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

**IN RE: AMERANTH
PATENT LITIGATION**

CASE NOS.

11cv1810 DMS (WVG) 12cv1643 DMS (WVG)
12cv0729 DMS (WVG) 12cv1644 DMS (WVG)
12cv0731 DMS (WVG) 12cv1646 DMS (WVG)
12cv0732 DMS (WVG) 12cv1648 DMS (WVG)
12cv0733 DMS (WVG) 12cv1649 DMS (WVG)
12cv0737 DMS (WVG) 12cv1650 DMS (WVG)
12cv0739 DMS (WVG) 12cv1651 DMS (WVG)
12cv0742 DMS (WVG) 12cv1652 DMS (WVG)
12cv0858 DMS (WVG) 12cv1653 DMS (WVG)
12cv1627 DMS (WVG) 12cv1654 DMS (WVG)
12cv1629 DMS (WVG) 12cv1655 DMS (WVG)
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12cv1636 DMS (WVG) 13cv1072 DMS (WVG)
12cv1640 DMS (WVG) 13cv1520 DMS (WVG)
12cv1642 DMS (WVG) 13cv1525 DMS (WVG)
12cv2350 DMS (WVG) 13cv1840 DMS (WVG)

**PLAINTIFF AMERANTH, INC.'S OPPOSITION
TO DEFENDANTS' MOTION TO STAY UNDER
SECTION 18(B) OF THE LEAHY-SMITH
AMERICA INVENTS ACT**

**Date: December 13, 2013
Time: 1:30 p.m.
Location: Courtroom 13A
Judge: Hon. Dana M. Sabraw**

Complaint Filed: August 15, 2011

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INTRODUCTION

In the Motion to Stay filed with the Court, and in their Covered Business Method (“CBM”) review petitions (based only upon challenges under 35 U.S.C. §§ 101 and 112) filed with the USPTO, defendants allege that Ameranth is a non-practicing entity, has invented nothing, did not develop a technological solution to any technical problem, and is unjustifiably seeking to extract patent license fees for invalid patents (which merely reflect an “abstract idea”) from innocent defendants¹. All of this rhetoric, however is simply untrue. Moreover, the defendants have intentionally withheld from this Court, and from the USPTO, facts, evidence and rulings that contradict their assertions².

Ameranth, a small but innovative software company founded in California in 1996 by three entrepreneurs, is exactly the type of company for which the protections of our patent system were intended. Its founders saw needs and invented a visionary means to meet such needs, not “abstractly,” but with real, proven, award winning products. Ameranth, in fact, conceived, invented, produced and deployed **five** such products.³ Ameranth applied for and obtained 4 patents to protect those inventions, which is a right that the founders of our country intended for them to have. Ameranth deployed these award winning

¹ The defendants have copied Ameranth's breakthrough innovations and are infringing Ameranth's patents across a wide spectrum of the hospitality industry, including, e.g., Domino's, Pizza Hut, QuikOrder, Papa John's, Starbucks, Agilysis, Marriott and Micros, which rolled out infringing products after disclosure of Ameranth's technology to them.

² The defendants failed to provide this Court and the USPTO with all 4 of the prior claim construction orders and other related judicial rulings that reject or undermine the same invalidity arguments made in the CBM petitions. To advance arguments against a patentee to the USPTO, while concealing from the USPTO that those very same arguments have already been rejected by three different federal judges, is improper. See 37 CFR § 42.11 “Duty of Candor.”

³ Ameranth's products (designated as “Products Practicing the Inventions” under the Patent Local Rules) include Ameranth's (1) 21st Century Restaurant™, (2) Improv Comedy Club web/mobile ticketing system, (3) Hostalert Reservations/waitlist system, (4) eHost -web/mobile hotel concierge system, and (5) Magellan restaurant reservations system. Exh. 1, p. 005.

1 software products in thousands of restaurants, hotels, casinos, clubs and stadiums,
2 until the defendants' infringements largely displaced them.

3 Ameranth was thus compelled by the defendants' conduct to enforce its
4 patents against those that infringe upon them. This includes, for example,
5 petitioner Domino's, which claimed in 2007 that it had invented aspects of
6 Ameranth's technology, calling it their own "breakthrough technology."⁴ The
7 importance of Ameranth's right to protect its inventions from copying and
8 infringement was emphasized by defendant Apple's CEO, Tim Cook: "The worst
9 thing in the world that can happen to you if you are an engineer and you have
10 given your life to something - is for someone to rip it off and put their name on
11 it."⁵ Without the ability to enforce its rights against infringers, the patents are of
12 no value to Ameranth or to its 26 existing patent licensees. While it is a daunting
13 challenge for a small company like Ameranth to protect its rights against so many
14 powerful corporations, Ameranth is determined to do so.

15 The defendants' request to stay the entire consolidated case (which was first
16 filed well over 2 years ago, and has already been stayed and delayed previously) is
17 unduly prejudicial to Ameranth. Such an expanded stay (a partial stay as to non-
18 claim construction discovery is already in place) would allow the defendants to
19 continue to infringe Ameranth's patents without consequence and adversely affect
20 Ameranth's licensing efforts and litigation preparation. As explained below,
21 Ameranth's patents are not properly subject to CBM review. Furthermore,
22 petitioners' specious arguments have been rejected previously by three different
23

24 ⁴ "With the addition of yet another order-taking channel, Domino's is thrilled to
25 lead the market with this breakthrough technology ...," See Exh. 2. Domino's
26 made this claim despite now disparaging Ameranth's inventions as an
27 unpatentable "abstract idea." Further contradicting its position, Domino's had
28 sought two patents (Pat. App. Nos. 09/491,265 and 10/182,091) for technology
similar to Ameranth's inventions.

