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

XILIDEV, INC.,

Plaintiff,

vs.

BOKU, INC.; BOKU
ACCOUNT SERVICES, INC.;
and DOES 1 through 10,
inclusive,

Defendants.

CASE NO. 13cv2793 DMS (NLS)

**ORDER GRANTING DEFENDANTS' MOTION TO
STAY PENDING COVERED BUSINESS METHOD
REVIEW**

[Docket No. 25]

This case comes before the Court on Defendants' motion to stay litigation pending review of the patent in suit by the Patent Trial and Appeal Board ("PTAB") under the Transitional Program for Covered Business Method ("CBM") Patents. Plaintiff filed an opposition to the motion, and Defendants filed a reply. For the reasons discussed below, the Court grants Defendants' motion.

On May 27, 2014, Defendants filed their CBM petition with the PTAB seeking review of the patentability of Plaintiff's U.S. Patent No. 7,273,168 (the "'168 patent"). The petition challenges all claims of the '168 patent on grounds that they are indefinite, or anticipated by or rendered obvious by one or more of four prior art references not considered by the Patent Office during prosecution of the patent in suit.

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I.
DISCUSSION

Defendants’ request for stay is based on Section 18(b) of the America Invents Act (“AIA”). This statute requires the court to weigh four factors when determining whether to stay litigation pending CBM review, including (1) whether a stay, or denial thereof, will simplify issues and streamline the trial, (2) whether discovery is complete and whether a trial date has been set, (3) whether a stay, or denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party, and (4) whether a stay, or denial thereof, will reduce the burden of litigation on the parties and the court.

This test “resembles the one that courts have applied in assessing a motion to stay pending *inter partes* or *ex parte* reexamination by the PTO. *Zillow, Inc. v. Trulia, Inc.*, No. C12-1549JLR, 2013 WL 5530573, at *3 (W.D. Wash. Oct. 7, 2013) (citing *Market-Alerts Pty. Ltd. v. Bloomberg Finance L.P.*, 922 F. Supp. 2d 486, 489 (D. Del. 2013)). “The primary difference between this test and the one employed by courts in the ordinary patent reexamination context is the inclusion of the fourth factor regarding whether a stay will reduce the burden of litigation.” *Id.* (citing *Market-Alerts*, 922 F. Supp. 2d at 489).

A. Simplification of Issues and Trial

Here, both parties agree that the imposition of a stay, in and of itself, will not simplify the issues or streamline the trial. Whether that will occur depends on the outcome of Defendants’ petition, not whether a stay is or is not imposed. Plaintiff argues the patent at issue may not qualify for CBM review as it discloses a “technological invention” which is ineligible for CBM review. Though Plaintiff may be correct, it has failed to show on the present record that Defendants’ petition is futile, or will not succeed. That is a matter for the PTAB to determine. But until the PTAB issues a decision on the petition, the Court can do no more than speculate about whether a stay will or will not simplify

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1 the issues in this case or streamline any trial. Accordingly, this factor weighs against the imposition
2 of a stay.¹

3 **B. Status of the Case**

4 The next factor looks to the status of the case, in particular, whether discovery is complete and
5 a trial date has been set. The simple answer to both of these questions is “no.” Further, the Court’s
6 *Markman* hearing is not scheduled until October 28, 2014. When the present motion was filed,
7 Plaintiff had served its preliminary infringement contentions on Defendants and Defendants’
8 preliminary invalidity contentions were not due until 13 days after the motion to stay was filed.

9 Thus, as both parties agree, the case is still in its early stages. Under these circumstances, this
10 factor weighs in favor of staying the case. *See Market-Alerts*, 922 F. Supp. 2d at 494 (quoting *SenoRx*,
11 *Inc. v. Hologic, Inc.*, No. 12-173-LPS-CJB, 2013 WL 144255, at *5 (D.Del. Jan. 11, 2013)) (“Staying
12 a case at an early juncture ‘can be said to advance judicial efficiency and maximize the likelihood that
13 neither the [c]ourt nor the parties expend their assets addressing invalid claims.’”).

14 **C. Prejudice to Plaintiff/Advantage to Defendants**

15 The next factor under the statute is whether the imposition of a stay would unduly prejudice
16 Plaintiff or present a clear tactical advantage for Defendants. In considering this factor, courts look
17 “to additional considerations including the timing of the stay request, the timing of the administrative
18 review request, the status of the review proceedings, and the relationship between the parties.” *See*
19 *Market-Alerts*, 922 F. Supp. 2d at 494.

