

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

SENORX, INC.,)	
)	
Plaintiff,)	
)	
v.)	Civ. Action No. 12-173-LPS-CJB
)	
HOLOGIC, INC.,)	
)	
Defendant.)	

MEMORANDUM ORDER

In this action, Plaintiff SenoRx, Inc. (“Plaintiff” or “SenoRx”) has filed a Complaint alleging two counts of patent infringement against Defendant Hologic, Inc. (“Defendant” or “Hologic”). (D.I. 1) Presently before the Court is Hologic’s motion to stay (“the Motion” or “Motion to Stay”) pending *inter partes* reexamination of the patents-in-suit, U.S. Patent Nos. 8,079,946 (“the '946 Patent”) and 8,075,469 (“the '469 Patent”). (D.I. 27) For the reasons stated below, the Court DENIES Hologic’s Motion.

I. BACKGROUND

Plaintiff SenoRx is a Delaware corporation with its principal place of business in Tempe, Arizona. (D.I. 1 at ¶ 2) SenoRx is an indirect, wholly-owned subsidiary of C.R. Bard, Inc. (*Id.*) It was founded in 1998 to design, develop, manufacture and market minimally invasive devices for the diagnosis and treatment of breast cancer. (*Id.* at ¶ 9) SenoRx developed and currently markets a device known as the Contura® Multi-Lumen Balloon (“Contura®”), a balloon brachytherapy device, which treats breast cancer by delivering targeted radiation to the tissue surrounding the cavity created following a lumpectomy procedure, rather than irradiating the entire breast. (*Id.* at ¶ 10)

Defendant Hologic is a Delaware corporation with its principal place of business in Bedford, Massachusetts. (*Id.* at ¶ 3) Hologic is alleged to have marketed and sold its own multi-lumen balloon brachytherapy device, known as the MammoSite® Multi-Lumen, after the Contura® was introduced to the market. (*Id.* at ¶ 16)

On February 10, 2012, SenoRx filed this infringement suit seeking, *inter alia*, monetary relief and a permanent injunction against Hologic for any infringement of the patents-in-suit. (*Id.* at 6) Its Complaint alleges that Hologic is directly infringing the patents-in-suit by making, using, offering for sale, and/or selling the MammoSite® Multi-Lumen, and that its infringement was wilful. (*Id.* at ¶¶ 17-32) The Complaint also alleges that Hologic indirectly infringed the '469 Patent. (*Id.* at ¶ 29) On May 3, 2012, Judge Leonard P. Stark referred this case to me to hear and resolve all pretrial matters, up to and including the resolution of case-dispositive motions. (D.I. 6)

On May 23, 2012, Hologic timely answered SenoRx's Complaint. (D.I. 7) In doing so, it asserted as affirmative defenses that the patents-in-suit were invalid under 35 U.S.C. §§ 101, 102, 103 and 112. (*Id.* at 5) It also raised four counterclaims, seeking a judicial declaration that it had not infringed either patent and that both patents are invalid. (*Id.* at ¶¶ 6-17) After the Answer was filed, the Court held a Rule 16(b) teleconference with the parties on June 28, 2012, and subsequently issued a Scheduling Order on the same day.¹ (D.I. 13) In June and July 2012, SenoRx served its first set of document requests (to which Hologic later responded by producing some documents), and the parties exchanged initial disclosures. (D.I. 14, 17, 18; D.I. 32 at 1)

¹ On July 26, 2012, Hologic filed a Motion to Bifurcate and Stay Discovery and Trial of Damages and Wilfulness Issues. (D.I. 15) That motion has been fully briefed and argued, and is currently pending before the Court.

The Court entered a Protective Order to facilitate the discovery process on August 1, 2012. (D.I. 20)

On August 1, 2012, Hologic filed a request for *inter partes* reexamination of all claims (Claims 1-5) of the '469 Patent with the U.S. Patent and Trademark Office ("PTO"), on the basis that the claims are invalid under Section 102 and/or Section 103. (D.I. 28 at 1; D.I. 29 at ¶¶ 2-4; *see also* D.I. 29, ex. 1) On September 4, 2012, the PTO granted that request as to claims 1-5 of the '469 Patent. (D.I. 28 at 1; *see also* D.I. 29, ex. 3) On September 10, 2012, Hologic filed a request with the PTO for *inter partes* reexamination of claims 1-5, 7-10, 13, 15-18, 20-22, 25-26, 28-42, 47-87, and 91-95 of the '946 Patent, again on the basis that the claims are invalid under Section 102 and/or Section 103. (D.I. 28 at 1; D.I. 29, ex. 4) The PTO subsequently granted the request as to all but four of the asserted claims of the '946 Patent at issue in this case. (D.I. 41 at 4)

