

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION**

MIMEDX GROUP, INC.,

Plaintiff,

v.

**LIVENTA BIOSCIENCE, INC.,
MEDLINE INDUSTRIES, INC., and
MUSCULOSKELETAL
TRANSPLANT FOUNDATION,**

Defendants.

CIVIL ACTION FILE

NO. 1:14-CV-1178-MHC

ORDER

This case comes before the Court on Defendants Musculoskeletal Transplant Foundation, Liventa Bioscience, Inc., and Medline Industries, Inc.’s Renewed Motion to Stay the Litigation Pending *Inter Partes* Review by the U.S. Patent and Trademark Office of Certain of the Patents-in-Suit [Doc. 130] (“Renewed Motion”).

On April 21, 2014, Plaintiff MiMedx Group, Inc. (“Plaintiff” or “MiMedx”) filed suit against Liventa Bioscience, Inc., Medline Industries, Inc., and Musculoskeletal Transplant Foundation (collectively, “Defendants”), including claims against all Defendants for infringement of U.S. Patent Nos. 8,323,701 (“the

'701 Patent"), 8,642,092 ("the '092 Patent"), 8,372,437 ("the '437 Patent"), and 8,597,687 ("the '687 Patent"), and claims against Liventa and Medline for false advertising, unfair competition, and deceptive trade practices. Compl. [Doc. 1]. On April 29, 2014, MiMedx filed its First Amended Complaint, adding claims for infringement of U.S. Patent Nos. 8,703,207 ("the '207 Patent") and 8,709,494 ("the '494 Patent") (the six patents are collectively referred to as the "Patents-in-Suit"). Am. Compl. [Doc. 6]. Each of the Patents-in-Suit is entitled "Placental Tissue Grafts."

On February 2, 2015, Defendants filed petitions for *inter partes* review ("IPR") in the United States Patent and Trademark Office (the "PTO") on the '701 Patent (challenging claims 1, 2, and 5-8, the claims being asserted in this case) and the '437 Patent (challenging both claims). Subsequent to the filing of the IPR petitions, the parties in this case filed expert reports [Docs. 105-06], opening claim construction briefs [Docs. 110, 112], an amended joint claim construction statement [Doc. 111], and responsive claim construction briefs [Docs. 117, 119].

Bone Bank Allografts and Texas Human Biologics, defendants in a related case filed by MiMedx that is pending in the United States District Court for the Western District of Texas, filed petitions for IPR of the '494 Patent and the '687 Patent, challenging the validity of all claims of each patent. On June 24, 2015, the

Patent Trial and Appeal Board (“PTAB”) declined to institute IPR on the ‘494 Patent; however, on July 10, 2015, the PTAB instituted IPR as to every claim of the ‘687 Patent. [Doc. 130-9.] The defendants in that case filed a renewed motion to stay, which the Texas court granted with respect to the ‘687 Patent, but denied as to the ‘494 Patent. See Aug. 20, 2015 Order in MiMedx Group, Inc. v. Tissue Transplant Tech., Ltd., No. 5:14-CV-719 (W.D. Tex.) [Doc. 130-11] (“Texas Order”).

On April 6, 2015, the Court denied Defendants’ original motion to stay in this case, without prejudice, largely because the PTAB had not yet issued a decision regarding whether they would grant IPR with respect to any of the challenged patents. [Doc. 122]. The PTAB declined to institute an IPR of the ‘701 Patent but, on August 18, 2015, instituted an IPR of both claims of the ‘437 Patent. [Doc. 130-10.]

Defendants have moved the Court to stay the litigation with respect to the ‘437 Patent, the ‘687 Patent, and the ‘494 Patent. [Doc. 130.] Plaintiff, in its sealed opposition to Defendants’ motion, states it does not oppose staying with respect to the patents on which the PTO has granted IPR (i.e., the ‘437 and ‘687 Patents), but does oppose staying the case with respect to the ‘494 Patent. On November 9, the Court granted Defendants’ Renewed Motion to Stay in part;

specifically, the Court granted Defendants' Renewed Motion with respect to the '437 and '687 Patents. [Doc. 143.] The Court reserved ruling with respect to the '494 Patent. Id.

