UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WISCONSIN

Johnson Health Tech Co., Ltd., Johnson Health Tech North America, Inc., Plaintiffs, vs. Peloton Interactive, Inc., Defendant.	Case No. 3:22-cv-606-jdp

UNOPPOSED MOTION FOR STAY OF PROCEEDINGS PENDING INTER PARTES REVIEW PROCEEDINGS

Defendant Peloton Interactive, Inc. ("Peloton") hereby moves this Court for a stay of these proceedings pending the U.S. Patent Trial and Appeal Board's ("PTAB's") *inter partes* review of the patents-in-suit pursuant to 35 U.S.C. §§ 311–319. Plaintiffs Johnson Health Tech Co., Ltd., and Johnson Health Tech North America, Inc., (collectively, "JHT", and together with Peloton, the "Parties") do not oppose this case being stayed pending the outcome of the *inter partes* review. The grounds for the motion are set forth below.

I. INTRODUCTION

On August 2, 2023, Peloton filed Petitions for *inter partes* review ("IPR") of each of the three patents at issue in this case: U.S. Patent No. 10,032,227 (ECF No. 1-1) ("'227 patent"), U.S. Patent No. 10,796,375 (ECF No. 1-2) ("'375 patent"), and U.S. Patent No. 11,227,340 (ECF No. 1-3) ("'340 patent"). The Petitions sought review of all claims of the patents-in-suit, including the forty-four claims asserted in this case. On November 21, 2023, the PTAB issued its decisions[1]

[1] Copies of the PTAB's institution decisions are attached as Exhibits 1 (decision instituting review of the '227 patent); 2 (decision instituting review of the '375 patent); and 3 (decision instituting review of the '340 patent) to the

instituting an *inter partes* review of all claims and all grounds raised in the Petitions. *See* Ex. 1 at 22 ("we institute an *inter partes* review of all challenged claims and all grounds of unpatentability raised in the Petition"); Ex. 2 at 24 (same); Ex. 3 at 2 (same). Per statute, the PTAB must complete the review proceedings and issue its written decisions by November 21, 2024. 35 U.S.C. § 316(a)(11).

In filing this motion within days of the PTAB's grant of institution, Peloton has moved promptly to request a stay. A stay of these proceedings pending the PTAB's resolution of the IPR proceedings would serve the interests of the parties and the Court. Trial in this case is more than a year away. The parties have yet to complete discovery, conduct depositions, serve expert reports (both on liability and damages), exchange final claim constructions, and brief dispositive motions. All of this work will be for naught if the PTAB invalidates the asserted claims in this case. If any claims survive, the liability issues—infringement and validity—will almost certainly be narrowed. The damages case may also be impacted depending upon which patent claims survive. Absent a stay, the PTAB's decisions will come on the eve of trial, likely requiring substantial re-working of the parties' pre-trial motions and trial presentations. JHT has agreed to the stay; thus, there is no undue prejudice or tactical advantage in staying this litigation.

II. PROCEEDINGS IN THE PTAB

Inter partes review was created as part of the America Invents Act ("AIA "). The purpose of the AIA was "to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs." Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680 (Aug. 14, 2012) (codified at

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Declaration of Michelle M. Kemp ("Kemp Decl.") in Support of Unopposed Motion for Stay of Proceedings Pending Inter Partes Review Proceedings.

37 C.F.R. §§ 42.100 et seq.). Congress intended the AIA to "provide[] more coordination between district court infringement litigation and *inter partes* review to reduce duplication of efforts and costs." *Id*. at 48,721. In establishing the rules for *inter partes* review, the PTO expressly sought "to create a timely, cost-effective alternative to litigation." *Id.* at 48,680.

The PTAB institutes an *inter partes* review where it determines "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). After institution, the proceeding is conducted before a panel of three technically-trained Administrative Patent Judges of the PTAB. *See Milwaukee Elec. Tool Corp. v. Hilti, Inc*., 138 F. Supp. 3d 1032, 1034 (E.D. Wis. 2015) (citing 35 U.S.C. §§ 6(a)-(c), 311). The PTAB now applies the same claim construction standard that is used to construe a claim in a federal court under 35 U.S.C. § 282(b), *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), and its progeny. *See, e.g.,* Kemp Decl., Exs. 1 at 8; 2 at 8 and 3 at 9; *see also* USPTO website at https://www.uspto.gov/patents/ptab/procedures/ptab-issues-claim-construction. The PTAB's final determination must be issued "not later than 1 year" after the petition is granted. 35 U.S.C. § 316(a)(11). While the one-year period may be extended for good cause by not more than 6 months, "[i]n general, the PTAB is not extending the one-year deadline for issuing a final written decision …." https://www.uspto.gov/patents/laws/cares-act-faqs-april.

