

TiVo's Reexamination Strategy Helps Win a Stay in the Northern District of California

Article By:

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The chronology of the dispute between TiVo, AT&T and Microsoft is complex and so are the **digital video recorder (DVR)** technologies covered in the patents that are asserted. All of these complexities seemed to weigh in favor of a stay in the present case. Some background is necessary to understand these complexities.

Litigation Background

On August 26, 2009, TiVo sued AT&T in the Eastern District of Texas alleging infringement of its digital video recorder patents (*TiVo Inc. v. AT&T Inc., et al.*, Case No. 2:09-cv-00259-DF). In March 2010, AT&T sued TiVo in the Northern District of California for **patent infringement** of its DVR patents (*AT&T Intellectual Property I, L.P. v. TiVo Inc.*, No. 4:10-CV-01059-SBA, Dkt. No. 1 (N.D. Cal. Mar. 12, 2010)). Microsoft moved to intervene in the Eastern District of Texas action On January 15, 2010. TiVo did not oppose and Microsoft's motion was granted March 31, 2010. That case is set for trial in October 2011.

On January 19, 2011, Microsoft sued TiVo for patent infringement of 2 DVR patents in the Northern District of California (*Microsoft Corp. v. TiVo Inc.*, N.D. Cal., Case No. 10-CV-00240-LHK, or "the instant case"). Microsoft subsequently added 5 more patents to the instant case to make a total of 7 patents.

Microsoft also filed a complaint with the ITC (*In the Matter of Certain Set-Top Boxes, and Hardware and Software Components Thereof*, Case No. 337-TA-761) on January 24, 2011 on four different patents, and on the same date filed suit in the Western District of Washington. (*Microsoft Corp. v. TiVo Inc.*, No. 2:11-cv-00134-RSM, Dkt. No. 1 (W.D. Wa. Jan. 24, 2011)).

Reexamination Background

In March 2011, TiVo filed *ex parte* reexamination requests of all 7 patents asserted by Microsoft. All of the reexaminations were ordered except for one to date:

Patent No.	Title	Reexam	Reexam Order
6008803	System for Displaying Program Information	90/011539	Yes
6055314	System and Method for Secure Purchase and Delivery of Video Content Programs	90011542	Yes
5654748	Interactive Program Identification system	90011540	Yes
5677708	System for Displaying a LSIT on a Display Screen	90011538	Yes
5896444	Method and Apparatus for Managing Communications Between a Client and a Server in a Network	90011537	Not Yet Determined
6725281	Synchronization of Controlled Device State Using State Table and Eventing in Data-Driven Remote Device Control Model	90011541	Yes
5648824	A Video Control User Interface for Controlling Display of a Video	90011543	Yes

The Court Orders a Stay of the Instant Case

On May 6, 2011, TiVo's motion to stay Microsoft's suit on the 7 patents in the instant case was granted by Judge Lucy H. Koh. The three-factor test we discussed in an [earlier post](#) was applied in Judge Koh's order:

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

Some considerations were:

Simplification of the Issues

- PTO reexamination is likely to simplify the issues in the instant case if any claims are cancelled, because the “ordeals of claim construction and trial will be unnecessary for those claims.”
- “If any of the asserted claims are amended, the contours of claim construction and trial will likely be different as a result.”
- Even if none of the asserted claims are cancelled or amended, the stay will afford the action a “richer prosecution history available to inform the claim construction process.”
- The order cites statistics to support the foregoing:

“Thus, the PTO cancels or amends claims in an ex parte reexamination proceeding 77% of the time. Therefore, it is probable, ‘based on the statistical evidence provided, that upon reexamination the [PTO] will take some action that results in canceling or altering one or more of the claims at issue and, accordingly, a stay would likely narrow and clarify the issues for claim construction and for trial.’” [citations omitted]

- The order concluded that it was possible that the Court and the PTO could reach inconsistent conclusions regarding the same patent, resulting in wasted resources by proceeding forward.

The Court found that this factor weighed in favor of granting TiVo’s motion to stay pending PTO reexamination.

Stage of the Litigation

The Court reasoned that discovery is not complete in the instant case, and even if it had been “[m]any courts have stayed patent infringement suits pending reexamination even after discovery was complete,” citing **eSoft, Inc. v. Blue Coat Sys.**, 505, F. Supp. 2d 784, 788 (D. Colo. 2007). Furthermore, no trial date is set. Therefore, the Court found that this factor weighed “slightly” in favor of granting TiVo’s motion to stay.

Undue Prejudice

The Court repeated precedent that found granting a stay does not cause the nonmoving party undue prejudice when substantial expense and time in the litigation has not yet been invested. Furthermore, the precedent supported the position that the delay due to reexamination does not constitute, by itself, undue prejudice. The Court discounted Microsoft’s arguments of why TiVo would gain a tactical advantage if the Court granted the motion to stay.

The order includes an account of detailed fact finding by TiVo, which was deemed at least partial justification by the Court for any potential delay in filing:

The fact that Microsoft amended its complaint to add five of the seven asserted patents-in-suit on June 30, 2010, and the complexity of TiVo’s reexamination requests persuade this Court that any potential delay in filing was at least partially justified. According to TiVo, after learning that Microsoft intended to assert five additional patents in May 2010, TiVo undertook prior art searches and investigations. The prior art search firms spent around 1,300 hours searching for relevant prior art, and TiVo’s counsel spent nearly 1,500 hours searching for prior art, analyzing that art, performing invalidity analysis, and preparing TiVo’s reexamination requests. In the end, TiVo’s reexamination requests and related expert declarations amounted to 826 pages without exhibits and 3761 pages with exhibits. [internal citations removed]

The order concludes with a stay of the instant action in its entirety, including TiVo’s counterclaim, pending final exhaustion of all six pending reexamination proceedings, including any appeals.

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