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Measuring The Success Of Motions To Stay Pending IPR

By **Jim Warriner** (June 6, 2017, 11:39 AM EDT)

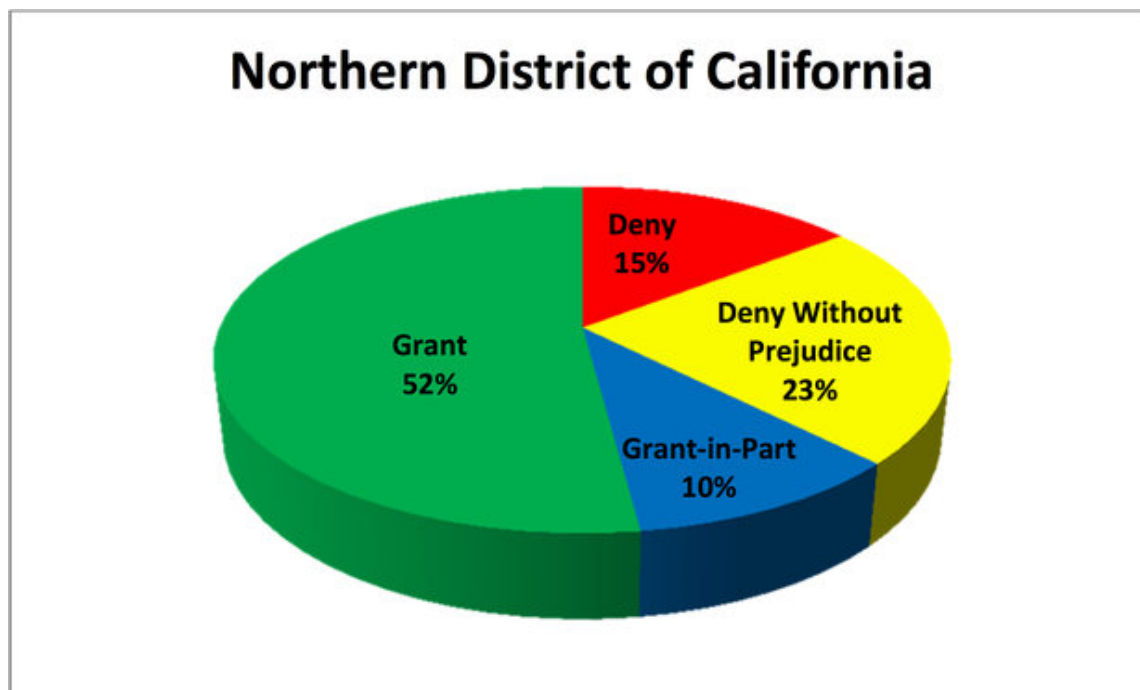
Inter partes reviews have rapidly become a preferred procedure for challenging the validity of patents since the establishment of the proceeding in September 2012. One of the reasons Congress established IPRs was to provide a “faster, less costly alternative[] to civil litigation to challenge patents.”[1] When compared to district court litigation, the possibility of invalidating patents while being subject to only limited discovery is an attractive proposition for many accused infringers. A stay of district court litigation pending IPR is not a given, however. Being subject to parallel proceedings at the Patent Trial and Appeal Board and the district court, and the cost of retaining both litigation and IPR counsel, is a prospect that may dissuade some would-be IPR filers.

