

v.
CITIGROUP, INC., ET. AL.,
Defendants.

§ CIVIL ACTION NO. 2:05-CV-294 (DF)
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DATATREASURY CORP.,
Plaintiff,

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v.
WELLS FARGO & COMPANY, ET. AL.,
Defendants.

§ CIVIL ACTION NO. 2:06-CV-72 (DF)
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ORDER

Currently before the Court are Plaintiff’s Motions to Lift the Stay and Request for Status Conference. 2:05-cv-291, Dkt. No. 110; 2:05-cv-292, Dkt. No. 115; 2:05-cv-293, Dkt. No. 107; 2:06-cv-72, Dkt. No. 811. Also before the Court are Defendants The Bank of New York Mellon Corporation, The Bank of New York, Unionbancal Corporation, and Union Bank of California, N.A.’s (“Opposing Defendants”) response to docket number 811 (2:06-cv-72, Dkt. No. 816), Plaintiff’s reply (2:06-cv-72, Dkt. No. 819), and Opposing Defendants’ Sur-Reply (2:06-cv-72, Dkt. No. 821), as well as the Notice of Joinder in Opposing Defendants’ Sur-Reply (Dkt. No. 822) by other defendants. The Court held a hearing on these motions on February 19, 2008.

Also before the Court is Plaintiff’s Motion to Lift Stay (2:05-cv-294, Dkt. No. 158) and Defendant Citigroup, Inc. and Citibank, N.A.’s Motion to Stay Pending Outcome of an Earlier Tried Action (2:05-cv-294, Dkt. No. 160). Having considered the oral arguments and the briefing, the Court determines that Plaintiff’s Motions (2:05-cv-291, Dkt. No. 110; 2:05-cv-292, Dkt. No. 115;

2:05-cv-293, Dkt. No. 107; 2:05-cv-294, Dkt. No. 158; 2:06-cv-72, Dkt. No. 811) shall be **GRANTED**. Defendant Citigroup, Inc. and Citibank, N.A.'s Motion to Stay Pending Outcome of an Earlier Tried Action (2:05-cv-294, Dkt. No. 160) shall be **DENIED**.

I. BACKGROUND

DataTreasury Corporation ("Plaintiff") asserted two groups of patents against the various defendants. The patents asserted were U.S. Patent Nos. 5,910,988 and 6,032,137 (the "Ballard Patents") and U.S. Patent Nos. 5,717,868, 5,265,007, 5,583,759, and 5,930,778 (the "Huntington Patents"). 2:06-cv-72, Dkt. No. 1 at 19-20. The Ballard Patents are asserted against the defendants in 2:05-cv-290, 2:05-cv-291, 2:05-cv-292, 2:05-cv-293, and 2:05-cv-294. The Huntington Patents were added in 2-05-cv-294. *See* Amended Complaint, 2:05-cv-294, Dkt. No. 37. The Court consolidated 2:05-cv-290 and 2:04-cv-85 with 2:06-cv-72 (the "Lead Case"). 2:05-cv-290, Dkt. No. 67; 2:04-cv-85, Dkt. No. 78. A request for *ex parte* re-examination of the Ballard Patents was granted by the United States Patent and Trademark Office ("USPTO") on January 2006. 2:06-cv-72, Dkt. No. 260 at 8; 2:06-cv-72, Dkt. No. 260, Exhibits 3 and 4.

In the Lead Case, defendants Harris Bankcorp, Inc. and Harris N.A., KeyBank National Association and KeyCorp, PNC Bank and The PNC Financial Services Group, Inc., SunTrust Bank and SunTrust Banks, Inc., and Electronic Data Systems Corp. moved for a severance and stay of the Ballard patents until the re-examination of the patents was complete. 2:06-cv-72, Dkt. No. 260 at 8. This motion was adopted by other defendants in the case.¹ Defendants BB&T Corporation,

¹City National Bank and City National Corporation (2:06-cv-72, Dkt. No. 262); Bank of New York Company Incorporate, The Bank of New York, UnionBanCal Corporation, and Union Bank of California, National Association (2:06-cv-72, Dkt. No. 263); The Clearing House Payments Company L.L.C. (2:06-cv-72, Dkt. No. 267); U.S. Bancorp and U.S. Bank, N.A., National City Corporation, and National City Bank (2:06-cv-72, Dkt. No. 271); Cullen/Frost Bankers, Inc. and The Frost National Bank (2:06-cv-72, Dkt. No. 278); LaSalle Bank Corporation and LaSalle Bank, N.A. (2:06-cv-72, Dkt. No. 284); Citizens Financial Group, Inc.

