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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

WINDY CITY INNOVATIONS, LLC

Plaintiff,

v.

FACEBOOK, INC.,

Defendant.

Case No. 4:16-cv-01730-YGR

DEFENDANT FACEBOOK, INC.'S OPPOSITION TO PLAINTIFF WINDY CITY INNOVATIONS, LLC'S MOTION TO LIFT STAY

Date: February 12, 2018
Time: 2:00 p.m.
Ctrm: Courtroom 1, Fourth Floor
Judge: Hon. Yvonne Gonzalez Rogers

I. INTRODUCTION

Following institution of Facebook's IPRs, the parties agreed to a stay "for purposes of judicial economy and to avoid the unnecessary expenditure of resources." (Dkt 76 at 4.) The same circumstances that justified imposing the stay then justify continuing the stay now.

First, while Facebook's IPRs have already streamlined the issues by invalidating nearly three-quarters of Windy City's asserted claims, appeals before the Federal Circuit have the potential to further streamline the case (or obviate it altogether).

Second, the parties have undertaken very little substantive work in this litigation; the vast bulk of the case lies ahead.

Third, Windy City has not and cannot identify any undue prejudice or actual harm associated with continuing the stay beyond Windy City's bare desire to proceed, particularly when all of the remaining asserted claims are expired.

Accordingly, Windy City has provided no reason to upset the *status quo*. The Court should deny their motion and continue the stay pending resolution of all appeals.

II. OUTCOME OF FACEBOOK'S IPR PETITIONS

As detailed in the parties' Joint Statement Regarding Status of *Inter Partes* Review Proceedings (Dkt. 82), the PTAB invalidated 74 claims, including 23 of 32 asserted claims and **all** asserted claims from two of Windy City's four asserted patents:

Patent	Asserted Claims Invalidated	Asserted Claims Remaining
8,407,356	1, 2, 7, 14, 16, 19, 20, 26, 33, 35	None
8,458,245	None	19, 22-25
8,473,552	10, 14, 15, 16, 17, 59, 64	None
8,694,657	189, 465, 477, 482, 487, 492	203, 209, 215, 221

(*See also* Dkt. 82 at 2.)

Instead of addressing the PTAB's resounding rejection of the majority of its asserted claims, Windy City attempts to paint the IPR proceedings as some sort of victory. (*See* Dkt. 83 at 2-6 (repeatedly referencing PTAB affirmation of validity of "over 50 claims").) This rose-tinted view willfully ignores the actual impact of the PTAB's decisions on this litigation. **Zero** asserted claims remain in the case for either the '356 or the '552 patent. For the two patents with some asserted claims remaining, the '245 and '657 patents, both patents are expired.[1] In fact, only five asserted claims were found not unpatentable for the '245 patent—and the limitations from these five claims correspond nearly exactly to other claims the PTAB found unpatentable. (*See* Morton Decl. Ex. A.) Only four dependent claims remain for the '657 patent, while the underlying independent claims were found unpatentable.

Both Facebook and Windy City have the right to appeal adverse decisions to the Federal Circuit by February 7, 2018. Nearly a month early, Facebook filed its notices of appeal to the Federal Circuit for all claims that the PTAB found not unpatentable. (Morton Decl. Exs. C-F.) Despite repeated requests, Windy City refuses to confirm or deny whether it will seek appeal on any issue – either in its briefing to this Court on this motion, or in response to direct requests from Facebook's counsel.

III. THE STAY SHOULD NOT BE LIFTED AT THIS TIME

A. Resuming the Litigation Now Would Complicate—Not Simplify—the Issues for Trial

Windy City is correct that "Facebook's IPRs have greatly simplified the issues." (Dkt. 83 at 4.) Only two of four patents-in-suit remain and only nine asserted claims of the original thirty-two survived IPR. (*See* Dkt. 82 at 2.) Windy City is incorrect, however, that "[t]he final written decisions conclusively end the IPR proceedings." (Dkt. 83 at 5.) Both Facebook and Windy City have until February 7, 2018 to file notices of appeal with the Federal Circuit. (*See* Dkt. 82 at 2.) Facebook has

[1] The '657 patent expired on April 1, 2016. The '245 patent expired on December 12, 2017.

appealed all of the PTAB's adverse decisions, including the decisions finding the nine asserted claims in the two remaining expired patents ('245 and '657) unpatentable. Moreover, Windy City has the right to appeal the PTAB's invalidation of the 23 other asserted claims. Nothing about Facebook's IPR petitions is settled until the appeals process is complete.

