

## Will My Suit Be Stayed Pending Reexamination In This Venue?

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### I. INTRODUCTION

Choosing a venue is a key consideration when asserting a patent infringement claim. An accused infringer will often challenge the asserted patent's validity. Arguments challenging a patent's validity can be presented as claims in federal court or in a request for reexamination of the patent at the U.S. Patent and Trademark Office ("PTO"). If the request for reexamination is granted by the PTO, then the reexamination will proceed in concurrent proceedings, although the accused infringer is likely to move for a stay of the federal court litigation pending completion of the reexamination. If the stay is granted, the infringement claim may be delayed for several years while reexamination of the asserted patent takes place in the PTO. Therefore, patent-holders should consider whether the court where they plan to file their complaint and the potential judges that would be assigned to the case have a preference for either granting or denying stays of patent cases.

Sixty-six percent of all patents undergoing *inter partes* reexaminations and thirty-one percent of all patents undergoing *ex parte* reexaminations are involved in concurrent litigation.<sup>1</sup> If an accused infringer can obtain a stay of the litigation in federal court pending completion of the reexamination, the accused infringer can dramatically lower costs by challenging the patent claims in the PTO. On the other hand, if an accused infringer is not able to stay the district court action, the requestor will have to bear the increased cost of the reexamination proceedings in addition to the litigation costs.<sup>2</sup>

This article provides an introduction to the *ex parte* and *inter partes* reexamination process. The article next examines the likelihood of a case being stayed pending completion of reexamination in four popular patent litigation districts, the Northern District of California, the Eastern District of Texas, the Eastern District of Virginia, and the District of Delaware, and discusses a few notable decisions from these courts addressing motions to stay pending reexamination.

### II. REEXAMINATION

#### A. *Ex Parte* Reexamination

A request for reexamination at the PTO can be either *ex parte* or *inter partes*. The patent reexamination statute, 35 U.S.C. §§ 301-307, 311-318, provides that anyone at any time may request the PTO to reexamine the validity of an issued patent in light of prior art.<sup>3</sup>

Congress introduced *ex parte* reexamination in 1980, codified in 35 U.S.C. §§ 301-307.<sup>4</sup> *Ex parte* reexaminations permit the requestor to submit prior art challenging the validity of any

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<sup>1</sup> See Inter Partes Reexamination Filing Data (June 30, 2009) available at [http://www.uspto.gov/web/patents/documents/inter\\_partes.pdf](http://www.uspto.gov/web/patents/documents/inter_partes.pdf); Ex Parte Reexamination Filing Data (June 30, 2009) available at [http://www.uspto.gov/web/patents/documents/ex\\_parte.pdf](http://www.uspto.gov/web/patents/documents/ex_parte.pdf).

<sup>2</sup> Similar to *ex parte* reexaminations, once an *inter partes* reexamination proceeding has begun, the third-party requestor and the patent-holder cannot simply "settle" or terminate the *inter partes* reexamination. See MPEP § 2609(F) ("If ordered, a reexamination proceeding will normally be conducted to its conclusion and the issuance of an inter partes reexamination certificate").

<sup>3</sup> 35 U.S.C. §§ 301, 311.

patent.<sup>5</sup> The prior art is limited to “patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent.”<sup>6</sup> The patent examiner then determines whether a “substantial new question of patentability” is raised by the prior art submitted in the initial request for reexamination.<sup>7</sup> If the patent examiner determines that a substantial new question has been presented by the prior art, then she will grant the request, ordering a reexamination of the patent to answer the new question of patentability.<sup>8</sup>

Generally, once the third-party requestor files the request for *ex parte* reexamination, the requestor no longer participates in the reexamination process. If the PTO determines that “a substantial new question of patentability affecting any claim of the patent concerned is raised by the request,” then the reexamination process will proceed exclusively between the patentee and the PTO, similar to the original examination procedure in the patent application process.<sup>9</sup> However, if the PTO determines that the requestor has raised “no substantial new question of patentability,” such decision is final and nonappealable.<sup>10</sup>

*Ex parte* reexamination proceedings are supposed to proceed “with special dispatch.”<sup>11</sup> However, the average pendency of *ex parte* reexaminations is 25.1 months, and the median pendency is 19.5 months.<sup>12</sup>

## B. *Inter Partes* Reexamination

Congress passed in 1999 the American Inventors Protection Act (AIPA) which included provisions permitting *inter partes* reexamination, codified in 35 U.S.C. §§ 311-318. By passing the AIPA, Congress hoped to address concerns about the growing volume of patent litigation in federal district courts by providing an economically attractive alternative to district court litigation. *Inter partes* reexamination offers a more interactive process by which the third-party requestor, the patentee, and the PTO participate in the reexamination.<sup>13</sup> A requestor may submit a request for *inter partes* reexamination of any original patent application filed in the United States on or after November 29, 1999.<sup>14</sup> If the PTO determines that the submitted prior art presents a substantial new question of patentability, then the request for *inter partes* reexamination will be granted.<sup>15</sup> During *inter partes* reexamination, each time the patent examiner assigned to the reexamination issues an office action and the patent owner files a response, the third-party requestor may then file its own response to the office action and the patent owner’s filing.<sup>16</sup>

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<sup>4</sup> Pub. L. 96-517, 94 Stat. 3016, § 1 (1980).

<sup>5</sup> 35 U.S.C. § 302.

<sup>6</sup> *Id.* at § 301.

<sup>7</sup> *Id.* at § 303(a).

<sup>8</sup> *Id.* at § 304.

<sup>9</sup> *Id.* at §§ 303(a), 305.

