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14 UNITED STATES DISTRICT COURT FOR THE  
 15 NORTHERN DISTRICT OF CALIFORNIA  
 16 OAKLAND DIVISION

17 GOOGLE INC.,  
 18  
 Plaintiff,  
 19  
 v.  
 20  
 21 NETLIST, INC.,  
 22  
 Defendant.

Case No. CV08-04144 SBA  
 [Related to Case No: CV09-05718 SBA]

**GOOGLE INC.'S NOTICE OF MOTION  
 AND MOTION TO STAY PENDING  
 REEXAMINATION OF U.S. PATENT NO.  
 7,289,386**

Date: October 26, 2010  
 Time: 1:00 p.m.  
 Place: Courtroom 3  
 Judge: Hon. Sandra Brown Armstrong

**TABLE OF CONTENTS**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
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23  
24  
25  
26  
27  
28

I. INTRODUCTION ..... 1

II. BACKGROUND ..... 1

III. LEGAL STANDARD..... 3

IV. DISCUSSION ..... 5

    A. Substantial Effort Still Needs to Be Expended by the Parties and  
    the Court in the Remaining Portions of the Case..... 5

    B. A Stay Will Simplify the Issues for Trial or Eliminate Trial  
    Altogether..... 5

    C. There is No Substantial Prejudice to Netlist ..... 5

V. CONCLUSION ..... 6

**TABLE OF AUTHORITIES**

<b>CASES</b>	<b>PAGE(S)</b>
<i>Arlington Indus., Inc. v. Bridgeport Fittings, Inc.</i> , 2008 WL 2595106 (M.D. Pa. June 27, 2008) .....	4
<i>ASCII Corp. v. STD Entm't USA, Inc.</i> , 844 F.Supp. 1378 (N.D.Cal.1994) (Walker, J.) .....	4
<i>In re Swanson</i> , 540 F.3d 1368 (Fed. Cir. 2008).....	2
<i>KLATencor Corp. v. Nanometrics, Inc.</i> , No. 05-3116, 2006 WL 708661 (N.D.Cal. Mar. 16, 2006) (White, J.).....	3
<i>Like.com v. Superfish, Inc.</i> , No. 09-5805, 2010 WL 2635763 (N.D. Cal. June 30, 2010) (Armstrong, J.) .....	3, 4, 5
<i>Motson v. Franklin Covey Co.</i> , 03-1067, 2005 WL 3465664 (D.N.J. Dec. 16, 2005).....	4
<i>Nanometrics, Inc. v. Nova Measuring Instruments, Ltd.</i> , No. 06-2252, 2007 WL 627920 (N.D.Cal. Feb. 26, 2007) (Armstrong, J.).....	3
<i>Netjumper Software, LLC v. Google Inc.</i> , 2008 WL 2761022 (E.D. Mich. July 15, 2008) .....	4
<i>Network Appliance, Inc. v. Sun Microsystems, Inc.</i> , 07-06053, 2010 WL 545855 (N.D. Cal. Feb. 11, 2010) .....	5
<i>Ralph Gonnocci Revocable Living Trust v. Three M Tool &amp; Machine, Inc.</i> , 02-74796, 2003 WL 22870902 (E.D. Mich. October 3, 2003).....	4
<i>Robert H. Harris Company, Inc. v. Metal Manufacturing Co., Inc.</i> , 90-179, 1991 WL 217666 (E.D. Ark. June 21, 1991).....	4
<i>Spectros Corp. v. Thermo Fisher Scientific, Inc.</i> , No. 09-1996, 2010 WL 338093 (N.D.Cal. Jan. 20, 2010) (Armstrong, J.) .....	5
<i>Tokuyama Corp. v. Vision Dynamics, LLC</i> , No. 08-2781, 2008 WL 4452118 (N.D. Cal. Oct. 3, 2008) (Armstrong, J.).....	4
<i>Yodlee v. Ablaise</i> , Nos. 06-07222, 06-02451, 2009 WL 112857 at *3 (N.D. Cal. Jan. 16, 2009) (Armstrong, J.) .....	4
 <b>STATUTES</b>	
35 U.S.C. § 271 .....	2
35 U.S.C. § 311 .....	2
35 U.S.C. § 314(c) .....	3

