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 REPLY TO ITS 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

Susman Godfrey LLP
1201 Third Avenue, Suite 3800
Seattle WA 98101-3000

In their Motion to Stay, Defendants asserted that "the reexaminations will likely result in the cancellation or amendment of the Asserted Claims," pointing out that "77% of all ex parte reexaminations and 90% of all inter partes reexaminations result in the claims being amended or cancelled." 3/17/11 Motion at pp. 4, 7 (Dkt. # 198). We now know that those statistics did not hold true for the '314 and '652 reexaminations. The PTO examiner has completed the reexaminations on the '314 and '652 patents and has confirmed every asserted claim. Indeed, the examiner has allowed 49 new claims.

In light of this substantial change in circumstances, the stay on the entire '314/'652 track should be lifted. Defendants have not cited a single case from any jurisdiction continuing a stay based on the appeal of the examiner's *inter partes* decision where (1) the examiner confirmed all claims of the patent; and (2) a second patent that shares the same specification has emerged from reexamination with all claims confirmed. The '314/'652 track should proceed on the path to trial now that the parties and the Court have heard from the PTO examiner.

If the Court decides to continue the stay on the '314 patent while the *inter partes* decision is appealed to the Board of Patent Appeals and Interferences ("Board"), it should nonetheless lift the stay on the '652 patent now. The examiner's decision on the '652 patent is final and not subject to appeal. Accordingly, the '652 patent will proceed on the path to trial in this Court regardless of any other development at the PTO. It would be highly unfair and substantially prejudicial to force Interval to wait another 3-5 years to exercise its statutory right to enforce a patent that has emerged from reexamination with all claims confirmed and subject to no right of appeal. While the most efficient course is to lift the stay on both the '314 and '652 patents so that they proceed on the path to trial together, the Court should at least lift the stay on the '652 patent.

I. THE COURT CAN AND SHOULD GRANT THE MOTION TO LIFT THE STAY ON THE '314/'652 PATENT TRACK, NOT JUST ON THE '652 ALONE

As a threshold matter, although Defendants suggest that courts never lift stays during the pendency of *inter partes* appeals, that is not true. Courts across the country, including district courts in the Ninth Circuit, grant motions to lift stays once the PTO issues a Right of Appeal Notice in an *inter partes* reexamination. In lifting the stays, courts recognize that they already

Susman Godfrey LLP
1201 Third Avenue, Suite 3800
Seattle WA 98101-3000

have received the benefit of the PTO examiner's reexamination and that continuing the stay would only delay the case for years longer. For example, at least four courts have recently granted motions to lift a stay despite pending *inter partes* appeals. These courts hold that the examiner's confirmation of the claims itself is a substantial change in circumstances that justifies lifting the stay, even though Defendants maintain an appellate right:

- "Although the reexamination decision has been appealed, the entry of a final decision constitutes a substantial change in circumstance from the time when the initial stay was entered in this action by a prior bench officer." *Kim Laube & Co., Inc. v. Wahl Clipper Corp., et al.*, CV09-00914 (C.D. Cal. Jan. 23, 2012) (emphasis added) (Attached as Ex. 2).

- "Plaintiff's renewed motion to lift the stay is granted for the reasons stated in open court. In summary, the parties and the Court now have the benefit of the PTO examiner's reexamination, whereas continuing the stay until the issuance of the right to appeal notice . . . and the additional appeal process, will likely require a years-long additional delay." *Kolcraft Enterprises, Inc. v. Chicco USA, Inc., et al.*, Case No. 1:09-cv-0339 (N.D. Ill. March 7, 2012) (emphasis added) (Attached as Ex. 1).

- "[M]aintaining the stay to await the remote chance that the issues would be further simplified on appeal is insufficient to keep the stay in place, especially since Defendant has not proffered any new evidence that is likely to produce a different result." *One Number Corp. v. Google Inc.*, 2012 WL 1493843 (S.D. Ind. April 26, 2012) (Ex. 6).

The reasoning from these cases applies equally here. The examiner's decision affirming all asserted claims of the '314 and '652 patents constitutes a substantial change in circumstance that warrants lifting of the stay. *See also Cross Atlantic Capital Partners, Inc. v. Facebook, Inc.*, Case No. 07-2768, p. 3-4 (E.D. Penn. Nov. 22, 2010) ("[W]ith the conclusion of the proceedings before the Examiner, we find in our discretion that continuing to stay this litigation is no longer justified.") (Attached as Ex. 3).

