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Plaintiff HumanEyes Technologies, Ltd., by and through its attorneys, respectfully submits this brief in opposition to Defendants Sony Corporation, Sony Corporation of America, Sony Electronics Inc., Sony Mobile Communications AB, and Sony Mobile Communications (USA) Inc.'s Motion to Stay Litigation Pending the Outcome of *Inter Partes* Review of the Patents-in-Suit and Sony's Supporting Brief.

I. NATURE AND STAGE OF THE PROCEEDINGS

On March 29, 2012, HumanEyes filed patent infringement suits against Sony in this Court (seeking monetary damages) and at the International Trade Commission ("ITC") (seeking an exclusion order). When the ITC instituted Investigation No. 337-TA-842, Sony exercised its statutory right to stay these district court proceedings until after the Investigation's resolution. For seven months, the parties diligently pursued intensive discovery before the ITC on the same patents and the same accused features and products. The parties completed all liability fact discovery, produced more than 550,000 pages of documents, deposed 22 witnesses, exchanged infringement and invalidity contentions, and exchanged proposed claim constructions. When the ITC Investigation was just four months from trial Sony committed to remove the accused features from its products, thus obviating the need for an ITC exclusion order. As such, HumanEyes sought and obtained voluntary termination of the ITC action, in favor of the action before this Court.

On March 29, 2013, one day shy of the statutory maximum for filing, Sony filed two petitions for *inter partes* review ("IPR"). Those petitions challenge only 14 of the 155 claims of the asserted patents and are based primarily on references charted by Sony seven months ago in its ITC invalidity contentions. The Patent Trial and Appeals Board ("PTAB") reviewing these petitions will not likely reach a substantive decision regarding any claims it decides to review until October 3, 2014 (or April 3, 2015 for good cause); the appeals process may further delay

final resolution. Sony's Motion asks this Court to take a litigation that was four months from trial and delay it two to four years, or even more.

II. SUMMARY OF ARGUMENT

Sony's tactical move to seek *inter partes* review of only a small handful of patent claims is a naked attempt to deny HumanEyes' access to this Court by burying it in administrative procedure. HumanEyes is a 15-employee small business that has been striving to defend its intellectual property rights against Sony's infringement for more than a year, including months of intensive litigation before the ITC on the very same patents asserted here. The Court should deny Sony's Motion because, as further detailed below, all three of the factors to be considered by this Court weigh heavily against a stay in this case.

1. This Court looks to three important factors to determine whether to grant a motion for a stay pending resolution of a post-grant review proceeding: (1) the stage of the litigation, including the resources already expended by the parties, whether the parties have already engaged in substantial discovery, whether discovery is complete, and whether a trial date has been set; (2) whether the requested stay is likely to meaningfully simplify the issues in question and trial of the case; and (3) whether the requested stay would unduly prejudice or present a clear tactical disadvantage to the plaintiff—including the timing of the underlying post-grant review petition, the timing of the motion for stay, the status of the post-grant review proceedings, and the relationship between the parties and whether the plaintiff's injuries may be compensated through future money damages. In the present litigation, each of these factors weighs heavily against Sony's Motion for a stay: (1) the litigation has already progressed significantly before the ITC; (2) even a complete victory for Sony before the PTAB would not meaningfully simplify the issues in question or trial of this case, but would take two to four years to resolve; and (3) a stay

would substantially and unduly prejudice HumanEyes' business opportunities and tactically disadvantage HumanEyes in this litigation.

III. STATEMENT OF FACTS

Sony's Statement of Facts in its Motion disregards essential facts regarding the progress of this litigation, the status and timing of Sony's IPR petitions, and the existing record of the harm that Sony's infringement and litigation delay has caused (and continues to cause) to HumanEyes' business. As will be shown below, those disregarded facts are key components of the factors this Court must weigh in evaluating Sony's request for a stay.

On March 29, 2012, HumanEyes filed suit in the ITC alleging that certain Sony cameras and mobile devices, related software and firmware, and components thereof and products containing the same were infringing HumanEyes' patents. Motion Ex. E (ITC Complaint).¹ The asserted patents, U.S. Patent Nos. 6,665,003 ("the '003 Patent") and 7,477,284 ("the '284 Patent"), are the same patents asserted in HumanEyes' Complaint and First Amended Complaint in this action. D.I. 1, 27. The ITC instituted Investigation No. 337-TA-842, and notice was published in the *Federal Register* on May 2, 2012. 77 Fed. Reg. 26041 (2012). The target date for completion of the 842 Investigation was set for 16 months after institution. Ex. 1 (ITC Inv. No. 337-TA-842, Order No. 3). The May 21, 2012, procedural order set aggressive dates for fact discovery, contentions, claim construction, expert discovery, and an administrative hearing. Ex. 2 (ITC Inv. No. 337-TA-842, Order Nos. 4, 8).

