UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

SMITH INTERFACE TECHNOLOGIES, LLC, Plaintiff, v. APPLE INC., Defendant.	Case No.: 23-CV-1187 TWR (BGS) **ORDER (1) GRANTING IN PART AND DENYING IN PART DEFENDANT'S MOTION TO STAY, (2) STAYING ACTION, AND (3) VACATING CLAIM CONSTRUCTION HEARING** (ECF No. 77)

Presently before the Court is Defendant Apple Inc.'s Motion to Stay the Action pending resolution of pending *Inter Partes* Review ("IPR") proceedings ("Mot.," ECF No. 110), as well as Plaintiff Smith Interface Technologies, LLC's Response in Opposition to ("Opp'n," ECF No. 114) and Apple's Reply in Support of ("Reply," ECF No. 118) the Motion and the Parties' Supplemental Briefing ("Pl.'s Supp. Br.," ECF No. 122; "Def.'s Supp. Br.," ECF No. 123). The Court held a hearing on September 19, 2024. (*See* ECF Nos. 121, 124 ("Tr.").) Having carefully considered the Parties' arguments and the relevant law, the Court **GRANTS IN PART AND DENIES IN PART** Apple's Motion; **STAYS** this action pending the issuance of the last of the Patent Trial and Appeal Board's ("PTAB") institution decisions on Apple's pending IPR petitions; and **VACATES** the December 12, 2024 claim construction hearing.

BACKGROUND

Inventor Michael Smith "developed new advanced input and output techniques for mobile user interfaces[, ("UIs")]" such as "multi-part gestures, where users can take successive actions, such as by touching, tapping, long-pressing, or sliding, and receive feedback at each step, whether visual or tactile (or both)." (*See* ECF No. 66 ("TAC") ¶ 19.) "These mobile UI advances resulted in numerous patents, including U.S. Patent Nos. 10,642,413 (the "'413 Patent"); 10,649,578 (the "'578 Patent"); 10,649,580 (the "'580 Patent"); 10,656,754 (the "'754 Patent"); 10,656,755 (the "'755 Patent"); 10,656,758 (the "'758 Patent"); 10,671,212 (the "'212 Patent"); 10,725,581 (the "'581 Patent"); 10,936,114 (the "'114 Patent"); and 11,740,727 (the "'727 Patent") (collectively, the "Asserted Patents")." (*Id.* ¶ 17.) The Asserted Patents are all "continuation[s] of and claim[] priority to numerous patents, patent applications, and provisional patent applications dating back to U.S. Provisional Application No. 61/515,835, filed August 5, 2011." (*See id.* ¶¶ 21–30.) Smith is the sole named inventor of the Asserted Patents, all of which are assigned solely to Plaintiff Smith Interface. (*See id.*)

On June 27, 2023, Smith Interface filed the instant action against Apple, asserting nine claims of patent infringement as to each of the '413, '578, '580, '754, '755, '758, '212, '581, and '114 Patents (the "Original Asserted Patents"), (*see generally* ECF No. 1 ("Compl.")), which was subsequently reassigned to the undersigned. (*See* ECF No. 4.) The '727 Patent issued on August 29, 2023, (*see* TAC ¶ 30), before Apple's responsive pleading deadline. (*See* ECF No. 21.) Accordingly, on the same day it had issued, Smith Interface amended its Complaint pursuant to Federal Rule of Civil Procedure 15(a)(1) to add a claim for infringement of the '727 Patent. (*See generally* ECF No. 22 ("FAC").) Apple moved to dismiss the First Amended Complaint's claims for willful and indirect infringement on October 3, 2023. (*See generally* ECF No. 36.)

On October 25, 2023, Smith Interface requested leave to file an amended complaint pursuant to Rule 15(a)(2). (*See generally* ECF No. 42.) The following day, the Court granted Smith Interface's request and denied as moot Apple's Original Motion to Dismiss,

(*see generally* ECF No. 43), and Smith Interface filed a Second Amended Complaint. (*See generally* ECF No. 44). Apple then moved to dismiss the Second Amended Complaint's claims for willful and indirect infringement on November 9, 2023. (*See generally* ECF No. 46.) On March 5, 2024, the Court granted in part and denied in part Apple's Motion to Dismiss and granted Smith Interface leave to file an amended complaint. (ECF No. 63.) On March 19, 2024, Smith Interface filed the operative Third Amended Complaint. (*See generally* TAC.)

On April 1, 2024, Apple filed a motion to narrow the number of claims Smith Interface could assert in its infringement contentions. (ECF No. 73.) On May 16, 2024, the Court granted in part Apple's motion, and the Court ordered that Smith Interface could assert no more than 200 total claims in its initial infringement contentions. (*See* ECF No. 91 at 9.) On June 5, 2024, Smith Interface served its initial infringement contentions, identifying the claims Smith Interface is asserting in this action. (*See* Mot. at 3.) On June 20, 2024, the Court entered a Scheduling Order for the action. (ECF No. 102.)

