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6 **IN THE UNITED STATES DISTRICT COURT**
7 **FOR THE DISTRICT OF ARIZONA**
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9 ThermoLife International LLC, an Arizona
10 limited liability company,

11 **Plaintiff,**

12 v.

13 Vital Pharmaceuticals Inc., a Florida
14 corporation

15 **Defendant.**

No. CV-11-2469-PHX-GMS

ORDER

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17 Pending before the Court are Defendant's Motion to Dismiss, or in the Alternative,
18 to Stay Pending Patent Reexamination (Doc. 16), and Plaintiff's Motion to Amend Its
19 Complaint (Doc. 20). For the reasons discussed below, Defendant's motion is granted in
20 part and denied in part without prejudice. Plaintiff's motion is denied without prejudice.
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22 **BACKGROUND**

23 Plaintiff ThermoLife International LLC owns U.S. Patent No. 7,777,074 (the "
24 '074 Patent"). The '074 Patent issued on August 17, 2010, and covers certain amino acid
25 compounds placed in dietary supplements used by athletes and others. Plaintiff's
26 supplements are sold nationwide in vitamin and dietary supplement stores and on the
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1 internet. Defendant Vital Pharmaceuticals Inc. d/b/a VPX also sells nutritional
2 supplements. Plaintiff alleges that Defendant has copied products covered by the '074
3 Patent and is falsely advertising Plaintiff's patented compounds as its own and selling
4 them to retailers. Defendant has allegedly been aware that its activities infringe the '074
5 Patent since at least September 2010, when Plaintiff's distributor informed Defendant of
6 the '074 Patent, but continues to engage in the alleged infringement.
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8 On December 17, 2010, a third party filed a request with the U.S. Patent & Trade
9 Office ("PTO") for reexamination of the '074 Patent, which the PTO granted. The
10 reexamination proceedings are still pending before the PTO.
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12 On December 13, 2011, Plaintiff filed its Complaint in this action, bringing claims
13 against Defendant for patent infringement, inducement of patent infringement,
14 contributory patent infringement, and false advertising. Plaintiff seeks royalty and treble
15 damages for its lost sales resulting from Defendant's alleged willful infringement.
16 Plaintiff also seeks the disgorgement of all profits Defendant has made through its
17 alleged infringement of Plaintiff's patent and seeks to enjoin Defendant from "falsely
18 touting itself as the inventor or 'engineer' of the patented technology." (Doc. 1, ¶ 7).
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21 On March 28, 2012, Defendant moved to dismiss Plaintiff's claims for 1) lack of
22 subject matter jurisdiction and 2) failure to state a claim for which relief can be granted.
23 (Doc. 16). Defendant alternatively moved to stay the proceedings pending the PTO's
24 reexamination of the '074 Patent. (*Id.*). Plaintiff, meanwhile, has moved for leave to
25 amend its Complaint to add claims related to its newly-issued U.S. Patent 8,178,572 (the
26 "'572 Patent"). (Doc. 20). Because the Court will grant Defendant's motion to stay this
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1 action pending the final outcome of the PTO’s reexamination proceedings, Defendant’s
2 motion to dismiss and Plaintiff’s motion to amend will be dismissed without prejudice.

3 **DISCUSSION**

4 “[C]ourts have inherent power to stay their proceedings pending the reexamination
5 of a patent.” *Medicis Pharm. Corp. v. Upsher-Smith Laboratories, Inc.*, 486 F. Supp. 2d
6 990, 993 (D. Ariz. 2007) (citing *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342
7 (Fed. Cir. 1983)). Indeed, “there is a liberal policy in favor of granting motions to stay
8 proceedings pending the outcome of USPTO reexamination . . . proceedings.” *Id.*
9 (internal citation and quotation marks omitted). “In determining whether to stay a case
10 pending reexamination, a court must consider the following factors: (1) whether a stay
11 will simplify the issues in question and trial of the case; (2) whether discovery is
12 complete and whether a trial date has been set; and (3) whether a stay would unduly
13 prejudice or present a clear tactical disadvantage to the nonmoving party.” *Id.* at 993–94.

