

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

MOTOROLA, INC.

Plaintiff

V.

**VTECH COMMUNICATIONS, INC.
VTECH TELECOMMUNICATIONS,
INC.**

Defendants

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No. 5:07CV171

ORDER

The above-referenced cause of action was referred to the undersigned United States Magistrate Judge for pre-trial purposes in accordance with 28 U.S.C. § 636. The following motion is before the Court: VTech’s Motion to Stay Pending the Reexamination of Patents-in-Suit and to Preserve the Status Quo Pending the Federal Circuit’s Resolution of VTech’s Mandamus Petition to Transfer (Docket Entry # 212). The Court, having reviewed the relevant briefing and hearing arguments of counsel November 3, 2009, is of the opinion the motion should be **DENIED**.

FACTUAL BACKGROUND

In this patent infringement suit, Plaintiff Motorola, Inc. (“Motorola”) asserts six patents against VTech Communications, Inc. and VTech Telecommunications, Inc. (“Defendants”). According to Motorola, two of the six patents, U.S. Pat. No. 5,157,391 (“Weitzen”) and U.S. Pat. No. 5,394,140 (“Wong”), are alleged to cover over 90% of VTech accused phone models, and both the Weitzen and Wong patents are being reexamined by the U.S. Patent and Trademark Office (“USPTO”).

PROCEDURAL BACKGROUND

On January 17, 2008, VTech moved to transfer the case to Oregon. On April 30, 2008,

VTech moved to stay the case pending the *en banc* decision of the Fifth Circuit Court of Appeals in *In Re Volkswagen AG and Volkswagen of America, Inc.*, regarding the transfer of venue requirements of 28 U.S.C. §1404(a) and the burden of proof related thereto. The undersigned denied VTech's motion to stay on May 22, 2008.

On September 5, 2008, the undersigned denied VTech's motion to transfer without prejudice to refiling. Shortly after the Fifth Circuit issued its ruling *In re Volkswagen of America, Inc.*, 545 F.3d 304 (5th Cir. 2008) (*en banc*), VTech renewed its motion to transfer on October 29, 2008. On November 19, 2008, the undersigned denied the renewed motion to transfer, but then withdrew the denial to consider *In re TS Tech USA Corp.*, 551 F.3d 1315 (Fed. Cir. 2009). On March 3, 2009, the undersigned issued a new order, again denying VTech's motion to transfer. VTech appealed that order, and on August 3, 2009, Chief Judge David Folsom issued an Order denying VTech's motion to transfer. VTech's petition for a writ of mandamus reversing that Order is now pending before the Federal Circuit Court of Appeals.

VTECH'S MOTION TO STAY

VTech asserts this case should be stayed pending the USPTO's examination of the Wong and Weitzen patents and VTech's petition for mandamus. Specifically, VTech argues as follows. Over 90 percent of the approximately 250 VTech cordless phone models accused by Motorola are alleged to be infringed by the Wong and/or Weitzen patents. The USPTO has finally rejected every asserted claim of both the Wong and Weitzen patents, and the Weitzen patent will expire in less than six weeks from September 10, 2009, the date of the filing of VTech's motion. Of the four remaining patents in this case, the Mitzlaff patent expired, and the other three patents are not asserted against any product that is currently included in the 2009 catalogs for VTech and AT&T phones. Therefore,

according to VTech, there is no urgency in holding a trial and no prejudice to Motorola in staying this case. VTech further asserts there is substantial prejudice to VTech “in being required to go forward when the bulk of Motorola’s claims are of questionable validity.” VTech’s mot. at pg. 3. VTech also relies on its mandamus petition filed with the Federal Circuit to transfer this case, asserting a stay of this case is appropriate to allow the Federal Circuit to consider the merits of VTech’s petition without forcing VTech to prepare for a trial on patents that the USPTO has stated are invalid.

In its opposition to VTech’s motion to stay, Motorola asserts stays of proceedings are not favored when the parties are competitors or when the delay of proceedings is for an indefinite period of time. Motorola asserts its cordless phones are sold by a Motorola licensee that competes directly with VTech, and any stay or delay in proceedings would allow VTech additional time to sell infringing cordless telephones in competition with Motorola-branded cordless telephones. Motorola further urges a stay would delay resolution of the issues in this case for an indefinite period, pointing out that ex parte reexaminations typically average from approximately 30-40 months long or longer. *Orion IP, LLC v. Mercedes-Benz USA, LLC*, No. 6:05-CV-322, 2008 U.S. Dist. LEXIS 103607, at *23 (E.D. Tex. Dec. 22, 2008) (noting that the reexamination process “could take years”). Because the reexaminations began in September 2008, approximately twelve months ago, Motorola asserts the reexaminations of those patents could continue for another two years or more.

