Stays of Litigation Pending Post-AIA Patent Review

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"…it is nearly impossible to imagine a scenario in which a district court would not issue a stay."

–Senator Charles Schumer

Agenda

- Brief overview of post-AIA patent review procedures
- Overview of post-AIA stays of litigation pending patent review
- Analysis of district court orders on motions to stay pending patent review

Post-AIA Patent Review

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Post-AIA Patent Review

Effective September 16, 2012

Inter Partes Review	Section 102 Section 103 (limited)
Post-Grant Review	Section 282(b)(2)-(3)
Covered Business Method Review	Section 282(b)(2)-(3)

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Post-AIA Patent Review

Effective September 16, 2012

Inter Partes Review	Estoppel - raised or reasonably could have raised
Post-Grant Review	Estoppel - raised or reasonably could have raised
Covered Business Method Review	Estoppel - raised

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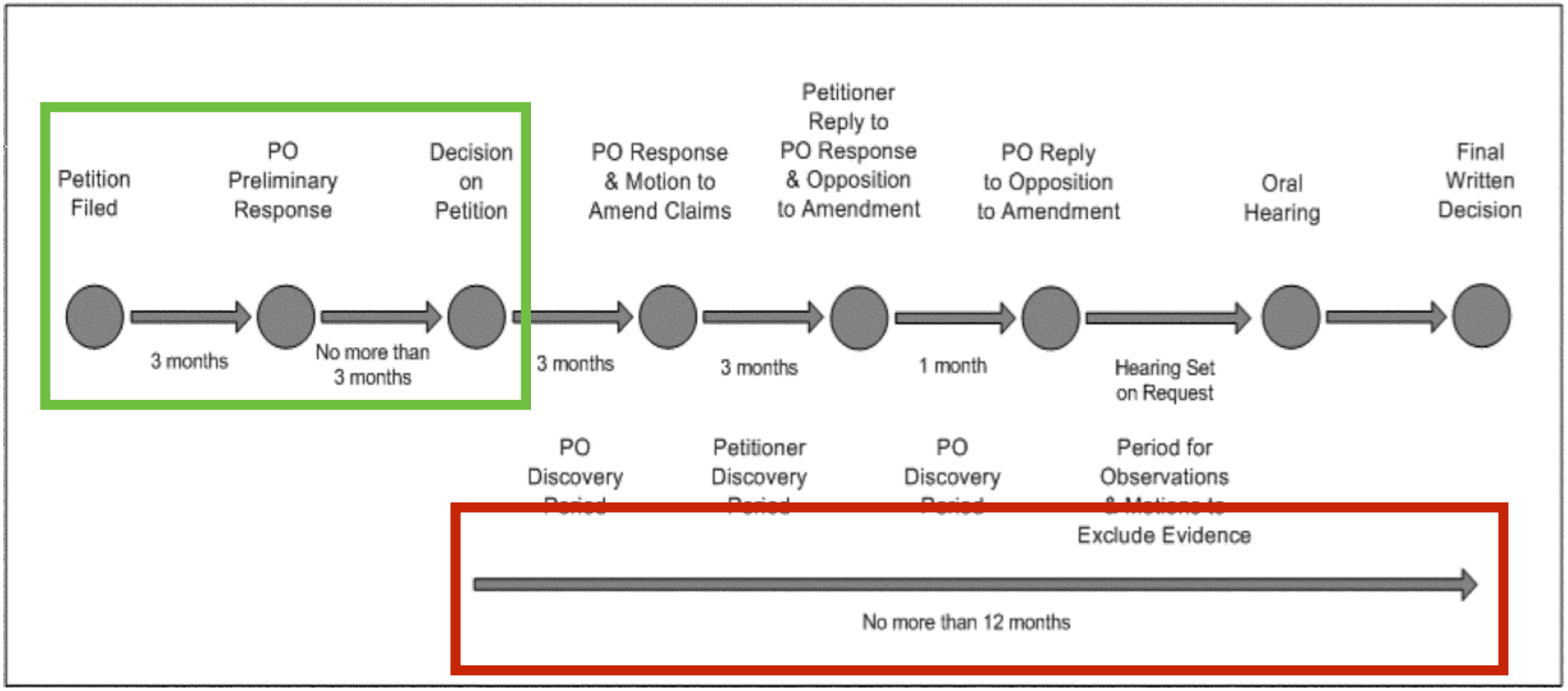
The PTAB Patent Review Process



Can be extended an additional 6 months

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Speed to Decision

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Overview of Post-AIA Stays of Litigation

Why seek a stay?

