Shelley Mack (SBN 209596), mack@fr.com
Fish & Richardson P.C.
500 Arguello Street, Suite 500
Redwood City, CA 94063
Telephone: (650) 839-5070
Facsimile: (650) 839-5071

Michael J. McKeon (admitted *pro hac vice*), mckeon@fr.com
Christian A. Chu (SBN 218336), chu@fr.com
Fish & Richardson P.C.
1425 K Street, NW, Suite 1100
Washington, DC 20005
Telephone: (202) 783-5070
Facsimile: (202) 783-2331

Attorneys for Defendants
LG ELECTRONICS, INC. and
LG ELECTRONICS U.S.A., INC.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

TECHNOLOGY PROPERTIES LIMITED LLC, PHOENIX DIGITAL SOLUTIONS LLC, and PATRIOT SCIENTIFIC CORPORATION,

Plaintiffs,

v.

LG ELECTRONICS, INC. AND LG ELECTRONICS U.S.A., INC.,

Defendants.

Case No. 3:12-cv-03880-SI

REPLY IN SUPPORT OF MOTION TO STAY PATENT INFRINGEMENT CASE

Date: November 12, 2014
Time: 9:00 a.m.
Courtroom: 10
Judge: Hon. Susan Illston

I. INTRODUCTION

This Court should grant a brief stay of this case pending conclusion of Plaintiff's Federal Circuit appeal in the HTC case because Plaintiffs will not suffer any cognizable prejudice from such a stay, LG would suffer clear prejudice in the absence of such a stay, and waiting for the Federal Circuit's ruling would benefit the orderly course of justice and simplify the issues for resolution by this Court. It is well-settled that delay alone is not sufficient prejudice to warrant denial of a stay, *see*, *e.g.*, *Advanced Analogic Techs., Inc. v. Kinetic Techs., Inc.*, 2009 WL 4981164, at *1 (N.D. Cal. Dec. 15, 2009), and Plaintiffs point to no specific prejudice they might suffer other than mere delay. Plaintiffs' suggestion that unspecified evidence might be lost in the few months between now and the Federal Circuit's ruling is purely speculative, as Plaintiffs identify no specific evidence at risk of loss and fail to explain how or why it might be lost in the intervening period between decision on this motion and the Federal Circuit's decision.

LG, on the other hand, would suffer clear hardship from having to proceed in this case before the Federal Circuit ruling issues, and Plaintiffs' only attempt to rebut this showing relies on a straw-man mischaracterization of the prejudice Defendants would face absent a stay. Contrary to Plaintiffs' suggestion, the harm to LG would not result from having to defend against Plaintiffs' claims themselves. Rather, the tangible prejudice stems from having to engage in unnecessary and duplicative initial contentions, discovery, and claim construction proceedings that will be impacted by the Federal Circuit's determinations. This harm is not speculative, since Plaintiffs do not dispute that the Federal Circuit's rulings will be binding on them in this case. Those rulings may obviate the parties' initial infringement and invalidity contentions and require that new contentions in light of the Federal Circuit's opinion, along with the parties' associated claim charts and LG's production of source code and schematics showing the operation of the accused products with respect to the claim terms the Court is construing. The Federal Circuit's ruling as to whether intervening rights preclude infringement claims before the date of issuance of the '890 patent's reexamination certificate will also narrow the scope of accused products in this case, rendering LG's document production and related discovery regarding those products affected by the Federal

Circuit's ruling wholly unnecessary. Simply put, waiting for the Federal Circuit's opinion to issue before proceeding further with this case will simplify and narrow the scope of the issues and facts for the Court's determination, thus serving the orderly course of justice and avoiding waste of judicial and private resources.

Further, contrary to Plaintiffs' argument, the stay that LG requests will be of short duration – a matter of months, and well less than a year – because briefing in the Federal Circuit is already complete and Plaintiffs do not dispute that a decision is expected in early 2015. To foreclose the possibility of a lengthy stay, this Court could impose a stay of limited and specified duration (six months, for example), to be followed by a case management conference to update the Court on the status of appellate proceedings. Such an accommodation will best serve the interests of justice and avoid any likely prejudice to the parties.

Since LG's opening brief and Plaintiffs' Opposition were filed, the Court has issued an order relating this case to seven others filed by Plaintiffs in this District involving the same patents. Because all of these cases involve the patents-at-issue before the Federal Circuit in the HTC appeal, the Federal Circuit's ruling will be binding against Plaintiffs in all seven cases, and all of these matters are in the earliest stages of litigation, a stay of all eight related cases filed by Plaintiffs is appropriate until the conclusion of the HTC Federal Circuit appeal. Staying all of these actions would best conserve judicial and party resources and would ensure all eight actions proceed on parallel case schedules.

