

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

SIRONA DENTAL SYSTEMS GMBH,)
SIRONA DENTAL, INC., and)
SICAT GMBH & CO. KG,)
)
Plaintiffs,)

v.)

Civil Action No. 14-460-LPS-CJB

DENTAL WINGS INC.,)
IMPLANT SOLUTIONS, LLC, and)
3D DIAGNOSTIX, INC.)
)
Defendants.)

SIRONA DENTAL SYSTEMS GMBH,)
SIRONA DENTAL, INC., and)
SICAT GMBH & CO. KG,)
)
Plaintiffs,)

v.)

Civil Action No. 14-540-LPS-CJB

ANATOMAGE, INC.,)
)
Defendant.)

SIRONA DENTAL SYSTEMS GMBH,)
SIRONA DENTAL, INC., and)
SICAT GMBH & CO. KG,)
)
Plaintiffs,)

v.)

Civil Action No. 15-278-LPS-CJB

3SHAPE A/S,)
3 SHAPE MEDICAL A/S,)
3SHAPE, INC.,)
BIOLASE, INC.,)
CADBLUE, INC., and)
BIODENTA NORTH AMERICA LLC.,)
)
Defendants.)

MEMORANDUM ORDER

Presently before the Court in these patent infringement actions is a motion to stay pending resolution of *inter partes* review (“IPR”) of the patent-in-suit, U.S. Patent No. 6,319,006 (“the ‘006 patent”). The motion (“Motion”) is jointly filed by Defendants Dental Wings Inc., Implant Solutions, LLC, and 3D Diagnostix, Inc. (collectively, “Dental Wings”), Anatomage, Inc. (“Anatomage”), and 3Shape A/S, 3Shape Medical A/S, 3Shape, Inc. (collectively, “3Shape”), Biolase, Inc. (“Biolase”), and Biodenta North America LLC (“Biodenta”) (together, the “Moving Defendants”). (Civil Action No. 14-460-LPS-CJB (“Dental Wings Action”), D.I. 37; Civil Action No. 14-540-LPS-CJB (“Anatomage Action”), D.I. 22; Civil Action No. 15-278-LPS-CJB (“3Shape Action”), D.I. 36)¹ For the reasons stated below, the Court GRANTS the Motion.

I. BACKGROUND

In these three related cases (the “Related Actions”), Plaintiffs Sirona Dental Systems GmbH, Sirona Dental, Inc., and SICAT GmbH & Co. KG (collectively, “Sirona”) allege that Moving Defendants infringe the ‘006 patent.² Sirona seeks, *inter alia*, monetary relief and a permanent injunction against Moving Defendants. (D.I. 1 at 8-9; Civil Action No. 14-540-LPS-CJB, D.I. 1 at 8; Civil Action No. 15-278-LPS-CJB, D.I. 34 at 9)

A. The Asserted Patent

¹ For simplicity’s sake, in the remainder of this Memorandum Order, the Court will refer to the “D.I.” number in Civil Action No. 14-460-LPS-CJB, unless otherwise indicated.

² Sirona has filed two additional lawsuits in this Court asserting the ‘006 patent. One of these actions, *Sirona Dental Sys. GmbH, et al. v. OnDemand3d Tech. Inc.*, Civil No. 14-539-LPS, was dismissed on May 18, 2015. (Civil Action No. 14-539-LPS, D.I. 22) The other, *Sirona Dental Sys. GmbH, et al. v. Dentsply IH Inc.*, Civil No. 14-538-LPS-CJB, was dismissed on March 10, 2016. (Civil Action No. 14-538-LPS-CJB, D.I. 19, 20)

The '006 patent is entitled “Method for Producing a Drill Assistance Device for a Tooth Implant” and was issued on November 20, 2001. (D.I. 1, ex. A (hereinafter, “006 patent”)) The invention relates to a method of providing a drill assistance device, or drill guide, that allows for the drilling of a pilot hole positioned over the intended surgical site to guide the drill during dental implant surgery, all of which allows the implant to be fastened in its optimal position. (*Id.*, Abstract & col. 1:6-9) The patent contains 1 independent claim and 9 dependent claims.

Independent claim 1 claims:

1. Method for producing a drill assistance device for a tooth implant in a person’s jaw, comprising the following process steps:

taking an x-ray picture of the jaw and compiling a corresponding measured data record,

carrying out a three-dimensional optical measuring of the visible surfaces of the jaw and of the teeth and compiling a corresponding measured data record,

correlating the measured data records from the x-ray picture and from the measured data records of the three-dimensional optical measuring,

determining the optimal bore hole for the implant, based on the x-ray picture, and

determining a pilot hole in a drill template relative to surfaces of the neighboring teeth based on the x-ray picture and optical measurement.

(*Id.*, col. 5:2-18)

B. Accused Products

Sirona makes and sells dental implant planning software (e.g., “Galileos Implant”) that is designed for use in conjunction with other Sirona products, such as 3D x-ray equipment (e.g.,

“Galileos”), optical scanners (e.g., “Cerec”) and milling equipment (e.g., “inLab” or “Cerec MC”), all in order to produce surgical drill guides for use in performing dental implant surgery. (D.I. 44, Declaration of Michael Augins (hereinafter, “Augins Decl.”) at ¶ 2 (internal quotation marks omitted)) Dentists can use Sirona’s software, along with a compatible milling unit, to design and fabricate a “chair side” surgical drill guide in the dentist’s office while the patient waits. (*Id.* at ¶ 3) Sirona also contracts with dentists to fabricate and sell finished surgical guides (e.g., “OptiGuide”), which a dental professional has planned using Sirona’s implant planning software and compatible x-ray and optical scanning equipment. (*Id.* (internal quotation marks omitted))

