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United States District Court,  
N.D. Ohio,  
Eastern Division.

A.R. ARENA PRODUCTS, INC., Plaintiff

v.

GRAYLING INDUSTRIES, INC., Defendant.

No. 5:11–CV–1911. | June 25, 2012.

#### Attorneys and Law Firms

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#### SECOND REPORT AND RECOMMENDATION

DAVID R. COHEN, Special Master.

\*1 On February 28, 2012, defendant Grayling Industries, Inc. filed a motion (docket no. 41) to stay all proceedings in this case pending the United States Patent & Trademark Office's reexamination of the three patents at issue. The Court then requested from the undersigned a Report and recommended ruling on Grayling's motion (docket no. 71). The Special Master now submits this Report and **RECOMMENDS** as follows. The Court should either: (a) deny Grayling's motion to stay all proceedings; or (b) grant the motion to stay, but only after conducting a *Markman* hearing and then issuing an opinion construing the claim terms at issue.

The reasons for this recommendation are set out below.

#### I. Background.

Plaintiff A.R. Arena Products, Inc. filed this case against defendant Grayling Industries, Inc. on September 9, 2011. The amended complaint alleges Arena owns three related patents, all of which teach the invention of a two-ply plastic

bulk material shipper bag. Arena claims Grayling's "Guardian Pressure Dispense Liner" products infringe a total of 51 claims contained in Arena's three patents. The parties refer to these three patents as the '351 patent, the '873 patent, and the '652 patent.<sup>1</sup>

<sup>1</sup> The patents at issue are No. 6,234,351 ("the '351 patent"); No. 6,427,873 ("the '873 patent"); and No. 6,467,652 ("the '652 patent"). Arena's three patents are all related, in that the latter two patents ('873 and '652) are continuations-in-part of the former patent ('351).

On December 23, 2011, the Court entered its Case Management Order ("CMO") (docket no. 30) setting out various deadlines related to discovery and claims construction. Less than six months later, on June 6, 2012, as required by the CMO, the parties filed their Joint Claim Construction and Prehearing Statement ("*JointMarkman Brief*"). The CMO originally contemplated the Court would then hold a claim construction hearing on June 29, 2012, and fact discovery in the case would end 30 days after the Court's claim construction ruling. On June 12, 2012, however, the Court cancelled its claim construction hearing so that it could first rule on a number of pending motions, including two sanctions motions filed by Arena and also Grayling's instant motion to stay proceedings.

While litigation of this lawsuit was moving forward—that is, at the same time the parties were trading discovery requests and exchanging claim construction contentions in this case—Grayling filed with the United States Patent & Trademark Office ("PTO") three separate requests for reexamination of the three Arena patents at issue. It is not uncommon for accused patent infringers to employ this tactic. A request for reexamination asks the PTO to review prior art it did not see when it originally assessed the patent application, and then determine whether, in light of this additional prior art, the patent should have issued in the first place. Upon reexamination, the PTO may conclude: (a) the patent remains entirely valid, (b) the newly-presented prior art shows the patent should not have issued and is not valid, or (c) some of the claims in the patent remain valid while others should be amended or canceled. The PTO may also simply deny the request for reexamination.

\*2 In this case, the PTO granted all three of Grayling's requests for reexamination. Specifically: (1) on March 28 and March 30, 2012, respectively, the PTO granted *inter partes* reexamination of the '873 and '652 patents; and (2) on May 10, 2012, after vacating its initial grant of *inter partes*

reexamination of the '351 patent, the PTO granted *ex parte* reexamination of the '351 patent.<sup>2</sup>

<sup>2</sup> After Grayling sought *inter partes* reexamination of the '351 patent, Arena correctly informed the PTO that, due to the age of the patent, it was not eligible for *inter partes* reexamination. The PTO responded by vacating the *inter partes* reexamination and later granted Grayling's request for *ex parte* reexamination. While there are important differences between the two types of reexamination, including their estoppel effects with civil patent actions, their essential purpose is the same.