Between June 26, and June 28, 2024, Apple filed 15 IPR petitions with the PTAB challenging the validity of claims from nine of the ten Asserted Patents—the '413, '578, '580, '754, '755, '758, '212, '581, and '114 Patents. (*See* ECF No. 105; Mot. at 3; Opp'n at 5.) Those IPR petitions challenge the validity of all the asserted claims from the '413, '578, '580, '755, '758, '212, '581, and '114 Patents. (Mot. at 3–4; Opp'n at 5.) As to the '754 Patent, Apple's IPR petition challenges the validity of 85 of the 166 asserted claims (including all independent claims) from that patent. (*Id.*) On August 1, 2024, Apple filed an IPR petition as to the '727 Patent, challenging the validity of all the asserted claims from that patent, (*id.*), as well as the instant Motion. (*See generally* ECF No. 110.) The PTAB's decisions on whether to grant Apple's IPR petitions and institute IPR proceedings as to the Asserted Patents are expected to be issued between January and March 2025. (*See* Mot. at 4 (citing 35 U.S.C. § 314(b)); Tr. at 30:4–8, 31:3–5.)

On August 5, 2024, the Court granted Apple's partial motion to dismiss and dismissed with prejudice Smith Interface's claims for pre-suit willful and induced patent

infringement. (ECF No. 112 at 13.) On August 19, 2024, Apple filed an answer to the operative complaint ("Ans.," ECF No. 116).

On September 5, 2024, Apple filed a petition for *ex parte* reexamination with the U.S. Patent and Trademark Office ("PTO") challenging the validity of the remaining asserted claims from the '754 Patent. (*See* ECF No. 119.) With the filing of this additional petition, Apple now has pending PTO challenges as to the validity of all 200 asserted claims in this action. (*See id.*)

On October 1, 2024, the Parties filed their joint claim construction hearing statement, chart, and worksheet. (ECF No. 126.) In that filing, the Parties represent that they currently dispute the proper construction of twelve claim terms. (*See id.*)

LEGAL STANDARD

"Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination" or review. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (citation omitted); *see Murata Mach. USA v. Daifuku Co.*, 830 F.3d 1357, 1361–62 (Fed. Cir. 2016); *see also Clinton v. Jones*, 520 U.S. 681, 706 (1997) ("The District Court has broad discretion to stay proceedings as an incident to its power to control its own docket."). In determining whether to grant a stay pending review or reexamination by the PTO, district courts generally consider the following three factors: (1) the stage of the proceedings, (2) whether a stay will simplify the issues in question and trial of the case, and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party. *Murata Mach.*, 830 F.3d at 1361; *Masimo Corp. v. Sotera Wireless*, No. 19-CV-01100-BAS-NLS, 2021 WL 321481, at *2 (S.D. Cal. Feb. 1, 2021). Judicial consideration of a stay request "is not limited to these factors, but rather can include a review of totality of the circumstances." *Qualcomm Inc. v. Apple Inc.*, No. 3:17-CV-2403-CAB-MDD, 2018 WL 4104966, at *1 (S.D. Cal. Aug. 29, 2018); *see Murata Mach.*, 830 F.3d at 1362 ("Attendant to the district court's inherent power to stay proceedings is the court's discretionary prerogative to balance considerations beyond those captured by the three-factor stay test.").

There is no per se rule that patent cases should be stayed pending IPRs. *Wi-LAN Inc. v. LG Elecs., Inc.*, No. 18-CV-01577-H-BGS, 2018 WL 9516050, at *2 (S.D. Cal. Dec. 4, 2018); *Clinicomp Int'l, Inc. v. Cerner Corp.*, No. 17CV2479-GPC(BLM), 2018 WL 5617694, at *2 (S.D. Cal. Oct. 30, 2018). Nevertheless, courts in this district have recognized that there is a "'a liberal policy in favor of granting motions to stay pending IPR.'" *Masimo*, 2021 WL 321481, at *2 (quoting *Zomm, LLC v. Apple Inc.*, 391 F. Supp. 3d 946, 956 (N.D. Cal. 2019)); *see, e.g.*, *Omnitracs, LLC v. Platform Sci., Inc.*, No. 20-CV-0958-JLS-MDD, 2021 WL 857005, at *3 (S.D. Cal. Mar. 8, 2021); *Clinicomp*, 2018 WL 5617694, at *2; *Qualcomm*, 2018 WL 4104966, at *1. The moving party bears the burden of demonstrating the need for the requested stay. *See Clinton*, 520 U.S. at 708; *Wi-LAN*, 2018 WL 9516050, at *2.

