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**KORNIT DIGITAL LTD., Plaintiff, v. ALL AMERICAN MANUFACTURING &  
SUPPLY CO., et al., Defendants.**

**CASE NO. SACV 09-689 AG (MLGx)**

**UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF  
CALIFORNIA**

*2010 U.S. Dist. LEXIS 48395*

**January 11, 2010, Decided  
January 11, 2010, Filed**

**COUNSEL:** [\*1] For Kornit Digital Ltd, Plaintiff: Jesse Damon Mulholland, Michael Chin-Hua Chou, Michael J Stimson, Russell B Hill, LEAD ATTORNEYS, Howrey LLP, Irvine, CA.

For Anajet Inc, Melco Industries Inc, Defendants: David G Duckworth, LEAD ATTORNEY, Russo & Duckworth, Irvine, CA; John Scott Russo, LEAD ATTORNEY, Russo and Duckworth LLP, Irvine, CA.

For Belquette Inc, Defendant: Brett A Schatz, LEAD ATTORNEY, Wood Herron & Evans, Cincinnati, OH; Richard Marvin Fannan, LEAD ATTORNEY, Burke Williams and Sorensen LLP, Los Angeles, CA.

For Brother International Corporation, Defendant: Gerald Levy, Richard H Brown, LEAD ATTORNEYS, PRO HAC VICE, Day Pitney LLP, New York, NY; Ronald P Oines, LEAD ATTORNEY, Rutan & Tucker LLP, Costa Mesa, CA.

For International Decorating Technologies LLC, Defendant: Nathaniel L Dilger, LEAD ATTORNEY, One LLP, Newport Beach, CA.

For M&R Sales and Services, Defendant: Roger Stein, Susan G Feibus, LEAD ATTORNEYS, PRO HAC VICE, Ungaretti & Harris LLP, Chicago, IL; K David Crockett, Crockett & Crockett, PC, Mission Viejo, CA.

For Mesa Distributors Inc, Defendant: Helen H Yang, LEAD ATTORNEY, Squire Sanders and Dempsey, Los Angeles, CA; Jason A Wietjes, Michael D Pegues, LEAD ATTORNEYS, [\*2] PRO HAC VICE, Bracewell & Giuliani LLP, Dallas, TX; Marc J Shrake, LEAD ATTORNEY, Squire Sanders and Dempsey, Los Angeles, CA.

For Omniprint International Inc, Defendant: Steven L Krongold, LEAD ATTORNEY, Krongold Law Firm PC, Irvine, CA.

For Anajet Inc, Melco Industries Inc, Counter Claimants: David G Duckworth, LEAD ATTORNEY, Russo & Duckworth, Irvine, CA; John Scott Russo, LEAD ATTORNEY, Russo and Duckworth LLP, Irvine, CA.

For Mesa Distributors Inc, Counter Claimant: Helen H Yang, LEAD ATTORNEY, Squire Sanders and Dempsey, Los Angeles, CA; Jason A Wietjes, Michael D Pegues, LEAD ATTORNEYS, PRO HAC VICE, Bracewell & Giuliani LLP, Dallas, TX; Marc J Shrake, LEAD ATTORNEY, Squire Sanders and Dempsey, Los Angeles, CA.

For Kornit Digital Ltd, Counter Defendant: Jesse Damon Mulholland, Michael Chin-Hua Chou, Russell B Hill, LEAD ATTORNEYS, Howrey LLP, Irvine, CA; Michael J Stimson, LEAD ATTORNEY, Howrey, Irvine, CA.

For M&R Sales and Services, Counter Claimant: Roger Stein, Susan G Feibus, LEAD ATTORNEYS, PRO HAC VICE, Ungaretti & Harris LLP, Chicago, IL; K David Crockett, Crockett & Crockett, PC, Mission Viejo, CA.

