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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.: SA CV 23-01156-AB (DFMx)

Date: April 3, 2024

Title: *Danco Inc. v. Fluidmaster Inc. et al.*Present: The Honorable **ANDRÉ BIROTTE JR., United States District Judge**

Carla Badirian

N/A

Deputy Clerk

Court Reporter

Attorney(s) Present for Plaintiff(s):

Attorney(s) Present for Defendant(s):

None Appearing

None Appearing

**Proceedings: [In Chambers] ORDER GRANTING DEFENDANT'S MOTION
TO STAY CASE PENDING IPR [DKT NO. 48]**

Before the Court is Defendant Fluidmaster, Inc.'s ("Defendant" or "Fluidmaster") motion to stay all proceedings pending *inter partes* review. ("Motion," Dkt. No. 48.) Plaintiff Danco, Inc. ("Plaintiff" or "Danco") filed an opposition ("Opp'n," Dkt. No. 50), and Defendant filed a reply. ("Reply," Dkt. No. 51.) Finding these matters suitable for resolution without oral argument, the Court **VACATES** the hearing set for April 5, 2024. *See* Fed. R. Civ. P. 78(b); C.D. Cal. L.R. 7-15. For the following reasons, the Court **GRANTS** the Motion.

I. BACKGROUND

Plaintiff filed the initial Complaint in this matter on June 28, 2023. Dkt. No. 1. Plaintiff filed a First Amended Complaint on October 2, 2023, which Defendant answered on November 15, 2023. Dkt. No. 38.

Plaintiff disclosed its initial infringement contentions on February 23, 2024. Dkt. No. 47. Defendant is due to serve invalidity contentions on April 8, 2024. *Id.*

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Claim construction discovery will conclude on July 8, 2024 with a claim construction hearing scheduled for September 13, 2024. *Id.* Fact discovery will close on September 27, 2024. *Id.* Expert discovery will close on December 20, 2024 and *Daubert* and dispositive motions must be filed on or before January 24, 2025. *Id.*

Plaintiff served its first set of interrogatories and document requests on February 27, 2024, but no other discovery has been conducted. Motion at 3.

On March 6, 2024, Defendant filed petitions for *inter partes* review of all three patents asserted in this action: U.S. Patent Nos. 9,103,105; 9,139,993; and 10,934,698. Dkt. No. 49 at 2. These petitions were assigned the designations IPR2024-00634, IPR2024-00633, and IPR2024-00635, respectively. *Id.* The Patent Trial and Appeal Board of the U.S. Patent and Trademark Office has not decided whether to institute IPR proceedings. *Id.* at 2-4; Motion at 2. An institution decision is anticipated on or around September 6, 2024. Motion at 2.

II. LEGAL STANDARDS

“A district court has the inherent power to stay its proceedings. The 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 U.S. Patent and Trademark Office 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 factors are important, ultimately “the totality of the circumstances governs.” *Allergan Inc. v. Cayman Chem. Co.*, No. 8:07-cv-01316 JVS (RNBx), 2009 WL 8591844, at *2 (C.D. Cal. Apr. 9, 2009).

III. DISCUSSION

The Court has balanced the relevant factors and the totality of the circumstances, and concludes that a stay pending IPR is appropriate.

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A. Stage of the Proceedings

This factor considers “whether discovery is complete and whether a trial date has been set.” *See Universal Elecs.*, 943 F. Supp. 2d at 1030-31. This case is presently set for trial in mid-2025. However, that date is more than a year away, and the case is less than a year old. Virtually no discovery has been conducted: Plaintiff has served a set of contentions and a round of interrogatories and document requests, but that is all. There are about six months left in fact discovery. It is certainly the case that “there is more work ahead of the parties and the Court than behind.” *Realtime Data LLC v. Teradata Operations, Inc.*, No. 2:16-cv-02743 AG (FFMx), 2017 WL 3453295, at *2 (C.D. Cal. Feb. 27, 2017); *see also Pi-Net Int’l, Inc. v. Hertz Corp.*, No. CV 12-10012 PSG JEMX, 2013 WL 7158011, at *2 (C.D. Cal. June 5, 2013) (finding the stage of the litigation factor favored a stay where the parties had exchanged infringement contentions, served discovery requests, and produced a repository of documents); *Locata LBS, LLC v. Yellowpages.com, LLC*, No. CV 13-7664 JAK, 2014 WL 8103949, at *2-3 (C.D. Cal. July 11, 2014) (finding case was in early stages where neither party had requested nor taken any depositions and expert discovery had not yet commenced); *Wonderland Nursery Goods Co. v. Baby Trend, Inc.*, No. ED CV 14-01154-VAP-(SPx), 2015 WL 1809309, at *3 (C.D. Cal. Apr. 20, 2015) (stay favored where *Markman* hearing had not yet taken place).