ANALYSIS

By the present Motion, Apple moves to stay the action pending the IPR proceedings. (Mot. at 1.) Specifically, Apple requests that the Court stay the case until the PTAB decides whether to institute the IPRs and, if the PTAB institutes IPR proceedings against the Asserted Patents, that the case be stayed until the IPR proceedings are complete. (*Id.* at 2.)

I. Stage of the Proceedings

The first factor considers "'whether the litigation is at an early stage.'" *Wi-LAN*, 2018 WL 9516050, at *2 (quoting *Sec. People, Inc. v. Ojmar US, LLC*, No. 14-CV-04968-HSG, 2015 WL 3453780, at *2 (N.D. Cal. May 29, 2015)). Considerations relevant to the court's analysis of this factor include "the status of discovery, claim construction, setting of a trial date, and the court's expenditure of resources." *Vivint, Inc. v. SkyBell Techs., Inc.*, No. CV 21-9472-GW-GJSX, 2022 WL 18587113, at *2 (C.D. Cal. Nov. 9, 2022); *see Wi-LAN*, 2018 WL 9516050, at *2 ("[C]ourts consider whether discovery is complete and whether a trial date has been set."). "Courts favor stays when litigation is in the early stages." *Vivint*, 2022 WL 18587113, at *2; *see Omnitracs*, 2021 WL 857005, at *3. "'If a significant amount of discovery remains, a stay is more appropriate.'" *Taction Tech., Inc. v. Apple Inc.*, No. 21-CV-812 TWR (JLB), 2022 WL 228978, at *2 (S.D. Cal. Jan. 26,

2022) (quoting *Blast Motion, Inc. v. Zepp Labs, Inc.*, No. 15-CV-700 JLS, 2016 WL 5107678, at *2 (S.D. Cal. Mar. 29, 2016)).

In its Opposition, Smith Interface focuses on the stage of the proceedings when the Court heard Apple's Motion to stay and when the PTO is expected to render its institution decisions. (*See* Opp'n at 17.) This is improper. The Federal Circuit has explained: "'Generally, the time of the motion is the relevant time to measure the stage of litigation.'" *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1317 (Fed. Cir. 2014); *see Immersion Corp. v. Valve Corp.*, No. 2:23-CV-00712-TL, 2024 WL 1466536, at *3 (W.D. Wash. Apr. 4, 2024) ("[T]he proper time to measure the stage of the litigation is at the date of the filing of the motion to stay." (internal quotation marks omitted)); *see also Drink Tanks Corp. v. GrowlerWerks, Inc.*, No. 3:16-CV-410-SI, 2017 WL 2633389, at *6 n.5 (D. Or. June 19, 2017) ("[T]he potential timeline of resolution by the PTAB is not relevant to this factor."). Thus, the analysis of this factor will focus on the stage of the proceedings at the time Apple filed its Motion to Stay—August 1, 2024.

By August 1, 2024, this case had been pending for 13 months. But the case was also still at the pleading stage, with Apple yet to file its answer to the operative pleading. The parties had engaged in some discovery, with Smith Interface serving Apple with 11 interrogatories and 59 requests for productions and Apple serving Smith Interface with a single request for production.[1] (*See* Opp'n at 4.) Further, all major deadlines in the case were several months away. Under the Court's June 2024 Scheduling Order, the claim construction hearing is scheduled for December 12, 2024; the close of fact discovery is scheduled for February 10, 2025; the close of expert discovery is scheduled for May 28, 2025; and the pretrial conference is scheduled for October 2025. (*See* ECF No. 102 at 2–3, 6.) No trial date has been set. (*See generally id.*)

/ / /

[1] On August 14, 2024, Apple served Smith Interface with 11 interrogatories and 57 requests for production. (Opp'n at 4.)

In light of the above, the present action is still at an early stage, and, therefore, this factor weighs in favor of a stay. *See Taction*, 2022 WL 228978, at *2 ("[D]iscovery is not nearing completion, and there is still an abundance of work ahead of the parties to complete the discovery process, which weighs in favor of a brief stay."); *WAG Acquisition, LLC v. Amazon.com, Inc.*, No. C22-1424JLR, 2023 WL 1991888, at *3 (W.D. Wash. Feb. 14, 2023) ("The fact that substantial additional discovery, claim construction, and other issues lie ahead in this case weighs in favor of a stay."); *see also, e.g.*, *TAS Energy, Inc. v. San Diego Gas & Elec. Co.*, No. 12CV2777-GPC BGS, 2014 WL 794215, at *3 (S.D. Cal. Feb. 26, 2014) (finding factor weighed in favor of stay where, although the parties had exchanged infringement and invalidity contentions and filed opening claim construction briefs, the court has not yet held a claim construction hearing, the action was in the midst of discovery, and no trial date had been set); *Qualcomm*, 2018 WL 4104966, at *2 (same).