Sirona alleges that Moving Defendants’ dental implant planning software (“coDiagnostiX[,]” made and sold by Dental Wings; “InVivo5[,]” made and sold by Anatomage; and “Implant Studio[,]” made and sold by 3Shape) are used together with compatible 3D x-ray, optical scanning, and printing or milling equipment to infringe the '006 patent. (*Id.* at ¶¶ 5-7 (internal quotation marks omitted)) Dental Wings and 3Shape also sell (or intend to sell) optical scanners, x-ray and/or milling equipment that are used together with the accused software products. (*Id.* at ¶¶ 6-7) While Anatomage does not itself sell x-ray, scanning, printing or milling equipment, its software products are designed to be compatible with such equipment. (*Id.* at ¶ 5) Additionally, Anatomage, Implant Solutions, LLC and 3D Diagnostix, Inc. all contract with dentists for the fabrication and sale of finished surgical drill guides. (*Id.* at ¶¶ 5, 7)

C. Litigation History

1. Dental Wings Action

On April 11, 2014, Sirona filed the first complaint in these actions against the three

Defendants in the Dental Wings Action. (D.I. 1) Sirona then furnished Dental Wings with a courtesy copy of the Complaint and offered to postpone service while the parties engaged in settlement discussions. (D.I. 43 (Declaration of Josh Calabro, hereinafter “Calabro Decl.”), ex. 1) The parties thereafter discussed settlement, but were unable to reach a resolution. (*See id.*, exs. 2-4) Dental Wings ultimately agreed to waive service of the Complaint. (*Id.*, ex. 4 at 6) The Dental Wings Defendants, after previously having sought several unopposed extensions of their deadline to respond while settlement negotiations were ongoing, (D.I. 8, 10, 11, 12, 13, 14, 15; Calabro Decl., ex. 4 at 1, 3, 4), eventually filed Answers to the Complaint on March 17, 2015, (D.I. 16-18).

2. Anatomage Action

On April 24, 2014, Sirona filed its Complaint against Anatomage. (Civil Action No. 14-540-LPS-CJB, D.I. 1) On June 17, 2014, Sirona requested that Anatomage waive service, and Anatomage returned the executed waiver form on July 16, 2014. (Civil Action No. 14-540-LPS-CJB, D.I. 5; D.I. 42 at 6) Anatomage filed its Answer to the Complaint on August 18, 2014. (Civil Action No. 14-540-LPS-CJB, D.I. 6)

3. 3Shape Action

On February 25, 2015, Defendant 3Shape A/S issued a press release announcing the official launch (planned for the following day) of the accused Implant Studio software. (Civil Action No. 15-278-LPS-CJB, D.I. 34, ex. J) Shortly thereafter, on March 5, 2015, Sirona put 3Shape on notice of 3Shape’s alleged infringement of the '006 patent. (*Id.*, ex. D) On March 30, 2015, Sirona filed its Complaint against 3Shape. (Civil Action No. 15-278-LPS-CJB, D.I. 1) 3Shape A/S and 3Shape Inc. waived service on July 20, 2015, (Civil Action No. 15-278-LPS-

CJB, D.I. 9-10), and Defendants had filed their Answers to the Complaint by September 8, 2015, (Civil Action No. 15-278-LPS-CJB, D.I. 13, 15, 17).³ Pursuant to a stipulation among the parties, on November 12, 2015, Sirona filed a First Amended Complaint adding a related defendant to the case, 3Shape Medical A/S (“3Shape Medical”). (D.I. 33, 34) 3Shape Medical eventually agreed to waive service, (D.I. 48), and by January 25, 2016, all remaining Defendants in the 3Shape Action had filed Answers to the First Amended Complaint, (D.I. 38, 39, 40, 44, 62).

4. IPR Proceedings

On April 15, 2015, and May 11, 2015, respectively, Anatomage and Dental Wings filed separate IPR petitions, requesting that the United States Patent Office’s (“PTO”) Patent Trial and Appeal Board (“PTAB”) review the validity of all claims of the '006 patent. (D.I. 38 at 4) On October 20, 2015, the PTAB issued its Decision as to Anatomage’s petition; the PTAB instituted review, on anticipation and obviousness grounds, as to all claims but claim 8 of the '006 patent. (*Id.*, ex. B at 2) Shortly thereafter, on November 16, 2015, the PTAB issued its Decision on Dental Wings’ petition, determining to institute review on all claims of the '006 patent on anticipation and obviousness grounds. (*Id.*, ex. C at 2) On February 1, 2016 and February 15, 2016, Sirona filed a Contingent Motion to Amend its claims before the PTO in the Dental Wings IPR proceeding and the Anatomage IPR proceeding, respectively, seeking to add certain substitute claims if certain original claims are deemed invalid in the proceeding. (D.I. 58 & ex. A at 1-2; Civil Action No. 14-540-LPS-CJB, D.I. 45 & ex. A at 1) By statute, the PTAB is

³ Defendant CadBlu, Inc. was dismissed from the 3Shape Action on October 30, 2015. (Civil Action No. 15-278-LPS-CJB, D.I. 30)

required to issue its Final Written Decisions in these IPR trials within one year of the institution decisions—by October 20, 2016 (Anatomage) and November 16, 2016 (Dental Wings), respectively. 35 U.S.C. § 316(a)(11).

On January 20, 2016, the 3Shape Defendants and Defendant Biolase filed an IPR petition challenging the validity of all claims of the '006 patent. (Civil Action No. 15-278-LPS-CJB, D.I. 66) The PTAB's institution decision is expected within three months after its receipt of the patentee's preliminary response. 35 U.S.C. § 314(b).

