

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

LEXOS MEDIA IP LLC,

Plaintiff,

v.

MSC INDUSTRIAL DIRECT CO.,
INC.,

Defendant.

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Civil Action No. 3:22-CV-1736-X

ORDER

Defendant MSC Industrial Direct Co., Inc. (“MSC”) has filed two motions pending before the Court. First, MSC filed a motion to dismiss Plaintiff Lexos Media IP LLC’s (“Lexos Media”) amended complaint. [Doc. 17]. Second, MSC filed a motion to stay pending inter partes review and other proceedings at the United States Patent and Trademark Office (“USPTO”). [Doc. 53]. Having reviewed the parties’ arguments, the applicable caselaw, and the underlying facts, the Court finds in its discretion based on the circumstances of this case that justice is best served by staying this case pending final disposition of the pending petitions for inter partes review and any resulting inter partes review proceeding(s) based on those petitions. Accordingly, the Court **GRANTS** MSC’s motion to stay to the extent indicated in this Order [Doc. 53]. The Court hereby **STAYS** and **ADMINISTRATIVELY CLOSES** this case pending final disposition of the pending petitions for inter partes review and any resulting inter partes review proceeding(s) based on those petitions. The Court

also **DENIES** Defendant MSC Industrial Direct Co., Inc.’s motion to dismiss [Doc. 17] without prejudice to refile when the Court reopens this case.

I. Facts

Lexos Media filed its original complaint in this case on August 10, 2022. [Doc. 1]. In its amended complaint filed on January 20, 2023, Lexos Media alleges that MSC infringes three related U.S. Patents: Nos. 5,995,102 (“the ’102 Patent”), 6,118,449 (“the ’449 Patent”), and 7,975,241 (“the ’241 Patent”) (collectively, the “Asserted Patents”). [Doc. 14]. MSC filed its motion to stay on July 24, 2023. [Doc. 53]. The parties completed expedited briefing on this motion on August 4, 2023. [Doc. 59; Doc. 60].

The motion to stay requests the Court stay proceedings in this case on two grounds. First, the motion requests a stay based on the filing of two petitions for inter partes review—one lodged against each of the ’102 and ’449 Patents—by a third party, Amazon.com, Inc.¹ These petitions were filed on June 5, 2023, exactly seven weeks before MSC filed its motion to stay. Second, the motion requests the Court stay proceedings in this case based on an alleged challenge initiated by the USPTO to the ’241 Patent’s priority claim.²

In terms of discovery to date, the Court understands Lexos Media served its infringement contentions on June 30, 2023; MSC served interrogatories, requests for production, and requests for admission on June 29, 2023; and MSC was scheduled to

¹ Inter Partes Review Petition IPR2023-01000 (filed June 5, 2023); Inter Partes Review Petition IPR2023-01001 (filed June 5, 2023).

² Doc. 53 at 1

serve its preliminary invalidity contentions on August 14, 2023.³ The Court, however, also understands that, as of the time of the briefing on the pending motion to stay, no depositions have occurred, expert discovery has not commenced, and the parties have not filed claim construction briefs.⁴

II. Legal Standard

The Supreme Court has made clear that “[a] stay is not a matter of right,” indeed, “even if irreparable injury might otherwise result.”⁵ Instead, a stay is “an exercise of judicial discretion,” and “[t]he propriety of its issue is dependent upon the circumstances of the particular case.”⁶ “The party requesting a stay bears the burden of showing that the circumstances justify an exercise of that discretion.”⁷ Thus, MSC, as the movant, bears the burden of demonstrating that a stay is appropriate.

District courts have discretionary authority, in particular, to stay cases pending review of patents by the USPTO.⁸ When evaluating whether to stay a case pending this kind of review, courts in this district consider three factors: (1) whether a stay will unduly prejudice or present clear tactical disadvantage to the nonmoving party, (2) whether a stay will simplify the issues in question and the trial of the case,

³ Doc. 53 at 7

⁴ *Id.*

⁵ *Nken v. Holder*, 556 U.S. 418, 433 (2009) (quoting *Virginian R. Co. v. United States*, 272 U.S. 658, 672 (1926)).

⁶ *Id.* (quoting *Virginian R. Co.*, 272 U.S. at 672–73).

⁷ *Id.* at 433–34.

⁸ See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988).

and (3) whether discovery is complete and whether a trial date has been set.⁹ Importantly, however, “[w]hether the IPR proceeding will result in simplification of the issues before the Court is viewed as the most important factor when evaluating a motion to stay.”¹⁰

III. Analysis

Given the lack of undue prejudice to Lexos Media, the potential the inter partes review proceedings hold to simplify issues in this case, and the early stage of the proceedings, the Court will grant the motion to stay to the extent indicated in this Order.