<sup>10</sup> *Id.* at § 303(c).

<sup>11</sup> *Id.* at § 305.

<sup>12</sup> See *Ex Parte* Reexamination Filing Data (June 30, 2009), available at [http://www.uspto.gov/web/patents/documents/ex\\_parte.pdf](http://www.uspto.gov/web/patents/documents/ex_parte.pdf).

<sup>13</sup> See 35 U.S.C. § 314.

<sup>14</sup> See *id.* at §§ 311-318 Notes (“(Added Pub. L. 106-113, div. B, § 1000(a)(9) [title IV, § 4604(a)], Nov. 29, 1999, 113 Stat. 1536, 1501A-570; amended Pub. L. 107-273, div. C, title III, § 13202(a)(5), (c)(1), Nov. 2, 2002, 116 Stat. 1901, 1902.”); MPEP § 2601 (“The reexamination statute was amended on November 29, 1999 by Public Law 106-113.”).

<sup>15</sup> *Id.* at § 312.

<sup>16</sup> *Id.* at § 314(b).

Similar to *ex parte* reexamination requests, the prior art that can be submitted during *inter partes* reexamination is limited to patents and printed publications.<sup>17</sup> If a party requesting *inter partes* reexamination is unsuccessful in the proceeding, *inter partes* reexamination estoppel will apply. In particular, the requester will be estopped from later asserting in any civil action, or in a subsequent *inter partes* reexamination, “the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the *inter partes* reexamination proceedings.”<sup>18</sup> Importantly, this estoppel provision does not prevent “the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings.”<sup>19</sup>

The *inter partes* reexamination proceedings are supposed to proceed “with special dispatch.”<sup>20</sup> However, the average pendency of *inter partes* reexaminations is 36.1 months, approximately one year longer than *ex parte* reexaminations, and the median pendency is 33.0 months.<sup>21</sup>

### C. Reexamination Requests Becoming More Popular

The number of requests for *inter partes* and *ex parte* reexamination have dramatically increased in recent years. For example, in 2008 a total of 168 requests for *inter partes* reexaminations were filed, and as of June 30, 2009, a total of 195 requests for *inter partes* reexaminations were filed.<sup>22</sup> Thus, at the current rate, the number of *inter partes* reexamination requests filed in 2009 is likely to be more than double the amount of requests for *inter partes* reexaminations filed in 2008. Similarly, third party requests for *ex parte* reexamination have increased from a total of 680 requests in 2008 to 481 requests in just the first six months of 2009.<sup>23</sup> Notably, the PTO granted 95% of all the requests for *inter partes* reexamination and 92% of all the requests for *ex parte* reexamination.<sup>24</sup>

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<sup>17</sup> *Id.* at § 311(a) (“Any third-party requester at any time may file a request for *inter partes* reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301); *id.* at § 301 (“Any person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent.”).

<sup>18</sup> 35 U.S.C. § 315(c) (“A third-party requester whose request for an *inter partes* reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the *inter partes* reexamination proceedings.”); *Id.* at § 317(b) (“Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an *inter partes* reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or *inter partes* reexamination proceeding, and an *inter partes* reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter.”).

<sup>19</sup> *Id.* (“This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings.”).

<sup>20</sup> *Id.* at § 314(c).

<sup>21</sup> See *Inter Partes Reexamination Filing Data (June 30, 2009)* available at [http://www.uspto.gov/web/patents/documents/inter\\_partes.pdf](http://www.uspto.gov/web/patents/documents/inter_partes.pdf).

<sup>22</sup> See *id.*

<sup>23</sup> See *Ex parte Reexamination Filing Data (June 30, 2009)*, available at [http://www.uspto.gov/web/patents/documents/ex\\_parte.pdf](http://www.uspto.gov/web/patents/documents/ex_parte.pdf).

<sup>24</sup> See *id.*

### III. LIKELIHOOD OF OBTAINING A STAY PENDING REEXAMINATION

An accused infringer often prefers to attack the validity of a patent claim by filing a request for reexamination rather than engaging in costly patent litigation in federal court. Yet, if at the same time a patent is being reexamined in the PTO there is also concurrent litigation in federal court, as is the case in two-thirds of *inter partes* reexaminations and in one-third of *ex parte* reexaminations, and the litigation cannot be stayed pending the conclusion of the reexamination proceedings, then reexamination is an added expense.<sup>25</sup> Before filing suit, patent-holders should consider whether judges in the court where they plan to file would be inclined to stay the infringement case. This is especially important given that a patent-holder likely does not want its case delayed for several years pending completion of reexamination proceedings in the PTO.

Either the patent owner or the accused infringer may obtain a stay of district court litigation pending the conclusion of either *ex parte* or *inter partes* reexamination.<sup>26</sup> If the reexamination is *inter partes*, then the statute, 35 U.S.C. § 318, specifically provides that “the patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of the patent which are the subject of the *inter partes* reexamination order, unless the court before which such litigation is pending determines that a stay would not serve the interests of justice.”<sup>27</sup>

Suggesting that a stay of the district court litigation is more likely to be granted if the patent owner, as opposed to the accused infringer, requests the stay, the statute applies only to patent owners, not to accused infringers. The U.S. Court of Appeals for the Federal Circuit recently noted in *Procter & Gamble Co. v. Kraft Food Global, Inc.*, 549 F.3d 842, 849 (Fed. Cir. 2008) that this statute enables a patent owner “to obtain a stay of district court proceedings more readily than it could otherwise when its patent is subjected to *inter partes* reexamination by the PTO.”<sup>28</sup> The court noted that an accused infringer may also move for a stay pending completion of the reexamination proceeding, but such a motion must be based on the court’s inherent power to control its own docket.<sup>29</sup>

