IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
WACO DIVISION

PROXENSE, LLC, Plaintiff, v. MICROSOFT CORPORATION, Defendant.	Case No. 6:23-cv-00319-ADA **JURY TRIAL DEMANDED**

MICROSOFT'S OPPOSED MOTION TO STAY
PENDING RESOLUTION OF MICROSOFT'S MOTION TO TRANSFER

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I. INTRODUCTION

Defendant Microsoft Corporation ("Microsoft") moves to stay all case activity pending resolution of its Motion to Transfer to the Western District of Washington ("WDWA"). As the Fifth and Federal Circuits have emphasized, resolving a pending motion to transfer should take "top priority," ahead of addressing underlying substantive issues. Venue discovery has been closed since October 30, 2023, and Microsoft's Motion to Transfer was fully briefed six weeks before the Court cancelled the *Markman* hearing. A stay is necessary as substantive deadlines would be quickly approaching, including final infringement and invalidity contentions, if discovery opens. These efforts should be postponed until the Court has ruled on Microsoft's Motion to Transfer Venue.

All relevant factors favor a stay. First, Plaintiff Proxense, LLC ("Proxense") will not be prejudiced by a stay, as it does not make any products and is not seeking injunctive relief. Dkt 1. Second, Microsoft will be harmed without a stay, as it will need to invest significant resources to litigate in an inconvenient venue having almost no relevant witnesses or evidence. Finally, without a stay, judicial resources will be wasted if this case is later transferred to WDWA, which is clearly the more convenient venue, as the relevant witnesses and documents are firmly anchored there. Moreover, as embodied in the Court's exemplary schedule for patent cases, resolving all claim construction disputes before fact discovery opens is a more efficient and streamlined process. *See* Ex. 1 (OGP 4.4) at 13-17 (Exemplary Schedule). Thus, further proceedings should be stayed pending a decision on transfer.

II. FACTUAL BACKGROUND

Proxense filed this suit in the Western District of Texas ("WDTX") on May 2, 2023. Dkt. 1 (Complaint). Microsoft filed its Motion to Dismiss for Failure to State a Claim on July 10, 2023, Dkt. 21, and timely filed a motion to transfer on October 10, 2023, Dkt. 29. The ten-week venue

discovery period closed on October 30, 2023, with neither party seeking additional venue discovery, and Microsoft's Motion to Transfer was fully briefed by November 27, 2023. *See* Dkt. 40.

This Court ordered the January 19, 2024 *Markman* hearing cancelled (Dkt. 50). In the wake of the cancelled *Markman* hearing, on January 25, 2024, the parties agreed to "stay the opening of fact discovery . . . until the Court rules on Microsoft's Motion to Transfer." *See* Ex. 2. The parties also agreed to reconvene in two weeks (*i.e.*, around February 8) if the issue was not mooted and the parties remained at an impasse. *See* Ex. 3. That date came and went, and the opening of fact discovery remained stayed for approximately one month. On February 23, Proxense contacted Microsoft to approach this Court to open discovery.

The parties met and conferred on March 7, 2024, to discuss Proxense's position on this motion for a stay. Proxense's counsel stated that it opposes.

III. THIS CASE SHOULD BE STAYED PENDING THE TRANSFER DECISION

A. The Resolution of Microsoft's Motion to Transfer Should Take "Top Priority"

Appellate courts' precedent and this District's standard practice require this case to be stayed pending Microsoft's transfer motion. "[O]nce a party files a transfer motion, disposing of that motion should unquestionably take top priority." *In re Apple Inc.*, 979 F.3d 1332, 1337 (Fed. Cir. 2020) (making clear that transfer should be handled before other substantive tasks, including *Markman*); *In re TikTok, Inc.*, 85 F.4th 352, 362 (5th Cir. 2023) ("[D]isposition of a [§ 1404(a)] motion should [take] a top priority in the handling of a case." (quoting *In re Horseshoe Ent.*, 337 F.3d 429, 433 (5th Cir. 2003))). Thus, a district court should "timely decide the transfer motion before proceeding to further substantive matters." *In re Apple Inc.*, No. 2023-120, 2023 WL 2359699, at *2 (Fed. Cir. Mar. 6, 2023) (granting petition for mandamus); *In re Apple, Inc.*, 52 F.4th 1360, 1363 (Fed. Cir. 2022) (directing the district court to "postpone fact discovery and other

substantive proceedings until after consideration of Apple's motion for transfer"); *In re TracFone Wireless, Inc.*, 848 F. App'x 899, 900–01 (Fed. Cir. 2021) (similar); *In re SK hynix Inc.*, 835 F. App'x 600, 600–01 (Fed. Cir. 2021) (similar).

