

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

XEROX CORPORATION,)	REDACTED
)	<u>PUBLIC VERSION</u>
Plaintiff-Counterclaim Defendant,)	
)	C.A. No. 10-136-LPS-MPT
v.)	
)	
GOOGLE INC., YAHOO! INC., RIGHT MEDIA)	
INC., RIGHT MEDIA LLC, YOUTUBE, INC. AND)	
YOUTUBE, LLC,)	
)	
Defendants-Counterclaim Plaintiffs.)	

**PLAINTIFF XEROX CORPORATION'S BRIEF IN OPPOSITION
TO DEFENDANTS' JOINT MOTION FOR A STAY PENDING
REEXAMINATION OF THE PATENTS IN SUIT**

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INTRODUCTION

Defendants' stay motion would end this action for the foreseeable future, delay resolution of Xerox's claims for more than half a decade and move the parties' dispute to Defendants' preferred forum—all for no good reason. Defendants argue, principally, that “[t]o permit this case to proceed in parallel with reexamination would create a risk of inconsistent outcomes and very probably waste judicial and party resources”. (Defs.’ Br. at 1.) But this is not so at all. This action involves only two patents. If this action proceeds, Xerox is prepared to streamline matters by withdrawing U.S. Patent No. 6,236,994 (the “’994 Patent”) and agreeing not to amend the claims of U.S. Patent No. 6,778,979 (the “’979 Patent”) during reexamination. With only one patent in suit, this action can move rapidly—far more rapidly than the *inter partes* reexamination of the ’979 Patent, which will likely take anywhere from six and a half up to eight years to complete.

Moreover, unlike reexamination, litigation of the parties' dispute over the ’979 Patent in this action will determine *all* issues simultaneously and in one forum. While the Patent and Trademark Office (“PTO”) can consider only certain validity challenges and certain prior art, this Court can decide all issues, including all validity challenges asserted by all defendants. This comprehensive decision will then be conclusive as to, and effectively moot, the *inter partes* reexamination. *See* 35 U.S.C. § 317(b) (after “final decision” in district court, PTO may not maintain *inter partes* reexamination on issues that were or could have been raised in the district court); *Life Techs. Corp. v. Illumina, Inc.*, Civ. A. No. 09-706, 2010 WL 2348737, at *2 (D. Del. June 7, 2010) (“if Life Tech fails to prove that Illumina’s patent claims are invalid in this Court, that result will be binding in the reexaminations”). In other words, this Court can fully resolve the instant dispute in one forum, in a relatively short span of time (depending on the Court’s calendar), rather than requiring two separate proceedings spread over the better part of a decade.

Accordingly, there is zero risk of inconsistent results or wasted effort, and denying Defendants' motion would best effectuate the principle that "it is the court's foremost obligation to see litigations through to trial in a timely and efficient manner." *Vehicle IP, LLC v. Wal-Mart Stores, Inc.*, Civ. No. 10-503, 2010 WL 4823393, at *3 (D. Del. Nov. 22, 2010).

Balancing the relevant factors in view of the above, and taking into consideration this Court's decision in *Cooper Notification, Inc. v. Twitter, Inc.*, Civ. A. No. 09-865-LPS, 2010 WL 5140573 (D. Del. Dec. 13, 2010), we respectfully submit that the present motion should be denied. A stay will not simplify the issues for trial but rather will complicate and delay resolution of this case while denying Xerox its choice of forum. This action is not in its "infancy", but rather has progressed significantly toward trial, through substantial efforts of the parties and the Court. A stay would unduly prejudice Xerox, while handing Defendants an unwarranted tactical victory.

NATURE AND STAGE OF THE PROCEEDINGS

After almost three years of fruitless licensing negotiations, this case has been ongoing for nearly a year, during which time the parties and the Court have expended substantial resources on various issues, including discovery and scheduling matters. Xerox filed its initial complaint alleging that Defendants Google Inc. ("Google"), Yahoo! Inc. ("Yahoo!"), YouTube, Inc. and YouTube, LLC (collectively, "YouTube") infringe the patents in suit on February 19, 2010 (D.I. 1) and an amended complaint adding Right Media Inc. and Right Media LLC¹ (collectively, "Right Media") as defendants on March 29, 2010 (D.I. 19 (hereinafter the "Amended Complaint")). The Defendants answered the Amended Complaint on April 15 and 19,

¹ Right Media LLC is a current subsidiary of Yahoo!. Yahoo! has represented that Right Media Inc. no longer exists. (See Defs.' Br. at 1 n.1.)

2010, raising a slew of affirmative defenses and counterclaiming for declaratory judgments of noninfringement and invalidity on a number of grounds. (D.I. 24, 27, 30.)