⁵ http://www.dailymotion.com/video/xr7y4b_tim-cook-calls-patent-wars-pain-in-the-ass_tech

1 judges. The CBM petitions are in reality a delay tactic, as demonstrated by the
2 facts that the petitions include only a small subset of the invalidity arguments
3 asserted in the lawsuit, and that not all defendants have joined the petitions, so
4 that defendants can attempt to litigate the patents twice, once in the USPTO and
5 again in this Court. Such calculated tactics abuse the goals of the CBM program,
6 which was designed to provide an alternative and expedited forum and not merely
7 a second venue for arguments that do not survive the litigation process and which
8 are intended only to impose further delay and expense.

9 Consequently, the Court should defer any decision to further stay the
10 litigation until the USPTO decides whether to even undertake CBM review of the
11 patents-in-suit. While awaiting the USPTO's preliminary determination as to the
12 petitions (expected by March 2014), Ameranth will continue to serve infringement
13 contentions for all of the consolidated defendants, as directed by the Court, so that
14 all parties will have the benefit of the infringement analyses therein. Armed with
15 the decision by the USPTO as to whether and to what extent it may entertain
16 CBM review of any of the patents, the Court can then best decide how to continue
17 to fairly and most efficiently manage the litigation.

18 SUMMARY

19 After waiting over two years since the filing of the earliest of the
20 consolidated lawsuits and the passage of the AIA to file the CBM petitions, the
21 defendants only now move for a stay of the consolidated lawsuits. The
22 defendants' stay motion should be denied (albeit without prejudice until the
23 USPTO determines whether it will hear the petitions on the merits). Section
24 18(b)(1)(A)-(D) of the AIA identifies a four factor test for determination of
25 motions to stay infringement lawsuits when a CBM petition is filed. Here, the
26 weight of those factors favors *denial* of a stay. As discussed below, staying the
27 lawsuit at this juncture will not simplify the issues in question, streamline the trial,
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1 or reduce the burden of litigation because: (a) as a threshold matter, the patents-in-
2 suit clearly describe and claim technological inventions that are *excluded* from
3 CBM review; (b) petitioners’ challenges to the patents are ill conceived and are
4 unlikely to succeed on the merits; (c) the substance of the petitions does not
5 address the issues that will be most contested in the lawsuits, indicating that
6 defendants are unfairly seeking “two bites at the apple,” once before the USPTO
7 and another time in this Court; and (e) several defendants are not even
8 participating in the petitions. Likewise, the status of the litigation (which has been
9 pending for over two years already and which is proceeding towards claim
10 construction) favors denying the stay. Furthermore, an expanded stay at this stage
11 of the proceedings—over two years into the case—will unfairly prejudice
12 Ameranth in light of the age of the lawsuits, the defendants’ unexplained delay in
13 filing the CBM petitions, and the adverse effect that yet further delays on
14 adjudication of the infringement claims against the defendants⁶ will have upon
15 Ameranth and its licensees that compete with the defendants.

16 The Court has already stayed non-claim construction discovery (other than
17 certain source code review to facilitate preparation of infringement contentions)
18 leading toward a claim construction hearing in November of 2014; thus, there is
19 little risk of duplication of effort between the judicial proceeding and the CBM
20 process. The Court has also ordered the parties to participate in ENE’s to be held
21 in January and February of 2014. In light of the fatal flaws with defendants’ CBM
22 petitions, and the factors discussed herein, the Court should deny defendants’ stay

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26 ⁶ The rapidly evolving nature of mobile/web technology, which can change twice
27 yearly, makes delays especially costly, as products change and infringement
28 analyses may become obsolete, requiring more discovery and analysis.

1 motion without prejudice, pending the USPTO's determination of whether the
2 patents-in-suit are even subject to CBM review.⁷

3 While determination of the stay motion does not require an adjudication of
4 the merits of this case or of the defendants' CBM petitions, the petitions are the
5 basis of the motion. Consequently, the question of whether the petitions have a
6 probability of success on the merits impacts the Court's decision regarding the
7 stay request. Therefore, before addressing the legal basis for a stay, Ameranth
8 first provides a background of the patented inventions, and a description of the
9 evidence (much of which was withheld by the defendants) that is highly relevant
10 to the issues raised by the stay motion.

11 DISCUSSION

12 **A. The Technological Nature of the Patents In Suit**

13 All four of the patents-in-suit describe various forms of an information
14 management and synchronous communications system primarily contemplated for
15 use in the hospitality industry. The inventions described in the patents are
16 software systems that necessarily operate with computers, databases, web servers,
17 and wireless handheld computing devices (such as "smartphones"), etc., to
18 perform certain hospitality related functions.

19 The defendants, which include some of the world's largest hospitality
20 companies, practice the patented inventions across a wide range of online and
21 mobile ordering, ticketing, reservation and payment processing functions. The
22 reality is that, if Ameranth's inventions did not uniquely "solve a technical
23 problem" essential to their mobile/web operations, the defendants would not be

24 ⁷ Determination of CBM petitions involves a two-step process. First, the USPTO
25 must decide whether the patents and claims being challenged are even subject to
26 CBM review. Petitioners must prove that they have been sued for infringement of
27 a patent within the definition of a "covered business method patent." If the
28 USPTO determines that the patents are subject to CBM review, then a second step
follows on the merits of the petitions leading to a trial before the USPTO. 77 Fed.
Reg. 48756.

1 practicing them, or would simply develop “work around” solutions to conduct
2 their business differently. Yet they all continue to infringe.

3 To appreciate the novel aspects of the patented inventions, it is useful to
4 understand the technical problems that the inventors first recognized in September
5 1998 and for which Ameranth uniquely invented the solution. While the
6 invention applies to many different hospitality applications, the patented
7 inventions were originally conceived in the context of restaurant ordering using
8 web pages and wireless handheld devices. A number of problems existed with
9 employing such technology. For example, because of the smaller screen sizes of
10 wireless handheld devices, electronic menus formatted for standard personal
11 computer screens would not fit well or display in readable fashion on a wireless
12 handheld device. Moreover, restaurant menu selections are really comprised of
13 cascading tiers of options. For example, there might be a first level or tier of
14 “Breakfast” “Lunch” or “Dinner.” Within each of those tiers there will be a
15 second set of options. Under Lunch, for instance, there may appear
16 “Sandwiches,” “Soups,” and “Salads.” Under those there will be another set of
17 sub-menu options—the Sandwich tier, for example, may list “Ham and Cheese,”
18 “Turkey Club,” “Hot Pastrami,” etc. Below that level there may be yet other sub-
19 level modifiers—such as condiment selection, type of cheese, side dishes, etc.