In deciding whether to stay the litigation pending reexamination, courts typically consider the following factors: (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving 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.<sup>30</sup> It appears that timing is the most important factor; the earlier the request to stay district court litigation is filed, the better the chance that it will be granted. Of course, different courts and judges vary in their willingness to grant stays pending reexamination, so an accused infringer considering filing a request for reexamination and a motion to stay the litigation should research

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<sup>25</sup> See *id.* (31% of all patents undergoing *ex parte* reexaminations are involved in concurrent litigation); *Inter Partes* Reexamination Filing Data (June 30, 2009) available at [http://www.uspto.gov/web/patents/documents/inter\\_partes.pdf](http://www.uspto.gov/web/patents/documents/inter_partes.pdf) (66% of all patents undergoing *inter partes* reexaminations are involved in concurrent litigation).

<sup>26</sup> See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (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.”) (citing *Landis v. North American Co.*, 299 U.S. 248, 254 (1936) and *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983)).

<sup>27</sup> 35 U.S.C. § 318.

<sup>28</sup> *Procter & Gamble Co. v. Kraft Food Global, Inc.*, 549 F.3d 842, 849 (Fed. Cir. 2008).

<sup>29</sup> *Id.*

<sup>30</sup> See, e.g., *Soverain Software, LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005).

the particular court or judge presiding over the case to determine the likelihood of obtaining a stay.<sup>31</sup>

The debate surrounding the propriety of a stay of litigation pending the conclusion of reexamination was highlighted recently by the Federal Circuit in *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 2008-1306, -1331 (Fed. Cir. Sept. 10, 2009). Judge Timothy B. Dyk, in a concurring opinion, proposed that in view of the pending reexamination proceeding, the district court should stay completion of the litigation.<sup>32</sup> Judge Dyk noted that the validity of the remaining patent claims “on their face are of dubious validity in light of our holding that” other claims are invalid, and stated that “[i]t is entirely possible that the U.S. Patent and Trademark Office will finally conclude that [the remaining claims] are also invalid.”<sup>33</sup>

Judge Pauline Newman wrote separately to respond to this suggestion, stating that “at this stage in this protracted litigation, after full trial and decision in the district court, after full appeal and ruling of the appellate court and with only a modified remedy remaining on remand, [a stay pending conclusion of the reexamination] would be inappropriate.”<sup>34</sup> Judge Newman noted that the litigation began in 2003, the only issue remaining for the court to address was the amount of damages and modification of the injunction, whereas “the reexamination has yet to be finally decided at the PTO, and remains subject to judicial review, on the same issues of validity as have been litigated.”<sup>35</sup> According to Judge Newman, a stay “would entail several years’ additional delay” and “[a] stay of finality, after the issues of validity and infringement have been litigated and decided by the district court and appealed to the Federal Circuit, is a distortion of the role of reexamination.”<sup>36</sup> Judge Newman suggested that if reexamination is “routinely available to delay the judicial resolution of disputes, the procedure is subject to inequity, if not manipulation and abuse, through the delays that are inherent in PTO activity.”<sup>37</sup> Judge Newman wrote “[t]he suggestion that the district court should now stay the proceedings, at this final stage, is contrary to the precepts of expeditious and just resolution of disputes.”<sup>38</sup>

As this case shows, some courts and judges are opposed to granting stays pending reexamination, while others are quite willing to grant such a stay. A patent-holder seeking to enforce its patent rights in court may be able to determine from a judge’s prior decisions, especially if the case is in a popular patent litigation district, whether that judge will be inclined to stay the case pending reexamination.

Surprisingly, no matter where your case is litigated, there is always a decent chance of having the case stayed pending reexamination. There are no districts where such motions to stay are always denied. For example, according to a nationwide report prepared by a LegalMetric of all motions to stay pending reexamination, even in the Eastern District of Texas, 43% of all contested motions to stay pending reexamination are granted.<sup>39</sup> And other popular patent litigation districts have even more favorable success rates.<sup>40</sup>

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<sup>31</sup> See, e.g., LegalMetric Nationwide Report, Motions to Stay Pending Reexamination, February 2009.

<sup>32</sup> *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 2008-1306, -1331 (Fed. Cir. Sept. 10, 2009) (Judge Dyk Concurring).

<sup>33</sup> *Id.*

<sup>34</sup> *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 2008-1306, -1331 (Fed. Cir. Sept. 10, 2009) (Judge Newman Concurring).

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

<sup>38</sup> *Id.*

<sup>39</sup> LegalMetric Nationwide Report, Motions to Stay Pending Reexamination, February 2009.

<sup>40</sup> *Id.* at 7.

## A. Motions To Stay Pending Reexamination In The Northern District Of California

In the Northern District of California, contested motions to stay are granted approximately 50% of the time.<sup>41</sup> The court took on average 1.4 months to issue a decision from the filing of the motion.<sup>42</sup> It appears judges in this district are amenable to granting stays pending reexamination if the motion is made at an early stage in the litigation. The timing of the motion to stay appears to be the most important factor. For example, in *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. 03-1341, Docket No. 881, 8 (N.D. Cal. June 6, 2007), Judge Sandra B. Armstrong denied a motion to stay pending reexamination that was filed after the patents had been litigated at trial. Judge Armstrong stated “[h]ad Fresenius requested a stay at an earlier date, while this case was in a different procedural posture, this Court might have been inclined to grant one. But to allow Fresenius to now derail this litigation would be to sanction the most blatant abuse of the reexamination process.”<sup>43</sup>

In *Yodlee, Inc. v. Ablaise Ltd.*, No. 06-7222 (N.D. Cal. Jan. 15, 2009), the court granted the motion to stay pending *ex parte* reexamination and concurrent litigation. The court again stressed that the case was in its early stages, fact discovery and the Markman process had not begun and no trial date had been set. “[T]he fact that no Markman hearing has occurred simply means that the case is less, rather than more, advanced.”<sup>44</sup> The court found that reexamination would simplify the issues for the court, and because the concurrent case in the District of Columbia was at a more advanced stage, estoppel could affect the case.