- Decrease costs
- Increase focus on invalidity
- Lower burden
- Broader claim construction
- Chill litigation
- Promote settlement

Why oppose a stay?

- Move forward on all issues
- Obtain discovery before claim construction
- Higher burden
- Presumption of validity
- Narrower claim construction
- Promote settlement

Standard

***Inter Partes* Review**	**CBM Review**
Whether a stay will simplify the issues in question and trial of the case	Whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial
Whether discovery is complete and whether a trial date has been set	Whether discovery is complete and whether a trial date has been set
Whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party	Whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party
	Whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court

Standard

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Standard

- Stay is not automatic
- Courts have the inherent power to manage their dockets and stay proceedings
- Based on the facts of each case
- Court's discretion
- Party seeking a stay bears the burden

Factor 1

Whether a stay will simplify the issues in question and trial of the case

Factor 1

How can a stay simplify litigation?

- All prior art presented to the trial court will have been first considered by the PTO with its particular expertise
- Prior art discovery problems can be alleviated
- If patent declared invalid, suit will likely be dismissed
- Outcome of the review may encourage settlement
- Record of review would probably be entered at trial
- Issues, defenses, and evidence will be more easily limited in pre-trial conferences
- Cost will likely be reduced for parties and the court

Factor 1

Practical Advice

Don't rely on general judicial efficiency arguments and statistics.

> A moving party "must do more than merely proffer oft-cited reexamination statistic and general judicial efficiency arguments to support is claim that a stay will simplify the case."
>
> *Soverain Software LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005) (Davis, J.) (denying motion to stay pending *inter partes* reexamination).

Factor 1

Practical Advice

Offer argument and evidence to show that the petition for review will be granted - and successful.

> "The merit of Market–Alerts' scope argument thus depends, in part, on the strength of the petitioning defendant's administrative challenge itself…."
>
> *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 491 (D. Del. 2013) (Sleet, J.) (granting motion to stay pending CBM review).

Factor 1

Practical Advice

Be careful pulling punches in CBM reviews.

> "Thus, even though the CBM review obviates the need for this Court to consider the Ito patent, should any of the asserted claims emerge from the CBM review, the Court would almost certainly need to consider either the Oracle project or the Tecskor product, if not both, as invalidating prior art."

VirtualAgility, Inc. v. Salesforce.com, Inc., No. 2:13-cv-00011-JRG (E.D. Tex. Jan. 9, 2014) (Gilstrap, J.) (denying motion to stay pending CBM review).

Factor 1

Practical Advice

Avoid cherry-picking patents and claims for review (if possible).

> "…it is now certain that the IPR will not address Claims 16-20, 23-25, and 27…. It is now clear that this case will proceed on numerous claims regardless of the outcome of the USPTO proceeding."
>
> *U.S. Nutraceuticals LLC v. Cyanotech Corp.*, No. 5:12-cv-366-Oc-10PRL (M.D. Fla. Jan. 28, 2014) (Lammens, J.) (recommending denial of motion to stay pending *inter partes* review).

Factor 1

Practical Advice

In multi-defendant cases, seek agreement to be bound by the outcome of the review.

> "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."
>
> *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593 (C.D. Cal. Dec. 12, 2012) (granting motion to stay pending *inter partes* review).

Factor 1

Practical Advice

In multi-defendant cases, seek agreement to be bound by the outcome of the review.

> "…it is important to note that the PTO merely granted the IPR request with respect to two references in TI's petition and four references in Samsung's petition. Defendants' joint invalidity contentions contained over 40 references."
>
> *Unifi Scientific Batteries, LLC v. Sony Mobile Commc'ns AB*, No. 6:12-cv-00224-JDL (E.D. Tex. Jan. 14, 2014) (Love, J.) (denying without prejudice motion to stay pending *inter partes* review).

Factor 2

Whether discovery is complete and whether a trial date has been set

Factor 2

Practical Advice

Don’t delay in seeking review (or a stay).

Case	Delay	Outcome
***SoftView LLC* (E.D. Tex.)**	1 year	Denied
***Cooper Notification* (E.D. Tex.)**	10 months	Denied
***SenoRx* (D. Del.)**	6 months	Denied*

Factor 2

Practical Advice

Seek a stay before engaging in fact or expert discovery.

