

Hon. Marsha J. Pechman

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON

INTERVAL LICENSING LLC,

Plaintiff,

v.

AOL, INC., et al.,

Defendants.

No. 2:10-CV-01385-MJP

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

Note on Motion Calendar:
April 1, 2011

ORAL ARGUMENT REQUESTED

Defendants AOL Inc. ("AOL"), Google Inc. ("Google"), YouTube, LLC ("YouTube"), Apple Inc. ("Apple"), eBay Inc. ("eBay"), Facebook, Inc. ("Facebook"), Yahoo! Inc. ("Yahoo!"), OfficeMax North America, Inc., incorrectly named as OfficeMax Inc., ("OfficeMax"), Netflix, Inc. ("Netflix"), Staples, Inc. ("Staples") and Office Depot, Inc. ("Office Depot") (collectively, "Defendants") respectfully move this Court for an Order staying the proceedings in this matter pending resolution of petitions for reexamination ("Petitions for Reexam") filed with the U.S. Patent and Trademark Office ("PTO") concerning each of United States Patents No. 6,263,507 ("the '507 patent"), No. 6,034,652 ("the '652 patent"), No. 6,788,314 ("the '314 patent"), and No. 6,757,682 ("the '682 patent") (the "Patents-in-Suit").

I. INTRODUCTION

Defendants have filed requests for reexamination with respect to each of the Patents-in-Suit, which may substantially simplify or outright resolve the issues in this case. No matter the

1 outcome of the reexaminations, substantial economies will be gained from a stay. If the
 2 reexamination results in the PTO rejecting and canceling some or all of the asserted claims, this
 3 litigation will end or at least be narrowed. If the claims are amended in reexamination, or if
 4 Interval makes arguments during the reexamination process to the PTO in an attempt to
 5 overcome rejections based on the prior art, the prosecution history of the Patents-in-Suit will
 6 have changed and, in the absence of a stay, the work of the Court and the Parties prior to the
 7 PTO's final disposition will need to be redone.

8 **II. THE THREE FACTORS COURTS CONSIDER IN DETERMINING WHETHER**
 9 **TO STAY A PATENT INFRINGEMENT CASE ALL STRONGLY FAVOR**
 10 **STAY**

11 Plaintiff Interval Licensing LLC ("Interval") filed suit against Defendants on August 27,
 12 2010, asserting claims for infringement of the '507 and '682 patents against all defendants and
 13 claims for infringement of the '314 and '652 patents against Apple, Google, Yahoo!, and AOL.
 14 (*See* D.I. 1, 153; Walters Decl., Ex. A, the '507 patent; Walters Decl., Ex. B, the '682 patent;
 15 Walters Decl., Ex. C, the '652 patent; Walters Decl., Ex. D, the '314 patent.) The four patents
 16 together contain 182 claims, and it was not until Interval served its infringement contentions on
 17 December 28, 2010 that Defendants were on notice of the claims asserted ("Asserted Claims").

18 Defendants have identified multiple prior art references that they contend invalidate the
 19 Asserted Claims. These prior art references cited in the Petitions include at least the following:

Patent-in-Suit	New Prior Art Cited in the Reexaminations or Art Presented in New Light ¹
6,263,507	<ul style="list-style-type: none"> <li data-bbox="634 1486 1360 1556">• "Network Plus", Walter Bender <i>et al.</i>, January 12-13, 1988 <li data-bbox="634 1591 1377 1696">• "Cluster-Based Text Categorization: A Comparison of Category Search Strategies", Makoto Iwayama, July 9-13, 1995 <li data-bbox="634 1732 1365 1801">• "The Fishwrap Personalized News System", Pascal R. Chesnais <i>et al.</i>, June 1995

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28 ¹ Only two of the references identified for these reexaminations are not new prior art. The references relating to the reexamination for the '507 patent and '682 patent are all new prior art.