APPLICABLE LAW

“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, 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.

Additionally, a stay has been found to benefit the district court proceedings upon the completion of a reexamination:

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.

Fisher Controls Co., 443 F.Supp. at 582 (S.D. Iowa 1977); *accord Emhart Industries v. Sankyo Seiki Mfg.*, 3 U.S.P.Q.2d 1889, 1890, 1987 WL 6314 (N.D. Ill.1987); *GPAC, Inc. v. D.W.W. Enterprises, Inc.*, 144 F.R.D. 60, 63 (D. N.J. 1992). As noted by the Federal Circuit, reexamination may result

in the elimination of most, if not all, of the issues remaining in the pending litigation. *See Gould*, 705 F.2d 1340 (Fed. Cir.1983), *cert. denied* 464 U.S. 935 (1983). If not found invalid, the reexamination will at least likely result in a narrowing and simplifying of the issues before the Court. *See Loffland Bros. Co. v. Mid-Western Energy Corp.*, 225 U.S.P.Q. 886, 887, 1985 WL 1483, at *2 (W.D. Okla. Jan.3, 1985). In addition, the technical expertise provided by the reexamination proceeding will be helpful to the Court on any issues that remain. *See Gould*, 705 F.2d at 1342.

DISCUSSION

A. Undue prejudice and tactical disadvantage to the nonmoving party

Motorola contends a stay at this late date would be highly prejudicial but VTech disagrees. Specifically, VTech asserts a stay will not exclude any legal remedy currently available to Motorola. According to VTech, Motorola waited until 2007 to file this case even though Motorola knew VTech was offering phones with accused features as early as 1998. Not only does VTech contend Motorola did not pursue a preliminary injunction, and monetary damages alone would provide a sufficient remedy, but VTech further asserts Motorola will not suffer any competitive disadvantage from a stay.¹

However, Motorola asserts its cordless phones are sold by a Motorola licensee that competes directly with VTech. By selling these Motorola-branded phones, Motorola contends its licensees help to maintain and expand the reach of Motorola's name. According to Motorola, any stay or delay in proceedings would allow VTech additional time to sell infringing cordless telephones in

¹ In addition to the fact that Motorola never sought a preliminary injunction, VTech relies on the fact the Mitzlaff patent expired a year ago, and the Weitzen expired on October 20, 2009. As support for its assertion that Motorola will not suffer any competitive disadvantage from a stay, VTech states it does not offer any product in its 2009 catalogs that is accused under a patent in suit that is not either expired or finally rejected by the USPTO or both.

competition with Motorola-branded cordless telephones, threatening Motorola's royalty stream; reducing the ability of Motorola's licensee to make a profit and remain financially viable; and compromising Motorola's goodwill in the marketplace by reducing the number of Motorola-branded phones in the market. Motorola argues the resulting harm to Motorola would be irreparable and not fully compensable by money damages. Motorola further asserts an injunction remains an important remedy. Specifically, Motorola states the '140 Wong patent, one of the two patents in reexamination, has nearly two and one-half years remaining in its term, and a stay would in effect deprive Motorola of its ability to obtain a meaningful injunction to prevent infringement of the Wong patent.

Stays of proceedings are not favored when parties are competitors. *Nidec Corp. v. LG Innotek Co.*, 2009 WL 3673433, * 4 (E.D. Tex. Apr. 3, 2009); *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 2008 WL 4809093, *2 (E.D. Tex. Oct. 29, 2008) ("The parties are direct competitors in the market and a denial of timely enforcement of the plaintiff's patent rights does indeed unduly prejudice the plaintiff."). Here, Motorola has not only shown that its cordless phones are sold by a licensee that competes directly with VTech, but the Court is also not convinced, as urged by VTech, that any harm to Motorola would be fully compensable by money damages.