On September 12, 2012, Hologic filed the Motion to Stay, seeking a stay of this case pending resolution of the reexamination proceedings and a determination of validity of the patents-in-suit by the PTO. (D.I. 27) SenoRx timely opposed the Motion. (D.I. 32) The Court heard oral argument on the Motion on November 27, 2012. (D.I. 41)

In October and November 2012, respectively, SenoRx served its initial infringement contentions and Hologic served its initial invalidity contentions. (D.I. 31, 35) Hologic served its first set of document requests in early December. (D.I. 38) Pursuant to a now-amended Scheduling Order, claim construction briefing is set to begin on January 18, 2013, and a *Markman* hearing is scheduled for March 25, 2013. (D.I. 40) Fact discovery is scheduled to be completed in April 2013, expert discovery is scheduled to conclude in September 2013 and case

dispositive motions are due to be filed on October 30, 2013. (D.I. 13) No trial date has yet been set. (*Id.*)

II. STANDARD OF REVIEW

A court has discretionary authority to grant a motion to stay. *See Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985); *see also Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (“Courts have inherent power to manage their dockets and stay proceedings, . . . including the authority to order a stay pending conclusion of a PTO reexamination.”) (citations omitted). This Court has typically considered three factors when deciding a motion to stay: (1) whether granting the stay will simplify the issues for trial; (2) the status of the litigation, particularly whether discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from any delay, or allow the movant to gain a clear tactical advantage. *See, e.g., ImageVision.Net, Inc. v. Internet Payment Exch., Inc.*, Civil Action No. 12-054-GMS-MPT, 2012 WL 5599338, at *2 (D. Del. Nov. 15, 2012); *Round Rock Research LLC v. Dole Food Co. Inc.*, Civil Action Nos. 11-1239-RGA, 11-1241-RGA, 11-1242-RGA, 2012 WL 1185022, at *1 (D. Del. Apr. 6, 2012); *Cooper Notification, Inc. v. Twitter, Inc.*, Civ. No. 09-865-LPS, 2010 WL 5149351, at *1 (D. Del. Dec. 13, 2010); *Vehicle IP, LLC v. Wal-Mart Stores, Inc.*, Civ. No. 10-503-SLR, 2010 WL 4823393, at *1 (D. Del. Nov. 22, 2010). These factors are discussed in greater detail below.

III. DISCUSSION

A. Simplification of Issues for Trial

When a patent claim is reexamined by the PTO, there are three possible outcomes—it can be cancelled as unpatentable, it can be confirmed as originally written, or it can be modified.

Whatever outcome occurs, there is the potential for the simplification of issues for trial, either by reducing the number of claims at issue, confirming the validity of the surviving claims, or narrowing the scope of a modified claim. *See, e.g., Abbott Diabetes Care, Inc. v. DexCom, Inc.*, C.A. No. 06-514 GMS, 2007 WL 2892707, at *5 (D. Del. Sept. 30, 2007) (“One purpose of the reexamination procedure is to eliminate trial of that issue (when the claim is canceled) or to facilitate trial of that issue by providing the district court with the expert view of the PTO (when a claim survives the reexamination proceeding).”) (quoting *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983)). As such, this Court has identified numerous ways that reexamination can simplify proceedings:

- (1) [] prior art presented to the court at trial [may] have been first considered by the PTO with its particular expertise,
- (2) many discovery problems relating to the prior art can be alleviated,
- (3) if patent is declared invalid, the suit will likely be dismissed,
- (4) the outcome of the reexamination may encourage a settlement without further involvement of the court,
- (5) the record of the reexamination would probably be entered at trial, reducing the complexity and the length of the litigation,
- (6) issues, defenses, and evidence will be more easily limited in pre-trial conferences and
- (7) the cost will likely be reduced both for the parties and the court.

Gioello Enters. Ltd. v. Mattel, Inc., No. C.A. 99-375 GMS, 2001 WL 125340, at *1 (D. Del. Jan. 29, 2001) (citations omitted); *see also Pegasus Dev. Corp. v. DirecTV Inc.*, No. Civ. A. 00-1020-GMS, 2003 WL 21105073, at *2 (D. Del. May 14, 2003).

Hologic argues (citing to PTO *inter partes* reexamination data from 1999 through June 30, 2012) that because 89% of all requests for *inter partes* reexamination result in either “total claim cancellation or claim changes” that it is likely that reexamination will “eliminate or alter many of SenoRx’s claims.” (D.I. 28 at 4 (citing D.I. 29, ex. 5)) It notes that even if the reexamination process results in SenoRx’s amendment of certain asserted claims, or in certain of

those claims being upheld by the PTO, these outcomes will still have narrowed and streamlined the issues for trial in this case. (*Id.* at 4-5) SenoRx counters by taking a different view of the PTO's statistics, noting that (1) those statistics say "nothing about what will actually happen in this particular case"; and (2) since those statistics show that 11% of all challenged claims are confirmed, and that another 47% of those claims are amended, then it is "more likely than not that at least one or more claims will survive and thus not all issues in this case will be resolved by the reexamination." (D.I. 32 at 14) It also notes that Hologic cannot demonstrate that any "hypothetical narrowing of the claims during reexamination would affect its liability for infringement in this case." (*Id.*)

