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# Staying Cases Pending PTAB's Decision to Institute IPR or CBM Review: A Survey of 10 Jurisdictions with the Most Patent Litigation

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## Executive Summary

When facing allegations of patent infringement, defendants have the option of petitioning the U.S. Patent Trials and Appeals Board (PTAB) to review the patent and potentially declare it invalid. Depending on the type of patent and basis for asserting invalidity, the PTAB can institute either an *inter partes* review (IPR) or a covered business method (CBM) review. When seeking these types of review, a defendant typically will move to have the concurrent federal court litigation stayed while the administrative proceedings occur. Some courts will stay the litigation before the PTAB has decided to institute review, while other courts will not.

In determining whether to stay a case while an IPR is pending, courts apply a three-factor test, considering: (1) whether a stay will simplify the issues in question and streamline the trial, (2) the status of the trial as it pertains to the progress made in the motion and discovery process, and (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party. For CBM review, these same three factors are used, in addition to a fourth factor: whether a stay will reduce the burden of litigation on the parties and on the court.

Courts vary widely as to whether they will grant a stay before the PTAB has instituted review. Courts that are likely to grant stays usually are persuaded by the potential for some of the issues in the case to be resolved or simplified by PTAB review. Conversely, courts that are hesitant to stay litigation at this stage usually cannot justify delaying the case when there is uncertainty as to whether the PTAB will actually grant review.

As set forth in the table below, of the 10 U.S. District Courts evaluated in this article, five seem likely to grant a stay before the PTAB has instituted review. Three district courts are likely to deny a stay at this juncture. Furthermore, two do not appear to be any more likely to grant or deny a stay.

Likely to Grant a Stay	Likely to Deny a Stay	No More Likely to Grant or Deny a Stay
Southern District of California	Eastern District of Texas	Southern District of Florida
Central District of California	District of Delaware	Southern District of New York
Northern District of California	District of New Jersey	
Northern District of Illinois		
Eastern District of Virginia		

## Introduction

In 2011, Congress passed the America Invents Act (AIA). This law represents the most significant change to the United States' patent system in over half a century. The act created new ways for defendants in patent infringement suits to challenge a patent's validity and potentially avoid liability. These methods, IPR and CBM review, allow the alleged infringer to petition the PTAB for the patent to be invalidated.

Often, a defendant will seek to stay the patent litigation while the IPR or CBM process plays out. The parties can save considerable amounts of money by not having to pursue the IPR or CBM while simultaneously litigating in federal court. Sometimes a defendant will move for a stay in the litigation after having petitioned the PTAB for review, but before the PTAB actually decides to institute review, which can take up to six months. Stay requests that occur in this time period are the focus of this article.

Courts perform a balancing test when deciding whether to stay ongoing patent litigation during the IPR or CBM review process. The three factors relevant to a stay pending IPR have been developed by the courts. All of the U.S. District Courts consider the same factors.<sup>1</sup> They are:

- 1) Whether a stay will simplify the issues in question and streamline the trial
- 2) The status of the trial as it pertains to the progress made in the motion and discovery process
- 3) Whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party

The factors relevant to a stay pending CBM review are statutory. These four factors have been established by the AIA:

- 1) Whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial
- 2) Whether discovery is complete and whether a trial date has been set
- 3) Whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party
- 4) Whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court

America Invents Act, Pub. L. No. 112-29, § 18(b)(1). The CBM test is essentially the same as the one used for IPR, with the addition of the fourth factor. Courts tend to interpret this fourth factor, the consideration of litigation burden, as Congress' attempt to increase the likelihood that stays will be granted. *See, e.g., Audatex N. Am., Inc. v. Mitchell Int'l, Inc.*, No. 13cv01523, 2015 WL 1385368 at \*2 (S.D. Cal. Mar. 24, 2015).

Despite using the same factors to evaluate whether to grant a stay, district courts vary widely when it comes to granting a stay in litigation before the PTAB has actually decided whether to institute IPR or CBM review. Some courts make it clear that granting a stay at that procedural posture is improper and therefore never do it. Other courts tend to default to granting a stay unless there are overwhelming reasons not to do so. Still others make an individualized determination for each case, and are no more likely to rule one way or the other. The U.S. Court of Appeals for the Federal Circuit has not provided significant guidance, leaving it up to the district courts to grant or deny stays before the PTAB has instituted review. The Federal Circuit recently stated:

Indeed, while some district courts ruled on motions to stay before the PTAB granted the petition for post-grant review, others have waited until post-grant review was instituted, and still others denied as premature the motion to stay without prejudice to refiling after institution of post-grant review. We express no opinion on which is the better practice.

*VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1315–16 (Fed. Cir. 2014).

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<sup>1</sup> As discussed below, the U.S. District Court for the Northern District of Illinois sometimes uses a slight variation of the typical factors for evaluating stays pending IPR.

