



1 **I. FACTUAL AND PROCEDURAL BACKGROUND**

2 The patents-in-suit, each of which concerns delivery systems for digital mail, were  
 3 originally filed with the USPTO in 2000.<sup>4</sup> On February 10, 2004, the USPTO issued U.S. Patent  
 4 No. 6,690,773, titled “Recipient Control Over Aspects of Incoming Messages,” to Robert A. Law  
 5 (“the ’773 patent”).<sup>5</sup> On June 6, 2006, it issued U.S. Patent No. 7,058,586, titled “Information  
 6 Delivery System for Providing Senders with a Recipient’s Messaging Preferences,” to Law (“the  
 7 ’586 patent”).<sup>6</sup> Finally, on January 13, 2009, the USPTO issued United States Patent No.  
 8 7,478,140, titled “System and Method for Sending Electronic Mail and Parcel Delivery  
 9 Notification Using Recipient’s Identification Information,” to Tim King, Alan Slater, Victor  
 10 Forman, and Tim Waggoner (“the ’140 patent”).<sup>7</sup> Pitney is the assignee of all right, title, and  
 11 interest in and to the three patents.<sup>8</sup>

12 Pitney alleges, on information and belief, that Zumbox has been and is now infringing,  
 13 contributorily infringing, or actively inducing infringement of all three patents by making, using,  
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 16 2010); Bryan K. James Declaration in Support of Request for Judicial Notice (“James Decl.”),  
 Docket No. 37 (Mar. 22, 2010).

17 <sup>3</sup>Plaintiffs’ Opposition to Zumbox, Inc.’s Motion to Stay Pending *Inter Partes*  
 18 Reexamination (“Opp.”), Docket No. 34 (Mar. 22, 2010); Declaration in Support of Plaintiffs’  
 19 Opposition to Zumbox, Inc.’s Motion to Stay Pending *Inter Partes* Reexamination (“Roberg-Perez  
 Decl.”), Docket No. 35 (Mar. 22, 2010).

20 <sup>4</sup>Complaint, Exhs. 1–3.

21 <sup>5</sup>*Id.*, ¶ 12.

22 <sup>6</sup>*Id.*, ¶ 10. Although not described in the complaint, Pitney’s opposition briefs states that  
 23 the ’773 and ’586 patents “relate to systems that allow senders to access users’ preferences with  
 24 respect to the receipt of electronic mail.” (Opp. at 2.)

25 <sup>7</sup>Complaint, ¶ 8. Pitney asserts in its opposition brief that the ’140 patent was filed in 2000  
 26 but did not issue until 2009 due to more than four years of delays within the USPTO. (Opp. at  
 27 2.) Although not described in the complaint, Pitney’s opposition brief states that the ’140 patent  
 “relates to systems that map physical addresses to electronic mailboxes.” *Id.*)

28 <sup>8</sup>Complaint, ¶¶ 9, 11, 13.

1 selling, or offering for sale a product available at www.zumbox.com that infringes, literally or  
2 under the doctrine of equivalents, one or more claims of each patent.<sup>9</sup> Pitney seeks a declaration  
3 that Zumbox has infringed and an order enjoining it from infringing the patents further, as well  
4 as damages for past infringement, pre-judgment interest, costs, and attorneys' fees.<sup>10</sup>

5 On January 22, 2010, Zumbox submitted a request to the USPTO for *inter partes*  
6 reexamination of all claims contained in the '140, '586, and '773 patents.<sup>11</sup> On January 28, 2010,  
7 the USPTO mailed Zumbox Notices of Assignments of *Inter Partes* Reexamination Request and  
8 Filing Date.<sup>12</sup> Zumbox filed its motion to stay this case pending reexamination on February 16,  
9 2010. The following week, on February 22, 2010, the court held a case management conference.  
10 At the conference, Zumbox noted that it had already filed requests for reexamination of all three  
11 claims, and that it had also a motion to stay the action pending the reexamination. Zumbox's  
12 attorney stated that it expected action on the '140 reexamination prior to the hearing on the  
13 motion to stay.

14 On March 15, 2010, the USPTO issued two orders. The first granted *inter partes*  
15 reexamination of the '140 patent.<sup>13</sup> The second was an Office Action,<sup>14</sup> which set forth the  
16 USPTO's initial and non-final position regarding the reexamination request. The Office Action  
17 stated that the examiner had preliminarily concluded that all twenty claims in the '140 patent were  
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19 <sup>9</sup>*Id.*, ¶¶ 15, 18, 21. Pitney's opposition asserts that Zumbox infringed the '140 patent by  
20 creating its own "nationwide paperless postal system" [that] generat[es] a private and secure web  
21 page—or a 'zumbox'—to correspond to every street address in the United States." (Opp. at 2.)  
22 It maintains that "in the Zumbox paperless postal system, senders can track the performance of  
23 their mailings, and are informed when, for example, their recipients request that they only receive  
24 mail in a paperless format" (*id.*), which infringes the '773 and '586 patents.

