

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

EMPLOYMENT LAW COMPLIANCE,
INC.,

Plaintiff,

v.

COMPLI, INC., *et al.*,

Defendants.

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Civil Action No. 3:13-CV-3574-N

ORDER

This Order addresses Defendant Compli, Inc.’s (“Compli”) motion to stay pending *inter partes* review of the patent-in-suit [Doc. 41]. For the following reasons, the Court grants the motion and stays the case.

I. THE ’817 PATENT LAWSUITS

Plaintiff Employment Law Compliance, Inc. (“ELC”) obtained the patent-in-suit, U.S. Patent No. 7,330,817 (the “’817 Patent”), in 2008. In 2013, ELC filed three actions in this Court alleging infringement of the ’817 Patent. *See* Compl. [1]; *Emp’t Law Compliance, Inc. v. Texas Auto. Dealers Assoc.*, No. 3:13-CV-3844-N (N.D. Tex. filed Sept. 20, 2013); *Emp’t Law Compliance, Inc. v. Empower Software Solutions, Inc.*, No. 3:13-CV-4197-N (N.D. Tex. filed Oct. 17, 2013).¹ Empower, a defendant in one of the other two ’817 Patent litigations,

¹Upon a motion from Defendant Empower Software Solutions, Inc. (“Empower”), the Court transferred *Empower Software* to the Middle District of Florida. *See* Order, Apr. 28, 2014 [25] in *Empower Software*, No. 3:13-CV-4197-N.

filed a petition for *ex parte* reexamination of all of the claims in the patent-in-suit, which the United States Patent and Trade Office (“PTO”) granted in May 2014.² On April 2, 2014, Compli filed a request for *inter partes* reexamination of the ’817 Patent with the PTO. The PTO has not yet ruled on Compli’s petition. Compli now asks the Court to stay the case pending resolution of the *inter partes* review.

II. THE COURT STAYS THE CASE

In deciding whether to stay litigation pending reexamination by the PTO, the Court considers three factors:

1) whether a stay will unduly prejudice or present clear tactical disadvantage to the nonmoving party, 2) whether a stay will simplify the issues in question and the trial of the case, and 3) whether discovery is complete and whether a trial date has been set.

BarTex Research, LLC v. FedEx Corp., 611 F. Supp. 2d 647, 649–650 (E.D. Tex. 2009).

Each of the three factors supports granting a stay.

A. A Stay Will Not Unduly Prejudice ELC

ELC argues that it would be prejudiced by a stay because (1) Compli waited six months after the filing of the complaint to file its petition for *inter partes* review; (2) the *inter partes* review process will itself cause delay; and (3) ELC will face greater harm in the interim because Compli is a direct competitor. ELC Resp. 4–6 [53]. The Court rejects each of these arguments.

²The Court takes judicial notice of the PTO’s decision granting Empower’s petition for *ex parte* reexamination under Federal Rule of Evidence 201.

First, the Court finds Compli's delay in filing the motion to stay reasonable. Compli states that it received ELC's infringement contentions in December 2013, it filed its invalidity contentions and answer in February 2014, and the parties attempted mediation in March 2014. Compli Mot. 6–7. Compli argues that the delay was necessary for it to understand which claims were disputed. The Court agrees that Compli had a valid reason for the delay.

Second, the delay caused by the *inter partes* review process, without more, does not justify denial of a stay. Several courts have rejected this argument. *See, e.g., E-Watch, Inc. v. Lorex Canada, Inc.*, 2013 WL 5425298, at *2 (S.D. Tex. 2013); *Semiconductor Energy Lab. Co., Ltd. v. Chimei Innolux Corp.*, 2012 WL 7170593, at *3 (C.D. Cal. 2012); *Tierravision, Inc. v. Google, Inc.*, 2012 WL 559993, at *3 (S.D. Cal. 2012). Rather, the *inter partes* review was designed to create efficiencies and “proceed in a timely fashion.” *Lorex Canada*, 2013 WL 5425298, at *2. Thus, the length of the *inter partes* review alone does not establish prejudice.

