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To Stay or Not to Stay: The Impact of IPRs on Patent Litigation

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Over the course of the past year, many trial attorneys in state and federal courts have seen cases effectively stayed by COVID-related delays. COVID hampered in-person discovery and caused courts to re-set jury trial dates. Such disruptions in the timelines of cases are not new to patent litigators, however. Even before COVID derailed many patent trials, patent cases were often stayed—or procedurally paused—pending a proceeding called *inter partes* review (IPR). An IPR is a parallel challenge that an accused infringer may file in the U.S. Patent and Trademark Office's Patent and Trial Appeal Board (PTAB), seeking review of whether a patent should have been issued.

Generally, while a patent owner plaintiff controls where a case is filed, defendants impact the timeline of a case through a variety of procedural mechanisms, including IPRs. Defendants choose whether and when to file an IPR petition, although such a petition must be filed one year before the date on which a defendant is served a complaint. Defendants also choose whether to request that a court stay patent litigation pending a decision on their IPR petition, or if the IPR is instituted, pending the PTAB's final determination on a petition.

Current IPR Statistics

IPRs tend to result in the cancellation of many patents, and relatively few patent cases proceed without any IPR challenge. IPRs increase the costs of patent litigation

for everyone involved—as the proceeding is akin to a mini-trial—but given the statistics associated with IPRs, there are few real drawbacks to defendants for filing such proceedings.

IPRs begin with the filing of a petition for institution of PTAB review by a patent challenger. The PTAB is statutorily obligated to decide whether or not to institute an IPR within six months of a petition's filing date, 35 U.S.C. § 314(b). An IPR is instituted if “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a).

Recent statistics continue to confirm the effectiveness of IPRs for patent challengers. For the approximately 1800 IPR petitions filed after January 1, 2019 in which the PTAB issued an institution decision, **72% of those petitions to institute IPR were granted**, and the IPR instituted. Of those IPRs that were instituted and that had reached a final determination as of this post, over **60% resulted in a final determination that all claims are unpatentable** in favor of the challenger. Of these recent final determinations, only 18% resulted in a determination confirming the patentability of all challenged claims in favor of a patent owner. The remainder of final determinations resulted in mixed determinations, with at least one claim being found unpatentable, but others upheld or in amendments to the claims.

Whether to Stay a Case

There is no rule requiring that patent litigation pending before a district court be stayed based on either the filing of an IPR or the institution of an IPR. After filing an IPR petition, however, defendants usually file a motion in district court to stay patent litigation. If a stay is granted, no further action in the case occurs until there is a final determination from the PTAB, and often, until any appeals of that final PTAB determination are resolved. While the PTAB is statutorily required to render a final decision in most instances within one year after instituting an IPR, the final decision is most commonly followed by an appeal to the Federal Circuit by the losing party, which may take a year or longer to resolve. Accordingly,

if a Court grants a stay of patent litigation upon the filing of an institution decision, a case may be stayed for 2.5 years or longer (six months for the institution decision, followed by one year to the final determination, followed by another year for an appeal). For patents that survive IPR, this means that the district court proceedings effectively start after 2.5 years.

The party requesting a stay has the burden to show that the circumstances warrant a stay. District courts may deny or grant a stay pending IPR proceedings as part of their inherent authority to manage their own dockets. Because decisions to stay are discretionary, judges may manage their dockets differently, with certain judges being more likely than others to grant stays of litigation pending IPR. For a patent owner plaintiff, understanding how judges in different jurisdictions respond to motions to stay pending IPRs is one factor among many others to consider when deciding where to file a patent case.

Generally, district courts analyze whether or not to stay litigation pending IPR under a three-factor test: (i) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (ii) whether a stay will simplify the issues in question and trial of the case; and (iii) whether discovery is complete and whether a trial date has been set. *Murata Machinery USA v. Daifuku Co., Ltd.*, 830 F.3d 1357, 1361 (Fed. Cir. 2016). Courts also have taken into account related factors, such as:

- whether a stay will reduce the burden of litigation on the parties and the court;
- whether the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues;
- the overlap of subject matter, patents, and claims pending in an IPR as compared to litigation;
- whether there are other indications of diligence or delay on either side (such as, for a patent owner plaintiff, a delay in bringing the case, serving the complaint, or adding new claims/patents, and for a defendant, whether the IPR is filed close to the one year deadline or months after receipt of infringement contentions);
- whether the patents are nearing expiration;
- whether the parties are direct competitors;
- whether the relief sought is monetary damages, which would continue to accrue during a stay, or injunctive relief;

- the financial condition of a defendant and whether a defendant could satisfy damages accrued during a stay;
- the impact of COVID; and
- the status of the case (such as whether the case has reached certain milestones such as claim construction or substantial discovery has already occurred that would have to be re-done after a stay).

