

1 ABBOTT LABORATORIES, INC., and)
 2 ABBOTT CARDIOVASCULAR SYSTEMS,)
 3 INC.,)
 4 Plaintiffs,)
 5 v.)
 6 MEDTRONIC, INC. and MEDTRONIC) No. C-08-4962-DLJ
 7 VASCULAR, INC.,)
 8 Defendants.)
 9)

10 In January 2009, the defendants filed a Motion to Stay
 11 Proceedings Pending PTO Review of Patent Term Extension Application.
 12 This Court held a hearing on the matter on March 12, 2009. Robert
 13 Van Nest, Ashok Ramani, and James Elacqua appeared for the Medtronic
 14 defendants. David Headrick, Lily Lim and Scott McBride appeared for
 15 the Abbott plaintiffs. Having considered the arguments of counsel,
 16 the papers submitted, the applicable law, and the record in this
 17 case, the Court hereby grants defendants' request for a stay.

18
 19 I. Background

20 ACS and Medtronic are companies engaged in developing,
 21 manufacturing, promoting, and selling medical devices, including
 22 catheters used in percutaneous transluminal coronary angioplasty
 23 (PTCA). Over the years they have been involved in multiple complex
 24 patent infringement suits involving their products. Abbott
 25 Laboratories is the successor in interest to ACS on the Yock patent,
 26 which is at the center of the dispute in this case.

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 28 On May 17, 2000 in case No. 95-3577 DLJ, this Court entered an
 injunction against Medtronic from infringing claim 3 of the Yock

1 patent, U.S Patent No. 5,451,233 ('233). The term of the patent ran
2 until October 29, 2008. The expiration provision of the injunction
3 stated that the injunction would stay in effect "until October 29,
4 2008 or other legal expiration of the patent."

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6 On July 25, 2008, Yock filed an application for extension of
7 the term of the '233 patent with the Patent and Trademark Office
8 (PTO) pursuant to the Hatch-Waxman Act, as codified in 35 U.S.C §
9 156. This section provides for an additional period of patent
10 protection for the time the patent holder was precluded from
11 benefitting from the patent during its term because a medical device
12 using the patent was pending FDA approval. The Abbott application
13 was based upon the time spent by the FDA in regulatory review of
14 Abbott's Xience™ EECSS (Everolimus Eluting Coronary Stent System)
15 prior to its Pre-market Approval on July 2, 2008. The Yock patent
16 covers a component part of the Xience device, the delivery system
17 used by the device.

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19 Abbott was granted an interim extension by the PTO to be valid
20 until October 29, 2009 (although this interim extension could be
21 affected by final action by the PTO on the extension application
22 proper). By Order of October 21, 2009 this Court dissolved the
23 injunction in case No. 95-3577 DLJ. Medtronic then began sale of
24 its competing PTCA product, the Endeavor. This action followed. The
25 Medtronic defendants have filed for a stay of these proceedings,
26 citing the fact that the PTO process for extension of the Yock
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1 patent is ongoing. From the state of the record, the PTO extension
2 review process appears to be proceeding apace, and the plaintiffs
3 stated at the hearing that the PTO may make a final decision on the
4 extension application as soon as six months from now.

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6 II. Legal Standard

7 A court has inherent authority to stay proceedings, for the
8 power to stay "is incidental to the power inherent in every court to
9 control the disposition of the causes on its docket with economy of
10 time and effort for itself, for counsel, and for litigants." Landis
11 v. N. Am. Co., 299 U.S. 248, 254 (1936); Filtrol Corp. v. Kelleher,
12 467 F.2d 242, 244 (9th Cir. 1972). In exercising its discretion to
13 stay an action, courts often consider: (1) the judicial resources
14 that will be saved by avoiding duplicative litigation; (2) the
15 hardship and inequity to the moving party if the action is not
16 stayed; and (3) the potential prejudice to the non-moving party.
17 Negotiated Data Solutions, LLC v. Dell Inc., No. 03-05755, 2008 U.S.
18 Dist. LEXIS 77229, at *3-4 (N.D. Cal. Sept. 16, 2008).

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20 II. Discussion

21 Before even reaching the merits of the action, however, Abbott
22 argues that Medtronic is judicially estopped by its behavior in the
23 prior lawsuit from requesting a stay of proceedings in the current
24 suit.

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26 A. Is Medtronic Estopped from Arguing for a Stay?

