IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

UNIVERSAL SECURE REGISTRY, LLC, Plaintiff, v. APPLE INC., VISA INC., and VISA U.S.A., INC., Defendants.	)	Civil Action No. 17-585-CFC-SRF

MEMORANDUM OPINION

I. INTRODUCTION

Presently before the court in this patent infringement action is Defendant Apple Inc.'s ("Apple") motion to stay this litigation pending the resolution of its petitions for *inter partes* review ("IPR") and covered business method review ("CBM"). (D.I. 90) For the following reasons, Apple's motion to stay is denied without prejudice.[1]

II. BACKGROUND

On May 21, 2017, Plaintiff Universal Secure Registry, LLC ("USR") filed a complaint against Visa Inc., Visa U.S.A., Inc. (together, "Visa"), and Apple (together with Visa, "Defendants") asserting infringement of United States Patent Nos. 8,577,813 ("the '813 patent"), 8,856,539 ("the '539 patent"), 9,100,826 ("the '826 patent"), and 9,530,137 ("the '137 patent") (collectively, the "patents-in-suit"). (D.I. 1) USR is the owner by assignment of the patents-in-suit. The patents-in-suit relate to systems, methods, and apparatus "for authenticating . . . the identity of individuals . . . seeking access to certain privileges . . . and for selectively granting

[1] Defendants Visa Inc. and Visa U.S.A., Inc. (together, "Visa") did not file a formal joinder to Apple's motion to stay. USR did not object to Visa's oral application for leave to provide argument in support of Apple's motion to stay, at the hearing on September 17, 2018.

privileges . . . in response to such identifications." ('813 patent, col. 1:37-42; '539 patent, col. 1:16-19; '826 patent, col. 1:36-42; '137 patent, col. 1:45-50)

On August 25, 2017, Defendants filed a motion to dismiss USR's complaint asserting that USR failed to state a claim upon which relief could be granted under Fed. R. Civ. P. 12(b)(6). (D.I. 16) On September 19, 2017, Defendants filed a motion to transfer the case arguing that USR's allegations do not have a "material connection to the District of Delaware." (D.I. 21; D.I. 22) The court denied both motions on September 19, 2018.

On April 10, 2018, the court issued a scheduling order requiring that all discovery be completed on or before July 2, 2019. (D.I. 57 at 1) The Joint Claim Construction Chart is due on December 14, 2018, and the claim construction hearing is set for March 6, 2019. (*Id.* at 9) A jury trial is scheduled to begin on July 20, 2020. (*Id.* at 12)

Apple filed eleven IPR and CBM petitions with the Patent Trial and Appeal Board ("PTAB") regarding the patents-in-suit in April and May of 2018. (D.I. 92, Exs. B-K; D.I. 93, Ex. L) Apple's IPR and CBM petitions challenge all of the independent claims of the patents-in-suit, every claim of the '137, '539, and '813 patents, and all of the pertinent claims of the '826 patent. (D.I. 92, Ex. A) The PTAB will determine whether to institute proceedings regarding Apple's IPR and CBM petitions[2] in October and November of 2018. 77 Fed. Reg. 48,756, 48,757 (Aug. 14, 2012). If the PTAB institutes proceedings on Apple's petitions, final decisions on the merits of the petitions would issue by November of 2019. 35 U.S.C. §§ 316(a)(11), 326(a)(11). Visa filed its own IPR petitions against the '539 patent on July 3, 2018. (D.I. 106 at 1 n.1)

[2] On September 12 and 13, respectively, the PTAB denied institution of Apple's CBM petitions relating to the '137 and '539 patents. (D.I. 134, Exs. A-B)

On May 2, 2018, the PTAB instituted an IPR proceeding on claim 1 of the '813 patent based on a petition filed on October 16, 2017 by Unified Patents, Inc., a nonparty to this suit. (D.I. 77, Ex. A) On August 24, 2018, USR filed a contingent motion to amend all challenged claims of the '813 patent pursuant to 37 C.F.R. § 41.121 in the IPR proceeding instituted on May 2, 2018. (9/17/18 Apple Presentation, Slides 3, 12-13) The PTAB is expected to deliver a decision on the merits of the IPR proceeding regarding the '813 patent in May of 2019.

On August 10, 2018, USR served its initial infringement contentions against Defendants, asserting infringement of sixty-two claims across the four patents-in-suit. (D.I. 122) In USR's preliminary response to Apple's CBM petition regarding the '539 patent, USR indicated that it had filed statutory disclaimers with respect to sixteen claims, thirteen of which were asserted in the present litigation. (D.I. 129, Ex. B at 18) Of the forty-nine asserted claims remaining, the PTAB has instituted IPR proceedings on 19 claims of the '813 patent based on Unified Patents' petition. Apple's nine pending petitions cover forty-three asserted claims, and Visa's pending petitions cover an additional three asserted claims. Consequently, forty-six of the forty-nine remaining asserted claims are covered by pending IPR and CBM petitions.

