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AUTHORS

Meaghan Hemmings Kent
Carly S. Levin
Fabian M. Koenigbauer
Steven J. Schwarz

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For a variety of reasons, not least of which is resources, parties do not typically want to fight the same battle in two venues. So when a defendant in patent litigation initiates an *inter partes review* (IPR) challenging the validity of the patent,¹ a motion to stay district court litigation often follows. The Patent and Trademark Office reported during a recent **roundtable** that 80-90% of petitions to the PTAB involve patents in pending federal court litigation.² Statistics show, however, that only 60-70% of motions to stay pending IPR are granted.³ However, two recent decisions – one that orders that the parties notify the district court judge as soon as a petition for IPR is filed, and the other that entered a stay before a petition was initiated – indicate that the percentage of motions to stay pending IPR is likely to increase.

Parties must notify the district court of an IPR petition as soon as it is filed

On May 2, 2014, Judge Davis of the Eastern District of Virginia articulated in no uncertain terms to "counsel in all future patent cases, that a lawyer's general duty of candor to the Court requires counsel to timely notify the Court of requests to the PTO for institution of *inter partes review* when such request has the potential to affect the outcome of the concurrent litigation." *Virginia Innovation Sciences, Inc. v. Samsung Electronics Co., Ltd., et al.*, 2-12-cv-00548 (ED Va. May 2, 2014) ("The parties should have notified this Court of the IPR petition as soon as it was filed.")

There, neither party notified the court that a petition for IPR had been filed. The court "issued its 72 page Opinion and Order [on Summary Judgment] ruling on the validity of the patents-in-suit without any knowledge that the exact same issues were the subject of an IPR petition pending before a three judge panel of the PTAB." Two months after the court's order on summary judgment, the PTAB initiated the IPR petition as to three of the five patents at issue. Plaintiff in turn filed a motion for reconsideration of the order on summary judgment, for the first time notifying the court of the IPR proceeding.

In its order on the motion for reconsideration, the court expressed frustration and articulated that there is a duty to notify a court of a pending IPR petition. After an extensive discussion of IPR proceedings and the duty of candor, Judge Davis explained, "By failing to advise this Court of the existence of the IPR proceedings, [the parties] in effect had two bites at the apple regarding the validity of the disputed claims. Moreover, they deprived this Court of the opportunity to inquire of the parties and decide for itself whether to await a ruling from the PTAB on that issue." Acknowledging that this area of law is undeveloped and thus declining to issue a formal reprimand, the order gives this warning: "the issuance of this Opinion is more than sufficient to place all patent practitioners on notice that future failures to disclose to the Court any concurrent *inter partes review* proceedings will be met with far sharper consequences."

Courts grant stays even before the PTAB institutes an IPR petition

On April 28, 2014, Magistrate Judge Spero in the Northern District of California granted a motion to stay where a petition for IPR was filed but not yet instituted. *Brixham Solutions Ltd. v. Juniper Networks, Inc.*, 3-13-cv-00616 (N.D.Cal. April 28, 2014). Judge Spero enumerated the factors considered by most courts in determining whether a stay is warranted pending the PTO's review of a patent and found that all three factors weighed in favor of a stay:

- . whether a stay will simplify the issues in question and trial of the case;
- . whether discovery is complete and whether a trial date has been set; and
- . whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party.

First, the court found that IPR is likely to simplify the issues in the case "because the vast majority of

requests for *inter partes* review are accepted and in virtually all of the cases in which final written decisions have been issued, the PTO has cancelled some or all of the challenged claims." Furthermore, according to the court, "the case is likely to be streamlined even if *no* claims are cancelled" because defendant will be estopped from "asserting that surviving claims are invalid on grounds that were addressed during the *inter partes* review."

Second, the court found that the stage of litigation weighed in favor of a stay because even though discovery had commenced and claim construction briefs had been submitted, "the case is at a relatively early stage," the court has not set dates for fact or expert discovery cut-offs or for trial, and claim construction has not yet occurred.

