances in the case, *including the merits*" and "determine[d] that Petitioner ... demonstrated a reasonable likelihood of prevailing on the merits with respect to its challenge to claims."⁴⁸ Here, the court has already concluded the "server" limitation of the '625 patent is invalid and, in view of the '036 application proceedings and its claim similarity to the '625 patent claims, the PTAB is likely to determine RetailMeNot has demonstrated "a reasonable likelihood," or it is "more likely than not," that it will prevail on the merits with respect to its challenge to the claims of the '625 patent.

Honey's argument is also largely premised on its expectation that the court will deny the Motion to Stay; if granted, the PTAB is more likely to institute review.⁴⁹ If the PTAB institutes review of Honey's '625 patent, it could substantially simplify issues in this case. RetailMeNot's PTAB petitions challenge every claim of the '625 patent, and any instituted review must "address every claim the petitioner has challenged."⁵⁰ "The case will unquestionably become simpler" if the PTAB invalidates every claim, thereby removing Honey's patent from this case.⁵¹ Simplification will also result if the '625 patent survives PTAB review because estoppel will limit the prior art available to RetailMeNot during the remainder of discovery and at trial with respect to "any ground that [RetailMeNot] raised or reasonably could have raised during that inter partes review."⁵² Moreover, although IPRs are limited to obviousness or anticipation arguments under §§ 102 and 103, RetailMeNot's PGR raises arguments based on subject-matter eligibility under § 101, and indefiniteness under § 112, thereby increasing the overlap with the validity issues

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this court would address for Honey's patent. Thus, “[a]ny conclusion that the PTAB reaches will have a likely effect on the litigation by limiting the arguments [RetailMeNot] can make regarding validity.”⁵³

Honey contends any simplification resulting from PTAB review is outweighed by the disruption of the case schedule.⁵⁴ Honey maintains a stay of its counterclaim risks upending the case schedule should the PTAB ultimately deny institution.⁵⁵ It also argues the parties’ infringement allegations against one another implicate overlapping factual and legal issues across the five asserted patents, and that granting a stay of its counterclaim will necessarily result in an inefficient loss of discovery synergies should its patent be reintegrated in this case at a later date.⁵⁶ For instance, if the PTAB denies RetailMeNot’s petitions after the exchange of expert reports in March, Honey predicts many witnesses will have to be re-deposed, discovery will have to be supplemented, and new expert reports will need to be written and served, which will result in unnecessary resources being expended and the need to set a new schedule for Honey’s counterclaim in the midst of expert discovery.⁵⁷

*6 Honey’s arguments rest on its assumption the PTAB will deny institution. As discussed above, it is unlikely the PTAB will deny institution. If, on the other hand, the PTAB denies institution on all three of RetailMeNot’s petitions, the court agrees with RetailMeNot that the potential efficiency of no longer litigating the ‘625 patent outweighs the inefficiencies of re-integrating that patent in this case.⁵⁸ This case is also unique in that, if the PTAB institutes review, and the ‘625 patent survives that review, the possibility exists that Honey’s patent could be integrated into the Second Case between the parties which involves the same Honey browser extension, and in which no scheduling order has issued, if that case is at a stage where such integration is appropriate.

Thus, the court concludes that the first factor weighs in favor of a stay.

B. Reduction of Costs during the Most Burdensome Stages of the Case

The second factor the court considers is the status of the litigation, particularly “whether discovery is complete and a trial date has been set[.]”⁵⁹

PTAB proceedings “give the PTO an opportunity to reconsider patents that have become the focus of litigation, relieving the courts of some of the burdens of deciding issues of obviousness and anticipation, and saving the courts from having to adjudicate infringement claims based on patents of questionable validity.”⁶⁰ In *IOENGINE*, this court recently granted a stay and commented that “completing discovery, preparing expert reports, filing and responding to pretrial motions, preparing for trial, going through the trial process, and engaging in post-trial motions practice” are “the most burdensome stages of the case.”⁶¹

In *Ethicon LLC*, a case farther along in its schedule than here, the court also granted a stay despite the relatively advanced stage of the case. There, the court had issued its claim construction order, fact discovery was complete, and expert discovery was nearly concluded.⁶² Here, the Claim Construction R&R is pending review of the parties’ objections, the parties were authorized to conduct numerous depositions outside of the fact discovery period, and identification of expert testimony is six weeks away.⁶³ The court in *Ethicon LLC* stated that “although this case is further along than is typical for a motion to stay, it is indeed at an efficient stopping point[.]”⁶⁴ Here, not only are depositions continuing, but this case is at an efficient stopping point in that a stay will avoid further fact discovery, the entirety of expert discovery and associated expert reports, filing and responding to dispositive and other pretrial motions, preparing for trial, going through the trial process, and engaging in post-trial motion practice with regard to Honey’s counterclaim, i.e. “the most burdensome stages of the case.”⁶⁵

Thus, the court determines this factor weighs in favor of a stay.

C. Undue Prejudice or Disadvantage

The third factor the court considers is “whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party.”⁶⁶

*7 In analyzing whether a plaintiff would suffer undue prejudice (and relatedly whether a defendant would gain an unfair tactical advantage) if a stay were granted, this Court has examined four factors: (1) the timing

of the request for review; (2) the timing of the request for a stay; (3) the status of the review proceedings; and (4) the relationship of the parties.⁶⁷

1. Timing of the Request for Review

This court has recognized that “[f]ilings [at the PTAB] made well after the initiation of litigation ... may suggest an unfair tactical advantage or dilatory motive.”⁶⁸

RetailMeNot filed its PTAB petitions approximately nine months after Honey added its infringement counterclaim in this case, five months after Honey served its infringement contentions, and four-and-a-half months after RetailMeNot served its initial invalidity contentions.⁶⁹ RetailMeNot cites several cases it contends supports the timing of its requests for review as within the diligence period.⁷⁰ Honey argues the five months from the time RetailMeNot served its 113-page invalidity chart mapping the Mashadi reference to filing its petitions based on this reference evidences a failure of diligence. It also argues the cases relied upon by RetailMeNot are distinguishable from the facts of this case where: *NFC Tech.* concerned a post-institution motion to stay; *Ethicon LLC* found an eleven-month delay not unreasonable in view of the timing of the patentee's notice of which claims it would assert; and *Bonutti Skeleton Innovations* concluded an eight-month delay was reasonable where the patentee “did not clearly state before the IPR deadline which of the hundreds of claims in its multiple patents it intended to assert against the Defendants.”⁷¹

Because the timing of RetailMeNot's request for review arguably indicates a dilatory motive for tactical advantage, this sub-factor weighs slightly against a stay.

2. Timing of the Request for a Stay

On the unique facts of this case, the timing of RetailMeNot's request for a stay favors granting the motion. On September 23, 2019, the examiner issued a final rejection of all the claims of the '036 application, wherein he incorporated substantial portions of RetailMeNot's analysis of the Mashadi reference in its pending IPR Petition against the '065

patent's substantially similar claims. Upon receipt of this new information, and rather than waiting for the PTAB to make its initiation determination, RetailMeNot filed its motion in less than seven weeks. The '036 application rejection provided a strong basis for RetailMeNot's argument that the PTAB will institute review of its petitions, and its prompt filing permits the court to issue a stay that will limit the time and expenses related to the most burdensome stages of litigation that would have been consumed had RetailMeNot waited to move for a stay post-institution. This sub-factor favors a stay.

3 Status of the Review Proceedings

*8 If the PTAB institutes one of more of RetailMeNot's petitions in March 2020, a final written decision will issue by March 2021.⁷² Dispositive motions in this case are due to be filed by June 26, 2020, and trial is scheduled to begin in October 2020.⁷³ Honey argues the court should consider the PTAB's institution decision before staying its counterclaim, which would allow it to proceed with its case and permit the court to manage its docket with a fully developed PTAB record.⁷⁴ As discussed, however, a stay would avoid the most burdensome stages of the case with respect to Honey's counterclaim. If a stay is not granted, and the PTAB initiates review, which is likely based on the threshold for granting review and in light of the current proceedings involving the '036 application, the potential exists for an undesired duplication of effort and inconsistent outcomes from two different forums.⁷⁵ That potential, coupled with the likelihood the PTAB will initiate review, weighs against the disruption to case schedule should the PTAB deny review. Thus, this sub-factor weighs slightly in favor of a stay.

4 Relationship of the Parties

The Complaint alleges “Honey is a direct competitor of RetailMeNot” and “RetailMeNot is one of Honey's largest competitors in terms of revenue, market share, and/or customer base.”⁷⁶ “This court has been reluctant to stay proceedings in situations where parties are direct competitors.”⁷⁷ “Courts have recognized that when the parties are direct competitors, there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market

share and an erosion of goodwill.”⁷⁸ The existence of direct competition, however, is not dispositive of whether to institute a stay, and there is no indication RetailMeNot and Honey compete in a two-entity market: rather, they are apparently two of several competitors: “RetailMeNot is *one* of Honey's largest competitors.”⁷⁹

RetailMeNot also argues the court should take into account that Honey did not seek expeditious resolution of its counterclaim through preliminary injunction.⁸⁰ RetailMeNot suggests the *Ethicon LLC* court's analysis of this factor is instructive.⁸¹

There, this court determined “prejudice from a delay in trial is not severe, and any continued infringement may be compensated with damages.”⁸² It then stated, “[f]urther, Ethicon's delay in filing suit, decision not to seek a preliminary injunction, and delay in narrowing its asserted claims weigh in favor of [the movant].”⁸³ Honey likewise did not seek a preliminary injunction and there is no indication damages compensation would be unavailable to Honey.

Although Honey did not seek a preliminary injunction, the *Ethicon LLC* court emphasized that “[i]n giving this fact some weight, the Court does **not** intend to suggest that patentees should file motions for a preliminary injunction when such extraordinary relief is neither warranted nor necessary.”⁸⁴ In *SenoRx*, this court explained:

in some cases, the failure to seek a preliminary injunction could well be related to other factors (such as the high burden one must face to obtain a preliminary injunction and the difficulty in doing so without first having access to substantial discovery) and thus might not shed much light on the amount of prejudice the non-moving party will face from a stay.⁸⁵

*9 Honey has not, however, explained why moving for injunctive relief was neither necessary nor warranted.

Other facts in *Ethicon LLC* are not present here. That case did not involve cross claims of infringement; therefore, the stay only affected plaintiff's continued prosecution of its infringement claims. Here, each party is asserting infringement claims against each other and the requested stay would halt Honey's claim while permitting RetailMeNot's to continue. Also, both parties seek lost profits and permanent injunction based on their competing browser extensions.⁸⁶ A stay of only Honey's counterclaim, and a possible injunction against it if RetailMeNot prevails on that issue, has the potential to impose some loss of market share and an erosion of goodwill. Also, the *Ethicon LLC* plaintiff asserted infringement of its patents four years after the alleged infringer began selling the accused products and delayed narrowing its asserted claims.⁸⁷ Honey asserted its counterclaim less than a month after the '625 patent issued,⁸⁸ and there was no narrowing of its asserted claims. Here, Honey expeditiously pursued its infringement claim.


Weighing Honey's prompt assertion of its claim when the '625 patent issued and the parties' posture as cross-plaintiffs with the potential harm resulting from a possible injunction against Honey's browser extension while RetailMeNot's claims proceed, against the parties being two of several direct competitors, Honey's decision not to seek injunctive relief, and the availability of damages compensation, the court finds this sub-factor is neutral or weighs slightly against a stay.

Together, these four sub-factors weigh slightly in favor of finding that Honey would not suffer undue prejudice, and RetailMeNot would not gain an unfair tactical advantage if a stay is granted.

Considering that, as a whole, the four factors recited in *Ethicon LLC* weigh in favor of RetailMeNot's position, the court finds that a stay of Honey's '625 patent counterclaim is warranted.

IV. CONCLUSION

For the reasons discussed, the court recommends that the district court GRANT RetailMeNot's Motion to Stay (D.I. 148).

Pursuant to  28 U.S.C. § 636(b)(1)(A), FED. R. CIV. P. 72(a) and D. DEL. LR 72.1, any objections to the Memorandum Order shall be filed within fourteen (14) days limited to ten (10) pages after being served with the same. Any

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response shall be filed within fourteen (14) days thereafter and is limited to ten (10) pages.

dated October 9, 2013, a copy of which is available on the court's website, www.ded.uscourts.gov.

