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A. Introduction

Xerox would have Defendants and this Court launch into a protracted process of claim construction, deposition and expert discovery, dispositive motion practice and trial, all directed to patent claims likely to be cancelled by the USPTO in reexamination. In defending this procedure, Xerox exaggerates the progress of the litigation to date and posits purely speculative and illusory harm that it will allegedly suffer as a result of a stay. Because it does not compete with Defendants and cannot credibly seek to enjoin Defendants' products, Xerox is unable to identify any prejudice that could not be adequately compensated by a damages award. In contrast, the benefits of a stay to the parties and the Court are concrete and undeniable: it will simplify the issues and ensure that resources are spent only if further litigation is necessary. Moreover, if this motion is granted, Yahoo!, Right Media and YouTube agree to be estopped to the same extent as Google with respect to references considered on the record during the *inter partes* reexamination of the '979 Patent, thereby ensuring that such references will not be relitigated in this Court and that a stay will simplify the issues in this case even in the unlikely event that the asserted claims are upheld.

While Defendants welcome the prospective withdrawal of Xerox's '994 Patent from this litigation under appropriate terms, it has little impact on the fundamental stay analysis. The bottom line remains the same: a stay will greatly simplify issues and avoid wasteful effort and expense without prejudicing Xerox in any meaningful way. Indeed, it is ironic that Xerox now seeks to claim a tactical benefit (defeat of the stay motion) through the withdrawal of '994 infringement claims that appear to have been made in the first place for purely tactical reasons—i.e., securing Xerox's choice of forum when another forum would have been clearly more

convenient had the case been limited from the outset to the remaining ‘979 Patent.¹ Xerox should not be rewarded for its willingness to jettison claims that should never have been made in the first place, and that it was unable even to begin to substantiate.²

This case remains in its early stages, and a great deal of work will be required—perhaps needlessly—of the parties and the Court should the case proceed in parallel with the reexamination proceedings. Accordingly, to avoid wasted party and judicial resources, Defendants respectfully request that the Court stay this litigation pending completion of the USPTO’s reexaminations of the Patents-in-Suit.

B. There Has Been No Substantive Progress in the Case to Date

Xerox asserts that this case has “progressed significantly toward trial” and that significant resources have been expended on “discovery and scheduling matters.” (Opp. at 2.) Yet the fact that Xerox can recite everything that has happened in the case to date does not mean that it is close to resolution. In fact, it shows just how early in the process the parties remain.

Throughout its account, Xerox fails to identify any substantive progress that would justify denial of a stay. First, the “scheduling matters” emphasized by Xerox (see Opp. at 3) remain unresolved in light of the Court’s order removing all dates in 2011 and 2012 from its

¹ A number of the ‘994 Patent’s named inventors are located in fairly close proximity to this Court. On the other hand, Defendants Google and Yahoo! and Xerox’s licensing agent IP Value are all headquartered within the Northern District of California, which is also home to the only U.S. resident ‘979 inventor as well as many of the knowledgeable individuals currently or formerly employed by Google, Yahoo! or IP Value. Xerox is headquartered and incorporated in the State of New York, not in Delaware. (See D.I. 19 at 1-2; Xerox’s Initial Disclosures at 2-3, attached as Exhibit 17.)

² On May 27, 2010, Xerox provided anemic infringement contentions that simply restated the ‘994 claim language to describe how Defendants’ accused products purportedly infringe. (See Defs.’ Br. Exhibit 2 at 6; Defs.’ Br. Exhibit 8 at 5-7.) It has since refused to expand on those responses or provide any viable infringement theory. (See Defs.’ Br. (Continued . . .))

calendar and vacating several paragraphs of the previous scheduling order. (See D.I. 82.) Claim construction and trial remain unscheduled. (See id.; D.I. 92; D.I. 97.) Second, even a cursory glance at Xerox’s discovery responses makes the lack of substantive progress to date clear. (See Defs.’ Br. Exhibits 2, 4 and 8.) Having asserted that its skeletal responses to Defendants’ interrogatories are “more than sufficient for this stage of the litigation,” Xerox cannot now suggest that the litigation is well advanced.³ (See Defs.’ Br. Exhibit 5 at 1.) Third, the two noticed depositions that Xerox references—the only two depositions noticed to date—are limited to topics concerning Defendants’ document retention and collection procedures. (See D.I. 85 and 86.) No party has noticed or taken any substantive depositions.