> "…the Court and the parties have already expended significant resources on the litigation, and the principle of maximizing the use of judicial and litigant resources is best served by seeing the case through to its conclusion."
>
> *SenoRx, Inc. v. Hologic, Inc.*, No. 12-173-LPS-CJB, 2013 WL 144255, at *5 (D. Del. Jan. 11, 2013) (denying motion to stay pending *inter partes* reexamination).

Factor 2

Practical Advice

Avoid discovery disputes and other motion practice while a motion to stay is pending.

> "…while this case is in its relatively early stages, the Court has invested resources in (today) resolving two discovery disputes and two motions.…"
>
> *Benefit Funding Sys. LLC v. Advance Am., Cash Advance Ctrs., Inc.*, No. 1:12-cv-00801-LPS (D. Del. June 28, 2013) (denying without prejudice motion to stay pending CBM review).

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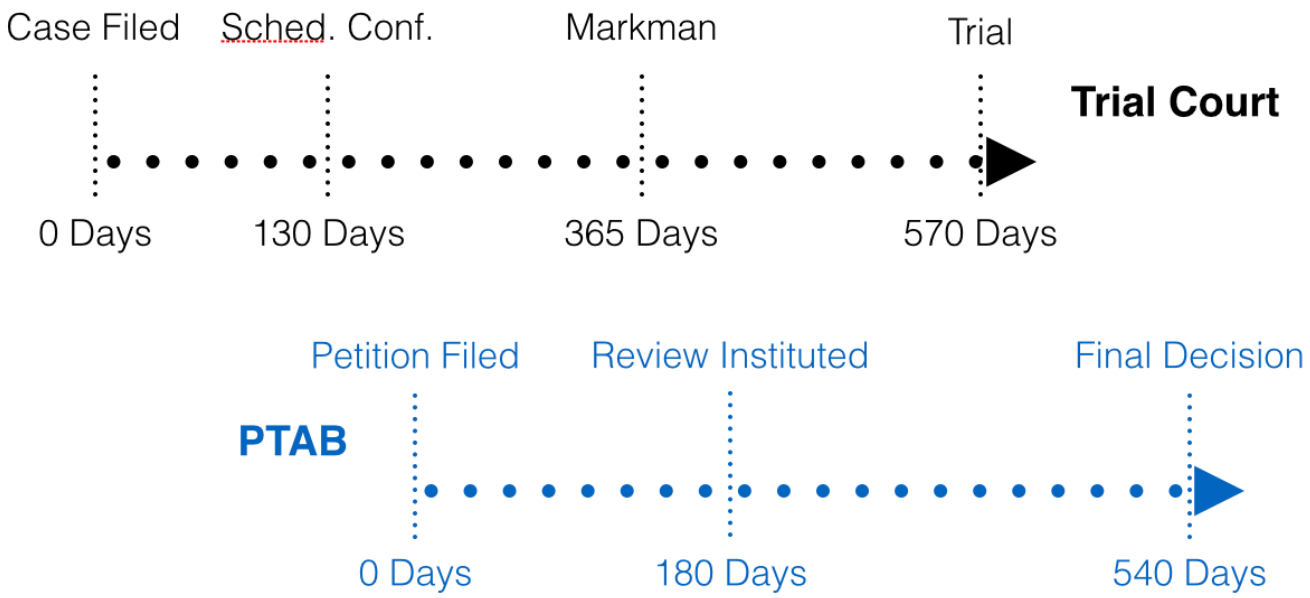
Factor 2

Practical Advice

Courts often compare stage of litigation with that of review proceedings.

Fast dockets inherently hurt defendants.



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Factor 3

Whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party

Factor 3

Commonly overlaps with Factors 1 and 2

- Timing
- Status of proceedings
- Relationship between the parties

Factor 3

Practical Advice

Don’t resist discovery.

> “…discovery has begun (and would be more advanced but-for Defendants’ resistance to discovery during pendency of its motion to stay)….”
>
> *Benefit Funding Sys. LLC v. Advance Am., Cash Advance Ctrs., Inc.*, No. 1:12-cv-00801-LPS (D. Del. June 28, 2013) (denying without prejudice motion to stay pending CBM review).

