

To stay, or not to stay

Northern District trends of staying patent infringement suits pending re-examination



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Intellectual Property

Defendants in patent infringement actions often seek re-examination of the patent(s)-in-suit in the United States Patent and Trademark Office to halt the progress of the case in federal court. A defendant then typically files a motion to stay the infringement action pending the PTO's re-examination, on the grounds that the operative patent claims may be canceled or amended by the PTO and it would be inefficient for litigation to proceed until the re-examination process is complete.

The Northern District of California has developed its own three-factor balancing test for determining whether to stay an ac-

tion pending re-examination, considering: 1) the stage of the litigation, including whether discovery is or will soon be completed and whether the matter has been set for trial; 2) whether a stay will unduly prejudice or tactically disadvantage the nonmoving party; and 3) whether a stay will simplify the issues in question and streamline the trial, thereby reducing the burden of litigation on the parties and the court. And as a trend-setting patent litigation district, the Northern District's approach is instructive for wider-ranging patent litigation actions.

In general, the bulk of decisions in the Northern District (approximately two dozen) appear on their facts to grant stays pending re-examination and emphasize the Northern District's "liberal policy" favoring stays pending re-examination. However, these decisions usually arise from circumstances in which a stay is sought after the PTO has already agreed to re-examine the patent(s)-in-suit. The cases also tend to be early in the litigation and tend not to involve other causes of action.

An interesting procedural issue arises when a motion to stay is filed before the PTO has actually granted the defendant's

request for re-examination. Re-examination is not an automatic right. The PTO has three months from the date of filing of a request for re-examination to determine whether to grant re-examination. Those three months can drag out longer if there are procedural defects with the request that need to be fixed.

So what happens to the infringement action during the intervening period, while the PTO decides whether to grant the re-examination? Should it be stayed, or should the litigation press on while the PTO makes up its mind about re-examination?

Cases in the Northern District go both ways, sometimes staying the action, despite no official grant of re-examination by the PTO, and other times letting the action carry forward until the PTO decides whether to re-examine. The outcome of any particular motion appears to depend on the specific facts, and potentially on the assigned judge's preferences. So the issue remains fertile for debate.

Statistics may shape the debate to some degree. Stay motions brought prior to grants of re-examinations often note that the PTO grants re-examinations at a high rate. Statistics vary, but some sources re-

port the grant rate to be higher than 90 percent. The argument is therefore that no prejudice inheres in granting a stay prior to a grant of re-examination because the odds are high the re-examination will eventually be granted, and if it is not, the case may simply continue thereafter in a few months.

Parties opposing stays (typically the plaintiffs/patent-holders) often counter with statistics demonstrating the length of time patents may spend tied up in the PTO for re-examination and appeals. Again, statistics vary, but some sources report the potential delay from the entire re-examination process may be at least a few years. The argument is therefore that any undeserved intervening delay of the infringement litigation is prejudicial, and that even if re-examination is ultimately granted, interim efforts undertaken in the case will be useful in the re-examination process.

Parties also wage battle with statistics regarding the odds that any given claim will be cancelled or amended and argue over how the differences between a request for *ex parte* or *inter partes* re-examination should affect the stay decision.

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Parties may also disagree about the prominence of any non-patent causes of action pending in the infringement case, arguing whether those counts will be affected by the re-examination, whether the entire action or only the patent infringement claim(s) should be stayed, and whether any resources of the court and the parties will truly be conserved and any issues truly simplified given the presence of the other counts.

The most common grounds for decisions denying a stay prior to a grant of re-examination appear to be that such a stay causes prejudicial delay and is not necessarily likely to simplify any issues for trial

(relating to factors two and three of the Northern District's test). These decisions carry a sentiment that a stay prior to a grant of re-examination is simply premature and that parties should not be able to immediately and unilaterally derail patent litigation simply by filing a request for re-examination with the PTO. The decisions are also affected by how far the litigation has progressed before the request for re-examination and the motion to stay are filed, as well as the court's assessment of how likely it is that any claims of the patent(s)-in-suit will be canceled or amended in the PTO and the likely length of delay of litigation that will ensue.

Of course, there is no rule requiring stays to be denied if a re-examination has not yet been granted. Stays have indeed been granted in the Northern District even

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where a request for re-examination has not yet been decided by the PTO. These decisions appear to be based on the court's evaluation of the likelihood of an imminent grant of re-examination and of the likelihood that claims of the patent(s)-in-suit may be changed in the re-examination, with an eye to how far the infringe-

ment action has progressed already and the statistics described above. Such decisions granting stays may also attempt to strike a balance by allowing only certain specific disclosures to proceed and requiring the parties to report back within a few months on the status of the re-examination decision.

Altogether, there is not a bright-line rule for determining whether stays of patent litigation actions requested prior to the actual grant of a related re-examination request will be indulged. The factors for analyzing whether to grant such a stay are relatively prescribed, but the authority evaluating and applying the factors cuts both ways. The issue therefore figures to be one that makes for continued debate and interesting motion practice by zealous advocates on both sides.