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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

AFFINITY LABS OF TEXAS,

Plaintiff,

v.

APPLE INC.,

Defendant.

No. 09-04436 CW

ORDER DENYING
DEFENDANT'S
MOTION TO STAY

Defendant Apple Inc. moves for an order to stay the case pending the final outcome of the inter partes re-examination by the U.S. Patent Office (USPTO) of the patents at issue in this case. Plaintiff Affinity Labs of Texas, LLC opposes the motion. Having considered all of the papers filed by the parties, the Court denies Apple's motion.

BACKGROUND

In March, 2009, Affinity sued Apple in the Eastern District of Texas for infringing three patents: U.S. Patent Nos. 7,187,947 ('947 Patent), 7,440,772 ('772 Patent) and 7,486,926 ('926 Patent). On August 25, 2009, the district court in Texas granted Apple's motion to transfer the case to this district under 28 U.S.C. § 1404(a). On November 13, 2009, Apple filed requests for inter partes reexamination of each of the three patents-in-suit. On

1 February 10, 2010, the USPTO granted Apple's request for an inter
2 partes reexamination of all three patents-in-suit.

3 DISCUSSION

4 As the Federal Circuit has noted, "Courts have inherent power
5 to manage their dockets and stay proceedings, including the
6 authority to order a stay pending conclusion of a PTO
7 reexamination." Ethicon, Inc. v. Quiqg, 849 F.2d 1422, 1426-27
8 (Fed. Cir. 1988) (citation omitted). While courts are not required
9 to stay judicial proceedings pending reexamination of a patent, a
10 stay for purposes of reexamination is within the district court's
11 discretion. See, e.g., Patlex Corp. v. Mossinghoff, 758 F.2d 594,
12 603 (Fed. Cir. 1985). One court in this district has noted that
13 there is "a liberal policy in favor of granting motions to stay
14 proceedings pending the outcome" of reexamination proceedings,
15 especially in cases that are still in the initial stages of
16 litigation and where there has been little or no discovery. ASCII
17 Corp. v. STD Entm't USA, Inc., 844 F. Supp. 1378, 1381 (N.D. Cal.
18 1994).

19 In determining whether to stay a case pending reexamination, a
20 court may consider the following factors: (1) whether discovery is
21 complete and whether a trial date has been set; (2) whether a stay
22 would simplify the issues in question and trial of the case; and
23 (3) whether a stay would unduly prejudice or present a clear
24 tactical disadvantage to the non-moving party. In re Cygnus
25 Telecomm. Tech., LLC Patent Litig., 385 F. Supp. 2d 1022, 1023
26 (N.D. Cal. 2005). On balance, the factors here weigh against a
27 stay.

1 No discovery has taken place, no trial date has been set and
2 the parties have not even appeared in Court for their initial case
3 management conference. The only activity in this case has been
4 that related to Apple's motion to transfer from the Eastern
5 District of Texas to this Court. Thus, this factor weighs in favor
6 of a stay.

7 Staying the case may simplify the issues in question and the
8 trial of the case because all patents-in-suit are before the USPTO,
9 and patents rarely emerge from inter partes reexaminations
10 unchanged. According to statistics published by the USPTO on
11 December 31, 2009, fifty-one percent of all inter partes
12 reexamination proceedings have resulted in all claims being
13 cancelled and, in forty-one percent of the examinations, the
14 patentee was forced to modify the claims. Thus, ninety-two percent
15 of all inter partes reexamination proceedings have resulted in
16 either a cancellation or modification of the claims.

17 Moreover, because an inter partes re-examination permits
18 third-parties to participate in the reexamination process, a
19 participating defendant will be estopped from asserting the
20 invalidity of any claim of the patents-in-suit on any ground which
21 it raised or could have raised during the inter partes
22 reexamination proceeding. 35 U.S.C. § 315(c). Thus, even if a
23 patent-in-suit emerges from the reexamination unchanged, Apple will
24 be estopped from raising as invalidating art the same prior art it
25 raised with the USPTO in the inter partes proceeding. Therefore,
26 it is likely that the inter partes reexamination will at least
27 streamline this case. On the other hand, it is also likely that
28

1 not all of the issues regarding the patents in question before this
2 Court will necessarily be resolved in the reexamination proceeding.
3 Accordingly, this Court will likely have to adjudicate the
4 infringement and validity of at least some patent claims. Thus,
5 this factor does not weigh in favor of either party.

6 Finally, the Court addresses whether entering a stay in this
7 case will unduly prejudice and present a clear tactical advantage
8 to the non-moving party, Affinity. Affinity argues that the delay
9 which would result from the reexamination will be prejudicial. As
10 of December 31, 2009, the average length of an inter partes
11 reexamination is 36.2 months. The average length of delay is
12 likely to increase considering the steady rise in the number of
13 reexaminations filed in the past several years. Gaudet Decl., Exh.
14 16. Moreover, if either party appeals the determination from the
15 reexamination, the delay will likely extend another three years.
16 Id. These delays must be considered in the context of the delay
17 already present in this case. Affinity sued Apple in March, 2009
18 and in August, 2009, Apple successfully transferred this case to
19 the Northern District of California because of the convenience of
20 trying the case here as opposed to the Eastern District of Texas.
21 Apple then waited until November, 2009 to file its request for an
22 inter partes reexamination and, once that request was granted in
23 February, 2010, it waited another seven weeks to file the instant
24 motion to stay. Overall, these significant delays weigh heavily
25 against granting the stay.

26 Affinity asserts that its business will be harmed by the stay
27 because it will not be able to enforce and license its patents

1 until the litigation is resolved. Moreover, further delay will
2 only increase the likelihood of loss of evidence. See Telemac
3 Corp. v. Teledigital, Inc., 450 F. Supp. 2d 1107, 1111 (N.D. Cal.
4 2006) (concluding that staying the case could lead to "further loss
5 of information" and a "tactical advantage."). After balancing this
6 uncertainty with the current stage of the proceeding, the potential
7 delay would likely prejudice Affinity. In sum, the three factors
8 weigh against granting Apple's motion to stay the proceeding.

9 CONCLUSION

10 For the foregoing reasons, the Court denies Apple's motion to
11 stay the present case pending the inter partes re-examination.
12 Docket No. 49. The Court grants Affinity's motion for leave to
13 file a declaration in opposition to Apple's motion to stay. Docket
14 No. 67.

15 IT IS SO ORDERED.

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17 Dated: 04/29/10



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CLAUDIA WILKEN
United States District Judge