

United States District Court, Northern District of Illinois

Name of Assigned Judge or Magistrate Judge	Virginia M. Kendall	Sitting Judge if Other than Assigned Judge	
CASE NUMBER	08 C 7406	DATE	10/29/2009
CASE TITLE	MAGNA CARTA HOLDINGS et al vs. NEXTGEN HEALTHCARE INFORMATION SYSTEMS et al		

DOCKET ENTRY TEXT

Defendants' motion to stay [48] is granted. This Court orders that the Defendants and Magna Carta file their stipulation by November 10, 2009 so that Defendants will not be able to reargue the validity of the 371 patent and the 363 patent based upon the arguments they relied upon in the PTO's reexaminations. This case is placed on the court's suspense calendar pending disposition of the reexaminations. The parties are directed to notify the court of the disposition of the reexaminations.

■ [For further details see text below.]

Notices mailed by Judicial staff.

STATEMENT

Defendants Nextgen Healthcare Information Systems, Inc. and Eclinical Works, LLC (collectively "Defendants") filed a motion to stay proceedings in this case pending reexamination of the patents-in-suit ("the 371 patent" and "the 363 patent") by the United States Patent and Trademark Office ("PTO").¹ In response, Plaintiffs Magna Carta Holdings, LLC ("Magna Carta") filed a memorandum opposing Defendants' motion to stay and asking this Court, should it be inclined to grant Defendants' motion, to alternatively condition a stay on Defendants' adherence to the results of the PTO's reexaminations of the patents. For the reasons stated, Defendants' motion to stay is granted.

A district court's power to manage its docket includes the ability to stay proceedings in an infringement suit pending the conclusion of the PTO's reexamination of the patents-in-suit. *See Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citing *Landis v. N. Amer. Co.*, 299 U.S. 248, 254 (1936)). As the Federal Circuit has explained, "[o]ne purpose of the reexamination procedure is to eliminate trial of that issue (when the claim is canceled) or facilitate trial of that issue by providing the district court with the expert view of the PTO (when a claim survives the reexamination proceeding)." *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983). In deciding whether to stay litigation pending reexamination, courts consider the following factors: 1) whether a stay will unduly prejudice or tactically disadvantage the non-moving party, 2) whether a stay will simplify the issues in question and streamline the trial, and 3) whether a stay will reduce the burden of litigation on the parties and on the court. *See e.g., Arrivalstar S.S. v. Canadian National Railway Company, CSX Corp.*, No. 08 C 1086 2008 WL 2940807 at *2 (N.D. Ill. July 25, 2008) (Dow, J.). If a substantial issue of patentability is raised in the reexamination matter, a stay is a viable mechanism to prevent wasted effort. *See Procter & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 849 (Fed.Cir. 2008).

Here, considering the factors outlined above, a stay in this case pending the conclusion of the PTO's

STATEMENT

reexamination of the patents-in-suit is appropriate. The PTO has granted Defendants' request to reexamine both the 371 and the 363 patent, finding that substantial new questions of patentability exist with respect to each patent. ⑥. 60-2, at 13, 34.)² Given the PTO's decision to reexamine all of the patents-in-suit, Magna Carta will not be *unduly* prejudiced by a stay. Additionally, the litigation in this case is in its early stages; very little discovery has taken place, no trial date has been set, there has been no claim construction hearing or briefing and the parties have not filed any substantive motions. *See e.g., Tap Pharmaceutical Products, Inc., v. Atrix Laboratories, Inc.*, No. 03 C 7822, 2004 WL 422697 at *1 (N.D. Ill. March 3, 2004) (Zagel, J.) (finding no prejudice to the plaintiffs in staying a case pending reexamination by the PTO where the case had not progressed beyond the initial pleadings); *Global Patent Holdings v. Green Bay Packers Inc.*, No. 00 C 4623, 2008 WL 1848142 at *5 (N.D. Ill. April 23, 2008) (Kocoras, J.) (granting stay where "[n]o discovery has been conducted and little judicial effort has been expended"); *see also Emhart Industries Inc. v. Sankyo Seiki*, No. 85 C 7565, 1987 WL 6314 at *4 (N.D. Ill. Feb. 2, 1987) (Kocoras, J.) ("In sum, the court finds that granting a stay 18 months into this litigation, after admittedly significant discovery, but virtually no trial preparation, will not unduly prejudice the plaintiff, especially in light of plaintiff's own delay.").