¹ "Motion Ex. ____" refers to exhibits to the declaration of Iuliana Tanase filed concurrently with Sony's Motion. "Ex. ____" refers to exhibits to the Declaration of Robert L. Gerrity In Support Of HumanEyes' Answering Brief in Opposition to Sony's Motion to Stay Litigation Pending the Outcome of *Inter Partes* Review of the Patents-in-Suit filed concurrently herewith. "Levy-Ron Decl. ____" refers to paragraphs from the Declaration of Vered Levy-Ron In Support Of HumanEyes' Answering Brief in Opposition to Sony's Motion to Stay Litigation Pending the Outcome of *Inter Partes* Review of the Patents-in-Suit, also filed concurrently herewith.

Under this aggressive ITC schedule, the parties diligently pursued discovery into the same key issues involved in the action before this Court: infringement and validity of the asserted patents, sales of Sony's infringing cameras and mobile devices, and Sony's knowledge of the asserted patents.^{2,3}

Sony's Motion ignores the parties' substantial progress and investment in this litigation when it described this case as at an "early stage." *See, e.g.*, Motion at 2, 3, and 10. To the contrary, prior to the September 21 close of fact discovery in the ITC Investigation, the parties had already engaged in nearly seven months of intensive litigation regarding the very same asserted patents and accused products at issue in the action before this Court. The parties have already completed liability fact discovery, including: 476,177 pages of documents produced by Sony; 104,919 pages of documents produced by HumanEyes; and the depositions of at least 22 witnesses, including the completion of each party's 30(b)(6) depositions. The parties also propounded and responded to a combined 192 interrogatory requests, 245 requests for production, and 305 requests for admission, and negotiated and completed email discovery. The parties exchanged contentions relating to Sony's alleged infringement, and exchanged contentions relating to the validity of HumanEyes' patents. The parties also exchanged proposed claim constructions with identifications of supporting intrinsic and extrinsic evidence.⁴

² Although monetary damages and Sony's willful infringement were not specifically raised before the ITC, discovery into Sony's infringing sales was pursued because of its relevance to commercial success (an objective indicia of non-obviousness). Similarly, discovery into Sony's knowledge of the asserted patents was pursued because of its relevance to copying (another objective indicia of non-obviousness).

³ Sony insisted on the return or destruction of all materials containing its designated Confidential Business Information subject to the ITC Investigation Protective Order (*See* Ex. 3 (ITC Inv. No. 337-TA-842, Order No. 1)). However, HumanEyes carefully returned all such materials to Sony in an organized and easy to re-produce format so that the discovery completed in the ITC Investigation can be efficiently integrated into this matter.

⁴ Gerrity Decl. ¶¶ 1-2.

Based on Sony's commitment toward the end of the ITC fact discovery period to remove the accused features from all of its product lines no later than September 3, 2013, the target date of the ITC Investigation, HumanEyes brought an unopposed motion to terminate the ITC Investigation. ALJ Shaw granted HumanEyes' motion to terminate on September 25, 2012, in his Initial Determination. Ex. 16 (ITC Inv. No. 337-TA-842, Order No. 11). The Initial Determination became the Determination of the Commission on October 23, 2012. Ex. 17 (Notice of Commission Determination Not to Review An Initial Determination Terminating the Investigation).

At the time of ALJ Shaw's Initial Determination, the parties were about three weeks from filing "burden of proof" expert reports on infringement and invalidity, about two months from the close of expert discovery, and about four months away from the hearing.

Five months after the termination of the ITC Investigation, seven months after serving invalidity contentions, and precisely 364 days after receiving service of HumanEyes' complaints in this action and at the ITC, Sony filed the IPR petitions that give rise to its Motion. The petitions request *inter partes* review of only 14 of the 155 claims in the asserted patents. Motion Exs. B-D. Sony's petition seeks review of less than half of the 40 claims Sony was entitled to petition for the same filing fee, and less than 10% of the 155 claims in the two patents. *Compare* Motion Exs. B, C *with* Motion Ex. G at 38 and Exs. 10 ('003 Patent) and 11 ('284 Patent).