Factor 3

Practical Advice

Think twice when parties are direct competitors.

> "when the parties are direct competitors, there is a reasonable chance that delay in adjudicating the alleged infringement will have outsized consequences to the party asserting infringement has occurred, including the potential for loss of market share and an erosion of goodwill."

SenoRx, Inc. v. Hologic, Inc., No. 12-173-LPS-CJB, 2013 WL 144255, at *5 (D. Del. Jan. 11, 2013) (denying motion to stay pending *inter partes* reexamination).

Factor 3

Practical Advice

Think twice when parties are direct competitors.

"Having decided that VirtualAgility and Salesforce compete in the same market, the Court necessarily finds that granting a stay pending the CBM review will unduly prejudice VirtualAgility."

VirtualAgility, Inc. v. Salesforce.com, Inc., No. 2:13-cv-00011-JRG (E.D. Tex. Jan. 9, 2014) (Gilstrap, J.) (denying motion to stay pending CBM review).

CBM - Factor 4

Whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court

CBM - Factor 4

"Senator Schumer first made clear that the intent of the fourth stay factor was to 'place[] a very heavy thumb on the scale in favor of a stay being granted.'"

Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P., 922 F. Supp. 2d 486, 490 n.4 (D. Del. 2013) (granting motion to stay pending CBM Review).

CBM - Factor 4

"most courts merge this inquiry with the 'simplification of the issues' factor."

Broad. Innovation, L.L.C. v. Charter Commc'n, Inc., No. 03-CV-2223-ABJ-BNB, 2006 WL 1897165, at *4 n.6 (D. Col. July 11, 2006).

CBM - Factor 4

"courts often collapse the first and fourth factors"

Fusion Specialties, Inc. v. China Network Leader, Inc., No. 12-CV-9-CMA-KMT, 2012 WL 3289077, at *2 (D. Col. Aug. 11, 2012).

CBM - Factor 4

"If granting a stay is unlikely to simplify the issues in litigation, then it will not likely reduce the overall burden on the court and the parties."

VirtualAgility, Inc. v. Salesforce.com, Inc., No. 2:13-cv-00011-JRG (E.D. Tex. Jan. 9, 2014) (Gilstrap, J.) (denying motion to stay pending CBM review).

CBM - Factor 4

"Absent such a different statutory provision, relief from a burden inherent to all CBM reviews cannot reasonably serve as the sole basis for tipping the fourth factor in favor of granting a stay."

VirtualAgility, Inc. v. Salesforce.com, Inc., No. 2:13-cv-00011-JRG (E.D. Tex. Jan. 9, 2014) (Gilstrap, J.) (denying motion to stay pending CBM review).

