District court stays: a review of the past 12 months

Michelle Umberger and **Lissa Koop** analyse district court stays pending IPR or CBM and provide tips for seeking stays

The overall granting of stays pending IPR and CBM in the past year has remained identical to the first three years overall contested requests to stay were granted. But the overall success rate for contested requests to stay filed *after* institution jumped from 70% to 75%. Several factors that impact the overall likelihood of success, including the timing of the request – such as pre-institution or post-institution, or if the request is made early or late in the case – the jurisdiction and judge, and the parties in the case. Several districts stand out as favourable to motions to stay pending IPR review while a handful of others are generally anti-stay. The competitive relationship of the parties is often a factor in determining whether a stay issues. The parties being direct competitors weighs against granting a stay. But the fact that the nonmoving party is a non-practicing entity does not guarantee a stay.

After inter partes review (IPR) and covered business method (CBM) review proceedings launched in September 2012, parties have regularly requested district courts to invoke the court's power to stay its proceedings pending the conclusion of IPR/CBM proceedings before the Patent Trial and Appeal Board (PTAB).

In the first three years after the AIA went into effect, 57% of overall contested requests to stay were granted. For the fourth year, the trend is identical. Moreover, the overall success rate for contested requests to stay, pending IPR and CBM combined, filed *after* institution jumped from 70% to 75%.

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Favourable jurisdictions for stays pending IPR

District court	Total stay requests	Stipulated requests	Total contested stays denied	Contested stays granted	Contested stays success rate
Western District of Washington	7	1	1	5	83%
Southern District of Texas	9	3	1	5	83%
Northern District of Illinois	13	4	3	6	67%
Northern District of California	24	8	6	10	63%
Massachusetts District Court	10	0	4	6	60%

Unfavourable jurisdictions for stays pending IPR

District court	Total stay requests	Stipulated requests	Total contested stays denied	Contested stays granted	Contested stays success rate
Central District of California	19	6	7	6	46%
Eastern District of Texas	29	10	11	8	42%
Minnesota District Court	12	7	3	2	40%
Delaware District Court	45	20	15	10	40%
Eastern District of Michigan	12	5	5	2	29%

There are several factors that impact the overall likelihood of success, including the timing of the request, such as pre-institution or post-institution, or if the request is made early or late in the case; the jurisdiction and judge; and the parties in the case, for example NPE or competitor versus competitor. We offer an in-depth look at these factors and the practical implications for in-house patent counsel.

Factors impacting stay decisions

District courts generally weigh the following three factors in determining whether to stay litigation pending IPR or CBM review:

1. Whether a stay is likely to simplify the issues in question in the litigation. Under consideration are the number of challenged claims and patents at issue in the litigation; the likelihood of asserted claims being canceled; and whether potential discovery issues relating to prior art can be resolved by the USPTO;

2. Whether the proceedings are at an advanced stage. This includes whether discovery is still open, if claim construction is complete, and if a trial date has been set; and

3. Whether a stay would unduly prejudice the nonmoving party. At play here is an evaluation of the timing of the stay request, the timing of the IPR proceedings, and the relationship of the parties.

For examples, see *Chrimar Sys v Adtran*, No 6:15-CV-618-JRG-JDL, 2016 WL 4080802, *1 (ED Tex August 1 2016) (Love, MJ); *Finjan v Symantec*, 139 F Supp 3d 1032, 1035 (ND Cal 2015) (Gilliam Jr, J).

While filing after institution significantly raises stay chances, petitioners who like nearly 50-50 success rates might file before institution

Breakdown on requests to stay: Sept 1 2015 – Aug 31 2016

District court orders	Requests to stay pending IPR	Requests to stay pending CBM review
TOTAL	**270**	**28**
Stays granted	**194**	**26**
Granted *before* decision on institution	116* 49 contested 66 stipulated	11 7 contested 4 stipulated
Granted *after* decision on institution	77** 34 contested 39 stipulated	15 9 contested 6 stipulated
Stays denied	**76**	**2**
Denied *before* decision on institution	59 58 contested 1 stipluted	2 2 contested 0 stipluted
Denied *after* decision on institution	17 14 contested 3 stipluted	0 0 contested 0 stipluted
Automatic stay under § 315(a)(2)	**1**	**0**

*Includes one *sua sponte* decision by the district court.
**Includes four *sua sponte* decisions by the district court.

2016 stay statistics

Of the 298 total orders on requests for stay since September 1, 2015, 74% of the requests – 220 in total – were granted. But of the 220 granted, half (115) were stipulated. Not surprisingly, stipulated requests for a stay had a 97% success rate in the past year. Taking those stipulated requests out of the mix, 54% of the contested motions for stay pending IPR were granted and 89% of contested motions for stay pending CBM review were granted. Thus, stipulating to a stay remains the surest way to ensure one is granted. As in prior years, the timing of the motion to stay relative to whether trial has yet been instituted has a big impact on the likelihood of success.

