

1 **CALDARELLI HEJMANOWSKI PAGE & LEER LLP**

2 William J. Caldarelli (SBN #149573)

3 Ben West (SBN #251018)

4 12340 El Camino Real, Suite 430

5 San Diego, CA 92130

6 Telephone: (858) 720-8080

7 Facsimile: (858) 720-6680

8 wjc@chpllaw.com

9 dbw@chpllaw.com

10 **FABIANO LAW FIRM, P.C.**

11 Michael D. Fabiano (SBN #167058)

12 12526 High Bluff Drive, Suite 300

13 San Diego, CA 92130

14 Telephone: (619) 742-9631

15 mdfabiano@fabianolawfirm.com

16 **OSBORNE LAW LLC**

17 John W. Osborne (*Appointed Pro Hac Vice*)

18 33 Habitat Lane

19 Cortlandt Manor, NY 10567

20 Telephone: (914) 714-5936

21 josborne@osborneipl.com

22 **WATTS LAW OFFICES**

23 Ethan M. Watts (SBN #234441)

24 12340 El Camino Real, Suite 430

25 San Diego, CA 92130

26 Telephone: (858) 509-0808

27 Facsimile: (619) 878-5784

28 emw@ewattslaw.com

Attorneys for Plaintiff Ameranth, Inc.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

**IN RE: AMERANTH
PATENT LITIGATION**

Lead Case No. 11cv1810 DMS (WVG)

**PLAINTIFF AMERANTH, INC.'S REPLY TO
MOTION TO LIFT STAY OF PROCEEDINGS**

**Date: May 22, 2015
Time: 1:30 p.m.
Courtroom: 13A**

Complaint Filed: August 15, 2011

DISCUSSION

A. The CBM Proceedings Have Done Little Other Than Create Delay And Cause Additional Expense

Contrary to the Defendants' assertions, the roughly year and half long stay of proceedings imposed following the filing of the Defendants' first round of CBM petitions has done very little, if anything, to streamline this case or reduce the burden of litigating and adjudicating it. Rather, the stay has caused delay and the CBM proceeding have greatly *increased* expense without materially changing or simplifying the issues for determination.

The Defendants now wish to exacerbate the problem that they created by continuing the stay for at least another year during the pendency of the parties' appeals to the Federal Circuit of the PTAB's Final Written Decisions, and/or to impose yet another stay while the Defendants pursue yet another round of CBM challenges that could have been brought a year and half ago¹. Such further delay would prejudice Ameranth and deny Ameranth its right to prosecute its claims for infringement of its intellectual property. The Court should not allow this to occur.

The Court had already streamlined this case before the Defendants even filed their initial CBM petitions. Under the Court's October 10, 2013 scheduling order, Ameranth was directed "to select no more than five (5) claims from each patent to assert against all defendants for a maximum of twenty (20) claims." [Doc. No. 513, p. 4, ll. 19-20]. Although the stay was issued prior to Ameranth's service of revised infringement contentions conforming to this directive for *all* of the Defendants, importantly *none* of the claims that were invalidated by the PTAB in the CBM proceedings was included in any of the revised infringement

¹ Although not expressly stated now, if the PTAB institutes CBM review on any of the Defendants' most recent petitions, the Defendants presumably will seek to stay the litigation not only through the conclusion of the PTAB proceedings, but also through the conclusion of any appeals therefrom.

1 contentions issued by Ameranth in conformance with the Court’s October 10,
2 2013 order. Thus, the Court’s scheduling order accomplished more with the
3 stroke of a pen than what a year and half and hundreds of thousands of dollars
4 have produced from the CBM petitions. Claims from all four of the patents-in-
5 suit survived the PTAB proceedings and stand ready to be asserted in the
6 consolidated litigation.

7 Under the Court’s scheduling order, a claim construction hearing was to
8 have taken place on November 3, 2014. [Doc. No. 513, p. 6, l. 13] But for the
9 stay imposed, the terms of the patents would now have been construed by the
10 Court and trials would be approaching. The CBM proceedings, and the stay, have
11 not streamlined or simplified this process, or made it more economical. Delaying
12 the litigation further will not do so either.