By contrast, in *Tokuyama Corp. v. Vision Dynamics, LLC*, No. 08-2781 (N.D. Cal. Oct. 2, 2008), the court denied a motion for a stay pending a request for *ex parte* reexamination even though the case was in its early stages. The court noted that the parties began communicating about the alleged infringement “over a year and a half ago,” the accused infringer who filed the request for reexamination was apparently aware of the prior art references on which it principally relied upon in the reexamination at that time, and it did not request reexamination in the PTO until after the case was filed.<sup>45</sup> The court also noted that the request for reexamination had not been granted by the PTO at the time the motion to stay was filed. Notably, the PTO is supposed to rule on a request for reexamination within three months after the filing of the request.<sup>46</sup> Also, given that the accused infringer alleged antitrust counterclaims, reexamination would not resolve all of the issues in the case. The court noted that although the reexamination was likely to be granted and some claims were likely to be amended or cancelled, “a stay pending reexamination does not simplify the issues and reduce the complexity of the trial in every case.”<sup>47</sup>

The court granted motions to stay pending *ex parte* reexamination in *Nanometrics, Inc. v. Nova Measuring Instruments, Ltd.*, No. 06-2252 (N.D. Cal. Feb. 26, 2007) and *Ho Keung Tse v. Apple Inc.*, No. 06-6573 (N.D. Cal. Oct. 4, 2007), even though the requests for *ex parte* reexamination had not been granted at that time. The court noted that the cases were in the early stages, discovery had just begun, no dispositive motions had been submitted, and no briefing on claim construction had been filed. The court also noted that reexamination would simplify the

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<sup>41</sup> LegalMetric Nationwide Report, Motions to Stay Pending Reexamination, pg. 42.

<sup>42</sup> *Id.*

<sup>43</sup> *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. 03-1341, Docket No. 881, 8 (N.D. Cal. June 6, 2007).

<sup>44</sup> *Yodlee, Inc. v. Ablaise Ltd.*, No. 06-7222 (N.D. Cal. Jan. 15, 2009).

<sup>45</sup> *Tokuyama Corp. v. Vision Dynamics, LLC*, No. 08-2781 (N.D. Cal. Oct. 2, 2008).

<sup>46</sup> 35 U.S.C. §§ 303(a), 312(a).

<sup>47</sup> *Tokuyama Corp.*, No. 08-2781.

issues for the court and that the delay to the litigation caused by reexamination, without more, did not demonstrate undue prejudice to the patent holder.

This court may deny a request to stay a case, even if both parties agree that a stay is appropriate. For example, in *Aircraft Tech. Publishers, Inc. v. Avantext, Inc.*, No. 07-4154 (N.D. Cal. April 28, 2008), the court denied an unopposed motion to stay the case pending *ex parte* reexamination of the three patents-in-suit. The request for reexamination of the patents-in-suit was filed by a defendant in a related case and was granted shortly after the patent-holder, Aircraft Tech., filed suit against Avantext. Aircraft Tech. moved to stay the case shortly after settlement negotiations failed. The Court did not provide reasons for denying the motion to stay in the order or in the minutes of the hearing, but it is possible that the Court was pressuring the parties to settle by refusing to grant the stay. The Court “suggested the parties agree to some form of voluntary dismissal, but they are apparently unwilling to do so.”<sup>48</sup>

## **B. Motions To Stay Pending Reexamination In The Eastern District Of Texas**

In the Eastern District of Texas, contested motions to stay are granted approximately 43% of the time.<sup>49</sup> The court took on average 3.4 months to issue a decision from the filing of the motion.<sup>50</sup> In most cases, it looks like the judge does not stay cases pending reexamination unless the motion to stay is unopposed. However, if the motion is opposed, there may be a chance of obtaining a stay if the case is “in its infancy.”<sup>51</sup> For example, although Judge Ron Clark has denied most motions to stay pending reexamination, especially if the motion was contested, in *Alza Corp. v. Wyeth and Wyeth Pharmaceuticals, Inc.*, C.A. No. 9:06-CV-156 (E.D. Tex. Nov. 21, 2006), he granted the contested motion to stay pending *ex parte* reexamination of the patent-in-suit, explaining that “although a trial date has been proposed to the parties,” the “case is still in its infancy. . . [d]iscovery has not begun . . . [t]he parties have not yet submitted a Rule 26(f) Joint Conference Report. Therefore, this is not a case in which the parties have already invested substantial time and resources in litigation.”<sup>52</sup> Judge Clark noted that “[p]erhaps most importantly, the claim construction process has not begun. None of the parties have proposed claim construction definitions or submitted claim construction briefs . . . .”<sup>53</sup>

Judges in this district have also granted motions to stay on the condition that the party requesting the reexamination waive any defense raised in the reexamination process. For example, in *Lunareye, Inc. v. Webtech Wireless Inc.*, C.A. No. 9:07-CV-114, Docket No. 43 (E.D. Tex. June 19, 2008), the court granted an unopposed motion to stay pending *ex parte* reexamination, conditioned on the stipulation of the following:

“Defendant may not argue invalidity at trial based on one or more prior art printed publications that were submitted by the petitioner in the reexamination proceedings. However, Defendant will be permitted to rely for obviousness on the combination of a printed

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<sup>48</sup> *Aircraft Tech. Publishers, Inc. v. Avantext, Inc.*, No. 07-4154 (N.D. Cal. April 28, 2008).

