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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

MEDIA TECHNOLOGIES LICENSING)	SA CV 01-1198 AHS (ANx)
LLC,)	
)	
Plaintiff,)	
)	
v.)	MEMORANDUM OPINION ON
)	ORDER GRANTING DEFENDANTS'
)	MOTION TO STAY ACTION
THE UPPER DECK COMPANY, et al.,)	PENDING PATENT
)	REEXAMINATIONS AFTER PTO
)	OFFICE ACTIONS REJECTED
Defendants.)	ALL CLAIMS IN SUIT
)	
)	
)	

I.

PROCEDURAL HISTORY

On June 30, 2006, defendants/counterclaimants The Upper Deck Company, The Upper Deck Company, LLC, and Upper Deck Distribution and Sales (collectively, "Upper Deck") filed a Motion to Dismiss Second Amended Complaint Without Prejudice or, in the Alternative, Stay Action Pending Patent Reexaminations ("Motion to Stay"). Defendant Playoff Corporation filed a joinder in the Motion to Stay on July 5, 2006. Plaintiff filed opposition on July 10, 2006. Upper Deck filed a reply thereto on

1 July 17, 2006. After consideration of the parties' papers and
2 the arguments of counsel at a hearing held July 24, 2006, the
3 Court granted Upper Deck's alternative motion and ordered all
4 proceedings stayed.¹

5 **II.**

6 **FACTUAL BACKGROUND**

7 On October 4, 2004, defendants filed a petition for
8 reexamination of plaintiff's patents Nos. 5,803,501 ("`501 Patent")
9 and 6,142,532 ("`532 Patent") with the United States Patent and
10 Trademark Office ("PTO"). Upper Deck filed a motion to stay this
11 action pending patent reexamination on October 28, 2004. The Court
12 denied the motion on December 2, 2004. At the time, the PTO had
13 not ruled on defendants' petition for reexamination. On December
14 15, 2004, the PTO granted the petitions for reexamination of the
15 `501 and `532 Patents. On December 29, 2004, Upper Deck and
16 various other defendants filed a motion for reconsideration of the
17 Court's order denying a stay of the case. The Court denied the
18 motion for reconsideration on February 28, 2005.

19 On January 27, 2006, the PTO issued Office Actions
20 rejecting all claims of the `501 and `532 Patents that plaintiff
21 asserts in this action. Plaintiff has since submitted responses to
22 the Office Actions, and the PTO has taken the matters under
23 advisement.

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27 ¹ By separate order, all pending motions were denied without
28 prejudice, and the order of submission on the final pretrial
conference along with the trial date were vacated.

1 III.

2 DISCUSSION

3 **A. Reexamination of a Patent by the PTO**

4 The primary purpose of the reexamination procedure is to
5 eliminate trial of an issue or to facilitate trial of an issue by
6 providing the district court with the expert view of the PTO when a
7 claim survives a reexamination proceeding. ASCII Corp. v. STD
8 Entm't USA, Inc., 844 F. Supp. 1378, 1380 (N.D. Cal. 1994). The
9 decision to grant or deny a motion to stay proceedings during
10 reexamination rests with the sound discretion of the court. Id.
11 There exists a liberal policy in favor of granting motions to stay
12 court proceedings pending the results of reexamination proceedings.
13 Id. at 1381.

14 In determining whether to grant a stay, courts generally
15 consider whether a stay would create undue prejudice or present a
16 clear tactical disadvantage to the nonmoving party. Id. More
17 specific factors to consider include: (1) the stage of the
18 litigation, i.e., whether discovery is or will be almost complete
19 and whether the matter is marked for trial; (2) whether a stay will
20 simplify the issues in question and trial of the case; and (3) the
21 delay in seeking reexamination and whether the petition was made
22 with a dilatory purpose. Id.; Middleton, Inc. v. Minn. Mining &
23 Mfg. Co., No. 4:03-cv-40493, 2004 U.S. Dist. LEXIS 16812 at *11,
24 *23, *26 (S.D. Iowa Aug. 24, 2004).