In June 2018, USR indicated its intention to amend the complaint to add two new patents and one pending patent application from the same patent family to the instant litigation. (D.I. 119, Ex. G) United States Patent Application No. 14/814,740 is not expected to issue until mid-November 2018. The operative scheduling order in the present case sets a deadline of November 30, 2018 for amendment of pleadings. (D.I. 57 at ¶ 1) The parties are to exchange a list of disputed claim terms on November 9, 2018, and a *Markman* hearing is scheduled for March 6, 2019. (*Id.* at ¶ 9)

III. LEGAL STANDARD

A court has discretionary authority to grant a motion to stay. *454 Life Scis. Corp. v. Ion Torrent Sys., Inc.*, C.A. No. 15-595-LPS, 2016 WL 6594083, at *2 (D. Del. Nov. 7, 2016) (citing *Cost Bros., Inc. v. Travelers Indem. Co.*, 760 F.2d 58, 60 (3d Cir. 1985)). Courts consider three factors in deciding how to exercise this discretion: (1) whether a stay will simplify the issues for trial; (2) the status of the litigation, particularly whether discovery is complete and a trial date has been set; and (3) whether a stay would cause the non-movant to suffer undue prejudice from any delay or allow the movant to gain a clear tactical advantage. *Id.* (citing *Advanced Microscopy Inc. v. Carl Zeiss Microscopy, LLC*, C.A. No. 15-516-LPS-CJB, 2016 WL 558615, at *1 (D. Del. Feb. 11, 2016)). The court considers an additional factor, "whether a stay . . . will reduce the burden of litigation on the parties and on the court," when considering a motion to stay pending a CBM review. *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Ctrs., Inc.*, 767 F.3d 1383, 1384 (Fed. Cir. 2014) (quoting America Invents Act, Pub. L. No. 112–29, § 18(b)(1)(D), 125 Stat. 284, 32–31 (2011) ("AIA")).

IV. DISCUSSION

After considering the four stay-related factors, the court denies Apple's motion to stay without prejudice to renew the motion following the PTAB's determination regarding whether to institute IPR and CBM proceedings in response to Apple's petitions.

A. Simplification of Issues for Trial

The first factor regarding the simplification of issues for trial weighs against a stay in this litigation. Unless and until the PTAB institutes IPR and CBM proceedings based on the petitions, any expected simplification rests on speculation that such institution will occur. *See Advanced Microscopy Inc.*, 2016 WL 558615, at *1 ("If no review is instituted, the asserted basis

for a stay will fall away."). Before the PTAB decides whether to institute Apple's petitions, this factor does not favor granting a stay. *Copy Prot. LLC v. Netflix, Inc.*, C.A. No. 14-365-LPS, 2015 WL 3799363, at *1 (D. Del. June 17, 2015) (quoting *Freeny v. Apple Inc.*, 2014 WL 3611948, at *2 (E.D. Tex. July 22, 2014)). "[T]he ideal time" to file a motion to stay is "shortly after the PTAB issue[s] its decision to proceed with a validity trial on all of the Asserted Claims." *454 Life Scis. Corp.*, 2016 WL 6594083, at *4. If the PTAB institutes Apple's petitions, Apple "may renew its [m]otion . . . and the simplification factor may be evaluated differently at that time."[3] *Copy Prot.*, 2015 WL 3799363, at *1.

The Supreme Court's recent decision in *SAS Institute, Inc. v. Iancu* supports the court's conclusion on this factor because it guarantees that the PTAB's decision to institute Apple's petitions will be a "binary choice." 138 S. Ct. 1348, 1355 (2018). The PTAB, in deciding whether to institute an IPR, "cannot curate the claims at issue but must decide them all." *Id.* at 1353. With respect to each of Apple's petitions, the PTAB will either issue a written decision addressing every challenged patent claim, or it will deny the petition. *Id.* at 1354 (quoting 35 U.S.C. § 318(a) ("If an inter partes review is instituted and not dismissed" the PTAB "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.") (internal quotations and alterations omitted)). Therefore, issue simplification depends on whether the PTAB institutes or dismisses Apple's petitions, which will occur by November of 2018.

[3] On August 30, 2018, Apple submitted a notice of subsequent authority, citing the Southern District of California's decision in *Qualcomm Inc. v. Apple Inc.* in support of the proposition that the entry of a stay prior to the PTAB's determination on whether to institute proceedings is warranted to simplify the issues for trial. (D.I. 129, Ex. 1) This unpublished decision is not binding on this court, and is inconsistent with the weight of authority in this district.

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