13 **B. Ameranth’s Proposal Not to Assert the Claims it is Appealing**
14 **Adequately Addresses Any Legitimate Efficiency Concerns**

15 In its Motion to Lift Stay, Ameranth proposes that if the stay is lifted (and
16 not then re-imposed in connection with the Defendants’ new CBM petitions),
17 Ameranth will not assert the claims that it is appealing. The Defendants object
18 that this is insufficient, but then immediately contradict themselves.

19 Although the Defendants fault Ameranth for not agreeing to grant them a
20 covenant not to sue upon the claims that Ameranth is appealing, they
21 simultaneously assert that Ameranth would be barred from later prosecuting such
22 unasserted claims against the Defendants’ same products accused of infringement
23 in the current litigation pursuant to “claim preclusion, issue preclusion or the
24 *Kessler* doctrine” [Doc. 592, p. 7 at n. 3] Thus, the Defendants tacitly admit
25 that there was no legitimate flaw with Ameranth’s proposal.

26 Similarly, Defendants argue that even if Ameranth will not assert the
27 appealed claims affirmatively against them, such an arrangement would not
28

1 dispose of the Defendants’ counterclaims for invalidity and non-infringement.
2 But if Ameranth is not asserting the claims Ameranth is appealing against the
3 Defendants, why would the Defendants spend the time and resources to pursue
4 declaratory relief against such claims? Furthermore, as to the 10 claims of the
5 ‘733 patent that a handful of defendants are appealing, those claims have been
6 asserted against specific products of only four defendants (and, pursuant to the
7 Court’s order, Ameranth must select only 5 claims to assert from that patent
8 against a defendant). Pushing the trials of both the infringement and validity of
9 those claims for the four accused defendants to the end of the trial schedule
10 largely dispenses of this concern. As all of the patents-in-suit are from the same
11 family, and should be construed consistently, any additional effort involved in
12 construction of terms of the ‘733 patent should be minimal.

13 Defendants’ misleadingly direct the Court to the Joint Stipulated Motion for
14 Indicative Ruling in the Ameranth v. Par lawsuit in the Eastern District of Texas.
15 [Doc. 592-3] Defendants note that Ameranth and Par in that stipulated motion
16 pointed out that the claims as to which *vacatur* of invalidity was sought were not
17 at that time being asserted against any other party in any then pending lawsuit, but
18 that later, after obtaining the *vacatur*, Ameranth filed new lawsuits against
19 different defendants asserting those claims. This is a classic red herring argument.
20 As noted in footnote 7 of the Ameranth v. Par stipulated motion, the
21 representation in question addressed an issue presented by Ohio Willow Wood
22 Co. v. Thermo-Ply, Inc., 769 F.Supp.2d 1065 (E.D. Tex. 2011) . Under the topic
23 of “the potential to conserve judicial resources,” that decision notes: “At the same
24 time, the court considers the *other ongoing litigations* that involve OWW, the ‘182
25 patent, and patents with a familial relationship to the ‘182 patent.” Id. at 1070
26 (emphasis added). The statement in the stipulated motion plucked out of context
27 by the Defendants directly addresses this consideration in the Eastern District of
28

1 Texas. The representation was completely truthful and accurate, and in no way
2 disingenuous. Furthermore, why else would a patent owner seek *vacatur* of an
3 invalidity determination of a patent claim, if not to be able to enforce the claim?

4 **C. Further Staying the Case Pending Appeal Will Not Simplify the Issues**

5 Continuing the stay of proceedings while the appeals of the PTAB’s Final
6 Written Decisions are processed by the Federal Circuit will not meaningfully
7 simplify the issues or trials. As noted above, before issuance of the stay, the Court
8 had already ordered Ameranth to select only 5 claims of each patent to assert
9 against a defendant. Now that the PTAB has issued its Final Written Decisions,
10 maintenance of the stay of proceedings during the appellate period will not
11 materially simplify trial court proceedings.