The parties are directed to the Court's Standing Order in Non-Pro Se matters for Objections Filed under [FED. R. CIV. P. 72](#)

All Citations

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Footnotes

- 1 This suit was initiated against defendant Honey Science Corporation on June 25, 2018. D.I. 1. On January 9, 2020, defendant filed a Notice of Name Change advising that, effective January 3, 2020, Honey Science Corporation changed its name to Honey Science LLC and requesting the court's docket and future references refer to Honey Science LLC, in place of Honey Science Corporation. D.I. 204. On January 17, 2020, the court approved the parties' stipulation to that effect. D.I. 206; D.I. 210.
- 2 D.I. 148 ("Motion to Stay").
- 3 *Id.*; D.I. 149 at 1.
- 4 D.I. 1.
- 5 D.I. 8.
- 6 D.I. 28.
- 7 D.I. 149-2, ex. 5.
- 8 *Id.*, ex. 5, ex. 1.
- 9 *Id.*, ex. 3 at 1.
- 10 *Id.*, ex. 3, § 103 PGR Petition at 1.
- 11 *Id.*, ex. 4, § 101 PGR Petition at 12.
- 12 *Id.*, ex. 1, IPR Petition at 4.
- 13 D.I. 149 at 5; D.I. 164 at 5.
- 14 D.I. 149-2, ex. 6.
- 15 D.I. 149 at 5 (citing D.I. 149-2, ex. 6, '036 App. FH at 17; D.I. 119 (RetailMeNot's Notice of Supplemental Authority)).
- 16 See *id.* at 6 (illustrating comparison of claim 1 of the '625 patent (original) to pending claim 1 of the '036 application (in redline)); see also D.I. 149-1, ex. A (redline comparison of all '625 patent claims to '036 application claims; blue underlined text indicates additions, and red strike-through text indicates deletions).
- 17 D.I. 149 at 7 (citing D.I. 149-2, ex. 6, '036 App. FH at 46).
- 18 *Id.* (citing D.I. 149-2, ex. 6, '036 App. FH at 52–63).
- 19 See, e.g., *id.* at 7-8 (table comparing the language in RetailMeNot's IPR Petition (D.I. 149-2, ex. 1 at 16-17) directed at claim 1 of the '036 application, with the examiner's final rejection (D.I. 149-2, ex. 6, '036 App. FH at 53)).
- 20 D.I. 164-1, ex. 1.
- 21 D.I. 164 at 5.
- 22 D.I. 29 (Scheduling Order) at ¶¶ 3(b), 3(c), 11(a), 19. On January 17, 2020, however, the parties filed a Stipulation and Proposed Order to Extend Time ("Stipulation to Extend Time") seeking leave to take twenty-four depositions, that the parties had noticed before the end of fact discovery, outside of the fact discovery period. D.I. 216. The majority, seventeen, of the identified depositions had the deposition date listed as "TBD," with the latest scheduled deposition date specifically identified being February 13, 2020. *Id.* at 3. The court granted the stipulation on January 21, 2020. See 18-937-CFC-MPT, docket entry dated 01/21/2020 ("SO ORDERED re 216 STIPULATION TO EXTEND TIME for fact discovery to various dates").

23 D.I. 161 (“Claim Construction R&R”). The parties filed objections to the Claim Construction R&R on December
11, 2019. D.I. 170 (Honey’s Objections); D.I. 171 (RetailMeNot’s Objection), and their responses were filed
on January 26, 2019. D.I. 192 (Honey’s Response); D.I. 193 (RetailMeNot’s Response).

24 D.I. 149 at 3; D.I. 164 at 2.

25 D.I. 124-129; D.I. 131-143.

26 D.I. 150; D.I. 152; D.I. 158-59; D.I. 176-77; D.I. 180-81; D.I. 208; D.I. 29 at ¶ 3(b).

27 D.I. 216.

28 *RetailMeNot, Inc. v. Honey Science LLC*, C.A. No. 19-1345-CFC-MPT (D. Del. July 18, 2019), D.I. 1 (“Second
Case”).

29 C.A. No. 19-1345-CFC-MPT, D.I. 8.

30 *IOENGINE, LLC v. PayPal Holdings, Inc.*, C.A. No. 18-CV-452-WCB, 2019 WL 3943058, at *2 (D. Del. Aug.
21, 2019) (citing *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988)).

31 *Id.* (quoting *NFC Tech. LLC v. HTC Am., Inc.*, Case No. 2:13-cv-1058-WCB, 2015 WL 1069111, at*1 (E.D.
Tex. Mar. 11, 2015) (citing cases)).

32 *Arch Chems., Inc. v. Sherwin-Williams Co.*, C.A. No. 18-2037-LPS, D.I. 48 (D. Del. Nov. 5, 2019) (Oral Order
granting stay pending IPR institution) (emphasis added) (citing *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348,
1354-55 (2018) and 37 C.F.R. § 42.100(b)).

33 *Landis v. N. Am. Co.*, 299 U.S. 248, 254-55 (1936).

34 *Ethicon LLC v. Intuitive Surgical, Inc.*, C.A. No. 17-871-LPS, 2019 WL 1276029, at*1 (D. Del. Mar. 20, 2019).
D.I. 149 at 1-2; D.I. 164 at 3-5.

35 *Ethicon LLC*, 2019 WL 1276029, at *1.

36

37 *IOENGINE*, 2019 WL 3943058, at *8 (quoting *NFC Tech., LLC*, 2015 WL 1069111, at *4 and *In re Etter*,
756 F.2d 852, 857 (Fed. Cir. 1985) (“When the patent is concurrently involved in litigation [one function of
reexamination] is to free the court from any need to consider prior art without the benefit of the PTO’s initial
consideration.”) (alteration by *IOENGINE*)); cf. *Uniloc USA Inc. v. LG Elecs. U.S.A., Inc.*, No. 18-CV-06737-
JST, 2019 WL 1905161, at *4 (N.D. Cal. Apr. 29, 2019) (The court stated, “as a general matter, the Court
is not inclined to give substantial weight to this factor until the PTO has actually decided to institute review,”
but granted a stay because, *inter alia*, “the requested stay presents the maximum potential for simplification
of issues, as all the asserted claims are challenged in the IPR petitions. This high upside mitigates to some
extent the risk that the PTO will deny review.”). Although *Uniloc USA* was in an earlier procedural posture
than this case, here, the court similarly finds the high upside of the maximum potential for simplification of
issues mitigates against the low likelihood that the PTAB will deny review.

38 D.I. 149 at 8.

39 *Id.* at 8-9 (quoting 35 U.S.C. § 315(e)(2) and citing § 325(e)(2) (same estoppel for PGR)).

40 D.I. 164 at 7.

41 See 35 U.S.C. §§ 314(a), 324(a).

42 See D.I. 149-2, ex. 8, Sept. 2019 PTAB Statistics at 6.

43 RetailMeNot argues persuasively that the examiner’s adoption of the invalidity analysis in its IPR Petition
demonstrates not only that Mashadi invalidates the ’036 application claims, but also that the minor differences
between the claims of the ’625 patent and those of the ’036 application (e.g., the ’625 patent claims recite
a “third party website,” whereas the ’036 application recites a “webpage”) are inconsequential in view of
Mashadi. D.I. 149 at 8.


44 D.I. 161. Honey discounts the examiner’s rejection of the ’036 application claims by noting the PTAB
judges are different from the examiner assigned to that application, and because the examiner uses a
different standard of review during the prosecution of a pending application (giving the claims their broadest
reasonable interpretation consistent with the specification), whereas the Board construes the claims “using
the same claim construction standard that would be used” in district court. D.I. 164 at 10 and 10 n.7 (citing

Manual of Patent Examination and Procedure § 2111 and quoting 37 C.F.R. § 42.100.). The court has found the “server” term indefinite, and the PTAB would use the same standard in its review of the ’625 patent. Although the PTAB is not required to rely on an office action for a different patent in their own merits determination (*id.* at 10), that office action nevertheless is evidence supporting RetailMeNot’s likelihood of success if institution is granted.

45 D.I. 164 at 10 (quoting *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper No. 8 (PTAB Sept. 12, 2018)).

46 *Intuitive Surgical, Inc. v. Ethicon LLC*, No. IPR2018-01703, 2019 WL 764067, at *5 (PTAB Feb. 19, 2019).

47 *Id.*

48  *Puma N. Am., Inc. v. Nike, Inc.*, No. IPR2019-01043, 2019 WL 5681092, at *3 (PTAB Oct. 31, 2019) (emphasis added) (internal citation and quotation marks omitted).

49 See, e.g., *Ingenico Inc. v. IOENGINE, LLC*, No. IPR2019-00879, 2019 WL 4727572, at *5 (PTAB Sept. 26, 2019) (stating “in view of the stay of the district court proceedings, we do not discern that significant inefficiencies would result from proceeding with this inter partes review”).

50  *SAS Inst, Inc. v. Iancu*, 138 S. Ct. 1348, 1354-55 (2018).

51 *British Telecomms. PLC v. IAC/InterActiveCorp*, C.A. No. 18-366-WCB, 2019 WL 4740156, at *8 (D. Del. Sept. 27, 2019); see also, e.g., *Ethicon LLC*, 2019 WL 1276029, at *2 (“Fourteen of the 15 asserted claims are under IPR review and it is likely that some of these claims will be modified or invalidated. A stay will simplify the case because a PTAB decision will reduce and/or clarify issues the Court would otherwise address, including in connection with dispositive motions and trial.”) (citations omitted).

52  35 U.S.C. § 315(e)(2); see also U.S.C. § 325(e)(2) (same estoppel for PGR).

53 *British Telecomms.*, 2019 WL 4740156, at *8.

54 D.I. 164 at 7-9.

55 *Id.* at 7.


56 *Id.*

57 *Id.* at 8.

58 D.I. 169 at 3.

59 *Ethicon LLC*, 2019 WL 1276029, at *1.

60 *British Telecomms.*, 2019 WL 4740156, at *8.

61 *IOENGINE*, 2019 WL 3943058, at *5 (citing *CyWee Grp. Ltd. v. Samsung Elec. Co.*, No. 2:17-cv-140, D.I. 331, at 13 (E.D. Tex. Feb. 14, 2019) and  *Smartflash LLC v. Apple Inc.*, 621 Fed. App’x 995, 1005 (Fed. Cir. 2015) (holding that the district court abused its discretion when it denied a stay prior to trial, because “[d]espite the substantial time and effort already spent in this case, the most burdensome task is yet to come.”)).

62 *Ethicon LLC*, 2019 WL 1276029, at *2.


63 D.I. 29 at ¶ 3(b).

64 *Ethicon LLC*, 2019 WL 1276029, at *2.

65 *IOENGINE*, 2019 WL 3943058, at *5

66 *Ethicon LLC*, 2019 WL 1276029, at *1.

67 *IOENGINE*, 2019 WL 3943058, at *5 (citations omitted).

68  *TruePosition, Inc. v. Polaris Wireless, Inc.*, C.A. No. 12-646-RGA-MPT, 2013 WL 5701529, at *6 (D. Del. Oct. 21, 2013).

69 D.I. 149 at 11.

70 See *id.* at 11-12 (citing *NFC Tech. LLC v. HTC Am., Inc.*, Case No. 2:13-CV-1058-WCB, 2015 WL 1069111, at *4 (E.D. Tex. Mar. 11, 2015) (“a delay of seven and one-half months from the filing of the complaint is not unreasonable.”); *Ethicon LLC*, 2019 WL 1276029, at *2 (eleven month delay in filing IPRs not unreasonable); *Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, C.A. No. 12-1107-GMS, 2014 WL 1369721,

at*3 (D. Del. Apr. 7, 2014) (“IPR petitions were timely filed between eight months to exactly a year after [patentee] served its complaints on the [d]efendants”).

71 D.I. 164 at 15 (citing *NFC Tech. LLC*, 2015 WL 1069111, at *4; *Ethicon LLC*, 2019 WL 1276029, at *2; and quoting *Bonutti Skeletal Innovations*, 2014 WL 1369721, at *3).

72 37 CFR §§ 42.100(c), 42.200(c).

73 D.I. 29 at ¶¶ 11(a), 19.

74 D.I. 164 at 13.

75 See, e.g., *IOENGINE*, 2019 WL 3943058, at *10 (“[A]llowing the PTO to adjudicate the validity of the claims before it in the IPR proceeding reduces what otherwise could be duplication of effort and possibly inconsistent results between the administrative agency and this Court.”).

76 D.I. 1 at ¶ 37.

77  *TruePosition, Inc. v. Polaris Wireless, Inc.*, C.A. No. 12-646-RGA-MPT, 2013 WL 5701529, at *4 (D. Del. Oct. 21, 2013) (citation omitted).

78  *SenoRx, Inc. v. Hologic, Inc.*, C.A. No. 12-173-LPS-CJB, 2013 WL 144255, at *7 (D. Del. Jan. 11, 2013).


79 D.I. 1 at ¶ 37 (emphasis added).

80 D.I. 149 at 14.

81 *Id.*

82 *Ethicon LLC v. Intuitive Surgical, Inc.*, C.A. No. 17-871-LPS, 2019 WL 1276029, at *3 (D. Del. Mar. 20, 2019).

83 *Id.* (footnote omitted).

84 *Id.* at *3 n.3 (emphasis in original); see also  *TruePosition, Inc.*, 2013 WL 5701529, at *5 (“[T]he failure to seek injunctive relief may weigh in favor of a stay, but is not dispositive.”) (emphasis in original) (citation omitted).

85  *SenoRx*, 2013 WL 144255, at *8.

86 D.I. 164 at 16.

87 *Ethicon LLC v. Intuitive Surgical, Inc.*, C.A. No. 17-871-LPS, 2019 WL 1276029, at *2 (D. Del. Mar. 20, 2019).

88 D.I. 28.

Exhibit 12

2013 WL 144255



KeyCite Yellow Flag - Negative Treatment

Distinguished by [Depomed Inc. v. Purdue Pharma L.P.](#), D.N.J., July 25, 2014

2013 WL 144255

Only the Westlaw citation is currently available.

United States District Court, D. Delaware.

SENORX, INC., Plaintiff,

v.

HOLOGIC, INC., Defendant.

Civ. Action No. 12-173-LPS-CJB.

|

Jan. 11, 2013.

Attorneys and Law Firms

[Jack B. Blumenfeld](#), Morris, Nichols, Arsht & Tunnell LLP, Wilmington, DE, for Plaintiff.

[Karen L. Pascale](#), [James L. Higgins](#), Young, Conaway, Stargatt & Taylor LLP, Wilmington, DE, for Defendant.

MEMORANDUM ORDER

[CHRISTOPHER J. BURKE](#), United States Magistrate Judge.