Indeed, this District's well-established practice is to stay proceedings pending resolution of a transfer motion. *See*, *e.g.*, Text Order Granting Motion to Stay Case, *KOSS Corp. v. Plantronics, Inc.*, No. 6:20-cv-00663-ADA (W.D. Tex. Apr. 8, 2021); Text Order Granting Motion to Stay Case, *NewFlux v. Best Buy Co.*, No. 6:20-cv-00732-ADA (W.D. Tex. Apr. 13, 2021); Order Staying Case, *Red Rock Analytics, LLC v. Apple Inc. et al.*, No. 6:21-cv-00346-ADA (W.D. Tex. June 13, 2022), Dkt. 130. After all, the fundamental purpose of the transfer statute—"to protect litigants, witnesses and the public against unnecessary inconvenience and expense"—is "thwarted" if protracted litigation occurs in an inconvenient venue before transfer is resolved. *Cont'l Grain Co. v. The Barge FBL-585*, 364 U.S. 19, 27 (1960); *Apple*, 52 F.4th at 1361; *see also In re Google Inc.*, No. 2015-138, 2015 WL 5294800, at *1–2 (Fed. Cir. 2015) (explaining that lengthy delays in deciding transfer motions can "frustrate 28 U.S.C. § 1404(a)'s intent" when "a motion to transfer lingers unnecessarily on the docket" (internal citation omitted)).

The Federal Circuit recently held that courts should "postpone fact discovery and other substantive proceedings until after consideration of [Defendant's] motion for transfer[,]" explaining that "precedent entitles parties to have their venue motions prioritized" and that "decision of a transfer motion must proceed expeditiously as the first order of business[.]" *Apple*, 52 F.4th at 1362–63; *In re Apple Inc.*, No. 2022-163, 2022 WL 16754376, at *1 (Fed. Cir. Nov. 8, 2022); *In re Apple Inc.*, No. 2022-164, 2022 WL 16754153, at *1 (Fed. Cir. Nov. 8, 2022). Orders subsequently issued in several underlying cases, staying all deadlines. *See Aire Tech. Ltd., v. Apple Inc.*, No. 6:21-cv-01101-ADA (W.D. Tex. Nov. 8, 2022), Dkt. 71; *Scramoge Tech. Ltd. v. Apple*

Inc., No. 6:21-cv-01071-ADA (W.D. Tex. Nov. 8, 2022), Dkt. 68; *XR Commc'ns LLC v. Apple Inc.*, No. 6:21-cv-00620-ADA (W.D. Tex. Nov. 8, 2022), Dkt. 83. The same principles apply here, namely that all proceedings, including fact discovery, should be "postpone[d] . . . until after consideration of [Microsoft's] motion for transfer." *See Apple*, 52 F.4th at 1362–63.

B. All Relevant Factors Favor a Stay Pending a Decision on Transfer

Courts in this District typically consider three factors to determine whether a stay is warranted: (1) any potential prejudice to the non-moving party; (2) the hardship and inequity to the moving party if the action is not stayed; and (3) the judicial resources saved if a stay is granted. *Yeti Coolers, LLC v. Home Depot U.S.A., Inc.*, No. 1:17-CV-342-RP, 2018 WL 2122868, at *1 (W.D. Tex. Jan. 8, 2018). Here, all three factors favor a stay.

1. A Stay Will Not Prejudice Proxense

A stay pending resolution of Microsoft's Motion to Transfer will not prejudice Proxense. Where a party, like Proxense, "does not make or sell any product that practices the claimed invention[,]" a short stay does not prejudice it. *In re Morgan Stanley*, 417 F. App'x 947, 950 (Fed. Cir. 2011); *see In re Google LLC*, 58 F.4th 1379, 1383 (Fed. Cir. 2023) (noting that a non-competing party "is not threatened in the market in a way that . . . might add urgency to case resolution"). For such entities, a "mere delay in collecting [any alleged] damages does not constitute undue prejudice." *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); *Kirsch Rsch. & Dev., LLC v. Tarco Specialty Prods., Inc.*, No. 6:20-CV-00318-ADA, 2021 WL 4555804, at *2 (W.D. Tex. Oct. 4, 2021) ("[T]he weight of Plaintiff's interest in timely enforcement is diminished here where a stay would merely delay Plaintiff's potential monetary recovery."). Indeed, Proxense waited almost *seven years* to file suit after sending a letter to Microsoft that allegedly "include[ed] details of Microsoft's infringing activity." Dkt. 1 (Compl.) at ¶¶ 42-44; Ex. 10.