II. Simplification of the Issues

The second factor courts consider is whether granting a stay could simplify the litigation. *Wi-LAN*, 2018 WL 9516050, at *3. Here, Apple's various IPR petitions collectively challenge the validity of claims from all ten of the Asserted Patents, including all of the asserted claims from nine of the ten Asserted Patents. (*See* Mot. at 3–4; Opp'n at 5.) As such, there is a great potential for simplification of the issues in this action from the IPR proceedings.

"If the PTAB institutes and cancels all the asserted claims of any patent, it will remove that patent from the case, thereby significantly reducing the scope of this litigation." *Qualcomm*, 2018 WL 4104966, at *2; *see Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013) ("[W]hen a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot."); *see, e.g.*, *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018) (holding that its affirmance of the PTAB's final written decision from an IPR proceeding "renders final a judgment on the invalidity of the [patent], and has an immediate issue-preclusive effect on any pending or co-pending actions involving the

patent"). Further, even if some or all of the challenged claims survive the IPRs, staying the action could still result in simplification of the issues by estopping Apple from asserting certain invalidity challenges in this case that it raised or reasonably could have raised in the IPRs and by clarifying the scope of the asserted claims.[2] *See Qualcomm*, 2018 WL 4104966, at *2; *Clinicomp*, 2018 WL 5617694, at *4; *see also Cal. Inst. of Tech. v. Broadcom Ltd.*, 25 F.4th 976, 989 (Fed. Cir. 2022) ("When IPR proceedings result in a final written decision, 35 U.S.C. § 315(e)(2) precludes petitioners from raising invalidity grounds in a civil action that they 'raised or reasonably could have raised during that *inter partes* review.'"); *Aylus Networks, Inc. v. Apple Inc.*, 856 F.3d 1353, 1362 (Fed. Cir. 2017) ("[S]tatements made by a patent owner during an IPR proceeding, whether before or after an institution decision, can be considered for claim construction and relied upon to support a finding of prosecution disclaimer."). Indeed, even if the PTAB were to deny all of Apple's petitions and not institute any IPRs, the proceedings could still provide helpful guidance to the Court regarding the scope of the asserted claims.[3] *See Aylus Networks*, 856

---

[2] Smith Interface notes that, even if the IPRs are instituted, Apple can still raise invalidity grounds in this case under system prior art, indefiniteness, written description, enablement, and subject matter ineligibility in addition to noninfringement. (Opp'n at 14.) That may be true, but it does not change the fact that Apple would be estopped under § 315(e)(2) from presenting certain invalidity challenges in this case if the IPRs are instituted, meaning that there would be some simplification of the issues. A reduction in the number of invalidity issues in this case is a simplification of the issues, nonetheless.

[3] Smith Interface contends that the IPR petitions' potential to aid in claim construction is "pure conjecture." (Opp'n at 13.) Smith Interface notes that Apple has taken the position that all 119 asserted claims that Apple has challenged in its IPR petitions should be given their plain and ordinary meaning. (*Id.*) And Smith Interface states that it, "for the most part, likely agrees with Apple." (*Id.*) Smith Interface also notes that the filing of preliminary patent owner's responses to Apple's IPR petitions is optional. (*Id.* (citing 37 C.F.R. § 42.107).) The Court rejects these arguments by Smith Interface.

First, the fact that Apple has taken the position that all of the challenged claims should be given their plain and ordinary meaning is of no consequence because prosecution disclaimer is based on statements by the patentee, not the accused infringer. *See Aylus Networks*, 856 F.3d at 1361. And Smith Interface only states that it, "for the most part, likely agrees with Apple." It does not affirmatively represent that it will agree with Apple and assert that all challenged claims should be given their plain and ordinary meaning.

F.3d at 1362; *Taction*, 2022 WL 228978, at *2 ("'Even if no patent claim is eliminated, the intrinsic record developed during the IPR may inform on issues like claim construction.'").

At the motion hearing, Smith Interface asserted that when the case reached the claim construction hearing there would be "very, very few issues for this Court to decide," contending that there will really be only one disputed claim term that the Court will need to construe. (Tr. at 17:10–18:5.) This representation is belied by the Parties' 379-page Joint Claim Construction Chart, Worksheet, and Hearing Statement, (*see generally* ECF No. 126), which states that the Parties currently have 12 claim construction disputes that will require a four-hour Markman hearing. (*See id.* at 4.) Accordingly, contrary to Smith Interface's representations, there currently are many claim construction issues for the Court to resolve, which weighs in favor of staying the proceedings pending the outcome of Apple's IPR petitions in light of their potential to simplify the issues in this case.

