

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

KONINKLIJKE PHILIPS ELECTRONICS N.V.,
and PHILIPS ELECTRONICS NORTH
AMERICA CORPORATION,

Plaintiffs,

v.

ZOLL LIFECOR CORPORATION,

Defendant.

C.A. No. 2:12-cv-01369-NBF

Judge Nora Barry Fischer

Electronically Filed

MEMORANDUM IN SUPPORT OF ZOLL'S MOTION TO STAY

INTRODUCTION

Koninklijke Philips Electronics N.V. and Philips Electronics North America Corporation (collectively, "Philips") have now sued ZOLL Medical Corporation or its wholly owned subsidiary ZOLL Lifecor Corporation (collectively, "ZOLL") in three different venues. All three cases are pending. All three cases concern defibrillator technology. All three cases allege patent infringement, with the asserted patents and/or the accused products overlapping among the different cases. All of the asserted patents were discussed in licensing discussions between the parties dating back to 2008, and conducted in Massachusetts, where both companies are based. Despite this, Philips elected to spread this dispute across three actions in Boston (filed in June 2010), Seattle (filed in January 2012), and now Pittsburgh.

Philips' piecemeal litigation strategy not only unfairly burdens ZOLL, but also wastes judicial resources, with three different courts being presented with similar issues in three

different lawsuits. Indeed, given the extensive overlap between the patents asserted here and those asserted in Massachusetts—six of the eight patents asserted here are also asserted in Massachusetts, and the two “new” patents asserted in this case share a common specification and claim priority to the same parent applications as the six overlapping patents—a Philips loss in Massachusetts should significantly narrow, if not eliminate entirely, the issues in this case, and would certainly be a strong motivator for Philips to settle whatever remains in this case, if anything. ZOLL accordingly seeks a stay of this action until the liability issues have been tried in Massachusetts. That case is on schedule, and trial should occur in less than one year. The relief that ZOLL seeks is thus narrowly tailored to the circumstances that warrant it, and if granted will both promote judicial economy, and ensure consistent results.

This stay will not unfairly prejudice Philips. Philips could have brought these claims a decade ago, given that all of the asserted patents had issued by 2000, and the accused product was launched in 2001. Philips now contends that it had the claims in this case in mind when it approached ZOLL in 2008. In short there is no reason it could not have included these allegations in the Massachusetts action it filed in 2010, if not years earlier. Moreover, all of the asserted patents in this case will likely expire before this case is tried, whether a stay is entered or not, making injunctive relief a non-issue here. In the overall historical context, a one-year delay of this action is modest and reasonable, and by sequencing this case with the Massachusetts case is, ZOLL submits, a sound approach to case management. Time is certainly not of the essence for Philips.

FACTS

By April of 2000, all of the patents asserted in this case had issued. In 2001, ZOLL introduced its LifeVest product to the market, the sole product accused in this case. Seven years

later, in the fall of 2008, Philips wrote to ZOLL demanding that it license certain of Philips' defibrillator patents. Although this letter did not mention the LifeVest product, Philips alleges in its Complaint that this letter put ZOLL on notice that Philips' allegations encompassed the LifeVest product. (*See* Docket No. 1, at ¶¶ 21, 32, 43, 53, 64, 75, 85 & 96) While ZOLL disagrees that the letter gave such notice, Philips has thus conceded that it has been harboring the allegations made in this case since at least 2008. In response to this letter, ZOLL requested that Philips license certain defibrillator patents from ZOLL. Over the ensuing years, the parties repeatedly engaged in licensing discussions, both via communications and in face-to-face meetings.

Unsatisfied with the pace of the patent cross-licensing negotiations, Philips in 2010 chose the District of Massachusetts as the right forum to resolve the dispute. It filed suit there on fifteen of the patents then under discussion. (Ex. 1) The accused products in that case were initially only ZOLL's automatic external defibrillators (AEDs), which are the defibrillators seen on the walls of public places, such as airports, offices, and the like, as opposed to "professional" defibrillators, which are the defibrillators used in hospitals and by EMTs. (*See id.*) Philips chose not to include the LifeVest product among the accused products in Massachusetts. (*See id.*) ZOLL responded to that suit by suing Philips in Massachusetts on five ZOLL patents, accusing Philips' AEDs and professional defibrillators of infringement.

