

ENTERED

December 11, 2020

David J. Bradley, Clerk

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

ENVENTURE GLOBAL
TECHNOLOGY INC.,
Plaintiff,

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v.

CIVIL ACTION NO. 4:19-2397

WEATHERFORD U.S., L.P.,
Defendant.

MEMORANDUM AND ORDER

This patent case is before the Court on Plaintiff Enventure Global Technology Inc.'s ("Plaintiff's") Motion to Disqualify Counsel [Doc. # 144] ("Motion to Disqualify"), Defendant Weatherford U.S., L.P.'s ("Defendant's") Motion to Stay [Doc. # 145] and Motion for Sanctions [Doc. # 154]. The parties have filed responses¹ and replies² to one another's motions, and Defendant has filed a sur-reply

¹ Plaintiff's Opposition to Defendant's Motion to Stay [Doc. # 150] ("Response to Motion to Stay"); Weatherford's Opposition to Plaintiff's Motion to Disqualify [Doc. # 151] ("Response to Motion to Disqualify"); Plaintiff's Opposition to Defendant's Motion for Sanctions [Doc. # 163] ("Response to Motion for Sanctions").

² Weatherford's Reply in Support of its Motion to Stay Pending IPR [Doc. # 152] ("Motion to Stay Reply"); Plaintiff's Reply in Support of its Motion to Disqualify Counsel [Doc. # 153] ("Motion to Disqualify Reply"); Weatherford's Reply in Support of its Motion for Sanctions [Doc. # 164] ("Motion for Sanctions Reply").

to Plaintiff's Motion to Disqualify.³ Based on the parties' briefing, pertinent matters of record, and relevant legal authority, the Court **DENIES** Plaintiff's Motion to Disqualify, **DENIES** Defendant's Motion to Stay, and **DENIES** Defendant's Motion for Sanctions.

I. BACKGROUND

Plaintiff was created out of a joint venture between Shell Technology Venture, Inc. ("Shell") and Halliburton Energy Services ("Halliburton") that began in July 1998.⁴ Both Shell and Halliburton committed to supply funding and support for the development of solid expendables technology ("SET").⁵ The terms of the agreement between Shell and Halliburton provided that Shell and Enventure would control all IP matters.⁶ Halliburton further agreed that Shell and Enventure would have the option to "apply for, prosecute, register, maintain and/or renew, as the case may be, any or all Joint Program Intellectual Property Rights."⁷

³ Weatherford's Surreply in Opposition to Plaintiff's Motion to Disqualify [Doc. # 160].

⁴ First Amended Complaint [Doc. # 91] ("FAC") ¶ 6.

⁵ *Id.*; Expandable Solid Tubing / Expandable Slotted Tubing Cooperation Agreement [Doc. # 144-1, Ex. 4] ("Joint Venture Agreement").

⁶ Joint Venture Agreement § 7.13

⁷ *Id.*

Weatherford's current in-house counsel, William Imwalle, served as legal counsel to Halliburton from July 1994 to January 2014.⁸ As part of his work for Halliburton, Mr. Imwalle occasionally interacted with Enventure in connection with various IP matters.⁹ Enventure had its own in-house attorneys during this time, and Mr. Imwalle never signed an engagement letter or other representation agreement with Enventure.¹⁰ Mr. Imwalle was not involved in the prosecution of any of the patents that Enventure asserts against Weatherford in this case.¹¹ The documents in the record reveal only that Mr. Imwalle had a limited, administrative role in prosecuting a different patent for Halliburton that Plaintiff claims was "part of the

⁸ Declaration of Joy Romano [Doc. # 144-1, Ex. 2] ¶ 3; LinkedIn Profile of William Imwalle [Doc. # 144-1, Ex. 3]; Declaration of William Imwalle [Doc. # 151-2, Ex. A] ("Imwalle Decl.") ¶ 3.

⁹ See Imwalle Decl. ¶ 9; April 11, 2002 Email from Lev Ring to Rick Hay *et al.* [Doc. # 144-1, Ex. 6]; April 9, 2002 Letter from Ray Smith to Lev Ring [Doc. # 144-1, Ex. 7]; December 5, 2006 Email from Neeraj Bali to William Imwalle [Doc. # 144-1, Ex. 8].

¹⁰ Imwalle Decl. ¶ 5; LinkedIn Profile of Todd Mattingly [Doc. # 151-2, Ex. E]; LinkedIn Profile of John Symington [Doc. # 151-2, Ex. F]; LinkedIn Profile of Neeraj Bali [Doc. # 151-2, Ex. G]; LinkedIn Profile of Joseph Waiter [Doc. # 151-2, Ex. H]; LinkedIn Profile of Derek Forinash [Doc. # 151-2, Ex. I].