Plaintiff also argues that Defendant has unduly delayed filing its IPR petitions, but absent a showing that the litigation has advanced significantly, undue delay is more appropriately addressed in the context of prejudice. In any event, Plaintiff’s claims of undue delay are unpersuasive, as explained *infra*.

The Court thus finds this factor weighs significantly in favor of granting a stay.

B. Simplification of the Issues

This factor considers “whether a stay will simplify the issues in question and trial of the case.” *Aten Int’l Co. Ltd. v. Emine Tech. Co., Ltd.*, No. 8:09-cv-00843 AG (MLGx), 2010 WL 1462110, at *6 (C.D. Cal. April 12, 2010). There is a “near uniform line of authority [reflecting the principal that] after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed.” *NFC Tech. LLC v. HTC America, Inc.*, No. 2:13-cv-01058 WCB, 2015 WL 1069111,

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at *6–7 (E.D. Tex. March 11, 2015) (collecting cases granting a stay after the PTAB instituted IPR proceedings).

Matters are somewhat different before PTAB has decided whether to institute an IPR. On the one hand, because the PTAB is still deciding whether to institute Defendant’s petitions, simplification is speculative. *See Purecircle USA, Inc., v. SweeGen, Inc.*, SACV 18-1679 JVS (JDEx), 2019 WL 3220021, at *2 (C.D. Cal. June 3, 2019); *see also Netlist, Inc. v. Swart Storage Sys., Inc.*, No. 13-cv-5889, 2014 WL 4145412, at *3 (N.D. Cal. Aug. 21, 2014) (“[T]he mere filing of a petition for inter partes review tells the Court little about whether such a decision is likely.”); *CANVS Corp. v. U.S.*, 118 Fed. Cl. 587, 592 (2014) (holding burden is on moving party to show stay is appropriate, “and such showing must be based on more than the mere fact that a petition for [IPR] was filed”). On the other hand, “courts in this District have adopted the majority position that even if IPR has not yet been instituted, the simplification factor may still weigh in favor of a stay.” *Purecircle*, 2019 WL 3220021 at *3; *accord Doc. Sec. Sys., Inc. v. Seoul Semiconductor Co.*, SACV 17-00981 JVS (JCGx), 2018 WL 10670109, at *4 (C.D. Cal. Mar. 26, 2018); *but see JBF Interlude 2009 Ltd. v. Quibi Holdings LLC*, No. 2:20-CV-02250-CAS (SKx), 2020 WL 6203555, at *7 (C.D. Cal. Oct. 19, 2020) (citing *Polaris Innovations*, 2016 WL 7496740, at *2). Also, “the risk of delay attending an unnecessary stay is minimal relative to the risk of unnecessary expenditure of resources should the stay be denied and an IPR subsequently commence.” *Wonderland Nurserygoods Co. v. Baby Trend, Inc.*, No. EDCV 14-01153-VAP (SPx), 2015 WL 1809309, at *3 (C.D. Cal. Apr. 20, 2015).

Although courts sometimes enter a stay before the PTAB has instituted proceedings, Defendant has not made a persuasive case for why institution would be likely. The requested stay is therefore based only on the filing of an IPR petition, so any simplification of this case as a result of PTAB proceedings is speculative. If the petitions are not instituted, the stay will do nothing to simplify the action: the PTAB will not invalidate any claims of the Asserted Patents and Defendant will be free to assert any invalidity challenges in this action. Because the chances that the PTAB will institute an IPR on any of the Asserted Patents is unknown, this factor weighs against a stay.

However, this factor has relatively little weight here: the PTAB is expected to decide whether to institute Defendant’s petitions in about five months, so the delay will be quite short if institution is denied. If the petitions are instituted, each of the claims asserted by Plaintiff is challenged in one of the petitions. Dkt. No. 49 at 4-5. Thus, if each petition is instituted, the IPRs will substantially simplify this

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case: either the Asserted Patents will be invalidated, or if nothing else, IPR estoppel will reduce the invalidity issues Defendant is entitled to raise in this action. Even if only some of the petitions are instituted, the outcome of the IPR would significantly narrow the case.

