

**UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TENNESSEE  
WESTERN DIVISION AT MEMPHIS**

AVANOS MEDICAL SALES, LLC, )

Plaintiff, )

vs. )

MEDTRONIC SOFAMOR DANEK USA, INC., )

MEDTRONIC USA, INC., )

and )

MEDTRONIC, INC., )

Defendants. )

Civil Action No. 2:19-cv-02754-JMP-tmp

**JURY DEMANDED**

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**ORDER DENYING MOTION FOR STAY**

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Before the Court is Defendants Medtronic Sofamor Danek, USA Inc.’s, Medtronic USA, Inc.’s, and Medtronic Inc.’s (collectively, “Medtronic”) Opposed Motion to Stay Litigation Pending *Inter Partes* Review, filed on October 29, 2020. (ECF No. 105.) For the reasons stated below, Medtronic’s Motion for Stay is DENIED. The case will proceed according to the Non-Claim Construction Scheduling Order entered on August 28, 2020. (ECF No. 97.)

**I. BACKGROUND**

On November 4, 2019, Plaintiff Avanos Medical Sales, LLC (“Avanos”) filed a Complaint against Medtronic, alleging that Medtronic’s products, the Accurian RFA System, among other names (the “Accused Products”), infringe United States Patent No. 8,882,755 (the “’755 patent”). (ECF No. 1, ¶¶ 6–19.) The ’755 patent, “Electrosurgical Device for Treatment of Tissue,” is directed towards a “novel medical probe assembly, system, and methods for the use thereof to treat tissue[.]” (ECF No. 1-2.) On May 29, 2020, Medtronic filed a petition for *inter partes* review of claims 1–8, 13, and 17–22 of the ’755 patent (the “Petition”) before the Patent Trial and Appeal

Board (“PTAB”). (ECF No. 105-2.) Avanos filed a Patent Owner Preliminary Response (“POPR”) to the Petition on September 9, 2020. (ECF No. 105-3.) On October 23, the PTAB granted institution of *inter partes* review (“IPR”) of all challenged claims based on “a reasonable likelihood that it [Petitioner] would prevail in showing that certain claims of the ’755 patent are unpatentable under at least one ground.” (“Institution Decision”, ECF No. 105-4 at PageID 866.) Medtronic then moved to stay the case pending resolution of the IPR (ECF No. 105), and Avanos timely filed an opposition to the stay (ECF No. 109). A hearing on the Motion to Stay was held on November 20, 2020. (ECF No. 116.)

## II. LEGAL STANDARD

“The decision whether to grant a stay of a particular action is within the inherent power of the Court and is discretionary.” Ellis v. Merck & Co., Inc., No. 06-1005-T/AN, 2006 WL 448694, at \*1 (W.D. Tenn. Feb. 18, 2006) (citation omitted). “[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.” Gray v. Bush, 628 F.3d 779, 785 (6th Cir. 2010) (alteration in original) (quoting Landis v. North American Co., 299 U.S. 248, 254 (1936) (internal quotation marks omitted). “Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.” Ethicon Inc. v. Quigg, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citation omitted).

“To determine whether a stay pending [IPR] is appropriate, courts apply the same factors as [when] determining whether to stay a case pending reexamination.” Regents of Univ. of Michigan v. St. Jude Med., Inc., No. 12-12908, 2013 WL 239340, at \*2 (E.D. Mich. May 31, 2013) (citation omitted). In determining whether to stay litigation pending patent reexamination by the

PTO, courts generally consider three factors: 1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; 2) whether a stay will simplify the issues in question and trial of the case; and 3) whether discovery is complete and whether a trial date has been set. Anglefix Tech, LLC v. Smith & Newpew, Inc., No. 13-cv-02281, 2014 WL 1169745 at \*1 (W.D. Tenn. May 1, 2014) (citation omitted). This decision is an exercise of judicial discretion made on an individualized case-by-case basis. Virginian Ry. Co. v. United States, 272 U.S. 658, 672–673 (1926). “The party requesting a stay bears the burden of showing that the circumstances justify an exercise of that discretion.” Nken v. Holder, 556 U.S. 418, 433–434 (2009).

### III. ANALYSIS

The Court will address the three factors involved in making a decision to stay a case.