For Brother International Corporation, Counter Claimant: Gerald Levy, LEAD ATTORNEY, [\*3] PRO HAC VICE, Day Pitney LLP, New York, NY; Ronald P Oines, LEAD ATTORNEY, Rutan & Tucker LLP, Costa Mesa, CA.

For International Decorating Technologies LLC, Counter Claimant: Nathaniel L Dilger, LEAD ATTORNEY, One LLP, Newport Beach, CA.

For Mesa Distributors Inc, Counter Claimant: Helen H Yang, LEAD ATTORNEY, Squire Sanders and Dempsey, Los Angeles, CA; Jason A Wietjes, Michael D Pegues, LEAD ATTORNEYS, Bracewell & Giuliani LLP, Dallas, TX.

**JUDGES:** Andrew J. Guilford, United States District Judge.

**OPINION BY:** Andrew J. Guilford

## OPINION

### ORDER GRANTING DEFENDANT BROTHER INTERNATIONAL CORPORATION'S REQUEST TO REEXAMINE THE PATENT-IN-SUIT

This case involves allegations of patent infringement. Defendant Brother International Corporation ("BIC") filed a Motion to Stay Pending BIC's Request to Reexamine the Patent-in-Suit ("Motion"). After considering all papers and arguments submitted, BIC's Motion is GRANTED.

#### BACKGROUND

Plaintiff Kornit Digital, Ltd. ("Plaintiff") filed its Complaint, asserting claims of patent infringement against BIC and eleven other Defendants. Plaintiff alleges that the Defendants each infringed Plaintiff's Patent, entitled "Method for Image Printing on a Dark Fabric Piece," *United States Patent Number 7,134,749* [\*4] (the "749 Patent"). BIC was served with the Complaint on September 23, 2009. BIC notified Plaintiff on October 2, 2009, of BIC's intent to file a patent reexamination

request with the United States Patent and Trademark Office ("PTO"). (Declaration of Gerald Levy supporting BIC's Motion ("Levy Decl.") P 9.) Shortly thereafter, Plaintiff and BIC entered settlement negotiations, and due to those settlement negotiations agreed that BIC would have an extension of time to file its answer, and that BIC would not file its reexamination request with the PTO. (Declaration of Richard H. Brown supporting BIC's Motion ("Brown Decl.") P 9.) By November 30, settlement negotiations had fallen through, and BIC filed the reexamination request with the PTO. (Brown Decl. PP 5, 6.) BIC now moves for a stay pending the outcome of its reexamination request.

#### LEGAL STANDARD

Patent reexamination is a process allowing any person to request that the PTO reexamine the patentability of an unexpired United States patent. 35 U.S.C. § 302. "Courts are not required to stay judicial proceedings pending re-examination of a patent." *Nanometrics, Inc. v. Nova Measuring Instruments, Ltd.*, No. C 06-2252 SBA, 2007 U.S. Dist. LEXIS 18785, 2007 WL 627920, at \*1 (N.D. Cal. Feb. 26, 2007) [\*5] ; see also *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988). But "[t]here is 'a liberal policy in favor of granting motions to stay proceedings pending the outcome' of re-examination, especially in cases that are still in the initial stages of litigation and where there has been little or no discovery." *Nanometrics*, 2007 U.S. Dist. LEXIS 18785, 2007 WL 627920, at \*1 (citing *ASCI Corp. v. STD Entm't USA, Inc.*, 844 F.Supp. 1378, 1381 (N.D.Cal.1994)); see also *Robert H. Harris Co. v. Metal Mfg. Co.*, 19 U.S.P.Q.2d 1786, 1788 (E.D.Ark.1991) ("[t]he legislative history surrounding the establishment of the reexamination proceeding evinces congressional approval of district courts liberally granting stays"); *Proctor & Gamble Co. v. Kraft Foods Global, Inc.*, 549 F.3d 842, 849 (Fed. Cir. 2008) (noting that the Federal Circuit has "consistently recognized the inherent power of the district courts to grant a stay pending reexamination of the patent").