Smith Interface contends that the simplification of the issues factor does not weigh in favor of a stay because Apple declined to challenge all asserted claims in its IPR petitions. (*See* Opp'n at 12.) Apple did not challenge 81 asserted claims from the '754 Patent in its IPR petitions.[4] (*Id.*) But the appropriate standard "is simplification of the

---

Further, the fact that the filing of a preliminary response by the patentee is optional is also of no consequence given that Smith Interface does not represent to the Court that it will not file preliminary responses. If Smith Interface files preliminary responses to Apple's IPR petitions, those responses can be considered for claim construction purposes. *See Aylus Networks*, 856 F.3d at 1361–62 (holding that statements made by a patentee in a preliminary response "can be considered for claim construction and relied upon to support a finding of prosecution disclaimer"); *Qualcomm*, 2018 WL 4104966, at *2 ("Qualcomm's submissions to the PTAB in response to Apple's IPR petitions may inform the construction of disputed claim terms.").

[4] On September 5, 2024, Apple filed a petition for *ex parte* reexamination with the PTO challenging the validity of all the remaining asserted claims from the '754 Patent. (*See* ECF No. 119.) Petitions for *ex parte* reexamination are quite different from IPR petitions. Specifically, the *ex parte* reexamination procedure "both takes considerably longer to resolve than IPR and lacks its estoppel benefits." *TPK Touch Sols., Inc v. Wintek Electro-Optics Corp.*, No. 13-CV-02218-JST, 2013 WL 6021324, at *5 (N.D. Cal. Nov. 13, 2013); *see also Evolutionary Intel. LLC v. Yelp Inc*, No. C-13-03587 DMR, 2013 WL 6672451, at *2 (N.D. Cal. Dec. 18, 2013) ("The IPR timeline is more compressed than the timelines under either the predecessor *inter partes* reexamination procedure or the *ex parte* reexamination procedure."); (*see also* ECF No. 124 at 9 (representing that the average time from filing to issuance of a reexamination certificate

district court case, not complete elimination of it by the PTAB." *LELO, Inc. v. Standard Innovation (US) Corp.*, No. 13-CV-01393-JD, 2014 WL 2879851, at *3 (N.D. Cal. June 24, 2014) (rejecting the patentee's argument that "simplification will not happen here because, no matter what, some claims will survive the PTAB review and this lawsuit will continue"); *accord mate, LLC v. Advanced Lighting Concepts, LLC*, No. 22-CV-1095-CAB-DEB, 2023 WL 6612481, at *2 (S.D. Cal. Oct. 10, 2023); *see Masimo*, 2021 WL 321481, at *3 ("'[T]he question is merely whether the issues will be simplified, and not whether the entire case will be resolved.'"). Although Apple did not challenge all of the asserted claims in its IPR petitions, the fact remains that Apple filed IPR petitions as to all ten Asserted Patents and challenged all asserted claims from nine out of the ten Asserted Patents. (*See* Mot. at 3–4; Opp'n at 5.) With respect to the '754 Patent, Apple's IPR petitions challenge the majority of the asserted claims from that patent (85 of the 166 asserted claims), including all independent claims. (*See id.*) Consequently, the simplification of the issues factor weighs in favor of a stay despite Apple's failure to challenge all of the asserted claims from one of the Asserted Patents.[5] *See, e.g.*, *mate*, 2023 WL 6612481, at *2 (finding factor weighed in favor of stay where accused infringer filed IPR petitions as to all of the asserted patents but did not challenge all asserted claims); *Qualcomm*, 2018 WL 4104966, at *2 (finding factor weighed in favor stay where the accused infringer filed IPR petitions challenging the validity of all the asserted claims from the five asserted patents except for a few claims from one of the patents).

---

is 25.2 months)). Consequently, at this time, the Court gives little weigh to Apple's filing of this *ex parte* reexamination petition.

[5] Smith Interface notes that, in light of the Court's claim narrowing order, this case is already on a path towards simplification because it will involve no more than 32 claims and 40 prior art references within four months. (*See* Opp'n at 10, 12.) Although this is true, this does not mean that the IPR proceedings cannot also result in a simplification of the issues in the case. Indeed, the issues in this case can be simplified both by the IPR proceedings and by the Court's Scheduling Orders, including the Court's claim narrowing deadlines. As Apple notes, "[t]he efficiencies to be gained are complementary, not mutually exclusive." (Reply at 3.) It is not as though the Court will get rid of its claim narrowing requirements if the Court stays the action.

Smith Interface asserts that a majority of district courts deny stay request prior to IPR institution. (Opp'n at 10, 19–20 (citing *Trover Grp., Inc. v. Dedicated Micros USA*, No. 2:13-CV-1047-WCB, 2015 WL 1069179, at *5–6 (E.D. Tex. Mar. 11, 2015) (Bryson, J.)).) Smith Interface also asserts that a stay pending IPR review will only simplify the issues and streamline the cases if the PTAB grants the petitions and institutes the requests IPR. (*Id.* at 11 (citing *Trover*, 2015 WL 1069179, at *4).) Smith Interface contends that, until the PTAB grants a petition, any argument about whether the IPR process will simplify the issues is highly speculative. (*Id.* (citing *Infogation Corp. v. ZTE Corp.*, No. 16-CV-01901-H-JLB, 2017 WL 2123625, at *1 (S.D. Cal. May 16, 2017)).)

