Hon. Marsha J. Pechman

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

INTERVAL LICENSING LLC, Plaintiff, v. AOL, INC., Defendant.	Case No. 2:10-cv-01385-MJP **PLAINTIFF INTERVAL LICENSING LLC'S MOTION TO LIFT STAY ON '314/'652 PATENT TRACK AND REQUEST FOR STATUS CONFERENCE** Note on Motion Calendar: May 11, 2012 ORAL ARGUMENT REQUESTED
INTERVAL LICENSING LLC, Plaintiff, v. APPLE, INC., Defendant.	Case No. 2:11-cv-00708 MJP Lead Case No. 2:10-cv-01385-MJP
INTERVAL LICENSING LLC, Plaintiff, v. GOOGLE, INC., Defendant.	Case No. 2:11-cv-00711 MJP Lead Case No. 2:10-cv-01385-MJP
INTERVAL LICENSING LLC, Plaintiff, v. YAHOO! INC., Defendant.	Case No. 2:11-cv-00716 MJP Lead Case No. 2:10-cv-01385-MJP

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As outlined in the concurrently-filed Notice of Completion of Reexamination, on April 6, 2012, the Patent and Trademark Office ("PTO") finally resolved the reexamination of Patent No. 6,034,652 (the '652 patent). The PTO confirmed all asserted claims and granted new dependent claims. The '652 patent shares the same inventors and specification as Patent No. 6,788,314 (the '314 patent). The '314 patent also has been confirmed by the examiner, although because it is an *inter partes* reexamination, the Defendants have an appellate right that will take approximately 3-5 years to conclude. The Court previously ordered that the '652 and '314 patents should be on the same track because they share a specification and inventors. Plaintiff Interval Licensing LLC ("Interval") respectfully files this motion to lift the stay as to the '314 and '652 patents (the "'314/'652 track"). Alternatively, should the Court want to wait until the entire appellate process for the '314 patent is complete, it should lift the stay solely for the '652 patent.

I. PRELIMINARY STATEMENT

This case was stayed so that the parties and the Court could hear from the PTO on the pending reexaminations. The PTO has now spoken, and the speed with which it has done so serves as a testament to the strength of the '314/'652 patents. The PTO confirmed as patentable all claims of the '314 and '652 patents that were asserted in this litigation. In addition, the PTO confirmed as patentable sixteen new dependent claims of the '314 patent and thirty-three new dependent claims of the '652 patent that Interval added during reexamination.

The '652 reexamination decision is final and the Defendants have no appellate right. Therefore, the '652 reexamination has been finally resolved. As discussed below, the '314 reexamination has closed, and all claims have been confirmed. The '314 is not final, however, because the Defendants have an appellate right. Now that the '652 reexamination is final, and the '314 reexamination has been closed with all claims confirmed, the Court should lift the stay on that patent track so those claims can proceed in litigation expeditiously.

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II. PROCEDURAL POSTURE AND STATUS OF REEXAMINATIONS

A. The Case Was Stayed On The Eve Of The Markman Hearing

Interval filed its complaint on August 27, 2010, and its amended complaint on December 28, 2010, alleging that Defendants infringed four patents owned by Interval, a technology company co-founded by Paul Allen. In response to the Court's directive that the parties submit a Supplemental Joint Status Report with proposals to streamline the case for discovery and trial, Interval proposed that the four patents be split into two tracks, each with a different trial date. The Court adopted that proposal and issued a scheduling order that assigned the '652 patent and the '314 patent to a single track because of common issues relating to the two patents, including the fact that both patents share the same specification and are asserted against the same four defendants (AOL, Apple, Google, and Yahoo). Dkt. # 178. Patent Nos. 6,263,507 and 6,757,682 were assigned to a second, independent track.