1 35 U.S.C. § 315(c) ..... 2  
2 35 U.S.C. § 317(b) ..... 3  
3  
4 **OTHER AUTHORITIES**  
5 37 C.F.R. § 1.913 ..... 2  
6 L.R. 3-1(a)..... 1

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1 **NOTICE OF MOTION AND MOTION**

2 PLEASE TAKE NOTICE that on October 26, 2010 at 1:00 p.m., or as soon as counsel  
3 may be heard, Plaintiff Google Inc. (“Google”) will, and hereby does, move to stay this case  
4 pending reexamination of U.S. Patent No. 7,289,386. This motion is supported by the following  
5 memorandum of points and authorities, the facts established in this case, the evidence on file, and  
6 the exhibits attached to the *Declaration of Allison Altersohn in Support of Google Inc.’s Motion to*  
7 *Stay Pending Reexamination of U.S. Patent No. 7,289,386.* (“Decl.”). In accordance with the  
8 Court’s Standing Order, Google met and conferred with Netlist before filing this motion and  
9 Netlist refused to stipulate to such motion.

10 **MEMORANDUM OF POINTS AND AUTHORITIES**

11 **I. INTRODUCTION**

12 Google hereby respectfully moves the Court for a stay in this case until the current  
13 reexamination of U.S. Patent No. 7,289,386 in the United States Patent and Trademark Office  
14 (“USPTO”) is concluded. The USPTO recently granted Google’s request for *inter partes*  
15 reexamination, finding substantial new questions of patentability regarding all asserted claims of  
16 the patent-in-suit. These findings by the USPTO confirm many of the invalidity arguments  
17 advanced by Google in the present case. Rather than waste valuable judicial resources in  
18 continuing to pursue this matter in parallel proceedings, Google submits that a stay is appropriate  
19 in this case because it will further the interest of judicial economy, particularly because the  
20 pending reexamination is likely to resolve all issues in the litigation, and because a stay does not  
21 unduly prejudice or present a clear tactical disadvantage to Netlist.

22 **II. BACKGROUND**

23 Google filed this declaratory judgment action against Netlist, Inc. (“Netlist”) on August 29,  
24 2008, claiming non-infringement and invalidity of U.S. Patent No. 7,289,386 (“the ‘386 Patent”).  
25 (See D.I. 1.) Netlist countered with an allegation of infringement of the ‘386 Patent against  
26 Google, and then, on April 13, 2009, Netlist served Google with Defendant’s Amended Disclosure  
27 of Asserted Claims and Infringement Contentions, alleging in its Patent L.R. 3-1(a) statement that  
28

1 “Google is liable under 35 U.S.C. §271 for infringement of Claims 1 and 11 of the ‘386 Patent.”  
2 (See Decl. Ex. 1.)

3 The Court heard arguments on issues of claim construction related to the ‘386 Patent, and  
4 on November 16, 2009, the Court issued its Order construing disputed claim terms in the case.  
5 (D.I. 79.) On November 18, 2009, the Court issued an Order For Pretrial Preparation that governs  
6 the case through trial. (D.I. 81.) The expert reports for each party were exchanged in April 2010.  
7 From these reports it became evident to Google that Netlist was pursuing a reckless course of  
8 demanding considerable purported damages for its alleged inventions. Google simply saw no  
9 available recourse but to continue with its non-infringement, invalidity, and equitable defenses,  
10 and pursue every available defense, including reexamination review by the USPTO. Google  
11 decided to pursue *inter partes* reexamination of the ‘386 Patent in parallel with the present action.

