KONING ZOLLAR LLP

Erik Dykema
Koning Zollar LLP
4 Manheim Road
Essex Fells, NJ 07021
www.kzllp.com
(858) 252-3234
erik@kzllp.com

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VIA CM/ECF

Honorable Douglas E. Arpert
U.S. District Court for the District of New Jersey
Clarkson S. Fisher Bldg. & U.S. Courthouse
402 East State Street Room 2020
Trenton, New Jersey 08608

Re: ***OANDA Corporation v. GAIN Capital Holdings, Inc. et al.,***
Civil Action No. 3:20-cv-05784-BRM-DEA

Dear Judge Arpert:

On August 20, 2020, following a status conference, this Court issued an order requiring the parties to meet and confer (ECF No. 31), and then set forth their respective positions on discovery in a joint submission in light of GAIN's pending Rule 12(b)(6) motion to dismiss OANDA's Complaint. Pursuant to the Court's August 20, 2020 Order, the parties held a telephonic meet and confer on September 10, 2020. Below are the parties' respective positions.

Plaintiff's Opening

GAIN's position that discovery must be stayed for what would be an indefinite period should be rejected. The default rule is that discovery proceeds in accordance with Federal Rules of Civil Procedure 16 and 26, and that if a defendant wishes to depart from the course contemplated by the rules, it must show "good cause" warranting a stay pursuant to Rule 26(c). *Galarza v. Whittle-Kinard*, 2017 WL 2198182, at *1 (D.N.J. May 18, 2017). Moreover, "it is well settled that the mere filing of a dispositive motion does not constitute 'good cause' for the issuance of a discovery stay." *Gerald Chamales Corp. v. Oki Data Americas, Inc.*, 247 F.R.D. 453, 454 (D.N.J. 2007).

This Court does, however, have the discretion to stay discovery under Rule 26(c) and Local Civil Rule 16.1. In assessing whether to exercise that discretion, the Court must consider: "(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether denial of the stay would create a clear case of hardship or inequity for the moving party; (3) whether a stay would simplify the issues and the trial of the case; and (4) whether discovery is

complete and/or a trial date has been set." *Udeen v. Subaru of Am., Inc.*, 378 F. Supp. 3d 330, 332 (D.N.J. 2019). Application of these factors supports allowing discovery to proceed as normal.

(1) Prejudice to Plaintiff: OANDA would be substantially prejudiced by a stay because (a) there is virtually no chance that GAIN's motion will be case dispositive, and (b) the delay is likely to be at least several additional months and perhaps longer.

First, as to the merits of GAIN's motion, the Court is permitted to "take a preliminary peek" at the motion to see if it "appears to be clearly meritorious and truly case dispositive." *Heinzl v. Cracker Barrel Old Country Store, Inc.*, 2015 WL 5732129, at *2 (W.D. Pa. Sept. 30, 2015). GAIN makes two arguments that could theoretically result in dismissal of the Complaint, but both are foreclosed by applicable law, and neither, if accepted, would result in dismissal with prejudice. (Dkt. 24-1.)

GAIN first argues that OANDA has not sufficiently identified an infringing product because the product OANDA names—the forex.com trading platform— contains "multiple software platforms and services" and cannot be viewed as "a discrete accused product." (Dkt. 33 at 2.) This factual dispute about the precise characterization of forex.com cannot appropriately be resolved on a motion to dismiss. (*See* Dkt. 32 at 4 (citing *Ganas, LLC v. Sabre Holdings Corp.*, No. 2:10-CV-320-DF, 2011 WL 13205779, at *7 (E.D. Tex. Mar. 24, 2011)).) Plus, GAIN's suggestion that forex.com is not a "discrete" platform that can properly be accused of infringement is belied by its own prior statements. GAIN has described forex.com as its "proprietary platform" in public filings with the SEC. (Dkt. 32 at 4.)

GAIN's other argument for dismissal of the Complaint as a whole—that OANDA has not alleged in sufficient detail how forex.com infringes—is also highly unlikely to succeed. OANDA attached claim charts to its Complaint showing how the accused product infringed, which goes far beyond the requirements of a patentee at the pleading stage. (Dkt. 32 at 5-7.) Moreover, the argument that OANDA's Complaint is insufficient because it does not include details about the back-end functionality of GAIN's trading system is near-identical to an argument advanced in a recent lawsuit before Judge Martinotti, which he considered and rejected. (*Id.* at 7-8 (discussing *Nasdaq, Inc. v. IEX Grp., Inc.*, No. 18-3014-BRM-DEA, 2019 WL 102408, at *9 (D.N.J. Jan. 4, 2019).)

