

MAR 2 2009

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

James N. Hinton, Clerk  
By: *[Signature]*  
Deputy Clerk

UNIBIND LIMITED and PELEMAN  
INDUSTRIES, INC.,

Plaintiffs,

v.

CIVIL ACTION NO.  
1:08-CV-3713-ODE

PROVO CRAFT AND NOVELTY, INC.,

Defendant.

ORDER

This patent infringement case is before the Court on Defendant Provo Craft and Novelty, Inc.'s motion to stay the proceedings pending reexamination by the United States Patent and Trademark Office ("USPTO") [Doc. #14]. Plaintiffs Unibind Limited and Peleman Industries, Inc., have filed a response in opposition to Defendant's motion to stay [Doc. #20], to which Defendant has filed a reply [Doc. #28]. Plaintiffs have also filed a motion for an order precluding Defendant from making invalidity arguments based on references submitted to the USPTO during reexamination [Doc. #21]. Defendant has filed a response in opposition to this motion [Doc. #29].

I. Factual and Procedural Background

On December 8, 2008, Plaintiffs filed their complaint in this case, alleging infringement of their patent by Defendant. [Doc. #1]. Plaintiffs state that they sent Defendant a letter and a copy of the complaint on December 12, 2008. [Doc. #20 at 2 n.1]. On December 16, 2008, before being served with process or the

complaint, Defendant filed a request for reexamination of the patent at issue in this case with the USPTO. [Doc. #14 at 2-3, Exh. B]. Defendant filed an answer on January 6, 2009. [Doc. #7]. The USPTO has not yet granted or denied Defendant's reexamination request. [Doc. #14 at 3].

Subsequently, the parties filed the motions that are now before the Court: Defendant's motion for a stay pending the outcome of the USPTO reexamination [Doc. #14] and Plaintiffs' motion to preclude Defendant from making any invalidity arguments based on references presented in the reexamination [Doc. #21].

## II. Defendant's Motion for a Stay

Courts have the inherent power to manage their dockets, which includes the authority to issue a stay pending a USPTO patent reexamination. Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1427 (Fed. Cir. 1988). When deciding whether to grant a stay, courts consider the following factors: "(1) whether a stay would unduly prejudice or present a tactical disadvantage to the nonmovant; (2) whether a stay will simplify the issues in the case; and (3) whether discovery is complete and a trial date [has] been set." Tomco Equip. Co. v. Se. Agri-Sys., Inc., 542 F.Supp.2d 1303, 1307 (N.D.Ga. 2008). Defendant argues that all of these factors weigh in favor of granting a stay in this case. [Doc. #14 at 6-9]. Plaintiffs argue that they would be unduly prejudiced by a delay in the litigation, weighing against the grant of a stay. [Doc. #20 at 3-8]. Plaintiffs also argue that Defendant's motion for a stay is premature because the USPTO has not granted the request for reexamination. Id. at 8.

The grant of a stay pending the outcome of reexamination in patent cases can be beneficial to the subsequent district court proceedings. See Premier Int'l Assocs. LLC v. Hewlett-Packard Co., 554 F.Supp.2d 717, 720 (E.D.Tex. 2008). As the Premier International court noted, those benefits include:

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 reexamination may encourage a settlement without the further use of the Court;
5. The record of reexamination 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 pretrial conferences after a reexamination; and
7. The cost will likely be reduced both for the parties and the Court.

Id. "In addition, the technical expertise provided by the reexamination proceeding will be helpful to the Court on any issues that remain." Id.

As noted above, a reexamination that results in a finding that a patent is invalid will render the litigation in the district court moot. See id. However, the potential elimination of some or all of the issues in the district court proceedings through reexamination does not by itself justify a stay; "when reexamination potentially will eliminate only one issue out of many, a stay is not warranted." IMAX Corp. v. In-Three, Inc., 385 F.Supp.2d 1030, 1032 (C.D. Cal. 2005).

