

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
EL PASO DIVISION

SMALL AXE ENTERPRISES, INC.,

Plaintiff,

v.

HELEN OF TROY LIMITED,

Defendant.

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EP-20-CV-00042-FM

ORDER GRANTING MOTION TO STAY

Before the court is “Helen of Troy Ltd.’s Unopposed Motion to Stay Pending *Ex Parte* Reexamination of the Asserted Patent” (“Motion”) [ECF No. 12], filed April 9, 2020 by Helen of Troy Ltd. (“Defendant”). Therein, Defendant seeks to stay proceedings pending resolution of an *ex parte* reexamination of the patent at issue in this case by the United States Patent and Trademark Office (“PTO”).¹ The Motion is unopposed.² After careful consideration of the Motion and the applicable law, the Motion is **GRANTED**.

I. BACKGROUND

This case arises from a dispute over intellectual property rights. Small Axe Enterprises, Inc. (“Plaintiff”) owns U.S. Patent No. 6,578,809 B1 (the “’809 Patent”).³ The ‘809 Patent claims cup-shaped devices that fit around the bases of containers such as cups, cans, and bottles.⁴ Defendant makes and sells both water bottles and a product called “Flex Boots,” which it sells as

¹ “Helen of Troy Ltd.’s Unopposed Motion to Stay Pending *Ex Parte* Reexamination of the Asserted Patent” (“Mot.”) 2, ECF No. 12, filed Apr. 14, 2020.

² *Id.* at 1.

³ “Complaint for Patent Infringement” (“Compl.”) 2 ¶ 6, ECF No. 1, filed Feb. 7, 2020.

⁴ *Id.* at 3 ¶ 7.

an accessory to its water bottles.⁵ Plaintiff alleges Flex Boots infringe on one or more claims of the '809 Patent.⁶ Defendant denies allegations of infringement.⁷ Defendant also asserts the affirmative defense that the claimed invention was neither new nor non-obvious at the time Plaintiff filed the patent application and Patent '809 is therefore invalid.⁸

Prior to filing the current lawsuit, Plaintiff filed a lawsuit against Takeya USA Corporation ("Takeya") in the Central District of California alleging infringement of the '809 patent.⁹ Takeya filed a request for *ex parte* reexamination of the '809 Patent at the PTO, which was granted.¹⁰ Reexamination of the '809 Patent is currently pending before the PTO.¹¹ As a result, the Central District of California granted a stay of Plaintiff's lawsuit against Takeya.¹² Defendant urges this cause should also be stayed.¹³

II. LEGAL STANDARD

"Courts have inherent power to manage their dockets and stay proceedings, including the

⁵ *Id.* at 3 ¶ 9-4 ¶ 10.

⁶ *Id.* at 4 ¶ 10.

⁷ "Defendant's Answer to Plaintiff's Complaint" 3 ¶ 15-19, ECF No. 9, filed Apr. 6, 2020.

⁸ *Id.* at 4 ¶ 20-21.

⁹ Mot. 5.

¹⁰ *Id.* See generally, Mot., "Order Granting Request for *Ex Parte* Reexamination," ("Reexamination Ord.") ECF No. 12-2, Ex. 2.

¹¹ *Id.*

¹² See generally, *Small Axe Enters. v. Takeya USA Corp.*, No. SA CV 19-02473 (C.D. Cal. 2020) (order granting stay).

¹³ See generally, Mot.

authority to order a stay pending conclusion of a PTO reexamination.”¹⁴ “The stay of pending litigation to enable PTO review of contested patents was one of the specified purposes of the reexamination legislation.”¹⁵ When deciding requests to stay a case pending reexamination, courts consider the following factors:

“(A) whether a stay, or denial thereof, will simplify the issues in question and streamline the trial; (B) whether discovery is complete and whether a trial date has been set; (C) whether a stay, or the denial thereof would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and (D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.”¹⁶

III. DISCUSSION

A. Simplification of Issues and Reduced Burden of Litigation

Ex parte reexamination allows any party to request the PTO to make a second examination of the validity of an already-granted patent.¹⁷ The outcome of the *ex parte* reexamination may eliminate or simplify the issue of patent validity before the court.¹⁸ Regardless of the outcome, courts have noted the technical expertise provided by the reexamination proceeding are helpful in deciding any issues that remain.¹⁹

¹⁴ *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citing *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936)).

¹⁵ *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 606 (Fed. Cir. 1985), *aff’d on reh’g*, 771 F.2d 480 (Fed. Cir. 1985).

¹⁶ America Invents Act, Pub L. No. 112-29, § 18(b)(1), 125 Stat. 329 (2011); *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1309 (Fed. Cir. 2014). The Federal Circuit distinguishes between factors (A) and (D) but consolidates the resulting analysis, which is the approach taken here. Some district courts consolidate the factors from the outset. *See, e.g., Datatresury Corp. v. Wells Fargo & Co.*, 490 F.Supp.2d 749, 754 (E.D. Tex. 2006) (citing *Sovereign Software LLC v. Amazon.com, Inc.*, 356 F.Supp.2d 660, 662 (E.D. Tex. 2005)).

¹⁷ 35 U.S.C. § 302 (2012).

¹⁸ *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed.Cir.1983), *cert. denied* 464 U.S. 935 (1983).

¹⁹ *Datatresury Corp. v. Wells Fargo & Co.*, 490 F.Supp.2d 749, 754 (E.D. Tex. 2006) (citing *Gould*, 705 F.2d at 1342).