25 <sup>10</sup>Complaint, Prayer for Relief, ¶¶ 1-4.

26 <sup>11</sup>Motion at 5; Ahearn Decl., Exhs. 1-3.

27 <sup>12</sup>Motion at 5; Ahearn Decl., Exhs. 4-6.

28 <sup>13</sup>James Decl., ¶ 3, Exh. A.

<sup>14</sup>James Decl., ¶ 4, Exh. B.

1 not patentable. Pitney was required to respond to the Office Action on or before May 15, 2010.  
2 Zumbbox is entitled to file a reply by June 14, 2010.<sup>15</sup>

3 On April 16, 2010, the USPTO issued orders granting *inter partes* reexamination of the  
4 '586 and '773 patents. An Office Action issued the same day preliminarily confirmed that the four  
5 claims of those patents that are at issue in this action are patentable. It nonetheless granted  
6 reexamination, and reexamination will proceed.

## 8 II. DISCUSSION

### 9 A. Legal Standard Governing Motions to Stay Pending Patent Reexamination

10 The Supreme Court has long recognized that district courts have broad discretion to  
11 manage their dockets, including the power to stay proceedings. *Landis v. North American Co.*,  
12 299 U.S. 248, 254-55 (1936) (“[T]he power to stay proceedings is incidental to the power inherent  
13 in every court to control the disposition of causes on its docket. . . . How this can best be done  
14 calls for the exercise of judgment, which must weigh competing interests and maintain an even  
15 balance”). Courts have also “consistently recognized the inherent power of the district courts to  
16 grant a stay pending reexamination of a patent.” *Procter & Gamble Co. v. Kraft Foods Global,*  
17 *Inc.*, 549 F.3d 842, 849 (Fed. Cir. 2008). See also *Gould v. Control Laser Corp.*, 705 F.2d  
18 1340, 1341 (Fed. Cir. 1983) (noting that “because district courts have broad discretionary powers  
19 to control their dockets, stays will not be vacated unless they are ‘immoderate or of an indefinite  
20 duration,’” quoting *McKnight v. Blanchard*, 667 F.2d 477, 479 (5th Cir. 1982));<sup>16</sup> *Ethicon, Inc.*

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22 <sup>15</sup>*Id.*, Exh. B.

23 <sup>16</sup> In *Gould*, the Federal Circuit held that it lacked jurisdiction to review a stay entered by  
24 the district court, which was designed to allow the USPTO to proceed with a patent reexamination.  
25 The court noted that a stay order “should not ordinarily be viewed . . . as ‘final’ and thus within  
26 the jurisdiction of an appellate court [unless] . . . it effectively puts the parties out of . . . court,  
27 either permanently because it terminates the action as a practical matter, or, as some courts have  
28 held, for a protracted or indefinite period.” *Gould*, 705 F.2d at 1341. “That general rule does  
not prevent review of a stay, however, when it is clear that no further action is contemplated by  
the district court following the stay.” *Slip Track Systems, Inc. v. Metal Lite, Inc.*, 159 F.3d 1337,  
1340 (Fed. Cir. 1998).

1 v. *Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988) (reviewing the legislative history of ex parte  
2 reexamination, which noted that the statute lacked language authorizing district courts to stay cases  
3 pending reexamination because “‘such power already resides with the Court,’” quoting H.REP.  
4 No. 1307(I), 96th Cong., 2d Sess. 4, reprinted in 1980 U.S.C.C.A.N. 6460, 6463)). “[T]he  
5 defendant may . . . seek a stay under the district court’s inherent power.” *Procter & Gamble*, 549  
6 F.3d at 849.<sup>17</sup>

