

1 The court entered a scheduling order and, in accordance with the court’s local rules, set a
2 pre-claim-construction settlement conference. (Order (ECF No. 23); Order (ECF No. 24).) The
3 next day, uPost moved to stay all proceedings in this case pending the outcome of ex parte
4 reexamination proceedings before the United States Patent and Trademark Office (“PTO”), arguing
5 that the reexamination proceedings pertain to all of the claims in both of the patents that are at issue
6 in this case. According to uPost, the outcome of the reexamination proceedings will moot or
7 narrow the issues in this case, thereby saving resources. NSixty opposes a stay.

8 Before the court ruled uPost’s motion to stay the proceedings, NSixty filed a consent
9 motion to vacate the settlement conference. (Mot. to Vacate Mediation (ECF No. 34).) NSixty
10 represented that based on uPost’s partial discovery responses, it appeared the scope of damages was
11 much smaller than earlier believed. NSixty further represented that additional discovery would be
12 required before settlement talks would be productive. NSixty therefore requested that the court
13 vacate the settlement conference to allow uPost to produce additional discovery, for the parties to
14 meet and confer on discovery disputes, and for the parties to attempt to informally settle the case.
15 Accordingly, the court vacated the settlement conference, stayed all deadlines in the scheduling
16 order, and ordered the parties to file a joint status report regarding their discovery disputes and
17 settlement efforts. (Min. Order (ECF No. 35).)

18 Before the court-ordered status report was due, uPost filed another motion to stay the
19 proceedings, including discovery, pending the court’s resolution of its prior motion to stay. uPost
20 argues that it does not have the financial means to engage in discovery or the discovery disputes
21 NSixty has raised. uPost argues that absent a stay, it will be forced to close its business and default
22 in this case. uPost further argues it has not been able to pay its attorney’s fees and cannot continue
23 to authorize further legal work in this case. NSixty did not respond to uPost’s second motion to
24 stay. The parties subsequently filed the court-ordered joint status report, which indicates that
25 settlement talks are not progressing. (Joint Status Report (ECF No. 39).)

26 **II. ANALYSIS**

27 uPost moves to stay all proceedings in this case, arguing the outcome of the reexamination
28 proceedings pending before the PTO—which seek to invalidate all claims of both NSixty

1 patents—will moot or narrow this case. Specifically, uPost argues it cannot be found to have
2 infringed if the NSixty patents are invalid. uPost argues the early stage of this case, including the
3 fact that discovery is not complete and that a *Markman* hearing has not been scheduled, favors a
4 stay. uPost further argues a stay will not prejudice NSixty because the parties are not direct
5 competitors, NSixty has not requested a preliminary injunction, and a stay will not diminish the
6 monetary damages to which NSixty would be entitled if it succeeds on its infringement claims.
7 uPost further argues it is a fledgling business that will be prejudiced by attempting to withstand the
8 expense of federal patent litigation. Regarding the duration of a stay, uPost argues NSixty largely
9 will control the duration because the ex parte reexamination is between the patent owner and the
10 PTO’s Central Reexamination Unit (“CRU”), and the process depends on the length of time it takes
11 NSixty to respond to the CRU examiner’s requests. Finally, uPost contends that a stay will reduce
12 the burden of litigation on the court and the parties and avoid inconsistent rulings because NSixty
13 has a similar patent-infringement case pending in the United States District Court for the District of
14 Maryland.

15 NSixty opposes a stay, arguing that reexamination proceedings will not necessarily narrow
16 the issues and that a stay would result in uPost’s continued infringement of NSixty’s patents for
17 several years. NSixty further argues the reexamination proceedings could be used as a tactical tool
18 for delay because no estoppel arises from ex parte reexamination. Thus, if the outcome of the
19 reexamination proceedings is that claims are upheld, uPost will not be precluded from asserting
20 invalidity defenses in this litigation that were raised during reexamination. NSixty further argues
21 the parties’ respective positions are well-known and therefore few resources are needed to continue
22 litigating. Specifically, NSixty states the parties have been attempting to negotiate a licensing
23 agreement since December 2014, that NSixty has served its initial disclosures and infringement
24 contentions, and that uPost’s invalidity positions were detailed in its reexamination requests.
25 Additionally, based on NSixty’s representations in its motion to vacate the settlement conference
26 and the parties’ joint status report, it is the court’s understanding that the parties were engaging in
27 discovery regarding uPost’s sales and profits for the accused products. Regarding the length of the
28 stay, NSixty argues that it has no incentive to delay the reexamination proceedings as its goal is to

1 stop uPost from infringing as soon as possible, thereby limiting its damages. Finally, NSixty
2 argues the Maryland litigation does not bear on this case as it involves a different defendant and
3 different accused products.

4 In its reply and first supplemental brief, uPost provides documentation indicating the PTO
5 granted reexamination of both patents, which was unknown at the time the motion to stay was filed.
6 (Reply (ECF No. 29), Ex. 1; Supp. (ECF No. 31), Exs. 1-2.) uPost also replies that if the court
7 stays this litigation, it will stipulate to be estopped by the PTO's validity findings. Specifically, it
8 states that if the court stays the litigation, it will agree to be estopped "from later asserting in this
9 action any invalidity claims or defenses raised in the reexamination, [not including] any claims that
10 are amended by NSixty in the reexamination process as such claims have not been asserted and are
11 not presently at issue in this action." (Reply (ECF No. 29) at 2, n.4.) Finally, in its second
12 supplemental brief, uPost states that the District of Maryland stayed a similar patent case brought
13 by NSixty against a different defendant pending PTO reexamination proceedings. (Supp. (ECF No.
14 36), Ex. 1.)

15 Reexamination is a procedure under which the PTO reconsiders the validity of an existing
16 patent. 35 U.S.C. §§ 301, *et seq.* "Reexamination of patent validity in the PTO is a 'useful and
17 necessary alternative for challengers and for patent owners to test the validity of United States
18 patents in an efficient and relatively inexpensive manner.'" *Unwired Planet, LLC v. Google Inc.*,
19 No. 3:12-CV-00504-MMD-VPC, 2014 WL 301002, at *4 (D. Nev. Jan. 27, 2014) (citing H. Rep.
20 No. 96-1307(I), at 4). Courts liberally favor staying litigation pending the outcome of PTO
21 reexamination to conserve judicial resources that might unnecessarily be spent on identical claims
22 that may be eliminated or narrowed. *See id.* (collecting cases). It is within the court's discretion
23 whether to impose a stay pending reexamination. *ASCII Corp. v. STD Ent't USA, Inc.*, 844 F.
24 Supp. 1378, 1380 (N.D. Cal. 1994).

25 Under Local Patent Rule 1-20, "[t]he court may order a stay of litigation pending the
26 outcome of a reexamination proceeding before the United States Patent and Trademark Office that
27 concerns a patent at issue in the federal court litigation." LPR 1-20. In determining whether to stay
28 litigation, the court considers the circumstances of each particular case, "including without

1 limitation: (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the
2 nonmoving party, (2) whether a stay will simplify the issues in question and the trial of the case,
3 (3) whether discovery is complete, and (4) whether a trial date has been set.” *Id.*

4 Here, while the court is mindful of NSixty’s concerns regarding the prejudice that is
5 inherent in a lengthy and indefinite stay as well as continuing infringement during reexamination, a
6 stay would not diminish the monetary damages to which NSixty would be entitled if it ultimately
7 prevails on its infringement claims. Further, based on NSixty’s representations in its motion to
8 vacate the settlement conference, it appears the damages in this case are more limited in scope than
9 NSixty anticipated. Thus, any monetary damages resulting from the stay should be limited and do
10 not constitute irreparable harm. Although NSixty argued that not completing discovery at this time
11 would result in irreparable harm separate from financial harm because documents could be lost and
12 witnesses’ memories may fade, this risk is inherent in all cases, and there is no indication that uPost
13 will not preserve discovery in this case. Thus, the court finds that the first factor weighs in favor of
14 a stay.

15 Regarding simplification of issues, because the reexamination proceedings challenge all of
16 the claims in both of the NSixty patents, there is some possibility that the reexamination may
17 cancel the relevant claims, thereby eliminating the need for further litigation. The court is mindful
18 of NSixty’s countervailing concern that *ex parte* reexamination proceedings allow for appeals and
19 lack the estoppel benefits of *inter partes* review. But at the hearing, uPost represented to the court
20 that it would agree to be bound by the estoppel provisions that apply to *inter partes* review, which
21 are set forth in 35 U.S.C. § 315. NSixty stated on the record that it would accept uPost’s offer to
22 be bound by the statutory estoppel provisions of *inter partes* review. Given that a stay would
23 provide at least some possibility of a simplification of the issues in this case, and that uPost has
24 agreed to be bound by the estoppel provisions of *inter partes* review, the second factor weighs in
25 favor of a stay.

26 Regarding the case’s procedural posture, discovery is in its early phases, and a trial date has
27 not yet been set. Thus, the third and fourth factors weigh in favor of a stay. Given that all of the
28 factors weigh in favor of staying this litigation, the court in its discretion will stay this case pending

1 completion of the NSixty patents' ex parte reexamination proceedings.

2 Finally, the court notes that the exhibits presented at the hearing were filed under seal.
3 (Exhibits (ECF No. 45).) The court has reviewed the exhibits and finds there does not appear to be
4 a reason to maintain these exhibits under seal. As required by Local Rule IA 10-5(b), the court will
5 provide the parties with an opportunity to show cause, in writing by March 22, 2018, why these
6 exhibits should not be unsealed. If the parties do not respond by that date, the court will unseal the
7 exhibits without further notice.

8 **III. CONCLUSION**

9 IT IS THEREFORE ORDERED that defendant uPost Media, Inc.'s ("uPost") Motion to
10 Stay Pending Reexamination Before the United States Patent and Trademark Office (ECF No. 26)
11 is GRANTED.

12 IT IS FURTHER ORDERED that this case is STAYED pending completion of the PTO
13 reexamination proceedings.

14 IT IS FURTHER ORDERED that the parties must file a joint status report updating the
15 court on the PTO reexamination proceedings on July 10, 2018, and every 120 days thereafter, until
16 the stay is lifted.

17 IT IS FURTHER ORDERED that following the reexamination proceedings, uPost will be
18 bound by the estoppel provisions that apply to *inter partes* review as set forth in 35 U.S.C. § 315.

19 IT IS FURTHER ORDERED that defendant uPost's Emergency Motion to Stay Pending
20 the Decision on the Motion to Stay Pending Reexamination Before the United States Patent and
21 Trademark Office (ECF No. 37) is DENIED as moot.

22 IT IS FURTHER ORDERED that the parties must show cause, in writing no later than
23 March 22, 2018, why the sealed exhibits (ECF No. 45) should not be unsealed. If the parties fail to
24 show cause, the sealed exhibits will be unsealed without further notice.

25 DATED: March 12, 2018

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C.W. Hoffman, Jr.
United States Magistrate Judge