

ESSAY

NFC TECHNOLOGY LLC V. HTC AMERICA, INC.: JUDGE BRYSON'S SITTING-BY-DESIGNATION GUIDE TO SECURING STAYS IN LIGHT OF INTER PARTES REVIEWS

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Federal Article III judges may stay civil litigation. Stays are most appropriate where another court or authority may resolve a part of or the entire dispute. Some statutes guide the courts on when to stay; some case law and appellate precedent guide judges on when a stay is appropriate. But the interlocutory nature of such decisions makes precedential decisions scarce. The Patent Trial and Appeal Board (PTAB), an administrative body tasked with patent post-grant review, efficiently reviews patentability of and can estop later validity arguments. Stays in light of these proceedings are particularly favored. Although it will be some time before a body of appellate precedent develops surrounding these stays, one senior appellate judge from the patent-focused U.S. Court of Appeals for the Federal Circuit, sitting by designation, has issued a district court decision in a contentious district, where he exhaustively compiled district court stay cases and offered a guide for other judges faced with determining whether to stay. This Essay analyzes that decision.

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By requiring courts to apply this limited and relatively consistent body of caselaw when determining whether to grant a stay, [the CBM-stay subsection of the AIA] should ensure predictability and stability in stay decisions across different district courts, and *limit the incentive to forum shop*.

– Senator Jon Kyl¹

In the Court’s view, the most important factor bearing on whether to grant a stay in this case is the prospect that the inter partes review proceeding will result in simplification of the issues before the Court.

– The Honorable William C. Bryson²

INTRODUCTION

Words have power—you can’t just say things. You have a moral and ethical duty to others to ensure your words are correct, diligently researched, and supported. It is a good rule of thumb for business, research, parenthood, or the law. Yet too often, lawyers lean more on eloquence and style than on the strength of their evidence.

Nowhere has that seemed truer than in patent law recently, particularly in the heated rhetorical debates ranging among Congress, the U.S. Patent and Trademark Office (PTO), the U.S. Court of Appeals for the Federal Circuit, and the patent bar. Indeed, patent law’s tendency toward extreme abstraction (or, some might say, obfuscation) in lieu of support appears to trouble even U.S. Supreme Court Justices.³

Blame our natures; it’s what lawyers do. Except now, in the age of Big Data, it’s easier than ever before for lawyers, judges, law students, and clients to fact-check even the most eloquent or complex claims quickly and accurately.

Better understanding makes for better results. And luckily, some judges, using data or exhaustive research, have taken it upon themselves to cut through claims being bandied about, offering instead firm guidance based on hard evidence, support, and precedent. Nowhere is the strength of such well-sourced guidance

1. 157 CONG. REC. 3433 (2011) (statement of Sen. Kyl) (emphasis added).

2. *NFC Tech. LLC v. HTC Am., Inc.*, No. 13-CV-1058, 2015 WL 1069111, at *8 (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation).

3. *See, e.g.*, Transcript of Oral Argument at 35, *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007) (No. 04-1350) (“I began to think it looks pretty obvious. What’s supposed to go on, I don’t understand it.”) (statement of Justice Breyer).

more evident than in the procedural and substantive brilliance of Federal Circuit Judge William Bryson's memorandum opinion in *NFC Technology LLC v. HTC America, Inc.*⁴

Sitting by designation in the U.S. District Court for the Eastern District of Texas, home to forty-four percent of all patent litigation in the United States in 2015,⁵ Judge Bryson has exhaustively researched, collected, and explained the many district court stay decisions issued in the first three years of the America Invents Act (AIA) reviews.

In Part I, this Essay discusses the legal background of sitting by designation, the Patent Trial and Appeal Board (PTAB), and a district court's stay authority. In Part II, this Essay discusses the *NFC Technology LLC* decision and the lessons it teaches.

I. BACKGROUND

A. *District Courts Have Inherent Discretion to Stay Patent Litigation in the Interests of Judicial Economy and Justice*

District courts have inherent Article III docket-control power.⁶ That “power to stay proceedings is incidental to the power inherent in every court to control the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and for litigants.”⁷ District court judges balance the parties' competing interests,⁸ both in view of reexamination⁹ and in view of newer PTAB proceedings.¹⁰

4. No. 2:13-CV-1058-WCB, 2015 WL 1069111 (E.D. Tex. Mar. 11, 2015).

5. See *2015 Patent Dispute Report*, UNIFIEDPATENTS, <http://unifiedpatents.com/2015-year-end-report> (last visited Apr. 7, 2016).

6. See *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936) (finding that this docket-control power necessarily implies that district courts also have the ability to modify or lift a stay if it is no longer deemed efficient or equitable); see also *Clinton v. Jones*, 520 U.S. 681, 706 (1997) (“The [d]istrict [c]ourt has broad discretion to stay proceedings as an incident to its power to control its own docket.” (citing *Landis*, 299 U.S. at 254)).

7. *Landis*, 299 U.S. at 254.

8. *Id.* at 254–55.

9. See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988) (“Courts have inherent power to manage their dockets and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination.” (citation omitted)). In 1981, Congress enacted laws allowing ex parte reexamination of issued patents. See MANUAL OF PATENT EXAMINING PROCEDURE § 2201 (9th ed. 2014, rev. 2015) (noting that the statutory basis for reexamination of patents became available in 1981, and that on November 29, 1999, Public Law 106-113 was enacted, expanding reexamination by providing an “inter partes” option). Public Law 106-113 authorized the extension of reexamination proceedings via an optional inter partes reexamination procedure in addition to the present ex parte reexamination. Act of

Congress intended for the new post-grant procedures under the AIA to increase patent quality and reduce the burden of patent litigation on district courts by allowing the PTAB to first resolve patentability.¹¹ To ensure that validity disputes will go forward in only one forum, if a petitioner files a declaratory judgment action of invalidity (but not a counterclaim of invalidity) on or after filing the PTAB petition, the statute provides that the district court action will be *automatically stayed* unless: (1) the patent owner asks the court to lift the stay, (2) the patent owner files a civil action or counterclaim for infringement, or (3) the petitioner asks to dismiss the civil action.¹² The statute establishes the automatic stay where courts tend to favor granting a stay already—namely, where the petition comes very early relative to the civil action devoid of the appearance of gamesmanship.¹³ But what happens when—as in most cases to date—the district court action is filed first?

If a patent owner files a civil action before a would-be defendant petitions for an inter partes review (IPR) or post grant review (PGR) proceeding, what procedures are there to ensure that the PTAB patentability determination proceeds first? For IPRs and PGRs (except covered business method patents (CBMs)), the AIA provides no guidance, likely in recognition of the fact that district courts

Nov. 29, 1999, Pub. L. No. 106-113, § 311, 113 Stat. 1501, 1501A-567. Sections 311 to 318 of Title 35 of the United States Code are directed to the optional inter partes reexamination procedures. See Wayne B. Paugh, *The Betrayal of Patent Reexamination: An Alternative to Litigation, Not a Supplement*, 19 FED. CIR. B.J. 177, 181–88 (2009) (chronicling the development of the original ex parte reexamination statute); see also Mark Consilvio & Jonathan R.K. Stroud, *Unraveling the USPTO's Tangled Web: An Empirical Analysis of the Complex World of Post-Issuance Patent Proceedings*, 21 J. INTELL. PROP. L. 33, 36–47 (2013) (same, updated for and including post-grant review, inter partes review, and covered business methods review).

10. Post-grant review proceedings were signed into law in 2011 with the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 331 (2011) (codified in scattered sections of 35 U.S.C.) (AIA), seeking to add quicker, more efficient methods to resolve disputes as to the validity of patents. See generally Jarrad Wood & Jonathan R. K. Stroud, *Three Hundred Nos: An Empirical Analysis of the First 300+ Denials of Institution for Inter Partes and Covered Business Method Patent Reviews Prior to In re Cuozzo Speed Technologies, LLC*, 14 J. MARSHALL REV. INTELL. PROP. L. 112, 116 (2015) (allowing the public, via the AIA, to “challenge patents after the patents are issued . . . on any validity issue” to facilitate “speed, certainty, and efficiency.” (footnotes omitted)).

11. See Wood & Stroud, *supra* note 10, at 113, 116 (noting that Congress created the post-grant procedure to increase speed, certainty, and efficiency within the system, as well as improve the quality of issued patents).

12. See 35 U.S.C. § 315(a) (2012) (stating also that a counterclaim of invalidity does not trigger the automatic stay).

13. §§ 315(a)(2), 325(a)(2).

already had and have an inherent power to control their own dockets, including the power to stay any proceeding for good cause, a power they routinely exercise in favor of ex parte reexamination and the now-moribund inter partes reexamination procedures. District courts consider stays in light of Patent Office proceedings by asking: (1) whether a stay will simplify issues at trial, (2) whether discovery is complete and a trial date is set, and (3) whether a stay will unduly prejudice the non-moving party.¹⁴ They then balance the factors and rule on whether, given their findings, it is in the interests of justice to stay the case.

For CBMs, section 18 of the AIA mandates a similar four-factor test, adding an additional element to the traditional stay analysis¹⁵:

- [(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; and

14. See, e.g., *Lennon Image Techs., LLC v. Macy's Retail Holdings, Inc.*, Nos. 2:13-cv-235-JRG, 2:13-cv-00239-JRG, 2014 WL 4652117, at *2–3 (E.D. Tex. Sept. 18, 2014) (denying a stay based on all three factors); *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1035 (C.D. Cal. 2013) (finding that two out of the three factors weighed against the defendant and denying Defendant's Motion to Stay); *Star Envirotech v. Redline Detection, LLC*, No. SACV 12–01861 JGB (MLGx), 2013 WL 1716068, at *1 (C.D. Cal. Apr. 3, 2013) (applying the reexamination inquiry to considerations of stay pending inter partes review (IPR)); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *1, *4 n.1 (C.D. Cal. Dec. 19, 2012) (noting that the three factor test still applied after the passage of the AIA); see also *Softview LLC v. Apple Inc.*, No. 10-389-LPS, 2012 WL 3061027, at *3–5 (D. Del. July 26, 2012) (denying the defendants' motion after examining the three factors); *Gryphon Networks Corp. v. Contact Ctr. Compliance Corp.*, 792 F. Supp. 2d 87, 90 (D. Mass. 2011) (remarking that “[c]ourts have inherent power to manage their dockets” and that courts will review the three reexamination factors when deciding whether to enter a stay); *Soverain Software LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005) (reasoning that courts can best manage their dockets by weighing “competing interests” and maintaining “an even balance” (citing *Landis v. N. Am. Co.*, 299 U.S. 248, 254–55 (1936))).

15. See *Broad. Innovation, LLC v. Charter Commc'ns, Inc.*, No. 03-CV-2223-ABJ-BNB, 2006 WL 1897165, at *3–4 (D. Colo. July 11, 2006) (articulating the four factors that would be codified in section 18 of the AIA); 157 CONG. REC. 3416 (2011) (statement of Sen. Schumer) (“The amendment employs the *Broadcast Innovation* test, rather than other multifactor tests . . . because this test properly emphasizes a fourth factor often ignored by the courts: ‘whether a stay will reduce the burden of litigation on the parties and on the court.’”).

[(4)] whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.¹⁶

The first three factors courts must evaluate for CBM-related stays are almost indistinguishable from those courts must evaluate for stays related to IPR, PGR, and other types of proceedings.¹⁷ In the context of a CBM proceeding, these provisions weigh heavily in favor of a district court's issuing a stay. Indeed, "it is nearly impossible" for a district court *not* to issue one.¹⁸

Because of some of the more challenging elements of CBM proceedings, Congress passed section 18 at least in part to help streamline the process of CBM patent litigation and lessen its associated costs.¹⁹ Section 18 does not require that presiding judges issue stays, but it strongly encourages them to do so.²⁰

To ensure "consistent application of standards and precedents across the country and to avoid one particular court with a favorable bench becoming the preferred venue of business method patent plaintiffs,"²¹ section 18 also allows for interlocutory appeals of stay

16. AIA, Pub. L. No. 112-29, § 18(b)(1), 125 Stat. 284, 331 (2011) (codified in scattered sections of 35 U.S.C.).

17. See *NFC Tech. LLC v. HTC Am. Inc.*, No. 2:13-CV-1058-WCB, 2015 WL 1069111, at *2 (E.D. Tex. Mar. 11, 2015) (reasoning that courts should pay particular attention to "whether a stay will reduce the burden of litigation" because Congress added this fourth factor).

18. 157 CONG. REC. 2861 (2011) (statement of Sen. Schumer).

19. See *id.* (explaining that the fourth factor was included to address cost concerns that arose because a patent could be subject to reexamination and litigation at the same time); see also *infra* Part II (analyzing a motion to stay pending litigation).