The standard for obtaining *ex parte* reexamination is presentation to the PTO of prior art that raises "a substantial new question" of patentability.<sup>3</sup> The standard for obtaining *inter partes* reexamination is higher, requiring presentation to the PTO of prior art that shows the challenger has a "reasonable likelihood of prevailing" by proving invalidity of at least one of the patent claims.<sup>4</sup> In this case, the PTO concluded Grayling met its burden for virtually *all* of the claims at issue in all three patents; that is, the PTO is reexamining 50 of the 51 claims set out in the three patents that Arena asserts Grayling has infringed.<sup>5</sup>

<sup>3</sup> See 37 C.F.R. § 1.1510(b)(3) (to obtain *ex parte* reexamination, the requester must show a "substantial new question of patentability based on prior patents and printed publications").

<sup>4</sup> See 37 C.F.R. § 1.915(b)(3) (to obtain *inter partes* reexamination, the requester must show, "based on the cited patents and printed publications, [there is] a reasonable likelihood that the requester will prevail with respect to [the patentability of] at least one of the claims challenged in the request").

<sup>5</sup> To explain further: after assessing Grayling's request to reexamine the '351 patent in light of newly-provided prior art, the PTO found that 35 of the '351 patent claims are subject to reexamination, and 17 of the '351 patent claims are not (see docket 50, exh. 1 at 2); however, included within the subset of the 35 claims that *are* subject to reexamination are *all* of the 16 claims in the '351 patent that Arena accuses Grayling of infringing in this lawsuit (see docket no. 38, exh. 1 at 2). The same outcome occurred in the other two patents at issue: although the PTO is not reexamining *every* claim in the '873 and '652 patents, it *is* reexamining 27 of the 28 claims in the '873 patent and all of the 7 claims in the '652 patent that Arena accuses Grayling of infringing. Further,

the PTO found Grayling had a "reasonable likelihood of prevailing" on 50 of the 51 claims at issue in the three patents, even though it later vacated its grant of *inter partes* reexamination of the '351 patent.

After the PTO granted Grayling's requests for reexamination, Arena responded by, among other things, seeking to add new patent claims. For example, in connection with the reexamination of the '652 patent, Arena has asked the PTO to allow 8 new claims in addition to the 20 contained in the original patent. Arena explains that these new claims encompass the exact same invention that is the subject of the original '652 patent, but it "filed the 'new' claims out of an abundance of caution to further clarify the implicit scope of its claimed subject matter in the reexamination proceedings, where the 'new' claims make that scope more explicit." Docket no. 87 at 4. Grayling is sure to object to the addition of these new claims as the reexamination goes forward.

As noted, Grayling's pursuit of reexamination proceedings in front of the PTO has been contemporaneous with the parties' litigation of this case. The parties recently filed their *Joint Markman Brief* (docket no. 85), which lists a total of only eight terms in dispute.<sup>6</sup> Further, the disputed terms are not highly technical, as sometimes occurs in patent cases. For example, two of the disputed terms are "sump," and "equator," words that may be heard during everyday conversation; construction of these terms is sure to be easier than, say, construction of the terms "plasmid" and "prokaryotic fusion protein." See *Regents of the University of California v. Eli Lilly & Co.*, 119 F.3d 1559 (Fed.Cir.1997) (reviewing the district court's constructions of these and other highly technical terms). Grayling believes that, once the Court construes the terms in dispute, and especially if the Court agrees with Grayling's proposed constructions, settlement of this litigation is more likely. *Joint Markman Brief* at 3. Arena is less sure the Court's claim constructions will be "dispositive and/or substantially conducive to settlement." *Id.*

<sup>6</sup> As noted in Arena's motion for sanctions related to claim construction proceedings and related briefs (docket nos. 68, 76, & 81), the parties initially disagreed over a much larger number of terms and phrases, but eventually came to agreement on many of them.

## II. Legal Standards.

\*3 The Federal Circuit Court of Appeals, which has sole appellate jurisdiction over patent cases, has observed that district courts "have inherent power to manage their dockets and stay proceedings, including the authority to order a

stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427–28 (Fed.Cir.1988). “[A] motion to stay an action pending the resolution of a related matter in the PTO is directed to the sound discretion of the district court,” *In re SDI Technologies, Inc.*, 2012 WL 112896 at \*1 (Fed.Cir. Jan.12, 2012), and the trial court’s discretion whether to grant a stay is “broad.” *Donnelly Corp. v. Guardian Industries Corp.*, 2007 WL 3104794 at \*3 (E.D.Mich. Oct.22, 2007) (quoting *Hahn v. Star Bank*, 190 F.3d 708, 719 (6th Cir.1999)).