Defendants filed requests for reexamination with the PTO on March 17, 2011. That same day, Defendants moved to stay the case pending the reexaminations. Dkt. # 198. The Court denied the motion without prejudice, concluding that it was premature given that the PTO had not acted on the requests for reexamination. Dkt. # 229. After the PTO granted each of the requests for reexamination, Defendants renewed their motion to stay on June 7, 2011, which Interval opposed. (Dkt. # 245, 246)

On June 16, 2011, the Court granted the motion to stay the case pending reexamination. Dkt. # 253. In granting the motion to stay, the Court directed the parties to submit a status update every six months and also made clear that it "expects to be notified immediately upon resolution of the reexamination process of each individual patent, not just at the conclusion of all four reexaminations." *Id.*

At the time of the stay, this case had made significant progress toward resolution. In accordance with the scheduling order, the parties exchanged infringement contentions, non-infringement contentions, and invalidity contentions. The parties also engaged in significant discovery and Markman-related tasks before the stay, including:

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- The parties served hundreds of document requests and interrogatories.
- The parties produced hundreds of thousands of pages of documents.
- Defendants produced some of its source code, and Interval retained seven experts who flew around the country to begin reviewing the code.
- The parties submitted a joint claim chart that exceeded 150 pages, which was the result of marathon meet and confer sessions.
- The parties finalized opening Markman briefs on both tracks of patents. Indeed, Interval filed its Markman brief on the '314/'652 track minutes before the Stay Order was entered.

B. The PTO Confirmed As Patentable All Asserted Claims Of The '652 Patent And Issued A Notice Of Intent To Issue Ex Parte Reexamination Certificate

The '652 patent has had great success in the reexamination proceedings. Reexamination was granted on claims 4-8, 11, and 15-18, which are the claims that Interval asserted in this litigation. In the first office action, the examiner immediately confirmed as patentable claims 4-8 and 11, but rejected claims 15-18. The examiner later confirmed as patentable claims 15-18 and thirty-three new dependent claims that Interval added during reexamination.

On April 6, 2012, the PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate ("NIRC"), which makes clear that "[p]rosecution on the merits is (or remains) closed in this *ex parte* reexamination proceeding" and that "[a] Certificate will be issued[.]" *See* Ex. 1 (NIRC at p. 3). Because the '652 reexamination is *ex parte*, Defendants have no right to appeal. The prosecution on the merits has closed and all asserted claims have been confirmed as patentable.[1]

C. **The PTO Confirmed As Patentable All Asserted Claims Of The '314 Patent And Issued An Action Closing Prosecution**

The '314 patent also breezed through reexamination with remarkable speed. The reexamination was granted on claims 1-15. In the first office action, the PTO refused to adopt any of Defendants' proposed rejections, but nevertheless rejected claims 1-15 on other grounds.

[1] The reexamination certificate issues as a matter of course approximately 2-3 months after the NIRC, but after a NIRC the reexamination process has been finally resolved.

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In response, Interval added new dependent claims 16-31, canceled claims 5-6 (which were not asserted in litigation), and distinguished the prior art cited by the examiner. Defendants filed a reply to Interval's response, asserting that both the existing claims and the new claims were unpatentable.

The examiner rejected Defendants' arguments. On October 14, 2011, the PTO issued an Action Closing Prosecution letter that confirmed as patentable not only the original claims in the '314 patent (less the two unasserted claims that Interval canceled), but also confirmed as patentable the sixteen new dependent claims that Interval added during the reexamination. *See* Ex. 2 (10/14/11 Action Closing Prosecution). The examiner issued a Right of Appeal Notice on December 10, 2011. *See* Ex. 3 (12/10/11 Right of Appeal Notice). With the issuance of the Action Closing Prosecution and the Right of Appeal Notice, the PTO's reexamination has now ended for the '314 patent

Because the '314 reexamination is *inter partes*, Defendants have the right to appeal the examiner's decision to the Board of Patent Appeals and Interferences ("BPAI"). They filed their notice of appeal on January 10, 2012, and filed their opening appellate brief on April 3, 2012. Appellate review by the BPAI lasts an average of 32 months. See Ex. 4 (2011 BPAI Performance Measures). That time does not include any further appeals to the Federal Circuit, a process that takes another 1-2 years.

