

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE

XEROX CORPORATION,	)	
	)	
Plaintiff / Counterclaim	)	
Defendant,	)	
	)	
v.	)	C.A. No. 10-136 (LPS)
	)	
GOOGLE, INC., YAHOO! INC., RIGHT	)	<b>REDACTED PUBLIC</b>
MEDIA INC., RIGHT MEDIA LLC,	)	<b>VERSION FILED</b>
YOUTUBE, INC., and YOUTUBE, LLC,	)	<b>12/27/2010</b>
	)	
Defendants / Counterclaim	)	
Plaintiffs	)	
	)	

**BRIEF IN SUPPORT OF DEFENDANTS' JOINT MOTION FOR A STAY PENDING  
REEXAMINATION OF THE PATENTS-IN-SUIT**

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## INTRODUCTION

This motion seeks a stay of this action in view of the USPTO's recent decision to reexamine the validity of each and every claim of the patents asserted by plaintiff Xerox. To permit this case to proceed in parallel with reexamination would create a risk of inconsistent outcomes and very probably waste judicial and party resources construing and otherwise litigating patent claims that will ultimately be cancelled or modified.

In determining whether to grant such a request, courts consider "(1) whether the granting of a stay would cause the non-moving party to suffer undue prejudice from any delay or allow the moving party to gain a clear tactical advantage over the non-moving party; (2) whether a stay will simplify the issues for trial; and (3) whether discovery is complete and a trial date set." E.g., Enhanced Sec. Research, LLC v. Cisco Sys., Civ. No. 09-571-JJF, 2010 U.S. Dist. LEXIS 63789, at \*10 (D. Del. June 25, 2010). Each of these factors favors a stay here.

First, there is no risk of prejudice to Xerox. This suit is a result of its efforts to generate revenue from defendants with whom it does not compete by asserting patent claims that it does not practice. A stay will also simplify the issues facing the Court. Claims will likely be cancelled or at least modified during reexamination. As to the final factor, discovery is ongoing and no claim construction hearing or trial date is set. In sum, all three factors favor a stay of this lawsuit, and, indeed, this Court is increasingly granting stays in early-stage, non-competitor patent infringement cases like this one. See, e.g., Vehicle IP, LLC v. Wal-Mart Stores, Inc., Civ. No. 10-503-SLR, 2010 U.S. Dist. LEXIS 123493, at \*7 (D. Del. Nov. 22, 2010); Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*9; Wall Corp. v. Bonddesk Group, L.L.C., Civ. No. 07-844-GMS, 2009 U.S. Dist. LEXIS 20619, at \*4 (D. Del. Feb. 24, 2009).

On the other hand, Cooper Notification, Inc. v. Twitter, Inc., Civ. No. 09-865-LPS, 2010 U.S. Dist. LEXIS 131385 (D. Del. Dec. 13, 2010), in which this Court recently denied a stay pending reexamination, is distinguishable. First and foremost, Cooper Notification is a suit between direct competitors that the plaintiff instituted just over a year after the patent-in-suit issued. 2010 U.S. Dist. LEXIS 131385 at \*15-16. In sharp contrast, Xerox will not be prejudiced by a stay because it does not compete with any of Defendants Yahoo! Inc., Right Media LLC, Google Inc., YouTube, Inc. or YouTube, LLC (collectively, “Defendants”); sought to license the asserted patents broadly in an effort to monetize its intellectual property assets; and waited more than four years after identifying Defendants as targets of its patent licensing program to bring this suit. Second, staying this litigation pending reexamination is more likely to simplify issues and conserve resources for the parties and the Court than it would have in Cooper Notification. There, the plaintiff represented that it would not amend its claims in reexamination, id. at \*10, whereas Xerox has indicated that it may do so. As such, there is a risk that significant issues, including claim construction, would have to be re-litigated after reexamination is complete. Third, Defendants have articulated the hardship they will suffer in the absence of a stay, while the Cooper Notification defendants were unable to do so. Id. at \*5.

Accordingly, Defendants respectfully request that the Court immediately stay this litigation in its entirety pending completion of the reexaminations of the Patents-in-Suit and any appeals therefrom.

