

**United States District Court, Northern District of Illinois**

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| <b>Name of Assigned Judge or Magistrate Judge</b> | Joan B. Gottschall                                       | <b>Sitting Judge if Other than Assigned Judge</b> |            |
| <b>CASE NUMBER</b>                                | 09 C 406   | <b>DATE</b>                                       | 11/20/2009 |
| <b>CASE TITLE</b>                                 | Card Activation Technologies, Inc. Vs. Bebe Stores, Inc. |   |            |

**DOCKET ENTRY TEXT**

Defendant's Motion to Stay Proceedings Pending Reexamination of the Patent-in-Suit [26] is granted. Status set for July 21, 2010 at 10am.

■ [ For further details see text below.]

Docketing to mail notices.

**STATEMENT**

Defendant Bebe Stores, Inc. ("Bebe") moves to stay Plaintiff Card Activation Technologies, Inc.'s ("Card Activation") patent infringement suit pending the reexamination of the asserted patent (U.S. Patent No. 6,032,859, the "'859 Patent") by the United States Patent and Trademark Office ("USPTO").

The court has the authority and discretion to grant Bebe's motion based on its "inherent power to manage its dockets." *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988). Courts in this district have entered stays where the USPTO is reexamining a patent-in-suit after finding that a stay would (1) reduce the burden of litigation on the Parties and on the court; (2) simplify the issues in question and streamline the trial; and would not (3) unduly prejudice or tactically disadvantage the non-moving party. *See, e.g., Arrivalstar S.S. v. Canadian Nat'l Ry. Co.*, No. 08 C 1086, 2008 WL 2940807, at \*2 (N.D. Ill. July 25, 2008). Card Activation's objections notwithstanding, all three standards are met here.

The *ex parte* request for reexamination of the '859 Patent which prompted this request for a stay was made by a non-party to the instant suit or other related suits. *See, e.g., Card Activation Tech., Inc. v. Barnes & Noble, Inc.*, No. 07 C 1230 (N.D. Ill.). In that request the non-party asserts that the '859 Patent may be invalid because every limitation in claims 21 and 29 of the '859 patent are disclosed in U.S. Patent No. 5,278,752 ("Narita"). Consequently, Bebe contends that the results of the reexamination may nullify the instant litigation or, at the very least, narrow the issues before the court and thereby reduce the burden of litigation and trial. In opposition, Card Activation contends that the reexamination will not simplify the case at all because it has amended its complaint to assert only claims that are not being reexamined by the USPTO. This argument is unpersuasive, however, because the claims Card Activation asserts are broader than the claims being reexamined. Should the narrow claims be deemed invalid, it may follow that the broader claims are invalid as well. Moreover, all the claim language asserted in this case is duplicated in the claims being reexamined. At a minimum, then, the USPTO's view on Narita and its relationship to the '859 patent is likely to yield some administrative finding that will be

## STATEMENT

pertinent to this case. Accordingly, the court finds that a stay would reduce its burden as well the parties'.

Card Activation maintains that a stay would cause it tactical disadvantage and undue prejudice because it seeks injunctive (in addition to monetary) relief and the average reexamination takes 24.9 months. Bebe counters that a stay does not prejudice Card Activation because monetary relief sufficiently compensates Card Activation as it is in the business of licensing its patent (*see* [www.cardactivationtech.com](http://www.cardactivationtech.com) (stating that Card Activation "is presently engaged in an aggressive program to license the rights to its patented system to infringers")). Card Activation additionally asserts that it would be tactically disadvantaged by a stay because at reexamination it may make representations to the USPTO that bind it in subsequent litigation and because the USPTO applies a lower standard to determine patent invalidity than the courts. In reply Bebe argues that none of Card Activation's purported prejudice has been recognized as such in the relevant precedent.

The court is unpersuaded that Card Activation will be unduly prejudiced or otherwise unfairly disadvantaged by the entry of a stay. The licensing scheme that Card Activation is publicly advertising on the Internet makes plain that money will adequately compensate it for whatever losses it incurs. Additionally, Card Activation's contentions regarding the lower standard of review on reexamination and the possibility that it will create a binding record in that proceeding are inapposite. That the USPTO will invalidate a patent according to a lower standard than in the courts only reflects that after undergoing a thorough review by the USPTO, which has an abundance of technical and legal expertise, patents enjoy a higher presumption of validity in subsequent lawsuits. *See, e.g., Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 93 (1993). Card Activation cannot, therefore, be prejudiced by the very procedures that allow it to claim monopoly rights in the first instance. Moreover, there is a public interest in invalidating patents that the court finds outweighs the interests of either party here, and the USPTO is in the best position at this stage to determine the scope and validity of the '859 Patent. *See SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331, 1354 (Fed. Cir. 2005); *In ReCiprofloxacin Hydrochloride Antitrust Litig.*, 261 F. Supp. 2d 188, 255-56 (E.D.N.Y. 2003).

Even so, the court and the parties also have an interest in ensuring that these proceedings are not delayed more than is necessary. The court will therefore enter a stay valid until the USPTO has completed its reexamination of the '859 Patent, but permit either party to move to begin full or limited discovery at a status hearing to be held on July 21, 2010 at 10am if reexamination is still incomplete by that date.