

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

VICTOR MANUEL CELORIO,

Plaintiff,

v.

ON DEMAND BOOKS LLC,
A Delaware Corporation,

Defendant.

Civil Action No. 12-821-GMS

ORDER

WHEREAS, on June 25, 2012, the plaintiff, Victor Manuel Celorio (“Celorio”) filed a Complaint against the defendant, On Demand Books LLC (“On Demand”) alleging infringement of U.S. Patent No. 6,012,890 (“the ’890 Patent”) (D.I. 1) and, on September 21, 2012, On Demand filed its Answer to the Complaint (D.I. 13);

WHEREAS, on February 12, 2013, On Demand filed a Motion to Stay Litigation Pending Reexamination (D.I. 19) and its accompanying Opening Brief in Support (D.I. 20);

WHEREAS, on March 1, 2013, Celorio filed its Answering Brief in Opposition to On Demand’s Motion to Stay (D.I. 23) and, on March 8, 2013, On Demand filed its Reply (D.I. 24);

WHEREAS, the court, having considered the instant motion, the response and reply thereto, and the applicable law, concludes that On Demand has demonstrated that a stay of the above captioned matter pending completion of the *ex parte* reexamination is appropriate in this case¹;

¹ It is well established that the decision to stay an action lies within the sound discretion of the trial court. *Cost Bros. Inc. v. Travelers Indemnity Co.*, 760 F.2d 58, 60 (3d Cir. 1985); *see also First Am. Title Ins. Co. v. MacLaren, L.L.C.*, No. 10-363-GMS, 2012 WL 769601, at *4 (D. Del. Mar. 9, 2012). Central to the rationale

providing for such discretion is that of the “court’s inherent power to conserve judicial resources by controlling its own docket.” *Cost Bros. Inc.*, 760 F.2d at 60-61 (citation omitted). This authority extends to patent cases in which an *inter* or *ex partes* Patent and Trademark Office (“PTO”) reexamination has been requested. See, e.g., *Ethicon, Inc. v. Quigg*, 849 F. 2d 1422, 1426-27 (Fed. Cir. 1988). The trial court is tasked with assessing three factors to determine whether it is appropriate to grant a motion to stay in a given matter: “(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and a trial date has been set.” *First Am. Title Ins. Co.*, C.A. No. 10-cv-363 (GMS), 2012 WL 769601, at *13 (quoting *Xerox Corp. v. 3Com Corp.*, 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999)). For the reasons that follow, the court finds that, taken together, the factors weigh in favor of staying this action. Therefore, the court will grant the instant motion and stay this litigation pending completion of the *ex partes* reexamination.

With respect to the “undue prejudice” factor, the court notes that staying any case pending PTO reexamination risks prolonging final resolution of a litigation. See *Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 12-1744-GMS, 2013 WL 3353984, at *2 (D. Del. July 2, 2013); *Davol, Inc. v. Atrium Medical Corp.*, C.A. 12-958-GMS, 2013 WL 3013343, at *2. Importantly, however, the mere possibility of a resulting delay is not dispositive and is insufficient to establish that a party will be “unduly” prejudiced. See *Wall Corp. v. BondDesk Grp., L.L.C.*, C.A. No. 07-844-GMS, 2009 WL 528564, at *2 (D. Del. Feb. 24, 2009). Rather, the court must assess a variety of sub-factors to determine whether granting a stay will result in undue prejudice to the non-moving party, “including ‘the timing of the stay request . . . the relationship between the parties and the related question of whether the plaintiff may be compensated through future money damages.’” *BodyMedia, Inc. v. Basis Sci., Inc.*, No. 12-133-GMS, 2013 WL 2462105, at *1 n.1 (D. Del. June 6, 2013) (citation omitted)). Moreover, regarding the timing of a stay, the court must consider the status of the reexamination proceedings. See *Boston Scientific Corp. v. Cordis Corp.*, 777 F. Supp. 2d 783, 789 (D. Del. 2011). Specifically, courts are reluctant to impose a stay where the timing of the request for a stay or reexamination suggests that the movant is attempting to gain an unfair tactical advantage. See *Neste Oil*, 2013 WL 3353984, at *2 (citing *St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp.*, No. 01-557-JJF, 2003 WL 25283239, at *1 (D. Del. Jan. 30, 2003)).