#### **NATURE AND STAGE OF THE PROCEEDINGS**

Xerox filed this action on February 19, 2010, alleging that defendants Google Inc., Yahoo! Inc., YouTube, Inc. and YouTube, LLC infringe U.S. Patent No. 6,778,979 (the “979 Patent”) and U.S. Patent No. 6,236,994 (the “994 Patent”); collectively, the “Patents-in-

Suit”). D.I. 1. Xerox filed an amended complaint on March 29, 2010, which named Right Media Inc. and Right Media LLC as additional defendants.<sup>1</sup> D.I. 19 (the “Amended Complaint”). By April 19, 2010, all of the defendants had answered the Amended Complaint and counterclaimed for declaratory judgments that they do not infringe the Patents-in-Suit and that the Patents-in-Suit are invalid.

This suit is at an early stage. The scheduling order entered in this case, see D.I. 60, was vacated in significant part on November 2, 2010, see D.I. 82, after the case was reassigned following Judge Farnan’s retirement. Document discovery is not yet complete, and no depositions have been taken.

### **SUMMARY OF THE ARGUMENT**

The court should exercise its discretion and stay this case pending the outcome of the reexamination of the Patents-in-Suit for at least the following reasons:

- 1) Xerox will not be prejudiced or tactically disadvantaged by a stay. Xerox does not compete with any defendant, and it does not make or sell anything that practices the Patents-in-Suit. Any alleged harm to Xerox from a stay would be compensable with monetary damages.
- 2) The reexamination will simplify the issues in this case. The USPTO has determined that there are multiple substantial questions about the patentability of every claim of the Patents-in-Suit based on prior art that was not considered by the examiner during their prosecution. It is probable that these claims will be cancelled or modified during reexamination. If the claims are cancelled, this lawsuit will be over. If they are modified, the

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<sup>1</sup> Right Media LLC is the successor in interest to Right Media, Inc., which no longer exists.

issues in this case may be streamlined and will in any event differ from those now presented. Significant judicial and party resources will be conserved, and the risk of inconsistent rulings between the Court and USPTO about the validity of the claims of the Patents-in-Suit will be reduced, by waiting for the reexamination process to complete.

- 3) Discovery is far from complete and no trial, claim construction hearing, or any other court date is scheduled. The early stage of the litigation makes a stay particularly appropriate.

### **STATEMENT OF FACTS**

#### **A. The USPTO Has Found a Substantial Question of Patentability for Every Claim of the Two Asserted Patents in the Reexamination of the Patents-in-Suit**

On August 27, 2010—about six months after this action was instituted, and less than five months after Right Media was added as a defendant—Google requested *inter partes* reexamination of the ‘979 Patent.<sup>2</sup> Soon after, on September 14, 2010, Google requested *ex parte* reexamination of the ‘994 Patent.

The USPTO ordered reexamination of the ‘994 Patent on November 29, 2010, finding substantial new questions of patentability about each of the patent’s 20 claims. (See Order Granting Request for *Ex Parte* Reexamination, Nov. 29, 2010, attached as Exhibit 1 (the “‘994 Reexamination Order”).) With respect to claim 9—the only claim of the ‘994 Patent that Xerox has asserted in this action (see Excerpt of Xerox’s May 27, 2010 Objections and Responses to Yahoo! and Right Media’s First Set of Interrogatories at 6, attached as Exhibit 2)—

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<sup>2</sup> Due to an administrative error in its initial filing, Google submitted a corrected reexamination request on September 8, 2010.

the USPTO indicated that substantial new questions of patentability were raised by three distinct sets of prior art. ('994 Reexamination Order at 8-15.)

On December 6, 2010, the USPTO ordered reexamination of the '979 Patent. The USPTO determined that the prior art references submitted by Google raised substantial new questions of patentability about all 20 claims of the '979 Patent, including six separate substantial new questions of patentability with respect to the asserted claims, numbers 1 and 18. (See Order Granting Request for *Inter Partes* Reexamination at 8-19, Dec. 6, 2010, attached as Exhibit 3.)

**B. This Case is at an Early Stage**

A trial is not scheduled; nor is a claim construction hearing. See D.I. 82 (oral order vacating several paragraphs of D.I. 60 (the "Amended Scheduling Order"), and removing all dates in 2011 and 2012, including a November 2012 trial date, from the Court's calendar). Fact discovery is not set to be completed until August 12, 2011, with expert discovery continuing until December 16, 2011 (almost exactly one year from the date of this motion). See Amended Scheduling Order ¶ 3(d). While the parties made substantial productions of documents by November 19, 2010, see Amended Scheduling Order ¶ 3(c), the parties' production efforts are not yet complete. To date, none of the parties has taken any depositions.

