

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

AR DESIGN INNOVATIONS LLC	§ § §	
v.	§	
ASHLEY FURNITURE INDUSTRIES, INC.	§ § §	CIVIL NO. 4:20-CV-392-SDJ LEAD CASE
ETHAN ALLEN INTERIORS, INC.	§ § §	CIVIL NO. 4:20-CV-394-SDJ
LA-Z-BOY, INC.	§ §	CIVIL NO. 4:20-CV-395-SDJ

ORDER

Before the Court is Defendants’ Motion to Stay Case Pending Inter Partes Review. (Dkt. #41). Plaintiff AR Design Innovations LLC (“AR Design”) has responded in opposition, (Dkt. #50), Defendants have replied, (Dkt. #53), and AR Design has filed a sur-reply, (Dkt. #56). Having considered the motion, the subsequent briefing, and the relevant law, the Court concludes that the motion should be **DENIED without prejudice** to refile of same should the Patent Trial and Appeal Board (“PTAB”) institute inter partes review proceedings.

I.

On May 12, 2020, AR Design sued Defendants Ashley Furniture Industries, Inc. (“Ashley”), Ethan Allen Interiors, Inc. (“Ethan Allen”), and La-Z-Boy, Inc. (“La-Z-Boy”) individually, asserting that each Defendant has infringed one of AR Design’s patents, U.S. Patent No. 7,277,572 (the “572 Patent”). *See, e.g.*,

(Dkt. #1). The Court consolidated the separate cases into the above-captioned one. (Dkt. #6).¹

On November 1, 2020, Ashley, La-Z-Boy, and a third entity not a party to this lawsuit filed a petition for inter partes review (“IPR”) before the PTAB, challenging the validity of all asserted claims of the ’572 Patent.² (Dkt. #41 at 2).³ AR Design has noted that its response to the IPR petition is not due until February 24, 2021, giving the PTAB until May 24, 2021, to issue its decision on whether to institute IPR proceedings. (Dkt. #56 at 5 n.1). Defendants have not challenged this timeline before the PTAB.

The IPR proceedings were initiated, and the stay motion at issue was filed, the day before the Court conducted a case-management conference on November 2, 2020. Briefing was completed on the stay motion on December 7, 2020. During this time, the Court has issued a scheduling order setting a claim construction hearing on May 4, 2021, and has set final pretrial conference for December 15, 2021. The parties have also proceeded with discovery. AR Design has served Defendants with its infringement contentions and related documents, and Defendants have served

¹ All citations herein will be to the lead case: Cause No. 4:20-CV-392-SDJ.

² The initial petition for inter partes review challenged all the claims specifically identified in the complaints filed against Ashley, La-Z-Boy, and Ethan Allen, namely claims 1, 2, 4, 5, 6, 8, 9, 17, and 18 of the ’572 Patent. After AR Design specified additional claims, namely claims 11, 19–21, and 26–30, a second petition for inter partes review was filed with the PTAB challenging the validity of the additional claims specified by AR Design.

³ Although Ethan Allen did not join in filing the IPR petition, it does join in this motion to stay.

AR Design with their invalidity contentions and related documents. The parties have also exchanged lists of proposed claim terms for construction.

II.

District courts have the inherent power to control their own dockets, including the power to stay proceedings. *Customedia Techs., LLC v. DISH Network Corp.*, No. 2:16-cv-129, 2017 WL 3836123, at *1 (E.D. Tex. Aug. 9, 2017) (citing *Clinton v. Jones*, 520 U.S. 681, 706, 117 S.Ct. 1636, 137 L.Ed.2d 945 (1997)); *see also Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (“Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.” (citation omitted)). Accordingly, “there is no *per se* rule that patent cases should be stayed pending PTO proceedings, because such a rule ‘would invite parties to unilaterally derail litigation.’” *Realtime Data LLC v. Actian Corp.*, No. 6:15-CV-463, 2016 WL 3277259, at *1 (E.D. Tex. 2005). Instead, “each motion to stay pending reexamination filed in this Court is considered on a case-by-case basis.” *Datatreasury Corp. v. Wells Fargo & Co.*, 490 F.Supp.2d 749, 755 (E.D. Tex. 2006).