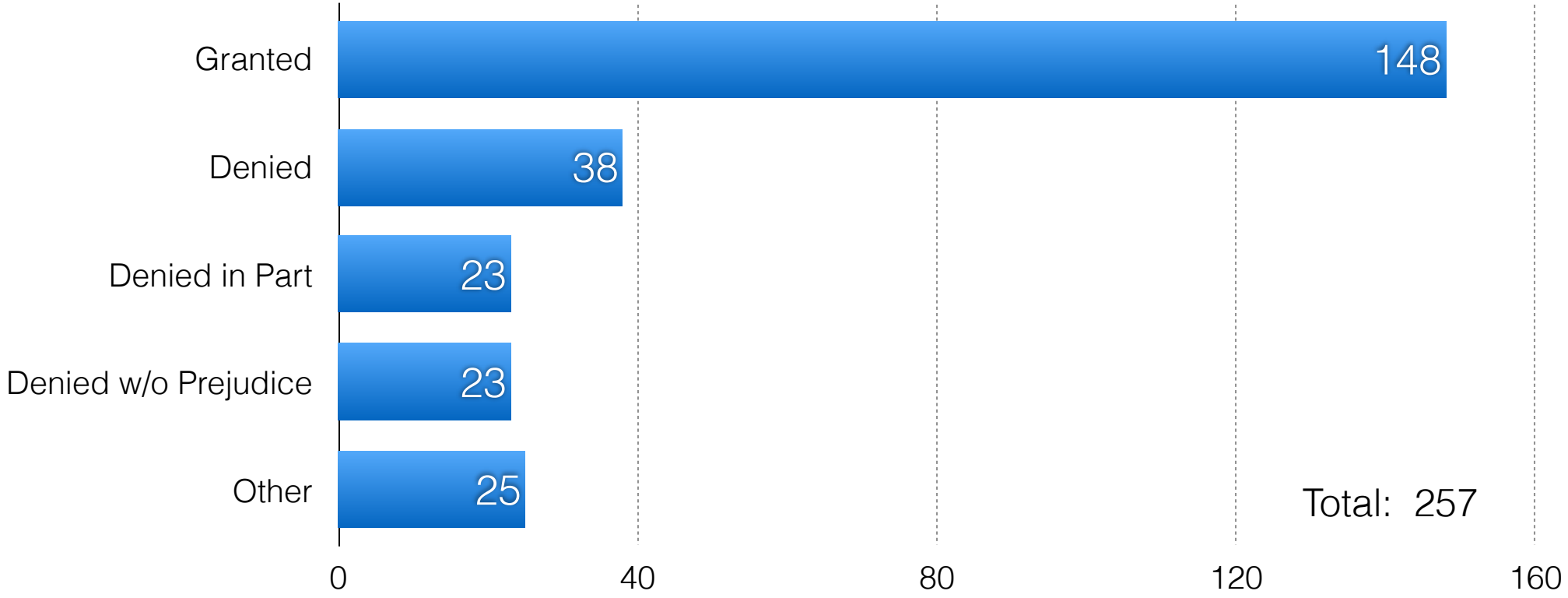
Stays in the Wild

Motions to Stay

Decision	Pre-AIA	Post-AIA
Granted	626	150
Denied	367	68
Other	76	40
Success Rate	58.6%	58.1%

Source: DocketNavigator

District Court Decisions Post-AIA



Through March 24, 2014

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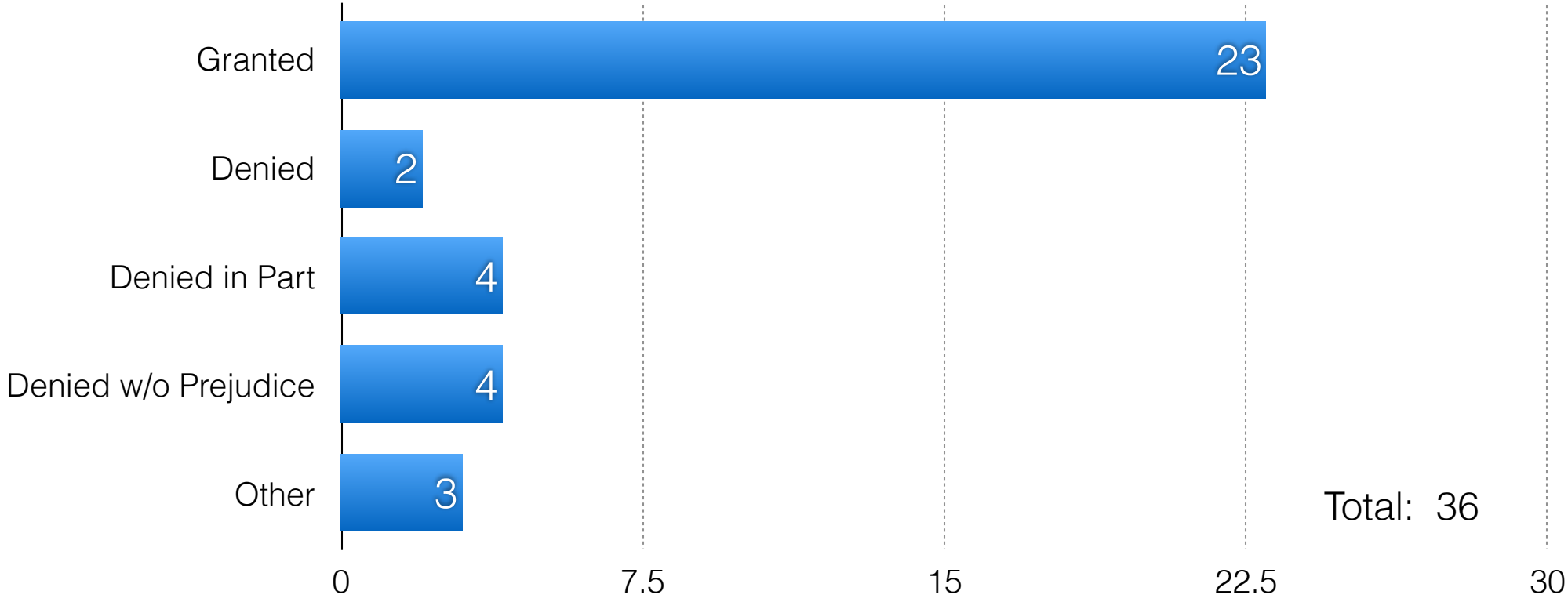
Success Rates for Motions to Stay - CBM Review