12 The PTAB did not institute review on any claims of Ameranth’s ‘077
13 patent. Thus, *all* of the claims of the ‘077 patent—both menu generation and
14 synchronization claims—are unaffected by the appeals. Likewise, between the
15 ‘077 patent claims and the synchronization claims of the ‘850 and ‘325 patents,
16 there are 28 patent claims on which no CBM review was instituted and which are
17 not subject to appeal. Ameranth’s proposal not to assert the claims it is appealing
18 removes the effect of those appeals on the litigation, and the fact that only a
19 handful of the Defendants are appealing 10 claims of the ‘733 patent (asserted
20 against only 4 defendants) attenuates any impact that appeal has on the lawsuit.

21 Defendants now argue that the Federal Circuit, in reviewing the PTAB’s
22 decisions, may provide guidance on claim construction of the appealed claims that
23 might simplify District Court proceedings. However, the Defendants have pointed
24 out previously that the PTAB applies a different standard of claim construction
25 (the “broadest reasonable interpretation”) than the standard used in the District
26 Court, making this possibility of questionable value. As IPDEV/QuikOrder
27
28

1 (represented by the same counsel as Pizza Hut) stated to the Court in its
2 Opposition to Ameranth's Motion to Consolidate:

3 Even if IPDEV could somehow be estopped by the
4 CBM decisions issuing from the PTAB, the Board
5 applies a different standard in construing claims, the
6 "broadest reasonable interpretation" standard, and its
7 constructions are not binding on the district court.
8 Genetics Inst., LLC v. Novartis Vaccines & Diagnostics,
9 Inc., 2010 U.S. Dist. LEXIS 16150 (D. Del. Feb. 24,
10 2010) ...

11 [Case No. 14-1303, Doc. No. 26, p. 15, ll. 4-11] The other defendants made the
12 same argument in their Response to Ameranth's Notice of Ruling [Doc. No. 582,
13 pp. 10-11] ("the PTAB's claim construction does not materially advance claim
14 construction in this case in light of the different standards . . .). Thus, the
15 Defendants should not be heard to rely on this argument to support their efforts to
16 keep the stay in place.

17 Defendants selected eight district court decisions to which to cite in support
18 of their argument, claiming that "[t]o avoid similar duplication and drains in
19 judicial resources, many other cases have entered stays through Federal Circuit
20 appeal of PTAB review proceedings" (Opp. at p. 9, ll.16-18.) Defendants
21 fail to note, examine, distinguish (or even disclose) the many orders *not* extending
22 such stays through Federal Circuit appeal, however. See, e.g., Unisone Strategic
23 IP, Inc. v. Life Technologies Corp., 2015 WL 1606341 *2 (S.D. Cal.
24 4/8/2015)(staying case "pending a final outcome of the CBM review before the
25 USPTO"); Audatex North Am., Inc. v. Mitchell Intern., Inc., 2015 WL 1385368
26 *3 (S.D. Cal. 3/24/2015) (action stayed "pending CBM review. . . Defendant is
27 **Ordered** to notify this Court within **two days** of any decision by the PTAB on
28 CBM review"); GT Nexus, Inc. v. Intrra, Inc., 2014 WL 3373088 *5 (N.D. Cal
7/9/2014)(case stayed "pending completion of CBM review . . . Upon completion

1 the CBM review process, the parties shall jointly submit to the Court ... a joint
2 letter requesting that this action be reopened ...”); Credit Acceptance Corp. v.
3 Westlake Services, LLC, 2013 WL 7144391 *6 (C.D. Cal. 12/30/2013)(court
4 “Stays this action pending resolution of the post-grant review proceedings for the
5 ‘807 Patent under the Transitional Program for CBM Patents”).

6 Furthermore, none of the cases cited by the Defendants provides any
7 discussion or analysis regarding the issue of whether a stay of proceeding should
8 remain in place after the PTAB has issued a final written decision and while those
9 decisions are appealed to the Federal Circuit, the question at bench (largely
10 because the orders were issued at the inception of PTAB proceedings, and not
11 after the PTAB rendered final written decisions). Unlike those decisions, the
12 Court here, when it originally issued the stay, ordered: “Upon issuance of a final
13 written decision from the PTAB, the parties shall request that the stay be lifted *so*
14 *this case may proceed*” (emphasis added). [Doc. No. 549, p. 5, ll. 2-3]

15 The status of this matter is significantly different at this stage than at the
16 point at which the CBM petitions were originally filed and a stay was sought. At
17 the time the petitions were filed and the Court issued the stay, every claim of
18 every patent was subject to CBM challenge. Now the PTAB’s Final Written
19 Decisions have been handed down and multiple claims of every patent survived
20 review. A much smaller subset of the total number of assertable patent claims
21 (and *none* of the claims of the ‘077 patent) are subject to appeal and can be dealt
22 with through the case management proposals already suggested by Ameranth
23 without the prejudicial delay accompanying a continuation of the stay.

