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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

SECURITY PEOPLE, INC.,
Plaintiff,
v.
OJMAR US, LLC,
Defendant.

Case No. 14-cv-04968-HSG

**ORDER GRANTING MOTION TO
STAY**

Re: Dkt. No. 38

On April 30, 2015, Defendant Ojmar US, LLC (“Ojmar”) filed a motion to stay the case pending completion of *inter partes* review (“IPR”) proceedings. Dkt. 38 (“Mot.”). The Court, in its discretion, finds this matter suitable for resolution without oral argument. *See* Civ. L.R. 7-1(b). For the reasons articulated below, the motion is **GRANTED**.

I. BACKGROUND

A. America Invents Act

By enacting the Leahy-Smith America Invents Act (“AIA”), Congress sought to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs” and “to create a timely, cost-effective alternative to litigation.” 77 Fed. Reg. 48,680-01 (Aug. 14, 2014) (to be codified at 37 C.F.R. § 42.100 *et seq.*). To that end, AIA created the IPR procedure, by which the Patent and Trademark Office’s (“PTO”) Patent Trial and Appeal Board (“PTAB”) may review the patentability of one or more claims in a patent. *See* 35 U.S.C. §§ 311-319. IPR replaces the previous *inter partes* reexamination procedure and converts the process from an examinational to an adjudicative one. *See Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013).

IPR allows any party other than the patent owner to challenge patent validity under 35 U.S.C. § 102 or § 103 “on the basis of prior art consisting of patents or printed publications.” 35

1 U.S.C. § 311(a)-(b). The petitioning party must establish “a reasonable likelihood that the
2 petitioner would prevail with respect to at least [one] of the claims challenged in the petition” in
3 order for the PTO to institute IPR. 35 U.S.C. § 314(a). If the PTO decides to institute IPR, the
4 proceeding is conducted before a panel of three technically-trained Administrative Patent Judges
5 of the PTAB. *See* 35 U.S.C. §§ 6(a)-(c), 316. Following a final determination, the petitioning
6 party is estopped from asserting invalidity during a later civil action “on any ground that the
7 petitioner raised or reasonably could have raised during” the IPR. 35 U.S.C. § 315(e)(2).

8 **B. This Litigation**

9 Plaintiff Security People, Inc. (“SPI”) filed its complaint against Ojmar on November 10,
10 2014, alleging infringement of U.S. Patent No. 6,655,180 (the ’180 Patent). Dkt. No. 1. Ojmar
11 filed its answer and asserted six counterclaims on March 4, 2015. Dkt. No. 21. On March 30,
12 2015, SPI moved to dismiss Ojmar’s first and sixth counter claims and to strike Ojmar’s fourth
13 and fifth affirmative defenses. Dkt. No. 28. Ojmar filed a petition for IPR of the ’180 Patent in
14 late April of 2015, Dkt. No. 39-1, and moved to stay this case pending the outcome of that petition
15 on April 30, 2015, Dkt. No. 38. The PTAB’s decision concerning whether to institute proceedings
16 is expected no later than October 2015. Mot. at 2.

17 This case has just begun. The first Case Management Conference in this action was held
18 on April 1, 2015. Dkt. No. 31. SPI’s served its infringement contentions fourteen days after that
19 date. *See* Pat. L.R. 3-1. Ojmar’s invalidity contentions are due on May 29, 2015. *See id.* at 3-3.
20 The claim construction briefing process is scheduled to begin in mid-June. Dkt. No. 32.