In support of these arguments, Smith Interface relies on two district court decisions—one from 2015 and one from 2017. (*See id.*) There have been two significant and substantial changes to the law governing IPR proceedings, however, since 2018. One district court aptly summed up these changes as follows:

> First, in *SAS Inst., Inc. v. Iancu*, [584 U.S. 357, 361–63] (2018), the Supreme Court held that, where the PTAB institutes *inter partes* review, it must address every challenged claim in the petition; second, regulations promulgated in October 2018[,] made clear that, when construing patent claims for IPR proceedings, the PTAB shall apply "the same claim construction standard that would be used [by district courts] to construe the claim in a civil action under 35 U.S.C. 282(b)," 37 C.F.R. § 42.100(b). In the time since, courts have recognized that the logic for granting a pre-institution stay has "been strengthened by [these] recent changes in the law." *RetailMeNot, Inc. v. Honey Science LLC*, 2020 WL 373341 (D. Del. Jan. 23, 2020).

Nike, Inc. v. Lululemon USA Inc., No. 22-CV-00082-RAO-TW, 2023 WL 2214884, at *2 (S.D.N.Y. Feb. 24, 2023). Indeed, in recent years, most courts in this District have recognized a liberal policy in favor of granting motions to stay pending IPR and have granted limited stays of the action even when only a petition for IPR has been filed. *See, e.g.*, *mate*, 2023 WL 6612481, at *2; *Taction*, 2022 WL 228978, at *3; *Omnitracs*, 2021 WL 857005, at *3, 8; *Clinicomp*, 2018 WL 5617694, at *2, 7; *Qualcomm*, 2018 WL 4104966, at *1, 3; *Wi-LAN, Inc. v. LG Elecs., Inc.*, No. 317CV00358BENMDD, 2018 WL 2392161, at *1 (S.D. Cal. May 22, 2018); *see also Speir Techs. Ltd. v. Apple, Inc.*, No.

5:23-CV-00095-EJD, 2023 WL 2714931, at *2 (N.D. Cal. Mar. 30, 2023) ("[C]ourts in this district have frequently stayed cases pending IPR even when the PTAB has not yet issued a decision on institution.").

Moreover, any uncertainty regarding how precisely the PTAB will rule on the pending IPR petitions can be mitigated by only staying the proceedings for a short duration until the PTAB issues its decisions on whether to institute the IPRs, which will occur in approximately five months. *See Molo Design, Ltd. v. Chanel, Inc.*, No. 21-CV-01578 (VEC), 2022 WL 2135628, at *2 (S.D.N.Y. May 2, 2022) (explaining that, given that the stay will be "relatively short," "the potential for the PTAB's decision to simplify the issues in this litigation outweighs the attendant costs of postponed litigation"); *see, e.g.*, *mate*, 2023 WL 6612481, at *2; *Taction*, 2022 WL 228978, at *2. In sum, this factor weighs "in favor of a limited stay of proceedings until the PTAB issues its decisions on whether to institute IPR."[6] *Qualcomm*, 2018 WL 4104966, at *2.

III. Undue Prejudice/Tactical Disadvantage

The last factor courts consider is whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party. The delay inherent in the IPR process does not, by itself, constitute undue prejudice. *Omnitracs*, 2021 WL 857005, at *4; *Qualcomm*, 2018 WL 4104966, at *3; *see also PersonalWeb Techs., LLC v. Apple Inc.*, 69 F. Supp. 3d 1022, 1029 (N.D. Cal. 2014) ("Courts have repeatedly found no undue prejudice unless the patentee makes a specific showing of prejudice beyond the delay necessarily inherent in any stay."). "Rather, proper considerations include whether the

---

[6] For this factor, both Apple and Smith Interface present the Court with certain statistics related to IPR proceedings to support their respective positions. (*See* Mot. at 11–12; Opp'n at 16; Reply at 7–8.) The Court declines to give much weigh to these statistics. "[T]he overall statistics for the number of petitions that are reviewed and the number of claims that are invalidated are not especially enlightening as to the likely disposition of any particular patents or claims, since the likelihood of invalidation depends entirely on the particulars of the patents and claims in dispute." *Trover*, 2015 WL 1069179, at *4. The Court notes, however, that Smith Interface's statistical analysis is particularly unhelpful in resolving the pending motion. (*See* Opp'n at 16 (claiming that Apple only has a 0.0002059% (about 1 in 5,000) chance of invalidating all the challenged claims).)

nonmovant will be prejudiced by delaying access to discovery and allowing Defendant's alleged infringement to continue in the interim." *Omnitracs*, 2021 WL 857005, at *4 (internal quotation marks omitted) (quoting *DNA Genotek Inc. v. Spectrum Sols. L.L.C.*, No. 16-CV-1544 JLS (NLS), 2016 WL 9047159, at *3 (S.D. Cal. Oct. 7, 2016)).

