



1 has eight claims. Centrifly alleges that Quest's Quest  
2 Authentication Services (QAS) software infringes the '005 patent.  
3 Centrifly and Quest are competitors.

4 Centrifly initiated this lawsuit on August 30, 2010. On August  
5 31, 2010, Quest petitioned the PTO for an inter partes  
6 reexamination of the '005 patent. On November 15, 2010, the PTO  
7 granted Quest's request for reexamination, concluding that there  
8 was a substantial new question of patentability. Armon Decl., Ex.  
9 1. The same day, the PTO issued an initial office action  
10 indicating that all eight claims of the '005 patent were rejected.  
11 Id., Ex. 2.

12 The parties are also litigating a patent infringement case,  
13 initiated by Quest on August 27, 2010 in the District of Utah. See  
14 generally Quest Software, Inc. v. Centrifly Corp., Case No. 2:10-cv-  
15 00859-TS (D. Utah). Quest alleges that Centrifly and Likewise  
16 Software, a software company that allegedly has a principal place  
17 of business in Bellevue, Washington, infringe U.S. Patent No.  
18 7,617,501 ('501 patent), which relates to Quest's QAS software. On  
19 November 24, 2010, the PTO granted Centrifly's request for an inter  
20 partes reexamination, concluding that there was a substantial new  
21 question of patentability. The PTO's order granting Centrifly's  
22 request was not accompanied by an initial office action. On  
23 December 23, 2010, Centrifly moved to transfer the Utah action to  
24 this judicial district.

25 DISCUSSION

26 As the Federal Circuit has noted, "Courts have inherent power  
27 to manage their dockets and stay proceedings, including the

1 authority to order a stay pending conclusion of a PTO  
2 reexamination." Ethicon, Inc. v. Quiqq, 849 F.2d 1422, 1426-27  
3 (Fed. Cir. 1988) (citation omitted). While courts are not required  
4 to stay judicial proceedings pending reexamination of a patent, a  
5 stay for purposes of reexamination is within the district court's  
6 discretion. See, e.g., Patlex Corp. v. Mossinghoff, 758 F.2d 594,  
7 603 (Fed. Cir. 1985).

8 In determining whether to stay a case pending reexamination, a  
9 court may consider the following factors: (1) whether discovery is  
10 complete and whether a trial date has been set; (2) whether a stay  
11 would simplify the issues in question and trial of the case; and  
12 (3) whether a stay would unduly prejudice or present a clear  
13 tactical disadvantage to the non-moving party. In re Cygnus  
14 Telecomm. Tech., LLC Patent Litig., 385 F. Supp. 2d 1022, 1023  
15 (N.D. Cal. 2005).

16 Although this case is in its early stages, the Court will not  
17 stay it at this time. Quest argues that the PTO will complete the  
18 reexamination expediently, but this is speculative. The PTO's  
19 statistics suggest that staying this case could delay final  
20 resolution of Centrifly's infringement claims. "Although the 'delay  
21 inherent in the reexamination process does not constitute, by  
22 itself, undue prejudice,' delay is certainly a factor to be  
23 considered." Wordtech Sys., Inc. v. Microboards Mfg., LLC, 2010 WL  
24 1641510, at \*2 (quoting Esco Corp. v. Berkeley Forge & Tool, Inc.,  
25 2009 WL 3078463, at \*3 (N.D. Cal.)). Centrifly cannot conduct  
26 discovery in the reexamination process. Because the reexamination  
27 may not resolve the parties' dispute, it may be necessary to  
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1 develop the factual record in this action. This could be  
2 undertaken while the PTO performs its reexamination. However, if  
3 the PTO has not completed its reexamination and the deadline for  
4 the parties' briefs on claim construction and dispositive motions  
5 approaches, Quest may renew its motion to stay. Further, it would  
6 appear to be most efficient to litigate the parties' claims against  
7 each other in a single action. The court in Quest Software, Inc.  
8 v. Centrifify Corp., Case No. 2:10-cv-00859-TS (D. Utah), has not yet  
9 ruled on Centrifify's motion to transfer that action to this judicial  
10 district. If the Utah court transfers that case to this district,  
11 this Court would consolidate the cases. If the Utah court denies  
12 Centrifify's motion to transfer, Quest may move to transfer this  
13 action to the District of Utah; this Court will not stay this case  
14 to prevent Quest from doing so.

15 CONCLUSION

16 For the foregoing reasons, the Court GRANTS Quest's motion for  
17 leave to file a supplemental brief (Docket No. 41) and DENIES  
18 without prejudice Quest's motion to stay the present case pending  
19 the inter partes reexamination. (Docket No. 29.) Quest may renew  
20 its motion to stay if the PTO has not completed its reexamination  
21 of the '005 patent by the time the deadline approaches for the  
22 parties' claim construction briefs and dispositive motions.

23 If the Utah court denies Centrifify's motion to transfer, the  
24 parties shall notify this Court, and Quest may move, within  
25 fourteen days thereafter, to transfer this action to the District  
26 of Utah. If Quest so moves, Centrifify's opposition shall be due  
27 fourteen days after Quest's motion is filed. Quest's reply, if  
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1 any, shall be due seven days after that. Any motion to transfer  
2 will be taken under submission on the papers.

3 IT IS SO ORDERED.

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5 Dated: 2/11/11

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CLAUDIA WILKEN  
United States District Judge