UNITED STATES DISTRICT COURT

DISTRICT OF NEVADA

| | |
|---|---|
| FaceTec, Inc.,<br>Plaintiff,<br>vs.<br>iProov, Ltd.,<br>Defendant. | Case No. 2:21-CV-02252-ART-BNW<br><br>ORDER ON DEFENDANT/COUNTER-CLAIMANT'S MOTION FOR PARTIAL STAY (ECF No. 151) |
| iProov, Ltd.,<br>Counter-Claimant,<br>vs.<br>FaceTec, Inc.,<br>Counter-Defendant. | |

Before the Court is Defendant/Counter-Claimant iProov, Ltd.'s motion for a partial stay of this action. (ECF No. 151.) iProov requests a partial stay pending the outcome of a third-party's request for inter partes review of the patents asserted in this action. Plaintiff/Counter-Defendant FaceTec, Inc. filed an opposition to the motion, and iProov filed a reply. (ECF Nos. 157, 160.) For the reasons discussed below, the Court grants in part iProov's motion. The Court grants iProov's motion to stay FaceTec's patent and non-patent claims but denies iProov's request to not stay its counterclaim.

## I. Background

FaceTec brings this action against iProov, asserting claims for patent infringement, breach of contract, and intentional interference with contractual relations. (ECF No. 19.) FaceTec alleges that iProov infringed on two patents: U.S. Patent No. 10,776,471 B2 (the "'471 patent"), and U.S. Patent No. 11,157,606 B2

EX1055
HARBOR FREIGHT TOOLS
IPR2025-01121

(the "'606 Patent"). iProov has asserted counterclaims for infringement of U.S. Patent No. 9,621,548 (the "'548 Patent"), non-infringement of the '471 and '606 Patents, and invalidity of the '471 and '606 Patents. (ECF No. 22.)

FaceTec also brought a separate lawsuit against a customer of iProov, Jumio Corporation, in the Northern District of California, asserting claims for infringement of the same two patents it asserts in this action—the '471 and '606 Patents—as well as for two other patents (hereinafter, "California Action"). *See* Complaint, *FaceTec, Inc. v. Jumio Corporation*, No. 3:24-cv-03623-RFL (N.D. Cal. June 14, 2024), Dkt No. 1.[1] On November 7, 2024, Jumio filed a request with the U.S. Patent and Trademark Office ("USPTO") for inter partes review of all of the patents in that action, including the '471 and '606 Patents asserted here. *See id.*, Dkt No. 34. iProov subsequently filed the instant motion to stay the present action pending the result of Jumio's request for inter partes review of the '471 and '606 Patents. On June 11, 2025, iProov filed a status update notifying the Court that the U.S. Patent and Trademark Office has instituted inter partes review of both the '471 and '606 Patents. (ECF No. 183.)

## II. Legal Standard

The "power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants." *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936). Courts in this District have noted a "'liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO reexamination or reissuance proceedings.'" *Unwired Planet, LLC v. Google Inc.*, No. 3:12-CV-00504-MMD-VP, 2014 WL 301002, at *5 (D. Nev. Jan. 27, 2014)

[1] Jumio also filed a motion to stay the California Action pending inter partes review. *See FaceTec, Inc. v. Jumio Corporation*, No. 3:24-cv-03623-RFL, Dkt No. 54 (Nov. 27, 2024). That motion was denied without prejudice and with leave to refile after the court in that action granted a motion to disqualify Jumio's counsel. *See id.*, Dkt No. 94 (March 28, 2025).

(quoting *ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994)). Under LPR 1-20, a decision to stay litigation depends on "the circumstances of each particular case, including without limitation: (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party, (2) whether a stay will simplify the issues in question and the trial of the case, and (3) whether discovery is complete and a trial date has been set."

## III. Analysis

### A. Undue Prejudice

iProov argues that a stay will not unduly prejudice or present a clear tactical disadvantage to FaceTec because this motion was timely filed; while the parties are competitors, there are multiple other direct competitors in the marketplace; FaceTec has not moved for a preliminary injunction; and iProov has not timed this motion to gain a tactical advantage because it was Jumio who filed the petition for inter partes review. In response, FaceTec argues that a stay will prejudice it because the parties are direct competitors, staying FaceTec's claims but not iProov's will create a clear tactical disadvantage to FaceTec, and the timing of iProov's motion is "suspect" because iProov itself could have filed a petition for inter partes review much earlier in the litigation.