7 Whether to stay an action pending reexamination is committed to the sound discretion of  
8 the district court. “The court is not required to stay judicial resolution in view of the  
9 reexaminations.” *Viskase Corp. v. American National Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir.  
10 2001). See also *Slip Track Systems*, 159 F.3d at 1341 (while a stay of patent litigation may be  
11 appropriate under certain circumstances, where the proceedings before the USPTO and in court  
12 are “neither duplicative nor dependent on one another, there is neither any need nor any  
13 justification” for a stay); *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985) (a stay for  
14 purposes of reexamination is within the district court’s discretion). There is, however, “a ‘liberal  
15 policy’ in favor of granting motions to stay pending the outcome of PTO reexamination  
16 proceedings.” *Sorensen v. Giant International (USA) Ltd.*, No. 07cv2121, 2009 WL 5184497,  
17 \*1 (S.D. Cal. Dec. 21, 2009) (quoting *ASCII Corp. v. STD Entertainment USA, Inc.*, 844 F.Supp.  
18 1378, 1381 (N.D. Cal. 1994) (“[T]here is a liberal policy in favor of granting motions to stay  
19 proceedings pending the outcome of USPTO reexamination or reissuance proceedings”); *HTC*  
20 *Corp. v. Technology Properties Ltd.*, Nos. C 08-00882 JF, C 08-00877 JF, 2009 WL 1702065,  
21 \*1 (N.D. Cal. June 17, 2009) (“There is a liberal policy in favor of granting motions to stay  
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23 <sup>17</sup>By contrast, the USPTO does “not have authority to stay a patent reexamination  
24 proceeding pending the outcome of a case in a district court given the requirement in 35 U.S.C.  
25 § 305 that all reexaminations be conducted with ‘special dispatch.’” *In re Swanson*, 540 F.3d  
26 1368, 1378 (Fed. Cir. 2008) (citing *Ethicon*, 849 F.2d at 1425-29). In *Ethicon*, the Federal  
27 Circuit concluded that “the suspension of PTO [reexamination] proceedings does not prevent  
28 duplication;” instead, it improperly “precludes access to the forum where there is no presumption  
of validity.” *Ethicon*, 849 F.2d at 1427. It noted, in so holding, that “if the district court  
determines a patent is not invalid, the PTO should continue its reexamination because, of course,  
the two forums have different standards of proof for determining invalidity.” *Id.* at 1428-29.

1 proceedings pending the outcome of reexamination, especially in cases that still are in the initial  
2 stages of litigation and where there has been little or no discovery”).

3         Considering whether it was appropriate to grant a stay, the Federal Circuit in *Slip Track*  
4 reviewed a number of district court decisions in which a stay had been entered. It noted that in  
5 *ASCII Corp.*, 844 F.Supp. 1378, “the district court stayed a patent action that raised infringement  
6 and validity issues in favor of an ongoing reexamination in the PTO. The stay was justified in that  
7 case because the outcome of the reexamination would be likely to assist the court in determining  
8 patent validity and, if the claims were canceled in the reexamination, would eliminate the need to  
9 try the infringement issue.” *Slip Track Systems*, 159 F.3d at 1341 (citing *ASCII Corp.*, 844  
10 F.Supp. at 1380-81). In *NL Chemicals Inc. v. Southern Clay Products Inc.*, 14 U.S.P.Q.2d 1561  
11 (D.D.C. 1989), the district court considered “copending interference proceedings in the PTO and  
12 in district court. The district court chose to stay the interfering patents suit in favor of the PTO  
13 interference after finding that ‘the PTO interference proceeding encompasses all issues presented  
14 in this suit.’ . . . The court noted that the PTO had more expertise in the intricacies of resolving  
15 issues of priority of invention.” *Id.* (quoting *NL Chemicals*, 14 U.S.P.Q.2d at 1565).

16         “Congress intended the reexamination process to provide an efficient and relatively  
17 inexpensive procedure for reviewing the validity of patents which would employ the PTO’s  
18 expertise.” *Ethicon*, 849 F.2d at 1426. It instituted the process “to shift the burden of  
19 reexamination of patent validity from the courts to the PTO.” *Canady v. ERbe Elektromedizin*  
20 *GmbH*, 271 F.Supp.2d 64, 78 (D.D.C. 2002). The focus of a reexamination is essentially the  
21 same as the focus of an initial patent examination. On initial examination, “a preponderance of  
22 the evidence must show nonpatentability before the PTO may reject the claims of a patent  
23 application. The intent underlying reexamination is to ‘start over’ in the PTO with respect to the  
24 limited examination areas involved, and to re-examine the claims . . . as they would have been  
25 considered if they had been originally examined in light of all the prior art of record in the  
26 reexamination proceeding.” *Id.* at 1427 (internal citations and quotations omitted). At the  
27 conclusion of a reexamination, the PTO publishes “a certificate canceling any claim of the patent  
28 finally determined to be unpatentable, confirming any claim of the patent determined to be

1 patentable, and incorporating in the patent any proposed amended or new claim determined to be  
2 patentable.” 35 U.S.C. § 316(a). See also *Synthes (U.S.A.) v. G.M. dos Reis Jr. Ind. Com. de*  
3 *Equip. Medico*, Civil No. 07-CV-309-L(AJB), 2010 WL 669733, \*2 (S.D. Cal. Feb. 22, 2010)  
4 (describing the patent reexamination process).

