

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

Viavi Solutions, Inc.,

Plaintiff,

v.

Zhejiang Crystal-Optech Co. Ltd.,

Defendant

Case No. 2:21-cv-378

Hon. Rodney Gilstrap

OPPOSED DEFENDANT'S MOTION TO STAY PENDING *INTER PARTES* REVIEW

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I. INTRODUCTION

Defendant, Zhejiang Crystal-Optech Co. Ltd. (“Crystal”) moves the Court to stay this case pending the outcome of *inter partes* review (“IPR”) proceedings for U.S. Patent Nos. 9,588,269 (“the ’269 patent”), 10,222,526 (“the ’514 patent”), and 11,131,794 (“the ’794 patent”) (collectively, “patents-in-suit”). Crystal filed IPR2022-01184 against the ’269 patent on July 11, 2022, IPR2022-01183 against the ’526 patent on July 12, 2022, and IPR2022-01281 against the ’794 patent on July 18, 2022. As explained below, a stay of this case is warranted in view of the three factors applied by the Court.

First, this case is in its early stages, which strongly favors a stay. Discovery has just begun, no invalidity contentions were served, no claim construction positions were exchanged. A stay in this early stage of the case will avoid needless waste of judicial and party resources.

Second, a stay has a substantial likelihood of simplifying this case. If the PTAB invalidates any or all of the claims, that would greatly simplify the issues in this case by reducing the claims to be litigated or eliminating the case altogether. Further, the arguments and findings made during the IPR proceedings would inform and limit the issues in this case.

Third, a stay will not unduly prejudice plaintiff Viavi Solutions (“Viavi”) because: (1) Viavi did not file for a preliminary injunction, (2) Viavi could have asserted any of the patents-in-suit years ago but chose to wait, and (3) Crystal filed the IPR petitions and this motion to stay promptly.

II. BACKGROUND

Viavi filed its complaint against Crystal on October 7, 2021, asserting patents-in-suit. ECF No. 1. Viavi waited until March 7, 2022 to request for leave to effect alternative service, which was subsequently granted by the Court on April 28, 2022. ECF Nos. 6, 11. In response to Crystal’s initial motion to dismiss for lack of personal jurisdiction, Viavi filed its First Amended Complaint on July 8, 2022. ECF Nos. 17, 24.

Crystal filed IPR2022-01184 against the '269 patent on July 11, 2022, IPR2022-01183 against the '526 patent, and IPR2022-01281 against '794 patent on July 18, 2022. Crystal received confirmations from the PTAB regarding the official filing dates of the three IPRs on August 9, 2022.

III. LEGAL STANDARD

A district court has the inherent power to manage its own docket, including the power to stay proceedings before it. *Clinton v. Jones*, 520 U.S. 681, 706 (1997) (“The District Court has broad discretion to stay proceedings as an incident to its power to control its own docket.”). “In particular, the question of whether to stay proceedings pending *inter partes* review of a patent is a matter committed to the district court’s discretion.” *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058, 2015 WL 1069111, at *1 (E.D. Tex. Mar. 11, 2015). “A stay is particularly justified when ‘the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues.’” *Id.*

In weighing a motion to stay, district courts typically consider three factors: “(1) whether the stay will unduly prejudice the nonmoving party, (2) whether the proceedings before the court have reached an advanced stage, including whether discovery is complete and a trial date has been set, and (3) whether the stay will likely result in simplifying the case before the court.” *Id.* at *2. “[T]he most important factor bearing on whether to grant a stay in this case is the prospect that the *inter partes* review proceeding will result in simplification of issues before the Court.” *Id.* at *4.

IV. ARGUMENT

A. This Case Is in Its Infancy

This case is in its early stages, and a stay would save the parties and the Court significant time and expense associated with continued litigation.

Discovery has barely begun. The parties have not exchanged any written discoveries,

have not taken any depositions, have not started claim construction process, have not served preliminary invalidity contentions, and the trial is scheduled well over a year from now, in October 2023. Because the Court and the parties have not yet expended substantial resources, a stay is appropriate here. *See Crossroads Sys., Inc. v. Dot Hill Sys. Corp.*, No. A-13-CA-800-SS, 2015 WL 3773014, at *4 (W.D. Tex. June 16, 2015) (granting a stay where there had been zero post-*Markman* discovery); *Evolutionary Intel., LLC v. Facebook, Inc.*, No. C 13-4202 SI, 2014 WL 261837, at *2 (N.D. Cal. Jan. 23, 2014) (“When, as here, there has been no material progress in the litigation, courts in this district strongly favor granting stays pending inter partes [review]”); *Emp’t Law Compliance, Inc. v. Compli, Inc.*, No. 3:13-cv-3574, 2014 WL 3739770, at *2 (N.D. Tex. May 24, 2014) (granting a pre-institution stay where the parties had engaged in written discovery, but “[t]he Court and the parties have not yet expended substantial resources.”).