5. Status of Instant Actions

Sirona filed the Dental Wings and Anatomage Actions before Chief Judge Leonard P. Stark's new patent procedures went into effect on July 1, 2014. In part as a result of this, it was not until August 14, 2015 that Orders were issued in the two actions directing the parties to submit a proposed scheduling order by August 31, 2015. (*See, e.g.*, D.I. 25; Civil Action No. 14-540-LPS-CJB, D.I. 10) At that point, in light of the posture of the more recently-filed 3Shape Action, the parties all sought permission to submit a jointly-proposed schedule across all three Related Actions. (D.I. 28) They ultimately did so on October 23, 2015. (D.I. 33)

On September 18, 2015, Chief Judge Stark ordered that all three related cases would be governed by his Revised Procedures for Managing Patent Cases, and referred to the Court for resolution all matters relating to scheduling, as well as any motions to dismiss, stay, and/or transfer venue that are to be filed in these cases. (D.I. 29) On the same day, the Court ordered that the parties should submit a proposed scheduling order by October 19, 2015. The parties thereafter sought a further extension to submit the proposed schedule until October 23, 2015. (D.I. 32)

The Court then held a joint Rule 16 Case Management Conference in all Related Actions on November 23, 2015, in which it resolved scheduling disputes and ordered the parties to submit a final proposed scheduling order by November 30, 2015. Again, the parties all sought an extension as to the date for submission of a final proposed scheduling order. (D.I. 39) They eventually filed that proposed order on December 2, 2015. (D.I. 40) The Court issued the Scheduling Order on December 3, 2015. (D.I. 41)

In the meantime, on November 18, 2015, Moving Defendants filed the instant Motion, seeking to stay the Related Actions pending resolution of the IPR proceedings. (*See, e.g.*, D.I. 37) After briefing was complete on the Motion on December 24, 2015, (D.I. 49), Dental Wings, Anatomage and 3Shape each filed subsequent letters to inform the Court of developments in the IPR proceedings, (D.I. 58; Civil Action No. 14-540-LPS-CJB, D.I. 45; Civil Action No. 15-278-LPS-CJB, D.I. 66), which the Court has considered.

In January 2016, Sirona served its first sets of document requests and interrogatories, (*see, e.g.*, D.I. 52, 55), and Moving Defendants recently served their responses to the document requests, (*see, e.g.*, D.I. 63). In April 2016, Sirona must serve its initial infringement contentions, and in June 2016, Defendants must serve their initial invalidity contentions. (D.I. 41) Claim construction briefing is set to begin in August 2016, and a *Markman* hearing is scheduled for October 24, 2016. (*Id.*) Fact discovery is scheduled to be completed in February 2017, expert discovery is scheduled to conclude in May 2017 and case dispositive motions are due to be filed on June 5, 2017. (*Id.*) A five-day trial is scheduled to begin on October 10, 2017. (*Id.*)

II. STANDARD OF REVIEW

A court has discretionary authority to grant a motion to stay. *See Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985); *see also Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (“Courts have inherent power to manage their dockets and stay proceedings, . . . including the authority to order a stay pending conclusion of a PTO [proceeding].”) (citations omitted). This Court has typically considered three factors when deciding a motion to stay: (1) whether granting the stay will simplify the issues for trial; (2) the status of the litigation, particularly whether discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from any delay, or allow the movant to gain a clear tactical advantage. *See, e.g., Round Rock Research LLC v. Dole Food Co. Inc.*, Civil Action Nos. 11-1239-RGA, 11-1241-RGA, 11-1242-RGA, 2012 WL 1185022, at *1 (D. Del. Apr. 6, 2012); *Cooper Notification, Inc. v. Twitter, Inc.*, Civ. No. 09-865-LPS, 2010 WL 5149351, at *1 (D. Del. Dec. 13, 2010).

III. DISCUSSION

With the Motion, Moving Defendants request a “stay [of] all proceedings pending a final decision by the PTAB on the IPRs of the '006 patent.” (D.I. 49 at 10) Given the number of distinct parties in these cases, the length of the parties’ briefing, and the need to set out the state of the record in detail, the Court addresses the three stay-related factors below at some length.

A. Simplification of Issues for Trial

There is a significant possibility that the IPR proceeding will simplify the issues for trial here. First and foremost, this is because the PTAB has granted IPR review with respect to all of the claims of the sole patent-in-suit. (D.I. 38, exs. B-C); *cf. VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1314 (Fed. Cir. 2014) (noting that the simplification factor “weigh[ed]

heavily in favor of a stay” where “the PTAB granted CBM review on *all* asserted claims of the *sole* asserted patent”) (emphasis in original); *Princeton Dig. Image Corp. v. Konami Dig. Entm’t Inc.*, Civil Action Nos. 12-1461-LPS-CJB, 13-335-LPS-CJB, 2015 WL 219019, at *3 (D. Del. Jan. 14, 2015) (simplification factor weighed “strongly” in favor of a stay where IPR review has been granted “as to all but three claims” of the asserted patent). If the PTAB ultimately finds all 10 claims to be invalid, the “litigation would be ‘simplified’ because it would be concluded.” *Softview LLC v. Apple Inc.*, C.A No. 12-989-LPS, C.A. No. 10-389-LPS, 2013 WL 4757831, at *1 (D. Del. Sept. 4, 2013); *see also Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013). Alternatively, “should even some of the asserted claims be found invalid, that finding would reduce the number of issues left to be litigated.” *Softview LLC*, 2013 WL 4757831, at *1.⁴

Even if some or all of the 10 claims at issue are deemed patentable by the PTAB, Moving Defendants assert that the invalidity issues “will be greatly narrowed by virtue” of the statutory estoppel effect that the IPR proceedings would have here. (D.I. 38 at 11) The IPR process imposes an estoppel requirement that precludes the petitioner from asserting in a subsequent district court action that a claim is invalid “on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” 35 U.S.C. § 315(e)(2). And indeed, the impact of statutory estoppel would further help simplify the issues raised in this matter. *See*

⁴ As to these two possibilities, Moving Defendants note that, from a purely statistical standpoint, the chances of a significant number of claims (that is, claims at issue in an instituted IPR proceeding) being found unpatentable by the PTAB are good. They cite to recent data from the PTO (regarding IPR proceedings up through September 30, 2015), which indicates that as to claims subject to IPR, 57% have been found invalid by the PTAB or cancelled by the patent owner. (D.I. 38 at 10-11 & ex. A at 12)

Gen. Elec. Co. v. Vibrant Media, Inc., C.A. No. 1:12-cv-00526-LPS, 2013 WL 6328063, at *1 (D. Del. Dec. 4, 2013) (“[T]he IPR proceedings will simplify this case, as Vibrant will be estopped from contending that certain prior art invalidates the asserted claims[.]”); *Softview LLC*, 2013 WL 4757831, at *1 (explaining that “litigation should be somewhat simplified due to the estoppel effect” that the IPR proceeding would have with respect to the district court proceeding).