#### 1. Direct Competitors

A stay will likely prejudice the non-moving party if parties are direct competitors. *Unwired Planet*, 2014 WL 301002, at *6 (citing *Tesco Corp. v. Weatherford Int'l, Inc.*, 599 F. Supp. 2d 848, 851 (S.D. Tex. 2009)); *Interwoven, Inc. v. Vertical Computer Sys., Inc.*, No. C 10-04645 RS, 2012 WL 761692, at *3 (N.D. Cal. Mar. 8, 2012) ("The parties' status as direct competitors also weighs against a stay because it increases the likelihood of undue prejudice."). The parties here do not appear to dispute that they are direct competitors, and thus the Court may assume that the prejudice to FaceTec is heightened. *ACRES 4.0 v.*

*IGT*, No. 221CV01962GMNBNW, 2022 WL 22247952, at *2 (D. Nev. Oct. 25, 2022).

A party claiming undue prejudice due to direct competition must present evidence that a stay would actually cause such prejudice. *Id.* at *2 (citing *Lighting Sci. Grp. Corp. v. Shenzhen Jiawei Photovoltaic Lighting Co.*, No. 16-CV-03886-BLF, 2017 WL 2633131, at *4 (N.D. Cal. June 19, 2017) ("In evaluating claims that direct competition will result in prejudice from a stay, courts require evidence.")). Additionally, a determination that the parties are not sole direct competitors "slightly undermines" claims of undue prejudice. *Id.* at *2 (quoting *Lighting Sci. Grp.*, 2017 WL 2633131, at *4).

Here, FaceTec argues in it's opposition brief that it will face undue prejudice because it and iProov are direct competitors; however, Facetec fails to provide any argument or evidence as to how exactly it would be prejudiced by a stay in this sense. This undermines' FaceTec's claim of undue prejudice. *See id.* (defendant's claim of undue prejudice was undermined by defendant's failure to explain or provide evidence showing how a stay would cause market share or price erosion). Additionally, iProov's motion provided evidence which shows that the parties are not sole direct competitors. (*See* ECF No. 151-3 at 14-15 FaceTec's opposition to a motion to stay in the California Action, stating "FaceTec and Jumio are direct competitors in providing verification services"); (ECF No. 151-4 at 6 screenshot of FaceTec's website listing ten other vendors providing face matching systems, including iProov). FaceTec did not refute this evidence in its opposition, which also slightly undermines FaceTec's claim of undue prejudice. *Lighting Sci. Grp. Corp.*, 2017 WL 2633131, at *4; *Avago Techs. Fiber IP (Singapore) Pte. Ltd. v. IPtronics Inc.*, No. 10-CV-02863-EJD, 2011 WL 3267768, at *5 (N.D. Cal. July 28, 2011) ("view[ing] skeptically" unsupported assertions of harm in opposition to stay but considering actual evidence of harm provided by party).

//

### 2. Request to Stay Only iProov's Claims and Timing

FaceTec argues that iProov's request to stay all FaceTec's claims, both patent and non-patent, but proceed on its own patent claims against FaceTec presents a tactical disadvantage. However, as discussed below, the Court denies iProov's request that its own counterclaim not be stayed, and stays that claim as well. FaceTec's argument that a stay will be unduly prejudicial for this reason is therefore not relevant to the Court's analysis. FaceTec also argues that the delayed request for a stay is suspect. iProov could have filed a petition for inter partes review earlier in this action but chose not to. The Court notes that this case is somewhat unusual because the moving party did not actually file the petition for inter partes review but instead relies on the filing of a petition by a third party, Jumio. However, it is true that iProov did not file a petition for inter partes review earlier in this action when it could have. This aspect of this factor weighs slightly against a stay. *See Unwired Planet, LLC v. Square, Inc.*, No. 3:13-CV-00579-RCJ, 2014 WL 4966033, at *4 (D. Nev. Oct. 3, 2014).

Finally, the fact that FaceTec has not requested preliminary injunctive relief cuts against its argument that a stay would be unduly prejudicial; "that [a party] has not moved for a preliminary injunction also weakens its undue prejudice claim because even if a stay prejudiced [a party], money damages could later make it whole." *ACRES 4.0*, 2022 WL 22247952, at *3; *see also Unwired Planet*, 2014 WL 301002, at *6 (that plaintiff had not yet sought an injunction is a fact which weighs in favor of granting a stay). While there may be rational reasons for not seeking a preliminary injunction, *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1319 (Fed. Cir. 2014), FaceTec has not asserted any.

In sum, the Court finds that factor weighs slightly against granting a stay due to the fact that iProov did not seek inter partes review earlier in this action.

