UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	SACV 19-1072 PSG (ADSx) LACV 19-6978 PSG (ADSx)	Date	August 19, 2020
Title	Caravan Canopy Int'l, Inc. v. Home Depot U.S.A., Inc., et al. (Lead Consolidated Case) Caravan Canopy Int'l, Inc. v. Walmart Inc., et al. (Member Consolidated Case)		

Present: The Honorable	Philip S. Gutierrez, United States District Judge

Wendy Hernandez	Not Reported
Deputy Clerk	Court Reporter
Attorneys Present for Plaintiff(s):	Attorneys Present for Defendant(s):
Not Present	Not Present

Proceedings (In Chambers): The Court GRANTS the motion to stay.

Before the Court is Defendant Walmart Inc.'s ("Defendant") motion to stay the case pending *inter partes* review. *See* Dkt. # 100 ("*Mot.*").[1] Plaintiff Caravan Canopy International Inc. ("Plaintiff") opposes the motion, *see* Dkt. # 119 ("*Opp.*"), and Defendant replied, *see* Dkt. # 121 ("*Reply*"). The Court finds the matter appropriate for decision without oral argument. *See* Fed. R. Civ. P. 78; L.R. 7-15. After considering the moving, opposing, and reply papers, the Court **GRANTS** Defendant's motion to stay.

I. Background

This is a patent infringement case. On August 12, 2019, Plaintiff filed its complaint in this Court, accusing Defendant of infringing one of its patents: U.S. Patent No. 5,944,040 ("the '040 patent"). *See Complaint*, Dkt. # 1 ("*Compl.*"). To date, the Court has set dates for trial and issued a claim construction order. *See* Dkts. # 30, 37. The Parties dispute how much discovery they have done, but they have not yet taken depositions. *See Mot.* 6:4–9; *Opp.* 4:6–12. Under the current scheduling order, opening expert reports are due January 8, 2021, rebuttal expert reports are due February 8, 2021, fact discovery closes March 8, 2021, final dispositive motions must be filed by March 22, 2021, final pretrial conferences are scheduled for May 24, 2021, and a jury trial is scheduled for June 8, 2021. *See* Dkt. # 122.

[1] Given the pre-trial consolidation in this matter, the motion to stay, opposition, and reply are all docketed at *Caravan Canopy Int'l, Inc. v. Home Depot U.S.A., Inc., et al.*, No. 8:19-cv-01072-PSG-ADS.

On June 1, 2020, Defendant filed a petition for *inter partes* review ("IPR") with the Patent Office. *See Declaration of Kathleen R. Geyer*, Dkt. # 100-2 ("*Geyer Decl*.") Ex. A. Defendant sought review of the '040 patent, arguing that all of the patent's claims are unpatentable due to obviousness. *See Mot.* 6:16–18. The Patent Office issued a Notice of Filing Date Accorded for the IPR petition, but has not yet made an institution decision on the '040 patent. *See id.* 6:18–27. The parties agree that an institution decision will issue by December 18, 2020, and that a final decision will happen within a year of that date. *See id.* 6:27–7:4; *Opp.* 5:5–13.

On June 18, 2020, Defendant filed this motion to stay the case pending the outcome of the IPR proceedings. *See generally Mot.*

II. Legal Standard

"Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination." *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citation omitted). Courts generally consider three factors in deciding whether to grant a stay during IPR proceedings:

1. whether discovery is complete and whether a trial date has been set;
2. whether a stay will simplify the issues in question and trial of the case; and
3. whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party.

Wonderland Nursery Goods Co. v. Baby Trend, Inc., No. EDCV 14-01153-VAP, 2015 WL 1809309, at *2 (C.D. Cal. Apr. 20, 2015) (quoting *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013)). Courts should also consider the "totality of the circumstances" in evaluating whether a stay is proper. *Id.* ("While the case law enumerates several general considerations that are helpful in determining whether to order a stay, ultimately 'the totality of the circumstances governs.'" (quoting *Universal Elecs.*, 943 F. Supp. 2d at 1031)); *see also E.Digital Corp. v. Dropcam, Inc.*, No. 14-CV-04922-JST, 2016 WL 658033, at *2 (N.D. Cal. Feb. 18, 2016) ("While case law supplies these general considerations, the Court ultimately must decide whether to issue a stay on a case-by-case basis.").

