No._____

IN THE

Supreme Court of The United State

GELAB COSMETICS LLC,

Petitioner,

v.

ZHUHAI AOBO COSMETICS CO., LTD; ZHUHAI SHENGJIEER COSMETICS CO., LTD; ZHUHAI ZHENGJIA TRADING CO., LTD; PINGJUN LI; XIMEI PENG; BENHONG LI

Respondents

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether the Seventh Circuit erred in affirming the district court's stay of federal proceedings under the Colorado River doctrine when substantial doubt exists as to whether the state court proceedings will fully resolve the federal action, deepening a conflict among circuits on the necessity of exact parallelism between state and federal proceedings.

LIST OF PARTIES

All parties appear in the caption of the case on the cover page.

RELATED PROCEEDINGS

United States Court of Appeals for the Seventh Circuit:

GeLab Cosmetics LLC v. Zhuhai Aobo Cosmetics Co., Ltd., et. al., No. 23-1415 (7th Cir. 2024) (reported at 99 F.4th 424) (Affirming, the district court's decision grating stay under Colorado Doctrine.)

United States District Court for the Northern District of Illinois:

GeLab Cosmetics LLC v. Zhuhai Aobo Cosmetics Co., Ltd., et. al., No. 22-cv-05475 (N.D. Ill. April 24, 2024) (unpub., reported at 2023 WL 2333301) (Granted Respondents' motion to stay based on Colorado Doctrine.)

New Jersey State Courts:

Xingwang Chen v. Zhuhai Abgel Cosmetics Co., Ltd., No. ESX L 001435-21 (N.J. Sup. Ct.)

GeLab Cosmetics LLC v. Shijian Li, No. ESX L 7618-21 (N.J. Sup. Ct.)

TABLE OF CONTENTS

QUESTION PRESENTED i
RELATED PROCEEDINGS ii
TABLE OF CONTENTS iii
PETITION FOR WRIT OF CERTIORARI 1
OPINIONS BELOW 1
JURISDICTION 1
STATEMENT OF THE CASAE 2
REASONS FOR GRANTING THE PETITION 5
I. THE DECISION BELOW DEEPENS AN ENTRENCHED SPLIT AMONG FEDERAL COURTS OF APPEALS. ... 5
II. THE DECISION BELOW MUST BE REVERSED. 5
III. THIS CASE IS AN IDEAL VEHICLE TO PROVIDE A GUIDANCE. 6
CONCLUSION 7

INDEX TO APPENDICES

APPENDIX A - COURT OF APPEAL, SEVENTH CIRCUIT'S OPINION (APRIL 24. 2024) APP.1

APPENDIX B - THE UNITED STATE COURT, NORTHEN DISTRICT OF ILLINOIS' OPINION (MARCH 2, 2023)..... APP.16

TABLE OF AUTHORITIES

CASES

Colorado River Water Conservation District v. United States,
424 U.S. 800, 817 (1976)----------3
Ernest Bock, LLC v. Steelman,
76 F.4th 827, 841 (9th Cir. 2023) ----------6

GeLab Cosmetics LLC v. Shijian Li,
No. ESX L 7618-21 (N.J. Sup. Ct.) ----------5

Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.,
342 U.S. 180, 183 (1952)----------3

Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.,
460 U.S. 1, 28 (1983)----------3

Xingwang Chen v. Zhuhai Abgel Cosmetics Co., Ltd.,
No. ESX L 001435-21 (N.J. Sup. Ct.)----------5

STATUTES

28 U. S. C. § 1254(1) ----------2

PETITION FOR WRIT OF CERTIORARI

Petitioner, GeLab Cosmetics LLC, respectfully petitions this court for a writ of certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit in this case.

OPINIONS BELOW

The decision by the United States Court of Appeals, Seventh Circuit affirming the stay under *Colorado Doctrine* is reported at 99 F.4th 424. That opinion is found in the Appendix to the Petitioner for a Writ of Certiorari (or "Pet. App."), at pages 1a-15a. The opinion of the District Court of Northern District of Illinois is unpublished but is reported at 2023 WL 2333301 and reprinted at Pet. App. 16a-23a.

JURISDICTION

The judgment of the Court of Appeals, Seventh Circuit was entered on April 24, 2024. Pet. App. 1a. Petitioner is filling this petition for a writ of certiorari within 90 days. The Court has jurisdiction under 28 U. S. C. § 1254(1).

STATEMENT OF THE CASAE

Over 48 years ago, this Court held in *Colorado River* that an ongoing case in a state court does not preclude a federal court with jurisdiction from adjudicating a case involving the same issue. *Colorado River Water Conservation District v. United States*, 424 U.S. 800, 817 (1976). This Court further acknowledged that where a case does not fall within one of the abstention categories, there are principles resting on considerations of "(w)ise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation." *Id*. (quoting *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 183 (1952)).

Seven years later, in *Moses Cone*, this Court held that "a stay is as much as a refusal to exercise federal jurisdiction as a dismissal." *Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 28 (1983). Additionally, this Court instructed:

> "When a district court decides to dismiss or stay under *Colorado River*, it presumably concludes that the parallel state-court litigation will be an adequate vehicle for the complete and prompt resolution of the issues between the parties. If there is any substantial doubt as to this, it would be a serious abuse of discretion to grant the stay or dismissal at all." *Id*.

