

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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 MOLO DESIGN, LTD., :
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 Plaintiff, :
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 -against- :
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 CHANEL, INC., :
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 Defendant. :
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21-CV-01578 (VEC)

OPINION & ORDER

VALERIE CAPRONI, United States District Judge:

Plaintiff Molo Design, Ltd. (“Molo”) is a Vancouver-based company that designs and produces furniture and other products, including flexible space partitions. Compl., Dkt 1 ¶¶ 7–8. Chanel, Inc. (“Chanel”) is a New York fashion corporation with its principal place of business in New York City. *Id.* ¶ 2. Molo brought this action against Chanel for patent infringement, alleging, *inter alia*, that Chanel infringed the patent for the design of Molo’s flexible space partitions. *Id.* ¶¶ 19–20, 22. On February 4, 2022, Chanel filed a petition for *inter partes* review before the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office (“PTO”). *See* Pets. for IPR, Dkt. 48-1–4, Exs. A–D. Chanel has moved to stay this case pending resolution of *inter partes* review by the PTAB. Not. of Mot. to Stay, Dkt. 46. Molo opposes the motion. Pl. Opp., Dkt. 49. For the reasons that follow, Chanel’s motion is GRANTED.

BACKGROUND

Molo is a Canadian design and production studio that makes, among other things, flexible space partitions — also known as softwall + softblock products. Compl. ¶¶ 7–8. Molo has sold

its partitions to various retailers and design companies for use in their stores, showrooms, commercial spaces, and offices. *Id.* ¶ 11. Molo holds four patents that purport to cover the designs of their partitions: U.S. Patent Nos. 7,866,366 (the “’366” patent), 8,561,666 (the “’666” patent), 9,689,161 (the “’161” patent), and 9,797,134 (the “’134” patent). *See* Pets. for IPR, Dkt. 48-1-4, Exs. A–D.

In October 2020, two companies contacted Molo to inquire about using its partitions in an upcoming retail rollout for Chanel in the United States and Europe. Compl. ¶¶ 14, 17. In response, Molo provided information to the companies regarding its partitions, including technical specifications, certifications, and use guides for its products. *Id.* ¶ 15. The technical specifications included a notation that Molo’s products were protected by “one or more patents.” *Id.*

Eventually, in November and December 2020, discussions with both companies fell through. *Id.* ¶¶ 16, 18. Despite that, in February 2021, Molo learned that Chanel stores in Europe and the United States had installed displays using materials that appeared to be copies of Molo’s patented flexible space partitions. *Id.* ¶ 19. Molo subsequently brought suit against Chanel for infringement of its ’366, ’666, ’161, and ’134 patents. *See* Compl., Dkt. 1. Chanel denied the allegations and counterclaimed against Molo; Chanel’s counterclaims allege non-infringement and invalidity of Molo’s patents. Def. Ans., Dkt. 24 at 10, 13–17.

The parties subsequently developed a case management plan and agreed that all fact discovery would be completed by March 11, 2022, or 60 days after the Court’s Claim Construction Order, whichever was later. Case Mgmt. Plan, Dkt. 27 ¶ 4(a). Molo and Chanel then embarked upon discovery.

Months later, on February 4, 2022, Chanel filed a petition with the PTAB for *inter partes* review (“IPR”) claiming invalidity of Molo’s ’366, ’666, ’161, and ’134 patents. *See* Pets. for IPR, Dkt. 48-1-4, Exs. A–D. That same day, Chanel moved to stay the proceedings in this Court pending the resolution of IPR before the PTAB. *See* Not. of Mot. to Stay, Dkt. 46. Molo opposes the motion. *See* Pl. Opp., Dkt. 49. The PTAB is expected to issue its decision whether to institute IPR proceedings in August 2022. *Id.* at 4.

DISCUSSION

I. Legal Standard

“[T]he power to stay proceedings is incidental to the power inherent in every court to control the disposition of the cases on its docket,” *Landis v. N. Am., Co.*, 299 U.S. 248, 254 (1936), a power which “includes issuing a stay pending the conclusion of review proceedings before the [PTAB],” *CDX Diagnostics, Inc. v U.S. Endoscopy Grp., Inc.*, No. 13-CV-05669, 2014 WL 2854656 at *2 (S.D.N.Y. June 20, 2014) (citation omitted). Courts generally consider three factors in deciding whether to stay a case pending IPR: “(1) whether a stay will simplify the issues in question and trial of the case; (2) the stage of the proceedings; and (3) whether a stay will prejudice the nonmoving party.” *TouchTunes Music Corp. v. Rowe Int’l Corp. et al.*, 676 F. Supp. 2d 169, 177 (S.D.N.Y. 2009) (citation omitted). The Court finds that application of these factors weighs in favor of granting a stay.