In deciding whether to grant a stay of litigation pending reexamination of patents-in-suit by the PTO, “courts commonly consider three factors: ‘(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.’ ” *PDS Electronics, Inc. v. Hi-Z Antennas*, 2011 WL 1097745 at \*1 (N.D. Ohio Mar.22, 2011) (quoting *Xerox Corp. v. 3Com Corp.*, 69 F.Supp.2d 404, 406 (W.D.N.Y.1999)).<sup>7</sup>

<sup>7</sup> After the Honorable John R. Adams considered these three factors in the *Hi-Z Antennas* case, the Court granted the motion to stay. Interestingly, in the *Hi-Z Antennas* case, it was the plaintiff patent-holder who sought the stay, while the allegedly-infringing defendant opposed the stay. The more common circumstance is presented in this case, where defendant Grayling, having been accused of infringement, seeks to stay the litigation, and plaintiff Arena, as patent-holder claiming infringement, wants the case to proceed forthwith.

Perhaps even more important than these three factors, whether a court grants a stay pending reexamination may also depend on the court’s own philosophy regarding use of judicial resources, the appropriate role of the PTO, and how timely a patent litigant’s rights should be resolved. In the Northern District of California, for example, which has one of the most active patent dockets in the country, some judges weigh the three *Hi-Z Antennas* factors and then nearly always grant motions for stay pending reexamination; in contrast, other judges in the same district weigh the same factors and then almost never grant stays.<sup>8</sup> Specifically, the Honorable Jeffrey White usually observes a stay will conserve judicial resources and then grants the motion;<sup>9</sup> employing a different philosophy, the Honorable Claudia Wilken usually concludes the several years it will take for the PTO to reexamine the patents will unduly delay final resolution of the case, so

she denies the motion.<sup>10</sup> The consistency of these judges’ rulings across patent cases that are procedurally and factually different shows that a court’s personal judicial philosophy may strongly color its calculus of the *Hi-Z Antennas* factors. This is fair and reasonable, reflecting what is meant by “broad discretion.”

<sup>8</sup> See [www.lexisnexis.com/community/patentlaw/blogs/patentlawblog/archive/2011/06/28/patents-post-grant-judge-by-judge-statistics-on-stays-pending-patent-reexamination.aspx](http://www.lexisnexis.com/community/patentlaw/blogs/patentlawblog/archive/2011/06/28/patents-post-grant-judge-by-judge-statistics-on-stays-pending-patent-reexamination.aspx). Statistics for 2008–2011 show Judge Jeffrey White granted all seven motions to stay pending PTO reexamination that he considered, while Judge Claudia Wilken denied a

<sup>9</sup> See, e.g., *Akeena Solar Inc. v. Zep Solar Inc.*, 2011 WL 2669453 at \*5 (N.D.Cal. July 7, 2011) (“The Court finds that continuing the stay will further simplify the issues and streamline trial, thereby preserving the resources of the parties and the Court.”).

<sup>10</sup> See, e.g., *Centrifry Corp. v. Quest Software, Inc.*, 2011 WL 607107 at \*2 (N.D.Cal. Feb.11, 2011) (“The PTO’s statistics suggest that staying this case could delay final resolution of [plaintiff s] infringement claims. Although the delay inherent in the reexamination process does not constitute, by itself, undue prejudice, delay is certainly a factor to be considered.”) (citations and internal quotation marks omitted).

To the extent that other patent cases reveal the judicial philosophy of the Honorable John R. Adams, the undersigned notes Judge Adams has granted motions to stay in two reported patent cases, and has not denied a motion to stay in any reported patent case.<sup>11</sup> In both patent cases where Judge Adams granted the stay, he noted that: (1) the PTO’s *inter partes* reexamination was likely to ultimately simplify the issues in the case and also provide guidance to the Court;<sup>12</sup> and (2) a stay would allow both the parties and the Court to preserve their resources.<sup>13</sup> In one case, Judge Adams granted the stay but also allowed the parties to “finish up” their discovery.<sup>14</sup>

<sup>11</sup> Judge Adams granted motions to stay pending PTO reexamination in *Hi-Z Antennas*, 2011 WL 1097745, and *EMSAT Advanced v. T-Mobile USA, Inc.*, 2011 WL 843205 (N.D. Ohio Mar.8, 2011).