Following negotiations between the parties over scheduling matters and a hearing before Magistrate Judge Thyng (to whom this case was referred by Judge Farnan) on April 26, 2010, the Court issued an initial Scheduling Order for this case on May 11, 2010. (D.I. 43.) The Court held a further hearing to discuss scheduling matters, including the date for trial in this case, on June 15, 2010, and issued an Amended Scheduling Order on June 17, 2010, which set a 10-day jury trial to begin October 1, 2012 (D.I. 60, ¶20). Magistrate Judge Thyng held another hearing on May 7, 2010, to discuss potential mediation of the dispute with the parties, and issued an order setting mediation conferences for February 15-16, 2011. (Order Governing Patent Mediation Conferences and Mediation Statements (hereinafter, "Mediation Order") (D.I. 44).) Following Judge Farnan's retirement and the transfer of this case from his docket, this Court then issued an order vacating certain paragraphs of the Amended Scheduling Order, including the trial date. (D.I. 82.) However, the parties have proceeded under the remaining portions of the Amended Scheduling Order, which includes mediation and the commencement of the *Markman* process next month.²

As for discovery, the Court's Amended Scheduling Order required Defendants to "make all reasonable efforts to substantially complete the production of relevant source code and design documents for the accused products by July 30, 2010". (D.I. 60, ¶3(c).) Defendants made their initial productions, and Xerox's technical consultants have since spent over 2,000 hours reviewing code and design documentation. Throughout this review process, Xerox has

² Xerox has confirmed with Magistrate Judge Thyng's chambers that the scheduled mediation conferences remain on her calendar, and the exchanges of claim construction papers set in the Amended Scheduling Order remain in place.

identified a number of areas in which Defendants' productions were incomplete, and Defendants have periodically made additional source code available for Xerox's review. In the meantime, the Court's November 19, 2010, deadline for the substantial completion of document production (*id.*) has passed. Xerox has completed its document production, having produced over 38,000 documents comprising one million pages. Xerox expects that Defendants are close to completing their productions as well, and Xerox has requested that Defendants certify completion of their document production as soon as practicable. (*See, e.g.*, Letter from Xerox counsel to Google counsel, Dec. 28, 2010, attached as Ex. 1.) Defendants also have served a number of subpoenas seeking documents from non-parties (*see, e.g.*, D.I. 79, 81 and 84), and at least one non-party has produced documents to Defendants in response. (*See* Email from Google counsel to Xerox counsel attaching Amazon.com production, Jan. 4, 2011, attached as Ex. 2.)

Meanwhile, Xerox has served a number of interrogatories, to which both Defendant groups (Google and YouTube on the one hand and Yahoo! and Right Media on the other) have responded. (*See* D.I. 35, 49 and 50.) In turn, Defendant groups have served various sets of interrogatories, which Xerox has answered. (*See* D.I. 33, 34, 51, 54 and 55.)³ In addition, Xerox has begun noticing depositions. (*See* D.I. 85 and 86.)

The parties and the Court also expended significant time and resources establishing the Protective Order for this case. After exchanging initial Protective Order drafts in late April 2010, the parties agreed to work from Defendants' version and took part in several meet-and-confer sessions to discuss related issues over the next several months. During these conferences, the parties disputed several points, including the location of computers on which

³ Both Defendant groups also issued supplemental responses to three of Xerox's interrogatories. (*See, e.g.*, D.I. 63.) In addition, in response to this Court's bifurcation of damages issues from liability issues for purposes of discovery and trial (*see* D.I. 60, ¶ 21), Google and YouTube withdrew two interrogatories that they had initially served, while Yahoo! and Right Media withdrew three.

Xerox could review Defendants' source code, costs surrounding source code computers and peripherals, the number and handling of printouts of Defendants' source code, the availability of source code computers at depositions, and Xerox counsel's participation in any potential reexaminations related to this case. (*See, e.g.*, Letter from Xerox counsel to Defendants' counsel, June 15, 2010, attached as Ex. 3.) Unable to resolve these disputes, the parties filed two rounds of letter briefing with the Court (*see* D.I. 68, 69, 70 and 71), and Magistrate Judge Thyng held a hearing on August 19, 2010, in which she resolved a number of the pending issues. After the hearing, Magistrate Judge Thyng requested additional briefing on the issue of counsel participation in reexaminations (*see* D.I. 74 and 75), and later accepted Xerox's proposed language (D.I. 76). The Court issued a final Protective Order on September 23, 2010. (D.I. 78.)

Google requested *inter partes* reexamination of the '979 Patent on August 27, 2010 (six months after the commencement of this action), and requested *ex parte* reexamination of the '994 Patent on September 14, 2010 (seven months after the commencement of this action). The PTO granted reexamination of the '994 Patent on November 29, 2010, and granted reexamination of the '979 Patent on December 6, 2010. (*See* Defs.' Exs. 1 and 3.) The PTO has not yet issued an Office Action as to either patent.

SUMMARY OF THE ARGUMENT

All three factors of the applicable balancing test counsel against staying this case.