#### A. Undue Prejudice or Clear Tactical Disadvantage

Avanos argues that a stay would unduly prejudice and tactically disadvantage it because “Avanos and Medtronic are direct competitors in a two-player market—a market that Avanos spent more than a decade developing and that Medtronic only recently entered by means of infringing products.” (ECF No. 109 at PageID 987.) Avanos adds that a “stay pending resolution of an IPR may last years: the final decision by the PTAB may not issue until April 25, 2022, and that decision may be appealed to the Federal Circuit, further delaying any finality and prolonging a stay.” (*Id.*) Because the parties are “the *only two* competitors in the U.S. market for cooled RF products to treat pain”, and because Medtronic is “orders of magnitude larger than Avanos”, Avanos argues that it will suffer irreparable harm and be further disadvantaged if a stay is issued. (*Id.* at PageID 990–91.)

Conversely, Medtronic points out that it did not unduly delay in filing the Petition, which was filed more than five months before the statutory deadline set by 35 U.S.C. § 315(B). (ECF No. 105-1 at PageID 693.) Furthermore, Medtronic argues that mere delay, without more is “not enough to constitute undue prejudice” and that “stays are appropriate even where the parties are direct competitors.” (Id.)

While a stay to allow IPR to proceed will undeniably delay the instant litigation, delay based on the IPR process alone is not sufficient to demonstrate undue prejudice to the non-moving party. See DSW Inc. v. Shoe Show, Inc., No. 1:11-cv-1797, 2012 WL 2994193 at \*2 (N.D. Ohio July 20, 2012) (citing Allied Erecting & Dismantling Co., Inc. v. Genesis Equip. & Mfg., Inc., No. 4:08-cv-589, 2010 WL 3239001, at \*2 (N.D. Ohio Aug. 16, 2010) (finding that plaintiff’s arguments of undue prejudice were generalized and did not “identify any clear tactical disadvantage that [it] [would] suffer as a result of any delay.”). Where the parties are direct competitors however, courts have found a higher risk of prejudice to the non-movant—for example, harms that go beyond calculable money damages, including more permanent loss of marketshare and goodwill. See, e.g., Tesco Corp. v. Weatherford Intern., Inc., 599 F.Supp.2d 848, 851–852 (S.D. Tex. 2009); see also SenoRx, Inc. v. Hologic, Inc., 2013 WL 144255 (D. Del. Jan. 11, 2013) at \*7 (“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 infringement has occurred, including the potential for loss of market share and an erosion.”). Courts routinely deny requests for stay during the pendency of PTO proceedings where the parties are direct competitors. Malibu Boats, LLC v. Nautique Boat Co., Inc., 2014 WL 3866155 (E.D. Tenn. Aug. 6, 2014) at \*2 (internal quotation omitted).

In this case, Avanos and Medtronic are indisputably direct competitors in the market for RF ablation and perhaps the only players in the market for cooled radiofrequency ablation (cooled “RFA”). See ADA Solutions, Inc. v. Engineered Plastics, Inc., 826 F.Supp.2d 348, 351–52 (D.Mass.2011) (“Compounding the prejudice that a stay would work on [plaintiff] is the fact that the parties are direct competitors in a relatively narrow sector of the ADA-compliance industry.”).

Medtronic contends that the Court should consider the broader RFA market, which includes both hot and cold RFA and consists of several competitors (ECF No. 109-3 at PageID 1066), as opposed to the more constricted two-player market of cooled RF ablation (ECF No. 109-3 at PageID). While Medtronic may consider the broader market definition of an RFA market, Avanos’ patents are directed to *cooled* RFA, as is their water-cooled RFA pain relief system, COOLIEF (ECF No. 1, ¶¶ 6–19). Medtronic’s own analysis supports the conclusion that Medtronic considers cooled RFA to be a growth area. (ECF No. 109-3 at PageID 1071 (Bullet points in slide deck noting that “enhanced system with internally cooled probes” is “high growth” with “\$950 average disposable cost per procedure” and “Avanos exclusive until now”).) The “until now” refers implicitly to Medtronic’s entry in the cooled RFA market in 2019, for which it competes only with Avanos. (ECF No. 109-3 at PageID 1090 (Listing Avanos as “only cooled RF Provider” with a strategy of “large investment in cooled RF study; waiting for incremental knee reimbursement.”).) The same Medtronic corporate document refers to a “list price” of \$740, a “target ASP” price of \$620 and a DM “floor” price of \$520 for cooled disposable probes, and projected revenue increases in the overall RFA market from \$0 in FY2019 to \$56.6 million FY2023. (ECF No. 109-3 at PageID 1090, 1094.) The ’755 is set to expire in July 2023. ’755 patent at [\*], [63]. Avanos argues that the looming expiration of the ’755 patent further points

towards the denial of a stay, which would potentially run out the remaining time period for which Avanos can seek injunctive relief. (ECF No. 109 at PageID 990.)