In response to this, however, Sirona raises a concern: that because Moving Defendants are not all parties to each of the three respective IPR matters, they will be free to re-litigate in this Court validity arguments raised in the other IPR proceedings to which they are not parties. (D.I. 42 at 19); *see Gen. Elec. Co.*, 2013 WL 6328063, at *1 n.1 (recognizing that if some defendants are not estopped to the full extent that other defendants are estopped, “some degree of countervailing complexity might result, as [the defendant not estopped] might argue it was free to assert certain invalidity defenses that [the other defendant] is estopped from asserting”).⁵ This concern seems most viable as to the 3Shape Defendants, whom Sirona notes are not a party to either of the two IPR proceedings, referenced above, for which the PTAB has determined to institute review. (D.I. 42 at 19) 3Shape and Biolase have since filed a separate IPR petition, and would be statutorily estopped with respect to that petition—though only if the PTAB were to

⁵ The Court notes here that there is some overlap between the Dental Wings and Anatomage IPR proceedings. That is, in both proceedings, the PTAB is reviewing whether claims 1-4 and 9-10 are anticipated by Mushabac. (D.I. 38, ex. B at 19 & ex. C at 18) Beyond that, the PTAB is reviewing whether claim 5 is obvious over Mushabac and Poirier and whether claims 6 and 7 are obvious over Mushabac and Weese pursuant to the Anatomage petition, (*id.*, ex. B at 19), and whether claims 1-10 are obvious over Bannsucher and Truppe pursuant to the Dental Wings petition, (*id.*, ex. C at 18).

actually institute review and to issue a final written decision in the proceeding.⁶ So it is at least possible, for example, that were 3Shape's IPR petition denied, and were Anatomage's and Dental Wings' IPR proceedings to conclude with final written decisions, that 3Shape might assert invalidity arguments that could have been or that actually were raised in those other two proceedings. Despite this possible contingency, however, in the main, it appears that the statutory estoppel provisions will have the effect of further streamlining the case.

Aside from the prospect of some or all claims being invalidated, or of estoppel taking effect, Moving Defendants highlight some additional undisputed ways in which an IPR proceeding could simplify this litigation. (D.I. 38 at 11-12) For example, even if some or all of the claims are not rejected, the IPR process will inevitably create additional prosecution history that can assist the Court during the claim construction process. *See Round Rock Research LLC*, 2012 WL 1185022, at *1. Moreover, the fact that Sirona has filed conditional motions to amend certain claims in the Dental Wings and Anatomage IPR proceedings “weigh[s] further in favor of granting the stay so as to avoid unnecessary claim construction of what could potentially be a moving target in terms of claim language.” *VirtualAgility, Inc.*, 759 F.3d at 1314.⁷

⁶ The remaining additional Defendant in the 3Shape Action, Biodenta, has also agreed to be bound by any decision in the pending IPR proceedings. (D.I. 49 at 4)

⁷ In terms of the potential for resources being wasted were a stay not instituted now, particular areas of concern relate to the current schedule regarding initial patent contentions and claim construction. Initial infringement and invalidity contentions are due to be exchanged in April and June 2016, *Markman* briefing is to begin in August 2016, and a *Markman* hearing is currently scheduled for October 24, 2016—right around the time when a decision is expected from the PTAB in the Anatomage IPR proceeding and about a month before a decision is expected in the Dental Wings IPR proceeding. Depending on what the PTAB decides (and depending on whether, if certain claims are rejected, Sirona amends those claims in the IPR), were the case not stayed in favor of these two proceedings, there is the real prospect that the parties and the District Court will engage in significant infringement-, invalidity- and claim

The totality of the above suggests that there is the real prospect for significant simplification were the case stayed in favor of the Anatomage and Dental Wings IPRs. This factor thus weighs strongly in favor of a stay.

B. Status of Litigation

Motions to stay like these are most often granted when the case is in the early stages of litigation. *See Abbott Diabetes Care, Inc. v. Dexcom, Inc.*, C.A. No. 06-514-GMS, 2007 WL 2892707, at *5 (D. Del. Sept. 30, 2007) (staying litigation where no Rule 16 scheduling conference or discovery had occurred, no scheduling order had been entered, and “little time [had] yet to be invested in the litigation”). Granting such a stay early in a case can be said to advance judicial efficiency and “maximize the likelihood that neither the Court . . . nor the parties expend their assets addressing invalid claims.” *Gioello Enters. Ltd. v. Mattel, Inc.*, No. C.A. 99-375 GMS, 2001 WL 125340, at *2 (D. Del. Jan. 29, 2001) (citation omitted). On the other hand, when a request for review comes after discovery is complete or nearly complete, and a trial is imminent, a stay is less likely to be granted. *See, e.g., Oracle Corp. v. Parallel Networks, LLP*, Civ. No. 06-414-SLR, 2010 WL 3613851, at *2 (D. Del. Sept. 8, 2010); *Belden Techs. Inc. v. Superior Essex Commc'ns LP*, Civ. No. 08-63-SLR, 2010 WL 3522327, at *2 (D. Del. Sept. 2, 2010). In such circumstances, the Court and the parties have already expended significant effort on the litigation, and the principle of maximizing the use of judicial and litigant resources is best served by seeing the case through to its conclusion.

Here, there is no dispute that the Related Actions are in the early stages of the case schedule. (D.I. 42 at 20; D.I. 49 at 5) The Motion was filed before a Case Management

construction-related efforts that would later be rendered moot.