1) ***Simplification of issues.*** The *inter partes* reexamination of the '979 Patent will not simplify any issues in this case. The reexamination proceedings will *not* address numerous issues raised in this litigation. Contrariwise, this litigation *will* resolve all issues, will do so more rapidly than an *inter partes* reexamination can be completed, and will moot the *inter partes* reexamination as to any adjudicated patent claims. *See* 35 U.S.C. § 317(b).

2) Stage of the litigation vs. stage of the reexamination. This litigation has made significant progress toward trial, whereas the nascent reexamination has barely begun. As described above, this case has been ongoing for nearly a year, during which time the parties and the Court have invested substantial efforts in setting a schedule and carrying out discovery, including resolving a number of discovery disputes. Although the Court recently vacated certain dates from the Amended Scheduling Order following the transfer of this case from Judge Farnan's docket, much of the schedule remains intact. The parties have been proceeding in accordance with that schedule. A Court-sponsored mediation and the commencement of *Markman* proceedings are coming up next month.

On the other side of the ledger, Google delayed substantially in seeking reexamination, waiting over three years since Xerox first asserted the '979 Patent against it and six months after this litigation commenced. As a result, the *inter partes* reexamination of the '979 Patent has only just begun, and is "likely to take 6.5 to 8 years" to complete. *See Life Techs. Corp. v. Illumina, Inc.*, Civ. A. No. 09-706, 2010 WL 2348737, at *2 (D. Del. June 7, 2010).

3) Prejudice to the non-moving party. The balance of harms clearly favors denial of Defendants' stay motion. A stay would unduly prejudice Xerox by effectively denying the enforcement of its intellectual property rights for up to eight years while the PTO undertakes reexamination proceedings and subsequent appeals. Xerox is well known for pursuing cutting-edge research in a variety of technological fields and maintains an active and vital patent licensing business built upon that research. A stay in this case would stall this business and harm Xerox's ability to recoup substantial investments it has made in research and development. A stay would hand Defendants a significant tactical victory and grant them the right to proceed in their chosen forum, overriding Plaintiff Xerox's choice of forum. Denial of a stay, on the other

hand, would work no cognizable harm at all on Defendants. The only purported harm to which the Defendants can point—there being no actual risk of inconsistent results or wasted effort—is the cost of proceeding, which is not a valid justification for a stay.

For these reasons, Xerox respectfully requests that the Court deny Defendants' motion to stay this case.

ARGUMENT

“Whether or not to stay litigation pending a PTO reexamination is a matter left to the Court’s discretion.” *Cooper Notification, Inc. v. Twitter, Inc.*, Civ. No. 09-865-LPS, 2010 WL 5140573, at *1 (D. Del. Dec. 13, 2010) (citing *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1998)). Courts consider three factors in deciding how to exercise this discretion: “(1) whether a stay will simplify the issues and trial of the case, (2) whether discovery is complete and a trial date has been set, and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party”. *Id.* (citing *St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp.*, Civ. A. No. 01-557, 2003 WL 25283239, at *1 (D. Del. Jan. 30, 2003). “Generally, the party seeking a stay ‘must make out a clear case of hardship or inequity in being required to go forward, if there is even a fair possibility that the stay for which he prays will work damage to some one else’.” *Id.*, at *2 (citing *St. Clair Intellectual Prop. Consultants, Inc. v. Fujifilm Holding Corp.*, Civ. A. No. 08-373, 2009 WL 192457, at *2 (D. Del. Jan. 27, 2009)) (emphasis removed).

A. This Court’s Recent Decision in *Cooper Notification, Inc. v. Twitter, Inc.* Is Squarely on Point and Supports Denial of Defendants’ Motion.

This Court’s recent opinion in *Cooper* is squarely on point with the instant case, and sets out exactly why Defendants’ motion should fail. In *Cooper*, defendants moved for a stay pending *inter partes* reexamination 10 months after the case began, as Defendants do here.

Id. at *1. The parties were due to complete discovery just over a year after the stay motion was filed, and trial was set for almost two years down the road. *Id.* In the present case, the parties are scheduled to complete fact discovery in August 2011 (only nine months after Defendants filed their motion) and expert discovery in December 2011 (one year after Defendants' motion). (Amended Scheduling Order, D.I. 60 ¶3(d).) The Court's Amended Scheduling Order also set this matter down for an October 2012 trial (now vacated due to the reassignment of this case). (D.I. 60 ¶20; D.I. 82.) Furthermore, in *Cooper* the PTO had only just granted defendants' reexaminations, as is the case here (though the PTO has yet to issue an Office Action in this case). *Cooper*, 2010 WL 5140573, at *3.

