

STAY AWHILE: THE EVOLVING LAW OF DISTRICT COURT STAYS IN LIGHT OF *INTER PARTES* REVIEW, POST-GRANT REVIEW, AND COVERED BUSINESS METHOD POST-GRANT REVIEW

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ABSTRACT

The passage of the America Invents Act in 2011 ushered in a new era of patent procurement, enforcement, and litigation far different from what came before. Three new trial-like review procedures allow administrative challenges to the patentability of issued patents, including *inter partes* review (IPR), post-grant review (PGR), and covered business method post-grant review (CBM). A majority of the challenges have thus far been brought by defendants accused of infringing the patents they then sought to challenge, seeking to move the dispute to the Patent Office from the district court. Which begs the question: Do these procedures change the law of related district court stays? Analyzing early motions to stay pending IPR, PGR, and CBM, we answer that question in the affirmative.

“By requiring courts to apply this limited and relatively consistent body of caselaw when determining whether to grant a stay, subsection [(b)(2)] should ensure predictability and stability in stay decisions across different district courts, and limit the incentive to forum shop.” – 157 Cong. Rec. S1380 (Mar. 8, 2011) (statement of Sen. Kyl)

“(b)(2) REVIEW.--A party may take an immediate interlocutory appeal from a district court’s decision under paragraph (1). The United States Court of Appeals for the Federal Circuit shall review the district court’s decision to ensure consistent application of established precedent, and such review may be de novo.” – Leahy-Smith America Invents Act, § 18(b)(2) (2011)

I. INTRODUCTION

Patent litigation is expensive. High-and low-stakes business disputes that reach the point of litigation can cost both parties, and result in time, money, and effort expended. For over twenty years, Congress has sought a lower-cost alternative to patent litigation by allowing the Patent Office (PTO) to take a fresh look at challenged patents through a process known as reexamination. The recent rise of third-party enforcement entities—variously called non-practicing entities (NPEs), patent enforcement entities (PAEs), patent aggregators, or pejoratively, patent trolls—coupled with trial damages sometimes topping billions provided further political and rhetorical drive for Congress to again get involved. Complaints about patent quality and abstraction, particularly as it relates to computer programming and technology, likewise fueled debate. In response, Congress enacted the America Invents Act (AIA) in 2011, giving the PTO further power to review the patentability of issued patents through new procedures, such as *inter*

partes review, post-grant review, and covered business method post-grant review.

Part of the widely acknowledged power of these new PTO proceedings lies in avoiding the costly litigation that often acts as a leveraging weight pressuring defendants to settle instead of arguing patent validity in district court. But for these PTO proceedings to provide cost-saving benefits, they must resolve patentability questions before the parties engage in the discovery, trial, and appeal of district-court litigation.

Enter stays. With the inherent ability to control their own dockets, federal district courts have long had the ability to stay cases for a variety of reasons. With the rise of PTO parallel proceedings, the courts have developed a body of law to deal with and apply the courts' inherent power to manage parallel disputes. Specialized provisions of the AIA that directly influence, and bear on, that law—the law of stays—further complicate any district court judge's analysis.

One important provision—of § 18 of the AIA—was meant to deal with stays from a small subset of challenged patents, Covered Business Method (CBM) patents. It included a strong stay provision with an interlocutory appeal directly to the Federal Circuit, allowing for a *de novo* review. It also imposed a four-factor test—of which three of those factors are the federal district court's test for whether to grant a stay generally. These interlocutory appeals have quickly generated precedential case law from the Federal Circuit that has influenced the predictability and practice of seeking stays in view of PTAB proceedings.

In this article, we discuss the District Courts' stay authority, the development of parallel proceedings at the PTO, historical examples of stays in light of *ex parte* and *inter partes* reexam, and the statutory stay provisions provided for in the AIA. We analyze decisions to date—from district courts and the Federal Circuit—to understand how the courts may approach future fact requests for stays pending PTAB review of litigated patents. In doing so, we offer recommendations for seeking and securing stays.

II. BACKGROUND

A. District Court Article III and Stay Authority

The ability to stay litigation in an Article III district court springs from the court's inherent docket-control power.¹ That “power to stay proceedings is incidental to the power inherent in every court to control the disposition of

¹ See *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936) (finding that this necessarily implies that district courts also have the ability to modify or lift a stay if no longer deemed efficient or equitable); *Clinton v. Jones*, 520 U.S. 681, 706 (1997) (“The District Court has broad discretion to stay proceedings as an incident to its power to control its own docket.”).

the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.”² District court judges weigh the parties’ competing interests and seek balance.³ Courts have long had discretion depending on the facts of the case to stay judicial proceedings pending reexamination of a patent.⁴ As we see, this also applies to stays of district court litigation related to PTAB reviews.

B. The Reexamination of Issued Patents

For almost two hundred years, the PTO had no authority to cancel issued patents.⁵ Many other patent jurisdictions have had post-grant review of patents for over a century—for instance, in the English system, since 1883.⁶ That changed in the U.S. on July 1, 1981, when laws providing for *ex parte* reexamination of issued patents went into effect.^{7, 8}

Ex parte reexamination permitted patentees to bolster the patentability of an issued patent over prior art that surfaced after examination had concluded.⁹ Third parties could also ask the PTO to reexamine a patent, providing them a way to challenge the patentability of a patent without district court litigation.

When implemented, the *ex parte* reexamination process was seen as an alternative to litigation. Congress stated in 1980 that:

² Landis, 299 U.S. at 254.

³ *Id.* at 254–55.

⁴ See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (“Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.”) (internal citation omitted).

⁵ *McCormick Harvesting Machine Co. v. C. Aultman & Co.*, 169 U.S. 606, 608 (1898) (“It has been settled by repeated decisions of this court that when a patent has received the signature of the secretary of the interior, countersigned by the commissioner of patents, and has had affixed to it the seal of the patent office, it has passed beyond the control and jurisdiction of that office . . .”).

⁶ See Zorina Khan, *An Economic History of Patent Institutions*, BOWDOIN COLLEGE, (Mar. 19, 2015) <http://eh.net/encyclopedia/an-economic-history-of-patent-institutions/> [<http://perma.cc/5AED-S8V5>].

⁷ See MPEP § 2201 (9th ed. 2015): Statutory basis for citation of prior art patents or printed publications in patent files and reexamination of patents became available on July 1, 1981, as a result of new sections 301–307 of title 35 United States Code which were added by Public Law 96-517 enacted on December 12, 1980 On November 29, 1999, Public Law 106-113 was enacted, and expanded reexamination by providing an “*inter partes*” option. Public Law 106-113 authorized the extension of reexamination proceedings via an optional *inter partes* reexamination procedure in addition to the present *ex parte* reexamination. 35 U.S.C. 311–318 are directed to the optional *inter partes* reexamination procedures. (Internal citations omitted).

⁸ See Wayne B. Paugh, *The Betrayal of Patent Reexamination: An Alternative to Litigation, Not a Supplement*, 19 FED. CIRCUIT B.J. 177, 181–188 (2009).

⁹ See H.R. REP. NO. 112-98, at 45 (2011).

Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.¹⁰

One Congressman hoped reexamination was to “be of great benefit to small businesses for defending their patents.”¹¹ In Congressional hearings that eventually led to the creation of reexamination, then-Commissioner Sidney Diamond stated:

Reexamination would eliminate or simplify a significant amount of patent litigation. In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided.¹²

As its name suggests, the reexamination framework that came into being in 1981 was an *ex parte* affair—even if a third party requested reexamination of a patent, only the PTO and the patentee participated in the reexamination after institution. Perhaps because of this limitation, third parties used reexaminations less than expected during the 1980s and 1990s.

Hoping to further bolster patent litigation alternatives, Congress created *inter partes* reexamination (IPX) in 1999. *Inter partes* requests could only be filed by third parties (or in rare cases ordered by the Commissioner of Patents). Both the requester and the patent owner participated in *inter partes* reexamination proceedings, making them more attractive to parties hoping to challenge a patent.

Both *ex parte* and *inter partes* reexamination let an examiner re-open a case file and reexamine an issued patent in light of new evidence relevant to patentability.¹³ A specialized Central Reexamination Unit (CRU) handled

¹⁰ H.R. REP. NO. 96-1307, pt. 1, at 3 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462–63.

¹¹ 126 CONG. REP. 29,901 (daily ed. Nov. 17, 1980) (statement of Rep. Hollenbeck).

¹² See Patent Reexamination: Hearings on S. 1679 Before the Senate Comm. On the Judiciary, 96th Cong. 15–16 (1979) (statement of Comm'r Diamond).

¹³ Greg H. Gardella & Emily A. Berger, United States Reexamination Procedures: Recent Trends, Strategies and Impact on Patent Practice, 8 J. MARSHALL REV. INTELL. PROP. L. 381, 382 (2009).

requests from patent owners or third parties and conducted reexaminations.¹⁴ Current and former reexaminations are on-the-papers exchanges, with no possibility for district-court-style discovery or oral argument before appeal.

Both proceedings led to requests for stays in related litigations. Early decisions like *Ethicon, Inc. v. Quigg* held that the district courts had the inherent power to—and were particularly justified in—staying patent cases in light of pending office proceedings.¹⁵ Historical statistics show that such stay requests were successful roughly 60% of the time.¹⁶ During the AIA debates, Congressmen noted that reexamination has provided “a less costly way of removing or restricting patents that should not have been granted or that were granted too broadly, to permit such challenge even before litigation-inducing controversy has arisen.”¹⁷

Data from the PTO shows that requesters have used the pre-AIA types of reexamination—in particular *inter partes* reexamination—in addition to litigation, instead of as a litigation alternative.¹⁸ In fact, about 70% of *inter partes* reexamination requests parallel district-court litigation between the same, or related, parties.¹⁹ Due in part to no statutory deadline for reaching decisions, as well as the availability of internal PTO appeals, both *ex parte* and *inter partes* reexamination were often protracted—typically lasting multiple years—before reaching a final written decision.