Those cases, though, did not commence right away. Rather, Philips was satisfied to put them on hold for over a year, while cross-licensing negotiations continued. The parties finally answered the respective complaints in July, 2011, and the two Massachusetts cases have since been consolidated (collectively, the "Massachusetts Matter"). (Ex. 2)

The Massachusetts Matter has progressed substantially since then. The parties have exchanged infringement, noninfringement, and invalidity contentions. The parties have served and responded to over 30 interrogatories and 200 requests for productions, and have produced approximately 100,000 documents. With regard to *Markman* claim construction, the parties briefed 32 terms for construction from the claims of the twenty asserted patents (Exs. 3-4), and the Court heard argument on October 25. (Ex. 5) Fact discovery is set to conclude on June 30, 2013, and expert discovery on June 20, 2013. (Ex. 6) This matter was bifurcated into liability and damages phases. (*See id.*) Trial for the liability phase is set to begin on October 7, 2013. (Ex. 6)

After more than a year of litigating the Massachusetts Matter, Philips in January, 2012, brought another suit in the Western District of Washington (the “Washington Matter”) alleging that ZOLL infringed six other patents relating to defibrillator technology, patents that were also subject to the parties’ cross-licensing negotiations. (Ex. 7) In that case, the only accused ZOLL products are its professional defibrillators; Philips again chose not to sue on ZOLL’s LifeVest product. Given the overlap between the two cases, ZOLL sought transfer of the Washington Matter to the District of Massachusetts. (Ex. 8)

Philips initially opposed transfer on the alleged basis that different products were at issue in the Washington case (professional defibrillators) and the Massachusetts case (AEDs). Despite that representation, however, Philips then amended its complaint in Massachusetts to accuse the professional defibrillators of infringement, thus largely eliminating its rationale for opposing transfer, and requiring Philips to disavow its prior representation. (Exs. 9-10) Despite expanding the universe of accused products in the Massachusetts Matter, Philips again chose not to sue on the LifeVest product. (Ex. 9) That transfer motion remains pending.

After filing the Massachusetts and Washington Matters, Philips filed this, its third action, alleging infringement of eight patents. Six of these eight patents are asserted in the Massachusetts Matter, and the other two patents are “related” to these patents, in that they share a common specifications and claim priority to the same parent applications as the six overlapping patents. All of these patents relate to defibrillator technology, and were the subject of the parties’ licensing negotiations. All of these patents had issued by the end of 2000, before the LifeVest product was introduced to the market in 2001.

Because of the similarity of the issues presented in this matter, the Washington Matter, and the Massachusetts Matter—and the fact that Philips waited at least four years, and in reality over ten years, to bring this action—ZOLL respectfully requests that this Court stay this action until the conclusion of the liability phase of the Massachusetts Matter.

LEGAL STANDARD

Federal courts have inherent power to control their dockets by staying proceedings. *Bechtel Corp. v. Local 215, Laborers' Int'l Union of North America*, 544 F.2d 1207, 1215 (3rd Cir. 1976). A stay is particularly appropriate where, as here, the outcome of another case may “substantially affect” or “be dispositive of the issues” in a case pending before a district court. *Id.*; see also *Rodgers v. United States Steel Corp.*, 508 F.2d 152, 162 (3rd Cir. 1975) (“[t]he district court had inherent discretionary authority to stay proceedings pending litigation in another court.”). Stays are especially appropriate where the other case is proceeding in another federal court. See *Miccosukee Tribe of Indians of Florida v. South Florida Water Mgmt. Dist.*, 559 F.3d 1191, 1196 (11th Cir. 2009); see also *Colorado River Water Conservation Dist. v. United States*, 424 U.S. 800, 817 (1976) (noting that the “the general principle is to avoid duplicative litigation” when multiple federal cases share common issues); *Kerotest Mfg. Co. v.*

C–O–Two Fire Equipment Co., 342 U.S. 180 (1952) (affirming Third Circuit decision upholding stay in District of Delaware patent infringement case where stay was granted pending outcome of related case in Northern District of Illinois).

In deciding whether to grant a stay, Courts generally consider the following four factors:

- (1) whether a stay would unduly prejudice or present a clear tactical advantage to the nonmovant;
- (2) whether a stay will simplify the issues and trial of the case;
- (3) whether discovery is completed; and
- (4) whether a trial date has been set.

nCube Corp. v. Seachange Int'l Inc., 2010 WL 2266335, at *2 (D. Del. June 4, 2010).

