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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

MEKIKI CO., LTD and MEKIKI CREATES
CO., LTD.,

Plaintiffs and
Counter-Defendants,

v.

FACEBOOK, INC.,

Defendant and
Counterclaimant.

Case No. 5:10-cv-2721-LHK (HRL)

**FACEBOOK, INC.’S MOTION TO STAY, OR
IN THE ALTERNATIVE, TO BIFURCATE**

Date: April 14, 2011
Time: 1:30 p.m.
Dept: Courtroom 4
Judge: Hon. Lucy H. Koh

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1 **NOTICE OF MOTION AND MOTION**

2 PLEASE TAKE NOTICE that at 1:30 p.m. on April 14, 2011, or as soon thereafter as
3 counsel may be heard, Defendant Facebook, Inc. (“Facebook”) will, and hereby does, move for
4 an order:

- 5 (1) staying proceedings in this matter at least until the issuance of the first Office
6 Action by the U.S. Patent and Trademark Office (“PTO”) in the *Inter Partes*
7 reexamination of U.S. Patents No. 6,879,985, 7,493,342, and 7,496,603; or
8 (2) in the alternative, bifurcating the issues of liability and damages.

9 This motion is supported by the following points and authorities and the evidence on file in this
10 action, including the supporting Declaration of Elizabeth Stameshkin (“Stameshkin Decl.”) filed
11 concurrently herewith.

12 **MEMORANDUM OF POINTS AND AUTHORITIES**

13 **I. INTRODUCTION**

14 Facebook has filed a request for *inter partes* reexamination with respect to each of the
15 three patents-in-suit, which may substantially simplify or outright resolve the issues in this case.
16 No matter the outcome of the reexamination, substantial economies will be gained from a stay. If
17 the reexamination results in the PTO rejecting and canceling the asserted claims, this litigation
18 will end. If the claims are amended in reexamination, or Mekiki makes arguments to the PTO in
19 an attempt to overcome rejections based on the prior art, the Court will have the benefit of a
20 richer and more developed intrinsic record for conducting claim construction.

21 One unique aspect of this litigation is that two of the three patents-in-suit issued from
22 prosecutions in which the claims were never rejected based on prior art, suggesting inadequate
23 original examinations. In light of the fact that this will likely be the first time that the novelty
24 and/or nonobviousness of these claims are thoroughly examined (thanks to the new prior art
25 identified and rejections suggested in the reexamination requests), it is probable that the intrinsic
26 record will be vastly expanded. Thus, a stay is especially proper here, at least to give the PTO
27 time to issue a first office action, at which point the Court and the parties will have a better idea
28 of how to structure the remainder of this case.

1 Mekiki is a foreign company that has no operations or products in the United States that it
2 contends are being injured by Facebook. The parties have not yet engaged in any substantive
3 motion practice, and only limited discovery has taken place. Claim construction proceedings
4 have not occurred and no trial date has been set. All the attendant expenses and judicial resources
5 associated with these and other stages of litigation can be preserved and potentially never used if
6 a stay in this action is timely granted. Thus, a stay at this juncture is in the best interest of the
7 Court and the parties.

8 In the alternative, Facebook respectfully requests that the Court order that discovery and
9 trial on the issues of liability and damages be bifurcated to promote efficiency and conserve the
10 resources of the Court, the parties, and third-parties.

11 **II. STATEMENT OF ISSUES**

12 1. Whether a stay of the case should be granted pending at least the issuance of the
13 first Office Action in the reexaminations of the patents-in-suit.

14 2. In the alternative, whether bifurcation of damages issues for both discovery and
15 trial is warranted.

16 **III. STATEMENT OF FACTS**

17 **A. Procedural History**

18 Mekiki filed this lawsuit on October 7, 2009 in the U.S. District Court for the District of
19 Delaware, accusing Facebook of infringing three patents which collectively include some 64 total
20 claims: U.S. Patent No. 6,879,985 (the “985 patent”), U.S. Patent No. 7,493,342 (the “342
21 patent”), and U.S. Patent No. 7,496,603 (the “603” patent) (collectively, the “patents-in-suit”).
22 Mekiki also intended to add two additional patents to the case. Facebook moved to transfer, and
23 the case was transferred to the Northern District of California on June 7, 2010.