Defendants place significant reliance on this Court's decision in *Wre-Hol LLC v. Pharos Science & Applications, Inc.*, Case No. C09-1642 (W.D. Wash. Dec. 27, 2011) to support their position. But that case is distinguishable for at least three reasons.

First, only a single patent was at issue in that case, and the examiner rejected the vast majority of that patent's claims in the reexamination. In fact, the examiner rejected 44 of the 51 original claims (86% of the claims), and rejected all 33 of the new claims that the plaintiff proposed during reexamination. Defendants' Opposition to Motion to Lift Stay, Dkt. # 134, p. 3

Susman Godfrey LLP
1201 Third Avenue, Suite 3800
Seattle WA 98101-3000

(attached as Ex. 4). By contrast, every claim of the '314 patent stands confirmed as patentable and 33 new claims have also been confirmed. The examiner's decision demonstrates the strength of the '314 patent, and shows that a one-year delay has not changed any of the asserted claims.

Second, continuing the stay in *Wre-Hol* did not impact other asserted patents that had emerged from reexamination. Here, both patents in the '314/'652 track were subject to reexamination, both were before the same examiner, and both had all asserted claims confirmed by the examiner. The '652 patent has completely emerged from reexamination and is ready to proceed on the path to trial. Failing to lift the stay on the '314/'652 track prejudices Interval's ability to enforce a patent that has emerged from reexamination.

Third, the *inter partes* reexamination in *Wre-Hol* was at a different stage than the '314 *inter partes* reexamination when the motion to lift the stay was filed. At the time Wre-Hol moved to lift the stay, the examiner had not issued a Right of Appeal Notice and administrative proceedings continued before the examiner. Here, the Right of Appeal Notice issued and all administrative proceedings before the examiner are complete.[1]

Defendants also argue that the stay should remain in place because the examiner purportedly arrived at the wrong conclusion. Opposition at 5-8. Obviously, in every case involving an appeal of an *inter partes* decision, one of the parties disagrees with the examiner's analysis. But that is not a basis to continue the stay. Defendants have not identified some clerical error or a technicality on which they will clearly prevail on appeal. Instead, they merely present arguments that were presented to—and rejected by—the examiner. *See Google Inc.*, 2012 WL 1493843, *1 ("In fact, Defendant fails to point to any new evidence that is likely to result in the PTO changing its position.").

[1] Defendants' citation to *Like.com v. Superfish, Inc.*, 2010 WL 2635763 (N.D. Cal. June 30, 2010) also does not support their position for a number of reasons. First, only a single patent was asserted in *Like.com*. *Id.* at *1. Second, the *Like.com* court was ruling on a motion to stay before the PTO had even granted the request for reexamination. *Id.* at *2. Third, no discovery had taken place and no trial was set. *Id.* Fourth, the examination had not even started and therefore the examiner had not confirmed as patentable all asserted claims, as is the case here. Finally, the *Like.com* court noted that if the single patent were invalidated in reexamination, then the case would be entirely resolved (*id.* at 2), whereas here the '652 patent has already emerged from *ex parte* reexamination with all claims confirmed.

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II. MAINTAINING THE STAY WOULD NEEDLESSLY DELAY FINAL RESOLUTION OF THIS CASE

If the stay is lifted now, the '314/'652 track will be ready for trial in a year or less. But if the stay remains in place, then it could be 3-5 years before the appeal is entirely resolved (approximately 32 months for the appeal to the Board and another 1-2 years for an appeal to the Federal Circuit). The reexamination process already has delayed the case by nearly one year, and has not resulted in a single amended or cancelled claim for the '314/'652 patent track. Continuing the stay during the pendency of the '314 appeal is unlikely to simplify the issues for trial.

At the December 13, 2010 scheduling conference in this case, the Court admonished the parties to eschew delay and proceed expeditiously:

> In this district we can try your cases pretty fast. Usually I can try them faster than you want to go. We usually operate on a 12- to 14-month schedule. Now, we have already burned through four or five months of that. Don't be coming back to me with a schedule that basically puts me in my dotage. I don't want this on my senior status schedule. I am looking for a rigorous schedule.

