UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

THE PHELAN GROUP, LLC, Plaintiff, v. MERCEDES-BENZ GROUP AG, Defendant.	Civil Action No. 1:25-cv-01399-SEG

DEFENDANT MERCEDES-BENZ GROUP AG'S MEMORANDUM OF LAW IN SUPPORT OF ITS MOTION TO STAY PENDING RESOLUTION OF *INTER PARTES* REVIEW PROCEEDINGS

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I. INTRODUCTION

Defendant Mercedes-Benz Group AG ("Defendant" or "MBGAG") moves to stay this action pending resolution of MBGAG's *inter partes* review ("IPR") petitions before the U.S. Patent and Trademark Office ("PTO") challenging the validity of the patents[1] asserted by Plaintiff The Phelan Group, LLC ("Plaintiff" or "Phelan").

A stay should be granted in the present case because MBGAG has seven pending IPRs challenging the validity of ***all*** claims of ***all*** seven patents in this case, this case is still in its infancy with no *Markman* or trial date set, the IPRs will narrow the issues in this case or dispose of the case entirely, and Plaintiff is not a competitor of Defendant and would not suffer any "undue prejudice" during a stay.

For these reasons, MBGAG respectfully requests the Court enter a stay in this case pending final resolution of the IPRs, including any appeals thereof.

II. FACTUAL AND PROCEDURAL BACKGROUND

On December 15, 2023, Phelan filed suit against MBGAG, alleging infringement of seven patents, but did not serve MBGAG with this complaint. Dkt.

[1] U.S. Patent Nos. 9,045,101 (the "'101 Patent"); 9,493,149 (the "'149 Patent"); 9,908,508 (the "'508 Patent"); 10,259,465 (the "'465 Patent"); 10,259,470 (the "'470 Patent"); 11,352,020 (the "'020 Patent"); and 11,472,427 (the "'427 Patent") (collectively, the "Patents-in-Suit").

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1. Phelan then amended its Complaint on February 19, 2024, but waited until May 13, 2024, to complete service under The Hague Convention on MBGAG, a company incorporated under German law, and commence the case. Dkt. 9, 22. MBGAG filed a Motion to Dismiss this Amended Complaint on July 3, 2024. Dkt. 25. In response, Phelan amended its Complaint a second time on July 17, 2024. Dkt. 35. However, the Second Amended Complaint did not resolve the issues raised in the first Motion to Dismiss, and MBGAG filed a second Motion to Dismiss on July 31, 2024. Dkt. 43. The motion has been fully briefed by both parties, and briefing on the motion closed on August 21, 2024. *See* Dkt. 43, 60, 64. The motion remains pending adjudication. Thus, MBGAG has not yet filed an answer to the complaint.

Concurrent with MBGAG's Motion to Dismiss, MBGAG moved to transfer the case to this Court for convenience under §1404 on July 5, 2024. Dkt. 26. On February 14, 2025, the U.S. District Court for the Eastern District of Texas granted MBGAG's transfer motion to the Northern District of Georgia. Dkt. 81. On March 18, 2025, the clerk of this Court filed letters pursuant to Local Rule 83.1 to counsel of record of both Phelan and MBGAG and provided that listed counsel not admitted to this District had ten days to apply for full admission or admission *pro hac vice*. *See* Dkt. 86-95. On March 28, 2025, counsel for MBGAG appeared and entered *pro hac vice* applications, which were granted on April 24, 2025. Dkt. 99-106. But, as of the filing of this Motion to Stay, no counsel has appeared on behalf of Phelan in

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this District. *See* Dkt. 86-89. Nor has Phelan's listed counsel filed either the requisite motion to withdraw or notice of substitution of counsel by the ten day deadline. *See id.*

No fact discovery was requested or served during the pendency of the motions to dismiss and transfer, other than the notices required by the E.D. Texas Local Patent Rules and venue-related discovery taken in connection with MBGAG's transfer motion. Furthermore, no claim construction briefing or hearing has been conducted, and no trial date has been set in this Court.