24 Days before the November 5, 2010 scheduling conference with the Court, Mekiki finally
25 put to rest the looming issue of whether or not this case would be expanded to include still more
26 patents and claims by granting a covenant-not-to-sue Facebook as to Mekiki’s other two issued
27 patents, U.S. Patent No. 7,493,345 and 7,707,172. After the scheduling conference, the Court
28 issued a Case Management Order which included a date certain for Mekiki to serve its Disclosure

1 of Asserted Claims and Infringement Contentions. (D.I. 65.) On November 19, 2010, more than
2 a year after the case was brought, Mekiki finally identified, for the first time, the 12 claims it is
3 asserting against Facebook. Facebook served its Invalidity Contentions on January 10, 2011.
4 Claim construction briefing is scheduled to take place in May 2011, and a Further Case
5 Management Conference is scheduled for October 5, 2011. No trial date has been set. (D.I. 65.)

6 **B. Facebook’s Request for *Inter Partes* Reexamination**

7 On February 7, 2011, Facebook filed requests with the PTO seeking *inter partes*
8 reexamination of the patents-in-suit with respect to the asserted claims identified in Mekiki’s
9 November 19, 2010 Disclosure. (*See* Stameshkin Decl. Ex. 1 (reexamination request for the ’342
10 patent); Ex. 2 (same; ’603 patent); Ex. 3 (same; ’985 patent).) These requests rely upon two
11 critical prior art references never before considered by the PTO, and a single previously cited
12 reference presented in a new light and in combination with the new art:

- 13 • U.S. Patent No. 6,269,369 to Brian D. Robertson (“Robertson”);
- 14 • U.S. Patent No. 7,433,832 to Jeffrey P. Bezos, et al.; and
- 15 • U.S. Patent No. 6,175,831 to Andrew P. Weinreich, et al.

16 Facebook’s reexamination requests establish that each of these references anticipate all asserted
17 claims of the ’342 and ’603 patents under 35 U.S.C. § 102(e), that Robertson anticipates all
18 asserted claims of the ’985 patent under § 102(e), and that various combinations of these
19 references render all asserted claims obvious under § 103(a). (Stameshkin Decl., Ex. 1 at 16
20 (identifying substantial new questions of patentability for ’342 patent); Ex. 2 at 16 (same; ’603
21 patent); Ex 3 at 16 (same; ’985 patent).)

22 The statutes governing *inter partes* reexamination proceedings require that they be
23 conducted “with special dispatch.” 35 U.S.C. § 314(c). The PTO must issue an order on
24 Facebook’s requests within three months, 35 U.S.C. § 312(a), but the PTO generally acts sooner
25 and on average issues orders (on average) within 1.8 months. (Stameshkin Decl. Ex. 4
26 (Reexaminations – FY 2011).) The PTO grants 96% of all requests for *inter partes*
27 reexaminations. (Stameshkin Decl. Ex. 7 (*Inter Partes* Reexamination Filing Data – December
28 31, 2010).)

1 In the event the PTO grants a reexamination request, at least one PTO examiner with
2 significant experience in the subject area of the patents in suit will analyze the merits of the
3 unpatentability contentions Facebook has advanced in its applications.¹ Considering the
4 similarities between the asserted Mekiki claims and the new prior art, it is highly likely that the
5 PTO will grant the request and reject the asserted claims. *Accord* M. Smith, *Inter Partes*
6 *Reexamination*, Ed. 1E, § VI.D at 126 (Jan. 31, 2009) (“In almost all cases where the Patent
7 Office finds a substantial new question of validity, it will also reject the claims.”).

8 **IV. ARGUMENT**

9 **A. Courts Apply a “Liberal Policy” of Granting Stays Pending Reexamination**

10 District courts routinely exercise their power to stay infringement actions while the PTO
11 reexamines an asserted patent. *See Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d
12 842, 849 (Fed. Cir. 2008). Indeed, the Northern District has recognized a “liberal policy in favor
13 of granting motions to stay proceedings pending the outcome of USPTO reexamination or
14 reissuance proceedings.” *Graphon Corp. v. Juniper Networks, Inc.*, No. C 10-1412 JSW, 2010
15 WL 3619579, at *1 (N.D. Cal. Sept. 13, 2010) (White, J.) (quoting *ASCII Corp. v. STD Entm’t*
16 *USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994) (Walker, J.)); *Tse v. Apple Inc.*, No. C 06-
17 06573 SBA, 2007 WL 2904279, at *4 (N.D. Cal. Oct. 4, 2007) (Armstrong, J.) (there is an
18 “impressive surfeit of caselaw favoring stays” early in patent cases). This liberal policy is
19 applied “especially in cases that still are in the initial stages of litigation and where there has been
20 little or no discovery.” *Nanometrics, Inc. v. Nova Measuring Instruments, Ltd.*, No. C 06-2252
21 SBA, 2007 WL 627920, at *1 (N.D. Cal. Feb. 26, 2007) (Armstrong, J.).

