

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

PRINCETON DIGITAL IMAGE)
CORPORATION,)
)
Plaintiff,)

v.)

Civil Action No. 12-1461-LPS-CJB

KONAMI DIGITAL ENTERTAINMENT)
INC., HARMONIX MUSIC SYSTEMS,)
INC. and ELECTRONIC ARTS, INC.,)
)
Defendants.)

PRINCETON DIGITAL IMAGE)
CORPORATION,)
)
Plaintiff,)

v.)

Civil Action No. 13-335-LPS-CJB

UBISOFT ENTERTAINMENT SA,)
)
Defendant.)

MEMORANDUM ORDER

In these two patent infringement actions (referred to herein as the “*Harmonix* Action” and the “*Ubisoft* Action,” respectively), presently pending before the Court are motions to stay pending resolution of *inter partes* review of the patent-in-suit, U.S. Patent No. 5,513,129 (“the ‘129 Patent”), filed by Defendant Harmonix Music Systems, Inc. (“Harmonix”)¹ and Defendant Ubisoft Entertainment SA (“Ubisoft”), respectively. (D.I. 66; *Ubisoft* Action, D.I. 42)² For the

¹ The remaining Defendants in the *Harmonix* Action neither joined nor opposed the motion to stay filed by Harmonix.

² The motion in the *Harmonix* Action was filed first, and also addresses the status of the *Ubisoft* Action; the briefing as to that motion is full. (D.I. 67, 68, 69) The briefing on the motion in the *Ubisoft* Action is limited, and, for the most part, simply refers to the arguments

reasons stated below, the Court GRANTS the motions.

I. BACKGROUND³

A. The *Harmonix* Action

Plaintiff Princeton Digital Image Corporation (“Plaintiff” or “Princeton Digital”) filed the *Harmonix* Action on November 13, 2012. (D.I. 1) The initial Complaint was amended twice, and the Second Amended Complaint was answered by all Defendants in March 2013. (D.I. 8, 24-27) The Court held a Rule 16 conference on August 16, 2013 and issued a Scheduling Order on August 23, 2013. (D.I. 34) At the Rule 16 conference, the parties requested that the Court hold an early, limited claim construction hearing regarding two claim terms; that hearing was held on October 22, 2013 and a decision has not yet been issued. (D.I. 34 at 2) All party-initiated discovery, as well as service of infringement and invalidity contentions, was stayed pending the outcome of the limited claim construction proceeding. (*Id.* at ¶ 4(a) & Appendix B) A further *Markman* hearing was scheduled for May 28, 2014 and no trial date has been set. (*Id.* at ¶¶ 14, 20)

On November 15, 2013, Harmonix filed its petition for *inter partes* review (“IPR”) of claims 1, 5-6, 8-13, 15-19 and 21-23 of the '129 Patent, asserting that all of the claims should be cancelled, as they are anticipated or rendered obvious by the prior art. (D.I. 67 at 1 & ex. 1) It filed the motion to stay on December 3, 2013, and briefing was complete on December 30, 2013.

made in the briefing in the *Harmonix* Action. (*Ubisoft* Action, D.I. 42, 50) Any citations herein are therefore to the briefing in the *Harmonix* Action, unless otherwise noted.

³ On July 17, 2013, Judge Leonard P. Stark referred both cases to the Court to hear and resolve all pretrial matters, up to and including the resolution of case-dispositive motions. (D.I. 30, *Ubisoft* Action, D.I. 10)

(D.I. 66, 69)

B. The *Ubisoft* Action

Plaintiff filed the *Ubisoft* Action on February 27, 2013; Ubisoft answered a First Amended Complaint on June 13, 2013. (*Ubisoft* Action, D.I. 1, 9) Thereafter, the Court held a Rule 16 conference on August 16, 2013, and issued a Scheduling Order on August 19, 2013. (*Ubisoft* Action, D.I. 15) Plaintiff later filed a Second Amended Complaint, (*Ubisoft* Action, D.I. 21), and Ubisoft moved to dismiss Plaintiff's claim under 35 U.S.C. § 271(g) in that complaint, (*Ubisoft* Action, D.I. 26). The Court heard argument on this motion to dismiss, which it has taken under advisement.

Plaintiff thereafter served preliminary infringement contentions, but Ubisoft alleged that those contentions were deficient. This led to a discovery dispute teleconference with the Court. (*Ubisoft* Action, D.I. 37, 38) The Court largely agreed with Ubisoft's assertions, and thereafter ordered on December 20, 2013 that: (1) Plaintiff provide supplemental preliminary infringement contentions; (2) all case deadlines relating to submission of Plaintiff's preliminary infringement contentions be tolled; and (3) the parties should propose a schedule containing new such deadlines. (*Ubisoft* Action, D.I. 43) Subsequently, Plaintiff filed a motion seeking leave to amend to add a new defendant, Ubisoft Inc. (*Ubisoft* Action, D.I. 46) Additionally, at the parties' joint request, the Court amended case deadlines to call for the submission of preliminary infringement and invalidity contentions in early 2014, and a claim construction hearing on October 28, 2014. (*Ubisoft* Action, D.I. 49) No trial date has been set. (*Ubisoft* Action, D.I. 15 at ¶ 18)

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., 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). These factors are discussed in greater detail below.