20. See *SightSound Techs., LLC v. Apple Inc.*, No. 11-1292, 2013 WL 2457284, at *1 (W.D. Pa. June 6, 2013) (noting that stays of litigation reduce the burden of litigation, which is the purpose of the transitional CBM program); *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 496 n.14 (D. Del. 2013) (same); see also *Zillow, Inc. v. Trulia, Inc.*, No. C12-01549JLR, 2013 WL 5530573, at *3 n.1 (W.D. Wash. Oct. 7, 2013) (quoting Senator Schumer as stating that the fourth statutory stay factor for Covered Business Methods (CBMs) provides a "heavy thumb" on the scale in favor of a stay); *Versata Software, Inc. v. Volusion, Inc.*, No. A-12-CA-893-SS, 2013 WL 6912688, at *3 (W.D. Tex. June 20, 2013) (noting Congress intended that "a stay [pending CBM review] should only be denied in extremely rare instances." (citation omitted)); *Progressive Cas. Ins. v. Safeco Ins. of Ill.*, Nos. 1:10CV01370, 1:11CV00082, 1:12CV01068, 1:12CV01070, 2013 WL 1662952, at *3 (N.D. Ohio Apr. 17, 2013) (quoting Senator Schumer's "heavy thumb" language).

21. 157 CONG. REC. 3417 (2011) (statement of Sen. Schumer) ("It is expected that the Federal Circuit will review the district court's decision regarding a stay de novo, unless there are unique circumstances militating against a de novo review, such as subsequent requests for an interlocutory appeal in the same case."). The "favorable bench" referred to suggests the Eastern District of Texas.

decisions to the Federal Circuit.²² On appeal, the Federal Circuit reviews the district court's ruling de novo.²³

To date, the Federal Circuit has issued only five opinions on appeals from CBM decisions²⁴ and only one opinion responding to a writ of mandamus seeking review of a stay related to an IPR.²⁵ The court's disposition of these cases is indicative of its posture toward district court stays in pending CBM reviews. These six decisions are relevant, by extension, to stays of pending IPR reviews, which are not subject to interlocutory appeal.²⁶ In all but one instance, the final determination resulted in a stay.²⁷

Because district courts have relied on and been influenced by these Federal Circuit cases when considering stays pending IPR,²⁸ whether the moving party will be successful in obtaining a stay is largely dependent upon four factors.

1. *Factor 1: Simplification of the issues*

The Federal Circuit, in a divided opinion, explained that this factor is meant to simplify the issues before the district court by giving it the benefit of the PTO's expertise regarding patentability.²⁹ Having the

22. *Id.*

23. *Id.*

24. *Smartflash LLC v. Apple Inc.*, 621 F. App'x 995, 1006 (Fed. Cir. 2015); *Intellectual Ventures II, LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372, 1373 (Fed. Cir. 2015); *Versata Software, Inc. v. Callidus Software, Inc.*, 771 F.3d 1368, 1369–70 (Fed. Cir. 2014), *vacated*, 780 F.3d 1134 (Fed. Cir. 2015); *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Ctrs. Inc.*, 767 F.3d 1383 (Fed. Cir. 2014); *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1308 (Fed. Cir. 2014).

25. *Ultratec, Inc. v. CaptionCall, LLC*, 611 F. App'x 720, 720 (Fed. Cir. 2015).

26. *See id.* at 721 (deciding that the court lacked jurisdiction to overturn the stay granted by the lower court because no extenuating circumstances justified allowing mandamus of the stay); *see also Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 277–78 (1988) (opining that a denial of a stay is not appealable because it is subject to reconsideration and is not final).

27. *Compare Ultratec, Inc.*, 611 F. App'x at 723 (dismissing a writ of mandamus of a grant of motion to stay), *and Intellectual Ventures II, LLC*, 781 F.3d at 1373 (dismissing an appeal of a denial of motion to stay), *and Versata Software, Inc.*, 771 F.3d at 1381 (remanding with instructions to grant motion to stay), *and Benefit Funding Sys. LLC*, 767 F.3d at 1387 (affirming a grant of motion to stay), *and VirtualAgility Inc.*, 759 F.3d at 1320 (reversing a denial of motion to stay), *with Smartflash LLC*, 621 F. App'x at 1006 (as to one appellant, dismissing an appeal of a denial of motion to stay; remanding and reversing the stay as to other appellant).

28. Jonathan Stroud et al., *Stay Awhile: The Evolving Law of District Court Stays in Light of Inter Partes Review, Post-Grant Review, and Covered Business Method Post-Grant Review*, 11 *BUFF. INTELL. PROP. L.J.* 226, 239 (2015).

29. *Smartflash LLC*, 621 F. App'x at 1000.

PTAB consider an asserted patent's merits simplifies the issues before the district court. Thus, it is possible that this element will always direct a court toward granting a stay.

After all, if the [PTAB] holds all of the claims unpatentable, the district court may dismiss the suit. If the [PTAB] holds only some of the claims are unpatentable, there will be fewer left for the district court to consider. And even if the [PTAB] cancels no claims, the court case will be simplified because estoppel will limit the arguments available, and the PTAB will have construed claims, which may encourage the parties to settle or at least aid the district court's decision making.³⁰

Although courts suggest that a "stay is particularly justified when the outcome of a PTO proceeding is likely to assist the court in determining patent validity or eliminate the need to try infringement issues,"³¹ judges differ on their approach to this element.

These variations largely depend on two factors: (1) whether the petition has merely been filed or whether the PTAB proceeding has since been instituted, and (2) the degree to which patent claims asserted in the underlying dispute overlap with those over which litigants seek review. When the PTAB has instituted a review, particularly when it has instituted a review of all the claims in the litigation, the first factor militates heavily in favor of a stay.³² Here, there is a "substantial likelihood of simplification of the district court litigation," but "that likelihood is far more speculative before the PTAB decides whether to institute review."³³ In *VirtualAgility, Inc. v.*

30. Stroud et al., *supra* note 28, at 240–41; *see, e.g.*, *Neste Oil OYJ v. Dynamic Fuels, LLC*, No. 12-1744-GMS, 2013 WL 3353984, at *4 (D. Del. July 2, 2013) (noting that the inter partes review petition allows for greater issue simplification, "and the fact that this case remains in its earliest stages only increases the prospect that a stay pending review will advance the interests of judicial economy").

31. *Evolutionary Intelligence, LLC v. Millennial Media, Inc.*, No. 5:13-CV-04206-EJD, 2014 WL 2738501, at *2 (N.D. Cal. June 11, 2014); *see Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983) (remarking there is no per se rule that patent cases must be stayed, but that it can be particularly justified in these cases); *3rd Eye Surveillance, LLC v. Stealth Monitoring, Inc.*, No. 6:14-CV-162-JDL, 2015 WL 179000, at *1 (E.D. Tex. Jan. 14, 2015) (same); *Norman IP Holdings, LLC v. TP-Link Techs., Co.*, No. 6:13-cv-384-JDL, 2014 WL 5035718, at *2 (E.D. Tex. Oct. 8, 2014) (same); *Air Vent, Inc. v. Owens Corning Corp.*, No. 02:10-cv-01699, 2012 WL 1607145, at *3 (W.D. Pa. May 8, 2012) (same).

32. *See, e.g.*, *Unifi Sci. Batteries, LLC v. Sony Mobile Commc'ns AB*, Nos. 6:12cv224 JDL, 6:12cv223 JDL, 6:12cv225 LED-JDL, 6:12cv221 LED-JDL, 2014 WL 4494479, at *2–3 (E.D. Tex. Jan. 14, 2014) (denying the motion to stay where a large number of the claims at issue were not in an inter partes review).

33. *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-CV-1058-WCB, 2015 WL 1069111, at *4 (E.D. Tex. Mar. 11, 2015); *see id.* at *7 (reporting that the "near-uniform line of

Salesforce.com, Inc.,³⁴ for example, the district court opined on the patent's chance of surviving PTAB review. Finding that the prior patent examination was "thorough," the district court judge considered numerous prior art references and section 101 issues; the judge noted the PTAB instituted review based on only one reference.³⁵ The judge noted that other, non-prior art references "of particular importance" were involved in litigation, but were not

authority" holds "that after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed"); *id.* at *6 (citing the following IPR-related stays: *Capella Photonics, Inc. v. Cisco Sys., Inc.*, No. C-14-3348 EMC, 2015 WL 1006582, at *1 (N.D. Cal. Mar. 6, 2015); *Gentherm Can., Ltd. v. IGB Auto., Ltd.*, No. 13-11536, 2015 WL 804657, at *1 (E.D. Mich. Feb. 26, 2015); *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-cv-05501-SI, 2015 WL 435457, at *1 (N.D. Cal. Feb. 2, 2015); *Serv. Solutions U.S., LLC v. Autel.US Inc.*, No. 1:13-10534, 2015 WL 401009, at *1 (E.D. Mich. Jan. 28, 2015); *In re CTP Innovations, LLC*, No. 14-MD-2581, 2015 WL 317149, at *1 (D. Md. Jan. 23, 2015); *Safe Storage LLC v. Dell Inc.*, No. 1:12-cv-01624-GMS, slip op. at 5 (D. Del. Jan. 22, 2015); *Cutsforth, Inc. v. Westinghouse Air Brake Techs. Corp.*, No. 12-1200 (SRN/JSM), 2015 WL 9859635, at *1 (D. Minn. Jan. 15, 2015); *CANVS Corp. v. United States*, No. 10-540 C, 2014 BL 378446, at *1 (Fed. Cl. Dec. 19, 2014); *Kaneka Corp. v. SKC Kolon PI, Inc.*, No. CV 11-3397 JGB (RZx), 2014 BL 378445, at *1 (C.D. Cal. Dec. 5, 2014); *Locata LBS LLC v. Paypal Inc.*, No. C 14-01864 JSW, 2014 BL 378444, at *1 (N.D. Cal. Dec. 4, 2014); *Surfcast, Inc. v. Microsoft Corp.*, No. 2:12-cv-333-JDL, 2014 WL 6388489, at *1 (D. Me. Nov. 14, 2014); *Norman IP Holdings, LLC v. Chrysler Grp. LLC*, No. 6:13-cv-00278-JDL, slip op. at 1 (E.D. Tex. Oct. 8, 2014); *Cypress Semiconductor Corp. v. GSI Tech., Inc.*, No. 13-cv-02013-JST, 2014 WL 5021100, at *1 (N.D. Cal. Oct. 7, 2014); *Intellectual Ventures II LLC v. Suntrust Banks, Inc.*, No. 1:13-cv-02454-WSD, 2014 WL 5019911, at *1 (N.D. Ga. Oct. 7, 2014); *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, Nos. C-13-04513, C-13-04201, C-13-04202, C-13-04203, C-13-04204, C-13-04205, C-13-04206, C-13-04207, C-13-03586, 2014 WL 4802426, at *1 (N.D. Cal. Sept. 26, 2014); *PersonalWeb Techs., LLC v. Google Inc.*, No. 5:13-CV-01317-EJD, 2014 WL 4100743, at *1 (N.D. Cal. Aug. 20, 2014); *Intellectual Ventures II LLC v. U.S. Bancorp*, Civil No. 13-2071 (ADM/JSM), 2014 WL 5369386, at *1 (D. Minn. Aug. 7, 2014); *Affinity Labs of Texas LLC v. Samsung Elecs. Co.*, No. 14-CV-2717 YGR, 2014 WL 3845684, at *1 (N.D. Cal. Aug. 1, 2014); *Depomed Inc. v. Purdue Pharma L.P.*, No. 13-571 (JAP), 2014 WL 3729349, at *1 (D.N.J. July 25, 2014)). For CBM-related stays, see *Versata Software, Inc. v. Callidus Software, Inc.*, 780 F.3d 1134, 1135 (Fed. Cir. 2015) (discussing appeals from CBM-related stays); *Moneycat Ltd. v. Paypal Inc.*, No. 14-cv-02490-JST, 2014 WL 5689844, at *1 (N.D. Cal. Nov. 4, 2014); *Secure Axxcess, LLC v. U.S. Bank Nat'l Ass'n*, No. 6:13-CV-717, slip op. at 2 (E.D. Tex. Oct. 20, 2014); *DataTreasury Corp. v. Fiserv, Inc.*, No. 2:13-cv-431-JRG-RSP, slip op. at 3 (E.D. Tex. Sept. 29, 2014); *Solutran, Inc. v. Elavon, Inc.*, No. 13-cv-2637 (SRN/SER), slip op. at 2 (D. Minn. Sept. 18, 2014); *Segin Sys., Inc. v. Stewart Title Guar. Co.*, No. 2:13cv190, 2014 WL 3895931, at *2 (E.D. Va. Aug. 8, 2014); *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Ctrs. Inc.*, 767 F.3d 1383, 1384 (Fed. Cir. 2014).

34. 759 F.3d 1307 (Fed. Cir. 2014).

35. *Id.* at 1310.

before the PTAB.³⁶ The Federal Circuit rejected this approach, finding that the court below had improperly adjudged the merits of the grounds before the PTAB.³⁷

To be sure, some courts have granted stays where the PTAB has not yet decided whether it will institute a proceeding.³⁸ These decisions have relied, in part, on the high frequency with which the PTAB institutes petitions.³⁹ To wit, some courts issue stays based on how likely it believes the PTAB is to institute.⁴⁰ The PTAB generally makes its decision on institution within four to six months of filing.⁴¹ Thus, if the PTO denies any petitions that provoked a stay, the stay will be quickly lifted and would have been relatively short.

Because IPRs and CBMs are assessed patent-by-patent and claim-by-claim,⁴² myriad claims and multiple patents, defendants, or causes of action complicate a district court's decision as to whether a PTAB proceeding will simplify a case in practice; litigants accused of infringement must sometimes file petitions for PTAB review on each of the asserted patents and all of the asserted claims to move the dispute to the PTO.⁴³ But courts may still grant a stay where only a subset of the asserted claims or patents are under review, if it

36. *Id.*

37. *Id.* at 1313.

