

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. SACV 17-00981 JVS(JCGx) Date March 26, 2018

Related Cases:

**2:17-cv-04263-JVS-JCG**

2:17-cv-06050-JVS-JCG

2:17-cv-04273-JVS-JCG

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Title Document Security Systems, Inc. v. Seoul Semiconductor Co., et al.  
**Document Security Systems, Inc. v. Cree, Inc.,**  
Document Security Systems, Inc. v. Lite-On, Inc., et al,  
Document Security Systems, Inc. v. Everlight Electronics Co., Ltd. et al.,

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Present: The James V. Selna  
Honorable

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Karla J. Tunis

Sharon Seffens

Deputy Clerk

Court Reporter

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Brian Ledahl

Thomas Veh

**Proceedings: DEFENDANT’S MOTION TO STAY CASE PENDING INTER PARTES REVIEW**

**Cause called and counsel make their appearances. The Court’s tentative ruling is issued. The Court and counsel confer. The Court DENIES the defendant’s motion and rules in accordance with the tentative ruling as follows.**

**The Court DIRECTS counsel to confer with counsel on the related actions, prepare and submit a stipulation and proposed order regarding adjusting the Markman / Claim Construction hearing and related dates as necessary in light of this ruling.**

Defendants Seoul Semiconductor Co., Ltd. (“SSC”) and Seoul Semiconductor, Inc. (“SSI”) (collectively, “Seoul”) move to stay all proceedings in this litigation pending inter partes review. (Case No. 8:17-cv-00981, Mot., Docket No. 57.)<sup>1</sup> Defendants Everlight Electronics Co., Ltd., Everlight Americas, Inc., Lite-On, Inc., and Cree, Inc., (collectively with Seoul, “Defendants”) have joined in Seoul’s motion. (Case No. 2:17-cv-04273, Docket No. 65; Case No. 2:17-cv-06050, Docket No. 54; Case No. 2:17-cv-04263, Docket No. 56.) Plaintiff Document Security Systems, Inc. (“DSS”) has

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filed an opposition. (Opp'n, Docket No. 60.) Seoul has replied. (Reply, Docket No. 61.)

**I. BACKGROUND**

DSS filed this action against Seoul on June 7, 2017, and subsequently filed two amended complaints asserting infringement of U.S. Patent Nos. 6,949,771 (“the ’771 Patent”), 7,256,486 (“the ’486 Patent”), and 7,524,087 (“the ’087 Patent”). (Compl., Docket No. 1; Second Amended Complaint (“SAC”), Docket No. 40.) DSS filed an action against Everlight Electronics Co., Ltd. and Everlight Americas, Inc., on June 8, 2017, and the SAC alleges infringement of the ’771 Patent, the ’486 Patent, the ’087 Patent, and U.S. Patent No. 7,919,787 (“the ’787 Patent”). (Case No. 2:17-cv-04273, Docket Nos. 1, 50.) DSS filed an action against Cree, Inc. on June 8, 2017, and the SAC alleges infringement of the ’771 Patent, the ’486 Patent, the ’087 Patent, and the ’787 Patent. (Case No. 2:17-cv-04263, Docket Nos. 1, 46.) DSS filed an action against Lite-On, Inc. and Lite-On Technology Corporation on August 15, 2017, and the First Amended Complaint (“FAC”) alleges infringement of the ’771 Patent, the ’486 Patent, and the ’087 Patent.<sup>2</sup> (Case No. 2:17-cv-06050, Docket Nos. 1, 36.)

On October 31, 2017, the Court issued an order setting the case schedule in each action. (Order, Docket No. 37.) A Markman hearing is scheduled for July 30, 2018, fact discovery closes on November 23, 2018, expert discovery closes on March 5, 2019, and trial is tentatively scheduled to begin on June 18, 2019. (Id. at 1-3.)

On December 3, 2017, Seoul filed a petition for inter partes review (“IPR”) before the Patent Trial and Appeal Board (“PTAB”) against the ’771 Patent (IPR2018-00265). (Mot., Docket No. 57-16, Ex. O.) Subsequently, on December 21, 2017, Seoul filed an

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IPR petition against the '486 Patent (IPR2018-00333). (Mot., Docket No. 57-17, Ex. P.) Next, on January 25, 2018, Seoul filed an IPR petition against the '087 Patent (IPR2018-00522). (Mot., Docket No. 57-18, Ex. Q.) According to Seoul, the PTAB's "institution decisions are due by June 13 for the '771 patent, June 28 for the '486 patent, and July 29 for the '087 patent." (Mot., Docket No. 57 at 4 (citing 35 U.S.C. § 314(b)).)

For the following reasons, the Court **denies** the motion to stay.

