

UNITED STATES INTERNATIONAL TRADE COMMISSION  
Washington, D.C.

In the Matter of

CERTAIN LASER-DRIVEN LIGHT  
SOURCES, SUBSYSTEMS CONTAINING  
LASER-DRIVEN LIGHT SOURCES,  
AND PRODUCTS CONTAINING SAME

Inv. No. 337-TA-983

Order No. 8

On January 20, 2016, respondents ASML Netherlands B.V., ASML US Inc., and Qioptiq Photonics GmbH & Co. KG filed a motion to stay this investigation “until a final written decision is issued by the Patent Trial and Appeal Board (“PTAB”) in the currently instituted *inter partes* review (“IPR”) proceedings involving the asserted claims (*i.e.*, no later than November 2016).” Motion Docket No. 983-1.

On February 8, 2016, complainant Energetiq Technology, Inc. (“Energetiq”) filed a response in opposition.<sup>1</sup>

Respondents argue:

On November 30, 2015, fifteen days *before* the complaint was filed in this investigation, the Patent Trial and Appeal Board (“PTAB”) instituted *inter partes* review (“IPR”) of seven of the patent claims asserted here, determining that there is a “reasonable likelihood” that each of those claims is unpatentable. By Congressional mandate, those IPRs are scheduled to conclude by November of this year, *i.e.*, *before* the anticipated target date for final determination of this investigation in May 2017 (and also before the anticipated issuance of the initial determination in January 2017). Respondents have also filed, or are in the process of filing, IPR petitions on the remaining asserted claims—none of which

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<sup>1</sup> On February 5, 2016, respondents filed a motion for leave to file a reply. Motion Docket No. 983-3. On February 17, 2016, complainant filed a response in opposition. The motion for leave is granted.

is meaningfully different from the instituted claims for purposes of invalidity. Indeed, each of those petitions involves the same core prior art reference at issue in the instituted IPRs, and the Patent Office has already found that many of the asserted claims—even those for which IPR petitions have not yet been filed—are “not patentably distinct” from claims in other Energetiq patents for which IPRs have been instituted. Given Complainant’s representation in the parallel district court litigation that the patents “[are] all the same” and “come off of the same disclosure [and] relate to the same product,” Ex. 1 at 62:21-24 (Nov. 4, 2015 Hr’g Tr.), Respondents fully expect the PTAB to institute review on all asserted claims.

Congress has made clear that such IPR proceedings should be given precedence wherever appropriate. Federal district courts have heeded that call, routinely staying pending litigation in light of pending IPR proceedings—sometimes even before institution of an IPR. This is for good reason: IPRs were designed by Congress to be faster than any other forum in adjudicating patent claims (including this forum), and only 8% of patents for which IPR proceedings are instituted emerge unchanged. It would be a tremendous waste of resources to proceed with this investigation when there is such a high likelihood that the asserted claims will not exist by the time this investigation is scheduled to be completed.

Respondents recognize that the Commission rarely stays investigations. Respondents submit, however, that under the singular circumstances of this case a stay is highly appropriate. In particular, as far as Respondents can tell, in no case prior to this one had the PTAB *already instituted* IPRs *prior* to the commencement of an ITC investigation. Because IPRs involving asserted claims have already been instituted and are *certain* to be complete well before the anticipated May 2017 target date, a stay of this investigation until the first of those IPRs is completed in November 2016 would effectuate Congressional policy, simplify the contested issues, and conserve the parties’ and the Commission’s resources, without undue prejudice to any party.

Furthermore, Energetiq should not be allowed to forum shop. Displeased with the PTAB’s decision to institute *inter partes* review proceedings because “there is a reasonable likelihood” Energetiq’s patents are invalid, and displeased with the repeated adverse rulings of the United States District Court for the District of Massachusetts (before whom its patent allegations have been pending for nearly a year) that Energetiq has no basis for accelerated injunctive relief, Energetiq now turns to this forum. The public has no interest in condoning Energetiq’s bid to have the Commission and Administrative Law Judge expend substantial additional resources on top of the Congressionally-directed IPR proceedings already underway and nearly a year’s worth of federal judicial resources that have already been spent by the District of Massachusetts on Energetiq’s same patent allegations.