Conference was held, before a scheduling order issued and before any discovery had begun.⁸

The Court notes, of course, that while this is so, it has nevertheless been a long while since the cases were filed (with two of the three cases having been filed in 2014). Sirona asserts that the fact the cases are only now in their “early stages” is due “in no small part due to [Moving Defendants’] own gamesmanship.” (D.I. 42 at 20) The Court will address this issue in discussing the undue prejudice factor below (and will there explain why it cannot rely heavily on Sirona’s argument). But because these cases, despite their filing dates, are still in the early stages of litigation, this factor weighs in favor of granting a stay. *Cf. Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, C.A. No. 12-cv-1107 (GMS), C.A. No. 12-cv-1109 (GMS), C.A. No. 12-cv-1110(GMS), 2014 WL 1369721, at *6 (D. Del. Apr. 7, 2014) (concluding that this factor “strongly favors granting a stay” where the litigation “is still in its early stages” with no scheduling order in place and with discovery yet to begin); *SenoRx, Inc. v. Hologic, Inc.*, Civ. Action No. 12-173-LPS-CJB, 2013 WL 144255, at *5 (D. Del. Jan. 11, 2013) (finding this factor “favors a stay” where defendant had answered the complaint, the Court held a Rule 16(b) teleconference, and a Scheduling Order had issued, but the parties were in the early stages of discovery); *Life Techs. Corp. v. Illumina, Inc.*, Civil Action No. 09-706-RK, 2010 WL 2348737, at *3-4 (D. Del. June 7, 2010) (finding this factor did not favor a stay when parties were “halfway through the pretrial stage” and more than a million pages of relevant discovery had been produced).

⁸ Since the Scheduling Order issued on December 3, 2015, the parties have begun making initial patent disclosures, (D.I. 41 at ¶ 7; D.I. 61), and Sirona has propounded some discovery requests, (*see, e.g.*, D.I. 52, 55), to which Moving Defendants have partially responded, (*see, e.g.*, D.I. 63).

C. Prejudice

This Court has analyzed whether a non-movant would suffer undue prejudice (and whether a movant would gain an unfair tactical advantage) if a stay is granted by examining four factors: (1) the timing of the request for review; (2) the timing of the request for stay; (3) the status of the review proceeding; and (4) the relationship of the parties. *Neste Oil OYJ v. Dynamic Fuels, LLC*, Civil Action No. 12-1744-GMS, 2013 WL 3353984, at *2 (D. Del. July 2, 2013); *Boston Sci. Corp. v. Cordis Corp.*, 777 F. Supp. 2d 783, 789 (D. Del. 2011).

(1) Timing of the requests for review and the request for a stay

As to the first two subfactors, our Court has explained that in some sense, a motion to stay pending PTO review can always be said to seek a tactical advantage. That is because it “would not have been filed but for [defendant’s] belief that the granting of a stay would [be to its] benefit[.]” *Round Rock*, 2012 WL 1185022, at *2. However, there are circumstances where a “request for [review] made well after the onset of litigation followed by a subsequent request to stay may lead to an inference that the moving party is seeking an *inappropriate* tactical advantage.” *Belden Techs.*, 2010 WL 3522327, at *2 (emphasis added) (finding that requests for reexamination made 17-20 months after a lawsuit was initiated, followed by a motion to stay filed 11 days before trial, gave rise to the inference that it was motivated by a party seeking an inappropriate tactical advantage); *see also St. Clair Intellectual Prop. Consultants, Inc. v. Sony Corp.*, No. Civ. A. 01-557JJF, 2003 WL 25283239, at *1 (D. Del. Jan. 30, 2003) (denying motion to stay and noting that “the fact that the instant motion was filed after the close of discovery and weeks before the commencement of the scheduled trial date” supported an inference of undue prejudice in the delay).

Sirona argues that Dental Wings and Anatomage are in fact seeking an inappropriate tactical advantage here. In support, Sirona first asserts that these Defendants delayed in filing their IPR petitions “an average of twelve months” after Sirona commenced the lawsuits against them. (D.I. 42 at 10) Yet these respective petitions were each filed approximately three months before the applicable statutory deadline (in April 2015 and May 2015, respectively). *See* 35 U.S.C. § 315(b); *see also* (D.I. 38 at 7; D.I. 46 at 6). In all but unusual cases, it is hard for the Court to conclude that filing for an IPR in the sanctioned statutory window speaks to sharp practice. *See DSS Tech. Mgmt., Inc. v. Apple, Inc.*, Case No. 14-cv-05330-HSG, 2015 WL 1967878, at *4 (N.D. Cal. May 1, 2015) (declining, without more, to “read a ‘dilatory motive’ into Defendant’s timely exercise of its statutory rights” by filing IPR petitions toward the end of the one-year statutory period) (citing cases).

What seems a bit more troubling, without context, is Sirona’s charge that even after these petitions were filed, it then took another six months (until November 18, 2015) for Moving Defendants to file their Motion seeking a stay. (D.I. 42 at 10; *see also* D.I. 37) However, this fails to take into account the fact that Moving Defendants filed that Motion a mere two days after the PTAB issued its decision to proceed with a validity trial on all claims of the '006 Patent (pursuant to the Dental Wings Petition), and only a month after the PTAB’s decision to institute review on all but one claim of the patent (pursuant to the Anatomage Petition). The Court has recently noted that it has “become less and less sure about the merit of granting a stay in favor of an IPR proceeding, when the PTAB has not even weighed in on whether to institute review.” *Advanced Microscopy Inc. v. Carl Zeiss Microscopy, LLC*, Civil Action No. 15-516-LPS-CJB, 2016 WL 558615, at *2 (D. Del. Feb. 11, 2016) (pointing to, *inter alia*, recent data suggesting

that review is now being instituted in fewer cases, and noting that awareness of the outcome of the PTAB's institution decision will provide for a better record as to the "simplification of issues" stay factor). In light of this, it would be hard for the Court to fault Moving Defendants for waiting to file their Motion until shortly after the PTAB's decisions to institute review came down.⁹

Next, Sirona contends that the time it took to get a schedule entered in the first place was due to Moving Defendants' wrongful foot dragging. To that end, Sirona asserts that it "is not responsible for the fact that these cases have not progressed to the extent they should have" and that "Defendants themselves have sought to delay these cases at every turn." (D.I. 42 at 11) But this charge is not well supported by the record.