12 On May 11, 2010, a Request for *Inter Partes* Reexamination under 35 U.S.C. § 311 and 37  
13 C.F.R. § 1.913 was submitted to the USPTO with respect to claims 1-12 of the ‘386 Patent. (See  
14 Decl. Ex. 2.) On August 9, 2010, in response to the petition filed on behalf of Google, the USPTO  
15 granted the request, after determining that seven “substantial new question(s) of patentability”  
16 affecting some or all of claims 1-12 of United States Patent Number 7,289,386 are raised by the  
17 request for *inter partes* reexamination. (See Decl. Ex. 3.) Specifically with respect to asserted  
18 claims 1 and 11 in the present case, four of the substantial new questions of patentability affect  
19 claim 1 of the ‘386 Patent, and two of the substantial new questions of patentability affect claim  
20 11 of the ‘386 Patent.

21 The USPTO’s grant of the reexamination for the ‘386 Patent is consistent with the  
22 assertion of invalidity made in the present case, so with this acknowledgement of the substantial  
23 new questions of patentability, the USPTO and the Court will be deciding substantially the same  
24 issues regarding invalidity based on prior art. The only difference is that the USPTO will not  
25 apply the same standard of review as will the Court (i.e., there is no presumption of validity in a  
26 reexamination proceeding.) *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008)). Google will,  
27 however, be bound by the results of the proceeding and will not be allowed to re-argue the cited  
28 prior art references to a Court as a basis for invalidity. (35 U.S.C. § 315(c).)

1 In a desperate attempt to stall the USPTO proceeding and get this case before a jury at any  
2 cost, Netlist recently filed in the USPTO a Petition to Stay *Inter Partes* Reexamination based on a  
3 misapplication of statutory provisions (i.e., 35 U.S.C. §§ 314(c) and 317(b)) combined with  
4 reliance on USPTO decisions that do not support its position.<sup>1</sup> While Google will respond in the  
5 USPTO to Netlist’s new Petition, Google notes that Netlist’s efforts are misplaced and highly  
6 unusual.<sup>2</sup>

7 Accordingly, although the reexamination was filed before, but was not granted until after,  
8 the close of discovery, there is nothing improper with Google pursuing invalidity based on prior  
9 art in both the USPTO and this Court. For the reasons stated herein, Google respectfully submits  
10 that the parallel proceedings should be decided in favor of allowing the USPTO to proceed with its  
11 reexamination before the Court acts on substantially the same evidence.

### 12 **III. LEGAL STANDARD**

13 “A court has discretion to stay a case pending reexamination of a patent in the USPTO.”  
14 *Like.com v. Superfish, Inc.*, No. 09-5805, 2010 WL 2635763 at \*2 (N.D. Cal. June 30, 2010)  
15 (Armstrong, J.) (citing *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988); accord  
16 *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1358 (Fed.Cir.2008)). “[T]here is a liberal policy in  
17 favor of granting motions to stay proceedings pending the outcome of USPTO reexamination,  
18 especially in cases that still are in the initial stages of litigation and where there has been little or  
19 no discovery.” *Nanometrics, Inc. v. Nova Measuring Instruments, Ltd.*, No. 06-2252, 2007 WL  
20 627920, at \*1 (N.D.Cal. Feb. 26, 2007) (Armstrong, J.) (citation omitted); *KLATencor Corp. v.*

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22 <sup>1</sup> Unlike the situation here, the *inter partes* reexaminations in the cases relied on by Netlist in its USPTO Petition  
23 were filed *after* a final resolution (jury verdict or judgment) in the District Court that found the asserted patent claims  
to be not invalid and a decision from the Federal Circuit was imminent.

24 <sup>2</sup> Netlist argues that because the present case is close to trial and on the verge of arguing summary judgment  
25 motions, Google should be precluded from proceeding with its *inter partes* reexamination. However, the statutory  
26 provisions relied upon are directed to staying an *inter partes* reexamination proceeding “[o]nce a final decision has  
27 been entered against a party in a civil action ... that the party has not sustained its burden of proving the invalidity of  
28 any patent claim in suit.” 35 U.S.C § 317(b). There remains much to be done before reaching final resolution in this  
case—including dispositive motions, trial and post-trial motions. The pending summary judgment motions relate to  
non-infringement, fraud, and invalidity based on written description—not invalidity based on prior art, which is the  
subject of the reexamination proceeding. Also, while Netlist had notice of Google’s *inter partes* reexamination soon  
after it was filed in May of this year, it chose to do nothing to try to stay the reexamination proceeding then or  
complain about Google pursuing parallel proceedings.