For these reasons, and those detailed below, Respondents respectfully request that the ALJ stay this investigation until a final written decision is issued

in the currently instituted IPRs involving the asserted claims (*i.e.*, no later than November 2016).

Mem. at 1-3 (emphasis in original).

Complainant argues:

Respondents' motion to stay this Investigation pending the outcome of co-pending *inter partes* review—on only two of the three patents asserted here—should be denied.

First, Energetiq asserts infringement of three patents in this Investigation covering its laser driven light source inventions. No IPR has even been requested as to one of them—U.S. Patent No. 9,185,786. This one fact undermines the entire basis of Respondents' motion.

Second, Respondents rely heavily on a raw statistic regarding the results of IPRs to justify their stay request. In doing so, Respondents fail to acknowledge that only obviousness-based arguments are being advanced in the IPRs. To be clear, Respondents did not make a single anticipation-based argument in their IPR petition. Respondents also fail to acknowledge that Energetiq has yet to provide the PTO with a substantive response, particularly where in addition to technical distinctions between the claims and the asserted references, here there are a number of secondary considerations demonstrating the non-obviousness of the claimed inventions. For example, Energetiq was the first to sell any laser-driven plasma light source to provide the high brightness levels the semiconductor industry was demanding (*i.e.*, an order of magnitude brighter than the industry standard); Respondents sought a license to Energetiq's patents and chose to infringe only years after working with Energetiq; and Energetiq's products have garnered critical industry acclaim and commercial success. Moreover, Respondents fail to acknowledge that even if 42% of patents fail in IPR (taking Respondents' statistic as true), then well *over half of the patents survive*. In other words, using Respondents own statistic, it is much more likely than not that these two patents will survive IPR—and the third patent is not even subject to an IPR petition at this point. [ ]

*Third*, Respondents do not cite a single Commission decision staying an Investigation for 10 months (or longer) pending an IPR (or other patent office) proceeding that will not dispose of the entire Investigation. To that end, Respondents have made clear that they do not consider the IPR proceedings dispositive on validity issues and that they intend to raise a host of other validity defenses that are not subject to the IPR proceedings. Without any Commission precedent to support their request, Respondents cite a number of readily-distinguishable cases in which district courts have granted stays. But the Commission is not a district court and is under a mandate to conclude its procedures “at *the earliest practicable time*.” 19 U.S.C. § 1337(b)(1); *see also Certain Semiconductor Chips with Minimized Chip Package Size and Products*

*Containing Same ("Semiconductor Chips")*, Inv. No. 337-TA-605, Comm'n Op., 2008 WL 2223426, at \*4 (U.S.I.T.C. May 27, 2008) ("As the effect of such actions could be to override the statutory mandate to presume the patents are valid, we caution the presiding ALJ to carefully weigh the possibility of such manipulation in order to avoid undue prejudice to patent holders seeking to enforce their rights. Such consideration may also prevent unjustified limitations on the Commission's ability to complete section 337 investigations as soon as practicable according to its mandate."). And, that mandate is particularly important here, where Respondents are large foreign companies that have taken the position in the district court that their "making, using and selling" infringing activities are outside the U.S., giving them the freedom to steal Energetiq's technology after years of working with it, and then destroying its market. If there was ever a small, highly innovative U.S. company that needed the ITC's help to save itself against unfair competition, this is it.

*Fourth*, it is disingenuous for Respondents to argue that this stay is necessary to save them from legal fees. Despite the right to stay the district court case under 28 U.S.C. § 1659 as to two of the patents, Respondents are refusing to stay that case, forcing Energetiq to seek a stay of the district court. That Respondents face the prospect of litigating at the Commission and the district court is of their own choosing.

Last, the actions of respondents in connection with the pending district court litigation underscore the necessity of moving this case forward expeditiously. Energetiq originally brought suit in district court and, in connection with that litigation, Energetiq sought a preliminary injunction to cease the research and development of an infringing second generation laser product. In response to that motion, the defendants, who were already importing infringing products into the United States, moved their development activities overseas. The defendants then told the Court it lacked the authority to address those overseas development activities. The Court agreed. Faced with these prospects, Energetiq was left with no choice but to bring this Investigation. And now, through their motion to stay, Respondents are asking the Commission to give them another 10-plus-month window in which they can continue to infringe Energetiq's patents on the slim hopes that they invalidate all of the claims in only two of the asserted patents.

