

**UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION**

RAI STRATEGIC HOLDINGS, INC. and  
R.J. REYNOLDS VAPOR COMPANY,

Plaintiffs-Counterclaim  
Defendants,

v.

ALTRIA CLIENT SERVICES LLC; PHILIP  
MORRIS USA INC.; and PHILIP MORRIS  
PRODUCTS S.A.

Defendants-Counterclaim  
Plaintiffs.

Case No. 1:20-cv-00393-LO-TCB

**DEFENDANTS' REPLY IN SUPPORT OF  
MOTION TO LIFT STAY ON COUNTERCLAIM PATENTS**

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. ARGUMENT ..... 4

    A. Defendants’ Motion To Lift The Stay Is Not A Motion For  
    Reconsideration..... 4

    B. A Total Stay Will Not Simplify The Issues For Trial..... 6

    C. The Risk Of Any Overlap In Subject Matter Is Far Outweighed By The  
    Multi-Year Delay Of Defendants’ Near Trial-Ready Counterclaims..... 7

    D. Plaintiffs Fail To Show That They Will Be Prejudiced By Lifting The Stay  
    On The Counterclaim Patents ..... 8

    E. Lifting The Stay Will Not Waste Judicial Resources ..... 9

III. CONCLUSION..... 11

**TABLE OF AUTHORITIES**

**Page(s)**

**CASES**

*Blast Motion, Inc. v. Zepp Labs, Inc.*,  
No. 15-cv-700-JLS-NLS, slip op. (S.D. Cal. Sept. 9, 2016) ..... 6, 7, 9

*Centripetal Networks, Inc. v. Cisco Systems, Inc.*,  
No. 2:18cv94, 2019 WL 8888195 (E.D. Va. Sept. 18, 2019) ..... *passim*

*Hewlett-Packard Co. v. ServiceNow, Inc.*,  
No. 14-cv-570-BLF, 2015 WL 5935368 (N.D. Cal. Oct. 13, 2015) ..... 6, 9, 11

*Life Techs. Corp. v. Illumina, Inc.*,  
No. 09-706-RK, 2010 WL 2348737 (D. Del. June 7, 2010) ..... 9

*Minnieland Private Day Sch., Inc. v. Applied Underwriters Captive Risk Assurance Co.*,  
867 F.3d 449 (4th Cir. 2017) ..... 7

*Novartis AG v. HEC Pharm Co.*,  
183 F. Supp. 3d 560 (D. Del. 2016) ..... 9

*Parity Networks, LLC v. Juniper Networks, Inc.*,  
No. 18-cv-06452-JSW, 2019 WL 8810383 (N.D. Cal. Jul. 3, 2019) ..... 6

*Pentair Water Pool & Spa, Inc. v. Hayward Indus., Inc.*,  
No. 5:11-cv-459-D, 2014 WL 351865 (E.D.N.C. Jan. 31, 2014) ..... 9

## I. INTRODUCTION

The Court's December 2020 ruling on Defendants' motion to stay expressly ordered the parties to report back after the PTAB ruled on Defendants' IPR and Post-Grant Review ("PGR") petitions, so that the Court and the parties could best proceed in this case. Dkts. 426, 432. The parties did just that in their January 19, 2021 Joint Status Report (Dkt. 446), and Defendants' motion to lift the stay is foursquare consistent with the Court's direction that the parties and the Court revisit the posture of the case after any PTAB rulings.<sup>1</sup> What's more, in the interim, the Court set a pretrial conference in this case for April 16, 2021. Dkt. 445. Defendants' motion is thus timely, consistent with the Court's December 2020 ruling, and warranted in light of the Court's scheduled April 16, 2021 Pretrial Conference.

Although Defendants sought a stay as to only Plaintiffs' '542 and '268 patent claims (which are immersed in PTAB proceedings), the Court *sua sponte* stayed the entire case, including as to Defendants' Counterclaim Patents, until the parties reported back on the PTAB's decision on Reynolds' '542 patent. The Court reasoned that the stay of all claims and counterclaims pending the PTAB's January 2021 ruling would have no impact on the current trial track for Defendants' Patent Counterclaims in light of the delays already necessitated by the pandemic.

However, now that the Court and the parties have visibility that the PTAB will proceed to review the invalidity of the '542 patent, circumstances no longer support staying the case as to Defendants' Counterclaim Patents. As Plaintiffs acknowledge, the PTAB will not rule on the '542 patent until early next year. Following the almost inevitable PTAB request for reconsideration and Federal Circuit appeal, the '542 patent PGR proceedings will not be concluded before late

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<sup>1</sup> Defendants proposed to Plaintiffs that the parties address the issue of maintaining the stay in the Joint Status Report, filed January 19th. Plaintiffs refused to address this issue in the joint report, thus necessitating this motion.

2023 or early 2024.<sup>2</sup> If the PTAB reconsiders its preliminary decision denying institution of the '268 patent's IPR, the '268 patent's IPR will not be finally resolved until even later.

Fact and expert discovery are within weeks of completion on Defendants' Counterclaim Patents, and a pretrial conference is set for April 2021. Although the Court expressed a preference for avoiding piecemeal trials if feasible, Defendants respectfully submit that such concern is more than offset by the delay of up to another three years before the trial of Defendants' Counterclaim Patents. This is particularly so because the counterclaims are a few months away from being ready for pretrial and trial now.

This Court's December stay ruling was prudent given the possibility that the '542 PGR might be denied, particularly since the case is already on a delayed schedule due to the pandemic. The total stay kept Plaintiffs' and Defendants' cases on the same track pending the PTAB's January ruling on the '542 patent PGR. However, now that the '542 patent PGR is instituted (and will likely extend nearly three additional years through appeal), a stay of Defendants' nearly trial-ready patent counterclaims is no longer warranted or fair. The pandemic does not compel a different result, as this Court has not routinely stayed cases for the pandemic.

None of Plaintiffs' arguments against partially lifting the stay warrant maintaining the stay against Defendants' Counterclaim Patents.

*First*, Defendants' motion is not a veiled request for reconsideration—nor should it be subject to the standard for reconsideration. The Court-ordered stay has been in place and

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<sup>2</sup> Resolution in the PTAB, including any consideration of rehearing, may take until mid-2022. Assuming briefing and argument to the Federal Circuit, a decision is unlikely before the end of 2023 or Spring 2024. Trial of Defendants' Counterclaim Patents in this Court would thus likely not occur until early to mid-2024, or after, if stayed for the duration of the '542 PTAB proceedings. That trial delay could extend even further if the PTAB ultimately institutes post-grant review as to the '268 patent, currently under reconsideration, and a stay is granted with regard to that patent as well.

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