MBGAG filed a petition for *inter partes* review challenging all claims of the '101 Patent on January 6, 2025 (IPR2025-00413). MBGAG subsequently filed petitions for *inter partes* review challenging all claims of the '508 Patent (IPR2025-00758), '465 Patent (IPR2025-00919), '427 Patent (IPR2025-00930), '149 Patent (IPR2025-00986), '470 Patent (IPR2025-00990), and '020 Patent (IPR2025-00992). Institution decisions in all IPRs are expected this year, with the first expected around July 2025. *See* 35 U.S.C. §314(b).

Additionally, the '470 Patent was subjected to an *ex parte* reexamination initiated by a third party, wherein the PTO Reexamination Examiner found the challenged claims unpatentable. Ex. 1. Phelan appealed to the Patent Trial and Appeal Board ("PTAB"), and the PTAB affirmed the Examiner on May 2, 2025. *Id.*

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Phelan's deadline to file a Notice of Appeal to the Federal Circuit, should it choose to, is July 2025.

III. LEGAL STANDARD

As part of this Court's inherent power to manage its docket, it "has the discretion to stay the action pending the PTAB's review" if a party seeks IPR of an allegedly infringed patent. *Intellectual Ventures II LLC v. SunTrust Banks, Inc.*, No. 1:13-cv-02454-WSD, 2014 WL 5019911, at *2 (N.D. Ga. Oct. 7, 2014); *Aegis 11 S.A. v. Hisense Co., Ltd.*, No. 1:20-CV-3891-MHC, 2021 WL 12300139, at *2 (N.D. Ga. June 23, 2021) (quoting *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988)). "[C]ourts consider three factors in deciding whether to stay litigation pending completion of [an] IPR: '(1) whether discovery is complete and a trial date has been set; (2) whether a stay will simplify the issues in the case; and (3) whether a stay would unduly prejudice or present a tactical disadvantage to the nonmovant.'" *Aegis*, 2021 WL 12300139, at *2 (quoting *Interface, Inc. v. Tandus Flooring, Inc.*, No. 4:13-CV-46-WSD, 2013 WL 5945177, at *4 (N.D. Ga. Nov. 5, 2013)).

IV. ARGUMENT

Courts in this District "have reasoned that a stay pending a related PTO administrative proceeding should be ***liberally granted***," including where, as here, the IPRs may significantly simplify the issues or even dispose of the litigation altogether. *Doubleday Acquisitions, LLC v. Envirotainer AB*, No. 1:21-cv-03749-

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SCJ, 2022 WL 18778991, at *3 (N.D. Ga. June 3, 2022) (emphasis added). The benefits of staying litigation pending IPRs are notable, such as: eliminating some or all asserted claims; streamlining the case by resolving issues that would otherwise need to be addressed by this Court; reducing the complexity and length of litigation; and reducing the cost for both parties and the Court. *See, e.g.*, *Aegis*, 2021 WL 12300139, at *2 (citing *Tomco*^{2} *Equip. Co. v. Se. Agri-Systems, Inc.*, 542 F. Supp. 2d 1303, 1307 (N.D. Ga. 2008)). Because all factors strongly favor a stay, the Court should grant Defendant's Motion and stay the case through the duration of the IPRs, including any appeals thereof.

A. Factor 1: The Early Stages of Litigation Favors a Stay.

This case remains in the early stage of litigation, and thus this factor strongly supports a stay. The case was recently transferred to this Court, and MBGAG's Motion to Dismiss Plaintiff's Second Amended Complaint remains pending. MBGAG has not yet filed an Answer, and no depositions or other fact discovery has been taken, apart from the initial disclosures mandated by the Eastern District of Texas's Local Patent Rules and venue-related discovery taken in connection with MBGAG's transfer motion. Accordingly, claim construction proceedings have not commenced, and no *Markman* hearing has been set. Further, no trial date has been set and this Court has yet to issue a scheduling order. *Epic Tech, LLC v. Pen-Tech Assocs., Inc.*, No. 1:20-CV-2428-MHC, 2020 WL 8258736, at *3 (N.D. Ga. Sept.