Sony's August 29, 2012, invalidity contentions in the ITC Investigation included claim charts for seven of the eight references relied upon in Sony's IPR petitions seven months later, including all three of the primary references Sony relies on. *Compare* Motion Exs. B, C *with* Ex. 4. Sony's petition for IPR of the '003 Patent is based on four alleged prior art references, all of which were previously charted by Sony. *Compare* Motion Ex. B *with* Ex. 4. Sony's petition for

IPR of the '284 Patent is based on three of the same references from its '003 petition as well as four additional references—three of which were also included in Sony's ITC invalidity contentions, and the remaining reference (The Kodak DC50 user guide) is relied on only in asserted obviousness combinations. *Compare* Motion Ex. C with Ex. 4.

Neither of Sony's IPR petitions have been granted by the PTAB. *See* Motion Ex. D. As Sony notes in its Motion at footnote 1, the PTAB is not even required to decide whether to institute either of Sony's petitions (and, if so, which of the 14 challenged claims it may review) until October 3, 2013. If the PTAB decides to review any of the 14 challenged claims, it is then allowed an additional 18 months to conduct the actual proceeding. Thus any potential ruling on Sony's petitions, if granted at all, could be pushed out to as far as ***April 3, 2015***, even if there are no appeals. Motion at 2 n.1; 35 USC § 316(a)(11). Appeals of the PTAB's decisions regarding the IPRs could push the requested stay out years beyond that.

Following termination of the ITC Investigation, this Court lifted the stay in this action. D.I. 16. Sony answered HumanEyes' First Amended Complaint on March 11, 2013, leaving the parties poised for a Rule 16 scheduling conference to discuss an expedited schedule to complete the *Markman* process already begun in the ITC Investigation, to complete expert discovery, and to conduct minimal supplemental fact discovery, such as discovery regarding Sony's additional sales of legacy products containing the accused features since termination of the ITC Investigation. Rather than proceeding with a Rule 16 conference and an expedited resolution of this litigation, Sony moved on April 19, 2013, three weeks after filing its IPR petitions, for a stay of up to two years—or more after appeals—based on Sony's speculation that the PTAB may grant one or more of Sony's petitions as to one or more of the limited subset of claims from the asserted patents challenged by Sony in its petitions.

HumanEyes has made substantial investments in a licensing program aimed at identifying and cultivating partnerships with companies interested in incorporating HumanEyes' technology into their products. Levy-Ron Decl. at ¶ 6; Motion Ex. E (ITC Complaint) at ¶ 62. HumanEyes' employees—including founder Shmuel Peleg, former CEOs Gideon Ben-Zvi and Duby Hodd, current CEO Vered Levy-Ron, and former and current Vice Presidents of R&D Assaf Zomet and Anton Bar—have been actively communicating and meeting with potential partners and licensees since HumanEyes was founded in 2000. *Id.* These licensing efforts related to the technologies protected by the Asserted Patents have involved meetings with dozens of companies, including meetings and communications with representatives of Sony as early as 2004 and as recently as 2010. Levy-Ron Decl. at ¶ 6; Motion Ex. E (ITC Complaint) at ¶¶ 62-63. However, since Sony's infringement of the asserted patents began in 2010, Sony's infringement was the explicit reason given by at least one potential licensee for ending promising negotiations with HumanEyes and is believed to have negatively affected negotiations with other potential licensees as well. Levy-Ron Decl. at ¶ 8; Motion Ex. E (ITC Complaint) at ¶ 63.

Sony's ongoing infringement continues to harm HumanEyes' business interests even today. Levy-Ron Decl. at ¶¶ 8-9. Uncertainty regarding HumanEyes' intellectual property and Sony's infringement hinders HumanEyes' ability to solicit capital investments from potential investors. *Id.* at ¶ 9.

HumanEyes is a small business of only 15 employees. *Id.* at ¶ 11. In fact, a recent substantial reduction in force eliminated eight employees and was attributable in part to HumanEyes' inability to license the patented technology in the face of the uncertainty caused by Sony's infringement. *Id.* Given HumanEyes' small size relative to the Sony defendants, the costs associated with further delaying this litigation weigh particularly hard on HumanEyes,

especially the opportunity cost of dedicating substantial employee time to pursuing this litigation rather than pursuing HumanEyes' other business interests. *Id.* at ¶¶ 8-11. These costs led to a reduction of HumanEyes' revenue and are forecasted to make up a substantial portion of HumanEyes' expenses for 2013. *Id.* at ¶ 10. Additional facts and details regarding the prejudice caused to HumanEyes are provided in the declaration of HumanEyes' CEO, Vered Levy-Ron, filed herewith.