The party seeking a stay pending IPR of the asserted patent “bears the burden of showing that such a course is appropriate.” *Arbor Glob. Strategies LLC v. Samsung Elecs. Co.*, No. 2:19-cv-00333, 2020 WL 6305883, at *2 (citing, among others, *Landis v. N. Am. Co.*, 299 U.S. 248, 255, 57 S.Ct. 163, 81 L.Ed. 153 (1936)). When determining whether to grant a stay pending an IPR, district courts typically consider three factors: (1) whether the stay will unduly prejudice or present a clear tactical

disadvantage to the nonmoving party; (2) whether the action before the court has reached an advanced stage, including whether discovery has been completed and a trial date has been set; and (3) whether the stay will simplify the issues in the litigation. *Realtime Data*, 2016 WL 3277259, at *1; *see also Trover Grp. v. Dedicated Micros USA*, No. 2:13-CV-1047, 2015 WL 1069179, at *2 (E.D. Tex. Mar. 11, 2015). Based on these factors, “courts determine whether the benefits of a stay outweigh the inherent costs of postponing resolution of the litigation.” *Trover*, 2015 WL 1069179, at *2.

III.

A.

Defendants argue that AR Design will not suffer any undue prejudice if the Court grants a stay pending IPR because AR Design “is a non-practicing entity and does not compete with Defendants in the same market” and because AR Design “is neither the inventor nor an original owner of the ’572 Patent.” (Dkt. #41 at 4). Defendants also argue that AR Design can be adequately compensated through monetary relief for any purported damages and a stay does not diminish the monetary damages AR Design may later receive. (Dkt. #41 at 3–4) (citing *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1318–19 (Fed. Cir. 2014)). AR Design counters that it has a strong interest in the timely enforcement of its patent rights and that it would be unfairly prejudiced by a stay because there are “six months between now and the date of the PTAB’s decision on institution” of IPR proceedings. (Dkt. #50 at 10–11).

AR Design's concern is entitled to some weight, given "the general right of patent owners to timely enforcement of their patent rights." *Trover*, 2015 WL 1069179, at *2 (collecting cases). However, as courts in this district have repeatedly recognized, "this [delay] factor is present in every case in which a patentee resists a stay, and is therefore not sufficient, standing alone, to defeat a motion to stay." *Arbor*, 2020 WL 6305883, at *2; *see also Tessera Advanced Techs., Inc. v. Samsung Elecs. Co., Ltd.*, No. 2:17-CV-00671, 2018 WL 3472700, at *2 (E.D. Tex. July 19, 2018) (same). When a patentee seeks exclusively monetary damages, mere delay in collecting those damages does not constitute undue prejudice. *Arbor*, 2020 WL 6305883, at *2. On balance, the Court finds this factor to be neutral.

B.

Defendants also argue that a stay is warranted because "[t]his case is almost at the earliest stage possible." (Dkt. #41 at 5). Specifically, Defendants note that, at the time their stay motion was filed, the case-management conference had not occurred, no party had served or responded to discovery, and a scheduling order had not been entered. AR Design counters that Defendants are "simply ignor[ing] the facts as to what has occurred thus far in this litigation," (Dkt. #50 at 13), specifically pointing out that Defendants filed their stay motion and IPR petition one day before the case-management conference and that the Court entered a scheduling order two days later.

Although the stage-of-the-case factor is often evaluated "as of the time the motion was filed," *Arbor*, 2020 WL 6305883, at *2 (citation omitted), the Court

concludes that it makes sense to follow the guidance of *Trover*, where the court also examined the stage of proceedings “[b]y the time briefing of the stay motion was finished (the earliest point at which it would have been practical for the Court to issue a stay).” *Trover*, 2015 WL 1069179, at *3. By the time briefing was completed on the stay motion in this case, the Court had issued a scheduling order setting a claim construction hearing on May 4, 2021, and the final pretrial conference for December 15, 2021. The parties had also accomplished some discovery tasks, such as AR Design’s serving its infringement contentions and Defendants’ serving their invalidity contentions.

In light of the foregoing, this is not a case in which the proceedings before the Court are at such an early stage that a stay would have no material effect on the proceedings in this action. At the same time, the anticipated timing of the PTAB decision whether to institute inter partes review is such that if the PTAB institutes inter partes review, a stay entered at that point has the potential to save the parties substantial expenses that would be incurred in the post-*Markman* pretrial period and in going to trial. The Court concludes that this factor is also neutral.⁴