A. The Lack of Undue Prejudice to Lexos Media Favors a Stay

A stay will not unduly prejudice or present a clear tactical disadvantage to Lexos Media. As a preliminary matter, Lexos Media has demonstrated by its own actions that it is not very concerned with delay in adjudicating its rights. On point: Lexos Media waited long after the expiration of all of the Asserted Patents to file this lawsuit,¹¹ and yet, in this lawsuit, it is accusing MSC’s pre-expiration actions of infringement. This lack of urgency indicates Lexos Media will not suffer undue

⁹ See, e.g., *Uniloc 2017 LLC v. LG Elecs. U.S.A., Inc.*, No. 3:18-CV-3071-N, 2020 WL 374545, at *1 (N.D. Tex. Jan. 23, 2020) (Godbey, J.); *Albritton v. Acclarent, Inc.*, No. 3:16-CV-03340-M, 2018 WL 6929856, at *2 (N.D. Tex. Mar. 29, 2018) (Lynn, J.); *Summit 6 LLC v. HTC Corp.*, No. 7:14-CV-00014-O, 2015 WL 12763627, at *2 (N.D. Tex. May 8, 2015) (O’Connor, J.).

¹⁰ *Albritton*, 2018 WL 6929856, at *3.

¹¹ MSC argued in its motion to stay that “all of the Asserted Patents expired between three and five years before Lexos even filed suit.” [Doc. 53 at 1]. In its response, Lexos Media does not dispute the expiration dates of the ’102 Patent and the ’449 Patent and only argues the expiration date of the ’241 Patent is September 20, 2020. [Doc. 59 at 5]. Lexos Media filed its original complaint in this case on August 10, 2022. [Doc. 1].

prejudice from a stay.¹² On the flip side, MSC has not delayed in filing the motion to stay. As noted above, MSC filed its motion to stay exactly seven weeks after the filing of the relevant petitions for inter partes review.

Furthermore, in terms of the rights Lexos Media is seeking to adjudicate, the delay associated with the requested stay is not unduly prejudicial. Lexos Media did not move the Court for a preliminary injunction. That may be because Lexos Media is a non-practicing entity—that is, it apparently does not sell products or services of any kind, let alone any product or service competing with any product or service of MSC.¹³ Or it may be because all three of the Asserted Patents expired before Lexos Media even filed the present lawsuit.¹⁴ Perhaps for similar reasons, Lexos Media does not specifically request injunctive relief in its pending complaint.¹⁵ Instead, for relief it specifically requests only “damages adequate to compensate for infringement under 35 U.S.C. § 284, which, in no event shall be less than a reasonable royalty for its usage made of the inventions of the Asserted Patents, including pre- and post-judgment interest and costs.”¹⁶ Thus, money damages—and, notably, pre-judgment interest that presumably would accrue during a stay—would appear to be sufficient

¹² See *Putco, Inc. v. Carjamz Com Inc.*, No. 20-CV-50109, 2021 WL 4926499, at *2 (N.D. Ill. Mar. 2, 2021) (“This lack of urgency in filing the Complaint further indicates that Putco will not suffer undue prejudice from a stay.”).

¹³ MSC argued in its motion to stay that Lexos Media “is a non-practicing entity that does not have and never has had a competing product.” [Doc. 53 at 9]. In its response, Lexos Media did not refute either aspect of this allegation. [Doc. 59].

¹⁴ See note 8.

¹⁵ See Doc. 14.

¹⁶ *Id.*

to make Lexos Media whole.¹⁷ As Lexos Media concedes,¹⁸ “mere delay in collecting [monetary] damages does not constitute undue prejudice.”¹⁹

It is true, as Lexos Media argues, that it, “as with all patentees, has an interest in the timely enforcement of its patent rights.”²⁰ Indeed, the Court has an obligation, for example, to construe, administer, and employ the Federal Rules of Civil Procedure “to secure the just, speedy, and inexpensive determination of every action.”²¹ But “a delay caused by the *inter partes* review process, without more, does not justify denial of a stay.”²²

For all these reasons, the lack of undue prejudice to Lexos Media favors a stay.

B. The Potential to Simplify Issues Slightly Favors a Stay

As mentioned, Lexos Media requests a stay based on the filing of two petitions for *inter partes* review, one lodged against each of the '102 and '449 Patents, by a third party, Amazon.com, Inc. These petitions hold the potential to simplify issues in this case, including at any trial.