The Court agrees with Hologic that the reexamination of the patents-in-suit does have the potential to simplify the issues for trial. All of the claims of the '469 Patent currently are subject to a non-final rejection and are being reexamined. As to the '946 Patent, all but four of the claims that SenoRx is asserting in this case are subject to a non-final rejection and are the subject of reexamination. SenoRx is of course correct that it is impossible to predict with certainty what will come of the reexamination proceedings, or how those results will impact this litigation. However, this portion of the Court's analysis must necessarily be based on reasoned probabilities, not certainties, based on the facts available to the Court at this time.² And here,

² Some assertions made by the parties regarding the issue of simplification are more difficult for the Court to analyze at this stage. For example, the parties dispute whether the four asserted claims of the '946 Patent not before the PTO are likely to be "core" to SenoRx's ultimate infringement case, or whether SenoRx is instead likely to withdraw their infringement contentions for some or all of those claims. (D.I. 41 at 7-8, 37, 41-42) SenoRx also noted that the claims of the '469 Patent are currently rejected based on a particular prior art combination not identified by Hologic in its request for reexamination, and that this means that Hologic's request as to this patent is on "tenuous ground to begin with." (D.I. 32 at 14; *see also* D.I. 41 at 38-39) Hologic, unsurprisingly, disagrees with that analysis. (D.I. 41 at 41, 43) In light of the uncertain

with nearly all of the asserted claims currently subject to a non-final rejection and before the PTO, the Court must acknowledge that there is a significant statistical chance that one or more of these claims will be cancelled (and if so, that this litigation would be simplified as a result).

Cooper Notification, 2010 WL 5149351, at *3. There is also a significant statistical possibility that one or more of these claims will be modified, which could render some of the parties' and the Court's resources wasted (if, for example, the Court construes certain claim terms that are subsequently eliminated or altered via the reexamination process). *Id.*³ And even if certain (or all) of the claims are ultimately confirmed, the Court will likely benefit, *inter alia*, from the PTO's analysis of prior art that is later presented to the Court. In cases where a reexamination request covered all or nearly all of the claims asserted in litigation, our Court has found this to suggest that there will likely be notable simplification of issues if a stay is granted. *See, e.g., Round Rock*, 2012 WL 1185022, at *1; *Mission Abstract Data L.L.C. v. Beasley Broad. Grp., Inc.*, Civ. No. 11-176-LPS, 2011 WL 5523315, at *2 (D. Del. Nov. 14, 2011); *Vehicle IP*, 2010 WL 4823393, at *2.

However, our Court has also explained that reexamination may not (and indeed, in most cases, does not) impact all of the legal issues in patent cases such as this one. In light of this, the Court must also analyze the degree to which the issues at play in this case can be expected to

and unsettled state of the record as to these questions, the parties' arguments have not impacted the Court's analysis with regard to the simplification of issues.

³ Where the non-moving party has stated that it will not amend any of its asserted claims during the reexamination proceedings, this has been found to reduce the risk that any litigation efforts will be nullified or wasted as a consequence of subsequent amendments. *See, e.g., Softview LLC v. Apple Inc.*, Civ. No. 10-389-LPS, 2012 WL 3061027, at *3 (D. Del. July 26, 2012). SenoRx has not made such an assertion.

overlap with the issues that the PTO will analyze during the reexamination process. The more that the scope of the issues to be resolved during the litigation exceeds the scope of the issues that can be examined during the reexamination proceedings, the greater this cuts against a finding that the reexamination proceedings will lead to simplification of the issues. *Softview LLC v. Apple Inc.*, Civ. No. 10-389-LPS, 2012 WL 3061027, at *3 (D. Del. July 26, 2012); *Mission Abstract Data*, 2011 WL 5523315, at *2; *Vehicle IP*, 2010 WL 4823393, at *2.