C. Xerox’s Claims of Prejudice Are Speculative and Illusory

Xerox’s claims of prejudice are similarly baseless. Most fundamentally, Xerox provides no evidence of any particularized prejudice to its patent licensing business but instead merely posits conclusory arguments lacking in credibility. On the facts of this case, however, a stay will have little effect on Xerox’s licensing activities and will not meaningfully impair Xerox’s patent rights. Xerox does not contend that Defendants are its direct competitors. While Xerox accuses certain of Defendants’ internet advertising products, Xerox has never itself operated an internet advertising business. Xerox cannot credibly claim to have been “at the forefront of research and development” in a similar technological field as Defendants or to have

(. . . continued)

Exhibit 9 at 1.) Instead, Xerox took the earliest opportunity of this motion to withdraw the patent.

³ Xerox attempts to justify its assertion by suggesting that a fulsome response would require access to Defendants’ documents. Defendants’ Joint Interrogatory No. 1, however, seeks facts relating to the conception and reduction to practice of the Patents-in-Suit, a matter wholly unrelated to Defendants’ productions. (See Defs.’ Br. Exhibit 4 at 4-5.)

spent significant research and development money on such endeavors that it now seeks to recoup. (Opp. at 18.) And Defendants are hardly the only targets of Xerox's licensing program. (See, e.g., Defs.' Br. Exhibit 11.)

For these reasons and others, Xerox also cannot credibly claim entitlement to a permanent injunction in this matter under the standard set forth in eBay Inc. v. MercExchange LLC, 547 U.S. 388, 391 (2006), and, unsurprisingly, does not point to any case granting a permanent injunction on similar facts.⁴ Past damages are a fully adequate remedy for any alleged infringement here. See Patlex Corp. v. Mossinghoff, 758 F.2d 594, 603 (Fed. Cir. 1985); IMX, Inc. v. Lendingtree, LLC, 469 F. Supp. 2d 203, 225 n.24 (D. Del. 2007) ("Plaintiff's licensing activities also suggest that plaintiff's injury would be compensable in damages."). Any delay thus would not result in material prejudice.

Xerox's response is that this Court's Cooper Notification case did not consider the parties' status as direct competitors to be "a dispositive factor." (Opp. at 9.) Yet, it was undeniably an important factor in Cooper Notification and other cases, and it weighs in favor of a stay here. Cooper Notification, Inc. v. Twitter, Inc., Civ No. 09-865-LPS, 2010 WL 5140573 (D. Del. Dec. 13, 2010); Vehicle IP, LLC v. Wal-Mart Stores, Inc., Civ. No. 10-503-SLR, 2010 WL 4823393, at *2 (D. Del. Nov. 22, 2010) ("Since the parties do not compete, this factor favors a stay.").

Xerox also cites to Cooper Notification for the proposition that it is too early to consider whether a permanent injunction may be appropriate. (Opp. at 19.) Cooper Notification, however, does not help Xerox's case. As already discussed, the parties in Cooper Notification

⁴ See also Defs.' Br. Exhibits 12 and 13 (letters in which Xerox explicitly stated that it intended "to allow [Defendants] to continue [their] use of these patents through a license from Xerox.").

were direct competitors, making a claim for injunctive relief at least plausible. See Krippelz v. Ford Motor Co., 670 F. Supp. 2d 806, 812 (N.D. Ill. 2009) (“Even a strong claim for injunctive relief will ordinarily fail when an inventor, who does not practice the invention and does not compete with the infringer, sues for injunction.”).

Xerox also generally avers to the possibility of lost evidence. But Xerox makes no showing whatsoever as to any actual risk in this particular case. (See Opp. at 17.) Defendants’ production of source code should have been more than sufficient to enable Xerox to attempt to make out its affirmative case. (See Opp. at 3.) Indeed, Xerox fails to identify any relevant aspect of the operations of the accused products that has not been addressed in the source code already produced. If Xerox were truly concerned about compelling the trial testimony of Defendants’ former employees regarding such matters, it would have brought this action in the Northern District of California, where Defendants Google, Yahoo! and YouTube conduct their businesses and where most of their former employees reside.