1 *Nanometrics, Inc.*, No. 05-3116, 2006 WL 708661, at \*2 (N.D.Cal. Mar. 16, 2006) (White, J.);  
2 *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F.Supp. 1378, 1381 (N.D.Cal.1994) (Walker, J.).

3 “In determining whether to grant a stay, a court should consider the following factors: (1)  
4 whether discovery is complete and whether a trial date has been set; (2) whether a stay will  
5 simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice  
6 or present a clear tactical disadvantage to the non-moving party.” *Like.com*, 2010 WL 2635763 at  
7 \*2 (citing *Spectros Corp. v. Thermo Fisher Scientific, Inc.*, No. 09-1996, 2010 WL 338093, at \*2  
8 (N.D.Cal. Jan. 20, 2010) (Armstrong, J.) (citations omitted)).

9 “In fact, many courts have granted stays well beyond discovery's completion, well into  
10 litigation, and very close to trial.” *Yodlee v. Ablaise*, Nos. 06-07222, 06-02451, 07-01995, 2009  
11 WL 112857 at \*3 (N.D. Cal. Jan. 16, 2009) (Armstrong, J.) (citing *eSoft, Inc. v. Blue Coat*  
12 *Systems, Inc.*, 505 F.Supp.2d 784 (D. Colo. 2007)); *Tokuyama Corp. v. Vision Dynamics, LLC*,  
13 No. 08-2781, 2008 WL 4452118 at \*2 (N.D. Cal. Oct. 3, 2008) (Armstrong, J.). Courts have  
14 granted stays pending reexamination four years after initiation of litigation and one week before  
15 the scheduled trial date (*Netjumper Software, LLC v. Google Inc.*, 2008 WL 2761022 (E.D. Mich.  
16 July 15, 2008)); when discovery was complete and summary judgment had been decided (*Motson*  
17 *v. Franklin Covey Co.*, 03-1067, 2005 WL 3465664 (D.N.J. Dec. 16, 2005)); when discovery was  
18 complete and summary judgment motions were pending (*Arlington Indus., Inc. v. Bridgeport*  
19 *Fittings, Inc.*, 2008 WL 2595106 (M.D. Pa. June 27, 2008)); after the parties had submitted  
20 witness lists and summary judgment motions (*Ralph Gonnocci Revocable Living Trust v. Three M*  
21 *Tool & Machine, Inc.*, 02-74796, 2003 WL 22870902 (E.D. Mich. October 3, 2003); and even one  
22 month before the scheduled trial date (*Robert H. Harris Company, Inc. v. Metal Manufacturing*  
23 *Co., Inc.*, 90-179, 1991 WL 217666 (E.D. Ark. June 21, 1991).

24 “[T]o truly simplify the issues ... the outcome of the reexamination must finally resolve all  
25 issues in the litigation.” *Like.com*, 2010 WL 2635763 at \*2 (citing *Yodlee*, 2009 WL 112857 at \*5)  
26 (Armstrong, J.).

1 **IV. DISCUSSION**

2 A stay pending reexamination is appropriate in the instant case. With respect to the three  
3 key factors:

4 **A. Substantial Effort Still Needs to Be Expended by the Parties and the Court in**  
5 **the Remaining Portions of the Case**

6 Although discovery is complete and the parties have briefed dispositive motions,  
7 “considerable resources will still need to be expended by the parties and the Court” in completing  
8 the remaining portions of the case. *Network Appliance, Inc. v. Sun Microsystems, Inc.*, 07-06053,  
9 2010 WL 545855 at \*3 (N.D. Cal. Feb. 11, 2010). The Court has yet to consider the dispositive  
10 motions, the Pretrial Order has not yet been prepared, and the trial is several months away.

