

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

F'REAL FOODS, LLC and)
RICH PRODUCTS CORPORATION)
Plaintiffs,)
)
v.)
)
HAMILTON BEACH BRANDS, INC.,)
HERSEHY CREAMERY COMPANY and)
PAUL MILLS d/b/a MILLS BROTHERS)
MARKETS)
Defendants.)

C.A. No. 16-cv-41 (GMS)

JURY TRIAL DEMANDED

ORDER

Presently before the court in the above-captioned matter¹ is Defendants' Motion to Stay Litigation Pending *Inter Partes* Review of U.S. Patent Nos. 7,520,658 and 7,520,662.² (D.I. 37). A decision to stay litigation lies within the sound discretion of the court. *See Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citations omitted) (“Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.”). The court performs a balancing analysis using the following three factors to determine if a stay is appropriate: “(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in

¹ On January 26, 2016, plaintiffs brought the above-captioned action against defendants alleging infringement of U.S. Patent Nos. 5,803,377 (“the ’377 patent”), 7,144,150 (“the ’150 Patent”), 7,520,658 (“the ’658 Patent”), and 7,520,662 (“the ’662 Patent”). (D.I. 1.)

² Defendants Hershey Creamery Company and Paul Mills did not join the *inter partes* review (“IPR”) petitions, filed by Hamilton Beach Brands, Inc. (“Hamilton Beach”), but they agreed to join the motion to stay and be bound to the estoppel provisions of 35 U.S.C. § 315(e) should the IPRs be instituted by the Patent Trial and Appeal Board (“PTAB”). (D.I. 38 at 1 n.2.)

question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.” *First Am. Title Ins. Co. v. McLaren LLC*, No. 10-363-GMS, 2012 WL 769601, at *4 (D. Del. Mar. 9, 2012) (quoting *Xerox Corp. v. 3 Com Corp.*, 69 F. Supp. 2d 404, 406 (W.D.N.Y. 1999)).

After considering the parties’ positions as set forth in their papers, as well as the applicable law, the court finds that a stay is unwarranted here. Plaintiff is likely to suffer undue prejudice.³ Further, the issues before the court will be minimally simplified by the recently instituted *inter partes* review and *ex parte* reexamination proceedings regarding two of the patents-in-suit.⁴ The

³ Based upon the timing of the IPR petitions and motion to stay, it does not appear that the defendants seek an unfair tactical advantage. Plaintiffs argue that Hamilton Beach filed the IPRs outside of the statutory one-year deadline. (D.I. 41 at 1.) However, the PTAB, rejecting this contention, held that the patent action is less than a year old. Hamilton Beach filed the IPR petitions for the ’658 and ’662 patents on May 27, 2016—eight months earlier than the statutory deadline. *See* 35 U.S.C. § 315(b) (“[a]n *inter partes* review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.”). Additionally, Defendants moved to stay the case less than three weeks after filing the petitions for IPR. (D.I. 37).

To determine if the plaintiff will be unduly prejudiced by a stay, the court looks to “the timing of the request for reexamination, the timing of the request for stay, the status of the reexamination proceedings and the relationship of the parties.” *Boston Sci. Corp. v. Cordis Corp.*, 777 F. Supp. 2d 783, 788 (D. Del. 2011). Again, the court finds that defendants’ requests for IPR and a stay were timely. The PTAB has denied institution of IPR on all eight challenged claims of the ’658 patent and granted institution of IPR on claim 21 of the ’662 patent. (D.I. 43.) Defendants recently informed the court that the PTO has ordered *ex parte* reexamination for all 27 claims of the ’377 patent. (D.I. 46.) Plaintiffs, however, accurately point out that the pending motion is not based on the ’377 patent reexamination and two unexpired patents that have either survived or not been subject to PTO challenges as of the responsive letter. (D.I. 47.) Additionally, the parties appear to be direct competitors. *See Neste Oil*, 2013 WL 3353984, at *3 (explaining that “[c]ourts are more hesitant to grant a stay in a matter where the parties are direct competitors”). Defendants argue that (1) plaintiffs fail to cite any documentary evidence or declaratory evidence that suggest the competitive harms that the court considers relevant in granting a stay in competitor cases, *e.g.*, loss of market share or erosion of good will; (2) plaintiffs have failed to seek a preliminary injunction; and (3) there are multiple active firms in the market for self-service milk shakes in convenience stores. (D.I. 42 at 5-6.) These assertions are unpersuasive with respect to this sub-factor. Whether the non-moving party has sought a preliminary injunction is not dispositive on the “direct competition” issue. *Davol, Inc. v. Atrium Medical Corp.*, Ca. No. 12-958-GMS, 2013 WL 301334, at *4 (D. Del. June 17, 2013). Hamilton Beach’s own antitrust counterclaims demonstrate that real and Hamilton Beach compete in the relevant market. (D.I. 41 at 12.) Thus, the court finds that plaintiffs will be unduly prejudiced by a stay of the action.