¹⁷ See, e.g., *Uniloc*, 2020 WL 374545, at *1 (“[A]lthough not dispositive, Uniloc’s failure to file for preliminary injunction suggests that monetary damages could adequately compensate it if Defendants were held liable.”).

¹⁸ Doc. 59 at 14

¹⁹ *Crossroads Sys., Inc. v. Dot Hill Sys. Corp.*, No. A-13-CA-1025-SS, 2015 WL 3773014, at *2 (W.D. Tex. June 16, 2015).

²⁰ *Id.*

²¹ Fed. R. Civ. P. 1.

²² *Blephex LLC v. Pain Point Med. Sys.*, No. 3:16-cv-0410-N, 2016 WL 7839343, at *2 (N.D. Tex. Nov. 3, 2016).

The petitions request the USPTO to review the validity of all asserted claims of the '102 Patent and all but two of the asserted claims of the '449 Patent.²³ Thus, if the USPTO grants either of these petitions, it may invalidate one or more of the claims asserted in this case. And if it does invalidate one or more asserted claims, this proceeding would be simplified and, moreover, the parties and the Court would recognize the benefit of the elimination of unnecessary duplication of efforts and expense.²⁴

Lexos Media, however, argues that if the USPTO “does not institute” the inter partes review proceedings, “the Court would not gain anything from a stay.”²⁵ But even if the USPTO denies both petitions, the Court would still receive the benefit of the USPTO’s opinion, including its initial claim construction and invalidity analysis.²⁶

Lexos Media also points out that the petitions do not hold the power to invalidate all of the asserted claims. This factor, however, focuses on the likelihood that issues in this case would be simplified, not whether all of the issues in this case necessarily would be resolved.²⁷ In short, the petitions hold the potential to simplify

²³ Doc. 53 at 11.

²⁴ See *Uniloc*, 2020 WL 374545, at *2 (“Should the PTAB institute IPR and find some or all of the '408 Patent claims invalid, continuing the litigation would result in unnecessary duplication of efforts and expense.”).

²⁵ Doc. 59 at 8.

²⁶ See *id.* (“Even if the PTAB declines to institute IPR in this case, however, the Court would still benefit from the PTO’s expert opinion and initial claim construction in deciding the issues.”).

²⁷ See *id.* (“[T]his factor focuses on whether the issues presented in a case ‘would be simplified’—it does not require that the IPR process completely resolve them.”)

issues in this case, even if they do not hold the potential to resolve all disputes between the parties.

Make no mistake: These facts identified by Lexos Media (the pendency of the petitions and the fact that the petitions do not address all asserted claims) are relevant to the Court’s analysis of the strength of this factor—whether the stay will likely result in simplifying the case before the Court. With respect to this factor, for instance, would the case for a stay be stronger if the petitions were already granted? Yes. And, again with respect to this factor, would the case for a stay be stronger if the petitions addressed all asserted patent claims? Again, yes. It is for these reasons the Court concludes that this factor only slightly weighs in favor of granting a stay.²⁸

Other arguments presented by Lexos Media, though, do not persuade the Court that this factor is either neutral or weighs against a stay. For example, Lexos Media contends that, “[i]f the *Amazon* IPR[s] were instituted, but resolved in favor Lexos Media, [a] lack of any simplification of issues would result because MSC would not be bound by any estoppel effect.”²⁹ While a lack of estoppel is a “real concern,”³⁰ in its

²⁸ See *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1316 (Fed. Cir. 2014) (“While a motion to stay could be granted even before the PTAB rules on a post-grant review petition, no doubt the case for a stay is stronger after post-grant review has been instituted.”).

²⁹ Doc. 59 at 8; In effect, Lexos Media is pointing out that MSC is not the IPR petitioner and arguing that MSC is not the real party in interest or privy of the petitioner. See 35 U.S.C. § 315(e)(2) (“The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”).

³⁰ *LakeSouth Holdings, LLC v. Ace Evert, Inc.*, No. 3:14-CV-1348-N, 2015 WL 10818619, at *2 (N.D. Tex. June 17, 2015) (Godbey, J.).

reply brief “MSC agrees to be bound by the estoppel provisions of 35 U.S.C. § 315.”³¹ MSC’s representation addresses Lexos Media’s concern. As a result of its representation, Lexos Media may be estopped from asserting in this case that a claim “is invalid on any ground that the petitioner raised or reasonably could have raised” during the inter partes review proceedings in question.³² This contributes to the Court’s finding that a stay holds the potential to simply issues in this case.³³

Lexos Media also argues that, “in virtually all cases, courts have denied motions to stay pending yet-to-be instituted and speculative IPR proceedings.”³⁴ MSC argues this is “simply wrong,” citing several opinions to the contrary.³⁵ Some of these opinions were issued in other districts.³⁶ But even in this district, as also

³¹ Doc. 60 at 5.