II. STANDARD OF REVIEW

The party seeking a stay bears the burden of showing that a stay is appropriate. See Automatic Mfg. Sys., Inc. v. Primera Tech., Inc., No. 6:12-CV-1727, 2013 WL 67790, at *1 (M.D. Fla. May 13, 2013). "Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination." Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citation omitted). Several courts have noted the benefits of staying infringement litigation pending an IPR:

[a]ll prior art presented to the Court will have been first considered by the PTO, with its particular expertise[;] Many discovery problems relating to prior art can be alleviated by the PTO examination[;] In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed[;] The outcome of the reexamination may encourage a settlement without the further use of the Court[;] The record of reexamination would likely be entered at trial, thereby reducing the complexity and length of the litigation[;] Issues, defenses, and evidence will be more easily limited in pretrial conferences after a reexamination[; and] The cost will likely be reduced both for the parties and the Court.

Tomco² Equip. Co. v. Se. Agri-Sys., Inc., 542 F. Supp. 2d 1303, 1307 (N.D. Ga. 2008) (alterations in original) (quoting Datatrans Corp. v. Wells Fargo & Co.,

490 F. Supp. 2d 749, 754 (E.D. Tex. 2006)). Although there are many potential benefits to a stay pending the outcome of an IPR proceeding, “the Court should not ignore the potential difficulties” including “the possible length of” the review, and the fact that the IPR process “only considers the validity of the patent with regard to prior art.” *Id.* (internal citations omitted).

III. ANALYSIS

A. Stage of Litigation

Prior to the filing of the Renewed Motion, the parties had exchanged initial disclosures, preliminary infringement or non-infringement contentions, and preliminary invalidity contentions. They have exchanged and responded to written discovery requests, and conducted several depositions. They have (with the exception of one Defendant) substantially completed production of electronically stored information. They have filed a joint claim construction statement, expert reports, opening claim construction briefs, an amended joint claim construction statement, and responsive claim construction briefs. Following the filing of the Renewed Motion, the Court appointed a Special Master and a date for a Markman¹ hearing has been set.

¹ Markman v. Westview Instruments, Inc., 517 U.S. 370 (1996).

The Court determined, in deciding Defendants' initial Motion to Stay, that the stage of litigation weighed slightly against granting a stay. April 6, 2015, Order at 8. Following that Order, the litigation has progressed, albeit slightly. Therefore, the Court finds that this factor still weighs against granting a stay. This case is not in its initial stages, a significant portion of discovery has been served, and briefs have been filed. See, e.g., Unifi Sci. Batteries, LLC v. Sony Mobile Commc'ns AB, No. 6:12-CV-221 LED-JDL, 2014 WL 4494479, at *3 (E.D. Tex. Jan. 14, 2014) (denying motion to stay where the parties already had "engaged in substantial discovery, produced documents, answered interrogatories, and served and supplemented infringement and invalidity contentions.").

B. Simplification of Issues

Defendants argue that the '494 Patent and the '687 Patent both stemmed from the same "parent" application that matured into the '437 Patent, and urge the Court to consider the three patents as "the '437 Patent Family" with the same specification, same inventor, and overlapping claim features. Defs.' Br. at 3-4. They state the '494 Patent is a continuation of the '437 Patent and the claims of the two patents are substantially similar, such that the PTO issued an obviousness-type double-patenting rejection of the '494 Patent, stating, "Although the claims at issue are not identical, they are not patentably distinct from each other because the ['437

Patent] claims anticipate and/or render obvious the instant claims.” Id. at 10 (citing Office Action Summary [Doc. 130-12]). Plaintiff then filed a terminal disclaimer, relinquishing the portion of the ‘494 Patent term that would extend beyond the expiration of the ‘437 Patent. Id. at 10-11. Therefore, Defendants argue, the “substantial similarity” of the claims of the ‘437 Patent and ‘494 Patent would cause any invalidity finding of the ‘437 Patent during IPR to “raise substantial questions regarding the validity of the” ‘494 Patent. Id. at 11. It thereby urges the Court to stay the case with respect to the ‘494 Patent. Id. (citing ACQIS, LLC v. EMC Corp., No. 14-CV-13560, 2015 WL 3617106, at *4 (D. Mass. June 10, 2015); Trading Techs. Int’l, Inc. v. BCG Part., Inc., No. 10-CV-715, 2015 WL 1396632, at *4 (N.D. Ill. Mar. 25, 2015); Evolutionary Intelligence, LLC v. Livingsocial, Inc., No. 13-CV-4205, 2014 WL 2735185, at *3 (N.D. Cal. June 16, 2014); Finjan, Inc. v. FireEye, Inc., No. 13-CV-3133, 2014 WL 2465267, at *4 (N.D. Cal. June 2, 2014); Sonics, Inc. v. Arteris, Inc., No. 11-CV-5311, 2013 WL 503091, at *3 (N.D. Cal. Feb. 8, 2013)). In each of the cases cited by Defendants, however, the court was faced with the decision of staying the entire action, and determined that the issues would be simplified by staying the action