38. *See, e.g.*, *Four Mile Bay LLC v. Zimmer Holdings, Inc.*, No. 3:14-CV-1300-JVB-JEM, 2015 WL 4641609, at *1, *3 (N.D. Ind. Aug. 3, 2015); *iMTX Strategic LLC v. Vimeo LLC*, Nos. C15-00592 JSW, C15-00593 JSW, C15-00594 JSW, C15-00595 JSW, C15-00596 JSW, C15-00597 JSW, C15-00598 JSW, C15-00599 JSW, 2015 WL 4089911, at *1 (N.D. Cal. July 6, 2015); *MLC Intellectual Prop., LLC v. Micron Tech., Inc.*, No. 14-cv-03657-SI, 2015 WL 496407, at *1 (N.D. Cal. Feb. 3, 2015).

39. *See, e.g.*, Daniel F. Klodowski & David Seastrunk, *Claim and Case Disposition*, FINNEGAN: AMERICA INVENTS ACT BLOG, <http://www.aiablog.com/claim-and-case-disposition> (last updated Mar. 1, 2016) (collecting statistics on the PTO's post-grant practices).

40. *Id.*

41. *See* Scott A. McKeown, *How Long Before My PTAB Trial Is Instituted?*, PATENTS POST-GRANT (Apr. 4, 2013), <http://www.patentspostgrant.com/how-long-before-my-ptab-trial-is-instituted>.

42. *See* 35 U.S.C. § 311(a) (2012) ("Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent."); *see also* Christopher Scharff, *5 Tips for Challenging a Patent via an IPR*, INSIDE COUNSEL (Dec. 21, 2015), <http://www.insidecounsel.com/2015/12/21/5-tips-for-challenging-a-patent-via-an-ipr> ("Filing multiple petitions may be necessary[:] A single IPR petition may only challenge one patent. If multiple patents are at play, multiple IPR petitions will be necessary.")

43. 77 Fed. Reg. 48,612, 48,635 (Aug. 14, 2012) (providing, in a response to comments made in regards to a proposed rule, that "the filing of multiple petitions directed to subsets of related claims should be considered").

determines that doing so would simplify the issues before it.⁴⁴ For instance, the court in *Robert Bosch Healthcare Systems, Inc. v. Cardiocom, LLC*⁴⁵ followed this logic, holding that “it seem[ed] more likely than not that at least some of the claims may be at least amended during reexamination.”⁴⁶ Thus, the court found that it would “greatly benefit from the PTO’s guidance.”⁴⁷ Similarly, in *Versata Software, Inc. v. Callidus Software, Inc.*,⁴⁸ the court reasoned that “[s]tays can be warranted even when a CBM proceeding does not address all asserted patents, claims, or invalidity defenses.”⁴⁹

These opinions notwithstanding, other courts have come to contradictory conclusions regarding disputes where only a subset of the claims and patents are under review.⁵⁰ In *Unifi Scientific Batteries, LLC v. Sony Mobile Communications AB*,⁵¹ for instance, the court found that these mixed claim sets—some on review and some not—weighed against issuing a stay.⁵²

When there are multiple co-defendants in a case, courts often ask co-defendants to agree to refrain from raising any invalidity contentions based on prior art and arguments actually raised and finally adjudicated in the PTAB proceedings, thus enlarging the scope of potential estoppel in exchange for those co-defendants reaping the benefits of a stay.⁵³ These agreements expand the IPR

44. See *Bonutti Skeletal Innovations, LLC v. Zimmer Holdings, Inc.*, Nos. 12-cv-1107 (GMS), 12-cv-1109 (GMS), 12-cv-1110 (GMS), 2014 WL 1369721, at *1 (D. Del. Apr. 7, 2014) (granting stay where four of six patents were under IPR).

45. No. 5:12-CV-3864-EJD, 2012 WL 6020012 (N.D. Cal. Dec. 3, 2012).

46. *Id.* at *2; see *Princeton Dig. Image Corp. v. Konami Dig. Entm’t Inc.*, Nos. 12-1461-LPS-CJB, 13-335-LPS-CJB, 2014 WL 3819458, at *2, *6 (D. Del. Jan. 15, 2014) (granting a stay even though one IPR had not yet been instituted); see also *Princeton Dig. Image Corp. v. Konami Dig. Entm’t Inc.*, Nos. 12-1461-LPS-CJB, 13-335-LPS-CJB, 2015 WL 219019, at *1, *4 (D. Del. Jan. 15, 2015) (continuing a stay after institution was denied for three dependent claims; thus, the validity of some claims would not be resolved by the PTAB).

47. *Robert Bosch Healthcare Systems, Inc.*, 2012 WL 6020012, at *2.

48. 771 F.3d 1368 (Fed. Cir. 2014), *vacated as moot*, 780 F.3d 1134 (Fed. Cir. 2015).

49. *Id.* at 1371.

50. See, e.g., *Card-Monroe Corp. v. Tuftco Corp.*, No. 1:14-cv-292, slip op. at 7 (E.D. Tenn. Feb. 19, 2015) (“[T]he benefit of such a review would be limited because it would only have the potential to resolve issues with one of the three patents at issue in the instant litigation.”).

51. Nos. 6:12cv224 JDL, 6:12cv223 LED-JDL, 6:12cv225 LED-JDL, 6:12cv221 LED-JDL, 2014 WL 4494479 (E.D. Tex. Jan. 14, 2014).

52. *Id.* at *2–3 (denying review where a large number of the claims at issue were not in IPR).

53. Stroud et al., *supra* note 28, at 244; see, e.g., *iMTX Strategic LLC v. Vimeo LLC*, Nos. C15-00592 JSW, C15-00593 JSW, C15-00594 JSW, C15-00595 JSW, C15-

and CBM's estoppel provisions to cover all co-defendants, regardless of whether they are parties to the PTAB proceedings.⁵⁴ When less than all co-defendants agree, it can weigh against a stay.⁵⁵ Similarly, offering procedural stipulations can lessen the suggestion of prejudice to the patent owner. For instance, moving parties can consider stipulating to a faster trial schedule; or, should the claims survive, they may agree to jointly dissolve a stay after an IPR, PGR, or CBM; they could also agree to modified meet-and-confer or notice

00596 JSW, C15-00597 JSW, C15-00598 JSW, C15-00599 JSW, 2015 WL 4089911, at *3 (N.D. Cal. July 6, 2015) (granting a stay conditioned on defendants' agreement "to be estopped from asserting any invalidity contention that was actually raised and finally adjudicated in the CBM proceedings"); *Capella Photonics, Inc. v. Cisco Sys., Inc.*, No. C-14-3348 EMC, 2015 WL 1006582, at *1 (N.D. Cal. Mar. 6, 2015) (finding co-defendants' agreement to be bound by the IPR estoppel provisions alleviated the court's concerns and weighed in favor of a stay); *Pi-Net Int'l, Inc. v. Focus Bus. Bank*, Nos. C-12-4958-PSG, C-12-4959-PSG, C-12-4962-PSG, 2013 WL 4475940, at *5 (N.D. Cal. Aug. 16, 2013) (granting a stay conditioned on defendants' refraining from raising any invalidity defense that they could have raised in the IPR); *Achates Reference Publ'g., Inc. v. Symantec Corp.*, No. 2:11-cv-294-JRG-RSP, slip op. at 2 (E.D. Tex. Apr. 4, 2013) (same); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *2 (C.D. Cal. Dec. 19, 2012) (granting a stay because "[d]efendants who did not file the IPR petitions have agreed to be bound by the estoppel provisions of the IPR proceedings").

In *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, the court stated:

[B]ecause [defendant] is not one of the IPR petitioners, [it] would not be precluded under 35 U.S.C. § 315(e)(2) from reasserting invalidity contentions rejected by the PTO. . . . If [defendant] and IPR petitioners communicate on strategy, [defendant] should be bound by the full statutory estoppel provision. If, however, [defendant] has no input on the IPR strategy, it should not be precluded from raising arguments that could have been raised in the IPR proceedings.

Evolutionary Intelligence, LLC v. Sprint Nextel Corp., No. C-13-4513-RMW, 2014 WL 819277, at *5 (N.D. Cal. Feb. 28, 2014); *see also In re Protegrity Corp.*, No. 2600, 2015 WL 4734938, at *2 (N.D. Cal. Aug. 10, 2015) (weighing the first, third, and fourth factors of the section 18 test, and finding that conditioning a stay on defendant's agreement to be estopped by the results of PTAB proceedings was not warranted in this case).

54. *See Semiconductor Energy Lab. Co.*, 2012 WL 7170593, at *2 (remarking that even defendants not involved with the IPR proceedings have agreed to be bound by it).

55. *See id.* ("The 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."); *see also e-Watch Inc. v. Avigilon Corp.*, No. H-13-0347, 2013 WL 6633936, at *2-3 (S.D. Tex. Dec. 17, 2013) (granting a stay pending related adversarial IPR proceedings with Mobitix, but awaiting determination as to whether Avigilon should be estopped under section 315 of the AIA from asserting any section 102 or 103 arguments that reasonably could have been raised by Mobitix, or only estopped on the grounds actually raised in the related IPR by Mobitix).

requirements.⁵⁶ When third parties unrelated to the litigation bring IPRs, a court may still stay the litigation, even without the parties agreeing to be bound by the same estoppel,⁵⁷ or alternatively, by agreeing to be bound by the limited estoppel of what was actually raised and adjudicated before the PTAB in the unrelated proceeding.⁵⁸

Under 35 U.S.C. § 311(b) and through sections 102 and 103 of the Patent Act, the scope of IPR proceedings is narrowed to include only anticipation or obviousness over prior art patents or printed publications.⁵⁹ This leaves litigation over other invalidity issues—such as patentable subject matter, usefulness, enablement, written description, and statutory bars—for the court.⁶⁰ Particularly when the moving parties have already raised additional issues through counterclaims, some courts refuse to grant stays in cases involving

56. See *Blue Calypso, Inc. v. Groupon, Inc.*, No. 6:12-cv-00486-MHS, slip op. at 1–2 (E.D. Tex. Jan. 16, 2014) (granting a stay in a trial with many defendants, given nine listed stipulations that all parties agreed to).

57. In *Grecia v. American Express Co.*, No. 1:15-cv-09217-RJS (S.D.N.Y. May 6, 2016), *Grecia v. MasterCard Inc.*, No. 1:15-cv-09059-RJS (S.D.N.Y. May 6, 2016), and *Grecia v. Visa Inc.*, 1-15-cv-09210-RJS (S.D.N.Y. May 6, 2016), a New York court granted American Express Company, MasterCard Incorporated, and Visa Incorporated a stay of their district court litigation in light of three IPRs filed by Unified Patents Incorporated on three patents asserted by Mr. Grecia, Patents Nos. 8,402,555, 8,533,860, and 8,887,308, prior to the institution of those IPRs. The details of that stay, granted during a hearing, are unclear.

58. In *Grecia v. DISH Network, LLC*, No. 4-16-cv-00588 (N.D. Cal. May 3, 2016), a California court granted DISH Network, LLC (“DISH”) a stay of their district court litigation in light of an IPR filed by Unified Patents Inc. on the sole asserted patent, U.S. Patent No. 8,887,308, prior to the institution of that IPR. DISH requested no estoppel apply. The plaintiff requested that DISH be bound by the full estoppel of the statute as well as a broader estoppel urged by Mr. Grecia. The judge ruled in the alternative, asking DISH to be bound by a limited form of estoppel—i.e., only the issues actually raised and finally adjudicated in the IPR.

59. There is healthy debate at bar about which forum is most appropriate for this type of determination, and whether invalidity should be determined under different claim construction standards, evidentiary standards, and procedural requirements. See, e.g., Laura C. Whitworth, *What’s in a Claim?: The Importance of Uniformity in Patent Claim Construction Standards Between District Court Litigation and Inter Partes Review*, 98 J. PAT. & TRADEMARK OFF. SOC’Y 21, 33, 37–39 (2016) (describing the early success of IPRs and arguing that the PTAB and the district courts should use the same claim construction standards when analyzing claims for the purposes of invalidity). The issue was recently taken up on certiorari by the Supreme Court, though as of this Essay’s publication date, the result was not certain. See *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015), cert. granted sub nom. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 890 (2016).

60. See Whitworth, *supra* note 59, at 38–39.

other causes of action or invalidity theories.⁶¹ In light of these rulings, other courts might similarly refuse to grant stays in cases where accusations of infringement only represent a portion of the case. Particularly, “[i]ssues of trade secret misappropriation, unfair competition, or trademark infringement . . . may expand a case beyond patentability.”⁶² This is particularly relevant, given President Barack Obama’s recent signing of the Defend Trade Secrets Act, which allows companion federal trade secret rights of action.⁶³

2. *Factor 2: State of district court proceedings*

When balancing the second element, courts consider whether the parties have completed discovery and whether the case has been set for trial. Under this factor, courts determine whether it would be more or less expeditious to allow the PTAB to determine patentability while considering the resources already expended in the case.