5 “[L]itigation and reexamination are distinct proceedings, with distinct parties, purposes,  
6 procedures and outcomes.” *Ethicon*, 849 F.2d at 1427 (emphasis omitted). “When considering  
7 whether to stay patent infringement litigation pending a reexamination of the patent in suit, courts  
8 generally examine three factors, including (1) whether a stay would unduly prejudice or present  
9 a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues  
10 in question and trial of the case; and (3) whether discovery is complete and whether a trial date  
11 has been set.” *Synthes*, 2010 WL 669733 at \*2 (quoting *Equipements de Transformation IMAC*  
12 *v. Anheuser-Busch Co., Inc.*, 559 F.Supp.2d 809, 815 (E.D. Mich. 2008). Given the  
13 “overlapping” nature of the court and USPTO proceedings, “this inquiry requires the [c]ourt to  
14 carefully consider the particular posture of the litigation before it, and do its best to make a  
15 difficult judgment call about the most efficient and fair way to proceed . . . , despite the  
16 uncertainty about the timing and final outcome of future proceedings in another forum.” *Network*  
17 *Applicance, Inc. v. Sun Microsystems, Inc.*, No. C-07-06053 EDL, 2010 WL 545855, \*2 (N.D.  
18 Cal. Feb. 11, 2010).<sup>18</sup>

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20 <sup>18</sup>Among the efficiencies weighing in favor of a stay are: “(1) many discovery problems  
21 relating to the prior art may be alleviated; (2) the record of the reexamination likely would be  
22 entered at trial, reducing the complexity and length of the litigation; (3) the issues, defenses, and  
23 evidence will be more easily limited in pre-trial conferences following a reexamination; (4) the  
24 outcome of the reexamination process may encourage a settlement without further involvement  
25 of the court; and (5) if the patent is declared invalid, the suit likely will be dismissed as to that  
26 patent” and in addition “the court will gain the benefit of the PTO's particular expertise, in that  
27 all prior art presented to the court will have been first considered by that agency.” *Pegasus*  
28 *Development Corp. v. DirecTV, Inc.*, No. Civ.A. 00-1020-GMS, 2003 WL 21105073, \*2 (D.  
Del. May 14, 2003). See also *Synthes*, 2010 669733 at \*4 (“Although an inter partes  
reexamination proceeding can be lengthy, see, e.g., *Fresenius USA, Inc. v. Baxter International,*  
*Inc.*, 582 F.3d 1288, 1305-06 (Fed. Cir. 2009) (Newman, J., concurring), they, including any  
appeals to the Board of Patent Appeals and Interferences, are conducted ‘with special dispatch’  
within the PTO. 35 U.S.C. § 314(c)”).

1           **B.     Whether Zumbox Is Entitled to a Stay**

2                   **1.     Stage of the Litigation**

3           Courts have found granting a stay appropriate where in actions that, like this one, were in  
4 the early stages of litigation. Some courts, in fact, have stayed actions that were more advanced  
5 than this proceeding. *Network Appliance*, 2010 WL 545855 at \*3 (finding a stay appropriate  
6 where the case was “in the middle stages of litigation” and “[s]ome discovery and claim  
7 construction has been done”); *Advanced Analogic Tech, Inc. v. Kinetic Tech., Inc.*, No.  
8 C-09-1360 MMC, 2009 WL 4981164 (N.D. Cal. Dec. 15, 2009) (staying an action after a trial  
9 date had been set, but no claim construction or summary judgment briefs had been filed);  
10 *Speedtrack, Inc. v. Wal-Mart.com USA, LLC*, No. C 06-7336 PJH, 2009 WL 281932, \*1 (N.D.  
11 Cal. Feb. 5, 2009) (granting a stay where damages discovery had not started and a trial date had  
12 not been set); *Advanced Analogic Technologies, Inc. v. Kinetic Technologies, Inc.*, No. C-09-1360  
13 MMC, 2009 WL 4981164, \*2 (N.D. Cal. Dec. 15, 2009) (granting a stay where the parties had  
14 litigated a motion to dismiss but no other dispositive motion or briefing on the merits of claim  
15 construction had occurred); *HTC*, 2009 WL 1702065 at \*2 (finding a stay appropriate where  
16 “proceedings still are at an early stage because no trial date has been set, no substantive motions  
17 have been filed, no depositions have been noticed or taken, the claim construction hearing has not  
18 occurred, and only limited discovery has taken place”); *Speedtrack*, 2009 WL 281932 at \*1  
19 (finding a stay appropriate where “discovery is not complete, and no trial date has yet been set,”  
20 although defendant waited more than 15 months after litigation had commenced and had engaged  
21 in actions suggestive of dilatory tactics); *Yodlee, Inc. v. Ablaise Ltd.*, Nos. C-06-07222 SBA,  
22 C-06-02451 SBA, C-07-01995 SBA, 2009 WL 112857, \*4 (N.D. Cal. Jan. 16, 2009) (staying a  
23 case because “[t]he relevant inquiry here is the stage of the litigation, and the fact that no  
24 *Markman* hearing has occurred simply means that the case is less, rather than more, advanced,”  
25 although the case had been on file for a lengthy period and had 138 docket entries).