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28, 2020) (citations omitted) (stating that "[t]he earlier the stage of proceedings, the greater the reason to grant a stay"); *see also IP Co., LLC v. Tropos Networks, Inc.*, No. 1:06-CV-0585-CC, 2014 WL 12622444, at *2 (N.D. Ga. Mar. 5, 2014) (stay favored when case had been pending without substantive progression).

The timing of the PTAB decisions on institutions also favors granting a stay. The PTAB is statutorily required to provide a decision on institution around six months from the filing of the petitions. *See* 35 U.S.C. § 314(b). The PTAB's decision to institute the first filed petition is less than two months away, and the remaining petitions were filed between March 21, 2025 and May 12, 2025, such that institution decisions will be expected on all IPRs this year. Courts in this District have regularly granted stays pending IPR institution decisions, including in situations similar to this one, when the case is in its infancy, little discovery has taken place, no *Markman* hearing or trial date is set, and there are no pending deadlines. *See Aegis*, 2021 WL 12300139, at *3 (granting stay before institution and noting that if institution is denied duration of stay would be "short"). Here, granting the stay may serve to significantly reduce the burden on this Court and the parties. However, if the Court denies the stay now and the IPRs are instituted later, the Court and parties may have expended unnecessary resources, including on discovery and claim construction, in the coming months.

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Thus, this factor weighs strongly in favor of granting a stay until the IPR proceedings reach final resolution.

B. Factor 2: A Stay Will Simplify the Issues.

MBGAG challenged all claims of all seven Patents-at-Issue in the IPRs and thus all claims asserted (and that could be asserted) in this litigation. Therefore, staying the case pending the outcome of the IPRs "could eliminate some or all of the asserted claims and streamline the case by resolving issues that would otherwise need to be addressed by the Court." *Aegis*, 2021 WL 12300139, at *3-4 (noting that if IPRs are instituted, the case would be over if all claims are canceled and that there is a good chance infringement and invalidity issues will be simplified even if some claims survive); *Cooper Lighting, LLC v. Cordelia Lighting, Inc.*, No. 1:16-CV-2669-MHC, 2018 WL 11350482, at *4 (N.D. Ga. June 28, 2018). Moreover, should the PTAB find any claims valid, "the challenger in the *inter partes* proceeding is estopped from asserting invalidity on the same grounds, in subsequent litigation." *Interface*, 2013 WL 5945177, at *3 (citing 35 U.S.C. § 315(e)(2)). The estoppel provision guarantees this Court will benefit from the IPRs, and the scope of this litigation is assured to be reduced, regardless of the outcome of the IPR proceedings.

Finally, the resolution of issues in IPRs "prevent[s] duplicative efforts and conserve[s] significant time and resources of both the parties and the Court." *IP Co.*, 2014 WL 12622444, at *3.

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Therefore, the simplification of issues strongly weighs in favor of a stay.

C. Factor 3: A Stay Would Not Unduly Prejudice Plaintiff.

There would be no undue prejudice or tactical disadvantage to Phelan if the Court were to grant a stay pending resolution of the IPRs. As an initial matter, "the mere fact that delay will necessarily result from the stay does not mean that there is *undue* prejudice." *Doubleday Acquisitions*, 2022 WL 18778991, at *3 (emphasis in original). Instead, courts determine if there is undue prejudice or tactical disadvantage based on four sub-factors: "(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." *Epic Tech.*, 2020 WL 8258736, at *4. Each sub-factor weighs in favor of a stay.