Courts look to two factors, among others, to make this determination: (1) the speed with which the particular district court the case is before normally disposes of patent litigation,⁶⁴ and (2) the stage of litigation the case is in when the moving party files its petition at the PTO.⁶⁵

The first factor—what court the case is currently before—is highly relevant to the court’s determination, as the time it takes to resolve patent cases differs greatly across districts. Some courts accelerate

61. *E.g.*, Report and Recommendation at 5, U.S. Nutraceuticals LLC v. Cyanotech Corp., No. 5:12-cv-366-Oc-10PRL (M.D. Fla. Oct. 15, 2013) (“The inter partes review proceeding will have no bearing on Defendants’ counterclaims, such as for unfair competition.”).

62. Stroud et al., *supra* note 28, at 245.

63. Defend Trade Secrets Act of 2016, Pub. L. No. 114-153, 130 Stat. 376 (to be codified at 18 U.S.C. § 90).

64. *See, e.g.*, Intellectual Ventures II, LLC v. JPMorgan Chase & Co., 781 F.3d 1372, 1374–75 (Fed. Cir. 2015) (observing that the district court based its denial of a motion to stay, in part, on the fact that it anticipated “the litigation to be resolved in less than a year,” compared to a CBM review process that could take more than eighteen months).

65. *See, e.g.*, Destination Maternity Corp. v. Target Corp., 12 F. Supp. 3d 762, 767–68 (E.D. Pa. 2014) (less than four months after infringement contentions was reasonably timely); Software Rights Archive, LLC v. Facebook, Inc., No. C-12-3970 RMW, 2013 WL 5225522, at *6 (N.D. Cal. Sept. 17, 2013) (just over four months after identification of asserted claims was reasonable); Semiconductor Energy Lab. Co. v. Chimei Innolux Corp., No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012) (a “mere” three to four month delay in filing petition after infringement contentions was reasonable).

patent cases, pushing them to trial in a matter of two years or less.⁶⁶ Other, less ambitious courts allow cases to develop in earnest, often over several years.⁶⁷ In jurisdictions like the Eastern District of Virginia, which is known as the “rocket docket,”⁶⁸ stays pending PTAB proceedings may be less likely because cases there proceed to trial more quickly than those on other dockets.⁶⁹

The timing of a stay motion also impacts a court’s decision to stay. Accordingly, late stay motions, such as those where litigants have already had the benefit of a trial, in whole or in part, are less likely to merit a stay in favor of PTAB proceedings.⁷⁰ In fact, in *Smartflash LLC v. Apple, Inc.*,⁷¹ the Federal Circuit overturned the lower court’s denial of a stay sought before trial as to one defendant, but upheld the

66. See, e.g., U.S. DIST. CT. E.D. TEX. PATENT R. 1–2 (permitting a judge to “accelerate” patent cases based on factors such as the “complexity of the case or the number of patents, claims, products, or parties involved”).

67. See, e.g., *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 586 F. Supp. 2d 1083, 1090, 1099 (D. Ariz. 2008) (ruling patent valid and infringed three years after the complaint was filed).

68. Dabney J. Carr IV & Robert A. Angle, *Litigating Patent Infringement Cases in the “Rocket Docket” of the Eastern District of Virginia*, 22 INTELL. PROP. & TECH. L.J. 14, 14 (2010).

69. *SynQor, Inc. v. Cisco Sys., Inc.*, 2:14-cv-00286-RWS-CMC, slip op. at 2 (E.D. Tex. Aug. 10, 2015) (denying a motion to stay when fact and expert discovery had closed and the case was headed for trial in three months).

70. Per statute, CBMs may be filed at any time, but an IPR can be filed only within one year of the service of a district court complaint. 35 U.S.C. § 315(b) (2012). As such, a trial occurring before a stay is requested—as in *Smartflash*—is much more likely in relation to a CBM than an IPR. The *Smartflash* majority confirmed district court findings that, in seeking a stay after trial, the moving party demonstrated a lack of diligence in filing, as well as an attempt to gain tactical advantage over the patent owner. *Smartflash LLC v. Apple Inc.*, 621 F. App’x 995, 1002 (Fed. Cir. 2015). Similarly, if the parties have undergone the *Markman* hearing—a procedure that arose from the Supreme Court’s decision in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996), which requires judges (as opposed to juries) to determine the construction of a patent—and have completed discovery, the balance shifts against granting a stay. E.g., *Bonutti Research, Inc. v. Lantz Med., Inc.*, No. 1:14-cv-00609-SEB-MJD, 2015 WL 3386601, at *2 (S.D. Ind. May 26, 2015) (denying a motion to stay where parties had submitted *Markman* briefs, a *Markman* hearing was set, and depositions had begun); *Unwired Planet, LLC v. Square, Inc.*, No. 3:13-cv-00579-RCJ-WGC, 2014 WL 4966033, at *3, *9 (D. Nev. Oct. 3, 2014) (denying a motion to stay where the majority of discovery was complete and a *Markman* order was imminent); *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1031, 1035 (C.D. Cal. 2013) (denying the defendant’s motion to stay pending IPR where the plaintiff had already served written discovery, a trial date was set, and the court had held a *Markman* hearing and issued a claim construction ruling). Where the parties have little left to do before trial, a court is less likely to grant a stay. See cases cited *supra*.

71. 621 F. App’x 995 (Fed. Cir. 2015).

court's denial of a stay the moving party requested after trial as to another,⁷² thus succinctly illustrating in one case the impact timing can have on the issuance of a stay. Similarly, in *NFC Technology LLC v. HTC America, Inc.*,⁷³ the court found that an IPR petition filed just over seven months after the plaintiffs filed their complaint and only four months after the plaintiffs served their infringement contentions was reasonable.⁷⁴ Therefore, although each district disposes of litigation at different rates, courts are more likely to grant a stay when a petition is filed prior to major case developments.

The sooner litigants request PTAB review, the more likely the Board is to institute, which in turn makes a court more likely to grant a stay. Take for instance *Automatic Manufacturing Systems, Inc. v. Primera Technology, Inc.*⁷⁵ There, although the court initially denied the party's motion to stay,⁷⁶ it ultimately granted a renewed motion, noting that the matter was "now ripe for . . . adjudication."⁷⁷ In the earlier denial, the court stressed that the time between filing the petition and institution meant that the case would "have been left languishing on the [c]ourt's docket with no discovery, no positioning of the parties on claim construction, and no dispositive motions" had the PTAB not instituted a review.⁷⁸ Thus, to prevent a case from "languishing," a party seeking PTAB review should file its petition shortly after a case is filed to increase their chances of being granted a stay.

Similarly, in *VirtualAgility, Inc. v. Salesforce.com, Inc.*,⁷⁹ the district court found that the party's filing of its motion at a "relatively early stage of the proceedings" significantly factored into its decision to issue a stay.⁸⁰ The claim constructions before the court and that the parties had completed some discovery (though six months of fact discovery remained) both pointed in favor of granting a stay.⁸¹ On

72. *Id.* at 1006. *But see* *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 13-cv-346-bbc, 2015 WL 2248437, at *6 (W.D. Wis. May 13, 2015) (granting a stay in view of IPR after receipt of the jury verdict, but before ruling on post-trial motions).

73. No. 2:13-cv-1058-WCB, 2015 WL 1069111 (E.D. Tex. Mar. 11, 2015).

74. *Id.* at *3.

75. No. 6:12-cv-1727-Orl-37DAB, 2013 WL 1969247, at *3 (M.D. Fla. May 13, 2013).

76. *Id.* The court granted the party leave to re-file, pending the outcome of the PTAB's decision on institution. *Id.*

77. *Automatic Mfg. Sys., Inc. v. Primera Tech., Inc.*, No. 6:12-cv-1727-Orl-37DAB, 2013 WL 6133763, at *1, *34 (M.D. Fla. Nov. 21, 2013).

78. *Automatic Mfg. Sys., Inc.*, 2013 WL 1969247, at *3.

79. 759 F.3d 1307 (Fed. Cir. 2014).

80. *See id.* at 1315–16.

81. *See id.* at 1315.

appeal, the Federal Circuit largely concurred with the lower court's decision, finding that "it was not error for the district court to wait until the PTAB made its decision to institute CBM review before it ruled on the motion."⁸² Overall, for litigants to increase their chances of being granted a stay, they should file their motions as soon as possible after litigation begins.

3. *Factor 3: Undue prejudice*

Under the third factor, courts determine the extent to which granting a stay will prejudice the non-moving party. Although some have argued that this prong will always militate toward denying the motion because it will invariably disadvantage the patent owner,⁸³ "the omnipresent potential for delay does not alone suffice to establish the prejudice needed to deny a stay."⁸⁴ Indeed, the PTAB is required to complete IPRs and CBMs within twelve months of instituting review.⁸⁵ Thus, the statutorily mandated timeline mitigates the risks present before the passage of the AIA that would have weighed against a stay, including risks that evidence will be lost or that circumstances will be changed due to unexpected events.

However, "waiting for the administrative process to run its course" frequently "risks prolonging the final resolution of the dispute and thus may result in some inherent prejudice to the plaintiff."⁸⁶ Although this possible interruption, standing alone, does not tip the scales against issuing a stay, it is nevertheless a factor courts must consider.⁸⁷ That said, because "granting inter partes review probably

82. *See id.* (noting that "the timing factor heavily favors a stay").

83. *See* *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P.*, 922 F. Supp. 2d 486, 494 (D. Del. 2013) (observing that though a stay creates some prejudice, it does not necessarily create undue prejudice).

84. *Stroud et al.*, *supra* note 28, at 248; *see* *Conair Corp. v. Tre Milano, LLC*, No. 3:14-cv-1554(AWT), 2015 WL 4041724, at *4 (D. Conn. July 1, 2015) ("Delay by itself does not necessarily constitute undue prejudice, as nearly every judicial stay involves delay." (citing *Smart Modular Techs., Inc. v. Netlist, Inc.*, No. 2:12-cv-02319-TLN-EFB, 2013 WL 2384342, at *5 (E.D. Cal. May 30, 2013))); *Capriola Corp. v. LaRose Indus. LLC*, No. 8:12-cv-2346-T-23TBM, 2013 WL 1868344, at *2-3 (M.D. Fla. Mar. 11, 2013) (staying litigation notwithstanding the fact that the parties directly competed in the relevant market); *Neste Oil Oyj v. Dynamic Fuels, LLC*, No. 12-662-GMS, 2013 WL 424754, at *2-3 (D. Del. Jan. 31, 2013) (finding that "the potential for delay does not, by itself, establish *undue* prejudice" and that concerns about direct competition between the parties were not persuasive in that case).

85. *Market-Alerts Pty. Ltd.*, 922 F. Supp. 2d at 495.

86. *Id.* at 494.

87. *Capriola Corp.*, 2013 WL 1868344, at *2-3 (staying litigation notwithstanding that the parties directly competed in the relevant market); *Neste Oil Oyj*, 2013 WL

results in an even higher likelihood than under the prior standard that the issues in [an] action will be simplified by the reexamination,”⁸⁸ difficult cases in which a court would likely deny the motion in view of review could possibly now favor the movant.

In addition to the aforementioned factors, courts also look to several other elements when considering the “undue prejudice” or “clear tactical advantage” prong of the AIA analysis.⁸⁹ One of these factors is whether the litigants compete in the market.⁹⁰ If a stay

424754, at *2–3 (finding that “the potential for delay does not, by itself, establish *undue* prejudice” and that concerns about direct competitiveness were not persuasive in that case).

88. *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *2 (C.D. Cal. Dec. 19, 2012) (citing *Inogen, Inc. v. Inova Labs, Inc.*, No. SACV 11-1692-JST (ANx), 2012 WL 4748803, at *3 (C.D. Cal. Mar. 20, 2012)).

89. *See E-Watch, Inc. v. Lorex Can., Inc.*, No. H-12-3314, 2013 WL 5425298, at *2 (S.D. Tex. Sept. 26, 2013) (remarking that “mere lapse of time” was not sufficient prejudice); *Voltstar Techs., Inc. v. Superior Commc’ns, Inc.*, No. 2:12-cv-00082-JRG, 2013 WL 4511290, at *2 (E.D. Tex. Aug. 22, 2013) (noting direct competition of the parties as a consideration); *Semiconductor Energy Lab. Co.*, 2012 WL 7170593, at *3 (explaining that the plaintiff also claimed prejudice based on “reputational and financial damage” and “allegations of inequitable conduct”); *TierraVision, Inc. v. Google, Inc.*, No. 11cv2170 DMS(BGS), 2012 WL 559993, at *3 (S.D. Cal. Feb. 21, 2012) (stressing that “delay alone is insufficient to demonstrate prejudice”).