In this case, the three factors for evaluating whether a stay should be granted weigh in favor of granting a stay. Although Plaintiffs contend that they will be unduly prejudiced by the delay in litigation, they do not point to any prejudice that cannot be remedied by money damages. See [Doc. #20 at 3-8]. Plaintiffs state that continued infringement by Defendant will unduly prejudice them, but do not explain how money damages are an inadequate remedy. Id. at 7; see Tomco Equip., 542 F.Supp.2d at 1308 (finding that the availability of money damages adequately protected Plaintiff from prejudice).

However, both parties will be prejudiced if the case moves forward and the reexamination results in cancellation or amendment of the patent at issue. If the USPTO amends Plaintiffs' patent or cancels it, the time and expense spent on discovery and pre-trial proceedings will have been wasted. Depending on the degree to which the patent was altered, amendment of the patent could necessitate another round of discovery, which would be a burden for both parties. Thus, the Court finds that Plaintiffs would not be unduly prejudiced by a stay.

In regard to the second factor, a stay will certainly simplify the issues in this case. The only issue presented to the Court is whether Defendant has infringed Plaintiffs' patent. See [Doc. #1 at 3-4]. Defendant's defense to the claim of infringement is that the patent is invalid and unenforceable, and alternatively, that Defendant did not infringe the patent. [Doc. #7 at 3-5]. If the reexamination results in a determination that the patent is invalid, this case will be moot. If the reexamination results in a determination that the patent is valid,

that determination will be admissible and the patent will have a presumption of validity. See Ethicon, 849 F.2d at 1427. The issues present in this case will be simplified both by the presumption of validity and by the USPTO's analysis of the patent.

Finally, the third factor, whether discovery is complete and whether a trial date has been set, weighs in favor of granting a stay here. Discovery in this case has not yet begun. A trial date has not been set. The request for reexamination was filed shortly after Plaintiffs filed their complaint. All three factors for evaluating whether a stay should be granted weigh in favor of granting a stay in this case. Accordingly, Defendant's motion for a stay is granted.

### III. Plaintiffs' Motion to Preclude Use of References Made in the Reexamination Proceedings

Plaintiffs have filed a motion for an order precluding Defendant from making invalidity arguments based on references submitted during reexamination. [Doc. #21]. Plaintiffs contend that, if this Court grants a stay in deference to the reexamination proceedings, Defendant should be prohibited from gaining a "second bite at the apple" by making the same invalidity arguments before the USPTO and this Court. Id. at 2. Defendant opposes Plaintiffs' motion and argues that, because its involvement in the reexamination proceedings is limited, precluding Defendant from making invalidity arguments before this Court would violate due process principles. [Doc. #29 at 2-4].

Plaintiffs' argument is well-taken. Part of the purpose of a stay in a case such as this one is to promote efficiency and avoid duplicative proceedings. See Tomco Equip., 542 F.2d at


1308-09, 1310. That purpose would be defeated if Defendant was able to repeat the arguments made in the reexamination proceedings to this Court. However, a finding of a valid patent by the USPTO would be admissible at trial and would carry a presumption of validity. See Ethicon, 849 F.2d at 1427. This would curtail Defendant's ability to repeat arguments made in the reexamination, and its success in doing so.

These concerns are premature, however. The USPTO has not yet granted or denied Defendant's request for reexamination. [Doc. #14 at 3]. If the request for reexamination is denied, Plaintiffs' motion will be moot. Therefore, the motion to preclude invalidity arguments based on references made in the reexamination is deferred pending the outcome of the reexamination.

#### IV. Conclusion

The Court has carefully considered the parties' filings. Defendant's motion for a stay [#14] is GRANTED. Plaintiffs' motion to preclude Defendant from making invalidity arguments based on references submitted during reexamination [#21] is DEFERRED.

SO ORDERED, this 27 day of February, 2009.

  
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ORINDA D. EVANS  
UNITED STATES DISTRICT JUDGE