¹¹ Imwalle Decl. ¶ 10; Attorneys Affiliated with Enventure Asserted Patents According to Power of Attorney Filings in Prosecution Histories [Doc. # 151-2, Ex. B]; Plaintiff's First Supplemental Answers to Defendant's First Set of Interrogatories (Nos. 1-17) [Doc. # 151-2, Ex. C]; Plaintiff's Objections and Answers to Mohawk Energy, Ltd.'s Second Set of Interrogatories (15-20) [Doc. # 151-2, Ex. D].

same group of patents that were prosecuted contemporaneously with Enventure's Asserted Patents."¹²

Halliburton reduced its stake in Enventure from 50% to 16.5% in 2004, and sold its remaining interest to Shell in 2008.¹³ Mr. Imwalle conducted diligence on Enventure's patent portfolio as part of the 2008 sale of Halliburton's remaining interest in Enventure to Shell.¹⁴ In the course of performing due diligence, Mr. Imwalle allegedly reviewed some of the same patents that Enventure now asserts against Weatherford.¹⁵ In 2015, Mr. Imwalle joined Weatherford as Chief Intellectual Property Counsel.¹⁶

Plaintiff expansively moves to disqualify Mr. Imwalle, Defendant's other in-house counsel Brian Welborn, and outside counsel Heim, Payne & Chorush, LLP. Defendant argues that Plaintiff's Motion to Disqualify is vexatious and

¹² Imwalle Decl ¶¶ 14-15; Motion to Disqualify at 6 n.4.

¹³ FAC ¶ 6.

¹⁴ See February 16, 2008 Email from Heather Green to William Imwalle [Doc. # 144-1, Ex. 11]; July 15, 2008 Email from William Imwalle to Derek Forinash [Doc. # 144-1, Ex. 14]; Imwalle Decl. ¶¶20-24.

¹⁵ See Appendix 4 to Technology License Agreement EGT Patents [Doc. # 144-1, Ex. 13] at 7, 13, 15, 21.

¹⁶ Imwalle Decl. ¶ 27.

unreasonable, and seeks sanctions in the form of its costs and fees in addressing the Motion to Disqualify and related issues.

Defendant also seeks to stay this case pending *inter partes* review (“IPR”) of several of the patents at issue. Between September 8 and October 30, 2020, Defendant filed IPR petitions on six of the seven patents asserted by Plaintiff in this case.¹⁷ The PTAB must decide whether to institute IPR on the subject patents within six months of the petitions’ granted filing dates.¹⁸ Accordingly, The PTAB’s decisions should issue before May 2021. Defendant seeks to stay this case until the PTAB has decided whether to institute IPR of Plaintiff’s patents and, if the PTAB institutes IPR proceedings, to continue the stay until the IPR process has concluded.¹⁹

II. DISCUSSION

A. Motion to Disqualify

Plaintiff argues that Mr. Imwalle should be disqualified because he previously served as legal counsel to Plaintiff and is currently counsel to Defendant in a matter substantially related to his work for Plaintiff. Plaintiff also argues that Mr. Imwalle’s alleged conflict is imputed to Defendant’s other in-house counsel

¹⁷ Motion to Stay at 6 n.1; Reply to Motion to Stay at 8 n.2.

¹⁸ See 35 U.S.C. § 314(b); 37 C.F.R. § 42.107(b).

¹⁹ Motion to Stay at 6.

Mr. Welborn, and to Defendant's outside counsel Heim, Payne & Chorush, LLP. Defendant counters that Mr. Imwalle never had an attorney-client relationship with Plaintiff and was not privy to Plaintiff's confidential information. Defendant further argues that because Mr. Imwalle has no conflict, there is no conflict to be imputed to Mr. Welborn and Heim, Payne & Chorush, LLP.

1. Legal Standard

Disqualification is "a severe remedy" that "can result in immediate and palpable harm, disrupt [] court proceedings, and deprive a party of the right to have counsel of choice." *In re Nitla S.A. de C.V.*, 92 S.W.3d 419, 422 (Tex. 2002). Because of the drastic nature of disqualification, a party seeking to disqualify opposing counsel bears an "extraordinary burden." *Texas Catastrophe Prop. Ins. Ass'n v. Morales*, 975 F.2d 1178, 1181 (5th Cir. 1992). "The rule of disqualification is not mechanically applied in this Circuit." *Church of Scientology of California v. McLean*, 615 F.2d 691, 693 (5th Cir. 1980). "All of the facts particular to a case must be considered, in the context of the relevant ethical criteria and with meticulous deference to the litigant's rights." *FDIC v. U.S. Fire Ins. Co.*, 50 F.3d 1304, 1314 (5th Cir. 1995).