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	<ul style="list-style-type: none"> • “Classifying News Stories using Memory Based Reasoning”, Brij Masand, June 1992 • “WebWatcher: Machine Learning and Hypertext”, Thorsten Joachims, <i>et al.</i>, May 29, 1995 • JP Publication No. H07-114572 to Yuasa • “Wire Service Transmission Guidelines”, Number 84-2, June 14, 1984 • “The Associated Press Stylebook and Libel Manual”, The Associated Press, 1994
6,757,682	<ul style="list-style-type: none"> • U.S. Patent No. 7,082,407 to Bezos • U.S. Patent No. 6,466,918 to Spiegel <i>et al.</i> • U.S. Patent No. 6,195,657 to Rucker <i>et al.</i> • U.S. Patent No. 6,049,777 to Sheena • U.S. Patent No. 6,681,369 to Meunier
6,034,652	<ul style="list-style-type: none"> • U.S. Patent No. 5,748,190 to Kjorsvik • U.S. Patent No. 5,781,894 to Petrecca, <i>et al</i> • U.S. Patent No. 5,913,040 to Rakavy, <i>et al</i> • “Director Demystified”, Roberts, Jason, 1995 • U.S. Patent No. 5,740,549 to Reilly, <i>et al</i> • U.S. Patent No. 5,796,945 to Tarabella
6,788,314	<ul style="list-style-type: none"> • U.S. Patent No. 5,748,190 to Kjorsvik • “Buying a Real Computer Monitor,” Popular Electronics, October 1984. • U.S. Patent No. 5,913,040 to Rakavy, <i>et al.</i>

(hereafter “the Cited References”). (See Walters Decl., Ex. E, Request for *Ex Parte* Reexamination and Detailed Statement in Support as to ’507 patent (without exhibits); Walters Decl., Ex. F, Request for *Inter Partes* Reexamination and Detailed Statement in Support as to

1 '682 patent (without exhibits); Walters Decl., Ex. G, Request for *Ex Parte* Reexamination and
2 Detailed Statement in Support as to '652 patent (without exhibits); Walters Decl., Ex. H,
3 Request for *Inter Partes* Reexamination and Detailed Statement in Support as to '314 patent
4 (without exhibits.) As described in detail in the Petitions for Reexamination, the Patent
5 Examiner either did not have, or did not rely upon, the majority of the Cited References during
6 the prosecution of the Patents-in-Suit. (*Id.*)

7 III. PETITIONS FOR REEXAMINATION

8 Any person at any time may file a request for reexamination with the PTO, identifying
9 prior art patents or publications that may affect the validity of an issued patent. 35 U.S.C.
10 §§ 301, 302. If, in response to the reexamination requests, the PTO determines that the cited
11 prior art raises “a substantial new question of patentability affecting any claim of the patent,”
12 the PTO will grant the request and order reexamination of the patent. *Id.* at § 304. Once
13 initiated, all reexamination proceedings must “be conducted with special dispatch.” *Id.* at
14 §§ 305, 314; 37 C.F.R. § 1.550(a). Moreover, *ex parte* reexaminations of patents “involved in
15 litigation . . . will have priority over all other cases.” MANUAL OF PATENT EXAMINING
16 PROCEDURE §§ 2261, 2661 (8th ed., rev. 8, July 2010). At the conclusion of the reexamination
17 proceeding, the PTO may cancel or confirm existing claims, or it may allow amended or
18 completely new claims to issue. 35 U.S.C. § 307(a).