"There is a 'liberal policy in favor of granting motions to stay proceedings pending the outcome' of re-examination, especially in cases that are still in the initial stages of litigation and

where there has been little or no discovery," but "[c]ourts are not required to stay judicial proceedings pending re-examination of a patent." *Pi-Net Int'l, Inc. v. Hertz Corp.*, No. CV 12-10012 PSG (JEMx), 2013 WL 7158011, at *2 (C.D. Cal. June 5, 2013) (quoting *Aten Int'l Co. Ltd. v. Emine Tech. Co.*, No. SACV 09-0843, AG (MGLx), 2010 WL 1462110, at *6 (C.D. Cal. Apr. 12, 2010)).

III. Discussion

A. Stage of the Proceedings

The first factor asks the Court to consider the progress already made in the case, such as the completion of discovery, the setting of a trial date, and whether claim construction has occurred. *See Wonderland Nursery*, 2015 WL 1809309, at *2. "[D]istrict courts have adopted the date of the filing of the motion to stay" as the "proper time to measure the stage of litigation." *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1316 (Fed. Cir. 2014) (collecting cases).

The parties dispute whether this action is in its early stages. They have exchanged initial discovery requests and served second sets of discovery, but no depositions have been taken yet. *See Mot.* 6:4–9; *Opp.* 4:6–12. This supports Defendant's position. *See Pi-Net*, 2013 WL 7158011, at *2 (holding that the parties were in the early stages when they had exchanged infringement contentions, served interrogatories, and the plaintiff had made documents available for review); *Locata LBS, LLC v. Yellowpages.com, LLC*, No. CV 13-7664 JAK, 2014 WL 8103949, at *2–3 (C.D. Cal. July 11, 2014) (holding that the parties were in the early stages when they had engaged in some preliminary discovery, including initial disclosures and serving document requests and interrogatories, but depositions had yet to take place). However, the Court issued its Claim Construction Order on June 23, 2020, which favors Plaintiff's position. *Cf. Telesign Corp. v. Twilio, Inc.*, No. CV 15-3240 PSG (SSx), 2016 WL 6821111, at *2 (C.D. Cal. Mar. 9, 2016) (parties had not yet filed claim construction briefs, which favored granting a stay).

Ultimately, while Plaintiff is correct that this factor is a closer issue than Defendant acknowledges, the Court agrees with Defendant that this case is still in its early stages. The parties still must (1) finish document production, (2) conduct depositions, (3) complete and exchange expert reports, (4) file any dispositive motions, and (5) potentially proceed through a trial. Therefore, there remains "more work ahead of the parties and the Court than behind

[them]." *See Limestone v. Micron Tech.*, No. SACV 15-00278-DOC (RNBx), 2016 WL 3598109, at *3 (C.D. Cal. Jan. 12, 2016). Accordingly, the Court finds that this factor weighs slightly in favor of granting a stay.

B. Simplify Issues

The Court next considers whether a stay will simplify the issues in the case. *See Wonderland Nursery*, 2015 WL 1809309, at *2.

Defendant argues that staying the case would simplify the issues because the IPR challenges all of the claims of the '040 patent. *See Mot.* 10:23–28. Therefore, if the Patent Office agrees with Defendant, it is case-dispositive. *See Mot.* 10:23–28. And, Defendant asserts, even if the Patent Office cancels only some of the '040 patent's claims, the scope of this suit would be narrowed. *See Mot.* 10:23–28.

Here, Defendant seeks a stay before the Patent Office has made an institution decision on Defendant's IPR. Although courts in this District have acknowledged that it is speculative to argue simplification before the Patent Office makes an institution decision, many courts have ultimately decided that saving scarce judicial resources "sways the analysis in favor of [a] stay," especially when a stay will be relatively short. *See Purecircle USA Inc. v. SweeGen, Inc.*, No. SACV 18-1679 JVS (JDEx), 2019 WL 3220021, at *2 (C.D. Cal. June 3, 2019). Accordingly, the Court finds this factor weighs in favor of a stay because the IPR challenges all of the claims in a single patent, which means the scope of this suit is likely to be substantially narrowed if the Patent Office agrees with Defendant.

