

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TEXARKANA DIVISION

SIMSON GARFINKEL,

Plaintiff,

v.

DECRU, INC. and NETWORK
APPLIANCE, INC.,

Defendants.

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CIVIL ACTION NO. 5:07-CV-19

ORDER

Before the Court is Plaintiff's Motion to Lift Stay and Request for Status Conference. Dkt. No. 82. Also before the Court are Defendants' Response, Plaintiff's Reply, and Defendant's Sur-Reply. Dkt. Nos. 91, 96, and 101. The Court held a hearing on March 30, 2011. *See* Dkt. No. 110. Having considered the briefing, oral arguments of counsel, and all the relevant papers and pleadings, the Court finds that Plaintiff's motion should be **DENIED**.

I. Background

This case was filed in January 2007, alleging infringement of U.S. Pat. No. 6,993,661 ("the '661 Patent"). The Court entered a Claim Construction Order on June 13, 2008. On May 16, 2008, an *ex parte* reexamination request for the '661 Patent ("the First Reexam") was filed with the U.S. Patent and Trademark Office ("USPTO"). On June 27, 2008, Plaintiff filed a motion to stay proceedings pending reexamination of the '661 Patent. Dkt. No. 60. The Court granted Plaintiff's motion and stayed this litigation until the conclusion of the First Reexam.

Dkt. Nos. 74 and 75. The USPTO issued a reexamination certificate for the '661 Patent on February 9, 2010. Defendant Network Appliance, Inc. filed a request for *inter partes* reexamination on May 24, 2010, Ser. No. 95/000,543 (“the Second Reexam”), which the USPTO granted on July 13, 2010. The USPTO issued a non-final office action on October 6, 2010.

II. Legal Principles

“The district court has the inherent power to control its own docket, including the power to stay proceedings.” *Soverain Software LLC v. Amazon.Com*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005). “The power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.” *Landis v. North American Co.*, 299 U.S. 248, 254 (1936). “How this can best be done calls for the exercise of judgment, which must weigh competing interests and maintain an even balance.” *Id.* at 254-55.

In deciding whether to stay litigation pending reexamination, courts typically consider: “(1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.” *Soverain*, 356 F. Supp. 2d at 662. Essentially, courts determine whether the benefits of a stay outweigh the inherent costs based on these factors.

III. Discussion

Plaintiff seeks to lift the stay of the above-captioned matter because the First Reexam has concluded and a reexamination certificate issued. Dkt. No. 82. Plaintiff urges that even though the Second Reexam is still pending, the stay in the above-captioned case should be lifted. Plaintiff argues that many of the references filed with the *inter partes* request had already been considered by the USPTO and are merely cumulative of the art considered in total by the USPTO. *Id.* at 2. Plaintiff also points out that Defendants previously opposed the present stay due to concerns about years of delay and additional expenses for both parties. *Id.* Plaintiff argue that continuing the stay would only exacerbate those problems. *Id.*

Defendants respond that Plaintiff requested the current stay arguing that judicial economy would benefit from resolving the reexam before the litigation proceeded any further. Dkt. No. 91 at 1. Defendants argue that because all of the original claims in the patent were cancelled during the First Reexam, “the case is now strictly about twelve reformulated claims that [Plaintiff] added during the reexam.” *Id.* Thus, according to Defendants, the case has been reset and is once again in “pre-claim construction” stages. Defendants argue that this makes a stay more appropriate now than in 2008 when the Court granted the stay after claim construction. *Id.* at 2.

Defendants also argue that the new references submitted with the Second Reexam request “were directed to a more precise and clear disclosure of what appears to be the allegedly novel features in [Plaintiff’s] new claims.” *Id.* at 5. Defendants clarify that as part of the *inter partes* reexam request, seven completely new references were submitted that the USPTO had not previously considered.

Plaintiff replies that while Defendants argue that the stay should not be lifted because the

claims are sure to be altered or cancelled during the second reexamination, the USPTO has issued an office action affirming “the patentability of claims 46 through 53” and that only claims 42 to 45 are subject to the ongoing reexamination. Dkt. No. 96 at 1. Plaintiff argues that lifting the stay now is appropriate because the USPTO has affirmed many of the current claims. *Id.* at 3. Plaintiff also states that the parties had previously completed their initial production of documents relating to the technology at issue and the remaining fact discovery “will consist merely of follow-up document discovery to address any gaps in the prior productions.” *Id.* at 2. Plaintiff submits that the Court’s prior claim construction ruling addresses most of the terms of the present claims, which weighs strongly in favor of lifting the stay.