19 92% of all *ex parte* petitions for reexamination and 96% of all *inter partes* petitions for
20 reexamination are granted. (*See* Walters Decl., Ex. I, *Ex Parte* Reexamination Filing Data—
21 Dec. 31, 2010; Walters Decl., Ex. J, *Inter Partes* Reexamination Filing Data—Dec. 31, 2010.)
22 Of those cases in which a petition for reexamination is granted, 77% of all *ex parte*
23 reexaminations and 90% of all *inter partes* reexaminations result in the claims being amended
24 or cancelled. (*See id.*); *see also Pacific Biosci. Labs., Inc. v. Pretika Corp.*, __ F. Supp. 2d __,
25 No. C10-0231JLR, 2011 WL 65950, at *2-3 (W.D. Wash. Jan. 10, 2011) (granting stay
26 because, among other things, “statistics published by the PTO. . .demonstrate that in over 75%
27 of cases in which reexamination requests are granted, claims are either changed or cancelled”).
28 Thus, in only 23% of *ex parte* reexaminations and in only 10% of *inter partes reexaminations*

1 are all claims of a patent confirmed. (*See Ex. I.*)

2 Interval, of course, would be precluded from litigating any Asserted Claims that are
3 cancelled as a result of reexamination; likewise, Defendants would have intervening rights as to
4 any amended claims at least for the period prior to issuance of any reexamination certificates.
5 *See* 35 U.S.C. § 307(b). As such, if no stay is granted there exists a strong likelihood that some
6 or all of the anticipated work to be conducted by the Parties and the Court prior to final
7 disposition by the PTO would be for naught.

8 IV. ARGUMENT AND AUTHORITY

9 A. This Court Has Broad Discretion To Stay This Case

10 “Courts have inherent power to manage their dockets and stay proceedings, including
11 the authority to order a stay pending conclusion of a PTO reexamination.” *Ethicon, Inc. v.*
12 *Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (internal citations omitted). In passing the
13 legislation establishing the reexamination proceeding, Congress stated its approval “to provide
14 an inexpensive, expedient means of determining patent validity which, if available and
15 practical, should be deferred to by the courts.” *ASCII Corp. v. STD Entm’t USA, Inc.*, 844 F.
16 Supp. 1378, 1380 (N.D. Cal. 1994) (citing *Digital Magnetic Sys., Inc. v. Ansley*, 213 U.S.P.Q.
17 290 (W.D. Okla. 1982)). Given the congressional intent that district courts use the PTO’s
18 “specialized expertise to reduce costly and time-consuming litigation[,]” courts can exercise
19 their discretion to stay proceedings pending the conclusion of a reexamination. *Atlantic Constr.*
20 *Fabrics, Inc. v. Metrochem, Inc.*, No. 03-5645, 2007 WL 2963823, at *1 (W.D. Wash. Oct. 9,
21 2007) (internal quotations omitted); *see also ASCII Corp.*, 844 F. Supp. at 1380 (noting that, in
22 granting stay, courts have inherent power to stay a proceeding to prevent “costly pre-trial
23 maneuvering which attempts to circumvent the reexamination procedure”).

24 In deciding whether to stay a patent case pending the outcome of a reexamination
25 proceeding, courts typically consider three factors: (1) whether a stay will clarify or simplify
26 the issues in question and trial of a case; (2) the stage of the litigation; and (3) whether a stay
27 will unduly prejudice or present a clear tactical disadvantage to the non-moving party. *Wre-*
28 *Hol, LLC v. Pharos Sci. & Applications*, No. C09-1642 MJP, 2010 WL 2985685, at *2 (W.D.

1 Wash. July 23, 2010); *F5 Networks, Inc. v. A10 Networks, Inc.*, No. C10-654MJP, 2010 WL
 2 5138375, at *1-2 (W.D. Wash. Dec. 10, 2010); *Donnelly Corp. v. Guardian Indus. Corp.*, No.
 3 05-74444, 2007 WL 3104794, at *4 (E.D. Mich. Oct. 22, 2007); *Card Tech. Corp. v. DataCard*
 4 *Corp.*, No. 05-2546, 2007 WL 2156320, at *3 (D. Minn. July 23, 2007).

