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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

AVAGO TECHNOLOGIES FIBER IP
(SINGAPORE) PTE. LTD.,

Plaintiff,

v.

IPTRONICS INC. and IPTRONICS A/S,

Defendants.

Case No. 10-CV-02863-EJD

**ORDER DENYING AVAGO LICENSEES'
MOTION TO INTERVENE AND
DENYING IPTRONICS' MOTION TO
STAY CASE**

Re: Docket Item Nos. 79 and 86

Presently before the Court are two matters: (1) a Motion to Intervene, filed by Avago Technologies US, Inc., Avago Technologies General IP, Avago Technologies International Sales Pte. Ltd., and Avago Technologies Trading Ltd.; and (2) a Motion to Stay Case Pending Reexamination of the Patents-in-Suit, filed by IPtronics, Inc. and IPtronics A/S. For the reasons set forth below, both motions will be denied.

I. BACKGROUND

Plaintiff Avago Technologies Fiber IP (Singapore) Pte. Ltd. ("Avago Fiber IP") brought this action against Defendants IPtronics, Inc. and IPtronics A/S (together, "IPtronics") on June 29, 2010, alleging infringement of two patents owned by Avago Fiber IP. The two patents, U.S. Patent Nos. 5,359,447 and 6,947,456, relate to optical communications technology. IPtronics counterclaims for declaratory judgment of invalidity and noninfringement of both patents. Initial pleadings were all filed by October 11, 2010. Between October 2010 and February 2011 the parties exchanged

1 infringement and invalidity contentions, conducted claim construction discovery, and prepared a
2 joint claim construction statement, all pursuant to the patent local rules.

3 On March 1, 2011, IPtronics filed requests with the United States Patent and Trademark
4 Office for ex parte reexamination of both patents. Three days later, IPtronics moved to stay this
5 action pending resolution of those proceedings. Both requests for reexamination were later granted.¹
6 As of the date of this Order, the PTO has made an initial determination in only one of the two
7 pending reexaminations—it issued a non-final rejection of all claims of the '447 patent on June 14,
8 2011.

9 On May 26, 2011, a cascading series of license agreements was executed by the Plaintiff
10 Avago Fiber IP and several of its affiliates by which some of Avago Fiber IP's rights under the
11 patents-in-suit were passed to Avago Technologies General IP (Singapore) Pte. Ltd., Avago
12 Technologies Trading Ltd., Avago Technologies International Sales Pte. Ltd., and Avago
13 Technologies U.S., Inc. (collectively, the "Avago Licensees"). The four Avago Licensees,
14 represented by the same counsel as Plaintiff Avago Fiber IP, moved to intervene in this case the day
15 after the agreements were signed.

16 On June 17, 2011, Plaintiff Avago Fiber IP moved for leave to amend its complaint to add a
17 number of causes of action for unfair competition. The proposed amended complaint also adds the
18 Avago Licensees as "Plaintiff-Intervenors," apparently either under the assumption that the instant
19 motion to intervene will be granted or as an alternative attempt to add the Licensees by joinder. The
20 motion for leave to amend the complaint has not yet been set for hearing or been fully briefed, so it
21 is not ripe for decision.

22

23 **II. THE AVAGO LICENSEES' MOTION TO INTERVENE**

24 **A. Legal Standards**

25 A third party may intervene in a case either as a matter of right, under Fed. R. Civ. P. 24(a),
26

27 ¹ IPtronics also filed a request for *inter partes* reexamination of the '456 patent; that request
28 was denied. *Inter partes* reexamination, a relatively new procedure at the patent office, is not
available for the older '447 patent.

1 or with the court’s permission, pursuant to Fed. R. Civ. P. 24(b). To establish the right to intervene
2 under Rule 24(a)(2), a third party applicant must meet four criteria:

- 3 (1) [its] motion must be timely;
- 4 (2) the applicant must claim a “significantly protectable” interest relating to the property or
transaction which is the subject of the action;
- 5 (3) the applicant must be so situated that the disposition of the action may as a practical
matter impair or impede its ability to protect that interest; and
- 6 (4) the applicant’s interest must be inadequately represented by the parties to the action.