90. *See Four Mile Bay LLC v. Zimmer Holdings, Inc.*, No. 3:14-CV-1300-JVB-JEM, 2015 WL 4641609, at *2 (N.D. Ind. Aug. 3, 2015) (noting that the parties were not direct competitors when concluding that no undue prejudice existed); *Allure Energy Inc. v. Honeywell Int’l, Inc.*, No. 1-15-CV-079 RP, 2015 WL 4207243, at *2–3 (W.D. Tex. July 2, 2015) (denying a stay where “the parties [were] direct competitors in [a] narrow, still-emerging market” and where the patent holder, a small start-up company, contended that it could go out of business if a stay was instituted); *Davol v. Atrium Med. Corp.*, No. 12-958-GMS, 2013 WL 3013343, at *6 (D. Del. June 17, 2013) (denying a stay and finding that “Davol will suffer undue prejudice should it be forced to continue competing with Atrium’s accused products without being permitted to advance its infringement claims”); *Avago Techs. Fiber IP (Singapore) PTE, Ltd. v. IPtronics Inc.*, No. 10-CV-02863-EJD, 2011 WL 3267768, at *5 (N.D. Cal. July 28, 2011) (“Staying a case while [harm in the marketplace] is ongoing usually prejudices the patentee that seeks timely enforcement of its right to exclude.”); *Heraeus Electro-Nite Co. v. Vesuvius USA Corp.*, No. 09-2417, 2010 WL 181375, at *1 (E.D. Pa. Jan. 11, 2010) (“[C]ourts have been reluctant to grant stays where, as here, the parties are direct competitors.”). Courts have even considered lost market share and revenue an “irreparable injury” that weighs heavily against a stay that would delay the outcome of infringement proceedings. *VirtualAgility, Inc. v. Salesforce.com, Inc.*, No. 2:13-cv-00011-JRG, 2014 WL 94371, at *5–6 (E.D. Tex. Jan. 9, 2014), *rev’d*, 759 F.3d 1307 (Fed. Cir. 2014) (“Given that the patentee ‘could lose market share—potentially permanently—during the stay, . . . while the alleged infringer continues to sell the competing products,’ such loss constitutes an irreparable injury not compensable by money damages.”).

would potentially allow the alleged infringer to acquire market share from the patent holder, a court will be less likely to issue a stay pending the resolution of a PTAB proceeding. If the parties sell competing products and a stay could force the patent owner to lose market share to the accused infringer, courts may be less willing to make the patent owner wait for the PTAB proceeding to conclude.⁹¹ On the other hand, if the patent owner does not practice the patent in question, is not in competition for market share with the alleged infringer, or if the patent has expired, a court is more likely to issue a stay.⁹²

For example, in *VirtualAgility*, the court found that because there was “credible evidence” the parties competed for market share and that, because of that competition, the patentee, which was a “small company with limited resources,” would be exposed to the possibility of losing both its position in the market and goodwill if the litigation were stayed,⁹³ Judge Rodney Gilstrap found that the third factor weighed “heavily against” granting a stay.⁹⁴ On appeal, the Federal Circuit reversed the lower court,⁹⁵ concluding that there was no direct evidence that the parties competed in the market and, although *VirtualAgility* could be harmed by a delay in litigation, that harm would not be irreparable.⁹⁶ Thus, although “competition between parties can weigh in favor of finding undue prejudice,” it is not dispositive.⁹⁷

Finally, when a patent has already expired, a stay might not prejudice a patent-holder at all.⁹⁸ Accordingly, delays in litigation could not adversely affect the party’s patent because its term will have

91. See *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1317 (Fed. Cir. 2014).

92. See *id.* at 1318 (explaining that a stay will merely delay realization of damages that a successful plaintiff might be in an infringement suit, but not reduce the possible award).

93. *Id.* at 1317.

94. See *id.* at 1317–18 (citing lost market share and loss of consumer goodwill that would result if the patentee could not enforce its rights).

95. See *id.* at 1318 (finding that the concern of prejudice only “slightly” weighed against granting the stay).

96. *Id.*

97. *Id.* The panel further considered the fact that *VirtualAgility* did not move to preliminarily enjoin *Salesforce.com*, a fact that cut against *VirtualAgility*’s argument that it would be prejudiced without swift injunctive relief. See *id.* at 1318–19 (acknowledging that there could be other reasons why defendant did not move for a preliminary injunction).

98. See, e.g., *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1029, 1034 (C.D. Cal. 2013).

already run.⁹⁹ Because a court will fix damages on the litigation's filing date and the patent's expiration date, prejudice is minimized.¹⁰⁰ Thus, in this situation, litigation delays likely do not weigh heavily in the court's consideration.

4. *Factor 4: Reduction of litigation burden on the parties and the court*

In addition to the first three factors, section 18 of the AIA compels courts to consider whether the stay, or the denial thereof, will reduce the burden of litigation on the parties and the court. According to U.S. Senator Charles "Chuck" Schumer, this "places a very heavy thumb on the scale in favor of a stay."¹⁰¹ This assertion is borne out in reality.

In *VirtualAgility*, Judge Gilstrap found that the fourth element might be only "slightly in favor" of a stay.¹⁰² He explained that the PTAB would not likely overturn many asserted claims¹⁰³ because "general relief from dual track litigation . . . is inherent to all CBM reviews"¹⁰⁴ and many prior art claims were before the court that were not before the PTAB.

Hearing the case on appeal, and ultimately overturning the lower court's ruling, the Federal Circuit cautioned against conflating the fourth factor with the first three.¹⁰⁵ Illustrating the way in which lower courts should evaluate this final factor, the Federal Circuit explained that the fourth factor should include considerations of "the number of plaintiffs and defendants, the parties' and witnesses' places of residence, issues of convenience, the court's docket, and in particular, its potential familiarity with the patents at issue."¹⁰⁶ For many of these considerations, the court's evaluation will come down to cost. Generally, looking at the average cost of a post-grant proceeding compared to the average cost of litigation, it is most cost effective to avoid litigation where possible.¹⁰⁷

99. *See id.* at 1032 (noting that the patents cannot be amended).

100. *Id.* at 1034 (reasoning that "for the two asserted patents that have already expired, there can be no further lost-customer type harm").

101. 157 CONG. REC. 3416 (2011) (statement of Sen. Schumer).

102. *VirtualAgility, Inc. v. Salesforce.com*, No. 2:13-cv-00011-JRG, 2014 WL 94371, at *7 (E.D. Tex. Jan. 9, 2014), *rev'd*, 759 F.3d 1307 (Fed. Cir. 2014).

103. *Id.*

104. *Id.* at *8.

105. *See VirtualAgility, Inc. v. Salesforce.com*, 759 F.3d 1307, 1320 n.8 (Fed. Cir. 2014).

106. *Id.* at 1314 n.4.

107. AM. INTELLECTUAL PROP. LAW ASS'N, 2015 REPORT OF THE ECONOMIC SURVEY 32 (2015) (finding that median costs of post-grant work were \$275,000 through the

*B. Patent Office Proceedings Often Lead to a Stay of District Court
Litigation*

Congress meant the AIA's new statutory post-grant review procedures to be, among other things, "quick and cost effective alternatives to litigation."¹⁰⁸ The AIA introduced new patent review trials to be held before the rechristened PTAB, like IPR and PGR, both of which went into effect on September 16, 2012.¹⁰⁹ Section 18 of the AIA, titled "Transitional Program for Covered Business Method (CBM) Patents," established a powerful subset of PGR proceedings for certain patents.¹¹⁰ CBM proceedings are, for the purposes of this background, treated similarly to PGR proceedings.¹¹¹

Procedurally, IPR, PGR, and CBM replace the paper administration of inter partes reexamination with a trial conducted by a panel of three administrative patent judges—complete with limited discovery, deposition, and an oral argument.¹¹² They shift the burden from the PTO to the petitioner to show unpatentability.¹¹³

1. IPR

IPR trials—like district court trials—seek "the just, speedy, and inexpensive resolution of every proceeding."¹¹⁴ The PTAB must issue a final determination no more than a year post-institution, extendable by six months for good cause, or indefinitely in the case

PTAB hearing and \$350,000 through appeal on average compared to millions in litigation costs).

108. H.R. REP. NO. 112-98, pt. 1, at 48 (2011) (remarking that Congress wanted to keep resources in researching and developing patents, not in fighting cases in court); *see* 157 CONG. REC. 2710 (2011) (statement of Sen. Grassley) (inter partes review was intended to provide a "faster, less costly alternative[] to civil litigation to challenge patents").

109. AIA, Pub. L. No. 112-29, 125 Stat. 284, 313 (2011).

110. § 18, 125 Stat. at 329–30. Because section 18 is scheduled to sunset after eight years, it is not codified in title 35, but is rather a floating statute.

111. Section 18(a)(1) specifies that CBMs "shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of [T]itle 35," with some exceptions. § 18(a)(1), 125 Stat. at 329.

112. *See* 157 CONG. REC. 3428 (2011) (statement of Sen. Kyl).

113. *See id.* ("One important structural change made by the present bill is that inter partes reexamination is converted into an adjudicative proceeding in which the petitioner, rather than the Office, bears the burden of showing unpatentability.").

114. *Compare* 37 C.F.R. § 42.1(b) (2015) (requiring PTAB procedural rules to be "construed to secure the just, speedy, and inexpensive resolution of every proceeding"), *with* FED. R. CIV. P. 1 (stating that the rules "should be construed, administered, and employed by the court and the parties to secure the just, speedy, and inexpensive determination of every action and proceeding").

of joinder.¹¹⁵ To institute an IPR, parties file a petition; the patent owner may optionally respond to why the petition should not be instituted; then the Board determines if the petition demonstrates “there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable.”¹¹⁶

2. PGR and CBM

PGRs and CBMs are similar to IPRs. Unlike IPRs, parties may only petition for PGR during the first nine months after the patent issues (or reissues).¹¹⁷ With the exception of business method patents and pending interferences, PGR only applies to patents with a priority date later than March 15, 2013; specifically, the PGR applies only to patents that contain a claim with an effective filing date that is on or after March 16, 2013.¹¹⁸

Section 18 of the AIA created a special type of post-grant review for challenging CBM patents. Congress intended CBMs to be an accessible, low-cost procedure for companies to challenge broad patents of questionable patentability related to the financial industry.¹¹⁹ CBMs reviews may be filed any time after issuance (other than when a PGR is available), provided they meet other factors.¹²⁰ Any party threatened or sued on a covered patent may pursue a CBM petition.¹²¹ They may raise any statutory grounds for invalidity, including section 101, 102, 103, and 112 challenges.¹²²

If the Board rules in a final written decision, the AIA estops the petitioner from raising many patentability arguments before the Board, in federal courts, or the International Trade Commission (ITC).¹²³ The scope of estoppel varies by the type of proceeding, but all types attach when the PTAB issues the final written decision, prior to a final appeal.¹²⁴

115. 37 C.F.R. § 42.100(c).

116. *Id.* § 42.108(c).

117. *See* 35 U.S.C. § 321(c) (2012); 37 C.F.R. § 42.202.

118. *See* 35 U.S.C. § 321(a); 37 C.F.R. § 42.201.

119. *See generally* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 630 (2012) (quoting supporters of section 18, who viewed it as an “inexpensive and faster alternative to litigation” and “a crackdown on low-quality business method patents”).

120. 37 C.F.R. § 42.303.

121. Pub. L. No. 112-29, § 18(a)(1)(B), 125 Stat. 284, 330 (2011); 37 C.F.R. § 42.302(a).

122. Matal, *supra* note 119, at 626; *see* AIA, Pub. L. No. 112-29, 125 Stat. at 330.

123. Matal, *supra* note 119, at 626.

124. *Id.* at 616.

For IPRs, the estoppel provision (section 315(e)) applies both an inter-office estoppel (section 315(e)(1)) and a broader estoppel (section 315(e)(2)), specifically over district court and ITC proceedings. These provisions attach at “final written decision” and prevent the petitioner from raising any ground the petitioner “raised or reasonably could have raised during that inter partes review.”¹²⁵ While what a petitioner “raised or reasonably could have raised” continues to be litigated, practitioners generally bring unpatentability challenges based on the best available known art, fearing that the estoppel provision will bar any opportunity to bring additional invalidity challenges, before the PTAB¹²⁶ or elsewhere.¹²⁷

The AIA precludes anyone who has filed for declaratory judgment on invalidity or been served with a complaint of infringement more than a year prior from requesting an IPR.¹²⁸ This provision, coupled with the PTO’s discretion to stay, transfer, consolidate, or terminate additional concurrent proceedings before the PTO, complicates disputes.¹²⁹

Similarly, the statute precludes CBM petitioners from reasserting invalidity grounds they “raised or reasonably could have raised” in future PTO proceedings.¹³⁰ But unlike IPR or PGR proceedings, following the issuance of a final written decision, the petitioner is only prevented from raising invalidity positions that were actually “raised during that [CBM] proceeding” in district-court or ITC

125. § 315(e), 125 Stat. at 300–02. *But see id.* § 316(a)(11) (making an exception to the one-year deadline for IPRs by a period for “not more than [six] months” for “good cause shown,” but the Director may “*adjust the time periods in this paragraph in the case of joinder under section 315(c)*” (emphasis added)); 37 C.F.R. § 42.100(c) (“An inter partes review proceeding shall be administered such that pendency before the Board after institution is normally no more than one year. The time can be extended by up to six months for good cause by the Chief Administrative Patent Judge, or adjusted by the Board in the case of *joinder*.” (emphasis added)).

126. *E.g.*, Dell, Inc. v. Elecs. & Telecomms. Res. Inst., No. IPR2015-00549, 2015 WL 1731182, at *4–5 (P.T.A.B. Mar. 26, 2015) (finding estoppel applied regardless of whether U.S. patent prior art was raised in the earlier proceeding).

127. *See, e.g.*, Clearlamp, LLC v. LKQ Corp., No. 12-C-2533, slip op. at 18–19, 30 (N.D. Ill. Mar. 18, 2016) (granting the defendant’s motion for summary judgment, and holding claims invalid that the Board had already determined to be unpatentable).

128. § 315(a)(1), (b), 125 Stat. at 300–01.