Decision	CBM Review
Granted	23
Denied	2
Other	11
Success Rate	64%

Source: DocketNavigator

District Court Decisions Post-AIA - CBM Only



Through March 24, 2014

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Behind the Numbers

Stays Pending CBM Review

36 Total Orders
32 Unique Cases

23 Orders Granting a Stay

- 11 motions stipulated or agreed
- 12 contested

Only 22 unique cases with contested motions

Real Success Rate: 54.5%

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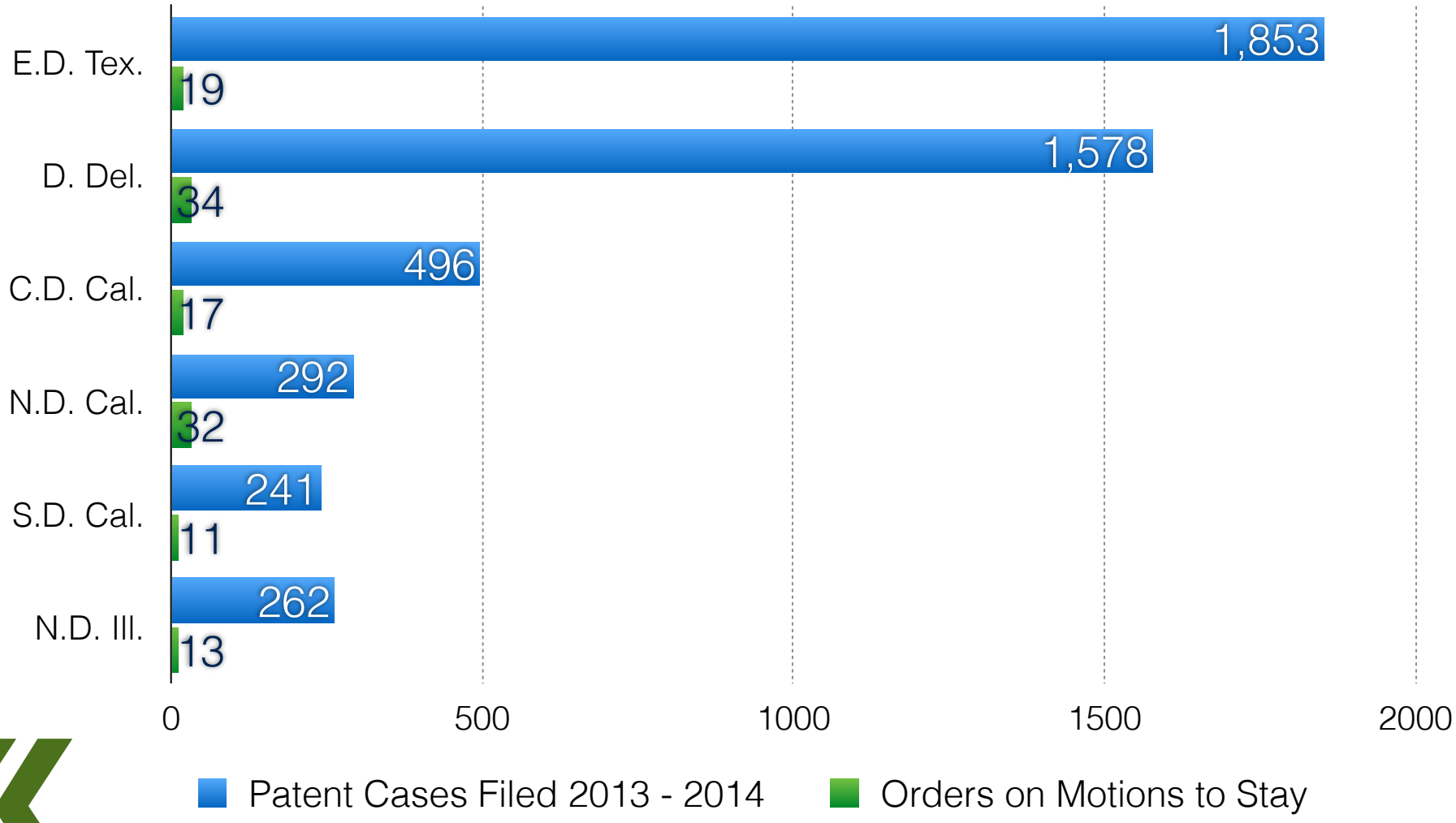
Stay Decisions by Popularity of Court