That Xerox has provided only vague, limited responses to Defendants' interrogatories further demonstrates that this case remains in its infancy. For example, in response to Defendants' Joint Interrogatory No. 1, which seeks all facts relating to the conception and reduction to practice of the Patents-in-Suit, Xerox merely indicates that

[REDACTED]

[REDACTED]

[REDACTED]



█ (See Excerpt of Xerox’s Objections and Responses to Defendants’ First Set of Interrogatories, May 27, 2010, at 4-5, attached as Exhibit 4.) In response to Google’s request that Xerox supplement this and other interrogatory responses, Xerox declined, stating on October 7, 2010 that its “responses to Defendants’ interrogatories are more than sufficient for this stage of the litigation” and that it would supplement those responses “when it is in a position to do so.” (See Letter from Xerox to Google, Oct. 7, 2010 at 1, attached as Exhibit 5.)

Xerox has also used the fact that this case is at an early stage as a justification for the extremely summary nature of the infringement contentions it has provided.<sup>3</sup> For example, with respect to the alleged infringement of the ‘979 Patent by Yahoo! Content Match, Yahoo! Search Marketing, Yahoo! Publisher Network, Y!Q Contextual Search *and* Right Media Exchange, the entirety of Xerox’s infringement contentions are contained in a single page-and-a-half long claim chart that simply restates the claim limitations and, without providing any details, asserts that each accused product practices them. (See Exhibit 2 at 4-6.) Xerox’s other infringement contentions are similarly lacking in substance. (See *id.* at 6; Xerox’s Responses and Objections To Google Inc.’s and YouTube LLC’s First Set of Interrogatories at 5-7, attached as Exhibit 8.) On October 4, 2010, counsel for Xerox indicated that these content-free contentions were “more than sufficient for this stage of the litigation.” (See Letter from Xerox to Google, Oct. 4, 2010 at 1, attached as Exhibit 9.)

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<sup>3</sup> The Yahoo and Right Media defendants and the Google and YouTube defendants served interrogatories seeking such contentions. (See Excerpt of Defendants Yahoo! Inc.’s and Right Media LLC’s First Set of Interrogatories to Xerox Corporation, April 23, 2010, attached as Exhibit 6; Excerpt of Google Inc. and YouTube LLC’s First Set of Interrogatories to Plaintiff Xerox Corporation, April 23, 2010, attached as Exhibit 7.)

**C. Xerox’s Efforts to Monetize Its Patent Portfolio**

Since at least 2003, Xerox has retained a third party, IPVALUE Management, to help it monetize its patent portfolio by analyzing its alleged applicability to the products of a wide range of entities. (See Press Release, Oct. 8, 2003, Xerox Expands Technology Commercialization Initiatives, attached as Exhibit 10 (“To further boost the value generated from its extensive portfolio of technology, Xerox Corporation . . . today appointed IPVALUE Management as its worldwide agent for the commercialization of intellectual property. Under a five-year agreement, IPVALUE will work on a range of initiatives, including patent licensing . . . .”).)

[REDACTED]

Xerox notified Defendants of their alleged infringement of its patents in the spring of 2007—more than a year-and-a-half before this suit was filed. (See Exhibits 12 and 13.)

[REDACTED]

Xerox does not make or sell any products that practice the Patents-in-Suit. (See Exhibit 4 at 9-10.)

## ARGUMENT

“The decision to grant or deny a stay is within the court’s broad range of discretionary powers.” Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*9. A stay is properly granted “pending conclusion of a PTO reexamination.” Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1427 (Fed. Cir. 1988); see also Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*10; Vehicle IP, 2010 U.S. Dist. LEXIS 123493, at \*7. In fact, the Federal Circuit has emphasized that “[t]he stay of pending litigation to enable PTO review of contested patents was one of the specified purposes of the reexamination legislation.” Patlex Corp. v. Mossinghoff, 758 F.2d 594, 606 (Fed. Cir. 1985), rev’d on other grounds, 771 F.2d 480 (Fed. Cir. 1985); see also Pegasus Dev. Corp. v. DirectTV, Inc., No. 00-1020-GMS, 2003 U.S. Dist. LEXIS 8052, at \*7 (D. Del. May 14, 2003) (reexamination proceedings “should be deferred to by the courts” whenever possible) (quotation omitted); ASCII Corp. v. STD Entm’t USA, Inc., 844 F. Supp. 1378, 1381 (N.D. Cal. 1994) (“[T]here is a liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO reexamination or reissuance proceedings.”).