IV. ARGUMENT: ALL THREE TRADITIONAL FACTORS WEIGH HEAVILY AGAINST STAYING THIS ACTION

To determine whether to put aside the standard scheduling procedure of the Federal Rules and this Court's Local Rules and delay the just and speedy resolution of a plaintiff's claims in response to a defendant's motion for a stay, this Court looks to three important factors: (1) the stage of the litigation, including the resources already expended by the parties, whether the parties have already engaged in substantial discovery, whether discovery is complete, and whether a trial date has been set; (2) whether the requested stay is likely to meaningfully simplify the issues in question and trial of the case; and (3) whether the requested stay would unduly prejudice or present a clear tactical disadvantage to the plaintiff, including (a) the timing of the underlying IPR petition (or other request for post-grant review), (b) the timing of the motion for stay, (c) the status of the IPR (or other post-grant review) proceedings, and (d) the relationship between the parties as well as the related question of whether the plaintiff's injuries may be compensated through future money damages. *Imagevision.net v. IPX, Inc.*, Civil Action No. 12-054, D.I. 65 (D. Del. April 22, 2013) at 3-10; *see also, e.g., Boston Scientific Corp. v. Cordis Corp.*, 777 F. Supp. 2d 783, 789 (D. Del. 2011); *First Am. Title Ins. Co. v. Maclaren LLC*, 2012 U.S. Dist. LEXIS 31508 at *13; *Xerox Corp. v. 3Com Corp.*, 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999). Courts, including this District, have repeatedly denied motions for stays based on IPR

petitions and similar post-grant review requests and proceedings when one or more of these three factors weighed against a stay.⁵

As further detailed below, all three of the factors in this case weigh heavily against Sony's request for additional delay and Sony's Motion should be denied.

⁵ See, e.g., *Imagevision.net v. IPX, Inc.*, Civil Action No. 12-054 D.I. 65 (D. Del. April 22, 2013) (upholding Magistrate's denial of stay based on the completion of substantial discovery including production of 38,000 pages of documents; the speculative nature of reexamination proceedings, and prejudice caused by competition between the parties); *Shurtape Techs. v. 3M Co.*, 2013 U.S. Dist. LEXIS 28815 at *6-14 (W.D.N.C. Mar. 1, 2013) (denying the stay because of the prejudice that could result due to the superior resources of the requesting party and the lack of evidence that reexamination would resolve all issues for trial); *SenoRx, Inc. v. Hologic, Inc.*, 2013 U.S. Dist. LEXIS 8044 at *6-36 (D. Del. January 11, 2013) (denying stay because of prejudice even where simplification of issues and the stage of the case favored stay); *Tuitionfund, LLC v. Suntrust Banks*, 2012 U.S. Dist. LEXIS 144408 at *3-7 (M.D. Tenn. Oct. 5, 2012) (denying stay because of progress of discovery, risk of loss of evidence and fading memories due to delay, and lack of proof that reexamination will simplify issues for trial); *Interwoven, Inc. v. Vertical Comp. Systems*, 2012 U.S. Dist. LEXIS 30946 at *6-12 (N.D. Cal. Mar. 8, 2012) (denying stay because of 15 month delay in filing for reexamination; direct competition; possibility that evidence, witness availability, and memory may become stale; lack of evidence that reexamination will resolve all claims; and progress of the litigation); *LG Electronics U.S.A. v. Whirlpool Corp.*, 2011 U.S. Dist. LEXIS 11488 at * 2-3 (D.N.J. Feb. 4, 2011) (denying stay because considerable discovery had been completed, the parties were competitors, and the unlikelihood that reexamination would resolve all claims); *Affinity Labs of Texas v. Nike, Inc.*, 2011 U.S. Dist. LEXIS 51665 at *4-7 (N.D. Cal. May 13, 2011) (denying stay solely because of nine month delay in filing reexamination request, even where other factors were neutral or favored stay); *Quest Software v. Centrifly Corp.*, 2011 U.S. Dist. LEXIS 28902 at *11-14 (D. Utah Mar. 21, 2011) (denying stay because of prejudice from ongoing infringement and lack of evidence of issue simplification even though the stage of the case favored a stay); *Alps South, LLC v. Ohio Willow Wood Co.*, 2010 U.S. Dist. LEXIS 144260 at *4-5 (M.D. Fla. June 16, 2010) (denying a stay because of a nine month delay in filing reexamination request, unlikelihood that all trial issues would be resolved by reexamination, and the completion of significant discovery); *Ultra Prods. v. Antec, Inc.*, 2010 U.S. Dist. LEXIS 50096 at *12-16 (N.D. Cal. Apr. 26, 2010) (rejecting a stay based on two year delay in seeing reexamination, mere speculation that reexamination could simplify issues for trial, and two years of litigation progress); *Esco Corp. v. Berkeley Forge & Tool, Inc.*, 2009 U.S. Dist. LEXIS 94017 at *6-12 (N.D. Cal. Sept. 28, 2009) (denying stay because of defendant's seven month delay in filing for reexamination and because of skepticism that lengthy reexamination would resolve all claims even though the stage of the case favored a stay).