More importantly, the Court finds VTech unreasonably delayed in seeking a stay, causing undue prejudice to Motorola. The Court notes that both the Wong and Weitzen patents have been asserted in a separate action against Research in Motion, Ltd. ("RIM"), which is now pending in the Northern District of Texas. *Research in Motion, Ltd. v. Motorola*, Civil Action No. 3:08-CV-0284-G (N.D. Tex. 2008). The *RIM* case has been stayed pending a decision in the USPTO reexamination proceedings for Wong and Weitzen, and the court rejected Motorola's argument that it would suffer undue prejudice, explaining that "[r]eexamination does not threaten protracted or indefinite delay."

Id. at 3. When the court stayed the *RIM* case, the claims of the Wong and Weitzen patents had only been initially rejected. Seizing on this distinction, VTech asserts the claims of the Wong and Weitzen patents have now been finally rejected, strengthening its motion for a stay.

The Court disagrees. RIM requested reexamination of the two patents asserted in this case and moved for a stay shortly after the reexaminations were granted. VTech did not seek the reexamination. And, although RIM's reexamination requests were granted in November of 2008, VTech waited approximately ten months until September 10, 2009 to request a stay in this case. During that time, Motorola prepared for and participated in a tutorial and claim construction hearing, noticed or defended 50 depositions, filed or responded to more than twenty briefs relating to VTech's failed transfer motion and VTech's multiple motions to amend its invalidity contentions, pursued fact discovery, and is now conducting expert discovery. Trial is currently scheduled for February of 2010.

For these reasons, the Court finds a stay at this time would be highly prejudicial to Motorola and would waste the time, effort, and expense expended by Motorola since the reexaminations were filed. *See Soverain*, 356 F.Supp.2d at 662 (denying stay where request was made after the claim construction hearing, discovery was almost complete, and trial was six months away). Thus, the first factor, whether a stay would unduly prejudice or present a tactical disadvantage to Motorola, weighs against granting the stay.

B. Simplification of the issues and trial of the case

Relying on the fact the USPTO has issued a final office action rejecting the asserted claims of the Wong and Weitzen patents, VTech asserts those two patents, which have been twice rejected, account for approximately 90% of Motorola's case on damages. Regardless of the result before the

USPTO, issues of patent infringement, validity, and damages will require disposition in this Court as only two out of the six patents-in-suit will be effected. And, with respect to the remaining four patents, Motorola asserts it might have to modify its damages calculations, requiring it to request additional discovery.

Moreover, any simplification of the issues is speculative at this point and does not support granting a continuance. The Court is not convinced that reexamination will simplify the issues for trial in this case. The second factor, whether a stay would simplify the issues in this case, also weighs against granting the stay.

C. Completion of discovery and trial date

Turning to the third factor, whether discovery is complete and whether a trial date has been set, the Court notes the parties have engaged in and completed fact discovery; the parties have exchanged expert reports; the Court has issued its claim construction order; the deadline for filing dispositive motions is less than one month away; and trial is scheduled for February of 2010. The fact that trial is approximately three months away and fact discovery is concluded heavily weighs against staying the case.

D. Conclusion

The Court has carefully reviewed the above factors and finds, on balance, the equities weigh against staying this matter pending reexamination or pending resolution of the mandamus proceedings before the Federal Circuit Court of Appeals. “Mandamus petitions request an extraordinary remedy that is only appropriate in exceptional circumstances.” *Woodson v. Surgitek, Inc.*, 57 F.3d 1406 (5th Cir. 1995). Because such requests are only granted in exceptional circumstances, “the Federal Rules of Civil Procedure do not provide for an automatic stay of district

court proceedings while a petition for writ of mandamus is pending.” *Id.* If the district court finds it appropriate to stay proceedings while a petition for mandamus relief is pending, such a stay may be granted in the court’s discretion. *Id.* However, absent such a stay, the jurisdiction of the district court is not interrupted. *Id.*

Here, as noted above, a stay would prejudice Motorola and would come late in the case with fact discovery closed and a trial date in three months. The Court, in its discretion, declines to stay the case pending resolution of the mandamus petition. Accordingly, it is

ORDERED that VTech’s Motion to Stay Pending the Reexamination of Patents-in-Suit and to Preserve the Status Quo Pending the Federal Circuit’s Resolution of VTech’s Mandamus Petition to Transfer (Docket Entry # 212) is hereby **DENIED**.

SIGNED this 17th day of November, 2009.


CAROLINE M. CRAVEN
UNITED STATES MAGISTRATE JUDGE