As explained below, a stay is appropriate here under the three-factor test outlined by this Court in Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*10.

### **A. Xerox Will Not Suffer Undue Prejudice Nor Will Defendants Gain a Clear Tactical Advantage if this Case is Stayed**

The delay caused by a reexamination proceeding “does not, by itself, amount to undue prejudice.” Wall Corp., 2009 U.S. Dist. LEXIS 20619, at \*4. Rather, in evaluating the potential for prejudice, this Court considers a range of factors, including (1) the timing of the request for reexamination, (2) the timing of the request for a stay, (3) the status of the reexamination proceedings, (4) whether the parties are direct competitors, and (5) the remaining term of the asserted patents. E.g., Vehicle IP, 2010 U.S. Dist. LEXIS 123493, at \*5-6; Enhanced

Sec., 2010 U.S. Dist. LEXIS 63789, at \*12. These and other factors demonstrate that Xerox will not be prejudiced by a stay. To the contrary, proceeding with this case in parallel to the reexaminations would work a hardship on Defendants.

**i. Reexamination was Requested at an Early Stage of Litigation**

Google requested reexamination of the Patents-in-Suit approximately 6 months after this suit was filed and about 5 months after one moving defendant, Right Media LLC, was added to the case. That reexamination was requested early in the suit suggests that Xerox would not be prejudiced by a stay. See, e.g., Wall Corp., 2009 U.S. Dist. LEXIS 20619, at \*4 (granting stay when reexamination requested more than 5 months after filing of lawsuit); Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*10 (granting stay when reexamination of one asserted patent requested approximately 6 months after filing of lawsuit).

**ii. Defendants Requested a Stay Immediately After the USPTO Ordered Reexamination of the Patents-in-Suit**

Defendants prepared and filed the instant motion as quickly as was practicable after the USPTO ordered the reexamination of both Patents-in-Suit—less than two weeks after *inter partes* reexamination of the ‘979 Patent was granted on December 6, 2010 and less than three weeks after *ex parte* reexamination of the ‘994 Patent was granted on November 29, 2010. Though proceedings began recently, the USPTO has found numerous grounds to question the validity of the Patents-in-Suit, and the speed with which Defendants made their request after reexaminations were ordered—which indicates that they did not time the request to secure an improper tactical advantage—favors a stay. See Vehicle IP, 2010 U.S. Dist. LEXIS 123493, at \*5.

### iii. Xerox Does Not Compete with Defendants

Xerox does not make or sell any products that practice the Patents-in-Suit, and it does not compete with any of the Defendants. In fact, the products and services Xerox has accused of infringement—internet advertising services; a long-discontinued free internet search tool (Y!Q Contextual Search); and web sites that provide videos, maps and product information, see Amended Complaint ¶¶ 13-14, 21-23, 28-29, 35-36, 41-42, 47-48—are not even remotely related to its businesses.

Rather than reflecting a dispute between competitors, this lawsuit arose out of Xerox's efforts to monetize its patent portfolio by analyzing its alleged applicability to the product portfolios of a range of entities. (See Exhibits 10 (IPVALUE press release); 11 (Excerpt of Xerox Chart of Targets of Licensing Program).) Beginning with Xerox's first contact with Defendants about their allegedly infringing services, Xerox indicated that it wished to license its patents. (See Exhibits 12 and 13 (letters to Defendants notifying them of alleged infringement of Xerox patents).) Any harm Xerox might suffer during the pendency of a stay, therefore, is fully compensable with monetary damages.<sup>4</sup> See Patlex, 758 F.2d at 603; 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.”). Furthermore, since Xerox

it cannot

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<sup>4</sup> While Xerox's complaint includes a nominal request for a permanent injunction (to which Xerox would not be entitled, even if the Patents-in-Suit were valid and infringed), Xerox has not sought preliminary injunctive relief, a fact that further favors a stay. See, e.g., Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co., 3 U.S.P.Q.2d 1889 (N.D. Ill. 1987) (“[N]otwithstanding plaintiff’s argument that monetary damages will not compensate for its losses, this *is* a suit for money damages and plaintiff has never sought preliminary injunctive relief from the Court”).

argue that its rights will be disadvantaged by a stay while the validity of those patents is reassessed.