⁴ Defendants’ reliance on the Court’s decision to grant a stay in *Spine Holdings, LLC v. Orthofix Med., Inc.*, No. 4:20-CV-77, (Dkt. #8) (E.D. Tex. June 8, 2020), is misplaced. The context of the stay motion in the *Spine Holdings* case differs materially from the circumstances of the instant motion. To begin with, the stay motion in *Spine Holdings* was filed jointly by the plaintiff and defendant, see No. 4:20-CV-77, (Dkt. #7), while here Defendants’ motion is opposed. As the *Trover* court has noted, the distinction is meaningful. *Trover*, 2015 WL 1069179, at *6 n.2. In addition, the stay motion in *Spine Holdings* was submitted nearly a month before the scheduled case-management conference, rather than mere hours before the conference as happened in this case. And, because the *Spine Holdings* case involved a joint stay motion, no briefing ensued. Accordingly, the Court considered in *Spine Holdings* a joint stay motion ready to be decided almost a month prior to the case-management conference, and prior to (1) the issuance of a scheduling order, (2) the scheduling

C.

The third factor to be considered is whether the proposed stay will lead to a simplification of the issues in this case. The answer to that question “depends very much on whether the PTAB decides to grant the petition.” *Trover*, 2015 WL 1069179, at *4. If the PTAB decides to institute inter partes review, “it is very likely that proceedings before the Court will be simplified.” *Id.* As the *Trover* court explained, “[i]f some or all of the claims are canceled, the case will become simpler or perhaps come to an end altogether.” *Id.* Similarly, if the patentability of some or all of the claims is confirmed, the case will be simplified “because the defendants will be subject to the statutory estoppel that bars them from challenging the validity of claims on any ground that was or reasonably could have been raised in the inter partes review proceedings.” *Id.* (citing 35 U.S.C. § 315(e)(2)).⁵ In short, “a stay could simplify the issues in this case and streamline the trial—or even obviate the need for trial—but only if the PTAB grants the petition.” *Loyalty Conversion Sys. Corp. v. Am. Airlines, Inc.*, No. 2:13–CV–655, 2014 WL 3736514, at *2 (E.D. Tex. July 29, 2014). On the other hand, if the PTAB denies the institution of inter partes review, there will be no simplification of the issues before this Court.

For these reasons, courts in this district have recognized that the simplification-of-the-issues factor “does not cut in favor of granting a stay prior to the

of a *Markman* hearing or any other pretrial deadlines, and (3) the exchange of any discovery by the parties.

⁵ Although Ethan Allen has not joined in the IPR filings, it has agreed to be bound by the estoppel provisions of 35 U.S.C. § 315(e)(2) if a stay is entered. (Dkt. #41 at 2 n.3).

time the PTAB decides whether to grant the petition for inter partes review.” *Trover*, 2015 WL 1069179, at *4; *see also id.* at *6 (collecting cases) (“In this district, that is not just the majority rule; it is the universal practice.”); *Scorpcast, LLC v. Boutique Media Pty Ltd.*, 2:20-cv-00193, 2020 WL 7631162, at *3 (E.D. Tex. Dec. 22, 2020) (noting that the practice in this district, as well as the practice of most courts, “is to deny a stay when the Board has not yet acted on a petition for IPR”).⁶ It is also well-established that the most important inquiry in determining whether to stay litigation pending inter partes review is whether the PTAB has acted on the petition for review. *Trover*, 2015 WL 1069179, at *4–6 (collecting cases); *see also Uniloc USA, Inc. v. Acronis, Inc.*, 6:15-CV-01001, 2017 WL 2899690, at *3 (E.D. Tex. Feb. 9, 2017).

Because the PTAB has not yet determined whether to institute inter partes review of the ’572 Patent, the simplification-of-the-issues factor weighs against granting a stay at this time. Given that the other factors are neutral and the simplification factor, which is most important to the Court’s analysis, cuts against a stay, the Court will deny Defendants’ stay motion without prejudice. Once the PTAB has decided whether to institute IPR proceedings, “the balance of factors bearing on the appropriateness of a stay may be very different, and the issuance of a stay may be appropriate.” *Tessera*, 2018 WL 3472700, at *4.

⁶ Defendants argue that statistics show the PTAB frequently institutes IPRs and invalidates claims. But as AR Design has observed, it is too speculative to assume that the PTAB will institute IPR proceedings or invalidate claims based on statistics of institution and invalidation rates. *See Trover*, 2015 WL 1069179, at *4.

IV.

For the foregoing reasons, it is **ORDERED** that Defendants' Motion to Stay Case Pending Inter Partes Review, (Dkt. #41), is **DENIED without prejudice** to its refiling if and when IPR proceedings are instituted by the PTAB.

So ORDERED and SIGNED this 11th day of January, 2021.



SEAN D. JORDAN
UNITED STATES DISTRICT JUDGE