with respect to the patents that had been denied IPR in addition to those related patents that were undergoing IPR.²

As Plaintiff notes, however, courts often have denied a motion to stay in its entirety where only some of the patents are subject to IPR. See, e.g., SCVNGR, Inc. v. eCharge Licensing, LLC, No. 13-CV-12418, 2014 WL 4804738, at *10 (D. Mass. Sept. 25, 2014); Intellectual Ventures LLC v. Toshiba Corp., No. 13-CV-453, 2015 WL 3773779, at *3 (D. Del. May 15, 2015). In those cases, the court declined to stay the action at all.

Here, the Court confronts a situation in which the action will proceed in part (with respect to the '701, '207, and '092 Patents) and will be stayed in part (with respect to the '437 and '687 Patents). The Court, therefore, must determine whether the issues will be simplified by staying the action with respect to the '494 Patent until IPR proceedings are finalized with respect to the '437 and '687 Patents. Plaintiff points to similar terms in the '494 Plaintiff to those in the '701, '207, and '092 Patents (e.g., "fibroblast layer" and layering limitations) that are not contained in the '437 Patent. Eleven terms of the '494 Patent are not found in the

² Additionally, in ACQIS and Finjan, the plaintiffs were non-practicing entities, so the courts determined no unfair prejudice would result from a stay.

'437 Patent yet require construction. There also are four pieces of prior art relevant to the '494 Patent that were not relevant to the '437 Patent.

The Court finds particularly instructive the grouping of disputed claim terms in the parties' Amended Joint Claim Construction Statement [Doc. 111]. The parties there noted three disputed claim terms in the '494 Patent that they have grouped with terms from the '092 Patent, the '207 Patent, and the '701 Patent (and with no terms from the '437 Patent or '687 Patent) in the "Fibroblast Limitation" group. Id. at 4. Three terms from the '494 Patent are grouped with a term from the '437 Patent (and with no terms from other patents) in the "Washing/Cleaning Limitation" group. Id. Three terms from the '494 Patent are grouped with terms from the '701 Patent, '092 Patent, and '207 Patent (and with no terms from the '437 Patent or '687 Patent) in the "Layering [Adjacent/Directly Over/Directly Laminated] Limitation" group. Id. at 5. One term from the '494 Patent is grouped with a term from the '092 Patent and '207 Patent (and with no terms from the '437 Patent or '687 Patent) in the "Sterilized Limitation" group. Id. Finally, two terms from the '494 Patent are grouped with terms from the '701 Patent and '207 Patent (and with no terms from the '437 Patent or '687 Patent) in the "Amnion/Chorion Limitation" group. Id. at 5-6.³ The disputed claim terms from the '494 Patent,

³ There also is one non-grouped term from the '494 Patent that is disputed.

therefore, are overwhelmingly grouped with disputed terms from the '701, '207, and '092 Patents as opposed to those from the '437 and '687 Patents. This fact weighs in favor of allowing claim construction to proceed with respect to the '494 Patent along with the '701, '207, and '092 Patents and, therefore, in favor of denying the motion to stay.

Similarly, the Court notes that the '494 Patent itself states it is a continuation of the application that matured into the '687 Patent, which in turn was a continuation of the '437 Patent. See U.S. Patent No. 8,709,494 [Doc. 6-6] at 1:6-15. The Texas court denied the motion to stay with respect to the '494 Patent, yet granted the motion with respect to the '687 Patent. Texas Order. In spite of Defendants' attempt to argue that a different result is warranted here because the '437 Patent also is subject to a stay, the Court concludes the same reasoning from the Texas litigation applies here. See id. at 2 (“The Court agrees with the Plaintiff that the IPR with respect to the '687 patent does not warrant an indefinite stay of proceedings with respect to the '494 patent.”). Thus, this factor weighs against granting a stay.