7 Sierra Club v. U.S. Environmental Protection Agency, 995 F.2d 1478, 1481 (9th Cir. 1993) (line
breaks added). Put another way, “an applicant is entitled to intervene when his position is
8 comparable to that of a person under [Fed. R. Civ. P. Rule 19(a)(1)(B)(i), which concerns joinder of
9 necessary parties] . . . unless his interest is already adequately represented in the action by existing
10 parties.” Fed. R. Civ. P. 24 advisory committee’s note on 1966 amendments. Establishing the right
11 of a third party to intervene is thus more difficult than justifying joinder of that party: not only must
12 the prospective intervenor have a jeopardized interest as required under Rule 19(a)(1)(B)(i), but that
13 interest must also not already be adequately represented by the existing parties. In addition, a motion
14 to intervene must be “timely,” Fed. R. Civ. P. 24, while joinder of parties can happen “at any time.”
15 Fed. R. Civ. P. 21. Adequacy of representation is determined by reference to three factors:

- 16 (1) whether the interest of a present party is such that it will undoubtedly make all of a
proposed intervenor’s arguments;
- 17 (2) whether the present party is capable and willing to make such arguments; and
- 18 (3) whether a proposed intervenor would offer any necessary elements to the proceeding that
other parties would neglect.

19 Arakaki v. Cayetano, 324 F.3d 1078, 1086 (9th Cir. 2003) (line breaks added); accord Citizens for
20 Balanced Use v. Montana Wilderness Ass’n, — F.3d —, 2011 WL 3074809 (9th Cir. July 26, 2011).

21 Intervention by permission is at the court’s discretion provided three threshold conditions are
22 satisfied: (1) an independent ground for jurisdiction; (2) a timely motion; and (3) a common question
23 of law and fact between the movant’s claim or defense and the main action. Beckman Indus. v.
24 International Ins. Co., 966 F.2d 470, 473 (9th Cir. 1992).

25 **B. Discussion**

26 *1. Intervention of Right*

27 The Court focuses its attention on whether the Avago Licensees’ interests are adequately
28 represented by the Plaintiff Avago Fiber IP, because this analysis is dispositive of the issue.

1 In the context of Rule 24, adequate representation refers to whether the third party’s interests
2 are spoken for in the litigation, and not the identity, nature, or quality of the legal
3 representation—i.e., the attorneys. Nevertheless, it is noteworthy that the Avago parties—that is, the
4 Plaintiff Avago Fiber IP and the four Avago Licensees—are all represented by the same counsel in
5 this action. If the position of the Plaintiff were actually adverse to the positions of the Licensees,
6 representation by the same counsel would be less likely.

7 As to liability, the interests of the Plaintiff and the Licensees are identical. The Licensees
8 admit that the claims which they propose filing are the same as those of the existing Plaintiff. Both
9 seek to prove infringement by IPtronics to the fullest extent possible, and both have an unmitigated
10 interest in upholding the validity of the patent.²

11 Even so, the Licensees argue in their reply brief that Avago Fiber IP cannot adequately
12 represent their interests because the Licensees are entitled to certain remedies, like damages for lost
13 profits, to which the Plaintiff is not. But the Licensees’ ability to seek those remedies would not be
14 “impair[ed] or impede[d]” by the disposition of this case; the Licensees could bring a separate action
15 against IPtronics at any time. Of course, a finding of invalidity would bar that recovery, but in light
16 of the Avago companies’ precisely aligned positions as to infringement and validity, the Licensees’
17 interests are adequately represented by Avago Fiber IP on that issue. Though the separate action
18 might be duplicative of this one, inefficiency is a consideration for the Rule 19 analysis, which
19 specifically contemplates the “substantial risk” to an “existing party” of “incurring double, multiple,
20 or otherwise inconsistent litigations.” Fed. R. Civ. P. 19(a)(1)(B)(ii). There is no such provision in
21 the language of Rule 24.