## II. LEGAL STANDARD

"The District Court has broad discretion to stay proceedings as an incident to its power to control its own docket." Clinton v. Jones, 520 U.S. 681, 706 (1997); see also Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988). In deciding whether to stay an action pending IPR, a court's discretion is typically guided by three factors: "(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 nonmoving party." Universal Elecs., Inc. v. Universal Remote Control, Inc., 943 F. Supp. 2d 1028, 1030-31 (C.D. Cal. 2013) (quoting Aten Int'l Co., Ltd v. Emine Tech. Co., Ltd., No. SACV 09-0843 AG (MLGx), 2010 WL 1462110, at \*6 (C.D. Cal. Apr. 12, 2010)). The inquiry, however, is not limited to these factors and "the totality of the circumstances governs." Allergan Inc. v. Cayman Chem. Co., No. SACV 07-01316 JVS (RNBx), 2009 WL 8591844, at \*2 (C.D. Cal. Apr. 9, 2009) (citation omitted).

## III. DISCUSSION

### A. Stage of Litigation

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discovery is not set to close until November 2018, more than eight months away. (Order, Docket No. 37.) DSS has produced only the patents and their file histories. (Mot., Docket No. 57 at 4.) Seoul has produced the prior art cited in its invalidity contentions. (*Id.*) DSS served its first set of interrogatories and requests for production on January 24, and Seoul served its first set of discovery requests on DSS on February 2. (*Id.* at 4-5.) Neither party has noticed or taken any depositions. (*Id.* at 5.) The parties exchanged proposed claim terms for construction on March 21, 2018, but they have not submitted claim construction briefs, and the Markman hearing is not scheduled until July 30, 2018. (Order, Docket No. 37 at 2-3.) Additionally, though a tentative trial date has been set, trial is not due to begin until June 18, 2019. (*Id.* at 1.) This factor therefore weighs in favor of a stay. See Wonderland Nursery Goods Co. v. Baby Trend, Inc., No. EDCV 14-01153 VAP, 2015 WL 1809309, at \*3 (C.D. Cal. Apr. 20, 2015) (finding stage of litigation weighed in favor of stay where “fact discovery is not yet complete, expert discovery has not yet begun, and a trial date has not yet been set. Furthermore, although the parties have submitted claim construction briefs, the Markman hearing has not yet taken place and not claim terms have been construed by this Court.”).

## **B. Undue Prejudice**

DSS argues that it would suffer undue prejudice as a result of a stay. (Opp’n, Docket No. 60 at 8-12.) First, DSS argues that a stay would inflict unfair tactical benefits to Seoul because claim construction proceedings in the related coordinated cases will go forward even if a stay is granted. (*Id.* at 8-9.) However, given that the Defendants in the related cases have joined in the motion to stay and the Court is considering whether a stay should be granted in all of the related cases, this argument carries no weight.

Additionally, DSS argues that a stay would diminish its eventual recovery. (*Id.* at 9.) However, DSS is a non-practicing entity and thus is not directly competing against

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risk losing additional sales to allegedly infringing competitors while the case is stayed. See Wonderland, 2015 WL 1809309, at \*5. While DSS argues that a stay would deprive it of the time value of its judgment (Opp'n, Docket No. 60 at 9), the Court is not persuaded that monetary damages would ultimately be inadequate to compensate DSS for harm suffered by the alleged infringement.

Despite this, at least some prejudice would flow from the fact that (1) the PTAB has not yet instituted IPR and (2) not all Defendants in the related cases have agreed to be bound by the IPR statutory estoppel provisions.<sup>3</sup> Although a non-practicing entity, DSS is still the owner by assignment of the '771 Patent, the '087 Patent, and the '486 Patent, and is entitled to assert the property rights embodied by its patents. Staying the case before the IPRs are even instituted, particularly as to the Defendants who have not joined Seoul in the filing of the IPR petitions, could unfairly delay the adjudication of DSS's patent rights.

This factor is neutral as to Seoul and weighs slightly against a stay as to the remaining Defendants.

### C. Simplification of the Issues

The PTAB has yet to decide whether to institute any of Seoul's IPR petitions as to

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<sup>3</sup> The Court notes that Lite-On, Inc.'s statement of non-opposition and joinder to the motion to stay includes a footnote that states: "[b]y this Statement of Non-Opposition to Seoul's Motion to Stay, Lite-On does not intend to waive, and hereby expressly preserves, all invalidity arguments raised in its invalidity contentions served in this action." (Case No. 2:17-cv-06050, Docket No. 54 at 1 n.1.) Additionally, Everlight Electronics Co., Ltd. and Everlight Americas, Inc.'s notice of joinder to the motion to stay and Cree, Inc.'s notice of joinder to the motion to stay are silent on whether they intend

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