Sirona complains, for example, that Dental Wings requested five extensions of time to answer the Complaint (totaling six months), all while leading Sirona into believing it was seriously interested in settling the matter. (*Id.* at 12) In setting out this timeline, Sirona claims that "[o]n multiple occasions during this period, Sirona believed an agreement in principle had been reached, including one meeting in which CEOs shook hands" but "on each such occasion, Dental Wings later changed its position." (*Id.* at 6) Yet there is little the Court can do with these statements. Because Sirona fails to cite to any evidence of record in support of these charges, they ultimately amount to mere attorney argument. *See Davol, Inc. v. Atrium Med. Corp.*, Civil Action No. 12-958-GMS, 2013 WL 3013343, at *2 (D. Del. June 17, 2013) (recognizing that

⁹ It is also worth noting that the Motion was still filed before a Scheduling Order was issued in the cases—in other words, before the cases really started to move forward substantively. And so, for example, it cannot be said that Moving Defendants waited until they faced an adverse case event, and only then decided to file the Motion, all as a way to cause delay for delay's sake.

while plaintiff suggested that defendant engaged in “improper gamesmanship by delaying the litigation under the guise of settlement negotiations[,]” it failed to “present any meaningful evidence that [the defendant] approached those negotiations in bad faith”).

Sirona also contends that 3Shape’s insistence that it add 3Shape Medical as a Defendant—two days before a joint proposed schedule was due—is further evidence of inappropriate delay tactics. (D.I. 42 at 12) Yet this charge too is difficult for the Court to litigate. Pursuant to a previously-filed October 23, 2015 letter to the Court, 3Shape has stated, to the contrary, that it “ha[d] repeatedly informed Plaintiffs, in conference, that they have named the wrong 3Shape entity” and “also indicated the same in its [September 8, 2015] answer.” (Civil Action No. 15-278-LPS-CJB, D.I. 29 at 2) While Sirona retorts that “3Shape’s proffered reasons why 3Shape Medical A/S is a necessary party strain credulity,” (D.I. 42 at 13), that assertion is very much disputed, (Civil Action No. 15-278-LPS-CJB, D.I. 29). And while Sirona complains that 3Shape Medical refused to waive service and insisted that “Sirona incur the time and expense of serving 3Shape Medical A/S under the Hague Convention[,]” (D.I. 42 at 9, 12), the record indicates that 3Shape Medical ultimately agreed to waive service, (Civil Action No. 15-278-LPS-CJB, D.I. 48). Indeed, 3Shape represents that the way they handled this issue was all directed toward avoiding the waste of Court and party resources.¹⁰ The Court simply does not have enough information to adjudge Sirona right and the 3Shape Defendants wrong regarding

¹⁰ (See, e.g., Civil Action No. 15-278-LPS-CJB, D.I. 29 at 1-2 (explaining that the 3Shape Defendants informed Sirona that they named the wrong 3Shape entity as one of the parties to the action, and that because the bulk of the technical documents relating to 3Shape’s products reside with 3Shape Medical, they anticipated that “Plaintiffs may be unsatisfied with the initial disclosures by the named Defendants, and [would] engage in what we view as needless motion practice”; “[r]ather than fight a costly and wasteful motion to dismiss as to 3Shape A/S, [3Shape] believed that an arrangement could be made”))

this dispute.

In the end, it is clear that a long time has passed since these cases were first filed, and that the IPR petitions and the Motion came a long time after those filings. The Court would be naive to think that Moving Defendants did not contribute in some way to this situation. But when one gets into the weeds of the current record, it is a lot harder to pin the blame for this situation predominantly (or even to any significant degree) on Moving Defendants' *inappropriate* conduct—as opposed to, for example, Sirona's action or inaction, Court scheduling procedures, or the time it inherently takes for three cases with many different defendants to all move forward in a coordinated fashion. In light of this, the Court cannot conclude that these two subfactors should weigh against a stay. Instead, taking all things into account, the Court finds them to be neutral.

(2) Status of review proceeding

Pursuant to the IPR procedures, the PTAB is expected to issue its final written decisions with respect to Anatomage's and Dental Wings' IPR petitions by October 23, 2016 and November 16, 2016, respectively. (D.I. 38 at 8 (citing 35 U.S.C. § 316)) Therefore, these IPR proceedings will well outpace this action, which is scheduled for trial in October 2017. (D.I. 41)¹¹

¹¹ The status of the 3Shape IPR proceeding is less clear, however, as the petition there was filed only one month ago and the PTAB has yet to issue an institution decision. Were review instituted there, the proceeding would not likely resolve at the PTAB until well into 2017, close to the time when these cases are scheduled to go to trial. *See* 35 U.S.C. §§ 314(b), 316(a)(11) (requiring, in the typical case, initiation of IPR within six months of filing and a decision within twelve months thereafter). Because it is uncertain whether there will even be an IPR proceeding as to 3Shape's petition, the Court does not factor that petition into its decision here.

Nevertheless, a stay in favor of these two proceedings would likely push back the resolution of this case by at least eight more months. While the Court recognizes that the “mere potential for delay is insufficient to establish undue prejudice[.]” *Nexans, Inc. v. Belden Inc.*, C.A. No. 12-1491-SLR-SRF, 2014 WL 651913, at *2 (D. Del. Feb. 19, 2014), neither is it irrelevant to the Court’s calculus, *see Kaavo Inc. v. Cognizant Tech. Sol. Corp.*, Civil Action No. 14-1192-LPS-CJB, Civil Action No. 14-1193-LPS-CJB, 2015 WL 1737476, at *4 (D. Del. Apr. 9, 2015). As such delay would come in actions that have already faced some speed bumps, this subfactor should weigh against a stay.¹²

¹² Sirona raises an additional argument that the Court cannot credit: that delay could prevent it from receiving compensation from Moving Defendants. (D.I. 42 at 15) In the Related Actions, Sirona seeks lost profit damages on its sales of software *as well as* compatible equipment such as 3D x-ray machines, optical scanners, milling machines, and 3D printers. (*Id.*) With Sirona’s U.S. sales of such products exceeding ██████████ in the last fiscal year, and because “Defendants are relatively small companies[.]” Sirona posits that it is unclear whether at least certain Defendants would have the ability to compensate it for another year of infringing sales. (*Id.*)