C. Undue Prejudice or Tactical Disadvantage

Other district courts have looked to four sub-factors to determine whether the non-moving party would be unacceptably prejudiced if a stay is granted: (1) the

timing of the review request; (2) the timing of the request for stay; (3) the status of the review proceedings; and (4) the relationship of the parties. See, e.g., Bos. Sci. Corp. v. Cordis Corp., 777 F. Supp. 2d 783, 789 (D. Del. 2011); Rensselaer Polytechnic Inst. v. Apple Inc., No. 1:13-CV-0633, 2014 WL 201965, at *4 (N.D.N.Y. Jan. 15, 2015).

1. Timing of the Review and Stay Requests

The amended complaint was filed one week after the '207 Patent issued and the same day the '494 Patent issued; hence, even though the other two patents were granted earlier (thirteen and sixteen months before the complaint was filed), the Court cannot conclude that Plaintiff delayed in filing its complaint. Defendants filed their requests for IPR and initial Motion to Stay between nine and ten months after Plaintiff filed its complaint. Defendants filed their Renewed Motion to Stay promptly after the PTO instituted IPR as to the '437 Patent. However, the period between the filing of the complaint and the IPR requests, though not as egregious as some delays, weighs slightly against granting a stay. See, e.g., Universal, 943 F. Supp. 2d at 1031 (holding that delay of nearly a year weighed against a stay).

2. Status of the Review

As discussed, the PTO has denied the IPR petition with respect to the '494 Patent. Defendants urge the Court to consider the status of IPR proceedings of the

‘437 and ‘687 Patents; however, aside from the fact that it will be, at a minimum, several months before these proceedings are concluded, the Court concludes that the grant of IPR on the ‘437 Patent does not overcome the denial of IPR proceedings on the ‘494 Patent. Thus, the Court finds this sub-factor weighs in favor of denying a stay with respect to the ‘494 Patent.

3. Relationship Between the Parties

The Court found in its earlier Order that the subfactor of whether the parties are direct competitors weighed slightly against granting the motion to stay. See April 6, 2015, Order at 15 (“Although this is a larger market with more players than the relevant markets considered in some cases, there is little doubt that Plaintiff and Defendants are competitors; even Defendants do not dispute this.”). Defendants now argue that, because Plaintiff has agreed to a partial stay as to the ‘437 and ‘687 Patents, it will not be unduly prejudiced by a partial stay as to the ‘494 Patent. Defs.’ Br. at 16. They state that Plaintiff has acknowledged that one Defendant could not “develop significant revenues” with respect to the accused product and ostensibly planned to withdraw from the market. Id. They state they have not cut significantly into Plaintiff’s market share and any harm to Plaintiff would be compensable through monetary damages. Id. at 17. Plaintiff states that a stay as to the ‘494 Patent would affect at least one additional product it produces,

and the prejudice to it is severe because Defendants are active in the marketplace with products that are covered by the '494 Patent.

Ultimately, the Court concludes that nothing presented by the parties alters the finding in its earlier Order. Although the parties dispute the relevance of Plaintiff agreeing to a stay with respect to the '437 and '687 Patents, and dispute the extent of the competition between them, Plaintiff and Defendants undoubtedly remain competitors, albeit in a larger market. The Court finds, therefore, that this subfactor weighs slightly against granting a stay.

IV. CONCLUSION

This Court previously granted Defendants' Motion to Stay with respect to the '437 and '687 Patents. Order of November 9, 2015 [Doc. 143]. However, based on the foregoing, the Court concludes that the relevant factors weigh against the granting of a stay as to the '494 Patent. Therefore, **IT IS HEREBY ORDERED** that Defendants Musculoskeletal Transplant Foundation, Liventa Bioscience, Inc., and Medline Industries, Inc.'s Renewed Motion to Stay the Litigation Pending *Inter Partes* Review by the U.S. Patent and Trademark Office of Certain of the Patents-in-Suit [Doc. 130] is **DENIED IN PART**.

IT IS SO ORDERED this 30th day of November, 2015.

A handwritten signature in cursive script, appearing to read "Mark H. Cohen".

MARK H. COHEN
United States District Judge