"When considering motions to disqualify, courts should first look to 'the local rules promulgated by the local court itself.'" *In re ProEducation Int'l, Inc.*, 587 F.3d 296, 299 (5th Cir. 2009) (quoting *U.S. Fire Ins.*, 50 F.3d at 1312). The Local Rules

of the Southern District of Texas provide that “the minimum standard of practice shall be the Texas Disciplinary Rules of Professional Conduct” (Texas Rules), and that violations of the Texas Rules “shall be grounds for disciplinary action.” *Id.* (quoting Appx. A, S.D. TEX. LOC. R. 1A & 1B).

Texas Disciplinary Rule of Professional Conduct 1.09 (entitled “Conflict of Interest: Former Client”) states:

[w]ithout prior consent, a lawyer who personally has formerly represented a client in a matter shall not thereafter represent another person in a matter adverse to the former client: (1) in which such other person questions the validity of the lawyer's services or work product for the former client; (2) if the representation in reasonable probability will involve a violation of Rule 1.05; or (3) if it is the same or a substantially related matter.

Texas Disciplinary Rule of Professional Conduct 1.05(b) (entitled “Confidentiality of Information”) states:

a lawyer shall not knowingly: (1) Reveal confidential information of a client or a former client to: (i) a person that the client has instructed is not to receive the information; or (ii) anyone else, other than the client, the client's representatives, or the members, associates, or employees of the lawyer's law firm. (2) Use confidential information of a client to the disadvantage of the client unless the client consents after consultation. (3) Use confidential information of a former client to the disadvantage of the former client after the representation is concluded unless the former client consents after consultation or the confidential information has become generally known. (4) Use privileged information of a client for the advantage of the lawyer or of a third person, unless the client consents after consultation.

The Local Rules of the Southern District of Texas also state that “the court is not limited by [the Texas Rules],” Appx. A, S.D. TEX. LOC. R., 1B. Courts also

“consider [a] motion [to disqualify to be] governed by the ethical rules announced by the national profession in light of the public interest and the litigants’ rights.” *In re Am. Airlines, Inc.*, 972 F.2d 605, 610 (5th Cir. 1992). “The Fifth Circuit has recognized the ABA Model Rules of Professional Conduct (Model Rules) as the national standards to consider in reviewing motions to disqualify.” *ProEducation*, 587 F.3d at 299.

The relevant Model Rule, Rule 1.9(b), uses slightly different language than the Texas Rule:

A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person’s interests are materially adverse to the interests of the former client unless the former client gives informed consent, confirmed in writing.

MODEL RULES OF PROF’L CONDUCT R. 1.9(b) (2019). “Regardless of linguistic differences, the two codes produce the same result in application—they both require that a departing lawyer must have actually acquired confidential information about the . . . client or personally represented the former client to remain under imputed disqualification.” *ProEducation*, 587 F.3d at 301.

“The rule of disqualification is not mechanically applied in this Circuit,” and the Court must also consider factors not specifically discussed in the ethical rules, including “whether a conflict has (1) the appearance of impropriety in general, or (2) a possibility that a specific impropriety will occur, and (3) the likelihood of

public suspicion from the impropriety outweighs any social interests which will be served by the lawyer's continued participation in the case.” *U.S. Fire Ins.*, 50 F.3d at 1314.

2. Analysis

The Court first considers the threshold question whether Mr. Imwalle had an attorney-client relationship with Plaintiff. The existence of an attorney-client relationship “depends on a contract, express or implied, between the parties.” *Simpson v. James*, 903 F.2d 372, 376 (5th Cir. 1990). Regardless of whether the agreement is express or implied, “the parties both must understand and mutually agree to the ‘nature of the work to be undertaken.’” *SMWNPF Holdings, Inc. v. Devore*, 165 F.3d 360, 364–65 (5th Cir. 1999) (quoting *Parker v. Carnahan*, 772 S.W.2d 151, 156 (Tex. App.—Texarkana 1989, writ denied)). Where one party alleges an implied contract for representation, “there still must be some manifestation that both parties intended to create an attorney-client relationship; therefore, one party’s mistaken belief is not sufficient, by itself.” *Tierra Tech de Mexico SA de CV v. Purvis Equip. Corp.*, No. 3:15–CV–4044–G, 2016 WL 4062070, at *2 (N.D. Tex. July 29, 2016) (quoting *Valls v. Johanson & Fairless, L.L.P.*, 314 S.W.3d 624, 634 (Tex. App.—Houston [14th Dist.] 2010, no pet.)).