Because a delay in the adjudication of Xerox's claims will not result in competitive damage, this factor strongly favors a stay. Compare Vehicle IP, 2010 U.S. Dist. LEXIS 123493, at \*4 (granting stay and holding that "[o]f particular importance is the fact that plaintiff does not develop or sell any products of its own and is not a competitor of defendants") with Cooper Notification, Inc. v. Twitter, Inc., 2010 U.S. Dist. LEXIS 131385, at \*15-16 (declining to grant stay in view of fact that "[Plaintiff] and Defendants are direct competitors").

#### **iv. The Term of the Patents-in-Suit Will Not Expire for Many Years**

The '979 Patent will not expire until August 2021, and the '994 Patent will not expire until October 2017. The large amount of time remaining in the terms of each of the Patents-in-Suit favors a stay. E.g., Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*12 ("Plaintiffs' contention that a stay pending reexamination will prejudice their rights to enforce the exclusivity of the [patents-in-suit] is largely speculative, and in any event, is counterbalanced by the fact that the patents do not expire until 2016.").

#### **v. Xerox is Not Otherwise Disadvantaged in the Reexamination Proceedings**

Far from being disadvantaged in parallel proceedings before the USPTO, Xerox has substantially greater rights to participate in the reexamination proceedings than Defendants. Although Google initiated reexamination of both the '994 and '979 Patents, the '994 proceeding is *ex parte*. As such, Google will not be represented in the '994 proceedings going forward. Defendants Yahoo and Right Media are not represented in the reexamination proceedings at all. In contrast, Xerox, as the patentee, will be a full participant in both of the reexamination proceedings. Moreover, Plaintiff Xerox may choose to be represented in the reexamination

proceedings by the very same litigation counsel who represent it before this Court. Indeed, Xerox's chosen litigation counsel, Cravath, Swaine & Moore LLP, may participate substantively in the reexamination proceedings, including by drafting and/or reviewing potential amendments to the claims of the Patents-in-Suit, so long as they do not thereby misuse Defendants' confidential information produced in this case. See D.I. 76 at 1, 7 (order denying Defendants' request for protective order provision "preventing any of plaintiff's trial counsel with exposure to defendants' confidential information from participating in amendment of plaintiff's patents on reexamination"). Given these circumstances, Xerox can hardly be heard to complain now that it will be disadvantaged by a stay of this action pending reexamination.

**vi. Defendants Will Be Harmed if This Case Is Not Stayed**

In contrast to Xerox, Defendants are likely to be harmed if this litigation proceeds while the Patents-in-Suit are reexamined. First, if the asserted claims are either cancelled or amended in reexamination under any circumstances (which, as explained further in section B, *infra*, is very probable), Defendants (and the Court) will be burdened by needlessly litigating a dispute—potentially including claim construction, summary judgment and a trial—that is ultimately mooted by the reexamination. See, e.g., In re Translogic Technology, Inc., 504 F.3d 1249, 1251, 1262 (Fed. Cir. 2007) (upholding USPTO's determination in reexamination that patent was invalid for obviousness after judgment of infringement entered against defendant following jury trial). If amended claims that Xerox believes are infringed by Defendants result from the reexamination proceedings, this litigation will essentially have to restart, requiring Defendants (and the Court) to expend substantial further resources.

Second, if the Court construes any claim language in a way that is harmful to Xerox's position, Xerox would be able to exploit an unwarranted, inequitable advantage: by

submitting new or amended claims in reexamination, it could try to escape the impact of those constructions.

Third, the risk that Defendants' confidential information might be misused by Xerox when it amends claims in consultation with its litigation counsel (a concern that the Court characterized as "legitimate," D.I. 76 at 4) will be heightened in the absence of a stay because Xerox is likely to obtain additional confidential information as discovery continues, and to continue reviewing those confidential materials to which it already has access.<sup>5</sup>

**B. A Stay Would Simplify Issues, Avoid Inconsistent Rulings, and Conserve Judicial and Party Resources.**

Staying this lawsuit pending the USPTO's reexamination of both of the Patents-in-Suit is appropriate because "wait[ing] for reexamination results . . . will simplify litigation by eliminating, clarifying, or limiting the claims." Canady v. Erbe Elektromedizin GmbH, 271 F. Supp. 2d 64, 68 (D.D.C. 2002) (citing Ethicon, 849 F.2d at 1428). The likelihood that the reexamination will result in meaningful simplification of the issues is enhanced by the USPTO's decision to reexamine every asserted claim.