Plaintiff's sole claim for relief is infringement of the '809 Patent by Defendant.²⁰ The validity of this patent is currently being reexamined by the PTO.²¹ In granting the request for reexamination, the PTO issued an order finding several "substantial new questions of patentability," which could result in claim cancelation or amendment.²² Cancelation or amendment could simplify or dispose of this action altogether. Even if the patent is held to be valid, the PTO's findings, supported by technical expertise, will likely substantially influence proceedings. A stay stands to reduce the burden on the court by preventing duplicative litigation of facts likely to arise in both proceedings. As such, these factors weigh in favor of a stay.

B. Phase of Litigation

A stay pending *ex parte* reexamination of a patent is disfavored where discovery has already been completed or where trial is imminent.²³ However, the record in this case reflects that a scheduling order has not yet been issued. The court has not set pretrial deadlines or a trial date. As such, the parties have not yet invested significant resources into this case. Thus, this factor supports a stay.

²⁰ Compl. 6 ¶ 13–19.

²¹ Mot. 5.

²² *See generally*, Reexamination Order.

²³ America Invents Act, Pub L. No. 112-29, § 18(b)(1), 125 Stat. 329 (2011); *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307 at 1309.

C. *Undue Prejudice or Tactical Disadvantage*

The undue prejudice inquiry focuses on the patentee's need for expeditious review of its claim.²⁴ A stay that would merely delay damages does not cause undue prejudice.²⁵ However, a stay may prejudice a patent plaintiff seeking injunctive relief to protect a patent.²⁶

Plaintiff requests both damages and injunctive relief.²⁷ Any monetary losses resulting from a stay would be compensable when litigation resumed. As such, the possibility the court may award damages at the end of litigation does not create undue prejudice.²⁸ While delay of injunctive relief caused by a stay could create undue prejudice, there is no evidence that is the case here. While not dispositive, the fact that Plaintiff has not moved for a preliminary injunction is indicative of a lack of urgency.²⁹ Additionally, while the court is presently operating at a reduced level and continuing proceedings as a result of the national health emergency declared by the President,³⁰ the PTO has stated its reexamination process will be unaffected.³¹ Perhaps most relevant, the Motion is unopposed and Plaintiff itself has not asserted a need for more expeditious review by this court to avoid prejudice.³²

²⁴ *VirtualAgility Inc.*, 759 F.3d at 1318.

²⁵ *Id.*

²⁶ *See id.* (holding that a Plaintiff who requested injunctive relief but not a preliminary injunction had not demonstrated prejudice would result from a stay pending *ex parte* reexamination of its patent).

²⁷ Compl. 7–8.

²⁸ *See VirtualAgility Inc.*, 759 F.3d at 1318.

²⁹ *See Id.* at 1319.

³⁰ *See generally*, Proclamation Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak, 85 Fed. Reg. 15337 (Mar. 17, 2020); “Supplemental Order Regarding Court Operations under the Exigent Circumstances Created by the COVID-19 Pandemic” (effective Apr. 15, 2020).

³¹ Mot., “USPTO Notices Regarding COVID-19” 2, Ex. 4.

³² *See* Mot. 1.

It is unlikely Defendant seeks a stay for tactical advantage. There is no evidence of dilatory motive, which would weigh against a stay.³³ A third party filed the request for *ex parte* reexamination shortly after commencement of this action.³⁴ It is reasonable to believe the Motion is a response to that filing aimed at reducing duplicative proceedings and conserving resources. Additionally, Plaintiff's lack of opposition suggests granting the Motion would not unduly interfere with Plaintiff's case strategy or otherwise inflict tactical disadvantage. In sum, this factor favors granting the stay.

IV. CONCLUSION

All four factors support staying litigation pending resolution of the *ex parte* reexamination of the of the '809 Patent by the PTO. Accordingly, the court enters the following orders:

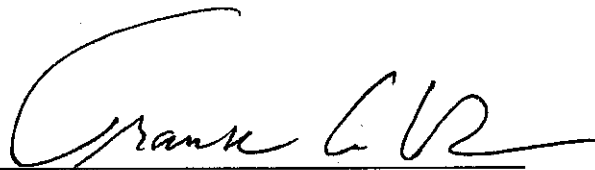
1. It is **HEREBY ORDERED** that "Helen of Troy Ltd.'s Unopposed Motion to Stay Pending *Ex Parte* Reexamination of the Asserted Patent" [ECF No. 12] is **GRANTED**.
2. It is **FURTHER ORDERED** that "Order for Proposed Scheduling Order" [ECF No. 11] is **VACATED**.
3. It is **FURTHER ORDERED** that the above-captioned cause is **STAYED** pending *ex parte* reexamination.
4. It is **FURTHER ORDERED** that the parties **SHALL** file a status report within **90 days** of this order and a subsequent report every **90 days** thereafter.

³³ See *VirtualAgility Inc.*, 759 F.3d at 1319.

³⁴ Mot. 5.

5. It is **FURTHER ORDERED** that the parties **SHALL** inform the court within **30 days** of the United States Patent and Trademarks Office issuing a decision on the *ex parte* reexamination, including a certified copy of that decision.

SIGNED AND ENTERED this 17 day of **April, 2020**.

A handwritten signature in black ink, appearing to read "Frank Montalvo", written over a horizontal line.

FRANK MONTALVO
UNITED STATES DISTRICT JUDGE