22 For the foregoing reasons, the Court finds that the Plaintiff Avago Fiber IP adequately
23 represents the interests of the Avago Licensees, so they do not have a right to intervene.

26 ² Sometimes intervention is appropriate where the patent owner and the licensee have
27 different interests with regard to the validity of the patent—for example, where the licensee would
28 not mind a finding of invalidity because it would then be free to stop paying royalty payments under
its license. Having considered all the documents filed in this case, the Court finds such a concern
unwarranted among the Avago affiliates.

1 2. *Intervention by Permission*

2 Although the Licensees are not entitled to intervene, they nevertheless request permission to
3 intervene under Rule 24(b). The Court declines to extend that permission at this time. In short,
4 intervention is the wrong mechanism for the Avago Licensees to enter this case.

5 In the briefs on the motion to intervene, the parties addressed the issue of whether the license
6 agreements accord standing on the Licensees to participate in this case. The issue was raised because
7 it is relevant to the “independent jurisdictional ground” required for permissive intervention.³ The
8 Court looks forward to analyzing the Licensees’ right to participate in the case, but it will do so in
9 the context of the Plaintiff’s motion for leave to amend its complaint. Waiting to decide that issue is
10 especially justified for two reasons. First, it appears that Avago did not produce the license
11 agreements on which that right may be based until just before the due date of Defendant’s
12 opposition to the motion to intervene. Second, and more importantly, deciding the scope of this
13 case—which parties and which claims will proceed—is best done all at once. To the extent that
14 Plaintiff needs to amend or refile its June 17 motion to explicitly address the joinder of Licensees, it
15 may do so.

16 Even though it appears that the Plaintiff Avago consents to and, indeed, supports the
17 intervention of the Avago Licensees, the Court declines to take the leap of construing the Licensees’
18 motion to intervene as a joinder motion by the Avago Plaintiff. The Court has doubts that it is
19 appropriate to recast the motion of one party as that of another, much less to consider the motion of
20 a non-party in that manner.

21
22 **III. IPTRONICS’ MOTION TO STAY**

23 **A. Legal Standards**

24 “Courts have inherent power to manage their dockets and stay proceedings, including the
25 authority to order a stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v. Quigg*, 849
26 F.2d 1422, 1426–27 (Fed. Cir. 1988). In this district, there is—or, at least, there used to be—“a

27
28 ³ IPtronics also argued that standing is a requirement for intervention by right, citing Federal
Circuit law; Avago argued that it is not, citing Ninth Circuit law.

1 liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO
2 reexamination or reissuance proceedings,” ASCII Corp. v. STD Entm't USA, Inc., 844 F. Supp.
3 1378, 1381 (N.D. Cal. 1994), though some courts have begun to rethink that policy in recent years.
4 See, e.g., Network Appliance Inc. v. Sun Microsystems Inc., 2008 WL 2168917 at *3 (N.D. Cal.
5 May 23, 2008). In any event, “[a] court is under no obligation to delay its own proceedings by
6 yielding to ongoing PTO patent reexaminations, regardless of their relevancy to infringement claims
7 which the court must analyze.” NTP, Inc. v. Research In Motion, Ltd., 397 F. Supp. 2d 785, 787
8 (E.D. Va. 2005) (citing Viskase Corp. v. Am. Nat'l Can Co., 261 F.3d 1316, 1328 (Fed. Cir. 2001)).

9 Courts commonly analyze three factors when determining whether to grant a stay pending
10 reexamination: (1) whether discovery is complete and whether a trial date has been set, (2) whether a
11 stay will simplify the issues in question and trial of the case, and (3) whether a stay would unduly
12 prejudice or present a clear tactical disadvantage to the non-moving party. Telemac Corp. v.
13 Teledigital, Inc., 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006). Case-specific equitable concerns are
14 also often taken into account.