*1 In this action, Plaintiff SenoRx, Inc. (“Plaintiff” or “SenoRx”) has filed a Complaint alleging two counts of patent infringement against Defendant Hologic, Inc. (“Defendant” or “Hologic”). (D.I.1) Presently before the Court is Hologic's motion to stay (“the Motion” or “Motion to Stay”) pending *inter partes* reexamination of the patents-in-suit, U.S. Patent Nos. 8,079,946 (“the ‘946 Patent”) and 8,075,469 (“the ‘469 Patent”). (D.I.27) For the reasons stated below, the Court DENIES Hologic's Motion.

I. BACKGROUND

Plaintiff SenoRx is a Delaware corporation with its principal place of business in Tempe, Arizona. (D.I. 1 at ¶ 2) SenoRx is an indirect, wholly-owned subsidiary of C.R. Bard, Inc. (*Id.*) It was founded in 1998 to design, develop, manufacture and market minimally invasive devices for the diagnosis and treatment of breast cancer. (*Id.* at ¶ 9) SenoRx developed and currently markets a device known as the Contura® Multi-Lumen Balloon (“Contura®”), a balloon brachytherapy device, which treats breast cancer by

delivering targeted radiation to the tissue surrounding the cavity created following a lumpectomy procedure, rather than irradiating the entire breast. (*Id.* at ¶ 10)

Defendant Hologic is a Delaware corporation with its principal place of business in Bedford, Massachusetts. (*Id.* at ¶ 3) Hologic is alleged to have marketed and sold its own multilumen balloon brachytherapy device, known as the MammoSite® Multi-Lumen, after the Contura® was introduced to the market. (*Id.* at ¶ 16)

On February 10, 2012, SenoRx filed this infringement suit seeking, *inter alia*, monetary relief and a permanent injunction against Hologic for any infringement of the patents-in-suit. (*Id.* at 6) Its Complaint alleges that Hologic is directly infringing the patents-in-suit by making, using, offering for sale, and/or selling the MammoSite® Multi-Lumen, and that its infringement was wilful. (*Id.* at ¶¶ 17-32) The Complaint also alleges that Hologic indirectly infringed the ‘469 Patent. (*Id.* at ¶ 29) On May 3, 2012, Judge Leonard P. Stark referred this case to me to hear and resolve all pretrial matters, up to and including the resolution of case-dispositive motions. (D.I.6)

On May 23, 2012, Hologic timely answered SenoRx's Complaint. (D.I.7) In doing so, it asserted as affirmative defenses that the patents-in-suit were invalid under 35 U.S.C. §§ 101, 102, 103 and 112. (*Id.* at 5) It also raised four counterclaims, seeking a judicial declaration that it had not infringed either patent and that both patents are invalid. (*Id.* at ¶¶ 6-17) After the Answer was filed, the Court held a Rule 16(b) teleconference with the parties on June 28, 2012, and subsequently issued a Scheduling Order on the same day.¹ (D.I.13) In June and July 2012, SenoRx served its first set of document requests (to which Hologic later responded by producing some documents), and the parties exchanged initial disclosures. (D.I. 14, 17, 18; D.I. 32 at 1) The Court entered a Protective Order to facilitate the discovery process on August 1, 2012. (D.I.20)

*2 On August 1, 2012, Hologic filed a request for *inter partes* reexamination of all claims (Claims 1-5) of the ‘469 Patent with the U.S. Patent and Trademark Office (“PTO”), on the basis that the claims are invalid under Section 102 and/or Section 103. (D.I. 28 at 1; D.I. 29 at ¶¶ 2-4; *see also* D.I. 29, ex. 1) On September 4, 2012, the PTO granted that request as to claims 1-5 of the ‘469 Patent. (D.I. 28 at 1; *see also* D.I. 29, ex. 3) On September 10, 2012, Hologic filed a

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request with the PTO for *inter partes* reexamination of claims 1–5, 7–10, 13, 15–18, 20–22, 25–26, 28–42, 47–87, and 91–95 of the '946 Patent, again on the basis that the claims are invalid under Section 102 and/or Section 103. (D.I. 28 at 1; D.I. 29, ex. 4) The PTO subsequently granted the request as to all but four of the asserted claims of the '946 Patent at issue in this case. (D.I. 41 at 4)

On September 12, 2012, Hologic filed the Motion to Stay, seeking a stay of this case pending resolution of the reexamination proceedings and a determination of validity of the patents-in-suit by the PTO. (D.I.27) SenoRx timely opposed the Motion. (D.I.32) The Court heard oral argument on the Motion on November 27, 2012. (D.I.41)

In October and November 2012, respectively, SenoRx served its initial infringement contentions and Hologic served its initial invalidity contentions. (D.I.31, 35) Hologic served its first set of document requests in early December. (D.I.38) Pursuant to a now-amended Scheduling Order, claim construction briefing is set to begin on January 18, 2013, and a *Markman* hearing is scheduled for March 25, 2013. (D.I.40) Fact discovery is scheduled to be completed in April 2013, expert discovery is scheduled to conclude in September 2013 and case dispositive motions are due to be filed on October 30, 2013. (D.I.13) No trial date has yet been set. (*Id.*)

II. STANDARD OF REVIEW

A court has discretionary authority to grant a motion to stay. See *Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir.1985); see also *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 142627 (Fed.Cir.1988) (“Courts have inherent power to manage their dockets and stay proceedings, ... including the authority to order a stay pending conclusion of a PTO reexamination.”) (citations omitted). This Court has typically considered three factors when deciding a motion to stay: (1) whether granting the stay will simplify the issues for trial; (2) the status of the litigation, particularly whether discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from any delay, or allow the movant to gain a clear tactical advantage. See, e.g., *ImageVision.Net, Inc. v. Internet Payment Exch., Inc.*, Civil Action No. 12–054–GMS–MPT, 2012 WL 5599338, at *2 (D.Del. Nov. 15, 2012); *Round Rock Research LLC v. Dole Food Co. Inc.*, Civil Action Nos. 11–1239–RGA, 11–1241–RGA, 11–1242–RGA, 2012 WL 1185022, at *1 (D.Del. Apr.6, 2012); *Cooper Notification,*

Inc. v. Twitter, Inc., Civ. No. 09–865–LPS, 2010 WL 5149351, at *1 (D.Del. Dec.13, 2010); *Vehicle IP, LLC v. Wal-Mart Stores, Inc.*, Civ. No. 10–503–SLR, 2010 WL 4823393, at *1 (D.Del. Nov.22, 2010). These factors are discussed in greater detail below.

III. DISCUSSION

A. Simplification of Issues for Trial

*3 When a patent claim is reexamined by the PTO, there are three possible outcomes—it can be cancelled as unpatentable, it can be confirmed as originally written, or it can be modified. Whatever outcome occurs, there is the potential for the simplification of issues for trial, either by reducing the number of claims at issue, confirming the validity of the surviving claims, or narrowing the scope of a modified claim. See, e.g., *Abbott Diabetes Care, Inc. v. DexCom, Inc., C.A. No. 06–514 GMS, 2007 WL 2892707, at *5 (D.Del. Sept.30, 2007)* (“ ‘One purpose of the reexamination procedure is to eliminate trial of that issue (when the claim is canceled) or to facilitate trial of that issue by providing the district court with the expert view of the PTO (when a claim survives the reexamination proceeding).’ ”) (quoting *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed.Cir.1983)). As such, this Court has identified numerous ways that reexamination can simplify proceedings:



- (1) [] prior art presented to the court at trial [may] have been first considered by the PTO with its particular expertise,
- (2) many discovery problems relating to the prior art can be alleviated,
- (3) if patent is declared invalid, the suit will likely be dismissed,
- (4) the outcome of the reexamination may encourage a settlement without further involvement of the court,
- (5) the record of the reexamination would probably be entered at trial, reducing the complexity and the length of the litigation,
- (6) issues, defenses, and evidence will be more easily limited in pre-trial conferences and
- (7) the cost



will likely be reduced both for the parties and the court.




Gioello Enters. Ltd. v. Mattel, Inc., No. C.A. 99-375 GMS, 2001 WL 125340, at *1 (D.Del. Jan.29, 2001) (citations omitted); see also *Pegasus Dev. Corp. v. DirecTV Inc.*, No. Civ. A. 00-1020-GMS, 2003 WL 21105073, at *2 (D.Del. May 14, 2003).

Hologic argues (citing to PTO *inter partes* reexamination data from 1999 through June 30, 2012) that because 89% of all requests for *inter partes* reexamination result in either “total claim cancellation or claim changes” that it is likely that reexamination will “eliminate or alter many of SenoRx's claims.” (D.I. 28 at 4 (citing D.I. 29, ex. 5)) It notes that even if the reexamination process results in SenoRx's amendment of certain asserted claims, or in certain of those claims being upheld by the PTO, these outcomes will still have narrowed and streamlined the issues for trial in this case. (*Id.* at 4-5) SenoRx counters by taking a different view of the PTO's statistics, noting that (1) those statistics say “nothing about what will actually happen in this particular case”; and (2) since those statistics show that 11% of all challenged claims are confirmed, and that another 47% of those claims are amended, then it is “more likely than not that at least one or more claims will survive and thus not all issues in this case will be resolved by the reexamination.” (D.I. 32 at 14) It also notes that Hologic cannot demonstrate that any “hypothetical narrowing of the claims during reexamination would affect its liability for infringement in this case.” (*Id.*)

*4 The Court agrees with Hologic that the reexamination of the patents-in-suit does have the potential to simplify the issues for trial. All of the claims of the '469 Patent currently are subject to a non-final rejection and are being reexamined. As to the '946 Patent, all but four of the claims that SenoRx is asserting in this case are subject to a non-final rejection and are the subject of reexamination. SenoRx is of course correct that it is impossible to predict with certainty what will come of the reexamination proceedings, or how those results will impact this litigation. However, this portion of the Court's analysis must necessarily be based on reasoned probabilities, not certainties, based on the facts available to the Court at this time.² And here, with nearly all of the asserted claims currently subject to a non-final rejection and before the PTO, the Court must acknowledge that there is a significant statistical chance that one or more of these claims will be cancelled (and if so, that this litigation would be simplified

as a result).  *Cooper Notification*, 2010 WL 5149351, at *3. There is also a significant statistical possibility that one or more of these claims will be modified, which could render some of the parties' and the Court's resources wasted (if, for example, the Court construes certain claim terms that are subsequently eliminated or altered via the reexamination process). *Id.*³ And even if certain (or all) of the claims are ultimately confirmed, the Court will likely benefit, *inter alia*, from the PTO's analysis of prior art that is later presented to the Court. In cases where a reexamination request covered all or nearly all of the claims asserted in litigation, our Court has found this to suggest that there will likely be notable simplification of issues if a stay is granted. See, e.g., *Round Rock*, 2012 WL 1185022, at *1; *Mission Abstract Data L.L.C. v. Beasley Broad. Grp., Inc.*, Civ. No. 11-176-LPS, 2011 WL 5523315, at *2 (D.Del. Nov.14, 2011);  *Vehicle IP*, 2010 WL 4823393, at *2.

However, our Court has also explained that reexamination may not (and indeed, in most cases, does not) impact all of the legal issues in patent cases such as this one. In light of this, the Court must also analyze the degree to which the issues at play in this case can be expected to overlap with the issues that the PTO will analyze during the reexamination process. The more that the scope of the issues to be resolved during the litigation exceeds the scope of the issues that can be examined during the reexamination proceedings, the greater this cuts against a finding that the reexamination proceedings will lead to simplification of the issues.  *Softview LLC v. Apple Inc.*, Civ. No. 10-389-LPS, 2012 WL 3061027, at *3 (D.Del. July 26, 2012); *Mission Abstract Data*, 2011 WL 5523315, at *2;  *Vehicle IP*, 2010 WL 4823393, at *2.

In this case, the scope of the *inter partes* reexamination proceedings will be limited to potential invalidity issues arising under  Sections 102 and 103. SenoRx notes that in addition to the fact that a few of its asserted claims are not at issue in the reexamination proceedings, those proceedings will also not address issues of infringement and damages. (D.I. 41 at 38) Hologic has also asserted defenses under  Section 101 and 112 in its Answer, but at oral argument, its counsel suggested that it was unlikely that either  Section 101 or Section 112 defenses will actually be raised in the case. (D.I. 41 at 8, 59) And Hologic has not raised other defenses in this Court, such as inequitable conduct or equitable defenses such as laches or estoppel. (*Id.* at 36-37; see also D.I. 7) In

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the end, there is certainly not complete (or near complete) overlap of the issues to be addressed in the PTO and the District Court. On the other hand, because the [Section 102 and 103](#) invalidity issues that will be addressed in reexamination appear to be at the core of the affirmative defenses/counterclaims that would be raised by Hologic at trial in this case, the amount of overlap appears likely to be a bit greater than in the typical case.⁴

*5 After considering the statistical likelihood that reexamination will result in an altered claim landscape on the one hand, and the lack of complete (though not insignificant) overlap of the issues to be addressed in the PTO and in the District Court on the other, the Court finds this factor to weigh in favor of a stay, though not strongly so.