Learn the judges' records on granting stays; they vary greatly across jurisdictions

Timing matters

From the time of filing the petition for review, the PTAB must issue a decision on whether to institute a trial within six months. The "majority rule" – *Trover Grp v Dedicated Micros USA*, No 2:13-cv-1047-WCB, 2015 WL 1069179, *5 (ED Tex March 11 2015) (Bryson, J) – to postpone or deny stay requests filed prior to institution of a trial, continues to be in effect and has become even more pronounced over the past year. Contested requests to stay pending IPR/CBM review filed *before* institution were granted 48% of the time. In contrast, 75% of contested requests to stay pending IPR/CBM review filed *after* institution were granted.

It is also important to consider the timing of the filing of the petition for review and how that might impact a stay request. Under 35 USC § 315(b), a petition must be filed within one year after the date on which the petitioner, real party in interest,

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or privy of the petitioner is served with the complaint alleging infringement of the patent. But courts may, and do, deny stay requests because the movant "unjustifiably delayed" in filing its petition for IPR/CBM review, as the longer a party waits to file its petition, the more likely it is that discovery, claim construction and dispositive motion practice will be underway in the district court, cautioning against a stay, see for example *Chrimar*, 2016 WL 4080802, at *3 (finding that movant had, without explanation "waited between seven and eleven months to file all of its IPR petitions, and further waited another two months from the filing of the last-filed IPR petition to file the current motion [to stay], demonstrating a lack of diligence" and that "[g]iven that this case has proceeded through claim construction and nearly completed discovery, . . ." "this factor weighs against a stay.").

Therefore, a petition should be filed as early as possible. Further, the petitioner should inform the court as early as possible that a petition has been or will soon be filed, and that a motion for a stay will be forthcoming, so that the court may take these events into account in scheduling.

KEY TIP: While filing after institution significantly raises stay chances, petitioners who like nearly 50-50 success rates might file before institution.

Location matters, but the judge can matter more

Several districts stand out as favourable to motions to stay pending IPR review, while a handful of others are generally anti-stay.

Looking at the stay decisions of selected judges in districts known for carrying a heavy load of patent cases since the AIA went into effect in September 2012 reveals that the judge may matter more than the jurisdiction. In order to present a more reliable sample size for analyzing judge-specific tendencies, the data presented regarding an individual judge's decisions on motions to stay pending IPR includes decisions from September 16 2012 through August 31 2016.

Let's look at the judges of the US District Court for the Northern District of California. For example, they granted contested motions to stay pending IPR, as a group, 63% of the time since September 2012. However, several individual judges in the group veer far from that number. The success rate in front of Judge Freeman is only 43%, and Judge Alsup has never granted in full a stay request pending IPR. This sharply contrasts with Judges Hamilton and Illston, in front of whom the success rate on contested motions to stay pending IPR is 100% and 63%, respectively.

In the US District Court for the Eastern District of Texas, moving to stay pending IPR is an uphill battle regardless of the judge. Only 42% of contested motions saw success this past year. But success is near impossible in front of Judge Gilstrap, who only granted in full one out of seven contested requests, for a success rate of just 14%. In front of Judge Payne, however, contested motions to stay pending IPR saw a 40% success rate since September 2012.

And in the US District Court for the District of Delaware, the success rate on contested motions to stay pending IPR was 50% over the period beginning September 2012, but the statistic hides the extremes. Judge Sleet has granted stays in 89% of contested motions to stay pending IPR, while the success rate in front of Judges Andrews and Stark is only 22% and 35%, respectively.

KEY TIP: Learn the judges' records on granting stays; they vary greatly across jurisdictions.

Relationship of the parties – competitors v trolls

Finally, the competitive relationship of the parties is often a factor in determining whether a stay issues. As a general matter, the fact that parties are direct competitors weighs against granting a stay, because the harm that results when competitors battle it out for market share is difficult to calculate, and issuing a stay amid the battle can hurt the patent owner who is wanting the competitor to stop immediately. However, without some evidence, an *ipse dixit* argument that undue prejudice will befall the nonmoving party will not carry the day; some evidence of undue prejudice must be shown. See, for example, *Finjan*, 139 F Supp 3d at 1037-38 ("courts in [the Northern District of California] require evidence to substantiate an argument that direct competition will result in prejudice to the non-moving party") (quotation omitted).

On the other hand, the fact that the nonmoving party is a non-practicing entity does not guarantee a stay. For example, in a recent case in the Eastern District of Texas, the court found that the fact that the NPE did not directly compete with the defendant did not mean it would not experience prejudice from a stay, noting even an NPE was interested in a timely enforcement of its rights – *Chrimar Sys*, 2016 WL 4080802 ("The mere fact that [plaintiff] is not currently practicing the patents does not mean that, as a matter of law, it is not prejudiced by a substantial delay of an imminent trial date") (citing *Rembrandt Wireless Techs v Samsung Elecs Co*, No 2:13-cv-213, 2015 WL 627887-JRG-RSP, at *2 (ED Tex January 29 2015)). However, another issue animating the prejudice analysis in *Chrimar* was that 10 defendants had not filed petitions for IPR and, therefore, the case against those defendants would proceed even if a stay were granted as to the two defendants who had filed petitions and "would effectively bifurcate th[e] action, causing duplicative resources to be expended by the Court and the parties" (*Chrimar Sys*, 2016 WL 4080802).

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