ARGUMENT

All of these factors warrant staying this case. Factor (1) favors a stay because Philips created the circumstances that warrant a stay by bringing three related actions in three different courts at three different times, and further because Philips has no opportunity for injunctive relief given its long delay in enforcing these patents, which should all be expired by the time this case is tried, stay or no stay.¹ *MonoSol Rx, LLC v. BioDelivery Sciences Int'l, Inc.*, 2012 WL 762501, at *3–*4 (D.N.J. Mar. 7, 2012) (granting stay in suit between competitors because prejudice did not exist where, like here, patentee did not seek preliminary injunction). The narrowly-tailored stay sought by ZOLL would also minimize the unfair burden to ZOLL—and the clear diseconomies of scale—of serial litigation. *See Int'l Nickel Co. v. Martin J. Barry, Inc.*, 204 F.2d 583, 586 (4th Cir. 1953). Factor (2) heavily favors a stay because ZOLL should be found not liable in Massachusetts, where it has asserted defenses of non-infringement, invalidity, and unenforceability, for infringing any of Philips' patents, including the ones that overlap with the

asserted patents in this case, U.S. Patents Nos. 6,047,212, 5,836,978, 5,607,454, 5,735,879, 5,749,905, 5,803,927 (“the Overlapping Patents”).² *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990) (finding stay appropriate where first action may moot second action even though the second action was against a different party). Factors (3) and (4) favor a stay because discovery has not started here, nor a trial date set. *Enhanced Sec. Research, LLC v. Cisco Sys., Inc.*, 2010 WL 2573925, at *3 (D. Del. June 25, 2010).

I. Because Philips Waited Over Ten Years to Bring This Action, Staying This Action Would Not be Prejudicial

After waiting at least four, and really over ten, years to bring this action, Philips would not be unfairly prejudiced by what should only be a one-year stay, given that the trial of the liability phase of the Massachusetts Matter is set to begin in October 2013. *Stryker Trauma S.A. v. Synthes (USA)*, 2008 WL 877848, at *3 (D.N.J. Mar. 28, 2008) (noting that two-year stay to allow for reexamination did not cause sufficient prejudice to deny stay); *Sorensen v. Black and Decker Corp.*, 2007 WL 2696590, at *4 (S.D. Cal. Sept.10, 2007) (delay itself as insufficient rationale to deny stay). Many courts have granted stays pending a reexamination, which can last substantially longer than a year. *See, e.g., Oy Ajat, Ltd. v. Vatech Am., Inc.*, 2012 WL 1067900, at *21 (D.N.J. Mar. 29, 2012); *MonoSol Rx, LLC v. BioDelivery Sciences Int'l, Inc.*, 2012 WL 762501, at *10 (D.N.J. Mar. 7, 2012); *Guthy-Renker Fitness L.L.C. v. Icon Health & Fitness Inc.*, 1998 WL 670240, at *3 (C.D. Cal. July 17, 1998); *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994).

¹ Seven of the eight patents asserted in this case will expire on August 6, 2013, and the other will expire on March 4, 2014.

² Moreover, since the other two patents share a common specification and similar claims with the Overlapping Patents, a finding that one or more of the Overlapping Patents is invalid or unenforceable is likely to impact all of the patents asserted here.

Moreover, Philips created the circumstances warranting the stay, and has no legitimate argument that it would be unfairly prejudiced by it. Philips chose not to include the LifeVest product in the Massachusetts action, and chose the piecemeal litigation strategy involving multiple courts on similar issues. *Int'l Nickel*, 204 F.2d at 586 (granting stay while noting “plaintiff was not entitled as a matter of right to have two federal courts trying the same issue at the same time when court dockets are crowded and other litigants have right to a hearing”). *See also Adventus Americas, Inc. v. Calgon Carbon Corp.*, 2009 WL 2998094, *5–*6 (W.D.N.C. Sept. 15, 2009).