27 "Judicial estoppel is an equitable doctrine that precludes a
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1 party from gaining an advantage by asserting one position, and then
2 later seeking an advantage by taking a clearly inconsistent
3 position." Hamilton v. State Farm Fire & Cas. Co., 270 F.3d 778,
4 782 (9th Cir 2001). In order to find judicial estoppel, the court
5 must find that (1) a party's later position is "clearly
6 inconsistent" with its earlier position; (2) the party succeeded in
7 persuading the court to the accept the earlier position; and (3) the
8 party would derive an unfair advantage on the opposing party if not
9 estopped. New Hampshire v. Maine, 532 U.S. 742, 750-51 (2001).

11 The basis for Abbott's argument is that in the prior
12 litigation, Medtronic admitted that even if the Court dissolved the
13 injunction, Abbott could still sue Medtronic for infringement.
14 Abbott characterizes this admission by Medtronic as Medtronic
15 agreeing that the new suit could "proceed", which Abbott then
16 interprets as meaning "proceed with no opposition" from Medtronic.
17 Review of the record does not support such an interpretation. See
18 10/3/08 transcript at 13:4-20 where counsel for defendant Medtronic
19 states "we understand that we will have to compensate [plaintiffs]
20 also if Yock is properly extended. We accept that burden" and "if
21 they want to sue us for infringement or seek a preliminary
22 injunction, they can do that."

25 While Medtronic did concede that Abbott could bring a new suit,
26 and in such a suit might even seek a preliminary injunction, at no
27 point did Medtronic state that it would not defend itself in such a
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1 suit. Medtronic's positions are not "clearly inconsistent."

2 Nor is Abbott correct in its argument that the Court relied on
3 these representations in making its prior Order. While the Court
4 discussed a potential future suit with the parties, the availability
5 of a new lawsuit, and any particular party's position in a putative
6 future suit, the Court did not ground its Order on those
7 circumstances.
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9 B. The Merits of the Stay Request

10 The specific factual and legal scenario before the Court
11 appears to be one of first impression. The parties have not
12 presented to the Court, nor is the Court aware of any other
13 infringement action brought by a patent holder during a section 156
14 interim extension of the patent term. In order to determine the
15 appropriateness of staying the suit, the Court looks to the factors
16 of judicial economy and prejudice.
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18 1. Conservation of Judicial Resources

19 The parties do not agree as to whether a stay will conserve
20 resources. Medtronic argues that granting a stay and awaiting a
21 decision by the PTO on whether the Yock patent is eligible for
22 extension will promote the efficient and fair litigation of this
23 action. Underlying Medtronic's argument is the circumstance that
24 the PTO has the power to decide that extension of the Yock patent is
25 not warranted and to declare the existing extension status as void
26 *ab initio*. Abbott argues that the record to date suggests a
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1 conclusion that the PTO will ultimately grant an extension. But
2 that is by no means certain. As the Court has noted in its previous
3 Order, there are powerful arguments in support of a contrary
4 conclusion. At this point in the litigation the Court will conclude
5 that this is an open question.
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7 It is clear, however, that the PTO does have administrative
8 authority to determine whether this patent is eligible for
9 extension. See 35 U.S.C. §156. Medtronic argues that the Court
10 should not have to rule on the merits of the extension application
11 before the PTO and FDA have had an opportunity to complete their
12 review. As support for their proposition they cite to a number of
13 patent re-examination cases where courts have granted stays pending
14 PTO determinations. In cases where a patent is undergoing re-
15 examination, courts in this District have frequently stayed
16 proceedings to permit the PTO to conclude its re-examination. See
17 Sorensen v. Digital Networks N. Am. Inc., No. C 07-05568-JSW, 2008
18 WL 152179 (N.D. Cal. Jan. 16, 2008) (White, J.) (granting motion to
19 stay during patent reexamination proceedings); Tse v. Apple Inc.,
20 No. C 06-06573-SBA, 2007 WL 2904279 (N.D. Cal. Oct. 4, 2007)
21 (Armstrong, J.); Ricoh Co. v. Aeroflex Inc., No. C 03-04669-MJJ,
22 2006 WL 3708069 (N.D. Cal. Dec. 14, 2006) (Jenkins, J.); In re
23 Cygnus Telecomm. Tech. LLC, 385 F. Supp. 2d 1022 (N.D. Cal. 2005)
24 (Whyte, J.); ASCII Corp. v. STD Entm't USA, Inc., 844 F. Supp. 1378
25 (N.D. Cal. 1994) (Walker, J.). See also Negotiated Data Solutions,
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1 LLC v. Dell Inc, 2008 WL 4279556 (N.D.Cal.,2008)(Fogel, J.) ("A
2 stay may be the most efficient and fairest course when there are
3 'independent proceedings which bear upon the case.'").