A careful assessment of all the evidence of record, including Plaintiff’s and Mr. Imwalle’s statements and actions during the time period Mr. Imwalle was

alleged to have been counsel to Plaintiff does not show a mutual intent between Plaintiff and Mr. Imwalle to create an attorney-client relationship. Mr. Imwalle has submitted a declaration stating that he was never loaned or seconded to Plaintiff, never signed an engagement letter or other representation agreement with Plaintiff, never held himself out as representing Plaintiff, and was never asked by Plaintiff to represent it.²⁰ Instead, Mr. Imwalle describes his interaction with Plaintiff during the relevant time period as “infrequent and limited.”²¹ This statement is supported by the exhibits submitted in support of Plaintiff’s own Motion to Disqualify, which show that Mr. Imwalle interacted with Plaintiff merely once every few years.²² The evidence also shows, contrary to the statements in the Motion to Disqualify, that Plaintiff had its own in-house legal team during the relevant time period, and did not rely on attorneys “loaned” from Halliburton as Plaintiff claims.²³

²⁰ Imwalle Decl. ¶¶ 4-8.

²¹ *Id.* ¶ 9.

²² See April 11, 2002 Email from Lev Ring to Rick Hay *et al.* [Doc. # 144-1, Ex. 6]; April 9, 2002 Letter from Ray Smith to Lev Ring [Doc. # 144-1, Ex. 7]; December 5, 2006 Email from Neeraj Bali to William Imwalle [Doc. # 144-1, Ex. 8]; February 28, 2008 Email from Erik Vollebregt to William Imwalle *et al.* [Doc. # 144-1, Ex. 11]; February 16, 2008 Email from Heather Green to Neeraj Bali [Doc. # 144-1, Ex. 12].

²³ See Attorneys Affiliated with Enventure Asserted Patents According to Power of Attorney Filings in Prosecution Histories [Doc. # 151-2, Ex. B]; Plaintiff’s First Supplemental Answers to Defendant’s First Set of Interrogatories (Nos. 1-17) [Doc. # 151-2, Ex. C]; Plaintiff’s Objections and Answers to Mohawk Energy, Ltd.’s
(continued...)

Plaintiff's claim that Mr. Imwalle "directed [Plaintiff] in its patent prosecution" is directly contradicted by the record evidence.²⁴ Plaintiff's interrogatory responses in this case and the *Mohawk* litigation list over 50 individuals "involve[d] with the prosecution of the Asserted Patents," but do not include Mr. Imwalle.²⁵

Plaintiff's claim that Mr. Imwalle, at that time a Halliburton employee, directed Plaintiff's patent prosecution is also contradicted by the joint venture agreement between Halliburton and Shell.²⁶ The agreement provided that Shell was the sole owner of IP developed by the joint venture and that Shell and Plaintiff ran the IP program at their "sole discretion."²⁷ Plaintiff has offered no explanation as to

Second Set of Interrogatories (15-20) [Doc. # 151-2, Ex. D]; LinkedIn Profile of Todd Mattingly [Doc. # 151-2, Ex. E]; LinkedIn Profile of John Symington [Doc. # 151-2, Ex. F]; LinkedIn Profile of Neeraj Bali [Doc. # 151-2, Ex. G]; LinkedIn Profile of Joseph Waiter [Doc. # 151-2, Ex. H]; LinkedIn Profile of Derek Forinash [Doc. # 151-2, Ex. I].

²⁴ Motion to Disqualify at 13.

²⁵ *See* Attorneys Affiliated with Enventure Asserted Patents According to Power of Attorney Filings in Prosecution Histories [Doc. # 151-2, Ex. B]; Plaintiff's First Supplemental Answers to Defendant's First Set of Interrogatories (Nos. 1-17) [Doc. # 151-2, Ex. C]; Plaintiff's Objections and Answers to Mohawk Energy, Ltd.'s Second Set of Interrogatories (15-20) [Doc. # 151-2, Ex. D].

²⁶ *See* Joint Venture Agreement § 7.13

²⁷ *Id.*

why or how a Halliburton lawyer who was only occasionally copied on emails related to Plaintiff directed Plaintiff's patent prosecution.

Plaintiff also asserts that Mr. Imwalle acquired confidential information in connection with Halliburton's 2008 sale of its remaining interest in Plaintiff and "was the only IP attorney representing [Plaintiff]" in that transaction.²⁸ These assertions are unsupported by the record evidence. Plaintiff admits that Mr. Imwalle's role in the 2008 transaction was to "negotiate[] a license for Halliburton,"²⁹ and emails related to the transaction show that Mr. Imwalle was clearly identified as part of the team representing *Halliburton* and that Plaintiff was represented by its general counsel and patent counsel in that transaction.³⁰

The Court concludes that there was no attorney-client relationship between Mr. Imwalle and Plaintiff. Because the Court concludes that there was no attorney-

²⁸ Motion to Disqualify at 8.