129. § 315(b), 125 Stat. at 301; 37 C.F.R. § 42.122(a) (“Where another matter involving the patent is before the Office, the Board may during the pendency of the inter partes review enter any appropriate order regarding the additional matter including providing for the stay, transfer, consolidation, or termination of any such matter.”).

130. § 325(e)(1), 125 Stat. at 307–08.

proceedings.¹³¹ The bar on declaratory judgment actions for invalidity also applies to CBMs.¹³²

The estoppel described above applies by statute not only to the actual petitioning party, but also to real-parties-in-interest and any privies of the petitioning party. It is important to consider whom the statute will estop from bringing invalidity challenges in the district court after a PTAB proceeding concludes. Often, the willingness of non-petitioning co-defendants in court litigation to agree to be bound by a petitioning defendant's eventual estoppel increases the likelihood of a district court granting the stay.¹³³

C. Federal Circuit Judges Can Sit by Designation and Preside over Patent Cases in the Eastern District of Texas

U.S. Code title 28, section 291 provides the statutory authority for Article III circuit judges to sit by designation in another circuit or district court.¹³⁴ It names the Chief Judge of the U.S. Supreme Court as the ultimate gatekeeper.¹³⁵ The Chief Justice of the Supreme Court has the ultimate authority to designate a circuit judge to sit, temporarily, as a district judge in a U.S. district court.¹³⁶ The Chief Justice may also designate any circuit judge to sit in another circuit.¹³⁷ However, section 291 does not spell out how the decision to designate a judge comes before the Chief Justice.¹³⁸ Instead, formal procedures are set forth in *The Use of Visiting Judges in the Federal*

131. § 18(a)(1)(D), 125 Stat. at 329–30.

132. § 18(a)(1)(B), 125 Stat. at 329–30.

133. *See, e.g.*, AIP Acquisition LLC v. Level 3 Commc'ns, LLC, No. 12-617-GMS, slip op. at 5 (D. Del. Jan. 9, 2014) (granting a stay where defendants agreed to limited estoppel); e-Watch Inc. v. Avigilon Corp., No. H-13-0347, 2013 WL 6633936, at *2 (S.D. Tex. Dec. 17, 2013) (ordering continuation of a stay if the defendant agreed to estoppel); eWatch, Inc. v. Lorex Can., Inc., No. H-12-3314, 2013 WL 5425298, at *1, *4 (S.D. Tex. Sept. 26, 2013) (granting a stay where the defendant requested limited estoppel in the alternative); Comcast Cable Commc'ns, LLC v. Bear Creek Techs., Inc., No. 12-md-2344 (GMS), 2013 WL 3789471, at *2, *4 (D. Del. July 17, 2013) (granting a stay where non-moving defendants agreed to estoppel).

134. 28 U.S.C. § 291 (2012).

135. *Id.* § 291(a).

136. *Id.* § 291(b) (“The chief judge of a circuit or the circuit justice may, in the public interest, designate and assign temporarily any circuit judge within the circuit, including a judge designated and assigned to temporary duty therein, to hold a district court in any district within the circuit.”).

137. *Id.* § 291(a) (“The Chief Justice of the United States may, in the public interest, designate and assign temporarily any circuit judge to act as circuit judge in another circuit upon request by the chief judge or circuit justice of such circuit.”).

138. *See id.* § 291.

District Courts: A Guide for Judges & Court Personnel, a guide published by the Federal Judicial Center.¹³⁹ Judges may also seek to sit by designation informally.¹⁴⁰

The guide is the result of efforts by a working group authorized by former Chief Justice William H. Rehnquist in 1998.¹⁴¹ The goal of the working group “was to consider whether there were actions the judicial branch could take to alleviate the pressures arising from an increasing caseload and a lack of new judgeships,” with the working group’s efforts focused “on the needs of the district courts.”¹⁴² The Federal Judicial Center published the Guide in light of the working group’s recommendations that, among other things, efforts be made to “[e]ndorse creative ways of using visiting judges to maximize the judges’ value to the borrowing courts and minimize administrative burdens for both the visitors and the courts receiving assistance,” and “[e]nhance [a] circuit-based system[] for providing district courts with visiting judge assistance.”¹⁴³ The purpose of the Guide is “to help borrowing courts and visiting judges work together in an effective, efficient, and mutually beneficial way,” and “offer[] suggestions based on the advice and experiences of courts that have used the services of visiting judges.”¹⁴⁴

The formal process by which a circuit judge sits in a district court in another circuit begins when a circuit judge interested in sitting outside the judge’s home circuit expresses interest to the chief judge of that circuit.¹⁴⁵ Judges are encouraged to discuss why, where, and when she or he wishes to serve, as well as any special policies of the home circuit.¹⁴⁶ With the chief judge of the circuit’s approval, the interested judge (or the chief judge) then submits registration paperwork to the Judicial Conference Committee on Intercircuit

139. NICHOLLE STAHL-REISDORFF, *THE USE OF VISITING JUDGES IN THE FEDERAL DISTRICT COURTS: A GUIDE FOR JUDGES & COURT PERSONNEL*, at v, 1–5 (2001, rev. 2006).

140. See generally Richard George Kopf, *Have Robe, Will Travel*, HERCULES & THE UMPIRE (July 28, 2013), <http://wednesdaywiththedecentlyprofane.me/2013/07/28/have-robe-will-travel> (describing, anecdotally, his experience as a senior judge sitting by designation). Notably, there are differences between the process by which a senior judge sits by designation and the process by which active judges sit by designation. Compare STAHL-REISDORFF, *supra* note 139, at 30, with *id.* at 32 (explaining both processes).

141. See STAHL-REISDORFF, *supra* note 139, at vii.

142. *Id.*

143. *Id.*

144. *Id.* at viii.

145. *Id.* at 30.

146. *Id.*

Assignments (JCCIA), which, in turn, places the interested judge on a roster of judges available to sit by designation.¹⁴⁷ Upon the request by the chief judge of the district court in which the circuit judge was interested in serving, the JCCIA may then match the requests.¹⁴⁸ With the approval of the Chief Justice,¹⁴⁹ and consistent with the borrower/lender rule,¹⁵⁰ the circuit judge is assigned to sit by designation in the requesting district court.¹⁵¹

There may be particularly compelling reasons for Federal Circuit judges to sit by designation in the Eastern District of Texas. One study found that district court judges cut their likelihood of reversal by half with respect to appeals before the Federal Circuit after the

147. *Id.* at 31; see Kopf, *supra* note 140.

148. See Kopf, *supra* note 140 (“That committee takes requests from courts for help, and then seeks senior judges willing to help. The committee matches senior judges with district courts that need help.”).

149. See, e.g., STAHL-REISDORFF, *supra* note 139, at 2.

150.

Intercircuit assignments must conform to the “lender/borrower rule,” a nonstatutory rule, which the Chief Justice approved in its original form in 1997. The rule was revised in 2004. Generally, a circuit that lends active judges may not borrow from another circuit within the same time period of the assignment; a circuit that borrows active judges may not lend within the same time period of the assignment. The lender/borrower rule does not apply to senior judges or to judges assigned to a particular case. The rule may be relaxed in appropriate situations, provided the chief judge of the lending circuit or court is consulted to ensure that the needs of that circuit or court are met first. The lender/borrower rule does not apply when an active judge is borrowed or lent for a particular case or cases after the disqualification of all judges in the borrowing circuit or in other emergency situations. In the event that all judges of a given circuit disqualify themselves, the chief judge must notify the chair of the Committee on Intercircuit Assignments who, in consultation with the Chief Justice, will select a judge or panel of judges as needed. To avoid the appearance of impropriety or conflicts of interest, judges of the borrowing circuit, once recused, may not participate in the selection of the visiting judge or judges.

Id. at 3 (footnotes omitted).

151. Judges may also make arrangements informally, within the limitations of § 291. Judge Kopf described his experience sitting by designation outside his circuit as follows: “I worked with the clerk from that district on a national advisory committee dealing with pro se law clerks. From that committee work, I learned that the New York district needed help with habeas cases and I offered to take some of those cases. The clerk contacted his chief judge and then worked with the circuit executive of his circuit and staff in Washington to secure the intercircuit assignment.” Kopf, *supra* note 140.

district court judge sat by designation in the Federal Circuit.¹⁵² The authors concluded that the results were likely “driven by the personal connections the judges make with the appellate court, not by any learning effect.”¹⁵³ Thus, it may be that if more Federal Circuit judges were to sit by designation in the Eastern District of Texas, the reversal rate of appeals from the Eastern District of Texas to the Federal Circuit would decrease—potentially because of the personal connections forged between the judges from the two courts in the process.

Further, sitting by designation has the advantage of exposing judges to certain interlocutory issues of law that may not present themselves on appeal for some time—if ever. Likewise, sitting by designation can be used informally as a means of expressing an interest in the direction of certain aspects of district court case law, or as a corrective for the same, although circuit judges must be mindful of the delicate relationship between the largely autonomous district court decision makers and the appellate judiciary. Notably, Judge Bryson has again recently sat by designation in the Eastern District of Texas on a major issue: transfer of venue and the continuing validity of the holding in *VE Holding Corp. v. Johnson Gas Appliance Co.*¹⁵⁴ And Judge Bryson issued a lengthy, well-researched opinion (sitting by designation in the Eastern District of Texas) guiding district courts on how to apply a summary judgment motion for section 101 patent subject matter eligibility.¹⁵⁵

Notably, Judge Bryson clerked for U.S. Supreme Court Justice Thurgood Marshall, spent time at the Justice Department, was appointed to the Federal Circuit by President Clinton in 1994, and took senior status in 2013; a Houston native, he now maintains a full docket of Eastern District of Texas cases and is serving a seven-year term as a judge on the U.S. Foreign Intelligence Surveillance Court of Review.¹⁵⁶ He has been repeatedly authorized by the Chief Justice

152. Mark A. Lemley & Shawn P. Miller, *If You Can't Beat 'Em, Join 'Em? How Sitting by Designation Affects Judicial Behavior* 10–11 (Stanford Pub. L. Working Paper No. 2449349, 2014), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2449349.

153. *Id.* at 34.

154. 917 F.2d 1574 (Fed. Cir. 1990); see *Script Security Solutions, LLC v. Amazon.com, Inc.*, No. 2:15-cv-1030-WCB, 2016 WL 1055827, at *1–5 (E.D. Tex. Mar. 17, 2016) (Bryson, J., sitting by designation).

155. See *Preservation Wellness Techs. LLC v. Allscripts Healthcare Solutions, Inc.*, No. 2:15-cv-01559-WCB (E.D. Tex. May 10, 2016). Further discussions of these kinds of cases is beyond the scope of this Essay, and merit future discussion.

156. See *William C. Bryson, Circuit Judge*, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/judges/william-c-bryson-circuit-judge>

of the United States under section 295 to preside over a docket of cases in the Eastern District.¹⁵⁷

II. *NFC TECHNOLOGY V. HTC*

A. *Dispute History*

In 2013, France Brevets, a French patent assertion entity (PAE), sought to monetize against international device manufacturers through a U.S. counterpart, NFC Technology LLC. France Brevets sought licenses for value, as evidenced by the company's eventually securing licenses from LG, among others.¹⁵⁸ The dispute between HTC and France Brevets/NFC is self-admittedly international and wide-ranging, though a broader discussion of the dispute is beyond the scope of this Essay.

Of relevance here, in late 2013, NFC Technology filed a patent infringement complaint against HTC America, Inc. and other defendants.¹⁵⁹ It accused HTC of infringing two patents, U.S. Patent No. 6,700,551 (“the ’551 patent”) and U.S. Patent No. 7,665,664 (“the ’664 patent”).¹⁶⁰

Some seven months later, HTC petitioned the PTO's PTAB, requesting that it conduct two inter partes reviews, one each on the asserted claims of the ’551 and the ’664 patent.¹⁶¹ Thereafter, NFC added additional asserted claims of the latter ’664 patent (claims fourteen, fifteen, and nineteen), that were not within the scope of those petitions.¹⁶² HTC filed a third petition on those remaining claims in December 2014.¹⁶³

(last visited Apr. 7, 2016); *see also* Charlie Savage, *Newest Spy Court Pick is a Democrat but Not a Liberal*, N.Y. TIMES (Aug. 20, 2013), <http://www.nytimes.com/2013/08/21/us/roberts-varies-pattern-in-choice-for-spy-court.html>.

157. *See, e.g., Judge William Bryson Designated to Perform Judicial Duties in the Eastern District of Texas*, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.ca9.uscourts.gov/announcements/judge-william-bryson-designated-perform-judicial-duties-eastern-district-texas-0> (last visited Apr. 7, 2016).

158. France Brevets, Licenses NFC Patents to LG Electronics as its First Licensee, www.francebrevets.com/sites/default/files/FB_signs_LGE_release_18thAugust.pdf.

159. *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-1058-WCB, 2015 WL 1069111, at *1 (E.D. Tex. Mar. 11, 2015).

