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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 MYGO, LLC, a California corporation,
12 Plaintiff,
13 v.
14 MISSION BEACH INDUSTRIES, LLC,
15 a California corporation,
16 Defendant.

Case No.: 3:16-CV-2350-GPC-RBB
**ORDER DENYING DEFENDANT'S
MOTION TO STAY**
[ECF No. 21.]

17
18 Before the Court is Defendant and Counterclaimant Mission Beach Industries,
19 LLC's ("Defendant's" or "MBI's") motion to stay pending *ex parte* reexamination of
20 United States Patent No. 9,383,630 ("the '630 Patent"). (Dkt. No. 21.¹) Plaintiff and
21 Counterdefendant MyGo, LLC ("Plaintiff" or "MyGo") does not oppose the motion.
22 (Dkt. No. 23.) The Court deems Defendant's motion suitable for disposition without oral
23 argument pursuant to Civil Local Rule 7.1(d)(1). Having reviewed the moving papers
24 and the applicable law, and for the reasons set forth below, the Court **DENIES**
25 Defendant's motion to stay.
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28 ¹ All citations to the record are based upon pagination generated by the CM/ECF system.

1 **BACKGROUND**

2 In a previous order, the Court recited the facts of this case at length and will
3 therefore not repeat them here. (*See* Dkt. No. 24.) The relevant procedural background
4 follows.

5 On September 16, 2016, MyGo filed a Complaint against MBI asserting, among
6 other allegations, infringement of its ‘630 Patent. (Dkt. No. 1.) On October 17, 2016,
7 MBI filed an Answer with counterclaims and affirmative defenses, including assertions
8 of patent invalidity. (Dkt. No. 7.) On December 12, 2016, MBI filed a request for *ex*
9 *parte* reexamination of the ‘630 Patent with the United States Patent and Trademark
10 Office (“PTO”) pursuant to 35 U.S.C. § 302 *et seq.* and 37 C.F.R. § 1.510 *et seq.* (Dkt.
11 No. 21-1 at 9:10–16.) To the Court’s knowledge, the PTO has not yet responded to this
12 initial request.² (*See id.*) On December 13, 2016, MBI filed the instant motion to stay
13 pending completion of the reexamination. (Dkt. No. 21.) On January 3, 2017, MyGo
14 filed a non-opposition regarding the motion to stay. (Dkt. No. 23.)

15 **LEGAL STANDARD**

16 “A patent is presumed to be valid, and this presumption only can be overcome by
17 clear and convincing evidence to the contrary.” *Enzo Biochem, Inc. Gen-Probe Inc.*, 424
18 F.3d 1276, 1281 (Fed. Cir. 2005) (citation omitted). However, “[a]ny person at any time
19 may file a request for reexamination by the [PTO] of any claim of a patent on the basis of
20 any prior art.” 35 U.S.C. § 302. The PTO must then “determine whether a substantial
21 new question of patentability affecting any claim of the patent concerned is raised by the
22 request.” 35 U.S.C. § 303(a).

23 “Courts have inherent power to manage their dockets and stay proceedings,
24 including the authority to order a stay pending conclusion of a PTO reexamination.”
25 *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citations omitted); *TPK*
26 *Touch Sols., Inc. v. Wintek Electro-Optics Corporation* (“TPK”), No. 13-CV-02218-JST,
27 _____

28 ² Under 35 U.S.C. § 303(a), the PTO has three months to respond to a reexamination request.

1 2013 WL 5289015 (N.D. Cal. Sept. 18, 2013). This District has recognized a “liberal
2 policy in favor of granting motions to stay proceedings pending the outcome of [PTO]
3 reexamination or reissuance proceedings.” *Palomar Techs., Inc. v. Mrsi Sys., LLC*, No.
4 15-CV-1484 JLS (KSC), 2016 WL 4496839, at *2 (S.D. Cal. June 14, 2016) (quoting
5 *ASCII Corp. v. STD Entm’t USA*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994)). However,
6 this District also maintains a “strong public policy favoring expeditious resolutions of
7 litigation.” *LG Elecs., Inc. v. Eastman Kodak Co.*, No. 09-CV-0344H(BLM), 2009 WL
8 1468703, at *2 (S.D. Cal. May 26, 2009) (quoting *Kahn v. Gen. Motors Corp.*, 889 F.2d
9 1078, 1080 (Fed. Cir. 1989)) (denying motion for discretionary stay).

10 “There is no per se rule that patent cases should be stayed pending reexaminations,
11 because such a rule ‘would invite parties to unilaterally derail’ litigation.” *Tokuyama*
12 *Corp. v. Vision Dynamics, LLC* (“Tokuyama”), No. C082781SBA, 2008 WL 4532565, at
13 *2 (N.D. Cal. Oct. 9, 2008) (quoting *Soverain Software LLC v. Amazon.Com, Inc.*, 356 F.
14 Supp. 2d 660, 662 (E.D. Tex. 2005)). “A court is under no obligation to delay its own
15 proceedings on account of a PTO patent reexamination, regardless of their relevancy to
16 infringement claims which the court must analyze.” *Tric Tools, Inc. v. TT Techs., Inc.*
17 (“Tric Tools”), 2012 WL 5289409, at *1 (N.D. Cal. Oct. 25, 2012), *on reconsideration*,
18 2012 WL 6087483 (N.D. Cal. Dec. 6, 2012) (citing *Viskase Corp. v. Am. Nat’l Can Co.*,
19 261 F.3d 1316, 1328 (Fed. Cir. 2001)). “The proponent of a stay bears the burden of
20 establishing its need.” *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, No. 14-
21 CV-2061-H (BGS), 2015 WL 12843919, at *2 (S.D. Cal. Oct. 5, 2015) (quoting *Clinton*
22 *v. Jones*, 520 U.S. 681, 708 (1997)).

23 Courts consider three factors in determining whether to grant a stay pending
24 reexamination: “(1) whether discovery is complete and whether a trial date has been set;
25 (2) whether a stay will simplify the issues in question and trial of the case; and (3)
26 whether a stay would unduly prejudice or present a clear tactical disadvantage to the
27 nonmoving party.” *Telemac Corp. v. Teledigital, Inc.* (“Telemac”), 450 F. Supp. 2d
28 1107, 1111 (N.D. Cal. 2006) (citing *In re Cygnus Telecom. Tech., LLC Patent Litig.*, 385

1 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005)).

2 DISCUSSION

3 A. Stage of Litigation

4 The first factor considers whether discovery is complete and whether a trial date
5 has been set. ““The early stage of a litigation weighs in favor of a stay pending
6 reexamination.”” *Palomar Techs., Inc. v. Mrsi Sys., LLC*, No. 15-CV-1484 JLS (KSC),
7 2016 WL 4496839, at *2 (S.D. Cal. June 14, 2016) (quoting *Wireless Recognition Techs.*
8 *v. A9.com Inc.*, No. 5:12-CV-01217-EJD et al., 2012 WL 4005459, at *2 (N.D. Cal. Sept.
9 11, 2012)).

10 Here, the Complaint was filed approximately four months ago. (Dkt. No. 1.)
11 Discovery has commenced, but only limited document exchange has occurred between
12 the parties. (Dkt. No. 21-1 at 12:16–28.) No claim construction proceedings have begun,
13 and no trial date has been set. (*Id.*)

14 Accordingly, the relatively early stage of litigation weighs in favor of a stay.

15 B. Simplification of Issues

16 The second factor considers whether a stay is likely to simplify the issues in
17 litigation. MBI asserts that a stay pending reexamination will “simplify the issues of
18 invalidity and potentially narrow the claims,” will afford the Court the PTO’s expertise,
19 and will spare the parties and the Court the expense of claim construction proceedings.
20 (*Id.* at 14:9–20.) MBI relies on PTO statistics to support this claim, citing the likelihood
21 that the PTO will grant MBI’s request and that a reexamination will result in modification
22 of claims. (Dkt. No. 21-1, Ex. 2 at 3.)

23 MBI’s argument, however, assumes the PTO will grant the reexamination request.
24 (Dkt. No. 21-1 at 15:3–8.) See *Ultra Prod., Inc. v. Antec, Inc.* (“Antec”), No. C 09-04255
25 RS, 2010 WL 1688538, at *4 (N.D. Cal. Apr. 26, 2010) (“Especially where the PTO has
26 not yet granted the reexamination request, [movant] has not persuasively demonstrated
27 that the results of reexamination will simplify the instant litigation”). MBI has only
28 submitted a request for reexamination. The PTO has not granted that request. Whether

1 any PTO proceedings will even go forward remains to be seen. The Court therefore finds
2 that MBI's motion to stay is premature.

3 Additionally, even if the PTO grants the reexamination request, there is no
4 guarantee that the patent will be canceled, its claims will be modified, or that any
5 modification will simplify the litigation. ““The reexamination process considers only the
6 validity of the subject patent with regard to prior art; the PTO does not analyze
7 counterclaims or other grounds for patent invalidity.”” *Tric Tools*, 2012 WL 5289409 at
8 *2 (quoting *ADA Solutions, Inc. v. Engineered Plastics, Inc.*, 826 F. Supp. 2d 348, 351
9 (D. Mass. 2011)); *see also TPK*, 2013 WL 5289015 at *3 (noting the limited scope of *ex*
10 *parte* reexaminations). MBI made multiple invalidity arguments in its counterclaims that
11 extend beyond the issue of prior art, including allegations of inequitable conduct and
12 fraud on the PTO. (Dkt. No. 7 at 1.) *Ex parte* reexamination would not address, let alone
13 simplify, such issues for the Court.

14 Furthermore, because MBI requested *ex parte* reexamination, as opposed to *inter*
15 *partes* reexamination, any PTO findings would have no estoppel effect on MBI with
16 respect to later litigation. *See* 35 U.S.C. § 315(e)(2); *AT&T Intellectual Prop. I v. Tivo,*
17 *Inc.*, 774 F. Supp. 2d 1049, 1053 (N.D. Cal. 2011). *Ex parte* reexaminations involve an
18 independent review by the PTO, whereas *inter partes* reexaminations allow the parties to
19 participate more actively in the review process.³ Thus, a petitioner in an *inter partes*
20 reexamination is estopped from asserting invalidity arguments in subsequent litigation
21 that it could have raised during the administrative review process. 35 U.S.C. § 315(e)(2).
22 In contrast, no such estoppel provision exists for *ex parte* reexaminations. *TPK*, 2013
23 WL 6021324 at *3. Thus, even a successful and thorough *ex parte* reexamination would
24 not preclude MBI from litigating the same invalidity contentions asserted in the instant
25 case.

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28 ³ For example, in *inter partes* reexaminations, the parties are entitled to an oral hearing and may conduct limited discovery and present evidence. 35 U.S.C. § 316(a).

1 Due to the prematurity of the motion and the uncertainty regarding simplification
2 of issues, the Court finds that this factor weighs against a stay.

3 C. Prejudice

4 The final factor considers whether a stay will unduly prejudice or produce a clear
5 tactical disadvantage to the non-moving party. MBI asserts that a stay will not prejudice
6 MyGo, but rather will save cost and effort for both parties, because only limited
7 discovery has been produced, and claim construction has not yet begun. (Dkt. No. 21-1
8 at 15:22–16:23.) It is true that MBI filed the reexamination request and motion to stay in
9 a timely manner after Plaintiff filed the Complaint and before discovery advanced beyond
10 its early stages. However, the Court already accounted for this timing consideration
11 *supra* in its analysis of the stage of litigation factor. The Court finds that other
12 considerations tip the balance of the prejudice factor against a stay, or at minimum leave
13 this factor neutral.

14 Most importantly, as the Court has emphasized above, MBI’s motion is premature.
15 Because the PTO has not granted or responded to MBI’s request at all, a stay would
16 prematurely and prejudicially delay litigation with no guarantee that any reexamination
17 will occur. *See, e.g., Antec*, 2010 WL 1688538 at *1 (finding prejudice in part because
18 the PTO had not granted the reexamination request); *Tokuyama Corp. v. Vision*
19 *Dynamics, LLC*, 2008 WL 4532565, at *1 (N.D. Cal. Oct. 9, 2008) (“That no PTO
20 proceedings are underway creates a delay to the plaintiffs which is prejudicial.”).⁴ Thus,
21 the Court is not prepared, nor required, to stall litigation when the PTO could deny the
22 reexamination request altogether. *See Tric Tools*, 2012 WL 5289409 at *1.

23 Additionally, the prejudice of prematurely delaying litigation is compounded by
24 the fact that MBI and MyGo are direct competitors in the sale of the product at issue.
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27 ⁴ The Court acknowledges that other courts have found differently. *See, e.g., Graphon Corp. v. Juniper*
28 *Networks, Inc.*, No. C 10-1412 JSW, 2010 WL 3619579, at *2 (N.D. Cal. Sept. 13, 2010) (granting
motion to stay even though the PTO had not yet granted the reexamination request). However, the
existence of decisions on both sides is demonstrative of the Court’s discretion in this respect.

1 (See Dkt. No. 1 at ¶¶ 8–10.) See *Allergan Inc. v. Cayman Chemical Co.*, 2009 WL
2 8591844 at *1 (C.D. Cal. 2009) (denying stay partly because parties were direct
3 competitors). “Unlike patent infringement actions involving non-practicing entities,
4 infringement among competitors can cause harm in the marketplace that is not
5 compensable by readily calculable money damages.” *Avago Tech. Fiber IP (Singapore)*
6 *Pte. Ltd. v. IPtronics Inc.*, No. 10–cv–02863–EJD, 2011 WL 3267768, at *5 (N.D. Cal.
7 July 28, 2011) (citing *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1327–28 (Fed. Cir.
8 2008)).

9 The Court acknowledges that MyGo has not opposed MBI’s motion to stay.
10 However, considering the fact that other considerations weigh against a stay, MyGo’s
11 non-opposition at most neutralizes the prejudice factor. Therefore, the Court finds that
12 the prejudice factor does not weigh in favor of a stay.

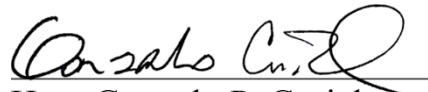
13 In sum, the first factor weighs in favor of a stay; the second factor weighs against a
14 stay; and the final factor weighs against a stay or is neutral at best. The movant bears the
15 burden to show the need for a stay, and the balance of the factors does not affirmatively
16 show such a need. In light of the Court’s discretion and the applicable law, the Court
17 declines to stay the case.

18 CONCLUSION

19 For the foregoing reasons, the Court **DENIES** Defendant MBI’s motion to stay.

20 **IT IS SO ORDERED.**

21 Dated: January 31, 2017

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23 Hon. Gonzalo P. Curiel
24 United States District Judge
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