

UNITED STATES INTERNATIONAL TRADE COMMISSION

Washington, D.C.

In the Matter of

CERTAIN COURSE MANAGEMENT
SYSTEMS SOFTWARE PRODUCTS

Inv. No. 337-TA-677

2009 JUN 24 PM 3:20

OFFICE OF THE SECRETARY
U.S. INTERNATIONAL TRADE COMMISSION

**ORDER NO. 5: INITIAL DETERMINATION STAYING THE INVESTIGATION
PENDING COMPLETION OF APPEAL BEFORE THE COURT OF
APPEALS FOR THE FEDERAL CIRCUIT**

(July 24, 2009)

The notice of investigation was published on June 9, 2009. (74 Fed. Reg. 27345).

Complainant Blackboard, Inc. ("Blackboard") has accused respondent Desire2Learn Incorporated ("D2L") of violating Section 337 based on infringement of U.S. Patent No. 6,988,138 ("the '138 Patent") against and has. In the notice, the Commission stated:

The Commission notes that the asserted patent is currently involved in a reexamination proceeding at the U.S. Patent and Trademark Office and an appellate proceeding before the Court of Appeals for the Federal Circuit. In instituting this investigation, the Commission has not made any determination as to whether a stay is warranted. However, the presiding administrative law judge may wish to consider whether a stay is warranted at an early date in this proceeding. Any such decision regarding the motion to stay the investigation should be issued as an initial determination.

Id. On June 12, 2009, D2L filed a motion to stay the investigation pending (1) completion of the reexamination process; (2) until Blackboard can make a showing that some asserted claim has a legitimate chance of emerging from reexamination; and/or (3) resolution of the pending Federal Circuit appeal. (Motion Docket No. 677-001.)

On June 23, 2009, Blackboard filed a response opposing the motion and the Commission Investigative Staff ("Staff") filed a response supporting the motion in part as it relates to the

Federal Circuit appeal. On July 16, 2009, D2L filed an unopposed motion for leave to file a reply and reply. (Motion Docket No. 677-003.) On July 17, 2009, Blackboard filed an unopposed motion for leave to file a sur-reply and sur-reply. (Motion Docket No. 677-004.) The motions for leave to file a reply and sur-reply are hereby GRANTED.

D2L argues that the investigation should be stayed pending resolution of (1) the reexamination proceedings at the PTO and, at a minimum, (2) resolution of the appeal at the Federal Circuit. This investigation involved only one patent, the '138 Patent, which has been rejected by the PTO in its entirety. D2L argues that given the advanced stage of reexamination and the early stage of this investigation, administrative efficiency is best served by staying this investigation. D2L further argues that the investigation should be stayed pending resolution of the appeal from a prior litigation between the two parties that is before the Federal Circuit. Specifically, a central issue in the appeal directly related to the validity of three of the nine asserted method claims in the '138 Patent, which, based on the Federal Circuit's decision, may be found to be invalid.

D2L argues that a stay will simplify the issues in this investigation as all 44 claims of the '138 Patent may be held invalid by the PTO or certain asserted method claims may be held invalid by the Federal Circuit; this investigation is in its early stages; that the balance of prejudice and harm weigh in favor of granting the stay pending resolution of both the reexamination and appellate proceedings since D2L has already expended significant resources and the '138 Patent is not set to expire until 2019; the reexamination proceeding and the appeal before the Federal Circuit are in their final stages; and a stay will conserve resources, including the parties' and the Commission's resources.

In response, Blackboard argues that its patent is still valid and enforceable until the PTO issues a reexamination certificate to the contrary and a stay until the completion of reexamination would, in effect “override” the presumption of validity of the patent. Blackboard further notes that the U.S. District Court for the Eastern District of Texas (“Texas District Court”), where Blackboard and D2L were engaged in litigation over the same patent, and the Federal Circuit have both refused to stay their respective proceedings pending the completion of reexamination. Blackboard argues that the investigation should not be stayed pending reexamination because the proceedings will likely continue for at least four more years; that while the investigation was just instituted in June, the dispute over D2L’s infringement of the ‘138 Patent has been ongoing for nearly three years; that reexaminations may simplify issues does not weigh in favor of a stay; that a stay would prejudice Blackboard since D2L would be permitted to infringe and D2L will only be prejudiced by having to pay for attorneys’ fees; and that any stay of an investigation conserves Commission resources and D2L has failed to tie this factor specifically to this investigation. Blackboard further argues that the Commission “could not” stay this investigation pending resolution of the reexamination proceedings because Section 337 investigations must be completed expeditiously. Blackboard further urges the ALJ to reject D2L’s other requested relief because (1) requiring Blackboard to make a showing that the asserted claims have a legitimate chance of emerging from reexamination is tantamount to shifting the burden of proving validity of the ‘138 Patent to Blackboard and (2) the Federal Circuit’s decision will have no affect on claims 39-44 as they are not at issue in the appeal and “the investigation will move forward with regard to claims 39-44.”