21 **II. DISCUSSION**

22 **A. Legal Standard**

23 “Courts have inherent power to manage their dockets and stay proceedings, including the
24 authority to order a stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v. Quigg*, 849
25 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citations omitted). While courts are “under no obligation to
26 stay proceedings pending parallel litigation in the PTAB, . . . judicial efficiency and the desire to
27 avoid inconsistent results may, after a careful consideration of the relevant factors, counsel in

28 favor of a limited stay, even before the PTAB has acted on a petition for IPR.” *D. L. Lin. Comm.*

1 *Actifio, Inc.*, No. 13-cv-04613-BLF, 2014 WL 6068407, at *2 (N.D. Cal. Nov. 13, 2014). Indeed,
2 some courts in this district have recognized “a liberal policy in favor of granting motions to stay
3 proceedings pending the outcome of USPTO reexamination or reissuance proceedings.”
4 *Pragmatus AV, LLC v. Facebook, Inc.*, No. 11-cv-02168-EJD, 2011 WL 4802958, at *2 (N.D.
5 Cal. Oct. 11, 2011).

6 Courts consider three factors when determining whether to grant a stay pending IPR: “(1)
7 whether discovery is complete and whether a trial date has been set; (2) whether a stay will
8 simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice
9 or present a clear tactical disadvantage to the non-moving party.” *Evolutionary Intelligence, LLC*
10 *v. Facebook, Inc.*, No. 13-cv-04202-SI, 2014 WL 261837, at *1 (N.D. Cal. Jan. 23, 2014). The
11 moving party bears the burden of demonstrating that a stay is appropriate. *Netlist, Inc. v. Smart*
12 *Storage Sys., Inc.*, No. 13-cv-05889-YGR, 2014 WL 4145412, at *1 (N.D. Cal. Aug. 21, 2014).

13 **B. Stage of the Litigation**

14 The first factor the Court considers is whether the litigation is at an early stage. *See AT&T*
15 *Intellectual Property I v. Tivo, Inc.*, 774 F. Supp. 2d 1049, 1052 (N.D. Cal. 2011). Specifically,
16 courts consider “whether discovery is complete and whether a trial date has been set.”
17 *Evolutionary Intelligence*, 2014 WL 261837, at *1. “A stay is particularly appropriate for cases in
18 the initial stages of litigation or in which there has been little discovery.” *Ho Keung Tse v. Apple*
19 *Inc.*, No. C 06-06573 SBA, 2007 WL 2904279, at *2 (N.D. Cal. Oct. 4, 2007)

20 SPI does not dispute that this case is in an early stage. Virtually all the activity in this
21 action (*e.g.*, the filing of the answer and counterclaims, the first case management conference,
22 service of SPI’s infringement contentions) has occurred in the last three months. Courts have
23 found that this factor weighs in favor of a stay even where litigation has progressed substantially
24 further than the instant action. *See Cypress Semiconductor Corp. v. LG Elecs., Inc.*, No. 13-cv-
25 04034-SBA, 2014 WL 5477795, at *2 (N.D. Cal. Oct. 29, 2014) (finding that this factor weighs in
26 favor of a stay where claim construction briefing was complete but “[t]here has been no
27 dispositive motion practice, the claims have not been construed, and no deadlines for completing

28 discovery motion practice or trial have been set.”); *Pragmatus AV, LLC v. Facebook, Inc.*

1 No. 13-cv-01356-EJD, 2014 WL 116340, at *3 (N.D. Cal. Jan. 13, 2014) (finding that this factor
2 weighs in favor of a stay where “a claim construction order has been issued and the close of fact
3 discovery is fast approaching” but “a substantial portion of the work—expert discovery, summary
4 judgment, pre-trial preparation, and trial itself—lies ahead”); *AT&T*, 774 F. Supp. 2d at 1052
5 (finding that this factor weighed in favor of a stay where the parties had not exchanged expert
6 reports, conducted depositions, or filed any dispositive motions, and where claim construction had
7 been fully briefed but no hearing had been held and no trial date had been set).

8 Given the early stage of this litigation, the Court finds that this factor weighs heavily in
9 favor of a stay.

10 **C. Simplification of the Case**

11 The second factor that the Court considers is whether granting a stay could simplify the
12 litigation. “The standard is simplification of the district court case, not complete elimination of it
13 by the PTAB.” *LELO, Inc. v. Standard Innovation (US) Corp.*, No. 13-cv-01393-JD, 2014 WL
14 2879851, at *3 (N.D. Cal. June 24, 2014). Granting a stay pending IPR is “particularly” likely to
15 simplify the case “when a party has obtained PTO review of each of the asserted claims in the
16 patents-in-suit.” *Evolutionary Intelligence*, 2014 WL 261837, at *2.