Third, Judge Spero explained that plaintiff would not be prejudiced by a stay because "Juniper has not unduly delayed in filing its petition for *inter partes* review;" there was no irreparable harm to plaintiff as a non-practicing entity; and any delay from IPR is insignificant in comparison to the old post-grant review procedures since IPR procedures provide for "a final written decision within a year of the institution decision."

At first blush, it may be surprising that the court would grant a stay before the PTAB has even initiated the IPR. On this point, Judge Spero explained that the delay from the stay, even if the petition is denied, is inconsequential because the PTO's decision as to whether to institute a review "must be made within 90 days of the date [plaintiff's] preliminary responses to [defendant's] petition are due" and would likely be made sooner.

Furthermore, this is not the first case where a stay has been ordered before IPR was instituted. See e.g., *Capriola Corp. v. LaRose Indus. LLC*, Case No. 8:12-cv-02346 (M.D. Fla. March 11, 2013) ("prudence commands resort to a stay until either the PTO declines review or, finding an important issue within the PTO's special province, the PTO grants and completes review to the benefit of the parties, the court, and the public"). Even in cases where stay was denied as premature pending a decision on the IPR petition, the order of denial was without prejudice with leave to refile if the IPR was instituted. See e.g., *Derma Sciences, Inc. v. Manukamed Ltd.*, No. 3:12-cv-03388 (D.N.J. Jul. 18, 2013).

Stays of litigation are likely to increase

Many elements and facts affect the likelihood of a stay being granted, including whether the defendant waited to file until the eve of the one-year deadline, how far along the litigation has progressed, the aggressiveness of the parties, the speed of the docket, whether there are other claims pending in the litigation, and the judge's tendencies. For example, the issues left for trial are simplified, and therefore chances of a stay increase, when all defendants join the IPR or at least agree to be estopped from asserting the prior art used in the IPR, and all asserted claims/patents are included in the petition.

Every case will be different given these countless issues, but a review of orders on motions to stay shows that timing is an often determinative element in evaluating whether to stay litigation. Both the second and third factors – the stage of the litigation and any prejudice to the non-moving party – depend in large part on timing. Notably, in *Brixham Solutions Ltd. v. Juniper Networks, Inc.*, discussed above, defendant Juniper filed its motion to stay while the petition was pending. This worked to its advantage on factor two because had it waited, the litigation would have progressed for six months and that may have weighed against a stay. Furthermore, Judge Spero emphasized the need for speed in evaluating the third factor that plaintiff would not be prejudiced because "Juniper has not unduly delayed in filing its petition for *inter partes* review."

As such, for defendants looking to stay litigation, it is usually prudent to not only file the petition for IPR quickly but also to move to stay the litigation as soon as a petition for IPR is filed, even before it is initiated. The potential benefit is that the case gets stayed; the potential downside is that the stay is denied without prejudice with leave to re-file. On the other hand, waiting until IPR is initiated allows the litigation to proceed for up to an additional six months, which may then decrease the chances of a stay at all.

Given Judge Davis's directive in *Virginia Innovation Sciences, Inc. v. Samsung Electronics Co., Ltd.*, discussed above, counsel – at least in that court – now has a specific duty to notify the court of an IPR petition as soon as the petition is filed. This required early notification will mean that the second and third factors – the stage of the litigation and potential prejudice to plaintiff – will more often weigh in favor of stays. As such, we predict that the entry of stays will likely increase.

¹ Under the America Invents Act, patents may be challenged before the Patent Trial and Appeal Board (PTAB) through post-grant proceedings, including *inter partes review* (IPR), covered business method patent review (CBM), and post grant review (PGR). Take a look at our snapshot of these **options** for more detail.

² For Venable's roundup of recent statistics of IPR and CBM before the PTAB, [click here](#).

³ The statistics vary seemingly because of how "grant" is defined. Docket Navigator reports a 58% grant rate of stays pending IPR or CBM (similar to the old reexamination grant rate of stays)

<https://www.docketnavigator.com/stats/reexam>; a recent article in the AIPLA JOURNAL reports a 72% grant rate: El-Gamel, Samuel, Siddoway, *The New Battlefield: One Year of Inter Partes Review Under the America Invents Act*, 42-1 AIPLA QUARTERLY JOURNAL, 39, 55 (2014).