The claims of the Patents-in-Suit are unlikely to emerge from the reexamination proceeding in their present form. Claims are changed or cancelled in 75% of *ex parte* reexaminations initiated by third party. (USPTO, *Ex Parte* Reexamination Filing Data –

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<sup>5</sup> During briefing on the protective order, Xerox argued it should be allowed to use Defendants' confidential discovery information in amending its claims during reexamination. See D.I. 74 at 4. Although the Court agreed with Defendants that intentional use of their confidential information during claim drafting would be improper, it held that Xerox's litigation counsel, who have access to Defendants' discovery information in this case, may nonetheless participate in claim drafting during reexamination. D.I. 76 at 1, 4, 7. Accordingly, as the Court recognized in its ruling, there remains a risk that Defendants' confidential information might, unintentionally, "be competitively misused in strategically narrowing" Xerox's claims. D.I. 76 at 4.



September 30, 2010 at 2, attached as Exhibit 15). And 47% of inter partes reexamination certificates have all claims cancelled or disclaimed; another 42% have changed claims. (USPTO, *Inter Partes* Reexamination Filing Data – September 30, 2010 at 1, attached as Exhibit 16.) The chances that the asserted claims of the Patents-in-Suit will be cancelled or modified are even higher than average since the USPTO has already identified numerous distinct reasons to question their validity. Furthermore, in contrast to Cooper Notification, in which this Court determined that the reexamination was less likely to simplify the issues in the case because “[Plaintiff] has expressly represented that it will not amend its claims in the reexamination,” 2010 U.S. Dist. LEXIS 131385, at \*10, Xerox has acknowledged that it may have to amend the claims of the Patents-in-Suit. See D.I. 74 (letter to Court from Xerox solely regarding issue of whether its litigation counsel with access to Defendants’ confidential materials should be permitted to “provid[e] advice to Xerox or to Xerox reexamination counsel *concerning claim language* during reexaminations of the patents-in-suit initiated by or on behalf of Defendants”) (emphasis added).<sup>6</sup> Under these circumstances, it is probable that a stay would “result in a simplification or reduction of issues for the court’s consideration, or it may dispense with the litigation entirely.” Pegasus, 2003 U.S. Dist. LEXIS 8052, at \*6.

If any claims of the Patents-in-Suit survive reexamination—whether modified or not—the record of the proceedings will be part of their prosecution history and will, therefore, constitute new intrinsic evidence that will simplify issues in the claim construction process. See generally Phillips v. AWH Corporation, 415 F.3d 1303, 1317 (Fed. Cir. 2005) (“[T]he prosecution history can often inform the meaning of the claim language by demonstrating how

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<sup>6</sup> Xerox declined to accept Defendants’ proposal that would have permitted its litigation counsel “to represent Xerox during reexamination of the patents-in-suit in other ways, including making arguments to distinguish Xerox’s claims over the prior art.” D.I. 71.

the inventor understood the invention and whether the inventor limited the invention in the course of prosecution, making the claim scope narrower than it would otherwise be.”). This point is illustrated in Simplification, LLC v. Block Fin. Corp., 593 F. Supp. 2d 700 (D. Del. 2009). In that case, the Court stayed an infringement lawsuit while both of the patents-in-suit were reexamined. See id. at 703. The examiner rejected all the claims that were asserted in the litigation, but the patentee successfully appealed those rejections to the Board of Patent Appeals and Interferences (“BPAI”). Id. Construing the claims following the completion of the reexamination, the Court was able to easily reject a claim construction sought by the patentee because the transcript of the BPAI hearing showed that the patentee had clearly and unambiguously disavowed the requested claim scope. Id. at 706-707 (further noting that patentee’s proposed interpretation of the patents’ specification was “laid to rest by the prosecution history” in reexamination).

Other benefits to a stay pending reexamination are that “(1) many discovery problems relating to the prior art may be alleviated; (2) the record of the reexamination likely would be entered at trial, reducing the complexity and length of the litigation; (3) the issues, defenses, and evidence will be more easily limited in pre-trial conferences following a reexamination; (4) the outcome of the reexamination process may encourage a settlement without further involvement of the court; and (5) if the patent is declared invalid, the suit likely will be dismissed as to that patent.” Pegasus, 2003 U.S. Dist. LEXIS 8052, at \*5-6 (internal citations omitted).

