

Stays to Litigation Pending IPR and CBM Review: Statistics, Trends, and Key Issues

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Congress created *inter partes* review (“IPR”) and covered business method patent review (“CBM”) knowing that the proceedings could be commenced amidst litigation. In such a scenario, Congress understood that a party might seek to stay litigation pending the review.¹ For the most part, Congress left it to the courts to decide when a stay should issue.

What follows is an empirical analysis of how courts are deciding contested motions to stay litigation pending IPR and CBM review.² Based on these decisions, it appears as though courts are split on whether three key issues weigh in favor of, or against, a stay to litigation.

STATISTICS:

As of January 31, 2014, courts have issued 119 dispositive orders on contested motions to stay litigation pending IPR and CBM review. These orders were issued from 37 courts, including the Court of Federal Claims. Of those 119 orders, 60% granted or granted-in-part a stay.

Courts do not appear to be warming to the idea of staying litigation pending IPR and CBM review as the procedures become more established. As the figures below demonstrate, the percentage of orders

granting stays has been unpredictable in a month-to-month analysis:

- March, 2013: 100% of orders granted or granted-in-part a stay.
- April, 2013: 66% of orders granted or granted-in-part a stay.
- May, 2013: 50% of orders granted or granted-in-part a stay.
- June, 2013: 60% of orders granted or granted-in-part a stay.
- July, 2013: 50% of orders granted or granted-in-part a stay.
- August, 2013: 71% of orders granted or granted-in-part a stay.
- September, 2013: 71% of orders granted or granted-in-part a stay.
- October, 2013: 75% of orders granted or granted-in-part a stay.
- November, 2013: 61% of orders granted or granted-in-part a stay.
- December, 2013: 50% of orders granted or granted-in-part a stay.
- January, 2014: 56% of orders granted or granted-in-part a stay.

Courts taking part in the Patent Pilot Program are more likely to grant stays than those outside of the Program. Of the 55 relevant orders issued by courts in the Program, 67% granted or granted-in-part a stay. In contrast, courts not taking part in the Program granted or granted-in-part stays in 53% of orders.

Courts grant stays to litigation pending IPR less frequently than they grant stays pending CBM review. Of the 119 total orders, 99 were orders on contested motions to stay litigation pending IPR and 57% of those 99 orders granted or granted-in-part a stay. Of the 119 total orders, 20 were orders on contested motions to stay litigation pending CBM review and 75% of those orders granted or granted-in-part a stay. These varying grant rates may be attributable to the different standards that courts apply when considering motions to stay litigation pending IPR and CBM review, as discussed below.

The three courts issuing the most orders on contested motions to stay litigation pending IPR and CBM review are the: Northern

District of California (17 orders), District of Delaware (16 orders), and Central District of California (11 orders). These jurisdictions have ordered stays with mixed frequency: Northern District of California (82% of orders granted or granted-in-part a stay), District of Delaware (56% of orders granted or granted-in-part a stay), and Central District of California (82% of orders granted or granted-in-part a stay).

A court is far more likely to issue a stay after the Patent Trial and Appeal Board (“PTAB”) institutes an IPR or CBM review proceeding. Of the 119 total orders, 93 were issued before the PTAB instituted an IPR or CBM review proceeding. Of those 93 pre-institution orders, 56% granted or granted-in-part a stay. Of the 26 post-institution orders, 73% granted or granted-in-part a stay.

Courts are only slightly more likely to grant a stay where all of the claims asserted in litigation are put before the PTAB for review. Of the 119 total orders, 96 orders were in cases where all of the asserted claims in litigation were petitioned for review. Courts issued a stay in 63% of these 96 orders.

Similarly, courts only appear to be marginally more willing to grant a pre-institution stay where all of the asserted claims in litigation were petitioned for IPR or CBM review. Of the 93 pre-institution orders, 76 of them were in cases where each of the claims asserted in litigation were petitioned for IPR or CBM review. Courts issued stays in 59% of those 76 orders, just above the 56% grant-rate for all pre-institution orders.

THREE KEY ISSUES:

Courts ubiquitously apply a three-factor test when determining whether to stay litigation pending IPR, which examines: (1) the stage of the litigation; (2) whether a stay will simplify and streamline the issues that may be presented in subsequent litigation; and (3) whether a stay would cause undue prejudice or a clear tactical disadvantage to the non-moving party.³ Some courts have noted that additional factors may also be considered in the analysis.⁴ In the context of CBM review, Congress codified this three-factor test and added a fourth factor, which requires courts to consider “whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.” America Invents Act of 2011 (“AIA”) § 18(b)(1), Pub. L. No. 112-29, 125 Stat. 284, 331 (2011).

Although courts apply the same tests when determining whether to stay litigation, they appear split on how to weigh certain issues. Below is a description of three key issues that many courts analyze when considering a motion to stay litigation pending IPR and CBM review, but appear to analyze differently.