<sup>49</sup> LegalMetric Nationwide Report, *Motions to Stay Pending Reexamination*, February 2009.

<sup>50</sup> *Id.* at 233.

<sup>51</sup> See *Alza Corp. v. Wyeth and Wyeth Pharmaceuticals, Inc.*, C.A. No. 9:06-CV-156, Docket No. 41 (E.D. Tex. Nov. 21, 2006) (Judge Ron Clark).

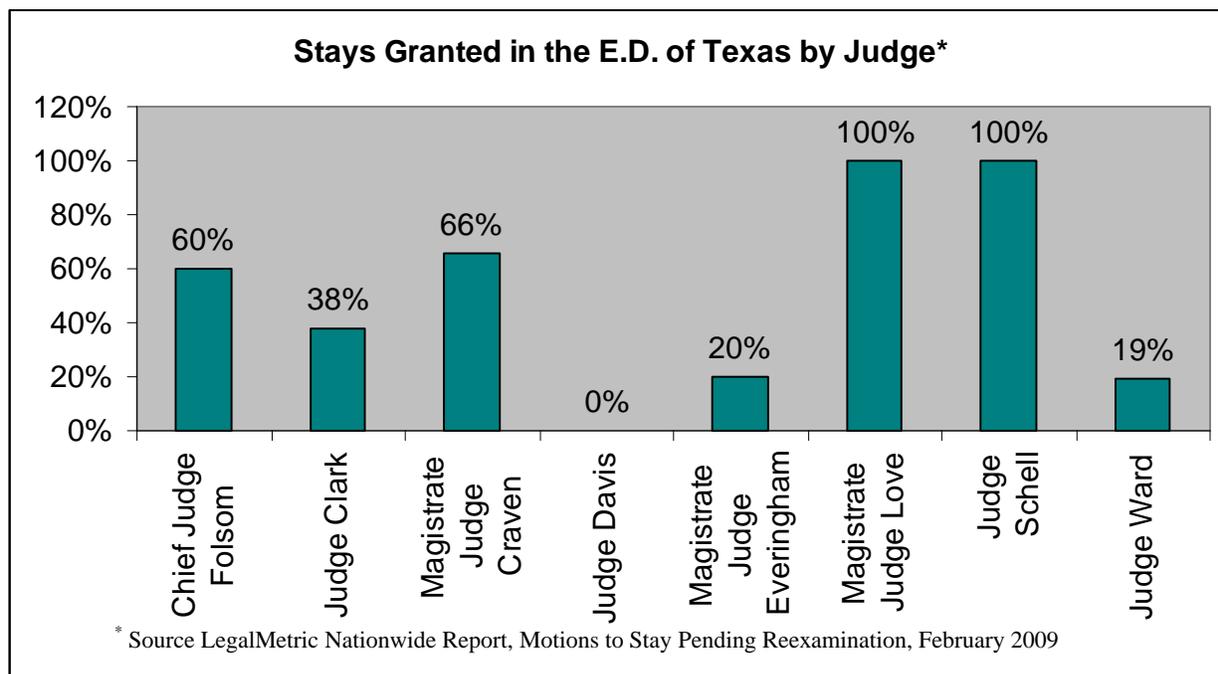
<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

publication reference that was submitted by petitioner in the reexamination with prior art that was not so submitted.”

*Id.*<sup>54</sup> In essence, the court imposed the estoppel provisions that apply to *inter partes* reexaminations as a condition of granting a stay pending *ex parte* reexamination.<sup>55</sup>

As this chart shows, judges in the Eastern District of Texas vary in their willingness to grant stays pending reexamination.



### C. Motions To Stay Pending Reexamination In The Eastern District Of Virginia

Given the Eastern District of Virginia’s reputation as one of the fastest rocket dockets in the federal court system, it is surprising that this district is amenable to granting stays pending reexam. The only cases which were not stayed were cases where the patents had already been litigated at trial or the request for reexamination was still pending before the PTO. In this district, contested motions to stay are granted approximately 60% of the time.<sup>56</sup> The court took on average two months to issue an decision from the filing of the motion.<sup>57</sup>

Chief Judge James Spencer provided a framework for addressing motions to stay when in 2007 he stayed four infringement cases filed by NTP, Inc. pending resolution of reexamination proceedings.<sup>58</sup> Judge Spencer directed courts to consider “whether (1) discovery was complete

<sup>54</sup> See also *Data Treasury Corp. v. Citigroup Inc.*, C.A. No. 9:05-CV-294 (E.D. Tex. Jan. 22, 2007) (Judge David Folsom) (granting unopposed motion to stay pending reexamination based upon same stipulation).

<sup>55</sup> See 35 U.S.C. § 317(b) and 37 C.F.R. § 1.907(b).

<sup>56</sup> LegalMetric Nationwide Report, Motions to Stay Pending Reexamination, February 2009.

<sup>57</sup> *Id.* at 263.