II. THIS CASE SHOULD BE STAYED PENDING RESOLUTION OF THE HTC FEDERAL CIRCUIT APPEAL

A. A Brief Stay Will Not Cause Plaintiffs Any Cognizable Prejudice or Harm

Plaintiffs' Opposition identifies no cognizable prejudice to them by extending the current stay for several more months pending the conclusion of the Federal Circuit appeal in the HTC case. *See generally* D.I. 31 (Opposition).

Rather than present any tangible and demonstrable prejudice, Plaintiffs cite to cases stating generally that delay in litigation can increase the risk that evidence may be lost in the meantime.

Id. at 5-6. But the Opposition never identifies any evidence in particular that is at risk of destruction if this action is stayed for several more months. Nor does the Opposition ever explain why Plaintiffs delayed commencing this litigation for several years after the accused products were released if they were so concerned about the loss of evidence due to passage of time. Aside from mere speculation, Plaintiffs offer no cognizable prejudice or harm that would result from an extension of the present stay for several months pending conclusion of their appeal in the HTC case. "Mere delay, without more [], does not demonstrate undue prejudice" sufficient to warrant denial of a motion to stay. *Nanometrics, Inc. v. Nova Measuring Instruments*, *Ltd*., 2007 WL 627920 at * 3 (N.D. Cal. 2007).

Beyond the lack of explanation, Plaintiffs' own actions betray their alleged concerns. When LG sought a discretionary stay of the two patents that were not asserted in the ITC, Plaintiffs did not oppose LG's request. D.I. 5 & 5-1. More importantly, even after the ITC terminated the investigation based on a finding of noninfringement in February 2014, Plaintiffs took no action to lift the stay in this action. Instead, it was a status conference order issued by Magistrate Judge Grewal in late August 2014 (over six months after the ITC terminated the investigation) that brought this case back to the surface. Plaintiffs which are truly concerned about the loss of evidence would not have consented to the discretionary stay, nor would they wait for a reminder from the court before seeking to proceed with their case.

Plaintiffs' inability to identify any actual harm from a short extension of the stay is not surprising, because Plaintiffs have no competitive relationship with LG. Plaintiffs are non-practicing entities whose sole goal is to extract payments for patents that LG does not practice. This fact diminishes the likelihood that Plaintiffs would suffer any prejudice from a brief stay of proceedings. *See*, *e.g.*, *Bascom Research LLC v. Facebook, Inc*., No. 3:12-cv-06294, Dkt. 133 at 3 (N.D. Cal. Jan. 13, 2014). As non-practicing entities which are not asking for an injunction, *see* D.I. 1 at 7, Plaintiffs cannot dispute that any harm they may suffer from a short extension of the existing stay is readily compensable through monetary damages, if any are owed. *See*, *e.g.*, *Sonics, Inc. v. Arteris, Inc*., 2013 WL 503091, at *4 (N.D. Cal. Feb. 8, 2013); *ASIS Internet Servs. v.*

Member Source Media, LLC, 2008 WL 4164822, at **2-3 (N.D. Cal. Sept. 8, 2008). As a result, this case is clearly distinguishable from *ASUStek Comp. Inc. v. Ricoh Co.*, 2007 WL 4190689 (N.D. Cal. Nov. 21, 2007), where the non-moving declaratory judgment plaintiffs were not eligible to collect monetary damages even if they prevailed, such that monetary damages were unavailable to compensate them from any harm suffered as a result of the stay.

Unable to point to any actual prejudice, Plaintiffs resort to wholly mischaracterizing the relief LG seeks. Contrary to Plaintiffs' argument, LG requests a brief stay of only a few months until the conclusion of Federal Circuit proceedings in the HTC appeal – not a stay of more than two years' time. While it is true that this case remains subject to an earlier stay imposed pending resolution of parallel ITC proceedings involving the same parties and one of the patents-in-suit,[1] LG's current motion to stay must be evaluated by considering the facts and circumstances as they exist now, not at some previous point in the litigation. That is, whether Plaintiffs would suffer prejudice because of an additional stay of several months' time depends on whether harm is likely to occur between *now* and the conclusion of the HTC Federal Circuit appeal *several months from now*. The duration of any prior stay in the case—a stay that Plaintiffs consented to—is simply not relevant to this inquiry.