22 The Northern District has also recognized the efficiency of granting stays, like the one
23 requested here, prior to the PTO's decision on the reexamination request.² *See, e.g., Graphon,*

24
25 ¹ The PTO assigns three examiners, including a supervisory examiner, to work on a
26 reexamination. These three examiners “are selected from the ranks of the PTO examiner corps
27 and have an average of approximately 17 years of examining experience.” (Stameshkin Decl. Ex.
28 5 at 45 (R. Sterne, et al., “Reexamination Practice with Concurrent District Court or USITC
Patent Litigation” (2008)).) The PTO picks examiners who are “most familiar with the claimed
subject matter of the patent.” (Stameshkin Decl. Ex. 6 (MPEP § 2636).)

² In fact, in one case the court stayed the case before the defendant had even formally requested

1 2010 WL 3619579, at *2 (finding it appropriate to stay the litigation prior to the PTO granting
2 reexamination requests); *Akeena Solar, Inc. v. Zep Solar Inc.*, No.09-05040 JSW, 2010 WL
3 1526388, at *2 (N.D. Cal. April 14, 2010) (White, J.) (granting stay based on request, noting that
4 “there is no ‘general prohibition against staying’ an action simply because the PTO has not yet
5 decided whether to order the inter partes reexamination”); *see also ASCII Corp.*, 844 F. Supp. at
6 1381 (staying case even before request was filed, provided request was filed within 30 days).

7 **B. All of the Relevant Factors Favor a Stay in This Case**

8 In determining whether to grant a stay of proceedings pending reexamination, courts
9 consider three factors: (1) whether discovery is complete and a trial date has been set; (2) whether
10 a stay will simplify the issues; and (3) whether a stay would unduly prejudice or present a clear
11 tactical disadvantage to the non-moving party. *See, e.g., In re Cygnus Telecomms. Tech., LLC,*
12 *Patent Litig.*, 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005) (Whyte, J.) (granting motion to stay).
13 Each of these three factors supports staying this action.

14 **1. This Case Is in the Early Stages, and Discovery Has Barely Begun.**

15 Discovery has scarcely begun (and thus is far from complete), and no trial date has even
16 been set. Thus, the first factor strongly supports a stay.

17 This case began on October 7, 2009 when Mekiki filed suit in the District of Delaware—a
18 forum that had no meaningful connection to this case. (D.I. 1.) Facebook's motion to transfer
19 was granted June 7, 2010. (D.I. 37.) This Court then held an initial scheduling conference on
20 November 5, 2010. (D.I. 64.)

21 On November 19, 2010, Mekiki served its infringement contentions asserting only 12
22 claims. That was the first time that Facebook learned which of the 64 claims would be litigated.
23 Facebook promptly filed its request for reexamination targeted at the 12 claims Mekiki had
24 asserted.

25 Minimal written discovery has been exchanged, but no depositions or expert discovery
26 have been scheduled. The parties have begun exchanging lists of claim terms for construction,

27
28 reexamination. The court found that the defendant's stated intention to seek reexamination
provided a sufficient basis to issue a stay order. *See ASCII Corp.*, 844 F. Supp. at 1381.

1 but are still relatively far from submitting *Markman* briefing. No dates have been set for the
2 close of discovery, summary judgment, or trial. (See D.I. 65.). The early stage of this case
3 counsels in favor of granting the requested stay to preserve economies for both the Court and the
4 parties. See, e.g., *Advanced Analogic Techs., Inc. v. Kinetic Techs., Inc.*, No. C-09-1360, 2009
5 WL 4981164, at *2 (N.D. Cal. Dec. 15, 2009) (Chesney, J.) (staying case when “discovery is in
6 its early stages” and “no briefing on the merits of claim construction has occurred”).³

7 2. A Stay Will Simplify the Issues in This Case

8 There can be no question that a stay will simplify the issues in this case.

9 a. The reexamination will simplify and streamline the issues in 10 dispute.