During *inter partes* review, the patent owner has an opportunity to add or amend claims. 35 U.S.C. § 318(b). When the PTAB issues final written decisions in these IPRs, a requester is bound by the estoppel provision of 35 U.S.C. § 315(e)(2), which precludes it from challenging the validity of the patents in the district court on any ground that reasonably could have been raised in the IPRs. *Milwaukee Elec.*, 138 F. Supp. 3d at 1035. On the other hand, if during review "the original claim is cancelled or amended to cure invalidity, the patentee's cause of action is

extinguished and the suit fails." *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013).

In this litigation, JHT has asserted infringement of forty-four claims of three patents: claims 1, 3, 4, 5, 6, 10, 11, 14, 16, 17, 18, 19, and 20 of the '227 patent; claims 1, 2, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 18, 19, and 20 of the '375 patent; and claims 1, 2, 5, 6, 7, 8, 9, 10, 12, 13, 14, 16, 18, 19, and 20 of the '340 patent. *See* Kemp Decl., Ex. 4 (Plaintiff's Preliminary Infringement Contentions), at 2. In its recent decisions, the PTAB instituted review of all claims of the three patents-in-suit.

III. GROUNDS FOR THE REQUESTED STAY

"A district court has inherent power to stay litigation pending post-grant review of a patent." *Acantha LLC v. Depuy Synthes Sales Inc.*, No. 15-CV-1257, 2016 WL 8201780, at *1 (E.D. Wis. June 6, 2016), citing *Procter & Gamble Co. v. Kraft Foods Glob., Inc.*, 549 F.3d 842, 849 (Fed. Cir. 2008); *see also Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988). Indeed, "[t]he interests of judicial economy and deference to the PTO's expertise have given rise to a 'liberal policy in favor of grant[ing] stays.'" *Brit. Telecomms. PLC v. IAC/InterActiveCorp.,* No. CV 18-366, 2019 WL 4740156, at *3 (D. Del. Sept. 27, 2019). This Court has granted a stay without opinion where, as here, the parties agreed to the requested stay. *Wildcat Licensing WI, LLC v. Johnson Controls, Inc.*, No. 13-CV-328, 2014 WL 232106, at *4 (W.D. Wis. Jan. 22, 2014) (granting joint stipulation to stay proceedings pending *inter partes* review, directing clerk to administratively close case).

In deciding whether to stay a district court case pending IPR, this Court considers four factors: (1) whether the litigation is at an early stage; (2) whether a stay will unduly prejudice or tactically disadvantage the non-moving party; (3) whether a stay will simplify the issues in

question and streamline the trial; and (4) whether a stay will reduce the burden of litigation on the parties and on the court. *Bear Archery, Inc. v. AMS, LLC*, No. 18-CV-329, 2019 WL 430941, at *1 (W.D. Wis. Feb. 4, 2019) (granting stay pending *ex parte* reexamination); *SCA Hygiene Prod. Aktiebolag v. Cascades Canada, ULC,* No. 17-CV-282, 2017 WL 4484495, at *3 (W.D. Wis. Oct. 6, 2017) (granting stay pending *inter partes* reexamination). JHT has consented to the requested stay; thus, regarding factor 2, there is no undue prejudice to the non-moving party or tactical advantage in granting the stay. This motion addresses factors 1, 3 and 4.

A. The Early Stage of This Litigation Favors A Stay

JHT filed its Complaint in this case on October 20, 2022, and amended it on March 14, 2023. The Amended Complaint alleges infringement of forty-four claims of three patents, the first of which (the '227 patent) issued on July 24, 2018. Peloton filed a motion to dismiss the Amended Complaint based on the unpatentability of the claims of the patents-in-suit under 35 U.S.C. § 101, which was fully briefed as of April 28, 2023, but has not yet been ruled upon.

The parties have engaged in written discovery and document production. The parties are working on follow-up requests to those productions, including requests for email searches. Party deposition notices have been served but not yet scheduled. Absent a stay, the parties expect that these depositions will take place in January and February of 2024, and initial (proponent) liability expert reports will be due within 30 days from the completion of email production, *e.g.,* opening expert reports will likely be served in January 2024, with responsive reports due 45 days thereafter. The parties are scheduled to brief dispositive motions in April and May, with briefing complete on May 17, 2024. Close of discovery is September 6, 2024. Trial is set to begin on December 2, 2024.