12/13/2010 Scheduling Conference Transcript at 24:18-25:7 (emphasis added). A rigorous and efficient trial schedule for the '314/'652 patent track has significant implications for the pending appeal of the '314 *inter partes* reexamination. Should Interval prevail at trial and on appeal, then Defendants would be estopped from continuing the *inter partes* reexamination. *See* 35 U.S.C. § 317(b). Stated differently, because courts in this district typically move much more quickly than *inter partes* appeals to the Board, it is very likely that any appeal from a judgment in this case would be resolved before the *inter partes* appeals process is complete, and would, indeed, moot the entire *inter partes* reexamination.

Moreover, regardless of how the '314 appeal is resolved, the '652 will proceed in this Court. Therefore, the most effective and expeditious use of judicial resources is to proceed also on the related '314 patent—especially because the PTO has confirmed the validity of those claims as well, pending appeal. *See Boston Scientific Corp. v. Micrus Corp.*, C 04-04072 JW, 2006 WL 708669, *2 (N.D. Cal. Mar. 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. The Court recognizes that the patents-in-suit share mutual inventors, identical specifications, and similar concepts, which weigh in favor of proceeding with coordinated and parallel discovery for the patents-in-suit.").

Lifting the stay on the '314/'652 patent track avoids further delay and will ensure that Interval is able to exercise its statutory right to enforce its patents. This case already has been on file for approximately 21 months. The PTO has confirmed all claims in the '652 patent, and the PTO examiner has confirmed all asserted claims in the '314 patent. Any further delay is unfair, unwarranted, and unduly prejudicial to Interval. *See Facebook, Inc.*, Case No. 07-2768, at p. 3-4 ("It is not fair to continue to deny Plaintiff the opportunity to proceed with its claims, after already waiting over two years, while concurrent proceedings continue before the BPAI and possibly the Federal Circuit.") (Ex. 3).

III. THE REEXAMINATION ON THE '652 PATENT HAS BEEN RESOLVED AND THAT PATENT SHOULD PROCEED ON THE PATH TO TRIAL EVEN IF THE STAY ON THE '314 PATENT IS MAINTAINED

All parties agree that the reexamination on the '652 patent has been resolved, with finality, and that all claims have been confirmed as patentable. Although Defendants have no right to appeal the examiner's decision on the '652 patent, they urge the Court to maintain the stay on that patent during the appeal of the '314 patent. Opposition at 4-5. The Court should reject this attempt for further delay. The '652 patent has emerged from reexamination and will proceed in this Court no matter the outcome of the '314 appeal. Interval should not have to wait another 3-5 years before exercising its statutory right to enforce the newly confirmed '652 patent.

In cases asserting multiple patents, courts have discretion to lift the stay on a single patent that has emerged from reexamination even where the court maintains the stay on patents subject to *inter partes* appeals. For example, in *Horton, Inc. v. Kit Masters, Inc.*, the District of Minnesota granted a motion to lift the stay on a patent that had completed *ex parte* reexamination even though the second asserted patent (which did not share the same specification) remained stayed during the *inter partes* appeal. *See* Case No. 08-CV-6291 (D. Minn. Dec. 20, 2010)

Susman Godfrey LLP
1201 Third Avenue, Suite 3800
Seattle WA 98101-3000

(attached as Ex. 5). The court concluded that the plaintiff had the right to enforce the patent that has emerged from reexamination and that additional delay was unfair to the plaintiff:

> This case is two years old, and it has been delayed long enough. The '415 patent has now emerged from two reexamination proceedings, and [the plaintiff] has a right to enforce it. Although some slight efficiencies might result from leaving the stay in place until the '796 patent's reexamination is concluded and then moving forward with both patents at once, those efficiencies are offset by the unfairness of continuing to prevent [the plaintiff] from enforcing the '415 patent.

Id. at 2 (emphasis added). The same is true here. Interval filed this action approximately 21 months ago, and any efficiencies that would be gained by continuing the stay on both patents are offset by the unfairness of continuing to prevent Interval from enforcing the '652 patent.

Defendants' attempt to perpetuate the stay on the '652 patent is especially prejudicial to Interval because the '652 patent will expire in 2016. *See* Dkt. # 153 Ex. 3 ('652 patent). Assuming that Defendants' appeal to the Board and the Federal Circuit takes 3-5 years, the '652 patent would expire during the stay, or shortly thereafter, and the parties would be exactly where they are now with respect to the '652 patent.