11 “[A]n *inter partes* reexamination can have no other effect but to streamline ongoing
12 litigation.” *Echostar Techs. Corp. v. Tivo, Inc.*, No. 5:05 CV 81 DF, 2006 WL 2501494, at *3
13 (E.D. Tex. July 14, 2006). This is the purpose of the reexamination process: to eliminate or
14 narrow, in a relatively inexpensive way, issues that would otherwise require trial. See, e.g.,
15 *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1341-42 (Fed. Cir. 1983); *Canady v. Erbe*
16 *Elektromedizin GmbH*, 271 F. Supp. 2d 64, 68 (D.D.C. 2002) (“The purpose of the Patent Act is
17 to allow the reexamination of patent validity in an impartial forum at almost 100 times less cost to
18 the parties by people trained to understand the technologies described in the patents.”).

19 Reexamination can affect a claim in three ways: canceling it; modifying it; or approving
20 it. Each of these results necessarily removes issues from the case or simplifies them for the trial
21 court.

22 First, the reexamination could cancel some or all of the patents’ claims, eliminating the
23 need for any action on those claims. In fact, 47% of all *inter partes* reexaminations have ended
24 with all claims canceled or disclaimed. (Stameshkin Decl. Ex. 7 (*Inter Partes* Reexamination
25 Filing Data – December 31, 2010).)

26 ³ Numerous courts have granted stays even when the litigation was far more advanced than it is in
27 this case. See, e.g., *eSoft, Inc. v. Blue Coat Sys., Inc.*, 505 F. Supp. d 784, 788 (D. Colo. 2007)
28 (granting motion to stay after discovery and motions); *01 Communique Lab., Inc. v. Citrix Sys.,*
Inc., No. 06CV0253, 2008 WL 696888, at *2-4 (N.D. Ohio Mar. 12, 2008) (granting stay after
completion of discovery and after seven summary judgment motions filed).

1 Second, the reexamination could result in amendments to one or more of the patent claims
2 (a result which occurs in 43% of *inter partes* reexaminations). (Stameshkin Decl. Ex. 7 (Inter
3 Partes Reexamination Filing Data – December 31, 2010).) This result also effectively removes
4 the amended claims from the suit, as the doctrine of “intervening rights” prevents liability for
5 allegedly infringing activities that took place before the reexamination certificate issued. *See* 35
6 U.S.C. §§ 316(b), 252; *Engineered Data Prods., Inc. v. GBS Corp.*, 506 F. Supp. 2d 461, 467 (D.
7 Colo. 2007).

8 Third, in the 10% of *inter partes* reexaminations where all claims are confirmed, the
9 litigation is similarly streamlined since the third party requester is estopped from relitigating any
10 issue of validity “which the third-party requester raised *or could have raised* during the inter
11 partes reexamination proceedings.” 35 U.S.C. § 315(c) (emphasis added).

12 Finally, reexamination can serve to clarify the scope of any surviving claims. Critically,
13 Mekiki will be bound to positions it takes regarding the scope of its claims. *CVI/Beta Ventures,*
14 *Inc. v. Tura LP*, 112 F.3d 1146, 1158 (Fed. Cir. 1997) (during reexamination, patentee may
15 “commit to a particular meaning for a patent term, which meaning is then binding in litigation”).
16 The Court may also benefit from the PTO's perspective and the expanded prosecution history.
17 *See Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983) (dismissing appeal of
18 stay order, noting that one purpose of reexamination is to provide “the district court with the
19 expert view of the PTO (when a claim survives the reexamination proceeding)”; *In re Cygnus*
20 *Telecomms. Tech., LLC*, 385 F. Supp. 2d at 1024 (reexamination can give court “a richer
21 prosecution history” for claim construction).

22 All of these possible results from reexamination would streamline or simplify this case.

23 **b. A stay will avoid futile litigation and relitigation of issues.**

24 If the reexamination rejects or modifies some or all of the patents' claims, any decisions in
25 this Court finding those claims valid or infringed would become moot. Claim constructions and
26 other orders may similarly be mooted by the reexamination. Litigating the same issues
27 concurrently in both forums will only result in wasted effort.

