NOT FOR PUBLICATION

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

NASDAQ, INC.; NASDAQ ISE, LLC; AND FTEN, INC., Plaintiffs, v. MIAMI INTERNATIONAL HOLDINGS, INC.; MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC; MIAX PEARL, LLC; AND MIAMI INTERNATIONAL TECHNOLOGIES, LLC, Defendants.	Case No. 3:17-cv-6664-BRM-DEA **OPINION**

MARTINOTTI, DISTRICT JUDGE

Before this Court is an appeal by Plaintiffs Nasdaq, Inc., Nasdaq ISE, LLC, and FTEN, Inc. (collectively, "Nasdaq") (ECF No. 151) of Magistrate Judge Douglas E. Arpert's September 30, 2020 Memorandum Opinion and Order (ECF No. 150) denying Nasdaq's Motion for Leave to Amend (ECF No. 138). Having reviewed the parties' submissions filed in connection with the appeal and having declined to hold oral argument pursuant to Federal Rule of Civil Procedure 78(b), for the reasons set forth below and for good cause having been shown, Nasdaq's appeal (ECF No. 151) is **DENIED** and Judge Arpert's Memorandum Opinion and Order (ECF No. 150) is **AFFIRMED**.

I. BACKGROUND

This matter has been ongoing since September 2017. Accordingly, the Court writes for the benefit of the parties and will only address the procedural history associated with this appeal.

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Nasdaq initiated this action on September 1, 2017 by filing a Complaint against Miami International Holdings, Inc., Miami International Securities Exchange, LLC, MIAX Pearl, LLC, and Miami International Technologies, LLC (collectively, "MIAX"), alleging both patent infringement and trade secret misappropriation claims. (ECF No. 1.) MIAX filed a Motion to Dismiss Nasdaq's Complaint on December 4, 2017 (ECF No. 28), but the motion was administratively terminated pending a motion to disqualify counsel (ECF Nos. 54, 68).

On April 12, 2018, MIAX filed a Motion to Stay this action, after filing petitions for Covered Business Method Patent Review ("CBMR") of the patents in suit with the United States Patent and Trademark Office ("USPTO"), Patent Trial and Appeal Board ("PTAB"). (ECF No. 72.) On August 10, 2018, this Court denied MIAX's Motion reasoning, "it would be wise for the Court to wait to stay the case until the PTAB has instituted review of the challenged petitions." (ECF No. 103 at 7.)

On October 10, 2018, MIAX submitted a letter request for permission to file another Motion to Stay pending the CBMR of the patents-in-suit. (ECF No. 114.) Nasdaq opposed that request as premature. (ECF No. 117.) This Court agreed stating, "[a] renewed motion to stay would still be premature" because at that time the PTAB had not yet instituted the CBMR of all of the patents-in-suit. (ECF No. 119 at 1.)

On November 14, 2018, MIAX submitted a second request for leave to file a Motion to Stay. (ECF No. 123.) Nasdaq again opposed MIAX's request. (ECF No. 129.) This time, on December 3, 2018, this Court entered an Order finding a stay was appropriate because the PTAB had instituted CBMR on all of the patents-in-suit. (ECF No. 130 at 1.)

On December 7, 2018, Nasdaq submitted a request to this Court for reconsideration of the Order (ECF No. 130) "on the limited issue of the scope of the stay." (ECF No. 131.) Specifically,

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Nasdaq asked the Court to modify the "December 3, 2018 Order to limit the stay to the six patents-in-suit (counts I, II, and IV-VII) and allow discovery to proceed on Plaintiffs' three trade secret claims (counts VII-X)". (*Id.*) MIAX opposed Nasdaq's request to limit the scope of the stay arguing, *inter alia*, "that both the patent claims and trade secret claims involve the same areas of technology, the same accused products, and overlapping witnesses. If the stay is lifted on the trade secret claims, it will have the effect of no stay at all on the patent claims." (ECF No. 132.) On December 13, 2018, this Court denied Nasdaq's request to modify the stay stating, "[t]his matter is stayed in its entirety." (ECF No. 133.)

On November 18, 2019, Nasdaq informed the Court the PTAB had issued decisions regarding the validity of the patents-in-suit. (ECF No. 135.) The PTAB found the patents-in-suit were invalid. (*Id.*) Nasdaq explained these decisions were subject to motion practice seeking reconsideration as well as appellate remedies. (*Id.*) Nasdaq then requested the same relief they now seek—to lift the stay of this action in order to proceed solely with Nasdaq's trade secret claims. (*Id.*) On November 19, 2019, MIAX responded it would not be efficient to lift the stay when Nasdaq had not exhausted their appellate remedies with the PTAB or the Federal Circuit. (ECF No. 136 at 1.) MIAX argued courts have held in similar circumstances the court should not lift a stay before the party dissatisfied with the PTAB's decision exhausts its appellate remedies. (*Id.* at 2 (citing *Depomed, Inc. v. Purdue Pharma L.P.*, No. 13-571, 2016 WL 50505, at *1-2 (D.N.J. Jan. 4, 2016); *Andrea Electronics Corp. v. Apple Inc.*, 2019 U.S. Dist. LEXIS 132551 at *4-5 (E.D.N.Y. Aug. 6, 2019); *Realtime Data LLC v. Silver Peak Systems, Inc.*, 2018 WL 3744223, at *2 (N.D. Cal. 2018).) After considering the parties' submissions, on November 20, 2019, this Court denied Nasdaq's application and continued the stay. (ECF No. 137.)