Branch Banking and Trust Company, Comerica Inc., Comerica Bank & Trust National Association, M&T Bank Corporation, M&T Bank also moved for a severance and stay. 2:06-cv-72, Dkt. No. 292.

The Court granted the motion to stay on the condition of an entry of a stipulation stating:

The parties agree that the stay will be granted only on condition that [an individual defendant] agrees not to challenge United States Patent Numbers 5,910,988 and/or 6,032,137 based on any prior art printed publications that were considered in the reexamination process.

2:06-cv-72, Dkt. No. 326 at 10. Most defendants declined to accept the stipulation,² except for Zions Bancorporation, Zions First National Bank, First-Citizens Bank and Trust Company, and First Citizens Bancshares, Inc. 2:06-cv-72, Dkt. Nos. 342, 345, and 397.

After the issuance of the first rejection of the Ballard patents during re-examination, Electronic Data Systems Corp. filed a motion to modify the stipulation. 2:06-cv-72, Dkt. No. 401. The Court allowed the parties to enter a stay conditioned on a less restrictive stipulation by the

(2:06-cv-72, Dkt. No. 285); The Bank of Tokyo-Mitsubishi UFJ, Ltd. (2:06-cv-72, Dkt. No. 281); First Citizens Bank & Trust Company (2:06-cv-72, Dkt. No. 289); and UBS Americas, Inc. (2:06-cv-72, Dkt. No. 290).

²City National Bank and City National Corporation (2:06-cv-72, Dkt. No. 335); Citizens Financial Group, Inc. (2:06-cv-72, Dkt. No. 336); KeyBank National Association and KeyCorp (2:06-cv-72, Dkt. No. 337); PNC Bank and The PNC Financial Services Group, Inc. (2:06-cv-72, Dkt. No. 338); SunTrust Bank and SunTrust Banks, Inc. (2:06-cv-72, Dkt. No. 339); Electronic Data Systems Corp. (2:06-cv-72, Dkt. No. 340); Harris Bankcorp, Inc. and Harris, N.A. (2:06-cv-72, Dkt. No. 341); BB&T Corporation, Branch Banking and Trust Company, Comerica Inc., Comerica Bank & Trust National Association, M&T Bank Corporation, M&T Bank, Bank of New York Co. Inc., The Bank of New York, Unionbancal Corporation, Union Bank of California, N.A., First Data Corporation, Telecheck Services, Inc., Remitco LLC, Lasalle Bank Corporation, Lasalle Bank N.A., Deutsche Bank Trust Company Americas, Bank of Tokyo-Mitsubishi UFJ, Ltd., UBS Americas, Inc., Cullen Frost Bankers, Inc., The Frost National Bank, The Clearinghouse Payments Co., L.L.C., HSBC Bank USA, N.A., National City Bank, National City Corporation, U.S. Bancorp, U.S. Bank, N.A. Viewpointe Archive Services LLC, Bancorpsouth, Inc. and Bancorpsouth Bank (2:06-cv-72, Dkt. No. 343); and Compass Bank, Compass Bancshares, Inc., First Horizon National Corporation, and First Tennessee Bank, National Association (2:06-cv-72, Dkt. No. 346).

defendants stating:

As a condition of the stay, Defendant may not argue invalidity at trial based on one or more prior art printed publications that were submitted by the petitioner in the reexamination proceedings. However, Defendant will be permitted to rely for obviousness on the combination of printed publication reference that was submitted by petitioner in the reexamination with prior art that was not so submitted.