28 Again, 90% of all *inter partes* reexaminations end in either cancellation or amendment of

1 at least some claims. (Stameshkin Decl. Ex. 7 (*Inter Partes* Reexamination Filing Data –
2 December 31, 2010).) Thus, without a stay, it is highly likely that something (if not everything)
3 that happens in this action will either be moot or will have to be redone after the reexamination.
4 As another court recently ruled, because “92% of patents being reexamined change in some way,”
5 the “Court cannot ignore this possibility” that it will “enabl[e] futile litigation that may have to be
6 repeated if the patent changes.” *Aten Int’l Co. v. Emine Tech. Co.*, No. SACV 09-0843
7 AG(MLGx), 2010 WL 1462110, at *7 (C.D. Cal. April 22, 2010); *see also Slip Track Sys., Inc. v.*
8 *Metal Lite, Inc.*, 159 F.3d 1337, 1341 (Fed. Cir. 1998); *Speedtrack, Inc. v. Wal-Mart.com USA,*
9 *LLC*, No. C 06-7336 PJH, 2009 WL 281932, at *2 (N.D. Cal. Feb. 5, 2009) (“there is a real risk
10 that were a stay not granted, the parties and the court would expend substantial resources and
11 costs in litigating this case through trial with respect to claims that the PTO later finds
12 disallowed”); *Yodlee, Inc. v. Ablaise Ltd.*, C-06-07222 SBA, No. C-06-02451 SBA, C-07-01995
13 SBA, 2009 WL 112857, at *5 (N.D. Cal. Jan. 16, 2009) (stay justified because “[s]tatistically, the
14 odds favor at least some of the asserted claims being cancelled by reexamination”).

15 For these reasons, a stay will allow the Court to avoid futile litigation that could result
16 from allowing both matters to proceed in parallel. This factor thus weighs heavily in favor of
17 staying this case.

18 **C. A Stay Would Not Unduly Prejudice Mekiki**

19 Mekiki will not be unduly prejudiced, so the third factor also favors staying this case. As
20 discussed above, this case is still in the very early stages, so a stay will not prejudice either party.
21 Instead, it will merely stop the parties from having to brief—and the Court from having to
22 decide—claim construction and validity issues that may become moot once the reexaminations
23 conclude. Facebook is also asking the Court to enter a relatively short stay at this point—only
24 until the first Office Action is issued, so that the parties and the Court can assess at that time the
25 proper course for this case to take.

26 Further, monetary damages will be sufficient to compensate Mekiki for any delay here.
27 Mekiki has asserted that it does not practice the patented technology in the United States, and has
28 never claimed that it licenses the patented technology. It has no cognizable claim to non-

1 monetary relief, nor has it moved for any. (*See* D.I. 1.) In the unlikely event that its patents
2 survive the reexamination, Mekiki will be able to seek compensation at trial for any damages it is
3 able to prove.

4 Mekiki will likely claim that reexamination is too late and that its litigation plans will be
5 unduly harmed if this suit is stayed. But this is not the case. The “delay inherent in the
6 reexamination process does not constitute, by itself, undue prejudice.” *Spectros Corp. v. Thermo*
7 *Fisher Scientific, Inc.*, No. 09-1996 SBA, 2010 WL 338093, at *3 (N.D. Cal. Jan. 20, 2010)
8 (Armstrong, J.) (quoting *Esco Corp. v. Berkeley Forge & Tool, Inc.*, No. C 09-1635 SBA, 2009
9 WL 3078463, at *3 (N.D. Cal. Sept. 28, 2009)) (internal quotation marks omitted); *see also*
10 *Advanced Analogic Techs., Inc.*, 2009 WL 498116, at *1; *Akeena Solar, Inc.*, 2010 WL 1526388,
11 at *3 (“While some delay is inevitable, it is necessary to achieve the benefits contemplated by
12 Congress.”). In any case, much of the delay in this case so far is due to Mekiki itself. As
13 discussed above, this litigation was slowed at the start by Mekiki’s insistence on pursuing this
14 case in an inconvenient district, and refusing to identify its asserted claims, or narrow its threats,
15 until just recently.

16 From the filing of this case through June 2010, when the case was transferred to this
17 Court, Mekiki did not identify any asserted claims, and continued to threaten to bring two more
18 patents with 69 additional claims into this case. Finally, on November 1, 2010, Mekiki executed
19 a covenant not to sue Facebook based on the two other patents, removing the possibility of those
20 claims entering this case. (Stameshkin Decl. Ex. 8 (Covenant Not to Sue).) On November 19,
21 2010, Mekiki narrowed the case again when it finally served its infringement contentions,
22 limiting itself to only 12 claims. Only until the scope of the infringement allegations was fixed,
23 and the precise claims asserted, was Facebook able to begin to prepare reexamination requests
24 targeted at the asserted claims.