IV. CONCLUSION

The PTO examiner has confirmed as patentable all asserted claims of the '314 and '652 patents, and the '652 reexamination is final. These developments constitute a substantial change in circumstances that warrants lifting the stay so that the '314/'652 track can proceed on the path to trial expeditiously. Although the '314 reexamination is not final, the administrative proceedings are over, all claims have been confirmed, and only the appeals process—which could take 3-5 years—remains. Standing alone, these facts should constitute sufficient grounds to lift the stay on the '314. But combined with the fact that the '652 reexamination is complete with all claims confirmed and that the two patents share a common specification, this Court should lift the stay on Track 1 – the '314 and '652 patents. Alternatively, at a minimum, this Court should lift the stay on the '652 patent because its reexamination is completely over, and the case will proceed in this Court regardless.

Susman Godfrey LLP
1201 Third Avenue, Suite 3800
Seattle WA 98101-3000

Dated: May 11, 2012

/s/ Matthew R. Berry

Justin A. Nelson
WA Bar No. 31864
E-Mail: jnelson@susmangodfrey.com
Matthew R. Berry
WA Bar No. 37364
E-Mail: mberry@susmangodfrey.com
SUSMAN GODFREY L.L.P.
1201 Third Ave, Suite 3800
Seattle, WA 98101
Telephone: (206) 516-3880
Facsimile: (206) 516-3883

Max L. Tribble, Jr.
E-Mail: mtribble@susmangodfrey.com
SUSMAN GODFREY L.L.P.
1000 Louisiana Street, Suite 5100
Houston, Texas 77002
Telephone: (713) 651-9366
Facsimile: (713) 654-6666

Oleg Elkhunovich
E-Mail: oelkhunovich@susmangodfrey.com
SUSMAN GODFREY L.L.P.
1901 Avenue of the Stars, Suite 950
Los Angeles, California 90067
Telephone: (310) 789-3100
Facsimile: (310) 789-3150

Michael F. Heim
E-mail: mheim@hpcllp.com
Eric J. Enger
E-mail: eenger@hpcllp.com
Nathan J. Davis
E-mail: ndavis@hpcllp.com
Niraj P. Patel
E-mail: npatel@hcllp.com
HEIM, PAYNE & CHORUSH, L.L.P.
600 Travis, Suite 6710
Houston, Texas 77002
Telephone: (713) 221-2000
Facsimile: (713) 221-2021

Attorneys for INTERVAL LICENSING LLC

CERTIFICATE OF SERVICE

I hereby certify that on May 11, 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:

Attorneys for AOL, Inc.

Cortney Alexander	cortney.alexander@finnegan.com
Robert Burns	robert.burns@finnegan.com
Elliot Cook	elliot.cook@finnegan.com
Gerald Ivey	gerald.ivey@finnegan.com
Scott Johnson	scott.johnson@stokeslaw.com
Molly Terwilliger	mollyt@summitlaw.com

Attorneys for Apple, Inc.

David Almeling	dalmeling@omm.com
Brian Berliner	bberliner@omm.com
George Riley	griley@omm.com
Jeremy Roller	jroller@yarmuth.com
Scott Wilsdon	wilsdon@yarmuth.com
Neil Yang	nyang@omm.com
Xin-Yi Zhou	vzhou@omm.com

Attorneys for Google, Inc.

Aaron Chase	achase@whitecase.com
Dimitrios Drivas	ddrivas@whitecase.com
Warren Heit	wheit@whitecase.com
Scott Johnson	scott.johnson@stokeslaw.com
Shannon Jost	shannon.jost@stokeslaw.com
Kevin McGann	kmcgann@whitecase.com
Wendi Schepler	wschepler@whitecase.com
Theresa Wang	theresa.wang@stokeslaw.com

Attorneys for Yahoo! Inc.

Francis Ho	fho@mofo.com
Richard S.J. Hung	rhung@mofo.com
Michael Jacobs	mjacobs@mofo.com
Matthew Kreeger	mkreeger@mofo.com
Dario Machleidt	dmachleidt@flhlaw.com
Eric Ow	eow@mofo.com
Mark Walters	mwalters@flhlaw.com
Gregory Wesner	gwesner@flhlaw.com

By: __/s/ Bianca Nealious_____
Bianca Nealious