Smith Interface asserts that it will suffer undue prejudice if the Court stays the action because the case will be left languishing on the Court's docket with no discovery, claim construction, or dispositive motions. (*See* Opp'n at 19.) In other words, the harm identified by Smith Interface is simply the fact that a stay will delay the progression of this case. "[S]uch harm is inherent to any stay and does not, alone, constitute undue prejudice." *Topia Tech., Inc. v. Dropbox Inc.*, No. 23-CV-00062-JSC, 2023 WL 3437823, at *7 (N.D. Cal. May 12, 2023); *see Omnitracs*, 2021 WL 857005, at *4; *Qualcomm*, 2018 WL 4104966, at *3.

At oral argument, Smith Interface also asserted for the first time that it would be prejudiced by a stay due to Apple's allegations that Dr. Smith has committed perjury and fraud. (*See* Tr. at 31:18–36:7; *see also* Pl.'s Supp. Br. at 1, 7–9.) In its answer, Apple asserts as affirmative defenses unenforceability due to inequitable conduct and unenforceability due to unclean hands, and, in support of these two defenses, Apple alleges that Dr. Smith committed perjury and engaged in scheme to defraud the PTO. (Ans. ¶¶ 16–215.) Smith Interface argues that a stay of the action would prejudice it by delaying Dr. Smith's ability to clear his name and prolonging the potential reputational harm caused by these allegations. (Pl.'s Supp. Br. at 1.)

The Court notes that, despite contending that these allegations are baseless, Smith Interface has not challenged the sufficiency of these allegations via a motion. *Cf. Zep Solar Inc v. Westinghouse Solar Inc*, No. C 11-06493 JSW, 2012 WL 12920832, at *1 (N.D. Cal. Apr. 17, 2012) ("Under Federal Circuit law, all averments of fraud and inequitable conduct, including affirmative defenses, fall within the strictures of Rule 9(b) and must be stated with particularity." (citing *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1326 (Fed. Cir. 2009)); *Collaboration Props., Inc. v. Tandberg ASA*, No. C 05-01940 MHP,

2007 WL 205065, at *7 (N.D. Cal. Jan. 25, 2007) ("'To the extent that [a] defendant's affirmative defense for unclean hands . . . rests on allegations of inequitable conduct before the PTO, defendant must plead these defenses with the specificity required under Rule 9(b).'"). Thus, Smith Interface's own actions belie its assertion that it needs to address these allegations and clear Dr. Smith's name quickly. In addition, district courts have stayed cases pending IPR proceedings even where inequitable conduct allegations were at issue. *See, e.g.*, *Sleep No. Corp. v. Sizewise Rentals, LLC*, No. EDCV1800356ABSPX, 2019 WL 1091335, at *4 (C.D. Cal. Feb. 12, 2019); *IOENGINE, LLC v. PayPal Holdings, Inc.*, No. CV 18-452-WCB, 2019 WL 3943058, at *10 (D. Del. Aug. 21, 2019); *SCA Hygiene Prod. Aktiebolag ("AB") v. Tarzana Enters., LLC*, No. CV1704395ABJPRX, 2017 WL 5952166, at *4 (C.D. Cal. Sept. 27, 2017); *Semiconductor Energy Lab'y Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST JPRX, 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012).

Finally, Smith Interface is a non-practicing entity and is not a direct competitor to Apple. Thus, any potential harm from a stay can be addressed through damages, and this is an additional factor that weighs in favor of a stay. *See Speir*, 2023 WL 2714931, at *6 ("[Plaintiff] is a non-practicing entity that 'cannot be prejudiced by a stay because monetary damages provide adequate redress for infringement.'"); *Taction*, 2022 WL 228978, at *3 ("'[T]he fact that the parties are not competitors weigh[s] in favor of a stay as any harm from a stay can be addressed through damages.'"); *Qualcomm*, 2018 WL 4104966, at *3 ("[B]ecause Apple and Qualcomm are not direct competitors, any harm from a stay can be addressed through damages."). In sum, this factor weighs in favor of a stay.