While this case has been pending for some time, "it is not so late in litigation that a stay would waste a lot of work already completed." *Bear Archery*, 2019 WL 430941, at *1 (staying case pending for about eight months). The parties have exchanged written discovery, but document

production is not complete, and no depositions have been taken. The parties must also exchange liability expert reports within the next few months, followed by claim construction exchanges, summary judgment briefing, damages discovery and damages expert reports. The Court has yet to invest substantial resources in this matter. Trial is still a year away. In short, "there is more work ahead of the parties and the Court than behind the parties and the Court." *Tierravision, Inc. v. Google, Inc*., No. 11CV2170, 2012 WL 559993, at *2 (S.D. Cal. Feb. 21, 2012) (staying case just prior to claim construction and summary judgment briefing).

"Considering that the parties have yet to engage in the substantial and costly work of conducting expert discovery and filing summary judgment motions or claim construction briefs," a stay is appropriate. *Advanced Micro Devices, Inc. v. LG Elecs., Inc.*, No. 14-cv-01012, 2015 WL 545534, at *2-5 (N.D. Cal. Feb. 9, 2015) (granting motion to stay infringement action pending IPR). Many courts have granted stays in cases that were at a similar or even later stage of proceedings than here. *See, e.g., WSOU Invs., LLC v. Netgear, Inc*., No. CV 21-1117, 2022 WL 17337924, at *1 (D. Del. Nov. 30, 2022) (granting stay in cases "just a bit short of their halfway mark"); *Nanobebe US Inc. v. Mayborn (UK) Ltd.*, No. 21-CV-08444, 2023 WL 4993642, at *2-5 (S.D.N.Y. Aug. 4, 2023) (granting stay pending IPRs after claim construction); *Indus. Tech. Rsch. Inst. V. LG Elecs.*, No. CV 12-949, 2013 U.S. Dist. LEXIS 130918, at *17, *25-26 (D.N.J. Sept. 12, 2013) (granting stay 22 months after filing and after parties had conducted written discovery and exchanged claim constructions, but before depositions and expert discovery).

B. A Stay Will Simplify the Issues Going Forward, Streamline any Potential Trial, and Reduce the Burden on the Parties and the Court

In its decision instituting review, the PTAB noted that it was reasonably likely that each asserted claim was invalid in light of the prior art included in the Petitions. Thus, "the possibility that *inter partes* review could significantly streamline the issues to be resolved in this case, or

possibly resolve the case entirely by cancelling the patent claims at issue appears relatively high." *SCA Hygiene*, 2017 WL 4484495, at *3 (granting stay where third factor and fourth factors "both weigh heavily in favor of granting the stay"). In any event, "[i]t is inefficient and unnecessarily burdensome for the parties to litigate the same question in two forums, which is what would happen without a stay." *Bear Archery*, 2019 WL 430941, at *2.

The *inter partes* review likely will narrow the set of claims and issues that the parties, its experts, and this Court need to address. If even some of the challenged claims are invalidated, the issues in the case will be narrowed. If the claims are amended, both the infringement and validity claims would be affected. Conversely, if the PTAB issues a written decision finding patentability, Peloton will be estopped from raising any defenses to those claims that it "raised or reasonably could have raised during that *inter partes* review." 35 U.S.C. § 315(e)(2); *see also Milwaukee Elec.*, 138 F. Supp. 3d at 1035.

As discussed above, the costliest and most time-intensive aspects of this litigation are yet to come. The *inter partes* review may eliminate the need for some or all of this work. In addition, the PTAB's final written decisions will almost certainly issue in or around November 2024—less than a month before the trial is scheduled to begin. Absent a stay, the PTAB's decisions so close to trial and likely after pre-trial motions would meaningfully alter the issues to be tried (if any remain) and unduly complicate trial preparation. The parties and the Court would need to grapple with the effects of the PTAB decisions, be it a narrowing of the claims at issue or potential estoppel effects (to name just two), in a very compressed timeframe. A stay will avoid this predicament and the associated burdens to the parties and the Court.

IV. CONCLUSION

A stay is likely to prevent or reduce the expenditure of substantial resources by the parties and the Court and will greatly simplify the issues in this case, if not eliminate the case entirely. JHT does not contest the requested stay. All factors weigh in favor of staying this case, and Peloton respectfully requests that the Court grant its motion.

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