³² 35 U.S.C. § 315(e)(2).

³³ See *e-Watch Inc. v. Apple, Inc.*, No. 2:13-CV-1061-JRG-RSP, 2015 WL 12915668, at *1 (E.D. Tex. Mar. 25, 2015) (granting a motion to stay after defendants agreed to the estoppel pursuant to 35 U.S.C. § 315(e) because “such proceedings will simplify the issues in this case due, at least in part, to Defendants’ representations regarding the estoppel effects under section 315(e)”).

³⁴ Doc. 59 at 9; Lexos Media cites two district court opinions to support its position that courts routinely withhold or deny motions to stay pending yet-to-be instituted inter partes review proceedings. [Doc. 59 at 7–8]. The first does not support Lexos Media’s position, although it does make the point that “courts have been nearly uniform in *granting* motions to stay proceedings in the trial court *after* the PTAB has instituted inter partes review proceedings.” *NFC Tech. LLC v. HTC Am.*, No. 2:13-CV-1058-WCB, 2015 WL 1069111, at *6 (E.D. Tex. Mar. 11, 2015) (emphases added). And the second represents just one court’s opinion—it does not purport to identify any uniform practice. See *Trover Group, Inc. v. Dedicated Micros USA*, No. 2:13-CV-1047-WCB, 2015 WL 1069179, at *4 (E.D. Tex. Mar. 11, 2015) (“[T]he ‘simplification’ factor does not cut in favor of granting a stay prior to the time the PTAB decides whether to grant the petition for inter partes review.”). Notably, the only other opinion cited by Lexos Media as support (this one issued by the Federal Circuit) recognizes district courts have the power to grant stays “even before the PTAB rules on a post-grant review petition.” See *VirtualAgility*, 759 F.3d at 1316 (“While a motion to stay could be granted even before the PTAB rules on a post-grant review petition, no doubt the case for a stay is stronger after post-grant review has been instituted.”).

³⁵ Doc. 60 at 3.

³⁶ See *Wonderland Nursery Goods Co. v. Baby Trend, Inc.*, No. EDCV 14-01153-VAP, 2015 WL 1809309, at *3–*4 (C.D. Cal. Apr. 20, 2015); *Wi-LAN, Inc. v. LG Elecs., Inc.*, No. 317-CV-358-BEN-MDD, 2018 WL 2392161, at *1–*3 (S.D. Cal. May 22, 2018); *Anza Tech., Inc. v. Toshiba Am. Elec. Components Inc.*, No. 17-CV-07289-LHK, 2018 WL 4859167, at *2 (N.D. Cal. Sept. 28, 2018);

highlighted by MSC, the practice is not uniform. It is true that some judges in this district have denied without prejudice motions to stay filed in advance of any grant of petitions for inter partes review.³⁷ But Chief Judge Godbey has granted several such motions.³⁸ And he's awesome! His awesomeness aside, the exercise of the court's discretion in each case depends on all of the relevant factors. Here, as shown by the Court's analysis, all of the factors favor a stay. Were Lexos Media not a non-practicing entity or had it not filed its infringement claims after the expiration of all of the Asserted Patents or had it moved for a preliminary injunction or sought an injunction as part of its relief or had MSC waited longer to file its motion, perhaps not all of the factors would favor a stay—perhaps at least one of the factors would have counseled against a stay—even if all else were equal. The Court ultimately considers whether to grant a stay in light of all of the circumstances unique to this case, not other cases.³⁹

Evolutionary Intelligence, LLC v. Apple, Inc., No. C 13-04201 WHA, 2014 WL 93954, at *2–*4 (N.D. Cal. Jan. 9, 2014) *Software Rights Archive, LLC v. Facebook, Inc.*, No. C-12-3970 RMW, 2013 WL 5225522, at *1 (N.D. Cal. Sept. 17, 2013).

³⁷ See, e.g., *Rosen Techs. LLC v. Lennox Int'l Inc.*, No. 3:22-cv-732-K (N.D. Tex. May 15, 2023) (Kinkeade, J.) (indicating the court would deny a motion to stay pending inter partes review “without prejudice to refiling if / when the Patent Trial and Appeal Board grants Defendant’s Petition for Inter Partes Review”).