<sup>58</sup> *NTP Inc. v. T-Mobile USA, Inc.*, 2007 U.S. Dist. LEXIS 82063 (E.D. Va. 2007); *NTP Inc. v. Cellco Partnership*, No. 07-cv-0549 (E.D. Va. 2007); *NTP Inc. v. AT&T Mobility, LLC*, No. 07-cv-0550 (E.D. Va. 2007); *NTP Inc. v. Sprint Nextel Corp.*, No. 07-cv-0551 (E.D. Va. 2007).

and a trial date was scheduled; (2) a stay would have simplified the matters at issue; and (3) a stay would have unduly prejudiced or clearly disadvantaged the non-moving party.”<sup>59</sup> Judge Spencer noted that this approach is “consistent with rulings by the Federal Circuit that staying proceedings may be appropriate in order to narrow the scope of the dispute, obtain guidance from the PTO, avoid reaching a result inconsistent with findings by the PTO, or prevent the waste of judicial resources.”<sup>60</sup> Applying that test, Judge Spencer granted the motions to stay the infringement cases filed by NTP, noting that (1) the suits were in their early stages, (2) discovery was not yet complete, (3) NTP’s patents might ultimately be found invalid, precluding NTP from prosecuting its claims, or that the patents might be affirmed in part, clarifying the scope of NTP’s claims, and (4) staying the suit would not irreparably harm NTP, since it could seek damages for any infringement that occurred during the stay.<sup>61</sup>

Prior to instituting this framework, Judge Spencer denied a motion to stay pending reexamination when the litigation was in an advanced stage. In *NTP Inc. v. Research in Motion, Ltd.*, 397 F. Supp. 2d 785 (E.D. Va. 2005), a jury found the patents-in-suit had been infringed.<sup>62</sup> The Federal Circuit affirmed-in-part, reversed-in-part, and vacated-in-part that judgment. The defendant moved to stay the remanded proceedings pending reexamination. The court was not persuaded that the PTO would issue final actions in defendant’s favor “within the next few months,” as the defendant asserted. To the contrary, the court noted “[r]eality and past experience dictate that several years might very well pass from the time when a final office action is issued by the PTO to when the claims are finally and officially ‘confirmed’ after appeals.”<sup>63</sup> The court further noted that “NTP and RIM participated in a lengthy, complex, fair, and fully exhaustive trial process at the end of which a jury of the parties’ peers found that RIM had infringed NTP’s patents-in-suit.”<sup>64</sup> Moreover, the court and the Federal Circuit had already denied similar motions by defendant three times, and “[n]othing had changed that would make the court more inclined to grant RIM’s request.”<sup>65</sup>

Judge Jerome B. Friedman partially granted a motion to stay pending reexaminations of several patents in *MercExchange, LLC v. eBay, Inc.*, 500 F. Supp. 2d 556 (E.D. Va. 2007). This motion was also decided prior to the institution of Judge Spencer’s framework described above. In *MercExchange*, the court stayed proceedings involving patents that had not been challenged at trial but declined to stay proceedings involving the business method patent, the ‘265 patent, because the reexamination was initiated subsequent to trial, the infringement claim had been tried by a jury, and a final damages award was affirmed on appeal. Even though non-final PTO office actions in the reexaminations indicated that all claims of the ‘265 patents were invalid as obvious, the court was “not inclined to stay the post-trial proceedings as doing so would create the incentive for adjudicated infringers to seek to circumvent an otherwise enforceable jury verdict by utilizing an alternate forum.”<sup>66</sup> In another case before Judge Friedman, *MicroStrategy, Inc. v. Business Objects, S.A.*, 331 F. Supp. 2d 432 (E.D. Va. 2004), litigation “of

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<sup>59</sup> *Id.* (citing *NTP, Inc. v. Palm, Inc.*, No. 3:06–CV–836 (E.D. Va. Mar. 22, 2007)).

<sup>60</sup> *Id.* (citing *See MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 563 (E.D. Va. July 27, 2007)).

<sup>61</sup> *See also NTP Inc. v. Palm, Inc.*, 22007 U.S. Dist. LEXIS 97141 (E.D. Va. 2007) (Discovery was far from complete and the Court had yet to establish firm dates for the management of this case. No trial date had been set. The time invested and the resources spent were not so great as to compel this Court’s continuing involvement).

<sup>62</sup> *NTP Inc. v. Research in Motion, Ltd.*, 397 F. Supp. 2d 785 (E.D. Va. 2005).

<sup>63</sup> *Id.* at 788.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *MercExchange, LLC v. eBay, Inc.*, 500 F. Supp. 2d 556, 565 (E.D. Va. 2007).

the patent portion” of the case had been stayed pending reexamination, the PTO concluded that the patents were valid, and the court lifted the stay upon conclusion of the reexamination.<sup>67</sup>

In *Heinz Kettler GMBH & Co. v. Indian Indus.*, 592 F. Supp. 2d 880 (E.D. Va. 2009), the defendant sought a stay pending reexamination. Judge Rebecca Beach Smith denied the motion because the defendant’s request for reexamination was still pending, and as such, “a stay is premature.”<sup>68</sup> The court noted that the defendant could request a stay if the PTO granted its request for reexamination. “Put simply, at this juncture, a stay of this litigation is inappropriate. Should the PTO grant the request for reexamination, defendant may again request a stay of this case pending the conclusion of those proceedings.”<sup>69</sup> Although the case may have been stayed once the reexamination request was granted, it appears the parties settled the case shortly after the motion was denied.

#### **D. Motions To Stay Pending Reexamination In The District Of Delaware**

In the District of Delaware, contested motions to stay are granted approximately 50% of the time.<sup>70</sup> The court took on average 2.8 months to issue a decision from the filing of the motion.<sup>71</sup> One vacancy exists in the District of Delaware and it appears that cases filed in this district are occasionally assigned to a judge from the district courts of New Jersey and Pennsylvania, the other states in the Third Circuit. Notably, Judge Joseph J. Farnan and Judge Sue L. Robinson apparently expressed at a recent conference their reluctance to grant motions for stays pending reexamination.