26           This case is in its earliest stages. Although a case management conference has been held,  
27 and some limited discovery may have occurred, courts have stayed cases where significantly more  
28 litigation activity has taken place. The fact that the present case has just begun weighs heavily in

1 favor of a stay.

## 2 2. Simplification of Issues

3 A stay is appropriate when “the outcome of the reexamination would be likely to assist the  
4 court in determining patent validity and, if the claims are canceled in the reexamination, would  
5 eliminate the need to try the infringement issue.” *Slip Track Systems*, 159 F.3d at 1341. A  
6 reexamination can provide a “simplification of litigation that might result from the cancellation,  
7 clarification or limitation of claims, and, even if the reexamination did not lead to claim  
8 amendment or cancellation, it could still provide valuable analysis to the district court, which it  
9 could consider in reaching its determination.” *Ethicon*, 849 F.2d at 1428 (internal citations  
10 omitted). “Regardless of the outcome of the reexamination, . . . the court will have the benefit  
11 of the PTO’s expertise, analysis of the Patent claims, and evaluation of the relevant prior art.”  
12 *Synthes*, 2010 WL 669733 at \*3.

13 All of the claims in the ’140 patent have been preliminarily rejected by the USPTO; if the  
14 office maintains that position in a final order, the parties and the court will be spared claim  
15 construction, discovery, litigation of invalidity and infringement contentions, summary judgment  
16 motions, and trial respecting the ’140 patent. The patentability of the four claims in the remaining  
17 two patents that are at issue here has been preliminarily confirmed. Nonetheless, the USPTO  
18 granted reexamination with respect to all three patents. Even if that reexamination confirms the  
19 validity of the claims in the ’586 and ’773 patents, the court will benefit from the office’s  
20 expertise, analysis of the claims, and evaluation of the relevant prior art. The USPTO will  
21 continue its reexamination of the patents whether or not the court stays this action. “It would not  
22 serve judicial efficiency for this Court and the parties to continue litigation of the [’140] Patent  
23 claims when all of the asserted claims now appear likely to be invalidated by the PTO.” *Network*  
24 *Appliance*, 2010 WL 545855 at \*4. Moreover, because defendants have not asserted  
25 counterclaims, any finding of invalidity would likely resolve all issues in the litigation. Compare  
26 *Spectros Corp. v. Thermo Fisher Scientific, Inc.*, No. C 09-1996 SBA, 2010 WL 338093, \*2  
27 (N.D. Cal. Jan. 20, 2010) (noting that, where reexamination will not resolve both plaintiff’s  
28 affirmative claims and defendant’s counterclaims, the case for a stay is less strong); *IMAX Corp.*

1 *v. In-Three, Inc.*, 385 F.Supp.2d 1030, 1032-1033 (C.D. Cal. 2005) (denying a motion to stay  
2 in part because the court would still have been required to address defendant's counterclaims,  
3 some of which are completely unrelated to patent infringement). "Indeed, and as defendants have  
4 pointed out, there is a real risk that were a stay not granted, the parties and the court would  
5 expend substantial resources and costs in litigating this case through trial with respect to claims  
6 that the PTO later finds disallowed. Accordingly, and since the outcome of the reexamination is  
7 likely to assist the court in determining patent validity, the second factor weighs in favor of a  
8 stay." *Speedtrack*, 2009 WL 281932 at \*2.<sup>19</sup>