And, finally, ELC fails to show that the parties are direct competitors or how it would be adversely affected by a stay. ELC submits print-outs of the Compli and ELC websites to support its argument that Compli and ELC are direct competitors in the human resource compliance field in the financial services industry. *See* ELC Resp., Exs. A [53-1] and B [53-2]. Though ELC's evidence shows that both parties provide similar services, ELC has not shown that ELC and Compli have in fact competed for clients or that its business has been affected by Compli. *See e-Watch, Inc. v. ACTi Corp., Inc.*, 2013 WL 6334372, at *8 (W.D.

Tex. 2013) (finding e-Watch failed to show that it and the defendant were direct competitors because e-Watch did not submit evidence that the parties competed for a sale or explain how it would be injured if the Court stayed the case).

The Court concludes that this factor weighs in favor of a stay.

B. A Stay Will Simplify the Issues in the Case

Next, waiting for the PTO's decision will clarify the scope of issues in this case and could eliminate the need for a trial altogether. *Semiconductor*, 2012 WL 7170593, at *2 (“[W]aiting for the outcome of the reexamination could eliminate the need for trial if the claims are cancelled or, if the claims survive, facilitate trial by providing the court with expert opinion of the [US]PTO and clarifying the scope of the claims.” (alterations in original) (quoting *Target Therapeutics, Inc. v. SciMed Life Sys., Inc.*, 1995 WL 20470, at *2 (N.D. Cal 1995)). “Although there is a chance the patent claims will emerge from the reexamination process unchanged, the statistics indicate that is unlikely.” *Tierravision*, 2012 WL 559993, at *2; *see also* Compli Mot. 2, 13 (citing statistics indicating that the PTO grants 80 percent of petitions for *inter partes* review and invalidates patents in 90 percent of its decisions). In the event that the PTO grants Compli's petition (which seems likely given the statistics and the PTO's decision granting Empower's petition, *see supra* note 2), continuing the litigation would result in the unnecessary duplication of efforts and expenses to resolve the same issues. And, if the PTO denies the petition, the stay will be short. *See* Compli Mot. 10; *ACTi Corp.*, 2013 WL 6334372, at *7. Though the Court agrees that the estoppel effect of the *inter partes* review would not be as great since there are multiple defendants, at least

some of the issues in the case could be clarified or eliminated. *Cf. Tesco Corp. v. Weatherford Intern., Inc.*, 722 F. Supp. 2d 755, 763–64 (S.D. Tex. 2010). The Court finds that this factor also weighs in favor of a stay.

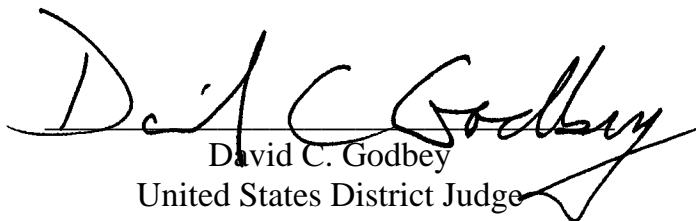
C. The Case is in the Early Stages of Litigation

Finally, the parties have not completed discovery, nor has a trial date been set. Though the parties have engaged in written discovery, the claim construction phase of the case is not yet complete, and the Court has not scheduled a *Markman* hearing. The Court and the parties have not yet expended substantial resources. “If the stay is unlikely to prejudice the plaintiff and the motion for stay comes early in the case, courts generally look favorably on granting stays pending reexamination.” *BarTex*, 611 F. Supp. 2d at 650. The Court finds that this factor favors a stay.

CONCLUSION

As all three factors favor a stay, the Court grants Compli’s motion and stays the case pending review by the PTO.

Signed May 27, 2014.


David C. Godbey
United States District Judge