Here, Celorio commenced this action on June 25, 2012. (D.I. 1.) Roughly six months later, on January 2, 2013, On Demand filed its petition for *ex parte* reexamination and the PTO granted its request on February 5, 2013. (D.I. 20 at Ex. 1.) On Demand filed a motion to stay a week later, on February 12, 2013. (D.I. 19; D.I. 20.) Given the timely and prompt filings of both the petition for reexamination and the motion to stay—both filed while this litigation is in its early stages—the court cannot conclude that On Demand is attempting to gain an unfair tactical advantage through its instant motion.

The court further finds that the delay in the litigation of this matter will not result in an undue prejudice to Celorio. Specifically, and as noted above, the delay that will inevitably result from a stay during the reexamination proceeding is, by itself, insufficient to establish the undue prejudice element. This conclusion is further supported by several facts detailed in the parties’ briefing. First, Celorio, after learning of On Demand’s alleged infringement, waited five years before filing any action. (D.I. 20 at 6.) Specifically, Celorio first alleged that On Demand infringed the ’890 Patent in a letter to the World Bank in 2006, but did not file suit until he brought an action in the Northern District of Florida in 2012. (D.I. 21 at Ex. 3); see also *Celorio v. Google Inc.*, 872 F. Supp. 2d 1327 (N.D. Fla. 2012). The court agrees with On Demand that, although Celorio certainly has the right to file suit for infringement at any time, his delay in filing this action fails to demonstrate that he considered this to be a “time of the essence matter” or that, absent expeditious litigation, he will suffer undue prejudice. (D.I. 20 at 6.)

Second, the court likewise disagrees with Celorio’s assertion that he will be unduly prejudiced by a stay because a stay will make it more difficult to identify and serve all defendants and may result in the loss of evidence. While the litigation delay may result in some level of difficulty for Celorio, it is offset by Celorio’s own decision not to file suit until years after becoming aware of the alleged infringement and the fact that parties have a duty to preserve evidence from the point when litigation is pending or reasonably foreseeable. See *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 1320 (Fed. Cir. 2011). Thus, the court finds that this alleged prejudice, should it occur, is not undue. Third, the court also finds that Celorio will not be unduly prejudice with respect to his ability to obtain a remedy should the PTO affirm the claims of the patent-in-suit and On Demand be found to infringe. Rather, based on the nature of this suit, Celorio can be compensated through money damages, including any appropriate interest accrued during the stay. Therefore, in view of the foregoing, the court concludes that Celorio will not suffer undue prejudice by the court granting a stay in this action.

Next, and with respect to the simplification of issues factor, the court concludes that granting a stay in this case pending the conclusion of the *ex parte* reexamination will, in fact, simplify issues for trial, should this matter

IT IS HEREBY ORDERED that:

1. On Demand's Motion to Stay (D.I. 19) pending *ex parte* reexamination of U.S. Patent No. 6,012,890 is GRANTED;

proceed to that stage of litigation. "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)." *Abbott Diabetes Care*, 2007 WL 2892707, at *5 (quoting *Gould v. Control Laser Corp.* 705 F.2d 1340, 1342 (Fed.Cir.1983)). The court agrees and concludes that, regardless of the PTO's conclusion, the results of the reexamination proceeding will aid in simplifying or eliminating the overlapping issues before the court. Indeed, even if the PTO were to ultimately confirm all of the claims, the court would likely benefit from the expert analysis the PTO conducts, thus further simplifying issues before the court. See *SenoRx, Inc. v. Hologic, Inc.*, C.A. No. 12-173-LPS-CJB, 2013 WL 144255, at *4. To date, the PTO has determined that there are some nineteen "Substantial New Questions" of patentability, which presumably will be examined in the reexamination. Consequently, the court concludes that granting the stay will simplify issues ultimately before the court and will conserve judicial resources.

