



Stay or Go! Tracking District Court Stays Pending Parallel USPTO Post-Grant Review Proceedings

Recent data from the U.S. Patent and Trademark Office's ("USPTO") Patent Trial and Appeal Board ("PTAB") indicates that 80 percent of *inter partes* review ("IPR") and 90 percent of covered business method ("CBM") review proceedings are directed to patents involved in parallel litigation in U.S. district courts. With these parallel proceedings, it is common for a petitioner to file a motion to stay the district court litigation until the IPR or CBM review proceedings have been completed. This *Commentary* discusses IPRs, CBM reviews, the factors district courts consider in granting or denying motions to stay, and other relevant considerations important to both the patent owner and petitioner.

An IPR is a proceeding that allows a third-party petitioner, including a party accused of patent infringement, to challenge the patentability of one or more issued patent claims on grounds that prior art patents or printed publications anticipate or render obvious the challenged claims. A similar proceeding, CBM review, allows a petitioner to challenge the patentability of one or more issued patent claims related to financial products or services. The grounds available for challenging patent claims in CBM review are broader than those available in IPR proceedings. In CBM review proceedings, for instance, the petitioner

may base anticipation or obviousness arguments on a prior art system, rather than being limited to patents and printed publications. Additionally, a CBM review petitioner may challenge patent claims based on indefiniteness under Section 112, or as being directed to unpatentable subject matter under Section 101. IPR and CBM review proceedings first became available in September 2012.

Stays Pending IPR

Petitioners often commence IPR proceedings as part of a patent litigation defense strategy, and IPR proceedings frequently run concurrently with district court proceedings. IPR petitioners routinely seek a stay of the district court litigation pending the IPR proceedings. To date, courts have granted approximately 71 percent of requests for a stay pending IPR proceedings.¹ In creating IPR proceedings, Congress did not provide any statutory test that district courts must follow in making these determinations, but district courts generally consider: (i) whether the stay would unduly prejudice, or present a clear tactical disadvantage to, the non-moving party; (ii) whether a stay will simplify the issues and trial of the case; and (iii) whether discovery is complete and whether a trial date has been set.²

Undue Prejudice. The first factor courts typically consider is whether a stay would cause the non-moving party to suffer undue prejudice or allow the moving party to gain a clear tactical advantage.³ In analyzing this factor, courts ordinarily examine: “(1) the timing of the request for review; (2) the timing of the request for stay; (3) the status of the review proceeding; and (4) the relationship of the parties.”⁴

The timing and status of the IPR proceeding, along with the timing of the motion to stay, are important considerations under the undue prejudice factor. Courts are less likely to find undue prejudice when the moving party petitions for IPR shortly after receiving notice of the lawsuit and then moves for a stay shortly after filing the IPR petitions.⁵ Under these circumstances, “the delay caused by the [IPR] process, without more, does not justify denial of a stay.”⁶

If a motion to stay follows too quickly after the IPR petition, however, the court may find that the motion is premature because the PTAB has not yet decided to institute an IPR proceeding.⁷ Under these circumstances, the district court may deny the stay, while allowing the party seeking the stay to resubmit the motion if the PTAB institutes an IPR proceeding.⁸ In contrast, other courts have stayed the parallel litigation even where the PTAB has not yet instituted an IPR proceeding, reasoning that should the PTAB deny the IPR petition, the stay will be short, and the delay will not prejudice the party opposing the stay.⁹

Additionally, the relationship of the parties is important to the undue prejudice factor. Courts are more likely to find that there is undue prejudice where the parties are direct competitors in a narrow field with few market participants.¹⁰ Where the parties do not compete in a marketplace, courts find that the non-moving party is not in danger of losing market share or erosion of goodwill, and therefore, monetary damages may compensate for the delay.¹¹ Notably, where the plaintiff is a nonpracticing patent owner, courts are less likely to find that a stay will cause undue prejudice.¹² Finally, if the patent owner has not sought preliminary injunctive relief, it may be more difficult to demonstrate that undue prejudice will result from a stay pending IPR proceedings.¹³

Simplifying Issues for Trial. The second factor courts consider is whether a stay will simplify the issues for trial.¹⁴ When “the scope of the issues in litigation substantially exceed the scope of the issues on review, a stay is disfavored.”¹⁵ For instance, where the litigation involves invalidity grounds that the petitioner cannot raise in IPR proceedings, such as indefiniteness or that the claims are directed to unpatentable subject matter, the simplification factor may weigh against a stay.¹⁶ Similarly, where fewer than all of the asserted patents, or fewer than all of the asserted patent claims, are subject to IPR proceedings, a stay may be disfavored.¹⁷ But complete overlap of issues is not necessarily required for a stay to be appropriate.¹⁸ If a high percentage of the asserted patent claims are subject to IPR proceedings, a stay may simplify issues.¹⁹ In addition, an IPR petitioner is estopped from asserting in litigation invalidity grounds that it raised, or reasonably could have raised, during the IPR proceeding,²⁰ which leads some courts to find that the second factor weighs in favor of a stay.²¹

Stage of Litigation. The third factor is whether discovery is complete and whether a trial date is set.²² Motions to stay are most often granted when the case is in the early stages of litigation.²³ “Staying a case in its early stages can be said to advance judicial efficiency and maximize the likelihood that neither the Court nor the parties expend their assets addressing invalid claims.”²⁴ Thus, some courts hold that the important question is, “what work remains on the part of the court and the parties if the action proceeds?”²⁵ Courts typically find this factor weighs against the grant of a stay when the court and parties have devoted “substantial time and resources” to discovery and the resolution of issues arising in the litigation.²⁶

Stays Pending CBM Review

When analyzing a motion to stay pending CBM review proceedings, courts are statutorily required to consider the three factors discussed above and also a fourth factor: “whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.”²⁷ Courts have observed that the congressional intent of the fourth factor is to “place a very heavy thumb on the scale in favor of a stay being

granted.”²⁸ Indeed, in the legislative history, Senator Charles E. Schumer opined that “it is nearly impossible to imagine a scenario in which a district court would not issue a stay” in favor of concurrent CBM review proceedings.²⁹ In practice to date, however, the statutory mandate to consider the four factors has not substantially increased the rate at which courts grant stays pending CBM review. While courts have granted approximately 71 percent of requests for stays pending IPR, they have granted about 70 percent of requests for stays pending CBM review.³⁰ And one district court has specifically declined to read the legislative history to “imply a stay should almost always be granted” in favor of a pending CBM review.³¹

An aspect unique to motions to stay pending CBM review is that district court decisions granting or denying such stays are subject to immediate interlocutory appeal.³² On appeal, the U.S. Court of Appeals for the Federal Circuit may review the district court’s stay decision *de novo*.³³ Congress included interlocutory appeal in order to “ensure consistent and rigorous application” of the four-factor test and to “help ensure that requests to stay are consistently applied across cases and across the various district courts.”³⁴ The Federal Circuit recently reversed one district court decision denying a stay pending CBM review.³⁵ While the appeal was pending, the Federal Circuit stayed the district court proceedings pending disposition of the appeal.³⁶ The Circuit Court heard oral argument in March 2014 and issued its July opinion within six months of the district court’s denial decision.

Conclusions

A court’s decision regarding a motion to stay pending IPR or CBM review involves a heavily fact-based analysis and implicates a district court’s “inherent power to control its own docket.”³⁷ Thus, district courts themselves vary in their willingness to grant stays pending IPR or CBM review. To illustrate, the Northern District of Illinois has granted 78 percent of opposed motions to stay pending parallel review proceedings before the PTAB, whereas the Eastern District of Texas has granted about 20 percent of such motions. Consequently, the likelihood of a stay depends upon the particular facts, as well as the district court’s propensity to issue stays pending PTAB review.

The Jones Day Post-Grant team has tracked the tendencies for district courts and individual district court judges to grant or deny stays based on parallel IPR and CBM review proceedings since these proceedings became available in September 2012. A patent owner or petitioner will find this information helpful when responding to, or filing, a motion to stay district court litigation based on a corresponding IPR or CBM review.

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Endnotes

- 1 Where one of the parties to the litigation opposes a stay, district courts have granted approximately 63 percent of the opposed stay requests.
- 2 See, e.g., *Bal Seal Eng'g, Inc. v. Nelson Prods., Inc.*, No. 8:13-cv-1880, Order Granting Stay, Dkt. No. 34, at 2–3 (C.D. Cal. May 20, 2014); *Nexans, Inc. v. Belden, Inc.*, No. 1:12-cv-1491, 2014 U.S. Dist. LEXIS 20116, at *5 (D. Del. Feb. 19, 2014) (report & recommendation adopted, 2014 U.S. Dist. LEXIS 32322); *Unifi Scientific Batteries, LLC v. Sony Mobile Commc'ns AB*, No. 6:12-cv-224, Mem. Op. & Order Denying Stay, Dkt. No. 81, at 3–4 (E.D. Tex. Jan. 14, 2014). Some courts also consider whether a stay pending IPR will “reduce the burden of litigation on the parties and on the court.” See, e.g., *Black & Decker, Inc. v. Positac USA, Inc.*, No. 1:13-cv-3075, 2013 U.S. Dist. LEXIS 153795, at *3 (N.D. Ill. Oct. 1, 2013).
- 3 See *Nexans*, 2014 U.S. Dist. LEXIS 20116, at *5–6.
- 4 See *Princeton Digital Image Corp. v. Konami Digital Ent'mt, Inc.*, No. 1:12-cv-1461, 2014 U.S. Dist. LEXIS 61555, at *16 (D. Del. Jan. 15, 2014).
- 5 See *Unifi Scientific*, No. 6:12-cv-224, Dkt. No. 81, at 4–5 (E.D. Tex. Jan. 14, 2014); see also *Evolutionary Intelligence, LLC v. Apple Inc.*, No. 3:13-cv-4201, 2014 U.S. Dist. LEXIS 2763, at *11 (N.D. Cal. Jan. 9, 2014) (finding that the defendant's waiting until the statutory deadline to file its IPR petitions “reek[ed] of gamesmanship”).
- 6 See, e.g., *Employment Law Compliance, Inc. v. Compli, Inc.*, No. 3:13-cv-3574, Order Granting Stay, Dkt. No. 63, at 3 (N.D. Tex. May 27, 2014).
- 7 See, e.g., *TruePosition, Inc. v. Polaris Wireless, Inc.*, No. 1:12-cv-646, 2013 U.S. Dist. LEXIS 150764, at *17 (D. Del. Oct. 21, 2013) (report & recommendation adopted, 2013 U.S. Dist. LEXIS 153258); *Otto Bock HealthCare LP v. Ossur hf*, No. 8:13-cv-891, Order Denying Stay, Dkt. No. 110, at 3 (C.D. Cal. Dec. 16, 2013).
- 8 See, e.g., *Automatic Mfg. Sys. v. Primera Tech., Inc.*, No. 6:12-cv-1727, 2013 U.S. Dist. LEXIS 67790, at *7 (M.D. Fla. May 13, 2013) (“[I]t seems clear that a stay of a patent infringement action is not warranted when based on nothing more than the fact that a petition for inter partes review was filed in the USPTO.”); 2013 U.S. Dist. LEXIS 165692, at *2–3, 11 (M.D. Fla. Nov. 21, 2013) (granting the defendant's second motion for a stay, which followed the PTAB's institution of an IPR proceeding).
- 9 See, e.g., *Interface, Inc. v. Tandus Flooring US, LLC*, No. 4:13-cv-46, 2013 U.S. Dist. LEXIS 158608, at *15 (N.D. Ga. Nov. 5, 2013).
- 10 See, e.g., *Princeton Digital Image Corp. v. Konami Digital Ent'mt, Inc.*, No. 1:12-cv-1461, 2014 U.S. Dist. LEXIS 61555, at *20–21 (D. Del. Jan. 15, 2014).
- 11 See, e.g., *id.* at *21.
- 12 See, e.g., *Softview LLC v. Apple Inc.*, Nos. 1:12-cv-989 & 1:10-cv-389, 2013 U.S. Dist. LEXIS 125900, at *8–9 (D. Del. Sept. 4, 2013) (“[G]iven that [patent owner] is a non-practicing entity and not seeking injunctive relief, the limited delay (of about seven months) resulting from the Court's [stay] order should not severely prejudice [patent owner].”); *Software Rights Archive, LLC v. Facebook, Inc.*, No. 5:12-cv-3970, U.S. Dist. LEXIS 133707, at *20 (N.D. Cal. Sept. 17, 2013) (“[B]ecause [patent owner] and defendants are not competitors ([patent owner] does not market any products or services covered by the claims of the patents-in-suit and does not seek a preliminary injunction), [patent owner] does not risk irreparable harm by defendants' continued use of the accused technology and can be fully restored to the status quo ante with monetary relief.”); *but see Walker Digital, LLC v. Google, Inc.*, No. 1:11-cv-318, Mem. Order Denying Stay Pending CBM Review, Dkt. No. 305, at 2–3 (D. Del. June 25, 2014) (“Although it is true that Plaintiff ... does not actively practice the patents and, therefore, does not compete with [Defendant], it is also true that the longer [Defendant] is allowed to engage in allegedly infringing activity, the lower the value of the patents becomes as licensing assets.”).