A. The Significant Resources Already Expended by The Parties, Including the Completion of Liability Fact Discovery, Demonstrate This Case is Far Along and Ready For Prompt Resolution Before This Court

Consideration of the “stage of the litigation” factor requires a more flexible approach than merely determining whether discovery is complete and a trial date has been set. *Imagevision.net*, Civil Action No. 12-054, D.I. 65 at 9-10. Rather, the analysis of this factor should focus on whether “the Court and the parties have already expended significant resources on the litigation” such that “the principle of maximizing the use of judicial and litigant resources is best served by seeing the case through to its conclusion.” *Id.* (citing *SenoRx* 2013 U.S. Dist. LEXIS 8044 at *16-17). In *Imagevision.net*, this Court upheld a finding that ongoing discovery, including the production of almost 38,000 pages of documents in response to document requests, constituted sufficient investment in the litigation to find that this factor weighs against a stay.

In this case—and in direct contrast to Sony’s characterization in its Motion that “this case has not progressed beyond the early pleading stage”—the parties have produced over 550,000 pages of documents (nearly 15 times the number of documents produced in *Imagevision.net*); completed all 30(b)(6) depositions and conducted depositions of at least 22 deponents (including all of both parties’ 30(b)(6) depositions); propounded and responded to over 700 written discovery requests; and negotiated and completed email discovery according to agreed upon custodians and search terms. *See* Gerrity Decl. ¶¶ 1.

This massive investment by the parties in discovery in the ITC Investigation represents effectively all necessary liability fact discovery for the case before this Court—including all fact discovery regarding infringement and validity and much of the necessary discovery regarding damages and willfulness—and stands ready to be reproduced by the parties in this action following the entry of a protective order. In fact, the only remaining discovery necessary in this case is minimal supplemental discovery regarding, for example: damages based on sales of the

accused Sony products since the close of the ITC Investigation; and Sony's willful infringement of the asserted patents that exists beyond the discovery regarding copying that was already obtained in the ITC Investigation.

Extensive investment in fact discovery is not the only indicator that this litigation is at an advanced stage. Prior to the termination of the ITC Investigation, the parties also had already exchanged detailed infringement and invalidity contentions and responses to those contentions. The parties had completed most of the preliminary *Markman* tasks, including exchanging lists of claim terms believed to require construction and proposed constructions for the disputed terms, and identifying the intrinsic and extrinsic evidence the parties intend to rely on to support those proposed constructions. Gerrity Decl. ¶¶ 2. Indeed, when the ITC Investigation was stayed over seven months ago on the final day of fact discovery, the parties were preparing to file initial expert reports on infringement and invalidity in three weeks, ready to complete expert discovery within two months, and anticipating the presentation of their cases at trial in the ITC in four months. *See* Ex. 2.

Because Sony committed to remove the accused functionality from its new products, there should be no new developments requiring additional liability fact discovery into the key issues of infringement. And because the purported prior art identified by Sony in its IPR petitions is materially the same art already litigated in the ITC, there is no reason to believe that any additional fact discovery relating to invalidity is necessary if this case proceeds now. The parties were already poised for the completion of expert discovery within a two-month timeframe and for presentation of their cases at trial within four months and HumanEyes expects that a similarly expedited resolution of the parties claims can be pursued before this Court. The only additional issues that need to be addressed before this Court are (1) the preparation and

presentation of *Markman* briefing and arguments to this Court (which can proceed immediately given that the parties have already exchanged proposed constructions and anticipated support); (2) limited supplemental discovery as described above.