20 Computerized electronic menus link these hierarchal tiers of options/
21 modifiers in a manner that allows selection of a complete orderable item. Thus, if
22 a customer wants a Turkey Club sandwich with swiss cheese and potato salad, the
23 menu navigation process might progress from Screen One (Breakfast, Lunch or
24 Dinner) to Screen 16 (Sandwiches, Soups, or Salads) to Screen 58 (Ham and
25 Cheese, Turkey Club, Hot Pastrami, etc.), to Screen 112 (Swiss, American,
26 Cheddar, Havarti) to Screen 197 (coleslaw, potato salad, fries, fruit), and so on,
27 until an order is completed. However, one of the problems that arises when a
28

1 computerized electronic menu created for a standard P.C. is to be used on a
2 wireless handheld device with a smaller display screen on which less information
3 can appear in a single view is that linkages and sequencing of the cascaded menu
4 options, modifiers, sub-modifiers, etc., must change. Screen 16 may have to be
5 broken into three different screens/levels (e.g., 38, 39, and 40). Screen 58 may
6 have to be divided up into eight different screens. For the item selection/ order
7 building process to work properly, however, the same logical parent-child
8 connections between linked tiers must be maintained, even though the
9 screen/level/option numbering may change. Thus, a customer who wants a
10 Turkey Club should be able to select from a variety of options for type of cheese,
11 condiment and side dish, even though all of the information/options/modifiers that
12 might have appeared on a single page on a traditional paper menu (or on one or
13 two cascaded levels on an electronic menu displayed on a standard P.C. screen)
14 might require navigation through 5 or more level/modifiers when the order is
15 placed on a smaller wireless handheld device.

16 This re-sequencing/re-linking challenge exists whenever an electronic menu
17 is configured for use on a smaller wireless handheld device. When there is only a
18 single type of wireless handheld device that will be used for displaying the menu
19 (for instance, if all wait staff in a restaurant are issued a uniform device for taking
20 orders), the re-linking will be the same for all such devices. But the problem
21 becomes more complex when the menu is not simply used by wait staff with
22 uniform handheld devices, but also is made accessible to individual consumers,
23 who have a large variety of different computing devices and smartphones with
24 different and non-standard display screen sizes and characteristics. In order to
25 work in such a varied environment, the menu generation system must be capable
26 of adapting to the different screen sizes/display characteristics of the different
27

1 computing devices and of formatting, linking and sequencing the different
2 cascading screens and tiers of the menu to work properly on all such devices.

3 Other problems apprehended by inventors of the patent-in-suit included the
4 challenges involved in getting the menus out to remote computing devices on
5 which orders would be placed, updating changes in menu information so that they
6 would be properly reflected on the computing devices, and maintaining
7 synchronicity throughout the system so that the same substantive hospitality
8 information (for example, food menu items and pricing) would appear on any of
9 the connected devices regardless of whether screen size, formatting, or sequencing
10 levels, etc., were different device to device. The inventors did not believe that
11 electronic menu systems which required manual programming/inputting of menu
12 information into individual handheld devices were practical or commercially
13 viable, especially not for consumer mobile devices. Furthermore, they were aware
14 of the reality that menu items change. New items are added, others are deleted.
15 Seasonal specials rotate on and off of menus. Prices change. A viable system had
16 to address such requirements. Additionally, the same substantive information had
17 to be reflected on each of the computing devices displaying the menu, regardless
18 of format. A restaurant would not want to offer particular items only to P.C.
19 users, certain items only to customers who used one type of smart phone, and
20 other items to customers who used other brands of phones. Similarly, the price for
21 the same item should be the same regardless of how or on what device the
22 consumer views the menu. This required synchronization of the system.

23 The patented invention uniquely solved these challenges with a
24 technological software solution—an information management and synchronous
25 communications system. The patents describe a software system in which a
26 master database maintains “database equilibrium” and contains a “single truth” of
27 hospitality data--for example, an up to date restaurant menu with current items

1 and pricing—and through the software modules described in the patents (menu
2 configuration software, a communication control module, communication
3 protocols and application programming interfaces, etc.) causes that same
4 *substantive* menu data to be correctly formatted, sequenced, displayed and
5 updated across a variety of connected devices—including but not limited to
6 different types of wireless handheld computing devices, such as smart phones.

7 As explained herein, because Ameranth’s patents describe a “technological
8 invention,” they do not meet the definition of a covered business method patent
9 and are not subject to CBM review. See 37 C.F.R. §42.301.

10 **B. Many Others Have Found Ameranth’s Inventions To Be Novel**
11 **and Innovative**

12 Significant commercial success and industry recognition followed for the
13 technology developed by Ameranth embodying the inventions described in the
14 patents, testifying to the novel and innovative nature of Ameranth’s patented
15 technology. This is evidenced in the §1.132 Secondary Factors Declarations filed
16 with the USPTO in the prosecution of the ‘077 patent. See Exhs. 3, 4, 5, 14.

17 Ameranth invented and deployed 5 software products for the hospitality industry
18 that practiced claims of the patents—21st Century Restaurant, Improv Comedy
19 Club Ticketing, Hostalert, Magellan, and eHost. Exh. 1, p. 005, Exh. 15. Red
20 Lobster, Seasons 52, and Medieval Times other restaurants, as well as Zagat,
21 adopted Ameranth’s technology systems for their operations. Ameranth’s
22 technology was also deployed at numerous entertainment venues, including
23 Madison Square Garden, Staples Center, Lambeau Field, and Improv and Funny

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1 Bones comedy clubs throughout the country. Holiday Inn likewise adopted and
2 deployed Ameranth's technology in thousands of its hotels⁸.

