

IPR2017-00526 and IPR2017-00777. In each IPR, Cultec has asserted invalidity of all claims as obvious over the prior art, primarily U.S. Patent No. 8,491,224 to Cobb et al. (“Cobb”).

There is a strong possibility that both Patents-in-Suit will be invalidated in their entirety, such that all claims would be dismissed. Even if the Patents-In-Suit are not completely invalidated, there is a strong likelihood that the IPRs will invalidate some claims, prompt changes in the claim language, and/or otherwise significantly change the scope of the Patents-in-Suit. The outcome of the IPRs will affect Cultec’s invalidity arguments in this case, either by confirming them or making them moot. Whatever the outcome, the IPRs will substantially simplify future proceedings in this case. Therefore a stay of proceedings pending the outcome of the IPRs is appropriate to avoid a waste of party and court resources.

This case has not progressed significantly; much discovery still remains to be completed in the case; there are no pending motions before the Court and no *Markman* claim construction briefing or other dispositive motions have been filed. A stay would not unduly prejudice StormTech or place it at any tactical disadvantage. The Court has previously determined in denying StormTech’s Motion for Preliminary Injunction that monetary damages are sufficient to compensate StormTech should Cultec be found to infringe valid and enforceable patent claims. A stay will not change the parties’ competitive positions in the marketplace.

Accordingly, a stay pending resolution of the proceedings in AIA Review Numbers IPR2017-00526 and IPR2017-00777 is highly appropriate in this case.

II. BACKGROUND

StormTech filed its complaint on December 31, 2015 and served Cultec on January 5, 2016. (Docs. 1, 9.) StormTech accused Cultec’s 902HD product of infringing the ‘583

Patent. (Doc. 1.) But, StormTech had known about Cultec's 902HD product for over a year prior to filing suit. In August of 2014, StormTech inspected and photographed the 902HD chamber at a trade show. (Doc. 30-1, ¶ 24.) In March 2015, StormTech obtained a sample of the 902HD product. (Doc. 4-3, ¶ 60; Doc 55.) StormTech then waited until October of 2015 to notify Cultec of its infringement allegations. (Doc. 4-3, ¶ 65). StormTech delayed over a year after its first knowledge of the 902HD chamber before notifying Cultec of its allegations and almost a year and a half before serving a complaint for patent infringement.

After the Court denied StormTech's Motion for Preliminary Injunction (Doc. 55), the parties exchanged infringement and invalidity contentions and First Sets of Interrogatories and Requests for Production. Prior to Cultec filing the IPRs, the parties had exchanged a small number of documents: roughly 3,000 pages from StormTech and 1,500 from Cultec. On January 30, 2017, three days after Cultec filed its IPR on the '394 patent, StormTech produced approximately 45,000 pages of documents. No further discovery was pursued. The parties did exchange preliminary claim construction documents pursuant to the Court's March 22, 2016 Scheduling Order as modified on September 29, 2016, but no claim construction briefing or *Markman* hearing has been scheduled. (Docs. 44, 60.)

III. LEGAL STANDARD

A district court's ability to stay proceedings derives from its inherent power to manage its docket. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed.Cir. 1988) (citing *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936)); *Proctor & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 848-49 (Fed.Cir. 2008); *see also CANVS Corp. v. United States*, 118 Fed.Cl. 587, 591 (2014) ("The court has the inherent power to stay proceedings pending inter partes review."). District courts commonly grant a stay of court proceedings pending

the outcome of an IPR. *E.g. Murata Mach. USA v. Daifuku Co., Ltd.*, 830 F.3d 1357, 1361 (Fed.Cir. 2016); *Conair Corp. v. Tre Milano, LLC*, 2015 WL 4041724, *1 (D.Conn. July 1, 2015) (granting stay post-institution of IPR); *Intertainer, Inc. v. Hulu, LLC*, 2014 WL 466034, *1 (C.D.Cal. Jan. 24, 2014) (granting stay pre-institution of CBM review); *see also VirtualAgility, Inc. v. Salesforce.com, Inc.* 759 F.3d 1307, 1315-16 (Fed.Cir. 2014) (observing district court discretion in granting stay pre-institution or denying stay as premature until institution and “express[ing] no opinion on which is the better practice,” but determining that a “stay could be granted even before the PTAB [institutes] a post-grant review petition”).