III. THE STAY SHOULD BE LIFTED ON THE '314/'652 PATENT TRACK

A. The PTO's Confirmation As Patentable All Asserted Claims Of The '314 and '652 Patents Constitutes A Substantial Change In Circumstances That Justifies Lifting Of The Stay

The issuance of the NIRC on the '652 patent and the Action Closing Prosecution on the '314 patent constitutes a substantial change in circumstances that justifies the dissolution of the stay order on the '314/'652 patent track. Now that the PTO has confirmed as patentable all asserted claims of the '314 and '652 patents, continuing the stay will not simplify the issues or reduce the burden in litigation. *JAB Distributors, LLC v. London Luxury, LLC*, 2010 WL 3023163, *1 (N.D. Ill. June 29, 2010) ("Because the PTO is unlikely to reconsider its

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reexamination decision and subsequently simplify the issues or reduce the burden of litigation, staying the case is no longer appropriate."). Maintaining the stay would be inconsistent with Rule 1 of the Federal Rules of Civil Procedure, which mandates that the Federal Rules "[b]e construed and administered to secure the just, speedy, and inexpensive determination of every action and proceeding."

Defendants scoured the Earth in the hope of locating invalidating prior art for the asserted patents. Indeed, a bounty was put on at least some of these patents, with the spoils going to anyone in the world who identified an invalidating prior art reference. *See* Ex. 5 (4/22/11 Article: *Article One Partners Launches Public Review of Interval Licensing LLC Patent*). But Defendants' scorched-Earth effort to invalidate the '314 and '652 patents has done nothing more than give the PTO the opportunity to award them the badge of validity.

The speed with which the PTO acted cannot be emphasized enough. Approximately five months after granting the request for reexamination on the '314 patent, the PTO issued the Action Closing Prosecution. That speed is virtually unheard of in reexaminations, and demonstrates the strength of the '314 patent. And the PTO issued the NIRC in the '652 reexamination approximately one year after defendants filed a petition for reexamination.

B. Waiting To Lift The Stay Until The PTO Issues The Reexamination Certificate On The '652 Patent Would Needlessly Delay The Case Without Providing Any Benefit

The Court need not (and should not) wait for the actual reexamination certificate to issue on the '652 patent before lifting the stay. Because reexamination on the merits is closed, waiting for the actual certificate to issue would not simplify the issues or reduce the burden in litigation. Instead, it would only delay the time for the litigation to re-commence with no concurrent benefit because all claims in the '652 patent have been confirmed and issuance of the actual certificate is a ministerial step. Indeed, the name of the "NIRC" says as much—it is a "Notice of Intent to Issue the Reexamination Certificate."

Courts routinely grant motions to lift stays upon receiving notification that the PTO has confirmed claims and the reexaminations before the PTO are in their final stages. *See*, *e.g.*,

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Boston Scientific Corp. v. Micrus Corp, 2006 WL 708669, *2 (N.D. Cal. March 21, 2006) ("[T]he Court sees no reason to stay this case any further. A substantial amount of work can be accomplished prior to the final resolution of the USPTO reexam."); *JAB Distributors, LLC v. London Luxury, LLC*, 2010 WL 3023163, *1 (N.D. Ill. June 29, 2010) ("Because the PTO is unlikely to reconsider its reexamination decision and subsequently simplify the issues or reduce the burden of litigation, staying the case is no longer appropriate."); *Staples v. Johns Manville, Inc.*, 2009 WL 2337105, *2 (E.D. Mo. July 29, 2009) (lifting stay when USPTO Notice of Intent to Issue an Ex Parte Reexamination Certificate issued); *Atlantic Const. Fabrics, Inc. v. Metrochem, Inc.*, 2008 WL 3852100, *1 (W.D. Wash. Aug. 14, 2008) (lifting stay because "[i]t is uncontested that the U.S. Patent and Trademark Office will soon issue the reexamination certificate"); *Rohm and Hass Co. v. Brotech Corp.*, 1992 U.S. Dist. LEXIS 21721, *7 (D. Del. July 16, 1992) (lifting the stay because "the information from the PTO confirms that at least some of the claims will survive reexamination. We know that those claims probably will have to be resolved in this litigation."); *Purolite Int'l, Ltd. v. Rohm and Haas Co.*, 1992 WL 220976, *1 (E.D. Penn. Sept. 4, 1992) (lifting the stay because "[t]he PTO finding [confirming some of the claims] and the PTO's statistics evidence that at least some of the patent claims will survive the reexamination.").

