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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

AFFINITY LABS OF TEXAS, LLC., a  
Texas Limited Liability Company,

Plaintiff and  
Counterclaim-Defendant,

v.

NIKE, INC., an Oregon Corporation,  
and APPLE INC., a California  
Corporation,

Defendants and  
Counterclaim-Plaintiffs.

No. C 10-5543 CW

ORDER DENYING  
DEFENDANTS' MOTION  
TO STAY ACTION  
(Docket No. 91)

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Defendants Apple, Inc. and Nike, Inc. move to stay the present action pending inter partes reexamination of United States Patents No. 7,251,454 ('454 Patent) and No. 7,519,327 ('327 Patent).<sup>1</sup> Docket No. 91. Plaintiff Affinity Labs of Texas, LLC. opposes the motion. The motion was taken on the papers. Having considered all of the parties' submissions, the Court DENIES Defendants' motion.

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<sup>1</sup> Defendants' motion for a stay initially encompassed proceedings based on Patent No. 7,062,225 ('225 Patent). However, Affinity has since amended its complaint to remove claims based on the '225 Patent. Docket No. 124.

BACKGROUND

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2 Affinity filed this lawsuit on February 16, 2010 in the  
3 Eastern District of Texas. On November 4, 2010, Defendants'  
4 motion to transfer this action to the Northern District of  
5 California was granted. Docket No. 68. On November 15, 2010,  
6 Apple filed three requests for reexamination of the Patents-in-  
7 Suit. On March 22, 2011, Defendants jointly moved stay the  
8 proceedings in this case. Docket No. 91.

LEGAL STANDARD

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11 As the Federal Circuit has noted, "Courts have inherent power  
12 to manage their dockets and stay proceedings, including the  
13 authority to order a stay pending conclusion of a PTO  
14 reexamination." Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27  
15 (Fed. Cir. 1988) (citation omitted). In determining whether to  
16 stay a case pending reexamination, a court may consider the  
17 following factors: (1) whether discovery is complete and whether a  
18 trial date has been set; (2) whether a stay would simplify the  
19 issues in question and trial of the case; and (3) whether a stay  
20 would unduly prejudice or present a clear tactical disadvantage to  
21 the non-moving party. In re Cygnus Telecomm. Tech., LLC Patent  
22 Litig., 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005).

DISCUSSION

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26 The present case does not merit a stay of the proceedings.  
27 The first factor for consideration--the stage of the litigation--  
28 weighs in favor of a stay. The parties agree that, thus far, they

1 have exchanged very little discovery. No trial date has been set,  
2 and the parties have not yet appeared for a case management  
3 conference.

4 The second factor--whether a stay would simplify the issues  
5 presented in this action--is neutral. On one hand, staying the  
6 case may narrow the issues in question and simplify the trial. As  
7 noted in this Court's order denying Apple's motion for a stay in  
8 the related action, Affinity Labs of Texas, LLC v. Apple, Inc.,  
9 C 09-04436, April 29, 2010 Order Denying Stay, patents rarely  
10 emerge from inter partes reexaminations unchanged. Affinity  
11 argues that simplification of the issues is unlikely to result  
12 from the reexamination proceeding because Nike did not join the  
13 reexamination requests. However, Defendants' reply brief makes  
14 clear that Nike is willing to be bound by the results of the  
15 reexamination proceedings to the same extent as a party to those  
16 proceedings if the Court grants a stay of the proceedings. An  
17 inter partes reexamination permits third-parties to participate in  
18 the reexamination process, and a participating defendant will be  
19 estopped from asserting the invalidity of any claim of the  
20 patents-in-suit on any ground which it raised or could have raised  
21 during the inter partes proceeding. Nevertheless, even if Nike  
22 were bound by the results of the reexamination, it is unlikely  
23 that the reexamination proceeding will resolve all of the issues  
24 regarding the two patents in question in this lawsuit. Thus, the  
25 Court would be left to adjudicate the remaining issues. Given the  
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1 uncertainty about whether the reexamination will actually simplify  
2 the issues in this case, this factor is neutral.

3 Lastly, the Court considers whether a stay in this action  
4 will unduly prejudice or create a clear tactical disadvantage to  
5 the non-moving party, Affinity. This Court and others have  
6 recognized that the average inter partes reexamination takes over  
7 three years to complete. Affinity Labs of Texas, LLC v. Apple,  
8 Inc., April 29, 2010 Order Denying Stay at 4; ESCO Corp. v  
9 Berkeley Forge & Tool, Inc., 2009 U.S. Dist. LEXIS 94017, \*9 n.3  
10 (N.D. Cal.). Although the delay that inherently results from the  
11 reexamination process "does not constitute, by itself, undue  
12 prejudice," Network Appliance Inc. v. Sun Microsystems, Inc., 2008  
13 WL 2168917, \*5 (N.D. Cal.), Apple waited nine months after  
14 Affinity filed the present suit before requesting the  
15 reexaminations. Defendants delayed their motion for a stay until  
16 March 22, 2011. These delays are similar to those in Affinity  
17 Labs of Texas, LLC v. Apple, Inc.. There Apple waited eight  
18 months after Affinity filed its suit before seeking reexamination  
19 of the patents-in-suit, and then delayed seven weeks after the  
20 requests were granted before moving to stay the proceeding. A  
21 stay may prejudice Affinity's ability to enforce and license its  
22 patents, and could lead to a loss of evidence. Thus, a stay in  
23 this action is unwarranted.  
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CONCLUSION

Defendants' motion for a stay of the proceedings is denied.  
Docket No. 91. The parties shall appear for a case management  
conference on June 9, 2011 at 2 pm.

IT IS SO ORDERED.



Dated: May 13, 2011

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CLAUDIA WILKEN  
United States District Judge

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