UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

3M Innovative Properties Co., *et al.*, Civil No. 09-1594 (ADM/FLN)

Plaintiffs,

v. **ORDER**

Envisionware, Inc.,

Defendant.

Theodore M. Budd, Andrew F. Johnson for Plaintiff.
Kevin D. Conneely, H. Keeto Sabharwal, Nirav N. Desai for Defendant.

THIS MATTER came before the undersigned United States Magistrate Judge on August 16, 2010 on Envisionware's Motion to Stay Pending Reexamination and for Extension of Markman Hearing Deadline [#43].

I. BACKGROUND

This patent infringement action was filed on June 23, 2009 and has been pending for over a year. (Doc. No. 1.) During the latter half of 2009, the parties engaged in ultimately unsuccessful settlement discussions, resulting in Defendant Envisionware's Answer and Counterclaim filed on November 16, 2009. (Doc. No. 10.) The parties filed a Joint Claim Construction Statement on July 30, 2010. (Doc. No. 42.) Discovery is set to close on October 1, 2010 – approximately six weeks from the date of this Order. (Doc. No. 23.)

Five months after filing its Answer and Counterclaim, on April 20, 2010, Envisionware

requested that the Patent and Trademark Office ("PTO") conduct reexaminations of two of the three patents-in-suit. (Desai Aff. Exs. D, E.) The three patents-in-suit are known as the '568 patent, the '780 patent, and the '870 patent. Envisionware requested reexamination of the '568 patent and the '780 patent, but did not request reexamination of the '870 patent.

The PTO granted Envisionware's reexamination request for the '568 patent on June 30, 2010 and granted the reexamination request for the '780 patent on July 12, 2010. (Desai Aff. Exs. G, I.) With respect to the '568 patent, the PTO issued a Non-Final Office Action stating that all 22 claims within that patent are subject to reexamination and rejecting all of the claims of that patent. (Desai Aff. Ex. H.) Plaintiff has not yet weighed in on the PTO proceedings. On August 2, 2010, Envisionware filed the instant motion to stay the proceedings. (Doc. No. 43.)

II. CONCLUSIONS OF LAW

Courts have the discretion to stay judicial proceedings pending a patent reexamination, but are not required to do so. *Regalo International, LLC v. Dex Products, Inc.*, No. 08-CV-4206, 2009 WL 2951107, at *1 (D. Minn. Sept. 9, 2009) (Montgomery, J.) (citing *Proctor & Gamble Co. v. Kraft Foods Global, Inc.,* 549 F.3d 842, 848-49 (Fed. Cir. 2008)). In determining whether to stay litigation pending a reexamination, district courts generally 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 the litigation and facilitate the trial of that case; (3) whether discovery is complete and a trial date is set." *Regalo*, 2009 WL 2951107 at *1; *Ecolab Inc., v. FMC Corp.*, No. 05-CV-831, 2007 WL 1582677, at *1 (D. Minn. May 30, 2007) (Rosenbaum, J.). Nevertheless, the determination of whether to stay a case pending reexamination is very case-specific. *Network Appliance, Inc. v. Sun Microsystems, Inc.*, No. 07-CV-6053, 2008 WL 2168917, at *3 (N.D. Cal May 23, 2008).

A. A Stay Will Prejudice Plaintiff

With respect to the first factor, "Courts may find a stay unduly prejudicial where the movant appears to seek it for tactical advantage." *Regalo*, 2009 WL 2951107 at *2; *Ecolab*, 2007 WL 1582677 at *1. The fact that Envisionware has placed only two of the three patents-in-suit into the re-examination process raises a concern for the Court that Envisionware is seeking a stay purely for tactical reasons. Many of the allegations in the complaint are focused on an Envisionware device called LibraryPDA. Both the '870 patent and the '780 patent focus on the structure and operation of the LibraryPDA. In fact, Envisionware states that the '870 patent shares a nearly identical specification with the '780 patent. (Def. Mem. Supp. At 13.) Further, Envisionware relies on the same prior art references in support of its invalidity contentions for both patents. (Def. Mem. Supp. At 13.) Nevertheless, Envisionware requested re-examination for the '780 patent but did not request reexamination for the '870 patent.[1] This means that even if the reexamination invalidates the '780 patent, this Court will still have to conduct infringement analysis, claim construction, expert discovery, and fact discovery with respect to the '870 LibraryPDA patent once any potential stay is lifted. This means that a stay would provide Envisionware with a tactical advantage as Envisionware would retain its litigation options with respect to the LibraryPDA via the remaining '870 patent litigation.[2] Further, the Court could very well reach a result regarding the LibraryPDA in the context of the '870 patent that is materially different than the result reached by the PTO

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[1] At the hearing, counsel for Envisionware stated that the '870 patent is not eligible for *inter partes* re-examination. However, counsel for 3M stated that although the '870 patent is not eligible for *inter partes* re-examination, it would be eligible for *ex parte* re-examination. Counsel for Envisionware did not rebut that contention.