²⁹ *Id.* at 9.

³⁰ Project Stratford/Anvil Working Group [Doc. # 144-1, Ex. 10]; Attorneys Affiliated with Enventure Asserted Patents According to Power of Attorney Filings in Prosecution Histories [Doc. # 151-2, Ex. B]; Plaintiff's First Supplemental Answers to Defendant's First Set of Interrogatories (Nos. 1-17) [Doc. # 151-2, Ex. C]; Plaintiff's Objections and Answers to Mohawk Energy, Ltd.'s Second Set of Interrogatories (15-20) [Doc. # 151-2, Ex. D]; LinkedIn Profile of Todd Mattingly [Doc. # 151-2, Ex. E]; LinkedIn Profile of John Symington [Doc. # 151-2, Ex. F]; LinkedIn Profile of Neeraj Bali [Doc. # 151-2, Ex. G]; LinkedIn Profile of Joseph Waiter [Doc. # 151-2, Ex. H]; LinkedIn Profile of Derek Forinash [Doc. # 151-2, Ex. I].

client relationship between Mr. Imwalle and Plaintiff, the Court need not analyze the second element of the test. *In re Am. Airlines*, 972 F.2d at 614.

The Court has considered other factors identified by the Fifth Circuit as being relevant to disqualification, including whether there is an appearance of impropriety, a possibility that impropriety will occur, and the likelihood of public suspicion. The Court concludes that disqualification of Mr. Imwalle is in no way warranted. Additionally, because Mr. Imwalle has no conflict, there is no conflict to be imputed to Mr. Welborn and Heim, Payne & Chorush, LLP. Plaintiff's Motion to Disqualify is **denied**.

B. Motion for Sanctions

Defendant asks the Court to sanction Plaintiff for its Motion to Disqualify by awarding Defendant its costs and fees in addressing Plaintiff's Motion pursuant to 28 U.S.C. § 1927. In response, Plaintiff argues that Defendant has not satisfied the high bar for sanctions.

1. Legal Standard

Section 1927 of Title 28 of the United States Code provides that “[a]ny attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys’ fees reasonably incurred because of such conduct.” “Under

§ 1927, a federal court may award attorney fees, costs, and expenses that were ‘reasonably incurred’ because of the attorney’s misconduct.” *Morrison v. Walker*, 939 F.3d 633, 637 (5th Cir. 2019).

“Although § 1927 sanctions are discretionary, they cannot be imposed for mere negligence.” *Id.* (citing *Baulch v. Johns*, 70 F.3d 813, 817 (5th Cir. 1995); *Procter & Gamble Co. v. Amway Corp.*, 280 F.3d 519, 525-26 (5th Cir. 2002)). As the statute makes clear, sanctions under § 1927 are reserved for situations where counsel acts “unreasonably” and “vexatiously” to multiply legal proceedings. *See Morrison*, 939 F.3d at 637. “An award of attorneys’ fees under § 1927 requires ‘evidence of bad faith, improper motive, or reckless disregard of the duty owed to the court.’” *Lawyers Title Ins. Corp. v. Doubletree Partners, L.P.*, 739 F.3d 848, 872 (5th Cir. 2014) (quoting *Cambridge Toxicology Grp., Inc. v. Exnicios*, 495 F.3d 169, 180 (5th Cir. 2007)).

Conduct is “unreasonable and vexatious” if there is evidence of the “persistent prosecution of a meritless claim” and of a “reckless disregard of the duty owed to the court.” *Procter & Gamble*, 280 F.3d at 525-26. “An attorney acts with ‘reckless disregard’ of his duty to the court when he, without reasonable inquiry, advances a baseless claim despite clear evidence undermining his factual contentions.” *Morrison*, 939 F.3d at 638 (citing FED. R. CIV. P. 11; *Mercury Air Grp., Inc. v.*

Mansour, 237 F.3d 542, 548–49 (5th Cir. 2001); *Walker v. City of Bogalusa*, 168 F.3d 237, 240 (5th Cir. 1999)).

However, “[a]n unsuccessful claim is not necessarily actionable.” *Hogue v. Royse City*, 939 F.2d 1249, 1256 (5th Cir. 1991). The Fifth Circuit has cautioned that “Section 1927 sanctions should be employed ‘only in instances evidencing a serious and standard disregard for the orderly process of justice,’ lest ‘the legitimate zeal of an attorney in representing [a] client [be] dampened.’” *Lawyers Title Ins. Corp.*, 739 F.3d at 872 (quoting *FDIC v. Conner*, 20 F.3d 1376, 1384 (5th Cir. 1994)).