Judge Adams denied a motion to stay pending reexamination in *Snap-On Business Solutions, Inc. v. Hyundai Motor America*, 2009 WL 1373150 (N.D. Ohio May 15, 2009), but *Snap-On* was not itself

a patent case. *See id.* at \*1 (“The critical issue in the case at bar is whether Hyundai is entitled to a defense and indemnification in connection with the [related] Texas [Patent] Litigation. \* \* \* [T]his fundamental liability issue is not simplified by any action the PTO may take to invalidate the ‘627 Patent or, for that matter, whether the judgment in the Texas [Patent] Litigation will stand as rendered.”).

- 12 *See Hi-Z Antennas*, 2011 WL 1097745 at \*3 (“When a claim is cancelled as a result of reexamination, there is no need to try the issue, thus simplifying litigation. When claims survive reexamination, the expert view of the PTO can assist the court in determining patent validity, thus simplifying trial.”) (citations omitted); *EMSAT Advanced*, 2011 WL 843205 at \*2 (same).
- 13 *EMSAT Advanced*, 2011 WL 843205 at \*2 (“A stay pending these proceedings would allow the parties to preserve their resources by simplifying the issues in question.”); *Hi-Z Antennas*, 2011 WL 1097745 at \*2 (same).
- 14 *EMSAT Advanced*, 2011 WL 843205 at \*3 (allowing the parties to take certain depositions “despite the stay,” so that testimonial evidence could be preserved until any eventual trial).

### III. Analysis.

\*4 The Special Master analyzes the three *Hi-Z Antennas* factors below, although not in the order listed above.

#### A. Undue Prejudice and Delay.

The first *Hi-Z Antennas* factor is whether a stay would cause the non-moving party, Arena, to suffer either (a) undue prejudice, or (b) a clear tactical disadvantage. Taking up the latter prong first, the rule of thumb is that “[t]he later in the litigation that the reexamination request is made, the more likely it is to represent a tactical move for delay.” *Avago Technologies Fiber IP (Singapore) Pte. Ltd. v. IPtronics Inc.*, 2011 WL 3267768 at \*4 (N.D.Cal. July 28, 2011). Stays are often denied if “there is an inexplicable or unjustified delay in seeking re-examination.” *Ecolab, Inc. v. FMC Corp.*, 2007 WL 1582677 at \*1 (D.Minn. May 30, 2007) (noting the movant sought reexamination and a stay of litigation only after an adverse ruling on its summary judgment motion).

In this case, Grayling submitted to the PTO its requests for reexamination five months after Arena filed the complaint in this case, and Grayling filed its motion to stay with the Court immediately thereafter. *See* docket nos. 40 &

41. At that juncture, it was still relatively early in the Court's case management timeline; for example, the deadline for “exchange of preliminary claim constructions” had not yet passed. *See* docket no. 30 at 5. This is not a case where the movant “appl[ied] for reexamination after protracted, expensive discovery or trial preparation.” *Freeman v. Minnesota Min. and Mfg. Co.*, 661 F.Supp. 886, 888 (D.Del.1987) (denying a motion to stay filed 2 ½ years after the case was brought). Although the parties have now advanced to the point of being fully ready for a *Markman* hearing, it is fair to say that, if no stay is granted, there is probably more litigation ahead than behind. Accordingly, this prong weighs in favor of granting a stay.

With regard to the more important second prong, undue prejudice, Arena notes that: (1) its patents expire in five years; (2) the reexamination process is likely to take at least two years and possibly more than twice that long;<sup>15</sup> and (3) Arena and Grayling are direct competitors in the market for bulk material shipper bags. Thus, Arena argues, a stay pending reexamination may serve to allow Grayling to invade all of Arena's remaining patent rights, with no ultimate, sufficient remedy.