These and other substantial investments already made in this case—together with the parties’ readiness to proceed to trial on a highly expedited schedule—demonstrate that the parties have already expended significant resources on the litigation and that the principle of maximizing the use of judicial and litigant resources is best served by seeing this case through to its conclusion. *See Imagevision.net*, Civil Action No. 12-054, D.I. 65 (citing *SenoRx, Inc. v. Hologic, Inc.*, 2013 U.S. Dist. LEXIS 8044 at *16-17 (D. Del. January 11, 2013)). Indeed, given that the parties were prepared to present their arguments at trial within four months, this case can be well on its way to resolution by this Court as early as October 2013 (when the PTAB will determine whether, and to what extent, even to grant Sony’s IPR petitions), and certainly before April 2015 (when the PTAB will be required to issue its decision if an IPR is granted), and well before any eventual appeals regarding the PTAB’s decisions could possibly be resolved.

B. Even if Instituted, There is No Outcome for Sony’s *Inter Partes* Review Petitions That Will Meaningfully Simplify The Key Issues of Infringement, Validity, or Damages for Trial

Sony’s statements in its Motion that its IPR petitions could “eliminate altogether,” “end,” or “dispose of” this litigation are simply untrue. Even if the PTAB grants review of all 14 claims in Sony’s petitions and even if the PTAB were to reject all 14 of those claims, the IPR proceedings will not address any of the remaining 141 granted claims in the two asserted patents. HumanEyes is prepared to proceed to expert discovery and trial on many of these claims based on the liability fact discovery already completed in the ITC Investigation. Moreover, any estoppel that applies to Sony’s validity arguments before this Court based on the PTAB’s decisions will be limited to arguments that could have been considered in the IPR proceeding.

Sony's optimistic predictions that its petitions will be granted six months from now, that its petitions will be granted as to all 14 challenged claims, and that the ultimate result years from now will be rejection of all 14 challenged claims are merely unsupported speculations that are contrary to the PTO's own statistics, and therefore do not weigh in favor of a stay. *See, e.g., Tuitionfund, LLC* 2012 U.S. Dist. LEXIS 144408 at *6 ("The Court does not necessarily share the same optimism as the [] Defendants as to the outcome of the reexamination proceedings."); *Quest Software* 2011 U.S. Dist. LEXIS 28902 at *14 ("Finally, it is not clear whether a stay will simplify the issues. There is a good chance that at least some of the claims . . . will survive the reexamination, leaving the Court and the parties in the same position they are in now, only months or years later. With such uncertainty, a stay is not appropriate."); *Esco Corp.* 2009 U.S. Dist. LEXIS 94017 at *8-9 ("Though the statistical information presented suggests that reexamination may, at least, change the landscape as to *some* claims, the Court is not convinced that reexamination necessarily will resolve *all* of the claims in dispute . . ."). The same PTO statistics relied on by Sony in its Motion reveal that since 1999 only 42% of *inter partes* reexamination procedures have ended with all claims cancelled or disclaimed. Motion Ex. H.

But even were Sony's petitions to result in the cancellation of all 14 petitioned claims, HumanEyes could proceed in this case (based on the very same fact liability discovery already completed in the ITC Investigation) with multiple untouched and unchallenged claims of the asserted patents including, for example: dependent claims 4 and 5 of the '003 Patent (adding, respectively, limitations to claim 1 that "the series of positions define a translation relative to the scene" and "the series of positions define a change in angular orientation relative to the scene"); independent method claim 34 of the '003 Patent; dependent claims 4 and 7 of the '284 Patent (adding, respectively, limitations to claim 3 that "the communication apparatus is housed in a

housing that also accommodates the at least one imager, the processor and the display” and “the communication apparatus comprises apparatus for transmitting the data over a wireless communication channel”); and/or independent method claim 38 of the ’284 patent. *See* Exs. 10 (’003 Patent), 11 (’284 Patent).

Although HumanEyes did not include all such additional, unchallenged claims in its ITC Complaint, the claims addressed in HumanEyes’ ITC Complaint represent a limited subset of the valid claims infringed by Sony that HumanEyes selected in order to streamline the ITC Investigation. However, the same liability fact discovery pursued by the parties in the ITC Investigation regarding the operation of the accused Sony functionalities and HumanEyes’ invention of the claimed inventions would adequately support these similar claims.

Second, although Sony came nowhere close to challenging the number of claims it could have challenged in its petitions without any additional expense, Sony states nowhere in its Motion that it agrees to be estopped from challenging the validity of any of the claims not addressed in its petitions. Nor does Sony state in its Motion that it agrees to be estopped from challenging the validity or enforceability of any of the 14 petitioned claims that might survive the IPR process based on prior art or other grounds that could not be brought before the PTAB in an IPR proceeding (such as alleged prior art in public use but not described in a printed publication and the other affirmative defenses raised in Sony’s Answer (D.I. 28) including invalidity under 35 U.S.C. §§ 101 and/or 112, prosecution history estoppel, laches, waiver, estoppel, and/or unclean hands).

