Parallax Group International, LLC v. Incstores LLC
8:16-cv-00929-JVS-DFMx

TENTATIVE Order Regarding Defendants' Motions to Lift Stay and Dismiss

Incstores LLC ("Incstores") moves to lift the stay entered by this Court, Dkt. No. 254, and to dismiss the complaint. Dkt. No. 278. Parallax Group International, LLC ("Parallax") opposed the motion. Dkt. No. 281. Incstores then replied. Dkt. No. 283.

For the following reasons, the Court **DENIES** the motion.

I. BACKGROUND

The instant dispute relates to Incstores' alleged patent infringement. Parallax had initially filed suit alleging violations of three patents, each of which were related to multilayered floor mats (Patent Nos. D532,238, D543,764, and 9,289,085 ['085 Patent]). See Dkt. Nos. 1, 15. After extensive motion practice, claims associated only with the '085 Patent remained. See Dkt. No. 114. The United States Patent and Trademark Office ("PTO") granted reexamination of the '085 Patent on February 3, 2017. Dkt. No. 64-13. Parallax then amended the claims of the '085 Patent, but these claims were rejected by the Patent Trial and Appeal Board ("PTAB"). Dkt. No. 275. Parallax has also appealed these rejections to the Federal Circuit.

Judge Guilford, who presided over this case prior to his retirement, had also stayed the case given the proceedings before the PTO. Dkt. No. 254. In that order, he stated the following:

> The questionable and challenging interplay between these two proceedings has become unworkable. Continuing in this tandem fashion will only ensure that even more judicial and agency resources are wasted. The Court has previously expressed uncertainty about the length and timing of reexamination proceedings. . . .. The Court is also no longer persuaded that Plaintiff faces any undue prejudice by a stay. . ..

Id. at 2. Therefore, the Court stayed the matter pending the reexamination of U.S.

Patent No. 9,289,085. Id. at 3.

II. LEGAL STANDARD

A court's "power to stay proceedings 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." Landis v. North American Co., 299 U.S. 248, 254 (1936). "A court may lift a stay if the circumstances supporting the stay have changed such that the stay is no longer appropriate." Murata Machinery USA v. Daifuku Co., 830 F.3d 1357, 1361 (Fed. Cir. 2016).

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 Electronics, Inc. v. Universal Remote Control, Inc., 943 F. Supp. 2d 1028, 1030-31 (C.D. Cal. 2013) (quoting Aten International Co., Limited v. Emine Technology Co., Limited, 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 Chemical Co., 2009 WL 8591844, at *2 (C.D. Cal. Apr. 9, 2009) (citation omitted).

III. DISCUSSION

Incstores' argues that a lift of the stay is warranted given that, even if the Federal Circuit were to direct the PTO to issue Parallax a patent based on the revised claims in the '085 Patent, that would have no effect on the instant proceedings. Dkt. No. 278 at 5. This is because the '085 claims were substantively narrowed by amendment, and doing so extinguishes Parallax' claims of liability for patent infringement. Id. at 6-9. In support of this assertion, Incstores also cites to certain principles of patent construction, for example, that under the intervening rights doctrine, Parallax has surrendered its rights to enforce claims for past infringement on a revised patent. Id. at 10-11. Moreover, even if the Federal Circuit were to find the revised claims patentable, Parallax would only be able to sue after the PTO issued a reexamination certificate. Id. at 12-14.

Parallax opposes the motion on the ground that the reexamination proceeding has not yet been finally adjudicated. Dkt. No. 281 at 4. Parallax asserts that Incstores' motion is otherwise premature given that a reexamination certificate or IPR certificate has not yet been issued, or the claims have not been otherwise canceled. Id. at 6-7 (citing Hologic, Inc. v. Minerva Surgical, Inc., 957 F.3d 1256, 1262 (Fed. Cir. 2020), cert. granted, 141 S. Ct. 975 (2021), and cert. denied, 141 S. Ct. 1068 (2021)). In light of the posture of the case, Parallax also notes that the doctrine of intervening rights does not yet apply. Id. at 5. Finally, Parallax maintains that it has not conceded the validity of its original '085 Patent claims, and even if it did, if the Federal Circuit were to uphold the amended claims, a valid case and controversy would exist. Id. at 9-11.

In response, Incstores reasserts that the doctrine of intervening rights would preclude any outcome other than dismissal of its alleged infringing actions. Dkt. No. 283 at 4-14. In support of that claim, Incstores notes that all of the claims in the '085 Patent on appeal are amended or new, id. at 4-7, and that because of that, this Court does not have jurisdiction over the case any longer, id. at 7-9. Further, the reexamination proceedings cannot be reopened post appeal, and therefore, the patent prosecution may not be reopened upon the conclusion of the Federal Circuit appeal. Id. at 9-10. Incstores also adds that it is prejudiced by the current stay, given that the pending lawsuit has affected prospective merger opportunities, and Incstores is also required to expend significant resources to providing bi-monthly status updates to the Court. Id. at 16.