4 Abbott contests the applicability of re-examination cases since
5 the historical data indicates that a patent undergoing re-
6 examination is more likely than not to change in some way, which
7 would be grounds to justify a stay. In contrast here, Abbott
8 argues, the PTO is less likely to change the current posture of the
9 case. As the Court has already noted, this is by no means certain
10 in this case, and in any event, the rationale underlying the common
11 decisions by courts to grant stays in re-examination cases is
12 applicable in this case as well. In both re-examination cases and
13 in the current case there is a risk of inconsistent outcomes when
14 there are two parallel proceedings looking at the same issue --
15 whether the '233 patent is eligible for extension. Staying the
16 proceedings in this action will allow the administrative review
17 process to run its course prior to conducting any parallel
18 proceedings in this Court. If the PTO determines that the Yock
19 patent is not eligible for extension, there is the real possibility
20 that the interim extension could be declared void *ab initio*, mooting
21 out the case. If the extension were granted, a concrete
22 administrative determination would then serve as the basis for the
23 parties' dispute in this Court. The Court believes that the factor
24 of judicial economy weighs in favor of granting the stay.

1 2. Prejudice to the Parties

2 Abbott argues that it would be prejudiced if the stay were
3 granted in that it thereby would be prevented from seeking a
4 preliminary injunction, effectively nullifying its patent extension.
5 Medtronic counters that Abbott will not suffer any prejudice from
6 the proposed stay as Abbott would be able to recover monetary
7 damages for the sale of any infringing products during the stay. It
8 is correct that a stay would prevent Abbott from seeking a
9 preliminary injunction. But such injunctions are no longer
10 available as a matter of course, following the recent Ebay, Inc.
11 MercExchange, LLC, 547 U.S. 388 (2006) decision of the Supreme
12 Court. The Court further notes that it has already considered the
13 relevant Ebay factors in connection with its October 2008 decision
14 and found that an injunction was not warranted under the
15 circumstances then present. At that time the Court found that
16 monetary damages can sufficiently compensate Abbott for the harm it
17 faces from the sale of Medtronic products using the rapid-exchange
18 system covered by the Yock patent. See October 21, 2008 Order,
19 19:15-21:8. In addition, the Court recognized that Abbott has been
20 willing to accept license payments in lieu of enforcing its rights
21 to exclusivity granted by the patent. Id., 20:7-13; 20:24-21:8.

22 Medtronic also argues that it would be prejudiced if the
23 proceedings went forward. The prejudice to Medtronic is asserted to
24 be in the nature of the financial burden caused by the need to go
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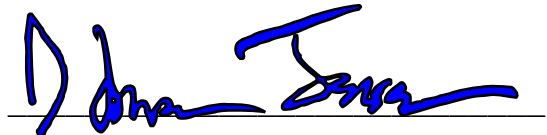
1 forward with the litigation without sufficient clarity on the scope
2 of the issues. The Ninth Circuit has held, in an unrelated factual
3 scenario, that defense costs alone do not constitute hardship (see,
4 Lockyer v. Mirant Corp., 398 F.3d 1098, 1110 (9th Cir. 2005)). The
5 Court notes that while defense costs may not be prejudice *per se*,
6 they do represent a collateral consequence of proceeding with the
7 parallel litigation in this Court when it may be wholly unnecessary.
8 The Court finds that a stay in this case will not cause undue
9 hardship to the parties.

11 V. Conclusion

12 Accordingly, the Court finds that in the interest of judicial
13 economy a stay of the current proceedings is warranted to permit the
14 PTO to issue a determination on whether the patent is eligible for
15 an extension. All pretrial proceedings in this case are vacated and
16 the parties are asked to notify the Court as to any material
17 decisions of the PTO in its ongoing review of the extension
18 eligibility issue.

22 IT IS SO ORDERED

23 Dated: March 24, 2009



24 D. Lowell Jensen
25 United States District Judge