For a litigant in a patent infringement suit, predicting whether the court is likely to stay the litigation before the PTAB institutes review can be extremely valuable. With high costs of patent litigation, and even higher stakes, understanding how the court will likely rule can allow litigants to more wisely allocate their limited financial resources to either litigation or PTAB review.

The remainder of this article will evaluate 10 federal district courts that historically have had high numbers of patent cases on their dockets. For each district, it analyzes cases where the court has had to decide whether to grant a stay prior to the PTAB instituting IPR or CBM review.

#### **Eastern District of Texas – highly likely to deny a stay**

In the Eastern District of Texas, the court is extremely unlikely to grant a stay before the PTAB has instituted IPR or CBM review. The uncertainty regarding whether review will even be instituted causes the issue-simplification factor to weigh so heavily against a stay that it is almost impossible to overcome.

The most recent cases in the district involving a pending IPR clearly illustrate the court's aversion to granting stays at this juncture. *See Trover Grp., Inc. v. Dedicated Micros USA*, No. 13cv001047, 2015 WL 1069179 (E.D. Tex. Mar. 11, 2015) (Bryson, J.). In *Trover Group*, the court briefly addressed the other two factors, but the outcome clearly was driven by the fact that the PTAB had not yet instituted review. The opinion unambiguously states that "this Court regards the most important factor in determining whether to stay litigation pending *inter partes* review to be whether the PTAB has acted on the defendants' petition for review." *Id.* at \*4. The court then went on to cite 11 previous Eastern District of Texas cases where a stay had been denied at that posture. There are none in which a stay was granted. In the Eastern District of Texas, "when the PTAB has not yet acted on a petition for *inter partes* review, the courts have uniformly denied motions for a stay."

Similarly, for cases pending the PTAB's decision to institute CBM review, the court seems just as unwilling to grant a stay. A stay was denied in these cases five out of the six times. *See Trover Grp.*, 2015 WL 1069179 at \*6 (collecting cases). The one exception was *Landmark Technology, LLC v. iRobot Corp.*, 13cv0000411, 2014 WL 486836 (E.D. Tex. Jan. 24, 2014) (Love, J.). In *Landmark*, the court found that all four CBM factors weighed heavily in favor of a stay. The CBM review, if instituted, was likely to simplify the litigation by invalidating or amending one or more of the asserted claims. The litigation was in its very early stages. The plaintiff, a non-practicing entity, was unlikely to be prejudiced by a stay. Lastly, a stay likely would reduce the burden of litigation, a factor that the court stated "places a very heavy thumb on the scale in favor of a stay being granted." *Id.* at \*4. However, even with *Landmark* providing a precedent for granting a stay, it is unlikely that the court would do so in the future. In the 15 IPR and CBM cases in the Eastern District of Texas that have addressed this issue since *Landmark*, every single one has denied the stay. Therefore, it is fairly safe to say that in the Eastern District of Texas a motion to stay litigation prior to the PTAB instituting review is almost certain to be denied.

#### **District of Delaware – likely to deny a stay**

The U.S. District Court for the District of Delaware has proven unlikely to grant stays before the PTAB institutes IPR or CBM review. Tellingly, four opinions handed down by the court in the first half of 2015 all denied motions to stay. *See NuVasive, Inc. v. Neurovision Med. Prods., Inc.*, No. 15cv0000286, 2015 WL 3918866 (D. Del. June 23, 2015) (Burke, J.); *Pragmatus Mobile, LLC v. Amazon.com, Inc.*, No. 14cv0000436, 2015 WL 3799433 (D. Del. June 17, 2015) (Stark, C.J.); *Copy*

*Prot. LLC v. Netflix, Inc.*, No. 14cv0000365, 2015 WL 3799363 (D. Del. June 17, 2015) (Stark, C.J.); *Intellectual Ventures I LLC v. Toshiba Corp.*, No. 13cv0000453, 2015 WL 3773779 (D. Del. May 15, 2015) (Robinson, J.).

These decisions appear to find that the factors weigh against a stay even when other courts would reach the opposite decision. For example, in *Copy Protection*, the court states that the plaintiff is a non-practicing entity, which would lead many courts to conclude that the undue-prejudice factor favors a stay. But the court here states that the delay “could create at least some tactical disadvantage for the Plaintiff” and “staying a case pending PTO review risks prolonging the final resolution of the dispute and thereby may result in some inherent prejudice to the plaintiff.” *Copy Protection*, 2015 WL 3799363 at \*1; *see also Intellectual Ventures I*, 2015 WL 3773779 at \*2 (“Because patent licensing is a core aspect of IV’s business ... I find that a stay would unduly prejudice and present a clear tactical disadvantage to IV.”). *Contra SAGE Electrochromics, Inc. v. View, Inc.*, No. 12cv0006441, 2015 WL 66415 (N.D. Cal. Jan. 5, 2015) (“Delay alone does not usually constitute undue prejudice, because ‘parties having protection under the patent statutory framework may not complain of the rights afforded to others by that same statutory framework.’”). Similarly, in *Copy Protection*, the court found that the status of the case weighed against a stay. It cited the fact that the trial had already been scheduled – albeit 16 months from the time the stay was denied – and claim construction briefing was underway. *Copy Protection*, 2015 WL 3799363 at \*1. *Contra DDS Tech. Mgmt., Inc. v. Apple, Inc.*, No. 14cv05330, 2015 WL 1967878 (N.D. Cal. May 1, 2015) (granting a stay despite the fact that the parties had fully briefed claim construction and the *Markman* hearing was only two weeks away).