15 B. Analysis

16 I. Stage of Proceedings

17 The later in the litigation that the reexamination request is made, the more likely it is to
18 represent a tactical move for delay. See, e.g., Telemac, 450 F. Supp. 2d at 1111. Defendant’s
19 requests for the patent reexaminations and for a stay of these proceedings were made about eight
20 months after the filing of the complaint. At that time, invalidity and infringement contentions had
21 already been exchanged, claim construction discovery was complete, and the parties had completed
22 a joint claim construction statement, and fact discovery had begun. The Court denied a motion to
23 stay discovery while the motion to stay the case was pending. Since then, the case was reassigned to
24 the undersigned judge. As a result, no claim construction hearing date or trial date is set, so briefing
25 on issues of claim construction has not begun. Discovery is now well underway, however; more than
26 two million pages of documents have been produced, and at least two depositions have been taken.
27 The parties appear to have made some investment in the litigation, but most of that has happened in
28 the months since the stay motion was initially filed. Accordingly, the Court finds this factor to weigh

1 slightly in favor of staying the proceedings at this stage.

2 2. *Simplification of Issues*

3 At the core of the stay analysis is examination of what benefit the Court and the litigation
4 might reap from having issues of validity reviewed by the PTO before they are addressed in court.
5 Both patents-in-suit are the subject of pending ex parte reexaminations. In the time since IPtronics
6 filed its motion to stay, the PTO has issued an initial office action rejecting all of the claims of the
7 '447 patent. If that rejection becomes final, Avago will have to amend the patent's claims, if it can,
8 to overcome the reasons for rejection. See 37 C.F.R. §§ 1.111–.116. The initial rejection of the '447
9 patent claims suggests that reexamination will at least provide the Court with useful guidance in the
10 validity analysis—if indeed the '447 patent survives the reexamination at all. No initial action has
11 been taken in the reexamination of the '456 patent.

12 Notably, however, IPtronics' request for *inter partes* reexamination of the '447 patent was
13 denied by the PTO. *Inter partes* reexaminations—unlike ex parte reexaminations—are guaranteed to
14 finally resolve at least some issues of validity because the requesting party is barred from seeking
15 district court review on any grounds that it could have raised in the reexamination. 35 U.S.C. §
16 315(c). No such estoppel arises from ex parte reexaminations. Since the reexaminations at issue on
17 this motion are both ex parte, the only way they will finally resolve any issues of validity is if the
18 PTO cancels some claims entirely.

19 The parties offer competing interpretations of PTO statistics about the rates at which ex parte
20 reexaminations result in the eventual confirmation, amendment, and cancellation of patent claims. It
21 appears likely that the proceedings will, at the very least, give the Court a more extensive record on
22 the prosecution history of the two patents. But the claims might also be confirmed, or they might be
23 amended in a manner that does not affect this case. Complete cancellation of both patents is
24 unlikely.

25 The value of the expertise that will likely be added to the litigation by the PTO's review
26 leads the Court to find the simplification factor to favor granting the stay. But the uncertainty as to
27 the result of the proceedings, and the possibility of relitigating all the same issues that the
28 reexamination would have purportedly already decided gives this factor only moderate weight.

1 3. *Undue Prejudice or Clear Tactical Disadvantage*

2 If a requested stay would result in undue prejudice or a clear tactical disadvantage to the non-
3 movant, the stay may be denied. One basis often cited for undue prejudice is the delay caused by the
4 stay. On this record, the eight month interval between Plaintiff’s filing of the Complaint and
5 Defendant’s Motion to Stay is neither so long as to raise suspicion of strategic delay nor so short as
6 to establish obvious good faith on the part of the Defendant. Accordingly, the Court finds that the
7 timing of IPtronics’ motion to stay raises no presumption about the propriety of either party’s motive
8 or tactics.