Second, as to the length of the proposed delay, analysis of Judge Martinotti's docket shows that he takes on average six months to decide motions to dismiss—which does not fully account for any backlog caused by COVID-19. Courts have recognized that such a delay prejudices a plaintiff and weighs against a stay. *See Udeen*, 378 F. Supp. 3d at 333 (denying stay in part because given "the expected time it will take for the motion to be decided, the case will be in suspense for months if defendants' request is granted"). That is particularly true where the defendant's conduct is causing ongoing harm, such as here, where GAIN, a direct competitor, continues to infringe on OANDA's patent rights. *See Cooper Notification, Inc. v. Twitter, Inc.*, No. 09-865-LPS, 2010 WL 5149351, at *5 (D. Del. Dec. 13, 2010) ("Courts are reluctant to stay proceedings where the parties are direct competitors");

(2) Lack of Prejudice to Defendants: By contrast, GAIN will not be substantially prejudiced if discovery goes forward. OANDA will ensure that its discovery is targeted at the core issues in the lawsuit, and this Court will ensure that the discovery sought is proportional to the needs of the

case. *See Udeen*, 378 F. Supp. 3d at 333 (finding a lack of prejudice where discovery was limited to core issues and court intended to monitor scope of discovery); *Shire US, Inc. v. Allergan, Inc.*, No. 17-7716, 2018 WL 10152305, at *1 (D.N.J. June 12, 2018) ("Anticipation of expensive discovery is not sufficient to establish undue hardship.").

(3) No Simplification of Issues for Trial: Awaiting the outcome of GAIN's motion is also not likely to simplify the issues for trial because, as noted above, GAIN's motion—even if successful, which is unlikely—is not going to result in any of OANDA's claims being dismissed with prejudice. *See Galarza v. Whittle-Kinard*, No. 16-cv-00764 (ES(SCM), 2017 WL 2198182, at *3 (D.N.J. May 18, 2017) ("Where there is a motion to dismiss for failure to state a claim upon which relief can be granted, the court should take a preliminary look at the allegedly dispositive motion to see whether it is a challenge as a matter of law or to the sufficiency of the allegations.") Putting aside their lack of merit, GAIN's arguments are not case- or even claim-dispositive; they are instead directed at the sufficiency of the allegations. The best GAIN could hope for is that its motion is granted with leave to amend, in which case OANDA would reassert the exact same claims and cure any perceived pleading deficiency. *See Galarza*, 2017 WL 2198182, at *3 (factor weighs against a stay where a motion to dismiss "merely addresses the sufficiency of the complaint").

(4) No Trial Date: While a trial date has not yet been set, "[i]t is almost always the case that a trial date is not set before a motion to dismiss is decided." Accordingly, this fourth consideration "is not a persuasive relevant factor." *Udeen*, 378 F. Supp. 3d at 333.

GAIN has not met its burden of showing good cause for a stay. The Court should order the parties to complete the Rule 26(f) conference and allow discovery to commence.

Defendants' Opening

As Your Honor will recall, the Court directed the parties to meet and confer to discuss (a) "whether and to what extent, if any, discovery should proceed while Defendants' motions to dismiss are pending"; and (b) "related issues such as preservation of evidence, Discovery Confidentiality Order, etc." (ECF No. 31). In accordance with Your Honor's directive, the parties held a telephonic meet and confer on September 10, 2020.

I. Status of the Parties

We regret to report to Your Honor that the parties remain at an impasse regarding whether discovery should move forward at this time while *inter alia*, Defendants' Motion to Dismiss is pending. To place GAIN's position in context, we report to Your Honor the latest developments in this case, specifically (1) GAIN's recently filed United States Patent Office reexamination petitions that if granted would be case dispositive here, and (2) GAIN's Motion to Stay this litigation pending the patent office's review, that amplifies and further strengthens GAIN's position that discovery should abide the outcome of pending proceedings and motions.

II. Latest Developments, Motion to Stay and PTAB Proceedings

On September 14 and 15, 2020, GAIN filed petitions for covered business method ("CBM") review filed before the U.S. Patent and Trademark Office Patent Trial and Appeal Board ("PTAB"). These petitions ask the PTAB to find *all claims* of both asserted patents invalid under 35 U.S.C. §101 because they are directed to the abstract idea of currency trading, which is an age-old business practice stretching back generations. On September 17, 2020, GAIN filed a Motion to Stay this litigation (ECF No. 34) pending resolution of GAIN's CBM petitions.

This case could be—and GAIN believes will be—stayed pending CBM review. A stay until completion of the CBM proceedings will simplify—and potentially wholly eliminate—the issues for discovery and trial.[1] We respectfully submit that there is no principled basis to justify moving forward with discovery in view of these proceedings and the motion to stay, especially where doing so would likely lead to inefficient, unfocused, and duplicative discovery.