3 Many others have acknowledged the unique inventive aspects of
4 Ameranth's patents. For example, Judge Everingham of the Eastern District of
5 Texas wrote: "The menus are interactive and serve two important functions:
6 displaying an up-to-date menu and entering an order. *The invention solves a*
7 *number of problems with the prior art.*" Exh. 6, p. 269 (emphasis added). In this
8 matter, Judge Sammartino explained: "The '850 Patent covers an information
9 management and synchronous communications system and method for generating
10 computerized menus for use on specialized displays. *The invention allows for the*
11 *more efficient use of handheld wireless devices in the restaurant and hospitality*
12 *fields by creating an integrated solution that formats data for smaller displays*
13 *and allows for synchronization of data.*" Dkt. No. 425, p. 2 (emphasis added).

14 Microsoft's Bill Gates, nominating Ameranth for one of its many
15 technology awards, stated: "Ameranth is one of the leading pioneers of the
16 information technology age for the betterment of mankind." Exh. 5, p. 260; Exh.
17 3, ¶55. An article published in Business Week about Ameranth's hospitality
18 technology, and its lead inventor, Keith McNally (Ameranth's current President),
19 commented: "Keith McNally's eMenu technology is his latest bid to speed
20 service, and gain efficiencies, in the restaurant and hotel industries ... it's not
21 quite Star Trek, McNally ... has taken an unusual route to high-tech
22 entrepreneurship. A West Point grad, he served as an artillery officer for five
23 years. After leaving the Army, he spent 17 years at Litton Industries ... helping

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25 ⁸ Ameranth's technology and products have also won several major industry
26 technology awards (one nominated personally by Bill Gates), and Ameranth has
27 been recognized as a leader in wireless technology innovation in both national
28 publications (including The Wall Street Journal, The New York Times, USA
Today, and Time Magazine) and in prominent hospitality industry publications.
Ameranth has licensed its patents to over 25 different companies operating in the
hospitality industry. See Exhs. 3-5, 14.

1 develop the handheld wireless devices the military now uses to guide artillery
2 batteries and smart bombs” Exh. 4, ¶18. Steve Glen, at the time a vice-
3 president of Marriott (a petitioning defendant), wrote: “As you are aware, Marriott
4 International is very interested in [Ameranth’s] 21st Century Restaurant System
5 technology and we believe that many of its innovative features will enhance the
6 efficiency of our operations, increase customer satisfaction and help increase
7 profitability in our operations.” Exh. 5, p. 260. Computerworld notified
8 Ameranth in July of 2001 that: “The case study of your exceptional use of
9 information technology- Ameranth Wireless Improv Comedy Club Solution- has
10 been included in the Computerworld Honors Online Archive as an example of a
11 revolutionary change you have created at the commencement of a new century.”
12 Exh. 5, p. 262. A September 2000 press release for the Moby Award won by
13 Ameranth states: “This award, from Mobile Insights honors’ the best and finest
14 implementations of mobile computing and wireless data communications.” Exh.
15 5, p. 260. Ameranth licensees and business partners such as PAR Technology,
16 Snapfinger and others have described Ameranth’s patents as “novel,” “visionary,”
17 and “inventive.” Exh. 13. Yet another petitioner, Agilysys, was a longtime
18 licensee of Ameranth’s patents into 2012.

19 Although defendants now assert that Ameranth’s patents do not describe a
20 technological invention, these independent sources concluded otherwise. When
21 these facts, and the Markman rulings withheld by the defendants, are provided to
22 the USPTO, Ameranth believes that it too will determine that the patents
23 encompass technological inventions and thus are excluded from CBM review.

24 **C. The Statutory Factors Weigh Against Staying The Lawsuits At**
25 **This Time**

26 Factors courts should consider when deciding whether or not to stay
27 litigation when a defendant petitions for CBM review are: (1) whether a stay will
28 simplify the issues in question and streamline the trial; (2) whether discovery is

1 complete and whether a trial date has been set; (3) whether a stay would unduly
2 prejudice the nonmoving party or present a clear tactical advantage for the moving
3 party; and (4) whether a stay will reduce the burden of litigation. AIA, § 18(b)(1).
4 The analysis of the first three factors, which are similar to those considered in
5 connection with motions to stay litigation in light of non-CBM reexamination
6 proceedings, can be guided by judicial decisions regarding motions to stay for
7 such reexaminations. See Market-Alerts Pty, Ltd. v. Bloomberg Finance L.P.,
8 922 F.Supp.2d 486, 490 at n.6. (D.Del. 2013).

9 Factors (1) and (4) are, of course, related to the issue of whether the CBM
10 petition is or is not likely to succeed on the merits. If a CBM petition is not taken
11 up by the USPTO, or is denied on the merits, it may have little or no effect as far
12 as simplification of issues or reduction of the burden of litigation.

13 **1. The CBM Petitions Are Not Likely to Simplify the Issues,**
14 **Streamline the Trial, or Reduce the Burden of Litigation**

15 The CBM petitions are not likely to reduce or simplify the scope of issues
16 to be tried, or ultimately reduce the burden of litigation, because: (a) the patents
17 describe technological inventions and are not subject to CBM review; (b) not all
18 defendants have joined the petitions; (c) the petitions do not address many of the
19 issues raised in the lawsuit that will require the most effort to resolve; and (d) the
20 petitioners' substantive challenges to the patents are deeply flawed and many have
21 been rejected previously.