Opp'n at 2-4 (emphasis in original).

For the reasons discussed below, Motion No. 983-1 is denied.

The Commission's enabling statute requires it to conclude Section 337 investigations "at the earliest practicable time." *See* 19 U.S.C. § 1337(b)(1). In deciding whether to grant a stay, the Commission considers the following factors: "(1) the state of discovery and the hearing date;

(2) whether a stay will simplify the issues and hearing of the case; (3) the undue prejudice or clear tactical disadvantage to any party; (4) the stage of the PTO proceedings; and (5) the efficient use of Commission resources.” See *Semiconductor Chips*, Inv. No. 337-TA-605, Comm’n Op., 2008 WL 2223426, at \*2 (U.S.I.T.C. May 27, 2008). In addition, in certain limited circumstances the Commission also considers a sixth factor—the alternatives available in Federal Court. See *Certain Pers. Comput./Consumer Elec. Convergent Devices, Components Thereof, and Prods. Containing Same*, Inv. No. 337-TA-558, Order No. 6, 2006 WL 322622 at \*8 (U.S.I.T.C. Feb. 7, 2006).<sup>2</sup>

### **The State of Discovery and the Hearing Date**

Respondents argue that because this investigation is in its earliest phase, the investigation can be stayed to save money on expensive discovery. Respondents’ motion is premised on the assumption that they are going to prevail at the USPTO as to two of the three patents asserted here. In essence, they argue that once an IPR proceeding has begun, the Commission should conclude that all patents in the patent family (whether or not they themselves are before the PTAB) are likely invalid.

The evidentiary hearing in this investigation will be held September 8-13, 2016. A final determination on the earliest of IPR petitions is not expected until November, 2016. Accepting respondents’ argument that the IPRs will conclude six months before the target date, a window would exist to integrate the insights obtained from the IPRs into this investigation. In these circumstances, the status of the IPR proceedings provides no reason to stay this investigation.

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<sup>2</sup> The analysis of these factors contained herein assumes *arguendo* that the administrative law judge has the authority to grant an initial determination staying an investigation.

### Whether a Stay Will Simplify the Issues and Hearing of the Case

Respondents' motion is based on an assumption using one raw data point: the percentage of all patents that are ultimately affected by IPR proceedings. Respondents argue that this raw number in view of all IPRs means that Energetiq is not entitled the presumption of validity on its patents, even those not in the IPR proceeding. However, the grant of an IPR proceeding does not create a presumption of invalidity which Energetiq must overcome.

Complainant's issued patents are entitled to a presumption of validity. *See Microsoft Corp. v. i4i Ltd. P'ship*, 131 S.Ct. 2238, 2239, 45 (2011) (holding that 35 U.S.C. § 282 establishes a presumption of validity, requiring an invalidity defense to be proved by clear and convincing evidence). It is unclear how the institution of an IPR proceeding could deprive Energetiq of its right to a presumption of validity when it had no right to submit evidence before the IPR was instituted. Nevertheless, even accepting respondents' arguments that 42% of instituted trials result in claims that are found unpatentable, 58% must include at least one claim that survives.

Respondents argue that the IPR process will simplify and streamline the issues in this investigation. First, the IPR process uses a different claim construction standard—the “broadest reasonable interpretation”—as opposed to the *Phillips* standard used under Section 337 and in the federal courts. *See* 37 C.F.R. § 42.100(b). Although the record created during reexamination may aid in construing claim terms and in considering patent validity, such considerations are, “to a great extent, of a general nature and may apply in virtually any dispute over whether the stay pending reexamination is appropriate.” *Semiconductor Chips*, 2008 WL 2223426, at \*4. These general considerations receive limited weight when compared to “the particular facts specific to the present case.” *Id.*

Second, the IPR process is not able to address the question of indefiniteness under 35 U.S.C. § 112. The result is that any claim terms that respondents regard as indefinite in the litigation will not be addressed by the IPRs. This consideration is significant because respondents indicate that they intend to offer different constructions in the PTAB and in litigation for at least one term that they regard as key—“high brightness.” *See* Opp’n at 14 citing Ex. G (Petition for *Inter Partes* Review) (May 29, 2015) at 9.