Moreover, even if the request for stay is denied, there is no basis justifying OANDA's request to move forward in the case as if there is nothing else going on in the case—as if there were no Motion to Dismiss pending, as if Judge Martinotti's pending decision on GAIN's Motion to Dismiss will have no impact on discovery, the scope thereof and the case generally, and as if the fact that no Answer, defenses or counterclaims have been filed as yet has no impact on the case.

Thus, we respectfully submit that discovery should be deferred until the resolution of the pending proceedings and motions, and there is a clearer picture of the nature, scope, and claims in the case.

III. Consideration of Pending Matters Compels that Discovery Be Stayed

As noted, since the August 19 conference, GAIN has filed petitions for CBM review of both of the asserted patents with the PTAB, which warrants a stay of the litigation, as explained in GAIN's Motion to Stay (ECF No. 34). In light of the foregoing, we respectfully submit that the most efficient course is to defer discovery and allow Judge Martinotti to rule on GAIN's Motion to Dismiss and GAIN's Motion to Stay.

Further, as discussed during the meet and confer, and as previously discussed during the August 19, 2020 telephonic status conference with the Court, Plaintiff's demand that discovery begin is premature given that GAIN's Motion to Dismiss the Complaint (ECF No. 24) is still pending, the resolution of which in GAIN's favor may result in dismissal of the Complaint.[2] Thus, no discovery should proceed while the Court considers both motions.

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[1] Defendants did not wish to burden the Court with additional papers, but Defendants would be pleased to provide a copy of the motion and CBM papers if the Court so wishes.

[2] Even if the parties proceeded with some discovery now, because the key issue in GAIN's Motion to Dismiss is that OANDA has failed to properly accuse anything of infringement, any such discovery will likely have to be redone or repeated later, resulting in an inefficiency and waste of resources.

This case should be stayed pending the outcome of PTAB proceedings. GAIN filed a Motion to Stay (ECF No. 34) pending resolution of GAIN's petitions for CBM review. As explained in GAIN's Motion to Stay, a stay until completion of the CBM proceedings will simplify—and potentially wholly eliminate—the issues for discovery and trial. Because GAIN's CBM petitions request that the PTAB declare invalid all claims of the asserted patents, the PTAB's decisions may end this litigation with the invalidation of all claims currently at issue.

Even if the PTAB does not invalidate all of the claims, a stay will allow the Court and the parties to avoid wasting resources on discovery, contentions, a *Markman* hearing, and trial to address claims that may be amended or canceled. And even if OANDA's patents emerge from CBM review intact (which is the least likely outcome, according to PTAB statistics), the Court will have the benefit of the PTAB's final decision on the scope of the claims and on the §101 issue. Indeed, courts generally recognize the efficiencies and benefits to be gained from allowing the PTAB to complete its review before proceeding with costly litigation, and therefore routinely stay litigations while PTAB review proceeds when (a) all patents are under PTAB review, (b) there are no non-patent issues in the litigation, and (c) the case is in its early stages. *See* Mot. to Stay Br. (ECF No. 34-1), at pp 13-17.

OANDA's Complaint may be dismissed. GAIN has already identified several key reasons why discovery should not proceed while GAIN's Motion to Dismiss is pending. *See* GAIN's July 29, 2020 letter to the Court (ECF No. 28). If Judge Martinotti grants GAIN's Motion in whole, then this matter will be dismissed, and no discovery will be necessary. Indeed, if dismissed, OANDA would never have been entitled to any discovery in the first place. If the motion is granted in part, or if OANDA is permitted to amend its Complaint to cure its many deficiencies, then discovery will be limited to OANDA's surviving and/or amended claims. The surviving or amended claims will shape the proper scope of discovery, as will GAIN's answer (and/or any counterclaims) to such surviving or amended claims.

Importantly, OANDA's Complaint fails to accuse any specific GAIN product of infringement, and thus the Complaint falls short of the requirements for a sufficient patent infringement complaint, thereby making the scope of the allegations and the scope of discovery unclear. While OANDA maintains that it has identified an accused product by generally identifying "forex.com," that is a website that describes GAIN's ***entire business***. Not only does it describe the available market products, various account types and trader resources, market analyses and webinars offered by GAIN, education tools and resources offered by GAIN, and support services, it also describes multiple software platforms, systems, and trading tools, including those created by third parties. *See* forex.com. Even focusing on only the "Platforms" listed on the website, to date, OANDA has been unable to confirm whether all are accused, or only a subset.

For example, during the parties' meet and confer on September 10, 2020, counsel for GAIN asked counsel for OANDA whether OANDA is accusing "MetaTrader" of infringement, which is listed on GAIN's website under "Platforms." Counsel for OANDA was unable to say whether this is accused or not. Thus, GAIN is still left wondering what is accused of infringement and what is not. How can a proper scope of discovery be identified and carved out when the accused products are unknown?

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