The *Cook Incorporated* court artfully made the point that it need not wait for the official completion of the reexamination proceedings to lift the stay:

> As Bob Dylan Sang in 'Subterranean Homesick Blues,' 'You don't need a weatherman to know which way the wind blows.' And you don't need a Reexamination Certificate to know that this case is now poised to move forward. . . . The Court will not continue to impose a stay over Plaintiff's objection. . . . . Support for this result is found not only in classic folk-rock lyrics but, more importantly, in case law[.]

Cook Inc. v. Endologix, Inc., 2010 WL 2265203, *1 (S.D. Ind. June 2, 2010) (emphasis added). The same is true here. A reexamination certificate on the '652 patent is not necessary to know that the '314/'652 track is poised to move forward because all claims have been confirmed.

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Congress provided for judicial remedies to cure infringements of patents. *See* 35 U.S.C. § 271. Interval's statutory right to seek a timely judicial remedy outweighs any purported utility in maintaining the stay on the '314/'652 track. Now that the parties and the Court received input from the PTO, the '314/'652 track should proceed to trial without further delay.

C. The Court Also Should Not Wait Years Longer for the Appellate Process to Conclude on the '314 Patent

Although the reexamination of the '314 patent has not been finally confirmed because the appeals process is not over, the Examiner has issued an "Action Closing Prosecution" with all asserted claims confirmed. The Court need not address whether such an Action Closing Prosecution itself is justification to lift the stay because of the close overlap between the '314 and '652 patents. They share the same inventors and same specification. The issues will largely, if not entirely, overlap. Given that all claims have been confirmed, the best use of judicial resources is for the Court to lift the stay of the '314 patent along with the '652 patent.

Alternatively, even if the Court does not lift the stay on the '314 patent—and it should—the Court should lift the stay on the '652 patent because all claims have been finally confirmed.

IV. THE COURT SHOULD HOLD A STATUS CONFERENCE TO DISCUSS THE STATUS OF THE REEXAMINATIONS AND HOW BEST TO PROCEED ON THE '314/'652 TRACK

Interval respectfully requests that the Court convene a status conference to discuss the status of the reexaminations and to discuss the best plan to proceed to trial on the '314/'652 patent track that incorporates the efficiencies from the Court's prior scheduling order. Dkt. # 248.

V. CONCLUSION

The PTO has now finally resolved the '652 reexamination by finding all asserted claims patentable. It also has issued an "Action Closing Prosecution" on the '314 patent that finds all asserted claims patentable. The PTO's actions constitute a substantial change in circumstances that eliminates the basis for any further continuance of the stay. Because the '652 patent has been finally confirmed, and the related '314 patent has been confirmed with only the appellate process

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left that will take years longer, Interval should now be able to exercise its right to enforce the patents.

Alternatively, if the Court does not want to lift the stay on the '314 patent until the years-long appellate process concludes, this Court should lift the stay on the '652 patent. Interval also respectfully requests that the Court hold a status conference to discuss how to expeditiously finish discovery and proceed to trial.

Dated: April 17, 2012

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CERTIFICATE OF SERVICE

I hereby certify that on April 17, 2012, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following counsel of record:

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