

2018 WL 2446801

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United States District Court, C.D. California.

SPEX TECHNOLOGIES, INC.

v.

KINGSTON TECHNOLOGY CORP., et al.

SPEX Technologies, Inc.

v.

Western Digital Corporation, et al.

SPEX Technologies, Inc.

v.

Toshiba America Electronics

Components Inc. , et al.

SPEX Technologies, Inc.

v.

Apricorn

SACV16-01790 JVS(AGRx)

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SACV16-01799 JVS(AGRx)

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SACV16-01800 JVS(AGRx)

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CV16-07349 JVS(AGRx)

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Proceedings: (IN CHAMBERS) Order
GRANTING Defendants' Motions to Stay

James V. Selna, District Judge

*1 Before the Court are separate Motions¹ to stay these cases in light of the Patent Trial and Appeal Board's ("PTAB") decision to institute *inter partes* proceedings to review SPEX Technologies, Inc.'s ("SPEX") patent 6,088,802 ("802 Patent")² and patent 6,003,135 ("135 Patent").³ Upon application, the Court expedited hearing of the Motions. (E.g., SACV 16-1790, Docket Nos. 152, 153.) SPEX has filed oppositions, but does not oppose the Motion of the Kingston parties.⁴

For the reasons set forth below, the Court grants the motion.

I. Proceedings Before the PTAB.

Western Digital petitioned the PTAB for *inter partes* review of the '802 and '135 Patents. In granting review of the '802 Patent, the PTAB found that there was a reasonable likelihood that Claims 38 and 39 would be found invalid. ('802 Institution Decision, p. 42.) In granting review of the '135 Patent, the PTAB found that there was a reasonable likelihood that Claims 55, 57, and 58 would be found invalid. ('135 Institution Decision, p. 36.) In accord with the Supreme Court's recent decision,⁵ the PTAB indicated it would review all claims which Western Digital placed in issue.

Significantly, the PTAB used the same Markman claim constructions which this Court adopted. ('802 Institution Decision, pp. 13-14; '135 Institution Decision, pp. 12-13.)

At the hearing, the Court was advised of further developments. Toshiba and Apricon have filed their own applications for *inter pares* review advancing contentions similar to Western Digital, and are also seeking to join in the Western Digital proceeding.

Western Digital also advised that it intended to move to supplement its evidentiary showing in light of discovery taken in the past several weeks. See 37 C.F.R. § 42.123(a). The supplement would affect its showing with regard to Claims 1, 2, 11, and 12 of the '802 for which the PTAB declined to institute a proceeding. The fact that Western Digital may not have a right to file a response if SPEX waives its right to file a patent owner's response does not foreclose this path. (See Opposition, p. 7.)

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II. Legal Standard.

A district court may stay proceedings pursuant to its inherent power to “control the disposition of the cases on its docket with economy of time and effort for itself, for counsel, and for litigants.” [Landis v. N. Am. Co.](#), 299 U.S. 248, 254 (1936). “The exertion of this power calls for the exercise of a sound discretion.” [CMAX, Inc. v. Hall](#), 300 F.2d 265, 268 (9th Cir. 1962). The competing interests that a district court must weigh in deciding whether to grant a stay include the following: (1) “the possible damage which may result from the granting of a stay”; (2) “the hardship or inequity which a party may suffer in being required to go forward”; and (3) “the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law which could be expected to result from a stay.” *Id.* (citing [Landis](#), 299 U.S. at 254–55).

*2 In the context of a decision to stay on the basis of the institution of *inter partes* proceedings, the analysis has been further refined: (a) what is the stage of the district court proceeding; (b) whether a stay will simplify the issues and trial; and (c) whether a stay will prejudice or impose a clear tactical disadvantage on the non-moving party. [SCA Hygiene Products Aktiebolag v. Tarzana Enterprises, LLC](#), 2017 WL 5952166 at *2 (C.D. Cal. Sept. 27, 2017).

III. Discussion.

The Court consider the relevant factors.

A. Stage of the Litigation.

While the parties have undertaken discovery and the Court has held a [Markman](#) hearing, much remains to be done, including dispositive motions, [Daubert](#) motions, and, of course, trial. [Smartfish LLC v. Apple Inc.](#), 621 Fed.Appx. 995, 1005 (Fed. Cir. 2015); [FastVDO LLC v. AT&T Mobility LLC](#), 2017 WL 2323003 at *3 (S.D. Cal. Jan. 23, 2017).

The Court cannot say that the case has passed the point of no return in terms of gaining the benefits of a stay. This factor is neutral.