17 Staying the case pending the outcome of IPR could simplify the case by rendering some or
18 all of Plaintiff’s infringement claims moot, estopping Ojmar from asserting any arguments it
19 raised or reasonably could have raised in the IPR, and providing the Court with PTAB’s expert
20 opinion on the claims at issue. *See Evolutionary Intelligence*, 2014 WL 261837, at *2. Indeed,
21 even if the PTAB decides to institute review and affirms the validity of every asserted claim, the
22 case would still be simplified because “such a strong showing would assist in streamlining the
23 presentation of evidence and benefit the trier of fact by providing the expert opinion of the PTO.”
24 *PersonalWeb Techs.*, 2014 WL 116340, at *4.

25 SPI argues that the motion to stay should be denied because: (1) Ojmar has offered no
26 evidence that the PTAB is likely to institute a proceeding in response to its petition; and (2) Ojmar
27 would have to invalidate all three claims upon which it is alleged to infringe—or, in SPI’s words,

28 “like a grand jury” in order to avoid examining claims. Dist. No. 10 (“Ojmar”) at 2. The Court

1 does not find either argument persuasive.

2 First, “it is not uncommon for [courts] to grant stays pending reexamination prior to the
3 PTO deciding to reexamine the patent.” *Pragmatus AV*, 2011 WL 4802958, at *3 (collecting
4 cases). Either party may file a motion to lift the stay if any part of the petitions for IPR are
5 denied—so “any concern that the motion[] [is] premature is alleviated by the short time frame of
6 the initial stay and the Court’s willingness to reevaluate the stay if *inter partes* review is not
7 instituted for all of the asserted claims.” *Evolutionary Intelligence*, 2014 WL 261837, at *3; *see*
8 *also Roche Molecular Sys., Inc. v. Cepheid*, No. C-14-3228-EDL, 2015 WL 124523, at *4 (N.D.
9 Cal. Jan. 7, 2015) (“The early status of the IPR proceeding does not change this result. Several
10 cases have granted a stay even where, as here, the PTAB has not yet decided whether to institute
11 an IPR.”).

12 Second, and contrary to SPI’s contention, “[a] stay is not contingent upon the
13 reexamination proceeding resolving every claim and issue in this action. Rather, the salient
14 question is whether the reexamination will aid the Court or otherwise streamline the litigation.”
15 *Evolutionary Intelligence*, 2014 WL 261837, at *5 (citation omitted). Of course, if the PTAB
16 cancels all of the asserted claims in the ’180 Patent, this action will be rendered moot. However, a
17 ruling from the PTAB that cancels or narrows only some of the asserted claims may substantially
18 reduce the scope of this action. *See id.*; *AT&T*, 774 F. Supp. 2d at 1053. Even if the PTAB does
19 not invalidate any claims, the PTAB’s claim construction and invalidity analyses “would likely
20 prove helpful to this Court,” whether or not the standard applied is identical to the one this Court
21 must apply in the litigation. *Black Hills Media, LLC v. Pioneer Elecs. (USA) Inc.*, No. 14-cv-
22 00471-SJO, 2014 WL 4638170, at *6 (C.D. Cal. May 8, 2014).

23 The Court finds that this factor also weighs heavily in favor of granting the stay. If
24 instituted, IPR is likely to greatly simplify the case. Were the Court to deny the stay until a
25 decision on institution is made, the parties and the Court would expend significant resources on
26 claim construction proceedings that could eventually be mooted by the IPR decision. The Court
27 finds that staying the case pending the PTO’s decision whether to institute IPR is the most

28 efficient use of resources. *See Brown, III v. T-Mobile*, 2014 WL 116240, at *4 (finding that stay

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