25 Because staying this case pending reexamination would not unduly prejudice Mekiki, this
26 factor also weighs in favor of a stay.

27
28

1 **V. IN THE ALTERNATIVE, THE COURT SHOULD BIFURCATE INFRINGEMENT LIABILITY AND**
2 **DAMAGES**

3 If the case is not stayed pending reexamination, Facebook requests that the Court order
4 that discovery and trial on the issues of liability and damages be bifurcated.

5 **A. Legal Standard**

6 Rule 42(b) of the Federal Rules of Civil Procedure provides that “[f]or convenience, to
7 avoid prejudice, or to expedite and economize, the court may order a separate trial of one or more
8 separate issues, claims, crossclaims, counterclaims, or third-party claims.” Bifurcation is a matter
9 within the trial court’s discretion. *See Exxon Co. v. Sofec, Inc.*, 54 F.3d 570, 575-76 (9th Cir.
10 1995); *see also Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1212 (Fed. Cir. 1987)
11 (“Under Rule 42(b), a district court has broad discretion in separating issues and claims for trial
12 as part of its wide discretion in trial management.”).

13 Courts have long recognized that patent cases are often strong candidates for bifurcation:

14 [I]n a patent infringement suit considerations exist which suggest
15 that efficient judicial administration would be served by separate
16 trials on the issues of liability and damages. The trial of the
17 damages question in such a suit is often difficult and expensive,
18 while being easily severed from the trial of the questions of validity
19 and infringement of the patent. A preliminary finding on the
20 question of liability may well make unnecessary the damages
21 inquiry, and thus result in substantial saving of time of the Court
22 and counsel and reduction of expense to the parties.

23 *Swofford v. B & W, Inc.*, 34 F.R.D. 15, 19-20 (S.D. Tex. 1963), *aff’d*, 336 F.2d 406 (5th Cir.
24 1964); *McCullough v. Kammerer Corp.*, 331 U.S. 96, 98 n.1 (1947) (bifurcation and interlocutory
25 appeals can avoid the “great burden of expense to litigants” in litigating damages). Courts have
26 extended bifurcation to both trial and discovery. *See, e.g., Pioneer Hi-Bred Int’l, Inc. v. Asgrow*
27 *Seed Co.*, Nos. Civ. 4-98-90577, Civ. 4-98-CV-90578, 2000 WL 33363188, at *3 (S.D. Iowa
28 May 5, 2000).

“Factors to be considered when determining whether to bifurcate a trial include: avoiding
prejudice, separability of the issues, convenience, judicial economy, and reducing risk of
confusion.” *Bates v. United Parcel Serv.*, 204 F.R.D. 440, 448 (N.D. Cal. 2001).

1 **B. Each Factor Supports Bifurcation**

2 **1. Mekiki will not be prejudiced by bifurcation.**

3 Each of the factors strongly supports bifurcation. First, Mekiki will not suffer any
4 prejudice by bifurcation. Mekiki has asserted that it does not practice the patented technology in
5 the United States and has not alleged that it is a competitor of Facebook. If Facebook prevails at
6 the liability stage, the case will be over and litigation efforts devoted to damages and willfulness
7 will have been avoided entirely. Even if Mekiki prevails on liability, Mekiki will suffer no
8 prejudice from any marginal delay in pursuing monetary damages, because it has no cognizable
9 claim to non-monetary relief. Moreover, any delay potentially associated with bifurcation would
10 be dwarfed by the amount of time Mekiki delayed between the issuance of the '985 patent in
11 2005 and the filing of this suit in late 2009.

12 **2. As Congress has recognized, liability issues are separable from**
13 **damages and willfulness.**

14 In a patent infringement suit, liability and damages issues are easily separable.
15 Recognizing the efficiencies gained from separating these issues, Congress enacted 28 U.S.C.
16 § 1292(c)(2), allowing immediate appeals of patent infringement liability decisions that have been
17 bifurcated from damages and willfulness. *See Randall-May Int'l, Inc. v. DEG Music Prods., Inc.*,
18 No. 2009-1367, 2010 WL 1872741, at *3 (Fed. Cir. May 11, 2010); *SRI Int'l, Inc. v. Advanced*
19 *Tech. Labs., Inc.*, 1994 WL 712487, at *1 (Fed. Cir. Dec. 21, 1994) (“The purpose and rationale
20 of § 1292(c)(2)—to permit a district court to stay a damages trial pending the outcome of an
21 appeal on the merits—has been clearly stated by both Congress and the Supreme Court.”); *see*
22 *also In re Calmar, Inc.*, 854 F.2d 461, 464 (Fed. Cir. 1988). Section 1292(c)(2) “seeks to
23 promote judicial economy by sparing the time and expense of determining damages for patent
24 infringement and the losses incurred when recoveries are ultimately denied by reversal of decrees
25 on the merits.” *Randall-May Int'l*, 2010 WL 1872741, at *7 (citing *McCullough*, 331 U.S. at 97,
26 98 n.1 (reciting Congress’ intent in passing the predecessor provision to avoid the “great burden
27 of expense to litigants” in litigating damages)).⁴