2. Analysis

Defendant argues that the Court should sanction Plaintiff for its Motion to Disqualify because the Motion “fabricates a charge of unethical conduct to seek a tactical advantage.”³¹ Defendant asks the Court to award it its costs and fees in addressing Plaintiff’s Motion to Disqualify and related issues pursuant to 28 U.S.C. § 1927. In response, Plaintiff argues that Defendant has not satisfied the high bar for sanctions.

Sanctions under § 1927 are appropriate where counsel acts “unreasonably” and “vexatiously” to multiply legal proceedings. *Morrison*, 939 F.3d at 637. The

³¹ Motion to Disqualify at 1.

Fifth Circuit has repeatedly cautioned that sanctions under Section 1927 should be imposed only in cases ““evidencing a serious and standard disregard for the orderly process of justice,’ lest ‘the legitimate zeal of an attorney in representing [a] client [be] dampened.’” *Lawyers Title Ins. Corp.*, 739 F.3d at 872 (quoting *Conner*, 20 F.3d at 1384).

The Motion for Sanctions was not unfounded. But, in the exercise of the Court’s discretion, the request for sanctions is denied at this time. While Plaintiff’s Motion to Disqualify contains statements contradicted by many documents and the record as a whole, Plaintiff’s conduct in prosecuting the Motion does not rise to the level of “a serious and standard disregard for the orderly process of justice.” *Conner*, 20 F.3d at 1384. The fact that Plaintiff’s Motion to Disqualify was ultimately unsuccessful is not, in and of itself, grounds for imposing sanctions. *See Morrison*, 939 F.3d at 637. Plaintiff’s Motion to Disqualify was supported by some, albeit scant, evidence. It appears that Plaintiff’s unsuccessful attempt to disqualify opposing counsel was the result of a lack of sufficient factual and legal research and analysis, apparently due in part to the difficulty of obtaining complete records about an alleged attorney-client relationship many years ago. On balance, the Court finds that Defendant has not met the very high burden necessary to impose Section 1927 sanctions, which requires the showing that Plaintiff’s Motion to Disqualify was the

product of bad faith, improper motive, or reckless disregard of the duty owed to the Court. *See Cambridge Toxicology*, 495 F.3d at 180.

Accordingly, the Court exercises its discretion to **deny** Defendant's Motion for Sanctions. However, it is noted that a motion for disqualification is an extraordinary remedy and, as is true for all relief sought in litigation, should not be requested without careful factual and legal analysis. *See* FED. R. CIV. P. 11(b)(2), (3). Plaintiff's counsel is reminded to strictly adhere to these requirements. Moreover, counsel are expected to *meaningfully* confer on all future motions to the extent required by the District's local rules and courteous legal practice. *See* S.D. TEX. LOC. R. 7.1.D; *id.*, Appx. D.

C. Motion to Stay

Defendant asks the Court to stay this case pending the PTAB's decision on whether to institute IPR proceedings. Defendant argues that, if instituted, IPR proceedings will simplify the issues to be tried in this case and aid in the claim construction process. In response, Plaintiff argues that Defendant's Motion to Stay is speculative and should be denied because the PTAB has yet to rule on Defendant's IPR petitions and may not do so for many months.

1. Legal Standard

The IPR process "allows private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation."

SAS Institute, Inc. v. Iancu, 138 S. Ct. 1348, 1352 (2018). After a party files an IPR petition, the PTAB must either institute the IPR or deny the petition within six months after sending notice that a petition has been granted a filing date. *See* 35 U.S.C. § 314(b); 37 C.F.R. § 42.107(b).

District courts may grant a stay of an action pending IPR proceedings as part of their inherent authority to manage their own dockets. *Murata Machinery USA v. Daifuku Co., Ltd.*, 830 F.3d 1357, 1361 (Fed. Cir. 2016) (citing *Procter & Gamble Co. v. Kraft Foods Glob., Inc.*, 549 F.3d 842, 846 (Fed. Cir. 2008)). “District courts typically analyze stays under a three-factor test: (i) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (ii) whether a stay will simplify the issues in question and trial of the case; and (iii) whether discovery is complete and whether a trial date has been set.” *Id.* (internal quotations and citation omitted).

“Attendant to the district court’s inherent power to stay proceedings is the court’s discretionary prerogative to balance considerations beyond those captured by the three-factor stay test.” *Id.* at 1362. “[W]hether a stay will reduce the burden of litigation on the parties and the court [] is a consideration that courts often take[] into account in determining whether to grant a stay pending inter partes review.” *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058, 2015 WL 1069111, at *5 (E.D. Tex. Mar. 11, 2015); *see also Murata*, 830 F.3d at 1362.