IV. Additional Factors Considered Under the Totality of the Circumstances

A district court's consideration of motion to stay pending IPR can consider additional factors as part of the totality of the circumstances. *See Qualcomm*, 2018 WL 4104966, at *1; *see also Murata Mach.*, 830 F.3d at 1362 ("Attendant to the district court's inherent power to stay proceedings is the court's discretionary prerogative to balance

considerations beyond those captured by the three-factor stay test."). Smith Interface requests that, as part of the totality of the circumstances here, the Court consider Apple's actions and representations in seeking and securing the Court's claim narrowing Order. (*See* Opp'n at 6–7, 20–21.) Smith Interface takes issue with fact that in its motion for claim narrowing, Apple sought to limit Smith Interface to 50 asserted claims and argued that "'unless the Court intervenes, Apple will be forced to expend resources preparing invalidity contentions [and IPR petitions] on potentially 1,110 claims.'" (*Id.* at 3.) Yet, when Apple filed its IPR petitions, it challenged the validity of 321 claims, including 202 claims that are not asserted in this case. Smith Interface also notes that, in effort to secure the claim narrowing order, Apple represented to the Court that the asserted claims covered similar subject matter. (*Id.* at 6.) Smith Interface further notes that Apple used eight distinct pieces of prior reference in its IPR petitions to challenge the asserted patents. (*Id.*) Smith Interface characterizes these actions by Apple as misrepresentations to the Court. (*See id.* at 5–6, 20–21.)

The Court does not find Apple's representations and actions regarding claim narrowing to be a sufficient basis to deny the present motion to stay. Smith Interface is correct that Apple argued to this Court that that 50 asserted claims would be the appropriate number for a claim narrowing order. But the Court rejected that argument and instead limited Smith Interface to 200 total asserted claims. (*See* ECF No. 91 at 9.) It is also worth noting that, although 321 claims is a large amount of claims to challenge via IPR petitions, it is still less than a third of what Apple was initially facing in this action prior to Apple filing its motion for claim narrowing (1,110 claims), and it is about half of what Smith Interface was offering when it responded to Apple's motion (588 claims). (*See* ECF No. 91 at 5 & nn. 4, 7; ECF No. 84 at 2; ECF No. 92 at 5, 7.)

Further, it was reasonable for Apple to challenge additional claims that are not presently asserted in this action in its IPR petitions. The Court's Claim Narrowing Order contains a safety valve provision, meaning that, upon a motion and a showing of good cause, Smith Interface can include additional asserted claims in this action. (*See* ECF No.

91 at 9–10.) And, in its response to Apple's motion for claim narrowing, Smith Interface represented to the Court that it likely will use that safety valve provision. (*See* ECF No. 84 at 8–10; *see also* Opp'n at 18 (Smith Interface asserting that it might have substitute claims under the safety valve provision after Apple serves its invalidity contentions).) It was therefore reasonable for Apple to challenge additional unasserted claims in its IPR petitions given there is a chance that those additional claims could become asserted claims in this action.[7] As such, the Court rejects Smith Interface's attempt to impute a nefarious motive to Apple's actions. (*See* ECF No. 124 at 23.)

Finally, Smith Interface's assertion that Apple's use of eight distinct pieces of prior art somehow suggests that the Asserted Patents do not cover similar subject matter is simply wrong. There are ten Asserted Patents with hundreds of asserted claims in this action. The fact that Apple was able to challenge the validity of over 300 hundred claims from ten patents with only eight prior art references actually supports the notion that the various claims are related and cover similar subject matter. In sum, the Court rejects Smith Interface's contention that Apple's motion to stay should be denied based on Apple's representations and actions related to claim narrowing.

CONCLUSION

In conclusion, all of the relevant factors weigh in favor of granting a stay. However, the factors only weigh in favor of granting a limited stay of the action until the PTAB issues its decisions on whether to institute IPRs of the Asserted Patents. Because, at this time, it is unknown how precisely the PTAB will rule on the IPR petitions (it could grant all the petitions, deny all of the petitions, or grant some and deny others), the Court defers deciding whether to further stay the action until after the PTAB has rendered its institution decisions.

---

[7] At the hearing, Smith Interface represented that, if the Court does not stay the action, Smith Interface will not attempt to exercise that safety valve option. (*See* Tr. at 14:24–15:2.) While the Court appreciates Smith Interface making this commitment at the September hearing, Smith Interface had not made this commitment prior to Apple filing its IPR petitions. Instead, as noted above, Smith Interface said the opposite, previously representing that it was likely to use the safety valve provision. Therefore, Apple's decision to challenge additional unasserted claims when it filed its IPR petitions was reasonable.

Accordingly, the Court **GRANTS IN PART AND DENIES IN PART** Apple's Motion for a stay pending IPR. Specifically, the Court **STAYS** this action pending the issuance of the last of the PTAB's institution decisions on Apple's pending IPR petitions as to the Asserted Patents and **ORDERS** the Parties to file a joint status report notifying the Court of the PTAB's decision(s) **within <u>seven (7) days</u> of the issuance of any of the PTAB's decisions on whether to institute *inter partes* review as to the Asserted Patents**. In light of the stay, the Court **VACATES** the December 12, 2024 claim construction hearing and associated deadlines.

IT IS SO ORDERED.

Dated: October 2, 2024

Honorable Todd W. Robinson
United States District Judge