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5 IN THE UNITED STATES DISTRICT COURT
6 FOR THE NORTHERN DISTRICT OF CALIFORNIA
7

8 WORDTECH SYSTEMS, INC.,

No. C 09-04612 SI

9 Plaintiff,

**ORDER DENYING DEFENDANTS'
MOTION TO STAY PROCEEDINGS
PENDING REEXAMINATION**

10 v.

11 MICROBOARDS MANUFACTURING, LLC,
12 et al.,

13 Defendants.
_____ /

14 Defendants' motion to stay proceedings pending reexamination of the patents-in-suit is currently
15 set for oral argument on April 30, 2010. Pursuant to Civil Local Rule 7-1(b), the Court finds this matter
16 appropriate for resolution without oral argument and hereby VACATES the hearing. Having considered
17 the papers submitted, and for good cause shown, the Court hereby DENIES defendants' motion.
18

19 **BACKGROUND**

20 Plaintiff Wordtech Systems, Inc. is the owner of U.S. Patents No. 6,141,298; 6,532,198;
21 6,822,932; and 7,145,841. Second Amended Complaint ("SAC") ¶¶ 13-18. Plaintiff's patents all relate
22 to a programmable self-operating compact disk duplication system patented by plaintiff's president,
23 David Miller. *Id.* ¶ 17. On September 30, 2009, plaintiff filed a complaint for patent infringement
24 against defendants Microboards Manufacturing LLC, Microboards Technology LLC, and Octave
25 Systems. *Id.* ¶ 21. On January 6, 2010, plaintiff filed its SAC, in which it added two additional
26 defendants, Vinpower, Inc. and Disc Makers, Inc.
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28 In December 2009, Vinpower petitioned the United States Patent and Trademark Office ("PTO")

1 for reexamination of the four patents-in-suit. Vinpower’s petitions were based upon a compact disk
2 duplication device, the ALW-501 device, that was created in 1995 by a third party. *See* Sato Decl. ¶ 2,
3 Pltf. Ex. 12. Since plaintiff’s patents were secured no earlier than October 2000, Vinpower’s petitions
4 sought to challenge the validity of the four patents-in-suit based on the existence of prior art.¹ In
5 February 2010, the PTO granted defendant Vinpower’s request to reexamine the four patents at issue,
6 citing a “substantial new question of patentability” with respect to each patent. *See* Notice of
7 Reexamination Request Status (Docket No. 33).

8 Presently before the Court is defendants’ motion to stay proceedings pending the PTO’s
9 reexamination of the patents-in-suit.

11 LEGAL STANDARD

12 District courts have the discretion to stay proceedings pending the PTO’s consideration of a
13 reexamination petition, although “there is no per se rule that patent cases should be stayed pending
14 reexaminations.” *Esco Corp. v. Berkeley Forge & Tool, Inc.*, No. 09-1635, 2009 WL 3078463, at *2
15 (N.D. Cal. Sep. 28, 2009) (internal quotation marks and citation omitted). Courts look to three factors
16 when considering whether to grant a stay: (1) whether discovery is complete and/or a trial date has been
17 scheduled; (2) whether the stay would simplify matters at issue before the court; and (3) whether the
18 stay would unduly prejudice the non-moving party. *Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d
19 1107, 1111 (N.D. Cal. 2006).

21 DISCUSSION

22 The first issue to be considered in determining whether to grant a stay pending reexamination
23 is whether a substantial amount of discovery has been conducted or the case is otherwise at an advanced
24 stage. *Telemac*, 450 F. Supp. 2d at 1111. In this case, no discovery has been conducted and no trial date
25 has been set. The Court has not even held an initial case management conference with the parties.
26 These facts weigh in favor of granting a stay.

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28 ¹ “Any person at any time may file a request for reexamination by the [USPTO] of any claim of
a patent on the basis of any prior art” 35 U.S.C. § 302.

1 The second and third factors to be considered, however, weigh against granting a stay.
2 Defendants assert that the PTO reexamination process could “narrow[], whittle[] or even completely
3 invalidate[] the patents” in issue in this case, and that a stay will therefore simplify the issues that this
4 Court must decide. Additionally, defendants argue that even if any of plaintiff’s infringement claims
5 survive, the PTO reexamination will clarify the scope of any remaining claims and provide this Court
6 with guidance in understanding the prior art. The Court is not persuaded by defendants’ position.
7 Under governing case law, “A patent is presumed to be valid, and this presumption only can be
8 overcome by clear and convincing evidence to the contrary.” *Enzo Biochem, Inc. v. Gen-Probe Inc.*,
9 424 F.3d 1276, 1281 (Fed. Cir. 2005) (citation omitted). Defendant essentially asks the Court to stay
10 these proceedings on the unsupported presumption that the patents-in-suit will be invalidated.
11 Additionally, as plaintiff points out, this case involves several counterclaims that are outside the scope
12 of reexamination, and in any event the Court may resolve the issues related to the prior art without a
13 ruling from the PTO. Therefore, the Court finds that the potential simplification of issues does not
14 weigh in favor of a stay.

15 Additionally, the Court finds that staying these proceedings pending the PTO’s reexamination
16 would result in undue prejudice to plaintiff. First, plaintiff asserts, and defendant does not deny, that
17 reexamination may take as long as three years. Although the “delay inherent in the reexamination
18 process does not constitute, by itself, undue prejudice,” delay is certainly a factor to be considered. *Esco*
19 *Corp.*, 2009 WL 3078463, at *3. Second, plaintiff asserts that the inability to conduct discovery during
20 reexamination will deprive it of the opportunity to effectively challenge the alleged prior art in the
21 reexamination proceedings, as it could do in defending against defendants’ counterclaims in this Court.
22 The Court agrees that it will be beneficial to all parties to develop the fullest possible record in relation
23 to the claims and counterclaims in this action. Finally, plaintiff argues that defendants have sought
24 reexamination in order to gain a tactical advantage in this litigation. In addition to the discovery-related
25 concerns identified above, the Court notes that although defendants have been aware of plaintiff’s
26 infringement claims since at least August 2008, when plaintiff commenced a prior action in this district
27 for infringement of the same four patents at issue in this case, defendants did not seek reexamination
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1 until December 2009.² Defendants fail to explain this delay.


2 Because a stay will not substantially simplify the issues this Court must decide and would unduly
3 prejudice plaintiff's ability to prosecute this case, the Court DENIES defendants' motion for a stay.

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5 **CONCLUSION**

6 For the foregoing reasons and for good cause shown, the Court hereby DENIES defendants'
7 motion to stay pending reexamination. (Docket No. 37).

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9 **IT IS SO ORDERED.**

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11 Dated: April 22, 2010



SUSAN ILLSTON
United States District Judge

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² Defendant Vinpower, the party that filed the petition for reexamination, was undisputedly involved in the prior action, *Wordtech Systems, Inc. v. Microtech Systems, Inc.*, No. 08-4027 MHP.