Staff supports staying the investigation pending completion of the appellate proceedings since the investigation is in its initial stages; the Federal Circuit’s opinion will provide guidance

to the ALJ on validity issues in this investigation; Blackboard would not be severely by prejudiced by a stay pending resolution of the appellate proceeding since they were well aware of the stage of the appellate proceedings when they filed the complaint; that the stay would not be very lengthy as the Federal Circuit will likely issue an opinion within a few months; and that should the Federal Circuit hold claims 36-38 to be invalid, then the issues in this investigation would be significantly narrowed. Staff, however, opposes staying the investigation pending completion of the reexamination proceedings since it is still in its early stages with several years remaining before final resolution of the reexamination and since Blackboard has not yet amended any claims, which would require an amendment to the infringement allegations in the complaint. Staff urges, however, that the ALJ should require Blackboard to submit monthly status reports to keep the ALJ, Staff and D2L apprised of the status of the reexamination proceedings, which would include any amendments to the claim language.

In its reply, D2L argues that Blackboard's arguments against staying the investigation pending completion of the reexamination are flawed on three grounds: (1) the circumstances surrounding the reexamination proceedings and the Section 337 investigation in the instant investigation are different from those in *Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same*, Investigation No. 337-TA-605, where the Commission overturned the ALJ's stay; (2) Blackboard's reliance on its presumption of validity overrules Commission precedence authorizing stays pending reexamination in appropriate circumstances; and (3) nothing in the Commission rules precludes the Commission from entering a stay despite Blackboard's statements to the contrary. D2L further argues that Blackboard underestimates the need to stay the investigation pending the Federal Circuit's decision since should that decision will likely simplify the issues in this investigation.

In its sur-reply, Blackboard argues that it is trying to protect its intellectual property rights and stop D2L's unlawful importation of infringing products; that D2L ignores the presumption of validity for the '138 Patent; the Commission precedence and new reexamination statistics counsel against a stay and there is no unfair prejudice to D2L; and claims 39-44 will remain live regardless of any Federal Circuit decision and the investigation will continue.

The Administrative Law Judge has the authority pursuant to Commission Rule 210.15(a)(1) to stay an investigation pending resolution of a related litigation or administrative proceeding. In deciding whether to stay an investigation, five factors are typically considered:

- 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 parallel proceedings; and
- 5) The efficient use of Commission resources.

See Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same, Inv. No. 337-TA-605, Comm'n Op. at 3, 2008 ITC LEXIS 888 at *4 (May 27, 2008).

Here, the balance of factors weighs in favor of granting the requested stay pending the Federal Circuit proceedings, but weighs against a stay pending the reexamination proceedings.

1.) The state of discovery and the hearing date

This factor weighs in favor of a stay pending resolution of both the Federal Circuit proceedings and the reexamination proceedings. While the ALJ set a target date in Order No. 4, he did so noting the target date was merely "tentative" since his decision in this order could affect that date, but that he was required to do so pursuant to Commission Rule 210.51(a). (*See* Order No. 4 at n. 2) (July 20, 2009). Nevertheless, this investigation is in its early stages with

the hearing nearly 7 months away and a procedural schedule that has not yet been set. As such, this factor weighs in favor of a stay.

2.) Whether a stay will simplify the issues and hearing of the case

This factor weighs in favor of a stay pending the Federal Circuit's decision. In the proceedings before the Federal Circuit, D2L has appealed the Texas District Court's decision on claim construction and validity for claims 36-38 while Blackboard has appealed the decision on invalidity of claims 1-35. While claims 39-44 are not at issue in the appellate proceedings, they depend from claim 36 and the Federal Circuit's decision on the validity of claims 36-38 will undoubtedly have an impact on this investigation and will, at a minimum, provide guidance to the ALJ on matters that are vital to this investigation. Indeed, should the Federal Circuit hold claim 36-38 to be invalid, the issues in this investigation and the evidentiary hearing will be greatly simplified. As such, this factor weighs heavily in favor of granting the stay pending resolution of the appellate proceedings at the Federal Circuit.

This factor also weighs slightly in favor of a stay pending resolution of the reexamination since upon completion of the reexamination the issues in this investigation and at the hearing will be focused on any and all valid claims, including any amended claims. Thus, this factor weighs slightly in favor of a stay.