Finally, a stay will not affect Philips’ right to exclude because the patents-at-issue will likely expire before the issues in this case could be tried, even without a stay. Consequently, injunctive relief is a non-issue. Because the stay sought by ZOLL would not affect Philips’ right to exclude, this stay would not unduly prejudice Philips. *Cf. Wonderland Nurserygoods Co., Ltd. v. Thorley Indus., LLC*, 858 F. Supp. 2d 461 (W.D. Pa. 2012) (denying motion to stay pending three year reexamination because stay may cause patentee to lose his or her right to exclude).

II. Staying This Action Would Conserve Judicial Resources Because Multiple Counts Before this Court May be Mooted by Resolution of the Massachusetts Matter

Some or all of Philips’ claims in Counts 2, 3, 5, 6, 7 and 8 of this case should be mooted by ZOLL prevailing on liability with regard to the Overlapping Patents in Massachusetts, whether on grounds of non-infringement, invalidity, and/or unenforceability. *See, e.g., Blonder-Tongue Laboratories, Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 350 (1971). *See also Abbott Lab., Inc. v. Medtronic, Inc.*, 2009 WL 799404, *2–*4 (N.D. Cal. 2009) (granting stay where PTO action would moot controversy); *Research Corp. v. Radio Corp. of Amer.*, 181 F. Supp. 709, 712, 124 U.S.P.Q. 401, 403 (D. Del. 1960) (staying infringement action in view of pending interference proceedings and holding that “[t]here is no sound reason why litigation between the

same parties and embracing common issues [should] be prosecuted simultaneously”). Because the two non-overlapping patents share a specification with some of the Overlapping Patents, the results in Massachusetts could likewise bear on those two patents. *See id.* In short, the results in Massachusetts could moot this entire action, and if nothing else will likely further drive settlement negotiations, all of which would conserve judicial resources.

The Massachusetts Court’s analysis and decisions may also bear on the consideration of issues in this case. The Court relied on this reasoning in *Flexsys Americas, LP v. Kumho Tire, U.S.A., Inc.* to stay an action that dealt with patents that were related to patents asserted in a pending ITC investigation. 2005 WL 1126750, at *3 (N.D. Ohio Apr. 29, 2005). Even though the decision in the ITC would not bind the District Court, the Court nonetheless stayed the case before it because it “would benefit tremendously from a narrowing of the complex issues in this case,” including the construction of the related patents’ claim terms. *Id.* (“[i]t is more than likely that after the [non-binding] ITC ruling, the parties in this case will have fewer issues for this Court to resolve”).

Staying this matter will also make discovery more efficient. *FormFactor, Inc. v. Micronics Japan Co., Ltd.*, 2008 WL 361128, at *2 (N.D. Cal. Feb. 11, 2008) (“staying the remainder of the proceedings as they relate to these patents is a prudential action because of the potential duplication of discovery resulting from continuing the proceedings for the non-overlapping patents”). Discovery from the Massachusetts case be reused here. *See id.* (staying action to avoid duplicative discovery even for non-overlapping patents). Absent a stay, the parties would have to engage in overlapping and duplicative discovery in both cases, raising the prospect of competing or even inconsistent discovery disputes and motion practice. This is plainly wasteful, and a stay would prevent it.

III. A Stay Should Be Granted Because This Action is in Its Infancy

Because this Action has not proceeded into discovery, nor has a trial date been set, a stay is appropriate. *Stryker Trauma*, 2008 WL 877848, at *4 (D.N.J. Mar. 28, 2008) (granting stay after trial). Staying this action now would allow this Court, as well as the parties, to preserve resources by avoiding unnecessary discovery relating to the Overlapping Patents. *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994) (finding stay appropriate because “parties are in the initial stages of the lawsuit and have undertaken little or no discovery”). Indeed, even cases that were much farther along than this matter have been stayed. *GPAC, Inc. v. D.W.W. Enterprises, Inc.*, 144 F.R.D. 60, 65 (D.N.J. 1992) (staying matter that had been open for sixteen months due to matter’s “relative infancy”).

CONCLUSION

Because a stay would conserve judicial resources and reduce or avoid the need to re-litigate many issues already before the District Court of Massachusetts, and would reduce the unfair burden to ZOLL of serial lawsuits without unfairly prejudicing Philips, this Court should grant ZOLL’s motion to stay this matter pending the conclusion of the liability phase of the Massachusetts Matter.

Dated: November 9, 2012

Respectfully submitted,

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CERTIFICATE OF SERVICE

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