5 Considering these factors, district courts in the Western District of Washington and
 6 elsewhere in the Ninth Circuit routinely have stayed patent infringement cases based on a
 7 request for reexamination. *See, e.g., Wre-Hol, LLC*, 2010 WL 2985685, at *2; *Pactool Int'l*
 8 *Ltd. v. Dewalt Indus. Tool Co.*, No. C06-5367BHS, 2008 WL 312677, at *1 (W.D. Wash. Feb.
 9 1, 2008); *see also ASCII Corp.*, 844 F. Supp. at 1381; *Akeena Solar Inc. v. Zep Solar Inc.*, No.
 10 C 09-05040 JSW, 2010 WL 1526388, at *4 (N.D. Cal. Apr. 14, 2010); *Ho Keung Tse v. Apple*
 11 *Inc.*, No. C 06-06573 SBA, 2007 WL 2904279, at *5 (N.D. Cal. Oct. 4, 2007).²

12 **B. This Court Should Stay This Case**

13 All three factors considered by courts in deciding whether to stay litigation pending
 14 reexamination weigh heavily in favor of staying these proceedings.

15 **1. A Stay Is Likely to Simplify or Eliminate Issues in Question, Thereby** 16 **Promoting Judicial Economy**

17 The first factor—whether a stay may simplify the issues in question—strongly favors a
 18 stay of this action. The Federal Circuit recognizes that reexamination proceedings resulting in
 19 cancellation, clarification, or limitation of claims simplify litigation. *See Ethicon*, 849 F.2d at
 20 1428. Indeed, “[o]ne purpose of the reexamination procedure is to eliminate trial on claims that
 21 are cancelled.” *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983). Where
 22 the claim survives reexamination, trial of the issues can be facilitated “by providing the district
 23 court with the expert view of the PTO.” *Id.*

24
 25 ² District courts have recognized the efficiency of granting stays, like the one requested here,
 26 prior to the PTO’s decision on whether to grant the reexamination request. *See, e.g., Akeena*
 27 *Solar, Inc. v. Zep Solar Inc.*, No. 09-05040 JSW, 2010 WL 1526388, at *2 (N.D. Cal. April 14,
 28 2010) (granting stay based on pending request, noting that “there is no ‘general prohibition
 against staying’ an action simply because the PTO has not yet decided whether to order the
 inter partes reexamination”); *see also ASCII Corp.*, 844 F. Supp. at 1381 (staying case before
 reexamination request was even filed but ordering that request be filed within 30 days).

1 In the instant case, if this Court grants the Defendants' request to stay the litigation, the
2 PTO will have time to review the requests for reexamination and the newly-presented prior art
3 that will likely form the basis for cancellation or amendment of the claims. *See Bausch &*
4 *Lomb Inc. v. Alcon Labs, Inc.*, 914 F. Supp. 951, 953 (W.D.N.Y. 1996) (recognizing the PTO's
5 "expertise in deciding issues of patentability" as a compelling reason to stay litigation). As
6 explained above, the PTO liberally grants *ex parte* (92%) and inter parties (96%) reexamination
7 requests, and the reexaminations will likely result in the cancellation or amendment of the great
8 majority (77% for *ex parte* and 90% for *inter partes*) of claims reviewed during the
9 proceedings.

10 Because the reexaminations will likely result in the cancellation or amendment of the
11 Asserted Claims, judicial efficiency strongly favors staying this litigation until the
12 reexamination proceedings have concluded in order to avoid wasteful discovery and litigation
13 efforts. *See Implicit Networks, Inc. v. Advanced Micro Devices, Inc.*, No. C08-184JLR, 2009
14 WL 357902, at *2 (W.D. Wash. Feb. 9, 2009) (granting stay because, among other things,
15 reexamination proceedings "could substantially limit or narrow the issues."). As one court
16 noted, because "92% of patents being reexamined change in some way," the "Court cannot
17 ignore this possibility" that it will "enabl[e] futile litigation that may have to be repeated if the
18 patent changes." *Aten Int'l Co. v. Emine Tech. Co.*, No. SACV 09-0843 AG(MLGx), 2010 WL
19 1462110, at *7 (C.D. Cal. April 22, 2010). Further, for the Patents-in-Suit, the reexaminations
20 will be the first time that the novelty and/or nonobviousness of the Asserted Claims will be
21 examined with a more thorough understanding of the existing prior art. It is, therefore,
22 probable that the intrinsic record for claim construction, including the prosecution history of the
23 Patents-in-Suit during the reexamination process, will be vastly expanded by the reexamination
24 of the Asserted Claims. For example, if the claims are amended in reexamination, or Interval
25 makes arguments to the PTO in an attempt to overcome rejections based on the prior art, these
26 actions will expand the intrinsic record the Court must consider for claim construction. *See,*
27 *e.g., CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146, 1158 (Fed. Cir. 1997) (during
28 reexamination, patentee may "commit to a particular meaning for a patent term, which meaning