District courts generally consider the following three factors in determining whether to grant a stay pending IPR proceedings: (1) whether a stay will simplify the issues for trial; (2) the stage of the proceedings; and (3) whether a stay will unduly prejudice the nonmoving party. *See Conair Corp.*, 2015 WL 4041724, *2; *Murata Mach. USA*, 830 F.3d at 1361. “A stay is particularly justified when ‘the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues.’” *NFC Tech. LLC v. HTC Am., Inc.*, 2015 WL 1069111, *1 (E.D.Tex. Mar. 11, 2015) (quoting *Evolutionary Intelligence LLC v. Yelp Inc.*, 2013 WL 6672451, *4 (N.D.Cal. Dec. 18, 2013)). District courts often employ “a liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO [post-grant] proceedings.” *Yelp*, 2013 WL 6672451, *4; *Conair*, 2015 WL 4041724, *2. The totality of the circumstances should instruct the court on whether or not to grant a stay. *Conair Corp.*, 2015 WL 4041724, *5.

IV. ARGUMENT

It has become commonplace for the U.S. District Courts to stay a pending patent

infringement action upon the filing of IPRs directed at the patents in the case. The historical ambivalence towards granting a stay pending reexamination of a patent has in recent years turned to an embrace of the USPTO as a forum that can determine the validity issues in an IPR and remove them from the Court's workload.

The circumstances of this case are particularly appropriate for a stay pending the Patent Office's decision on Cultec's IPR petitions. All of the asserted claims are covered by the IPRs, which challenge the validity of every claim of each of the Patents-in-Suit. Whether the claims are invalidated or upheld, a stay will simplify proceedings substantially by resolving the validity issues. The case is in its early stages: no depositions have been taken or even noticed, less than 3,500 pages of documents had been exchanged prior to the filing of the IPRs, and each party has served and answered only a single set of Requests for Production of Documents and Interrogatories. Expert reports have not been prepared or exchanged, and dispositive motions and claim construction issues have not been filed or briefed. The Court's denial of StormTech's original motion for preliminary injunction was based on the conclusion that monetary damages are sufficient to compensate StormTech for any purported harm, so a delay of proceedings pending the outcome of the IPRs will not prejudice StormTech. Indeed, StormTech itself delayed bringing suit in the first place. A stay is plainly justified under these circumstances.

A. A Stay Will Allow the Patent Office to Resolve the Parties' Dispute over the Validity of the Patents

Cultec's primary defense to StormTech's infringement claims is that Patents-in-Suit are invalid. This defense will likely be resolved by the IPRs, no matter the outcome. If the Patent Office invalidates the Patents-in-Suit in their entirety, a likely result, StormTech's

lawsuit becomes moot. If the Patent Office invalidates only some of the claims, and those invalidated include all the asserted claims, StormTech's lawsuit becomes moot. If the Patent Office finds any of the asserted claims to be valid, the invalidity arguments with respect to those asserted claims will have been resolved by the USPTO. 35 U.S.C. § 315(e).

