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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

FISHER-PRICE, INC., et al.,
Plaintiffs,
v.
DYNACRAFT BSC, INC.,
Defendant.

Case No. 17-cv-3745-PJH

ORDER GRANTING MOTION TO STAY

United States District Court
Northern District of California

Plaintiffs Fisher-Price, Inc. ("Fisher-Price") and Mattel, Inc. ("Mattel") filed this action on January 17, 2017, alleging that defendant Dynacraft BSC, Inc. ("Dynacraft") infringed U.S. Patent Nos. 7,222,684 ("the '684 patent"), 7,487,850 ("the '850 patent"), 7,621,543 ("the '543 patent"), 7,950,978 ("the '978 patent"). Mattel is the owner of the patents-in-suit by way of assignment, and has granted Fisher-Price exclusive licenses to make, use, and sell the inventions claimed by the four patents. See Cplt ¶¶ 8-16.

The case was originally filed in the District of Delaware, and was ordered transferred to the Northern District of California on June 26, 2017, for improper venue. On October 9, 2017, Dynacraft filed petitions for inter-partes review ("IPR") of the asserted claims in the patents-in-suit. Now before the court is Dynacraft's motion for an order staying the above-entitled action pending the IPR. Plaintiffs oppose the motion. Having read the parties' papers and carefully considered their arguments and the relevant legal authority, the court hereby GRANTS the motion as follows.

"Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination."

1 Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (citations omitted).
2 In determining whether to grant a stay pending IPR, courts consider "(1) whether
3 discovery is complete and whether a trial date has been set; (2) whether a stay will
4 simplify the issues in question and trial of the case; and (3) whether a stay would unduly
5 prejudice or present a clear tactical disadvantage to the non-moving party." Evolutionary
6 Intelligence, LLC v. Facebook, Inc., 2014 WL 261837 at *1 (N.D. Cal. Jan. 23, 2014);
7 Universal Elecs., Inc. v. Universal Remote Control, Inc., 943 F. Supp. 2d 1028, 1030-31
8 (C.D. Cal. 2013).

9 The court finds that the first factor (stage of the litigation) favors a stay, because
10 the parties have not engaged in discovery, the claims have not been construed, and no
11 pretrial or trial dates have been set. While it is true that the motion to transfer venue
12 (necessitated in part by the U.S. Supreme Court's ruling in TC Heartland LLC v. Kraft
13 Foods Group Brands LLC, 137 S.Ct. 1514 (2017)), resulted in some delay in the progress
14 of the case, it also appears from the entries on the docket that other factors entered into
15 creating the delay. There is certainly no indication that Dynacraft was solely responsible
16 for any delay.

17 The second factor (simplification of issues and trial) favors a stay or is at least
18 neutral. Plaintiffs argue that because the Patent Trial and Appeal Board ("PTAB") has
19 not yet determined whether to institute the IPRs, it is not possible to determine whether a
20 stay will simplify the issues and the trial, and thus, assert that this factor favors denying
21 the stay. The court notes, however, that the scope of the litigation will likely be
22 significantly simplified and narrowed should the PTAB institute the IPRs and cancel or
23 narrow any of the asserted claims. Accordingly, the court finds that a stay is appropriate
24 at least until the PTAB has determined whether to institute the IPRs.

25 The third factor (prejudice to the nonmoving party) also favors a stay. Plaintiffs
26 seem to be arguing that a delay in adjudicating their patent infringement claims will cause
27 them prejudice, but courts have generally found that granting a stay does not cause the
28 non-moving party undue prejudice where the party has not invested substantial time and

1 expense in the litigation. See, e.g., KLA-Tencor Corp. v. Nanometrics, Inc., 2006 WL
2 708661, at *3 (N.D. Cal. Mar. 16, 2006) (citing Rohm and Haas Co. v. Brotech Corp., 24
3 U.S.P.Q. 2d 1369, 1372 (D. Del. 1992)); see also Longitude Licensing Ltd. v. Apple Inc.,
4 2015 WL 12778777 at *6 (N.D. Cal. Oct. 29, 2015) (delay alone does not constitute
5 undue prejudice because "parties having protection under the patent statutory framework
6 may not 'complain of the rights afforded to others by that same statutory framework")
7 (citations omitted).

8 The District of Delaware evaluates prejudice to the plaintiff and potential undue
9 tactical advantage to the defendant by considering "(1) the timing of the reexamination
10 request; (2) the timing of the request for stay; (3) the status of reexamination
11 proceedings; and (4) the relationship of the parties." Ever Win Int'l Corp. v. Radioshack
12 Corp., 902 F.Supp. 2d 503, 508 (D. Del. 2012).

