UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

SRC LABS, LLC, et al., Plaintiffs, v. MICROSOFT CORPORATION, Defendant.	CASE NO. C18-0321JLR ORDER STAYING CASE PENDING *INTER PARTES* REVIEW PROCEEDINGS

I. INTRODUCTION

Before the court is Defendant Microsoft Corporation's ("Microsoft") motion to stay the above-captioned case pending *inter partes* review ("IPR"). (Mot. (Dkt. # 117).) Microsoft contends that their 10 pending petitions for IPR, which they filed with the Patent and Trademark Office ("PTO") between August 24, 2018, and September 11, 2018, warrant such a stay. (*See generally id.*) Plaintiffs SRC Labs, LLC ("SRC") and Saint Regis Mohawk Tribe ("SRMT") (collectively, "Plaintiffs") oppose the motion. (Resp. (Dkt. # 123).) Microsoft filed a reply. (Reply (Dkt. # 129).) The court has

considered the parties' submissions in support of and in opposition to the motion, the relevant portions of the record, and the applicable law. Being fully advised,[1] the court GRANTS Microsoft's motion, STAYS the case pending the PTO's decisions on Microsoft's 10 IPR petitions, VACATES all case deadlines that remain as of the date of this order, and ORDERS the parties to file a joint status report regarding the status of Microsoft's 10 IPR petitions upon receiving decisions on all 10 petitions from the PTO or on May 1, 2019, whichever occurs first.

II. BACKGROUND

Plaintiffs assert that Microsoft infringes upon United States Patent Nos. 6,076,152 ("the '152 patent"), 6,247,110 ("the '110 patent"), 6,434,687 ("the '687 patent"), 7,225,324 ("the '324 patent"), 7,421,524 ("the '524 patent"), and 7,620,800 ("the '800 patent"). (*See generally* Am. Compl. (Dkt. # 103); *see also* '152 patent (Dkt. # 103-1); '110 patent (Dkt. # 103-2); '687 patent (Dkt. # 103-3); '324 patent (Dkt. # 103-4); '524 patent (Dkt. # 103-5); '800 patent (Dkt. # 103-6).) Plaintiffs filed this case on October 18, 2017, in the Eastern District of Virginia. (*See* Compl. (Dkt. # 1).) The Virginia district court transferred the case to this court on February 26, 2018. (*See* 2/26/18 Order (Dkt. # 50); *see also* 3/1/18 Letter (Dkt. # 52).)

In a separate action in this court, Plaintiffs asserted patent infringement claims against Amazon Web Services, Inc., Amazon.com, Inc., and VADATA, Inc. *See SRC*

[1] Plaintiffs request oral argument (*see* Resp. at 1), but the court concludes that oral argument would not be helpful to its disposition of this motion and denies Plaintiffs' request. *See* Local Rules W.D. Wash. LCR 7(b)(4).

Labs, LLC v. Amazon Web Services, Inc., No. C18-0317JLR (W.D. Wash), Dkt. # 1. Three of the six patents-at-issue in the present case—the '110 patent, the '687 patent, and the '800 patent—are also at issue in *SRC Labs, LLC v. Amazon Web Services, Inc.* *See id.*, Dkt. # 1 ¶ 1. Due to the overlapping patents, the parties in the two cases submitted coordinated discovery plans (*see, e.g.*, Discovery Plan (Dkt. # 91)), which the court modified and approved on May 22, 2018 (*see* Sched. Order (Dkt. # 94)). The court also consolidated the *Markman* hearing[2] and the *Markman*-related pretrial matters for the two cases, with the *Markman* hearing scheduled for December 20-21, 2018. (*See* 5/22/18 Min. Order (Dkt. # 95) at 1-2; Sched. Order at 2.) In this case, certain deadlines had expired by the time Microsoft filed the present motion: disclosing preliminary infringement contentions and asserted claims, joining additional parties, disclosing preliminary invalidity contentions, providing expert witness reports on *Markman* issues, providing rebuttal expert reports on *Markman* issues, and exchanging preliminary claim charts. (Sched. Order at 1-2; *see also* 8/31/18 Order (Dkt. # 112); Dkt.)

