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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

SYNTHESES (U.S.A.), a Pennsylvania partnership,

Plaintiff,

v.

G.M. DOS REIS JR. IND. COM. DE EQUIP. MEDICO A/K/A GMREIS, a Brazilian corporation,

Defendant.

Civil No. 07-CV-309-L(AJB)

**ORDER GRANTING  
DEFENDANT’S MOTION TO STAY  
ACTION PENDING PATENT  
REEXAMINATION**

In this patent infringement action, Defendant G.M. dos Reis Jr. Ind. Com. de Equip. Mexico a/k/a GMReis (“GMReis”) filed a motion to stay pending inter partes reexamination by the United States Patent and Trademark Office (“PTO”). Plaintiff Synthes (U.S.A.) (“Synthes”) opposed the motion. For the reasons which follow, GMReis’ motion to stay is **GRANTED**.

Synthes is a global medical device company which develops, produces, and markets instruments and implants, including bone plates, for the surgical fixation, correction, and regeneration of the human skeleton. Synthes is the assignee of United States Patent No. 7,128,744 (“Patent”), which relates to locking bone plates used to surgically secure fractured bones. GMReis is a Brazilian corporation which designs, manufactures, and markets orthopedic and neurological medical devices, including bone plates.

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1 Synthes filed a complaint in this court alleging GMReis is infringing the Patent. GMReis  
2 filed a counterclaim requesting declaratory judgment of non-infringement, invalidity and  
3 unenforceability. Synthes filed a separate, unrelated action in the Eastern District of  
4 Pennsylvania, case no. 03-0084 (“Pennsylvania Action”), against Smith & Nephew, Inc. (“Smith  
5 & Nephew”). Smith & Nephew requested, and was granted, an inter partes reexamination of the  
6 Patent, which is at issue in the Pennsylvania Action as well as in this action. Smith & Nephew  
7 questions the validity of each claim of the Patent based on prior art which was not disclosed to  
8 the PTO during the Patent application and examination process. The reexamination proceeding  
9 is currently pending before the PTO and the Pennsylvania Action was stayed pending its  
10 conclusion.

11 Because the reexamination proceeding commenced by Smith & Nephew involves the  
12 Patent which is at issue in this case, GMReis moves to stay this case pending the conclusion of  
13 the reexamination. Synthes opposes the stay arguing that the reexamination will not simplify the  
14 issues in dispute in this case and that it will be unduly prejudiced by the delay.

15 “Congress intended the reexamination process to provide an efficient and relatively  
16 inexpensive procedure for reviewing the validity of patents which would employ the PTO’s  
17 expertise.” *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988). “Any third-party  
18 requester at any time may file a request for inter partes reexamination by the Office of a patent  
19 on the basis of any prior art . . .” 35 U.S.C. § 311(a). The focus of the reexamination is  
20 essentially the same as in the initial patent examination, “at which a preponderance of the  
21 evidence must show nonpatentability before the PTO may reject the claims of a patent  
22 application. The intent underlying reexamination is to ‘start over’ in the PTO with respect to the  
23 limited examination areas involved, and to *re-examine* the claims . . . as they would have been  
24 considered if they had been originally examined in light of all the prior art of record in the  
25 reexamination proceeding.” *Ethicon*, 849 F.2d at 1427 (internal quotation marks and citations  
26 omitted, emphasis in original). At the conclusion of the reexamination, the PTO publishes “a  
27 certificate canceling any claim of the patent finally determined to be unpatentable, confirming

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1 any claim of the patent determined to be patentable, and incorporating in the patent any proposed  
2 amended or new claim determined to be patentable.” 35 U.S.C. § 316(a).

3 “[L]itigation and reexamination are distinct proceedings, with distinct parties, purposes,  
4 procedures and outcomes.” *Ethicon*, 849 F.2d at 1427 (emphasis omitted). Accordingly, “[t]he  
5 court is not required to stay judicial resolution in view of the reexamination[.]” *Viskase Corp. v.*  
6 *Am. Nat’l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001). The stay provision for inter partes  
7 reexaminations does not expressly provide for an automatic stay of parallel district court  
8 proceedings. 35 U.S.C. § 318. However, “the statute in no way impacts the inherent powers of  
9 the court to control the litigation before it, and to grant a stay in the interests of justice when so  
10 required.” *Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848 (Fed. Cir.  
11 2008) (quoting with approval the district court finding). “Courts have inherent power to manage  
12 their dockets and stay proceedings, including the authority to order a stay pending conclusion of  
13 a PTO reexamination.” *Ethicon*, 849 F.2d at 1426-27 (internal citations omitted). “When  
14 considering whether to stay patent infringement litigation pending a reexamination of the patent  
15 in suit, courts generally examine three factors, including (1) whether a stay would unduly  
16 prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay  
17 will simplify the issues in question and trial of the case; and (3) whether discovery is complete  
18 and whether a trial date has been set.” *Equipements de Transformation IMAC v. Anheuser-*  
19 *Busch Co., Inc.*, 559 F. Supp. 2d 809, 815 (E.D. Mich. 2008) (internal quotation marks and  
20 citations omitted), modified on other grounds, 2008 WL 3852240 (E.D. Mich. 2008).