20 Once the parties failed to settle the action at the Early Neutral Evaluation on March 12, 2014,
21 Defendants timely filed their petition for CBM review on May 27, 2014. And once the petition was
22 filed, Defendants acted with haste, filing the present motion hours after the petition was filed.
23 Although Plaintiff correctly argues the claim construction process for the October 28, 2014 *Markman*
24 hearing could be virtually complete by the time the PTAB determines whether to grant review,
25 Plaintiff ignores the function of the Defendants’ request to stay the proceedings. If a stay is granted,

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27 ¹ If the petition is granted and the PTAB institutes trial, this factor would weigh in favor of
28 a stay, as the petition involves the only patent in issue and all of its claims. The PTAB proceedings
certainly could simplify issues if it determines some or all of the claims of the patent are unpatentable.
Even if the patent emerges unscathed, the PTAB process likely would inform claim construction and
streamline invalidity defenses through estoppel in this Court.

1 Plaintiff can suspend claim construction until a later *Markman* hearing date is scheduled. Under these
2 circumstances, the Court cannot say Defendants unreasonably delayed the filing of their petition or
3 motion to stay, or that their decision to file either was an attempt to delay this litigation.

4 As for the relationship between the parties, Defendants assert, and Plaintiff does not dispute,
5 that Plaintiff is not a direct competitor of Defendants. Further it appears from Plaintiff's opposition
6 brief that Plaintiff is a non-practicing entity. Plaintiff claims that it is seeking to monetize its patent
7 and that Defendants intend to continue selling their accused product during any CBM review. Plaintiff
8 asserts that the stay will prejudice its potential market share even if it prevails in the CBM
9 proceedings. However, Plaintiff has not sought any preliminary injunctive relief to suggest that it has
10 any stake in this case other than alleged money damages, which are available even if this case
11 proceeds after CBM review. *See Zillow, Inc.*, 2013 WL 5530573, at *6 ("Many courts have found,
12 however, that attempts by a patentee to argue undue prejudice are undermined if the patentee has
13 elected not to pursue preliminary injunctive relief."). Further, Plaintiff points to no actual evidence
14 of its intended operations, or how any such monetization would make it competitive to Defendants.
15 Under these circumstances, and in the absence of any evidence of dilatory motive on Defendants' part,
16 this factor weighs in favor of the imposition of a stay. *See Market-Alerts*, 922 F. Supp. 2d at 495-96
17 ("The potential for excessive prejudice is reduced by the fact that the parties do not directly compete
18 with each other, and there is no evidence of dilatory motive on the part of the defendants.").

19 **D. Burden of Litigation**

20 The last factor for the Court's consideration is whether the imposition of a stay will reduce the
21 burden of litigation on the parties and the Court. This factor "was added in order to ease the movant's
22 task in demonstrating the need for a stay." *Zillow*, 2013 WL 5530573, at *3 (citing *Market-Alerts*, 922
23 F. Supp. 2d at 489-90). Indeed, the inclusion of this factor "was designed to increase the likelihood
24 that the court will grant a stay when a party initiates a transitional CBM review as opposed to an
25 ordinary PTO reexamination." *Id.* (citing *Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill.*, Nos.
26 1:10CV01370, 1:11CV00082, 1:12CV01068, 1:12CV01070, 2013 WL 1662952, at *3 (N.D. Ohio
27 Apr. 17, 2013)); *see also Sightsound Technologies, LLC v. Apple, Inc.*, No. 11-1292, 2013 WL
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1 2457284, at * 1 (W.D. Penn. June 6, 2013) (quoting 157 Cong. Rec. S1053) (stating statute “places
2 a very heavy thumb on the scale in favor of a stay being granted.”).

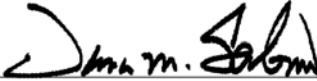
3 Here, there is no dispute that a stay would reduce the burden of litigation on the parties and
4 the Court. Defendants’ CBM petition challenges every claim of the ‘168 patent. The parties would
5 be relieved of their current obligations to conduct claim construction discovery and provide briefing
6 for the claim construction hearing. Indeed, the parties would be relieved of the burden of litigating
7 common issues in two fora. The Court also would be relieved of its obligation to construe the claims
8 and resolve any other issues that may arise during the course of litigation. Thus, this factor, too,
9 weighs in favor of the imposition of a stay.

10 **II.**
11 **CONCLUSION AND ORDER**

12 Considering the factors discussed above, the Court GRANTS Defendants’ motion to stay the
13 case pending Defendants’ petition for CBM review. Upon issuance of a final decision by the PTAB,
14 the parties shall have five business days to request that the stay be lifted so this case may proceed.
15 The parties shall include a copy of the PTAB’s final action with that request. The Clerk of Court shall
16 administratively close this case.

17 **IT IS SO ORDERED.**

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19 DATED: July 1, 2014

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22 HON. DANA M. SABRAW
23 United States District Judge
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