- 13 See *Zillow, Inc. v. Trulia, Inc.*, No. 2:12-cv-1549, 2013 U.S. Dist. LEXIS 144919, at *21 (W.D. Wash. Oct. 7, 2013) (“Many courts have found, however, that attempts by a patentee to argue undue prejudice are undermined if the patentee has elected not to pursue preliminary injunctive relief.”); *but see Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1034 (C.D. Cal. 2013) (“[O]n a motion to stay, the Court will not hold against the patentee its decision to spare the parties more litigation in the form of a motion for preliminary injunction.... The fact that Plaintiff did not seek a preliminary injunction does not mean that it would not suffer prejudicial harm from its competitor's market activity during a lengthy delay in the case.” (internal quotation omitted)).
- 14 *Nexans, Inc. v. Belden, Inc.*, No. 1:12-cv-1491, 2014 U.S. Dist. LEXIS 20116, at *5, 10 (D. Del. Feb. 19, 2014) (report & recommendation adopted, 2014 U.S. Dist. LEXIS 32322).
- 15 See *TruePosition, Inc. v. Polaris Wireless, Inc.*, No. 1:12-cv-646, 2013 U.S. Dist. LEXIS 150764, at *13 (D. Del. Oct. 21, 2013) (report & recommendation adopted, 2013 U.S. Dist. LEXIS 153258).
- 16 See *id.*
- 17 See, e.g., *Otto Bock HealthCare LP v. Ossur hf*, No. 8:13-cv-891, Order Denying Stay, Dkt. No. 110, at 3 (C.D. Cal. Dec. 16, 2013); *SHFL Entm't, Inc. v. Boss Media AB*, No. 2:13-cv-796, Order Denying Joint Stipulation to Stay, Dkt. No. 50, at 1 (C.D. Cal. Nov. 19, 2013).
- 18 *Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 1:12-cv-1744, 2013 U.S. Dist. LEXIS 92416, at *15 (D. Del. July 2, 2013) (granting stay pending IPR and stating: “while the court recognizes that this case likely presents certain questions that simply cannot be addressed through inter partes review, it notes that the ‘issue simplification’ factor does not require complete overlap”).
- 19 See *Princeton Digital Image Corp. v. Konami Digital Ent'mt, Inc.*, No. 1:12-cv-1461, 2014 U.S. Dist. LEXIS 61555, at *8 (D. Del. Jan. 15, 2014).
- 20 See 35 U.S.C. 315(e)(2).
- 21 See *AIP Acquisition LLC v. Level 3 Commc'ns, LLC*, No. 1:12-cv-617, Order Granting Stay, Dkt. No. 63, at 6 (D. Del. Jan. 9, 2014).
- 22 See *Nexans, Inc. v. Belden, Inc.*, No. 1:12-cv-1491, 2014 U.S. Dist. LEXIS 20116, at *5, 12 (D. Del. Feb. 19, 2014) (report & recommendation adopted, 2014 U.S. Dist. LEXIS 32322).
- 23 *Princeton Digital*, 2014 U.S. Dist. LEXIS 61555, at *11–12.
- 24 *Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 1:12-cv-1744, 2013 U.S. Dist. LEXIS 92416, at *15 (D. Del. July 2, 2013).
- 25 See *Textron Innovations Inc. v. Toro Co.*, No. 1:05-cv-486, 2007 U.S. Dist. LEXIS 100102, at *5–6 (D. Del. Apr. 25, 2007) (granting a stay pending reexamination by the USPTO).
- 26 See *TruePosition, Inc. v. Polaris Wireless, Inc.*, No. 1:12-cv-646, 2013 U.S. Dist. LEXIS 150764, at *11 (D. Del. Oct. 21, 2013) (report & recommendation adopted, 2013 U.S. Dist. LEXIS 153258).
- 27 *Leahy-Smith America Invents Act (“AIA”)*, Pub. L. No. 112-29, § 18(b)(1) (D), 125 Stat. 284, 331 (2011).
- 28 See *Market-Alerts Pty, Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 490 (D. Del. 2013).
- 29 157 Cong. Rec. S1053 (daily ed. Mar. 1, 2011).
- 30 District courts have granted approximately 59 percent of opposed motions to stay litigation pending CBM review.
- 31 See *Smartflash LLC v. Apple Inc.*, No. 6:13-cv-447, Mem. Op. & Order Denying Stay, Dkt. No. 175, at 4 (E.D. Tex. July 8, 2014).
- 32 AIA § 18(b)(2).
- 33 *Id.* The AIA's legislative history indicates that “de novo review is central to the purpose of the interlocutory appeal provision ... , which is to ensure consistent application of standards and precedents across the country and to avoid one particular court with a favorable bench becoming the preferred venue of business method patent plaintiffs.” 157 Cong. Rec. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).
- 34 See 157 Cong. Rec. S1364 (statement of Sen. Schumer).
- 35 See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2014-1232, Op. & J., Dkt. No. 56, at 2, 26 (Fed. Cir. July 10, 2014).
- 36 See *id.* at 4. The AIA's legislative history states, “Since the denial of a stay pending [CBM] review ... is an extraordinary and extremely rare circumstance, the filing of an interlocutory appeal should result in the stay of proceedings in the district court pending appeal.” See 157 Cong. Rec. S1364 (statement of Sen. Schumer). Nevertheless, the district court first issued an opinion denying a motion to stay pending interlocutory appeal, before issuing an order administratively closing the case in light of the Federal Circuit's order to stay the district court proceedings.
- 37 *Unifi Scientific Batteries, LLC v. Sony Mobile Commc'ns AB*, No. 6:12-cv-224, Mem. Op. & Order Denying Stay, Dkt. No. 81, at 2 (E.D. Tex. Jan. 14, 2014).

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