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8 **UNITED STATES DISTRICT COURT**  
9 **SOUTHERN DISTRICT OF CALIFORNIA**

10 FISHER & PAYKEL HEALTHCARE  
11 LIMITED, a New Zealand corporation,

12 Plaintiff,

13 v.

14 RESMED CORP., a Minnesota  
15 corporation,

Defendant.

CASE NO. 16cv2068 DMS (WVG)

**ORDER GRANTING RESMED'S  
MOTION TO STAY PENDING  
RESOLUTION OF *INTER PARTES*  
REVIEW**

16 This case comes before the Court on ResMed's motion to stay Fisher & Paykel's  
17 claims pending review by the Patent Trial and Appeal Board ("PTAB") of ResMed's  
18 petitions for *inter partes* review of the Fisher & Paykel patents-in-suit. Fisher & Paykel  
19 filed an opposition to the motion, and ResMed filed a reply. For the reasons discussed  
20 below, the motion is granted.

21 **I.**

22 **BACKGROUND**

23 This case is one of many currently pending between the parties. In addition to  
24 this case, RedMed currently has patent infringement actions against Fisher & Paykel  
25 pending in both Germany and New Zealand and before the United States International  
26 Trade Commission ("ITC"). Fisher & Paykel also recently filed an action in the High  
27 Court of Justice in the United Kingdom seeking a judgment that three ResMed  
28 European Patents are invalid and not infringed by the same products accused of

1 infringement in this case. (ResMed's Notice of Recent Facts Relevant to Its Mot. to  
2 Stay at 2.) Fisher & Paykel also instituted an action for patent infringement in the  
3 Munich District Court. (*Id.*) One of the patents at issue there is related to one of the  
4 patents at issue here. (*Id.*)

5 The present case was filed on August 16, 2016. In the Complaint, Fisher &  
6 Paykel allege ResMed is infringing nine of its patents. On September 7, 2016, ResMed  
7 Corporation filed an Answer and Counterclaim. In the Counterclaim, ResMed asserts  
8 claims for declaratory judgment of noninfringement and invalidity of Fisher & Paykel's  
9 patents and seven additional claims for infringement of its own patents. On October 3,  
10 2016, Fisher & Paykel Healthcare Limited, Fisher & Paykel Healthcare, Inc. and Fisher  
11 & Paykel Healthcare Distribution Inc. filed an Answer to the Counterclaims and  
12 Counterclaims for declaratory judgment of noninfringement and invalidity of ResMed's  
13 patents.

14 On October 6, 2016, Fisher & Paykel Healthcare Limited, Fisher & Paykel  
15 Healthcare, Inc. and Fisher & Paykel Healthcare Distribution Inc. filed a motion to stay  
16 ResMed's counterclaims on two of its patents pending proceedings before the ITC on  
17 those patents. ResMed did not oppose that motion, and the Court granted the request  
18 to stay that portion of this case on November 17, 2016.<sup>1</sup>

19 With respect to the present motion, on September 7, 2016, the same day it filed  
20 its Answer in this case, ResMed filed fifteen petitions for *inter partes* review with the  
21 PTAB challenging the validity of every asserted claim of the Fisher & Paykel patents-

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23 <sup>1</sup> In a recent filing, ResMed informed the Court that Fisher & Paykel has  
24 petitioned for *inter partes* review of four of the seven ResMed patents-in-suit. ResMed  
25 indicated in the present motion that it would not oppose a stay on that portion of the  
26 case if requested by Fisher & Paykel. Two of the patents at issue in Fisher & Paykel's  
27 petition are already subject to the stay pending the ITC proceedings, therefore, there is  
28 no need to request a stay as to those patents. If the parties wish to stay litigation on the  
other two patents, the Court requests they do so by way of a joint motion. If the case  
is stayed as to those two patents, this litigation will proceed on the three remaining  
ResMed patents only. As to that portion of the case, Fisher & Paykel Healthcare  
Corporation Limited has filed a motion to dismiss it from this case for lack of personal  
jurisdiction and failure to state a claim, which motion is scheduled for hearing on  
December 22, 2016.

1 in-suit. Fisher & Paykel has three months, or until December 7, 2016, to file a response  
2 to the petitions. The PTAB will have three months from (1) the filing of Fisher &  
3 Paykel's responses or (2) December 7, 2016, whichever is sooner, to determine whether  
4 to institute a trial on the petitions. If the PTAB orders a trial, it will have twelve months  
5 to issue a final written decision on the petitions.

## 6 II.

### 7 DISCUSSION

8 As stated above, ResMed moves to stay litigation on Fisher & Paykel's patents  
9 pending resolution of its request for *inter partes* review. Fisher & Paykel asserts  
10 ResMed's petitions for review are barred by 35 U.S.C. § 315(a)(1). It also argues the  
11 relevant factors weigh against the imposition of a stay.

#### 12 A. Statutory Bar

13 Fisher & Paykel's first argument in response to ResMed's motion to stay is that  
14 the petitions for *inter partes* review are barred by 35 U.S.C. § 315(a)(1). This statute  
15 provides: "An inter partes review may not be instituted if, before the date on which the  
16 petition for such a review is filed, the petitioner or real party in interest filed a civil  
17 action challenging the validity of a claim of the patent." 35 U.S.C. § 315(a)(1). On  
18 August 16, 2016, three weeks before it filed the petitions for review, ResMed filed a  
19 Complaint against Fisher & Paykel in this Court challenging the validity of Fisher &  
20 Paykel's patents. *See ResMed Inc. v. Fisher & Paykel Healthcare Corporation Limited*,  
21 Case No. 16cv2072.<sup>2</sup> Fisher & Paykel argue that filing falls within the plain language  
22 of the statute and precludes the PTAB from granting ResMed's petitions for review, and  
23 thus the motion for stay should be denied.

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26 <sup>2</sup> ResMed's Complaint was not the first to be filed. On August 15, 2016, the day  
27 before ResMed filed its Complaint, Fisher & Paykel filed a Complaint against ResMed  
28 in the United States District Court for the Central District of California. *See Fisher & Paykel Healthcare Limited v. ResMed Corp.*, Case No. 16cv6099. The following day, Fisher & Paykel filed the Complaint in this case, and dismissed the Complaint filed in the Central District. Within an hour of Fisher & Paykel's filing in this case, ResMed filed its Complaint.

1        ResMed does not dispute that it filed the above-referenced Complaint. It argues,  
2        however, that it dismissed that case without prejudice, thereby avoiding the statutory  
3        bar to *inter partes* review. ResMed argues the PTAB has found that *inter partes* review  
4        is not barred if the previously filed complaint is dismissed without prejudice. *See, e.g.,*  
5        *Tristar Products, Inc. v. Choon's Design, LLC*, Case IPR2015-01883, 2016 WL  
6        2865739 (Patent Trial and Appeal Bd. Mar. 9, 2016); *Microsoft Corp. v. Parallel*  
7        *Networks Licensing, LLC*, Case IPR2015-00483, 2015 WL 4760575 (Patent Trial and  
8        Appeal Bd. July 15, 2015); *Cyanotech Corp. v. Bd. of Trustees of the Univ. of Illinois*,  
9        Case IPR2013-00401, 2013 WL 8563804 (Patent Trial and Appeal Bd. Dec. 19, 2013).  
10       In those cases, the PTAB correctly notes that voluntary dismissal of an action leaves  
11       “the parties as though the action had never been brought.” *Tristar Products*, 2015 WL  
12       2865739, at \* 4 (quoting *Macauto U.S.A. v. BOS GmbH & KG*, Case IPR2012-0004,  
13       slip. op. at 15 (Patent Trial and Appeal Bd. Jan. 24, 2013)). *See also* Charles Alan  
14       Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2637, at 321 (2d ed. 1995)  
15       (stating “as numerous federal courts have made clear, a voluntary dismissal without  
16       prejudice under Rule 41(a) leaves the situation as if the action never had been filed”).  
17       ResMed further argues that when § 315(a)(1) was enacted in 2011, at least eight  
18       Circuits had already determined that a dismissal without prejudice makes the situation  
19       as if the action never had been filed. Quoting *Astoria Federal Sav. and Loan Ass'n v.*  
20       *Solimino*, 501 U.S. 104, 108 (1991), ResMed points out: “[W]here a common-law  
21       principle is well established,’ ... ‘the courts may take it as given that Congress has  
22       legislated with an expectation that the principle will apply[.]’” (Reply Br. at 4.) ResMed  
23       argues that § 315(a)(1) uses the word “filed” consistently with the settled understanding  
24       that a suit dismissed without prejudice is treated as if it was not “filed” at all, and thus  
25       does not bar institution of an IPR. This Court agrees.

26       Accordingly, “[b]ecause the effect of a voluntary dismissal without prejudice is  
27       to render the prior action a nullity, such actions cannot give rise to a statutory bar under  
28       35 U.S.C. § 315(a)(1).” *Tristar Products*, 2015 WL 2865739, at \* 4. The reasoning of

1 the PTAB decisions is persuasive, and this Court adopts it here. Under that reasoning,  
2 ResMed's petitions would not be barred by § 315(a)(1). Thus, Fisher & Paykel's  
3 statutory bar argument does not warrant denial of the motion to stay.

4 **B. Motion to Stay**

5 "Courts have inherent power to manage their dockets and stay proceedings,  
6 including the authority to order a stay pending conclusion of a PTO reexamination."  
7 *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citations omitted).  
8 District courts in the Ninth Circuit consider three factors in determining whether to  
9 order a stay pending *inter partes* review of a patent. Those factors are: "(1) the stage  
10 of litigation; (2) whether a stay would cause undue prejudice or present a clear  
11 disadvantage to the non-moving party; and (3) whether a stay will simplify the issues  
12 in question and the trial of the case.'" *Palomar Techs., Inc. v. MRSI Sys., LLC*, No. 15-  
13 cv-1484 JLS (KSC), 2016 U.S. Dist. LEXIS 143624, at \*2-3 (S.D. Cal. June 14, 2016)  
14 (quoting *Sorensen v. Giant Int'l (USA) Ltd.*, Nos. 07cv2121, *et seq.*, 2009 U.S. Dist.  
15 LEXIS 118748, at \*2 (S.D. Cal. Dec. 21, 2009)).