In *Cooper*, as here, reexamination would not have simplified the issues for litigation, would have granted defendants their choice of forum in lieu of plaintiff's choice of forum, and would have considerably delayed and vitiated plaintiff's right to enforce its patent. *Id.* at *2-4. Citing PTO statistics, this Court noted in *Cooper* that it would likely take three years to reach the point where a party could appeal the examiner's decision, and as long as eight years to reach a final conclusion. *Id.* at *3 (citing *Life Techs. Corp. v. Illumina, Inc.*, Civ. A. No. 09-706, 2010 WL 2348737, at *2 (D. Del. June 7, 2010)). The Court concluded that "granting a stay would unduly prejudice Cooper and provide Defendants a clear, and unwarranted, tactical advantage". *Id.* Xerox stands in the same position as Cooper and the same conclusion follows in this case.

Defendants here, recognizing the close analogy between *Cooper* and this case, try to distinguish *Cooper* in three ways, none of which is persuasive. First, Defendants place heavy emphasis on the fact that the parties in *Cooper* were competitors. (Defs.' Br. at 2.) Yet the Court merely noted that "some competition" was conceded by the non-moving party in *Cooper* and that "[c]ourts are reluctant to stay proceedings where the parties are direct competitors".

Cooper, 2010 WL 5140573, at *5. This was not a dispositive factor, and indeed other courts have denied stays where the parties were not competitors. *See, e.g., Bartex Research, LLC v. FedEx Corp.*, 611 F.Supp.2d 647, 652 (E.D. Tex. 2009) (noting that although non-competing plaintiff “will be able to collect damages for infringement occurring during the stay, [it] may still suffer from irreparable harm during that time” because of the lengthy delays inherent in reexaminations).

Second, the patent holder in *Cooper* said that it would not amend its patent claims in reexamination, and thus, according to Defendants, a stay in that case was unlikely to simplify issues before the Court. (Defs.’ Br. at 2.) As noted above, Xerox is willing to agree not to amend the claims of the ’979 Patent during reexamination (and to withdraw the ’994 Patent from this action). Accordingly, there is no distinction in this case, and, indeed, Defendants’ argument merely confirms that *Cooper* warrants denial of a stay here.

Finally, Defendants claim that, unlike the movants in *Cooper*, they have articulated the hardship they will suffer pending a stay. (*Id.*) They have not. In fact, they muster only three purported sources of harm, stemming almost entirely from the alleged likelihood of Xerox amending its patent claims during reexamination. (Defs.’ Br. at 12-13.) Since Xerox is willing to forgo amending the claims of the ’979 Patent in reexamination, these imagined harms fall away.

Defendants’ only remaining purported harm, the related concern that cancellation of all Xerox’s claims could result in wasted effort in this litigation (Defs.’ Br. at 12), is likewise illusory. Any cancellation of Xerox’s claims would become effective only at the final conclusion of all reexamination proceedings, including appeals—*i.e.*, many years from now. *See* 35 U.S.C. § 307(a). As noted above, this litigation will be completed before then. Upon the rendering of a final decision in this litigation, under 35 U.S.C. § 317(b), the PTO will be barred

from maintaining an *inter partes* reexamination concerning issues that Google raised, or could have raised, with respect to any adjudicated claims. The reexamination will thus be moot as to these claims and will not result in any claim cancellations—or any other determinations—that will affect this case. *See Life Techs.*, 2010 WL 2348737, at *2 (waste of resources “is highly unlikely to happen because [of] 35 U.S.C. § 317(b), which is applicable to *inter-partes* reexaminations, and which mandates that if Life Tech fails to prove that Illumina’s patent claims are invalid in this Court, that result will be binding in the reexaminations . . . [and] it is a near certainty that there will be a final decision (i.e. through appeal) in this action before there is such a decision in the reexaminations which are likely to take 6.5 to 8 years to reach a final decision”).⁴

Defendants have pointed to no cognizable harm whatsoever, and *Cooper* remains squarely on point. This Court denied defendants’ motion in *Cooper* because all three factors weighed against a stay. Here too, all three factors point away from a stay (as discussed in greater detail below), and the same result should apply.

B. A Stay Will Not Simplify Any Issues in This Case.

Defendants’ assertion that the reexaminations here will likely “result in meaningful simplification of the issues” is incorrect. (Defs.’ Br. at 13.) Their data regarding *ex parte* reexaminations are irrelevant given that Xerox is willing to withdraw the ’994 Patent (the only patent under *ex parte* reexamination) from this action. The remainder of Defendants’ argument depends heavily on the percentage of *inter partes* reexaminations that result in the

⁴ Notably, many of the cases that Defendants cite for propositions generally favorable to stays pending reexaminations (*see* Defs.’ Br. at 8) were decided before the creation of the *inter partes* reexamination procedure. With the collateral estoppel rule of 35 U.S.C. § 317(b), the bilateral right of appeal, and the long periods of time involved, *inter partes* reexamination is a significantly different procedure than *ex parte* reexamination, and the logic of these older cases simply does not apply.

modification of claims. But, as already noted, Xerox is willing to forgo claim amendments with respect to the '979 Patent reexamination, taking this issue off the table.⁵ Moreover, as noted above, the possibility of cancellation of claims in the *inter partes* reexamination is of no moment, as this litigation will be completed before the conclusion of the reexamination and will moot it.