A stay of patent litigation is “particularly justified when the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues.” *Intellectual Ventures II LLC v. BITCO Gen. Ins. Corp.*, No. No. 6:15-cv-59, 2016 WL 4394485, *2 (E.D. Tex. May 12, 2016) (citing *Evolutionary Intelligence, LLC v. Millennial Media, Inc.*, No. 5:13-cv-4206, 2014 WL 2738501 (N.D. Cal. June 11, 2014); *3rd Eye Surveillance, LLC v. Stealth Monitoring, Inc.*, No. 6:14-cv-162, 2015 WL 179000, at *1 (E.D. Tex. Jan. 14, 2015)).

Courts generally deny requests to stay made before the PTAB institutes IPR proceedings on any at-issue patents. *Perdiemco LLC v. Telular Corp.*, No. 2:16-CV-01408-JRG-RSP, 2017 WL 2444736, *2 (E.D. Tex. June 6, 2017); *Trover Group, Inc. v. Dedicated Micros USA*, No. 1:13-CV-1047-WCB, 2015 WL 1069179, at *6 (E.D. Tex. Mar. 11 2015). However, “there are ‘circumstances that might justify granting a stay prior to PTAB action on [an *inter partes*] review petition.’” *Transocean Offshore Deepwater Drilling, Inc. v. Seadrill Americas, Inc.*, No. CIV.A. H-15-144, 2015 WL 6394436, at *5 (S.D. Tex. Oct. 22, 2015) (quoting *Trover*, 2015 WL 1069179, at *6).

2. Analysis

Defendant acknowledges that it is “standard practice” for courts to deny a request for a stay based on the *possibility* that the PTAB will begin formal IPR

proceedings.³² Allowing parties to stay patent cases pending *possible* PTAB proceedings would “invite parties to unilaterally derail litigation.” *Soverain Software LLC v. Amazon.Com, Inc.*, 356 F.Supp.2d 660, 662 (E.D. Tex. 2005); *Unifi Sci. Batteries, LLC v. Sony Mobile Commc’ns AB*, No. 6:12-cv-224-JDL, 2014 WL 4494479, at *1 (E.D. Tex. Jan. 14, 2014) (“If litigation were stayed every time a claim in suit undergoes reexamination, federal infringement actions would be dogged by fits and starts.”).

Even though the PTAB may not take action on Defendant’s IPR petitions for months, Defendant argues that a stay in this case is appropriate because (1) Plaintiff’s claims are broad and include 43 claims across 7 patents; (2) Plaintiff cannot claim any prejudice from a stay because Plaintiff delayed for years before suing Defendant and then created more delay by adding new claims; (3) the COVID-19 pandemic has affected the parties’ ability to conduct discovery; (4) given the recent turmoil in oil and gas markets, the parties should focus on their businesses without the distraction and expense of litigation; and (5) a stay would prevent Plaintiff from continuing to litigate allegedly “meritless and fringe issues.”³³

³² Motion at 2. *See, e.g., Fairfield Indus. Inc. v. Seabed Geosolutions (US) Inc.*, No. CV H-17-1458, 2018 WL 6594013, at *1 (S.D. Tex. July 3, 2018) (Atlas, J.).

³³ Motion at 2.

Defendant's arguments are tempting but ultimately, on balance, do not carry the day. The cases cited by Defendant are distinguishable.

Defendant first argues that this case should be stayed because it involves multiple patents and dozens of claims. Defendant claims *Advanced Micro Devices, Inc. v. LG Electronics, Inc.*, No. 14-cv-01012-SI, 2015 WL 545534, at *4 (N.D. Cal. Feb. 9, 2015), a non-binding out-of-circuit case, is comparable to the case at bar because it involved roughly the same number of patents and asserted claims.³⁴ That case was significantly broader than the one at bar, involving nine patents-in-suit, forty-five asserted claims and, significantly, 324 very diverse allegedly infringing products. *Id.* Additionally, the defendant in that case filed IPR petitions for all of the nine patents-in-suit. *Id.* at *1. Here, Plaintiff's claims are all related to SET, and Defendant has only filed IPR petitions for six of the seven patents at issue. The Court concludes that the number of claims and patents at issue do not justify departing from the standard practice of waiting for PTAB to take action on IPR petitions before staying infringement cases.

Defendant next argues that a stay pending the PTAB's review will not prejudice Plaintiff. Defendant urges the Court to follow *Neuro Cardiac Technologies, LLC v. LivaNova, Inc.*, No. H-18-1517, 2018 WL 4901035, at *3

³⁴ *Id.* at 7.

