

1
2
3 **UNITED STATES DISTRICT COURT**
4 **FOR THE EASTERN DISTRICT OF CALIFORNIA**

5 **MIKE MURPHY'S ENTERPRISES, INC.,**

6 **Plaintiff,**

7 **v.**

8 **FINELINE INUDSTIRES, LLC, et al.,**

9 **Defendants.**

1:16-cv-784-LJO-SAB

**MEMORANDUM DECISION AND
ORDER RE DEFENDANTS' MOTION
TO STAY (Doc. 17) AND PLAINTIFF'S
MOTION TO STRIKE (Doc. 18)**

10
11 **I. PRELIMINARY STATEMENT TO PARTIES AND COUNSEL**

12 Judges in the Eastern District of California carry the heaviest caseloads in the nation, and this
13 Court is unable to devote inordinate time and resources to individual cases and matters. Given the
14 shortage of district judges and staff, this Court addresses only the arguments, evidence, and matters
15 necessary to reach the decision in this order. The parties and counsel are encouraged to contact the
16 offices of United States Senators Feinstein and Boxer to address this Court's inability to accommodate
17 the parties and this action. The parties are required to reconsider consent to conduct all further
18 proceedings before a Magistrate Judge, whose schedules are far more realistic and accommodating to
19 parties than that of U.S. Chief District Judge Lawrence J. O'Neill, who must prioritize criminal and older
20 civil cases.

21 Civil trials set before Chief Judge O'Neill trail until he becomes available and are subject to
22 suspension mid-trial to accommodate criminal matters. Civil trials are no longer reset to a later date if
23 Chief Judge O'Neill is unavailable on the original date set for trial. Moreover, this Court's Fresno
24 Division randomly and without advance notice reassigns civil actions to U.S. District Judges throughout
25 the nation to serve as visiting judges. In the absence of Magistrate Judge consent, this action is subject to

1 reassignment to a U.S. District Judge from inside or outside the Eastern District of California.

2 **II. INTRODUCTION**

3 Currently before the Court is Defendant Fineline Industries, LLC’s (“Fineline LLC”) motion to
4 stay this case pending resolution of Plaintiff Mike Murphy’s Enterprises, Inc.’s (“MMEI”) parallel state
5 court action. Doc. 17. MMEI opposes. Doc. 20. The Court took the matter under submission on the
6 papers. Doc. 23. For the following reasons, the Court GRANTS Fineline LLC’s motion to stay DENIES
7 AS MOOT MMEI’s motion to strike.

8 **III. FACTUAL AND PROCEDURAL BACKGROUND**¹

9 This is a patent infringement case. MMEI, a California corporation, is owner via assignment of
10 U.S. patent 6,234,099 (“the ‘099 patent”). FAC at ¶¶ 13, 26. In 2010, Fineline Industries, Inc. (“Fineline
11 Inc.”), a California corporation, entered into a license agreement with MMEI that permitted Fineline Inc.
12 to use the ‘099 patent for its products (“the 2010 license agreement”). Doc. 17-2, State Court Complaint
13 (“SCC”), at ¶ 3. The agreement required, among other things, royalty payments and that any change of
14 majority control in Fineline Inc. to be agreed to by MMEI in writing. *Id.* In 2015, Fineline Inc.
15 converted into a Florida LLC—Defendant Fineline LLC. Fineline LLC continued to use the 2010
16 license agreement as a successor to Fineline Inc. At some point after December 2015, MMEI terminated
17 the 2010 license agreement, arguing that Fineline Inc. had breached it. Doc. 16 at ¶ 7.

18 On June 6, 2016, the same day MMEI filed this suit, MMEI filed suit in state court against
19 Fineline Inc. and Fineline LLC for, among other things, breach of contract and breach of the covenant of
20 good faith and fair dealing. *See* SSC at 1. MMEI alleges that Fineline LLC was an “unauthorized
21 successor” to the 2010 license agreement and therefore impermissibly used the 2010 license agreement.
22 *See id.* at ¶¶ 13-14. MMEI further alleges that Fineline LLC “should be held to perform the terms of the
23 [2010 license agreement],” which it breached in numerous ways and Fineline. *Id.*

24
25 ¹ For purposes of this motion, the Court assumes the truth of MMEI’s allegations contained in its First Amended Complaint (“FAC”), Doc. 15, and its complaint in the state court case.

1 In this case, MMEI claims that Finline LLC infringed on the '099 patent. Finline LLC
2 contends it could not have infringed on the patent because it was granted a license to it under the 2010
3 licensing agreement. *See* Doc. 16 at 6; Doc. 22 at 3. Shortly after MMEI filed these cases, Finline LLC
4 re-acquired a license to the '099 patent through one of the inventors of the patent and his company. Doc.
5 17-3 at 3.

6 Finline LLC now moves to stay the case, contending that the state court will resolve definitively
7 the issue of whether Finline LLC properly assumed and used the 2010 licensing agreement from
8 Finline Inc. Finline LLC asserts that if the state court rules in its favor, then it could not have breached
9 the '099 patent at any time. If that is established, then Finline LLC has a complete defense to MMEI's
10 patent infringement claims in this case.

11 **IV. STANDARD OF DECISION**

12 "A district court has discretionary power to stay proceedings in its own court under *Landis v.*
13 *North American Co.*, 299 U.S. 248, 254 (1936)." *Lockyer v. Mirant Corp.*, 398 F.3d 1098, 1109 (9th Cir.
14 2005). The Ninth Circuit has instructed that in determining whether to grant a stay, "the competing
15 interests which will be affected by the granting or refusal to grant a stay must be weighed." *CMAX, Inc.*
16 *v. Hall*, 300 F.2d 265, 268. These interests include:

17 the possible damage which may result from the granting of the stay, the hardship or equity which
18 a party may suffer in being required to go forward, the orderly course of justice measured in
19 terms of the simplifying or complicating of issues, proof, and questions of law which could be
20 expected to result from a stay.

21 *Id.*

22 "[T]he suppliant for a stay must make out a clear case of hardship or inequity in being required
23 to go forward, if there is even a fair possibility that the stay for which he prays will work damage to
24 someone else." *Landis*, 299 U.S. at 255.

25 **V. ANALYSIS**

The Court notes at the outset that MMEI's opposition, the substance of which is approximately

1 three pages, is almost incoherent at times. Nonetheless, the Court has attempted to distill MMEI's
2 arguments and understanding of the facts.

3 MMEI does not and cannot dispute that a threshold issue the court will have to decide in
4 MMEI's state court case is whether Fineline LLC assumed Fineline Inc.'s licensure rights to the '099
5 patent under the 2010 licensing agreement after its corporate restructuring. Although MMEI contends in
6 this case that Fineline LLC "DOES NOT and NEVER HAS HAD a license with MMEI to its patented
7 technology," Doc. 20 at 3 (emphasis in original), MMEI's breach of contract claim is premised entirely
8 on its assertion that Fineline LLC is bound by 2010 licensing agreement. *See* SCC at ¶¶ 13-14.
9 Likewise, its claim for breach of the covenant of good faith and fair dealing asserts "*Defendants* unfairly
10 interfered with [MMEI's] right to receive the benefits of the [2010 license agreement] by *their* breaches
11 of [it]." *Id.* at ¶ 21. Those contentions, though contradicting MMEI's position in this case, necessarily
12 imply that Fineline LLC assumed Fineline Inc.'s licensing rights to the '099 patent. If the state court
13 finds that Fineline LLC did assume those rights—and was therefore licensed to sell its products that use
14 the '099 patent at all relevant times—then MMEI's patent infringement claims in this case fail.

15 This alone justifies staying the case. As the Ninth Circuit has explained:

16 A trial court may, with propriety, find it is efficient for its own docket and the fairest course for
17 the parties to enter a stay of an action before it, pending resolution of independent proceedings
18 which bear upon the case In such cases the court may order a stay of the action pursuant to
its power to control its docket and calendar and to provide for a just determination of the cases
pending before it.

19 *Leyva v. Certified Grocers of Calif., Inc.*, 593 F.2d 857, 863-64 (9th Cir. 1979).

20 The only discernible argument MMEI provides that validly suggests a stay is inappropriate is
21 that it will be prejudiced if prevented from seeking injunctive relief against Fineline LLC's alleged
22 infringement of the '099 patent during the pendency of the stay. *Lopez v. Am. Express Bank, FSB*, No.
23 CV 09-7335 SJO (MANx), 2010 WL 363775, at *5 (C.D. Cal. Sept. 17, 2010) (noting possibility that
24 granting stay will harm the plaintiffs because they sought injunctive relief for ongoing violations of the
25 law); *cf. Lockyer*, 398 F.3d at 1110. But MMEI does not address, much less refute Fineline LLC's