In a few cases, the court has granted a stay before the PTAB instituted review, but it has not happened since the beginning of 2014. *See Princeton Digital Image Corp. v. Konami Digital Entm’t, Inc.*, No. 12cv04161, 2014 WL 3819458 (D. Del. Jan. 15, 2014) (Burke, J.). In *Princeton*, Judge Burke determined that all three factors favored a stay, but expressed concern that the PTAB had not yet decided to institute review. However, in his recent opinion in *NuVasive*, Judge Buke, refusing to grant a stay, distinguished *Princeton*, citing the PTO’s declining rates of granting petitions for IPR review. *NuVasive*, 2015 WL 3918866 at \*2 n.3. In *NuVasive*, the court also cited new guidance in the District of Delaware, titled *Revised Procedures for Managing Patent Cases*, which expresses the court’s preference that cases should move forward even when pending motions have not yet been resolved. *Id.* at \*2. Therefore, it appears that the U.S. District Court for the District of Delaware clearly disfavors staying litigation before the PTAB has instituted review.

#### **Southern District of California** – likely to grant a stay

In the Southern District of California, the court is likely to grant motions to stay litigation even before the PTAB has decided whether to institute review. This recently occurred for both IPR and CBM petitions.

In *Unison Strategic IP, Inc. v. Tracelink, Inc.*, No.3:13cv1743, 2015 WL 1606484 (S.D. Cal. Apr. 8, 2015) (Curiel, J.), the court stayed the litigation when the defendant’s CBM petition challenged only 15 of the patent’s 96 claims. The court found that all four statutory factors favored granting a stay. First, the court found that the case would still be simplified even with a large percentage of unchallenged claims. Second, the court determined that the status of the case favored a stay because discovery had not commenced and a trial date had not been set. For the undue-prejudice factor, the court stated that “[f]or there to potentially be undue prejudice, two companies must be direct competitors.” Therefore, finding that the plaintiff failed to show that it and the defendant were direct

competitors, the court determined that the undue-prejudice factor also favored a stay. Lastly, the court determined, without explanation, that staying the case would reduce the litigation burden.

In *Xilidev, Inc. v. Boku, Inc.*, No. 13cv2793, 2014 WL 3353256 (S.D. Cal. July 1, 2014) (Sabraw, J.), the court granted a stay, even though it found that the PTAB not yet instituting CBM review weighed against granting the stay. It found that the other three factors favored a stay. First, the litigation was still in its early stages with the *Markman* hearing still more than three months away. Second, the court determined that the plaintiff would not be unduly prejudiced because the parties were not direct competitors, the defendant had timely filed the petition for CBM and motion to stay the litigation, and the plaintiff had not sought any preliminary injunctive relief. Lastly, stating that the litigation-burden factor was meant to increase the likelihood that courts would grant stays pending CBM review, the court in *Xilidev* found that staying the case would reduce the burden on the parties and the court.<sup>2</sup>

Similar to *Unisone* and *Xilidev*, the court in *TAS Energy, Inc. v. San Diego Gas & Electric Co.*, No. 12cv2777, 2014 WL 794215 (S.D. Cal. Feb. 26, 2014) (Curiel, J.), also stayed the litigation prior to the PTAB instituting review, but this time for IPR. For the first factor, the stage of the litigation, the court admitted that the case was not in its infancy. However, it determined that the factor nonetheless favored a stay because the *Markman* hearing had not yet occurred and a trial date had not been set. Likewise, for the simplification factor, the court also determined that it favored a stay. The court noted that the IPR petition challenged all of the asserted claims. It also reasoned that even if the claims survived IPR, the case would still be simplified because the defendant would be estopped from raising any arguments it raised or reasonably could have raised with the PTAB. Lastly, the court also found that the undue-prejudice factor favored a stay. Highlighting the fact that the parties are not competitors, the court determined that a stay would not threaten the plaintiff's market position and it would therefore not be unduly prejudiced.