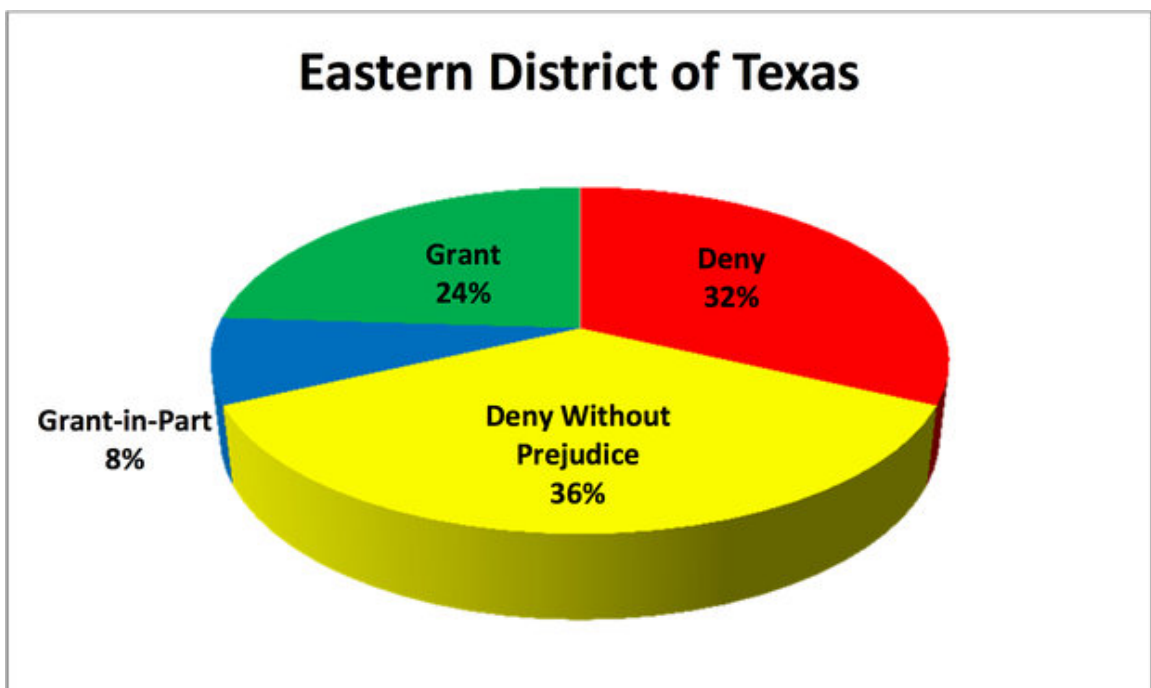
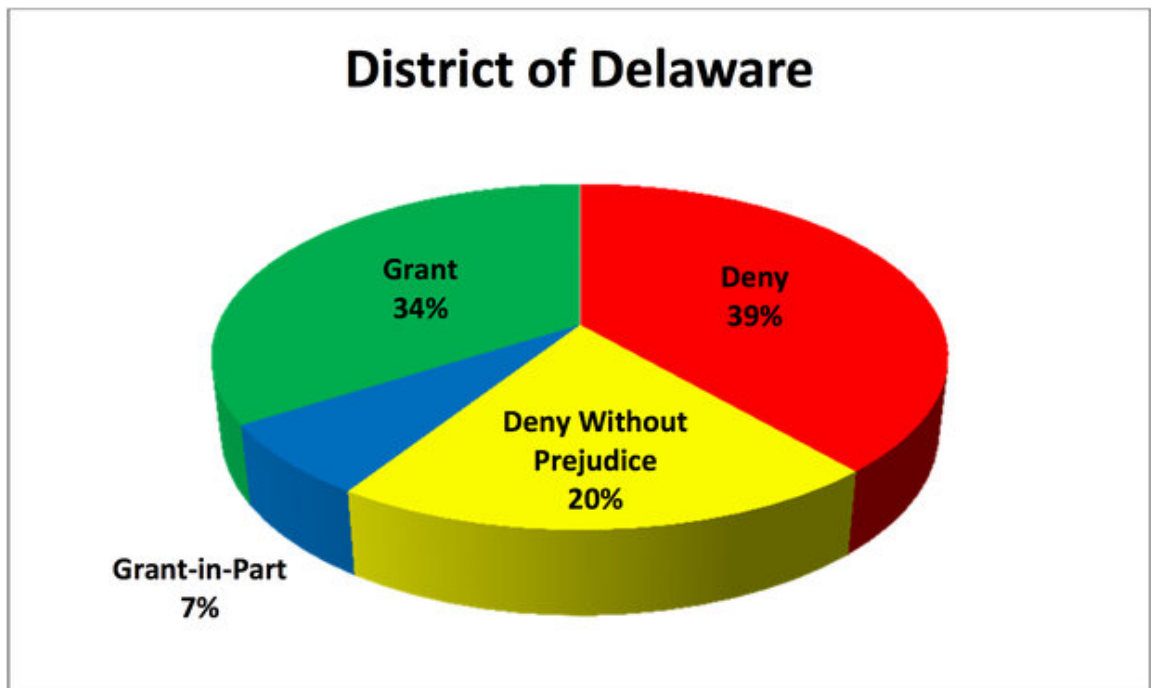


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This article evaluates motions to stay litigation pending IPRs and provides guidance into the factors that lead district courts to grant or deny stay motions. The analysis includes 142 orders on contested motions to stay pending IPR from three popular patent litigation districts — Northern District of California, District of Delaware, and Eastern District of Texas — from July 2014 to April 2017.

District Stats Comparison





Stay Factors

For motions to stay pending IPRs, district courts apply the same three-factor test that had been used for re-examinations: (1) whether a stay will simplify the issues in question and trial of the case; (2) whether the stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party; and (3) whether discovery is complete and whether a trial date has been set.[2]

Simplify Issues

To determine whether a stay will simplify issues, courts primarily look to whether IPR petitions have been instituted and whether all asserted claims are challenged. Courts typically treat the possibility of issue simplification as speculative prior to institution and frequently deny pre-institution motions to stay without prejudice. In the reviewed set of stay orders, only 24 percent of pre-institution stay motions were granted, while 60 percent were denied without prejudice. Movants having IPRs instituted on all asserted claims have a strong argument that the PTAB may invalidate all claims and obviate the need for a trial, greatly simplifying issues for the court. As such, courts granted 76 percent of motions to stay in these situations. On the other hand, 62 percent of stay motions were denied if the instituted IPRs did not cover one or more asserted claims.