Once Plaintiffs' speculations and made-up prejudice are set aside, the undisputed facts remain that briefing is complete in the Federal Circuit and that a ruling in that appeal is expected just a few months from now. There are no extraordinary facts or circumstances in this case that are likely to prolong the appeal. *See*, *e.g.*, *ASIS Internet Servs.*, 2008 WL 4164822, at *2. This Court has previously granted stays of similarly short duration pending the conclusion of an appeal in a separate case. *See*, *e.g.*, *Bascom Research*, No. 3:12-cv-06294, Dkt. 133 at 3 (N.D. Cal. Jan. 13, 2014) (no prejudice resulting from five-month stay); *Negotiated Data Solutions, LLC v. Dell Inc.*, 2008 WL 4279556, at *1 (N.D. Cal. Sept. 16, 2008) (no prejudice resulting from stay of a "number of months").[2] To the extent that the Court is concerned about possible delay in the Federal

[1] At the parties' last case status conference, Magistrate Judge Grewal chose to keep the existing stay in place pending resolution of this motion. D.I. 18.

[2] The Ninth Circuit's decision in *Yong v. Immigration and Naturalization Serv.*, 208 F.3d 1116 (9th Cir. 2000), which denied a request for a brief stay, is completely inapposite here. *Yong* was a habeas case where urgency was critical,

Circuit's decision or about a possible remand, the Court can easily address such concerns by granting a further stay of limited duration with a specified termination date (for example, March 1, 2015), to be followed by a status conference to update the Court on the status of the HTC Federal Circuit appeal. *See*, *e.g.*, *Seastrom v. Department of the Navy*, 2009 WL585838, at *2 (N.D. Cal. Mar. 4, 2009). Should the Federal Circuit's opinion issue before this specified termination date, either party may move the Court to lift the stay. *See id*.; *see also*, *e.g.*, *ASIS Internet Servs*., 2008 WL 4164822, at *4.

B. LG Will Suffer Clear Hardship If a Stay Is Not Granted

LG will suffer clear hardship if this case proceeds before the Federal Circuit appeal in the HTC case concludes, and nothing in Plaintiffs' Opposition compels a contrary conclusion. To avoid this fact, Plaintiffs mischaracterize LG's hardship as simply the result of having to defend against Plaintiffs' claims. But as LG's opening brief makes clear, the hardship it seeks to avoid stems instead from having to engage in litigation proceedings—at great expenses—that may ultimately be rendered unnecessary, duplicative, or irrelevant by the Federal Circuit's ruling on claim construction and intervening rights issues. D.I. 26 at 10-11.

Indeed, the Federal Circuit's construction of disputed terms will greatly impact the initial disclosures mandated by the Patent Local Rules, because that ruling will be binding on Plaintiffs in this lawsuit. For example, if the Federal Circuit's construction of those terms is different from the constructions used by Plaintiffs in their Rule 3-1 Disclosure of Asserted Claims and Infringement Contentions or by Defendants in their Rule 3-3 Invalidity Contentions, those disclosures and their accompanying claim charts will effectively become obsolete and must then be substantially amended. As another example, the Federal Circuit's construction of disputed terms will also render obsolete LG's Rule 3-4(a) production of source code, schematics, and other documents showing the operation of the accused products as they relate to the claim terms construed by the Federal Circuit, rendering Defendants' initial production irrelevant and requiring a wasteful repeat

---

implicating "special considerations that place unique limits on a district court's authority to stay a case in the interests of judicial economy" – the only rational given for a stay by the moving party in *Yong*. *Id*. at 1119-20. No such considerations, of course, are operative in this case. Unlike the circumstances in this case, the *Yong* Court also found that a stay would cause clear prejudice to Yong without benefitting the INS in any substantial way. *Id*. at 1121.

(at great expenses to LG) of this exercise. Such "duplicative litigation costs and the pursuit of broad discovery when a far narrower scope of discovery would be required are sufficient to make a showing of hardship justifying a stay." *Negotiated Data*, 2008 WL 4279556, at *2; *see also*, *e.g.*, *Minor v. FedEx*, 2009 WL 1955816, at *1 (N.D. Cal. July 6, 2009) (finding it a "hardship to conduct pointless discovery that may well be moot" if a stay is not granted).

The Federal Circuit's construction of disputed claim terms in the patents-in-suit will also substantially affect the parties' proposed claim constructions and Markman arguments. Because the default timing specified by the Patent Local Rules provides that Markman proceedings begin just sixty days after Plaintiffs' initial infringement contentions are served, Markman proceedings may well be underway by the time the Federal Circuit ruling issues if this case proceeds in the interim.[3] In the event no stay is granted, work done by this Court and the parties with respect to claim construction will likely become moot and will need to be repeated in light of the Federal Circuit's opinion.