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18 The Court first considers “whether a stay will simplify the issues in question and
19 trial of the case.” *Medicis Pharm.*, 486 F. Supp. 2d at 993. In reexamination proceedings
20 currently before the PTO, a third party has challenged the validity of the ‘074 Patent.
21 (Doc. 16-4 at 130). Not only is the validity of the ‘074 Patent central to the claims in
22 Plaintiff’s existing Complaint, but during the course of the reexamination Plaintiff
23 proposed amendments to the Patent which may affect the Court’s resolution of Plaintiff’s
24 claims. (Doc. 16-4, Ex. A at 1–14). Waiting to proceed with this case until the
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1 completion¹ of the reexamination process will ensure that the proper scope is attributed to
2 the '074 Patent, allow for the proper framing of discovery, and otherwise simplify the
3 issues facing the Court. Plaintiff argues that the stay is unnecessary because the patented
4 compounds at issue “will certainly survive the reexamination process.” (Doc. 18 at 10).
5 Given Plaintiff’s proposed amendments to the '074 Patent, however, until the PTO issues
6 a final determination there remains at least some uncertainty regarding the ultimate scope
7 and/or validity of the Patent.² This factor weighs in favor of granting Defendant’s stay
8 request.
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11 The Court next considers “whether discovery is complete and whether a trial date
12 has been set.” *Medicis Pharm.*, 486 F. Supp. 2d at 993. This action is still in its early
13 states, and there has been no Rule 26(f) conference, entry of a scheduling order, or
14 discovery. Accordingly, as conceded by Plaintiff, this element also weighs in favor of
15 granting Defendant’s stay request. (Doc. 18 at 10 n. 2). *See also Medicis Pharm.*, 486 F.
16 Supp. 2d at 994 (“The fact that this case is still in the early stages and the parties have not
17 yet conducted ‘significant discovery’ or invested ‘substantial expense’ into the litigation
18 weighs in favor of granting a stay.”) (citing *Target Therapeutics, Inc. v. SciMed Life Sys.*,

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23 ¹ Plaintiff also states in its August 7 filing that that the PTO’s latest
24 correspondence “confirmed that the relevant claims of the '074 Patent are patentable.”
25 (Doc. 26 at 2). The correspondence cited to by Plaintiff, however, is entitled “Non-Final
Detailed Action,” (Doc. 26-1 at 3), and Plaintiff acknowledges the reexamination
proceedings have not yet concluded.

26 ² “Claims amended during reexamination are entitled to the date of the original
27 patent if they are without substantive change or are legally ‘identical’ to the claims in the
28 original patent.” *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir.
1989). Here, however, Plaintiffs proposed amendments are arguably material. (*See* Doc.
16-4, Ex. A at 1–14). The reexamination proceedings will likely clarify the scope of these
amendments and help the Court resolve the question of materiality.

1 *Inc.*, 33 U.S.P.Q.2d 2022, 2023 (N.D. Cal. 1995)).

2 Lastly, the Court considers “whether a stay would unduly prejudice or present a
3 clear tactical disadvantage to the nonmoving party.” *Medicis Pharm.*, 486 F. Supp. 2d at
4 993–94. Plaintiff contends that “[g]ranted a stay will allow [Defendant] to continue its
5 willful infringement for, potentially, years while [Plaintiff] awaits the results of its
6 reexamination.” (Doc. 18 at 12). To be sure, courts have sometimes held that a stay
7 would result in undue prejudice where the parties are direct competitors, “a stay prevents
8 [the patent holder] from vindicating [its] patent rights for an extended period of time,”
9 and “the patent holder could lose market share or drop out of the market entirely during
10 that period.” *See, e.g., ADA Solutions, Inc. v. Engineered Plastics, Inc.*, CIV. 10-11512-
11 NMG, 2011 WL 4764329 at *2 (D. Mass. Oct. 7, 2011). In its most recent filing on
12 August 7, 2012, however, Plaintiff stated that the reexamination proceeding “will
13 conclude very shortly (within the next six months).” (Doc. 26 at 2). Moreover, given that
14 a third party—not Defendant—filed the reexamination request, the PTO proceedings
15 themselves are not an attempt by Defendant to delay Plaintiff’s enforcement of its Patent.
16 *See Medicis Pharm.*, 486 F. Supp. 2d at 994–95 (holding that there was no undue
17 prejudice where the reexamination request was not filed with “dilatatory motive or
18 tactics”).

19 In short, all three factors weigh in favor of granting Defendant’s request for a stay.
20 Given that the results of the reexamination proceeding may obviate the need to resolve
21 issues in the Parties’ other pending motions or assist the Court in resolving them, the
22 Court will deny these outstanding motions without prejudice.
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