As an initial matter, however, whether such non-software equipment is even covered by the patent is a hotly disputed issue; according to Moving Defendants, “[t]he patent describes and claims only a ‘planning method[.]’” and “Sirona cannot recover damages on drill guides and ‘compatible equipment.’” (D.I. 49 at 9; *see also id.* at 2; D.I. 33 at 3; D.I. 62 at 34-35) Were the District Court to ultimately conclude that this non-software equipment is not relevant to damages, that would obviously reduce any claim for lost profits. More importantly, even if such equipment is deemed to be relevant to damages, Sirona’s assertions that Moving Defendants would be unable to pay any substantial judgment is based on two pieces of (very thin and ultimately insufficient) evidence: (1) Anatomage counsel’s remark during the Case Management Conference that “‘Anatomage is a relatively small company’”; and (2) the fact that *five* years ago, in 2011, *one* Defendant (Dental Wings, Inc.) had revenue of less than \$9 million (CAD). (D.I. 42 at 15 (citing Calabro Decl. at exs. 8-9)) Sirona admits that because most Defendants are private companies, “[d]etailed financial information is not available[.]” (*Id.* at 15 n.8); *cf. Dentsply Int’l Inc. v. US Endodontics, LLC*, No. 2-14-cv-00196 (E.D. Tenn. Dec. 1, 2015) (Calabro Decl., ex. 12 at 2-3) (concluding that this ability to pay factor weighed “very heavily against the stay requested” but only because the patentee had filed a motion for preliminary injunction and thereafter had pointed to “evidence, introduced at [an] evidentiary hearing” in support of its claim “that the defendant does not have the ability to pay a judgment”).

In the end, the prospect of harm to Sirona from further delay weighs against granting a stay.

(3) Relationship of the Parties

The relationship of the parties, and particularly whether they are direct competitors, is often a very important factor in the stay analysis. *Kaavo Inc.*, 2015 WL 1737476, at *3. Courts have recognized that when the parties are direct competitors, there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting that infringement has occurred, including the potential for loss of market share and an erosion of goodwill. *See, e.g., SenoRx, Inc.*, 2013 WL 144255, at *7 (citing *Nat'l Prods., Inc. v. Gamber-Johnson LLC*, No. 2:12-cv-00840, 2012 WL 3527938, at *2-3 (W.D. Wash. Aug. 14, 2012)).

Sirona argues that a stay will be particularly prejudicial because it “sells software, imaging equipment, and milling units that are used in the practice of the patented method, as well as surgical guides produced pursuant to the patented method, which directly compete with Defendants’ products.” (D.I. 42 at 16 (citing Augins Decl. at ¶¶ 2-7)) Accordingly, Sirona contends that during a stay, sales of Moving Defendants’ accused products would continue to erode market share for Sirona’s competing products—harm that will continue until a permanent injunction is issued. (*Id.* at 2, 16 (citing Augins Decl. at ¶ 9)) Sirona additionally notes that competition is strong in the emerging market for “chairside” surgical guides, as 3Shape is expected to soon begin selling 3D x-ray equipment, Dental Wings announced it will soon sell milling equipment and scanners, and Biolase recently launched a milling unit that allows dentists to fabricate surgical guides in-office in conjunction with 3Shape’s software and scanner. (*Id.* at

16-17 (citing Augins Decl. at ¶¶ 6-8 & exs. G, N))

It does not appear to be in dispute that Sirona's products compete to some degree with Moving Defendants' products. (D.I. 38 at 9; D.I. 49 at 9-10) Sirona produced a Declaration from Michael Augins, President of Sirona Dental, Inc. and Executive Vice President of Sirona Dental Systems, Inc., wherein Mr. Augins states as much. (Augins Decl. at ¶¶ 5-8) Although the declaration itself includes few facts in support of Mr. Augins' claim, it does include two helpful attachments. The first exhibit is advertising from Defendant Biolase that directly compares its chairside surgical guide (which includes Biolase's milling equipment and 3Shape's intraoral scanner) with Sirona's Cerec chairside system (which consists of software, an optical scanner, and milling equipment). (*Id.* at ¶ 8 & ex. G) The second exhibit is a 2014 article in which a writer notes that while Sirona "has positioned themselves as the company to beat with the success of CEREC . . . [n]ow 3Shape definitely has their eye on this competition with the launch of their new TRIOS Color intraoral scanner." (*Id.*, ex. M at 1)

And yet there is very little in the record to delineate the *scope* of that competition or of the relevant market. Sirona's submission is silent as to how many competitors there are in the dental implant surgery market, or where exactly Sirona (which appears, from its allegations, to be a market leader) stands in that pecking order.¹³ Nor is there much evidence about the extent to

¹³ See, e.g., *Destination Maternity Corp. v. Target Corp.*, 12 F. Supp. 3d 762, 768 (E.D. Pa. 2014) (concluding, where it was undisputed that the parties were direct competitors, but where there were also several other competitors in the market, that "only a fraction of [any loss of market share suffered by the plaintiff during a delay in the litigation] will be attributable to [the defendant] because of the several other competitors that continue[d] to compete for market share [with plaintiff] without repercussions"); *TruePosition, Inc. v. Polaris Wireless, Inc.*, C.A. No. 12-646-RGA/MPT, 2013 WL 5701529, at *5 (D. Del. Oct. 21, 2013) ("The court has held [that] the presence of other parties actively involved in the market may decrease the risk of prejudice to a plaintiff.").

which these Defendants' sales have already affected Sirona's market share, or might do so in the future. Mr. Augins does flatly state at one point that Defendants' products have "adversely affected Sirona's market share and sales [of such software and equipment and supplies] and will continue to do so[.]" (Augins Decl. at ¶ 9), but he provides no further specificity.¹⁴

In light of this, the Court can conclude that a stay would cause some amount of competitive harm to Sirona.¹⁵ This subfactor thus mitigates against a stay. But the lack of evidence as to the nature and extent of competitive injury means that the subfactor is less strong for Sirona than it might have been with a more full record.¹⁶

¹⁴ The Court also has to keep in mind that, as noted above, there is a real dispute in the case as to whether the District Court will even agree with Sirona's contention that "it is entitled to injunctive relief on sales of 3D x-ray scanners, optical scanners, milling equipment, or drill guides[.]" (D.I. 49 at 2) Were the District Court to ultimately conclude otherwise, that would certainly lessen the impact of Sirona's arguments about the harm from potential loss of market share.