160. *Id.*

161. *Id.*

162. *Id.*

163. *Id.*

In February 2015, the Board granted the first two petitions for review.¹⁶⁴ With the third still pending, HTC filed a motion to stay the pending litigation.¹⁶⁵

B. IPR-Related Stay Standards

Judge Bryson began by citing the three-prong test discussed at length above¹⁶⁶: (1) whether a stay will simplify issues at trial, (2) whether discovery is complete and a trial date is set, and (3) whether a stay will unduly prejudice the non-moving party.¹⁶⁷ The opinion presents the test as balancing the simplification of the issues, the state of the proceedings, and any undue prejudice.¹⁶⁸

In laying out the three-prong test, Judge Bryson first cited four cases: two IPR cases, one from the Eastern District of Texas¹⁶⁹ and the other from Delaware,¹⁷⁰ and two earlier, oft-cited persuasive cases from the Eastern District of Texas related to motions to stay in light of reexaminations.¹⁷¹

Importantly, Judge Bryson noted, “Those three factors largely overlap with the four factors that Congress has expressly set forth as

164. *Id.*

165. *Id.*

166. *See supra* note 14 and accompanying text.

167. *NFC Tech. LLC*, 2015 WL 1069111, at *2; *see, e.g., Lennon Image Techs., LLC v. Macy’s Retail Holdings, Inc.*, Nos. 2:13-cv-00235-JRG, 2:13-cv-00239-JRG, 2014 WL 4652117, at *2–3 (E.D. Tex. Sept. 17, 2014) (denying the defendant’s motion to stay); *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1029–30 (C.D. Cal. 2013) (same); *Star Envirotech, Inc. v. Redline Detection, LLC*, No. SACV 12-01861 JGB (MLGx), 2013 WL 1716068, at *1 (C.D. Cal. Apr. 3, 2013) (applying the reexamination inquiry to considerations of a stay pending IPR); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *1 & n.1 (C.D. Cal. Dec. 19, 2012) (denying the defendant’s motion to stay); *see also Softview LLC v. Apple Inc.*, No. 10-389-LPS, 2012 WL 3061027, at *2 (D. Del. July 26, 2012) (denying the defendants’ motion to stay); *Gryphon Networks Corp. v. Contact Ctr. Compliance Corp.*, 792 F. Supp. 2d 87, 90 (D. Mass. 2011) (granting the defendant’s motion to stay); *Soverain Software LLC v. Amazon.com, Inc.*, 356 F. Supp. 2d 660, 662 (E.D. Tex. 2005) (denying the defendants’ motion to stay).

168. *NFC Tech. LLC*, 2015 WL 1069111, at *2–4.

169. *Lennon Image Techs., LLC*, 2014 WL 4652117, at *2.

170. *Market-Alerts Pty. Ltd. v. Bloomberg Fin. LP*, 922 F. Supp. 2d 486, 489 (D. Del. 2013).

171. *NFC Tech. LLC*, 2015 WL 1069111, at *2 (citing *Soverain Software LLC*, 356 F. Supp. 2d at 662; *EchoStar Techs. Corp. v. TiVo, Inc.*, No. 5:05-cv-81, 2006 WL 2501494, at *1 (E.D. Tex. July 14, 2006)).

governing the question [of] whether a stay should be granted pending [CBM] review proceedings before the PTAB.”¹⁷²

For CBMs, section 18 of the AIA mandates the overlapping four-factor test, adding a fourth element¹⁷³:

(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;

(B) whether discovery is complete and whether a trial date has been set;

(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

(D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.¹⁷⁴

To be sure, one is statutory and the other judge-made, but he clarifies:

It is true that the stay provisions for CBM review are statutory, while the stay practice for inter partes has been developed by the courts. However, the standards for granting stay relief are generally similar. . . .

The overlap between the standards for granting a stay in those two contexts is not surprising, since both CBM review and inter partes review, like reexamination, are designed to promote the same policy goals.¹⁷⁵

Thus, he noted, “In light of the parallel policies underlying the CBM and inter partes review proceedings, it is not surprising that courts have applied a generally similar analysis to requests for stays in both settings.”¹⁷⁶

To wit, the additional fourth factor for CBMs indicates Congress’s desire that the courts pay special attention to minimizing the burden of litigation involving patents relating to business and financial methods.¹⁷⁷ Judge Bryson took pains to note that, while the factor has been used to distinguish IPR and CBM stays, in cases such as

172. *NFC Tech. LLC*, 2015 WL 1069111, at *2.

173. *See Progressive Cas. Ins. v. Safeco Ins. of Ill.*, No. 1:10CV01370, 2013 WL 1662952, at *2 (N.D. Ohio Apr. 17, 2013).

174. AIA, Pub. L. No. 112-29, § 18(b)(1), 125 Stat. 284, 331 (2011) (codified in scattered sections of 35 U.S.C.).

175. *NFC Tech. LLC*, 2015 WL 1069111, at *5.

176. *Id.*

177. *Id.*

Progressive Casualty Insurance Co. v. Safeco Insurance Co. of Illinois,¹⁷⁸ other courts considering IPR stays have looked to that factor as well.¹⁷⁹

C. *The Three Factors*

1. *Undue prejudice*

First, Judge Bryson noted that other Eastern District of Texas stay cases recognize that there is a delay inherent in any IPR-related stay that cannot be discounted and is entitled to some weight.¹⁸⁰ But he found that the inherent delay present in every case cannot itself be sufficient to defeat a stay motion, citing three other stay decisions from other jurisdictions.¹⁸¹

Turning to the merits, he found that NFC Technology made generalized claims of prejudice related to the stay, quoting them as stating that “memories will fade and discovery may likely be lost.”¹⁸² He dismissed this unsupported, generalized claim as inherent to, and generic of, any IPR stay challenge.¹⁸³ He noted that NFC Technology sought only monetary compensation (i.e., it did not seek an injunction), and thus found no time sensitivity that would put pressure on this factor.¹⁸⁴

178. No. 1:10CV01370, 2013 WL 1662952 (N.D. Ohio Apr. 17, 2013); *see id.* at *2.

179. *NFC Tech. LLC*, 2015 WL 1069111, at *2 (citing *Market-Alerts Pty. Ltd. v. Bloomberg Fin. LP*, 922 F. Supp. 2d 486, 489 (D. Del. 2013); *Ultratec, Inc. v. Sorenson Commc'ns, Inc.*, No. 13-cv-346-bbc, 2013 WL 6044407, at *2–3 (W.D. Wis. Nov. 14, 2013)).

180. *Id.* (citing *Network-1 Sec. Solutions, Inc. v. Alcatel-Lucent USA Inc.*, No. 6:11-cv-492, 2015 BL 70301, at *8–9 (E.D. Tex. Jan. 5, 2015) (granting a motion to lift a stay); *Lennon Image Techs., LLC v. Macy's Retail Holdings, Inc.*, No. 2:13-cv-00235, 2014 WL 4652117, at *2–3 (E.D. Tex. Sept. 17, 2014) (denying motion for stay); *ThinkOptics, Inc. v. Nintendo of Am., Inc.*, No. 6:11-CV-455, 2014 WL 4477400, at *1 (E.D. Tex. Feb. 27, 2014) (same); *Unifi Scientific Batteries, LLC v. Sony Mobile Commc'ns AB*, No. 6:12cv224, 2014 WL 4494479, at *1–2 (E.D. Tex. Jan. 14, 2014) (same); *Voltstar Techs., Inc. v. Superior Commc'ns, Inc.*, No. 2:12-cv-00082-JRG, 2013 WL 4511290, at *1–2 (E.D. Tex. Aug. 22, 2013) (same).

181. *Id.* (citing *E-Watch, Inc. v. Lorex Can., Inc.*, No. H-12-3314, 2013 WL 5425298, at *2 (S.D. Tex. Sept. 26, 2013) (granting defendant's motion for stay); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST(JPRx), 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012) (same); *TierraVision, Inc. v. Google, Inc.*, No. 11CV2170 DMS(BGS), 2012 WL 559993, at *3 (S.D. Cal. Feb. 21, 2012) (same).

182. *Id.* at *3.

183. *Id.*

184. *See id.* (concluding that simply stating evidence that may become stale or lost is not compelling in showing prejudice).

NFC Technology also argued that HTC came to the proceeding with unclean hands because of “dilatory behavior,” consisting chiefly of filing a motion to transfer venue.¹⁸⁵ Judge Bryson dismissed this out of hand, finding no evidence of unusually dilatory action.¹⁸⁶ He concluded that “the prejudice factor cuts slightly against a stay, but no more than would typically be the case when a plaintiff is faced with the prospect of a delay in obtaining monetary relief on its claims.”¹⁸⁷

2. *State of the proceedings*

Judge Bryson noted that the litigation was over a year old and that “[b]y the time the motion to stay was filed,” “claim construction briefing was complete” and both “parties had engaged in significant discovery.”¹⁸⁸ He also noted that discovery was ongoing and not set to complete for another month. Finally, he concluded that while the case was not “in its infancy” and a “stay would interfere with proceedings,” it did look like the majority of expenses to be incurred were still to come,¹⁸⁹ acknowledging that it was very possible the parallel proceedings would simplify or obviate the issues at trial, greatly reducing the litigation costs to both parties.¹⁹⁰ Although he did not explicitly state that the IPR could lead to settlement, his discussion of the possible obviation of the need for a trial implies that he, like other judges, is aware that IPRs have served as a vehicle for settlement in many pending disputes, and that a significant portion of all IPR disputes themselves settle before concluding.¹⁹¹

He noted that another factor is the diligence with which the IPR petitioner/defendant pursued parallel relief. Here, he found that “[t]he petitions for inter partes review were filed seven and one-half months after the action was brought, and four months after NFCT filed its infringement contentions. The motion for a stay was filed very promptly after the PTAB instituted the inter partes review.”¹⁹²

He held that seven and one half months from the filing of a complaint, and four months after contentions have been served, was not an unreasonable delay, “[g]iven the complexity entailed in

185. *Id.*

186. *Id.*

187. *Id.*

188. *Id.*

189. *Id.*

190. *Id.*

191. *See id.* (predicting that “significant expenses . . . might be avoided if the stay results in the simplification (or obviation) of further court proceedings”).

192. *Id.*

seeking inter partes review.”¹⁹³ He cited to a number of cases establishing that an IPR filed four months after infringement contentions or identification of asserted claims was reasonable.¹⁹⁴

3. *Simplification of the issues*

Here, Judge Bryson led by stating, “In the [c]ourt’s view, the most important factor bearing on whether to grant a stay in this case is the prospect that the inter partes review proceeding will result in simplification of the issues before the [c]ourt.”¹⁹⁵ He noted that IPRs were designed by Congress specifically to simplify issues of invalidity by relying on the agency’s expert ability and focus.¹⁹⁶

He cited to an older, influential case concerning the merits of staying in light of reexamination, indicating they were equally (if not more) relevant here:

1. All prior art presented to the [c]ourt will have been first considered by the PTO, with its particular expertise.
2. Many discovery problems relating to prior art can be alleviated by the PTO examination.
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed.
4. The outcome of the reexamination may encourage a settlement without the further use of the [c]ourt.
5. The record of reexamination would likely be entered at trial, thereby reducing the complexity and length of the litigation.
6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination.
7. The cost will likely be reduced both for the parties and the [c]ourt.¹⁹⁷

He noted that here, the likelihood of beneficial simplification was high, with two patents, most claims, and estoppel likely to attach to

193. *Id.* at *4.

194. *Id.* (citing *Destination Maternity Corp. v. Target Corp.*, 12 F. Supp. 3d 762, 766–68 (E.D. Pa. 2014) (less than four months held reasonably timely); *Software Rights Archive, LLC v. Facebook, Inc.*, No. C-12-3970 RMW, 2013 WL 5225522, at *6 (N.D. Cal. Sept. 17, 2013) (just over four months held reasonably timely); *Semiconductor Energy Lab. Co. v. Chimei Innolux Corp.*, No. SACV 12-21-JST (JPRx), 2012 WL 7170593, at *3 (C.D. Cal. Dec. 19, 2012) (three- to four-month delay held reasonably timely)).

195. *Id.*

196. *Id.*

197. *Id.* (citing *Fisher Controls Co. v. Control Components, Inc.*, 443 F. Supp. 581, 582 (S.D. Iowa 1977), *quoted with approval in Premier Int’l Assocs. LLC v. Hewlett-Packard Co.*, 554 F. Supp. 2d 717, 720 (E.D. Tex. 2008)).

the defendant-petitioner.¹⁹⁸ He also noted (as many others have) that the potential for simplification is “far more speculative before the PTAB decides whether to institute inter partes review,” as there is no guarantee of institution,¹⁹⁹ and current data shows a likelihood of denial in a significant percentage of cases.²⁰⁰ He cited to a line of cases related to CBM and IPR decisions, and noted that the *institution* of an IPR is thus a significant factor in favor of granting a stay.²⁰¹ He reiterated that case’s holding that it was “not error for the district court to wait until the PTAB made its decision to institute CBM review before it ruled on the motion” to stay.²⁰²

While NFC Technology tried to argue that *VirtualAgility*, a CBM case, applied to CBM review and not IPR review and thus was inapposite here, Judge Bryson disagreed, analyzing the case and stating that “the standards for granting stay relief are generally similar,” and “the additional statutory factor applied in the CBM review context—whether a stay will reduce the burden of litigation on the parties and the court—is a consideration that courts often taken [sic] into account in determining whether to grant a stay pending inter partes review.”²⁰³ He found that the two are meant to promote the same policy goals and agreed with NFC Technology that CBM stays represent a clear directive toward making “stay relief readily available in CBM review cases.”²⁰⁴

He went on to say that;

Congress’s desire to enhance the role of the PTO and limit the burden of litigation on courts and parties was not limited to the CBM review context. The legislative history indicates that Congress recognized that the same underlying policy considerations that apply to CBM review apply to inter partes review as well.²⁰⁵

198. *Id.*

199. *Id.*

200. See U.S. Patent & Trademark Office, Patent Trial and Appeal Board Statistics, at 7 (Feb. 29, 2016), <http://www.uspto.gov/sites/default/files/documents/2016-2-29%20PTAB.pdf>.