Finally, Xerox asserts as fact that a stay would delay enforcement of its patent rights for “more than half a decade” (Opp. at 1), that the *inter partes* reexamination of its ‘979 Patent will last anywhere from six to eight years, and that the reexamination will outlast this litigation. (See, e.g., Opp. at 16-17, 9.) But Xerox’s claims of delay—as to a patent that issued in 2004—are purely speculative.⁵ Neither a claim construction hearing nor trial in this matter

⁵ Xerox writes: “Defendants seem to contend that simply because Xerox offered to license its patents and spent time in negotiations, Xerox cannot be prejudiced by a substantial further delay in its ability to enforce its patent rights.” (Opp. at 19.) Defendants do not claim that Xerox cannot be prejudiced merely because it engaged in licensing negotiations. Xerox’s conduct during those negotiations, however, strongly suggests that it was in no hurry to bring this case to resolution. For example, Defendants had no communications with Xerox or its representatives for several months before this suit was filed.

has been scheduled, and it will remain within the power of the Court to revisit the stay should the progress of the reexaminations be unsatisfactory.

D. A Stay Will Simplify the Issues in this Case

In contrast to Xerox's superficial and generic claims of prejudice, the potential benefits of a stay are clear and concrete. Specifically, it will ensure that resources are spent only if further litigation is necessary.⁶ Forty-seven percent of *inter partes* reexamination certificates result in all claims being cancelled or disclaimed and Xerox's agreement not to amend the '979 Patent claims only increases the likelihood that they will be invalidated.⁷ (Defs.' Br. Exhibit 16 at 1.) Proceeding with discovery, claim construction and trial raises a significant risk that the parties and the court will spend substantial time, effort and money litigating invalid claims. Pegasus Dev. Corp. v. DirectTV, Inc., No. 00-1020-GMS, 2003 U.S. Dist. LEXIS 8052, at *7 (D. Del. May 14, 2003).

Nevertheless, Xerox claims that there is "no actual risk of inconsistent results or wasted effort" because the instant litigation will ultimately "resolve all issues" as to the asserted claims. (Opp. at 5-6.) While either this litigation or the reexamination may moot some or all of the issues in the other proceeding when it concludes, inconsistent results and wasted effort along the way—such as in summary judgment rulings or interim USPTO decisions—are not only

⁶ Xerox claims that Defendants are not prejudiced because "the cost of proceeding . . . is not a valid justification for a stay." (Opp. at 6.) But many courts flatly disagree. See, e.g., Brass Smith, LLC v. RPI Indus., Inc., No. Civ. 09-06344, 2010 WL 4444717, at *5 (D.N.J. Nov. 1, 2010) (citing reduction in "costs associated with litigating" invalidity as justification for granting a stay); DJO, LLC v. VitalWear, Inc., No. 09cv2872-LAB (NLS), 2010 WL 4065633, at *3 (S.D. Cal. Oct. 15, 2010) (citing reduction in cost for the parties and the Court as a justification for granting a stay).

⁷ Xerox claims that these statistics are "incomplete in that they do not reflect the results of ensuing appeals." But Xerox presents no evidence that the effect of appeals would decrease the cancellation rate; indeed, it could very well result in more claims being cancelled.

possible but probable. In any event, it is undisputed that permitting this action to proceed would require the parties to litigate the same issues in parallel, which is unquestionably “wasted effort.”

While Xerox argues that Yahoo!, Right Media and YouTube, the Defendants not party to the *inter partes* reexamination, will be free to relitigate issues raised before the USPTO in this Court (Opp. at 12-13), Yahoo!, Right Media and YouTube all agree that if a stay is granted they shall be estopped to the same extent as Google with respect to references considered on the record in the *inter partes* reexamination. Accordingly, even if the claims are upheld by the USPTO, a stay will have simplified issues in this case by eliminating a number of Defendants’ invalidity theories.