C. New Patent Office Proceedings

Congress meant the AIA’s new statutory post-grant review procedures to be “quick and cost effective alternatives to litigation.”²⁰ The AIA introduced new patent trials to be held before a newly named Patent Trial and Appeal Board (PTAB), like *inter partes* review (IPR) and post-grant review (PGR), both of which went into effect on September 16, 2012. Section 18 of

¹⁴ *Id.* The Commissioner of Patents can also order reexamination sua sponte. Though this practice had fallen out of favor, one reexamination was ordered in 2011.

¹⁵ *Quigg*, 849 F.2d at 1426-27 (request for stay pending *inter partes* reexamination).

¹⁶ See, e.g., Rates for Motions to Stay Pending Reexamination, DOCKET NAVIGATOR (2014), <http://home.docketnavigator.com/year-review/> [<http://perma.cc/LX97-6TV9>] (showing between 51.2% and 61.3% of district courts granted stays pending reexaminations prior to the AIA).

¹⁷ *In re Construction Equipment Co.*, 665 F.3d 1254, 1261 (Fed. Cir. 2011) (Newman, J., dissenting).

¹⁸ See Paugh, *supra* note 12, at 181-88.

¹⁹ See U.S. PATENT AND TRADEMARK OFFICE, *INTER PARTES REEXAMINATION FILING DATA* – SEPTEMBER 30, 2011, at 3, http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf [<http://perma.cc/KCT2-W2XP>].

²⁰ See H.R. REP. NO. 112-98, pt. 1, at 48 (2011) (statutory post-grant review procedures were designed to be “quick and cost effective alternatives to litigation”); 157 CONG. REC. S952 (daily ed. Feb. 28, 2011) (*inter partes* review was intended to provide a “faster, less costly alternatives to civil litigation to challenge patents”) (statement of Sen. Grassley).

the AIA, titled “Transitional Program for Covered business Method Patents,” established a subset of PGR proceedings for “covered business method patents” (CBM).²¹ CBM proceedings are, for the purposes of this background section, treated similarly to PGR proceedings.²²

Procedurally, IPR, PGR, and CBM replace the paper administration of *inter partes* reexamination with a trial conducted by a panel of three administrative patent judges—complete with limited discovery, deposition, and an oral argument. They shift the burden from the PTO to the petitioner to show unpatentability.²³

1. IPR

IPR trials—like their district court counterparts—seek the “the just, speedy, and inexpensive resolution of every proceeding.”²⁴ The AIA requires that the PTAB issue a final determination in no more than a year post-institution, extendable by six months for good cause. To institute an IPR proceeding, parties must first petition the Board, and the patent owner may optionally respond to why the petition should not be instituted; then the Board will determine if the petition supporting the ground demonstrates there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable.²⁵

IPRs thus change the standard for institution: requests for reexamination before the enactment of the AIA were instituted when prior art patents or printed publications presented a “substantial new question of patentability.” IPR expands the body of challengeable patents,²⁶ and eliminates a step in the appeals process, appealing directly to the Federal Circuit. They expand estoppel, and allow for deposition of expert witnesses and other limited discovery.

²¹ Because § 18 is scheduled to sunset after eight years, it is not codified in title 35, but is rather a floating statute.

²² AIA § 18(a)(1) specifies that CBMs “shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35,” with some exceptions.

²³ See 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (“One important structural change made by the present bill is that *inter partes* reexamination is converted into an adjudicative proceeding in which the petitioner, rather than the Office, bears the burden of showing unpatentability.”).

²⁴ 37 C.F.R. § 42.1(b) (2014).

²⁵ 37 C.F.R. § 42.108(c) (2014).

²⁶ The current regime precludes reexamination of patents filed before Nov. 1, 1999.

2. *PGR and CBM*

PGRs and CBMs are procedurally congruent with IPRs, with some key substantive and timing differences. Unlike IPRs, parties can only petition for PGR during the first nine months after the Office grants (or reissues) a patent.²⁷ With the exception of business method patents and pending interferences, PGR only applies to patents with a priority date later than March 15, 2013, *i.e.*, patents that contain a claim with an effective filing date that is on or after March 16, 2013. A petition to institute PGR may be filed by anyone other than the owner of the patent.²⁸

Section 18 of the AIA created a special type of post-grant review—creating a transitional program for challenging covered business method (CBM) patents. Congress intended CBMs to be an accessible, low-cost procedure for companies to challenge broad, abstract patents of questionable patentability related to the financial industry.²⁹ CBM reviews can be filed any time after issue provided they meet other factors. Any party threatened or sued on a covered patent may pursue a CBM petition. The petition should state relief sought, list material facts, and include their entire argument.³⁰ It may raise any statutory grounds for invalidity—§§ 101, 102, 103, and 112 challenges.

3. *Congress Designed the Expedited Timeframe for IPRs and PGRs under the AIA to Be Shorter Than Litigation*

*“Those who make the worst use of their time are the first to complain of its brevity.”*³¹

Unlike reexaminations, both IPRs and PGRs are statutorily required to be completed one year after institution. After a petition has been filed, and a filing date has been accorded, the Patent Owner may file a preliminary patent owner response³² within three months. The PTAB generally issues a decision on institution within three months of the Patent Owner response, or the three months passing with no response filed. The statutory twelve-month period for completing the proceeding runs from this institution decision.

Once an IPR or PGR is instituted, parties receive limited discovery generally confined to depositions of expert witnesses and information

²⁷ See 35 U.S.C. § 321(c) (2012); 37 C.F.R. § 42.202 (2014).

²⁸ See 35 U.S.C. § 321(a) (2012); 37 C.F.R. § 42.201 (2014).

²⁹ See generally Joe Matal, A Guide to the Legislative History of the America Invents Act: Part II, 21 FED. CIR. B.J. 539, 632 (2012).

³⁰ See 37 C.F.R. § 42.22 (2014).

³¹ JEAN DE LA BRUYERE, THE CHARACTERS, OR THE MANNERS OF THE AGE 363 (1688).

³² See 37 C.F.R. § 42.71 (2014).

inconsistent with the positions adopted by the opposing party.³³ The Board may grant limited additional discovery, subject to the discretion of the assigned panel, on topics like real-party-in-interest. The Patent Owner may file one motion to amend as a matter of right, although amendments have thus far met with limited success. After six to seven months, the parties usually have an oral hearing with the Board (if requested) and, roughly three to five months after that, the Board issues a final written decision. If the Board amends or cancels claims, petitioners must wait until the patent owner exhausts or waives appeal to the Federal Circuit for the office to issue a certificate of correction cancelling or amending those claims.

The AIA requires that the final written decision issue no later than one year after institution, although the Director may extend that by six months for good cause—which, at the time of writing, had not yet happened—or the Board may adjust that timeframe, in the case of joinder.³⁴ That PTAB proceedings are virtually guaranteed to be completed within 18 months—far faster than most district courts—is important when analyzing stays. Moreover, IPRs and PGRs are conducted before the PTAB, not the Central Reexamination Unit (CRU), and thus their decisions may be appealed directly to the Federal Circuit, eliminating a step in the appeals process.

4. Congress Sought to Prevent Parties from Bringing the Same Arguments to Both the PTAB and District Court via Estoppel

*“[T]he myth, the wicked lie, that the past is always tense and the future, perfect.”*³⁵

Unlike *ex parte* reexamination, if the Board initiates one of the new post-grant proceedings and issues a final written decision, the statute estops the petitioner from raising some patentability arguments before the Board, in federal courts, or the ITC. The scope of estoppel varies by the type of proceeding, but all types attach when the PTAB issues the final written decision.

For IPRs, Congress added a strong estoppel provision, § 315(e), which applies both an inter-office estoppel (§ 315(e)(1)) and a broader external estoppel (§ 315(e)(2)), applying specifically to district court and ITC proceedings. These provisions attach at “final written decision” and prevent the petitioner from raising any ground the petitioner “raised or reasonably could have raised during that *inter partes* review.”³⁶ While what a petitioner

³³ See 37 CFR §42.51(b) (2014); *Garmin Int'l, Inc. v. Cuozzo Speed Techs, LLC*, IPR2012-00001, Paper 26, at 6–7 (P.T.A.B. Mar. 5, 2013).

³⁴ Leahy–Smith America Invents Act, Pub. L. 112-29, 125 Stat. 284, 302 (2011).

³⁵ ZADIE SMITH, *WHITE TEETH* 448 (2000).

³⁶ 35 U.S.C. § 315(e)(1) (2012). *But see* 35 U.S.C. § 316(a)(11) (2012) (making an

“raised or reasonably could have raised” will likely be litigated, practitioners generally err on the side of caution, and bring unpatentability challenges based on the best available known art, likely fearing that the estoppel provision will bar any opportunity to bring additional invalidity challenges elsewhere.

The AIA also precludes anyone who has filed for declaratory judgment on invalidity or been served with a complaint of infringement more than a year prior from requesting an IPR.³⁷ This provision, coupled with the PTO’s discretion to stay, transfer, consolidate, or terminate additional concurrent proceedings before the PTO complicates disputes.³⁸

Similarly, the statute precludes CBM petitioners from reasserting invalidity grounds they “raised or reasonably could have raised” in future PTO proceedings.³⁹ And, following the issuance of a final written decision, the petitioner cannot raise invalidity positions that were “raised during that [CBM] proceeding” in district-court or ITC proceedings.⁴⁰ The bar on declaratory judgment actions for invalidity also applies to CBMs.

The estoppel described above applies by statute not only to the actual petitioning party, but also to real-parties-in-interest and any privies of the petitioning party. It is important to consider who the statute will estop from bringing invalidity challenges in the district court after a PTAB proceeding concludes. Often, the willingness of non-petitioning co-defendants in court litigation to agree to be bound by a petitioning defendant’s eventual estoppel increases the likelihood of a district court granting the stay.⁴¹

exception to the one-year deadline for IPRs by a period for “not more than 6 months” for “good cause shown” but the Director may “**adjust the time periods in this paragraph in the case of joinder under section 315(c).**” (emphasis added); 37 C.F.R. § 42.100(c) (2014) (“An *inter partes* review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of **joinder.**”) (emphasis added).

³⁷ 35 U.S.C. § 315(b) (2012).

³⁸ 35 U.S.C. § 315(b) (2012); 37 C.F.R. § 42.122(a) (2014) (“Where another matter involving the patent is before the Office, the Board may during the pendency of the *inter partes* review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.”).