Courts consider the following factors when determining whether to stay a case pending reexamination: "(1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question [\*6] and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party."

*Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006) (citing *In re CygnusTelecommunications Technology, LLC, Patent Litig.*, 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005)).

## ANALYSIS

### 1. STAGE OF LITIGATION

As noted, the first factor concerning a stay pending reexamination is "whether discovery is complete and whether a trial date has been set." *Telemac*, 450 F. Supp. at 1111. This factor weighs in favor of a stay when the case is in the early stages of litigation. See, e.g., *Nanometrics*, 2007 U.S. Dist. LEXIS 18785, 2007 WL 627920, at \*2 (granting stay where parties had only exchanged initial disclosures); *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994) (granting stay when parties has undertaken little or no discovery).

In this case, a scheduling conference is set for January 11, 2010, the same day as the hearing on this Motion. The parties have not exchanged initial disclosures, and only some Defendants have filed answers to the Complaint.

Plaintiff argues that this factor should not weigh in favor of a stay because BIC delayed in [\*7] filing its reexamination request. This argument fails. First, Plaintiff cites no legal authority for the premise that a defendant's delay in filing a reexamination request should weigh against a stay pending PTO reexamination. Second, even if an unreasonable delay in filing a reexamination request were to weigh against stay, the Court cannot find on these facts that BIC delayed. Although Plaintiff sent a "courtesy copy of its Complaint" (Opp'n 6:4) in June 2009, Plaintiff did not actually serve BIC with the Complaint until September 23, 2009. On October 2, 2009, BIC notified Plaintiff of BIC's intent to file the patent reexamination request. BIC waited until November 30, 2009 to file the reexamination request because, in the context of efforts to settle the case, the parties agreed that BIC would have a 60-day extension to answer the Complaint, and BIC would not file its reexamination request during the extension of time. (Levy Decl. P 9.) The asserted "delay" here was caused by Plaintiff's own delay in serving BIC, as well as its contractual agreement with BIC.

Because the case is in its infancy, discovery has not

yet started, and a trial date has not been set, this factor weighs in [\*8] favor of stay.

### 2. SIMPLIFICATION OF ISSUES IN QUESTION

The second factor is whether a stay will simplify the issues in question and trial of the case. *Telemac*, 450 F. Supp. at 1111. In cases where the reexamination request relates to the only patent alleged to have been infringed, "[w]aiting for the outcome of the re-examination could eliminate the need for trial if the claims are cancelled or, if the claims survive, facilitate the trial by providing the Court with the opinion of the PTO and clarifying the scope of the claims." *Nanometrics*, 2007 U.S. Dist. LEXIS 18785, 2007 WL 627920, at \*3.

Because there is only one patent at issue in this case, the result of a PTO reexamination would be particularly helpful to the Court in clarifying the scope of the claims in the '749 Patent. If the PTO determines that some or all of the claims in the '749 Patent are invalid, Plaintiff's patent infringement claims will be moot to the extent they rely on the invalidated '749 Patent claims, thus conserving the resources of the Court and all parties. If, on the other hand, all of the '749 Patent claims survive, the Court (and Plaintiff) would have the benefit of the PTO's finding of validity. See *Nanometrics*, 2007 U.S. Dist. LEXIS 18785, 2007 WL 627920, at \*3 [\*9] ("if the PTO upholds the validity of the re-examined patent, this is strong evidence that a district court must consider in assessing whether the party asserting invalidity has met its burden of clear and convincing evidence"). In sum, the PTO findings will simplify this matter regardless of whether or not the '749 Patent claims are invalidated or upheld.

Plaintiff argues that a stay will not simplify this matter "because BIC's reexamination request has no preclusive effect on the other Defendants in this case who are not parties to the reexamination proceeding." (Opp'n 1:26-28.) But Plaintiff fails to recognize that a finding by the PTO that causes any of the '749 Patent claims to be invalidated or amended would necessarily alter the infringement claims based on the '749 Patent. See *Nanometrics*, 2007 U.S. Dist. LEXIS 18785, 2007 WL 627920, at \*2 ("a decision by the PTO that the re-examined claims of an issued patent are canceled as unpatentable renders the claims unenforceable in the pending litigation and in any future disputes") (citing 35 U.S.C. § 307(a)).