Chief Judge Gregory M. Sleet in the District of Delaware has granted at least six motions to stay pending reexamination. In *Wall Corp v. Bonddesk*, No. 07-844 GMS (D. Del. February 24, 2009), Judge Sleet granted a motion to stay the case pending *inter partes* reexam, noting that the motion was filed early in the case and “[t]he only factor that weighs against staying the litigation is the delay that might ensue in the reexamination process” and “this delay does not, by itself, amount to undue prejudice.” Judge Sleet also granted stays pending reexamination in *Abbott Diabetes Care, Inc. v. DexCom, Inc.*, No. 06-514 GMS (D. Del. September 30, 2007), *Abbott Diabetes Care, Inc. v. DexCom, Inc.*, No. 05-590 GMS (D. Del. August 16, 2006), *Alloc, Inc. v. Unilin Decor N.V.*, No. 03-253-GMS (D. Del., July 11, 2003), *Pegasus Dev. Corp. v. Directv, Inc.*, No. 00-1020-GMS (D. Del., May 14, 2003), and *Gioiello Enterprises, Ltd. v. Mattel, Inc.*, No. 99-375 GMS (D. Del. Jan. 29, 2001). In each of these cases, the motions to stay were filed early and Judge Sleet found that judicial efficiency would be promoted by granting the stay considering the ability of the PTO to narrow and simplify the issues of the case via the reexamination procedure. Judge Sleet noted that the reexamination process could even dispense with the need for litigating the patents entirely.

By contrast, Judge Joseph J. Farnan denied most motions to stay pending reexamination before him. In *Voith Paper v. Johnson Foils*, No. 07-226-JJF (D. Del. Mar 31, 2008), Judge Farnan denied a motion to stay pending reexamination noting that Johnson Foils had failed to make a showing of a “clear case of hardship or inequity, and it is unlikely the pending reexamination proceedings will do much to simplify the issues that need to be tried in this case.” In *St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp.*, No. 01-557-JJF (D. Del. Jan. 30,

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<sup>67</sup> *MicroStrategy, Inc. v. Business Objects, S.A.*, 331 F. Supp. 2d 432, 434 (E.D. Va. 2004).

<sup>68</sup> *Heinz Kettler GMBH & Co. v. Indian Indus.*, 592 F. Supp. 2d 880, 882 (E.D. Va. 2009).

<sup>69</sup> *Id.*

<sup>70</sup> LegalMetric Nationwide Report, *Motions to Stay Pending Reexamination*, February 2009.

<sup>71</sup> *Id.* at 263.

2003), Judge Farnan denied a motion to stay pending reexamination, concluding “that a delay in the commencement of the February 2003 trial will unduly prejudice” the other party. Judge Farnan also found “that it is unlikely the pending reexamination proceedings will do much to simplify the issues that need to be tried in this case” and “the fact that the instant motion was filed after the close of discovery and weeks before the commencement of the scheduled trial date is persuasive.” Similarly, in *Cognex Corp. v. Nat'l Instruments Corp.*, No. 00-442-JJF (D. Del. Jan. 29, 2001), Judge Farnan denied a motion to stay pending reexamination when the party requesting the stay could not demonstrate a clear case of hardship or inequity, the patentee would be prejudiced if the court were to grant a stay, discovery was scheduled to close, and trial had already been scheduled. However, in *Simplification v. Block Financial*, 593 F. Supp. 2d 700 (D. Del. January 23, 2009), Judge Farnan granted the motion to stay pending reexamination when the motion was filed only about four months after the case began.

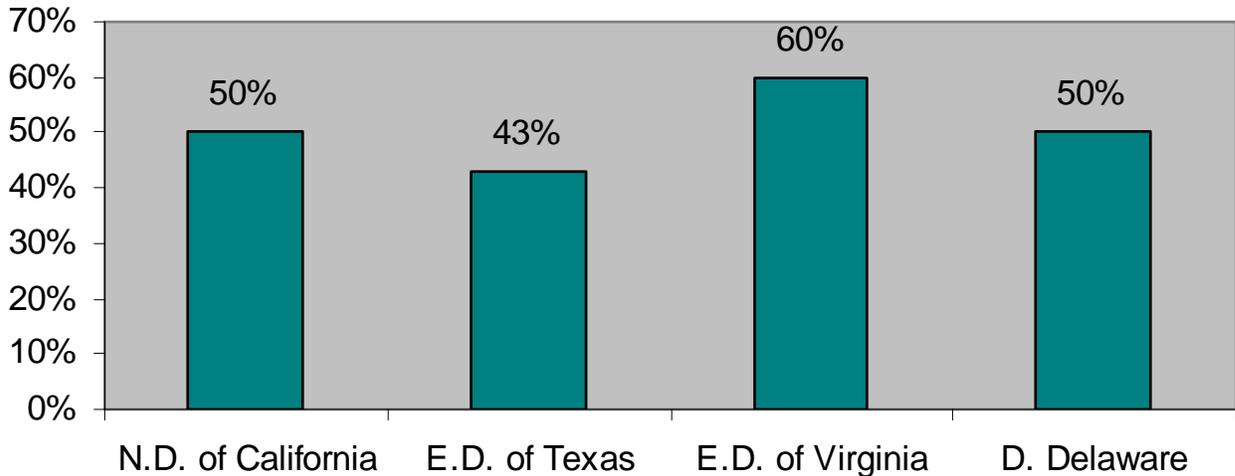
Judge Sue L. Robinson may be inclined to grant a motion to stay pending reexamination, so long as the motion is filed in the early stages of the litigation. For example, in *Rohm & Haas, v. Brotech Corp.*, No. 90-109-SLR (D. Del. March 11, 1992), Judge Robinson granted a motion to stay pending *ex parte* reexamination, finding that the court proceedings had not advanced too far, no pretrial order was in place, and the court had not decided any dispositive motions on the merits. The court noted that the technical expertise to be gained by a PTO decision weighed in favor of deferring to the reexamination procedure. The court also noted that the patent holder's allegations of improper motive were unsubstantiated, particularly in light of the fact that the infringer did not request the reexamination and could not participate in the PTO proceedings. However, in *Callaway Golf Co. v. Acushnet Co.*, No. 06-cv-91-SLR. (D. Del., Nov. 10, 2008) and *Augustine Medical v. Mallinckrodt, Inc.*, No. 01-387-SLR (D. Del., April 9, 2003), Judge Robinson denied motions to stay pending reexamination.