2:05-cv-291, Dkt. No. 98 at 2; 2:05-cv-292, Dkt. No. 107 at 2; 2:05-cv-293, Dkt. No. 98 at 2; 2:06-cv-72, Dkt. No. 411 at 2. Subsequently, all parties accepted the stipulation³ and on January 22, 2007, the Court entered a stay pending the outcome of the re-examination of the Ballard Patents. 2:06-cv-72, Dkt. No. 429. Subsequently, most of the defendants in the action sought a stay for the Huntington Patents for the reasons set forth in Citigroup defendants' Motion to Stay litigation Pending Patent Office Reexamination of the Huntington Patents. 2:06-cv-72, Dkt. No. 796 at 2 (citing Citigroup Defendants' Motion to Stay, 2:05-cv-294, Dkt. No. 133). The Court granted the

³BancorpSouth, Inc. and BancorpSouth Bank (2:06-cv-72, Dkt. No. 412 & 413); Clearinghouse Payments Co. L.L.C.(2:06-cv-72, Dkt. No. 416); First Citizens BancShares, Inc. and First-Citizens Bank & Trust Company (2:06-cv-72, Dkt. No. 418); Citizens Financial Group, Inc. (2:06-cv-72, Dkt. No. 419); KeyBank National Association and KeyCorp (2:06-cv-72, Dkt. No. 420); PNC Bank and The PNC Financial Services Group, Inc. (2:06-cv-72, Dkt. No. 421); SunTrust Bank and SunTrust Banks, Inc. (2:06-cv-72, Dkt. No. 422); Electronic Data Systems Corp. (2:06-cv-72, Dkt. No. 423); Harris Bankcorp, Inc. and Harris, N.A. (2:06-cv-72, Dkt. No. 424); The Bank of New York and The Bank of New York Company, Inc. (2:06-cv-72, Dkt. No. 425); Union Bank of California, N.A. and UnionBanCal Corp. (2:06-cv-72, Dkt. No. 426); UBS Americas, Inc. (2:06-cv-72, Dkt. No. 427); Viewpointe Archive Services, LLC (2:06-cv-72, Dkt. No. 431); HSBC North America Holdings Inc. and HSBC Bank USA, N.A. (2:06-cv-72, Dkt. No. 432); Cullen/Frost Bankers, Inc. and The Frost National Bank (2:06-cv-72, Dkt. No. 433); City National Corporation and City National Bank (2:06-cv-72, Dkt. No. 434); Compass Bank, Compass Bancshares, Inc. (2:06-cv-72, Dkt. No. 435); First Horizon National Corporation and First Tennessee Bank National Association (2:06-cv-72, Dkt. No. 436); Bank of Tokyo-Mitsubishi UFJ, Ltd. (2:06-cv-72, Dkt. No. 437); Deutsche Bank Trust Company Americas (2:06-cv-72, Dkt. No. 438); LaSalle Bank Corporation and LaSalle Bank, N.A. (2:06-cv-72, Dkt. No. 439); BB&T Corporation and Branch Banking and Trust Company (2:06-cv-72, Dkt. No. 440); Comerica Incorporated and Comerica Bank & Trust, National Association (2:06-cv-72, Dkt. No. 441); M&T Bank Corporation and M&T Bank (2:06-cv-72, Dkt. No. 442); U.S. Bancorp and U.S. Bank National Association (2:06-cv-72, Dkt. No. 444); National City Corporation and National City Bank (2:06-cv-72, Dkt. No. 445); and Zions Bancorporation and Zions First National Bank (2:06-cv-72, Dkt. No. 446).

unopposed motion for entry of stay conditioned on the previously accepted less restrictive stipulation above. *See* 2:06-cv-72, Dkt. No. 798 at 2. The Plaintiff in 2:05-cv-291, 2:05-cv-292, 2:05-cv-293, and 2:06-cv-72 now seeks to lift the stay due to the conclusion of the re-examination of the Ballard Patents.