Courts have consistently highlighted the potential of *inter partes* reexamination (like the reexamination of the ‘979 Patent) to simplify issues when granting stays in situations similar to this case. See, e.g., Tomco2 Equip. Co. v. Southeastern Agri-Systems Inc., 542 F. Supp. 2d 1303, 1309 (N.D. Ga. 2008) (“First, the Court notes that an *inter partes* reexamination, in contrast to the *ex parte* reexamination, has great potential for simplifying issues. It has a *res judicata* effect, and it allows the court to consider the expertise of the PTO before making its own conclusions.”); EchoStar Techs. Corp. v. TiVo, No. 5:05-cv-81, 2006 WL 2501494, at *2 (E.D. Tex. July 14, 2006) (placing great weight on the estoppel effects on the third-party requester in an *inter partes* reexamination proceeding); Wall Corp. v. BondDesk Group L.L.C., No. 07-844 GMS, 2009 WL 528564, at *1 (D. Del. Feb. 24, 2009) (granting a stay of patent infringement action based in part on the potential simplification of issues as a result of *inter partes* reexamination estoppel); CCP Sys. AG v. Samsung Elecs. Corp, LTD, No. 09-cv-4354 (DMC-JAD), 2010 U.S. Dist LEXIS 128943, at *10 (D.N.J. Dec. 7, 2010) (same); TDY

Indus. Inc. v. Ingersoll Cutting Tool Co., No. 10-790, 2010 U.S. Dist LEXIS 107376, at *4-5 (W.D. Penn. Oct. 7, 2010) (same).

Further, the considerations discussed by the Court in Pegasus Dev. Corp. v. DirecTV Inc., which Xerox dismisses as a laundry list (Opp. at 13), are plainly applicable here. For example, to the extent the reexamination uncovers new prior art, it will alleviate the parties' discovery burden on that issue. Pegasus, 2003 U.S. Dist. LEXIS 8052, at *5-6. To the extent the reexamination resolves one or more contested invalidity issues, as is probable, the issues and defenses to be tried in this case will be limited. Id.

In calling these “straw-man arguments in an effort to conjure up benefits to reexamination where none exists” (Opp. at 13), Xerox blithely dismisses the conclusions of this Court and other courts across the nation regarding the clear benefits of deferring to reexamination proceedings. In contrast, none of the cases denying a stay pending reexamination cited by Xerox are persuasive here because they all involved either (1) litigation between competitors, (2) a stay request made late in the litigation, or (3) reexamination that would not bind all of the parties or address all of the claims asserted in the litigation.⁸

⁸ See Life Techs. Corp. v. Illumina, Inc., No. 09-706, 2010 WL 2348737, at *3 (D. Del. June 7, 2010) (parties were direct competitors and counterclaim patents were not subject to reexamination or stay); Bartex Research, LLC v. FedEx Corp., 611 F. Supp. 2d 647, 653-4 (E.D. Tex. 2009) (reexamination sought sixteen months into the case); Tesco Corp. v. Weatherford Int'l, Inc., 599 F. Supp. 2d 848, 851-52 (S.D. Tex. 2009) (parties were direct competitors and not all agreed to be estopped by reexamination proceedings); Power Integrations Inc. v. Fairchild Semiconductor Int'l Inc., No. 08-309-JJF-LPS, 2008 WL 5335400, at *2 (D. Del. Dec. 19, 2008) (noting long history of litigation and fact that not all asserted claims were subject to reexamination); Belden Techs. Inc. v. Superior Essex Comms. LP, No. 08-63, 2010 WL 3522327, at *2 (D. Del. Sept. 2, 2010) (reexamination requested 17-20 months after commencement of litigation and motion to stay filed eleven days before trial); Affinity Labs of Texas v. Apple Inc., No. 09-04436, 2010 WL 1753206, at *2 (N.D. Cal. Apr. 29, 2010) (highlighting delay in filing reexamination request and motion to stay); Stormedia Texas, LLC v. CompUSA, Inc., No. 2:07-cv-025, 2008 WL 2885814, at *1 (E.D. Tex. July 23, 2008) (highlighting that several defendants were not party to reexamination proceedings); St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp., No. 01-557, 2003 WL 2528329, at *1 (D. Del. (Continued . . .)

E. Conclusion

For the foregoing reasons, Defendants respectfully request that the Court grant their motion to stay this litigation in its entirety pending completion of the reexaminations of the Patents-in-Suit and any appeals therefrom.

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(... continued)

Jan. 30, 2003) (discovery was complete and trial was only weeks away); Cooper Notification, Inc. v. Twitter, Inc., 2010 WL 5140573, at *5 (suit between direct competitors). Xerox's remaining case contains only a bare recitation of the facts; however, it appears to have followed an earlier ruling in which the court warned that it would not stay the case or change the trial date in the event of reexamination. See Voith Paper GMBH & Co. KG v. Johnsonfoils, Inc., No. 07-226, 2008 WL 874311, at *1 (D. Del. Mar. 31, 2008).

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