22 **a. The Patents Are Technological Inventions Exempt**
23 **From CBM Review**

24 The CBM review provisions were enacted to target a particular species of
25 suspect business method patents issued by the USPTO following the decision in
26 State Street Bank & Trust Co. v. Signature Financial Group, 149 F.3d 1368 (Fed.
27 Cir. 1998). A patent is subject to CBM review only if the petitioner satisfies the
28 burden of showing that the challenged patent: (1) "claims a method or

1 corresponding apparatus for performing data processing or other operations used
2 in the practice, administration, or management of a financial product or service,”
3 and (2) does not claim a “technological invention.” AIA §18(d)(1).

4 Defendants argue that that Ameranth’s invention: “simply computerizes the
5 well-known concept of generating menus and facilitating orders from the menus, a
6 concept that has been performed by humans ‘verbally’ or by ‘pen and paper’ for
7 years before the patent application was filed.” ‘850 Petition at p. 9. Defendants
8 contend that the patents merely claim a non-patentable “abstract idea,” and are
9 invalid under 35 USC § 101.⁹ Id. at 7. As discussed above, Ameranth’s patents
10 are not directed to merely rendering electronic versions of traditional paper menus
11 and permitting ordering from those menus. Core inventive concepts described in
12 the patents and reflected in the claims include software for automatically
13 transforming, reconfiguring, and correctly relinking the cascading tier structures
14 of hospitality menu information for display and operation on different types of
15 computerized devices (desktops, laptops, smartphones, etc.), and efficiently
16 synchronizing such hospitality data, and changes thereto, across the computerized
17 system without necessity of individualized updates/ revisions to each device.
18 These functions not only are performed by unique and customized software
19 components operating and interacting with a computerized system (master
20 database, computer operating system, webserver, wireless handheld computing
21 devices, etc.), but could not be performed without such technological components.
22 The recited components are “integral” to the claims and “part of the solution,” and
23 thus are “meaningful limitations,” indicating patent eligibility. See Ultramercial,
24 Inc. v. Hulu, 722 F.3d 1335, 1347-48 (Fed. Cir. 2013). The claimed invention is
25 not merely a computer replacement for functions that could be performed
26

27 ⁹ In over 13 years of prosecution, and through 3 lawsuits, there has never been a
28 finding of §101 invalidity as to any of the 4 patents.

1 mentally, verbally or with pen and paper. Ameranth’s invention “solves a
 2 technical problem using a technical solution.” 37 C.F.R. § 42.301(b); 77 Fed.
 3 Reg. 48,734, 48,736¹⁰. Thus, the patents are exempt from CBM review.

4 **b. Not All of the Defendants Have Joined the Petitions.**

5 Although all defendants move to stay the consolidated cases, several
 6 defendants (OWeb, QuikOrder, TicketBiscuit, TicketFly and ATX) did not join
 7 the CBM petitions. A defendant which unsuccessfully raises a patent validity
 8 defense in a CBM proceeding is estopped from asserting such defense again in
 9 court. AIA §18(a)(1)(D). By having some defendants refrain from joining the
 10 CBM petitions, the defendants appear to be attempting to improperly preserve a
 11 “second bite” at the apple if and when they lose on their invalidity arguments
 12 before the USPTO. This should be prohibited by the Court.

13 Thus, unless all defendants (regardless of whether they joined the CBM
 14 petitions) are estopped from litigating invalidity defenses that are unsuccessfully
 15 raised with the USPTO, staying the lawsuit pending the CBM review will not
 16 simplify the issues or streamline the trials because the non-petitioning defendants
 17 will likely attempt to assert the same defenses in the litigation. See Ultra
 18 Products, Inc. v. Antec, Inc., 2010 WL 1688538 *4 (N.D. Cal. 2010) (“the
 19 preclusive effect of any reexamination decision would apply only to Antec, but
 20 not to any of its twelve co-defendants These are valid points that Antec
 21 cannot refute. Especially where the PTO has not yet granted the reexamination
 22

23 _____
 24 ¹⁰ The legislative history of §18 makes it clear that software systems may qualify
 25 as technological inventions exempt from CBM review: “Some legitimate interests
 26 have expressed concern that non-business-method patents will be subject to
 27 challenge in this proceeding. I have been asked to, and am happy to, reiterate that
 28 technological inventions are excluded from the scope of the program, and that
 these technological inventions include inventions in the natural sciences,
 engineering, and computer operations—and that inventions in computer
 operations obviously include software inventions.” S. 5431 Leg. History,
 Statement of Sen. Kyl, Congressional Record-Senate, September 8, 2011.

1 request, Antec has not persuasively demonstrated that the results of reexamination
2 will simplify the instant litigation such that a stay would be helpful”).

3 **c. The CBM Petitions Do Not Address Many of the**
4 **Issues to be Determined in the Lawsuit.**

5 The CBM petitions omit the bulk of the arguments raised in the lawsuits
6 and present only three challenges to the patents-in-suit. Specifically, defendants
7 allege that: (1) the patent claims fail to satisfy the written description requirement
8 of §112; (2) the claims are “indefinite” under §112 because they combine system
9 (apparatus) claims with method steps¹¹; and (3) the claims are directed to non-
10 patentable subject matter under §101 because they state only an “abstract idea.”
11 None of the many other defenses asserted in the consolidated lawsuits are
12 presented for determination by the USPTO.

13 In contrast, there is an array of issues that have been raised in the lawsuits
14 which will not be addressed by the CBM review process even if the USPTO
15 undertakes review of the patents. For example, the affirmative defenses and
16 counterclaims asserted in the consolidated lawsuits include: (1) anticipation under
17 §102 based on supposed “prior art”; (2) lack of enablement under §102; (3)
18 obviousness under §103; (4) alleged inequitable conduct of the inventors or patent
19 prosecution counsel; and (5) prosecution history estoppel. See, e.g., 12-cv-01655,
20 Dkt. No. 38. Moreover, petitioners provide only a small handful of terms for
21 construction to the USPTO, whereas they designated many more for construction
22 in the lawsuit (compare Exhs. 11 and 12), and they admit that claim construction
23 in the USPTO “is analyzed under a different legal standard” (the “broadest
24 reasonable interpretation”) than in litigation. ‘733 CBM Petition, p. 30, n. 7.