11 **B. A Stay Will Simplify the Issues for Trial or Eliminate Trial Altogether**

12 The stay will simplify the issues in question because the Patent Office will review the  
13 patentability of asserted claims 1 and 11 along with the other claims under scrutiny, and there is a  
14 high likelihood the claims will be cancelled or changed during reexamination. According to the  
15 USPTO’s *Inter Partes* Reexamination Filing Data as of June 30, 2010, only 5% of the time are all  
16 claims in such a reexamination proceeding confirmed. (*See Ex 4.*) Based on the same USPTO  
17 data, all claims involved in such a reexamination are cancelled 60% of the time, and there are  
18 changes to the claims in the other 35% of the time. (*See id.*)

19 Reexamination of the ‘386 Patent may therefore, and in fact, is likely to result in a change  
20 of claim language that may preclude Netlist from alleging infringement – or the elimination of  
21 claims 1 and 11 altogether. Google seeks to have the asserted claims of the ‘386 Patent declared  
22 invalid. (D.I. 1). Netlist alleges infringement of only claims 1 and 11. (*See Decl. Ex. 1.*) “If the  
23 PTO concludes upon reexamination that the [‘386 Patent] is invalid, the case will be resolved.”  
24 *Like.com*, 2010 WL 2635763 at \*2. This factor weighs in favor of a stay.

25 **C. There is No Substantial Prejudice to Netlist**

26 There is no prejudice to any party in staying the case until the reexamination proceedings  
27 conclude. “[C]ourts have found that “ ‘delay inherent in the reexamination process does not  
28 constitute, by itself, undue prejudice.’ ” *Spectros Corp. v. Thermo Fisher Scientific, Inc.*, 2010 WL

1 338093 at \*3 (N.D. Cal. Jan. 20, 2010) (Armstrong, J.) (quoting *Esco Corp. v. Berkeley Forge &*  
2 *Tool, Inc.*, 2009 WL 3078463 at \*3 (N.D.Cal., Sept. 28, 2009) (citations omitted) (Armstrong, J.)).  
3 Netlist is seeking monetary damages in the case and is not a competitor of Google in any  
4 legitimate sense. Google is a consumer of memory components, and does not manufacture or sell  
5 any memory modules in the United States or anywhere else. The technology at issue in the  
6 litigation – Quad Rank FB DIMM memory modules have lost favor with the market and have  
7 been supplanted in terms of new installations with better alternatives. This case is not about  
8 Netlist securing a significant market share or being disadvantaged in any way in the market. This  
9 case is all about money. Netlist cannot claim that a delay caused by a USPTO granted  
10 reexamination should trump allowing the USPTO to do its job, or should require this Court to  
11 decide substantially identical issues to those now before the USPTO.

12         The likelihood of the reexamination resulting in changes to the claim language of the  
13 asserted claims is undeniable based on the published USPTO statistics. The proceeding is an  
14 administrative proceeding conducted before the USPTO that is focused on invalidity based on  
15 prior art rather than a litigation before a U.S. District Court. Both the patent owner, Netlist, and  
16 the patent challenger, Google, will provide evidence and argument. Google will be bound by the  
17 decision, and cannot rely upon the same asserted prior art in a later proceeding.

18         Should the claims change, it is highly probable that the likelihood of non-infringement will  
19 increase. If the USPTO refuses to allow the claims in view of the new prior art that was not before  
20 the Office during the prosecution of the ‘386 Patent, then the patent claims will be invalidated and  
21 there will be no case for Netlist to assert.

22         The significant factors favor a stay. The only factor that offers any solace to Netlist is the  
23 fact that discovery is complete and the trial date is set. However, trial is still more than two  
24 months away. Significant work remains that could properly be avoided for both parties and  
25 especially for the Court.

26 **V. CONCLUSION**

27         For at least the foregoing reasons, Google respectfully requests that the Court grant a stay  
28 of this action until the conclusion of the reexamination proceedings for the ‘386 Patent.

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DATED: August 26, 2010

**KING & SPALDING LLP**

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