

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

USDC SDNY  
DOCUMENT  
ELECTRONICALLY FILED  
DOC #:  
DATE FILED: March 3, 2016

-----X  
: KISS NAIL PRODUCTS, INC.,  
:

: Plaintiff,  
:

: 15 Civ. 6019 (KPF)  
:

: v.  
:

: ORDER  
:

: TIANJIN SHUANGRONG PAPER  
: PRODUCTS CO. LTD., *et al.*,  
:

: Defendants.  
:

-----X  
KATHERINE POLK FAILLA, District Judge:

The Court is in receipt of Defendants’ motion to stay proceedings pending possible *inter partes* review (“IPR”) of the patent-in-suit (“Patent”) by the Patent Trial and Appeal Board (“PTAB”) of the Patent and Trademark Office (“PTO”) or, in the alternative, to bifurcate discovery (Dkt. #55-56), and Plaintiff’s memorandum of law in opposition (Dkt. #59).<sup>1</sup> For the reasons set forth below, Defendants’ motion is DENIED, without prejudice to its renewal if the PTO institutes IPR of the patent claims.

At the outset, as the parties agree, “[d]istrict courts have the inherent power to manage their dockets, which includes issuing a stay pending the conclusion of review proceedings before the USPTO.” *CDX Diagnostics, Inc. v. U.S. Endoscopy Grp., Inc.*, No. 13 Civ. 5669 (NSR), 2014 WL 2854656, at \*2

<sup>1</sup> For convenience, Defendants’ memorandum of law in support of their motion (Dkt. #56) is referred to as “Def. Mem”; Plaintiff’s memorandum of law in opposition (Dkt. #59) is referred to as “Pl. Opp.”; and Defendants’ reply memorandum (Dkt. #60) is referred to as “Def. Reply.”

(S.D.N.Y. June 20, 2014). In evaluating a motion to stay pending review by the PTO, courts generally consider three factors: “[i] whether a stay will simplify the issues in question and trial of the case; [ii] the stage of the proceedings; and [iii] whether a stay will prejudice the nonmoving party.” *Id.* (citing *TouchTunes Music Corp. v. Rowe Int’l Corp.*, 676 F. Supp. 2d 169, 177 (S.D.N.Y. 2009)).

With regard to the first factor, Defendants argue that a stay pending possible IPR would conserve judicial resources by narrowing the issues in question, as “Plaintiff has asserted infringement of only one patent and Defendants maintain that every claim of that Patent is invalid.” (Def. Mem. 7). Defendants have thus petitioned the PTO for review of all claims in the Patent, and they argue that a determination by the PTO will “necessarily be relevant” to narrowing the issues in contention. (*Id.*). As Defendants argue, “[i]f even one of the challenged claims is found invalid, that will moot issues such as infringement, validity, and damages with regard to that claim.” (Def. Reply 6 (emphasis in original)). Plaintiff notes, by contrast, that “Defendants’ motion is premised on their hope that the USPTO will actually grant a review of Plaintiff’s patent.” (Pl. Opp. 5 (emphasis in original)).

Defendants are correct that IPR may simplify proceedings, as a petitioner may not later challenge patent claims in district court “on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.” 35 U.S.C. § 315(e); *see also Intellectual Ventures II L.L.C. v. JP Morgan Chase & Co.*, No. 13 Civ. 3777 (AKH), 2014 WL 10919562, at \*3 (S.D.N.Y. Aug. 11, 2014) (“A decision of the PTAB concluding an IPR may streamline

court proceedings, or it may not. If a patent claim is canceled, the patent holder is bound. If a claim is upheld, the petitioner may not attack the claim in court on any ground that the petitioner raised or reasonably could have raised during that *inter partes* review.” (internal quotation marks omitted)). However, as Plaintiff points out, no streamlining of issues will materialize unless the PTO actually institutes the IPR, which it may not do for several months, if at all.<sup>2</sup> See *CDX Diagnostics, Inc.*, 2014 WL 2854656, at \*4 (“[A]lthough IPR proceedings may serve to narrow the issues in the pending litigation, it is unclear at this stage whether the PTO will institute proceedings on any or all of the petitions. Thus, the factor weighs slightly in favor of denying a stay.”); *Intellectual Ventures II L.L.C.*, 2014 WL 10919562, at \*4 (“Staying this case pending the resolution of the petitions for IPR would have only a speculative streamlining effect, and would present [Defendants] with an unfair tactical advantage.”). On balance, this factor weighs against Defendants’ request for a stay, unless and until the PTO institutes the IPR.