III. DISCUSSION

A. Simplification of Issues for Trial

When a patent claim is reviewed by the United States Patent and Trademark Office (“PTO”), there are multiple possible outcomes. In a situation where all of the asserted claims are found invalid by the PTO, the “litigation would be simplified because it would be concluded.” *Softview LLC v. Apple Inc.*, C.A No. 12-989-LPS, C.A. No. 10-389-LPS, 2013 WL 4757831, at *1 (D. Del. Sept. 4, 2013) (internal quotation marks omitted). Alternatively, “should even some of the asserted claims be found invalid, that finding would reduce the number of issues left to be litigated.” *Id.* And even if “some or all of the claims are found not invalid . . . litigation should

be somewhat simplified due to the estoppel effect” that the IPR proceeding would have here (albeit only on petitioner Harmonix), as well as due to insight that the Court could gain from the PTO’s review process. *Id.*; *see also* 35 U.S.C. § 315(e)(2) (noting that if the PTO grants a petition for IPR, the petitioner is estopped from asserting invalidity in a civil action on “any ground that the petitioner raised or reasonably could have raised during that inter partes review”); *Abbott Diabetes Care, Inc. v. DexCom, Inc.*, C.A. No. 06-514 GMS, 2007 WL 2892707, at *5 (D. Del. Sept. 30, 2007). Indeed, this Court has itemized numerous ways that a PTO proceeding similar to the one at issue here can simplify proceedings at the district court level. *Neste Oil OYJ v. Dynamic Fuels, LLC*, C.A. No. 12-1744-GMS, 2013 WL 3353984, at *4 (D. Del. July 2, 2013) (quoting *Gioello Enters. Ltd. v. Mattel, Inc.*, No. C.A. 99-375 GMS, 2001 WL 125340, at *1 (D. Del. Jan. 29, 2001)).

The extent to which the IPR proceeding could enhance efficiency depends in part upon the number of asserted claims in these two actions that would be at issue before the PTO. In the *Harmonix* Action, Plaintiff has not yet been required to disclose which of the 23 claims of the patent-in-suit it is asserting, and has identified only claim 12; in the *Ubisoft* Action, it has asserted claim 1, and claims 5-23. (D.I. 24; *Ubisoft* Action, D.I. 39, ex. 1 at 2) All but six of the 23 patent claims are at issue in the IPR request, and all but three of the claims asserted in the *Ubisoft* Action are a part of that request. While it is difficult to predict the outcome of an IPR proceeding in advance, with such a high percentage of the patent’s claims (and of the asserted claims in at least the *Ubisoft* Action) potentially at issue before the PTO, there will likely be

notable simplification of issues if a stay is granted and the IPR commences.⁴ *Cf. Round Rock*, 2012 WL 1185022, at *1-2 (granting stay pending reexamination where most of the claims likely to be asserted could be affected by the pending reexaminations); *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) (same, where five of the six claims asserted in the litigation were rejected in initial PTO office actions).⁵

Another factor relating to simplification is the degree of overlap between the instant litigation and the IPR proceeding. 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 IPR, the greater this cuts against a finding that an IPR proceeding will lead to great simplification of the issues at play here. *Cf. 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. The parties do not address this

⁴ Indeed, in addressing the issue of simplification, Plaintiff focuses only on three claims of the patent-in-suit (claims 7, 14 and 20—the so-called “delay claims”), and argues that even if Harmonix was successful in invalidating all of the claims for which it has sought review, the Court would still have to adjudicate infringement of the “delay claims.” (D.I. 68 at 4) The Court agrees with Harmonix, however, which notes that: (1) the delay claims are all dependant to claims that are at issue in the IPR request, and (2) the “PTO’s analysis of the claims from which [the delay claims] depend will provide guidance on claim construction issues that will affect both validity and infringement of the delay claims.” (D.I. 69 at 2) Moreover, 12 of the claims subject to Harmonix’s IPR review petition are not incorporated into the delay claims at all. (*Id.* at 2 & n.1).