B. Status of Litigation

Motions to stay pending reexamination are most often granted when the case is in the early stages of litigation. See [Abbott Diabetes Care, Inc.](#), 2007 WL 2892707, at *5 (staying litigation where no Rule 16 scheduling conference or discovery had occurred, no scheduling order had been entered, and “little time [had] yet to be invested in the litigation”). Granting such a stay early in a case can be said to advance judicial efficiency and “maximize the likelihood that neither the Court nor the parties expend their assets addressing invalid claims.” [Gioello](#), 2001 WL 125340, at *2 (citation omitted). On the other hand, when a request for reexamination comes after discovery is complete or nearly complete, and a trial is imminent, a stay is less likely to be granted. See, e.g., [Belden Techs. Inc. v. Superior Essex Commc'ns LP](#), Civ. No. 08–63–SLR, 2010 WL 3522327, at *2 (D.Del. Sept.2, 2010) (finding that the status of the litigation weighed against granting a stay, where discovery in the case was complete as of the filing of the motion for stay, and trial was scheduled to begin within weeks); [Oracle Corp. v. Parallel Networks, LLP](#), Civ. No. 06–414–SLR, 2010 WL 3613851, at *2 (D.Del. Sept.8, 2010) (finding that the status of the litigation weighed against granting a stay, where motion was filed “years into the ... litigation” after fact and expert discovery, claim construction and summary judgment were completed and the Federal Circuit had ruled on the Court's judgment that defendant did not infringe). In such circumstances, the Court and the parties have already expended significant resources on the litigation, and the principle of maximizing the use of judicial and litigant

resources is best served by seeing the case through to its conclusion.

Hologic argues that the status of this case “unquestionably favors a stay” in that “no significant discovery [was] taken [at the time of the filing of the Motion] and no trial date has been set .” (D.I. 28 at 3) The Court agrees with Hologic that this factor favors a stay, though with a bit less force than what Hologic asserts.

As Hologic notes, the most significant case events in this litigation are in the future, not the past. A *Markman* hearing, the completion of expert discovery and the filing of case dispositive motions are still months away. A trial date has not been set, and based on the current contours of the case's schedule, trial will not occur until at least early 2014. Moreover, even in the first half of the discovery period, aside from work on the pending motions, the Court has not had to devote significant resources to other case-related matters. See, e.g., [Softview](#), 2012 WL 3061027, at *4 (finding that the status of the litigation did not favor a stay, even where the litigation remained at an “early stage,” in part because the parties and the Court had devoted “[s]ubstantial time and resources ... to [the] scheduling and ... resolution of discovery disputes” and to other pending motions); [Cooper Notification](#), 2010 WL 5149351, at *3 (declining to find that the status of the litigation favored a stay, even when discovery had just begun and would not be complete for eleven months, because, *inter alia*, the Court had devoted “significant resources” to formulating a schedule and overseeing a contested scheduling hearing). A very large number of discovery documents have not yet been produced, and deposition discovery has not yet begun. See [Life Techs. Corp. v. Illumina, Inc.](#), Civil Action No. 09–706–RK, 2010 WL 2348737, at *3–4 (D.Del. June 7, 2010) (finding this factor did not favor a stay when parties were “halfway through the pretrial stage” and more than a million pages of relevant discovery had been produced); see also (D.I. 28 at 2 (noting that Hologic produced only a limited number of documents in response to SenoRx's first set of requests for production); D.I. 41 at 11).

*6 However, as SenoRx points out, (D.I. 32 at 5), it is also fair to note that when Hologic filed the Motion in mid-September 2012, the case was not in its infancy. To the contrary, at that time, the litigation was six months old. Hologic had answered the Complaint, and the Court had held a Rule 16(b) teleconference with the parties and had

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issued a Scheduling Order. Discovery had also commenced, with the parties having exchanged initial disclosures, SenoRx propounding document requests, and the parties having agreed upon a Protective Order that the Court subsequently signed and entered.⁵ Although both parties have approached the discovery process at a speed aligned with their respective views as to how quickly this case should move forward—with SenoRx seeking to press ahead and Hologic taking a more measured pace—it is clear that the parties have expended more than a *de minimis* amount of effort on the litigation thus far. (D.I. 41 at 35, 46–47); cf. [Ever Win Int'l Corp. v. Radioshack Corp.](#), Civ. Action No. 11–1104–GMS–CJB, 2012 WL 4801890, at *4 (D.Del. Oct.9, 2012) (finding that this factor weighed strongly in favor of a stay when the case was “in its very early stages” as “[n]o initial disclosures ha[d] been exchanged, [and] no Scheduling Order ha[d] been entered”); [Softview](#), 2012 WL 3061027, at *4 (taking into account resources expended by the parties and the court after entry of a scheduling order when analyzing this factor).⁶ Thus, the degree to which this factor favors a stay should be tempered, at least to some degree.

For the above reasons, the Court finds that this factor squarely favors a stay, albeit not as strongly as it would if the case was at its most nascent stages.

C. Prejudice

This Court has analyzed whether a plaintiff would suffer undue prejudice (and whether a defendant would gain an unfair tactical advantage) if a stay is granted by examining four factors: (1) the timing of the request for reexamination; (2) the timing of the request for stay;⁷ (3) the status of reexamination proceedings; and (4) the relationship of the parties. [Vehicle IP](#), 2010 WL 4823393, at *2; [Boston Scientific Corp. v. Cordis Corp.](#), 777 F.Supp.2d 783, 789 (D.Del.2011).

(1) Timing of the request for reexamination and the request for stay

Hologic filed its request for reexamination of the '469 Patent on August 1, 2012, approximately six months after the Complaint in this case was filed and one month after the entry of the Scheduling Order; its reexamination request regarding the '946 Patent was filed on September 10, 2012. (D.I. 28 at 1) The Motion to Stay was filed on September 12, 2012, two days after the second reexamination request. (D.I.27)

Our Court has explained that in some sense, a motion to stay pending reexamination can always be said to seek a tactical advantage because it “would not have been filed but for [defendant's] belief that the granting of a stay would [be to its] benefit.” [Round Rock](#), 2012 WL 1185022, at *2. However, a “request for reexamination made well after the onset of litigation followed by a subsequent request to stay may lead to an inference that the moving party is seeking an *inappropriate* tactical advantage.” [Belden Techs.](#), 2010 WL 3522327, at *2 (emphasis added) (finding that requests for reexamination made 17–20 months after lawsuit was initiated, followed by motion to stay filed eleven days before trial, gave rise to such an inference); see also [Oracle Corp.](#), 2010 WL 3613851, at *2–3 (finding that “there is an inference that [the moving party sought] an inappropriate tactical advantage” when the motion to stay was filed over four years after suit commenced and over a year after final rejections were issued in both relevant reexamination proceedings); [St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp.](#), No. Civ. A. 01–557JFF, 2003 WL 25283239, at *1 (D.Del. Jan.30, 2003) (denying motion to stay and noting that “the fact that the instant motion was filed after the close of discovery and weeks before the commencement of the scheduled trial date” supported inference of prejudice in the delay).

*7 In this case, although Hologic's requests for reexamination (and its follow-on request for a stay) were not made at the time the Complaint was filed, they were made relatively soon thereafter. These requests did not come on the heels of any negative case event affecting Hologic, such that the requests could be said to be driven by an inappropriate or bad-faith desire to stall this litigation. Indeed, SenoRx does not suggest that the timing of these filings supports its case for denial of the Motion. (D.I. 32 at 8–12; D.I. 41 at 32–33) Therefore, the Court finds that this subfactor weighs in favor of a stay.

(2) Status of reexamination proceedings

Potential delay from reexamination “does not, by itself, amount to undue prejudice.” [Wall Corp. v. BondDesk Grp., LLC](#), C.A. No. 07–844 GMS, 2009 WL 528564, at *2 (D.Del. Feb.24, 2009); see also [Enhanced Sec. Research, LLC v. Cisco Sys., Inc.](#), C.A. No. 09–571–JFF, 2010 WL 2573925, at *3 (D.Del. June 25, 2010) (“[T]he Court recognizes that a stay may delay resolution of the litigation, but this alone does not warrant a finding that Plaintiffs will be unduly

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prejudiced.”). That said, this Court has noted that PTO reexaminations typically result in lengthy delays, which can hinder a plaintiff’s ability to obtain timely resolution regarding its allegations of patent infringement. *See, e.g., Vehicle IP*, 2010 WL 4823393, at *2 (“[R]eexamination is an arduous process fraught with the potential for multiple appeals.”) (internal quotation marks and citation omitted).⁸

In this case, the reexamination proceedings are in their early stages, with the requests for reexamination having been granted at different points within the last few months. Based on the average pendency from filing date to certificate issue date, reexamination may not be complete until 2015 or later.⁹ (*See* D.I. 29, ex. 5) As even Hologic acknowledges, (D.I. 41 at 6), if this case were stayed in favor of the PTO proceedings, there is the real prospect of at least a multi-year, lengthy delay until those proceedings would be completed. Therefore, the early status of the reexamination proceedings weighs against granting a stay.

(3) Relationship of the Parties

The final factor to consider in assessing the potential prejudice to the non-movant is the relationship of the parties, which typically involves considering whether the parties are direct competitors. *See, e.g., Cooper Notification*, 2010 WL 5149351, at *5; *Belden Techs.*, 2010 WL 3522327, at *3. Courts have recognized that when the parties are direct competitors, there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill. *See, e.g., Nat’l Prods., Inc. v. Gamber–Johnson LLC*, No. 2:12–cv–00840, 2012 WL 3527938, at *2–3 (W.D.Wash. Aug.14, 2012).

*8 SenoRx argues that the parties are direct competitors and that, if a stay were granted, its “right to relief would be placed in limbo and it would be forced to compete against its own patented technology,” such that it would endure “loss of market share and eroded prices ... in the meantime.” (D.I. 32 at 9). Hologic counters by asserting that, as to the magnitude of any harm that SenoRx might suffer in the event of a stay: (1) SenoRx did not file a motion for a preliminary injunction; and (2) it has only recently initiated this litigation despite the fact that Hologic’s allegedly infringing product has been on the market since October 2009. (D.I. 28 at 8) Hologic suggests

that should SenoRx obtain judgment in its favor on any of its infringement claims, later-obtained monetary damages will be sufficient to compensate it for its losses. (D.I. 33 at 5)

In this case, there is no question that the parties are direct competitors, but that does not go far enough. Indeed, they are the only two companies who participate in the balloon brachytherapy market. (D.I. 32 at 3; D.I. 41 at 22) Hologic itself has described the two companies as “hard-fought competitors” in the field, and has argued that the nature of this competition is so acute that it should not have to disclose to SenoRx certain types of discovery at this stage of the case. (D.I. 16 at 8) Moreover, this “hard-fought” competition has also spawned additional litigation, as the parties are currently engaged in patent litigation pending before the United States District Court for the Northern District of California. (D.I. 32 at 3 n. 3). With this record, it is very clear that the level of competition between the parties is acute.

Our Court has recognized that if a party seeks a preliminary injunction at the outset of a case, that might also be a factor suggesting that the litigants are direct competitors (if that fact is in question) and that real prejudice could result from the imposition of a stay. *Belden Techs.*, 2010 WL 3522327, at *3 & n.4 (noting that a request for a preliminary injunction is simply one non-dispositive indicia of the presence of direct competition). However, we have also explained that, in some cases, the failure to seek a preliminary injunction could well be related to other factors (such as the high burden one must face to obtain a preliminary injunction and the difficulty in doing so without first having access to substantial discovery) and thus might not shed much light on the amount of prejudice the non-moving party will face from a stay. *Cooper Notification*, 2010 WL 5149351, at *4; *see also Nat’l Prods.*, 2012 WL 3527938, at *3 n. 5 (same). Relatedly, courts have cautioned not to equate the calculus utilized with respect to this factor of the three-factor test (which examines whether SenoRx will likely suffer “undue prejudice” from a stay) with that of the test used to examine a request for a preliminary injunction (which asks, *inter alia*, whether any harm suffered is irreparable). *United Pet Grp., Inc. v. MiracleCorp Prods.*, No. 4:12CV0040AGF, 2012 WL 2458539, at *3 (E.D.Mo. June 27, 2012); *Prestige Jewelry Int’l, Inc. v. BK Jewellery HK*, No. 11 Civ. 2930(LBS), 2012 WL 1066798, at *3 (S.D.N.Y. Mar.24, 2012). Here, with the fact of direct competition not in any serious dispute, the Court does not find SenoRx’s litigation posture, including

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its decision not to file for a preliminary injunction, to be particularly telling.¹⁰

*9 Ultimately, the Court believes that SenoRx has sufficiently demonstrated how it could be unduly prejudiced if, after filing patent infringement litigation against its only competitor in a field defined by “hard-fought” competition, it was required to wait many years for reexamination proceedings to close and this litigation to conclude.¹¹ The Court, of course, takes no position on whether SenoRx will be able to ultimately show in the latter stage of this case that infringement has occurred and, if it has, whether it cannot be sufficiently compensated by money damages. But it need not draw such absolute conclusions to acknowledge the real prejudice SenoRx could face from a very lengthy delay before it can even reach that stage and have those issues resolved.

(4) Conclusion

In sum, although the timing of Hologic's requests for reexamination and for a stay weigh in favor of a stay, the very early stage of the reexamination proceedings and the parties' status as hard-fought competitors clearly weigh against a stay. The Court finds that, as a result, the prejudice factor decidedly weighs against a stay.¹²

IV. CONCLUSION

The potential for simplifying the issues in this case favors a stay, though not strongly so. The current status of this litigation favors a stay. However, the amount of undue prejudice associated with the stay request strongly weighs against the grant of a stay. The mixed result as to these three factors suggests what this Court has concluded, namely, that the issue is a close one, with good arguments to be made for either outcome sought by the parties.

In the end, after carefully balancing these factors, the Court concludes that the balance tips in favor of SenoRx and the denial of the Motion. The prejudice to SenoRx—in terms of the threatened harm it faces and the clear delay that a stay would occasion—strikes the Court as more compelling, immediate and certain when compared to the potential for efficiency gains or simplification of the issues that might result from reexamination. In such a circumstance, the Court finds that the most appropriate resolution is for this litigation to proceed forward.

Therefore, it is ORDERED that Hologic's motion to stay pending *inter partes* reexamination by the PTO, (D.I.27), is DENIED.