28 ⁴ Section 1292(c)(2) is especially beneficial given the relatively high reversal rates at the Federal

1 **3. Bifurcating damages will promote efficiency and conserve the**
2 **resources of the Court, third-parties, and parties.**

3 Bifurcation will promote efficiency and avoid unnecessary expense to third-parties, jurors,
4 and the Court. Litigating damages and willfulness demands vast resources—easily amounting to
5 hundreds of thousands of dollars for each defendant in a typical patent case—that may be
6 streamlined or eliminated entirely by the outcome of the liability analysis. *See Novopharm Ltd. v.*
7 *TorPharm, Inc.*, 181 F.R.D. 308, 310-11 (E.D.N.C. 1998) (granting motion to bifurcate: “Patent
8 cases are often uniquely amenable to bifurcation because of the complex nature of the damages
9 determination and the extensive discovery that is often necessary to prove the nature and extent of
10 those damages.”). Even “if the defendants do not prevail entirely on liability, separate trials will
11 still serve the purpose of Rule 42(b). If the jury finds certain bases of liability absent, then
12 damage theories dependent on those bases, and evidence to support them, will not be presented,
13 thus promoting expediency, economy, and convenience.” *Mag Instrument, Inc. v. J. Baxter*
14 *Brinkmann Int'l Corp.*, 123 F.R.D. 543, 545 (N.D. Tex. 1988).

15 The substantial expenses required to litigate damages and willfulness may be managed
16 most efficiently by bifurcating both trial and discovery. *Pioneer Hi-Bred*, 2000 WL 33363188, at
17 *3 (bifurcating liability from damages and staying damages discovery); *Princeton Biochemicals,*
18 *Inc. v. Beckman Instruments, Inc.*, 180 F.R.D. 254, 260-61 (D.N.J. 1997) (same); *Haworth, Inc. v.*
19 *Herman Miller Inc.*, No. 1:92CV877, 32 U.S.P.Q.2d 1365, 1367, 1993 WL 761974, at *2-3
20 (W.D. Mich. July 19, 1993) (same); *Russell William, Ltd. v. ABC Display & Supply, Inc.*, No. 88-
21 C-265, 1991 WL 42906, at *1 (E.D.N.Y. March 26, 1991) (same); *Slater Elec., Inc v. Indian*
22 *Head, Inc.*, No. 81 Civ. 6101, 223 U.S.P.Q. (BNA) 729, 730-32, 1983 WL 52356 (S.D.N.Y. Oct.
23 24, 1983) (same); *Giro Sport Design Inc. v. Pro-Tec Inc.*, 10 U.S.P.Q.2d 1863, 1866 (N.D. Cal.
24 1989) (same); *see also Lemelson v. Apple Computer, Inc.*, CV-N-92-665-HDM(PHA), 28
25 U.S.P.Q.2d 1412, 1424, 1993 WL 556452 (D. Nev. June 2 and 4, 1993) (ordering stay of

26 Circuit and de novo standard of review for claim construction. (Stameshkin Decl. Ex. 10
27 (Affirmance and Reversal Rates for District Court Patent Infringement Appeals) (Federal Circuit
28 has (1) reversed or vacated in full or (2) affirmed only in part approximately 40-50% of patent
cases from 2000 to 2010).)

1 discovery on damages in multi-defendant case until after resolution of potentially dispositive
2 liability issue).