25 **B. When the PTO Has Rejected All Claims in Suit, Good Cause**
26 **Exists to Stay the Action Pending Reexamination**

27 While there is no doubt that the litigation is at an
28 advanced stage, a stay of the proceedings is likely to result in a

1 simplification of the issues for trial or obviate the need for a
2 trial altogether. "Ordinarily, courts need not expend unnecessary
3 judicial resources by attempting to resolve claims which may be
4 amended, eliminated, or lucidly narrowed by the patent
5 reexamination process and the expertise of its officers." Hewlett-
6 Packard Co. v. Acuson Corp., No. C-93-0808 MHP, 1993 WL 149994 at
7 *2 (N.D. Cal. May 5, 1993). In this case, where the PTO has issued
8 a tentative rejection of *all* claims in prosecution,

9 [i]f these proceedings are not stayed, there is
10 a substantial risk of expending substantial
11 resources on trying the validity of patent
12 claims that may ultimately be cancelled or
13 amended by the PTO. A stay will allow both the
14 parties to take advantage of the PTO's expert
15 analysis of prior art and may limit or narrow
16 remaining issues.

17 Tap Pharmaceutical Prods. Inc. v. Atrix Labs. Inc., 70 U.S.P.Q. 2d
18 1319, 1320 (N.D. Ill. 2004).

19 Further, although Upper Deck and the other defendants in
20 this case delayed seeking a reexamination of the patents, the Court
21 does not find that they brought the petition solely for a dilatory
22 purpose. See Emhart Indus., Inc. v. Sankyo Seiki Mfg. Co., No. 85
23 C 7565, 1987 WL 6314 (N.D. Ill. Feb. 2, 1987) ("[P]laintiff has *not*
24 alleged, nor is there any evidence to support a finding, that the
25 defendant's request was made *solely* for the *purpose* of delaying the
26 litigation. Rather, if defendant is 'guilty' of any 'crime,' it is
27 of dragging its feet in filing its otherwise *valid* request for
28 reexamination." (first and last emphasis added)); see also

1 Middleton, 2004 U.S. Dist. LEXIS 168123 at *30 (“[T]here is no
2 evidence that [defendant] has moved for a stay solely for a
3 dilatory purpose beyond [plaintiff’s] argument to the contrary.”
4 (emphasis added)).

5 Moreover, the PTO’s grounds for rejecting plaintiff’s
6 claims are that the claims would be obvious to one skilled in the
7 art and/or that the claims are anticipated by prior art. While the
8 Court denied defendants’ motion for summary judgment brought solely
9 on grounds of anticipation, the cases brought to the Court’s
10 attention at the time placed the validity of plaintiff’s claims
11 into question – many of defendants’ authorities rejected claims for
12 obviousness as well as for anticipation. It is also of some
13 significance to the Court’s decision to stay proceedings that
14 plaintiff has not stood on its claims as filed in the ‘532 Patent.
15 Although it offered no amendments to the ‘501 Patent, plaintiff has
16 offered amendments to the ‘532 Patent in response to the Office
17 Action. One inference drawn therefrom is that plaintiff agrees
18 that the rejection is justified – but takes the position that the
19 rejection can be overcome by re-drafting, which in turn will permit
20 plaintiff to maintain its argument that the scope of the ‘532
21 prosecution remains unchanged, amendments notwithstanding. In sum,
22 the Court’s view is that the reexamination by the PTO is well-
23 advised and a sound development for all parties to this suit.

24 At this point, the benefits of granting a stay of the
25 case outweigh any prejudice caused by a stay. In fact, no
26 prejudice to plaintiff’s claim for money damages is apparent. As
27 pointed out by defendants, and not contested by plaintiff,
28 plaintiff is a holding company whose sole business is issuing

1 licenses under the patents. If plaintiff returns with valid claims
2 to pursue in this action, all delay will be measured by money
3 damages, which defendants are fully capable of paying.

4 **IV.**

5 **CONCLUSION**

6 Because the Patent and Trademark Office has rejected in
7 its most recent Office Actions all of plaintiff's claims prosecuted
8 in this action, because the prosecution history for the patents is
9 in flux, being further developed as this case approaches final
10 claim construction, and because the expertise of the PTO with
11 respect to close questions of patentability is welcome, and for the
12 reasons previously discussed, the Court grants Upper Deck's
13 alternative motion and orders that all proceedings in this action
14 be stayed. The case is ordered administratively closed.

15 IT IS SO ORDERED.

16 IT IS FURTHER ORDERED that the Clerk shall serve a copy
17 of this Order on counsel for all parties in this action.

18 DATED: July __, 2006.

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ALICEMARIE H. STOTLER
CHIEF U.S. DISTRICT JUDGE