All Citations

Not Reported in F.Supp.2d, 2013 WL 144255

Footnotes

- 1 On July 26, 2012, Hologic filed a Motion to Bifurcate and Stay Discovery and Trial of Damages and Wilfulness Issues. (D.I.15) That motion has been fully briefed and argued, and is currently pending before the Court.
- 2 Some assertions made by the parties regarding the issue of simplification are more difficult for the Court to analyze at this stage. For example, the parties dispute whether the four asserted claims of the # 946 Patent not before the PTO are likely to be “core” to SenoRx's ultimate infringement case, or whether SenoRx is instead likely to withdraw their infringement contentions for some or all of those claims. (D.I. 41 at 7–8, 37, 41–42) SenoRx also noted that the claims of the #469 Patent are currently rejected based on a particular prior art combination not identified by Hologic in its request for reexamination, and that this means that Hologic's request as to this patent is on “tenuous ground to begin with.” (D.I. 32 at 14; see also D.I. 41 at 38–39) Hologic, unsurprisingly, disagrees with that analysis. (D.I. 41 at 41, 43) In light of the uncertain and unsettled state of the record as to these questions, the parties' arguments have not impacted the Court's analysis with regard to the simplification of issues.
- 3 Where the non-moving party has stated that it will not amend any of its asserted claims during the reexamination proceedings, this has been found to reduce the risk that any litigation efforts will be nullified

or wasted as a consequence of subsequent amendments. See, e.g., [Softview LLC v. Apple Inc.](#), Civ. No. 10–389–LPS, 2012 WL 3061027, at *3 (D.Del. July 26, 2012). SenoRx has not made such an assertion.

4 Compare [Softview](#), 2012 WL 3061027, at *3 (finding this consideration to weigh against the grant of motion to stay, where reexamination was limited to potential invalidity issues under [Section 102](#) and [103](#), while in the District Court litigation, defendants disputed infringement and invalidity under [Sections 101](#), [102](#), [103](#) and [112](#) and some defendants raised various equitable defenses), [Mission Abstract Data](#), 2011 WL 5523315, at *2–3 (same, where the grounds for invalidity involved in the reexaminations related to [Section 102](#) and [103](#), while in the litigation defendants disputed infringement and raised defenses under [Sections 101](#), [102](#), [103](#), [112](#) and equitable defenses of estoppel, laches and waiver), and [Vehicle IP](#), 2010 WL 4823393, at *2 (same, where only ground for invalidity on reexamination was [Section 103](#), while in the litigation defendants raised defenses under [Sections 101](#), [102](#), [103](#), and [112](#)), with [Belden Techs. Inc. v. Superior Essex Commc'ns LP](#), Civ. No. 08–63–SLR, 2010 WL 3522327, at *2 (D.Del. Sept.2, 2010) (finding this factor to weigh in favor of grant of motion to stay, where the parties conceded that only defendant's allegations of obviousness and anticipation remained at issue, both of which were proper candidates for a reexamination inquiry).

5 Since the Motion's filing, the discovery process has continued, with SenoRx and Hologic having served initial infringement contentions and initial invalidity contentions, respectively, and Hologic having served its own document requests. (D.I.31, 35, 38) The Court does not believe that in considering a factor that focuses on the status of the litigation, it is error to consider events that have occurred in this case subsequent to the filing of the Motion, since later-occurring case events could have a bearing on the case's current procedural status. See, e.g., [Cooper Notification](#), 2010 WL 5149351, at *1–3 (examining this factor as of the date of the decision on the motion to stay, which was eleven months prior to the close of discovery, and taking into account case events, including a scheduling conference, that occurred after the motion to stay was filed); see also (D.I. 41 at 12). However, here the outcome of the Court's review of this factor would not be different if the Court had not considered events occurring after the Motion was filed—either way, it is clear that while the case is not in its earliest stages, it is also far from the close of discovery and trial.

6 SenoRx urges the Court, in examining this factor, to contrast the stage of this litigation with the early stage of the reexamination proceedings-at-issue. (D.L 32 at 5–6 (citing [Softview](#), 2012 WL 3061027, at *4; [Cooper Notification](#), 2010 WL 5149351, at *3)) However, because the status of the reexamination proceedings is explicitly taken into account with respect to the third “prejudice” factor, the Court declines to consider that issue as part of its review of the test's second “status of the litigation” factor. [ImageVision.Net., Inc. v. Internet Payment Exch., Inc.](#), C.A. No. 12–054–GMS–MPT, 2012 WL 3866677, at *2 n. 39 (D.Del. Sept.4, 2012), *rev'd in part on other grounds*, 2012 WL 5599338 (D.Del. Nov.15, 2012).

7 Given their temporal proximity to each other in this case, the Court will consider the two “timing” factors together.

8 Such delays can also raise issues with stale evidence, faded memories and lost documents or lost witnesses. See, e.g., [Cooper Notification](#), 2010 WL 5149351, at *4 (noting that “[g]iven the ... average length it takes to complete a reexamination (including appeals), it follows that the stay, if granted, would almost certainly last many years” and that this might disproportionately affect the party seeking to prove infringement, who may face a greater need to rely on fact witness testimony in the case). The Court has no real information before it, however, as to any particular evidence or witnesses threatened by such delay.

9 The average pendency from filing date to certificate issue date in an *inter partes* reexamination proceeding was 36.1 months as of June 30, 2012. (D.I.29, ex. G) SenoRx suggests the delay in this case could be even longer than that. It notes that in September 2012, when Hologic's most recent request for reexamination was

filed, the PTO received a record number of *inter partes* reexamination requests due to the September 16, 2012 elimination of *inter partes* reexamination (and its replacement with *inter partes* review), pursuant to rules promulgated to implement the provisions of the Leahy–Smith America Invents Act. (D.I. 32 at 6 n. 3 & 7 n. 5) For its part, Hologic's counsel suggested at oral argument (citing to no record evidence) that the length of *inter partes* reexamination has been decreasing, and also noted that the PTO granted reexamination of the claims of the patents-in-suit in a relatively short time. (D.I. 41 at 6, 40) The Court acknowledges the parties' arguments on these points, but concludes that the historical data showing a three-year average timeframe for *inter partes* reexamination is the most telling piece of evidence in the record as to this issue.

10 Hologic faults SenoRx for making “conclusory allegations” as to the adverse impact it would face if Hologic obtains a stay and is able to continue to sell its product in the meantime. (D.I. 33 at 5) However, where, as here, the parties are the only two competitors in the relevant market, the Court can more easily draw the inference of the increased chance of undue prejudice from delay related to a stay. Compare [Boston Scientific Corp.](#), 777 F.Supp.2d at 789–90 (finding that parties' relationship weighed against a stay where parties were the only two companies marketing the drug-eluting stents at issue in that case), with [Air Vent, Inc. v. Owens Corning Corp.](#), No. 02:10–cv–01699, 2012 WL 1607145, at *3 (W.D.Pa. May 8, 2012) (“The Court finds that the fact that there are other competitors in the market undermines [plaintiff's] assertion of undue prejudice because of loss of market value.”), and [Generac Power Sys. Inc. v. Kohler Co.](#), 807 F.Supp.2d 791, 798 (E.D.Wis.2011) (finding non-movant's undue prejudice showing conclusory where it had argued, *inter alia*, that the movant had captured 10–15% of the market at issue, and that movant would garner market share at its expense if movant was permitted to sell allegedly infringing products during a stay).

11 Alternatively, Hologic suggested at oral argument that the Court grant a stay for a defined period of time, to “see what the parties have said [and] what the Patent Office has done.” (D.I. 41 at 13) The Court recognizes that it has the ability to grant such a stay and in some circumstances such a course may be preferable. However, while, for example, a six-month stay guarantees six months of delay, it does not necessarily guarantee six months' worth of clarity. It is difficult to know with certainty at what pace the PTO may reach a key stage of the reexamination process, and even if such a stage is reached, the party who has been dealt a blow at that stage can always argue that those developments have no lasting significance until the proceeding is complete. In light of that, and under the circumstances of this case, the Court is not convinced that an intermediate stay of some duration is likely to be particularly beneficial.

12 In analyzing motions to stay pending reexamination, our Court has at times explicitly considered whether the moving party would face undue hardship or inequity in the absence of a stay. It has explained that such an inquiry should be a part of the Court's analysis of the “prejudice” factor of the three-factor balancing test used in examining motions to stay, if there is “even a fair possibility that the stay ... will work damage to [another party].” [ImageVision.Net, Inc.](#), 2012 WL 5599338, at *3 (explaining that “where there is a ‘fair possibility’ that a stay would prove detrimental to the non-movant, and the movant is unable to demonstrate a clear case of hardship or inequity, granting that stay is likely to result in undue prejudice to the non-movant”) (quoting [Landis v. N. Am. Co.](#), 299 U.S. 248, 255, 57 S.Ct. 163, 81 L.Ed. 153 (1936)) (additional citations omitted); see also [Cooper Notification](#), 2010 WL 5149351, at *2 (citing [Landis](#) and noting that “a showing of hardship or inequity is ‘generally’ needed to show that the balance of equities favors a stay” but stating that a showing of hardship or inequity by movant is not a requirement, as “circumstances may arise in which the overall balance could be tipped in favor of a stay even if proceeding with the litigation will cause no undue hardship or prejudice to the party seeking a stay”). Here, the Court has explained why SenoRx has demonstrated that there is a fair possibility that a stay will work damage on its business. In turn, the Court does not believe that Hologic has made a compelling showing that it would face undue hardship or inequity in the absence of a stay. As SenoRx has noted, in attempting to articulate the hardship or prejudice it might face, Hologic has cited to the added litigation costs that it might incur were reexamination to proceed in tandem with this case. (D.I. 32 at 12–13; D.I. 33 at 8) This type of economic harm has been deemed not to amount to the kind of

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“undue” hardship or inequity referenced in the case law. *Personalized User Model, L.L.P. v. Google, Inc.*, C.A. No. 09–525–LPS, 2012 WL 5379106, at *2 (D.Del. Oct.31, 2012) (noting that moving party had made no such showing of clear hardship or inequity when the only prejudice it argued it would incur in proceeding with the litigation was added litigation cost); *Cooper Notification*, 2010 WL 5149351, at *2 n. 1 (same).

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Exhibit 13

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

UNILOC 2017 LLC)	
)	
Plaintiff,)	
)	
v.)	Civ. No. 19-183-CFC
)	
VUDU, INC.,)	
)	
Defendant.)	

ORDER


Defendant Vudu, Inc. has moved to stay the case until the final disposition, including the completion of any appeals, of the *inter partes* review (IPR) of United States Patent No. 8,407,609 (the #609 patent) instituted by the United States Patent and Trademark Office on February 4, 2020. The IPR was filed by Sling TV L.L.C. Vudu has sought to join the Sling IPR. It has also agreed that if the Court grants its motion to stay, it will “be bound by the outcome of the Sling IPR on the validity of the [#]609 patent on the merits to the same extent that Sling is bound, regardless of whether Vudu’s motion for joinder is granted.” D.I. 71.

The Court considers three factors when deciding a motion to stay: “(1) whether granting the stay will simplify the issues for trial; (2) the status of the litigation, particularly whether discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from

any delay, or allow the movant to gain a clear tactical advantage.” *Kaavo Inc. v. Cognizant Tech. Sols. Corp.*, 2015 WL 1737476, at *1 (D. Del. Apr. 9, 2015) (citations omitted).

The first and third factors support a stay of the case, and I will therefore grant the motion. The #609 patent is one of two patents that are being actively litigated in the case at this time, and the validity of 75% of the asserted claims currently at issue in the case are the subject of the pending IPR. Because Vudu has agreed to be bound by the outcome of the Sling IPR on the validity of the #609 patent on the merits to the same extent Sling would be bound, granting the stay will simplify the issues for trial. Moreover, because Plaintiff is a non-practicing entity that does not compete with Vudu and thus any alleged harm it may suffer is purely monetary, Uniloc will not be unduly prejudiced by a stay.

WHEREFORE, at Wilmington this 26th day of March in 2020, **IT IS HEREBY ORDERED** that Defendant Vudu, Inc’s Motion to Stay (D.I. 54) is **GRANTED**.



COLM F. CONNOLLY
UNITED STATES DISTRICT JUDGE

Exhibit 14

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MONTEREY RESEARCH, LLC,

Plaintiff,

v.

ADVANCED MICRO DEVICES, INC.,

Defendant.

Civil Action No. 19-2149-NIQA-LAS

JURY TRIAL DEMANDED

**PLAINTIFF MONTEREY RESEARCH, LLC'S OPPOSITION TO
DEFENDANT ADVANCED MICRO DEVICES, INC.'S
MOTION TO STAY PENDING *INTER PARTES* REVIEW**

Dated: September 16, 2020

Brian E. Farnan (#4089)
Michael J. Farnan (#5165)
FARNAN LLP
919 North Market Street
12th Floor
Wilmington, DE 19801
(302) 777-0300 (Telephone)
(302) 777-0301 (Facsimile)
bfarnan@farnanlaw.com
mfarnan@farnanlaw.com

Jonas R. McDavit (admitted *pro hac vice*)
Jordan N. Malz (admitted *pro hac vice*)
Edward Geist (admitted *pro hac vice*)
Michael Wueste (admitted *pro hac vice*)
Ryan G. Thorne (admitted *pro hac vice*)
DESMARAIS LLP
230 Park Avenue
New York, NY 10169
Telephone: 212-351-3400
Facsimile: 212-351-3401

*Attorneys for Plaintiff Monterey Research,
LLC*

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I. INTRODUCTION

Courts in this District strongly disfavor stays of litigation *before* the Patent and Trademark Office (“PTO” or “PTAB”) has instituted an *inter partes* review (“IPR”) proceeding—*i.e.*, a *pre*-institution stay. But defendant Advanced Micro Devices, Inc. (“AMD”) now seeks that exceptional relief.