II. Simplification of the Issues

The first factor the Court must consider is whether a stay will simplify the issues in this litigation. The PTAB has yet to decide whether to institute IPR. Some courts have concluded that “the factors relevant to a stay analysis cannot be meaningfully addressed until the PTO determines whether to institute an IPR.” *Rensselaer Polytechnic Inst. et al. v. Apple Inc.*, No.

13-CV-0633, 2014 WL 201965, at *3 (N.D.N.Y. Jan. 15, 2014). On the other hand, several courts recognize that the delay in waiting for the initial PTAB decision is “on balance, prudent in light of the prospect of benefiting from the PTO’s unique expertise on a highly complex topic.” *Id.* at *5 (citing *Evolutionary Intelligence LLC v. Yelp Inc.*, No. 13-CV-03587, 2013 WL 6672451, at *7 (N.D. Cal. Dec. 18, 2013); *Capriola Corp. v. LaRose Indus.*, No. 12-CV-2346, 2013 WL 1868344, at *3 (M.D. Fla. Mar. 11, 2013)).

Chanel filed its petitions on February 4, 2022, *see* Pets. for IPR, Dkt. 48-1–4, Exs. A–D, and, therefore, the PTAB’s initial decision whether to grant review is due by August 4, 2022 — about three months from the issuance of this opinion. Pl. Mem. at 4; 435 U.S.C. § 314(b). If the PTAB were to reject Chanel’s requests for IPR, the stay would be relatively short, and litigation in this case would resume in August. On the other hand, if the PTAB were to accept some or all of Chanel’s requests for review, a final PTAB decision would not be due until August 2023 or, at the latest, February 2024, if good cause were to exist for an extension. 37 C.F.R. § 42.100. While such a delay would not be insignificant, the potential for the PTAB’s decision to simplify the issues in this litigation outweighs the attendant costs of postponed litigation.

Chanel’s petitions for IPR challenge the validity of each patent at issue in this case, asserting, *inter alia*, that the designs are obvious and not novel. Review by the PTAB “could eliminate the need for trial if [Molo’s patent] claims are cancelled or, if the claims survive, facilitate trial by providing the court with expert opinion of the PTO and clarifying the scope of the claims.” *CDX Diagnostics*, 2014 WL 2854656, at *3 (internal quotation marks and citation omitted). If the PTAB were to cancel Molo’s patent claims, it would render Molo’s claims in this case moot. If the PTAB were to cancel some, but not all, of Molo’s patent claims, “it would at least narrow the issues before the Court regarding those claims.” *Kannuu Pty Ltd. v Samsung*

Elecs. Co., Ltd., No. 19-CV-4297, 2021 WL 195163 at *9 (S.D.N.Y. Jan. 19, 2021), *aff'd*, 15 F.4th 1101 (Fed. Cir. 2021). Moreover, even if the PTAB were to uphold *all* of Molo's patent claims, the Court would still benefit from the expert guidance contained in the PTAB's decision, and Chanel would be estopped from arguing that Molo's claims in this case are invalid "on any ground that [Chanel] raised or reasonably could have raised during" IPR. 35 U.S.C. § 315(e)(1).

Thus, a stay either will result in a minor delay or, if the PTAB grants Chanel's request for review, will simplify the issues in this case and provide the Court with expert guidance in a complex area of law. This factor, therefore, weighs in favor of granting a stay.

III. Undue Prejudice

Second, the Court must determine whether Molo will suffer undue prejudice as a result of a stay. In this District, "the question of undue prejudice or clear tactical advantage is informed by four sub-factors, including (1) the timing of the review request; (2) the timing of the request for stay; (3) the status of the review proceedings; and (4) the relationship of the parties." *Rovi Guides, Inc. v. Comcast Corp.*, No. 16-CV-9278, 2017 WL 4876305, at *4 (S.D.N.Y. Oct. 27, 2017) (cleaned up). Mere delay does not constitute prejudice. *CDX Diagnostics*, 2014 WL 2854656, at *4 (citation omitted).

A. Timing of the Request for Review and Request for a Stay

Chanel filed its request for IPR on February 4, 2022, a little less than one year after Molo served its Complaint on February 26, 2021. *See* Def. Mem., Dkt. 47 at 3. Chanel filed its motion to stay on the same day. *See* Not. of Mot. to Stay, Dkt. 46. By statute, Chanel had one year from the date of service of the Complaint to file its petition for IPR. *See* Affidavit of Serv., Dkt. 12; 35 U.S.C. § 315(b). Chanel filed its petitions approximately three weeks before the deadline.

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