Absent a stay, the parties will expend significant resources on fact and expert discovery and dispositive motions, and potentially on pre-trial motions and submissions, trial preparation and trial itself. More importantly, the Court will spend substantial time and resources on hearings, and potentially the pre-trial conference and trial. Given the high likelihood that the IPR petitions will impact all asserted claims, a stay is justified to avoid unnecessary expenditure of judicial and party resources.

In sum, the infancy of the case weighs heavily towards granting a stay.

B. A Stay Will Greatly Simplify the Issues in This Case

“[T]he most important factor bearing on whether to grant a stay in this case is the prospect that the *inter partes* review proceeding will result in simplification of issues before the Court.” *NFC Tech.*, 2015 WL 1069111, at *4. This factor strongly favors a stay because the IPR proceedings will reduce, clarify, and/or eliminate issues for trial.

First, if the IPR proceedings invalidate all asserted claims of all patents-in-suit, the case

will become moot, which epitomizes simplification. *Uniloc USA Inc. v. LG Elecs. U.S.A. Inc.*, No. 18-cv-06737-JST, 2019 WL 1905161, at *3 (N.D. Cal. Apr. 29, 2019) (holding that where all asserted claims are challenged in IPR, “resolution of [the] petitions has significant potential to simplify this litigation.”); *Evolutionary Intelligence*, 2014 WL 261837, at *2 (“[I]nter partes review has been sought for all the claims in the patents in suit. Therefore, if the petitions for review are granted, there is a chance that the review could simplify the case by rendering all of [the plaintiff’s] claims for infringement moot.”).

Second, even if the PTAB invalidated only some of the asserted claims, the issues before the Court will still be simplified. An IPR invalidating only some of the asserted claims would still reduce the number of claims to be litigated and save judicial and party resources. *Contour IP Holding, LLC v. GoPro, Inc.*, No. 17-cv-04738-WHO, 2018 WL 6574188, at *3 (N.D. Cal. Dec. 12, 2018) (“[I]n almost every motion to stay pending IPR, courts find the PTAB’s decision is likely to simplify the issues because if the PTAB invalidates any of the claims at issue in the IPR petition, those claims will be mooted in the litigation.”). Furthermore, the PTAB’s Final Written Decisions will provide claim construction analyses to supplement the existing intrinsic record that the Court could consider in deciding claim construction and liability issues. *See Evolutionary Intel., LLC v. Apple, Inc.*, No. C 13-04302 WHA, 2014 WL 93954, at *3 (N.D. Cal. Jan. 9, 2014) (IPR record “may also clarify claim construction positions for the parties, raise estoppel issues, and encourage settlement.”); *Aylus Networks, Inc. v. Apple Inc.*, 856 F.3d 1353, 1359 (Fed. Cir. 2017) (“[S]tatements made by a patent owner during an IPR proceeding can be relied on to support a finding of prosecution disclaimer during claim construction.”). As such, the PTAB’s analysis and Viavi’s statements during the IPR proceedings will be informative to this case, even if the PTAB does not ultimately invalidate all asserted claims.

Third, to the extent the PTAB does not invalidate all challenged claims, Crystal would

be estopped from asserting invalidity on any ground on which the IPRs were instituted, and as to any prior art that Crystal reasonably could have raised in its IPR petitions. 35 U.S.C. § 315(e); *Evolutionary Intel., LLC v. Sprint Nextel Corp. et al.*, No. C-13-4513-RMW, 2014 WL 819277, at *4 (N.D. Cal. Feb. 28, 2014) (“[S]tatutory estoppel simplifies the issues by preventing parties from relitigating the same validity issues before the PTO and the court.”). Thus, even if some of the asserted claims survive the IPRs, the scope of the parties’ dispute in this case will be narrowed as a result of the IPR proceedings.

Fourth, that the IPR has not yet instituted does not change the fact that the pending IPR Petitions, if instituted, would simplify any remaining issues and streamline the trial in this case, as discussed above. See *Evolutionary Intelligence*, 2014 WL 261837, at *3 (“[A]ny concern that the motions are premature is alleviated by the short time frame of the initial stay and the Court’s willingness to reevaluate the stay if inter partes review is not instituted for all of the asserted claims.”). Even if Crystal’s IPR Petitions are not instituted, the resulting delay would, at most, be a few months, as the law requires the PTAB to decide whether or not to institute IPRs within three to six months of the petition, depending on whether the patent owner decides to file a preliminary response. See 35 U.S.C. §§313-314.

Staying this litigation will conserve judicial resources while providing the Court and parties with “the benefit of the expert agency’s full and focused consideration of the effect of prior art on patents being asserted in litigation.” *NFC Tech.*, 2015 WL 1069111, at *4. While IPR proceedings are ongoing, “[p]roceeding to trial could [] prove to be extraordinarily wasteful of both the parties’ resources and the Court’s resources.” *Crossroads Sys.*, 2015 WL 3773014, at *3. “There is also little benefit to be gained from having two forums review the validity of the same claims at the same time.” *Evolutionary Intel.*, 2014 WL 93954, at *3. A stay would allow the PTAB to complete its review of the asserted patents, which will narrow the issues in this case if not eliminate the case altogether.