Relying on this information, Avanos argues that its “market share and consumer goodwill may be irrevocably and irreparably harmed by Medtronic’s unabated infringement” if a stay is granted. (ECF No. 109 at PageID 987.) This Court agrees. Avanos’ contention that “Medtronic, with its vaster financial resources and broader product portfolio, can undercut Avanos on price and significantly erode Avanos’s market share, consumer goodwill, and longstanding reputation as the industry leader” (ECF No. 109 at PageID 989) is also entirely plausible based on the record before the Court. And although Medtronic argues that Avanos’ failure to file for a preliminary injunction motion indicates that it cannot show irreparable harm, the Court finds that the Avanos’ decision not to seek a preliminary injunction does not mean it would not suffer prejudicial harm from its competitor’s market activity during a lengthy delay in the case. See Universal Elec., Inc. v. Universal Remote Control, Inc., 943 F. Supp. 2d 1028 1034 (C.D. Cal. 2013). The Court finds that there is a significant risk of prejudice to Avanos if a stay is granted.

Accordingly, the Court finds that this factor strongly weighs in favor of denying a stay.

## **B. Simplification of Issues**

Medtronic argues that a “stay is appropriate—and could conserve judicial and party resources—where the instituted IPR proceeding may result in the cancellation of some or all of the asserted claims.” (ECF No. 105-1 at PageID 687.) Here, the PTAB has instituted review of all claims asserted by Avanos. (Institution Decision.) The PTAB concluded, “Petitioner demonstrates a reasonable likelihood of prevailing at trial in showing that claims 1–8, 13, and 17–22 of the ’755 patent would have been unpatentable in view of the cited prior art.” (Institution Decision, ECF No. 105-4 at PageID 929.) If Medtronic’s Petition is ultimately successful,

resolution of the IPR could eliminate the need for litigation and trial together. Medtronic adds that even in the event that the PTAB found some of the claims to be patentable, a “stay would simplify the litigation” because “the Court would receive the benefit of having the PTAB’s technical expertise applied to some of this case’s issues.” (ECF No. 105-1 at PageID 688.)

Avanos asserts that the IPR proceedings will not in fact simplify issues for this Court, because Medtronic only focuses on one unlikely outcome—the cancellation of all claims. (ECF No. 109 at PageID 991–92.) “[T]here is no reason to assume that Medtronic’s IPR will result in an invalidation of all asserted claims[,]” which occurred in only 36% of instituted petitions in the 2019 Fiscal Year. (*Id.* at PageID 992.) On the other hand, if the IPR invalidates some, but not all claims, Avanos argues that this will not meaningfully simplify the case because the “[i]nvalidation of some claims will not reduce the number of asserted patents or accused products; Avanos has asserted one patent against one family of products.” (*Id.* at PageID 994.) Furthermore, Avanos has already agreed to forego amending claims in the IPR. (ECF No. 117 at PageID 1493–95 (“Avanos confirms that if Medtronic’s motion to stay is denied, Avanos will not move the amend the claims of the ’755 Patent in the IPR proceeding.”).)

Given that the Petition has been granted, the fact that “claims may survive without amendment does not mean that the issues will not be significantly streamlined.” Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill., Nos. 1:10-cv-1370, 1:10-cv-00082, 1:12-cv-01068, 1:12-cv-01070, 2013 WL 1662952, at \*5 (N.D. Ohio Apr. 17, 2013). Even if all claims are confirmed by the PTAB, the record of the IPR will assist this Court in reducing the length and complexity of this litigation and limit the issues that are left to be resolved by this Court. See Lectrolarm Custom Servs., Inc. v. Vicon Indus., Inc., No. 03-2330 MA/A, 2005 WL 2175436, at \*2–3 (W.D. Tenn. Sept. 1, 2005).

This Court agrees that granting the stay to allow the Petition to be considered will simplify the dispute at hand and promote judicial efficiency. Accordingly, the Court finds that this factor weighs in favor of granting a stay.