21 “[A] stay should ordinarily not be granted unless there is a substantial patentability issue  
22 raised in the inter partes reexamination proceeding.” *Procter & Gamble*, 549 F.3d at 849. In  
23 this case, Smith & Nephew challenged the validity of each of the 55 claims of the Patent. By  
24 granting the request for inter partes reexamination, the PTO necessarily found that “a substantial  
25 new question of patentability” was raised by the request. *See* 35 U.S.C. § 312(a) (*see also* Decl.  
26 of Matthew S. Jorgenson filed Aug. 17, 2009, Ex. A (Decision on Request for Inter Partes  
27 Reexamination) at 2). Moreover, in the November 5, 2009 Office Action in Inter Partes  
28 Reexamination, the PTO rejected each of the 55 claims. (Notice of New Evidence, filed Nov. 6,

1 2009, Ex. A (“Office Action”) at 4.) Although the Office Action does not constitute a final  
2 determination regarding Patent validity, *see* 35 U.S.C. §§ 314 & 315, it demonstrates that the  
3 reexamination raises substantial patentability issues.

4 A stay is appropriate when “the outcome of the reexamination would be likely to assist  
5 the court in determining patent validity and, if the claims are canceled in the reexamination,  
6 would eliminate the need to try the infringement issue.” *Slip Track Sys., Inc. v. Metal Life, Inc.*,  
7 159 F.3d 1337, 1341 (Fed. Cir. 1998). A PTO reexamination can provide a “simplification of  
8 litigation that might result from the cancellation, clarification or limitation of claims, and, even if  
9 the reexamination did not lead to claim amendment or cancellation, it could still provide  
10 valuable analysis to the district court, which it could consider in reaching its determination.”  
11 *Ethicon*, 849 F.2d at 1428 (internal citations omitted).

12 In the present case, the reexamination addresses the validity of all 55 claims of the only  
13 patent at issue. Furthermore, GMReis’ counterclaim relies on some of the same prior art which  
14 is the subject of the reexamination. (*Cf.* GMReis’ Corrected Answer and Counterclaims to  
15 Synthes’ Complaint at 6 & Office Action at 3-4 (both referencing Synthes 1997 Catalog and  
16 Update, Titanium LC-DCP Condylar Buttress Plate).) To proceed with the case during  
17 reexamination would needlessly duplicate the effort of the PTO and forego the benefit of its  
18 expertise and analysis. “One purpose of the reexamination procedure is to eliminate trial of [the  
19 patent validity] issue (when the claim is cancelled) or to facilitate trial of that issue by providing  
20 the district court with the expert view of the PTO (when a claim survives the reexamination  
21 proceeding).” *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983).

22 Synthes argues that the reexamination will not simplify the issue of infringement. It  
23 considers central to this case the issue whether GMReis infringed the Patent under 35 U.S.C.  
24 Section 271(a) by “using,” “offering to sell” and/or “importing,” when it brought its device from  
25 Brazil into the United States and displayed it at an international trade show.<sup>1</sup> (*See* Opp’n at 1, 8-

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27 <sup>1</sup> GMReis does not ship to or sell its products in the United States because they are  
28 not approved by the Food and Drug Administration. Synthes acknowledges that GMReis’  
“conduct falls short of the traditional making and selling of infringing products in the U.S.”  
(Opp’n at 1.)

1 9.) Synthes argues that this legal issue is not yet well established in the law, and that resolving it  
2 would likely end the case by leading to settlement. In this regard, Synthes maintains that the  
3 validity issues pending in the reexamination proceeding will do nothing to simplify or resolve  
4 this legal issue. The court disagrees. If the PTO cancels the relevant Patent claims, the issue  
5 whether the Patent was infringed will be moot. Synthes concedes as much. (Opp'n at 9.) A stay  
6 is appropriate if cancellation of patent claims in the reexamination proceeding would eliminate  
7 the need to try the infringement issue. *Slip Track Sys.*, 159 F.3d at 1341. Moreover, as Synthes  
8 concedes, any such claim cancellation would also negate the need to litigate the counterclaims.  
9 (Opp'n at 10.) If the PTO reaffirms the Patent, the court will have the benefit of the PTO's  
10 analysis of the same prior art GMReis is relying on to challenge the Patent's validity.