A stay here would not result in the simplification of issues before this Court for the additional reason that this case involves numerous issues with respect to the '979 Patent that will not be resolved by the PTO in reexamination. As in *Cooper*, the Defendants here all dispute infringement and have raised numerous defenses: invalidity under 35 U.S.C. §§ 101, 102, 103, 112 and 116; failure to comply with the marking requirements of 35 U.S.C. § 287; and the equitable defenses of estoppel and laches. (See D.I. 24 at 7-8; D.I. 27 at 8-10; *Cooper*, 2010 WL 5140573, at *2). Although this Court can address all of those issues, reexamination will address only validity under 35 U.S.C. §§ 102 (anticipation) and 103 (obviousness). See *Cooper*, 2010 WL 5140573, at *2. Reexamination thus will not resolve all the issues raised in this litigation and will not result in any efficiency. See *Belden Techs. Inc. v. Superior Essex Comms. LP*, Civ. A. No. 08-63, 2010 WL 3522327, at *2 (D. Del. Sept. 2, 2010) (“a stay is more appropriate when the only issues left for trial completely overlap with those typically resolved upon

⁵ Defendants note that somewhat less than half of all *inter partes* reexamination certificates issued since 1999 have all claims cancelled or disclaimed. (Defs.' Br. at 14.) These statistics are incomplete in that they do not reflect the results of ensuing appeals. In fact, the *inter partes* road is so long that “there has never been an *inter partes* reexamination that has gone through the entire reexamination process, including appeal, and made it to completion”. *Bartex*, 611 F.Supp.2d at 651. In any event, the notion that a particular reexamination will result in all, or even any, relevant claims being canceled is purely speculative, and should not weigh in favor of a stay. See, e.g., *Tesco Corp. v. Weatherford Int'l, Inc.*, 599 F.Supp.2d 848, 853 (S.D. Tex. 2009) (“the speculative nature of which claims will survive reexamination reduces the weight of this factor”). Indeed, because the PTO grants 96% of all *inter partes* reexamination requests (see Defs.' Ex. 16), the mere fact that the PTO is reexamining a particular patent has almost no predictive value as to the outcome. There is simply no telling how a given reexamination will proceed, and no reason to believe that any particular claims of Xerox's '979 Patent would not survive. See *Power Integrations Inc. v. Fairchild Semiconductor Int'l Inc.*, Civ. No. 08-309-JJF-LPS, 2008 WL 5335400, at *2 (D. Del. Dec. 19, 2008) (“[n]o one can predict the outcome or the timing of these proceedings”).

reexamination” but “not favored when infringement, validity under 35 U.S.C. § 112, or other issues outside the purview of reexamination remain to be tried”); *Affinity Labs of Texas v. Apple, Inc.*, No. 09-04436, 2010 WL 1753206, at *2 (N.D. Cal. Apr. 29, 2010) (concluding that reexamination would not necessarily address all issues because the court would likely still have to adjudicate infringement and validity with respect to at least some patent claims).

Even with respect to Defendants’ validity challenges under 35 U.S.C. §§ 102 and 103, this Court can address the entire universe of purported prior art, whereas the PTO cannot. Reexaminations can be based only on prior patents or printed publications, not on prior products or systems. *See* 35 U.S.C. §§ 301, 311. Yet Defendants here have asserted prior systems as well as printed publications. (*See* Yahoo! Inc. and Right Media LLC’s Suppl. Resps. to Interrog. Nos. 7 Through 9 of Xerox’s First Set of Interrogs., at 3, attached as Ex. 4; Defs. Google Inc. and YouTube LLC’s Suppl. Second Objs. and Resps. to Xerox’s First Set of Interrogs. to Defs. (Nos. 7-9), at 11-12, attached as Ex. 5 (incorporating Yahoo’s alleged prior art systems by reference).) Thus, even if the PTO ultimately rejects Google’s anticipation and obviousness challenges and that rejection is upheld (after six to eight years), Google will be free to raise yet another set of anticipation and obviousness challenges based on prior products or systems in this Court. This is hardly a recipe for simplification or efficiency.

Even if the PTO rejects validity challenges based on the specific prior art references included in the reexamination, such a decision still may not preclude later relitigation in this Court of the exact same challenges based on the exact same references. Only Google is a party to the *inter partes* reexamination. To the extent the other Defendants are found not to be in privity with Google, they would not be estopped from asserting in this litigation the same prior art that Google relies on in the reexamination. *See Tesco Corp. v. Weatherford Int’l, Inc.*, 599 F.Supp.2d 848, 851-52 (S.D. Tex. 2009) (denying motion to stay and noting that “[w]here . . .

there are several defendants who are not party to the reexamination proceeding, they are not bound by estoppel effects of the reexamination”). By contrast, this Court can comprehensively address all validity issues and all prior art references raised by all parties at once—and do so more quickly than the PTO could deal with even a subset of those issues and references.