201. *NFC Tech. LLC*, 2015 WL 1069111, at *4.

202. *Id.* at *5 (citing *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1315 (Fed. Cir. 2014)).

203. *Id.*

204. *Id.*

205. *Id.* (citing H.R. REP. NO. 112-98, pt. 1, at 48 (2011), *reprinted in* 2011 U.S.C.C.A.N.N. 67, 78; 157 CONG. REC. 12,984 (2011) (statement of Sen. Kyl) (arguing that post-grant review of patents, including IPR, was meant to be “an inexpensive substitute for district court litigation” that “allows key issues to be addressed by experts in the field”); 157 CONG. REC. 2710 (statement of Sen. Grassley)

Then he cited dozens of district court cases, noting that “courts have been nearly uniform in granting motions to stay proceedings in the trial court after the PTAB has instituted IPR proceedings.”²⁰⁶

He acknowledged that the few cases departing from that nearly uniform trend had unusual facts.²⁰⁷ He noted a similar trend for

(reporting that IPR was intended to provide a “faster, less costly alternative[] to civil litigation to challenge patents”).

206. *Id.* at *6 (citing *Capella Photonics, Inc. v. Cisco Sys., Inc.*, No. C-14-3348 EMC, 2015 WL 1006582, at *1 (N.D. Cal. Mar. 6, 2015); *Gentherm Can., Ltd. v. IGB Auto., Ltd.*, No. 13-11536, 2015 WL 804657, at *1 (E.D. Mich. Feb. 26, 2015); *Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-cv-5501-SI, 2015 WL 435457, at *1 (N.D. Cal. Feb. 2, 2015); *Serv. Solutions US, LLC v. Autel.US Inc.*, No. 13-10534, 2015 WL 401009, at *1 (E.D. Mich. Jan. 28, 2015); *In re CTP Innovations, LLC*, No. 14-MD-2581, 2015 WL 317149, at *2–3 (D. Md. Jan. 23, 2015); *Safe Storage LLC v. Dell Inc.*, No. 12-1624-GMS, slip op. at 5 (D. Del. Jan. 22, 2015); *Cutsforth, Inc. v. Westinghouse Air Brake Techs. Corp.*, Civ. No. 12-1200(SRN/JSM) (D. Minn. Jan. 15, 2015); *CANVS Corp. v. United States*, No. 10-540C, 2014 BL 378446, at *1 (Fed. Cl. Dec. 19, 2014); *Kaneka Corp. v. SKC Kolon PI, Inc.*, CV 11-3397 JGB(RZx), 2014 BL 378445, at *1 (C.D. Cal. Dec. 5, 2014); *Locata LBS LLC v. Paypal Inc.*, No. C 14-01864, 2014 BL 378444, at *1 (N.D. Cal. Dec. 4, 2014); *Surfcast, Inc. v. Microsoft Corp.*, No. 2:12-cv-333-JDL, 2014 WL 6388489, at *1 (D. Me. Nov. 14, 2014); *Norman IP Holdings, LLC v. Chrysler Group LLC*, No. 6:13-cv-278-JDL, slip op. at 1 (E.D. Tex. Oct. 8, 2014); *Cypress Semiconductor Corp. v. GSI Tech., Inc.*, No. 13-cv-02013-JST, 2014 WL 5021100, at *1 (N.D. Cal. Oct. 7, 2014); *Intellectual Ventures II LLC v. Suntrust Banks, Inc.*, No. 1:13-cv-02454-WSD, 2014 WL 5019911, at *1, *3 (N.D. Ga. Oct. 7, 2014); *Evolutionary Intelligence, LLC v. Sprint Nextel Corp.*, No. 1:13-cv-04513, 2014 WL 4802426, at *1 (N.D. Cal. Sept. 26, 2014); *PersonalWeb Techs., LLC v. Google Inc.*, No. 5:13-cv-01317-EJD, 2014 WL 4100743, at *1 (N.D. Cal. Aug. 20, 2014); *Intellectual Ventures II LLC v. U.S. Bancorp*, No. 13-2071 (ADM/JSM), 2014 WL 5369386, at *1 (D. Minn. Aug. 7, 2014); *Affinity Labs of Texas LLC v. Samsung Elecs. Co.*, No. 14-CV-2717 YGR, 2014 WL 3845684, at *1 (N.D. Cal. Aug. 1, 2014); *Depomed Inc. v. Purdue Pharma L.P.*, No. 13-571 (JAP), 2014 WL 3729349, at *1 (D.N.J. July 25, 2014)).

207. *Id.* at *6 n.1 (“For example, in *Drone Technologies, Inc. v. Parrot S.A.*, No. 14cv111, 2014 WL 6607484[, at *4] (W.D. Pa. Nov. 19, 2014), the court noted that the defendants had been guilty of ‘flagrant failure to permit this case to proceed through discovery’ and had entered a default judgment against the defendants on the merits. Under those circumstances, the court saw no reason to further delay the proceedings before it. In *SCVNGR, Inc. v. eCharge Licensing, LLC*, No. 13-12418-DJC, 2014 WL 4804738[, at *9–10] (D. Mass. Sept. 25, 2014), *Intellectual Ventures II L.L.C. v. JP Morgan Chase & Co.*, No. 13 Civ. 3777[, 2014 WL 10919562, at *4] (S.D.N.Y. Aug. 11, 2014), and *Invensys Systems, Inc. v. Emerson Electric Co.*, No. 6:12-CV-00799, 2014 WL 4477393[, at *3–4] (E.D. Tex. July 27, 2014), the courts denied stays because the PTAB had granted review of only some of the asserted claims or patents, and the courts were not persuaded that the PTAB review proceedings were likely to result in significant simplification of the issues in suit.”).

CBMs.²⁰⁸ Unequivocally, he found that “after the PTAB has instituted review proceedings, the parallel district court litigation ordinarily should be stayed.”²⁰⁹

Finally, he found that there were no facts here that compelled the court to depart from that general rule.²¹⁰ Despite the fact that some claims had not yet had an institution decision, he noted that those claims were added later and that the defendants promptly filed another IPR (at their expense) to cover the newly asserted claims.²¹¹

D. Lessons Learned

1. A stay motion is generally not ripe until the PTAB proceeding has been instituted, and prejudice is viewed at the time of filing the motion

As noted by Judge Bryson, many courts have been willing to call motions to stay premature unless the PTAB proceeding has been instituted,²¹² especially the Eastern District of Texas.²¹³ Judge Bryson held that the “likelihood [of simplifying the issues] is far more speculative before the PTAB decides whether to institute [IPR].”²¹⁴

This counsels for diligence and speed in preparing and filing IPR proceedings. The earlier a stay motion can be filed, the earlier a motion can be ruled upon, and the less prejudice will accrue.²¹⁵ However, Judge Bryson’s recognition of the key fact in these cases, the institution decision, counsels for the earliest possible filing of any

208. *Id.* at *6 (citing *Moneycat Ltd. v. Paypal Inc.*, No. 14-cv-02490-JST, 2014 WL 5689844, at *6 (N.D. Cal. Nov. 4, 2014); *Secure Axxcess, LLC v. U.S. Bank Nat’l Ass’n*, No. 6:13-cv-717, slip op. at 10 (E.D. Tex. Oct. 20, 2014); *DataTreasury Corp. v. Fiserv, Inc.*, No. 2:13-cv-431-JRG-RSP, slip op. at 15 (E.D. Tex. Sept. 29, 2014); *Solutran, Inc. v. Elavon, Inc.*, No. 13-cv-2637 (SRN/SER), slip op. at 1 (D. Minn. Sept. 18, 2014); *Segin Sys., Inc. v. Stewart Title Guar. Co.*, No. 2:13cv190, 2014 WL 3895931, at *4 (E.D. Va. Aug. 8, 2014)).

209. *Id.* at *7.

210. *Id.*

211. *Id.*

212. *Id.* at *4–5; *see, e.g., Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15cv21, 2015 WL 2454296, at *3 (E.D. Va. May 21, 2015) (deferring ruling on a motion to stay until the PTO makes an IPR decision).

213. *See NFC Tech. LLC*, 2015 WL 1069111, at *4–5; *Promethean Insulation Tech. LLC v. Sealed Air Corp.*, No. 2:13-CV-1113-JRG-RSP, 2014 U.S. Dist. LEXIS 182879, at *1 (E.D. Tex. Nov. 20, 2014).

214. *NFC Tech. LLC*, 2015 WL 1069111, at *4.

215. *See id.* (suggesting that if the stay motion had been filed “several months earlier,” it might have been granted because expenses of discovery and claim construction proceeding could have been minimized).

IPR challenge, preferably within the one-year bar, should further challenges need to be filed.²¹⁶

As a best practice, follow Judge Bryson's rule-of-thumb: aim to file IPRs within seven and one half months of being sued and within three to four months following infringement contentions, and this factor should almost certainly lean in favor of granting a stay. That being said, the earlier the filing, the more likely the grant of a stay will be; later ones risk that courts and judges may find that the delay was unreasonable, or at least cuts against granting a stay.

Currently, certain courts often deny stay motions prior to the institution of review proceedings, but grant the defendants leave to refile.²¹⁷ It is an open question as to whether the courts will consider any prejudice fixed at the time of the filing of the first motion, or fixed at the time of refiling. However, any early filing that is denied without prejudice only logically increases the chances that the court will either consider the prejudice as of the earlier date or, at worst, consider it as of the date it would have otherwise been filed. Thus, it may make sense to file an IPR motion to stay immediately after filing for IPR, while acknowledging that you will seek to refile should the court deny the motion as premature. Both clients and counsel should, of course, consider minimizing legal costs when making such decisions.

2. *If possible, file on all patents and all claims that have been asserted to date and act quickly to file on newly added claims*

This rule may go without saying, but where possible, it is important to file IPR petitions against all patents being asserted and all claims at issue in the litigation if you are planning to seek a stay. This may not always be possible, something both PTAB and district court judges are aware of, but if reasonably made aware of a new set of asserted claims, it might help to respond with diligence and additional filings.

3. *A plaintiff's status as a direct competitor or a plaintiff actively seeking an injunction may weigh against granting a stay*

In *NFC Technology LLC* and many other cases, the plaintiff was interested only in monetary relief, thus reducing the chance of any prejudice, even in competitor-to-competitor suits.²¹⁸ Indeed, in *VirtualAgility v. Salesforce*, the Federal Circuit carefully analyzed the evidence of whether the parties were direct competitors when

216. See *id.* at *4, *7.

217. See *supra* notes 75–78 and accompanying text.

218. E.g., *NFC Tech. LLC*, 2015 WL 1069111, at *3.

evaluating the prejudice prong.²¹⁹ In cases where the plaintiff is actively seeking an injunction, however, the argument that a delay will not prejudice them is a harder sell. Thus, evidence of competition in the marketplace, as well as an early effort to secure injunctive relief, may cut against granting a stay, and those confronted with such cases must carefully consider whether the other factors outweigh the presence of such facts.

CONCLUSION

If I go there will be trouble[,]

An' if I stay it will be double.

– The Clash²²⁰

He who seeks equity must do equity.²²¹ Those seeking or opposing stays should come to the court with clean hands, make honest arguments grounded in the weight of authority rather than anecdotal exceptions, and live up to their responsibilities should a stay be imposed, denied, or lifted. Judge Bryson's opinion has made seeking a stay of district court litigation in light of an IPR or a CBM more predictable, which lowers wasteful attorney fees and conserves judicial resources. Granted or denied, an opinion carefully tracking his guidance is more likely to be upheld on appeal than one flying in the face of it. It is a roadmap for parties, counsel, and judges that can faithfully guide them when confronted with a request for a stay.

This recognizes that the drafters of the AIA's section 18 envisioned a process for CBMs that would lead quickly to Federal Circuit precedent. By creating an interlocutory appeal from district court action directly to the Federal Circuit, allowing for a *de novo* review and grafting the three factors related to all stays onto the test to be analyzed, the drafters paved an avenue to a fast-growing body of precedent on what should merit a stay.

219. *VirtualAgility, Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1317–18 (Fed. Cir. 2014).

220. *THE CLASH, SHOULD I STAY OR SHOULD I GO* (Epic Records 1982).

221. *See, e.g., Mfrs.' Fin. Co. v. McKey*, 294 U.S. 442, 449 (1935) (“The maxim ‘he who seeks equity must do equity’ presupposes that equitable, as distinguished from legal, rights, substantive or remedial, have arisen from the subject matter in favor of each of the parties; and it requires that such rights shall not be enforced in favor of one who affirmatively seeks their enforcement except upon condition that he consent to accord to the other his correlative equitable rights.”).

Judge Bryson has recognized and extended that wisdom with *NFC Technology LLC*, showing others an avenue of speaking directly and immediately to the district courts in a way so persuasive as to invite accord, regardless of preconceived notions. Eschewing rhetoric for exhaustive and meticulous research, support, and fact, he has provided a roadmap to future judges and offers one salve in the face of district-dependent decision making and inconsistent decisions that might otherwise linger for years. We would all be wise to take note.