3 Bifurcation of liability from damages and willfulness for both trial and discovery is
4 particularly appropriate in this case, because Mekiki's overreaching damages discovery is already
5 creating discovery disputes and undue inconvenience. For example, Mekiki seeks discovery of
6 "all" documents relating to (1) "the commercial success AND/OR popularity of ANY feature(s)
7 AND/OR functionality of the website[] www.facebook.com"; (2) "FACEBOOK membership
8 growth due to ANY feature(s) AND/OR functionality"; (3) Facebook's "business plans AND/OR
9 funding plans"; (4) any "potential OR planned initial public offering for FACEBOOK at any
10 time"; and (5) "ANY agreement under which ANY third party has a financial interest in YOUR
11 sales, revenues, OR profits," among many other topics. (Stameshkin Decl. Ex. 9 (Mekiki's
12 Requests for Production of Documents, Nos. 11, 12, 14, 16, 18).) These broad and invasive
13 requests seek extremely sensitive financial information about Facebook and its third party
14 investors. Many of the other requests seek irrelevant information under the guise of "damages"
15 discovery (including the identity of third party investors). Mekiki has also threatened to file a
16 motion to compel production of these broad categories of damages-related documents. Mekiki's
17 insistence on such discovery is not a reasonable use of party and judicial resources considering
18 the early stage of discovery, and weighs in favor of bifurcation. Staying damages discovery until
19 the liability phase of the case is resolved would thus promote judicial and party economy.

20 **4. Bifurcation will reduce the risk of confusion.**

21 Bifurcation at trial would also reduce the risk of juror confusion. As the District of
22 Delaware recently observed, the "burden imposed o[n] the court [and] the burden imposed on a
23 jury in a patent trial is extraordinary," requiring a jury not only to resolve complex technical
24 issues, but also "to understand the commercial complexities of the relevant market (or, even more
25 impenetrable, the commercial complexities of the hypothetical market)." *Robert Bosch LLC v.*
26 *Pylon Mfg. Corp.*, Civ. No. 08-542 SLR, 2009 WL 2742750, at *1 (D. Del. Aug. 26, 2009).⁵

27 _____
28 ⁵ For example, Judge Robinson has "determined that bifurcation is appropriate, if not necessary,
in all but exceptional patent cases." *Robert Bosch*, 2009 WL 2742750, at *1 (noting that, as of

1 Accordingly, many district judges with large patent dockets regularly bifurcate liability from
2 damages and willfulness to prevent juror confusion. *See, e.g., id.; Network Gateway Solutions,*
3 *LLC v. Adtran, Inc.*, No. 09-667, D.I. 81, Rule 16 Scheduling Order at 11, ¶ 18 (D. Del. Jan. 19,
4 2010) (Stameshkin Decl. Ex. 11).

5 The risk of confusion is particularly acute here for several reasons. First, Mekiki has
6 asserted claims from three separate patents. *See AVIA Grp. Int'l, Inc. v. Nike, Inc.*, Civ. No. 91-
7 326-JU, 1991 WL 340569, at *4 (D. Or. Nov. 21, 1991) (bifurcating where five patents were at
8 issue in the case with at least eight allegedly infringing products). Further, Mekiki's broad
9 discovery requests suggest that Mekiki plans to expand their damages arguments to delve into the
10 intricacies of the social networking market and Facebook's "membership growth," "business
11 plans [and] funding plans," any "potential [or] planned initial public offering[s]," and so on,
12 regardless of whether Mekiki's alleged invention is even being used by Facebook or played any
13 role in Facebook's success. (Stameshkin Decl. Ex. 9 (Mekiki's Requests for Production of
14 Documents, Nos. 11, 12, 14, 16).)

15 **VI. CONCLUSION**

16 For the foregoing reasons, Facebook respectfully requests the Court grant this motion and
17 stay proceedings in this matter at least until the PTO has issued its first Office Action in the *inter*
18 *partes* reexaminations of the '985 patent, '342 patent, and '603 patent, or in the alternative, order
19 bifurcation of liability from damages and willfulness for purposes of discovery and trial.

20 Dated: February 8, 2011

COOLEY LLP

21
22
23 /s/ Heidi L. Keefe

Heidi L. Keefe (178960)
Attorneys for Defendant
FACEBOOK, INC.

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25
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27
28 August 2009, Judge Robinson had 89 pending patent cases).

1 **CERTIFICATE OF SERVICE**

2
3 This is to hereby certify that on this 8th day of February, 2011, I caused a true and correct
4 copy of the foregoing **DEFENDANTS' MOTION TO STAY, OR IN THE ALTERNATIVE,**
5 **TO BIFURCATE** to be served via this Court's Electronic Filing ("ECF") System, upon the
6 following:

7
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