C. Undue Prejudice

The final factor is whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party—here, Plaintiffs. *See Wonderland Nursery*, 2015 WL 1809309, at *2. "In weighing the prejudice to the non-moving party, courts consider four sub-factors: '(1) the timing of the petition for review; (2) the timing of the request for the stay; (3) the status of review proceedings; and (4) the relationship of the parties.'" *E. Digital*, 2016 WL 658033, at *4 (quoting *Cypress Semiconductor Corp. v. GSI Tech, Inc.*, No. CV 13-2013 JST, 2014 WL 5021100, at *3 (N.D. Cal. Oct. 7, 2014)).

i. Timing of the Petition for Review

Plaintiff filed its Complaint on August 12, 2019, *see Compl.*, and Defendant did not petition for IPR until June 1, 2020, *see Geyer Decl.* Ex. A. While a plaintiff must make "a specific showing of prejudice beyond the delay necessarily inherent in any stay," Plaintiff has done so here because the delay caused by Defendant's recently-filed IPR would have been substantially reduced if it had not waited almost ten months between the filing of Plaintiff's complaint and Defendant's IPR petition. *See Affinity Labs of Texas LLC v. Samsung Elecs. Co.*, No. 14-CV-2717 YGR, 2014 WL 3845684, at *4 (N.D. Cal. Aug. 1, 2014). Such a lengthy delay weighs against granting a stay because the court "expect[s] accused infringers to evaluate whether to file, and then to file, IPR petitions as soon as possible after learning that a patent may be asserted against them." *See Int'l Test Sols., Inc. v. Mipox Int'l Corp.*, No. 16-CV-00791-RS, 2017 WL 1316549, at *3 (N.D. Cal. Apr. 10, 2017) (cleaned up).

ii. Timing of the Request for Stay

Defendant moved to stay seventeen days after filing its IPR petition, on June 18, 2020, which was the day it received the Patent Office's Notice of Filing Date Accorded. *See Mot.* 12:14–17. Therefore, the timing of the request for the stay weighs in favor of the stay.

iii. Status of Review Proceedings

The Patent Office has not yet made an institution decision on the '040 patent. *See Mot.* 6:18–27. Its institution decision is expected by December 18, 2020, and it will make a final determination within one year of that date. *See Opp.* 5:4–13. This delay will result in a final determination up to six months after the originally scheduled trial date, and this delay was caused by Defendant's delay in seeking IPR review. *See id.* 5:3–16. Therefore, this factor weighs against granting a stay.

iv. The Relationship of the Parties

Defendant claims that the parties are not competitors. *Mot.* 12:22. Rather, it asserts that Plaintiff is one of its suppliers. *Id.* 12:20–23. And, even if they were competitors, Defendant notes that the '040 patent has expired, and, as such, there is no (a) ongoing infringement, *id.* 12:2–5, or (b) loss of profits, market share, and goodwill, *see id.* 12:26–13:1.

Plaintiff counters that the parties are, in fact, competitors. *Opp.* 4:15 n.3. However, the Court agrees with Defendant that the relationship of the parties favors a stay because, while Plaintiff might be right that the parties *used to be* competitors, now that the '040 patent has expired, they are no longer competitors for the purposes of the patent at issue in this case. *Reply* 7:17–23.

In sum, these subfactors are mixed, but the Court finds that they weigh slightly in favor of granting a stay because Plaintiff has not shown that Defendant's delay will unduly prejudice Plaintiff or give Defendant a clear tactical advantage. While it would have been preferable for Defendant to petition for IPR long before it did, there is no ongoing infringement in this case, and therefore the only prejudice Plaintiff will suffer if a stay is granted is a delay in resolving whether it can recover damages for Defendant's past conduct. This is the same prejudice that is inherent in any stay. *See Affinity Labs*, 2014 WL 3845684 at *4.

D. <u>Balancing the Factors and Totality of the Circumstances</u>

Ultimately, the Court finds that the factors addressed above weigh in favor of granting a stay. While Defendant could have petitioned for IPR sooner to avoid delaying this litigation, the Patent Office's review of the IPR is potentially case-dispositive, and Plaintiff has not offered any legitimate reason (other than the delay inherent in any stay) why a stay would prejudice its case.

Accordingly, the Court finds that (1) this case is in its early stages, (2) the IPR might significantly simplify the issues, and (3) that the stay will not unduly prejudice Plaintiff. Therefore, a stay is appropriate.

IV. <u>Conclusion</u>

For the foregoing reasons, the Court **GRANTS** Defendant's motion to stay pending the Patent Office's decision on Defendant's IPR petition. This order administratively closes No. CV 19-6978 PSG (ADSx). Either party may apply *ex parte* to reopen the case (a) in the event that the Patent Office declines to institute the IPR, or (b) after the conclusion of all IPR proceedings.

IT IS SO ORDERED.