In this case, the scope of the *inter partes* reexamination proceedings will be limited to potential invalidity issues arising under Sections 102 and 103. SenoRx notes that in addition to the fact that a few of its asserted claims are not at issue in the reexamination proceedings, those proceedings will also not address issues of infringement and damages. (D.I. 41 at 38) Hologic has also asserted defenses under Section 101 and 112 in its Answer, but at oral argument, its counsel suggested that it was unlikely that either Section 101 or Section 112 defenses will actually be raised in the case. (D.I. 41 at 8, 59) And Hologic has not raised other defenses in this Court, such as inequitable conduct or equitable defenses such as laches or estoppel. (*Id.* at 36-37; *see also* D.I. 7) In the end, there is certainly not complete (or near complete) overlap of the issues to be addressed in the PTO and the District Court. On the other hand, because the Section 102 and 103 invalidity issues that will be addressed in reexamination appear to be at the core of the affirmative defenses/counterclaims that would be raised by Hologic at trial in this case, the amount of overlap appears likely to be a bit greater than in the typical case.⁴

⁴ Compare *Softview*, 2012 WL 3061027, at *3 (finding this consideration to weigh against the grant of motion to stay, where reexamination was limited to potential invalidity issues under Section 102 and 103, while in the District Court litigation, defendants disputed infringement and invalidity under Sections 101, 102, 103 and 112 and some defendants raised various equitable defenses), *Mission Abstract Data*, 2011 WL 5523315, at *2-3 (same, where the

After considering the statistical likelihood that reexamination will result in an altered claim landscape on the one hand, and the lack of complete (though not insignificant) overlap of the issues to be addressed in the PTO and in the District Court on the other, the Court finds this factor to weigh in favor of a stay, though not strongly so.

B. Status of Litigation

Motions to stay pending reexamination are most often granted when the case is in the early stages of litigation. *See Abbott Diabetes Care, Inc.*, 2007 WL 2892707, at *5 (staying litigation where no Rule 16 scheduling conference or discovery had occurred, no scheduling order had been entered, and “little time [had] yet to be invested in the litigation”). Granting such a stay early in a case can be said to advance judicial efficiency and “maximize the likelihood that neither the Court nor the parties expend their assets addressing invalid claims.” *Gioello*, 2001 WL 125340, at *2 (citation omitted). On the other hand, when a request for reexamination comes after discovery is complete or nearly complete, and a trial is imminent, a stay is less likely to be granted. *See, e.g., Belden Techs. Inc. v. Superior Essex Commc 'ns LP*, Civ. No. 08-63-SLR, 2010 WL 3522327, at *2 (D. Del. Sept. 2, 2010) (finding that the status of the litigation weighed against granting a stay, where discovery in the case was complete as of the filing of the motion for stay, and trial was scheduled to begin within weeks); *Oracle Corp. v. Parallel*

grounds for invalidity involved in the reexaminations related to Section 102 and 103, while in the litigation defendants disputed infringement and raised defenses under Sections 101, 102, 103, 112 and equitable defenses of estoppel, laches and waiver), *and Vehicle IP*, 2010 WL 4823393, at *2 (same, where only ground for invalidity on reexamination was Section 103, while in the litigation defendants raised defenses under Sections 101, 102, 103, and 112), *with Belden Techs. Inc. v. Superior Essex Commc 'ns LP*, Civ. No. 08-63-SLR, 2010 WL 3522327, at *2 (D. Del. Sept. 2, 2010) (finding this factor to weigh in favor of grant of motion to stay, where the parties conceded that only defendant’s allegations of obviousness and anticipation remained at issue, both of which were proper candidates for a reexamination inquiry).

Networks, LLP, Civ. No. 06-414-SLR, 2010 WL 3613851, at *2 (D. Del. Sept. 8, 2010) (finding that the status of the litigation weighed against granting a stay, where motion was filed “years into the . . . litigation” after fact and expert discovery, claim construction and summary judgment were completed and the Federal Circuit had ruled on the Court’s judgment that defendant did not infringe). In such circumstances, the Court and the parties have already expended significant resources on the litigation, and the principle of maximizing the use of judicial and litigant resources is best served by seeing the case through to its conclusion.

Hologic argues that the status of this case “unquestionably favors a stay” in that “no significant discovery [was] taken [at the time of the filing of the Motion] and no trial date has been set.” (D.I. 28 at 3) The Court agrees with Hologic that this factor favors a stay, though with a bit less force than what Hologic asserts.

As Hologic notes, the most significant case events in this litigation are in the future, not the past. A *Markman* hearing, the completion of expert discovery and the filing of case dispositive motions are still months away. A trial date has not been set, and based on the current contours of the case’s schedule, trial will not occur until at least early 2014. Moreover, even in the first half of the discovery period, aside from work on the pending motions, the Court has not had to devote significant resources to other case-related matters. *See, e.g., Softview*, 2012 WL 3061027, at *4 (finding that the status of the litigation did not favor a stay, even where the litigation remained at an “early stage,” in part because the parties and the Court had devoted “[s]ubstantial time and resources . . . to [the] scheduling and . . . resolution of discovery disputes” and to other pending motions); *Cooper Notification*, 2010 WL 5149351, at *3 (declining to find that the status of the litigation favored a stay, even when discovery had just begun and would not

be complete for eleven months, because, *inter alia*, the Court had devoted “significant resources” to formulating a schedule and overseeing a contested scheduling hearing). A very large number of discovery documents have not yet been produced, and deposition discovery has not yet begun. *See Life Techs. Corp. v. Illumina, Inc.*, Civil Action No. 09-706-RK, 2010 WL 2348737, at *3-4 (D. Del. June 7, 2010) (finding this factor did not favor a stay when parties were “halfway through the pretrial stage” and more than a million pages of relevant discovery had been produced); *see also* (D.I. 28 at 2 (noting that Hologic produced only a limited number of documents in response to SenoRx’s first set of requests for production); D.I. 41 at 11).