AMD cannot establish entitlement to the extreme measure of a *pre*-institution stay. *First*, a *pre*-institution stay of the AMD case would *not* simplify the issues but rather make them more complicated. AMD’s allegations of simplification are speculative and premature—to date, the PTO has not instituted *any* IPR for *any* asserted patent. Whether any simplification will occur, and the scope of any hypothetical simplification, are *unknowable* until the PTO institutes or declines to institute the IPRs. Stopping this case midstream will instead undermine the orderly progression of this case *and four other related cases* that are currently proceeding in a coordinated manner before this Court, thereby causing duplicative litigations and significant judicial waste.

Second, although in an early stage, this case is further along than AMD suggests. The parties in all five related cases submitted a largely uncontested common scheduling order in May 2020 (D.I. 39) and recently submitted an updated common scheduling order with stipulated dates. (D.I. 54.) The parties commenced fact discovery in June 2020. Both plaintiff Monterey Research LLC (“Monterey”) and AMD have served discovery requests, responded to those discovery requests, and produced thousands of pages of documents. In short, this case has progressed well past its “infancy.”

Third, a *pre*-institution stay of the AMD case would cause undue prejudice to Monterey. A stay of this case would not only prevent Monterey from concluding a license with AMD, but would also reward AMD for its intransigence in refusing to take a license and adversely affect Monterey’s business negotiations with other infringers.

In short, AMD fails to sustain its heavy burden of establishing that the Court should implement the extreme measure of staying the AMD case even before the PTO has instituted a single IPR of a single asserted patent. Accordingly, the Court should deny AMD's motion.

II. NATURE AND STAGE OF THE PROCEEDINGS

On November 15, 2019, Monterey filed a complaint against AMD alleging infringement of six patents: U.S. Patent Nos. 6,534,805 ("the '805 patent"); 6,629,226 ("the '226 patent"); 6,651,134 ("the '134 patent"); 6,765,407 ("the '407 patent"); 6,961,807 ("the '807 patent"); and 8,373,455 ("the '455 patent," collectively "Asserted Patents"). (D.I. 1.) Several of those patents overlap with other pending patent infringement actions.¹ On February 5, 2020, Monterey filed a first amended complaint. (D.I. 16.) On February 19, 2020, AMD moved for partial dismissal of that complaint. (D.I. 19-20.) AMD's motion is fully briefed. (D.I. 26, 31.)

This action, along with the other Related Actions, were originally assigned to Judge Connolly. (D.I. 1, Civil Cover Sheet.) On March 5, 2020, the Third Circuit reassigned all five Related Actions to this Court. (D.I. 28.)

On May 19, 2020, the parties to all five Related Actions submitted a common proposed scheduling order, reflecting agreement on almost all issues. (D.I. 39.) At the Court's request, the parties submitted an updated proposed scheduling order, agreeing to all proposed dates. (D.I. 54.)

Fact discovery commenced in early June 2020. On June 2, Monterey and AMD served requests for production on one another. (Ex. 1, Ex. 2.)² On June 3, Monterey served common interrogatories on each of the defendants in the Related Actions, including AMD. (Ex. 3.) On June 5, AMD and the defendants in the Related Actions served common interrogatories on

¹ The "Related Actions" comprise this case and Case Nos. 19-2083 (NIQA) (Qualcomm); 19-2090 (NIQA) (Nanya); 20-0089 (NIQA) (ST Microelectronics); and 20-0158 (NIQA) (Marvell).

² All exhibits cited in this brief are exhibits to the concurrently-filed declaration of Jordan N. Malz.

Monterey. (Ex. 4.) On July 17, AMD served objections and responses to Monterey's requests for production. (Ex. 5.) On July 21, AMD served objections and responses to Monterey's common interrogatories. (Ex. 6.) Also on July 21, Monterey served objections and responses to AMD's request for production and to the defendants' common interrogatories. (Ex. 7, Ex. 8.) Both Monterey and AMD have since produced thousands of pages of documents. (Ex. 9, Ex. 10.) In addition, the defendants have served and received third-party discovery. (Ex. 11, Ex. 12.)

On September 2, AMD moved to stay the case against AMD "pending resolution of its petitions for *inter partes* review" (D.I. 51-52)—petitions that the PTO to date has not even granted.

III. SUMMARY OF ARGUMENTS

1. AMD's motion to stay this case pending IPR is premature, improper, and based on nothing more than AMD's unilateral decision to file requests for IPR. But the PTO has not instituted *any* IPR for *any* Asserted Patent, let alone all of them. The law in this District strongly disfavors such pre-institution stays, and courts in this District overwhelmingly deny such motions.

2. The first stay factor, whether a stay will simplify the issues in the litigation, weighs strongly against a pre-institution stay. AMD's allegations are speculative and premature at least because the PTO has not even determined whether to institute any IPR in the first place. Stopping this case now will significantly complicate the five Related Actions that are now coordinated before this Court, and will result in duplicative litigation and significant judicial waste.

3. The second stay factor, the stage of the case, also weighs against a stay. Although is in its early stages, this case is further along than AMD suggests—the parties have submitted a common scheduling order that covers all Related Actions, served and responded to initial documents requests and interrogatories, and already produced thousands of pages of documents.

4. The third stay factor, undue prejudice or tactical disadvantage from a stay, further weighs against a stay. Staying this case would embolden infringers and adversely affect

Monterey's ability to license its patents. A stay also would also prejudice Monterey's ability to litigate the five Related Actions in a coordinated manner.

IV. FACTUAL BACKGROUND

In June and July 2020, AMD filed petitions with the PTO requesting the institution of IPRs regarding the six Asserted Patents. A patent owner may file a preliminary response within three months of the filing of an IPR petition explaining why review should not be instituted. *See* 35 U.S.C. § 313; 37 C.F.R. § 42.107 (2016). Consistent with that right, on September 4, 2020, Monterey filed preliminary responses opposing AMD's IPR petitions with respect to the '134, '805, and '407 patents. (Ex. 13, Ex. 14, Ex. 15.) Monterey intends to file preliminary responses opposing AMD's IPR petitions for the '807, '226, and '455 patents by the applicable deadlines (respectively, September 16, October 28, and November 27).

The PTO must determine whether to institute an IPR within three months of receiving the patentee's preliminary response. *See* 35 U.S.C. § 314. Accordingly, the PTO will issue its determination on whether to institute AMD's requested IPRs by December 2020 for the '134, '805, '407, and '807 patents; by late January 2021 for the '226 patent; and by late February 2021 for the '455 patent. It is unknown whether the PTO will institute an IPR on *any* of the Asserted Patents.

Notably, some of AMD's IPR petitions do not even address all claims of the Asserted Patents. AMD's IPR petitions do not address all claims of the '407, '805, and '807 patents. For example, AMD challenged only 7 of the 54 claims of the '805 patent; AMD did not challenge claims 9, 11, 13-15, 17, 19-21, and 24-61. (D.I. 52-1, Ex. 3.) Consequently, AMD cannot claim that its IPR petitions cover all of the potentially assertable patent claims.

V. LEGAL STANDARDS

Although “[a] court has discretionary authority to grant a motion to stay,” *Advanced Microscopy Inc. v. Carl Zeiss Microscopy, LLC*, No. 15-516-CJB, 2016 WL 558615, at *1 (D.

Del. February 11, 2016), “the party seeking the stay must carry the burden of demonstrating that adequate grounds exist to justify granting the stay,” *Sea Colony, Inc. v. Alcan Aluminum Corp.*, 653 F. Supp. 1323, 1326 (D. Del. 1987); accord *Toshiba Samsung Storage Tech. Korea Corp. v. LG Elecs., Inc.*, 193 F. Supp. 3d 345, 353 (D. Del. 2016).

In deciding whether to grant a motion to stay a litigation pending an IPR, courts in this District typically consider three factors: (1) “whether granting the stay will simplify the issues for trial”; (2) “the status of the litigation, particularly whether discovery is complete and a trial date has been set”; and (3) “whether a stay would cause the non-movant to suffer undue prejudice from any delay, or allow the movant to gain a clear tactical advantage.” *Advanced Microscopy*, 2016 WL 558615, at *1; accord *Universal Secure Registry, LLC v. Apple Inc.*, No. 13-585-CFC-SRF, 2018 WL 4486379 (D. Del. Sept. 19, 2018). Courts in this District overwhelmingly deny motions to stay pending IPR filed before the PTO has even instituted a requested IPR. *E.g.*, *Advanced Microscopy*, 2016 WL 558615, at *3; *Toshiba Samsung Storage Technology Korea Corporation, v. LG Electronics, Inc.*, No. 15-516-LPS-CJB, 2015 WL 7824098 (D. Del. De. 3, 2015); *TruePosition, Inc., v. Polaris Wireless, Inc.*, No. 12-646-RGA-MPT, 2013 WL 5701529 (D. Del. Oct. 21, 2013).

VI. ARGUMENT

AMD does not seek a stay pending the resolution of any *actually-instituted* IPR. Instead, AMD seeks a stay pending the PTO’s determination on whether to institute IPRs in the first place. In other words, AMD seeks to stay this case based not on the action of a tribunal but merely on AMD’s unilateral decision to file a request for an IPR. Unsurprisingly, AMD does not and cannot satisfy the three-factor test for a stay.

A. Courts In This District Strongly Disfavor Pre-Institution Motions To Stay

AMD's pre-institution motion to stay this case is an extreme and exceptional measure that courts in this District almost uniformly reject. The law is clear: "[T]his Court will not, barring *exceptional circumstances*, grant a stay of proceedings for the mere filing of an IPR." *Invensas Corp. v. Samsung Electronics Co., Ltd.*, No. 17-1363-MN-SRF, 2018 WL 4762957, at *3 (D. Del. October 2, 2018) (citation omitted; emphasis added); *Sound View Innovations, LLC v. Walmart Inc. et al.*, No. 1:19-cv-00660-CJB (D. Del. August 5, 2020) (Ex. 16.)

Accordingly, this Court has warned that "*caution should be exercised* before granting a stay in advance of receiving the PTAB's decision" and that any "leeway" for issuing a pre-institution stay exists only "if *all of the facts* warrant it." *Advanced Microscopy*, 2016 WL 558615, at *2 (emphases added); *accord Invensas*, 2018 WL 4762957, at *3 (stating that "consideration," particularly of the simplification issue, "is appropriately reserved for a time following the PTAB's decision on whether to institute IPR proceedings."). Instead of moving for a pre-institution stay, "the ideal time" for filing and weighing a stay motion is "shortly after the PTAB issue[s] its decision to proceed with a validity trial on all of the Asserted Claims." *Universal*, 2018 WL 4486379 at *2 (citation omitted); *accord Invensas*, 2018 WL 4762957, at *3. This Court has denied a pre-institution stay even where the PTO's institution decision was "imminent." *NuVasive, Inc. v. Neurovision Medical Products, Inc.*, No. 15-286-LPS-CJB, 2015 WL 3918866, *2 (D. Del. June 23, 2015).

Courts in this District overwhelmingly deny motions to stay before the institution of an IPR as premature and improper. Since 2014, courts in this District have issued no less than 20

decisions denying pre-institution motions to stay.³ Oddly, AMD’s motion fails to apprise the Court of a single one of these cases.

The few cases AMD cites instead regarding pre-institution stays (D.I. 52 at 11) are inapposite. *Uniloc USA Inc., et. al. v. LG Electronics U.S.A. Inc.*, No. 18-cv-06737 (N.D. Cal. April 4, 2019), is an unpublished case from the *Northern District of California* and does not comport with District of Delaware precedent. *Miics & Partners Am. Inc. v. Toshiba Corp.*, No. 14-803-RGA, 2015 WL 9854845, at *1 (D. Del. Aug. 11, 2015), was an exceptional case in that the “defendants each filed *inter partes* review petitions with the PTAB on *all* of the asserted claims,” (emphasis added), *after* infringement contentions had been served; the Court even acknowledged the exceptional nature of the case, stating “I usually like to see whether the PTAB