- 15 The most recent PTO statistics reveal that *ex parte* reexaminations have historically averaged 25.6 months long, and *inter partes* reexaminations have averaged 36.2 months long. *See* [www.uspto.gov/patents/stats/Reexamination—Information.jsp](http://www.uspto.gov/patents/stats/Reexamination—Information.jsp). This statistic does not include statutory rights to appeals, which can double the time it takes for reexamination. *See ePlus, Inc. v. Lawson Software, Inc.*, 2010 WL 1279092 at \*3 (E.D.Va. Mar.31, 2010) (“commentators have determined that parties should expect *inter partes* reexaminations to last at least 6.5 years, if taken all the way through the appeal process”).

Many courts have held that, “[w]here the parties are direct competitors, a stay would likely prejudice the non-movant” patent-holder. *Tesco Corp. v. Weatherford Int'l, Inc.*, 599 F.Supp.2d 848, 851 (S.D.Tex.2009). This is because the patentee “could lose market share—potentially permanently—during the stay,” while the alleged infringer continues to sell the competing product, and this loss of market share is an irreparable injury not compensable by money damages. *Sunbeam Products, Inc. v. Hamilton Beach Brands, Inc.*, 2010 WL 1946262 (E.D.Va. May 10, 2010); *see Biomet Biologies, LLC v. Bio Rich Medical, Inc.*, 2011 WL 4448972 at \* 1 (C.D.Cal. Sept.26, 2011) (“because Defendants allegedly continue to infringe upon Plaintiffs' patent in

direct competition with Plaintiff, a delay has the potential to cause severe prejudice”); *Avago*, 2011 WL 3267768 at \*5 (“infringement among competitors can cause harm in the marketplace that is not compensable by readily calculable money damages. \* \* \* Staying a case while such harm is ongoing usually prejudices the patentee that seeks timely enforcement of its right to exclude.”) (citations omitted); *Heraeus Electro-Nite Co., LLC v. Vesuvius USA Corp.*, 2010 WL 181375 at \*1 (E.D.Pa. Jan.11, 2010) (“courts have been reluctant to grant stays where, as here, the parties are direct competitors. \* \* \* In such situations, stays are denied where there is concern that the patent owner will be irreparably harmed because the accused product will continue to gain market share during the pendency of the stay.”) (citations omitted).

\*5 The undersigned observes that Arena’s assertion it will suffer non-compensable loss of market share is conclusory and unsupported. Cf. *Avago*, 2011 WL 3267768 at \*5 (relying on “the declaration of an Avago affiliate’s product marketing manager” to find potential undue prejudice caused by “marketplace harms”). Still, “[c]ourts have recognized [as a general proposition] that where the parties are direct competitors, a stay would likely prejudice the [patentee].” *Nidec Corp. v. LG Innotek Co., Ltd.*, 2009 WL 3673433 at \*4 (E.D.Tex. April 3, 2009). Although Grayling points out there are other suppliers of bulk material shipper bags besides it and Arena, it remains true that Grayling and Arena are direct competitors—Arena is not what is known as a “non-practicing entity.” *In re Webvention LLC #294 Patent Litig.*, 2012 WL 2275249 at \*4 (D.Md. June 15, 2012) (concluding a stay would not cause undue prejudice because the patentee was a “non-practicing entity,” as opposed to a competitor in the marketplace). Accordingly, this prong weighs in favor of denying a stay.

In sum, Grayling was timely in filing its motion for stay, but the lengthy delay sure to be caused by a stay carries a real potential for undue prejudice to Arena, which competes directly with Grayling in the marketplace for the patented inventions. The risk of competitive harm to Arena outweighs the fact that Grayling did not delay the filing of its motion in this litigation. Accordingly, the first *Hi-Z Antennas* factor preponderates in favor of denying a stay.

### B. Discovery Status and Trial Date.

The third *Hi-Z Antennas* factor is whether discovery is complete and whether a trial date has been set. The Special Master examines this factor next because the analysis largely

overlaps the second prong of the first factor, whether the movant sought the stay without delay.

As noted, Grayling moved for a stay relatively early in the Court’s case management timeline. Discovery remains open—the deadline for fact discovery is 30 days after the Court’s claim construction ruling, *see* CMO at 7—and the Court has not set a trial date. Thus, the third *Hi-Z Antennas* factor weighs in favor of granting a stay. Because this factor is partially duplicative of the first *Hi-Z Antennas* factor, it does not weigh as heavily as the first or second *Hi-Z Antennas* factors in the Special Master’s analysis.<sup>16</sup>

<sup>16</sup> Case law shows clearly that tactical delay in moving for a stay pending reexamination should be held firmly against the movant. Waiting to seek reexamination of a patent-in-suit until late in the litigation, as a strategy to delay trial, cannot be rewarded. Arguably, however, the inverse is not as true—a motion for stay pending reexamination is not obviously stronger on the merits simply because it was filed timely. And it is the other factors—whether a stay would cause the non-movant undue prejudice, and whether a stay will simplify the issues for the parties and the Court—that go more clearly to the merits of the motion.