Magistrate Judge Leonard P. Stark denied the motion to stay pending reexamination in *Power Integrations Inc. v. Fairchild Semiconductor International Inc.*, No. 08-309-JJF-LPS (December 19, 2008). The court noted that there had been “lengthy and extensive history of litigation between PI and Fairchild. For approximately four years, PI and Fairchild have litigated infringement and validity issues relating to at least some of the same claims of the '876 and the '851 patents at issue here, resulting injury verdicts and judgments in PI's favor.” The court also noted that “[i]n the course of the other litigation, the '876 and '851 patents were found to be valid.” Although the PTO had issued a final rejection of at least one claim, “the jury findings to the contrary make it unclear whether a stay will ultimately simplify the trial of the instant case.”

#### IV. CONCLUSION

Obtaining a stay is never impossible, but also never a sure bet. The district the case is located in is probably not the best indicator of obtaining a stay because judges within each district take different positions on the propriety of staying a case pending reexamination. As this chart shows, the likelihood of obtaining a stay is comparable in the four popular patent litigation districts that we examined.

## Granted Contested Motions to Stay Pending Reexam\*



\* Source LegalMetric Nationwide Report, Motions to Stay Pending Reexamination, February 2009

The issues that are addressed in deciding motions to stay pending reexamination are generally the same in all cases: how advanced are the proceedings, would a stay unduly prejudice the nonmoving party, will the reexamination results simplify the issues for the court.<sup>72</sup> Given that almost all motions to stay present similar issues and that judges tend to rule on these motions in a consistent manner, either almost always granting or always denying such motions, it is fairly predictable how such a motion would be decided by a specific judge. The ruling on a motion to stay could have significant impact to both parties in regards to the timing and the cost of the litigation. A patent-holder seeking to assert its patent rights in federal court likely does not want its case delayed for several years while reexamination of the asserted patent takes place in the PTO. As such, patent-holders should consider whether judges in the court where they plan to file suit would be inclined to stay the infringement case. In addition, there are obviously many benefits to an accused infringer in obtaining a stay of the litigation pending conclusion of a reexamination. However, if the accused infringer is not able to stay the district court action, the requestor will have to bear the increased cost of the reexamination proceedings in addition to the litigation costs. Therefore, before filing a request for reexamination with the PTO, an accused infringer should research the particular judge presiding over the case to determine whether a motion to stay pending conclusion of the reexamination proceedings is likely to be granted.

<sup>72</sup> See, e.g., *Soverain Software*, 356 F. Supp. 2d at 662.

## **V. ATTORNEY BIOGRAPHIES**

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Andrew J. Gray IV is a partner in Morgan Lewis's Intellectual Property Practice, resident in the Palo Alto office. Mr. Gray's practice focuses on IP litigation, counseling, developing, and helping technology, media, and entertainment companies develop international and domestic intellectual property strategies including prosecution, licensing, and enforcement methods involving patents, trademarks, copyrights, and trade secrets.

Prior to joining Morgan Lewis, Mr. Gray was a partner at Pennie & Edmonds, a leading intellectual property boutique, where he litigated diverse patent, trademark, trade dress, trade secret, copyright, and anticounterfeiting cases on behalf of both plaintiffs and defendants. He has acted as trial counsel before several federal trial and appellate courts throughout the United States, including district courts in California, Colorado, Delaware, the District of Columbia, Florida, Georgia, Idaho, Louisiana, Maryland, Michigan, New Jersey, New Mexico, New York, Ohio, Oklahoma, Tennessee, Texas, Virginia, Washington, and Wisconsin. He has also acted as trial counsel before the U.S. Courts of Appeals for the Fourth, Fifth, Ninth, and Federal Circuits, and the U.S. Supreme Court, among others. Mr. Gray has argued before the U.S. Patent and Trademark Office's Trademark Trial and Appeal Board and the U.S. Court of Appeals for the Federal Circuit. Mr. Gray is also admitted to practice in California, Pennsylvania, Louisiana, the District of Columbia, multiple U.S. District Courts and Courts of Appeals, and the U.S. Supreme Court.

### **B. Michael F. Carr**

Michael F. Carr is an associate in Morgan Lewis's Litigation Practice, resident in the Palo Alto office. Mr. Carr focuses his practice on litigating intellectual property disputes and enforcement methods involving patents and trade secrets. Prior to joining Morgan Lewis, Mr. Carr served as a law clerk to Judge J.P. Stadtmueller of the U.S. District Court for the Eastern District of Wisconsin. Mr. Carr is admitted to practice in California and Wisconsin.