⁵ Of course, the PTO has not yet determined whether to authorize the requested IPR. It may do so if the Director of the PTO determines that there is a “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a). However, statistically, review has been granted in nearly all of the IPR review petitions on which the PTO issued decisions through at least mid-2013. *See Neste Oil*, 2013 WL 3353984, at *4 & n.4 (noting that as of May 2013, the PTO had issued decisions on 61 petitions and instituted *inter partes* review in 56 of those cases). Thus, from a statistical perspective, the probability of a grant of review is very high. *Id.*

issue in great detail in their briefing. This may be because although Defendants' respective Answers did include reference to defenses beyond the Section 102 and 103 defenses likely to be addressed in an IPR proceeding, (*see, e.g.*, D.I. 25-27), the relatively early stage of this case has not allowed for great clarity as to whether such other defenses will be seriously pressed in this case. In the end, while the Court can assume that there will not be total overlap between the issues at play in the two proceedings, the amount of any divergence is not well set out and does not, at this point, seem large.

Taking into account all of this, and particularly in light of the statistical likelihood that review will be granted, and the great number of claims that would be at issue in both that proceeding and these cases, this factor weighs slightly in favor of a stay.

B. Status of Litigation

Motions to stay like these 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 review 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); *Oracle Corp. v. Parallel Networks, LLP*, Civ. No. 06-414-SLR, 2010 WL 3613851, at *2 (D. Del. Sept. 8, 2010). 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.

Each side has something to say as to this factor. For its part, Plaintiff notes that the IPR petition was filed on or about the last day of the statutory deadline, and that the motions to stay were filed well after the respective actions in this Court were instituted (i.e., after Rule 16 conferences were held, and after Scheduling Orders issued). (D.I. 68 at 5) Moreover, in both cases, the Court has invested some additional time addressing other legal issues, which can weigh in a non-movant's favor as to this factor. *See 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). In the *Harmonix* Action, the Court held the early limited *Markman* hearing on two claim terms, and in the *Ubisoft* Action, the Court has heard argument on a motion to dismiss and addressed a discovery dispute.⁶

Yet as *Harmonix* and *Ubisoft* note, most of the significant case events are well in the future in these actions—further *Markman* hearings, the completion of expert discovery and the

⁶ On the other hand, even though the Court did expend resources to address these legal issues, in some ways, the content of those proceedings served to emphasize how the cases are not close to resolution at all. The early *Markman* hearing in the *Harmonix* Action was originally premised on the idea that any resulting claim construction could resolve much of the parties' disputes in the case. (D.I. 67 at 2) But after hearing Plaintiff's repeated comments to the contrary during the hearing itself, (*see, e.g.*, D.I. 65 at 82, 112-13), the Court now has real doubts on that score. And in the *Ubisoft* Action, the motion to dismiss, the Court's decision that certain preliminary infringement contentions should be supplemented, and the newly-filed motion to amend all emphasize the same thing—that the parties are still dealing with introductory issues involving what exactly the infringement claims are and who they are against.

filing of case dispositive motions are all still many months to well over a year away. Trial dates have not been set, and would not likely occur until at least late 2015.

Perhaps more significantly, discovery is in its nascent stages. In the *Harmonix* Action, although certain initial disclosures have been made, no party-initiated discovery has begun and discovery-related deadlines are currently stayed. In the *Ubisoft* Action, the process of exchanging initial disclosures itself has been delayed due to the discovery dispute and to Plaintiff's insufficient preliminary infringement contentions; no party-initiated discovery is likely to take place until well into 2014. See *SenoRx, Inc. v. Hologic, Inc.*, Civ. Action No. 12-173-LPS-CJB, 2013 WL 144255, at *5 (D. Del. Jan. 11, 2013) (finding this factor "squarely favors a stay" where defendant had answered the complaint, the Court held a Rule 16(b) teleconference, and a Scheduling Order had issued, but the parties were in the early stages of discovery); cf. *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).

Taking into account these diverse issues, which the Court believes on balance more strongly favor the moving parties, the Court finds that this factor favors a stay. Cf. *Softview*, 2013 WL 4757831, at *1-2 (granting stay in favor of newly-filed IPR petition where review proceeding would likely conclude close to the date when case-dispositive motions were to be filed).

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 review; (2) the timing of the request for stay;⁷ (3) the status of the review proceeding; and (4) the relationship of the parties. *Neste Oil*, 2013 WL 3353984, at *2; *Boston Scientific Corp. v. Cordis Corp.*, 777 F. Supp. 2d 783, 789 (D. Del. 2011).

(1) Timing of the request for review and the requests for stay

Harmonix filed the petition for IPR on November 15, 2013, almost a year to the day after Plaintiff filed the initial Complaint against it, and less than three months after the Scheduling Order issued in the *Harmonix* Action. Its motion to stay was filed on December 3, 2013 and Ubisoft's follow-on motion to stay was filed on December 20, 2013. (*Ubisoft* Action, D.I. 42)

Our Court has explained that in some sense, a motion to stay pending review 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 [review] 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 a 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.