Therefore, the simplification factor strongly supports a stay.

C. A Stay Will Not Unduly Prejudice Viavi

Numerous courts have held that delay caused by the IPR process, without more, does not justify denying a stay. *See e-Watch, Inc. v. ACTi Corp., Inc.*, No. SA-12-CA-695-FB, 2013 WL 6334372 at *8–9 (W.D. Tex. Aug. 9, 2013) (“[T]he mere fact and length of any delay . . . does not demonstrate prejudice sufficient to deny [a] request for a stay.”); *Micrografx, LLC v. Google, Inc.*, No. 3:13-cv-3595-N, 2014 WL 12580455, at *1 (N.D. Tex. July 9, 2014) (“A delay caused by the *inter partes* review process, without more, does not justify denial of a stay.”) (citing *E-Watch, Inc. v. Lorex Canada, Inc.*, No. H-12-3314, 2013 WL 5425298, at *2 (S.D. Tex. Sept. 26, 2013)). Indeed, “*inter partes* review was designed to create efficiencies and ‘proceed in a timely fashion,’” thus “the length of the *inter partes* review alone does not establish prejudice.” *Micrografx*, 2014 WL 12580455, at *1.

To the extent Viavi contends that despite the above, it will be prejudiced by staying the district court litigation because Viavi and Crystal may have overlapping markets, several considerations undermine such a claim.

First, if Viavi had been sincerely threatened by Crystal’s position in the marketplace, it would have sought a TRO and/or preliminary injunction when it filed this lawsuit; and that it did not do so undermines any assertion that Viavi would suffer undue prejudice from a stay. *See Zillow, Inc. v. Trulia, Inc.*, 2013 WL 5530573, at *6 (W.D. Wash. Oct. 7, 2013) (“Many courts have found, however, that attempts by a patentee to argue undue prejudice are undermined if the patentee has elected not to pursue preliminary injunctive relief. . . . Similarly, in this case, Zillow has not sought a preliminary injunction.”).

Second, if Viavi had been sincerely threatened by Crystal’s position in the marketplace, it would have asserted many of the patents-in-suit much earlier. Viavi has owned the ’269 patent since as early as about March 7, 2017 and the ’526 patent since as early as about March

5, 2019. Viavi could have brought the lawsuit asserting the '269 patent in 2017 and asserting both the '269 and '526 patents in 2019. That Viavi waited until late 2021 to bring this lawsuit belies any contention that it would now suffer prejudice if a motion to stay were granted pending resolution of Crystal's IPRs.

Third, should this Motion to Stay be granted, and should the IPRs be resolved such that certain patent claims survive and this underlying litigation continues, and should Crystal be ultimately found liable for infringement of the patents-in-suit, then Viavi would simply be entitled to greater monetary damages to cover the additional time Crystal may have profited during the stay when Crystal, allegedly, would have been infringing the patents-in-suit. *See Evolutionary*, 2014 WL 261837, at *3 (N.D. Cal. Jan. 23, 2014) (noting that a patent owner "cannot be prejudiced by a stay because monetary damages provide adequate redress for infringement."); *Kirsch Rsch. and Dev., LLC v. IKO Indus. Inc.*, No. 6:20-cv-00317-ADA, 2021 WL 4555610, at *2 (W.D. Tex. Oct. 5, 2021) ("[T]he weight of Plaintiff's interest in timely enforcement is diminished here where a stay would merely delay Plaintiff's potential monetary recovery."); *Micrografx*, 2014 WL 12580455, at *2 (granting a pre-institution stay where plaintiff "does not seek injunctive relief," and where "damages would be primarily monetary.").

Lastly, Crystal promptly filed the IPRs in July 2022, only a little over two months after it was officially served on April 28, 2022. Crystal then promptly filed this motion to stay a little over a week after it received confirmations from the PTAB regarding the official filing dates of the IPRs, including the meet and confer required by the local rules. Given Crystal's timeliness of these actions, Viavi is not prejudiced.

Therefore, the undue prejudice factor favors granting a stay.

V. CONCLUSION

For the foregoing reasons, Crystal respectfully requests that the Court stay this case

pending the outcome of IPR2022-01183, IPR2022-01184, and IPR2022-01281.

Dated: August 18, 2022

Respectfully submitted,

/s/ Harry L. Gillam, Jr.

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CERTIFICATE OF CONFERENCE

I hereby certify that the parties met and conferred with respect to this motion as required by Local Rule CV-7(h) via teleconference on August 18, 2022. Jason Xu, Eric Cohen, and Tom Gorham represented Defendant. Charles Monterio represented Plaintiff. Counsel for Defendant explained the relief sought herein and the reasons for it, but Plaintiff would not agree. Discussion conclusively ended in an impasse, leaving an open issue for the Court to resolve. This motion is therefore opposed.

/s/ Harry L. Gillam, Jr.
Harry L. Gillam, Jr.

CERTIFICATE OF SERVICE

I hereby certify that counsel of record who are deemed to have consented to electronic service are being served August 18, 2022, with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3).

/s/ Harry L. Gillam, Jr.
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