

STAY

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.: ED CV 18-00356 AB (SPx)
ED CV 18-00357 AB (SPx)

Date: February 12, 2019

Title: *Sleep Number Corporation v. Sizewise Rentals, LLC*
Sleep Number Corporation v. American National Manufacturing, Inc.

Present: The Honorable **ANDRÉ BIROTTE JR., United States District Judge**

Carla Badirian
Deputy Clerk

N/A
Court Reporter

Attorney(s) Present for Plaintiff(s):
None Appearing

Attorney(s) Present for Defendant(s):
None Appearing

Proceedings: [IN CHAMBERS] Order **GRANTING** Defendants’ Motions to Stay (EDCV 18-00356 AB (SPx), Dkt. No. 133; EDCV 18-00357 AB (SPx), Dkt. No. 134)

Before the Court are Motions to Stay Pending *Inter Partes* Review (EDCV 18-00356 AB (SPx), Dkt. No. 133; EDCV 18-00357 AB (SPx), Dkt. No. 134) filed by Defendants Sizewise Rentals LLC and American National Manufacturing, Inc. (“Defendants”) in the two above-captioned cases. Plaintiff Sleep Number Corporation (“Plaintiff”) filed oppositions and Defendants filed replies.

Having considered the matters raised with respect to the motions, the Court concludes that the matter can be decided without oral argument. Pursuant to Local Rule 7-15, the Court **VACATES** the hearing for the motions. Based on the arguments presented by the parties and as stated herein, the Court **GRANTS** the motions, with one exception explained in the Conclusion section of this order.

I. BACKGROUND

Before the Court are two substantially similar patent actions brought by Plaintiff against Defendants, with Defendants represented by the same counsel. Plaintiff accuses Defendants, among other things, of making, using, selling, and/or offering to sell products that infringe U.S. Patent No. 5,904,172 (“the ’172 Patent”), U.S. Patent No. 9,737,154 (“the ’154 Patent”), and 8,769,747 (“the ’747 Patent”). EDCV 18-00356 AB (SPx), Dkt. No. 37 (First Amended Complaint). Defendants have filed the same Motion to Stay in both cases, and the opposition and reply papers are likewise the same in both cases. *See, e.g.*, EDCV 18-00356 AB (SPx), Dkt. No. 133 (listing the case captions and case numbers for both cases on the title page of the motion). The Court will therefore resolve both motions in this single order. All subsequent docket citations in this order will be to Case No. EDCV 18-00356 unless otherwise noted.

Plaintiff filed these cases on February 20, 2018. Dkt. No. 1. They were filed in this District after, in response to a venue challenge, Plaintiff voluntarily dismissed two identical actions that it had filed in the Northern District of Texas on December 29, 2017. *See, e.g., Sleep Number Corp. v. American National Manufacturing, Inc.*, No. 3:14-cv-3517 (N.D. Tex. Dec. 29, 2017); Dkt. No. 137 at 3. The current schedule in these cases sets the Claim Construction Hearing on June 21, 2019, with claim construction-related deadlines beginning in February 2019. Dkt. No. 127. The non-expert discovery cut-off is July 19, 2019, the expert discovery cut-off is September 13, 2019 and trial is set for February 11, 2020. *Id.* The Court also recently entered a joint stipulation by the parties to modify the scheduling order to specify certain dates for the parties to file amended contentions. Dkt. No. 139. Plaintiff’s Amended Infringement Contentions were due January 25, 2019 and Defendants’ Amended Invalidity Contentions are due February 21, 2019, “regardless of the outcome of Defendants’ pending Motion to Stay.” *Id.*

From December 21 to December 29, 2018, brushing up against the year anniversary of Plaintiff’s service of the complains in the N.D. Tex. cases, Defendant American National Manufacturing, Inc. filed petitions for *inter partes* review (“IPR”) of certain claims of the asserted patents before the Patent Trial and Appeal Board (“PTAB”). Defendant Sizewise Rentals is named as a real party in interest in the IPR petitions. Plaintiff does not dispute that Defendants have challenged all asserted claims of the asserted patents. The PTAB must issue decisions by approximately June 2019 indicating whether it will institute IPR based on Defendants’ IPR petitions. If one or more of the IPRs are instituted, the PTAB will be required to issue a final written decision regarding any instituted IPR by approximately June 2020.

II. LEGAL STANDARDS

“A district court has the inherent power to stay its proceedings. This power to stay is ‘incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.’” *Rivers v. Walt Disney Co.*, 980 F. Supp. 1358, 1360 (C.D. Cal. 1997) (quoting *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936)).

In deciding whether to grant a stay pending *inter partes* review proceedings, courts in this District have considered three factors that were originally used to consider requests for stays pending PTO reexamination 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 nonmoving party.” *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013). While these three factors are important, ultimately, “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).

III. DISCUSSION

A. Stage of the Proceedings

The first factor is the stage of the proceedings, including “whether discovery is complete and whether a trial date has been set.” *Universal Elecs.*, 943 F. Supp. 2d at 1031 (quoting *Aten*, 2010 WL 1462110, at *6). “The Court's expenditure of resources is an important factor in evaluating the stage of the proceedings.” *Id.*

Defendants’ arguments suggest that the parties have significant, ongoing disputes related to contentions and discovery. Dkt. No. 133-1 at 15–16. These disputes highlight some of the work ahead in this case. Although Plaintiff emphasizes that the parties have already exchanged tens of thousands of documents and many written discovery requests, Plaintiff also acknowledges that the parties have only taken a single deposition thus far. Dkt. 137 at 3-4. Although this case is no longer in its “nascent” stages and perhaps not even in its “early” stages, the arguments presented support the conclusion that more work lies ahead for the Court and the parties than what lies behind them.