¹⁵ The Court also notes that Sirona has not moved for a preliminary injunction. (D.I. 42 at 17-18) In a case like this, the filing of such a motion can amount to a further hint that fierce competition exists between the parties. *Kaavo Inc.*, 2015 WL 1737476, at *4 n.9. The Court recognizes that there may be reasons why Sirona decided not to file such a motion here that are unrelated to the amount of prejudice it would face were a stay granted. *See Virtual Agility, Inc.*, 759 F.3d at 1319; *SenoRx*, 2013 WL 144255, at *8 (citing cases). That said, Sirona did not actually say in its briefing what those reasons were. (D.I. 42 at 18); *see Knauf Insulation, LLC v. Johns Manville Corp.*, No. 1:15-cv-0011-WTL-MJD, 2015 WL 7084079, at *2 (S.D. Ind. Nov. 13, 2015) (noting that the plaintiffs did not file for a preliminary injunction and "gave no reason for their failure to file" for one).

¹⁶ *See, e.g., Cypress Semiconductor Corp. v. GSI Tech., Inc.*, Case No. 13-cv-02013-JST, 2014 WL 5021100, at *5 (N.D. Cal. Oct. 7, 2014) ("[W]hile the Court can assume that Cypress will suffer some prejudice as a result of a stay due to the parties' status as competitors, the Court cannot assess the degree of prejudice without at least some probative evidence on the point."); *Lippert Components Mfg., Inc. v. AL-KO Kober, LLC*, No. 3:13-CV-697-JVB-CAN, 2014 WL 8807329, at *3 (N.D. Ind. Jan. 16, 2014) (presuming only that the patentee "will be prejudiced to some degree by a stay" where the parties appeared to be direct competitors but the patentee did not provide sufficient evidence for the Court to determine the degree of potential loss of market share); *Generac Power Sys. Inc. v. Kohler Co.*, 807 F. Supp. 2d 791, 798 (E.D.

(4) Conclusion

The Court cannot conclude that Moving Defendants engaged in inappropriate gamesmanship in filing their *inter partes* review and stay requests when they did. But it recognizes that the status of the review proceedings, and the prospect that Sirona could face at least some competitive injury were a stay granted, both weigh against a stay. Those latter two subfactors are significant enough for the Court to find that the “undue prejudice” factor militates against a stay.

IV. CONCLUSION

With all 10 claims of the sole patent-in-suit at issue in the IPR proceedings, the potential for simplifying the issues in this case strongly favors a stay. And with the Related Actions still in the early stages of the case schedule, the current status of this litigation favors a stay. The outcome of the undue prejudice factor favors denying the Motion, but the lack of a better-developed record prevented this factor from even more strongly weighing in Sirona’s favor.

In the end, after carefully balancing these factors, the Court concludes that the balance tips in favor of Moving Defendants and to granting the requested stay in the manner set out below. The odds are that, in several months when the Anatomage and Dental Wings IPR trials are concluded, this case will look very different than it does now. In the main, it makes sense to wait for these results, instead of having a significant amount of litigation effort expended in the

Wis. 2011) (explaining that the patentee “must provide more than conclusory arguments about the adverse impact that Kohler’s manufacturing and selling of the allegedly infringing product will have on its market share[,]” and concluding that granting the stay would not cause the patentee undue prejudice where the patentee “failed to provide evidence of price erosion or lost market share”).

meantime that may well be wasted.

Therefore, it is ORDERED that:

- (1) Defendants' Motion is GRANTED. The proceedings are STAYED from the date of this order at least until a decision is issued by the PTAB in both the Anatomage and Dental Wings IPR proceedings, with the exception that the parties should respond to any currently pending discovery requests by the applicable deadlines set by the Federal Rules of Civil Procedure.¹⁷
- (2) The parties shall timely advise the Court when a decision is issued by the PTAB in both the Anatomage and Dental Wings IPR proceedings. To the extent that one or both of those proceedings conclude prior to the issuance of a decision (e.g., due to settlement), the parties shall also timely advise the Court of that fact.

Because this Memorandum Order may contain confidential information, it has been released under seal, pending review by the parties to allow them to submit a single, jointly proposed, redacted version (if necessary) of the Memorandum Order. Any such redacted version shall be submitted no later than **March 29, 2016** for review by the Court, along with a detailed explanation as to why disclosure of any proposed redacted material would “work a clearly

¹⁷ The Court recognizes that the equities are not one-sided here, and is mindful of the further delay that Sirona faces due to this stay. It also recognizes that there may be some other focused categories of discovery that are not closely tied to the invalidity issues that the PTAB is considering, and that thus could responsibly proceed forward despite this stay. To the extent that Sirona wishes to argue that a certain amount of such focused discovery should proceed while the Related Cases are otherwise stayed, the Court invites the parties to file a joint letter, by no later than **April 14, 2016**, that describes these categories, and indicates whether Moving Defendants have any objection to proceeding with discovery as to these categories. *Cf. Gentherm Can., Ltd. v. IGB Auto., Ltd.*, No. 13-11536, 2014 WL 804657, at *4 (E.D. Mich. Feb. 26, 2015). The Court will consider further modifying the stay at that time to allow for the requested discovery to proceed, depending on the specifics of the request.

defined and serious injury to the party seeking closure.” *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994) (internal quotation marks and citation omitted). The Court will subsequently issue a publicly-available version of its Memorandum Order.

Dated: March 22, 2016



Christopher J. Burke
UNITED STATES MAGISTRATE JUDGE