25
26 ¹¹ Although petitioners state that they are challenging the patents under §112, they
27 do not specifically make lack of enablement arguments in the petitions. Thus,
28 unless defendants are estopped from re-challenging the patents in court on *all*
§112 grounds, they will attempt a “second bite” at the §112 argument in court.

1 Where not all of the issues presented by lawsuit will be addressed by the
2 USPTO proceeding, there is less potential for simplification of issues or
3 streamlining of trial. See, e.g., ImageVision.Net, Inc. v. Internet Payment
4 Exchange, Inc., 2012 WL 5599338 *4 (D. Del. 2012) (less simplification benefit
5 where USPTO re-examination would not address issues to be tried, such as
6 infringement and damages, legal defenses, and equitable defenses); Davol, Inc. v.
7 Atrium Medical Corp., 2013 WL 3013343 *6 (D. Del. 2013)(same).

8 **d. Defendants’ Substantive Challenges to the Patents**
9 **are Deficient, and Many Have Been Rejected.**

10 One of the grounds on which defendants challenge Ameranth’s patents is
11 the assertion that the patents do not satisfy the written description requirement of
12 §112. Defendants make this contention, but fail to disclose a number of prior
13 judicial rulings contradicting their arguments.

14 This omission is not a result of differing claim construction standards
15 between the USPTO and the district courts. Rather, while purporting in their
16 petitions to adopt the “broadest reasonable interpretation,” defendants in fact
17 attempt to implicitly insert their own claim constructions (positions previously
18 asserted, and rejected, in the Ameranth v. Menusoft lawsuit).

19 For example, defendants’ indefiniteness argument is based on their
20 construction of the term “transmitting to a web page.” See ’850 CBM Petition, p.
21 55, and Exh. 1037 thereto. Yet defendants withhold the fact that Judge
22 Everingham of the Eastern District of Texas *rejected* their proposed construction
23 for that term (Exh. 8), and found the claim sufficiently understandable. Judges
24 Everingham and Payne similarly *rejected* defendants’ interpretation of “web
25 page” and adopted Ameranth’s construction. Exhs. 8, 9 at p. 306. Judicial claim
26 constructions, withheld by defendants from the USPTO, in fact undermine a
27 number of the arguments made in the petitions. These withholdings are not the
28

1 result of a lack of awareness; lead counsel for the defendants in the Ameranth v.
2 Menusoft lawsuit in which petitioners' constructions were previously rejected are
3 the same Fulbright attorneys serving as lead defense counsel in this matter.

4 The '850, '325 and '733 patents have already been reviewed and their
5 claims construed by two judges in the Eastern District of Texas (constructions that
6 defendants did not disclose to the USPTO). Exhs. 6-9. Those judges found the
7 patent claims sufficiently well described to be understood and construed.

8 The defendants' §112 "written description" argument is really a re-
9 packaging of a claim construction position previously *rejected* in the Eastern
10 District of Texas. In Ameranth v. Menusoft, Menusoft's counsel (the Fulbright
11 firm representing many of the petitioners here), argued for a construction that
12 would have limited "synchronization" to a single embodiment, namely, when an
13 entire database is stored locally on a wireless handheld device with exchanges
14 between that database and a master database. The Eastern District of Texas
15 *rejected* that position in the Menusoft case, finding "it is not necessary that the
16 clients have local databases." Exh. 6, p. 274. In the Ameranth v. Par case, a
17 second Eastern District of Texas judge *rejected* a similar argument, construing
18 synchronization to mean simply "made to be the same." Exh. 9, p. 316.

19 In their CBM petitions, however, defendants present the same rejected
20 claim construction, now in the guise of an argument that their failed construction
21 (synchronization between a local database on a handheld and master database) is
22 the only "species" of synchronization supposedly disclosed in the patents, and that
23 any other application of synchronization therefore fails the written description
24 requirement. Defendants do not disclose to the USPTO that two judges have
25 already interpreted the patents and concluded that intrinsic support exists therein
26 for a much broader interpretation of synchronization. However, the defendants
27 acknowledge that the USPTO uses the "broadest reasonable interpretation"

1 standard; thus, the courts’ broad interpretation of synchronization should be
2 applied in the CBM process, eviscerating defendants’ argument.

3 Likewise, petitioners argue that the patent claim provisions for transmitting
4 a menu to a web page are indefinite, unsupported, and even nonsensical. ‘850
5 CBM petition, p. 52; Larson Decl., ¶ 19. But defendants fail to disclose that
6 Judge Everingham already *rejected* the arguments put forth in the Menusoft case
7 as to this same issue, construed this claim language, and specifically found
8 “support for this definition in the intrinsic record.” Exh. 8. Similarly, the
9 petitions contend that the term “any other communications protocol” is not
10 understandable to a person of skill in the art (‘325 CBM petition, p. 57), without
11 revealing that a court has already found that the claim language has “inherent
12 clarity” such that it did not require construction. Exh. 9, pp. 312-13.

13 The petitioners also reassert their argument that the patent claims are
14 invalid because they supposedly impermissibly mix apparatus and method claims.
15 Defendants, however, conceal that this argument was already raised in *this* lawsuit
16 and *rejected* by the Court. Dkt. No. 425, p. 9 (“After conducting an independent
17 analysis of the claims, the Court finds that the disputed claims are not
18 impermissibly ambiguous hybrid claims Accordingly, *because the claims do*
19 *not impermissibly create hybrid method and apparatus claims, Defendants’*
20 *motion is DENIED on this basis*”). Emphasis added. Judge Sammartino’s
21 decision is consistent with the claim construction orders issued in the Eastern
22 District of Texas, which construed the patent claims as apparatus claims only.