This case presents the question of whether the Seventh Circuit erred in affirming the district court's stay of federal proceedings under the Colorado River

doctrine when substantial doubt exists as to whether the state court proceedings will fully resolve the federal action, deepening a conflict among circuits on the necessity of exact parallelism between state and federal proceedings.

A. The Federal Case

Petitioner GeLab Cosmetics LLC ("GeLab"), a New Jersey limited liability company, filed a lawsuit in the Northern District of Illinois against Zhuhai Aobo Cosmetics Co., Ltd. ("Zhuhai Aobo"), Zhuhai Shengjieer Cosmetics Co., Ltd., Zhuhai Zhengjia Trading Co., Ltd., Pingjun Li ("Pingjun"), Ximei Peng ("Ximei"), and Benhong Li ("Benhong") alleging trade secret misappropriation under the Defend Trade Secrets Act and other state law claims. Benhong is the daughter of Pingjun and Ximei, who are owners of Zhuhai Aobo.

B. The New Jersey State Court Cases

Concurrent to the federal case for trade secrets misappropriation, two related ownership disputes are being litigated in New Jersey state court. One case was filed by a member of GeLab, Mr. Chen, against another member Shijian Li, as well as Zhuhai Aobo and its three owners in New Jersey state court for membership disputes. *Xingwang Chen v. Zhuhai Abgel Cosmetics Co., Ltd.*, No. ESX L 001435-21 (N.J. Sup. Ct.) The other case was filed by GeLab itself against its member, Shijian Li, for fraud. *GeLab Cosmetics LLC v. Shijian Li*, No. ESX L 7618-21 (N.J. Sup. Ct.)

C. The Decisions Below

The district court stayed the federal case under the Colorado River doctrine, reasoning that the Illinois and New Jersey cases are parallel under this doctrine because both involve the fundamental issue of GeLab's ownership, which affects the validity of the trade secret claims. Pet. App. 8a-11a. Specifically, the district court found that resolving the ownership dispute in New Jersey could potentially preclude the federal action, as Zhuhai Aobo, if proven to be the majority owner, would not maintain claims against themselves. Pet. App. 21a.

GeLab appeals the stay order, among the other arguments, arguing that the district court erred in applying the Colorado River doctrine by overstating the parallel nature the cases. Pet. App. 10a. The Seventh Circuit affirmed the district court's order, concluding that the state and federal cases were parallel. Pet. App. 8a-11a, 15a. The court noted that the ownership issue in the New Jersey case was central to resolving the trade secret misappropriation claims and that the state court proceedings would likely dispose of the trade secrets misappropriation claims brought in federal court if Zhuhai Aobo's ownership was established. Pet. App. 10a.

This petition follows.

REASONS FOR GRANTING THE PETITION

I. THE DECISION BELOW DEEPENS AN ENTRENCHED SPLIT AMONG FEDERAL COURTS OF APPEALS.

The Seventh Circuit's decision to stay the federal proceedings despite substantial doubt about the state court's ability to resolve all federal claims starkly contrasts with the Ninth Circuit's approach. The Ninth Circuit has held that substantial doubt about whether state proceedings will resolve all federal issues precludes a stay and that the cases are parallel only if all possible outcomes of the state case will necessarily dispose of the federal case. Pet. App. 11a. This conflict necessitates this Court's intervention to ensure a uniform application of the Colorado River doctrine.

The Seventh Circuit explicitly acknowledged that its decision conflicts the Ninth Circuit's approach in *Ernest Bock, LLC v. Steelman*, 76 F.4th 827, 841 (9th Cir. 2023) (cert. denied) and re-affirmed its approach even after this Court denied certiorari for the Ninth Circuit decision in *Ernest Bock*. This deepened conflict regarding the application of parallelism underscores the need for this Court's review to resolve the conflicting interpretations of the Colorado River doctrine among the circuits.

II. THE DECISION BELOW MUST BE REVERSED.

The Seventh Circuit's approach deviates from this Court's instruction in *Moses Cone* regarding

"substantial doubt." Specifically, the state court proceedings may not fully resolve the federal action, particularly if the New Jersey court does not conclusively determine Zhuhai Aobo's ownership of GeLab. This substantial doubt should preclude a Colorado River stay, ensuring that GeLab's federal claims are adequately adjudicated. Therefore, the decision below must be reversed to align with established precedent and ensure fair adjudication of federal claims.

III. THIS CASE IS AN IDEAL VEHICLE TO PROVIDE A GUIDANCE.

This case presents an ideal opportunity for the Supreme Court to resolve the conflicting interpretations of the parallelism under Colorado River doctrine. The implications extend beyond the immediate parties. The decision affects the broader landscape of bringing federal lawsuit in federal court under federal law. Allowing state court proceedings to delay or undermine federal claims risks creating inconsistent applications of the federal law, potentially weakening the federal jurisdiction. The Supreme Court's intervention is crucial to uphold the uniformity and integrity of federal laws, providing clear guidance on the proper balance between judicial economy and federal jurisdiction.

CONCLUSION

For the foregoing reasons, petitioner respectfully requests that this Court issue a writ of certiorari.

Respectfully submitted,

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