³⁹ 35 U.S.C. § 325(e)(1) (2012).

⁴⁰ A.I.A. § 18(a)(1)(d).

⁴¹ See, e.g., AIP Acquisition LLC v. Level 3 Commc’ns, LLC, No. 1:12-cv-00617, at *5 (D. Del. Jan. 9, 2014) (granting stay); eWatch Inc. v. Avigilon Corp., No. 1:13-cv-0347, 2013 WL 6633936, at *2 (S.D. Tex. Dec. 17, 2013); eWatch, Inc. v. Lorex Canada, Inc., No. 1:12-cv-03314, 2013 WL 5425298, at *4 (S.D. Tex. Sept. 26, 2013); Comcast Cable Commc’ns, LLC v. Bear Creek Techs., Inc., MDL No. 1:12-md-02344 (GMS), 2013 WL 3789471, at *4 (D. Del. Jul. 17, 2013).

III. DISTRICT COURT STAYS IN LIGHT OF IPR, PGR, AND CBM

“It is true that the stay provisions for CBM review are statutory, while the stay practice for inter partes has been developed by the courts. However, the standards for granting stay relief are generally similar. . . . The overlap between the standards for granting a stay in those two contexts is not surprising, since both CBM review and inter partes review, like reexamination, are designed to promote the same policy goals.

. . .

*In light of the parallel policies underlying the CBM and inter partes review proceedings, it is not surprising that courts have applied generally similar analysis to requests for stays in both settings.”*⁴²

Congress intended for the new post-grant procedures under the AIA to reduce the burden of patent litigation on district courts by allowing the PTAB to first resolve patentability. To ensure that validity disputes will go forward in only one forum, if a petitioner files a declaratory judgment action of invalidity (but not a counterclaim of invalidity) on or after filing the PTAB petition, the statute provides that the district court action will be *automatically stayed* unless: (1) the patent owner asks the court to lift the stay, (2) the patent owner files a civil action or counterclaim for infringement, or (3) petitioner asks to dismiss the civil action.^{43,44} The statute establishes the automatic stay where courts tend to favor granting a stay already, i.e., where the petition comes very early relative to the civil action devoid of the appearance of gamesmanship.⁴⁵ But what happens when—as in most cases—the district-court action is filed first?

If the Patent Owner files the civil action before the defendant in an IPR or PGR proceeding, what procedures are there to ensure that the PTAB patentability determination proceeds first? For IPRs and PGRs (except CBMs), the AIA provides no guidance, perhaps because District courts already have an inherent power to control their own dockets, including the power to stay any proceeding for good cause. Stay considerations in light of PTAB proceedings are:

- (1) whether a stay will simplify issues at trial,
- (2) whether discovery is complete and a trial date is set, and

⁴² *NFC Tech. LLC v. HTC Am.*, No. 2:13-cv-01058-WCB, at *10–11 (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation).

⁴³ *See* 35 U.S.C. §§ 315(a)-(b) (2012) (stating a counterclaim of invalidity does not trigger the automatic stay).

⁴⁴ *See* § 315 (b)(2).

⁴⁵ 35 U.S.C. § § 315(a)(2), 325(a)(2) (2012).

(3) whether a stay will unduly prejudice the non-moving party.⁴⁶

Current research shows that to date, approximately 58% of requests for stays across all district courts have been granted outright, 6% partially granted, 29% denied, and 7% pending.⁴⁷

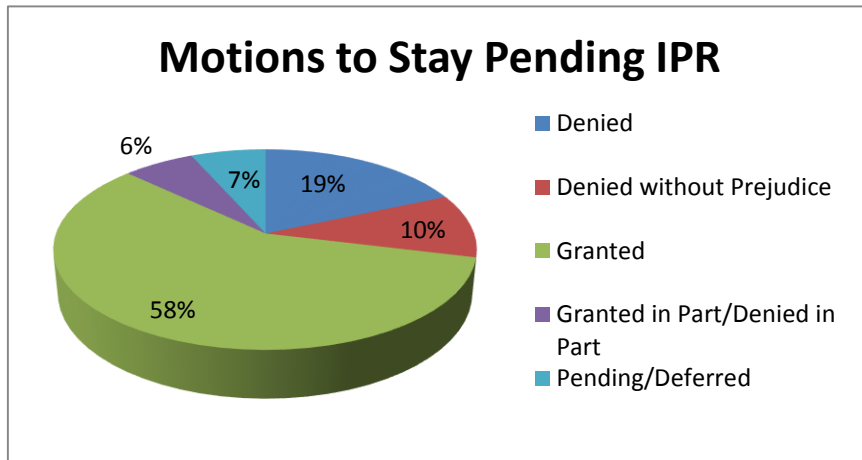


Figure 1: Total grant/denial rate of early IPR stay motions (September 12, 2012 - August 15, 2015).⁴⁸

While a 58% full grant rate may seem like courts do not favor IPR stays, in fact only about 19% of motions to stay have been denied outright (i.e., denied with prejudice). Many denials are preliminary *without* prejudice, giving the moving party leave to refile once the PTAB has decided whether to institute.⁴⁹ Thus 81% of motions filed have been successful or are still

⁴⁶ See, e.g., *Lennon Image Techs., LLC v. Macy's Retail Holdings, Inc.*, No. 2:13-cv-235, 2014 WL 4652117, at *2 (E.D. Tex. Sept. 17, 2014); *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SAVC 12-00329 AG (C.D. Cal. May 2, 2013) (denying Defendant's Motion to Stay); *Semiconductor Energy Lab.*, 2012 U.S. Dist. LEXIS 186322, at *3-4 n.1; *Star Envirotech v. Redline Detection, LLC*, No. SACV 12-01861, 2013 WL 1716068, at *1 (C.D. Cal. Apr. 3, 2013) (applying reexamination inquiry to considerations of stay pending IPR); see also *Gryphon Networks Corp. v. Contact Ctr. Compliance Corp.*, 792 F. Supp. 2d 87, 90 (D. Mass. 2011); *Softview LLC v. Apple Inc.*, C.A. No. 10-389-LPS, 2012 WL 3061027, at *3-5 (D. Del. July 26, 2012); *Soverain Software LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005).

⁴⁷ See Finnegan, Henderson, Farabow, Garrett & Dunner, LLP Research, <http://www.aiablog.com/claim-and-case-disposition/> [http://perma.cc/N9Q8-RARZ] (based in part on statistics provided by DocketNavigator and a special thanks to Cara Lasswell).

⁴⁸ *Id.*

⁴⁹ *Id.* As one example of a court denying a motion without prejudice to the moving party's ability to renew the motion after the PTO has issued a decision on whether to initiate IPR, see *NuVasive, Inc. v. Nerovision Med. Prods., Inc.*, No. 15-286-LPS-CJB, 2015 WL 3918866

under consideration. Of note, the figures vary by district, with motions for stay far more likely to be granted in Delaware and Northern District of California than the Eastern District of Texas. The Eastern District of Texas has a surprisingly high rate of “denial without prejudice” holdings, which essentially defer the ruling on the stay motion while the trial preparation continues.

Court	Total	Granted*	Granted-in-Part/Denied-in-Part*	Denied*	Denied w/o Prej.	Pending/Deferred
All	660	384 (58.2%)	42 (6.4%)	122 (18.5%)	68 (10.3%)	44 (6.7%)
N.D. CA	102	60 (58.8%)	14 (13.7%)	11 (10.8%)	10 (9.8%)	7 (6.9%)
E.D. TX	67	32 (47.8%)	3 (4.5%)	12 (17.9%)	17 (25.4%)	3 (4.5%)
D. Del.	72	44 (61.1%)	3 (4.2%)	15 (20.8%)	6 (8.3%)	4 (5.6%)

* Recommendations to Grant or Deny included in Totals

While these statistics provide information about general trends, it is important to recognize their limits. For example, where a court denies a motion to stay without prejudice, the moving party may seek a stay at a later time, leading one case to result in multiple stay-related orders. Consolidated cases, involving multiple defendants in parallel suits, may be underreported where one order is entered addressing multiple litigations. Other commentators using different statistical methods published at different times have found other similar success rates for stays.⁵⁰

For CBMs, Section 18 of the AIA mandates a four-factor test, adding an additional element to the traditional stay analysis:⁵¹

- (1) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;
- (2) whether discovery is complete and whether a trial date has been set;

(D. Del. June 23, 2015).

⁵⁰ Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93-94, 103 (2014) (finding stays granted as much as 82% of the time).

⁵¹ See *Broadcast Innovation, LLC v. Charter Commc'ns, Inc.*, 2006 WL 1897165 (D. Co. July 11, 2006) (according to the legislative history, the four factors were taken from the unpublished).

(3) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

(4) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.⁵²

The first three CBM factors are “largely identical” to those used for IPRs, PGRs, and stays in other contexts.⁵³ As Federal Circuit Judge Bryson notes, the additional fourth factor for CBMs indicates Congress’s desire that the Courts pay special attention to minimizing the burden of litigation involving patents relating to business and financial methods.⁵⁴ During floor debate, Senator Schumer explained that the provision “places a very heavy thumb on the scale in favor of a stay,”⁵⁵ when there is a CBM proceeding involved, and “it is nearly impossible to imagine a scenario in which a district court would not issue a stay.”⁵⁶

As this comment illustrates, Congress intended § 18 to help save litigation costs related to CBM patents—patents the provision’s sponsors identified as problematic.⁵⁷ While the statute does not *mandate* stays, Congress sought a means for Courts to stay CBM litigations more often than they normally would, to simplify matters and save unnecessary litigation costs.⁵⁸

The success rates for motions to stay pending CBMs are similar to those for IPRs, keeping in mind the smaller sample size.

⁵² Leahy–Smith America Invents Act, Pub. L. No. 112-29, § 18(b)(1), 125 Stat. 284, 331 (2011) (codified in scattered sections of 35 U.S.C.).

⁵³ See *NFC Tech. LLC v. HTC Am.*, Case No. 2:13-cv-01058-WCB, at 3 (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation).

⁵⁴ See *NFC Tech.*, No. 2:13-cv-01058-WCB, at 4 (Bryson, J., sitting by designation).