However, as SenoRx points out, (D.I. 32 at 5), it is also fair to note that when Hologic filed the Motion in mid-September 2012, the case was not in its infancy. To the contrary, at that time, the litigation was six months old. Hologic had answered the Complaint, and the Court had held a Rule 16(b) teleconference with the parties and had issued a Scheduling Order. Discovery had also commenced, with the parties having exchanged initial disclosures, SenoRx propounding document requests, and the parties having agreed upon a Protective Order that the Court subsequently signed and entered.⁵ Although both parties have approached the discovery process

⁵ Since the Motion’s filing, the discovery process has continued, with SenoRx and Hologic having served initial infringement contentions and initial invalidity contentions, respectively, and Hologic having served its own document requests. (D.I. 31, 35, 38) The Court does not believe that in considering a factor that focuses on the status of the litigation, it is error to consider events that have occurred in this case subsequent to the filing of the Motion, since later-occurring case events could have a bearing on the case’s current procedural status. *See, e.g., Cooper Notification*, 2010 WL 5149351, at *1-3 (examining this factor as of the date of the decision on the motion to stay, which was eleven months prior to the close of discovery, and taking into account case events, including a scheduling conference, that occurred after the motion to stay was filed); *see also* (D.I. 41 at 12). However, here the outcome of the Court’s review of this factor would not be different if the Court had not considered events occurring after the Motion was filed—either way, it is clear that while the case is not in its earliest stages, it is also far from the close of discovery and trial.

at a speed aligned with their respective views as to how quickly this case should move forward—with SenoRx seeking to press ahead and Hologic taking a more measured pace—it is clear that the parties have expended more than a *de minimis* amount of effort on the litigation thus far. (D.I. 41 at 35, 46-47); *cf. Ever Win Int'l Corp. v. Radioshack Corp.*, Civ. Action No. 11-1104-GMS-CJB, 2012 WL 4801890, at *4 (D. Del. Oct. 9, 2012) (finding that this factor weighed strongly in favor of a stay when the case was “in its very early stages” as “[n]o initial disclosures ha[d] been exchanged, [and] no Scheduling Order ha[d] been entered”); *Softview*, 2012 WL 3061027, at *4 (taking into account resources expended by the parties and the court after entry of a scheduling order when analyzing this factor).⁶ Thus, the degree to which this factor favors a stay should be tempered, at least to some degree.

For the above reasons, the Court finds that this factor squarely favors a stay, albeit not as strongly as it would if the case was at its most nascent stages.

C. Prejudice

This Court has analyzed whether a plaintiff would suffer undue prejudice (and whether a defendant would gain an unfair tactical advantage) if a stay is granted by examining four factors: (1) the timing of the request for reexamination; (2) the timing of the request for stay;⁷ (3) the

⁶ SenoRx urges the Court, in examining this factor, to contrast the stage of this litigation with the early stage of the reexamination proceedings-at-issue. (D.I. 32 at 5-6 (citing *Softview*, 2012 WL 3061027, at *4; *Cooper Notification*, 2010 WL 5149351, at *3)) However, because the status of the reexamination proceedings is explicitly taken into account with respect to the third “prejudice” factor, the Court declines to consider that issue as part of its review of the test’s second “status of the litigation” factor. *ImageVision.Net., Inc. v. Internet Payment Exch., Inc.*, C.A. No. 12-054-GMS-MPT, 2012 WL 3866677, at *2 n.39 (D. Del. Sept. 4, 2012), *rev'd in part on other grounds*, 2012 WL 5599338 (D. Del. Nov. 15, 2012).

⁷ Given their temporal proximity to each other in this case, the Court will consider the two “timing” factors together.

status of reexamination proceedings; and (4) the relationship of the parties. *Vehicle IP*, 2010 WL 4823393, at *2; *Boston Scientific Corp. v. Cordis Corp.*, 777 F. Supp. 2d 783, 789 (D. Del. 2011).

