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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

COINLAB INC,

Plaintiff,

v.

MT GOX KK, et al.,

Defendants.

CASE NO. C13-777 MJP

ORDER STAYING THE ACTION

THIS MATTER comes before the Court on Defendant Mt. Gox KK’s (“Mt. Gox”) Motion to Stay Entire Action. (Dkt. No. 41.) Plaintiff CoinLab, Inc. (“CoinLab”) opposes the motion, arguing the action against Defendant Tibanne KK (“Tibanne”) should proceed. The Court considered the motion, the response (Dkt. No. 49), the reply (Dkt. No. 54), and all related documents. The Court GRANTS Mt. Gox’s motion in order to provide fairness to all Parties and promote efficiency.

Background

1 This case involves a license agreement between CoinLab and Defendants, Mt. Gox and
2 Tibanne, relating to Bitcoin, a digital currency. CoinLab is “engaged in the operation and
3 development of Bitcoin and other software and technology products, services and platforms.”
4 (Dkt. No. 42-2 at 2.) Mt. Gox is “a Bitcoin exchange and financial services business.” (Id.)
5 Tibanne is Mt. Gox’s parent. (Dkt. No. 48-3 at 8.) CoinLab sued Mt. Gox and Tibanne in May
6 2013, claiming breach of contract, breach of implied duty of good faith and fair dealing,
7 accounting, and restitution. (Dkt. Nos. 1, 29.) Mt. Gox and Tibanne jointly filed an answer
8 denying violating the Agreement and allege the Agreement is unenforceable. (Dkt. Nos. 18, 31.)

9 The present motion concerns Mt. Gox’s recent filing for bankruptcy protection. In
10 February 2014, it filed for Chapter 15 bankruptcy protection in Tokyo District Court in Japan.
11 (Dkt. No. 42-8.) It then filed for recognition in the United States Bankruptcy Court for the
12 Northern District of Texas. (Dkt. No. 37.) In March 2014, the U.S. bankruptcy court found it
13 had jurisdiction over the matter, and an automatic stay took effect pursuant to section 362 of the
14 Bankruptcy Code. (Dkt. No. 42-10 at 3; Dkt. No. 37.) Mt. Gox moves the Court to stay the
15 entire action pending resolution of its bankruptcy petition. (Dkt. No. 41.) Defendant Tibanne
16 joins in the motion. (Dkt. No. 43.)

Discussion/Analysis

A. Legal Standard

17 Under 11 U.S.C. § 362(a), an automatic stay “immediately applies when a debtor files a
18 bankruptcy petition.” Boucher v. Shaw, 572 F.3d 1087, 1092 (9th Cir. 2009). The automatic
19 stay ensures “claims against the debtor will be brought in” bankruptcy court and “protects the
20 debtor by giving it room to breathe and, thereby, hopefully to reorganize.” Id.
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1 Although an automatic stay generally applies only to the debtor, the district court has “the
2 inherent power to control its own docket and calendar.” Mediterranean Enter., Inc. v. Ssangyong
3 Corp., 708 F.2d 1458, 1465 (9th Cir. 1983). The district court may stay an action “pending
4 resolution of independent proceedings which bear upon the case” if it finds “it is efficient for its
5 own docket and the fairest course for the parties.” Leyva v. Certified Grocers of Cal., Ltd., 593
6 F.2d 857, 863 (9th Cir. 1979). Courts weigh the competing interests that would be affected by
7 granting or refusing a stay. See, e.g., Lockyer v. Mirant Corp., 398 F.3d 1098, 1110 (9th Cir.
8 2005). Those competing interests are “the possible damage which may result from the granting
9 of a stay, the hardship or inequity which a party may suffer in being required to go forward, and
10 the orderly course of justice.” Id. (internal citations omitted).

11 **B. Staying Entire Action is Fairest Course for Parties and Efficient for the Docket**

12 The Court GRANTS the motion for several reasons. First, allowing the action to proceed
13 against Tibanne while the case against Mt. Gox is stayed may result in inconsistent obligations
14 for Defendants. See Lockyer, 398 F.3d at 1110. CoinLab claims Mt. Gox and Tibanne breached
15 the same provisions in the Agreement and asks for identical relief from both Mt. Gox and
16 Tibanne, suggesting separate actions would only be duplicative. (Dkt. No. 29.) In fact, CoinLab
17 does not allege Mt. Gox or Tibanne separately breached any provision of the Agreement. (Id.)
18 Second, refusing to stay the action in its entirety will unnecessarily burden the docket as the
19 Court will have to preside over two separate actions – the first against Tibanne and the second
20 against Mt. Gox when the automatic stay is lifted – as opposed to one. Keeping the actions
21 together will simplify the issues, proof, and questions of law before the Court. See Lockyer, 398
22 F.3d at 1110. Third, CoinLab has not alleged it will suffer harm if the Court stays the entire
23 action. (Dkt. No. 48.); see Lockyer, 398 F.3d at 1110.

Conclusion

This Court GRANTS Defendants’ motion to stay, finding fairness and judicial economy require a stay. The Parties are required to provide notice to the Court of the status of Mt. Gox’s bankruptcy proceeding every 120 days from the date of this Order.

Having stayed the action, the Court terminates consideration of CoinLab’s motion to compel without ruling on the merits. (Dkt. No. 38.) Once the stay is lifted, CoinLab may renew the motion.

The clerk is ordered to provide copies of this order to all counsel.

Dated April 30, 2014.



Marsha J. Pechman
Chief United States District Judge

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