Finally, Defendants recite a laundry list of other purported benefits to a stay, as expressed by the court in *Pegasus Dev. Corp. v. DirectTV, Inc.*, but without any explanation of how those benefits might apply in this case. (Defs.’ Br. at 15, citing Civ. A. No. 00-1020, 2003 WL 21105073, at *2 (D. Del. May 14, 2003).) For example, Defendants give no indication of how reexamination may alleviate “discovery problems relating to the prior art” in this case. *Id.* Nor do they explain how or why the “issues, defenses, and evidence will be more easily limited in pre-trial conferences following a reexamination” here.⁶ *Id.* And the notion that a reexamination “may encourage a settlement” (*id.*) should carry no weight where, as here, the reexamination will simply result in a lengthy delay, leaving many issues unresolved. The prospect of a relatively prompt resolution in court is far more likely to provoke a settlement.⁷

Defendants offer only straw-man arguments in an effort to conjure up benefits to reexamination where none exist. There is no indication that the reexamination will simplify any issues in this case. This factor weighs against a stay.

⁶ Defendants also claim that the reexamination record will become part of a patent’s prosecution history, and thus simplify claim construction. (Defs.’ Br. at 14-15, citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1317 (Fed. Cir. 2005).) However, while the Federal Circuit noted in *Phillips* that a patent’s prosecution history “can often inform the meaning of the claim language by demonstrating how the inventor understood the invention and whether the inventor limited the invention in the course of prosecution”, it expressly cautioned that “because the prosecution history represents an ongoing negotiation between the PTO and the applicant, rather than the final product of that negotiation, it often lacks the clarity of the specification and thus is less useful for claim construction purposes”. 415 F.3d at 1317.

⁷ Notably, the Court has scheduled for next month mediation conferences to promote settlement. (Mediation Order, D.I. 44.) Defendants’ requested stay would have the effect of canceling the mediation, ironically enough.

C. This Litigation Is Well Under Way, While the Reexamination Proceedings Have Barely Begun and Will Continue For Years.

This case is by no means in its “infancy”, as Defendants suggest. (Defs.’ Br. at 5.) Xerox has completed document production, having produced over one million pages of documents, and each Defendant group has produced over one million pages as well. The parties have served and responded to interrogatories, and Xerox has spent considerable time and effort reviewing Defendants’ source code and begun noticing depositions. The parties are now on the eve of Court-sponsored mediation and claim construction proceedings.

Courts, including this one, have denied motions to stay at similar stages and even in cases less advanced than this one. *See, e.g., Cooper*, 2010 WL 5140573, at *1 (denying stay motion brought 10 months after case was filed and one year before close of discovery); *Life Techs.*, 2010 WL 2348737, at *3-4 (denying stay motion where the parties were “about halfway through the pretrial stage with a lot of work ahead”, fact discovery was not set to close for another six months, and the parties had “already produced more than a million pages of documents relating to [the infringement claim]”); *Voith Paper GMBH & Co. KG v. Johnsonfoils, Inc.*, Civ. A. No. 07-226, 2008 WL 874311 (D. Del. Mar. 31, 2008) (denying stay motion brought prior to *Markman* proceedings); *Affinity Labs*, 2010 WL 1753206, at *1 (denying stay motion brought prior to any discovery having taken place and before trial date was set); *Tesco*, 599 F.Supp.2d at 853 (denying stay motion brought just after case began and before any scheduling order was in place); *Stormedia Texas, LLC v. CompUSA, Inc.*, No. 2:07-CV-025, 2008 WL 2885814, at *2 (E.D. Tex. July 23, 2008) (denying motion to stay filed one year before *Markman* hearing).

By contrast, Defendants’ cases miss the mark. For example, in *Vehicle IP, LLC v. Wal-Mart Stores, Inc.*, the case truly was in its “infancy”; the court noted there that “[n]o