³ See, e.g., *Advanced Microscopy Inc. v. Carl Zeiss Microscopy, LLC*, No. 15-516-CJB, 2016 WL 558615 (D. Del. February 11, 2016); *NuVasive, Inc. v. Neurovision Medical Products, Inc.*, No. 15-286-LPS-CJB, 2015 WL 3918866 (D. Del. June 23, 2015); *Copy Protection LLC v. Netflix, Inc.*, No. 13-365-LPS, 2015 WL 3799363 (D. Del. June 17, 2015); *Toshiba Samsung Storage Technology Korea Corporation, v. LG Electronics, Inc.*, No. 15-516-LPS-CJB, 2015 WL 7824098 (D. Del. December 3, 2015); *TruePosition, Inc., v. Polaris Wireless, Inc.*, No. 12-646-RGA-MPT, 2013 WL 5701529 (D. Del. October 21, 2013); *Intellectual Ventures I LLC v. Toshiba Corp.*, No. Civ. 13-453-SLR-SRF, 2015 WL 3773779 (D. Del. May 15, 2015); *Invensas Corp. v. Samsung Elecs. Co.*, No. 17-1363-MN-SRF, 2018 WL 4762957 (D. Del. Oct. 2, 2018); *Universal Secure Registry, LLC v. Apple Inc.*, No. 17-585-CFC-SRF, 2018 WL 4486379 (D. Del. September 19, 2018); *McRo, Inc. v. Bethesda Softworks LLC*, No. 12-1509-LPS-CJB, 2014 WL 1711028 (D. Del. May 1, 2014); *HIP, Inc. v. Hormel Foods Corporation*, No. 18-615-CFC, 2019 WL 7667104 (D. Del. May 16, 2019); *Bos. Sci. Corp. v. Edwards Lifesciences Corp.*, No. CV 16-275-JFB-SRF, 2018 WL 1891403 (D. Del. Apr. 20, 2018); *Pragmatus Mobile, LLC v. Amazon.com, Inc.*, No. 14-436-LPS, 2015 WL 3799433 (D. Del. June 17, 2015); *Novozymes North America, Inc., v. Danisco US Inc. and DuPont Nutrition & Biosciences*, No. 1:19-cv-01902-JDW (D. Del. March 31, 2020) (Ex. 17); *Cloud IP, LLC v. SAP AG*, No. 1:13-cv-01456-LPS (D. Del. January, 21, 2014) (Ex. 18); *SK Innovation Co., Ltd., v. LG Chem Ltd.*, No. 1:19-cv-01637-CFC-SRF (D. Del. May 15, 2020) (Ex. 19); *Koninklijke Phillips N.V., et al. v. ASUSTek Computer Inc., et al.*, No. 1:15-cv-01125-GMS (D. Del. March 30, 2017) (Ex. 20); *Analog Devices, Inc., v. Xilinx, Inc.*, No. 1:19-cv-02225-RGA (D. Del. August 19, 2020) (Ex. 21); *Sound View Innovations, LLC v. Walmart Inc. et al.*, No. 1:19-cv-00660-CJB (D. Del. August 5, 2020) (Ex. 16); *6115187 Canada, Inc. d/b/a Immervision, Inc. v. LG Electronics USA, Inc. et al.*, No. 1:18-cv-01630-MN-CJB (D. Del. February 10, 2020) (Ex. 22); *Omega Flex, Inc. v. Ward Manufacturing, LLC*, No. 1:18-cv-01004-MN (D. Del. January 24, 2020) (Ex. 23).

will grant review before taking any action.” *Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 12-1744-GMS, 2013 WL 3353984 (D. Del. July 2, 2013), and *Princeton Digital Image Corp. v. Konami Digital Entm’t Inc.*, No. 12-1461-LPS-CJB, 2014 WL 3819458 (D. Del. Jan. 15, 2014), are early cases when the IPR-practice was in its infancy. Both cases have been *specifically questioned and negatively cited by name* in *Toshiba*, 2015 WL 7824098, at *2 n.3 (“The Court acknowledges that there have been cases where our Court has deemed it appropriate to stay a patent case even prior to the PTAB’s decision on whether a petition for IPR will be granted. *See, e.g., Princeton Digital[]; Neste Oil[]*. Certain of these decisions were in part motivated by the fact that the moving party submitted statistical data showing that, at the time the motion to stay was pending, the PTAB had granted review in ‘nearly all’ of the IPR petitions on which it had issued decisions. Yet in those cases this Court was assessing PTAB IPR data from 2013.”) (citations omitted). *AT&T Intellectual Prop. I LP v. Cox Commc’ns, Inc.*, No. 14-1106-GMS (D. Del. Sept. 24, 2015), and *Chestnut Hill Sound Inc. v. Apple Inc.*, No. 15-00261-RGA (D. Del. Dec. 3, 2015), are similarly from years ago when PTO institution rates were higher than they are now. More recent cases (*see* footnote 3) have come to the opposite conclusion.

B. AMD Cannot Satisfy The Three-Factor Test For Staying This Case

1. A Stay Would Complicate, Not Simplify, The Issues In This Case

A pre-institution stay would not simplify the issues but instead significantly complicate them. AMD’s allegations of simplification are speculative and unsupported. The complications that would arise from staying this case, however, are real and significant.

a. AMD’s Allegations Of Simplification Are Speculative And Unsupported

AMD’s assertion that a stay of this case pending IPRs would simplify the issues in this case is speculative and premature. To date, the PTO has not institute *any* IPR for *any* Asserted

Patent, let alone all of them. Courts in this District reject speculative assertions of simplification which rest on the assumption that the PTO will institute a requested IPR.

AMD's allegation regarding simplification has the law backwards: "[G]enerally, the 'simplification' issue does not cut in favor of granting a stay prior to the time the PTAB decides whether to grant the petition *for inter partes* review." *Advanced Microscopy*, 2016 WL 558615, at *2 (quoting *Copy Protection*, 2015 WL 3799363, at *1); *accord Pragmatus*, 2015 WL 3799433, at *1.⁴ "Unless the PTAB institutes IPR proceedings, Defendants' argument regarding the alleged simplification of issues for trial rests on the mere 'speculation that such institution will occur.'" *Novozymes*, No. 1:19-cv-01902, at 2 (quoting *Universal*, 2018 WL 4486379, at *2).⁵

Indeed, courts in this District have repeatedly explained why *denying* pre-institution motions to stay tends to simplify the issues in at least two distinct ways. *First*, the Court will benefit from waiting for the PTO's decision on whether to institute the requested IPR:

[D]enial of the instant motion without prejudice to renew will allow for a better, more fully developed record as to the 'simplification of issues' factor. *That clarity will come simply from receiving the PTAB's decision itself*. If no review is instituted, the asserted basis for a stay will fall away. If the PTAB does institute a review, the Court can examine the grounds upon which review has been granted (including which of the claims of the patent-in-suit would be the subject of that review), so as to determine the effect that the PTAB's decision could have on simplifying this case.

⁴ See also *Invensas*, 2018 WL 4762957, *3 ("Courts within this district have generally held that this [simplification] factor weighs against a stay when the PTAB has not yet decided whether to institute IPR proceedings.").

⁵ See also *Invensas*, 2018 WL 4762957, at *3, *6 (discussing the "speculative nature of the efficiencies to be gained in this particular case by staying the litigation prior to the PTAB's decision on whether to institute proceedings" and stating that "it is speculative to assume that the PTAB will institute proceedings."); *TruePosition*, 2013 WL 5701529, at *5 ("To date, the IPR petition has not been granted, rendering any consideration of the likelihood of invalidation to be unknown."); *Universal*, 2018 WL 4486379, at *2, *3 ("Before the PTAB decides whether to institute [defendant's] petitions, this factor does not favor granting a stay . . . [w]ithout any certainty as to whether the PTAB will institute review, the extent to which the issues before the court might be simplified remains unknown.").

Advanced Microscopy, 2016 WL 558615, at *2 (emphasis added); *accord NuVasive*, 2015 WL 3918866, at *2; *McRo*, 2014 WL 1711028, at *3.⁶ Indeed, the PTO’s decision on whether to institute the requested IPR will provide clarity *regardless of the outcome of that decision* either by mooting the asserted basis for the stay or by shedding light on whether the IPR will simplify the issues. Here, no reason exists to prematurely stay this case now and deprive the Court of the benefits of the PTO’s decision on whether to institute AMD’s requested IPRs.

Second, denying pre-institution motions to stay also will allow the Court to benefit from a more fully developed record in the litigation:

[D]enial of the instant motion without prejudice to renew will allow for some additional clarity in the record. The Court would benefit by obtaining a more clear record than currently exists with regard to, *inter alia*: (1) what patent claims will likely be in dispute in the instant cases; and (2) what claims and defenses are likely to be pressed in earnest by the parties. That type of additional clarity may be served *by allowing some initial discovery to proceed*; obtaining it would help the Court to better decide whether a stay would simplify the issues for trial.

McRo, 2014 WL 1711028, at *3 (emphasis added). Further development of the record in this case—e.g., by having the parties conduct discovery and serve infringement and invalidity contentions—will pare down the issues for litigation and also provide additional context and clarity pertinent to whether or not a stay will simplify the issues for trial.

Finally, AMD’s IPR petitions challenge only a subset of claims of the Asserted Patents. Courts will deny motions to stay even *after* institution of IPRs where “the IPRs instituted by the PTAB do not address all of the claims at issue, meaning that the parties’ dispute will not be fully resolved by the IPRs, regardless of the outcome of such.” *Courtesy Prod., L.L.C. v. Hamilton*

⁶ See also *Intellectual Ventures*, 2015 WL 3773779, at *3 (“Rather than stay and fragment the litigation process, it makes imminent sense to proceed with the litigation and take whatever guidance and valuable analysis provided by the PTAB into account as is appropriate.”); *Advanced Microscopy*, 2016 WL 558615, at *2 (“[T]he Court has become less and less sure about the merit of granting a stay in favor of an IPR proceeding, when the PTAB has not even weighed in on whether to institute review.”).

Beach Brands, Inc., No. CV 13-2012-SLR-SRF, 2015 WL 5145526, at *2 (D. Del. Sept. 1, 2015). See also *3G Licensing, SA et al. v. LG Elecs, Inc. et al.*, No. 1:17-cv-00085-LPS (D. Del. April 16, 2019) (Ex. 24) (denying post-institution stay, in part, because the PTAB had not yet found claim at issue “invalid.”); *Toshiba*, 193 F. Supp. 3d at 349 (Denying post-institution stay where “a good chunk of claims and issues” of the patents-in-suit were “likely to be unaddressed by the IPR proceeding.”); *Siemens Industry, Inc. v. Westinghouse Air Brake Technologies Corp.*, No. 16-284-LPS, 2018 WL 3046511, *1 (D. Del. June 20, 2018) (denying stay where IPR was instituted over one of four patents-in-suit because a stay “would not simplify the majority of the case.”).

Under the parties’ jointly-proposed scheduling order, Monterey has not yet identified its asserted claims and will do so “50 days following entry of the scheduling order.” (D.I. 54 at § 3.) Assuming the scheduling order issues shortly, Monterey will provide that disclosure in early November 2020. AMD cannot claim at this juncture—before Monterey has even identified the asserted claims—that its petitions “have a high likelihood of resulting in the cancellation of the asserted claims.” (D.I. 52 at 5.) Compounding this issue, AMD’s IPRs would not address all asserted claims if the PTO decides not to institute even one of AMD’s petitions. Denying AMD’s motion to stay would therefore simplify the issues, while granting the motion would not.⁷

In sum, it is unknowable whether a stay will truly simplify the issues in this case or instead improperly give AMD multiple attempts at invalidating the Asserted Patents. At a minimum, the Court should wait to decide whether to stay this case until after AMD discloses all of its invalidity

⁷ Monterey is evaluating which claims to assert and may assert certain claims that AMD did *not* challenge in its IPR petitions. In addition, the Court will benefit from additional case development in additional ways, such as by seeing whether AMD’s forthcoming invalidity contentions raise challenges falling outside the scope of the IPR petitions. See *TruePosition*, 2013 WL 5701529, at *5 (“This court has noted where the scope of the issues in litigation substantially exceeds the scope of the issues on [*inter partes*] review, a stay is disfavored.”).

theories so the Court can fully judge AMD's claims of simplification. See *TruePosition*, 2013 WL 5701529, at *5 ("This court has noted where the scope of the issues in litigation substantially exceeds the scope of the issues on [*inter partes*] review, a stay is disfavored.").

b. AMD's Statistics Are Misleading and Unavailing

AMD presents certain statistics in an attempt to support its allegation that "AMD's IPRs have a high likelihood of resulting in the cancellation of the asserted claims." (D.I. 52 at 5.) AMD's statistics-based arguments, however, are misleading and ultimately unavailing.

As a threshold matter, consistent with the jointly-proposed scheduling order, Monterey has not yet identified which patent claims to assert. None of AMD's statistics-based allegations can foreclose the possibility that Monterey will assert claims that AMD *did not* challenge in its IPR petitions.

Even assuming Monterey chooses to assert only claims that AMD challenged in its IPR petitions, AMD's statistics taken at face value do not support AMD's assertion that its IPR petitions have a "high likelihood" of resulting in the cancellation of all asserted claims. (D.I. 52 at 5.) AMD alleges that the PTO has instituted 66% of petitions against "Electrical/Computer" patents (*id.* at 6); in other words, the PTO has *dismissed* one third of IPR petitions without institution. AMD further alleges that, for the subset of instituted petitions that reach a final written decision, the PTO has cancelled all claims in 62% of them. (*Id.* at 6.) As such, according to AMD's own statistical allegations, the probability that the PTO will both institute at least one IPR and then cancel all claims of a patent is just 40% (0.66×0.62). And applied to all six Asserted Patents, the probability that the PTO will institute IPRs for all Asserted Patents is just 8% ($0.66 \times 0.66 \times 0.66 \times 0.66 \times 0.66 \times 0.66$) and the probability that the PTO will cancel all challenged claims for all Asserted Patents is just 4% ($0.4 \times 0.4 \times 0.4 \times 0.4 \times 0.4 \times 0.4$). In short, even based on

AMD's statistics, it is far more likely that the PTO will *not* cancel all claims (*i.e.*, by declining to institute the IPR or by not cancelling all claims following an instituted IPR) than cancel all claims.

The Court, however, should not take AMD's statistics at face value—AMD's presentation is misleading in many ways. First, AMD presents the Court with statistics for the time period “[s]ince the inception of the IPR procedure in 2012.” (D.I. at 52 at 5.) But as recognized in numerous cases, the PTO institutes IPRs in far fewer cases now than it did in 2013: “As compared to the results from IPR institution decisions in 2013 (when the PTAB was granting review as to ‘nearly all’ of the IPR petitions on which it had then issued decisions) . . . more recent data suggests that review is being instituted in far fewer cases.” *Id.* (citations omitted). *Advanced Microscopy*, 2016 WL 558615, at *2; *accord Toshiba*, 2015 WL 7824098, at *2 n.3. AMD's own exhibit similarly shows a dramatic decline in IPR institution rates from 2013 to 2020. (D.I. 53-1, Ex. 9 at 6.) AMD inflates its numbers by including statistics from many years ago that do not reflect the reality of lower rates of institution today.