23 The majority of the defendants’ challenges to the claims of the ‘077 patent
24 are based on allegations that the USPTO patent examiners’ own “examiner
25 amendments” supposedly lack adequate written description. The fact that lead
26 examiner Brophy (supported by three different supervisory examiners and
27 approved by Supervisory Examiner Bullock) studied, worked with, and
28

1 participated in the development of and approval of these amendments over a
2 period of several years demonstrates the *lack* of probability of success of
3 defendants' belated challenges to the USPTO.

4 Likewise, defendants' patentable subject matter challenge under §101
5 wholly ignores the inventive content and technological nature of the patents. The
6 patents do not simply state an abstract idea. Rather, the patents describe software
7 inventions, embodying numerous unique claim limitations, that have been widely
8 deployed by Ameranth and that have won acclaim and technology awards.
9 Furthermore, the defendants' argument that the inventions do not "transform a
10 particular article into a different state or thing" is absurd. As described above, the
11 very nature of many of the claims revolve around the transformation of "first
12 menus" into "second menus" suitable for display and navigation on different
13 handheld devices or webpages. The software modules and computer system
14 components described in the patent claims are an essential part of the patented
15 invention and provide numerous meaningful claim limitations. The defendants'
16 §101 challenges will be rejected by the USPTO for these reasons, among others.

17 **2. The Status of the Litigation—First Filed Over Two Years**
18 **Ago—Weighs Against Granting a Stay**

19 The earliest of the consolidated cases were filed well over two years ago, in
20 August of 2011. The proceedings have been stayed twice already to
21 accommodate case consolidations and judicial reassignments. Currently, all non-
22 claim construction discovery is stayed, except for production of source code to
23 permit preparation of infringement contentions. Thus, the currently active
24 litigation activity consists primarily of: (a) source code review to accommodate
25 service of infringement contentions; (b) ENE conferences; and (c) claim
26 construction. While discovery is not complete, and no trial date is currently set,
27 the case *is* substantially advanced. Much written discovery has been conducted,
28

1 pleading challenges have been raised and ruled on, infringement contentions have
2 been served on several of the defendants, and under the Court's current orders
3 [Dkt. Nos. 491, 513] source code production and service of infringement
4 contentions are taking place so that by January 31, 2014, all defendants will have
5 been served with contentions. In light of the ever-evolving nature of mobile/web
6 technology, further stays will require even more discovery to address new product
7 versions and will substantially set back the earliest potential trial date.

8 In contrast, the CBM review petitions were only filed on October 15, 2013.
9 On October 23, 2013, the USPTO issued orders noting defects in the petitions and
10 requiring the petitioners to file amendments "correcting the defect(s)." Exhs. 10,
11 11. Under the USPTO guidelines, it may be six months before the USPTO
12 decides whether it will undertake CBM review. 77 Fed. Reg. 48756.

13 Under these circumstances, the status of the lawsuit weighs *against* issuing
14 a further stay of proceedings at this time. Deferring any stay decision at least until
15 the USPTO determines whether it will consider the CBM petitions on the merits
16 will permit the preparation and service of infringement contentions (with the
17 benefit of source code review) on all defendants, allow ENEs to be conducted
18 with all defendants, and substantially advance the claim construction process
19 (which will be expedited by the existence of prior Markman orders).

20 **3. A Stay Would Unduly Prejudice Ameranth and Give an**
21 **Unfair Tactical Advantage to Defendants in Light of the**
Defendants' Undue Delay in Filing CBM Petitions.

22 When assessing whether a stay causes undue prejudice or is being pursued
23 for tactical reasons, one of the critical considerations is whether the moving
24 parties unreasonably delayed seeking CBM review. As noted above, the earliest
25 of the consolidated cases was filed in August of 2011. Petitioners Pizza Hut,
26 QuikOrder, Papa John's, Domino's, OpenTable, GrubHub and Seamless were
27 among the "original" defendants. The CBM review program became available on
28

1 September 16, 2012. AIA § 18(a)(1); 37 C.F.R. § 42.300. Nevertheless,
2 defendants did not file petitions for CBM review until October 15, 2013—*over*
3 *two years after the lawsuit was filed and over a year after the CBM program was*
4 *available*--and after substantial litigation has been conducted and significant
5 expenditure incurred. (Even the newest defendant—Starbuck’s—was sued on
6 May 16, 2013, 5 months before the CBM petitions were filed.)

7 A defendant’s lengthy delay in seeking administrative review weighs
8 heavily *against* issuing a stay of litigation. In Benefit Funding Sys. LLC v.
9 Advance America, 2013 WL 3296230 *2 (D. Del. 2013), the court found that
10 because the defendant “waited more than 10 months after suit was initiated to file
11 its request for CBM review,” a stay of the litigation was inappropriate. The court
12 noted that the stay would negatively impact the plaintiff because of “loss of their
13 chosen forum, the possibility of necessary witnesses’ memories fading, and
14 negative impact on their ability to license the patent-in-suit,”— all of which are
15 factors present here. Other courts have reached similar conclusions. For example,
16 in Pentair Water Pool and Spa, Inc. v. Hayward Ind., Inc., 2012 WL 6608619 * 2,
17 4 (E.D.N.C. 2012), the court denied the defendant’s motion to stay proceedings
18 pending USPTO re-examination proceedings where the defendant “did not request
19 reexamination or move to stay until ten months after [the plaintiff] filed the
20 complaint,” because “such delay weighs against a stay.” Similarly, a motion to
21 stay an infringement lawsuit pending *inter partes* review of the patents by the
22 USPTO was denied in Universal Electronics, Inc. v. Universal Remote Control,
23 Inc., 2013 WL 1876459 (C.D. Cal. 2013). There, the defendant did not file its
24 review petitions “until almost a year after being served with the complaint ...,”
25 id. at *3, weighing against staying the lawsuit. In Ultra Products, Inc. v. Antec,
26 Inc., 2010 WL 1688538 *1, 3 (N.D. Cal. 2010), the court denied a motion to stay
27
28

1 where the defendants waited two years from the filing of the complaint before
2 seeking re-examination with the USPTO.