//

### B. Simplification of Issues

#### 1. FaceTec's Claims for Infringement of '606 and '471 Patents

A stay may simplify the issues in an action where "the outcome of the reexamination would be likely to assist the court in determining patent validity and, if the claims were canceled in the reexamination, would eliminate the need to try infringement issues." *Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1341 (Fed. Cir. 1998). "[W]aiting for the outcome of the reexamination could eliminate the need for trial if the claims are cancelled or, if the claims survive, facilitate trial by providing the court with expert opinion of the PTO and clarifying the scope of the claims." *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1032 (C.D. Cal. 2013) (quoting *Target Therapeutics, Inc. v. SciMed Life Sys.*, Inc., No. C–94–20775 RPA (EAI), 1995 WL 20470, at *2 (N.D.Cal. Jan. 13, 1995)). "This is particularly true when a party has obtained PTO review of each of the asserted claims in the patents-in-suit." *Id.*

Here, because all FaceTec's patent infringement claims based on the '606 and '471 Patents are a part of the instituted inter partes review, "[a] final decision could result in canceled or modified claims, which could eliminate the need for a trial or narrow the issues at trial." *Synthego Corp.* v. Agilent Techs., Inc., No. 5:21-CV-07801-EJD, 2022 WL 2704121, at *2 (N.D. Cal. July 12, 2022). The fact that the USPTO has granted the request for inter partes review further supports a finding that the stay may simplify issues in this case. In 2024, 49% of claims instituted by the USPTO were found unpatentable (97% of which were in inter partes review petitions). (*See* ECF No. 151-5 at 13.) Accordingly, the Court finds that this factor supports a stay as to FaceTec's claims for infringement of the '606 and '471 Patents.

#### 2. FaceTec's Non-Patent Claims

"Even outside of the IPR context, '[a] district court has inherent power to control the disposition of the causes on its docket in a manner which will promote

economy of time and effort for itself, for counsel, and for litigants.'" *Cywee Grp. Ltd. v. HTC Corp.*, No. C17-0932JLR, 2019 WL 3860303, at *7 (W.D. Wash. Aug. 16, 2019) (quoting *CMAX, Inc. v. Hall*, 300 F.2d 265, 268 (9th Cir. 1962). Here iProov argues that the stay should extend to FaceTec's non-patent claims because they stem from the same facts. FaceTec's claim for breach of contract alleges that iProov violated the terms and conditions of FaceTec's Spoof Bounty Program, which iProov participated in, in several ways, including by using the information it learned about FaceTec's technology to "reverse engineer" FaceTec's technology and use it for its own "Liveness Assurance" product. (ECF No. 19 at 16.) FaceTec's claim for intentional interference with contractual relations alleges that iProov intentionally disrupted the contractual relationship created by the Spoof Bounty Program by encouraging personnel to breach the contract, which one or more iProov employees did by misusing the information derived from the program. (*Id.* at 17.) These claims appear to be related to FaceTec's patent infringement claims, which allege that iProov used the information gleaned from participation in the Spoof Bounty Program to reverse engineer FaceTec's product and use it to develop their own "Liveness Assurance" product. (*Id.* at 10-14.) Additionally, FaceTec does not dispute in its opposition that its non-patent claims are related to its patent claims. Accordingly, the Court finds that a stay of FaceTec's non-patent claims is justified. *C.R. v. Frameless Hardware Co. LLC*, No. 2:21-CV-01334-JWH-RAO, 2022 WL 21748067, at *3-5 (C.D. Cal. Dec. 9, 2022) (declining to sever non-patent claims related to stayed patent claims); *Dae Sung Hi Tech Co. v. D&B Sales, Inc.*, No. 2:22-CV-00030-ART-BNW, 2025 WL 562872, at *1, 7, 11 (D. Nev. Feb. 18, 2025) (staying both patent and related non-patent claims); *Cywee Grp.*, No. C17-2019 WL 3860303, at *7 (staying patent and related non-patent claims and counterclaims). This factor supports a stay as to FaceTec's non-patent claims.

//

### 3. iProov's Counterclaim for Infringement of '548 Patent

iProov argues that its own counterclaim for infringement of the '548 Patent should not be stayed because inter partes review is not being conducted as to that Patent, and the counterclaim "requires different evidence and involve[s] different questions of law and fact" compared to FaceTec's claims. (ECF No. 151 at 17.) Specifically, iProov points to the fact that FaceTec's claims allege that iProov's product infringes on its patents regarding comparison of two photos, whereas iProov's counterclaim alleges that FaceTec's product infringes on its patent regarding authentication of ID document photos to a live face. iProov points to cases in which Courts have stayed only the asserted patent claims which are the subject of instituted inter partes review, but declined to stay other patent claims in the same action because a stay would not simplify the issues as to those claims. *See Hewlett-Packard Co. v. ServiceNow, Inc.*, No. 14-CV-00570-BLF, 2015 WL 5935368, at *3 (N.D. Cal. Oct. 13, 2015) (staying only patent claims that were subject of inter partes review); *Parity Networks, LLC v. Juniper Networks, Inc.*, No. 18-CV-06452-JSW, 2019 WL 8810383, at *3 (N.D. Cal. July 3, 2019) (same).