In addition, AMD misrepresents the statistics associated with the IPR petitions filed by AMD. In alleging that “the IPR petitions filed by AMD result in institution and claim cancellation at rates substantially higher than average,” AMD alleges that the PTO has instituted “42 out of 44 AMD petitions.” (D.I. 52 at 6.) But contrary to AMD's representation, AMD has filed 54, not 44, petitions. (D.I. 53-1, Ex. 10 at 1.) The rates at which the PTO institutes and dismisses AMD's petitions are very much in line with the average.

In any event, “[t]he general statistical data on the PTAB's rates of institution does not alter the speculative nature of the efficiencies to be gained *in this particular case* by staying the litigation prior to the PTAB's decision on whether to institute proceedings.” *Invensas*, 2018 WL 4762957, at *3 (emphasis added). Accordingly, “the court declines to give considerable weight to

PTAB institution statistics in conducting a stay analysis.” *Invensas*, 2018 WL 4762957, at *5. Indeed here, other tribunals that previously considered challenges to the validity of certain Asserted Patents have already confirmed that they are valid. (Ex. 25, Ex. 26.) This Court should therefore decline to give considerable weight to AMD’s statistical allegations.

c. The Complications From Staying This Case Are Real And Significant

While AMD’s allegations of simplification from a pre-institution stay are speculative and unsupported, the complications from such a stay would be real and significant. A pre-institution stay would not only complicate existing issues, but create new issues where none currently exist.

First, issuing a pre-institution stay would complicate this case for the same reasons that denying a stay would simplify it. As discussed above, the PTO has not decided whether to institute AMD’s requested IPRs for any of the Asserted Patents, let alone all of them, and may decide not to do so. In addition, AMD’s petitions do not cover all claims of all Asserted Patents. Both issues preclude deciding a stay at this juncture. Courts regularly find that “putting the case on hold until the PTAB decides whether to institute IPR proceedings is *likely less efficient* than continuing on track through claim construction and discovery.” *Invensas*, 2018 WL 4762957, at *4; *accord Universal*, 2018 WL 4486379, at *3 (emphasis added); *see also Advanced Microscopy*, 2016 WL 558615, at *2 (“[T]he Court has become less and less sure about the merit of granting a stay in favor of an IPR proceeding, when the PTAB has not even weighed in on whether to institute review.”).

Second, the very act of stopping and restarting this ongoing case will cause real complications. “Delay is not favored in litigation.” *Universal*, 2018 WL 4486379, at *3; *Invensas*, 2018 WL 4762957, at *3. *See also* Hon. Leonard P. Stark, Revised Proc. for Managing Patent Cases (June 18, 2014), at 6) (“Generally, we will not defer the [Case Management Conference]

and scheduling process solely due to the pendency of any [motion to dismiss, transfer or stay].”). “A court’s interest in efficiently managing its docket—and in making *one* good decision at *one* point when the key data is at hand—can be undermined by that kind of ‘start and stop’ process.” *Advanced Microscopy*, 2016 WL 558615, at *2 (emphasis in original).

This case has been moving forward steadily. The parties commenced fact discovery over three months ago, recently agreed on an updated schedule that leads to an October 2022 trial, and have worked together to maintain forward momentum. (Exs. 1-10, D.I. 30, D.I. 54.) In addition to document production and written discovery, third party discovery is underway. (Ex. 11, Ex. 12.) A “start and stop” of this litigation—particularly now, *before* the key data even exists—would complicate the issues and undermine the orderly progression of this case.

Third, this case is one of five Related Actions progressing in a coordinated manner under a common schedule before this Court. Staying this case would derail the synchrony that the parties have maintained and critically undermine the judicial efficiency that such synchrony enables. Indeed, a stay will guarantee piecemeal, duplicative litigations; the four Related Actions would continue progressing according to the current schedule, yet the AMD case, despite covering many of the same patents, would proceed on an entirely different schedule. A stay of the AMD case thus would serve no purpose, obstruct coordination of all related actions, and squander judicial resources. *See, e.g., Cloud IP*, No. 1:13-cv-01456 at 1 (denying motion to stay pending IPR; finding that a “a stay is not likely to simplify this case or, more importantly, the overall collection of 13 related cases pending in this District” and recognizing the prejudice to the patentee of “putting [one defendant] on an entirely different schedule than all other [d]efendants.”).⁸

⁸ The other four Related Actions collectively involve 10 patents that are not the subject of AMD’s IPR petitions. *See* Case No. 19-2083 (NIQA), D.I. 1 (involving five patents not asserted against

2. The Stage Of This Case Does Not Support A Stay.

Monterey agrees that this case is in an early stage, but it is not as early as AMD suggests. The five Related Actions have been moving forward in a coordinated manner. All parties in the Related Actions agreed to a largely uncontested proposed scheduling order in May 2020 (D.I. 39) and recently agreed to an updated proposed scheduling order with stipulated common dates. (D.I. 54.) Fact discovery in the Related Actions commenced over three months ago. Monterey, AMD, and defendants in the other Related Actions have served requests for production and interrogatories. (Exs. 1-4.) Monterey, AMD, and the other defendants in the Related Actions have served responses to those requests for production and interrogatories. (Exs. 5-8.) Monterey and AMD have since produced thousands of pages of documents. (Exs. 9-10.) In addition, the defendants have served and obtained third-party discovery. (Exs. 11-12.) In short, although in an early stage, this case has progressed well past “infancy.”

In addition, AMD’s allegation that the early stage of this case necessarily weighs in favor of a stay reflects an overly simplistic reading of the law. In certain circumstances, such as where the PTO’s decision will likely come before the throes of claim construction and depositions, the early stage of the case actually weighs *against* a stay. *See, e.g., Universal*, 2018 WL 4486379, at *3 (“The second factor regarding the status of the case also weighs against a stay at this time because the PTAB’s institution decisions, expected by November 2018, will likely precede intensive claim construction activity set to begin a month later.”).⁹

AMD); Case No. 19-2090, D.I. 1 (involving five patents not asserted against AMD); Case No. 20-0089 (NIQA), D.I. 1 (involving two patents not asserted against AMD); Case No. 20-0158 (NIQA), D.I. 1 (involving one patent not asserted against AMD).) As a result, AMD’s requested IPRs—even if instituted—would not resolve the disputes relating to those other patents.

⁹ *See also Universal*, 2018 WL 4486379, at *3 (“It remains likely that the PTAB’s institution decisions will precede large-scale and expensive discovery efforts related to document production or claim construction . . . it is more practical to allow preliminary claim construction activity to

Those same circumstances weigh against a stay exist here. The PTO will issue its determination on whether to institute AMD’s requested IPRs by December 2020 for the ’134, ’805, ’407, and ’807 patents; by January 2021 for the ’226 patent; and by February 2021 for the ’455 patent. Under the parties’ proposed scheduling order, Monterey anticipates serving its infringement contentions, including its disclosure of asserted claims, in November 2020. The parties’ proposed scheduling order requires no claim construction disclosures before February 15, 2021 and affords the parties until November 20, 2021 to complete fact discovery. (D.I. 54.) Accordingly, both the PTO’s decision on institution and Monterey’s disclosure of asserted claims will be known *before* large-scale claim construction and most if not all depositions. In short, this case is in the precise “early stage” sweet spot where a stay would not make sense.¹⁰

3. A Stay Would Prejudice Monterey And Provide A Clear Tactical Advantage To AMD.

AMD assumes that Monterey will suffer no prejudice from a pre-institution stay simply because Monterey’s business includes licensing patented technology. But that is incorrect. To the contrary, a stay would obstruct Monterey’s revenue stream and hinder Monterey’s business

proceed while awaiting the PTAB’s decision on whether to institute proceedings on [the] petitions.”); *Novozymes*, No. 1:19-cv-01902, at 2 (“Given the current posture, the Court expects that the PTAB’s IPR decision will come before the parties expend significant resources on discovery or claim construction.”); *Toshiba*, 2015 WL 7824098, at *1 (“As the parties will be just beginning the “initial disclosures” phase of the schedule, allowing the case to move forward for a short time will not involve, for example, a large-scale expenditure of resources on document production or on claim construction-related activity. Therefore, even if the PTAB ultimately institutes the IPR proceeding, and Defendants then renew their motion to stay thereafter, having proceeded forward with initial discovery in the meantime will not unduly prejudice Defendants or be unduly harmful to the efficient management of these proceedings.”); *McRo*, 2014 WL 1711028, at *3 (“As even Defendants acknowledge, the PTO’s decision as to whether to grant IPR, which is expected in May or June 2014, will come well before the parties will have engaged in . . . time-consuming and costly claim construction and discovery in these cases.”) (internal quotes omitted).

¹⁰ AMD improperly tries to bolster its deficient stay request by referencing COVID-19. (D.I. 52 at 10-11.) But the District of Delaware has not generally stayed all cases due to COVID-19 or otherwise. In any event, the parties in this stage of the case are in the midst of document productions and written discovery—activities that are both practical and safe.

operations. The notion that pre-judgment interest solves this problem is fatuous. Companies require revenue to maintain and grow their business. Surely, AMD would not forego its revenue stream for the next few years in exchange for interest years down the line.

AMD's assumption also does not square with the law. This District does not require patentees to practice the patent to establish undue prejudice. In fact, courts have repeatedly found that a stay can cause undue prejudice to non-practicing entities. *See, e.g., Intellectual Ventures*, 2015 WL 3773779, at *2 (denying stay and noting that, *inter alia*, “[b]ecause patent licensing is a core aspect of IV’s business . . . a stay would unduly prejudice and present a clear tactical disadvantage to IV”); *Copy Protection*, 2015 WL 3799363, at *1 (denying stay and recognizing “potential for undue prejudice” despite plaintiff’s “status as a non-practicing entity”); *Pragmatus*, 2015 WL 3799433, at *1 (denying stay in part due to “potential for undue prejudice” for “nonpracticing entity”). Moreover, a stay in this case not only would unfairly prejudice Monterey’s business by negatively impacting its ability to license the Asserted Patents, but also places Monterey at an unfair tactical disadvantage in this litigation by depriving it of its chosen forum and putting it at risk of losing witnesses’ testimony. *Benefit Funding Sys. LLC v. Advance Am., Cash Advance Centers, Inc.*, 2013 WL 3296230, at *2 (D. Del. June 28, 2013) (denying stay because plaintiffs “suffer some prejudice from a stay, due to loss of their chosen forum, the possibility of necessary witnesses’ memories fading, and negative impact on their ability to license the patents-in-suit.”).

This prejudice is particularly unfair because a stay here would remove any incentive for the parties to reach a business solution that resolves their dispute. A firm trial date offers a powerful motivating force for the parties to reach a business solution. *Intellectual Venture*, 2015 WL 3773779, at *1. Yet here, without any motivation to resolve this suit, AMD could continue to

infringe Monterey's patents while refusing to pay for a license. Meanwhile, Monterey would bear the financial consequences. *See, e.g., Cooper Notification, Inc. v. Twitter, Inc.*, 2010 WL 5149351, at *4 (D. Del. Dec. 13, 2010) ("Although Cooper would be entitled to compensation for past infringement if the Court grants a stay and the '428 patent survives reexamination, its right to enforce the patent in the interim would be severely hindered.").

"It is well settled that before a stay may be issued, the petitioner must demonstrate 'a clear case of hardship or inequity,' if there is 'even a fair possibility' that the stay would work damage on another party." *Intellectual Ventures*, 2015 WL 3773779, at *2 (citation omitted). AMD only raises the specter of future litigation costs (D.I. 52 at 9); however, ordinary litigation costs do not impose an undue hardship on the parties of a type sufficient to warrant a stay. *See FMC Corp. v. Summit Argo USA, LLC*, 2014 WL 3703629, at *6 n.10 (D. Del. July 21, 2014); *Cooper*, 2010 WL 5149351, at *1 n.1; *Personalized User Model, L.L.P. v. Google, Inc.*, 2012 WL 5379106, at *2 (D. Del. Oct. 31, 2012). Here, Monterey shoulders all the damage, and AMD falls far short of meeting its burden of justifying a stay.

AMD has now forced Monterey to spend significant time and resources litigating this premature and improper stay motion, a motion unsupported by law or fact. This Court should discourage such filings and deny AMD's motion.

VII. CONCLUSION

AMD's motion to stay this case before the PTO has instituted any IPR seeks an exceptional measure that is disfavored in this District. AMD does not and cannot satisfy the three-factor test for staying this case. Accordingly, AMD's motion should be denied.

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Respectfully submitted,

FARNAN LLP

/s/ Michael J. Farnan

Brian E. Farnan (#4089)
Michael J. Farnan (#5165)
919 North Market Street
12th Floor
Wilmington, DE 19801
(302) 777-0300 (Telephone)
(302) 777-0301 (Facsimile)
bfarnan@farnanlaw.com
mfarnan@farnanlaw.com

Jonas R. McDavit (admitted *pro hac vice*)
Jordan N. Malz (admitted *pro hac vice*)
Edward Geist (admitted *pro hac vice*)
Michael Wueste (admitted *pro hac vice*)
Ryan G. Thorne (admitted *pro hac vice*)
DESMARAIS LLP
230 Park Avenue
New York, NY 10169
Telephone: 212-351-3400
Facsimile: 212-351-3401

*Attorneys for Plaintiff Monterey Research,
LLC*