Moreover, pre-judgment interest can remedy any cognizable economic disadvantage Proxense might allege. *See, e.g.*, *Underwater Devices Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380, 1389 (Fed. Cir. 1983), *overruled on other grounds by In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007); *see also Transmatic, Inc. v. Gulton Indus., Inc.*, 180 F.3d 1343, 1347–48 (Fed. Cir. 1999). And although "delay in the vindication of patent rights . . . is present in every case in which a patentee resists a stay," it is "not sufficient, standing alone, to defeat a stay motion." *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-CV-1058-WCB, 2015 WL 1069111, at *2 (E.D. Tex. Mar. 11, 2015).

Moreover, Proxense previously agreed to "stay the opening of fact discovery and the service of initial disclosures until the Court rules on Microsoft's Motion to Transfer" and did not object to or otherwise revisit this agreed stay for almost one month. *See* Ex. 2. Indeed, Proxense did not articulate—and still has not articulated—any prejudice that it would allegedly suffer from a stay or otherwise object to staying the opening of fact discovery and the service of initial disclosures. Therefore, Proxense's own lack of urgency further demonstrates that it would not be prejudiced by a stay pending the Court's resolution of Microsoft's Motion to Transfer.

2. Microsoft Will Suffer Undue Hardship Absent a Stay

Absent a stay, this case will progress into substantial merits proceedings, which will impose significant hardship on Microsoft. This Court's exemplary schedule, specifically designed for resolution of patent cases, is more efficient and streamlined than marching through fact discovery and contentions when they may have to be redone given the different local patent rule requirements. *Cf.,* Ex. 4 (WDWA Local Patent Rule) at App. 1 (Schedule Under Draft Local Patent Rules) with Ex. 1 (OGP 4.4) at 13-17 (Exemplary Schedule). However, Proxense is requesting that the parties first engage in fact discovery without the benefit of claim construction and otherwise understanding how key claim terms will be construed. Indeed, these "are not merely

rote, ministerial tasks"; instead, "a *Markman* hearing and claim construction order are two of the most important and time-intensive substantive tasks a district court undertakes in a patent case." *Apple*, 979 F.3d at 1338.

Proxense's position is that fact discovery should begin immediately. Moving forward now, however, risks a "waste 'of time, energy, and money'" that Section 1404(a) is intended to prevent. *Google*, 2015 WL 5294800, at *1–2; *accord In re EMC Corp.*, 501 F. App'x 973, 975–76 (Fed. Cir. 2013); *Apple*, 52 F.4th at 1361–63. Such prejudice "cannot be put back in the bottle" and remedied after the fact. *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 319 (5th Cir. 2008) (*en banc*). But it can be minimized, if not completely prevented, by a short stay.

3. A Stay Will Conserve Judicial Resources

Finally, a stay will conserve judicial resources by minimizing the need for duplicative proceedings in the transferor and transferee courts. "'[J]udicial economy requires that another district court should not burden itself with the merits of the action until it is decided that a transfer should be effected and such consideration additionally requires that the court which ultimately decides the merits of the action should also decide the various questions which arise during the pendency of the suit instead of considering it in two courts.'" *Apple*, 52 F.4th at 1362–63 (quoting *McDonnell Douglas Corp. v. Polin*, 429 F.2d 30, 30 (3d Cir. 1970)). Where, as here, the Court has not made any substantive rulings, a stay will preserve judicial resources and prevent any duplicative efforts.

IV. CONCLUSION

For the foregoing reasons, Microsoft respectfully request that the Court stay all case activity until it issues a decision and written opinion on Microsoft's Motion to Transfer Venue.

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Respectfully submitted,

/s/ Betty Chen

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CERTIFICATE OF CONFERENCE

Pursuant to Local Rules CV-7(G), counsel for the parties met and conferred telephonically on March 7, 2024. David Hecht and Maxim Price attended for Plaintiff. Betty Chen and Claire Chang attended for Defendant. The parties discussed their positions on this motion. Plaintiff indicated that it opposes this motion. The discussions ended in an impasse, leaving an open issue for the Court to resolve.

/s/ Betty Chen
Betty Chen

CERTIFICATE OF SERVICE

Pursuant to the Federal Rules of Civil Procedure and Local Rule CV-5, I hereby certify that, on March 8, 2024, all counsel of record who have appeared in this case are being served with a copy of the foregoing via the Court's CM/ECF system.

/s/ Betty Chen
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