Maintaining the stay at this juncture ensures that the litigation will reap the benefits of simplification achieved through IPR. Lifting the stay ensures only that the specter of reversal, remand, or modification hangs over these proceedings if it is no longer stayed. The parties and the Court would be wasting resources pursuing discovery, conducting claim construction and preparing for a trial that may never be needed. Unlike Windy City's inapposite case law, Facebook's IPR petitions have already invalidated the vast majority of asserted claims and Facebook's appeal has the potential to be entirely case-dispositive.[2] *See VirtualAgility Inc. v. Salesforce.com, Inc.* 759 F.3d 1307, 1314 (Fed. Cir. 2014) (PTAB proceedings that "could dispose of the entire litigation [are] the ultimate simplification of issues."). As the court in *ACQIS, LLC v. EMC Corp.*—a case relied upon by Windy City—recognized: "If the PTAB had invalidated the underlying patents, then a stay pending appeal would likely be warranted, since an affirmance of the PTAB's decision would moot all or some of the case." 2016 WL 4250245, at *2 (citing *SurfCast, Inc. v. Microsoft Corp.*, No. 2:12-CV-333, 2014 WL 6388489, at *2 (D. Me. Nov. 14, 2014) for proposition that granting defendant's motion to stay proceeding pending appeal of IPR that found claims unpatentable was proper in part because "[a]n

[2] Grobler v. Apple, Inc., No. 12-cv-01534-JST, 2013 WL 6441502, at *1-*3 (N.D. Cal. Dec. 8, 2013) (IPR terminated before decision because defendant chose not to join); Zoll Med. Corp. v. Respironics, Inc., No. 12-1778-LPS, 2015 WL 4126741 (D. Del. July 8, 2015 (zero claims invalidated by IPR; stipulated stay presumed only 18-month delay); ACQIS, LLC v. EMC Corp., No. 14-CV-13560, 2016 WL 4250245, *2-*3 (D. Mass. Aug. 8, 2016) (zero claims invalidated by IPR; defendant "repeatedly emphasized how short the stay would be"); Zipit Wireless Inc. v. Blackberry Ltd., No. 6:13-cv-02959-JMC, 2016 WL 3452735, at *1, *3 (D. S.C. Jun. 24, 2016) (only 9 claims invalidated; two patents left entirely intact; parties agreed that defendant had at least a 34% chance to declare bankruptcy during stay); Network-1 Sec. Solutions, Inc. v. Alcatel-Lucent USA Inc., No. 6:11cv492, 2015 WL 11439060, at *2, *4 (E.D. Tex. Jan. 5, 2015) (zero claims invalidated; 14 new claims added, rendering appeal non-dispositive).

appellate ruling upholding the PTO's Final Written Decision would eliminate most of the issues before this Court."). Because the PTAB has already disposed of the majority of Windy City's claims, the Federal Circuit's decision on Facebook's appeal has the potential to "moot all or some of the case" and a stay pending appeal is warranted. *Id.* Moreover, other potential outcomes of Facebook's appeal similarly counsel against lifting the stay. A modification or remand from the Federal Circuit may change the prosecution history of the patents-in-suit and could impact claim construction. *See Aylus Networks, Inc. v. Apple Inc.*, 856 F.3d 1353, 1361 (Fed. Cir. 2017). A reversal could require the parties to essentially redo any work done during the pendency of the appeal if the stay is lifted.[3]

Without the benefit of a continued stay, the parties will be subjected to parallel litigation in two separate venues without any certainty as to what ultimate conclusion will govern this case. Such an outcome is untenable. This factor clearly favors maintaining they stay. S*ee Safe Storage LLC v. Dell Inc.*, No. 12-1624-GMS, 2016 U.S. Dist. LEXIS 181116, at fn. 1 (D. Del. Mar. 11, 2016) (denying motion to lift stay and finding that "the Federal Circuit's final adjudication on the IPR appeals will simplify the issues for trial."); *In re: Ameranth Pat. Lit. Cases*, No. 11cv1810 DMS (WVG), 2015 WL 12868116, at *2(S.D. Cal. Jun. 4, 2015) (denying motion to lift stay and noting "[i]t makes little sense to proceed on those claims that are not on appeal when related claims are on appeal."); *see also Los Angeles Biomed. Research Institute at Harbor-UCLA Med. Ctr. v. Eli Lilly and Co.*, No. LA CV13-08567 JAK (JCGx), 2015 WL 10635643 (C.D. Cal. Dec. 1, 2015) (denying motion to lift stay because completion of pending appeals "may obviate or simplify the issue"); *Pragmatus AV, LLC v. Facebook, Inc.*, No. 5:11-CV-2168 JED, 2012 WL 381214, at *4 (N. D. Cal. Feb. 6, 2012) (continuing stay pending BPAI appeal "will simplify the issues in question in this case").

[3] Indeed, if Windy City files an appeal from the PTAB, this weighs even more strongly in favor of maintaining the stay because the outcome of Windy City's appeal could result in asserted claims that have been found unpatentable coming back into the case, potentially requiring, for example, new rounds of claim construction, fact discovery, expert discovery and motions practice.

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