9 Moreover, courts have taken notice of the "statistical evidence provided, that upon  
10 reexamination the [USPTO] will take some action that results in canceling or altering one or more  
11 of the claims at issue and, accordingly, a stay would likely narrow and clarify the issues for claim  
12 construction and for trial." *Advanced Analogic*, 2009 WL 4981164 at \*1. As one court noted,  
13 "historical data indicates that a patent undergoing re-examination is more likely than not to change  
14 in some way, which would be grounds to justify a stay." *Abbott Laboratories, Inc. v. Medtronic,*  
15 *Inc.*, No. C-08-4962-DLJ, 2009 WL 799404, \*3 (N.D. Cal. Mar. 24, 2009). See also *Yodlee,*  
16 2009 WL 112857 at \*5 ("Statistically, the odds favor at least some of the asserted claims being  
17 cancelled by reexamination"). In a prominent treatise on the subject, one scholar notes that where  
18 *inter partes* reexamination is granted, all claims of the patent are found not patentable in almost  
19 50% of cases, while all independent claims were either rejected or amended in about 72% of  
20 cases. Matthew A. Smith, *INTER PARTES REEXAMINATION*, Ed. 1E, 48-53 (2009).<sup>20</sup>

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22 <sup>19</sup>"When there are overlapping issues between [a] reexamined patent[ ] and other patents  
23 in suit, courts have found staying the entire case to be warranted." *KLA-Tencor Corp. v.*  
*Nanometrics, Inc.*, No. C 05-03116 JSW, 2006 WL 708661, \*4 (N.D. Cal. Mar. 16, 2006).

24 <sup>20</sup>Additionally, each of the patents in this case issued before the United States Supreme  
25 Court's landmark decision in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). In  
26 *KSR*, the Supreme Court rejected the then applicable test for obviousness and articulated a new  
27 legal standard. As a consequence, the USPTO issued new guidelines for evaluating obviousness;  
28 on reexamination, these guidelines, which reflect a different, broader standard than in force when  
the patents were first examined, will be used. Examination Guidelines for Determining  
Obviousness Under 35 U.S.C. § 103 in View of the Supreme Court Decision in *KSR Int'l Co. v.*

1 Because it appears that the reexamination proceeding before the USPTO may result in a  
2 significant narrowing and simplification of the issues, particularly given that the action concerns  
3 infringement of the three patents, and not unrelated counterclaims, and given that the USPTO has  
4 preliminarily found that certain of the claims in the '140 patent are not patentable, this factor  
5 weighs heavily in favor of granting a stay.

### 6 3. Undue Prejudice

7 “[C]ourts have held that delays inherent in the reexamination process do not alone  
8 constitute undue prejudice.” *Network Appliance*, 2010 WL 545855 at \*4. *Spectros*, 2010 WL  
9 338093 at \*3 (noting that concerns regarding the delay inherent in reexamination did not constitute  
10 undue prejudice when considering whether to grant a stay pending reexamination); *Esco Corp.*  
11 *v. Berkeley Forge & Tool, Inc.*, No. C 09-1635 SBA, 2009 WL 3078463, \*3 (N.D. Cal. Sept.  
12 28, 2009) (“[C]ourts have found that ‘delay inherent in the reexamination process does not  
13 constitute, by itself, undue prejudice,’” quoting *SKF Condition Monitoring, Inc. v. SAT Corp.*,  
14 No. 07CV1116 BTM (NLS), 2008 WL 706851, \*6 (S.D. Cal. Feb. 27, 2008)); *Nanometrics, Inc.*  
15 *v. Nova Measuring Instruments, Ltd.*, No. C 06-2252 SBA, 2007 WL 627920 \*3 (N.D. Cal.  
16 2007) (holding, in the context of a motion for stay pending reexamination, that “[m]ere delay,  
17 without more [ ], does not demonstrate undue prejudice”); *Photoflex Products v. Circa 3 LLC*,  
18 No. C 04-03715 JSW, 2006 WL 1440363, \*2 (N.D. Cal. May 24, 2006) (“The delay inherent  
19 to the process of the U.S. Patent and Trademark Office’s reexamination of a patent claim does not  
20 constitute, by itself, undue prejudice”); *Dataquill Ltd. v. High Tech Computer Corp.*, No.  
21 08cv543-IEG-LSP, 2009 WL 1391537, \*3 (S.D. Cal. May 14, 2009) (noting that delay caused  
22 by reexamination does not without more constitute undue prejudice and that no case “relied  
23 exclusively on the potential loss of evidence when denying a stay”).<sup>21</sup>

24 \_\_\_\_\_  
25 *Teleflex Inc.*, 72 Fed. Reg. 57526 (Oct. 10, 2007).