### C. Simplification of the Issues.

Finally, the second *Hi-Z Antennas* factor is whether a stay will simplify the issues in question and the trial of the case. The Federal Circuit Court of Appeals has observed that “[o]ne purpose of the reexamination procedure is to eliminate trial (when the claim is canceled) or facilitate trial of that issue by providing the district court with the expert view of the PTO (when a claim survives the reexamination proceeding).” *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed.Cir.1983). It is tempting to conclude, therefore, that reexamination by the PTO will always be beneficial to the trial court. After all, “[a] stay will always simplify the issues in the litigation to some extent.” *IMAX Corp. v. In-Three, Inc.*, 385 F.Supp.2d 1030, 1032 (C.D.Cal.2005).

\*6 Many courts conclude, however, that the potential benefits of waiting several years for the results of the PTO’s reexamination are limited in light of the totality of issues presented to the Court. *Id.* (denying a stay because of “the myriad issues in this case that will remain unresolved and unaddressed” even after reexamination). For example, all PTO reexamination proceedings are limited with regard to both the prior art the PTO may review and the type of

invalidity arguments it may consider. Thus, unless the PTO invalidates all of the patent claims Grayling has allegedly infringed, there will almost certainly remain issues for this Court to try that the PTO never addressed. See *BarTex Research, LLC v. FedEx Corp.*, 611 F.Supp.2d 647, 653 (E.D.Tex.2009) (denying a stay even though it “could simplify some issues currently before the Court,” because “it is not clear whether the invalidity issues will be clarified much, if at all”); *Gladish v. Tyco Toys, Inc.*, 1993 WL 625509 at \*2 (E.D.Cal. Sept.15, 1993) (denying a stay: “Tyco has uncovered evidence of prior public use and prior conception which is material to a court’s determination of validity, but which does not fall into the narrow categories the PTO considers on a request for reexamination, namely prior publications and patents. As a result, this court is the only forum for a complete consideration of Tyco’s evidence of invalidity.”).

That the PTO’s patent reexamination may not yield substantial simplification of the issues is especially true when it is *ex parte* and not *inter partes*. The *inter partes* reexaminations of Arena’s ’873 and ’652 patents impose estoppel restraints upon Grayling, so that Grayling cannot later re-litigate in this Court the same issues that were raised, or could have been raised, during the *inter partes* proceedings. *Nidec Corp.*, 2009 WL 3673433 at \*5. In contrast, Grayling is free to argue in this Court the same issues of invalidity that are currently before the PTO in its *ex parte* reexamination of the ’351 patent; moreover, different legal standards apply. *eCOMSYSTEMS, Inc. v. Shared Marketing Services, Inc.*, 2011 WL 280942 at \*2 (M.D.Fla. Jan.26, 2011) (denying a stay because “[e]x parte reexaminations ... do not bar the requestor from relitigating the exact same issues in district court”); *Cooper Technologies Co. v. Thomas & Betts Corp.*, 2008 WL 906315 (E.D.Tex. Mar.31, 2008) (denying a motion to stay because one of two related patents-in-suit was undergoing *ex parte* reexamination and the other *inter partes* reexamination, and issues raised in the former could be re-argued). This means there is a good likelihood the Court will find, several years from now, that it must address many issues the PTO has no authority to examine at all, as well as issues the PTO did examine but could not fully resolve for purposes of this litigation. Some courts point to this fact and “deny stays when the reexamination will not resolve all the issues in the litigation;” other courts conclude the “potential” for any simplification of the issues merits a stay, even if it is likely many issues will remain for trial. *Tomco Equipment Co. v. Southeastern Agri-Systems, Inc.*, 542 F.Supp.2d 1303,

1310–11 (N.D.Ga.2008) (distinguishing *IMAX Corp.*, 385 F.Supp.2d 1030).