3 Delays in filing review petitions with the USPTO are even more fatal to
4 motions to stay when such filing are part of an effort to delay the litigation. Here,
5 the defendants' CBM petitions and motions to stay the lawsuit are but the latest
6 tactic to delay adjudication of Ameranth's infringement claims. Defendants have,
7 in this matter, moved to sever infringement claims against multiple defendants
8 when brought in a single lawsuit, and then turned around and moved to
9 consolidate different lawsuits filed against separate defendants, or on different
10 patents, or different products, into the same proceedings. Defendants have
11 obtained two stays of the consolidated lawsuits, and case management schedules
12 have twice been delayed or vacated to allow later filed cases to be consolidated.
13 The defendants have brought unsuccessful motions for summary adjudication,
14 filed seriatim pleading challenges, and have impeded the pace of discovery.

15 Courts have refused to grant motions to stay infringement lawsuits pending
16 USPTO review when the review petitions and stay motions represent a pattern of
17 delay. For example, in Classen Immunotherapy, Inc. v. Biogen Idec, 2013 WL
18 680379 (D. Md. 2013), the defendant filed requests for *inter partes* reexamination
19 of the patents several years after the infringement complaint had been filed, and
20 requested a stay of the lawsuit pending reexamination. Id. at *1. The court denied
21 the motion, and observed that: "the defendants' actions indicate their propensity to
22 prolong the litigation in this case ... The defendants appear to be attempting to
23 employ every procedural advantage and delay possible in this litigation to
24 Classen's detriment. This factor weighs against a stay." In Fifth Market, Inc. v.
25 CME Group, Inc., 2013 WL 3063461 *2 (D. Del. 2013), the court lifted a
26 previously issued stay. The court stated: "the timing of the defendants' *inter*
27 *partes* reexamination request for the '387 Patent—and the defendants' stated

1 intent to later file a request for post-grant review of the ‘419 Patent as a covered
2 business method patent (“CBM review”)—indicate they have adopted a strategy
3 of raising piecemeal PTO challenges to Fifth Market's patents in order to prolong
4 this litigation.... These delays appear to be ‘impermissibly tactical,’ suggesting
5 that a continuation of the stay might result in undue prejudice.”

6 Here, defendants’ lengthy delay contrasts sharply with the diligence of
7 litigants that have been granted stays pending CBM review because they promptly
8 filed petitions and moved to stay once being sued. See, e.g., Market-Alerts Pty.
9 Ltd. v. Bloomberg Finance L.P., 922 F.Supp.2d 486, 494-95 (D. Del. 2013) (“In
10 these actions, neither the timing of the CBM review petition nor the timing of the
11 stay request suggest any inappropriate dilatory motive on the defendants' part.
12 The petition was filed on October 15, 2012, less than one month after the review
13 program went into effect, and the motion to stay was filed on November 9,
14 2012.”); Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Illinois, 2013 WL
15 1662952 *6 (N.D. Ohio 2013)(“there is no indication that Liberty Mutual engaged
16 in dilatory tactics in either petitioning for CBM review or filing its motions to stay
17 Liberty Mutual immediately filed its administrative petitions when the
18 transitional CBM program became available in September, 2012”).

19 In this case, the defendants waited for over a year before filing CBM
20 petitions and motions to stay, during which time a great deal of discovery and
21 motion practice was conducted and a great amount of resources were expended in
22 litigation (including preliminary claim construction exchanges prior to the first
23 stay of litigation and preparation of many infringement contentions). This belated
24 filing is but the latest delay mechanism employed by the defendants, tactics that
25 have resulted in two stays, the vacating of two case management schedules, and
26 numerous discovery disputes. Such delay unfairly prejudices Ameranth by: (a)
27 prolonging and increasing the cost of litigation (now in two venues), (b) causing
28

1 witnesses' memories to fade and evidence to become stale (particularly in the
2 rapidly evolving field of mobile and internet technology, products quickly change,
3 so that costly infringement analysis and source code inspections conducted earlier
4 in the lawsuit may be outdated by the time any stay is lifted); (c) harming
5 Ameranth's ability to license its patents to other companies while the defendants
6 continue to practice the patented inventions without licenses and without near
7 term risk of an infringement judgment; and (d) loss of remaining term of the
8 patents-in-suit (the oldest of which may expire in 2019).

9 **D. The Consolidated Cases Should Not Be Stayed Unless and Until**
10 **the USPTO Decides to Proceed With CBM Review**

11 As explained above, the CBM review process involves a two-step
12 procedure, in which the USPTO must *first* decide whether there is a basis for
13 reviewing the patents under the CBM program *before* undertaking CBM review.
14 In these circumstances, the Court should deny the defendants' motion to stay,
15 without prejudice to renew in the unlikely event that the USPTO decides to
16 undertake substantive CBM review of the patents.

17 In Benefit Funding Sys. LLC v. Advance America, 2013 WL 3296230 *1
18 (D. Del. 2013), the court denied the defendant's motion to stay the lawsuit,
19 without prejudice to renew in the event that the USPTO granted CBM review.
20 There, as here, the defendants knowingly delayed filing their CBM petition, the
21 petition did not present all of the issues to be adjudicated in the lawsuit, and the
22 delay accompanying a stay would prejudice the plaintiff. To balance the
23 competing considerations, the court "tabled" the stay motion and waited to see
24 whether the petitions made it past the first step of the CBM process in the
25 USPTO. See also Progressive Cas. Ins. Co. v. Safeco Ins. Co., 2013 WL 1662952
26 *1 (N.D. Ohio 2013) ("the Court denied, without prejudice, motions to stay
27 The Court permitted, however, Liberty Mutual and Hartford to move the Court to
28