In 2:05-cv-294, where both Ballard and Huntington Patents are asserted, the two groups of patents were not severed, as they were in the related cases. A motion to consolidate was filed by the Plaintiff (2:05-cv-294, Dkt. No. 62) but was dismissed without prejudice to re-filing after a further Office Action in the re-examination. 2:05-cv-294, Dkt. No. 92 at 1. Though the case was never severed, Defendants Citigroup, Inc. and Citibank N.A. (collectively “Citibank”) requested a stay of the Ballard Patents due to the Court’s granting of the stay in the related cases. 2:05-cv-294, Dkt. No. 93. The Court granted the motion to stay pending the less restrictive stipulation. 2:05-cv-294, Dkt. No. 95. The Court subsequently granted a motion to stay litigation of the Huntington Patents pursuant to the less restrictive stipulation due to the granting of the request for re-examination of the Huntington Patents. 2:05-cv-294, Dkt. No. 150 at 1. The Plaintiff in 2:05-cv-294 is requesting a lift of the stay. 2:05-cv-294, Dkt. No. 158. Defendant Citibank opposed the motion and filed its alternative motion to enter a stay pending the outcome of the related cases, citing that the Ballard and Huntington Patents were never severed in its case and a lifting of the stay would be unduly burdensome because the Huntington patents were still undergoing re-examination. 2:05-cv-294, Dkt. No. 160 at 2-3.

II. PARTIES’ POSITIONS

Plaintiff argues that the stay was imposed based on the defendants’ arguments that the patents would be narrowed or eliminated during re-examination but the re-examination has confirmed the validity of the Ballard Patents. Dkt. No. 811 at 4. Plaintiff argues that the stay should

be lifted due to the conclusion of the re-examination. *Id.* (quoting *Canady v. Argo Electro-Surgical Corp.*, 271 F. Supp. 2d 64, 74 (D.D.C. 2002)). Plaintiff notes that many of the defendants do not oppose the lifting of the stay, and Plaintiff's "understanding is that the Opposing Defendants seek to continue the stay because they are sued for infringement of the Ballard Patents and one or more of the four Randle Patents (also referred to as the "Huntington Patents"), each of which are now undergoing an *ex parte* reexamination before the PTO." *Id.* Plaintiff states that, for example, Defendants Key and PNC were among the defendants that originally sought a stay, arguing the dissimilarity between the Ballard and Huntington Patents, and they now oppose the lifting of the stay, focusing on the similarities between the patent groups. *Id.* at 5-6.

Opposing Defendants respond that lifting the stay would complicate discovery and increase expenses to the parties and the Court for having to deal with discovery and claim construction matters that may change at the conclusion of the re-examination of the Huntington Patents. 2:06-cv-72, Dkt. No. 816 at 4-5. Opposing Defendants agree that there are "significant differences between the Ballard and Huntington patents" but they reason that the overlap in discovery is due to Plaintiff's methodology of providing indefinite infringement contentions that mix systems together thereby overlapping the technology as it pertains to the Huntington and Ballard Patents. *Id.* at 6-7. Opposing Defendants argue that their previous arguments concerning the differences in the Ballard and Huntington patents were made before Plaintiff served its infringement contentions which inextricably intertwined discovery as to the two groups of patents. *Id.* at 13.

Plaintiff replies that the Ballard Patents have been severed and can proceed regardless of the status of the Huntington Patents. 2:06-cv-72, Dkt. No. 819 at 2 (citing *Gaffney v. Riverboat Servs.*, 451 F.3d 424, 442 (7th Cir. 2006)). Plaintiff argues that Opposing Defendants' arguments are disingenuous because Plaintiff served its infringement contentions on December 4, 2006 and the

Court offered Defendants a modified less restrictive stipulation on January 11, 2007, which the Defendants accepted. *Id.* at 4. Plaintiff avers that if the Defendants believed that “efficiency is not served” by severing the Ballard and Huntington Patents, the Defendants were obligated to bring this to the Court’s attention. *Id.* at 5.

Opposing Defendants reply that Plaintiff fails to address the legal standard governing stays and argues that Plaintiff would not be prejudiced by continuing the stay. 2:06-cv-72, Dkt. No. 821 at 1-2 (citing *Soverain Software LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005)). Opposing Defendants argue that Plaintiff has also reversed positions from its previous arguments stating that there is a significant overlap in the patents. *Id.* at 3-4.