The validity or invalidity of the 371 patent and the 363 patent and their underlying claims are at issue both in this court and in the reexamination. While the parties debate the likelihood of the PTO's reexamination invalidating or significantly altering the scope of the patents-in-suit, the June 30, 2009 *ex parte* reexamination filing data from the PTO shows that the PTO invalidates 13% of the patents it reexamines and amends the claims in 60%. ⑥. 49-5, at ¶ 10(b).) Thus, there is a 73% chance that the patents at issue in this case will either be canceled or amended. While this Court is hesitant of relying too heavily on statistics compiled from unrelated litigation, these numbers suggest a realistic possibility that, if this litigation proceeds while the PTO is conducting a reexamination of the patents-in-suit, the parties and this Court will have expended substantial resources and countless hours on litigating a case that could be mooted by the PTO's decision. Magna Carta asserts that because there is only a 13% chance that the PTO will invalidate all of the claims of both the 371 patent and the 363 patent, it is likely that the decision of the PTO will not resolve this case. But, even if the PTO's decision leaves issues to be litigated, it will likely significantly narrow and limit the remaining issues. *See Sun-Flex Co., Inc. v. Softview Computer Products Corp.*, No. 89 C 296, 1989 WL 117976 at *1 (N.D. Ill. Sept. 27, 1989) ("[e]ven if issues remain to be litigated after the reexaminations are completed, the cost and scope of the remaining litigation are likely to be substantially reduced."). Therefore, a stay in this case will further the interests of judicial economy and the conservation of the parties' resources.

Magna Carta argues that it will be unduly prejudiced by having to wait for the reexamination process to be completed. ⑥. 57, at 2.) From a pecuniary standpoint, however, Magna Carta will not suffer any prejudice because "[i]f the Court determines that [it] is entitled to damages, interest will accrue in its favor during the stay." ⑥. 58, at 3.). To the extent that Magna Carta bases its prejudice contention on the time consuming nature of the reexamination, litigation is time consuming as well. Furthermore, to the extent that Magna Carta asserts that a stay in this case will impede its access to evidence relating to "potentially critical secondary considerations relevant to rebut Defendants' obviousness claims," a stay would not prevent Magna Carta from independently gathering such evidence if they are not in possession of it already.

Lastly, Magna Carta asserts that if this Court grants a stay it should require the Defendants to stipulate that they will not rely on the same alleged prior art cited in the petition for reexamination as part of their invalidity assertions in the current action. ⑥. 57, at 10.) Alternatively, Magna Carta maintains that the Court should estoppel the Defendants from relying on the alleged prior art. *Id.* In support of its contention, Magna Carta asserts that Defendants should not be able to have "two bites at the apple." *Id.* In response to Magna Carta's assertion, Defendants represent that they are willing to stipulate to an estoppel regarding the prior art asserted

STATEMENT

in the reexamination request and have submitted a proposed stipulation to the Court. ®. 58, at 10.) Here, a stay should be counterbalanced with an appropriate stipulation. However, it is not this Court's responsibility to fashion the language of the stipulation for the parties when the parties have not yet attempted to work together to do it themselves. Therefore, each side should work with each other to come up with an agreed stipulation which can be then jointly submitted to the Court.

For the reasons stated, Defendants' Motion to Stay is granted. This Court orders that the Defendants and Magna Carta file their stipulation by November 10, 2009 so that Defendants will not be able to reargue the validity of the 371 patent and the 363 patent based upon the arguments they relied upon in the PTO's reexaminations.

1. Plaintiff Magna Carta Holdings, LLC and Defendant Fox Meadows Software, Ltd. filed a joint motion, pursuant to Fed. R. Civ. P. 41(a)(2), to dismiss all claims and counterclaims between them in this action, which the court granted on August 14, 2009. (R. 52-55.)
2. The Court notes that Defendants submitted their supplemental brief to notify the Court that the PTO had granted their requests for reexamination without leave of court. For the future, Defendants are reminded that they are not permitted to submit supplemental filings at their pleasure; they must follow the Court's procedures and seek leave of court to file additional briefs.