9 The parties’ status as competitors in the market raises another possibility for the Plaintiff to
10 make a showing of undue prejudice apart from just the delay.⁴ Unlike patent infringement actions
11 involving non-practicing entities, infringement among competitors can cause harm in the
12 marketplace that is not compensable by readily calculable money damages. See Acumed LLC v.
13 Stryker Corp., 551 F.3d 1323, 1327–28 (Fed. Cir. 2008). Staying a case while such harm is ongoing
14 usually prejudices the patentee that seeks timely enforcement of its right to exclude. See Tesco Corp.
15 v. Weatherford Int’l, Inc., 599 F. Supp. 2d 848, 851 (S.D. Tex. 2009).

16 Avago argues in opposition to the stay that it is suffering harm to its “reputation as being the
17 industry leader” and to the “goodwill that Avago should be entitled to realize by branding itself as
18 an innovative company ahead of the competition.” Pl.’s Opp’n to Def.’s Mtn. to Stay Pending
19 Reexam. at 10. While the Court views skeptically the unsupported assertions of harm to reputation
20 and goodwill, there are other, more pressing marketplace harms detailed in the declaration of an
21 Avago affiliate’s product marketing manager. Hall Decl., docket no. 97, ¶¶ 11 and 13, filed under
22 seal. IPtronics replies, correctly, that competition between opponents in lawsuits is “nothing unusual
23 or out of the ordinary.” Pl.’s Reply in Supp. of Mot. to Stay at 5. But even “ordinary” competition
24 can justify denial of a stay when that competition is based on alleged infringement and has effects
25 that would be difficult to reverse after the fact.

26 IPtronics suggests that Plaintiff should have requested a preliminary injunction if it were

27 _____
28 ⁴ Though IPtronics is not in direct competition with the Plaintiff Avago Fiber IP, it does
compete directly with Avago Fiber IP’s parent company and the parent company’s subsidiaries.

1 worried about irreparable harm, and that its failure to do so weakens its opposition to the stay
2 motion. This contention is flawed. As IPtronics points out, Avago might have other reasons for
3 deciding not to pursue injunctive relief at this stage—for example, the difficulty of showing a
4 likelihood of success on the merits while its patents are in reexamination. On IPtronics’ motion to
5 stay, the Court will not hold against Avago its decision to spare the parties more litigation.

6 Accordingly, the Court finds the prejudice factor to weigh moderately against granting a
7 stay.

8 *4. The Court’s Calendar*

9 Because of a confluence of circumstances relating to the administration of the courts in this
10 district, the Court’s calendar is full through the end of this year and well into 2012; the parties are
11 advised that the Markman hearing likely cannot be scheduled any earlier than April 2012. As a
12 fortuitous consequence of this abnormal delay, this case can proceed in parallel with the
13 reexaminations for some time without any worry that the Court is expending resources on issues that
14 may eventually be moot. The congestion in the Court’s calendar may, as a practical matter, have
15 some of the stay effects that this Order declines to officially impose. For example, while the parties
16 shall continue with discovery, they will have relief from briefing claim construction for at least six
17 months. If a stay were granted on top of this congestion, the result would be excessive delay—trial
18 would be years away.

19 This factor weighs heavily against staying the case.

20 **C. Conclusion**

21 The Court finds that the interests of justice will best be served by keeping this case on track
22 for claim construction and trial, while considering any PTO actions as they issue. The
23 reexaminations may simplify or illuminate issues that will come up in this litigation, but staying the
24 case until the reexaminations finish is not necessary to realize the benefits of the PTO proceedings.
25 Accordingly, IPtronics’ motion to stay the case is denied at this time.

26 In light of the pending reexamination, the Court will grant the parties reprieve from the
27 recent amendments to Civil L.R. 7. This relief will have the effect of delaying the claim construction
28 briefing schedule for as long as possible before the Markman hearing.

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THIS IS TO CERTIFY THAT COPIES OF THIS ORDER HAVE BEEN DELIVERED TO:

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Dated: July 28, 2011

Richard W. Wieking, Clerk

**By: /s/ EJD Chambers
Elizabeth Garcia
Courtroom Deputy**