The U.S. District Court for the Southern District of California has also, on occasion, determined that a stay would be improper before the PTAB instituted review. In these cases, the balance was tipped by the uncertainty as to whether review would actually occur. For example, in *Audatex North America, Inc. v. Mitchell International, Inc.*, 46 F.Supp.3d 1019 (S.D. Cal. 2014) (Benitez, J.), the court determined that the issue-simplification factor weighed against a stay, but stated that "this factor would likely weigh in favor of a partial stay if review is instituted. Indeed, if review is instituted over all three claims, it is possible that the entire litigation could be resolved." *Id.* at 1024. In *Audatex*, the fact that review had not been instituted, coupled with the undue prejudice resulting from the parties being direct competitors, was enough to overcome the early stage of litigation and reduction of litigation burden, both favoring a stay.<sup>3</sup>

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<sup>2</sup> Judge Sabraw issued an almost identical opinion in another case in 2013. See *Ameranth, Inc. v. Pizza Hut, Inc.*, No. 11cv01810 (C.D. Cal. Nov. 26, 2013). Again, he determined that the PTAB not yet instituting review weighed against staying the litigation but that factor did not outweigh the other three in favor of a stay.

<sup>3</sup> The court reached similar results in two other cases: *Overland Storage v. BTD AG*, No. 10cv01700 (S.D. Cal. Dec. 10, 2013) (Sammartino, J.) and *Warsaw Orthopedic Inc. v. Nuvasive, Inc.*, No. 12cv02738 (S.D. Cal. May 30, 2013) (Bencivengo, J.). In all three cases, the motion to stay was dismissed without prejudice, and all three subsequently were stayed after the PTAB instituted CBM review.

### **Central District of California – likely to grant a stay**

The U.S. District Court for the Central District of California is also likely to grant a stay in litigation before the PTAB has instituted IPR or CBM review. Of the 12 cases that have come before the court in this posture, a stay was granted in all but two. The Central District of California clearly has a “liberal policy in favor of granting motions to stay proceedings pending the outcome of re-examination.” *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F.Supp.2d 1028, 1031 (C.D. Cal. 2013).

The court’s most recent case addressing this issue is illustrative. In *Wonderland Nursery Goods Co. v. Baby Trend, Inc.*, No. 14cv01153, 2015 WL 1809309 (C.D. Cal. Apr. 20, 2015) (Phillips, J.), the court determined, after weighing the applicable factors, that a stay was warranted despite the fact that the PTAB had not yet instituted IPR. The court determined that the case was still in its early stages because expert discovery had not yet begun, nor had the *Markman* hearing taken place. Therefore, the status of the litigation weighed in favor of granting a stay. Similarly, the court found that the potential for issue simplification also weighed in favor of a stay. The court cited two reasons for this: (1) The defendants petitioned for review of every claim, increasing the likelihood that the IPR would dispose of some of the claims at issue; and (2) even if the IPR did not cancel the claims, the defendants would be estopped from raising invalidity arguments that were raised or could have been raised during the IPR. The court also noted that if the PTAB decided not to institute review, the stay would be relatively short, resulting in minimal delay. Because the parties were direct competitors, the court determined that the third and final factor, undue prejudice to the plaintiff, weighed slightly against granting a stay. However, this potential prejudice was not enough to overcome the other factors in favor of a stay.

In the Central District of California, the court has stayed litigation pending the PTAB’s decision to conduct CBM review as well. In *Intertainer, Inc. v. Hulu, LLC*, No. 13cv05499, 2014 WL 466034, (C.D. Cal. Jan. 24, 2014) (Carney, J.), the court determined that all four CBM factors favored granting a stay. Despite the PTAB not having decided whether to institute review, the court determined that a stay would simplify the litigation because the defendant had challenged all of the allegedly infringed patents in its CBM petition. Additionally, the posture of the case favored a stay because discovery was not complete, claim construction activities had not begun, and no trial date was set. The court also determined that the plaintiff would not be unduly prejudiced because the parties were not competitors and the defendant had timely filed its CBM petition and subsequent motion to stay. Lastly, the court found that the fourth factor, reduction of the litigation burden, favored a stay because the parties would not have to litigate the patent claims simultaneously in both the court and the PTAB.

While most of the Central District of California cases result in a stay being granted before the PTAB has instituted review, some exceptions do exist. In *Universal Electronics*, Judge Guilford determined that the totality of the circumstances required that the stay be denied. The court determined that the factor which considers the stage of the litigation weighed against a stay because a *Markman* hearing had been held, the court had already issued its claim construction ruling, and a trial date had been set. Interestingly, despite the PTAB not having decided to institute IPR review, the court found that the simplification factor favored a stay because of the potential for the IPR to resolve some of the infringement issues. The court found that the undue-prejudice factor weighed slightly against a stay because the parties were direct competitors. In addition to the three usual IPR factors, the court also considered its “ability to control its docket to ensure that cases are managed in the interest of justice.” Finding that this consideration also weighed against a stay, the court denied the defendant’s motion.