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

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).

Here, the petition and the motions to stay were not filed at a time that suggests Harmonix or Ubisoft seek an inappropriate tactical advantage. The instant cases are not at the very late stages of litigation, as in the cases cited above, nor did these filings come after Harmonix or Ubisoft suffered an adverse case event.

Nevertheless, Plaintiff alleges that Harmonix sought to gain an inappropriate advantage with its conduct here, by engaging in a form of “gamesmanship[.]” (D.I. 68 at 8) That is, Plaintiff asserts that Harmonix: (1) lobbied Plaintiff to agree to an early *Markman* hearing; (2) which was merely a ruse designed only to “flush out and extract” Plaintiff’s position on the two claim terms at issue, so that it could be used against Plaintiff during the IPR proceeding; (3) and was also a ploy to get Plaintiff to agree to stay discovery deadlines; (4) all while “remain[ing] silent” and “never reveal[ing]” to it or the Court that its true intention was to “file the *inter partes* review proceeding.” (*Id.* at 7-8)

This charge is not well born out by the record. As Defendant notes, Plaintiff itself advocated for the early *Markman* hearing and for a stay of most discovery during the Rule 16 conference. (D.I. 69, ex. A at 24-25, 27, 30) And Harmonix’s counsel made comments during that Rule 16 conference indicating that Harmonix was considering the filing of a petition for IPR (both as to claims relating to the terms to be discussed at the early *Markman* hearing, and as to claims that did not). (*Id.*, ex. A at 21-22) The Court thus does not find Plaintiff’s claims of

“gamesmanship” to be well supported.

In light of this, the Court does not find the timing of the requests to suggest an attempt to gain an inappropriate tactical advantage, and finds that this subfactor weighs in favor of a stay.

(2) Status of review proceeding

Under the still relatively new *inter partes* review procedures, the Director of the PTO must decide whether to grant review within six months of the petition being filed, and the PTO must then complete its review and issue a final determination “not later than 1 year after the date on which the Director notices the institution[.]” except that the Director may extend the one-year period for good cause up to six months. 35 U.S.C. §§ 314(b) & 316(a)(11); *Neste Oil*, 2013 WL 3353984, at *2 n.2. Thus, here, the PTO’s decision on whether to grant review is expected by May 2014, and if review is granted, the proceeding would likely conclude by mid-2015.

As compared to the far lengthier prior reexamination process, “*inter partes* review promises to be a more expeditious process[.]” *Softview*, 2013 WL 4757831, at *2, which merits weight in this analysis. Nevertheless, in light of the early stage of the review proceedings here (with the PTO not yet having determined whether to grant review) the length of the expected delay increases the risk of prejudice to Plaintiff, *Neste Oil*, 2013 WL 3353984, at *2.⁸

Therefore, the status of the IPR proceeding 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

⁸ Obviously, on the other hand, if the PTO rejects the *inter partes* review request, any granted stay would be relatively short. See *Semiconductor Energy Lab. Co., Ltd. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012).

relationship of the parties, which typically involves considering whether the parties are direct 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).

Here, there is no dispute that the parties are not direct competitors. Plaintiff is a non-practicing entity that does not participate in the relevant market and will not suffer any loss of market share or erosion of goodwill due to a stay. The patent-in-suit has expired; Plaintiff's damages, if any, are purely monetary and can be accommodated by the award of interest if it ultimately prevails. (D.I. 67 at 8-9; D.I. 69 at 7); *Round Rock*, 2012 WL 1185022, at *1; *Mission Abstract Data*, 2011 WL 5523315, at *4.

This subfactor thus weighs in favor of a stay.

(4) Conclusion

Although the very early stage of the review proceedings weighs against a stay, the timing of the request for *inter partes* review and for a stay and the nature of the parties' relationship weigh in favor of a stay. On balance, while the early stage of the IPR proceeding does provide some cause for concern, the other subfactors here favor a stay and mute the severity of any such concern. *See Neste Oil*, 2013 WL 3353984, at *4. In the end, the Court finds that this factor favors a stay.

IV. CONCLUSION

The potential for simplifying the issues, the current status of this litigation and the amount of undue prejudice associated with the stay requests all favor a stay, to at least some degree. In light of that, the Court concludes that a stay pending review is warranted.

Therefore, it is ORDERED that:

- (1) Defendants' motions to stay pending *inter partes* review by the PTO (D.I. 66; *Ubisoft* Action, D.I. 42) are GRANTED. The proceedings are STAYED from the date of this order until further notice.
- (2) The parties shall timely advise the Court of the PTO's decision as to whether to grant review of the '129 Patent.

Dated: January 15, 2014



Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE