

Hon. Marsha J. Pechman

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

INTERVAL LICENSING LLC,
Plaintiff,

v.

AOL, INC., et al.,
Defendants.

No. 2:10-CV-01385-MJP

**DEFENDANTS' REPLY TO THEIR
JOINT MOTION TO STAY
PROCEEDINGS PENDING
REEXAMINATIONS**

Note on Motion Calendar:
April 1, 2011

ORAL ARGUMENT REQUESTED

Defendants respectfully submit this reply in support of their Joint Motion to Stay Proceeding Pending Reexaminations concerning each of the Patents-in-Suit.

I. ARGUMENT

Plaintiff Interval Licensing LLC ("Interval" or "Plaintiff") is a patent licensing company that does not compete with Defendants, does not practice the Patents-in-Suit, and offers no genuine argument that it will be unfairly prejudiced by, or suffer any competitive harm as a result of a stay of this litigation. Despite choosing to delay for many years in bringing suit on the Patents-in-Suit (which issued as far back as 2000 or 2001), Plaintiff asserts that the reexamination process will take too long and that it wants to litigate now, an argument that has been repeatedly rejected, including by this Court.

Plaintiff does not seriously dispute the overwhelming probability that a majority, if not all, of the asserted claims will be materially changed, if not outright cancelled, during the

1 reexamination process, which will result in the Court and the parties expending untold
2 resources for naught. (*See* D.I. 199, at Exs. E-H.) Tellingly, Plaintiff's opposition is silent on
3 the merits of the petitions for reexamination and does not dispute the materiality of the new
4 prior art references. These petitions (which Defendants attached to their opening brief)
5 demonstrate that there are multiple prior art references that alone or in combination invalidate
6 the asserted claims of the Patents-in-Suit. In light of the virtual certainty that this case will need
7 to be re-litigated as a result of the reexamination process, this case should be stayed.

8 Plaintiff incredibly argues that a stay should be denied because Defendants delayed in
9 filing the subject Petitions for Reexamination and the present motion. Plaintiff ignores that the
10 Court dismissed Plaintiff's original Complaint in its entirety on December 10, 2010 because the
11 Complaint was "insufficient to put Defendants on 'notice as to what [they] must defend.'" (D.I.
12 147 at 5:4-11 (citation omitted).) Plaintiff did not put Defendants on notice of which of the 182
13 claims in the four Patents-in-Suit it was asserting until December 28, 2010. Just over two
14 months later, four reexaminations were filed seeking reexamination of the 72 asserted claims
15 ("Asserted Claims"). Defendants acted with dispatch in moving for a stay. To the extent there
16 has been any delay, it is attributable to the years that Plaintiff sat on its rights prior to bringing
17 suit and its filing of a defective original Complaint.¹

18 **A. Recent Decisions Continue to Support Granting a Stay of This Proceeding**
19 **Pending the Resolution of the Reexaminations**

20 Consistent with Congressional intent in adopting the reexamination procedure,
21 Defendants seek a stay while the PTO considers the validity of the Patents-in-Suit. Plaintiff's
22 argument suggesting a "trend" of courts denying requests to stay pending reexamination ignores
23 more recent decisions rejecting any so-called "trend" and continuing to grant motions to stay.
24 *See, e.g., AT&T Intellectual Prop. I v. Tivo, Inc.*, No. C 10-1059 SBA, 2011 WL 794933, at *5
25 (N.D. Cal. Mar. 1, 2011) (granting stay of litigation pending completion of reexaminations on

26 ¹ Plaintiff's declaration misleadingly suggests that Interval attempted to license the Patents-in-
27 Suit to Defendants prior to filing suit. (D.I. 208 at ¶ 16.) However, Plaintiff's Amended
28 Complaint does not claim that it provided actual notice of any of the Patents-in-Suit to any
defendant prior to this suit, nor could it. Rather, it affirmatively acknowledges that Interval has
no facts to support a claim of willful infringement. (D.I. 153, ¶¶ 38, 48, 58, 74).

1 four patents); *Richtek Tech. Corp. v. UPI Semiconductor Corp.*, No. C 09-05659 WHA, 2011
2 WL 445509, at *7 (N.D. Cal. Feb. 3, 2011) (granting motion to stay); *Pacific Biosci. Labs., Inc.*
3 *v. Pretika Corp.*, ___ F. Supp. 2d ___, No. C10-0231JLR, 2011 WL 65950 (W.D. Wash. Jan. 10,
4 2011) (same); (see also D.I. 198 at 6, 8-9 (citing cases).) Plaintiff's argument also ignores
5 Congress' clear intent in enacting the reexamination procedure—to allow district courts to
6 exercise discretion to stay proceedings pending reexamination in order to use the PTO's
7 “specialized expertise to reduce costly and time-consuming litigation[,]” which allows courts to
8 exercise discretion to stay proceedings pending the conclusion of a reexamination. *Atlantic*
9 *Constr. Fabrics, Inc. v. Metrochem, Inc.*, No. 03-5645, 2007 WL 2963823, at *1 (W.D. Wash.
10 Oct. 9, 2007) (internal quotations omitted).

11 Congress enacted the reexamination procedure to provide “an inexpensive, expedient
12 means of determining patent validity which, if available and practical, should be deferred to by
13 the courts.” *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1380 (N.D. Cal. 1994)
14 (citation omitted). For this reason, numerous district courts have deferred to the PTO's
15 expertise in assessing patent validity by staying potentially needless litigation. See, e.g., *Wre-*
16 *Hol, LLC v. Pharos Sci. & Applications*, No. C09-1642 MJP, 2010 WL 2985685, at *2 (W.D.
17 Wash. July 23, 2010); *Akeena Solar Inc. v. Zep Solar Inc.*, No. C 09-05040 JSW, 2010 WL
18 1526388, at *4 (N.D. Cal. Apr. 14, 2010); *Pactool Int'l Ltd. v. Dewalt Indus. Tool Co.*, No.
19 C06-5367BHS, 2008 WL 312677, at *1 (W.D. Wash. Feb. 1, 2008).

20 **B. Reexamination Will Simplify This Litigation**

21 This case will be simplified if the Court grants a stay pending the resolution of the
22 reexaminations. Plaintiff misleadingly argues that there is a “63%” chance that one patent will
23 emerge from reexamination without canceled or amended claims, but Plaintiff's analysis fails to
24 account for the materiality of the prior art cited in the requests that demonstrate the invalidity of
25 the Asserted Claims. (See D.I. 199, at Exs. E-H.) Plaintiff's own analysis, moreover, impliedly
26 acknowledges that reexamination will result in the Asserted Claims in at least three of the
27 Patents-in-Suit being altered or cancelled. See *AT&T Intellectual Prop. I*, 2011 WL 794933, at
28 *4 (staying litigation in light of reexamination requests on four patents-in-suit and rejecting

1 argument that reexaminations were unlikely to result in cancellation or modification of all
2 asserted claims). Plaintiff does not explain why the Court or the parties should expend
3 significant resources litigating potentially invalid claims simply because of its speculation that
4 some unidentified claims might survive.

5 Under Plaintiff's analysis, a stay pending reexamination would never be appropriate.
6 As courts have recognized, judicial efficiency heavily favors staying litigation until the
7 reexamination proceedings have concluded so the parties avoid wasteful discovery and
8 litigation efforts. *See Pacific Biosci. Labs.*, ___ F. Supp. 2d at ___, 2011 WL 65950, at *4;
9 *Implicit Networks, Inc. v. Advanced Micro Devices, Inc.*, No. C08-184JLR, 2009 WL 357902,
10 at *2 (W.D. Wash. Feb. 9, 2009); *Aten Int'l Co. v. Emine Tech. Co.*, No. SACV 09-0843
11 AG(MLGx), 2010 WL 1462110, at *7 (C.D. Cal. April 22, 2010). Judicial efficiency is
12 precisely why the Defendants now seek a stay in this case.

13 C. The Early Stage Of This Case Weighs Heavily In Favor Of A Stay

14 The preliminary stage of this litigation also heavily favors a stay. Contrary to Plaintiff's
15 suggestions, this factor focuses heavily on the work that remains in the case, not solely the work
16 that has taken place to date. *See Pacific Biosci. Labs.*, ___ F. Supp. 2d at ___, 2011 WL 65950, at
17 *4 ("the fact that substantial additional discovery, claim construction, and other issues lie ahead
18 in this case weighs in favor of a stay"). While Plaintiff focuses on the work that has already
19 been done, it does not deny that the following remains: substantial discovery, including all
20 depositions, claim construction, expert reports, dispositive motions, pre-trial briefing, and the
21 possibility of several trials. (D.I. 206, at 7-9.) All of these remaining stages involve time-
22 consuming, costly and likely unnecessary work that might be avoided if a stay is entered.

23 Moreover, the Court and the parties' efforts to date will be not be "lost," as Plaintiff
24 suggests. (D.I. 206 at 6-7.) The first months of this case were spent attempting to get Plaintiff
25 to properly plead. That work provided notice to the parties on the claims being asserted and, as
26 mentioned above, helped narrow the reexamination process. In the event that all of the
27 Asserted Claims are found to be invalid or are amended, a stay of this case undeniably will save
28 the parties and the Court substantial resources. Even if some of the Asserted Claims emerge

1 unscathed from the reexaminations, the parties can proceed with the surviving claims with the
2 benefit of the expanded intrinsic record. In contrast, should the Court not grant the stay, the
3 time-consuming and expensive work done by the Court and the parties will be completely
4 wasted if some or all of these Asserted Claims are eliminated or amended. *See CVI/Beta*
5 *Ventures, Inc. v. Tura LP*, 112 F.3d 1146, 1158 (Fed. Cir. 1997) (noting patentee’s statements
6 made during reexamination are relevant to litigation).

7 Finally, in contrast to the years and years of review of Vulcan’s portfolio that Plaintiff
8 cites to explain its delay in filing suit for upwards of a decade, Defendants promptly initiated
9 the subject Motion to Stay pending reexamination in just over two months following the filing
10 of Plaintiff’s Amended Complaint. As this Court recognized, Plaintiff’s original Complaint
11 was deficient and never informed the Defendants of what claims were at issue. (D.I. 147, at 7.)
12 Whether computing time from the date of the initial, defective Complaint or the ordered,
13 amended Complaint, Defendants acted reasonably in filing their Motion to Stay well before
14 most of the substantive work in this case. Due to the early stage of this litigation, this factor
15 heavily favors entering a stay.

16 **D. Plaintiff Has Not Shown Unfair Prejudice Would Result From A Stay**

17 A stay of this case will not prejudice Plaintiff, but a denial of a stay will significantly
18 prejudice the Defendants. Indeed, Plaintiff does not dispute that (1) it is a non-practicing entity,
19 (2) it does not compete with any of the Defendants, (3) it has no separate business interests to
20 protect that cannot be adequately compensated through monetary relief, and (4) it waited
21 several years to file this suit against many of the Defendants. In a case such as this, where the
22 “suit [is] for money damages and plaintiff has never sought preliminary injunctive relief,”
23 courts routinely find stays to be appropriate. *Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co.*, No.
24 85 C 7565, 1987 WL 6314, at *2 (N.D. Ill. Feb. 2, 1987); *see also Implicit Networks, Inc.*, 2009
25 WL 357902, at *3 (“[c]ourts have consistently found that a patent licensor cannot be prejudiced
26 by a stay because monetary damages provide adequate redress for infringement”).

27 Plaintiff’s argument that the case will be delayed up to “six years” is misleading and
28 insufficient to justify denial of Defendants’ motion. Indeed, “[c]ourts have repeatedly held that

1 the delay inherent in the reexamination process does not, by itself, constitute undue prejudice.”
2 *Pacific Biosci. Labs., Inc.*, ___ F. Supp. 2d at ___, 2011 WL 65950, at *4 (citation omitted); *see*
3 *also Avocent Redmond Corp. v. Rose Elecs., et al.*, No. C06-1711 MJP, slip op. at 3 (W.D.
4 Wash. Sept. 18, 2008) (Pechman, J.) (rejecting argument that plaintiff would be prejudiced by
5 “multi-year delay” of litigation caused by reexamination stay). Plaintiff’s suggestion that the
6 reexamination process will take six years is also speculative and at least one Court has rejected
7 such a position as “unrealistic.” *Cygnus Telecomms. Tech., LLC v. United World Telecom,*
8 *L.C.*, 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005). The available PTO data suggests
9 reexaminations take on average 2 or 3 years. (*See* D.I. 199, at Exs. I-J.) Plaintiff’s speculation
10 about potential delays does not change that this entire litigation will be a wasted effort if the
11 Asserted Claims are found to be invalid.

12 Plaintiff’s argument also overlooks the statutory requirement that all reexamination
13 proceedings “be conducted with special dispatch.” 35 U.S.C. §§ 305, 314(c). Moreover,
14 reexaminations “will have priority over all other cases” before the PTO. MANUAL OF PATENT
15 EXAMINING PROCEDURE §§ 2261, 2661 (8th ed., rev. 8, July 2010) (available at [http://www.](http://www.uspto.gov/web/offices/pac/mpep/documents/2200_2261.htm#sect2261)
16 [uspto.gov/web/offices/pac/mpep/documents/2200_2261.htm#sect2261](http://www.uspto.gov/web/offices/pac/mpep/documents/2200_2261.htm#sect2261)) (last visited March 31,
17 2011). Plaintiff offers no valid reason why the PTO will not adhere to these requirements.

18 Plaintiff’s suggestion that this litigation could conclude before the reexamination
19 process is completed reveals Plaintiff’s concern that its patents will not withstand scrutiny in
20 light of the new prior art cited in Defendants’ reexamination requests. Plaintiff’s desire to rush
21 this case to trial does not outweigh the compelling interest in avoiding the potentially enormous
22 waste of party and judicial resources if Defendants are required to litigate claims that are later
23 invalidated or amended. Accordingly, Defendants respectfully request that the Court stay this
24 litigation pending the completion of the reexaminations of the Patents-in-Suit.

25 DATED: April 1, 2011

Respectfully Submitted,

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1 **CERTIFICATE OF SERVICE**

2 I hereby certify that on April 1, 2011, I electronically filed the foregoing with the Clerk
3 of the Court using the CM/ECF system which will send notification of such filing to the
4 following counsel of record:

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