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PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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We Got Sued for Patent Infringement, We Want a Stay Pending IPR! How Do We Get One? Answer: Get Crackin'!

By Charles W. Shifley

March 21, 2017 — *Inter partes* reviews (IPRs) are knocking down patents in litigation at the statistical rate of 70 percent once the IPRs are instituted. So if you're sued for patent infringement, you certainly want to file an IPR and if possible, get a stay of the litigation to potentially save all its expenses. Saving unnecessary litigation expenses was a central purpose of IPRs.

So you're sued. How do you get a stay of the litigation pending the IPR decision? The answer is get crackin'! Meaning, the most important factor toward a stay is to move early, before the litigation discovery starts or at least before it becomes involved, and before the court gets invested in holding hearings and making decisions. So get crackin,' by preparing and filing the IPR petition and as soon as it's filed, moving for a stay as early in the litigation as you can possibly make it happen.

Banner & Witcoff experiences are that both sides in litigation, when a stay is requested and opposed, will cite to one standard of law for the court to judge the matter. That standard is a three-factor standard, *e.g.*, "(1) whether discovery is complete and whether a trial date has been set; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether a stay would unduly prejudice or present a clear tactical advantage to the nonmoving party." *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1031 (C.D. Cal. 2013) (quoting *Aten Int'l Co. v. Emine Tech. Co.*, No. SACV 09-0843 AG (MLGx), 2010 WL 1462100, at *6 (C.D. Cal. Apr. 12, 2010).

Unfortunately, the count of cases on both sides of the decision to stay or not is "legion." Federal Circuit Judge Bryson sat by designation in a patent case in district court, in *Trover Group, Inc. v. Dedicated Micros USA*, No. 2:13-cv-1047-WCB (E.D. Tex. 2013). Addressing a motion to stay,

Judge Bryson catalogued cases and was able to state that “the majority of cases that have addressed the issue [of stays before IPR institution decisions] have postponed ruling on stay requests or have denied stay requests when the PTAB has not yet acted on the petition for review.” *Trover*, 2015 WL 1069179, at *5 (E.D. Tex. Mar. 11, 2015). He cited about 28 cases. In contrast, however, Banner & Witcoff experience is that the party moving to stay, as soon as an IPR petition is filed and before institution, can cite at least a comparable number of cases that grant stays. *See, e.g., Cannarella v. Volvo Car USA LLC*, No. CV-16-6195-RSWL-JEMx. The party may also cite more than a majority of cases, as well, for stays after Patent Trial and Appeal Board (PTAB) IPR institution decisions.

But Judge Bryson’s statement in *Trover* has waylaid some motions to stay, forcing litigation activities until PTAB IPR institution decisions are made. Another “pithy” statement by another judge also gets into the mix. In *Comcast Cable Commc’ns Corp., LLC v. Finisar Corp.* No. C 06-04206 WHA, 2007 WL 1052883, at *1 (N.D. Cal. Apr. 5, 2007), Judge Alsip denied a stay, making the pithy remark that “[i]f litigation were stayed every time a claim in suit undergoes reexamination, federal infringement actions would be dogged by fits and starts. Federal court calendars should not be hijacked in this manner.”

Good news for those moving to stay is that Judge Bryson continued in the same decision to laud a decision of a judge who granted a stay. The judge stated the decision of *Landmark Technology, LLC v. iRobot Corp.*, No. 6:13-cv-411, 2014 WL 486836 (E.D. Tex. Jan. 24, 2014) was “instructive” in showing the kind of circumstances that justified a stay. *Trover*, 2015 WL 1069179, at *3. In *Landmark*, the motion to stay was filed only “months into the litigation,” and the “claim construction hearing was not scheduled to occur” until later. *Id.* Those were important matters. *Landmark* already had discovery underway, and the court had held a scheduling conference. The stay was granted despite those matters. Moreover, “instructive” *Landmark* was not what Judge Bryson addressed in *Trover*, as he addressed a “pattern of delay” in the filing of an IPR petition — after the filing of invalidity contentions in the case, to the extreme of the petition filing being a year after the complaint was filed, and within five days of the ultimate limit of its possible filing. *Id.* at *6. In the meantime, the parties had “engaged in substantial discovery” and “had initiated” and then completed patent claim construction briefings. *Id.*

More good news is that Judge Alsip had a unique case with *Comcast*. Reviewing matters that came before and after the quotation above provides context toward understanding—and presenting to a new court—the exasperated, one-off, flavor of the court’s decision:

“We have now had five hearings in the case, including a *Markman* hearing. A claim construction order will be issued soon. ...

... some claims in suit will not be covered by the reexamination.

We must remember that validity of the claims in suit has already been tested and held valid in [a] Texas action, involving as well the same prior-art references. ...

As here, reexaminations can be filed by strangers to the litigation (or the litigants themselves) at seemingly random moments over the span of patent litigation. ... the possible benefits must be weighed in each instance ...

Had this motion been made back when Finisar first learned that the reexamination was under consideration or even when it learned that it had been granted, the calculus might have been different. But ... the Court has invested a large amount of time in preparing a claim construction ruling. ...

Significantly, the parties are on the verge of producing documents after much preparation to do so. ...

We have much work to do in this case ... Conceivably, ... the calculus will shift in favor of a stay ... but for now the best course is to reap the benefits of the preparation invested to date, both on claim construction and on discovery.

... various factors ... do not neatly address the case management concerns most pertinent here, namely the large investment in the unfinished claim construction process and the large investment in preparation to produce a mass of documents, most of which work would have to be reduplicated later were a stay now granted.

When an accused infringer seeks the protection of the Court's declaratory relief, it ... should not fold its arms and say, "Now that we have outmaneuvered you ... we will go very slow ..."

The problem, of course, for those moving to stay is that it is all too easy to have the preparation of an IPR petition take many months. They take much time to satisfy the exacting standards of the PTAB. It is also all too easy to have the patent owner make haste to get its case underway, and to cause the court entry of a scheduling order, the beginning of discovery, and several court hearings. The Federal Rules of Civil Procedure, especially Rules 16 and 26, and most Patent Local Rules, give patent owners great aid in advancing a case early.

Moving for a stay in the circumstances of cases such as *Landmark* allows something of a "safe harbor" for great potential success in gaining the stay. But anything else presents the great potential for the movant to be categorized among the miscreant-movants of *Trover* and *Comcast*. So, as above, get crackin' by preparing and filing the IPR petition and as soon as it's filed, moving for a stay, as early in the litigation as you can possibly make it happen. Most preferably, your crackin' will have you moving before the court entry of a scheduling order, the beginning of litigation discovery, and several court hearings, and without a gap of time between the IPR petition filing and the motion filing.

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The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office's Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer frequent summaries of the board's significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.



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