discovery has been conducted, nor has a final scheduling order been issued”. Civ. A. No. 10-503, 2010 WL 4823393, at *1 (D. Del. Nov. 22, 2010). Furthermore, a third party requested reexamination “four months before plaintiff [filed] suit” and defendant moved for a stay “immediately upon commencement of [the] litigation”. *Id.* at *2. Here, Google waited until six months after Xerox filed this action (following almost three years of license negotiations) to seek reexamination, and moved for a stay 10 months after this litigation began. Similarly, *Enhanced Security Research LLC v. Cisco Systems, Inc.* involved two related infringement actions, with an initial reexamination having been requested two weeks before the case at issue, and only two months after the earlier filed case—a point Defendants conveniently ignore by pointing only to the second, later-filed reexamination request in their brief. Civ. A. No. 09-571, 2010 WL 2573925, at *1 (D. Del. June 25, 2010); (Defs.’ Br. at 9).⁸ In *Wall Corp. v. Bonddesk Group, L.L.C.*, the movant filed its stay motion “early in the case, prior to the court’s scheduling conference and entry of a scheduling order”, and on the same day that it filed its reexamination request. Civ. A. No. 07-844, 2009 WL 528564, at *1-2 (D. Del. Feb. 24, 2009). In the instant case, the parties are proceeding under an Amended Scheduling Order, and have completed important milestones set forth therein. In all, both the parties and the Court have expended substantial resources in litigating this case for nearly a year, and a stay at this point would be unwarranted.⁹

⁸ This Court recently stayed another related case in *Enhanced Security Research LLC v. Juniper Networks, Inc.*, C.A. No. 10-605-LPS, 2010 WL 5420147 (D. Del. Dec. 27, 2010), but expressly noted that it did so because the case “basically adds another defendant” to the prior, already stayed, dispute, and so judicial economy would best be served if the Court could consolidate the related actions. *Id.* at *2.

⁹ Defendants also recite Xerox’s statements from October 2010 that its infringement contentions and interrogatory responses were “more than sufficient for this stage of the litigation” as some indication that the litigation is in its “infancy”. (See Defs.’ Br. at 5-6.) However, as the correspondence to which Defendants cite noted, Xerox has in fact provided specific contentions and responses. (See Defs.’ Exs. 5, 9.) What Defendants apparently seek are, for example, infringement

In contrast to the stage of the litigation, the reexamination proceedings have only just begun, and this fact further weighs against granting a stay. *See Cooper*, 2010 WL 5140573, at *3. As Judge Robinson recently stated, “reexamination is an arduous process fraught with the potential for multiple appeals”. *Belden Techs.*, 2010 WL 3522327, at *3. “Consequently, only those reexamination proceedings that have been substantially completed will weigh in favor of a stay.” *Id.* The PTO granted Google’s request for reexamination only one month ago, and has not yet issued an Office Action. For all the above reasons, the stage-of-proceedings factor weighs against granting a stay.

D. A Stay Would Unduly Prejudice Xerox and Result in a Clear Tactical Advantage for Defendants.

Lengthy delay of enforcement. Xerox’s patent rights continue to be infringed, and its enforcement of those rights will be delayed further if this Court grants a stay. Notably, the average pendency of *inter partes* reexamination proceedings before the PTO is roughly three years, not including appeals. (Defs.’ Ex. 16.) In an *inter partes* reexamination, either party can appeal to the Board of Patent Appeals and Interferences (“BPAI”) (*see* 35 U.S.C. §§ 315, 134), and afterwards either party can appeal to the Federal Circuit (*see* 35 U.S.C. § 141). When such appeals inevitably happen, the expected pendency of the reexamination proceedings jumps to “*at least 6.5 years*”. Robert Greene Sterne, Jon E. Wright, Lori A. Gordon and Byron L. Pickard, *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 11 Sedona Conf. J. 1, 31 (2010) (citing *Reexamining Inter Partes Reexamination*, Institute for Progress (April 2008)) (emphasis added); *see also Life Techs.*, 2010 WL 2348737, at

contentions that point to internal, confidential design documents and source code—information that Defendants only began making available in August 2010, and then incompletely.

*2 (finding that an *inter partes* reexamination is “likely to take 6.5 to 8 years”, including appeals) (citing PTO data).

Loss of forum. Just as was the case in *Cooper*, Xerox chose litigation in this District as the forum for resolution of its patent infringement claims. Granting a lengthy stay would effectively give the Defendants their choice of forum, “for no good reason”. *Cooper*, 2010 WL 5140573, at *3.

Loss of evidence. In addition to the prejudice inherent in delaying and denying the plaintiff its day in court, the fact of such “extreme delay . . . could allow for a loss of critical evidence as witnesses could become unavailable, their memories may fade, and evidence may be lost”, which works additional prejudice on Xerox. *Bartex*, 611 F.Supp.2d at 651-52 (citation omitted); *see also Cooper*, 2010 WL 5140573, at *4. As was the case in *Cooper*, much of the evidence Xerox will need to gather to prove infringement “exists in the minds of witnesses, whose memories will inevitably fade, and who may be difficult to find as time passes”. *Cooper*, 2010 WL 5140573, at *4. Indeed, Defendants have already disclosed that several potentially key witnesses who helped develop the products accused of infringement in this case have already left the Defendants’ employment. (See Email from Yahoo! counsel to Xerox counsel, Oct. 14, 2010, attached as Ex. 6; Letter from Google counsel to Xerox counsel, Oct. 13, 2010, at 2, attached as Ex. 7.) In addition, as in *Cooper*, infringement here will also “depend to some extent on how Defendants’ accused products and services function today, which will be harder to prove years from now”. *Cooper*, 2010 WL 5140573, at *4. On the other hand, “some of the matters on which Defendants bear the burden, such as invalidity of the [patent in suit] due to anticipation or obviousness, may not grow more difficult to prove, as they are based largely on prior art references, which do not change”. *Cooper*, 2010 WL 5140573, at *4. Thus, delay will work substantial prejudice on Xerox, without much, if any, corresponding impact on Defendants.