B. Simplification of Issues.

There can be little doubt that the results of the IPR review hold potential to simplify if not resolve much of the case. This is particularly so in light of the fact that the PTAB will now review all claims which Western Digital put in issue, not

simply those where the PTAB found a reasonable likelihood of invalidity.⁶

Western Digital will be subject to statutory estoppel with regard to the PTAB’s final decisions. 35 U.S.C. § 315(e). The other moving parties have agreed to be similarly bound. (Kingston, Western Digital, Apricon, *e.g.*, SACV 16-1790, Docket No. 151, p. 1; Toshiba, SACV 16-1800, Docket No. 89, p.2.) As noted above, Toshiba and Apricon have also initiated their own proceedings. Thus there is strong assurance that the estoppel results will have their full force with respect to all parties.⁷

SPEX’ concessions to avoid a stay complicate rather than simplify matters. First, it is willing to allow a stay of the claims against the Kingston parties, but that would create the possibility that some efforts would have to be duplicated later. (See SPEX Opposition, p. 1.) Abandonment of the ‘135 claim only as to Western Digital is of no moment because the ‘135 claims are also asserted against all the remaining parties. (See *id.*)

At the hearing, SPEX offered further concessions. It would abandon its method claims Western Digital, Toshiba, and Apricon as well as its claims under the ‘135 Patent.⁸ However, it would retain all claims against Kingston. SPEX would then contemplate proceeding to trial with against Western Digital, Toshiba, and Apricon only on its device claims under the ‘802 Patent. That would still leave the full panoply of claims to be litigated against Kingston.

C. Prejudice and Unfair Disadvantage.

For several reasons, the Court finds that SPEX will not be unfairly affected. Delay alone is not a basis for prejudice. [Nichia Corp. v. Vizio, Inc.](#), 2017 WL 3485767 at *6 (N.D. Cal. Feb. 2, 2017). This is particularly so where the patents have expired and SPEX itself is a non-practicing entity. At the hearing, SPEX advised that the patents were in fact being practiced through its affiliate. But that does not erase the fact that the patents have expired. Whatever concern the Court might have for the patent holder’s ability protect market share by excluding others is simply absent here. [PersonalWeb Technologies, LLC v. Facebook, Inc.](#), 2014 WL 116340 at *5 (N.D. Cal. Jan 13, 2014).

*3 SPEX asserts that it may lose the live testimony of Burt Tregub and William Bialick. However, that concern is somewhat speculative, and both have been deposed. (See

Opposition, p. 14; Tregub Decl, ¶ 3.) Moreover, at the hearing SPEX acknowledged that availability of further video depositions to preserve these witnesses' trial testimony.

SPEX asserts that Western Digital made a tactical decision in delaying the filing of its IPR requests. (Opposition, pp. 3-4.) It may well be that Western Digital wanted to evaluate the result of other rulings, but that does not translate to separate prejudice.

The PTAB's current procedures, which call for issuance of a Final Written Decision within one year, are reasonable and ensure that there will be no open-ended drift which accompanies some stays.

D. Conclusion.

Balancing the relevant factors, the Court concludes that a stay is appropriate here. The Motions are granted, and these proceeding are stayed pending the PTAB's issuance of its Final Written Decisions.

The stay is only through the issuance of the PTAB's decision. The Court will evaluate any further stay in light of the results before the PTAB. In addition, the parties are invited to keep the Court informed of relevant events before the PTAB.

All Citations

Not Reported in Fed. Supp., 2018 WL 2446801

Footnotes

- 1 Kingston Technology Corp. *et al.* ("Kingston"), SACV 16-1790, Docket No. 151; Western Digital Corp. *et al.* ("Western Digital"), SACV 16-1799, Docket No. 83; Toshiba America Electronic Components, Inc. *et al.* ("Toshiba"), SACV 16-1800, Docket No. 89; Apricon, Inc., CV 16-7349, Docket No. 71.
- 2 Institution Decision, IPR18-00082 ("[802](#) Institution Decision").
- 3 Institution Decision, IPR 18-00084 ("[135](#) Institution Decision").
- 4 SACV 16-1790, Docket No. 155; SACV 16-1799, Docket No. 87; SACV 16-1800, Docket No. 90; CV 16-7349, Docket No. 73.
- 5 *SAS Institute Inc. v. Iancu*, 584 U.S. —, No. 16-969 (Apr. 24, 2018).
- 6 The Court agrees that Western Digital will have a heavy burden to obtain relief on the claims where the PTAB did not find a reasonable likelihood of invalidity. (See Opposition, p. 6.)
- 7 The scope of any such estoppel is not before the Court on this Motion. While there may be a dispute among the parties as to the extent of the statutory estoppel (see Opposition, p. 3 n.1), there will be preclusion effects in all events.
- 8 As confirmed on the record, the abandonment would include all derivative claims, such as those against third parties.