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On February 11, 2020, Nasdaq filed a Motion for Leave to Amend, seeking leave to file an Amended Complaint which removes all patent infringement claims and related allegations from the operative pleading while maintaining the trade secret claims against MIAX – essentially the same relief sought in their November 18, 2019 Letter to this Court. (ECF No. 138-2 at 3.) MIAX opposed the Motion, arguing it would be unfair to allow Nasdaq to drop the patent claims without eliminating the risk of future assertion of these claims in this action or elsewhere, or against MIAX's affiliates, successors, licensee, and customers. (ECF No. 139 at 4.) Nasdaq filed a Reply, arguing justice requires allowing the proposed amendment because there is still no end in sight to the PTAB proceedings due to the *Arthrex* decision, and the actions they may take or consequences occurring if the proposed Amended Complaint is permitted are speculative and should not be weighed in the Court's consideration of the proposed amendment's prejudice to MIAX. (ECF No. 145 at 1, 3.) After filing the Reply, Nasdaq filed a Notice of Supplemental Authority informing the Court of the PTAB's General Order in Cases Involving Requests for Rehearing Under *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) ("General Order"). (ECF No. 146.) Nasdaq explained the General Order impacted the instant Motion because the General Order further affirmed its argument that "[j]ustice requires allowing the amendment because there is still no end in sight to the procedural morass created by Arthrex." (*Id.* at 2.) Judge Arpert declined to lift the stay in order to consider Nasdaq's Motion for Leave to Amend. (ECF No. 150.) Nasdaq appeals Judge Arpert's decision. (ECF No. 151.)

II. LEGAL STANDARD

With respect to a district judge's review of a magistrate judge's decision, Federal Rule of Civil Procedure 72(a) states: "The district judge . . . must consider timely objections and modify or set aside any part of the order that is clearly erroneous or is contrary to law." *Id.* Similarly, this

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Court's Local Rules provide "[a]ny party may appeal from a Magistrate Judge's determination of a non-dispositive matter within 14 days" and the District Court "shall consider the appeal and/or cross-appeal and set aside any portion of the Magistrate Judge's order found to be clearly erroneous or contrary to law." L.Civ.R. 72.1(c)(1)(A).

A district judge may reverse a magistrate judge's order if the order is shown to be "clearly erroneous or contrary to law" on the record before the magistrate judge. 28 U.S.C. § 636(b)(1)(A) ("A judge of the court may reconsider any pretrial matter [properly referred to the magistrate judge] where it has been shown that the magistrate judge's order is clearly erroneous or contrary to law."); Fed. R. Civ. P. 72(a); L.Civ.R. 72.1(c)(1)(A); *Haines v. Liggett Grp., Inc.*, 975 F.2d 81, 93 (3d Cir. 1992) (describing the district court as having a "clearly erroneous review function," permitted only to review the record that was before the magistrate judge). The burden of showing that a ruling is "clearly erroneous or contrary to law rests with the party filing the appeal." *Marks v. Struble*, 347 F. Supp. 2d 136, 149 (D.N.J. 2004). A district judge may find a magistrate judge's decision "clearly erroneous" when it is "left with the definite and firm conviction that a mistake has been committed." *Dome Petroleum Ltd. v. Employers Mut. Liab. Ins. Co.*, 131 F.R.D. 63, 65 (D.N.J. 1990) (quoting *United States v. U.S. Gypsum Co.*, 333 U.S. 364, 395, 68 S. Ct. 525, 92 L. Ed. 746 (1948)); *accord Kounelis v. Sherrer*, 529 F. Supp. 2d 503, 518 (D.N.J. 2008). However, "[w]here there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous." *United States v. Waterman*, 755 F.3d 171, 174 (3d Cir. 2014) (quoting *Anderson v. Bessemer City*, 470 U.S. 564, 574, 105 S. Ct. 1504, 84 L. Ed. 2d 518 (1985)). The magistrate judge's ruling is "contrary to law" if it misinterpreted or misapplied applicable law. *Kounelis*, 529 F. Supp. 2d at 518; *Gunter v. Ridgewood Energy Corp.*, 32 F. Supp. 2d 162, 164 (D.N.J. 1998).

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