Third, respondents have taken the position that their invalidity case does not end with § 102 or § 103 issues. They intend to introduce a host of prior art devices that are not able to be considered by the IPRs. *See* Opp’n at 14 citing Ex. H (Civ. Ac. No. 1:15-cv-10240-LTS, Nov. 4, 2015 Tr. at 48.) Thus, the IPR process will address only a limited number of prior art issues that may arise under 35 U.S.C. §§ 102 and 103 using overbroad claim constructions. Although respondents argue that the IPR will simplify this investigation, the streamlining would only occur if complainant loses on all asserted claims in the PTAB. Further, the PTAB cannot do anything to simplify the case as to the third patent asserted in this investigation, for which no IPR petition has been filed.

Finally, respondents argue that waiting for the IPRs to conclude will allow estoppel to attach to any argument they failed to raise at the IPR stage. However, given the timing of the IPRs, that estoppel will attach before the Commission enters its final decision. Indeed, respondents are already estopped from raising these grounds here, if the PTAB decision comes before the Commission decision. *See* 35 U.S.C. § 315(e)(2).

**The Undue Prejudice or Clear Tactical Disadvantage to Any Party**

According to complainant, respondents’ infringement threatens complainant’s viability as a company and marketplace competitor. It is argued that respondents’ infringement will cause

Energetiq to lose not only sales, but goodwill in the marketplace, business opportunities, and reputational status—all of which support a finding of irreparable harm. Complainant argues that inasmuch as the sole remedy Energetiq can obtain before the Commission is injunctive relief, any delay in the proceedings would be prejudicial to Energetiq. *See* Opp'n at 17.

Indeed, respondents may gain advantages from a stay. Delaying a final determination may mean that respondents would have years to import infringing products, where any importation of infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest.

### **The Stage of the Parallel Proceedings**

The stage of the USPTO proceedings vis-à-vis this investigation weighs against a stay. The IPR proceedings on the two patents were instituted at the end of November, 2015, which means that they are not expected to conclude before November, 2016, not accounting for any appeals. The IPR proceedings will be far enough along such that any insights that emerge can be incorporated into this investigation, inasmuch as the Final Initial Determination is not due until December 14, 2016. Meanwhile, substantial progress will be made here on the one asserted patent that is not in an IPR proceeding.

Additionally, the stage of the District Court proceedings should have no impact on the Commission because respondents can ask for a stay of that proceeding at any time, even after the permitted time to seek a mandatory stay. The trial is scheduled for July, 2017. Such a large gap contributes to the weight of this factor against granting the proposed stay.

The Commission has reversed a stay granted by an administrative law judge when there was no final judgment in the parallel proceeding. *Semiconductor Chips*, 2008 WL 2223426, at \*13-14. The same situation exists in this investigation. There is no final judgment from either



the USPTO or the District Court.

**The Efficient Use of the Commission Resources**

In this case, respondents assume that their IPR petitions will dispose of numerous patent claims, but that assumption cannot fully account for the differences that exist in the claims of the third asserted patent relative to the patent claims involved in the IPR proceedings. The two proceedings are not truly parallel because this investigation involves numerous other issues separate from the IPRs. *See Semiconductor Chips*, 2008 WL 2223426, at \*7 (suggesting that less weight should be given to the “efficient use of Commission resources” factor when considerations are of a general nature). Consequently, the most efficient use of Commission resources is to proceed with this investigation in a timely fashion.

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For the reasons discussed above, Motion No. 983-1 is denied.

So ordered.



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David P. Shaw  
Administrative Law Judge

Issued: March 3, 2016

**CERTAIN LASER-DRIVEN LIGHT SOURCES,  
SUBSYSTEMS CONTAINING LASER-DRIVEN LIGHT  
SOURCES, AND PRODUCTS CONTAINING SAME**

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**PUBLIC CERTIFICATE OF SERVICE**

I, Lisa R. Barton, hereby certify that the attached **Order No. 8** has been served by hand upon the Office of Unfair Import Investigations and the following parties as indicated, on **March 4, 2016**.



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