Hindrance of licensing. In an attempt to downplay the prejudice Xerox will face, Defendants emphasize the fact that Xerox does not compete with Defendants or practice the patents in suit. (Defendants' Br. at 10-11.) But Xerox need not do either in order to enforce its patents or suffer undue prejudice as a result of the substantial delays the reexaminations would effect. *See, e.g., Rite-Hite Corp. v. Kelley Co., Inc.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) ("A patent is granted in exchange for a patentee's disclosure of an invention, not for the patentee's use of the invention. There is no requirement in this country that a patentee make, use, or sell its patented invention.") (citing *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 424-30 (1908)); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006) (declining to adopt rule that a "lack of commercial activity in practicing the patents" bars a patent holder from suffering irreparable harm). Indeed, the patent grant includes "the right to suppress the invention while continuing to prevent all others from using it, to license others, or to refuse to license, . . . [and] to charge such royalty as the leverage of the patent monopoly permits". *Princo Corp. v. Int'l Trade Comm'n*, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (citations omitted).

For decades, Xerox has been at the forefront of research and development in a wide array of technological fields, many of which extend beyond its core products. (*See, e.g., Xerox Corp., Xerox Innovation: Creating the Future Today*, http://www.xerox.com/downloads/usa/en/innovation/innovation_xig_brochure.pdf, attached as Ex. 8.) To fully capitalize on and fund this ongoing research, Xerox maintains an active and vital patent licensing business. (*See, e.g., Xerox Corp., Annual Report (Form 10-K) (Feb. 26, 2010)*, at 13, attached as Ex. 9.) Fundamentally, what a licensor sells is forbearance from enforcement of its right to exclude. Loss of the ability to enforce a patent for a significant portion of its life (here, up to eight years) clearly would damage and prejudice a licensor such as Xerox. *See Cooper*, 2010 WL 5140573, at *4 ("Although Cooper would be entitled to compensation for past infringement if the Court

grants a stay and the [patent] survives reexamination, its right to enforce the patent in the interim would be severely hindered.”); *Affinity Labs*, 2010 WL 1753206, at *2 (finding prejudice to plaintiff and denying stay in part because plaintiff would “not be able to enforce and license its patents until the litigation [which would continue only after the reexaminations conclude] is resolved”).

Injunctive relief. Defendants claim that Xerox would not suffer prejudice because Xerox has not sought a preliminary injunction. (Defs.’ Br. at 10 n.4.) But Xerox has sought permanent injunctive relief, and, as noted, the right to exclude via injunctive relief is the essence of the patent right and essential to any licensor of technology. Moreover, *Cooper* squarely rejects Defendants’ proposition that failure to seek a preliminary injunction should weigh in favor of a stay. 2010 WL 5140573, at *4. As this Court explained, “without substantial discovery (possibly including access to Defendants’ source code), [Cooper could not] meet the high burden for such relief”. *Id.* But “[t]his tells one nothing about Cooper’s motivation to obtain injunctive relief, or even about the potential irreparability of any harm from any infringement (if ultimately proven)”. *Id.* Regarding a permanent injunction, “it is enough to say that Defendants’ motion to stay arises well before such relief could possibly be considered by the Court, so Defendants’ contention presents no reason to stay the instant litigation at this point”.

Id.

Licensing negotiations between the parties. Defendants also suggest that because Xerox undertook licensing negotiations with them prior to commencing this litigation, it will not be prejudiced by a stay. (Defs.’ Br. at 10-11.) 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. But, of course, any prudent patent holder would seek to settle a dispute with an infringer before commencing

litigation. The fact that Xerox did so here does not show that Xerox does not want or is not entitled to an injunction, or that Xerox's interests would not be harmed by freezing its ability to enforce its patent for most of the patent's remaining life.¹⁰ A holding for Defendants on this point would run counter to the important public policy of encouraging settlements. *See Cooper*, 2010 WL 5140573, at *4 (noting the "strong and long-standing public policy favoring settlement").

In short, while Xerox will face distinct, unwarranted prejudice should this Court grant a stay, Defendants, as discussed in Part A, *supra*, can identify no hardship whatsoever if this litigation is allowed to proceed. This factor therefore also weighs against a stay.

CONCLUSION

For the foregoing reasons, Xerox respectfully requests that the Court deny Defendants' stay motion.

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¹⁰ The '979 Patent will expire in August 2021, about 10.5 years from now.