An additional consideration that may arise in weighing issue simplification is agreement to be bound by estoppel. Upon issuance of a final written decision in an IPR, § 315(e)(2) automatically bars petitioners from asserting in district court litigation any prior art that was raised or could have been raised in the IPR proceeding (although the Federal Circuit has narrowly interpreted the estoppel statute).[3] This statutory estoppel favors issue simplification by reducing the universe of prior art that the petitioner may assert after a stay expires. But statutory estoppel does not apply to accused infringers who do not participate in the IPR proceeding. A nonpetitioning defendant (who may or may not join the motion to stay) may therefore assert the same set of prior art references that were at issue in the instituted IPR.

Courts apply different approaches to motions to stay where one or more defendants are not subject to statutory estoppel. Some courts, including the District of Delaware and Eastern District of Texas, will typically not grant a stay unless the nonpetitioning defendants stipulate to the full extent of estoppel that applies to IPR petitioners.[4] Other courts require agreement to be bound by only limited estoppel[5] or require no agreement to be estopped at all.[6] The Northern District of California has variously applied all three estoppel approaches in deciding motions to stay.[7]

Undue Prejudice or Clear Tactical Disadvantage

A finding that the stay would unduly prejudice or present a clear tactical disadvantage to the patent owner will weigh against a stay. Some of the facts that courts evaluate are the timing of the request for stay and the relationship between the parties.

Section 315(b) allows an IPR petition to be filed up to one year after the petitioner is served with the complaint. But when a petitioner files its IPR petition and subsequent motion to stay close to the one year deadline, the court is likely to find that the movant seeks a tactical advantage by disrupting the district court proceedings. For example, a motion to stay filed less than two months after the complaint's filing weighed in favor of a stay,[8] but IPRs filed on the one-year deadline, without explanation for the delay in filing, weighed against a stay.[9] Although this factor typically focuses on the movant's diligence, at least one court has found that the patent owner's own delay in filing suit weighed in favor of a stay.[10] The Northern District of California has held that waiting until infringement contentions are received to analyze the asserted claims before filing an IPR petition does not create undue prejudice,[11] but other courts may not account for the timing of the infringement contentions.

The relationship between the patent owner and movant may weigh against a stay. Courts are more likely to grant a stay where the parties are not competitors, because monetary damages are adequate to compensate for the infringement where the patent owner does not face lost market share. For cases involving competitors, stays were granted in 35 percent of the reviewed cases; the grant rate increased to 55 percent where the parties were not competitors. In situations where there are multiple competitors in the market, there is less undue prejudice than cases where the parties are the sole competitors.[12] Further, the failure of the patentee to seek a preliminary injunction lessens the extent to which it will suffer undue prejudice on account of a stay.[13] Finally, some courts have suggested that nonpracticing entities cannot suffer undue prejudice from a stay, but other courts have rejected this position.[14]

Discovery Complete and Trial Date Set

The third factor considered by courts is whether discovery is complete and a trial date is set. This factor considers the status of the litigation at the time the motion to stay was filed.[15] The stage of litigation favors a stay if a significant amount of work remains for the parties and the court.[16] In addition to completion of discovery and a set trial date, courts also typically look to whether claim construction briefing is complete and a Markman order has issued.[17] As discussed with respect to timing for the undue prejudice factor, petitioners benefit from early filing of the IPR petitions and stay motion.

Takeaways

Having IPRs instituted on all asserted claims is a key factor favoring a stay. Petitioners are thus advised to challenge all asserted claims and include multiple invalidity grounds in their petitions to maximize the possibility of a full institution. When there are co-defendants in the district court litigation who will not join the IPR petitions, potential stay movants should research the court's position on estoppel and, if necessary, persuade the co-defendants to stipulate to estoppel.

Courts frequently deny motions to stay that are filed in a relatively late stage in the litigation or close to the one-year deadline. Accused infringers should therefore initiate a prior art search and evaluate the potential filing of an IPR shortly after service of the complaint. When litigating in a district known for quick times to trial and compressed case schedules, e.g., Eastern District of Texas, early filing of the IPR petition and motion to stay is especially important. To ensure that the motion to stay is filed at an early stage, such as before claim construction briefing, identification of key prior art references and evaluation of expert witnesses should begin even before the set of asserted claims are received via infringement contentions.

The motion to stay — which can be drafted in parallel with the IPR petitions — should be filed immediately after filing the IPR petitions. As mentioned above, it is likely that the pre-institution motion to stay will be denied without prejudice. However, the movant can file a second motion to stay after institution, and the motion will be accorded the filing date of the original motion to stay.

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[1] 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Chuck Grassley).

[2] *Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006); *First Am. Title Ins. Co. v. McLaren LLC*, No. 10-363-GMS, 2012 WL 769601, at *4 (D. Del. Mar. 9, 2012); *Soverain Software LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005).

[3] See *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016) (declining to apply estoppel to prior art grounds raised in the IPR petition but not instituted).

[4] Dkt. No. 38, *Message Notification Techs. LLC v. Microsoft Corp.*, No. 13-1881, at *4 n.4 (D. Del. Feb. 24, 2015); *Intellectual Ventures II LLC v. Kemper Corp.*, No. 6:16-cv-0081, 2016 WL 7634422, at *3 (E.D. Tex. Nov. 7, 2016) (noting that “the limited estoppel proposed by Defendants may not actually simplify the issues at all”).

[5] See, e.g., *E.Digital Corp. v. Arcsoft, Inc.*, No. 15-cv-56, 2016 WL 452152, *2 (S.D. Cal. Feb. 3, 2016).

[6] See, e.g., *Intellectual Ventures II LLC v. SunTrust Banks, Inc.*, No. 1:13-cv-02454, 2014 WL 5019911, at *3 (N.D. Ga. Oct. 7, 2014); *Intellectual Ventures II LLC v. Huntington Bancshares Inc.*, No. 2:13-cv-00785, 2014 WL 2589420, *4 (S.D. Ohio June 10, 2014).

[7] “Courts in [the Northern District of California] have varied in their approach as to what level of estoppel non-parties to the IPR must agree to before imposing a stay based on a pending IPR.”

petition, with their requirements ranging from no agreement to be estopped to an agreement to be estopped from arguing invalidity on any ground that the petitioner raised or reasonably could have raised, i.e., full statutory estoppel.” Dkt. No. 80, Rothschild Storage Retrieval Innovations, LLC v. Sony Mobile Commc’ns (USA), Inc., No. 15-cv-00234, at *8 (N.D. Cal. May 6, 2015) (comparing cases).

[8] Toshiba Samsung Storage Tech. Korea Corp. v. LG Elecs., Inc., 193 F. Supp. 3d 345, 351 (D. Del. 2016).

[9] Parthenon Unified Memory Architecture LLC v. HTC Corp., No. 2:14-CV-00690, 2016 WL 3365855, at *2 (E.D. Tex. June 17, 2016).

[10] See Personal Audio LLC v. Google, Inc., No. 1:15-cv-350, at *2 (E.D. Tex. Nov. 3, 2015).

[11] Cypress Semiconductor Corp. v. GSI Tech., Inc., No. 13-cv-02013, 2014 WL 5021100, at *4 (N.D. Cal. Oct. 7, 2014).

[12] See, e.g., Toshiba Samsung v. LG Elecs., 193 F. Supp. 3d at 352; Dkt. No. 138, Karl Storz Endoscopy-Am., Inc. v. Stryker Corp., No. 14-cv-00876, at *7 (N.D. Cal. Mar. 30, 2015).

[13] See, e.g., Karl Storz v. Stryker, No. 14-cv-00876, at *7.

[14] Compare Longitude Licensing Ltd. v. Apple Inc., No. 14-CV-04275, 2015 WL 12778777, at *6 (N.D. Cal. Oct. 29, 2015) (noting that several cases have found that there was no undue prejudice to a non-practicing entity) with Rembrandt Wireless Techs., LP v. Samsung Elecs. Co., No. 2:13-cv-213, 2015 WL 627887, at *2 (E.D. Tex. Jan. 29, 2015) (“The mere fact that [plaintiff] is not currently practicing the patents does not mean that, as a matter of law, it is not prejudiced by a substantial delay of an imminent trial date.”)

[15] See, e.g., Toshiba Samsung v. LG Elecs., 193 F. Supp. 3d at 350.

[16] See Norman IP Holdings, LLC v. TP-Link Techs., Co., No. 6:13-CV-384, 2014 WL 5035718, at *3 (E.D. Tex. Oct. 8, 2014).

[17] Realtime Data LLC v. Actian Corp., No. 6:15-CV-463, 2016 WL 3277259, at *3 (E.D. Tex. June 14, 2016); Copy Prot. LLC v. Netflix, Inc., No. CV 14-365, 2015 WL 3799363, at *1 (D. Del. June 17, 2015).