13 With regard to the timing of the reexamination request, Dynacraft filed its IPR
14 petitions within the one-year statutory limit set in 35 U.S.C. § 315(b). Providing an
15 accused infringer is diligent, delay due to preparing an IPR petition, ascertaining the
16 plaintiff's theories of infringement, or otherwise researching the patents, does not unduly
17 prejudice the patent holder. See Asatek Holdings, Inc. v. Cooler Master Co., Ltd., 2014
18 WL 1350813 at *5 (N.D. Cal. Apr. 3, 2014). Given (as it appears from the docket) that
19 plaintiffs did not serve Dynacraft with the summons and complaint until April 14, 2017,
20 and given the necessity for Dynacraft to move for a change of venue, the court finds that
21 Dynacraft did not delay unduly in filing the IPR petitions.

22 With regard to the timing of the stay request, the request for the stay was filed
23 one day after the IPR petitions were filed. Plaintiffs cannot claim that the timing of the
24 request caused them any prejudice.

25 With regard to the status of reexamination proceedings, plaintiffs assert that
26 because they have three months to file their preliminary response, and because the
27 PTAB has three months from that date to decide whether to institute the IPRs, and a
28 further 12 months to issue a decision as to any IPRs it accepts for review (plus a possible

1 6-month extension), it could well be two years before there is any resolution, and
2 Dynacraft would be able to continue its alleged infringement for the entire commercial
3 life-cycle of the accused products. However, as explained below, the initial term of the
4 stay will extend only to the date the PTAB determines whether to institute the IPRs,
5 which, according to plaintiffs' calculations, should occur within approximately five months
6 from the date of this order.

7 With regard to the relationship of the parties, it is true that Dynacraft and plaintiffs
8 are competitors, and that competition between parties can weigh in favor of finding undue
9 prejudice, see VirtualAgility, Inc. v. Salesforce.com, Inc., 759 F.3d 1307, 1318 (Fed. Cir.
10 2014), but plaintiffs have not provided compelling evidence that they would suffer
11 competitive injury as a result of a stay. Moreover, Dynacraft has argued persuasively
12 that any competitive injury could be remedied by monetary relief. Plaintiffs note that they
13 are also seeking injunctive relief in addition to monetary relief, but the fact that the prayer
14 for relief in the complaint seeks an order permanently enjoining Dynacraft from
15 committing further acts of infringement of the patents-in-suit is not in itself evidence of
16 irreparable harm.

17 The only one of these factors (for evaluating prejudice) that weighs against a stay
18 is the third one – the status of re-examination proceedings. However, there appears to
19 be some tension between the first two factors (the timing of the reexamination request
20 and the timing of the stay request) and the third factor (the status of the IPR
21 proceedings). That is, if a defendant waits until the PTAB has accepted review before
22 filing the request for a stay, the defendant might be deemed to have waited too long to
23 file the stay request, because at that point, the litigation of the case might be well
24 advanced.

25 In any event, the court finds that a stay would be beneficial, at least until PTAB
26 decides whether or not to institute the IPRs, and indeed has previously issued pre-
27 institution stays. See Advanced Connection Tech., Inc. v. Toshiba Am. Info. Sys., Inc.,

28 2012 WL 6225882 at *5 (N.D. Cal. Nov. 27, 2012); see also Deloria Innovations Ltd. v.

1 Dell Inc., Case No. 16-7005 (Dkt. 83, June 15, 2017); Cyber Switching Patents, LLC v.
2 Schneider Elec., Case No. 14-2692 (Dkt. 49, Feb. 20, 2015).

3 There is certainly a potential for gamesmanship arising from the availability of
4 parallel proceedings for resolving the same dispute. However, “when a claim is
5 cancelled” in any such parallel proceeding, “the patentee loses any cause of action based
6 on that claim, and any pending litigation in which the claims are asserted becomes moot.”
7 Fresenius USA, Inc. v. Baxter Int'l, Inc., 721 F.3d 1330, 1340 (Fed. Cir. 2013); see also
8 Pragmatus AV LLC v. Facebook, Inc., 2011 WL 4802958 at *3 (N.D. Cal. Oct. 11, 2011)
9 (benefits of granting a stay pending reexamination include potentially narrowing the
10 issues, reducing the complexity and length of trial, alleviating discovery problems relating
11 to prior art, and encouraging settlement or even dismissal if the patent is declared
12 invalid).

13 Thus, given the potential for this litigation to become moot, and given the fact that
14 this case is still at an extremely early stage, the court GRANTS the motion for a stay,
15 pending the PTAB’s decision regarding institution of the IPRs. The parties shall advise
16 the court as soon as the PTAB has made its determination. The court will reconsider the
17 advisability of the stay at that point, and is likely to continue the stay if the IPRs have
18 been instituted. If the petitions are denied, the court will lift the stay, and will schedule a
19 case management conference. The date for the hearing on this motion, previously set
20 for November 15, 2017, is VACATED.

21
22 **IT IS SO ORDERED.**

23 Dated: November 7, 2017.



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25 _____
26 PHYLLIS J. HAMILTON
27 United States District Judge
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