

## **Obtaining Your Stay During Inter Partes Review**

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As of July 31, 2013, 397 petitions for *inter partes* review (“IPR”) have been filed with the Patent Trial and Appeal Board (“PTAB”). Approximately 90 percent of the patents that are the subjects of petitions for IPR have been asserted in parallel infringement lawsuits. Parties involved in these parallel proceedings will likely incur substantial costs from simultaneously disputing a patent’s validity in both settings. Moving for a stay of litigation while the PTAB conducts a review of the patent-in-suit may be a practical option for litigants wishing to conserve financial resources.

Merchant & Gould P.C. conducted an analysis of district court decisions granting and denying stays of litigation pending IPR proceedings before the PTAB.<sup>1</sup> District courts have wide discretion to grant or deny motions to stay litigation pending the outcome of IPR.<sup>2</sup> Parties considering moving for a stay should consider the timing of the motion, as it will likely play a significant role in district courts’ decisions.

### **Background on Inter Partes Review**

The IPR proceedings became available on September 16, 2012, as an alternative means for challenging a patent’s validity outside the traditional courtroom setting. Parties defending

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<sup>1</sup> The statistics are based upon district court decisions on motions to stay litigation pending inter partes review available as of July 31, 2013. Forty-one motions to stay were obtained from a searchable database on Docket Navigator®.

<sup>2</sup> 35 U.S.C. § 318 (2002) (“[A] patent owner may obtain a stay of any pending litigation which involves an issue of patentability of any claims of the patent which are the subject of the inter partes reexamination order, unless the court before which such litigation is pending determines that a stay would not serve the interests of justice.”). Although the Patent Act no longer has an express provision for staying litigation that commenced before the filing of a petition for IPR, district courts continue to grant stays pending IPR as they have in the past for concurrent inter partes reexamination proceedings.

patent infringement charges, as well as unrelated third parties, can petition the PTAB to institute reviews of issued patents. Under this mechanism, patents may be invalidated if they are found to be anticipated by or obvious in light of prior art printed publications.

Enacted on September 16, 2011, the America Invents Act (“AIA”) created the IPR procedure to replace the then-existing inter partes reexamination (“IPX”) procedure. IPRs are expected to proceed much more quickly than IPXs, due to the timing requirements established by the AIA. According to the U.S. Patent and Trademark Office (“USPTO”), as of September 30, 2012, IPXs have an average pendency of 39.5 months, or more than three years.<sup>3</sup> IPRs, on the other hand, must be completed within approximately two years of the petition filing.<sup>4</sup>

Parties involved in concurrent litigation may consider moving for a stay of the litigation while the patent-in-suit is undergoing a review with the PTAB. A guarantee that litigation would be stayed for a maximum of two years may provide both defendants and plaintiffs alike with an incentive to conserve their financial resources by disputing the patent’s validity in one setting rather than in two costly proceedings.

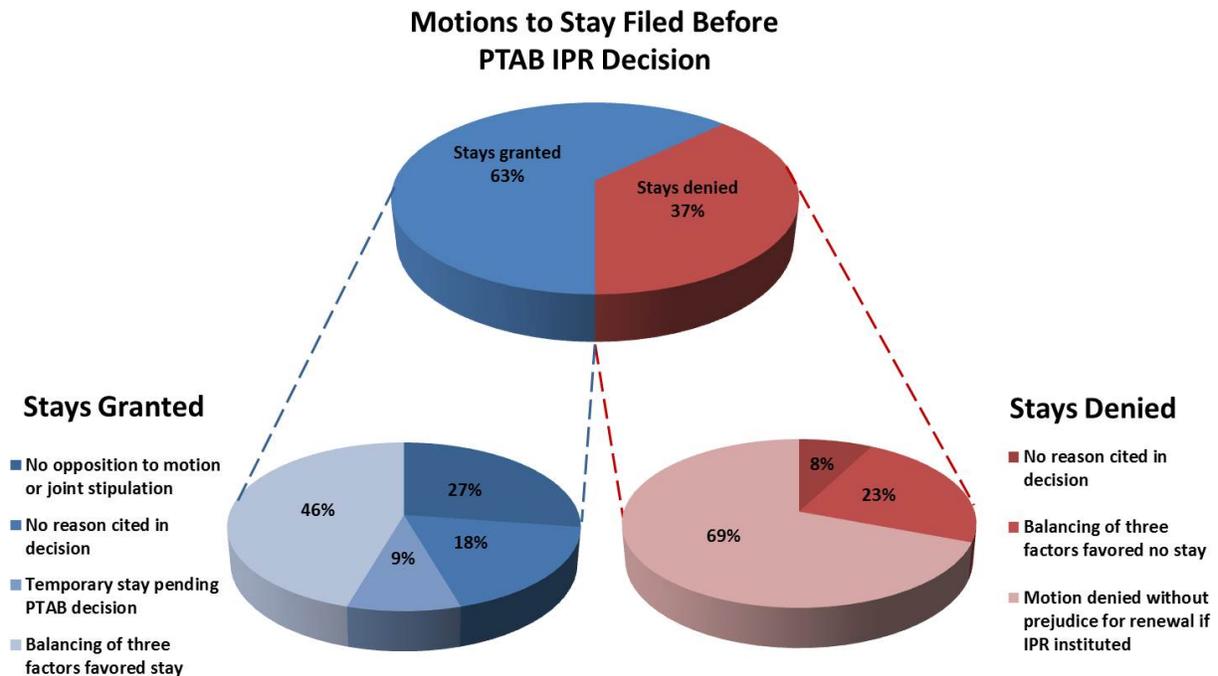
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<sup>3</sup> United States Patent and Trademark Office, *Inter Partes* Reexamination Historical Statistics, available at <http://www.uspto.gov>

<sup>4</sup> 37 C.F.R. § 42.107 (providing patent owners up to three months after receiving notice of a petition to file an optional preliminary response); 35 U.S.C. § 314 (requiring the PTAB to decide whether or not to institute an IPR within three months of the patent owner’s preliminary response or within three months of the time a preliminary response is due, if the patent owner waives the preliminary response); 35 U.S.C. § 316 (requiring the PTAB to issue a final decision on the IPR within one year of its decision to institute the IPR and allowing the PTAB to extend the IPR proceeding for six months, if good cause is shown).

## Filing Motions to Stay Before the PTAB Issues a Decision Whether to Institute an IPR

Parties that are involved in concurrent litigation and IPR proceedings and decide to move to stay the litigation often do so before the PTAB has even rendered a decision on whether or not to institute the IPRs. Over 85% of motions to stay were filed before the PTAB issued a decision.<sup>5</sup>



Despite not having the PTAB's decision on whether to institute an IPR before them, district courts appear amenable to granting stays. District courts have granted nearly two-thirds of the motions to stay litigation pending IPR. Of the stays granted, 27% were likely automatic, as the plaintiffs either jointly moved for a stay or did not oppose the defendants' motions.<sup>6</sup> In another 18%, the district court's reasons for granting the stay were not discernible from the decision. In two (9%) decisions, however, the courts wanted the benefit of the PTAB's decision

<sup>5</sup> Thirty-five of 41 motions to stay were filed before the PTAB issued a decision on the IPR petition.

<sup>6</sup> The district courts did not cite any other reasons for granting the stays other than that they were unopposed or joint stipulations.

before they could make an informed decision on whether to stay litigation; the courts therefore only granted temporary stays until the PTAB decided whether to institute the IPRs.<sup>7</sup>

Notably, in nearly half (46%) of the cases where stays were granted, the courts applied the three-factor analysis employed in the past by district courts when deciding whether to stay litigation pending IPXs.<sup>8</sup> The three factors analyzed are: 1) the stage of litigation, 2) whether a stay will simplify the issues in the case, and 3) whether a stay would create undue prejudice to the non-moving party or a clear tactical advantage to the moving party.<sup>9</sup>

In all cases but one where stays were granted, litigation was still in the early stages.<sup>10</sup> In the remaining case, the court had already construed the patent claims, but nevertheless granted the stay because the movant stipulated to being estopped from raising any grounds for challenging the patent's validity in litigation that it raised or could have raised in the IPR.<sup>11</sup> A party moving for a stay as early in litigation as possible will likely increase its chances of having the motion granted.

On the other hand, a significant number of courts have denied stays of litigation on the basis that the PTAB has not issued a decision to institute an IPR. Over one-third (37%) of motions to stay filed with the district court before the PTAB returned with a decision resulted in denials of the motion as premature. Without the PTAB's decision, the district courts reasoned

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<sup>7</sup> Order Granting In Part and Denying In Part Motion to Stay, *Grobler v. Sony Computer Entm't Am. LLC*, 3:12-cv-01526 (N.D. Cal., Jun. 6, 2013); Order Granting In Part and Denying In Part Motion to Stay, *Grobler v. Apple, Inc.* 3:12-cv-01534 (N.D. Cal., Jun. 6, 2013).

<sup>8</sup> *See, e.g., Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, 2012 U.S. Dist. LEXIS 186322, at \*3-4 (C.D. Cal., Dec. 19, 2012) (holding that there was no reason that the three-factor test used for analyzing motions to stay pending IPXs cannot be used for IPRs).

<sup>9</sup> *Id.*

<sup>10</sup> The litigation proceedings are either at the pleadings stage, early in discovery, or discovery was ongoing, but the courts had not performed claim construction.

<sup>11</sup> Order Granting Motion to Stay, *Achates Reference Publ., Inc. v. Symantec Corp.*, No. 2:11-cv-00294-JRG-RSP, (E.D. Tex., May 31, 2013).

that they could not decide whether a stay will likely simplify the issues or cause undue prejudice to the plaintiff.<sup>12</sup> All of these motions to stay were denied without prejudice, however, to provide the defendants with an opportunity to renew the motions once the PTAB decides to institute an IPR.

In another 23% of cases where district courts denied the motions to stay before the PTAB issued a decision on whether to institute IPRs, the courts performed the three-factor balancing test before concluding that stays were not warranted. In two cases, the district courts held that the stage of litigation counseled against a stay, as claim construction had already been performed or was due to occur.<sup>13</sup> When denying stays, courts have also emphasized when parties are direct competitors, citing undue prejudice to the non-movant.<sup>14</sup>

A party moving to stay litigation before the PTAB grants the petition for IPR would have an increased chance of being granted a stay if it: 1) moves for a stay during the early stages of

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<sup>12</sup> See, e.g., *Automatic Mfg. Sys. v. Primera Tech., Inc.*, 2013 U.S. Dist. LEXIS 67790, at \*8-9 (M.D. Fla., May 13, 2013) (denying a stay because the scope of IPR is not yet known and the plaintiff may suffer undue prejudice or clear tactical disadvantage from a prematurely-granted stay); Order Denying Motion to Stay, *Derma Sciences, Inc. v. Manukamed Ltd.*, No. 3:12-cv-03388-JAP-LHG (D.N.J., Jul. 18, 2013) (holding that the PTAB's decision will allow the court to make an informed decision whether to grant a stay); Memorandum Opinion and Order Denying Motion to Stay, *Kowalski v. Hawaii Int'l Seafood*, No. 1:11-cv-00795-HG-RLP (D. Haw., Jun. 14, 2013) (stating that the court cannot tell whether a stay will simplify the issues in litigation without the benefit of the PTAB's decision).

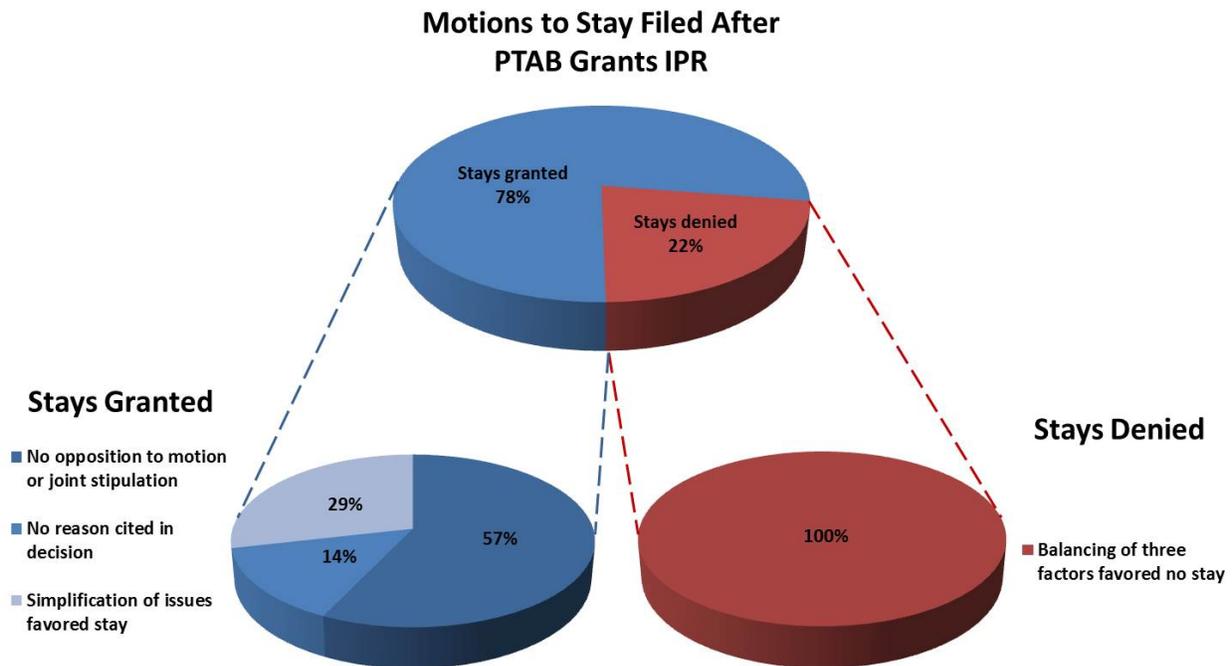
<sup>13</sup> Order Denying Defendant's Motion to Stay Pending *Inter Partes* Review, *Universal Elecs. Inc. v. Universal Remote Control Inc.*, No. 8:12-cv-00329 (C.D. Cal., May 2, 2013) (denying the motion to stay litigation because the patent claims had been construed); Order Denying Motions to Stay, *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 3:11-cv-06391 (N.D. Cal., Jun. 11, 2013) (holding that there was a need for a final determination of the validity and scope of the claims at issue, which were on the cusp of claim construction).

<sup>14</sup> Order Denying Motion to Stay, *Davol, Inc. v. Atrium Medical Corporation*, 1:12-cv-00958 (D. Del., Jun. 17, 2013) (denying the defendant's motion to stay primarily because of the court's concern about undue prejudice to the plaintiff, as the parties are direct competitors in the three-player market); Order Denying Motions to Stay, *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 3:11-cv-06391 (N.D. Cal., Jun. 11, 2013) (holding that, because the parties are direct competitors, the factor weighed against a stay).

litigation, and 2) is not a direct competitor to the non-movant. Some courts may not be receptive to motions to stay filed before the PTAB's decision on institution of IPRs. However, because district courts often deny these motions without prejudice, a party has little to lose from moving to stay the litigation prior to the PTAB's decision and, if denied, renewing the motion after the PTAB renders a decision.

### Filing Motions to Stay After the PTAB Decides to Institute an IPR

As the IPR procedure has only been available for less than one year, only a few litigants moving to stay have the benefit of a PTAB decision instituting an IPR before filing a motion to stay litigation.<sup>15</sup> Because 78% of these motions to stay were granted, however, having the PTAB's decision to institute IPR may be an important factor.



<sup>15</sup> Nine motions to stay out of 41 were filed after the PTAB decided to institute IPR.

In the majority of cases (57%) where stays were granted, the plaintiffs either stipulated to the motions to stay or did not oppose the motions. This is a significant increase from the 27% of joint stipulations or unopposed motions to stay when the PTAB had not yet issued a decision on the IPR petition. This suggests that the majority of plaintiffs are amenable to staying litigation in order to conserve resources if they know that they will be engaged in IPR proceedings. Without the PTAB's decision on the IPR petition, however, plaintiffs may not be as willing to submit to a premature stay.

In two cases (29%), the courts granted the motion to stay without any discussion other than holding that the stay will likely simplify the issues in litigation.<sup>16</sup> Notably, these two cases are the same two cases where the courts granted temporary stays pending the PTAB's decision. The courts may have been willing to grant the stay at the outset, but wanted the PTAB's decision before granting the stay.

Only two motions to stay (22%) were denied after the PTAB decided to institute IPR. In both of the decisions, the court performed the three-factor balancing test. In one case, the late stage of litigation counseled against a stay, as the PTAB instituted IPR on only one of three patents-in-suit and the case was on the verge of claim construction.<sup>17</sup>

In the second case, the court found that the defendant would receive an unfair tactical advantage from the stay.<sup>18</sup> The defendant had counterclaimed, asserting infringement of its own patents, as well as petitioned for review of the plaintiff's patent. If the court granted a stay on the

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<sup>16</sup> Order Granting Motion to Stay, *Grobler v. Sony Computer Entm't Am. LLC*, 3:12-cv-01526 (N.D. Cal., Jul. 29, 2013); Order Granting Motion to Stay, *Grobler v. Apple, Inc.* 3:12-cv-01534 (N.D. Cal., Jul. 29, 2013).

<sup>17</sup> Order Denying Motions to Stay, *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 3:11-cv-06391 (N.D. Cal., Jun. 11, 2013).

<sup>18</sup> Opinion and Order Denying Defendant's Motion to Stay, *Everlight Elecs., Co., Ltd. V. Nichia Corp.*, 4:12-cv-11758 (E.D. Mich., Apr. 30, 2013).

plaintiff's infringement claims pending IPR, the defendant would have been able to continue litigating its counterclaim of infringement before a jury that would not know it had been charged with infringement as well. The court also held that a stay was not warranted because the parties were direct competitors and its finding that a stay would not simplify the issues.

A party seeking to stay litigation after the PTAB grants a petition for IPR appears to have a high chance of receiving a stay. Again, the earlier the motion is filed during litigation, the more likely the movant will succeed. Having the PTAB's decision to institute an IPR may also influence the non-movant to stipulate to the stay or decide not to oppose the motion. With the right factors in place, an IPR can be an efficient tool to minimize the significant costs of litigation.