### **Northern District of California – highly likely to grant a stay**

A review of the cases in the Northern District of California clearly indicates that the court is very likely to grant stays in litigation before the PTAB has decided whether to institute review. In the first six months of 2015, the court has addressed this issue seven times. In all but one, the court implemented at least some type of stay to the litigation.

The court most recently decided this issue in *Security People, Inc. v. Ojmar US, LLC*, No. 14cv04968, 2015 WL 3453780 (N.D. Cal. May 29, 2015) (Gilliam, J.). The court decided to stay the case while the PTAB determined whether to institute IPR. Despite the potential for prejudice to the plaintiff, the court determined that the other two factors weighed heavily in favor of a stay. The court noted that there had effectively been only three months of work on the case prior to the court deciding to grant the motion to stay. That early stage of litigation strongly favored a stay. Similarly, the court found that staying the case had the potential to greatly simplify the case, also weighing in favor of a stay. The court was persuaded by the fact that all the asserted claims also were being challenged in the IPR. It went on to say that even if the PTAB affirms the validity of every asserted claim, the litigation would be simplified because the defendant would be estopped from making the same arguments in court. For the undue-burden factor, the court determined that the parties were in fact direct competitors, but asserted that in the Northern District of California, being direct competitors, without other evidence of prejudice, was not enough to establish undue prejudice. Therefore, the court determined that the undue-prejudice factor was either neutral or weighed slightly in favor of a stay. But, either way, it was not enough to overcome the other factors and a stay was granted.

In *Hewlett-Packard Co. v. ServiceNow, Inc.*, No. 14cv00570, 2015 WL 1737929 (N.D. Cal. Apr. 9, 2015) (Freeman, J.), the court technically denied plaintiff's motion to stay the case pending the PTAB's decision to institute both IPR and CBM review. However, the result was to effectively stay a significant portion of the litigation. So, while not officially staying the action, the court continued the previously scheduled tutorial and *Markman* hearing until after the PTAB's decision about whether to institute review. The court attempted to balance competing interests. On the one hand, the early stage of litigation favored a stay. On the other hand, because the parties were direct competitors, the plaintiff would be prejudiced by delaying the litigation. The court found that the uncertainty of whether the PTAB would actually implement review made it difficult to accurately predict whether a stay would in fact simplify the issues and relieve the litigation burden. Therefore, while the court denied the motion to stay, it effectively implemented a limited stay by rescheduling the tutorial and *Markman* hearing until after the PTAB decision to institute review.

Despite being likely to grant stays, the court denied granting any type of stay in *SAGE Electrochromics, Inc. v. View, Inc.*, No. 12cv06411, 2015 WL 66415 (N.D. Cal. Jan. 5, 2015) (Tigar, J.). In that case, the defendant moved for a stay while the PTAB decided whether to institute IPR. Because the case was in its early stages – no trial date had been set and only written discovery had taken place – the court determined that the stage-of-litigation factor weighed in favor of a stay. The other two factors, however, both weighed against a stay, resulting in the court denying the defendant's motion. For the issue-simplification factor, the court was apprehensive about the uncertainty surrounding whether the PTAB would decide to institute review. This uncertainty was enough for the court to determine that this factor weighed against a stay. To analyze the undue-prejudice factor, the court considered four sub-factors: (1) the timing of the reexamination request, (2) the timing of the request for stay, (3) the status of reexamination proceedings, and (4) the relationship of the parties. While the court determined that the first two sub-factors supported a stay, the other two weighed

against it. Because the PTAB had not yet instituted review, the status of the reexamination proceeding cut against a stay. For the fourth sub-factor, the court found that the parties were direct competitors, which severely prejudiced the plaintiff and weighed heavily against granting a stay. Therefore, because of the uncertainty as to issue simplification and the undue prejudice against the plaintiff, the court denied the defendant's motion for a stay.

#### **District of New Jersey** – *highly likely to deny a stay*

In the District of New Jersey, although there have been relatively few cases where the defendant has moved for a stay in litigation prior to the PTAB instituting IPR or CBM review, the court clearly disfavors issuing stays. In all the cases found in that district, the court has refused to grant a stay at that stage of litigation.

In *Straight Path IP Group, Inc. v. Vonage Holdings Corp.*, No. 14cv00502, 2014 WL 4271633 (D.N.J. August 28, 2014) (Linares, J.), the court did not even analyze the three factors typically associated with determining those issues. After listing the factors, the court simply stated that “granting a stay would be premature.” The opinion then goes on to cite other cases from the district where the court declined to grant a stay prior the PTAB instituting review. See *Derma Sciences, Inc. v. Manukamed Ltd.*, No. 12cv3388, 2013 WL 6096459 (D.N.J. July 18, 2013) (Pisano, J.); *Power Survey, LLC v. Premier Utility Services, LLC*, No. 13cv05670, (D.N.J. June 4, 2014) (Hochberg, J.); *Depomed Inc. v. Purdue Pharma L.P.*, No. 13cv571, (D.N.J. July 9, 2014); See also *Medac Pharma, Inc. v. Antares Pharma, Inc.*, No. 14cv01498, (D.N.J. July 17, 2014) (Williams, J.) (dismissing defendants' motion to stay pending IPR without an opinion).