[2] Both sides here direct the Court's attention to the opinions in *Regalo*, in which a stay pending reexamination was initially denied but later granted after the moving party cured a prior art discrepancy that had troubled the Court. *Regalo*, 2009 WL 2951107 at *2; No. 08-CV-4206 (Doc. No. 101)(D. Minn. June 2, 2010). However, in *Regalo*, all of the patents-in-suit had been accepted for reexamination by the PTO, which substantially distinguishes this case from *Regalo*. *Id.*

regarding the LibraryPDA in the context of the '780 patent.

The second issue with respect to the first factor is Envisionware's five-month delay between the time it filed its Answer and Counterclaim alleging patent invalidity and the time it applied for reexamination. Courts have denied motions to stay when there is an inexplicable or unjustified delay in seeking re-examination. *Regalo*, 2009 WL 2951107 at *2 (citing *Ecolab*, 2007 WL 1582677 at *1.) In *Ecolab*, the court found that a five-month delay between knowledge of invalidity and reexamination – the same amount of time Envisionware tarried here – was too long. 2007 WL 1582677 at *1.

The Court finds that a stay will result in an unjustified delay and a tactical disadvantage for Plaintiff 3M. The first factor weighs heavily against a stay.

B. A Stay Will Likely Not Simplify The Issues in Litigation and Facilitate Trial

The Court finds that it is impossible to determine with any degree of certainty whether the case will be simplified by the reexamination, especially in light of the fact that the PTO has yet to hear from Plaintiff. *See Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. 03-CV-1431, 2007 WL 1655625, at *2 (N.D. Cal. June 7, 2007) ("... there appears to be a growing concern among at least some judges in this district that, on balance, staying a case even in its early stages pending reexamination has not led to the just, speedy, and efficient management of the litigation, but instead has tended to prolong it without achieving sufficient benefits in simplification to justify the delay. This concern stems in part from the unpredictable but often lengthy duration of the stay due to the length of PTO reexamination proceedings ... in contrast to the salutary effect of firm deadlines on efficient case management."). However, it appears likely that a stay will not simplify the issues in litigation because, as noted above, only two of the three patents-in-suit are in reexamination. Further, the Court adopts Judge Rosenbaum's analysis as set forth in *Ecolab*:

> While it is fully cognizant of the PTO's expertise, the Court is confident that the parties themselves will be able to effectively present their case on validity to the jury for decision, with or without the record of the PTO's reexamination. ... the court is confident the parties will easily be able to coordinate additional prior art discovery (if any is needed at all); limit issues and evidence for trial; and discuss settlement when and as appropriate. These events occur regularly in cases of all kinds, and the Court has no doubt each one will occur here. In the event the PTO invalidates some or all of the patents so as to contradict the jury's verdict, the Court has no doubt the parties will be able to raise the issue with the Federal Circuit on appeal.

Ecolab, 2007 WL 1582677 at *2 (citations omitted).

The parties agree that the reexamination will likely take at least three years. Although the Court might – someday three years or more from now – receive guidance for its interpretation of the '870 patent from the outcome of the PTO's reexamination of the '780 patent, the Federal Circuit has noted that courts and the PTO can consider different evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988). The PTO reexamination outcome, then, may not simplify the issues in the litigation.

Finally, Envisonware sets forth concerns about concurrent review by this Court and the PTO. In finding that worries about concurrent review and differing results across two forums are overstated, the Federal Circuit noted in *Ethicon*:

> The awkwardness presumed to result if the PTO and court reached different conclusions is more apparent than real. The two forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions. Furthermore, we see nothing untoward about the PTO upholding the validity of a reexamined patent which the district court later finds invalid. This is essentially what occurs when a court finds a patent invalid after the PTO has granted it. Once again, it is important that the district court and the PTO can consider different evidence. Accordingly, different results between the two forums may be entirely reasonable.

849 F.2d 1422, 1427; *see also* Ecolab, 2007 WL 1582677 at *3 (relying upon *Ethicon* in part to deny

a stay). This factor weighs somewhat against a stay.

C. The Case Is Over a Year Old, and Discovery Will Soon Be Complete

This case has been pending for over a year. The parties have conducted extensive settlement negotiations, exchanged thousands of pages of discovery, and noticed depositions. Discovery closes in approximately six weeks, and the Joint Claim Construction Statement has been completed. Additionally, it is clear that the parties have invested significant time and resources in analyzing factual and legal issues relating to the case, as well as case strategy. However, as the Markman hearing is pending, no dispositive motions have been filed, and a trial date has not been set, this factor is neutral.

D. Conclusion

In sum, as the first factor weighs heavily against a stay, the second factor weighs somewhat against a stay, and the third factor is neutral, the Court finds that a stay is not appropriate at this stage in the litigation. Therefore, to the extent the motion requests a stay, it must be denied. To the extent the motion requests an extension of the Markman hearing deadline, the motion is also denied.

Based upon all the files, records and proceedings herein, **IT IS HEREBY ORDERED** that Envisionware's Motion to Stay Pending Reexamination and for Extension of Markman Hearing Deadline [#43] is **DENIED.**

DATED: August 20, 2010

s/ Franklin L. Noel
FRANKLIN L. NOEL
United States Magistrate Judge