(1) Timing of the request for reexamination and the request for stay

Hologic filed its request for reexamination of the '469 Patent on August 1, 2012, approximately six months after the Complaint in this case was filed and one month after the entry of the Scheduling Order; its reexamination request regarding the '946 Patent was filed on September 10, 2012. (D.I. 28 at 1) The Motion to Stay was filed on September 12, 2012, two days after the second reexamination request. (D.I. 27)

Our Court has explained that in some sense, a motion to stay pending reexamination can always be said to seek a tactical advantage because it “would not have been filed but for [defendant’s] belief that the granting of a stay would [be to its] benefit.” *Round Rock*, 2012 WL 1185022, at *2. However, a “request for reexamination made well after the onset of litigation followed by a subsequent request to stay may lead to an inference that the moving party is seeking an *inappropriate* tactical advantage.” *Belden Techs.*, 2010 WL 3522327, at *2 (emphasis added) (finding that requests for reexamination made 17-20 months after lawsuit was initiated, followed by motion to stay filed eleven days before trial, gave rise to such an inference); *see also Oracle Corp.*, 2010 WL 3613851, at *2-3 (finding that “there is an inference that [the moving party sought] an inappropriate tactical advantage” when the motion to stay was filed over four years after suit commenced and over a year after final rejections were issued in both relevant reexamination proceedings); *St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp.*, No. Civ. A. 01-557JJF, 2003 WL 25283239, at *1 (D. Del. Jan. 30, 2003) (denying

motion to stay and noting that “the fact that the instant motion was filed after the close of discovery and weeks before the commencement of the scheduled trial date” supported inference of prejudice in the delay).

In this case, although Hologic’s requests for reexamination (and its follow-on request for a stay) were not made at the time the Complaint was filed, they were made relatively soon thereafter. These requests did not come on the heels of any negative case event affecting Hologic, such that the requests could be said to be driven by an inappropriate or bad-faith desire to stall this litigation. Indeed, SenoRx does not suggest that the timing of these filings supports its case for denial of the Motion. (D.I. 32 at 8-12; D.I. 41 at 32-33) Therefore, the Court finds that this subfactor weighs in favor of a stay.

(2) Status of reexamination proceedings

Potential delay from reexamination “does not, by itself, amount to undue prejudice.” *Wall Corp. v. BondDesk Grp., LLC*, C.A. No. 07-844 GMS, 2009 WL 528564, at *2 (D. Del. Feb. 24, 2009); *see also Enhanced Sec. Research, LLC v. Cisco Sys., Inc.*, C.A. No. 09-571-JJF, 2010 WL 2573925, at *3 (D. Del. June 25, 2010) (“[T]he Court recognizes that a stay may delay resolution of the litigation, but this alone does not warrant a finding that Plaintiffs will be unduly prejudiced.”). That said, this Court has noted that PTO reexaminations typically result in lengthy delays, which can hinder a plaintiff’s ability to obtain timely resolution regarding its allegations of patent infringement. *See, e.g., Vehicle IP*, 2010 WL 4823393, at *2 (“[R]eexamination is an arduous process fraught with the potential for multiple appeals.”) (internal quotation marks and

citation omitted).⁸

In this case, the reexamination proceedings are in their early stages, with the requests for reexamination having been granted at different points within the last few months. Based on the average pendency from filing date to certificate issue date, reexamination may not be complete until 2015 or later.⁹ (See D.I. 29, ex. 5) As even Hologic acknowledges, (D.I. 41 at 6), if this case were stayed in favor of the PTO proceedings, there is the real prospect of at least a multi-year, lengthy delay until those proceedings would be completed. Therefore, the early status of the reexamination proceedings weighs against granting a stay.

(3) Relationship of the Parties

The final factor to consider in assessing the potential prejudice to the non-movant is the relationship of the parties, which typically involves considering whether the parties are direct

⁸ Such delays can also raise issues with stale evidence, faded memories and lost documents or lost witnesses. See, e.g., *Cooper Notification*, 2010 WL 5149351, at *4 (noting that “[g]iven the . . . average length it takes to complete a reexamination (including appeals), it follows that the stay, if granted, would almost certainly last many years” and that this might disproportionately affect the party seeking to prove infringement, who may face a greater need to rely on fact witness testimony in the case). The Court has no real information before it, however, as to any particular evidence or witnesses threatened by such delay.

⁹ The average pendency from filing date to certificate issue date in an *inter partes* reexamination proceeding was 36.1 months as of June 30, 2012. (D.I. 29, ex. G) SenoRx suggests the delay in this case could be even longer than that. It notes that in September 2012, when Hologic’s most recent request for reexamination was filed, the PTO received a record number of *inter partes* reexamination requests due to the September 16, 2012 elimination of *inter partes* reexamination (and its replacement with *inter partes* review), pursuant to rules promulgated to implement the provisions of the Leahy-Smith America Invents Act. (D.I. 32 at 6 n.3 & 7 n.5) For its part, Hologic’s counsel suggested at oral argument (citing to no record evidence) that the length of *inter partes* reexamination has been decreasing, and also noted that the PTO granted reexamination of the claims of the patents-in-suit in a relatively short time. (D.I. 41 at 6, 40) The Court acknowledges the parties’ arguments on these points, but concludes that the historical data showing a three-year average timeframe for *inter partes* reexamination is the most telling piece of evidence in the record as to this issue.

competitors. *See, e.g., Cooper Notification*, 2010 WL 5149351, at *5; *Belden Techs.*, 2010 WL 3522327, at *3. Courts have recognized that when the parties are direct competitors, there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill. *See, e.g., Nat'l Prods., Inc. v. Gamber-Johnson LLC*, No. 2:12-cv-00840, 2012 WL 3527938, at *2-3 (W.D. Wash. Aug. 14, 2012).