The key issues of infringement, validity, and damages for these unchallenged claims will remain (untouched) before this Court regardless of the outcome of Sony’s (as-yet-ungranted) IPR petitions before the PTAB. Even if the parties delay the resolution of their dispute before this

Court for a multi-year stay, the key issues and questions for trial still will not be meaningfully simplified. This *certainty* that the key issues for trial will remain even after resolution of Sony's IPR petitions goes above and beyond the mere *uncertainty* regarding the results of post-grant reviews that courts like those cited above have found precludes a stay, and thus this factor weighs heavily against a stay in this case.

C. Delaying This Already 13-Month-Old Action Will Unduly Prejudice HumanEyes' Business and Licensing Efforts and Will Present a Clear Tactical Disadvantage for HumanEyes

With respect to the question of prejudice and tactical disadvantage, this Court considers whether the requested stay would unduly prejudice or present a clear tactical disadvantage to the plaintiff, including (a) the timing of the underlying IPR petition, (b) the timing of the motion for stay, (c) the status of the IPR proceedings, and (d) the relationship between the parties as well as the related question of whether the plaintiff's injuries may be compensated through future money damages. *Imagevision.net*, Civil Action No. 12-054 D.I. 65 at 3-10; *see also, e.g., Boston Scientific*, 777 F. Supp. 2d 783, 789; *First Am. Title*, 2012 WL 769601, at *4; *Xerox*, 69 F. Supp. 2d 404, 406.

As this Court has noted, a motion to stay pending post-grant review procedures "can always be said to seek a tactical advantage because it 'would not have been filed but for [defendant's] belief that the granting of a stay would [be to its] benefit;'" however, "a request for [post-grant review] made well after the onset of litigation followed by a subsequent request to stay may lead to an inference that the moving party is seeking an *inappropriate* tactical advantage." *SenoRx*, 2013 U.S. Dist. LEXIS 8044 at *22-23 (quoting *Round Rock Research LLC v. Dole Food Co.*, 2012 U.S. Dist. LEXIS 49106, 2012 WL 1185022, at *2 (D. Del. Apr. 6, 2012) and *Belden Techs. v. Superior Essex Commc'ns LP*, 2010 U.S. Dist. LEXIS 90960 at *12 (D. Del. Sept. 2, 2010)).

In this case, as explained further below, Sony's delay before bringing its IPR petitions until the maximum period of time allowed by statute had elapsed, the fact that those IPR petitions have not and will not be granted, if at all, for many months, and the history of damage that Sony's infringement has (and continues) to cause to HumanEyes' business interests all show that Sony is seeking just such an inappropriate tactical advantage leading to undue prejudice to HumanEyes.

1. Sony's Extreme Delay in Filing its Petitions Despite Serving Detailed Invalidity Contentions Seven Months Prior Demonstrates Intent to Unduly Prejudice and Tactically Disadvantage HumanEyes

The first of the four "prejudice" factor considerations—the timing of Sony's IPR petitions—could not weigh any heavier against a stay than it does in this case. The claims charts of Sony's IPR petitions were, in all material respects, completed by Sony more than seven months before it filed the petitions. Yet Sony quite literally delayed as long as it possibly could before filing these petitions. Had Sony delayed even one day longer, its petitions would have been barred under 35 USC § 315(b) because the petitions were only filed on March 29, 2013—364 days to the day from the March 29, 2012 service of HumanEyes' complaint in this case. *Compare* Motion Exs. B, C (Sony's IPR Petitions) *with* D.I. 1 (Complaint) and Ex. E (ITC Complaint). Sony also waited the full three weeks after filing the IPR petitions before bringing this stay motion, squeezing every additional day of administrative delay out of this process as possible.

Sony offers no explanation for why its particularly late filing of the IPR petitions is justified. Sony served invalidity contentions on HumanEyes on August 29, 2012—7 months before filing these IPR petitions, and yet waited until the last possible day to file the petitions. Those contentions included detailed claim charts comparing 7 of the 8 references asserted in Sony's IPR petitions with the limitations of the very same 14 claims challenged by Sony in its

petitions. Compare Motion Exs. B, C (Sony's IPR Petitions) with Ex. 4. (Sony's August 29, 2012 Invalidity Contentions).⁶ Sony's August 29 contentions provide comparable level of detail and analogous arguments to Sony's IPR petitions, leaving no explanation for the additional seven-month delay in filing those petitions apart from, as the *SenoRx* court said, the inference that Sony is seeking "an *inappropriate* tactical advantage." *SenoRx*, 2013 U.S. Dist. LEXIS 8044 at *22-23.