Even if the Patent Office institutes only one of the IPRs,¹ validity arguments on one of the Patents-in-Suit will be resolved, and, given the similarity of the claims between the two, the Patent Office's determination on one patent will be highly instructive to the Court for the validity of the other. *Gentherm Canada, Ltd. v. IGB Automotive, Ltd.*, No. 13-11536, 2015 WL 804657 at *2 (E.D. Mich. Feb. 26, 2015) (granting stay where "IPR petitions do not cover all of Plaintiff's patent claims, or even all of the patents" but patents shared "similar subject matter" and, thus, "the PTAB's review of even a limited number of claims will provide some assistance in the Court's consideration of other claims."). Finally, if the Patent Office fails to institute either IPR, the Court will have the benefit of the Patent Office's analysis of Cultec's invalidity arguments, simplifying the Court's decision on validity substantially. *Yelp*, 2013 WL 6672451, *6 ("[T]he PTAB's expert opinion will provide guidance for the Court on the pertinent issues.") Under any scenario, the stay will simplify the issues substantially.

¹ StormTech will likely assert that Cultec's IPR on the '583 Patent will not be instituted for failure to timely pay the fee. Due to a clerical error, the Patent Office did not accept Cultec's payment until the morning of January 6th. However, Cultec believes the Patent Office will forgive this minor clerical error and institute the IPR. Even if the Patent Office rejects Cultec's petition on the '583 Patent, the IPR of the '394 Patent is timely filed and presents the very same validity issues as raised in the '583 Petition and which are before the Court. *See Versata Software, Inc. v. Callidu Software, Inc.*, 771 F.3d 1368, 1372 (Fed.Cir. 2014) ("[T]here can still be a simplification of the issues when only some, but not all, of the claims asserted in litigation are challenged in [an IPR].").

Indeed, courts have recognized the many benefits to granting a stay pending the outcome of IPR proceedings, including:

(1) all prior art presented to the Court will have been first considered by the PTO, with its particular expertise; (2) many discovery problems relating to prior art can be alleviated by the PTO examination; (3) in those cases resulting in effective invalidity of the patent, the suit will likely be dismissed; (4) the outcome of the [IPR] may encourage a settlement without further use of the Court; (5) the record of [the IPR] would likely be entered at trial, thereby reducing the complexity and length of the litigation; (6) issues, defenses, and evidence will be more easily limited in pre-trial conferences after an [IPR]; and (7) the cost will likely be reduced for the parties and the Court.

NFC Tech., 2015 WL 1069111, *4. Each of these applies to the instant case and will help simplify the issues for the Court, supporting a stay in this case.

B. The Case is in Its Early Stages

The stage of these proceedings also support a stay. “Courts often find the stage of litigation weighs in favor of a stay if there remains a significant amount of work ahead for the parties and the court, even when the parties and/or the court have already devoted substantial resources to the litigation.” *Destination Maternity Corp. v. Target Corp.*, 12 F.Supp.3d 762, 770 (E.D.Pa. 2014); *see also Acqis, LLC v. EMC Corp.*, 109 F.Supp.3d 352, 357 (D.Mass 2015) (“Notwithstanding the fact that substantial document and written discovery has already occurred, and a claim construction opinion has been issued, a significant amount of work still remains to be done by the parties and this Court. Other courts have stayed cases that were further along than this one pending IPR.”).

Though StormTech served its complaint on Cultec more than a year ago, on January 5, 2016, it has not aggressively pursued its case. As noted above, each party has served only a single set of production requests and a single set of interrogatories. Only 4,500 pages of

documents have been exchanged prior to the filing of the IPRs.² Neither party has noticed any depositions. Neither party has exchanged expert reports. The parties have exchanged preliminary claim construction proposals, but claim construction, dispositive motions and pre-trial disclosures have not been filed. While a trial has been set for the end of December of this year, virtually all of discovery and trial preparation remains to be completed. *See Conair Corp.*, 2015 WL 4041724, *2 (“[T]he fact that this case is still in its early stages and the parties have not yet conducted significant discovery or invested substantial expense into the litigation weighs in favor of granting a stay.”) (quoting *Akeena Solar Inc. v. Zep Solar Inc.*, 2010 WL 1526388, *2 (N.D.Cal. Apr. 14, 2010)).