SenoRx argues that the parties are direct competitors and that, if a stay were granted, its “right to relief would be placed in limbo and it would be forced to compete against its own patented technology,” such that it would endure “loss of market share and eroded prices . . . in the meantime.” (D.I. 32 at 9). Hologic counters by asserting that, as to the magnitude of any harm that SenoRx might suffer in the event of a stay: (1) SenoRx did not file a motion for a preliminary injunction; and (2) it has only recently initiated this litigation despite the fact that Hologic’s allegedly infringing product has been on the market since October 2009. (D.I. 28 at 8) Hologic suggests that should SenoRx obtain judgment in its favor on any of its infringement claims, later-obtained monetary damages will be sufficient to compensate it for its losses. (D.I. 33 at 5)

In this case, there is no question that the parties are direct competitors, but that does not go far enough. Indeed, they are the only two companies who participate in the balloon brachytherapy market. (D.I. 32 at 3; D.I. 41 at 22) Hologic itself has described the two companies as “hard-fought competitors” in the field, and has argued that the nature of this competition is so acute that it should not have to disclose to SenoRx certain types of discovery at this stage of the case. (D.I. 16 at 8) Moreover, this “hard-fought” competition has also spawned

additional litigation, as the parties are currently engaged in patent litigation pending before the United States District Court for the Northern District of California. (D.I. 32 at 3 n.3). With this record, it is very clear that the level of competition between the parties is acute.

Our Court has recognized that if a party seeks a preliminary injunction at the outset of a case, that might also be a factor suggesting that the litigants are direct competitors (if that fact is in question) and that real prejudice could result from the imposition of a stay. *Belden Techs.*, 2010 WL 3522327, at *3 & n.4 (noting that a request for a preliminary injunction is simply one non-dispositive indica of the presence of direct competition). However, we have also explained that, in some cases, the failure to seek a preliminary injunction could well be related to other factors (such as the high burden one must face to obtain a preliminary injunction and the difficulty in doing so without first having access to substantial discovery) and thus might not shed much light on the amount of prejudice the non-moving party will face from a stay. *Cooper Notification*, 2010 WL 5149351, at *4; *see also Nat'l Prods.*, 2012 WL 3527938, at *3 n.5 (same). Relatedly, courts have cautioned not to equate the calculus utilized with respect to this factor of the three-factor test (which examines whether SenoRx will likely suffer “undue prejudice” from a stay) with that of the test used to examine a request for a preliminary injunction (which asks, *inter alia*, whether any harm suffered is irreparable). *United Pet Grp., Inc. v. MiracleCorp Prods.*, No. 4:12CV0040AGF, 2012 WL 2458539, at *3 (E.D. Mo. June 27, 2012); *Prestige Jewelry Int'l, Inc. v. BK Jewellery HK*, No. 11 Civ. 2930(LBS), 2012 WL 1066798, at *3 (S.D.N.Y. Mar. 24, 2012). Here, with the fact of direct competition not in any serious dispute, the Court does not find SenoRx’s litigation posture, including its decision not to

file for a preliminary injunction, to be particularly telling.¹⁰

Ultimately, the Court believes that SenoRx has sufficiently demonstrated how it could be unduly prejudiced if, after filing patent infringement litigation against its only competitor in a field defined by “hard-fought” competition, it was required to wait many years for reexamination proceedings to close and this litigation to conclude.¹¹ The Court, of course, takes no position on whether SenoRx will be able to ultimately show in the latter stage of this case that infringement has occurred and, if it has, whether it cannot be sufficiently compensated by money damages. But it need not draw such absolute conclusions to acknowledge the real prejudice SenoRx could face from a very lengthy delay before it can even reach that stage and have those issues resolved.