The fact that the parties have only just begun their claim construction exchanges is particularly relevant to informing the stage of the proceedings. The Court, like other courts, considers the status of claim construction proceedings a significant turning point in evaluating this factor. *See, e.g., Wonderland Nursery Goods Co. v. Baby Trend, Inc.*, No. EDCV 14-01153-VAP, 2015 WL 1809309, at *3 (C.D. Cal. Apr. 20, 2015) (“although the parties have submitted claim construction briefs, the *Markman* hearing has

not yet taken place and no disputed claim terms have been construed by this Court. This makes the present case unlike *Universal Electronics*, in which the court had already expended significant resources in conducting a *Markman* hearing and in construing disputed claim terms.”).

Plaintiff argues that Defendants’ decision to wait the full year to file their IPR petitions should also be considered in connection with this factor. But Plaintiff has not suggested gamesmanship or improper motive in Defendants’ timing of its IPR petitions. The fact that the parties have had ongoing discussions regarding the adequacy of contentions is informative in this regard and also could alternatively suggest other reasons for the timing of Defendants’ IPR petitions.

The stage of the proceedings factor weighs less strongly in favor of stay in this case compared to other cases because of the judicial resources the Court has already expended relating to the parties’ pleading disputes. Although Plaintiff would place heavy emphasis on these disputes and the judicial resources expended in resolving them (Dkt. No. 137 at 8), they are not sufficiently significant to eclipse consideration of the even more significant amount of work that lies ahead in this case, including claim construction proceedings. After weighing the competing circumstances, the Court finds this factor is neutral or at most weighs somewhat in favor of a stay.

B. Simplification of the Issues

The second factor is “whether a stay will simplify the issues in question and trial of the case.” *Universal Elecs.*, 943 F. Supp. 2d at 1032 (quoting *Aten*, 2010 WL 1462110, at *6). The possibility of simplification “is particularly true where . . . a party has requested reexamination of each of the patents-in-suit.” *See, e.g., Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV12-21-JST (JPRx), 2012 WL 7170593, at *2 (C.D. Cal. Dec. 19, 2012).

Courts have expressed differing views on whether it is appropriate to grant stays before the PTAB has issued an institution decision on IPR petitions. *See, e.g., Nichia Corp. v. Vizio, Inc.*, No. SACV 16-00545 SJO (MRWx), 2017 WL 3485767, at *8 (C.D. Cal. Feb. 2, 2017); *Universal Elecs.*, 943 F. Supp. 2d at 1031 (“The undecided status of the petitions clouds the simplification inquiry. While courts have granted stays before the USPTO has issued a reexamination order, the fact that the petitions have not yet been granted or denied makes it more difficult to predict whether the issues are likely to be simplified.” (internal citations omitted)); *Wonderland*, 2015 WL 1809309, at *3 (“It is certainly true that the USPTO may choose not to institute an IPR, in which case no simplification of issues will result from the stay. However, if an IPR is not instituted, the stay will be relatively short and the action can continue with minimal delay.”). The Court

agrees with *Nichia*'s observation that "[t]he discretionary nature of the PTO's decision whether to institute such proceedings is but one factor courts consider in determining whether a stay is appropriate." *Id.*

In *SCA Hygiene Products Aktiebolag ("AB") and SCA Tissue N. Am., LLC v. Tarzana Enters., LLC*, No. CV 17-04395-AB (JPRx), slip op. at *11 (C.D. Cal. Sept. 27, 2017), the Court similarly considered a motion to stay pending IPR proceedings before IPR petitions had been instituted, stating:

Even if the outcome of the IPR does not completely resolve the case, the Court finds that it will simplify this case. Here, [defendant] has petitioned for review over all the asserted claims of the patents in suit. Thus, IPR review could potentially moot both of [plaintiff]'s claims and five of [defendant]'s counterclaims, leaving only one claim to be decided by this Court. Moreover, even if all of the asserted claims survive review, the case would still be simplified because [defendant] would be limited in which arguments it could raise before this Court. *See* 35 U.S.C. § 315(e). Even still, the Court believes it will benefit from the expert evaluation of the issues by the Patent Office.

Id. (citations omitted). The same reasoning applies in this case.

Plaintiff also argues that simplification of the issues is unlikely because the IPR petitions are "plainly defective." Dkt. 137 at 13. The Court declines to consider the merits of Defendants' IPR petitions, leaving that task to the PTAB. If Plaintiff is correct about Defendants' petitions, any "stay will be relatively short and the action can continue with minimal delay." *Wonderland*, 2015 WL 1809309, at *3.

For these reasons, the simplification of the issues factor weighs somewhat in favor of a stay in this case.

C. Prejudice to Nonmovant

Third, the Court considers "whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party." *Universal Elecs.*, 943 F. Supp. 2d at 1033 (quoting *Aten*, 2010 WL 1462110, at *6). The fact that parties are direct competitors may increase the likelihood of undue prejudice, particularly if a plaintiff presents evidence or argument to show that the alleged infringement is "caus[ing] harm in the marketplace that is not compensable by readily calculable money damages." *Avago Techs. Fiber IP (Singapore) Pte. Ltd. v. IPtronics Inc.*, No. 10-CV-02863-EJD, 2011 WL 3267768, at *5 (N.D. Cal. July 28, 2011). On the other hand, a plaintiff's delay in filing

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