On the other hand, “[n]ot staying the proceedings runs the risk of inconsistent adjudications or issuance of advisory opinions.” Gioello Enters. Ltd. v. Mattel, Inc., Civ. No. 99-375-GMS, 2001 U.S. Dist. LEXIS 26158, at \*3-4 (D. Del. Jan. 29, 2001); see also, e.g.,

Translogic Tech., Inc. v. Hitachi, Ltd., 250 F. App'x 988, 988 (Fed. Cir. 2007) (unpublished) (ordering district court to vacate and dismiss judgment finding patent valid and infringed after upholding USPTO's determination in reexamination that patent was invalid for obviousness). And, as explained above, it would be extremely wasteful for this Court and the parties to "expend their assets addressing invalid claims," the likely result of proceeding in parallel with the reexamination proceedings. Pegasus, 2003 U.S. Dist. LEXIS 8052, at \*7 (quotation omitted); see Hewlett-Packard Co. v. Acuson Corp., No. C-93-0808 MHP, 1993 U.S. Dist. LEXIS 6449, at \*4 (N.D. Cal. May 5, 1993) (courts should avoid "expend[ing] unnecessary judicial resources by attempting to resolve claims which may be amended, eliminated, or lucidly narrowed by the patent reexamination process and the expertise of its officers.") (citation omitted).

### **C. A Stay is Appropriate Because this Case is at an Early Stage**

With increasing regularity, this Court grants stays pending reexamination proceedings when a suit—especially one between non-competitors—is in its early stages, and it should do so here. E.g., Vehicle IP, 2010 U.S. Dist. LEXIS 123493, at \*7; Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*10; Wall Corp., 2009 U.S. Dist. LEXIS 20619, at \*4. In this case, no trial or claim construction hearing is scheduled, there have been no depositions, and discovery is set to continue for another year. Xerox cannot seriously dispute that this case is in its infancy inasmuch as it recently pointed to the "stage of the litigation" to explain its continued inability or refusal to provide substantive infringement contentions or even describe how the alleged inventions claimed by the Patents-in-Suit were conceived and reduced to practice.

A stay at this stage would be proper even if a trial was scheduled. See, e.g., Pegasus, 2003 U.S. Dist. LEXIS 8052, at \*2, 7 (staying more than two year old case with scheduled trial before close of discovery); Abbott Diabetes Care, Inc. v. DexCom, Inc., No. 05-

590-GMS, 2006 U.S. Dist. LEXIS 57469, at \*20 (D. Del. Aug. 16, 2006) (staying case with scheduled trial less than six months before close of fact discovery). But it is particularly appropriate here since a trial is not scheduled and all of the “dates in the scheduling order [D.I. 60] for 2011 and 2012 have been removed from the Courts['] calendar.” D.I. 82; compare Enhanced Sec., 2010 U.S. Dist. LEXIS 63789, at \*11 (staying case on June 25, 2010 in which a trial date had not been set and “[i]dentification of fact witnesses and document production was scheduled to be completed by April 30, 2010, but interrogatories and depositions [were] scheduled to take place for several more months” after USPTO ordered *ex parte* reexamination of one of two patents-in-suit and *inter partes* reexamination of other) with Cooper Notification, 2010 U.S. Dist. LEXIS 131385, at \*10-11 (denying stay and finding it significant that a ten-day jury trial had been calendared after “significant resources were devoted to formulating a schedule”).

### **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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December 17, 2010

**RULE 7.1.1 CERTIFICATION**

Pursuant to D. Del. LR 7.1.1., counsel for Defendants and Counterclaim Plaintiffs Yahoo! Inc. and Right Media LLC conferred with counsel for Plaintiff and Counterclaim Defendant Xerox Corporation (“Xerox”) regarding the request by Yahoo! Inc., Right Media LLC, Google Inc., YouTube, Inc. and YouTube, LLC (collectively, “Defendants”) to stay the litigation pending completion of the reexaminations of U.S. Patent No. 6,778,979 and U.S. Patent No. 6,236,994 and any appeals therefrom, but counsel for Xerox declined Defendants’ request for an agreed-upon voluntary stay.

*/s/ Jeremy A. Tigan*

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Jeremy A. Tigan (#5239)

**CERTIFICATE OF SERVICE**

I hereby certify that on December 27, 2010, I caused the foregoing to be electronically filed with the Clerk of the Court using CM/ECF, which will send notification of such filing to:

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I further certify that I caused copies of the foregoing document to be served on December 27, 2010, upon the following in the manner indicated:

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