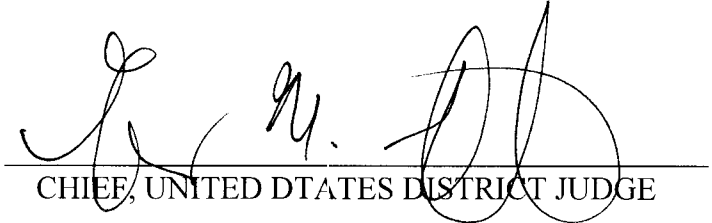
Finally, the court finds that this litigation is still in its early stages and weighs this factor in favor of a stay. Specifically, a scheduling order has not yet been entered and a trial date has not been set. See *First Am. Title Ins. Co.*, 2012 WL 769601, at *4. Granting a stay when a case is in its early stages "can be said to advance judicial efficiency and maximize the likelihood that neither the Court nor the parties expend their assets addressing invalid claims." *Davol*, 2013 WL 3013343, at *1 (quoting *SenoRx, Inc.*, 2013 WL 144255, at *4). Therefore, because this action is in its infant stages and the reexamination proceeding is ongoing, the court agrees with On Demand that a stay of this action will promote judicial efficiency and will avoid wasting the parties' efforts and expense in parallel proceedings. See *Davol*, 2013 WL 3013343, at *1 (quoting *SenoRx, Inc.*, 2013 WL 144255, at *4) (noting that granting a stay when a case is in its early stages "can be said to advance judicial efficiency and maximize the likelihood that neither the [c]ourt nor the parties extend their assets addressing invalid claims").

In reaching its conclusion that a stay is appropriate in this case for the reasons detailed in the examination of the three stay factors considered above, the court notes that it also rejects Celorio's arguments that: (1) the stay should be denied because Celorio and On Demand are direct competitors; and (2) On Demand is estopped from arguing for a stay because this position conflicts with the "urgency" or "immediacy" inherent in On Demand's declaratory judgment claim. First, and with regard to the former argument, Celorio maintains that because On Demand is a direct competitor, the court should not grant a stay as it will result in undue prejudice to him. (D.I. 23 at 4.) As an initial matter, courts are disinclined to grant a motion to stay in a matter where the parties are direct competitors. See *Davol*, 2013 WL 3013343, at *3. In cases that do involve direct competitors, "there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting [that] infringement has occurred, including the potential for loss of market share and an erosion of good will." *Neste Oil I*, 2013 WL 424574, at *2 (quoting *SenoRx, Inc.*, 2013 WL 144255, at *5). Here, however, On Demand asserts that because Celorio has not competed in the relevant market since 2009, he has failed to prove that he is currently a direct competitor. (D.I. 24 at 1-2.) The court agrees. Although Celorio established that he was in direct competition with On Demand in 2007 and, possibly, sold a single book machine in 2008, he concedes that by 2009 his sales had diminished entirely. (D.I. 23 at 3.) Thus, because Celorio has failed to demonstrate that the parties are currently direct competitors, it is clear that the rationale behind the "direct competitor" consideration—protection of market share and good will—are not implicated in this case and, as a result, the court does not consider it.

Finally, and with regard to Celorio's second argument, he asserts that On Demand is estopped from seeking a stay because it filed a counterclaim for declaratory relief pursuant to the Declaratory Judgment Act ("DJA"). Celorio maintains that because the purpose of the DJA "in patent cases is to provide the allegedly infringing party relief from uncertainty and delay regarding its legal rights," that On Demand should be estopped from seeking a motion to stay which will in effect result in a delay of the trial. (D.I. 23 at 8 (citing *Sony Elecs., Inc. v. Guardian Media Techs., Ltd.*, 497 F.3d 1271, 1274 (Fed. Cir. 2007) (citations omitted)).) The court finds this argument unpersuasive. Notably, Celorio does not cite any case law supporting his argument and instead provides citations to cases detailing the parameters of the DJA and rules regarding binding admissions in responsive pleadings. None of the cases Celorio cites suggest that once a party has filed a claim under the DJA, it should be barred from requesting a stay and the court has not uncovered such precedent. Absent such support, the court rejects this argument and concludes that it has no bearing on the court's finding that a stay is appropriate in this case.

2. Celorio's Motion to Supplement Exhibits (D.I. 26) is GRANTED; and
3. Within thirty days of the conclusion of the '890 Patent *ex parte* reexamination, the parties shall notify the court of the status of the reexamination.

Dated: August 21, 2013



CHIEF, UNITED STATES DISTRICT JUDGE