\*7 The parties cite dueling statistics addressing the likelihood that the PTO’s reexamination will simplify the issues before this Court. The PTO’s most recent data shows that 11% of the *inter partes* reexamination certificates it issued confirmed all of the patent claims—in the other 89% of the reexaminations, either all of the claims were canceled (44%) or at least some claims were changed (45%).<sup>17</sup> Similarly, 23% of the PTO’s *ex parte* reexamination certificates confirmed all claims—in the other 77% of the reexaminations, either all of the claims were canceled (11%) or at least some claims were changed (66%).<sup>18</sup>

17 See [www.uspto.gov/patents/stats/Reexamination—Information.jsp](http://www.uspto.gov/patents/stats/Reexamination—Information.jsp).

18 *Id.*

These statistics can be interpreted two ways—that is, by focusing on the high likelihood that at least some claims will be canceled, or the high likelihood that at least some claims will survive. For example, some courts have concluded that, since 89% of all *ex parte* reexaminations “result in the confirmation of at least some of the claims in [the] patent [since only 11% result in cancellation of *all* claims] ... , invalidity would continue to be an issue, and so a stay would not preserve many resources.” *Ariba, Inc. v. Emptoris, Inc.*, 2007 WL 3132606 at \*2 (E.D.Tex. Oct.23, 2007). In contrast, this Court has relied before on the statistic that “only 11% of *inter partes* reexamination[s] result in confirmation of all of the claims presented,” and then concluded “it is highly likely that the issues in the ... case will be affected by the outcome of the ... reexamination. A stay pending these proceedings would allow the parties to preserve their resources by simplifying the issues in question.” *Hi-Z Antennas*, 2011 WL 1097745 at \*2.

Finally, a potentially complicating circumstance is that Arena has responded to the PTO’s grant of Grayling’s requests for reexamination by seeking to add new claims to the patents-in-suit. Grayling notes it is conceivable the PTO will allow these new claims and Arena will then assert Grayling has infringed them. Accordingly, Grayling asserts the Court should stay this litigation pending the PTO’s determination regarding whether the new claims are valid, so that any allowed new claims can be addressed in this single lawsuit. The Federal Circuit Court of Appeals has recently observed, however, that “claims that emerge from reexamination do not create a new cause of action that did not exist before.” *Aspex Eyewear, Inc. v.*

*Marchon Eyewear, Inc.*, 672 F.3d 1335, 1342 (Fed.Cir.2012).

Thus, that Arena responded in the *inter partes* reexamination proceedings by seeking new patent claims is apparently irrelevant to whether granting a stay is appropriate.

The Special Master admits he finds it difficult to map the intersection of all of these matters and predict the extent to which a stay will truly simplify the issues for trial, if at all. Ultimately, the Special Master finds two elements are convincing.

First, the PTO's reexamination of the '351 patent is *ex parte*, which means that, unless the PTO invalidates the '351 patent entirely (which occurs only 11% of the time), the parties are free to relitigate all of the same issues before this Court, after the stay is lifted. *eCOMSYSTEMS, Inc.*, 2011 WL 280942 at \*2; *Cooper Technologies Co.*, 2008 WL 906315 at \*4. This lack of collateral estoppel works in a way that is especially unhelpful to the Court because the '351 patent is Arena's original patent—the other two patents (the '873 patent and the '652 patent) are continuations-in-part. Further, there is a good chance the three reexaminations will actually last longer than the five years remaining on Arena's patents. These facts suggest the cost of delay exceeds any benefits that reexamination may provide.<sup>19</sup>

<sup>19</sup> Both of the reported patent cases where Judge Adams ruled on a motion to stay apparently involved *inter partes* reexaminations. *Hi-Z Antennas*, 2011 WL 1097745; *EMSAT Advanced*, 2011 WL 843205. To some extent, at least, this makes it difficult to extrapolate a “judicial philosophy” to this case, involving *ex parte* reexamination of the original patent.

\*8 Second, the principal upside of staying litigation pending reexamination is to obtain “the PTO's expertise on prior art issues, claim construction, and validity.” *Roblor Marketing Group, Inc. v. GPS Industries, Inc.*, 633 F.Supp.2d 1341, 1349 (S.D.Fla.2008). This expertise may certainly be valuable to the Court in any patent case, but probably more so when the patent-in-suit is highly technical. *Easco, Inc. v. Mossinghoff*, 1983 WL 124 (D.C.D.C.1983) (“great weight attaches to the expertise of [the PTO] and its findings on the issue of obviousness, particularly in highly technical matters”). As noted in the beginning of this Report, however, Arena's three patents are not highly technical in nature. Accordingly, especially as it relates to claim construction, the benefits the Court might obtain by reviewing the PTO's reexamination analyses are not as high as they might be in other patent cases.

In sum, the Special Master suspects the PTO's reexaminations will not simplify the issues in question and the trial of this case to such a meaningful degree that a stay of this case is justified, especially where the reexamination process is not likely to conclude for many years.

#### IV. Conclusion.

Whether the Court should grant Grayling's motion to stay this litigation pending the PTO's reexamination of the patents-in-suit is squarely within the Court's discretion. When other courts assess similar motions, they seem to rely as much as anything else on their over-arching judicial philosophy regarding patent litigants' rights to speedy trial and conservation of judicial resources.

That said, assessment of the three factors recited by this Court in *Hi-Z Antennas* leads the undersigned to conclude that:

- (1) Because Arena and Grayling are direct competitors and Arena's patents last for only five more years, and given the lengthy delay a stay pending the PTO's completion of the three reexaminations will surely cause, there is a strong likelihood Arena will suffer undue prejudice. This weighs against granting Grayling's motion.
- (2) Since the PTO's reexamination of the original '351 patent is *ex parte*, it is questionable whether the PTO's three reexaminations will so simplify the issues raised during litigation of this case that waiting for the reexaminations to conclude is justified. This weighs against granting Grayling's motion.

and

- (3) Grayling's request for stay came relatively early in the timeline of the case. This weighs in favor of granting Grayling's motion.

Weighing all of these factors together, the Special Master recommends the Court deny the motion to stay.

This recommendation, however, is not a strong one. If the Court puts a higher priority on conserving judicial resources than on speedy resolution of all of the parties' patent claims, then the Special Master recommends the following alternative: the Court should grant the motion to stay, but only after conducting a *Markman* hearing and then issuing an opinion construing the claim terms at issue. The reasons for this alternative recommendation are as follows.

\*9 The parties have fully briefed the *Markman* issues, and they agree the Court needs to construe only about eight terms and phrases contained in the patent claims. The parties estimate the *Markman* hearing will take no more than half a day. Further, the terms and phrases at issue are not highly technical or complex. All of this means the Court and the parties can complete the current phase of the case—claim construction—without expenditure of substantial additional resources.<sup>20</sup> And the parties and the Court will benefit from “finishing up” claim construction while the briefing is fresh. See *EMSAT Advanced*, 2011 WL 843205 (this Court granted a stay pending reexamination but allowed the parties to first finish discovery).

20 There are a number of motions on which the Court will apparently have to rule regardless of whether a stay is granted. They include: (1) Arena's motion to require Grayling to comply with Local Patent Rules (docket no. 31), regarding which the undersigned submitted a report and recommended ruling (docket no. 44); (2) Arena's motion for sanctions (docket no. 68); and (3) Arena's motion to reallocate costs (docket no. 68).

Moreover, there is at least some chance the Court's construction of the patent terms at issue will lead to settlement

of the entire case, and perhaps cessation of the PTO's reexamination proceedings. See *Joint Markman Brief* at 3 (“Grayling believes that the terms in Grayling's attached statement [of proposed claim construction] would require a disposition of the case in favor of Grayling and would promote settlement.”). Finally, even if settlement does not occur in the wake of the Court's claim construction, it is also possible the Court's *Markman* opinion will assist the parties and the PTO as they engage in the reexamination proceedings. See *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1267–68 (Fed.Cir.2004) (after a Special Master held a *Markman* hearing, the trial court adopted his claim construction and the appellate court affirmed; thereafter, the PTO relied on the claims construction during a subsequent patent reexamination).

In sum, the Special Master recommends the Court either deny the motion to stay, or grant the stay but only after issuing a ruling on claim construction.

**RESPECTFULLY SUBMITTED,**

**All Citations**

Not Reported in F.Supp.2d, 2012 WL 2953190