⁵⁵ 157 CONG. REC. S1,363-65 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer).

⁵⁶ *Id.*

⁵⁷ See *id.*

⁵⁸ See *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 490 (D. Del. 2013) (quoting 157 CONG. REC. S1053 (“Since the entire purpose of the transitional [CBM] program at the PTO is to reduce the burden of litigation, it is nearly impossible to imagine a scenario in which a district court would not issue a stay.”); *SightSound Techs. LLC v. Apple Inc.*, No. 2:11-cv-01292, 2013 WL 2457284, Order at *1 (W.D. Pa. June 6, 2013) (same); *Versata Software, Inc. v. Volusion, Inc.*, No. 1:12-cv-00893, at *3 (W.D. Tex. June 20, 2013) (noting Congress intended that “a stay [pending CBM review] should only be denied in extremely rare instances.”); *Progressive Cas. Ins. Co. v. Safeco Ins. Co. of Ill.*, No. 1:10-cv-01370, 2013 WL 1662952, at *3 (N.D. Ohio Apr. 17, 2013) (quoting 157 Cong. Rec. S1363–64 as stating that the fourth statutory stay factor for CBMs provides a “heavy thumb” on the scale, favoring a stay); *Zillow, Inc. v. Trulia, Inc.*, No. 2:12-cv-01549, 2013 WL 5530573, at *3 (W.D. Wash. Oct. 7, 2013) (same).

Court	Total	Granted	Granted-in-Part/Denied-in-Part	Denied	Denied w/o Prej.	Pending/Deferred
All	139	80 (57.6%)	10 (7.2%)	24 (17.3%)	19 (13.7%)	6 (4.3%)
N.D. CA	8	5 (62.5%)	1 (12.5%)	1 (12.5%)	1 (12.5%)	0 (0%)
E.D. TX	37	14 (37.8%)	1 (2.7%)	8 (21.6%)	11 (29.7%)	3 (8.1%)
D. Del.	16	11 (68.8%)	2 (12.5%)	2 (12.5%)	1 (6.25%)	0 (0%)

AIA § 18 also provides for interlocutory appeal of stay decisions to the Federal Circuit, which may review the district court's reasoning *de novo*.⁵⁹ According to Senator Charles Schumer, *de novo* review was "central to the purpose of the interlocutory appeal provision," which he characterized as ensuring the "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."⁶⁰ As of the time this article was written, the Federal Circuit has issued opinions on five interlocutory appeals, shedding some preliminary light on the manner in which that court will approach the question of whether to stay district court litigation in view of pending CBM review. In all but one instance, the final determination would have resulted in a stay.

District courts considering stays pending IPR review have also relied on, and been somewhat influenced by, these Federal Circuit cases. In short, the likelihood of success in obtaining a stay will substantively depend on the following four factors.

A. Factor I: Simplification of the Issues

On one hand, PTAB consideration of the patentability of *any* asserted patent claim could simplify the issues before the district court, meaning that the first factor might always weigh in favor of granting a stay. After all, if the Board holds all of the claims unpatentable, the district court may dismiss the suit. If the Board holds only some of the claims are unpatentable, there will be fewer left for the district court to consider. And even if the Board

⁵⁹ 157 CONG. REC., *supra* note 61, at S1,364 (quoting Sen. Schumer: "[i]t is expected that the Federal Circuit will review the district court's decision regarding a stay *de novo*, unless there are unique circumstances militating against a *de novo* review, such as subsequent requests for an interlocutory appeal in the same case").

⁶⁰ *Id.*

cancels no claims, the court case will be simplified because estoppel will limit the arguments available, and the PTAB will have construed claims, which may encourage the parties to settle or at least aid the district court's decision-making.⁶¹ Stay is particularly justified when "the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues."⁶² The actual treatment of this factor, however, is more nuanced.

Key factors include whether the PTAB proceeding has been instituted (versus a petition just being filed) and the amount of overlap between the claims asserted in the litigation and the ones of which review is sought. In the best case (weighing most heavily in favor of stay), the PTAB has instituted, and therefore will review, *all* of the asserted claims in the litigation.⁶³ Where the PTAB has already instituted review of claims at issue in the district court, there is a "substantial likelihood of simplification of the district court litigation," but "that likelihood is far more speculative before the PTAB decides whether to institute."⁶⁴ In *VirtualAgility*, for example, this

⁶¹ *Neste Oil OYJ v. Dynamic Fuels, LLC*, C.A. No. 12-1744-GMS, 2013 WL 3353984, at *4 (D. Del. July 2, 2013) (quoting *Gioello Enters. Ltd. v. Mattel, Inc.*, No. C.A. 99-375 GMS, 2001 WL 125340, at *1 (D. Del. Jan. 29, 2001)).

⁶² *Evolutionary Intelligence, LLC v. Millennial Media, Inc.*, No. 5:13-cv-4206, 2014 WL 2738501, at *2 (N.D. Cal. June 11, 2014); *see also*, *3rd Eye Surveillance, LLC v. Stealth Monitoring, Inc.*, No. 6:14-cv-162, 2015 WL 179000, at *1 (E.D. Tex. Jan. 14, 2015); *Norman IP Holdings, LLC v. TP-Link Techs. Co.*, No. 6:13-cv-384, 2014 WL 5035718, at *2 (E.D. Tex. Oct. 8, 2014); *Air Vent, Inc. v. Owens Corning Corp.*, No. 2:10-cv-1699, 2012 WL 1607145, at *3 (W.D. Pa. May 8, 2012); *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir.1983).

⁶³ *See, e.g.*, *Unifi Scientific Batteries, LLC v. Sony Mobile Commc'ns AB*, No. 6:12-cv-224, 2014 WL 4494479, at *2 (E.D. Tex. Jan. 14, 2014) (denying review where a large number of the claims at issue were not in *inter partes* review).

⁶⁴ *See* *NFC Tech. LLC v. HTC America, Inc.*, Case No. 2:13-cv-01058-WCB, 2015 WL 1069111, at *4 (E.D. Tex. Mar. 11, 2015) (collecting cases) (citing at *7: the "near-uniform line of authority" as reflecting "that after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed."); (citing IPR-related stays at *6: *Capella Photonics, Inc. v. Cisco Sys., Inc.*, No. 1:14-cv-03348, 2015 WL 1006582 (N.D. Cal. Mar. 6, 2015); *Gentherm Can., Ltd. v. IGB Auto., Ltd.*, No. 1:13-cv-11536, 2015 WL 804657 (E.D. Mich. Feb. 26, 2015); *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-cv-5501, 2015 WL 435457 (N.D. Cal. Feb. 2, 2015); *Service Solutions U.S., L.L.C. v. Autel.US Inc.*, No. 1:13-cv-10534, 2015 WL 401009 (E.D. Mich. Jan. 28, 2015); *In re CTP Innovations, LLC, Patent Litig.*, MDL 1:14-md-2581, 2015 WL 317149 (D. Md. Jan. 23, 2015); *Safe Storage LLC v. Dell Inc.*, No. 1:12-cv-01624 (D. Del. Jan. 22, 2015); *utsforth, Inc. v. Westinghouse Air Brake Techs. Corp.*, No. 12-1200, 2015 BL 69740 (D. Minn. Jan. 15, 2015); *CANVS Corp. v. United States*, No. 1:10-cv-00540, 2014 BL, at *10 (Fed. Cl. Dec. 19, 2014); *Kaneka Corp. v. SKC Kolon PI, Inc.*, No. 1:11-cv-3397, 2014 BL 378445 (C.D. Cal. Dec. 5, 2014); *Locata LBS LLC v. Paypal Inc.*, No. 1:14-cv-01864, 2014 BL 378444 (N.D. Cal. Dec. 4, 2014); *Surfcast, Inc. v. Microsoft Corp.*, No. 2:12-cv-00333, 2014 WL 6388489 (D. Me. Nov. 14, 2014); *Norman IP Holdings, LLC v. Chrysler Group LLC*, No. 6:13-cv-00278, 2014 BL, at *32 (E.D. Tex. Oct. 8, 2014); *Cypress Semiconductor Corp. v. GSI Tech., Inc.*, No. 1:13-cv-02013, 2014 WL 5021100 (N.D. Cal. Oct. 7, 2014); *Intellectual Ventures II LLC v. Suntrust Banks, Inc.*, No. 1:13-cv-02454, 2014 WL 5019911 (N.D. Ga. Oct. 7, 2014);

factor heavily favored a stay because the PTAB “expressly determined that *all* of the claims are more likely than not unpatentable” when it instituted CBM review. The Federal Circuit held that “[t]he district court erred as a matter of law to the extent that it decided to ‘review’ the PTAB’s determination that the claims of the [] patent are more likely than not invalid in the posture of a ruling on a motion to stay”⁶⁵ an “improper collateral attack on the PTAB’s decision to institute CBM review.”⁶⁶

Some courts have granted motions to stay even before the PTAB had decided whether to institute.⁶⁷ There, the district court gave weight to the fact that a high percentage of petitions being filed were being instituted, and therefore, while not certain, there was a high likelihood that the PTO would review the claims.⁶⁸ Courts have also considered that the PTO generally makes a decision whether to institute within six months of the filing of the petition, meaning that, even if the PTO denies the petition, the length of the stay will be relatively short.⁶⁹ Recently, however, more courts have been willing to call motions to stay premature unless the PTAB proceeding has been instituted, especially the Eastern District of Texas, where Judge Bryson, sitting by designation, held that the “likelihood [of simplification of the issues] is far more speculative before the PTAB decides whether to institute

Evolutionary Intelligence, LLC v. Sprint Nextel Corp., No. 1:13-cv-04513, 2014 WL 4802426 (N.D. Cal. Sept. 26, 2014); PersonalWeb Techs., LLC v. Google Inc., No. 5:13-cv-01317, 2014 WL 4100743 (N.D. Cal. Aug. 20, 2014); Intellectual Ventures II LLC v. U.S. Bancorp, Civil No. 1:13-cv-02071, 2014 WL 5369386 (D. Minn. Aug. 7, 2014); Affinity Labs of Texas LLC v. Samsung Elecs. Co., No. 1:14-cv-02717, 2014 WL 3845684 (N.D. Cal. Aug. 1, 2014); Depomed Inc. v. Purdue Pharma L.P., No. 1:13-cv-00571, 2014 WL 3729349 (D.N.J. July 25, 2014)); *See also*, CBM-related stays: Moneycat Ltd. v. Paypal Inc., No. 1:14-cv-02490, 2014 WL 5689844 (N.D. Cal. Nov. 4, 2014); Secure Axxess, LLC v. U.S. Bank Nat’l Ass’n, No. 6:13-cv-00717, 2014 BL, at *40 (E.D. Tex. Oct. 20, 2014); DataTreasury Corp. v. Fiserv, Inc., No. 2:13-cv-00431, 2014 BL, at *212 (E.D. Tex. Sept. 29, 2014); Solutran, Inc. v. Elavon, Inc., No. 1:13-cv-02637, 2014 BL, at *7 (D. Minn. Sept. 18, 2014); Segin Sys., Inc. v. Stewart Title Guar. Co., No. 2:13-cv-00190, 2014 WL 3895931 (E.D. Va. Aug. 8, 2014); Versata Software, Inc. v. Callidus Software, Inc., 780 F.3d 1134 (Fed. Cir. 2015). (discussing appeals from CBM-related stays); Benefit Funding Sys. LLC v. Adv. Am. Cash Adv. Ctrs. Inc., 767 F.3d 1383 (Fed. Cir. 2014).

⁶⁵ In *VirtualAgility*, the district court analyzed the likelihood of success at the PTAB. Noting that prior patent examination was “thorough[,]” it considered numerous prior art references and section 101 issues; the PTAB instituted review based on only one reference. Other non-prior art references “of particular importance” were involved in litigation, but not before PTAB. The Federal Circuit rejected this approach, finding that the court below had improperly adjudged the merits of the grounds before the PTAB.

⁶⁶ *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1313 (Fed. Cir. 2014).

⁶⁷ *MLC Intell. Prop., LLC v. Micron Tech., Inc.*, No. 14-cv-03657, 2015 WL 496407 (N.D.C.A. Feb. 3, 2015); *Four Mile Bay LLC v. Jem Zimmer Holdings*, No. 3:14-CV-1300-JVB-JEM, 2015 WL 4641609 (N.D. Ind. Aug. 3, 2015); *iMTX Strategic LLC v. Vimeo LLC*, No. C 15-00592 JSW, 2015 WL 4089911 (N.D. Cal. July 6, 2015).

⁶⁸ *See, e.g.*, *America Invents Act*, [www.aiablog.com \[http://perma.cc/458V-3J9X\]](http://perma.cc/458V-3J9X) (collecting statistics).

⁶⁹ *Id.*

inter partes review.”⁷⁰

Showing that PTAB proceedings will simplify the case is harder where the district court case involves multiple asserted patents, multiple defendants, or multiple causes of action. IPRs and CBMs are assessed patent-by-patent. As such, accused infringers seeking to shift a multi-patent dispute entirely to the PTO must file multiple petitions for PTAB review, at least one of each aimed at one of the asserted patents.

Courts may still grant a stay where only some of the asserted claims are undergoing review, as this could still narrow the issues for the Court.⁷¹ In *Robert Bosch Healthcare System, Inc. v. Cardiocom, LLC*,⁷² for example, the Northern District of California granted a stay where the most, but not all, of the asserted claims were subject to PTAB review, reasoning that “[h]ere, it seems more likely than not that at least some of the claims may be at least amended during reexamination. In that case, the court would greatly benefit from the PTO’s guidance as to the scope of the claims.”⁷³ And in *Versata Software v. Callidus Software*, the Federal Circuit—albeit in an opinion vacated due to an eleventh-hour settlement—recognized that “[s]tays can be warranted even when a CBM proceeding does not address all asserted patents, claims, or invalidity defenses.”⁷⁴ Other courts, however, have reached the opposite conclusion where the PTAB is taking a second look at only select claims.⁷⁵ In the Eastern District of Texas, for instance, a judge found that since many asserted claims were not under review, this weighed against a stay.⁷⁶

⁷⁰ See *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-01058-WCB, 2015 WL 1069111, at *4 (E.D. Tex. Mar. 11, 2015); see also *Cobalt Boats v. Sea Ray Boats, Inc.*, No. 2:15cv21, 2015 WL 2454296 (E.D. Va. May 21, 2015).

⁷¹ See *Bonutti Skeletal Innovations, L.L.C. v. Zimmer Holdings, Inc.*, No. 12-cv-01107, 2014 WL 1369721 (D. Del. Apr. 7, 2014) (granting stay where four of six patents were instituted in IPR and showing that the same is true if there are IPRs filed against some patents, but not all of those asserted in the litigation).

⁷² No. 12-3864-EJD, 2012 WL 6020012 (N.D. Cal., Dec. 3, 2012).

⁷³ *Id.* at *2; see also *Princeton Digital Image Corp. v. Konami Digital Entm’t Inc.*, No. 12-1461-LPS-CJB & No. 13-335-LPS-CJB, 2014 WL 3819458 (D. Del. Jan. 15, 2014) (granting stay even though one IPR has not yet been instituted and, subsequent history, *Princeton Digital Image Corp. v. Konami Digital Entm’t Inc.*, No. 1:12-1461-LPS-CJB & No. 13-335-LPS-CJB, 2014 WL 3819458 (D. Del. Jan. 14, 2015) (continuing stay after institution was denied for three dependent claims, thus the validity of some claims would not be resolved by the PTAB).

⁷⁴ 771 F.3d 1368, 1371 (Fed. Cir. 2014), *vacated as moot*, No. 2014-1468 (Fed. Cir. Feb. 27, 2015) (slip op.).

⁷⁵ See, e.g., *Card-Monroe Corp. v. Tuftco Corp.*, Case No. 1:14-cv-292, 2015 BL, at *8 (E.D. Tenn. Feb. 19, 2015) (“the benefit of such a review would be limited because it would only have the potential to resolve issues with one of the three patents at issue in the instant litigation.”).

⁷⁶ *Unifi Sci. Batteries, LLC v. Sony Mobile Commc’ns AB*, No. 6:12-cv-224, 2014 WL 4494479 (E.D. Tex. Jan. 14, 2014) (denying review where a large number of the claims at

The timing of the party's motion to stay also influences the analysis of the first factor. As a divided Federal Circuit panel explained in *Smartflash LLC v. Apple Inc.*, "the focus of this factor is on streamlining or obviating the trial by providing the district court with the benefit of the PTO's consideration of the validity of the patents before either the court or the jury is tasked with undertaking that same analysis."⁷⁷ Thus, courts may be reluctant to grant a stay in favor of a CBM where, as in *Smartflash*, trial has already occurred in whole or in part.⁷⁸ Indeed, in *Smartflash*, the Federal Circuit upheld the denial of a stay requested after trial, but overruled the denial of a stay sought just before trial began.⁷⁹

In cases with multiple co-defendants, courts have frequently conditioned stays on the willingness of co-defendants to agree not to assert any invalidity contention actually raised and finally adjudicated in the PTAB proceedings.⁸⁰ This type of agreement extends the estoppel provisions

issue were not in *inter partes* review).

⁷⁷ 2015 WL 4603820,—Fed. Appx. —, at *4 (July 30, 2015) (non-precedential).

⁷⁸ Per statute, CBMs may be filed at any time, but an IPR can be filed only within one year of the service of a district-court complaint. As such, a trial occurring before a stay is requested—as in *Smartflash*—is much more likely in relation to a CBM than an IPR. The *Smartflash* majority confirmed district court findings that, in seeking a stay after trial, the moving party demonstrated a lack of diligence in filing, as well as an attempt to gain tactical advantage over the patent owner. 2015 WL 4603820 at *6-*7.

⁷⁹ *Id.* But see *Ultratec, Inc. v. Sorenson Comm. Inc.*, No. 13-cv-346-bbc, 2015 WL 2248437 (granting stay in view of IPR after receipt of jury verdict, but before ruling on post-trial motions)(W.D. Wis. May 13, 2015).

⁸⁰ See, e.g., *Capella Photonics, Inc. v. Cisco Sys.*, 2015 U.S. Dist. LEXIS 27953, *10-11 (N.D. Cal. Mar. 6, 2015) (finding co-defendants' agreement to be bound by the IPR estoppel provisions alleviated Court's concerns and weighed in favor of a stay); *iMTX Strategic LLC v. Vimeo LLC*, No. C 15-00592 JSW, 2015 WL 4089911 (N.D. Cal. July 6, 2015) (granting stay conditioned on agreement to be estopped from asserting any invalidity contention that was actually raised and finally adjudicated in the CBM proceedings); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. 12-21-JST, 2012 WL 7170593, at *2 (C.D. Cal. Dec. 19, 2012) (granting stay because "Defendants who did not file the IPR petitions have agreed to be bound by the estoppel provisions of the IPR proceedings"); *Pi-Net Int'l, Inc v. Focus Bus. Bank*, No. 5-12-cv-04958, ECF No. 58, 2013 WL 4475940 (N.D. Cal. Aug. 16, 2013); *Achates Reference Publ'g., Inc. v. Symantec Corp.*, No. 2-11-cv-00294, BL at *60 (E.D. Tex. April 17, 2013); see also *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. 5-13-cv-04513, 2014 WL 819277, at *5 (N.D. Cal. Feb. 28, 2014) (conditionally granting a non-petitioner defendant's motion to stay pending *inter partes* review contingent upon defendants' agreement to be subject to 'weaker' statutory estoppel due to the defendant's non-involvement with the IPR proceedings, stating "[B]ecause [defendant] is not one of the IPR petitioners, [it] would not be precluded under 35 U.S.C. § 315(e)(2) from reasserting invalidity contentions rejected by the PTO If [defendant] and IPR petitioners communicate on strategy, [defendant] should be bound by the full statutory estoppel provision. If, however, [defendant] has no input on the IPR strategy, it should not be precluded from raising arguments that could have been raised in the IPR proceedings."); *In re. Protegrity Corp.*, No. MDL No. 2600, 2015 U.S. Dist. LEXIS 27953, *10-11 WL 4734938 (N.D. Cal. Mar. 6, Aug. 10, 2015) (finding co-defendants' discussing N.D. California cases requiring agreement to be bound by the IPR estopped, but allowing stay without estoppel provisions alleviated Court's concerns and

governing IPR and CBM proceedings to all co-defendants—regardless of whether they are involved in the PTAB proceeding. Failing to have all of the co-defendants’ agree may weigh against a stay.⁸¹ Likewise, party procedural stipulations may lessen perceived prejudice to the patent owner—parties seeking a stay should also consider stipulating to any of the following: jointly dissolving a stay at the end of IPR, PGR, or CBM if asserted claims survive, procedural concessions or an accelerated trial schedule should the claims survive, or meet-and-confer requirements, among others.⁸²

IPR proceedings are limited to only anticipation or obviousness over prior art patents or printed publications (under §§ 102 and 103 of the Patent Act), leaving other invalidity arguments for court. Some courts have refused stays in cases with other causes of action or invalidity theories, especially where the party seeking the stay injected the additional issues via counterclaims.⁸³ Future courts may also hesitate to stay where patent infringement represents only a portion of a case. Issues of trade secret misappropriation, unfair competition, or trademark infringement, for example, may expand a case beyond patentability.

B. Factor II: State of District Court Proceedings

The second factor courts weigh in ruling on motions to stay—whether discovery is complete and whether a trial date has been set—allows courts to consider both the time and energy already expended and whether it would be cheaper to stay the case while the PTAB considers patentability. The answer will depend on many factors, but two more than others: 1) in which district court is the litigation pending; and 2) at what point in the proceedings did the petitioner file the petition. It is no surprise, and often the subject of conversation, that the scheduling and management of patent cases differs

weighed in favor of a stay). 35 U.S.C. § 315(e)(2).

⁸¹ See *Semiconductor Energy Lab v. Chimei Innolux Corp.*, 2012 U.S. Dist. LEXIS 186322, at *6-7 (“The estoppel effect of *inter partes* review carries less weight when there are several defendants that are not parties to, and thus are not bound by, the estoppel effects of the proceeding.”); also *e-Watch Inc. v. Avigilon Corp.*, No. H-13-0347, 2013 WL 6633936, at *2 (S.D. Tex. Dec. 17, 2013) (granting stay pending related litigation IPR proceedings with Mobitix, but awaiting determination as to whether Avigilon should be estopped under § 315 of the AIA from asserting any § 102/103 arguments that reasonably could have been raised by Mobitix, or only estopped on the grounds actually raised in the related IPR by Mobitix).

⁸² See Order Granting Joint Motion To Stay Litigation Pending Covered Business Method Patent Review, *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-CV-00486 (E.D. Tex. July 19, 2013) (granting a stay in a trial with many defendants, given nine listed stipulations all parties agreed to).

⁸³ *U.S. Nutraceuticals LLC v. Cyanotech Corp.*, No. 5:12-cv-00366, at 5-6 (M.D. Fla. Oct. 15, 2013) (“The *inter partes* review proceeding will have no bearing on Defendants’ counterclaims, such as for unfair competition.”); See also *Versata Software Inc. v. Callidus Software Inc.*, 771 F.3d 1368, 1376 (Fed. Cir. 2014), *vacated as moot*, No. 2014-1468 (Fed. Cir. Feb. 27, 2015).

greatly across districts. Some “rocket docket” courts quickly push cases to trial in two years or less. Others are more measured, allowing parties years to develop their positions through protracted discovery, claim construction, and pre-trial matters. These differences—and the petitioners’ timing of filing—also color the way jurisdictions approach requests to stay pending patent litigation in view of PTAB proceedings.

Even though timing differs by district, courts tend to find requests to stay reasonable when the petition is filed before any serious activity in the litigation. Judge Bryson, sitting in the Eastern District of Texas by designation, found filing IPR petitions seven and one-half months after the complaint (and therefore four months after the service of infringement contentions) was reasonable, where “[t]he motion to stay was filed very promptly after the PTAB instituted *inter partes* review.”⁸⁴ So motions filed within months may favor grant.⁸⁵

Courts are less likely to find that the litigation will be simplified or resources saved by PTAB proceedings if the *Markman* and discovery process is complete.⁸⁶ Where the parties have already filed *Markman* briefs on the meaning of the claims, exchanged documents, or deposed witnesses, courts may find that little remains to be done before trial and deny a stay. And in districts with relatively faster times to trial—such as the Eastern District of Texas or the Eastern District of Virginia—stays pending PTAB proceedings may be less likely simply because cases are often closer to trial in these jurisdictions before they consider the stay request.⁸⁷

And although a party may seek an IPR at any point within a year of

⁸⁴ Memorandum Op. and Order at 7, *NFC Tech. LLC v. HTC Am.*, No. 2:13-CV-01058-WCB (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation).

⁸⁵ See, e.g., *Destination Maternity Corp. v. Target Corp.*, 12 F. Supp. 3d 762, 766-68 (E.D. Pa. 2014) (less than four months after infringement contentions is reasonably timely); *Software Rights Archive, LLC v. Facebook, Inc.*, No. 12-3970 RMW, 2013 WL 5225522, at *6 (N.D. Cal. Sept. 17, 2013) (just over four months after identification of asserted claims was reasonable); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012) (finding 3–4 month delay in filing petition after infringement contentions reasonable).

⁸⁶ *Bonutti Research Inc. v. Lantz Medical, Inc.*, No. 1:14-cv-00609-SEB-MJD, 2015 WL 3386601, at *2 (S.D. Ind. May 26, 2015) (denying motion to stay where parties had submitted *Markman* briefs, *Markman* hearing was set, and depositions had begun); *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, at 4, No. SACV 12-00329 AG, ECF No. 78 at 5 (C.D. Cal. May 2, 2013) (order denying defendant’s motion to stay pending IPR where plaintiff had already served written discovery, trial date was set, and the court had held *Markman* hearing and issued claim construction ruling); see also *Unwired Planet, LLC v. Square, Inc.*, No. 3:13-CV-00579-RCJ, 2014 WL 4966033 (D.Nev. Oct. 3, 2014) (denying motion to stay where majority of discovery was complete and a *Markman* order was imminent).

⁸⁷ *SynQor, Inc. v. Cisco Systems, Inc.*, 2-14-cv-00286 (E.D. Tex. Aug. 10, 2015) (denying motion to stay when fact and expert discovery had closed and case was headed for trial in three months).

receiving a complaint, requesting review earlier may mean a chance for the Board to institute the IPR, thus making a stay more likely—or allowing for time to renew the stay motion if the PTAB institutes. For example, a Middle District of Florida judge initially denied a motion to stay—with leave to refile after a PTAB decision on institution—in *Automatic Manufacturing Systems v. Primera Technologies*.⁸⁸ The judge noted that the six-month “limbo” between filing of the petition and institution meant that, if the USPTO chose not to proceed, “this action will have been left languishing on the Court’s docket with no discovery, no positioning of the parties on claim construction, and no dispositive motions.”⁸⁹ But the same judge later granted the renewed motion to stay—once the Board instituted the IPR—finding the matter “now ripe for adjudication.”⁹⁰ By seeking PTAB review soon after a case begins, the party challenging the patent increases its odds of staying the litigation.

In *VirtualAgility*, the overturned district court judge found that the “relatively early stage of the proceedings” important; that the parties had completed some discovery, six months of fact discovery remained, and claim construction activities had occurred counseled “in favor” of granting a stay.⁹¹ On appeal, the Federal Circuit generally agreed, holding “it was not error for the district court to wait until the PTAB made its decision to institute CBM review before it ruled on the motion.”⁹²

By filing early during litigation, defendants increase the chance that the PTAB has already instituted, which further increases the probability a court will grant a stay. In *VirtualAgility*, for example, the Court said there is “no doubt the case for a stay is stronger after post-grant review has been instituted.”⁹³ Occasionally, courts delayed considering stay motions until the PTAB spoke first, avoiding delaying the litigation when it was still uncertain if the Board would grant review.⁹⁴ By filing relatively early in litigation, defendants remove the doubt.

⁸⁸ No. 6:12-cv-1727-Orl-37DAB, 2013 WL 1969247, at *3 (M.D. Fla. May 13, 2013) (denying stay with leave to refile).

⁸⁹ *Id.* at *3 (“Put simply, the parties will be no closer to trial in a type of case that requires ‘early substantive disclosure’ in order to efficiently manage discovery and pretrial motion practice.”).

⁹⁰ 2013 WL 6133763, at *1, *3-4 (M.D. Fla. Nov. 21, 2013) (granting stay).

⁹¹ See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 U.S. Dist. LEXIS 2286, at *17 (E.D. Tex. Jan. 8, 2014).

⁹² See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1315 (Fed. Cir. 2014).

⁹³ *Id.* at 1316.

⁹⁴ See, e.g., Order Regarding Motion For Immediate Stay at 5-6, *MiMedX Group, Inc. v. Tissue Transplant Tech.*, No. SA-14-CA-719 (W.D. Tex. Jan. 5, 2015) (“While IPR proceedings could simplify the issues in this case if granted, the Court is unable to determine the likelihood of that event at this stage of the litigation”). *Contra* Order at 5, *Airwatch LLC v. Good Tech. Corp.*, No. 1:14-cv-02281-SCJ (N.D. Ga. Feb. 13, 2015) (finding that even a denial of an IPR would “be instructive” and weigh in favor of simplification of the issues).

C. Factor III: Undue Prejudice

For the third prong, courts weigh the impact that granting a stay will have on the parties. Many have argued a stay will necessarily advantage the moving party, disadvantaging the patent owner. But the omnipresent potential for delay does not alone suffice to establish the prejudice needed to deny a stay.⁹⁵ PTO proceedings like *inter partes* reexamination could last for years. Today, the PTAB must complete IPRs and CBMs twelve months after instituting, without the delay of an internal PTO appellate review. Courts have found that this statutorily mandated timeline mitigates risks of effervescent evidence or ephemeral circumstances that might have counseled against a stay before the passage of the AIA. Note that “waiting for the administrative process to run its course” often “risks prolonging the final resolution of the dispute and thus may result in some inherent prejudice to the plaintiff.”⁹⁶ While this potential for delay “by itself” does not tend to establish undue prejudice, it could be an additional consideration.⁹⁷ Further, a second stay may be less likely to succeed.⁹⁸ Close cases that would have been denied in light of reexamination, however, may now favor the movant—“for granting *inter partes* review probably results in an even higher likelihood than under the prior standard that the issues in this action will be simplified by the reexamination.”⁹⁹

There are other factors courts consider when deciding the “undue prejudice”/“clear tactical advantage” prong.¹⁰⁰ For example, courts often

⁹⁵ *Conair Corp. v. Tre Milano, LLC*, No. 3:14-cv-1554(AWT), 2015 WL 4041724, at *4 (D. Conn. July 1, 2015) (citing *Smart Modular Technologies, Inc. v. Nelist, Inc.*, No. 2:12-CV-02319-TLN, 2013 WL 2384342, at *5 (E.D. Cal. May 30, 2013) for proposition that “[d]elay by itself does not necessarily constitute undue prejudice, as nearly every judicial stay involves delay.”); *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662-GMS, 2013 WL 424754, at *2 (D. Del. Jan. 31, 2013) (finding that “the potential for delay does not, by itself, establish undue prejudice” and that concerns about direct competitiveness were not persuasive in that case); *Capriola Corp. v. LaRose Indus., LLC*, No. 8:12-cv-2346-SDM-TBM (M.D. Fla. Mar. 11, 2013) ECF No. 49 (staying litigation notwithstanding that the parties directly competed in the market).

⁹⁶ See *Market-Alerts*, 922 F. Supp. 2d at 494.

⁹⁷ *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662-GMS, 2013 WL 424754, at *2, *3 (D. Del. Jan. 31, 2013) (finding that “the potential for delay does not, by itself, establish undue prejudice” and that concerns about direct competitiveness were not persuasive in that case); Order at 2-5, *Capriola Corp. v. LaRose Indus., LLC*, No. 8:12-cv-2346-SDM-23TBM (M.D. Fla. Mar. 11, 2013) (staying litigation notwithstanding that the parties directly competed in the market).

⁹⁸ Order at 1-2, *NUTech Ventures v. Norman*, No. 1:12-cv-2326 (N.D. Ohio July 30, 2013) (denying a second stay request during PTO rehearing proceedings, after granting an earlier stay).

⁹⁹ *Semiconductor Energy Lab. Co. Ltd. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 U.S. Dist. LEXIS 186322, at *7 (C.D. Cal. 2012); *Inogen, Inc. v. Inova Labs, Inc.*, No. SACV 11-1692-JST (ANx), 2012 WL 4748803, at *3 (C.D. Cal. Mar. 20, 2012).

¹⁰⁰ *Voltstar Techs., Inc. v. Superior Commc’ns, Inc.*, No. 2:12-cv-00082-JRG, 2013 WL

begin their undue prejudice inquiry by determining if the litigants directly compete in the market.¹⁰¹ If the parties sell competing products and a stay could cause the patent owner to lose market share to the accused infringer, courts are less willing to make the patent owner wait for the PTAB proceeding to conclude.¹⁰² Conversely, where the patent owner does not practice the patent, does not directly compete with the accused infringer, or if the patent has expired, damages may sufficiently compensate the patent owner if its claims survive the PTAB.

In *VirtualAgility*, for example, the district court had noted “credible evidence” that the parties were direct competitors, and that the patentee, a “small company with private investors and limited resources,” risked potential loss of market share and consumer goodwill if the litigation were stayed. The court also highlighted the potential risk of losing witnesses and memory, given time.¹⁰³ Judge Gilstrap thus found the third factor came out “heavily against” granting a stay.¹⁰⁴ The Federal Circuit disagreed.¹⁰⁵ While “competition between parties can weigh in favor of finding undue prejudice,” the Federal Circuit found there was little direct evidence that these two companies competed, there was no irreparable harm where a stay would “not diminish the monetary damages” to which *VirtualAgility* would be entitled

4511290, at *2 (E.D. Tex. Aug. 22, 2013); *E-Watch, Inc. v. Lorex Canada, Inc.*, No. H-12-3314, 2013 WL 5425298, at *2 (S.D. Tex. Sept. 26, 2013); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012); *TierraVision, Inc. v. Google, Inc.*, No. 11CV2170 DMS(BGS), 2012 WL 559993, at *3 (S.D. Cal. Feb. 21, 2012).

¹⁰¹ *Four Mile Bay LLC v. Jem Zimmer Holdings*, No. 3:14-CV-1300-JVB-JEM, 2015 WL 4641609 (N.D. Ind. Aug. 3, 2015) (noting that parties were not direct competitors when concluding that no undue prejudice existed); *Allure Energy Inc. v. Honeywell Intern., Inc.*, 2015 WL 4207243 (W.D. Tex. July 2, 2015) (denying stay where “the parties are direct competitors in [a] narrow, still-emerging market” and patent holder, a small start-up company, contended that it could go out of business if stay was instituted); *Davol v. Atrium Med. Corp.*, No. 1:12-cv-00958-GMS, 2013 U.S. Dist. LEXIS 84533, at *19 (D. Del. June 17, 2013) (denying stay and finding that “Davol will suffer undue prejudice should it be forced to continue competing with Atrium’s accused products without being permitted to advance its infringement claims.”); *Avago Techs. Fiber Ltd. v. IPtronics Inc.*, 2011 U.S. Dist. LEXIS 82665, at *17 (N.D. Cal. July 28, 2011) (“Staying a case while [harm in the marketplace] is ongoing usually prejudices the patentee that seeks timely enforcement of its right to exclude.”); *Heraeus Electro-Nite Co. LLC v. Vesuvius USA Corp.*, 2010 U.S. Dist. LEXIS 1887, at *3 (E.D. Pa. Jan. 11, 2010) (“[C]ourts have been reluctant to grant stays where, as here, the parties are direct competitors.”). Courts have even considered lost market share and revenue an “irreparable injury” that weighs heavily against a stay that would delay the outcome of infringement proceedings.

¹⁰² See *supra* note 95.

¹⁰³ See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 U.S. Dist. LEXIS 2286, at *23–24 (E.D. Tex. Jan. 8, 2014).

¹⁰⁴ See *id.*

¹⁰⁵ See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1318 (Fed. Cir. 2014).

to should it eventually prevail.¹⁰⁶

The panel also found it relevant that VirtualAgility did not move to preliminarily enjoin Salesforce.com, given VirtualAgility's argument that it needed quick injunctive relief to avoid prejudice.¹⁰⁷ They also found that assertions that potentially relevant witnesses were elderly—over 60 and over 70—did not, without evidence that they were in ill health, result in undue prejudice, adding: “Since when did 60 become so old?”¹⁰⁸

A stay prejudices the patentee less, if at all, where the patent has already expired.¹⁰⁹ Then, litigation delays will not affect the patent's term, which will have already run.¹¹⁰ Damages are fixed based on the filing date of the litigation and the expiration of the patent, lessening prejudice.¹¹¹ In such circumstances, courts are less likely to find undue prejudice due to the passage of time.

D. Factor IV (CBM only): Reduction of litigation burden on the parties and the court.

The AIA § 18 requires courts to consider a fourth factor when considering a stay in favor of CBM proceedings. By expressly requiring consideration of whether the stay, or the denial thereof, will reduce the burden of litigation on the parties and the court, one member of Congress suggested that it “places a very heavy thumb on the scale in favor of [a] stay.”¹¹² Decisions to date have proven the prediction true.

In the overturned *VirtualAgility* district court decision, for example, Judge Gilstrap found it unlikely that the PTAB would cancel even a “substantial number” of asserted claims. He found that there were prior art references before court that were not before PTAB, needing separate resolution, and found that “general relief from dual track litigation . . . is inherent to all CBM reviews . . .” not crediting it.¹¹³ Thus, he found the fourth factor to be “slightly in favor” of a stay.

On appeal, the Federal Circuit clarified that this factor shouldn't be collapsed into other factors, even given that chance for redundancies.¹¹⁴

¹⁰⁶ *See id.*

¹⁰⁷ *See id.*

¹⁰⁸ *See id.* at 1319.

¹⁰⁹ *See, e.g.,* Order Denying Defendant's Motion to Stay Pending *Inter Parties* Review at 2, *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, No. SAVC 12-00329 AG (JPRx) (C.D. Cal. May 2, 2013), ECF No. 78.

¹¹⁰ *See id.*

¹¹¹ *Id.* at 10 (“for the two asserted patents that have already expired, there can be no further lost-customer type harm.”).

¹¹² 157 CONG. REC. S1363–65(daily ed.Mar.8, 2011) (statement of Sen. Schumer).

¹¹³ *VirtualAgility, Inc.*, 2014 U.S. Dist. LEXIS 2286, at *23-24 & n.4.

¹¹⁴ *See VirtualAgility*, 759 F.3d at 1324.

Considerations included “the number of plaintiffs and defendants, the parties’ and witnesses’ places of residence, issues of convenience, the court’s docket and in particular its potential familiarity with the patents at issue.”¹¹⁵ They disagreed with the lower court and reversed.

In *Market-Alerts Party Ltd. v. Bloomberg Financial*, Judge Pearson found that the plaintiff did not properly argue the fourth cost-of-litigation factor; further, granting a “stay would relieve Liberty Mutual and Progressive of the burden of litigating in multiple fora.”¹¹⁶ Still further, the “Court would be relieved of having to expend substantial judicial resources in deciding claim construction, noninfringement, and invalidity issues before those claims are invalidated, narrowed, or refined through CBM review.”¹¹⁷

While costs and complexity of individual cases will vary, and cases may involve multiple challenges, patents, assertions, or other complicating factors, courts can compare the cost of an average post-grant proceeding with those of an average litigation, to conclude that in general avoidance of litigation will be cost-effective. A 2015 economic survey by the American Intellectual Property Law Association (AIPLA), for example, identifies the median costs of post-grant work to be \$275,000 through the PTAB hearing and \$350,000 through appeal, as compared to the cost of litigation, which can quickly cost multiple millions of dollars.¹¹⁸ Those seeking a stay may find that such cost data may be useful in demonstrating that the fourth cost-of-litigation factor weighs in favor of a stay, especially if the stay is requested before substantial costs are expended in the litigation. Even if substantial costs have already been incurred because, for example, the *Markman* hearing has already taken place or discovery has been completed, this factor may weigh in favor of a stay if the heavy cost of trial can be avoided.

IV. FEDERAL CIRCUIT APPEALS OF STAY MOTIONS.

The AIA specifically provides for interlocutory appeal of decisions on motions for stay pending completion of a CBM proceeding and the Federal Circuit may consider such appeals *de novo*. In contrast, decisions on motion for stay pending IPR are reviewed under an abuse-of-discretion standard, a higher burden for the appellant. Because appeals from IPR-related stay decisions are not interlocutory,¹¹⁹ IPR stays are both less likely to be appealed

¹¹⁵ *Id.* at 1315 n. 4.

¹¹⁶ *See* *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486 (D. Del. Feb. 5, 2013).

¹¹⁷ *See id.*

¹¹⁸ 2015 REPORT OF THE ECONOMIC SURVEY, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION 32. *Id.*

¹¹⁹ *See* *Ultratec, Inc. v. Captioncall, LLC*, No. 2015-1694,—Fed. Appx —, 2105 WL 4528272, at *1. (Fed. Cir. June 30, 2015); *see also* *Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 277–78 (1988) (stay denials are subject to reconsideration and not final,

and more likely to take longer to reach appeal. Not surprisingly, five of six post-AIA appeals of decisions on stay motions to date are related to CBM.

As of August 2015, the Federal Circuit had considered five decisions on parties' requests to stay litigation for CBM reviews and one case seeking mandamus review of a stay in favor of an IPR. In all but one, the Federal Circuit ruled in favor of a stay, confirming (at least so far) that stays are indeed favored where the PTAB is reviewing a litigated patent. The outlier—the non-precedential *Smartflash v. Apple*—involved a party seeking to stay a case after a jury trial on a CBM filed late in the proceeding.

In *VirtualAgility, Inc. v. Salesforce.com, Inc.*,¹²⁰ the Federal Circuit reversed the Eastern District of Texas's denial of a stay pending CBM, analyzed the four factors anew, and concluded that they favored a stay. They found that the district court's review of the PTAB's decision to institute clearly erred, as it was essentially a collateral attack on the Board's institution decision.¹²¹

In *Benefit Funding Systems v. Advance America Cash Advance Centers Inc.*,¹²² the Federal Circuit affirmed the District of Delaware's grant of a stay. In doing so, the Federal Circuit noted that “[t]he stay determination is not the time or the place to review the PTAB's decisions to institute a CBM proceeding.”¹²³ The Federal Circuit found that because “CBM review was instituted and that such review addresses whether the claims are directed to patentable subject matter,” the CBM would necessarily narrow the issues before the district court. In view of the lack of evidence regarding the other factors set forth in Section 18, the panel upheld the district court's stay decision.

In *Versata Software Inc. v. Callidus Software Inc.*, the Federal Circuit panel had reversed a denial of a stay, finding the lower court had misapplied the legal standard.¹²⁴ The panel found the District Court's suggestion of “a categorical rule” disfavoring stays “if any asserted claims are not also challenged in the CBM proceeding” was “inappropriate.”¹²⁵ Instead, stays may lie even where “some, but not all, of the claims asserted in litigation are challenged in a CBM review.”¹²⁶ And the panel took judicial notice that the PTAB instituted CBM review of the remaining claims in Versata's patents

and thus are not appealable).

¹²⁰ See generally *VirtualAgility, Inc.*, 2014 U.S. Dist. LEXIS 2286.

¹²¹ See *id.*

¹²² *Benefit Funding Sys. LLC*, 767 F.3d at 1383.

¹²³ *Id.* at 1386 (quoting *VirtualAgility*, 759 F.3d at 1313).

¹²⁴ *Versata Software Inc. v. Callidus Software Inc.*, 771 F.3d 1368 (Fed. Cir. 2014), vacated as moot, No. 2014-1468 (Fed. Cir. Feb. 27, 2015) (slip op.).

¹²⁵ *Id.* at 1371.

¹²⁶ *Id.* at 1372.

during the appeal.¹²⁷ As such, the Federal Circuit concluded that the district court had erred both under the *de novo* standard that might have applied, as well as under the traditional abuse-of-discretion standard.¹²⁸ (We note that this decision was later vacated as moot based on a late-filed settlement agreement.)

In *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*,¹²⁹ a 2–1 Federal Circuit denied an appeal from a CBM-related stay as premature where the stay motion was denied with leave to refile prior to the Board deciding institution. Invoking the “final judgment rule,” the majority panel, in an opinion authored by Judge O’Malley and joined by Judge Bryson, parsed § 18, which gives the Federal Circuit interlocutory jurisdiction over only appeals “relating to a [CBM review] proceeding for that patent.”¹³⁰ Over the dissent, she found appeals over *petitions* did not fall within the court’s interlocutory jurisdiction under § 18; only appeals from stay motions over instituted *proceedings* should be appealable. Citing the “not terribly illuminating” legislative history,¹³¹ she construed the statute’s use of the term “proceeding” as requiring a decision on institution.

Thus, while the courts and the Federal Circuit could take judicial notice of a proceeding granted later, it was not required to do so *sua sponte*. In a long footnote 4, the majority distinguished the earlier *VirtualAgility* decision, where the panel took such notice, adding “we decline to expand the record before us.”¹³²

Judge Hughes, in dissent, argued that the opinion improperly limited the Federal Circuit’s review.¹³³ Heavily relying on the legislative history, he wrote that “the majority’s statutory construction was at odds with the overall purpose of the AIA and the specific purpose of the CBM procedure.”¹³⁴ The dissent also took pains to discuss the practical implications of the majority’s opinion, by which “district courts could make stay decisions prior to institution that are unreviewable. And therefore we could not ensure the uniformity that Congress so clearly intended for such decisions.”¹³⁵

In *Ultratec, Inc. v. CaptionCall LLC*, a unanimous Federal Circuit panel concluded that it did not have jurisdiction over a patent owner’s appeal from

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, No. 2014-1724, slip op. (Fed. Cir. Apr. 1, 2015).

¹³⁰ *Id.* at 7 (emphasis removed) (quoting § 18(b)(1)).

¹³¹ *Id.* at 9.

¹³² *Id.* at 4–5 n.4.

¹³³ *Id.* at 20 (Hughes, J., dissenting).

¹³⁴ *Id.*

¹³⁵ *Id.* at 4.

the grant of a stay in favor of a pending IPR.¹³⁶ Because stay orders are generally unappealable until after a trial has completed, and the patent owner had not shown that one of the typical exceptions¹³⁷ applied, the court only considered the patent owner's mandamus appeal. Noting that district courts have "considerable leeway in the exercise of its judgment in granting a stay" and that "guidance from related PTO proceedings can play a critical role in determining whether to stay proceedings," the court declined to find the requisites for the "drastic" remedy of mandamus relief met.¹³⁸ The court effectively found no clear abuse of discretion, despite the district court entering a stay after the jury had found the asserted patents valid and infringed. The court held that staying the resolution of the fourteen pending post-trial motions was within the district court's discretion.

In *Smartflash LLC v. Apple Inc.*, the Federal Circuit considered two appeals from the denial of a stay in favor of CBM review of an asserted patent. The court affirmed the denial of a stay to defendant Apple, who had already gone through a jury trial on infringement and invalidity, but overruled the denial of a staying in the case against defendant Samsung, whose trial was imminent, but had not yet begun.¹³⁹ The Court concluded that the outcome of the CBM would not simplify issues as to Apple, as the jury had already considered invalidity and infringement of the asserted patent, despite the necessity of a separate trial on damages issues. But with respect to Samsung, where trial—the "most burdensome task"—was still to come, the Federal Circuit deemed a stay appropriate. The Court found the trial's timing "the critical distinction between the Apple and Samsung cases," thus "affect[ing] the analysis of two of the four [stay] factors: simplification of the issues and reduction of the burden of the litigation on the parties and the court."¹⁴⁰ Thus, while courts may stay cases in favor of CBMs very late in the district-court proceeding, they may be less inclined to do so where trial has already progressed.

Time will tell whether this early trend favoring stays persists. Given that CBM review affords broader patentability challenges than IPR proceedings, this trend does not suggest that courts will give the same deference to all future PTAB reviews. Indeed, as noted by Judge Bryson, while courts have been "nearly uniform" in granting stays since *VirtualAgility*, some have nonetheless denied them when facts so warrant.¹⁴¹

¹³⁶ *Ultratec, Inc. v. Captioncall, LLC*, No. 2015-1694,—Fed. Appx —, 2105 WL 4528272, at *1. (Fed. Cir. June 30, 2015).

¹³⁷ These exceptions include putting the appellant effectively "out of court," having the practical effect of an injunction, or triggering the collateral order doctrine. *Id.*

¹³⁸ *Id.* at *2.

¹³⁹ 2015 WL 4603820,—Fed. Appx. —, at *4 (July 30, 2015).

¹⁴⁰ *Id.* at *9.

¹⁴¹ Memorandum Op. and Order at 3, *NFC Tech. LLC v. HTC Am.*, No. 2:13-cv-01058-

V. CONCLUSION

Thanks to a spate of precedent and recent cases, seeking a stay of district court litigation in light of an IPR or a CBM grows increasingly predictable. Carefully looking to the cases that came before can faithfully guide any practitioner seeking a stay. The law has been sped along by a procedural quirk that has fed precedential decisions quickly to the Federal Circuit. The drafters of § 18 of the AIA have ensured us a wealth of precedent, both today and well into the future, on what constitutes a successful stay motion. By creating an interlocutory appeal from district court action directly to the Federal Circuit, allowing for a *de novo* review, and grafting the three factors related to all stays onto the test to be analyzed, they have quickly created a body of precedent on what should satisfy each of the factors.

This has injected certainty, rules, and order into the stay process and has—it seems—led to more stays being granted. This helps businesses and practitioners determine what does—and does not—constitute a case meriting a stay in light of a patent office proceeding. We have the drafters of § 18 to thank.