C. Potential Undue Prejudice

When considering prejudice or a clear tactical disadvantage to Plaintiff, the Court considers factors “such as the timing of the requests for reexamination and a stay, the status of the reexamination proceedings, and the relationship of the parties.” *See SCA Hygiene Prods. Aktiebolag (“AB”) v. Tarzana Enterprises, LLC*, No. 2:17-cv-04395-AB (JPRx), 2017 WL 5952166, at *5 (C.D. Cal. Sept. 27, 2017). “Courts have repeatedly found no undue prejudice unless the patentee makes a *specific* showing of prejudice beyond the delay necessarily inherent in any stay.” *PersonalWeb Techs., LLC v. Apple, Inc.*, 69 F. Supp. 3d 1022, 1029 (N.D. Cal. 2014) (emphasis added); *see also Wonderland*, 2015 WL 1809309, at *4 (“The general prejudice of having to wait for resolution is not a persuasive reason to deny the motion for stay.”).

Beginning with the timing of the requests for reexamination and a stay, the Court finds Defendant has not behaved in a dilatory manner. Although nine months have elapsed between the filing of the Complaint and the filing of the petitions (and about five months elapsed between the filing of the FAC and the filing of the petitions), Defendant has filed its petitions substantially before the twelve-month deadline. In addition, little has occurred in the case during the nine-month period identified by Plaintiff. Also, Defendant filed its petitions about two weeks after Plaintiff served its infringement contentions and identified which claims it would be asserting. These contentions provided information relevant to Defendant’s decision whether to petition for IPR and which claims to target. *See Document Sec. Sys., Inc. v. Seoul Semiconductor Co., Ltd.*, Case No. SACV 19-01792 JVS (DFM), 2020 WL 11421528, at *3 (C.D. Cal. July 2, 2020) (finding defendant acted diligently in filing an IPR shortly after the patent owner served its infringement contentions).

Plaintiff objects that Defendant has unduly delayed because it received two extensions to respond to the Complaint. But the facts do not support Plaintiff’s contentions of undue delay. The first “extension” occurred because Plaintiff asked Defendant to waive service, which automatically extends the time to respond to the Complaint. Opp’n at 3. Plaintiff cannot fault Defendant for accepting its offer. The second extension occurred because Defendant indicated it would move to dismiss

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the Complaint unless Plaintiff supplemented its allegations. Plaintiff agreed to do so and to give Defendant 44 days to respond to the FAC, 30 more than the normal 14-day period to respond to an amended complaint. Because this was a modest extension and Plaintiff agreed to it, it does not materially affect the present analysis. Also, it was appropriate for Defendant to wait to better understand Plaintiff's position before filing its petitions. Plaintiff next argues that Defendant delayed because it procured insurance coverage for defense against the infringement allegations raised in the Complaint before the Complaint was filed. But Plaintiff's argument is misleading. The relevant evidence states that Defendant has an insurance policy that covers the defense of the claims in this action. Dkt. No. 42 at 5. It does not state that Defendant somehow knew about Plaintiff's allegations before this suit and purchased insurance specifically tied to Plaintiff's claim.

Plaintiff's argument concerning the parties' relationship is stronger. As Defendant concedes, the parties are direct competitors: both sell toilet fill valves. Motion at 9. However, although Plaintiff argues that a stay may cause it to lose customers or lose brand recognition, Plaintiff has not submitted a declaration from an individual with knowledge of its business. Nor has Plaintiff explained how, apart from the parties selling similar products, a stay would cause Plaintiff to lose customers or lose brand recognition. Instead, Plaintiff relies primarily on the unsupported arguments of its counsel. The only evidence of prejudice proffered by Plaintiff is an unauthenticated screenshot purporting to show a search on Amazon for "toilet fill valve replacement kit." Opp'n at Ex. B. This screenshot shows that some but not all of the most popular kits sold on Amazon are sold by Plaintiff and Defendant. *Id.* Plaintiff sells products purporting to practice the claimed invention, which often weighs significantly against a stay. However, the prejudice Plaintiff might suffer remains speculative because Plaintiff has not provided sufficient evidence to evaluate its claims of prejudice.

The Court determines that the prejudice factor is neutral.

On balance, the Court finds that a stay is warranted.

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IV. CONCLUSION

For the foregoing reasons, Defendant's Motion to Stay All Proceedings Pending IPR is **GRANTED**. This case is therefore **STAYED** pending IPR, and any calendar dates are **VACATED**.

The parties are **ORDERED** to file a Joint Status Report 90 days after the issuance of this Order, and every 90 days thereafter, with the face-page indicating the due date of the next report. The parties are **ORDERED** to file a final Joint Status Report by 14 days after the conclusion of IPR, along with a Stipulation and Proposed Order seeking to vacate the stay, set a schedule, or any other appropriate order to move the case forward.

IT IS SO ORDERED.