#### **Northern District of Illinois** – *likely to grant a stay*

The U.S. District Court for the Northern District of Illinois is likely to grant motions to stay litigation prior to the PTAB instituting IPR or CBM review. Of the eight instances of motions to stay before the PTAB instituted review, only two of them were denied. Interestingly, in some of the Northern District of Illinois cases the court uses slightly different factors for evaluating IPR, excluding the prong that explicitly considers the stage of litigation. Additionally, a search of the docket resulted in no cases where a stay was considered prior to CBM review being instituted. However, the court would likely handle such a case similarly to those involving IPR.

The court most recently addressed the issue of staying litigation prior to the institution of IPR review in *Oil-Dri Corp. of America v. Nestle Purina Petcare Co.*, No.15cv01067 (N.D. Ill. May 5, 2015) (Darrah, J.). The court stayed the case, finding support for its decision in all three factors. Despite the fact that the parties were direct competitors, the court found no undue prejudice, thus favoring a stay. The court reasoned that the parties being competitors was insignificant because there were multiple other competitors in the marketplace. Additionally, the court determined that the plaintiff's failing to seek injunctive relief cut against its claim of undue prejudice. For the factor considering the simplification of issues for litigation, the court determined that a stay was favored because the defendant's IPR petition challenged all of the asserted claims. In its analysis, the court did not even address the possibility that the PTAB might decline to institute review. Lastly, the court found that the stage of litigation also favored a stay. No dates had been set for claim construction, pretrial motions or trial.

Similarly, in *Medline Industries, Inc. v. C.R. Bard, Inc.*, No. 14cv03618 (N.D. Ill. Feb. 11, 2015) (Lee, J.), the court determined that a stay was warranted despite the fact that the PTAB had not yet instituted

IPR. In *Medline*, the court's reasoning was similar to that in *Oil-Dri*, however the factors listed by the court were slightly different. While the court considered the same undue-prejudice and issue-simplification factors, it did not include the factor that explicitly considered the stage of litigation. Instead, the court considered whether a stay would reduce the litigation burden on the parties and the court.<sup>4</sup> Although this factor for evaluating stays pending IPR is unique to the Northern District of Illinois, it is understandable that a court would consider it because it is one of the statutorily required factors for evaluating stays pending CBM review. Despite not explicitly considering the stage of litigation as one of the factors, the fact that the litigation had just begun was addressed by the *Medline* court throughout its analysis. The court found that all three factors favored a stay. It determined that the plaintiff would not suffer undue prejudice because, despite the parties being competitors, the plaintiff failed to seek a preliminary injunction. Additionally, the court reasoned that the plaintiff would not experience a tactical disadvantage because the defendant sought IPR and subsequent stay early in the litigation. Similarly, referencing the early stage of the case, the court determined that the IPR could invalidate 47 of the asserted claims, significantly simplifying the issues for litigation. Lastly, for the litigation-burden factor, the court determined that because the issues could be substantially simplified, the potential to ease the burden on the parties and the court favored a stay.

Although the court has granted many more stays than it has denied, in a couple of cases it has refused to stay the litigation before the PTAB instituted review. In *RR Donnelley & Sons Co. v. Xerox Corp.*, No. 12cv06198, 2013 WL 6645472 (N.D. Ill. Dec. 16, 2013) (Coleman, J.), the court did just that.<sup>5</sup> The court's decision to deny the motion to stay appears to be based mostly on the fact that the defendant's IPR request involved only two of the six patents at issue. The court reasoned that "[g]ranteeing a stay as to the entire litigation would cause the four unchallenged VDP patents to languish unresolved for an unspecified amount of time." *Id.* at \*3. Therefore, the plaintiff would be unduly prejudiced, weighing against a stay. Similarly, the court determined that the four patents not considered for IPR, as well as 12 affirmative defenses, resulted in a large scope of issues that could not be resolved even if the IPR was instituted. Therefore, the issue-simplification factor did not favor a stay either. For the stage-of-litigation factor, the court again focused on the fact that multiple patents will be unaffected by the potential IPR. It reasoned that, despite the relatively early stage of litigation, and because the IPR and non-IPR patents applied to common products, any inefficiency resulting from denying a stay was outweighed by the fact that it would be significantly more efficient to conduct discovery for all the patents at the same time. The court therefore found that the stage of litigation also weighed against a stay.

#### **Southern District of Florida** – *no more likely to grant or deny a stay*

A docket search of the U.S. District Court for the Southern District of Florida produced only four cases where the court considered staying the litigation pending the PTAB's decision to institute IPR or CBM review. Of those four, two stays were granted and two were denied. Therefore, based on this limited information, it is difficult to predict what the court will do in the future.