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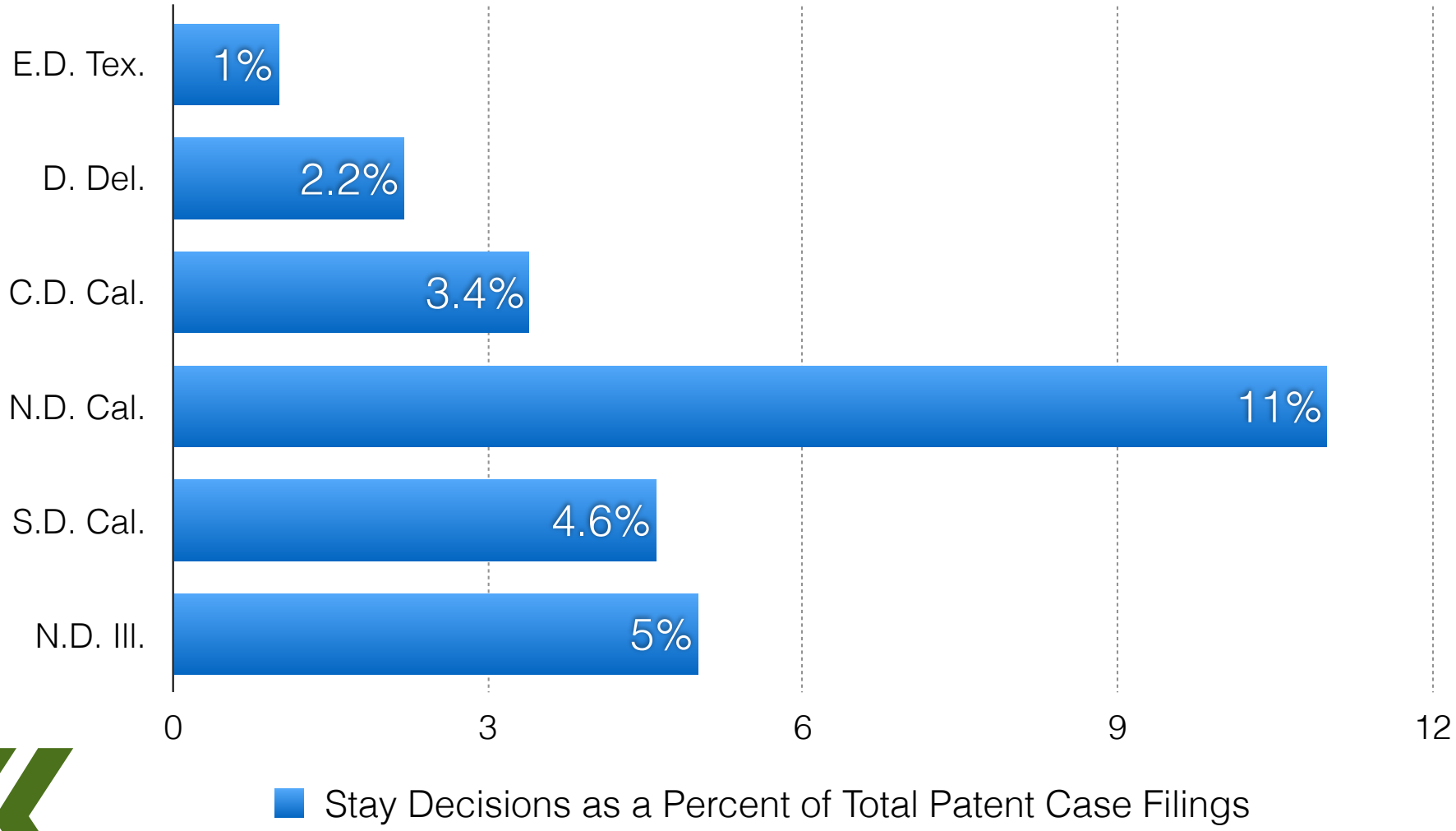
Stay Decisions by Popularity of Court