First, the timing of the review request favors a stay when a defendant does not delay requesting *inter partes* review. *See Doubleday Acquisitions*, 2022 WL 18778991, at *3. MBGAG filed its petitions within the statutorily allotted period under 35 U.S.C. § 315(b). *See Harper Eng'g Co. v. FACC Operations GmbH*, No. 1:20-cv-00510-KD-C, 2022 WL 356735, at *5 (S.D. Ala. Jan. 18, 2022) (finding defendant did not delay when filing its IPR petitions "within the statutorily allotted period"). Indeed, the first IPR was filed before MBGAG filed an Answer, less than six months after Phelan filed the operative Second Amended Complaint, and before

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any discovery requests, other than venue-related discovery, were served. Therefore, this sub-factor weighs in favor of a stay.

Second, the timing of the stay request favors a stay because MBGAG filed the present motion promptly after filing the last of its IPR Petitions and the case being transferred to this Court. *See Doubleday Acquisitions*, 2022 WL 18778991, at *3.

Third, the status of the review proceedings favors a stay. Courts in this District readily grant stays when IPRs are awaiting an institution decision by the PTAB. *See, e.g.*, *Doubleday Acquisitions*, 2022 WL 18778991, at *5; *Aegis*, 2021 WL 12300139, at *4; *Epic Tech*, 2020 WL 8258736, at *5. If one or more of the IPRs are instituted, staying this case until resolution of the IPRs will simplify the issues. And as noted, even if the IPRs are denied institution, a stay will be relatively short and would not prejudice Phelan. *See supra* Section IV.A; *see also Epic Tech*, 2020 WL 8258736, at *4.

Fourth, the relationship of the parties favors a stay because the parties are not competitors. Courts have noted this factor weighs against a stay only when the parties are direct competitors. *See Epic Tech*, 2020 WL 8258736, at *5. But here, the parties are not direct competitors, or competitors at all. *See* Dkt. 81 at 11 (where the Eastern District of Texas found that Phelan "is not engaged in product competition in the marketplace"). This alone is sufficient for this sub-factor to weigh in favor of a stay. *See Harper Eng'g*, 2022 WL 356735, at *6. Because Phelan does

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not compete with MBGAG, it will not suffer loss of business, loss in market share, or other related harm with a stay. *See id.*; *IP Co.*, 2014 WL 12622444, at *4. Phelan may argue that it would suffer "harm" due to the delay in the resolution of this matter, but again, this is "insufficient grounds to deny a stay." *IP Co.*, 2014 WL 12622444, at *4.

Viewing the totality of the "undue prejudice or tactical disadvantage" factor, granting a stay in this matter will not cause Phelan undue prejudice, nor would Phelan suffer any tactical disadvantage. Indeed, Phelan delayed in commencing the case and is not actively litigating it. Phelan waited months to initiate service on Defendant. Moreover, after it did, Phelan served no discovery (other than venue discovery and required disclosures) while the case was pending in the Eastern District of Texas. And since the case was transferred to this Court on March 18, 2025, counsel for Phelan has *still* not served discovery and, in fact, has yet to enter an appearance, despite the Court ordering it to.

V. CONCLUSION

A stay pending the PTAB's decisions on the seven IPRs comes timely, would simplify the issues for this Court, and would not unduly prejudice Phelan. For these reasons, MBGAG respectfully requests that the Court grant its Motion and enter a stay in this case pending the resolution of the IPR proceedings against the Patents-in-Suit, including appeals therefrom. Mercedes respectfully proposes that it submit

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a report to the Court within 21 days after the final resolution of all IPRs, including any appeals therefrom.

Dated: May 28, 2025

Respectfully submitted,

/s/ Celine J. Crowson

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LOCAL RULE 7.1(D) CERTIFICATION

The undersigned hereby certifies that the foregoing document was prepared in Times New Roman 14-point font, pursuant to Local Rule 5.1(B).

Dated: May 28, 2025 */s/ Celine J. Crowson*

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