The Court finds that a PTO finding is likely to simplify the issues in question and trial of this case, so this factor therefore weighs in favor of granting [\*10] a stay.

### 3. UNDUE PREJUDICE OR CLEAR TACTICAL DISADVANTAGE

The final factor is "whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party." *Telemac*, 450 F. Supp. at 1111. Plaintiff argues that it will be prejudiced because it seeks a permanent injunction, and "there is no legal mechanism to compensate [Plaintiff] for Defendants' continued infringement while a stay is in place." (Opp'n 1:13-14.)

Because delay is a feature common to all stayed cases, mere delay in the litigation does not establish undue prejudice. *Research in Motion, Ltd. v. Visto Corp.*, 545 F. Supp. 2d 1011, 1012 (N.D. Cal. 2008); see also *Sorensen v. The Black & Decker Corp.*, No. 06-cv-1572 BRM (CAB), 2007 U.S. Dist. LEXIS 66712, 2007 WL 2696590, at \*4 (S.D. Cal. Sept. 10, 2007) ("Protracted delay is always a risk inherent in granting a stay, yet courts continue to stay actions pending reexamination. The general prejudice of having to wait for resolution is not a persuasive reason to deny the motion for stay."). While Plaintiff may lose potential customers and profit during the stay, this type of loss does not necessarily equal undue prejudice. If, after the results of the PTO reexamination, it turns out [\*11] that the '749 Patent is valid and has been infringed, then the Plaintiff can present evidence on its damages, including the damages suffered during the stay and caused by the stay. See *Nanometrics*, 2007 U.S. Dist. LEXIS 18785, 2007 WL 627920, at \*3 ("In fact, if the PTO upholds the validity of the patent, then [the plaintiff's] position is strengthened, and its likelihood of monetary damages will increase.").

Plaintiff also argues that "[i]n the lengthy delay that would inevitably ensue if a stay were granted, evidence could be lost and witnesses' memories could fade." (Opp'n 5:1-13.) But Plaintiff does not point to any *specific* evidence that might be lost or any *specific* witness whose memories might fade. All of the parties to this lawsuit have been served with the Complaint, and all parties are therefore on notice to preserve documents and

other evidence related to this litigation.

On these facts, the Court finds that Plaintiff's assertions do not add up to undue prejudice or a clear tactical advantage. Accordingly, this factor also weighs in favor of granting the stay.

### 4. CONCLUSION

In this case, all of the factors weigh in favor of granting the stay pending the outcome of BIC's application for reexamination. Accordingly, [\*12] the Court GRANTS BIC's Motion.

As Plaintiff points out, Defendant's request for reexamination has not yet been granted. According to the PTO, 92% of all *ex parte* requests for reexamination are granted. (Brown Decl., Exh. C, PTO Filing Data.) Although this statistic indicates that BIC's application for reexamination is likely to be granted, the Court shares Plaintiff's concern that if the application is denied, there may be unnecessary delay. Accordingly, Plaintiff and BIC are ORDERED to submit a joint status report regarding the status of the reexamination application by April 5, 2010. All parties are further ORDERED to appear for a status conference on April 12, 2010, at 9:00 a.m.

### DISPOSITION

BIC's Motion is GRANTED. This lawsuit is STAYED pending the outcome of BIC's request to reexamine the '749 Patent. Plaintiff and BIC are ORDERED to submit a joint status report by April 5, 2010. All parties are ORDERED to appear for a status conference on April 12, 2010, at 9:00 a.m.

IT IS SO ORDERED.

DATED: January 11, 2010

/s/ Andrew J. Guilford

Andrew J. Guilford

United States District Judge