The Court agrees with Parallax. There is a "liberal policy in favor of granting motions to stay proceedings pending the outcome of PTO reexamination or reissuance proceedings." ASCII Corp. v. STD Entertainment, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994). Moreover, "a court is not required to lift a stay merely because the PTO has decided to issue a reexamination certificate." Akeena Solar Inc. v. Zep Solar Inc., No. C 09-05040 JSW, 2011 WL 2669453, at *2 (N.D. Cal. July 7, 2011).

First, Incstores has not demonstrated that it or these proceedings would be prejudiced by keeping the stay in place. While the Court is "under no obligation to delay its own proceedings by yielding to ongoing PTO patent reexaminations, regardless of their relevancy to infringement claims which the court must analyze," NTP, Inc. v. Research In Motion, Ltd., 397 F. Supp. 2d 785, 787 (E.D. Va. 2005)

(citing Viskase Corp. v. Am. Nat'l Can Co., 261 F.3d 1316, 1328 (Fed. Cir. 2001), the Court finds that doing so is appropriate here. An appeal concerning the validity of the '085 Patent is still pending before the Federal Circuit, and until that court decides the issues in that appeal, lifting the stay is premature. Doing otherwise would risk inconsistent results and eliminate the purpose of the original stay, namely to "obtain guidance from the PTO" and "avoid the needless waste of judicial resources." See MercEx change, L.L.C. v. eBay, Inc., 500 F. Supp.2d 556, 563 (E.D. Va. 2007). To the extent that the stay in this action prejudices Incstores, the Court finds that any prejudice is minimal. The status reports are due only every two months, and from the Court's review, have comprised only 1 to 3 pages of text each time.

Second, the Court finds that Incstores' argument concerning the doctrine of intervening rights is premature. Absolute and equitable intervening rights may be invoked where a reissued patent broadens the scope of an original patent such that a noninfringing product or practice subsequently infringes under the reissued patent. 35 U.S.C. § 252. Much of whether the doctrine applies depends on whether the original and reexamined claims are "identical." Laitram Corp. v. NEC Corp., 163 F.3d 1342, 1346 (Fed. Cir. 1998) (citing 35 U.S.C. §§ 252, 307(b)). "'Identical' does not mean verbatim, but means at most without substantive change." Bloom Eng'g Co., Inc. v. N. Am. Mfg. Co., Inc., 129 F.3d 1247, 1250 (Fed. Cir. 1997). "There is no absolute rule for determining whether an amended claim is legally identical to an original claim; however, the scope of the claims must be the same after reissue." Id. Accordingly, "[a]n amendment that clarifies the text of the claim or makes it more definite without affecting its scope is generally viewed as identical for the purposes of § 252." Id.

The scope of the original and reexamined claims – as they could possibly be affirmed by the Federal Circuit – may be similar, such that the similarities prevent the application of the doctrine of intervening rights. Cf. Dkt. No. 278-1 at 6-9. Moreover, some of Incstores products may infringe the patents once the Federal Circuit issues its decision, and absent a decision by the Federal Circuit, this Court would be left to speculate on what patent claims it should consider in determining whether the doctrine even applies. Laitram, 163 F.3d at 1346 ("If substantive changes have been made to the original claims, the patentee is entitled to infringement damages only for the period following the issuance of the reexamination certificate."). Therefore, the Court does not find that the doctrine warrants dismissal at this time.

Third, and finally, Incstores' reliance on Ho Keung Tse v. eBay Inc. – and its insistence that eBay should guide this Court's analysis – is misplaced. Ho Keung Tse v. eBay Inc, No. C 11-01812 WHA, 2011 WL 13257446, at *1 (N.D. Cal. Aug. 29, 2011). eBay dealt with significant factual dissimilarities to the case here. In eBay, by the time plaintiff had filed suit, the relevant claim of the patent at issue did not exist. Id. Rather, plaintiff had amended the claim during the appeal process of a different court action, which the PTAB subsequently affirmed. Id. That is not the case here, where certain claims still exist and where the Federal Circuit has not yet addressed the validity of the '085 Patent claims.

Therefore, Incstores' motion to lift the stay is therefore **DENIED**, and its motion to dismiss is **DENIED** as moot.

IV. CONCLUSION

For the foregoing reasons, the Court **DENIES** the motion.

IT IS SO ORDERED.

The Court VACATES the May 10, 2021 hearing. Any party may file a request for hearing of no more than five pages no later than 5:00 p.m. on Tuesday, May 11, 2021, stating why oral argument is necessary. If no request is submitted, the matter will be deemed submitted on the papers and the tentative will become the order of the Court. If the request is granted, the Court will advise the parties when and how the hearing will be conducted.