### **C. Stage of Litigation**

Medtronic argues that the “schedule for this case is in its early stages” and was intended by the Court to “accommodate the PTAB’s timeline and avoid unduly wasting the parties’ resources in the event of institution.” (ECF No. 105-1 at PageID 690.) Medtronic argues that “no depositions have yet been taken[,]” “no experts have been disclosed[,]” and “trial is not scheduled to begin until October 25, 2021.” (Id. at PageID 691.) Notably, the PTAB’s final written decision is also due on October 25, 2021, absent good cause for an extension. (Id.) According to Medtronic, the “vast majority of work in this litigation remains to be done, so a stay has the potential to conserve significant judicial and party resources[,]” particularly at a time when “courts are contending with complications from the COVID-19 pandemic.” (Id.)

Avanos takes a different view of the stage of litigation, pointing out that Medtronic “ignores the significant investment by the Court and the parties that has already occurred.” (ECF No. 109 at PageID 996.) Avanos asserts that the bulk of fact discovery is complete, both parties have served initial and amended infringement, invalidity, and responsive contentions, and the deadline for additional written discovery is four days away, as of the filing of the Response. (Id.) Avanos argues that Medtronic has engaged in “consistent attempts to stall this litigation” by regularly seeking postponement of deadlines. (Id. at PageID 998.) According to Avanos, if “Medtronic petitioned for IPR expeditiously, this motion for stay could have been before the Court months ago: before the parties invested substantial resources in serving and responding to written



discovery, producing hundreds of thousands of pages of documents, and settling claim construction.” (Id. at PageID 998–99.)

The Court finds that this factor does not persuasively favor either party’s position. On one hand, the current stage of litigation is not so advanced that a stay would be particularly harmful. In fact, this situation was envisioned when the Court entered the scheduling order: “This schedule removes the claim construction deadlines but does not accelerate the litigation in order to accommodate the USPTO timeline and not unduly waste parties’ resources should the USPTO institute the *inter partes* review.” (ECF No. 97 at PageID 621.) The fact discovery deadline is about one month away, experts have not yet been disclosed, and dispositive motions are not due until June 30, 2021. (Id. at PageID 621–22.)

On the other hand, the parties and the Court have invested significant resources in the matter: claim construction is complete, fact depositions have been noticed, final infringement, invalidity, and non-infringement contentions have been served, and the deadline for written discovery has passed. Courts have both granted and denied stays at similar stages of litigation. See Soverain Software LLC v. Amazon.com, Inc., 356 F.Supp.2d 660, 663 (E.D. Tex. 2005) (finding the third factor to “weigh[] heavily in favor of denying a stay” where discovery was complete, a trial date had been set, discovery was almost complete, and claim construction had been argued); Malibu Boats, 2014 WL 3866155 at \*5 (finding that the third factor weighed against grant of a stay even though discovery had not been completed); but see Anglefix Tech, 2014 WL 11698745, at \*3 (granting stay where some depositions had been taken and parties had engaged in some discovery); Transtex, LLC v. WABCO Holings, Inc., No. 2:17-cv-12793, 2018 WL 10742464, at \*2 (slip op., E.D. Mich. Dec. 4, 2018) (“Staying the case pending the IPR outcome is justified by the case’s schedule. First, discovery is still ongoing; the Court has not conducted

the Markman hearing; and the parties have not taken depositions or conducted expert discovery.”); Semiconductor Energy Lab. Co., Ltd. v. Chimei Innolux Corp., No. SACV 12-21-JST, 2012 WL 7170593, at \*3 (C.D. Cal. Dec. 19, 2012) (finding that CMI’s delay in waiting ten months after the filing of the Complaint to file IPR petition was not unreasonable).

Analysis of the stage of litigation does not weigh in favor of either party.

#### **IV. CONCLUSION**

The potential for prejudice to Avanos is simply too great in this matter to warrant granting a stay. Medtronic has not met its burden as the moving party of showing that Avanos would not be prejudiced by the grant of a stay. For the foregoing reasons, Medtronic’s Opposed Motion to Stay Litigation Pending *Inter Partes* Review (ECF No. 105) is DENIED. The case will proceed accordance with the Non-Claim Construction Scheduling Order entered by the Court on August 28, 2020 (ECF No. 97). The parties are also ORDERED to file the PTAB’s determination within three (3) days of the PTAB’s decision. If the parties wish to amend the schedule the parties are further ORDERED to meet and confer and submit a proposed amended scheduling order within seven (7) days of this Order.

**SO ORDERED**, this 24th day of November, 2020.

/s/ Jon P. McCalla  
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JON P. McCALLA  
UNITED STATES DISTRICT JUDGE