First, courts differ as to the benefit of staying litigation before the PTAB decides whether to institute IPR or CBM review. Under the AIA, the PTAB has up to six months to decide whether to institute an IPR or CBM review proceeding after a petition for review is filed. Some litigants request a stay to litigation prior to the PTAB's decision on institution. Courts granting pre-institution motions to stay have stated that "because the PTO apparently will not consume much time [in deciding whether to institute a review proceeding] unless the PTO perceives an important patent issue within the PTO's particular expertise . . . prudence commends resort to a stay until either the PTO declines review or . . . grants and completes review" ⁵ However, other courts presented with this same issue have found that a pre-institution stay would be "a complete waste of time" if the PTAB denied the request for review, and that a stay is "premature" prior to the PTAB actually instituting a proceeding. ⁶

Second, courts have assigned varying weight to the estoppel provisions of the AIA. See 35 U.S.C. § 315(e); AIA § 18(a)(1)(D), Pub. L. No. 112-29, 125 Stat. 284, 330. Some courts have noted that the law's estoppel rules will streamline and narrow any subsequent litigation, which weighs in favor of a stay. ⁷ However, not all courts have considered the estoppel rules to go far enough to warrant a stay, particularly where there are multiple parties to a litigation that may not be associated with the petition for IPR or CBM review. ⁸

Third, courts have differed on how to treat the relationship between litigants. Some courts have determined that a stay to litigation is inappropriate where the parties are competitors in a market, even if no party sought a preliminary injunction in the case. ⁹ However, not all courts have been skeptical of granting stays where the parties are business competitors, and some courts have focused on a non-movant's failure to seek a preliminary injunction as evidence that a stay will not cause undue prejudice. ¹⁰

Thus, when considering whether to grant or deny a stay to litigation pending IPR or CBM review, courts differ on how to analyze some common issues. Often, the way a court views these three key issues will dictate whether or not a court stays litigation. **IP**

ENDNOTES

1. See 157 Cong. Rec. S1360-02, 2011 WL 797877 (March 8, 2011) (statement of Senator Schumer).
2. Some prior reports have indicated that courts are granting over 70 percent of requested motions to stay litigation pending review by the Patent Trial and Appeal Board ("PTAB"). Although we have no reason to doubt the accuracy of these reports, it is unclear what factors these studies used to accumulate their data. In order to determine how courts are truly handling stays to litigation, our study: (1) focused on *orders* concerning a stay to litigation pending IPR or CBM review, as opposed to *motions* to stay, given that multiple defendants may file independent motions in a single case, or in related cases, that courts are able to resolve in a single order; (2) did not consider orders on uncontested, joint, or stipulated motions to stay because they would certainly buoy grant-rates unjustifiably; (3) considered a single order applying to multiple cases as a single grant or denial; and (4) otherwise screened our data pool for factors that might unfairly skew disposition statistics.
3. See, e.g., *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, 2012 WL 7170593, at *1 (C.D. Cal. Dec. 19, 2012).
4. See *Automatic Mfg. Sys., Inc. v. Primera Tech., Inc.*, 2013 WL 1969247, at *1 (M.D. Fla. May 13, 2013) ("The court's inquiry is not limited to these three factors—the totality of the circumstances governs.").
5. *Capriola Corp. v. LaRose Indus. LLC*, 2013 WL 1868344, at *3 (M.D. Fla. March 11, 2013).
6. *National Oilwell Varco, L.P. v. Omron Oilfield & Marine, Inc.*, 2013 WL 6097571, at *2 (W.D. Tex. June 10, 2013); see *TruePosition, Inc. v. Polaris*

Wireless, 2013 WL 5701529, at *6 (D. Del. Oct. 21, 2013) ("Since the *inter partes* [sic] review request is still pending before the PTO with a potential delay until December 4, 2013 for a grant or denial, this motion is premature.").

7. See *Click-To-Call Techs. LP v. Ingenio, Inc.*, No. 1:12-cv-00465, Dkt. No. 147, at *3 (W.D. Tex. Dec. 5, 2013) (stating that following an IPR, litigation "will still be narrowed, because Defendants will be estopped from raising the same invalidity contentions again in this Court.").
8. See *Rensselaer Polytechnic Inst. v. Apple Inc.*, 2014 WL 201965, at *7 (N.D.N.Y. Jan. 15, 2014) ("As enticing as this estoppel rule appears, however, the scope of the IPR process necessarily limits its effect. Even assuming that the PTO institutes IPR on some or all of the '798 Patent claims, the review is limited to invalidity arguments based on anticipation and obviousness, and then only based on prior art consisting of patents or printed publications."); see also *Semiconductor Energy Lab. Co.*, 2012 WL 7170593, at *2 (granting stay, but stating that, "[t]he 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.").
9. See *Everlight Elec. Co. v. Nichia Corp.*, 2013 WL 1821512, at *8 (E.D. Mich. April 30, 2013) ("Additionally, Plaintiffs will be further prejudiced because they are direct competitors with Defendants in the LED industry. Courts routinely deny requests for stay during the pendency of PTO proceedings where the parties are direct competitors."); see also *Universal Elec., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1034 (C.D. Cal. 2013) ("The fact that Plaintiff did not seek a preliminary injunction does not mean that it would not suffer prejudicial harm from its competitor's market activity during a lengthy delay in the case.").
10. *Automatic Mfg. Sys., Inc.*, 2013 WL 6133763, at *3 ("However, the litigants' status as a direct competitor does not mandate the denial of a stay." (quotation omitted)); see also *Zillow, Inc. v. Trulia, Inc.*, 2013 WL 5530573, at *6 (W.D. Wash. Oct. 7, 2013) ("Many courts have found, however, that attempts by a patentee to argue undue prejudice are undermined if the patentee has elected not to pursue preliminary injunctive relief. . . . Similarly, in this case, Zillow has not sought a preliminary injunction.").