Defendants sur-reply that contrary to Plaintiff’s assertions, all of the claims in the Plaintiff’s patent are “virtually certain” to undergo further changes, even the ones that Plaintiff has identified as affirmed. Dkt. No. 101 at 2. Defendants point out that the four independent claims, claims 42 to 45, have been rejected and that claims 46 through 53 depend from those independent claims. Thus, claims 46 through 53 has to “either be amended to independent form, or be made to depend on a new independent base claim” for those claims to be allowable. *Id.* Defendants argue that discovery in the above-captioned matter is far from complete that most of the “core discovery” remains to be completed. *Id.* at 3. According to Defendants, the parties have not produced any confidential documents or taken any depositions for fact or expert witnesses, other than a few claim-construction depositions. Defendants also point out that the parties will need to produced revised infringement and invalidity contentions to address the newly issued claims that emerged from the *ex parte* reexamination. *Id.* Defendants believe that additional claim construction will be necessary for claim terms. *Id.*

The Court is not convinced that a stay in this case will simplify the issues in question. As the Court noted in its previous Order granting the current stay, patent cases are always complex and the Court remains unconvinced that the reexamination process will have much simplifying impact. *See* Dkt. No. 74 at 5. However, on balance, the Court finds that the equities favor not lifting the stay at this time.

First, Plaintiff's claim amendments in response to the October 6, 2010 Office Action weigh in favor of staying this litigation.¹ In that filing, Plaintiff amended claims 46-53 by rewriting them in independent claim form and also added new dependent claims 54-69. Based on the Plaintiff's submission to the USPTO, it is evident that a number of the claims that could issue at the end of the *inter partes* reexamination will be different from the claims that Plaintiff wishes to assert at this time.

Second, although there had been a great deal of activity in this litigation until the stay was enacted in 2008, much remains to be done before the case is ready for trial. Discovery is not yet completed and summary judgment motions have not been filed. Furthermore, it is likely that the Court will have to face new claim construction issues as a result of the new claims that issued from the First Reexam. Because all of the claims originally asserted in this litigation were cancelled during the First Reexam, the parties will have to prepare and exchange new infringement and invalidity contentions in compliance with local rules. It would be a loss of both the parties' and the Court's resources if the parties once again exchanged infringement and invalidity contentions, and claim construction and summary judgment proceedings went forward

¹ Plaintiff's Claim Amendments and Remarks in response to October 6, 2010 Office Action, submitted to the Court as an exhibit at the March 30, 2011 hearing.

only to have the claims of the '661 Patent emerge amended from the Second Reexam.

Third, the Court is not persuaded that a stay would unduly prejudice Plaintiff. Plaintiff states that it is seeking to lift the stay to “remove the cloud over its patent rights” due to Defendant’s counterclaims of invalidity and unenforceability. According to Plaintiff, this “cloud of uncertainty” interferes with his ability to enforce his patent rights against other infringers. However, Plaintiff’s argument ignores that even if this litigation were to be resolved tomorrow, the fact that there are still rejected and newly drafted claims pending in the Second Reexam means that the validity and scope of his patent are still uncertain.

The Court is cognizant that continuing the stay may cause delay. Counsel for Defendants stated at the March 30, 2011 Hearing that he believes that the USPTO will issue a final action by August or September of this year. Accordingly, either party may file a motion to lift the stay once the USPTO issues its next office action. In the event that the USPTO does not issue a office action within the time frame predicted by Defendants’ counsel, Plaintiff may renew its motion to lift the stay after September 2011.

IV. CONCLUSION

Accordingly, Plaintiff’s Motion to Lift Stay and Request for Status Conference (Dkt. No. 82) is hereby **DENIED**.

Either party may file a motion to lift the stay once the USPTO issues its next office action. In the event that the USPTO does not issue a office action within the time frame predicted by Defendants’ counsel, Plaintiff may renew its motion to lift the stay after September 2011.

It is further **ORDERED** that all pending motions not addressed herein are **DENIED**
WITHOUT PREJUDICE subject to refiling.

IT IS SO ORDERED.

SIGNED this 4th day of April, 2011.

A handwritten signature in black ink, appearing to read "David Folsom", written in a cursive style.

DAVID FOLSOM
UNITED STATES DISTRICT JUDGE