A stay at this point in proceedings would avoid a waste of resources for both the parties and the Court. *See Honeywell Int’l, Inc. v. Furuno Elec. Co. Ltd.*, 2010 WL 3023529, *3 (D.Minn. July 30, 2010) (“Without a stay, discovery may be far broader in scope than necessary, and the court might spend time . . . examining the validity of claims that may be modified or eliminated through the [IPR] process.”); *Intellectual Ventures II LLC v. U.S. Bancorp*, 2014 WL 5369386, *7 (D.Minn. Aug. 7, 2014) (“[If the Patent Office] cancels any or all of the challenged claims, the time and resources devoted to litigation of those claims will have been wasted.”). Given the substantial overlap between the work remaining in this lawsuit and that required in the IPR proceedings, a stay is highly appropriate.

C. A Stay Will Not Unduly Prejudice StormTech Because Its Harm is Compensable by Monetary Damages, There are Several Other Competitors in the Marketplace, and StormTech Itself Delayed Filing Suit For More Than a Year

StormTech will suffer no undue prejudice as a result of a stay. “Delay by itself does

² StormTech produced about 45,000 additional pages several days after receipt of Cultec’s IPRs.

not necessarily constitute undue prejudice, as nearly every judicial stay involves delay.”

Conair, 2015 WL 4041724, *4 (quoting *Smart Modular Techs., Inc. v. Netlist, Inc.*, 2013 WL 2384342, *5 (E.D.Cal. May 30, 2013)). While “[c]ourts have found that infringement among competitors can cause harm in the marketplace that is not compensable by readily calculable money damages,” some “have declined to find prejudice even where the parties are direct competitors.” *Id.* (citations and quotations omitted). And the presence of “other competitors in the market undermines any assertion of undue prejudice because of loss of market value” or other non-compensable harm. *Destination Maternity*, 12 F.Supp.3d at 768.

In this case, the Court has already rejected StormTech’s argument that Cultec’s continued presence in the market would cause it irreparable harm that could not be compensable through monetary damages. (Doc. 55.) And, as discussed in briefing on that Preliminary Injunction Motion, several other competitors share the marketplace with StormTech and Cultec, including Prinsco and Lane Enterprises. (*See* Doc. 30, p. 12.)

The Patent Office is bound by statutory time limits, and the IPRs must be completed within 18 months from filing (and can be completed even more quickly if StormTech expedites its filings to the USPTO). 35 U.S.C. § 314(b); 37 C.F.R. § 42.100(c). The time period for the stay is thus specific and not open-ended. And StormTech cannot reasonably argue undue prejudice due to delay in this case. StormTech itself substantially delayed bringing this lawsuit against Cultec. StormTech waited months to serve its complaint after obtaining a sample of Cultec’s accused product and purportedly knew of Cultec’s alleged infringement months before that. (Doc. 55; Doc. 30, pp 8-9.) StormTech’s own delay prejudiced its claims more than a stay pending the outcome of the IPRs would.

V. CONCLUSION

An analysis of each of the factors and the circumstances of this case supports granting Cultec's requested stay. A stay will substantially simplify the issues, likely resolving the validity dispute in its entirety. The early stage of the proceedings means that failing to grant a stay would result in duplicated expenses for the parties and wasted Court resources. And StormTech cannot reasonably argue undue prejudice as a result of delay. Accordingly, Cultec respectfully requests that the Court grant a stay of these proceedings pending the conclusion of IPR Nos. 2017-00526 and 2017-00777 covering all claims of the Patents-in-Suit.

Respectfully submitted,

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CERTIFICATION OF SERVICE

I hereby certify that on February 3, 2017, a copy of the foregoing MOTION TO STAY PROCEEDINGS was filed electronically and served by mail on anyone unable to accept electronic filing. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system or by mail to anyone unable to accept electronic filing as indicated on the Notice of Electronic Filing. Parties may access this filing through the Court's CM/ECF System.

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