With regard to the stage of the proceedings, “district courts commonly deny motions to stay pending patent reexamination in cases where substantial proceedings, including discovery, have occurred.” *TouchTunes Music Corp.*, 676 F. Supp. 2d at 177. Defendants correctly argue that the instant matter “is in its infancy,” with no scheduling order or trial date in place. (Def. Mem. 7). Accordingly, this factor weighs in favor of granting a stay. See *CDX*

---

<sup>2</sup> The parties agree that the PTO will make its decision on the IPR petition on or before June 29, 2016. (Def. Mem. 2; Pl. Opp. 2).

*Diagnostics, Inc.*, 2014 WL 2854656, at \*4 (“This action is in the very early stages of its lifespan. Little to no discovery has taken place ... and therefore, this factor weighs in favor of a stay.”).

Finally, addressing potential prejudice to Plaintiff in the event a stay is granted, Defendants state that the Court should look to “[i] the timing of the review request; [ii] the timing of the request for stay; [iii] the status of the review proceedings; and [iv] the relationship of the parties.” *Rensselaer Polytechnic Inst. v. Apple Inc.*, No. 13 Civ. 633 (DEP), 2014 WL 201965, at \*4 (N.D.N.Y. Jan. 15, 2014). Overall, Defendants argue that “[a]bsent a stay, all parties and the Court will suffer prejudice in the form of wasted time and resources.” (Def. Mem. 8). While Defendants have promptly requested IPR and a stay,<sup>3</sup> as noted above, for the third factor, the PTO has not yet determined whether to institute the IPR.

With regard to the parties’ relationship, Defendants argue that “Plaintiff is the self-proclaimed ‘world’s largest manufacturer and distributor of professional quality nail products,’” and thus, a stay should be imposed to “prevent Plaintiff, the 800-pound gorilla in this arena, from prejudicing Defendants by forcing them to incur unnecessary litigation expense.” (Def. Reply 7).

---

<sup>3</sup> As Defendants explain, a petition for IPR must be submitted within 12 months of the patent infringement complaint; here, the action was filed on July 31, 2015, and Defendants petitioned for IPR well before the one-year deadline, on December 29, 2015. (Def. Mem. 2). Plaintiff does not challenge this timeline, although Plaintiff refers to Defendants’ motion to stay more generally as a “delay tactic.” (Pl. Opp. 2).

In opposition, Plaintiff contends that, under 35 U.S.C. § 282, its Patent is “presumed valid”; Defendants must establish the Patent’s invalidity; and any stay will forestall its ability to vindicate its rights. (Pl. Opp. 3). Plaintiff also argues that, as direct competitors, “[i]f Defendants’ infringement and false advertising are allowed to continue unfettered, Plaintiff faces the risk of loss of market share as well as goodwill, and consumers will continue to be misled by Defendants’ false statements.” (*Id.* at 4).

In considering possible prejudice and the parties’ relationship, courts may look to “whether the parties are competitors in the marketplace ... because there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill.” *CDX Diagnostics, Inc.*, 2014 WL 2854656, at \*4 (internal citations and quotation marks omitted). Thus, in spite of Defendants’ contention that Plaintiff is the more powerful entity, Plaintiff nonetheless faces prejudice as the current patent-holder. *See, e.g., Prestige Jewelry Int’l, Inc. v. BK Jewellery HK*, No. 11 Civ. 2930 (LBS), 2012 WL 1066798, at \*3 (S.D.N.Y. Mar. 24, 2012) (“[Defendants] need only show that prejudice would result from the issuance of a stay — which [they] have clearly done, since they are the putative patent holders, [Plaintiff] is the putative transgressor, and the stay will enable continued transgression.”). Consequently, this factor weighs against Defendants’ request for a stay.

In sum, weighing (i) the speculative simplification of issues before the Court, (ii) the early stage of the instant litigation, and (iii) the likelihood of prejudice inuring to Plaintiff in the event a stay is granted, the Court finds that a stay of proceedings pending the PTO's review of the Patent is not warranted at this time.

In the alternative, Defendants request that the Court bifurcate discovery and limit it "to only those issues necessary to permit Defendants to move for summary judgment as to the invalidity of the Patent, including claim construction." (Def. Mem. 9). The Court agrees with Plaintiff, though, that "[t]he expeditious collection of information will lead to the expeditious resolution of this dispute" (Pl. Opp. 8), and does not see any compelling reason to bifurcate discovery at this time. Secondly, the Court notes that discovery is effectively stayed for the short term, in light of Defendants' pending motion to dismiss.

Accordingly, Defendants' motion to stay the proceedings pending *inter partes* review or, alternatively, to bifurcate discovery, is hereby DENIED. However, if the PTO later institutes IPR proceedings, the Court may be in a better position to revisit a potential stay, and Defendants may renew their motion at that time.

The Clerk of Court is directed to terminate Docket Entry 55.

SO ORDERED.

Dated: March 3, 2016  
New York, New York



---

KATHERINE POLK FAILLA  
United States District Judge