24 As a number of courts have found, where only a portion of the patents-in-
25 suit (or as here, only *some* of the claims of *some* of the patents-in-suit) are subject
26 to review, a stay of all proceedings should not be imposed where the stay would
27 leave other, unchallenged patent claims, to simply languish. See SCVNGR, Inc.
28

1 v. ECharge Licensing, LLC, 2014 WL 4804738 *10 (D. Mass. 9/25/2014)
2 (collecting decisions). Thus, the cases cited to by the Defendants are not
3 persuasive or helpful in the circumstances now before the Court.

4 **D. The Long Delayed Status of the Case Supports Lifting the Stay**

5 Although the consolidated lawsuits have not progressed in the roughly 18
6 months since they were stayed, this delay itself is part of the “status” of the case
7 that supports lifting the stay and putting the case back on calendar. The earliest of
8 the consolidated lawsuits was filed in August of 2011—nearly 4 years ago.

9 The Court’s Patent Local Rules set a goal of holding a claim construction
10 hearing within nine months of the date of a defendant’s first appearance (PLR
11 2.1.a(2)) and a trial within 18 months of the date the case was filed for “standard”
12 cases and within 24 months of the date the case was filed for “complex” cases
13 (PLR 2.1.a(3)). While the number of parties and patents involved in this matter
14 make it a complex case, this litigation has already far exceeded the 24 month
15 mark, is quickly approaching the 48 month milestone, and there has not yet even
16 been a claim construction hearing. Defendants’ request to continue the stay yet
17 further clearly conflicts with the Court’s policy. The fact that this lawsuit has
18 been so long delayed now strongly militates in favor of lifting the stay.

19 **E. Further Continuing the Stay Would be Prejudicial to Ameranth**

20 The continued stay of the litigation, and the resultant denial of Ameranth’s
21 right to have its “day in court,” is prejudicial. One of Ameranth’s key intended
22 witnesses—Judd Goldfeder—has passed away recently. Other witnesses are
23 aging, memories fade, and historical documents become more difficult to procure.
24 The application for the oldest of the patents-in-suit, the ‘850 patent, was filed with
25 the USPTO in September of 1999, and some of the Defendants’ infringing activity
26 began almost a decade ago. More delay in bringing these cases to trial only
27 exacerbates these problems.

1 Two of the defendants Ameranth sued for infringement—Exit41 and
2 Ordr.In—have gone out of business. Others appear to be headed in that direction.
3 Still others—like Seamless and GrubHub—have merged into a single entity.
4 Kayak and OpenTable were acquired by Priceline, while Micros was acquired by
5 Oracle. The Defendants continue to roll out new versions of infringing products
6 and software systems in a fast moving and ever changing marketplace. While the
7 litigation is stayed, entire generations of infringing products can go in and out of
8 production without Ameranth even having the ability to conduct discovery upon
9 them. Events and changes such as these jeopardize Ameranth’s ability to obtain
10 and collect upon judgments against companies that infringe Ameranth’s patents.

11 Ameranth has licensed the patents-in-suit to approximately 36 companies.
12 These licensees properly pay royalties to Ameranth for transactions within the
13 scope of the patented inventions. But they are required to compete against
14 companies such as the Defendants that practice the patented inventions without
15 paying royalties, imposing an unfair competitive disadvantage to Ameranth’s
16 licensees and depriving Ameranth of royalties to which it would otherwise be
17 entitled. The Court’s guidelines for bringing patent cases to trial reflect and
18 acknowledge the importance of timely enforcement of patent rights, a policy that
19 is subverted by lengthy stays of proceedings. Continuing the stay would make
20 this problem worse and unfairly prejudice Ameranth and its licensees.

