

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	2:22-cv-01712-GW-PD	Date	April 26, 2022
Title	Stratosaudio, Inc. v. Hyundai Motor America		

Present: The Honorable GEORGE H. WU, U.S. DISTRICT COURT JUDGE

Javier Gonzalez

None Present

Deputy Clerk

Court Reporter / Recorder

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Proceedings: IN CHAMBERS - TENTATIVE RULING ON MOTION TO STAY
PENDING COMPLETION OF INTER PARTES REVIEW AND EX PARTE
REEXAMINATION [128]

Attached hereto is the Court's Tentative Ruling on Motion to Stay Pending Completion of Inter Partes Review and Ex Parte Reexamination [128], set for hearing on April 28, 2022 at 8:30 a.m. Counsel are to appear telephonically by contacting the court clerk at javier_gonzalez@cacd.uscourts.gov for dial-in instructions.

Initials of Preparer PG

The Complaint in this patent litigation – first filed in the Western District of Texas on December 11, 2020, and transferred to this Court on March 15, 2022 – asserts seven claims of infringement by Hyundai Motor America, LLC (“Defendant”) of seven patents owned by Stratosaudio, Inc. (“Plaintiff”). See Complaint, Docket No. 1, ¶ 1. As a result of proceedings before the Patent and Trademark Office (“PTO”), either *inter partes* review (five of the subject patents) or *ex parte* reexamination (two of the subject patents) have been instituted by the PTO with respect to *all seven* of the patents in question here. In fact, three of the subject patents will be twice subject to *inter partes* review (“IPR”) as the result of separate proceedings brought both by Defendant and by Volkswagen Group of America, Inc. (“Volkswagen”), which Plaintiff has sued in separate litigation in the Eastern District of Michigan.¹ A fourth of the seven patents is subject to IPR only as the result of a proceeding requested by Volkswagen, but Defendant later joined in that request. With respect to the IPR proceedings resulting from Volkswagen’s requests, decisions from the PTO must be issued by either October 22 or October 25, 2022. As to the four IPR proceedings resulting from Defendant’s efforts – which, again, cover three of the patents that are also subject to Volkswagen’s IPR requests – the PTO must issue decisions between January 25, 2023 and February 17, 2023. Defendant now moves to stay this case pending the resolution of the IPR and the *ex parte* reexamination (“EPR”) proceedings.

District courts generally apply three factors to requests to stay pending IPR: “(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, *6 (C.D. Cal. Apr. 12, 2010)) (omitting internal quotation marks); see also, e.g., *Finjan, Inc. v. Symantec Corp.*, 139 F.Supp.3d 1032, 1035 (N.D. Cal. 2015). In the end, “the totality of the circumstances governs.”

¹ In addition, Plaintiff has also sued Mazda, Subaru and Volvo in the Western District of Texas. The parties have not indicated whether any stay is in effect in the other actions Plaintiff has filed, or whether any of the defendants in those actions even sought a stay.

Universal Elecs., 943 F.Supp.2d at 1031 (quoting *Allergan Inc. v. Cayman Chem. Co.*, No. SACV 07-01316 JVS (RNBx), 2009 WL 8591844, *2 (C.D. Cal. Apr. 9, 2009)) (omitting internal quotation marks). District courts have applied the same factors in connection with requests for stays pending EPR. See *Wi-LAN Inc. v. Huizhou TCL Mobile Commc'n Co. Ltd.*, No. SACV 19-870 JVS (ADSx), 2020 WL 6193311, *1-3 (C.D. Cal. Oct. 15, 2020); *Parallax Grp. Int'l, LLC v. Greatmats.com Corp.*, No. SACV 16-00927-CJC (DFMx), 2017 WL 3485789, *1 (C.D. Cal. Mar. 23, 2017); *Koninklijke Philips Elecs. N.V. v. Seoul Semiconductor Co., Ltd.*, No. SACV 11-0356-AG (RNBx), 2011 WL 13227959, *2 (C.D. Cal. Oct. 17, 2011). Defendant bears the burden with respect to the issue of the stay. See *Finjan*, 139 F.Supp.3d at 1035.

Factor One

This case has been pending for almost a year-and-a-half. Nevertheless, there is much still to be done in the case, and no trial date has been set *by this Court* (in the previous venue, trial was set for October 2022). Some discovery has occurred, but much remains in the future, both as to fact (including third-party) and expert discovery. Dispositive motions are – most-likely – still ahead of us. While a claim construction order issued while the case was still before the Texas federal court, *see* Docket No. 79, that order construed every term presented as having its “plain and ordinary meaning.” Defendant indicates an intent to seek reconsideration of that order. In addition, as the Western District of Texas ultimately-concluded, *see* Docket No. 105, that District was an improper venue, which gives the Court reason to place less weight on the existence of a claim construction order, at least for purposes of the instant motion, than it might otherwise.

The first factor favors issuance of a stay.

Factor Two

Considering that all of the patents at issue in the case are subject to either instituted IPR or EPR, simplification of the case is almost-certain to occur to at least some degree, whether in the form of invalidation, some measure of estoppel, or further expert guidance from the PTO. This factor therefore likewise favors a stay.

Factor Three

Plaintiff is not Defendant’s competitor. It never sought preliminary injunctive relief in this action. Although there was some measure of delay in Defendant seeking review before the PTO, the timing of the IPR requests was still proper – by several months – under the applicable statute, *see* 35 U.S.C. § 315(b), and was largely explained by Defendant waiting to receive Plaintiff’s

infringement contentions. Only a few weeks passed between IPRs being instituted and Defendant filing this motion (and even less time passed between EPRs being instituted and this motion's filing). This Court's practice is to not even *consider* stay motions *before* the PTO has instituted an IPR.² Delay alone does not amount to prejudice.

All of these considerations support a conclusion that this third factor also favors issuance of a stay.

Conclusion

As the foregoing demonstrates, the Court concludes that all factors favor issuance of a stay; the only question is the appropriate length. EPRs are not subject to the same required one-year decision timeframe that governs IPRs. As a result, there is no guarantee that the parties will have a decision on all impacted patents by February 17, 2023 (the latest date applicable to Defendant's IPRs) or the October 2022 dates relevant to Volkswagen's IPRs. As Defendant notes, with respect to EPRs the governing statute does require "[a]ll reexamination proceedings under this section, including any appeal to the Patent Trial and Appeal Board," to be "conducted with special dispatch," 35 U.S.C. § 305, but that phrase is clearly inexact and malleable. At least one court in this District has observed that the applicable timeframes may be lengthy (in fact so much so that the court concluded it "weigh[ed] slightly against a stay" in connection with examination of the "undue prejudice" factor). *See Signal IP, Inc. v. Volkswagen Grp. of Am., Inc.*, No. CV14-3113 JAK (JEMx), 2015 WL 5764831, *2 (C.D. Cal. May 26, 2015). As such, the Court is not inclined at this time to grant a stay until the end of the EPR proceedings.

Instead, the Court will at this time grant a stay at least until the outcome of the IPR proceedings instituted *by Volkswagen* is known in late October of this year. At that time, the Court will reconsider whether a continued stay is warranted until the outcome of *Defendant's* IPR proceedings is known. At *that* time, if a stay is still in effect, the Court will consider whether a continued stay in light of the EPR proceedings makes sense.

In short, the Court will grant Defendant's motion, but not – yet, at least – for the full amount of time Defendant requests.

² In its Reply brief, Defendant points out that this approach is shared by the Western District of Texas court that previously oversaw the case. *See* Docket No. 134, at 1:23-26.