Between August 24, 2018, and September 11, 2018, Microsoft filed 10 petitions for IPR with the PTO's Patent Trial and Appeal Board ("PTAB"). (Mot. at 6.) In these 10 petitions, Microsoft challenges all six of the patents-at-issue in this case, alleging 38 separate grounds of invalidity based on 20 different prior art patents and publications. (*Id.*) The PTAB has issued notices establishing patent owner response deadlines for 4 of the 10 IPR petitions, covering the '687, '524, '324, and '800 patents. (Love Decl. (Dkt.

[2] *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996).

118), ¶¶ 10-13, Exs. H-K.) Microsoft claims that, in the ordinary course, it expects similar notices and response deadlines for the other six petitions to be issued soon. (Mot. at 6.) At the latest, the PTAB will determine whether to grant Microsoft's first four petitions by March 2019. (*See id.*); *see also* 35 U.S.C. § 314(b) (requiring the PTAB to "determine whether to institute" an IPR "within 3 months after . . . receiving a preliminary response to the petition"). The PTAB should determine whether to grant Microsoft's remaining six petitions by April 2019. *See* 35 U.S.C. § 314(b). When the PTAB grants a petition, it has one year to complete the review, but may extend the one-year period by up to six months for good cause. 35 U.S.C. § 316(a)(11); 37 C.F.R. § 42.100(c). Thus, if the PTAB grants all of Microsoft's petitions and conducts an IPR trial on all of the patents, the IPR trials and decisions should conclude by March or April 2020, but may be extended to October 2020. *Id.*; (*see also* Mot. at 6.)

On October 11, 2018, after confirming that Plaintiffs would not stipulate to a stay pending resolution of Microsoft's IPR petitions (*see* Love Decl. ¶ 14, Ex. L), Microsoft moved to stay this case (*see* Mot.). That motion is now before the court.

III. ANALYSIS

The court has the authority to stay this case pending the outcome of an IPR petition. *See Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988); *Wre-Hol v. Pharos Sci. & Applications*, No. C09-1642MJP, 2010 WL 2985685, at *2 (W.D. Wash. July 23, 2010); *DSS Tech. Mgmt., Inc. v. Apple, Inc.*, No. 14-cv-05330-HSG, 2015 WL 1967878, at *2 (N.D. Cal. May 1, 2015). To determine whether to grant such a stay, the court considers "(1) whether a stay will simplify the issues in question and the trial of the

case[s], (2) whether discovery is complete and whether . . . trial date[s] ha[ve] already been set, and (3) whether a stay will unduly prejudice or present a clear tactical disadvantage to the non-moving party." *Pac. Bioscience Labs., Inc. v. Pretika Corp.*, 760 F. Supp. 2d 1061, 1063 (W.D. Wash. 2011). The court applies this "three-factor framework from *Pacific Biosciences* regardless of whether an IPR petition is pending or has been granted." *See Nat'l Prods., Inc. v. Akron Res., Inc.*, No. 15-1984JLR (W.D. Wash.), Dkt. # 66 at 6 (citations omitted). "The moving party bears the burden of demonstrating that a stay is appropriate." *DSS Tech.*, 2015 WL 1967878, at *2.

A. Simplification of the Case

The court first considers whether and to what extent staying these cases pending the outcome of the IPR petitions would simplify the issues and the trial in this case. *See Pac. Bioscience*, 760 F. Supp. 2d at 1063. Microsoft argues that, in light of the multiple IPR petitions, there is a significant chance that a stay pending the IPRs would simplify the issues. (Mot. at 8-10.) Microsoft relies heavily on PTO statistics to support its claim. (*See id.*) Plaintiffs argue that Microsoft's motion is premature because the PTAB has not yet assigned each IPR petition to a panel, and has not yet instituted any of the IPRs. (Resp. at 7-9.) In addition, Plaintiffs assert that, even assuming the PTAB grants the IPR petitions, Microsoft's invalidity claims in this case are different than its invalidity claims in the IPRs. (Resp. at 12-13.) Therefore, according to Plaintiffs, any decision the PTAB reaches will not simplify the issues here. (*Id.*) Lastly, Plaintiffs claim that this court is a more expeditious and efficient forum to try the patents-at-issue because trial is currently

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