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<sup>4</sup> The variation in factors is not unique to *Medline*; at least two other cases in this district also have used these same factors in granting stays. See *Ignite USA, LLC v. Pac. Mar. Int'l, LLC*, No. 14cv00856, 2014 WL 2505166 (N.D. Ill. May 29, 2014) (Holderman, J.); *Black & Decker Inc. v. Positec USA, Inc.*, No. 13cv03075, 2013 WL 5718460 (N.D. Ill. Oct. 1, 2013) (Gottschall, J.).

<sup>5</sup> See also *OpinionLab, Inc. v. Qualtrics Labs, Inc.*, No. 13cv01574 (N.D. Ill. Feb. 18, 2014) (Leinenweber, J.) (denying without prejudice the motion to stay in a docket entry without an opinion).

The court most recently addressed the issue in *Rothschild Storage Retrieval Innovations, LLC v. Motorola Mobility, LLC*, No. 14cv22695 (S.D. Fla. May 11, 2015) (Scola, J.).<sup>6</sup> In that case, the court granted the defendant's motion to stay pending the PTAB's decision to institute IPR. For the undue-prejudice factor, the court was persuaded by the fact that the parties were not competitors. That factor favored a stay because the plaintiff would have the same monetary damages remedy available to it regardless of whether the litigation was stayed pending IPR. The court also found that the issue-simplification factor favored a stay because the case involved only one patent and everything at issue in the litigation was also at issue in the IPR. The court further stated that even if the PTAB canceled only some of the patent's claims, the litigation burden on the parties and court would be lessened. Finally, the court determined that the status of the litigation also favored a stay. Although some written discovery had taken place, neither depositions nor the *Markman* hearing had occurred.

Of the two cases where the court denied the motion to stay, one of them consists only of an order with no legal analysis. See *Game Controller Tech. LLC v. Sony Computer Entm't Am. LLC*, No. 13cv22795 (S.D. Fla. Oct. 25, 2013) (Altonaga, J.). The other, *CTP Innovations, LLC v. Solo Printing*, No. 14cv21499 (S.D. Fla. Aug. 8, 2014) (Ungaro, J.), mentioned the three-factor test but refused to grant a stay based solely on the fact that the PTAB had not yet instituted review. Stating that "the petition alone does not indicate any likelihood of success," the court found that a stay would be premature.

#### **Southern District of New York – no more likely to grant or deny a stay**

In the Southern District of New York, the court has had few opportunities to stay litigation pending the PTAB granting IPR or CBM review. Of the three contested cases where the court faced this issue, two stays were granted and one was denied.

Both of the cases in which a stay was granted involved requests for CBM review. One of these was an order without a written opinion. See *Chi. Board Options Exch. v. Int'l Sec. Exch.*, No. 13cv01339 (S.D.N.Y. Nov. 11, 2013) (Furman, J.). The other provided some analysis, but not much. See *Capital Dynamics AG v. Cambridge Assocs.*, No. 13cv07766, 2014 WL 1694710 (S.D.N.Y. Apr. 1, 2014) (Forrest, J.). In *Capital Dynamics*, the court mentioned the four statutory factors, but analyzed only two of them. The court seemed most persuaded by the fact that a stay had potential to simplify the litigation. It cited statistics showing that in a majority of requests for CBM review, the PTAB had instituted review. The court also determined that the stage of litigation favored a stay because the case was less than six months old and claim construction had not yet begun.

The case in which the motion for a stay was denied involved a petition for IPR. In *CDX Diagnostics, Inc. v. United States Endoscopy Group, Inc.*, No. 13cv05669, 2014 WL 2854656 (S.D.N.Y. Dec. 16, 2014) (Román, J.), the court determined that the early stage of the proceedings favored a stay, but the other two factors weighed against it. The court stated that if the IPR was instituted it would simplify the issues in the litigation. But, because the PTAB had not yet determined whether to institute IPR review, the court found it difficult to predict whether the issues would actually be simplified. Therefore, it found that the issue-simplification factor weighed against a stay. The court also found that the undue-prejudice factor weighed against a stay. The parties technically were not direct competitors because they performed different functions in the marketplace. However, they were effectively competitors because customers would have to choose between purchasing the defendant's

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<sup>6</sup> See also *Intellectual Ventures I, LLC v. Motorola Mobility LLC*, No. 13cv61358 (S.D. Fla. July 17, 2014) (Middlebrooks, J.) (granting the defendant's motion to stay in a case with facts very similar to those of *Rothschild*).

product or using the plaintiff's services. The court found that this quasi-competitor relationship would result in a stay being unduly prejudicial to the plaintiff. This undue prejudice, combined with the lack of certainty for issue simplification, resulted in the court denying the stay.

#### **Eastern District of Virginia – likely to grant a stay**

The U.S. District Court for the Eastern District of Virginia is likely to stay litigation prior to the PTAB instituting review for an IPR or CBM petition. A docket search resulted in seven cases arising in this court, five of which were stayed.

The most recent case in which a stay was granted was *Health Diagnostic Laboratory, Inc. v. Boston Heart Diagnostics Corp.*, No. 14cv00796 (E.D. Va. Feb. 4, 2015) (Hudson, J.). In *Health Diagnostic Laboratory*, the court granted a stay pending the PTAB's decision to institute IPR. The court found that all three factors weighed in favor of granting the stay. The court determined that the plaintiff would not be unduly prejudiced because of the statutory timeline by which the PTAB is required to abide. It reasoned that the stay would be relatively short and therefore the plaintiff's potential relief would not be unreasonably delayed. The court also determined that staying the litigation had the potential to simplify the issues before the court. Despite the fact that the PTAB had not yet determined whether to institute review, the court found that if IPR was granted then many of the litigation's issues could be resolved. Therefore, the high likelihood of issue simplification favored granting a stay. As for the status of the case, the court also found that it favored granting a stay because the litigation had just begun. No scheduling order had even been issued.

In addition to *Health Diagnostic Laboratory*, stays have been granted in two other recent cases pending institution of IPR. See *Va. Innovation Scis., Inc. v. Samsung Elecs. Co.*, No. 14cv00217 (E.D. Va. Nov. 18, 2014) (Davis, J.); *In re TLI Commc'n LLC*, No. 14cv00138 (E.D. Va. Aug. 11, 2014) (Ellis, J.). Similar to decisions in *Health Diagnostic Laboratory*, the court in these two cases also found that all three factors weighed in favor of a stay. However, the court in these cases had another basis for finding no undue prejudice toward the plaintiff. Because the plaintiffs in both cases were non-practicing entities, the court determined that a stay could not unduly prejudice them. Regardless of whether a stay was granted, the plaintiffs still would be entitled to sufficient relief in the form of monetary damages. Therefore, the delay of a stay would not unduly prejudice them.

The U.S. District Court for the Eastern District of Virginia also granted stays pending the PTAB's decision to institute CBM review.<sup>7</sup> In *buySafe, Inc. v. Google, Inc.*, No. 13cv00081, 2014 WL 2714137 (E.D. Va. June 16, 2014) (Hudson, J.), the court found that the relevant factors supported a stay, but granted a "partial limited stay." The court ordered the parties to continue with discovery and settlement negotiations during the stay so that the case could continue moving while the PTAB decided whether to institute review. For the issue-simplification factor, the court relied heavily on the fact that every claim asserted in the infringement case was raised in the petition for CBM review. Finding that the PTAB's review could amend some or all of the claims, the court determined that this factor favored a stay. The court also determined that the stage of the case weighed in favor of a stay. It noted that summary judgment motions had not been filed and the *Markman* hearing had not yet occurred. In discussing the undue-prejudice factor, the court was persuaded by the fact that the parties were not direct competitors; the plaintiff never marketed or sold a product or service covered by the patent. Additionally, the court noted that the defendant timely filed its petition with the PTAB and subsequent

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<sup>7</sup> See *Linkgine, Inc. v. Viglink, Inc.*, No. 14cv00570 (E.D. Va. Sept. 26, 2014) (Hilton, J.) (granting the defendant's motion to stay in an order without opinion).

motion to stay. Lastly, the court found that a stay would reduce the burden of litigation on the parties and the court, thus weighing in favor of a stay. The court acknowledged that this last factor uses essentially the same analysis as the issue-simplification factor and is included to help the moving party more easily obtain a stay.

Although the court is likely to grant stays prior to the PTAB instituting review, it has, on occasion, denied motions to stay the litigation at that stage. In *Segin Systems, Inc. v. Stewart Title Guaranty Co.*, 30 F.Supp.3d 476 (E.D. Va. 2014) (Jackson, J.), the court refused to stay the litigation before the PTAB instituted CBM review. Although the status-of-the-case factor was neutral and the issue-simplification and litigation-burden factors slightly favored a stay, the court found that the undue-prejudice factor was enough to overcome them, weighing heavily against a stay. The court determined that the parties were competitors and a stay in the litigation would create an undue burden on the plaintiff warranting a denial of the motion to stay.

In *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 15cv0002, 2015 WL 2454296 (E.D. Va. May 21, 2015) (Morgan, J.), the court deferred ruling on the defendant's motion for a stay pending the PTAB's decision on whether to institute IPR. The court cited the Federal Circuit's decision in *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307 (Fed. Cir. 2014), stating "it is not error for the district court to wait until the PTAB makes its decision to institute review before ruling on a motion to stay." While the court did not rely on the three-factor test in making its decision, it did imply that the timing of the defendant in filing its IPR petition – waiting three months into the litigation – weighed into its decision.