1 is then binding in litigation”); *In re Cygnus Telecomms. Tech., LLC, Patent Litig.*, 385 F. Supp.
2 2d 1022, 1024 (N.D. Cal. 2005) (noting that reexamination can provide court “a richer
3 prosecution history” for claim construction). Failing to stay these proceedings will likely
4 require the Court to revisit claim construction multiple times to account for ongoing
5 developments in the parallel reexamination proceedings.

6 Further, Section 307(b) of the patent statute provides that a third party has the absolute
7 right to make, use, and sell any product that existed prior to the issuance of any amended or
8 new claims that emerge from reexamination to the extent they are not covered by an original
9 claim that survives reexamination unaltered. 35 U.S.C. § 307(b). Thus, Interval cannot
10 retroactively assert any new or amended claims against the Defendants should any new or
11 amended claims emerge from the reexamination process. In any event, with the large number
12 of diverse Defendants and accused products/services, the litigation will most likely be
13 drastically changed as a result of reexamination.

14 This factor militates heavily in favor of the Court entering a stay.

15 **2. A Stay Is Appropriate Because Substantial Discovery, Claim Construction,**
16 **Motion Practice, Pre-Trial, and Trial Work Remain**

17 The second factor also favors entry of a stay. Similar to the circumstances presented in
18 *Wre-Hol, LLC*, this case is in its infancy. 2010 WL 2985685, at *2. This Court just recently
19 entered the Scheduling Order in the case, setting a *Markman* hearing for July 2011 and the
20 initial trial for June 2012. (D.I. 178.) Under the Scheduling Order, the Defendants just recently
21 (on February 28, 2011) served Invalidity and Non-Infringement Contentions, and although
22 discovery has commenced, it is in its early stages and is not scheduled to conclude until
23 November 2011, leaving the balance of the substantive work in the case uncompleted.

24 Courts have stayed cases in similar stages to avoid potentially needless litigation efforts
25 and expenses. *Pacific Biosci. Labs., Inc.*, 2011 WL 65950, at *4 (noting “the relatively early
26 stage of the litigation also weighs in favor of granting the stay”); *Pacific Biosci. Labs. v. Nutra*
27 *Luxe MD, LLC*, No. C10-0230JLR, 2011 WL 65947, at *4 (W.D. Wash. Jan. 10, 2011) (“*Nutra*
28 *Luxe*” case) (same); *Pactool Int’l Ltd.*, 2008 WL 312677, at *1 (same). Stays also have been

1 ordered in cases that were much further along than this case, including, for example:

- 2 • Discovery and claim construction were complete, and the case was four months
3 from trial. *3M Innovative Proprs. Co. v. DuPont Dow Elastomers LLC*, No. 03-
3364, 2005 WL 2216317, at *3 (D. Minn. Sept. 8, 2005).
- 4 • The case was eight years old and two months from trial. *Middleton, Middleton,*
5 *Inc. v. Minnesota Mining & Mfg. Co.*, No. 4:03-CV-40493, 2004 WL 1968669,
at *8–9 (S.D. Iowa Aug. 24, 2004).
- 6 • The parties had conducted substantial discovery, filed summary judgment
7 motions, and begun *Markman* claim construction briefing. *Softview Computer*
8 *Prods. Corp. v. Haworth, Inc.*, No. 97-CV-8815, 2000 WL 1134471, at *3, 56
U.S.P.Q.2d 1633, 1635 (S.D.N.Y. Aug. 9, 2000).
- 9 • The parties had completed substantial discovery, had conducted a pre-trial
10 conference, and were scheduled to go to trial. *Loffland Bros. Co. v. Mid-*
11 *Western Energy Corp.*, No. CIV-83-2255-E, 1985 WL 1483, 225 U.S.P.Q. 886,
887 (W.D. Okla. Jan. 3, 1985).
- 12 • The parties had completed substantial discovery, the pre-trial order was signed,
13 and other than a handful of depositions, only trial remained. *Grayling Indus.,*
14 *Inc. v. GPAC, Inc.*, No. 1:89-CV-451-ODE, 1991 WL 236196, 19 U.S.P.Q.2d
1872, 1873–74 (N.D. Ga. March 25, 1991).
- 15 • The case had been on file for more than two years. *Lentek Int’l, Inc. v. Sharper*
16 *Image Corp.*, 169 F. Supp. 2d 1360, 1363 (M.D. Fla. 2001).

17 Given that stays may be granted at any time, a stay in this case, which is still in the beginning
18 stage, will not result in lost effort by the parties or by this Court, and, on balance, likely will
19 result in substantial savings. Factor two militates in favor of a stay.

20 3. Interval Will Not Be Unfairly Prejudiced By a Stay

21 The final factor—whether a stay will unfairly prejudice Interval or present a clear
22 tactical advantage to Defendants—also weighs in favor of granting a stay. A stay will not
23 prejudice Interval, but the failure to stay the case may work substantial prejudice on the
24 Defendants should they be forced to expend substantial sums on litigation on Asserted Claims
25 that may be substantially amended or outright canceled in the reexamination. First, Interval is a
26 holding company and does not compete with the Defendants, so no “intangible” interests are at
27 stake. (*See* D.I. 153.) Thus, there is no danger of Interval losing market share or customers or
28 otherwise having its equitable rights affected should a stay be granted. Indeed, courts have

1 routinely granted stays when, as here, the case is “a suit for money damages and plaintiff has
2 never sought preliminary injunctive relief from the Court.” *Emhart Indus., Inc.*, 1987 WL
3 6314, at *2; *see also Implicit Networks, Inc.*, 2009 WL 357902, at *3 (“[c]ourts have
4 consistently found that a patent licensor cannot be prejudiced by a stay because monetary
5 damages provide adequate redress for infringement”); *Middleton, Inc.*, 2004 WL 1968669, at
6 *8–9 (patentee never sold product and had no intention of doing so); *SP Technologies, LLC v.*
7 *HTC Corp.*, No. 08 C 3760, 2009 WL 1285933, at *3 (N.D. Ill. May 6, 2009) (ordering stay in
8 patent case brought by non-practicing patent-holding company; noting that plaintiff “has not
9 pointed to any separate business interests that might be jeopardized by a delay pending
10 reexamination” and because plaintiff “can always move to recover damages for such sales at the
11 end of the litigation if [it] is successful on its claims”). Further, Interval’s delay in filing an
12 infringement case based on patents that issued between six and ten years ago further confirms
13 that Interval cannot reasonably assert that it would suffer any competitive harm as a result of a
14 stay.

15 Second, Interval can be fully compensated should it ultimately prevail after a stay. *See*
16 *Softview Computer Prods. Corp.*, 56 U.S.P.Q.2d at 1635 (patentee not prejudiced by stay
17 pending reexamination because patentee would be entitled to damages if he ultimately
18 prevailed); *Implicit Networks, Inc.*, 2009 WL 357902, at *3 (same). Thus, a stay will not
19 monetarily harm Interval.