(S.D. Tex. Oct. 9, 2018), and *Transocean Offshore Deepwater Drilling, Inc. v. Seadrill Americas, Inc.*, No. H-15-144, 2015 WL 6394436, at *3 (S.D. Tex. Oct. 22, 2015), in which courts in this district stayed patent infringement cases before the PTAB had decided whether to grant review of the patent at issue. In both cases, the courts found that a stay would not cause any prejudice because the parties were not competitors and the plaintiffs sought damages, not injunctive relief. *Neuro Cardiac Techs.*, 2018 WL 4901035, at *3 (“[T]he record shows that a stay will not unfairly prejudice [plaintiff]. [Plaintiff] seeks damages, not an injunction, and it does not argue that the parties are direct competitors.”); *Transocean*, 2015 WL 6394436, at *3 (“[Plaintiff] does not allege that granting a stay would cause irreparable harm in the form of lost market share or consumer goodwill. Indeed, it does not seek any injunctive relief in this case.”). In the case at bar, the parties are direct competitors and Plaintiff seeks a permanent injunction in addition to money damages. The Court concludes that *Neuro Cardiac Technologies* and *Transocean* are readily distinguishable from the case at bar and that Defendant has not shown that a stay will not prejudice Plaintiff.

Defendant’s argument that the COVID-19 pandemic warrants a stay is also unpersuasive. Defendant gives no concrete examples of how the pandemic has delayed discovery. In fact, the parties have engaged in substantial motion practice

and appear to have exchanged considerable discovery despite the pandemic. The Court concludes that the COVID-19 pandemic does not weigh in favor of a stay.

Defendant next argues that the case should be stayed so that the parties can focus on their businesses, which have been impacted by the pandemic as well as low oil and gas prices. Defendant's focus on uncertain oil and gas markets, combined with the recent bankruptcies of some Weatherford entities, do not weigh in favor of staying the case. In *WesternGeco LLC v. ION Geophysical Corporation*, a court in this district found that a defendant's deteriorating financial condition weighed against a stay because delay could prejudice the plaintiff's ability to recover damages. No. 4:09–CV–1827, 2016 WL 2344347, at *10 (S.D. Tex. May 4, 2016), report and recommendation adopted 2016 WL 11692118 (S.D. Tex. Nov. 10, 2016). While the Court recognizes that Defendant hopes to avoid the expense of further discovery in this case, on balance, given all the surrounding circumstances, this desire is not sufficient to warrant imposition of a stay.

Finally, Defendant's argument that a stay would prevent Plaintiff from continuing to litigate allegedly "meritless and fringe issues" is not persuasive.³⁵ Plaintiff is entitled to litigate its case as it sees fit within the bounds of rules and principles governing attorney conduct. The Court will reconsider the issues raised

³⁵ Motion at 2.

in the sanctions motion if, and only if, there is future vexatious litigation. The Court concludes that Defendant has not met its burden to show a stay of the case is appropriate at this time. Defendant may re-urge its Motion to Stay if and when the PTAB institutes IPR proceedings on any of the patents at issue in this case.

III. CONCLUSION

Plaintiff has not shown that Defendant's in-house counsel had an attorney-client relationship with Plaintiff or that Defendant's in-house counsel was privy to Plaintiff's confidential information. There accordingly has been shown no basis to disqualify Defendant's counsel and Plaintiff's Motion to Disqualify is denied as set forth above. The Court declines to sanction Plaintiff for seeking disqualification.

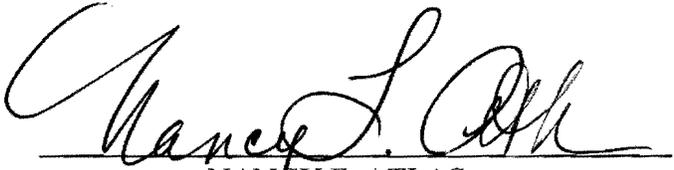
A stay of this case to await the PTAB's decision on Defendant's IPR petitions is unwarranted. Defendant has not shown that a stay of this case would simplify the issues to be tried and would not prejudice Plaintiff. It is therefore

ORDERED that Plaintiff's Motion to Disqualify Counsel [Doc. # 144] is **DENIED**. It is further

ORDERED that Defendant's Motion for Sanctions [Doc. # 154] is **DENIED**. It is further

ORDERED that Defendant's Motion to Stay [Doc. # 145] is **DENIED without prejudice** to Defendant re-urging the Motion if and when the PTAB institutes IPR proceedings on any of the patents at issue in this case.

SIGNED at Houston, Texas, this 11th day of December, 2020.



NANCY F. ATLAS
SENIOR UNITED STATES DISTRICT JUDGE