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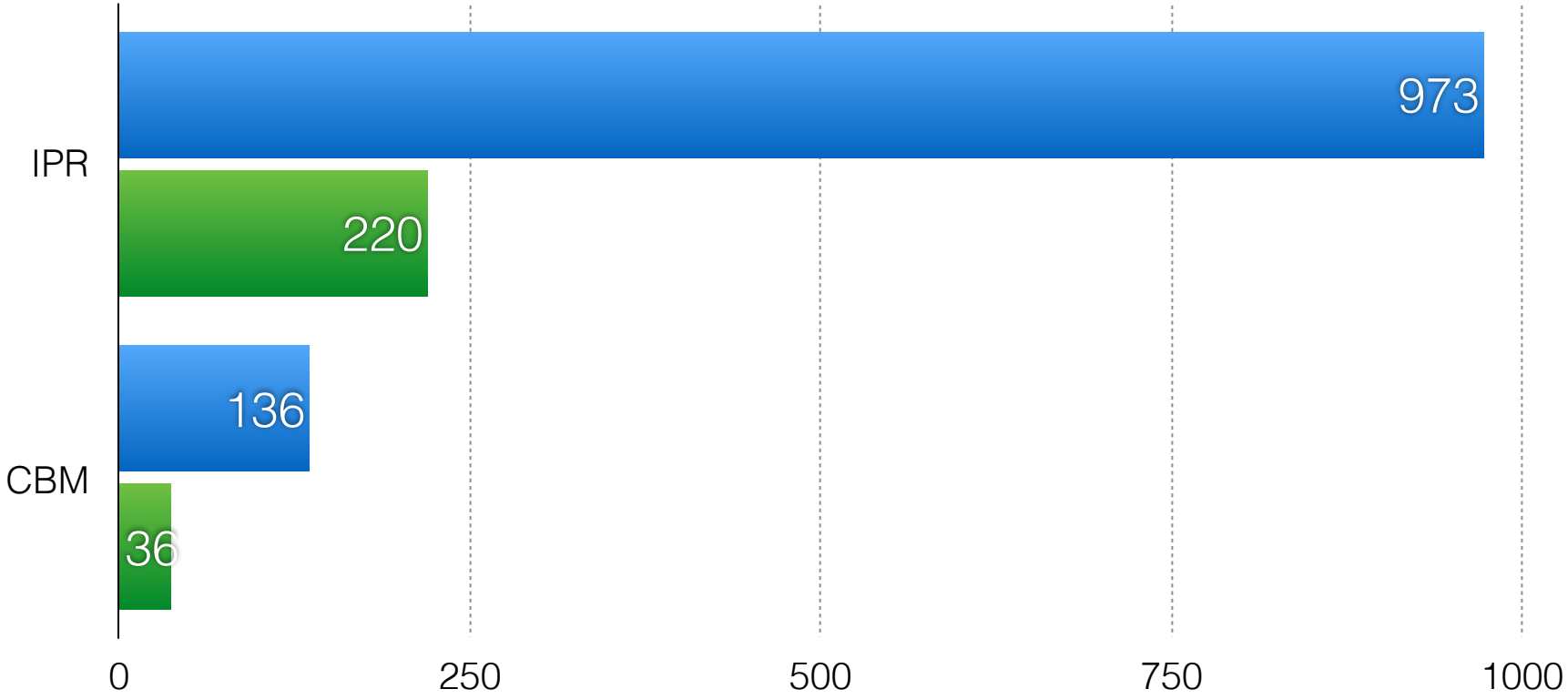
Stay Decisions versus Patent Reviews



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Courts with Most Stay Decisions

Decision	D. Del.	N.D. Cal.	E.D. Tex.
Total	35	32	19
Granted	21	19	7
Denied	6	3	3
Other	8	10	9
Success Rate	60%	59.3%	36.8%

Behind the Numbers

Eastern District of Texas

19 Total Orders

7 Orders Granting a Stay

- 5 motions stipulated or agreed
- Only 2 contested

Only 10 unique cases with contested motions

Real Success Rate: 20%

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Conclusion

- Don’t delay
- Don’t play games
- Temper your expectations

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