IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

INTELLECTUAL VENTURES I LLC, Plaintiff, v. AT&T MOBILITY LLC; AT&T MOBILITY II LLC; and NEW CINGULAR WIRELESS SERVICES, INC., Defendants. and ERICSSON INC. and TELEFONAKTIEBOLAGET LM ERICSSON Intervenors	C.A. No. 13-1668-LPS
INTELLECTUAL VENTURES I LLC, Plaintiff, v. CRICKET COMMUNICATIONS, INC., Defendant. and ERICSSON INC. and TELEFONAKTIEBOLAGET LM ERICSSON Intervenors	C.A. No. 13-1669-LPS

INTELLECTUAL VENTURES I LLC, Plaintiff, v. NEXTEL OPERATIONS, INC. and SPRINT SPECTRUM L.P., Defendants. and ERICSSON INC. and TELEFONAKTIEBOLAGET LM ERICSSON Intervenors	:	C.A. No. 13-1670-LPS
INTELLECTUAL VENTURES I LLC, Plaintiff, v. T-MOBILE USA, INC. and T-MOBILE US, INC. Defendants. and ERICSSON INC. and TELEFONAKTIEBOLAGET LM ERICSSON Intervenors	:	C.A. No. 13-1671-LPS

MEMORANDUM ORDER

Pending before the Court is Defendants' Motion to Stay Pending Arbitration. (C.A. No. 13-1668-LPS D.I. 400;[1] *see also* D.I. 429, 437) For the reasons set forth below, the Court will

[1]All citations to the docket are to C.A. No. 13-1668-LPS unless otherwise noted.

DENY the motion.

1. Defendants argue that they may "rely on [redacted] arbitration agreement" with [redacted] to obtain a stay under Section 3 of the Federal Arbitration Act ("FAA"). (D.I. 400 at 9) Plaintiff responds that "Defendants cite no precedent for their novel use of Section 3." (D.I. 429 at 4) Plaintiff further notes that Defendants are not parties to the arbitration agreement and, thus, cannot "invoke Section 3 of the FAA." (*Id.*) A non-party litigant may invoke Section 3 if it can "enforce the arbitration agreement" under governing state contract law. *Arthur Andersen LLP v. Carlisle*, 556 U.S. 624, 632 (2009). Delaware law governs the arbitration agreement in the instant case. (*See* D.I. 437 at 2) As Defendants argue (*see* D.I. 400 at 10), Delaware law allows non-party litigants to enforce an arbitration agreement under the doctrine of equitable estoppel. *See Wilcox & Fetzer, Ltd. v. Corbett & Wilcox*, 2006 WL 2473665, at *4 (Del. Ch. Aug. 22, 2016). To invoke equitable estoppel, "[a] signatory to [a] contract containing an arbitration clause" must allege "substantially interdependent and concerted misconduct by both the nonsignatory and one or more of the signatories." *Id.* at *5 (internal quotation marks and emphasis omitted).

2. Although Defendants rely on equitable estoppel to invoke Section 3, the Court is not persuaded that Defendants can enforce the agreement due to equitable estoppel and, therefore, agrees with Plaintiff that Defendants cannot "invoke Section 3 of the FAA." (D.I. 429 at 4) As noted above, to rely on equitable estoppel, it must be the case that Plaintiff is alleging that Defendants engaged in "substantially interdependent and concerted misconduct" with [redacted], a signatory to the contract and an affiliate of [redacted] *Wilcox & Fetzer*, 2006 WL 2473665, at *5 (internal quotation marks and emphasis omitted). In this case, however, neither

Plaintiff nor Defendants have alleged that Defendants engaged in interdependent and concerted misconduct with [redacted] (*See* D.I. 400 at 10 (arguing that "[Plaintiff's] infringement claims raise allegations of substantially interdependent . . . conduct," but making no allegations as to interdependent and concerted misconduct); D.I. 429 at 8 (noting that interdependent and concerted misconduct is not alleged)); *cf. Wilcox & Fetzer*, 2006 WL 2473665, at *5-6 (finding "concerted wrongdoing" when signatory changed nonsignatory's trade name, allegedly violating trademark law); *Incyte Corp. v. Flexus Biosciences, Inc.*, 2016 WL 1735485, at *6-7 (Del. Super. Ct. Apr. 19, 2016) (finding concerted misconduct because nonsignatories induced signatory to "breach his contractual obligations" (internal quotation marks and emphasis omitted)). Therefore, Defendants may not invoke equitable estoppel to enforce the arbitration agreement and are not entitled to a mandatory stay under Section 3 of the FAA.

3. In the alternative, Defendants argue that the Court "should exercise its inherent authority" to stay the case because a stay "would promote judicial economy" and would "not prejudice [Plaintiff]." (D.I. 400 at 13-14) Plaintiff responds that a discretionary stay "would [be] unfairly prejudic[ial] . . . , frustrate judicial economy, and negate [the parties'] substantial efforts" to litigate the case. (D.I. 429 at 16) Courts typically consider three factors in determining whether a discretionary stay is appropriate: (1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party, (2) whether a stay will promote judicial economy and simplify the issues for trial, and (3) whether discovery is complete and a trial date has been set. *See Landis v. N. Am. Co.*, 299 U.S. 248, 254-55 (1936).

4. Applying these factors, the Court agrees with Plaintiff that "[t]he Court should not exercise its discretion to grant a stay." (D.I. 429 at 13) A stay would prejudice Plaintiff because

Plaintiff would either lose its trial date or "litigate the same claims, directed to the same products, on two different schedules." (*Id.* at 15) A stay is also unlikely to promote judicial economy because the parties will still litigate "every infringement claim . . . as well as every invalidity defense." (*Id.* at 13) Nor is a stay likely to simplify the case because the arbitration "may resolve, at best, only th[e] portion of [Plaintiff's] claims that allege Defendants' infringement through [the] use of [ ] products." (*Id.*) Although Defendants argue that "the outcome of the arbitration may . . . affect . . . Defendants' damages arguments" (D.I. 400 at 14), the arbitrator will likely render a decision well before trial begins, giving the parties an opportunity to adjust their damages arguments and calculations accordingly. (*See* D.I. 429 at 2

[redacted]

); D.I. 360 at 6 (setting trial for July 24, 2017)) Finally, the stage of the instant proceedings disfavors granting a stay because fact discovery is already complete (*see* D.I. 360 at 6); the Court has issued a claim construction opinion (*see* D.I. 378); and expert discovery is underway. (*See* D.I. 443); *see also Personalized User Model, L.L.P. v. Google, Inc.*, 2012 WL 5379106, at *2 (D. Del. Oct. 31, 2012) (noting that similar circumstances "disfavor[ed] granting a stay"). Thus, based on these considerations, a discretionary stay pending arbitration is not warranted.

5. Accordingly, Defendants' Motion to Stay Pending Arbitration (D.I. 400) is DENIED.

6. The parties shall meet and confer and shall, no later than October 25, submit a proposed redacted version of this Memorandum Order.

October 24, 2016
Wilmington, Delaware

HON. LEONARD P. STARK
UNITED STATES DISTRICT JUDGE