21 Defendants seek to extend the stay of litigation even beyond the anticipated
22 appeal period by requesting the Court to continue the stay through the conclusion
23 of yet another round of CBM petitions the Defendants filed just as the original
24 CBM proceedings were concluding. These serial filing appear to have been timed
25 to have the maximum delaying effect on the litigation, and contravene the Court’s
26 September 13, 2013 Order that: “Defendants shall file their petition with the
27 United States Patent and Trademark Office for Covered Business Method review

1 of the patents-in-suit on or before **October 15, 2013.**” [Doc. No. 491, p.2, ll. 13-
2 15] Defendants attempt to justify their dilatory behavior by claiming that the
3 PTAB supposedly invited them to file additional CBM petitions in the PTAB’s
4 March 2014 institution decisions and again at a hearing in October 2014.

5 But even a cursory reading of the exhibits lodged by the Defendants reveals
6 that the PTAB extended no such “invitation.” The first round of CBM petitions
7 did not assert any “prior art” challenges to the patents, and no alleged prior art was
8 submitted to the PTAB to perform any such analysis. In the transcript of the
9 October 2014 hearing, the PTAB merely asked the Defendants to confirm that
10 they did not file any prior art challenges to the patents, and were raising only
11 section 101 and 112 challenges in the proceedings. Furthermore, Defendants fail
12 to explain why, if the PTAB supposedly “invited” them to assert prior art
13 challenges through new CBM proceedings as early as March of 2014, Defendants
14 chose to wait until March of 2015 to file those new petitions, unless their intent
15 was to maximize the delaying effect upon the District Court litigation².

16 **F. Continuing the Stay Through the Appeals Process Will Not**
17 **Meaningfully Reduce the Burden of Litigation**

18 As discussed above, the lengthy CBM process has not simplified the case or
19 reduced the burden of litigation materially beyond what the Court’s case
20 management order would have accomplished. The stay accompanying the CBM
21 proceedings has merely delayed resolution of the lawsuits and added hundreds of
22 thousands of dollars on fees and expenses. Further maintaining the stay for
23 another year or more while the parties’ appeals and cross-appeals go to the
24

25 ² Defendants also misleadingly imply that the PTAB found that *all* the asserted
26 claims of Ameranth’s patents did not “recite a technological feature that is novel
27 and unobvious over the prior art” The PTAB made no such finding as to all
28 claims of the patent-in-suit, however. For example, with respect to the ‘325
patent, the PTAB made such a finding only as to claim No. 1, and made no such
determination as to claim Nos. 11-16.

1 Federal Circuit would further *delay* the litigation. But continuing the stay through
2 appeal will not meaningfully *reduce* the burden on the parties or the Court more
3 than the solution proposed by Ameranth (i.e., not asserting the claims that
4 Ameranth is appealing and moving to the end of the trial schedule the trials of the
5 four defendants against whom the ‘733 patent has been asserted).

6 **CONCLUSION**

7 The four patents-in-suit were duly issued to Ameranth by the USPTO.
8 Those patents all have survived intense scrutiny by the PTAB through a procedure
9 that former Chief Judge Rader once referred to as a “patent death squad.” The
10 Defendants, who want to avoid or delay trial at almost any cost, now urge the
11 Court to extend the almost one and half year stay for another year or more while
12 the PTAB’s decisions are appealed to the Federal Circuit, and indicate that they
13 intend to request yet further delays while they pursue yet another round of CBM
14 challenges that they should have brought, if at all, eighteen months ago.

15 Because further tactical delays are prejudicial to Ameranth, and will not
16 simplify the issues or reduce the expense or burden of the legal dispute, Ameranth
17 respectfully requests the Court to lift the stay and allow the litigation to proceed.

18 Respectfully submitted,

19 Dated: May 14, 2015 CALDARELLI HEJMANOWSKI & PAGE
& LEER LLP

21 By: s/ William J. Caldarelli
22 William J. Caldarelli
Ben West

23 **Attorneys for Plaintiff Ameranth, Inc.**