³⁸ See, e.g., *Uniloc*, 2020 WL 374545, at *1–*3 (Godbey, J.); *MEC Resources, LLC v. Vishay Americas, Inc.*, No. 3:18-cv-2770-N (N.D. Tex. May 6, 2019) (Godbey, J.); *Micrografx, LLC v. Google, Inc.*, No. 3:13-cv-3595-N, 2014 WL 12580455, at *1–*2 (N.D. Tex. July 9, 2014) (Godbey, J.); *Micrografx LLC v. Samsung Telecomm. Am., LLC*, No. 3:13-cv-3599-N, 2014 WL 8239371, at *1–*2 (N.D. Tex. July 9, 2014) (Godbey, J.); *Employment Law Compliance, Inc. v. Compli, Inc.*, No. 3:13-cv-3574-N, 2014 WL 3739770, at *1–*3 (N.D. Tex. May 27, 2014) (Godbey, J.).

³⁹ See *Credit Card Fraud Control Corp. v. Maxmind, Inc.*, No. 3:14-CV-3262-M, 2015 WL 1879747, at *1 (N.D. Tex. Apr. 24, 2015) (Lynn, J.) (noting a “stay pending an administrative proceeding is not automatic; rather, it must be based upon the circumstances of the individual case before the court”) (quoting *Norman IP Holdings, LLC v. TP-Link Techs., Co.*, No. 6:13-cv-384-JDL, 2014 WL 5035718, at *2 (E.D. Tex. Oct. 8, 2014)).

In short, the potential to simplify issues slightly favors a stay.⁴⁰

C. The Early Stage of the Proceedings Favors a Stay

This case is in its early stage. As noted above, the Court understands little discovery has occurred to date. Lexos Media, indeed, concedes “discovery in this case has just begun.”⁴¹ Moreover, given that this is a patent infringement case, it is important to note some of the most significant and time-consuming tasks in patent infringement litigation have not even started: the parties have not prepared claim construction briefs, the Court has not conducted a claim construction hearing, and expert discovery has not begun. Furthermore, the trial date is more than 18 months from today.⁴²

Lexos Media concedes the stage of litigation does not weigh against a stay.⁴³ It, however, argues the stage of litigation does not *favor* a stay.⁴⁴ The Court disagrees. Under this factor, a motion to stay filed during the late stages of litigation is not viewed favorably, a motion to stay filed during the middle stages of litigation

⁴⁰ The Court does not grant the motion to stay to the extent MSC seeks to stay the case pending alleged “review at the USPTO due to a missing priority claim” on the face of the ’241 Patent. Doc. 53 at 4. In response to MSC’s motion, Lexos Media argues there is no pending challenge to its priority claim and, moreover, no procedural mechanism for the USPTO to initiate a challenge to its priority claim. Doc. 59 at 2 and 4–6. MSC clarifies in its reply that, in its view, “[i]f Lexos takes no further actions at the USPTO, the ’241 Patent will remain facially invalid because the ’102 Patent it failed to claim priority to constitutes fully anticipating prior art.” Doc. 60 at 6. MSC also speculates that Lexos Media’s “next move . . . will likely be to petition the USPTO” to correct the alleged problem. [*Id.* at 8]. Given MSC’s failure to cite a pending proceeding at the USPTO addressing the alleged missing priority claim, the Court cannot stay the case pending any such proceeding at this point in time.

⁴¹ Doc. 59 at 14.

⁴² *See* Doc. 34.

⁴³ Doc. 59 at 14.

⁴⁴ *Id.*

is viewed neutrally, and a motion to stay filed during the early stages of litigation is viewed favorably. The early stage of the proceedings in this case favors a stay.⁴⁵

IV. Conclusion

All three of the relevant factors point in the same direction. As a result, the Court **STAYS** this case pending final disposition of the pending petitions for inter partes review and any resulting inter partes review proceeding(s) based on those petitions. Upon final disposition of the pending petitions for inter partes review and any resulting inter partes review proceeding(s) based on those petitions, Lexos Media may request the Court to lift the stay. Until then, the case is **ADMINISTRATIVELY CLOSED** and the pending motion to dismiss [Doc. 17] is **DENIED** without prejudice.

IT IS SO ORDERED this 6th day of September, 2023.



BRANTLEY STARR
UNITED STATES DISTRICT JUDGE

⁴⁵ See, e.g., *Blephex*, 2016 WL 7839343, at *3 (finding based in part on the fact that “the parties have just begun to engage in discovery and have not filed their claim construction briefs” that the stage of litigation weighed in favor of granting a stay).