Defendant Citibank argues that it is the court’s discretion to lift a stay but that doing so would increase the burden on the Court. 2:05-cv-294, Dkt. No. 160 at 4. Citibank repeats the arguments made by the Opposing Defendants above and adds that this case is in the early stages of litigation and Courts routinely stay proceedings at this early stage. *Id.* at 6 (citing *Target Therapeutics, Inc. v. Scimed Life Systems, Inc.*, 33 U.S.P.Q.2d 2022, 1995 WL 20470 (N.D. Cal. 1995); *GPAC, Inc. v. D.W.W. Enterprises, Inc.*, 144 F.R.D. 60 (D.N.J. 1992)).

III. DISCUSSION

The original motion to sever and stay in the Lead Case explained that the Ballard and Huntington patents were asserted against a mix of defendants, and the moving defendants requested a severance and stay so that Defendants who had both groups of patents asserted against them could “avoid substantial time and expense in defending [Plaintiff’s] claims of patent infringement related to the Ballard patents and instead allow [the Defendants] to focus on the claims arising under the Huntington patents.” 2:06-cv-72, Dkt. No. 260 at 9. The moving defendants argued that the staying the Ballard patents and eliminating the claims from the case would “produce significant judicial

savings by reducing the number of claim construction disputes, the number of dispositive motions, and the number of discovery disputes, as well as narrowing the scope of third-party discovery.” *Id.* at 16-17. The moving defendants argued that severance was appropriate because “the Ballard patents are discrete and separate from the claims relating to the Huntington patents. While both sets of patents are generally directed to the broad field of check processing, ‘the inventions, the dates of invention, the inventors, [and] places of invention’ are different.” *Id.* at 21 (quoting *General Tire & Rubber Co. v. Jefferson Chem. Co.*, 50 F.R.D. 112, 114 (S.D.N.Y. 1970)). At the time, Plaintiff argued the relationship and overlap between the Ballard and Huntington patents. 2:06-cv-72, Dkt. No. 313 at 11. Some of the defendants rejected Plaintiff’s argument, stating that Plaintiff’s premise “that the Ballard patents are somehow inextricably linked to the Huntington Bank patents is demonstrably false.” 2:06-cv-72, Dkt. No. 317 at 5.

Having accepted the moving defendants’ arguments, stayed the case, and now received the expertise of the USPTO with respect to the re-examination, the Court cannot appreciate how lifting the stay would result in the very inefficiencies that the defendants had previously argued would occur if the case was not stayed. The defendants would ask the Court to extend the length of the stay until the Huntington patents also emerged from re-examination. However, the Court determines that this would be unduly prejudicial to Plaintiff.

As noted by the Court previously, “[t]he district court has the inherent power to control its own docket, including the power to stay proceedings.” 2:06-cv-72, Dkt. No. 326 at 5 (quoting *Soverain*, 356 F. Supp. 2d at 662). For the same reasoning as it had previously stayed the case, the Court determines that the completion of the re-examination of the Ballard Patents allows that portion of the case to proceed. With regard to 2:05-cv-294, though Citibank did not request to have the case severed, Citibank did not indicate that there was a problem when the Court separately stayed the

Ballard portion of the case. *See* 2:05-cv-294, Dkt. No. 95. Therefore, the Court does not deem there to be inefficiencies with lifting the case as to only the Ballard Patents while the Huntington Patents in all the cases remain stayed.

IV. CONCLUSION

For all the foregoing reasons, the Court **GRANTS** Plaintiff's Motions to Lift the Stay (2:05-cv-291, Dkt. No. 110; 2:05-cv-292, Dkt. No. 115; 2:05-cv-293, Dkt. No. 107; 2:05-cv-294, Dkt. No. 158; 2:06-cv-72, Dkt. No. 811) and the Court **DENIES** Defendant Citigroup, Inc. and Citibank, N.A.'s Motion to Stay Pending Outcome of an Earlier Tried Action (2:05-cv-294, Dkt. No. 160).

In 2:05-cv-294, the Huntington Patents and Ballard Patents are hereby **SEVERED** and the Huntington Patents remain **STAYED**.

It is so **ORDERED**.

SIGNED this 11th day of March, 2008.



DAVID FOLSOM
UNITED STATES DISTRICT JUDGE