20 Third, as noted above, Interval delayed many years before filing this suit and is accusing
21 systems that it knew or should have known of years ago. It is in no position to argue that
22 staying this suit pending reexamination will cause it irreparable harm. In any event, numerous
23 courts have found that that mere delay completing a suit does not demonstrate undue prejudice.
24 *See, e.g., id.*, citing *Sorensen v. Black & Decker Corp.*, No. 06cv1572BTM, 2007 WL 2696590,
25 at *4 (S.D. Cal. Sep. 10, 2007) (“[t]he general prejudice of having to wait for resolution is not a
26 persuasive reason to deny the motion for stay”);

27 In contrast, if a stay is not entered, the potential for wasting of resources, both by the
28 Court and the parties, is enormous. This potential is starkly illustrated by two related decisions

1 by the Federal Circuit: *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007) and
2 *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 Fed. Appx. 988 (Fed. Cir. 2007), which concerned
3 Translogic's suit for infringement of a patent that was simultaneously involved in
4 reexamination.

5 The *Translogic* district court litigation proceeded in parallel with the PTO
6 reexamination, but both proceedings produced dramatically different results. After several years
7 of protracted litigation, the district court case resulted in a jury verdict and judgment of
8 infringement and validity, and a damages award in the plaintiff's favor. But while all of that
9 was going on in the district court, the PTO rejected the asserted claims of the same patent in
10 reexamination. *See In re Translogic*, 504 F.3d at 1250. Appeals were taken of both the district
11 court judgment and the PTO reexamination decision, and both were assigned to the same
12 appellate panel at the Federal Circuit. *Id.* On appeal, the Federal Circuit affirmed the PTO's
13 rejection of the asserted claims and found that the reexamination results trumped the district
14 court judgment, vacating the district court judgment and directing the district court to dismiss
15 the infringement case. *See Translogic (Hitachi)*, 250 Fed. Appx. at 988. The end result was that
16 six years of district court litigation, with two jury trials and at least one summary judgment
17 ruling, were all for naught, at untold cost to the parties and time lost by the district court.

18 Defendants face substantial potential prejudice if the stay is not granted (above and
19 beyond being forced to litigate claims that are likely to be changed or cancelled). For example,
20 despite the lack of merit in Interval's allegations, there exists a possibility that a judgment could
21 be entered in Interval's favor that requires some or all of the Defendants to pay damages to
22 Interval. As numerous courts have recognized, there may be no practical way for these
23 Defendants to recover those damages from Interval should the PTO later determine that
24 Asserted Claims are invalid. *See, e.g., Everything for Love.com, Inc. v. Tender Loving Things,*
25 *Inc.*, No. CIV 02-2605-PHX-EHC, 2006 WL 2091706, at *3-4 (D. Ariz. July 21, 2006);
26 *Broadcast Innovation, L.L.C.*, 2006 WL 1897165, at *10-11; *Bausch & Lomb, Inc.*, 914 F.
27 *Supp.* at 952-53. Thus, Defendants could be required to pay a judgment on an invalid patent,
28 without the ability to recover the monies paid. As these courts have noted, "[s]uch an outcome

1 is unacceptable.” *Everything for Love.com, Inc.*, 2006 WL 2091706, at *4 (quoting *Bausch &*
2 *Lomb, Inc.*, 914 F. Supp. at 953); *Broadcast Innovation, L.L.C.*, 2006 WL 1897165, at *7.

3
4 **IV. CONCLUSION**

5 By granting a stay now, with a majority of the substantive work in the case yet to be
6 begun, the Court can avoid the need for the parties and the Court to expend significant time,
7 effort and resources that likely will be rendered moot by the PTO’s reexamination of the
8 Patents-in-Suit. Moreover, a stay will not prejudice Interval, but could spare the Defendants
9 from substantial prejudice. For these reasons, and those stated above, Defendants respectfully
10 request that the Court enter a stay of the litigation pending the completion of the reexaminations
11 of the Patents-in-Suit.

12 DATED: March 17, 2011

Respectfully Submitted,

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1 **CERTIFICATE OF SERVICE**

2 I hereby certify that on March 17, 2011, I electronically filed the foregoing with the
3 Clerk 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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