3.) The undue prejudice or clear tactical disadvantage to any party

This factor weighs in favor of a stay pending a decision from the Federal Circuit. Blackboard was well aware of the stage of the Federal Circuit proceedings before it filed the complaint in this investigation and it has failed to show that it will suffer any undue prejudice or will any tactical disadvantage in waiting for a decision from the Federal Circuit.

In contrast, should the investigation be stayed pending completion of the reexamination proceedings, Blackboard would be unduly prejudiced as those proceedings are several years away from being complete. Since the Commission does not have the authority to award damages for past violations of infringement and importation, granting a stay for several years is tantamount to a royalty free license for the duration of those years. Thus, this factor weighs against a stay pending completion of the reexamination proceedings.

4.) The stage of the parallel proceedings

The issues have been fully briefed before the Federal Circuit, oral arguments have been heard, and the parties are awaiting a decision from the Federal Circuit that is expected to be issued in a matter of weeks. Thus, this factor weighs heavily in favor of staying the investigation.

However, this factor weighs against staying the investigation pending completion of the reexamination proceedings. At a minimum, the reexamination proceedings are not expected to be completed for several years and, further, it is not clear what or how any of those proceedings, once complete, may impact this investigation. In other words, unlike the Federal Circuit proceedings where the issues before the court are concise and the impact of its decision on this investigation immediate, Blackboard has not yet even amended any claims before the PTO in the reexamination proceedings and there is no indication that it will do so. While Blackboard may ultimately amend its claims, it has not yet done so and, as such, any impact of a complete reexamination proceeding on this investigation is at best speculative.

5.) The efficient use of Commission resources

This factor also weighs in favor of staying the investigation pending completion of the Federal Circuit appeals. As noted above, the Federal Circuit's decision on the validity of claims

36-38 and on their claim construction will unquestionably have a significant impact on this investigation. Indeed, to the extent the Federal Circuit's opinion narrows the issues in this investigation, Commission resources and those of the parties will likely be saved by simply waiting a few weeks for the Federal Circuit to issue their opinion.

As for the reexamination proceedings, the Commission's resources would certainly be saved from litigating claims that may ultimately be amended during the reexamination proceedings. However, it is not clear that those claims will ultimately be amended nor has Blackboard, thus far, amended any of its claims in that proceeding. Thus, at this point, this factor has no impact this analysis.

D2L further requested that the ALJ stay the investigation until Blackboard can make a showing that some asserted claim has a legitimate chance of emerging from reexamination. The ALJ declines to grant the stay on this basis. While Blackboard may amend its claim during the reexamination process, the current record before the ALJ shows that Blackboard has not made any amendments to any of its claims. Furthermore, it appears that D2L's request is tantamount to a guessing game of how the PTO will ultimately conduct the reexamination proceedings, including what issues may arise and how Blackboard will respond to those issues. The ALJ declines to stay this investigation based on hypothetical scenarios.

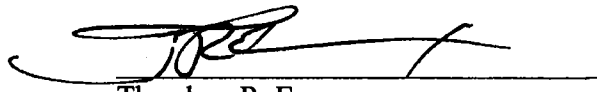
Therefore, based on the foregoing, the ALJ finds that the factors weigh in favor of staying the investigation pending the Federal Circuit appeal. The ALJ further finds, however, that the ultimately weigh against staying the investigation pending the reexamination proceedings.

It is the initial determination of this ALJ that the investigation be STAYED pending the Federal Circuit appeal. The ALJ further DENIES D2L's request to stay the investigation

pending the reexamination proceedings. It is requested that the Commission give expedited consideration to this initial determination.

Pursuant to 19 C.F.R. § 210.42(h), this initial determination shall become the determination of the Commission unless a party files a petition for review of the initial determination pursuant to 19 C.F.R. § 210.43(a) or the Commission, pursuant to 19 C.F.R. § 210.44, orders on its own motion a review of the initial determination or certain issues herein.

SO ORDERED.

A handwritten signature in black ink, appearing to read 'T.R. Essex', is written over a horizontal line.

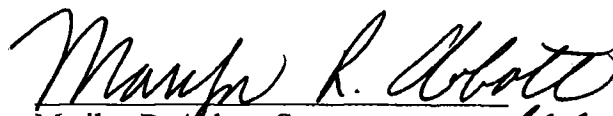
Theodore R. Essex
Administrative Law Judge

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CERTIFICATE OF SERVICE

I, Marilyn R. Abbott, hereby certify that the attached **ORDER 5** has been served by hand upon, the Commission Investigative Attorney, **Mareesa A. Frederick, Esq.** and the following parties as indicated on **July 24, 2009.**


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