16 1. Stage of Litigation

17 Here, the first factor, stage of litigation, weighs in favor of granting a stay. This  
18 case was filed just over three months ago on August 16, 2016. ResMed filed an Answer  
19 and Counterclaim on September 7, 2016, and filed the present motion the following  
20 day. The Court has not yet scheduled an Early Neutral Evaluation Conference, and the  
21 parties have yet to conduct any discovery. Given the early stage of the litigation, this  
22 factor weighs in favor of granting a stay. *See Market-Alerts Pty. Ltd. v. Bloomberg*  
23 *Finance L.P.*, 922 F.Supp.2d 486, 494 (D. Del. 2013) (quoting *SenoRx, Inc. v. Hologic,*  
24 *Inc.*, No. 12-173-LPS-CJB, 2013 WL 144255, at \*5 (D. Del. Jan. 11, 2013)) ("Staying  
25 a case at an early juncture 'can be said to advance judicial efficiency and maximize the  
26 likelihood that neither the [c]ourt nor the parties expend their assets addressing invalid  
27 claims.'")

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1           2.       Undue Prejudice/Clear Disadvantage to Fisher & Paykel

2           The next factor is whether the imposition of a stay would unduly prejudice or  
3 present a clear disadvantage to Fisher & Paykel. ResMed asserts a stay would not do  
4 so. Fisher & Paykel disagrees.

5           In support of its assertion that it would suffer prejudice, Fisher & Paykel relies  
6 heavily on the parties' relationship as direct business competitors. "Courts are hesitant  
7 to grant a stay if the parties are direct competitors." *Palomar Techs.*, 2016 U.S. Dist.  
8 LEXIS 143624, at \*10. "This is 'because of the risk that Plaintiff may suffer harm that  
9 is not compensable by readily calculable money damages.'" *Id.* at \*10-11 (quoting *TPK*  
10 *Touch Solutions, Inc. v. Wintek Electro-Optics Corp.*, No. 13-cv-02218-JST, 2013 U.S.  
11 Dist. LEXIS 162521, at \*6 (N.D. Cal. Nov. 13, 2013)) (internal quotation marks  
12 omitted). Here, there is no dispute the parties are direct business competitors.  
13 However, Fisher & Paykel fails to present any evidence or argument as to why that  
14 relationship would cause it to suffer harm that would not be compensable by money  
15 damages. In the absence of such a showing, the prejudice factor does not weigh against  
16 the imposition of a stay.

17           Whether a stay would place Fisher & Paykel at a clear disadvantage is a closer  
18 question, but ultimately, it, too, does not warrant denial of the motion. Clearly, Fisher  
19 & Paykel would be placed at a disadvantage if its claims were put on hold while  
20 ResMed's claims were allowed to proceed. However, Fisher & Paykel has its own  
21 claims in other jurisdictions that would not be affected if a stay is imposed here.  
22 Furthermore, in defending against ResMed's claims here, Fisher & Paykel has the  
23 opportunity to invalidate ResMed's patents, the opportunity to prove noninfringement  
24 and the opportunity to resolve at least some of the issues underlying the parties' present  
25 disputes. Thus, this factor does not warrant denial of the motion to stay.

26           3.       Simplification of Issues and Trial

27           The final factor for consideration is whether imposition of a stay will simplify the  
28 issues and streamline any trial. ResMed argues a stay will accomplish both of these

1 objectives. Fisher & Paykel does not necessarily disagree, but instead argues ResMed's  
2 argument is speculative.

3 The Court agrees with Fisher & Paykel that any analysis of this factor is  
4 inherently speculative. However, should the PTAB grant the petitions for review, it is  
5 likely those proceedings would simplify the issues in this case and streamline the trial  
6 in a number of possible ways. The PTAB could invalidate certain or all of Fisher &  
7 Paykel's patents. It could also affirm the validity of those patents, and in the course  
8 thereof, provide the Court with guidance on the interpretation and construction of the  
9 patent claim terms. The proceedings could also narrow ResMed's invalidity defenses  
10 by way of estoppel. In light of these possible outcomes, a stay could simplify the issues  
11 in this case and streamline any trial. Accordingly, this factor weighs in favor of a stay.

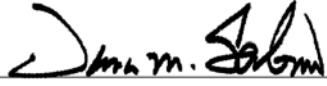
12  
13 **III.**

14 **CONCLUSION AND ORDER**

15 Considering the factors discussed above, the Court grants ResMed's motion to  
16 stay Fisher & Paykel's claims pending resolution of ResMed's petitions for *inter partes*  
17 review. Counsel shall inform the Court when the PTAB decides to grant or deny the  
18 petitions for review, and at that time advise the Court whether the stay should be  
19 continued.

20 **IT IS SO ORDERED.**

21 DATED: November 22, 2016

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24 HON. DANA M. SABRAW  
25 United States District Judge  
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