26 <sup>21</sup>At oral argument, Pitney’s counsel asserted that his client would suffer significant  
27 prejudice because reexaminations often take a substantial period of time. Plaintiff did not  
28 distinguish the body of case law holding that delays inherent in the reexamination process do not  
constitute a cognizable form of prejudice. Counsel for the parties, moreover, disagreed as to the

1 Courts, moreover, have discounted claims of prejudice based on delay where the patentee  
2 could be made whole by money damages. *Speedtrack*, 2009 WL 281932 at \*2 (“While plaintiff  
3 has raised valid concerns relating to its ongoing efforts to market its patented product and secure  
4 licensing agreements from third parties, the court finds that money damages would adequately  
5 compensate plaintiff in the event that the PTO ultimately finds the relevant claims valid over the  
6 prior art references in question”). Some California district courts, in fact, have failed to find  
7 prejudice even where plaintiff sought injunctive relief. *Synthes*, 2010 WL 669733 at \*4 (in a case  
8 where plaintiff argued that it sought injunctive relief but had not filed a motion for preliminary  
9 injunction, finding that plaintiff’s prejudice argument “r[u]ng[ ] hollow,” and noting that if the  
10 patent claims were cancelled following reexamination, any claim for injunctive relief claims would  
11 be mooted, and that even if the district court were to address injunctive relief it would have to  
12 evaluate and decide defendant’s invalidity and unenforceability arguments, which would cause  
13 some delay); *Dataquill*, 2009 WL 1391537 at \*3 (finding, in a case where plaintiff alleged that  
14 a stay would cause a delay in excluding its competitor from practicing the patent and result in a  
15 loss of license value, that plaintiff had not shown that monetary damages would inadequately  
16 compensate it for the alleged injuries).

17 The bulk of Pitney’s arguments in opposition to the entry of a stay concern the delays  
18 inherent in the reexamination process and are unpersuasive in light of this authority. Pitney also  
19 alludes to the fact that unnamed witnesses will become unavailable and unspecified evidence will  
20 be difficult to obtain. Without greater specificity regarding how Pitney would be prejudiced by  
21 loss of evidence, this argument is similarly not cognizable. *Advanced Analogic*, 2009 WL  
22 4981164 at \*1 (noting that “[d]elay, by itself, does not constitute prejudice” and finding that  
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24 amount of time a reexamination in a case of this type might take. Given their dispute, the court  
25 cannot make a definitive finding regarding the amount of time that will likely be consumed in the  
26 reexamination process. Indeed, defense counsel emphasized that the data is particularly  
27 inconclusive since the USPTO established a Central Reexamination Unit to expedite such matters  
28 in 2005, and there is little data available for the subsequent years. Because courts consistently  
discount this consideration, however, the court need not undertake a factual inquiry to determine  
the length of time the reexamination may take.

1 arguments such as “memories may fade and other evidence may be more difficult to secure” did  
2 not demonstrate prejudice because plaintiff failed to offer “any evidence to support a finding that  
3 any delay occasioned by such proceedings is likely to result in the loss of any particular evidence”  
4 or to detail how this would affect its case).

5 Pitney argues, in a few sentences, that its inability to obtain injunctive relief will unduly  
6 prejudice it. The present action was filed almost six months ago, however. In that time, Pitney  
7 has not considered its lack of exclusivity of sufficient concern that it has filed a motion for a  
8 preliminary injunction. Indeed, although the court and counsel discussed defendant’s intention  
9 to file a motion for stay and the case management schedule at length during the scheduling  
10 conference, Pitney did not state that it intended to file a motion for preliminary injunction. Its  
11 complaint, moreover, contains prayer for permanent injunctive relief only. In the parties’ Rule  
12 26(f) report, Pitney proposed a schedule that would have set trial in this case for August 12, 2011.  
13 Consequently, it appears that at least a two year delay, during which Zumbox could exploit the  
14 technology free from injunction, is acceptable to Pitney.<sup>22</sup>

15 The only case Pitney cited that purports to deny a stay because of the need for injunctive  
16 relief is *Allergan Inc. v. Cayman Chemical Co.*, No. SACV 07-01316-JVS (C.D. Cal. Apr. 9,  
17 2009), a case not included in either the Westlaw or Lexis databases. Although Judge Selna issued  
18 only a brief minute order, the points he made distinguish *Allergan* from the present case. In  
19 particular, Judge Selna emphasized that the non-movant sought *preliminary* injunctive relief,  
20 although he noted that that party’s failure to have filed a preliminary injunction motion prior to  
21 the motion for stay weighed in favor of granting the stay. *Id.* at 5 (citing *High Tech Medical*  
22 *Instrumentation, Inc. v. New Image Industries, Inc.*, 49 F.3d 1551, 1557 (Fed. Cir. 1995) (stating  
23 that “a delay in seeking a remedy is an important factor bearing upon the need for a preliminary  
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26 <sup>22</sup>At oral argument, Pitney’s counsel asserted that, in evaluating prejudice, the court should  
27 take into account the fact that plaintiff *might* exploit the technology in the future. Should plaintiff  
28 commence exploitation of the patent, that matter can be brought to the court’s attention in a motion  
to lift the stay. At present, any consideration of such a possibility is too speculative to warrant  
denial of a stay.