In the Southern District of Texas, as in many other Districts, motions to stay patent litigation based on the filing of an IPR petition alone are usually denied. *See e.g., Envventure Global Technology Inc. v. Weatherford U.S., L.P.*, No. 4:19-cv-02397 (ECF 166) (S.D. Tex. Dec. 11, 2020) (Atlas, J.); *Baker Hughes Oilfield Operations, LLC v. Innovex Downhole Solutions, Inc.*, No. 4:18-cv-02236 (ECF. 78)(S.D. Tex. April 22, 2019) (Rosenthal, J.); *DynaEnergetics Europe GmbH, et al v. Hunting Titan, Inc., et al*, No. 4:17-cv-03784 (ECF 20) (S.D. Tex. Mar. 23, 2018) (Miller, J.); *CMP Products Limited v. Cooper Crouse-Hinds, LLC et al.*, No. 4:17-cv-02194 (ECF 39) (S.D. Tex. June 20, 2018) (Lake, J.).

Once an IPR is instituted the balance of decisions in the Southern District of Texas (Houston) have granted a stay, although certain factors may tip the scale in favor of continuing the litigation, such as the degree of direct competition and whether time-sensitive injunctive relief is sought.

Rarely, but in some cases, the parties will move jointly for a stay of litigation pending IPR; such motions are usually granted. *See, e.g., Baker Hughes Oilfield Operations LLC v. Packers Plus Energy Services Inc, et al.*, No. 4:17-cv-01422 (S.D. Tex. Dec. 21, 2018) (Hanan, J.) (granting joint motion to stay following an institution of IPR).

The Southern District of Texas also has several relatively new judges, who have yet to preside over a patent case that has required them to answer the question of how they'll manage their patent litigation dockets in view of a motion to stay. These judges include, in Houston, Judge Bennett (2015); Judge Hanks (2015); and Judge Eskridge (2019).

Recent Increased Importance of “No Stay” to IPR Institution Decision

Recently, the PTAB gave teeth to its exercise of discretion to institute an IPR under 35 U.S.C. § 314(a). Pursuant to the Consolidated Practice Guide, available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>, the PTAB may consider “events in other proceedings

related to the same patent, either at the Office, in district courts, or the ITC” as part of its institution decision. *Apple, Inc. v. Fintiv, Inc.*, IPR2020-00019 Paper 15 at 7–8 (PTAB May 13, 2020) (available at <https://developer.uspto.gov/ptab-web/#/search/documents?proceedingNumber=IPR2020-00019>) (setting forth 6 factors). In this decision, the PTAB denied the institution of an IPR because, *inter alia*, the district court litigation (pending in the Western District of Texas) was advanced and trial was set prior to when a final PTAB determination would be due.

This precedential decision gives patent owners the ability to argue against IPR institution where district court proceedings are at a fairly advanced stage. If a court granted a motion to stay a case upon the mere filing of an IPR petition, the balance of the six *Fintiv* factors would likely change. In other words, maintaining the case

schedule—without the interruption of a stay—is important to the analysis under *Fintiv*. In fact, it’s the very first factor: “These factors include: 1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted.” *Id.*

Because a patent owner’s ability to make a *Fintiv* argument against IPR institution will be impacted by a court’s inclination to maintain the current schedule for a relatively advanced case, more defendants will likely request early stays of patent litigation as soon as they file an IPR petition. Courts—such as the Southern District of Texas and, of course, the Western District of Texas—that generally deny such early stage motions for stay may become a more favorable choice for patent litigation among patent owners who seek to maintain a *Fintiv* argument against the institution of an IPR.

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