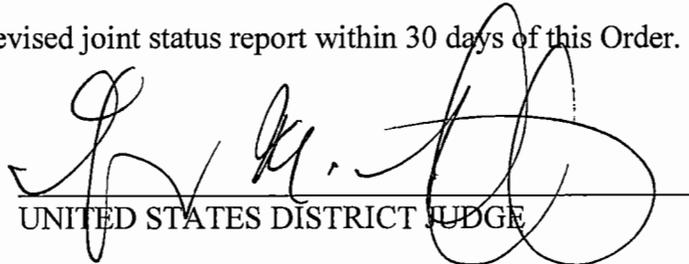
⁴ The PTAB decided to institute IPR for claim 21 of the ’662 patent in IPR2016-01107 and denied institution on the challenged claims of the ’658 patent in IPR2016-01105. (D.I. 43.) Defendants will be estopped from asserting in a civil action any obviousness arguments based on prior art that was raised or reasonably could have been raised during the *inter partes* review proceeding. *See* 35 U.S.C. §§ 311, 315(e)(2), 318(a). A stay will allow the court and the parties to avoid wasting resources on a *Markman* process to address claims that may be amended or canceled. *In*

fact that this case remains in an early stage⁵ does not outweigh the prejudicial aspects of a stay. Accordingly, the court denies Defendants' motion.

IT IS HEREBY ORDERED THAT:

1. The Defendants' Motion to Stay Litigation Pending *Inter Partes* Review of U.S. Patent Nos. 7,520,658 and 7,520,662(D.I. 37) is DENIED⁶;
2. The parties shall provide a revised joint status report within 30 days of this Order.

Dated: March 9, 2017



UNITED STATES DISTRICT JUDGE

re Bear Creek Techs. Inc., No. 12-md-2344-GMS, 2013 WL 3789471, at *3 n.8 (D. Del. Jul. 17, 2013). Moreover, the court and the parties will have the benefit of the IPR record in any post-stay *Markman* process. See *Gioello Enters. Ltd. v. Mattel, Inc.*, No. 99-375-GMS, 2001 WL 125340, at *1 (D. Del. Jan. 29, 2001). Nevertheless, the court finds this factor weighs only lightly in defendants' favor. As plaintiffs note, "there are still many issues that will need to be resolved . . . regardless of what happens on *inter partes* review"—namely the litigation of the two patents-in-suit for which Defendants have not sought IPR, trademark infringement issues, and Defendants inequitable conduct and antitrust counterclaims." (D.I. 41 at 13.) The fact that Hamilton Beach subsequently filed petitions for IPR for the '150 and '658 patents in January 2017 does not change the court's analysis, because these PTAB decisions are not due until July 2017 and the PTAB has previously denied IPR on the '658 patent.

⁵ The parties are in the early stages of litigation, which weighs in favor of granting a stay pending review in order to advance the interests of judicial economy. A schedule has not been entered in this action, fact discovery and *Markman* are not completed, and a trial will not be scheduled before October 30, 2017 at the earliest.

⁶ Taking the three stay factors together, the court believes they weigh against a stay of this litigation. Although the "issue simplification" and "state of litigation" factors suggest that a stay might serve the interests of judicial economy, the court is concerned that plaintiffs will suffer undue prejudice should they be compelled to continue competing with defendants accused products without being permitted to advance their infringement claims. Furthermore, the possible efficiency realized through a stay would be limited by the fact that the PTAB has ordered review of only two of the four patents-in-suit.