¹⁰ Hologic faults SenoRx for making “conclusory allegations” as to the adverse impact it would face if Hologic obtains a stay and is able to continue to sell its product in the meantime. (D.I. 33 at 5) However, where, as here, the parties are the only two competitors in the relevant market, the Court can more easily draw the inference of the increased chance of undue prejudice from delay related to a stay. *Compare Boston Scientific Corp.*, 777 F. Supp. 2d at 789-90 (finding that parties’ relationship weighed against a stay where parties were the only two companies marketing the drug-eluting stents at issue in that case), *with Air Vent, Inc. v. Owens Corning Corp.*, No. 02:10-cv-01699, 2012 WL 1607145, at *3 (W.D. Pa. May 8, 2012) (“The Court finds that the fact that there are other competitors in the market undermines [plaintiff’s] assertion of undue prejudice because of loss of market value.”), and *Generac Power Sys. Inc. v. Kohler Co.*, 807 F. Supp. 2d 791, 798 (E.D. Wis. 2011) (finding non-movant’s undue prejudice showing conclusory where it had argued, *inter alia*, that the movant had captured 10-15% of the market at issue, and that movant would garner market share at its expense if movant was permitted to sell allegedly infringing products during a stay).

¹¹ Alternatively, Hologic suggested at oral argument that the Court grant a stay for a defined period of time, to “see what the parties have said [and] what the Patent Office has done.” (D.I. 41 at 13) The Court recognizes that it has the ability to grant such a stay and in some circumstances such a course may be preferable. However, while, for example, a six-month stay guarantees six months of delay, it does not necessarily guarantee six months’ worth of clarity. It is difficult to know with certainty at what pace the PTO may reach a key stage of the reexamination process, and even if such a stage is reached, the party who has been dealt a blow at that stage can always argue that those developments have no lasting significance until the proceeding is complete. In light of that, and under the circumstances of this case, the Court is not convinced that an intermediate stay of some duration is likely to be particularly beneficial.

(4) Conclusion

In sum, although the timing of Hologic's requests for reexamination and for a stay weigh in favor of a stay, the very early stage of the reexamination proceedings and the parties' status as hard-fought competitors clearly weigh against a stay. The Court finds that, as a result, the prejudice factor decidedly weighs against a stay.¹²

IV. CONCLUSION

The potential for simplifying the issues in this case favors a stay, though not strongly so. The current status of this litigation favors a stay. However, the amount of undue prejudice

¹² In analyzing motions to stay pending reexamination, our Court has at times explicitly considered whether the moving party would face undue hardship or inequity in the absence of a stay. It has explained that such an inquiry should be a part of the Court's analysis of the "prejudice" factor of the three-factor balancing test used in examining motions to stay, if there is "even a fair possibility that the stay . . . will work damage to [another party]." *ImageVision.Net, Inc.*, 2012 WL 5599338, at *3 (explaining that "where there is a 'fair possibility' that a stay would prove detrimental to the non-movant, and the movant is unable to demonstrate a clear case of hardship or inequity, granting that stay is likely to result in undue prejudice to the non-movant") (quoting *Landis v. N. Am. Co.*, 299 U.S. 248, 255 (1936)) (additional citations omitted); *see also Cooper Notification*, 2010 WL 5149351, at *2 (citing *Landis* and noting that "a showing of hardship or inequity is 'generally' needed to show that the balance of equities favors a stay" but stating that a showing of hardship or inequity by movant is not a requirement, as "circumstances may arise in which the overall balance could be tipped in favor of a stay even if proceeding with the litigation will cause no undue hardship or prejudice to the party seeking a stay"). Here, the Court has explained why SenoRx has demonstrated that there is a fair possibility that a stay will work damage on its business. In turn, the Court does not believe that Hologic has made a compelling showing that it would face undue hardship or inequity in the absence of a stay. As SenoRx has noted, in attempting to articulate the hardship or prejudice it might face, Hologic has cited to the added litigation costs that it might incur were reexamination to proceed in tandem with this case. (D.I. 32 at 12-13; D.I. 33 at 8) This type of economic harm has been deemed not to amount to the kind of "undue" hardship or inequity referenced in the case law. *Personalized User Model, L.L.P. v. Google, Inc.*, C.A. No. 09-525-LPS, 2012 WL 5379106, at *2 (D. Del. Oct. 31, 2012) (noting that moving party had made no such showing of clear hardship or inequity when the only prejudice it argued it would incur in proceeding with the litigation was added litigation cost); *Cooper Notification*, 2010 WL 5149351, at *2 n.1 (same).

associated with the stay request strongly weighs against the grant of a stay. The mixed result as to these three factors suggests what this Court has concluded, namely, that the issue is a close one, with good arguments to be made for either outcome sought by the parties.

In the end, after carefully balancing these factors, the Court concludes that the balance tips in favor of SenoRx and the denial of the Motion. The prejudice to SenoRx—in terms of the threatened harm it faces and the clear delay that a stay would occasion—strikes the Court as more compelling, immediate and certain when compared to the potential for efficiency gains or simplification of the issues that might result from reexamination. In such a circumstance, the Court finds that the most appropriate resolution is for this litigation to proceed forward.

Therefore, it is ORDERED that Hologic's motion to stay pending *inter partes* reexamination by the PTO, (D.I. 27), is DENIED.

Dated: January 11, 2013



Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE