Simonian v. Maybelline LLC Doc. 23

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

THOMAS A. SIMONIAN,	)	
	)	
Plaintiff,	)	
	)	
v.	)	C.A. No.: 1:10-cv-01615
	)	
MAYBELLINE LLC,	)	Judge Virginia M. Kendall
	)	
Defendants.	)	

DEFENDANT'S MEMORANDUM IN SUPPORT OF ALTERNATE MOTION TO STAY <u>PENDING THE APPELLATE DECISION IN DISPOSITIVE CASES</u>

I. Introduction

Despite having suffered no injury, nor having alleged any actual injury, plaintiff Thomas Simonian ("Simonian") has filed suit under 35 U.S.C. § 292 against defendant Maybelline LLC ("Maybelline") for the alleged false marking of mascara products bearing expired patent numbers. As set forth more fully in Maybelline's Motion to Dismiss Pursuant to Federal Rules of Civil Procedure 12(b)(1), (6), and 9(b) (Dkt. No. 19), Simonian has failed to comply with the standing requirements of Article III of the United States Constitution, and has failed to state a claim upon which relief can be granted pursuant to Rule 12(b)(6) because marking of expired patents is not a "false marking."

The principle issues raised in Maybelline's Motion to Dismiss are identical to issues pending before the United States Court of Appeals for the Federal Circuit in *Stauffer v. Brooks Brothers Co.* and *Pequignot v. Solo Cup Co.* Therefore, Maybelline respectfully requests, in the alternative to its motion to dismiss, that the present case be stayed pending resolution of those two appeals. The proposed stay will not prejudice Simonian, will simplify the issues before the Court, and decrease the burden on the parties and the Court.

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II. Facts

On March 1, 2010, Simonian filed his Complaint in this action, alleging that Maybelline engaged in false marking under 35 U.S.C. § 292. (Dkt. No. 1.) Simonian's allegations center around four mascara products sold by Maybelline that have allegedly been marked with numbers of expired U.S. patents. *Id.* at ¶15. Simonian does not allege any actual injury as a result of the marking. Nor does Simonian allege any marking of patents that do not cover the marked articles. All of Simonian's allegations center around the marking of allegedly expired patents.

On April 30, 2010, Maybelline filed a motion to dismiss pursuant to Federal Rules of Civil procedure 12(b)(1), 12(b)(6), and 9(b). (Dkt. No. 19.) In part, Maybelline seeks to dismiss the complaint under 12(b)(1) because the Court lacks subject matter jurisdiction in view of Simonian's lack of Article III standing. Maybelline's motion centers on Simonian's failure to allege any cognizable, concrete injury in fact as required by Article III. Maybelline additionally requests that the Court dismiss Simonian's complaint for failure to state a claim, as marking of an expired patent number is not a false marking under 35 U.S.C. § 292.

Prior to the filing of Simonian's Complaint in this case, the United States District Court for the Southern District of New York, in *Stauffer v. Brooks Brothers*, decided precisely the same standing issue as has been raised by Maybelline, and dismissed that case for lack of subject matter jurisdiction in light of Stauffer's lack of Article III standing. *Stauffer v. Brooks Bros.*, Inc., 369 F. Supp. 2d 248, 255 (S.D.N.Y. 2009). The language used in the *Stauffer* complaint was largely identical to that used by Simonian in his complaint against Maybelline. *See* Maybelline's Memorandum in Support of its Motion to Dismiss at 5-6. The court in *Stauffer* held that the statements of harm used by the plaintiff (which are the same statements made by Simonian) were "insufficient to establish anything more than the sort of 'conjectural or

hypothetical' harm that the Supreme Court instructs is insufficient." *Stauffer*, 369 F. Supp. 2d at 255.

Stauffer and the United States have appealed the district court's decision in *Stauffer*. Those appeals and related cross-appeals have been consolidated. Briefing on these appeals is nearly complete. As such, a decision is expected from the Federal Circuit before the end of 2010.

Also prior to the filing of Simonian's Complaint in this case was the briefing before the Federal Circuit in *Pequignot v. Solo Cup Co.*, which has since been argued. In that case, one of the issues presented is whether marking the number of an expired patent on a product can constitute false marking under 35 U.S.C. § 292. (Ex. A at 29-38.) All of the Maybelline patent markings that Simonian alleges to be in violation of § 292 are markings of expired patent numbers. Oral arguments in *Pequignot* occurred on April 6, 2010. As such, a decision is expected from the Federal Circuit shortly.

III. Argument

A. The Court Should Stay All Proceedings in the Instant Case Pending Resolution of the *Stauffer* and *Pequignot* Appeals by the Federal Circuit

This Court has the power "to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants." *Landis v. North Am. Co.*, 299 U.S. 248, 254 (1936). One way to use this power is to stay proceedings. *Id.* In considering whether to grant a stay, courts have considered "(1) whether a stay will unduly prejudice or tactically disadvantage the non-moving party, (2) whether a stay will simplify the issues in question and streamline the trial, and (3) whether a stay will reduce the burden of litigation on the parties and on the court." *Tap Pharmaceutical Prods., Inc. v. Atrix Labs., Inc.*, 2004 WL

422697, *1 (N.D. Ill. 2004) (Ex. B) (citing *Wireless Spectrum Techs., Inc. v. Motorola Corp.*, 57 U.S.P.Q.2d 1662, 1663 (N.D. Ill. 2001)).

This Court recently stayed a similar "false marking" case, with nearly identical facts, pending appeal of *Stauffer*. *Heathcote Holdings Corp., Inc. v. Crayola LLC, et al.* No. 10 Civ. 342, minute entry (N.D. Ill. April 8, 2010) (Ex. C)[1]; *see also* Ex. D, *Newt LLC v. Nestle USA, Inc.* No. 09 Civ. 4792, minute entry (N.D. Ill. April 28, 2010) (granting Defendants' Motion to Stay (Ex.E)); *Zojo Solutions, Inc. v. Leviton Mfg.*, No. 10 Civ. 881, minute entry (N.D. Ill. April 21, 2010) (Ex. F) (granting Defendants' Motion to stay pending *Stauffer*). Notably, the language used in the plaintiff's complaint in *Heathcote Holdings* is nearly identical to the language employed by Simonian in the instant case. *Compare* Dkt. No. 1 in Action No. 10-cv-342 (Ex. G) *with* Dkt. No. 1 in Action No. 10-cv-01615. Moreover, this Court is not alone in staying false marking cases pending the appeal of *Stauffer*. *See Public Patent Found., Inc. v. Glaxosmithkline Consumer Healthcare, L.P.*, No. 09 Civ. 5881, Slip Op. (S.D.N.Y. Feb. 17, 2010) (Ex. H)(staying false marking case with pending motions to dismiss for lack of Article III standing "[i]n light of the appeal currently pending in the Court of Appeals for the Federal Circuit of an order issued in *Stauffer v. Brooks Bros.* . . . which raises the same legal question that is currently pending here"); *Public Patent Found., Inc. v. McNeil-PPC, Inc.*, No. 09 Civ. 5471, Slip Op. (S.D.N.Y. April 26, 2010) (Ex. I) (staying case pending *Stauffer*); *San Francisco Tech., Inc. v. Adobe Sys. Inc.*, No. 09 Civ. 6083, Slip Op. (N.D. Cal. April 13, 2010) (Ex. J) (granting stay of false marking complaint pending appeal of *Stauffer* because "[t]here appears to be little dispute that if the Federal Circuit affirms the decision in *Stauffer* there likely will be no way to distinguish it or to otherwise avoid its application to this case"). There are no material

[1] In view of this Court's stay of the *Heathcote* case, the undersigned requested plaintiff's counsel to agree to a stay of the instant case. Unfortunately, plaintiff's counsel refused to agree to the stay.

differences between those cases in which a stay has been granted and the present case. Because a stay will not unduly prejudice Simonian, and will reduce the burden of litigation on the parties and the court, granting the stay is proper in this case.

1. Simonian Will Not Be Prejudiced By a Stay of this Case

Simonian does not allege an actual injury to either himself or to any other entity resulting from Maybelline's alleged false marking. The only damages sought by Simonian are monetary penalties provided for by 35 U.S.C. § 292. The only conceivable prejudice that Simonian may argue as a result of a stay of the pending case is a delay of any monetary penalties to which Simonian alleges he is entitled. But courts hold that a delay in receiving payment of *damages* is not prejudicial and does not warrant denying a motion to stay. *See, e.g., Sorensen ex rel. Sorensen Res. & Dev. Trust v. Black and Decker Corp.*, No. 06cv1572-BTM, 2007 WL 2696590, *4 (S.D. Cal. Sept. 7, 2007) (Ex. K). Thus, any delay in Simonian's receipt of his portion of claimed *fines*—which by definition are not compensatory in nature and not based on any interest of Simonian, and thus result in even less "prejudice" than the delay of a damages award—cannot be considered prejudicial.

In addition, the delay is likely to be short, as the briefing on the *Stauffer* appeals is nearly complete, at which point the Federal Circuit will be prepared to hear arguments and make its ruling, which that court typically does without delay.[2] Similarly, arguments in *Pequignot* have already been heard, thus the expected delay from that case is even shorter. Such a short delay,

[2]The Federal Circuit's 2009 statistics show that decisions are rendered, for cases originating in district court, an average of 11 months after *docketing*. *See* Federal Circuit Statistics, available at http://www.cafc.uscourts.gov/pdf/MedianDispTime(table)00-09.pdf (Ex. L.) The *Stauffer* case was docketed in July 2009. An example of the Federal Circuit's expedience is that Court's most recent decision regarding false marking under 35 U.S.C. § 292, *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), wherein the oral argument was held on October 7, 2009, and the decision was rendered on December 28, 2009—i.e., *within three months of oral argument*. *See Forest Group* Case Docket, available at http://pacer.cafc.uscourts.gov (Ex. M).

even if considered prejudicial to Simonian, is outweighed by the interests of justice and judicial economy promoted by staying the case. *See Catch Curve, Inc. v. Graphnet, Inc.*, Civil Action No. 1:06-CV-2386-CC, Slip. Op. (N.D. Ga. Feb. 18, 2009) (Ex. N) (staying case pending outcome of Federal Circuit decision in separate case where potential benefits outweigh prejudice) (Ex. F.); *Genentech, Inc. v. Sanofi-Aventis Deutschland GmbH et al.*, 2009 WL 1313193, at *2 (N.D. Cal. May 12, 2009) (Ex. O) (staying case pending outcome of Federal Circuit decision in separate case).

Additionally, granting a stay will not prejudice Simonian in light of any Court schedule. This suit was filed by Simonian on March 11, 2010. To date, there has been no scheduling conference, and no schedule has been set for discovery, let alone trial. As such, delay will not prejudice Simonian in terms of scheduling, and overall will not present any prejudice to Simonian. In effect, Simonian will be in exactly the same position at that point should *Stauffer* be overturned and the Federal Circuit decide that marking of expired patents is a false marking as he is now. Therefore, the requested stay should be granted.

2. A Stay Will Simplify the Issues in Question and Reduce the Burden on the Court

A principle issue before the Court in Maybelline's Motion to Dismiss is exactly the same issue as is presented to the Federal Circuit in *Stauffer*. Both cases involve a private individual bringing suit under 35 U.S.C. § 292 for the alleged false marking of expired patent numbers on goods sold by the defendant. In both cases, exactly the same issue has been raised by defendant, namely whether the plaintiff has alleged a sufficient injury in fact to obtain Article III standing. This is a central issue in the present case and goes directly to the heart of whether the Court is in a position to hear the case as currently pled. Should the Federal Circuit in *Stauffer* affirm on appeal, Simonian conclusively has no standing to bring suit, and dismissal of the present case

will be warranted. There will be no need for any further action. As such, the Federal Circuit's expected ruling in the *Stauffer* case will directly impact the Court's jurisdiction to hear the issues raised by Simonian and thus the Court's consideration of Maybelline's motion to dismiss.

Another issue before the Court in Maybelline's motion to dismiss is exactly the same as is presented by the plaintiff in *Pequignot v. Solo Cup*. The present case and *Pequignot* both involve alleged false marking where articles are marked with the numbers of expired patents that cover the marked articles. This issue sought to be addressed in *Pequignot* is central to the present case. Should the Federal Circuit agree with Solo Cup that the marking of an expired patent is not a false marking under 35 U.S.C. § 292, Simonian's complaint on its face cannot possibly plead sufficient facts to satisfy Fed. R. Civ. P. 12(b)(6), and dismissal will be compelled. There will be no need for any further action. As such, the Federal Circuit's expected ruling in the *Pequignot* case will directly impact the adequacy of Simonian's allegations in his complaint. Therefore, the decision in *Pequignot* will not only simplify the questions of law raised by Maybelline's motion to dismiss, it will be dispositive of them.

This is not a situation where Maybelline is seeking an overly long or indefinite stay. Briefing in *Stauffer* is nearly complete, and a decision is expected before the end of 2010. Arguments in *Pequignot* already took place, and a decision in that case is expected even sooner. Granting Maybelline's requested stay will likely prevent considerable waste of both the Court's and the parties' resources in briefing, arguing, and deciding the motion to dismiss pursuant to Rules 12(b)(1) and 12(b)(6). Therefore, the prudent course of action for the Court is to stay the case in its entirety until the Federal Circuit's decisions in *Stauffer* and *Pequignot* issue.

IV. Conclusion

For the foregoing reasons, Maybelline respectfully requests that the Court stay this case pending the Federal Circuit's decisions in *Stauffer v. Brooks Brothers* and *Pequignot v. Solo Cup*. As this Court recognized in *Heathcote Holdings v. Crayola*, a stay of this false marking litigation is warranted.

Dated: April 30, 2010

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I, Jeffrey M. Drake, hereby certify that on the April 30, 2010 the attached document was electronically filed with the Clerk of the Court using CM/ECF which will send notification of such filing to the registered attorney(s) of record that the document is available for viewing and downloading from CM/ECF:

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