The "status of the IPR proceedings" consideration of the prejudice factor further weights the scale against a stay in this action. As already discussed above, the PTAB is not even required to reach a decision about whether (and to what extent) to grant Sony's petitions until October 3, 2013; is not required to issue its decision (if either IPR is granted) until October 3, 2014 under the default 12 month statutory provision or until April 3, 2015 "for good cause"; and subsequent appeals of any eventual PTAB decision to the Federal Circuit will only add months—if not years—to the requested delay. Unlike this case, the IPR proceedings truly are just beginning, and delaying HumanEyes' access to the court so that a brand new proceeding can start further prejudices HumanEyes and weighs against a stay.

2. Sony's Ongoing Infringement of HumanEyes' Patents Continues to Damage HumanEyes' Licensing and Partnership Efforts

The final consideration in the prejudice factor analysis—the relationship between Sony and HumanEyes as well as the related question of whether HumanEyes' injuries may be compensated through future money damages—involves more than the mere question of whether HumanEyes has requested preliminary injunctive relief, as Sony's motion suggests. Rather, "a request for preliminary injunction is simply one of many (non-dispositive) indicia of the

⁶ The one reference not previously addressed in Sony's August 29, 2012 contentions—The Kodak DC50 User Guide—is relied on only in Sony's '284 petition and only in combination with other alleged obviousness combinations. Motion Ex. C (Sony's '284 IPR Petition).

presence of direct competition.” *Belden Techs. V. Super. Essex. Commc’ns*, 2010 WL 3522327 at *3 n.4 (D. Del. Sept. 2, 2010).

Sony’s infringement of the asserted patents has and continues to harm HumanEyes’ efforts to license its patents and related technology, partner with device manufacturers to incorporate its technology, and solicit investments. Much of the damage that Sony’s continued infringement causes to HumanEyes is already apparent from the record developed between the parties during the ITC Investigation—particularly with respect to the ITC “domestic industry” inquiry. For example, HumanEyes’ ITC Complaint outlines the substantial investments HumanEyes has made in its licensing and partnership program and explains that since Sony’s widespread infringement began in 2010, Sony’s infringement was the explicit reason given by at least one potential licensee for ending promising negotiations with HumanEyes and is believed to have negatively affected negotiations with other potential licensees as well. Motion Ex. E (ITC Complaint) at ¶¶ 62-63; Levy-Ron Decl. at ¶ 8. HumanEyes and its CEO Vered Levy-Ron provided additional details about these and other harms to HumanEyes’ business resulting from Sony’s ongoing infringement through the production of confidential documents and through confidential deposition testimony during the ITC Investigation. Levy-Ron Decl. at ¶ 12.

Sony’s ongoing infringement continues to harm HumanEyes’ business interests even today. *Id.* at ¶¶ 8-11. As a major electronics manufacturer, Sony’s use of HumanEyes’ technologies without paying a licensing fee or other compensation to HumanEyes continues to dissuade other potential licensees and partners from reaching licensing or other technology agreements with HumanEyes. *Id.* at ¶¶ 8-9. As this litigation enters its second year, the prolonged uncertainty regarding HumanEyes’ intellectual property and Sony’s infringement further impairs HumanEyes’ ability to solicit capital investments from potential investors; has

depressed HumanEyes' revenues; driven up HumanEyes' forecast costs for 2013; and contributed to a substantial reduction in force of one-third of HumanEyes' workforce, leaving it with just 15 employees. *Id.* at ¶¶ 8-11.

The continuing damage caused to HumanEyes' small business as a result of ongoing infringement by Sony, a global multinational corporation, threatens the profitability and survival of the company and cannot be adequately compensated by monetary damages and prejudgment interest—particularly if Sony's infringement is allowed to continue unabated for years as the parties await the results of Sony's IPR petitions. *Id.* at ¶¶ 8-11. Although HumanEyes and Sony are admittedly not direct competitors, the harm caused to HumanEyes' business by Sony's continued infringement, as well as the other considerations in the "prejudice" analysis demonstrate that in this case the "prejudice" factors weighs heavily against granting Sony's requested stay.

V. CONCLUSION

Based on the foregoing reasons, HumanEyes respectfully requests that the Court deny Sony's Motion.

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Dated: May 6, 2013

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