In response, FaceTec argues that staying only its own claims and not iProov's counterclaim will be inefficient because they do involve the same or similar issues. While the patents are "different in a very technical sense," the claims are still factually similar. (ECF No. 157 at 18.) In its complaint, FaceTec alleges that iProov infringes on it is patents through its "Liveness Assurance product." (ECF No. 19 at 12, 13.) In its counterclaim, iProov states that FaceTec has infringed on its patent through its "biometric liveness detection technology." (ECF No. 22 at 11.)

It appears from the parties' complaints and the attached claim charts that both parties' patent infringement claims involve liveness detection technology, specifically, technology which uses multiple images in determining liveness. (ECF

Nos. 19, 19-3, 19-4, 22, 22-3.) While iProov asserts that these claims are factually and legally different because iProov's technology compares multiple images of a user's live face and FaceTec's technology compares an image of a live face to an image on an ID document, the Court is not convinced that these allegations are so factually and legally dissimilar that there would be no overlap in evidence or issues. It appears that because there may be overlap, staying only FaceTec's patent claims but allowing iProov's patent claims would likely be inefficient, as doing so could result in separate trials on factually related claims. *See Cywee Grp.*, 2019 WL 3860303, at *7 (declining to stay non-patent counterclaims where movant failed to show that the counterclaims were sufficiently unrelated to stayed patent claims). Accordingly, the Court finds that this factor weighs in favor of a stay as to iProov's counterclaims.

**C. Stage of Litigation**

Presently, the parties are still engaging in discovery in this action. While this case is certainly not young, several factors favor a stay, namely, that discovery is ongoing, no claim construction hearing has occurred, dispositive motions have not been filed, and no trial date has been set. *See Unwired Planet*, 2014 WL 301002, at *6 (granting stay where discovery had begun, claim construction hearing not had occurred and no trial date was set); *see also Spread Spectrum Screening LLC v. Eastman Kodak Co.*, 277 F.R.D. 84, 89 (W.D.N.Y. 2011) (same); *ESN, LLC v. CISCO Systems, Inc.*, No. 5:08–cv–20, 2008 WL 6722763, at *5 (E.D. Tex. Nov. 20, 2008) (this factor weighed in favor of a stay even where 20,000 pages of documents had been produced and claim construction hearing and trial dates had been set). This factor weighs in favor of a stay.

In sum, though factor one weighs very slightly against a stay, factors two and three weigh in favor of granting the motion to stay. Other than pointing to the fact that iProov did not seek inter partes review earlier in this action, FaceTec has not demonstrated that a stay will cause it undue prejudice. A stay will

simplify the issues in this case as to the '606 and '471 Patents and will be efficient as to all other claims, and the stage of litigation also favors a stay. The Court accordingly will stay all claims in this action pending the outcome of the inter partes review of the '606 and '471 Patents.

## IV. FaceTec's Objection to iProov's Reply Brief

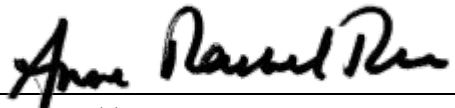
FaceTec argues that iProov's reply exceeded the page limit set by the local rule and requests that the Court strike the attached exhibits in full or in part. FaceTec argues that iProov's reply brief violated LR 7-3(b), which states that "[a]ll other replies are limited to 12 pages, including exhibits." (ECF No. 162.) Though iProov's reply brief was twelve pages, it attached nineteen pages of exhibits, including a briefing filed by Jumio in the California Action. (ECF Nos. 160, 160-1, 160-2.)

The exhibit FaceTec complains of is a part of iProov's response to FaceTec's argument that it is unlikely that the USPTO will institute inter partes review. Since the briefing was filed, the USPTO has instituted inter partes review. These arguments are thus moot, and the Court did not consider them in making its decision. As such, the Court finds that striking the filings is not necessary.

## V. Conclusion

It is further ordered that iProov's motion to stay the case (ECF No. 151) is GRANTED. All claims and counterclaims in this action are STAYED pending the outcome of inter partes review by the USPTO. iProov is ordered to file a status update as to the outcome of the request within 7 days of any decision by the USPTO.

Dated this 18th day of June 2025.



ANNE R. TRAUM
UNITED STATES DISTRICT JUDGE