Finally, the Federal Circuit's impending ruling will resolve issues of intervening rights that will narrow the scope of Plaintiffs' infringement contentions and related relevant documentary and testimonial discovery. While Plaintiffs argue that LG must show its accused products were available before March 30, 2011 for the Federal Circuit's intervening rights determination to affect this litigation, at this nascent stage of this litigation, Plaintiffs have not even identified which LG products they are accusing of infringement. Plaintiffs have not yet served their Rule 3-1 Disclosure of Asserted Claims and Infringement Contentions, and no date for their service has been set. Plaintiffs even take pains to note, in footnote 1 of the Opposition, that the LG accused products in this case are not limited to the single product identified in its Complaint. D.I. 31 at 2 n.1. The nascent stage of this litigation, in which accused products have not been fully identified and accused claims have not been delineated, makes cases like *Whitney v. Novartis*, 2012 WL

[3] Plaintiffs argue simultaneously that (1) the Federal Circuit appeal will be of indefinite duration, potentially even years long; and (2) the Federal Circuit appeal will be concluded before any claim construction proceedings in this case, begin even if a stay is denied. These assumptions depend on contradictory premises, and both cannot be true.

1450176 (N.D. Cal. Apr. 25, 2012), distinguishable on their facts.[4] In short, LG faces clear hardship from having to engage in duplicative and unnecessary discovery and claim construction proceedings if this case proceeds before the HTC appeal is concluded. And given the absence of any cognizable prejudice to plaintiffs, the appropriate remedy to alleviate this hardship is a brief stay pending the conclusion of Federal Circuit proceedings in the HTC appeal.

C. The Orderly Course of Justice Will Be Served By Staying This Action

Finally, as more fully explained in LG's opening brief, a brief stay pending conclusion of the HTC Federal Circuit appeal will serve the orderly course of justice by simplifying the issues, questions of law, and scope of evidence at issue in this case. D.I. 26 at 11. The Federal Circuit's impending ruling – one that will be binding on Plaintiffs, as a party to that appeal – will affect the ultimate scope of asserted claims, accused products, and associated mandatory disclosures and discovery by resolving issues of claim construction that will govern in this action and by determining the earliest date of potential infringement. Unlike in *Dister v. Apple-Bay East, Inc.*, 2007 WL 4045429 (N.D. Cal. Nov. 15, 2007), where a stay pending a separate appeal was denied because the ruling in that appeal was likely to depend on facts distinguishable from the case at bar, there is no question that the Federal Circuit's claim construction and intervening rights determinations in the HTC appeal will bind Plaintiffs in this case and will substantially affect claim construction proceedings in this action, as well as the potential scope of accused products, asserted claims, and associated discovery. Because the Federal Circuit's opinion will thus simplify and narrow issues for resolution and discovery in this case and "significantly determine the course of this litigation," such a brief stay of proceedings pending issuance of that ruling will benefit the orderly course of justice. *Gabriella v. Wells Fargo Financial, Inc.*, 2009 WL 188856, at *1 (N.D. Cal. Jan. 26, 2009); *see also*, *e.g.*, *Bascom Research*, No. 3:12-cv-06294, Dkt. 133 at 2-3. *Landis*

[4] *Whitney* is also inapposite because the Court had previously determined, in denying defendant's motion to transfer to MDL, that the separate actions implicated by defendants' motion to stay were not necessary to the just and efficient conduct of the subject litigation. 2012 WL 1450176, at *1. Unlike Plaintiffs in this case, who identify no cognizable prejudice they might suffer from a brief stay, Plaintiff in *Whitney* also pointed to the prejudice a stay would cause her as a result of her poor health. *Id.*, at *2.

v. North Am. Co., 299 U.S. 248 (1936), is wholly inapposite for the purposes Plaintiffs cite it, as Plaintiffs are parties to both this action and the HTC appeal and thus would not be forced to "stand aside" while another party litigates its rights. *See*, *e.g.*, *CMAX, Inc. v. Hall*, 300 F.2d 265, 270 n.8 (9th Cir. 1962).

III. CONCLUSION

For the foregoing reasons, and the reasons set forth in Defendants' opening brief, LG respectfully requests that the Court grant this motion and stay this action in its entirety until the conclusion of HTC's Federal Circuit appeal. In the alternative, LG requests that the Court stay this action until March 1, 2015, after which a case status conference shall be held to update the Court on the status of the HTC appeal. In the event the Federal Circuit's ruling in the HTC appeal issues prior to March 1, 2015, either party may move the Court to lift the stay.

Dated: October 21, 2014

FISH & RICHARDSON P.C.

By: /s/ *Shelley K. Mack*
Shelley K. Mack (SBN 209596)
mack@fr.com

Attorneys for Defendants LG ELECTRONICS, INC. and LG ELECTRONICS U.S.A., INC.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing document has been served on October 21, 2014 to all counsel of record who are deemed to have consented to electronic service via the Court's CM/ECF system per Fed. R. Civ. P. 5(b)(3). Any other counsel of record will be served by electronic mail, facsimile and/or overnight delivery.

Dated: October 21, 2014

By: /s/ *Shelley K. Mack*
Shelley K. Mack