11         Synthes next contends that a determination that the Patent is valid in whole or in part  
12 would not necessarily foreclose GMReis' further challenges to its validity or enforceability in  
13 this litigation. The court is mindful that a final determination after reexamination that any or all  
14 of the Patent claims are valid would not estop anyone except Smith & Nephew from raising the  
15 same validity challenges in court. *See* 35 U.S.C. § 315(c). It could therefore potentially be  
16 possible for GMReis to continue to litigate validity issues even if Smith & Nephew's efforts to  
17 invalidate the Patent in reexamination are ultimately unsuccessful. Regardless of the outcome of  
18 the reexamination, however, the court will have the benefit of the PTO's expertise, analysis of  
19 the Patent claims, and evaluation of the relevant prior art. *See Ethicon*, 849 F.2d at 1428; *see*  
20 *also Slip Track Sys.*, 159 F.3d at 1341; *Gould*, 705 F.2d at 1342. Accordingly, Synthes'  
21 arguments that the reexamination will not simplify the issues in this case are rejected.

22         The stay also is not precluded by the stage of the litigation. Although this case was filed  
23 in February 2007, the only discovery and briefing, including briefing on appeal, has been with  
24 respect to the personal jurisdiction issue. Discovery, *Markman* hearing and trial dates have not  
25 yet been set. The early stage of this litigation weighs in favor of granting a stay.

26         Synthes complains that the motion to stay is just the latest form of GMReis' dilatory  
27 conduct in this case. The court disagrees. Although much time has been consumed in this case  
28 with jurisdictional discovery and personal jurisdiction briefing, this is understandable given that

1 this is international litigation. The court does not see the conduct of either party in this case so  
2 far as dilatory.

3 Synthes further argues that it will be unduly prejudiced by the stay because damages are  
4 not an adequate remedy in this case. This argument is based on the premise that Synthes and  
5 GMReis are “direct competitors” and that GMReis’ continued display of its products at trade  
6 shows in the United States is causing Synthes “marketplace damage.” This argument is rejected  
7 because Synthes does not offer any evidence to support it. (*See* Opp’n at 12-14.) Furthermore,  
8 it appears to be contradicted by the admission that GMReis’ “conduct falls short of the  
9 traditional making and selling of infringing products in the U.S.” (*Id.* at 1.)

10 Synthes next maintains that there is risk that key evidence will be lost during the stay. It  
11 argues that it may not be able to secure the testimony of certain GMReis’ employees, who may  
12 not be reachable if they leave GMReis, and that documentary evidence may be lost. (Opp’n at  
13 11-12.) Synthes’ argument that it would not be able to take discovery from former GMReis  
14 employees is not supported by any citation to legal authority or evidence, and is therefore  
15 rejected. (*See id.*) Furthermore, the argument is undercut by the admission that “a relatively  
16 small amount” of discovery is outstanding. (Opp’n at 17.)

17 Last, Synthes argues that it will be unduly prejudiced because this case “has never been  
18 about the recovery of money damages” but about injunctive relief. (Opp’n at 13.) It contends  
19 that the stay will unduly delay such relief. This argument implies that Synthes requires a speedy  
20 injunctive remedy; however, it rings hollow because in the three years since it had filed this case,  
21 Synthes has not requested a preliminary injunction. Regardless, its right to injunctive relief,  
22 whether preliminary or permanent, depends on the merits of the infringement claim. As  
23 discussed above, this issue could be mooted if the Patent claims are cancelled in reexamination.  
24 Although an inter partes reexamination proceeding can be lengthy, *see, e.g., Fresenius USA,*  
25 *Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1305-06 (Fed. Cir. 2009) (Newman, J., concurring),  
26 they, including any appeals to the Board of Patent Appeals and Interferences, are conducted  
27 “with special dispatch” within the PTO. 35 U.S.C. § 314(c). Even if GMReis had not moved  
28 for a stay, before ordering any injunctive relief to Synthes, the court would have to address

1 GMReis' invalidity and unenforceability claims, which would result in some delay. As  
2 discussed above, the delay would be caused by the court having to consider many of the same  
3 issues as the PTO in reexamination.

4 Based on the foregoing, GMReis' motion to stay is **GRANTED**. It is hereby  
5 **ORDERED** as follows:


6 1. All proceedings in this action are **STAYED** until ordered otherwise.

7 2. This case is **TEMPORARILY CLOSED**. Either party may file an ex parte  
8 application to reopen the case. Any such application shall be filed no later than ten (10) calendar  
9 days after the reexamination certificate is issued as provided in 35 U.S.C. Section 316(a) and  
10 must include a copy of the certificate.

11 3. During the stay each party shall preserve any and all records and other evidence which  
12 may be relevant to this case.

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14 **IT IS SO ORDERED.**

15  
16 DATED: February 22, 2010

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18   
M. James Lorenz  
United States District Court Judge

19 COPY TO:

20 HON. ANTHONY J. BATTAGLIA  
UNITED STATES MAGISTRATE JUDGE

21 ALL PARTIES/COUNSEL  
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