1 injunction”)). In the Federal Circuit case Judge Selna cited, the court held that “[a]bsent a good  
2 explanation, not offered or found here, 17 months is a substantial period of delay that militates  
3 against the issuance of a preliminary injunction by demonstrating that there is no apparent urgency  
4 to the request for injunctive relief.” *High Tech*, 49 F.3d at 1557. In *Allergan*, Judge Selna found  
5 that plaintiff had not sought preliminary injunction in part because it was not exploiting its patent  
6 when it initiated the suit. He noted that plaintiff had since begun to exploit the patent and had  
7 indicated an intention to seek preliminary injunctive relief.<sup>23</sup> Judge Selna concluded that this  
8 explained plaintiff’s delay in filing a motion for preliminary injunction and that it was a factor that  
9 weighed against staying the action. Here, Pitney does not represent that it is exploiting its patents,  
10 and Zumbox asserts that Pitney in fact is not presently exploiting them. Commentators have noted  
11 that so-called “non-patent exploiters” or “NPEs” “have a more difficult time obtaining  
12 injunctions” because they cannot adequately demonstrate irreparable harm under the Supreme  
13 Court’s recent decision in *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). Lily Lim  
14 & Sarah E. Craven, *Injunctions Enjoined; Remedies Restructured*, 25 SANTA CLARA COMPUTER  
15 & HIGH TECH. L.J. 787, 801 (2009).<sup>24</sup> Indeed, on remand in *eBay*, the district court denied an  
16 injunction, holding that plaintiff had failed to establish irreparable injury and an inadequate  
17 remedy at law given the fact that it was not commercially practicing the patent and its pattern of  
18 seeking royalty revenue only. *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 569-71  
19 (E.D. Va. 2007). Since Pitney has thus far exhibited no urgency in seeking injunctive relief and  
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21 <sup>23</sup>During argument, Pitney’s counsel continued to overlook this central consideration.  
22 Indeed, the fact that the parties were competitors because each was attempting to exploit the  
23 patented technology is implicit in Judge Selna’s opinion. As defense counsel noted at the hearing,  
24 to be considered competitors for purposes of a stay request, the parties must compete in the  
relevant market, which is defined by the claims of the patent.

25 <sup>24</sup>In an *ex parte* application filed May 7, 2010, plaintiff advised that Zumbox intends to  
26 broaden its distribution of the allegedly infringing product and asked the court to consider this fact  
27 in ruling on the motion for stay. The court grants the *ex parte* application, and has considered the  
28 contents of the supplemental filing. It concludes that the new information does not warrant denial  
of a stay since, as noted, the relevant factor is whether Pitney Bowes is exploiting the patent, not  
the scope of Zumbox’s exploitation.

1 since it is apparently not exploiting its patents, *Allergan* is distinguishable. Indeed, given the  
2 observations in his order, it is entirely unclear that Judge Selna would issue a stay based on the  
3 facts of this case.

4 In sum, the court concludes that Pitney has failed to present a persuasive case for the fact  
5 that it will be unduly prejudiced if a stay issues. The bulk of Pitney's argument rests on general  
6 delay in reexamination proceedings and the loss of fresh memories in which it results; this is a  
7 point that has been discounted by every court to consider the question. Pitney's brief argument  
8 – offered in passing and relying on a single distinguishable case – that it will be prejudiced by a  
9 stay because it seeks injunctive relief overlooks the fact that it seeks only a permanent injunction  
10 and was content to wait until August 2011 to obtain that relief. As a consequence, this factor also  
11 weighs in favor of a stay.


#### 12 4. Conclusion Regarding the Stay Factors

13 All three factors weigh in favor of granting Zumbox's motion for a stay. The case is in  
14 its nascent stages; it is highly likely that the patent reexamination will dispose of some or all of  
15 Pitney's infringement claims or at a minimum, narrow and clarify the issues to be litigated; and  
16 Pitney has not demonstrated that it will suffer undue prejudice as a result of the stay. The court,  
17 therefore, grants Zumbox's motion for a stay.

### 18 III. CONCLUSION

19 For the reasons stated, defendant's motion for a stay pending patent reexamination is  
20 granted.  
21

22  
23 DATED: May 20, 2010

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26 MARGARET M. MORROW  
27 UNITED STATES DISTRICT JUDGE  
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