

Should I Stay or Should I Go?

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Should I Stay?

Motions to Stay Pending Inter Partes Review
and Covered Business Method Review

U.S. PATENT AND TRADEMARK OFFICE

What Are IPR and CBM?

- *Inter partes* proceedings before the USPTO to review the validity of issued claims.
- Decision on institution within 6 months and a final written decision on the merits within 12 months from institution.
- Standard of proof is preponderance of the evidence.

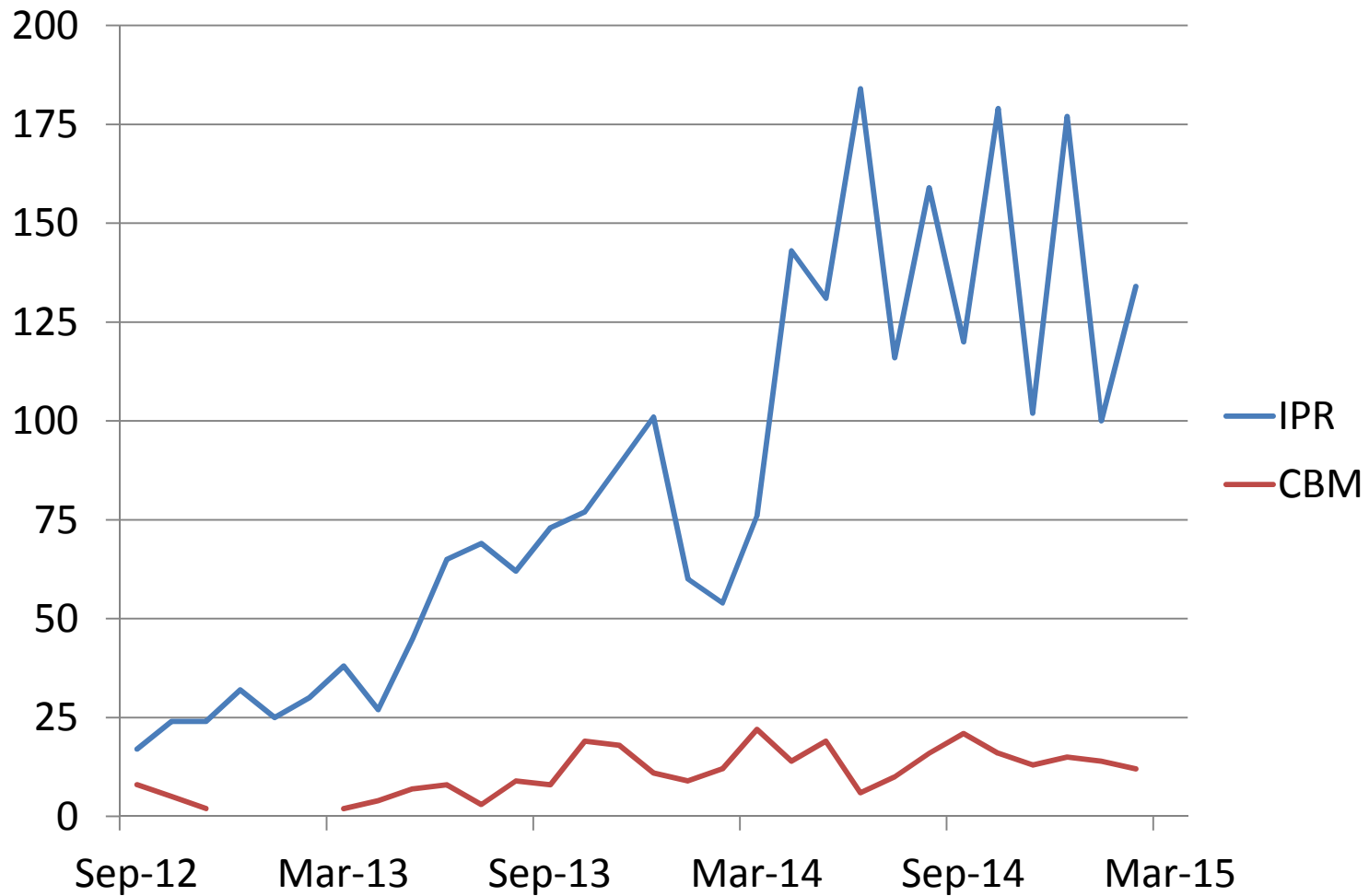
IPR

- **Grounds:** Anticipation or obviousness based on printed publications and patents
- **Estoppel:** “raised or reasonably could have raised”

CBM

- **Grounds:** Any
- **Estoppel:** “raised”
- **But:** “Financial product or service,” not a “technological invention”

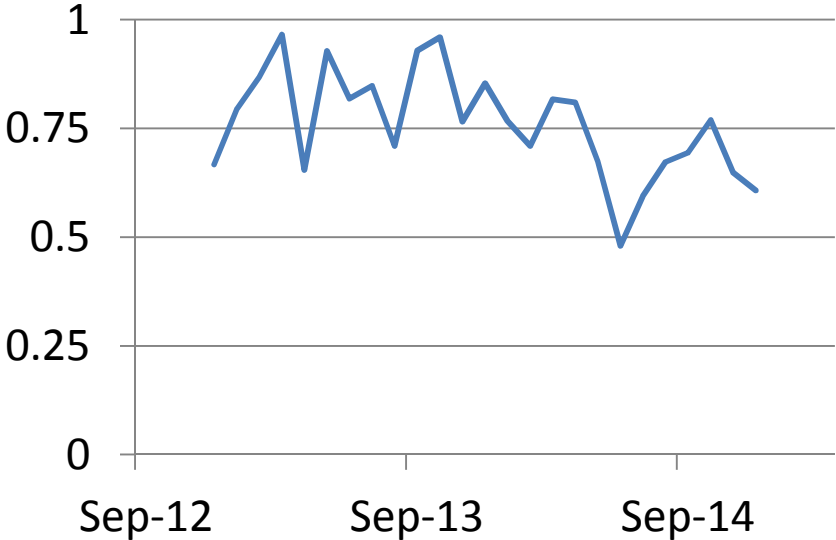
IPR and CBM Petitions Filed by Month



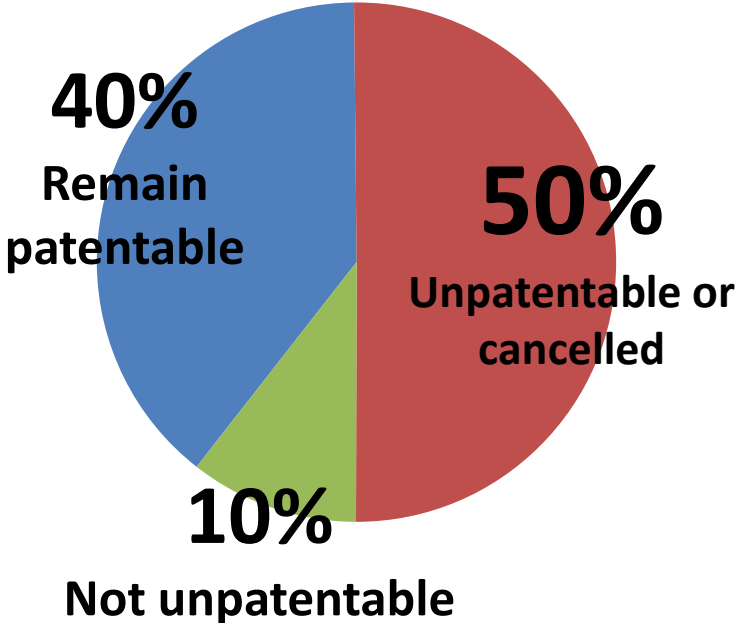
Source: AIA Trial Statistics, USPTO (February 12, 2015)

What Are My Chances?

Institution Rate by Claim



Once Instituted



Source: Docket Navigator (2014 Year End Report) & Inter Partes Review Petitions Terminated to Date, USPTO (January 15, 2015)

Three Commonly Considered Factors

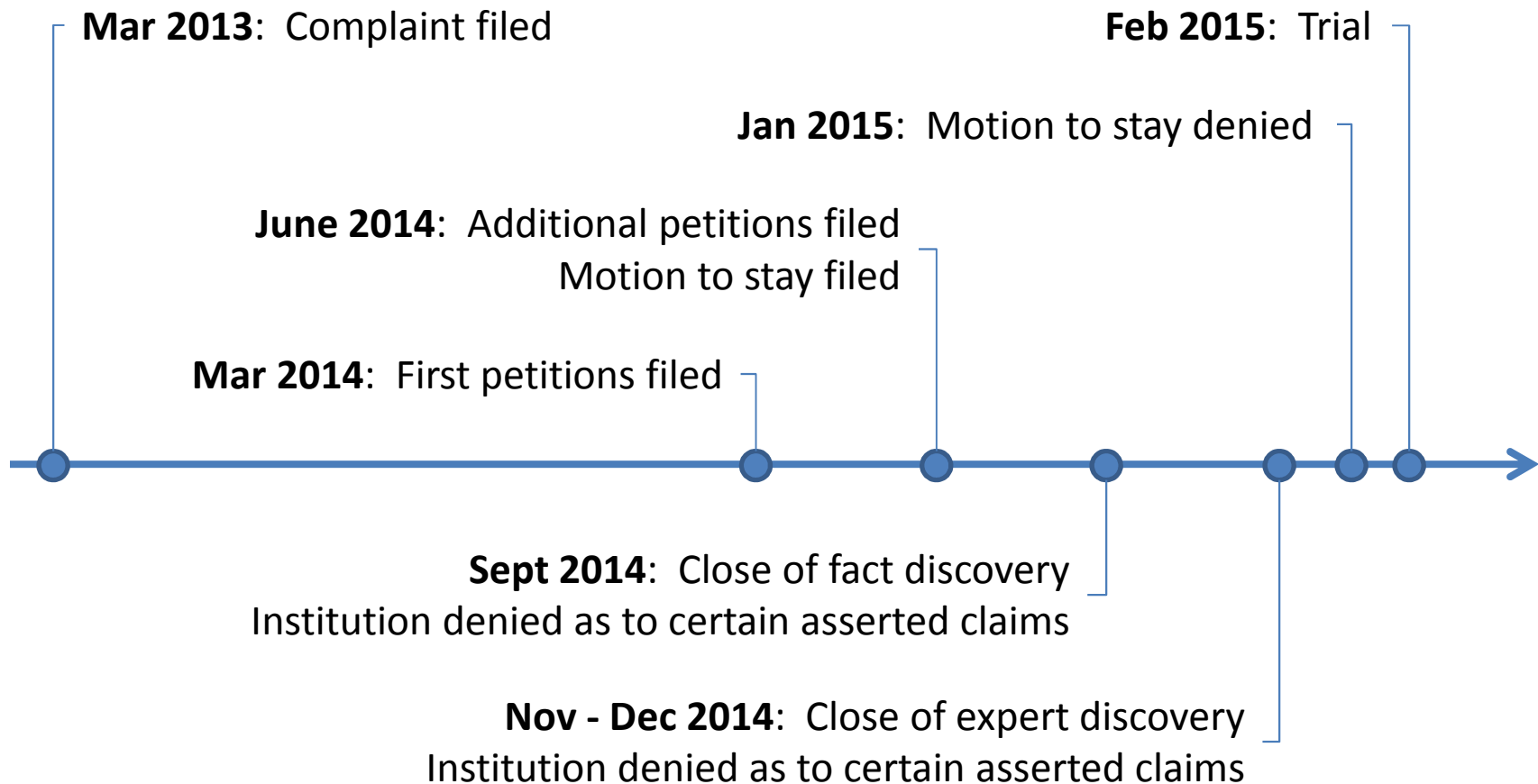
“Three significant factors in deciding whether to stay an action are:

- (1) whether discovery is complete and whether a trial date has been set;
- (2) whether a stay will simplify the issues in question and trial of the case; and
- (3) whether a stay would unduly prejudice or present a clear tactical disadvantage to the nonmoving party.”

Universal Elecs., Inc. v. Universal Remote Control, Inc.
943 F.Supp.2d 1028, 1030-31 (C.D. Cal. May 2, 2013)

Rembrandt Wireless Techs., LP v. Samsung Elecs. Co.

Case 2:13-cv-213 (E.D. Tex. Jan. 29, 2015)



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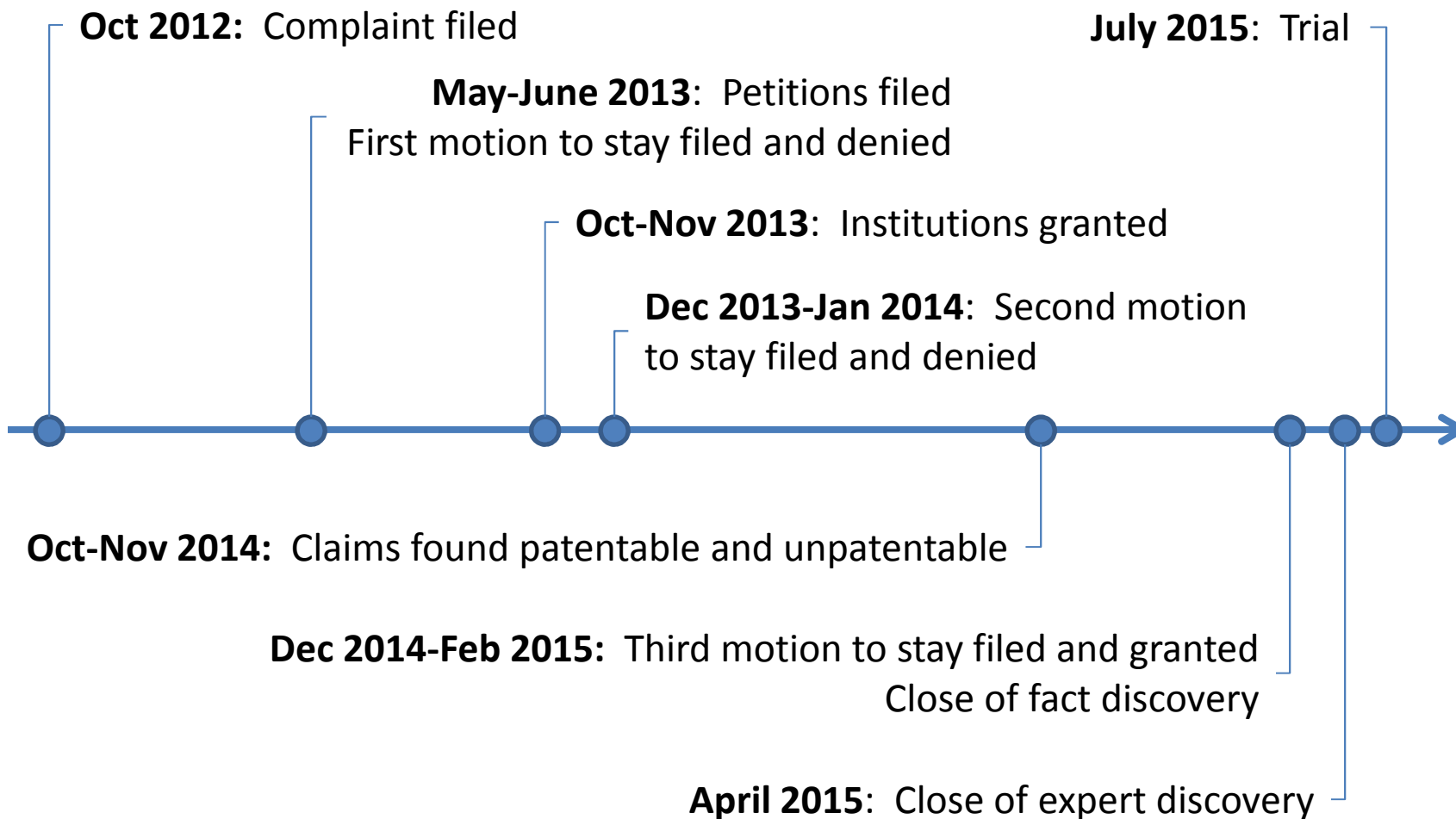
Simplification: “[I]ssue simplification . . . is not likely based on the recent denials of IPR institutions.”

Prejudice: Twelve months to complete IPR process. “By contrast Rembrandt is entitled to its trial on the merits in February 2015.... [T]he mere fact that Rembrandt is not currently practicing the patents does not mean that . . . it is not prejudiced by a substantial delay of an imminent trial date.”

Stage of the Litigation: “[M]erely a few weeks from the Feb. 9 2015 trial date. The advanced stage of this case weighs heavily against a stay.”

Verinata Health, Inc. v. Ariosa Diagnostics, Inc.

Case 12-cv-05501 (N.D. Cal. Feb. 2, 2015)



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Stage of the Litigation: “The cost and expense of finishing fact and expert discovery, briefing dispositive motions, and conducting trial is far from insignificant.... Nonetheless, at this juncture, the case finds itself at a relatively late stage.”

Simplification: Since denial of second motion to stay “the PTAB issued two *inter partes* review decisions and instituted a third.... These developments have rendered the outcome of this case increasingly susceptible to the ultimate disposition of the matters currently before the PTAB and Federal Circuit.

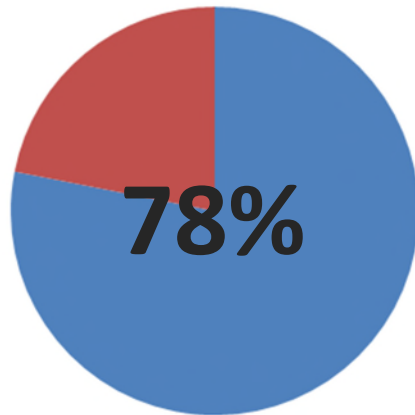
Prejudice: “[C]ourts have repeatedly found no undue prejudice unless the patentee makes a specific showing of prejudice beyond the delay necessarily inherent in any stay.... Verinata has shifted from a strategy of market share maximization to a strategy which prioritizes licensing.”

Personalweb Techs, LLC v. Google Inc.

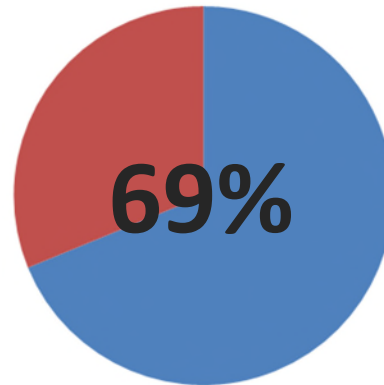
Case 5:13-cv-1317 (N.D. Cal. Aug. 20, 2014)

“In cases such as this one, where Defendants are not parties to the pending IPRs, the fact that the patent infringement defendants are not automatically estopped jeopardizes the IPRs’ critical intended effects on any subsequent district court action. Indeed, should any claims survive the pending IPRs in this case, the expected efficiencies would be eviscerated should Defendants go on to bring invalidity arguments in this court that were raised or could have been raised before the PTAB [T]he court will alleviate its serious estoppel concerns by using its inherent power to **condition a stay on Defendants’ agreement to be bound as if they themselves had filed the relevant IPR petitions**. With that condition in place, the court concludes that the potential for streamlining these proceedings by awaiting the final resolution of IPR proceedings weighs heavily in favor of a stay.”

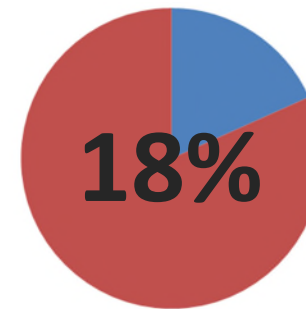
Success of Motions to Stay Varies by District



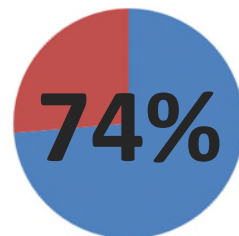
Northern District of California (57)



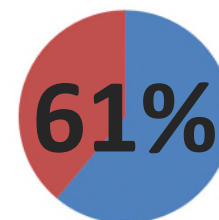
Delaware (48)



Eastern District of Texas (30)



Central District of California (19)



Southern District of California (18)

Source: LegalMetric (January, 2015)

Provisions Unique to CBM Proceedings

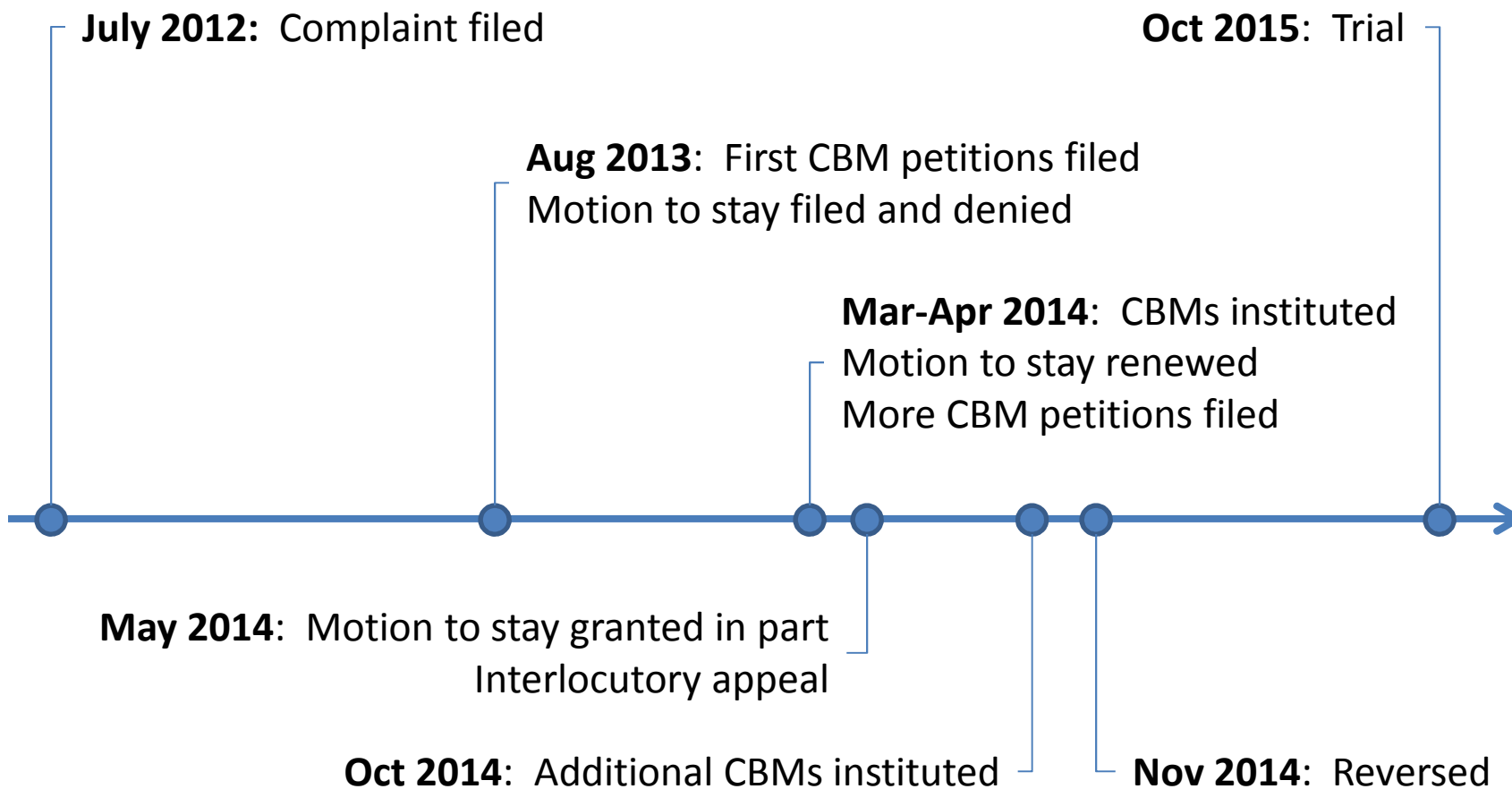
Fourth Factor: “whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and the court.”

Review: “immediate interlocutory appeal” is available, and the Federal Circuit “shall review the district court’s decision to ensure consistent application of established precedent, and such **review may be de novo.**”

America Invents Act §18(b)(1) & (2)

Versata Software, Inc. v. Callidus Software, Inc.

771 F.3d 1368 (Fed. Cir. 2014)



The District Court Should Look at the Particular Issues Remaining

“The district court seemingly created a categorical rule that if any asserted claims are not also challenged in the CBM proceeding, this factor disfavors a stay But **this type of categorical rule is inappropriate.** Stays can be warranted even when a CBM proceeding does not address all asserted patents, claims or invalidity defenses. . . . In a situation like this one, a **proper simplification analysis would look at what would be resolved by CBM review versus what would remain.**”

Versata, 771 F.3d at 1372

The Motion to Stay Should Be Evaluated as of the Time of Filing

“Though unclear from the district court’s brief analysis, it appeared to evaluate the stage of litigation at the time of its decision. This was error. As we explained in *Virtual Agility*, **generally the time of *filing* the motion will be the relevant stage at which to measure this factor**. We recognized in *Virtual Agility* that it is entirely appropriate and within the discretion of the district court to wait for the institution decision before ruling on the motion. And courts are not obligated to ignore advances in the litigation that occur as of the date the PTAB granted CBM review.”

Versata, 771 F.3d at 1373



Or Should I Go?
Motions to Transfer

Venue in Patent Cases Is Often Effectively Coextensive with Personal Jurisdiction

“Any civil action for patent infringement may be brought in the judicial district where the defendant **resides**, or where the defendant has committed acts of infringement and has a regular and established place of business.” 28 USC § 1400(b)

Corporations “shall be deemed to reside, if a defendant, **in any judicial district in which such defendant is subject to the court’s personal jurisdiction** with respect to the civil action in question.” 28 USC § 1391(c).

VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990)

Change of Venue Statute

“For the convenience of the parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought or division to which all parties have consented.” 28 USC § 1404(a)

Private and Public Factors

The “Private” Interest Factors

- (1) the relative ease of access to sources of proof;
- (2) the availability of compulsory process to secure the attendance of witnesses;
- (3) the cost of attendance for willing witnesses; and
- (4) all other practical problems that make a trial easy, expeditious and inexpensive.

The “Public” Interest Factors

- (1) the administrative difficulties flowing from court congestion;
- (2) the interest in having localized interests decided at home;
- (3) the familiarity of the forum with the law that will govern the case; and
- (4) the avoidance of unnecessary problems of conflicts of laws or the application of foreign law.

The Federal Circuit's Mandamus Cases

In re TS Tech USA Corp., 551 F.3d 1317 (Fed. Cir. 2008)

- Lear Corp. sued TS Tech in the Eastern District of Texas, alleging that infringed by making and selling vehicle headrest assemblies.
- Physical and documentary evidence was mainly located in Ohio.
- Key witnesses all lived in Ohio, Michigan and Canada.
- None of the parties were incorporated in, or had offices in, the Eastern District of Texas.
- TS Tech sought transfer to the Southern District of Ohio.

The Federal Circuit's Mandamus Cases

In re TS Tech USA Corp., 551 F.3d 1317 (Fed. Cir. 2008)

On a petition for a writ of mandamus, the Federal Circuit determined the district court had erred by:

- Placing too much weight on the plaintiff's choice of forum; part of the burden of proof, not a separate factor.
- Ignoring the 100 mile rule.
- Reading out the analysis regarding the relative ease of access to sources of proof.
- Relying on a local interest that applied virtually equally to any other venue.

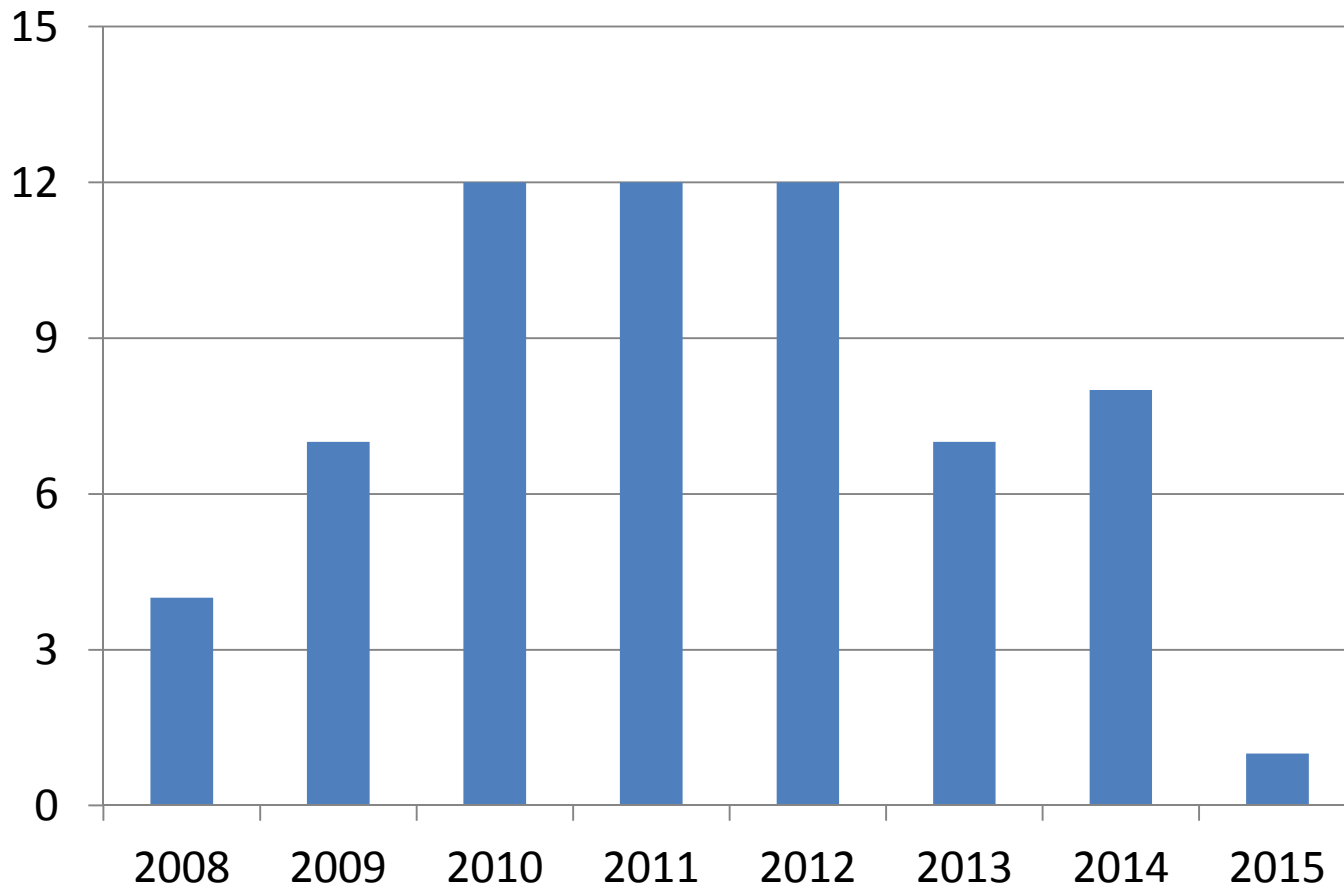
The Federal Circuit's Mandamus Cases

In re Vistaprint Ltd., 628 F.3d 1342 (Fed. Cir. 2010)

- Source of proof and witnesses tipped convenience factors in favor of transfer, but no defendant party located in the transferee venue and no “overwhelming” presence of witnesses in the transferee venue.
- Judicial economy factor weighed against transfer, because of prior and co-pending litigation involving the patent-in-suit.
- Weight afforded to judicial economy factor was not a “patently erroneous result.”

Not Quite As Many Mandamus Cases In Recent Years

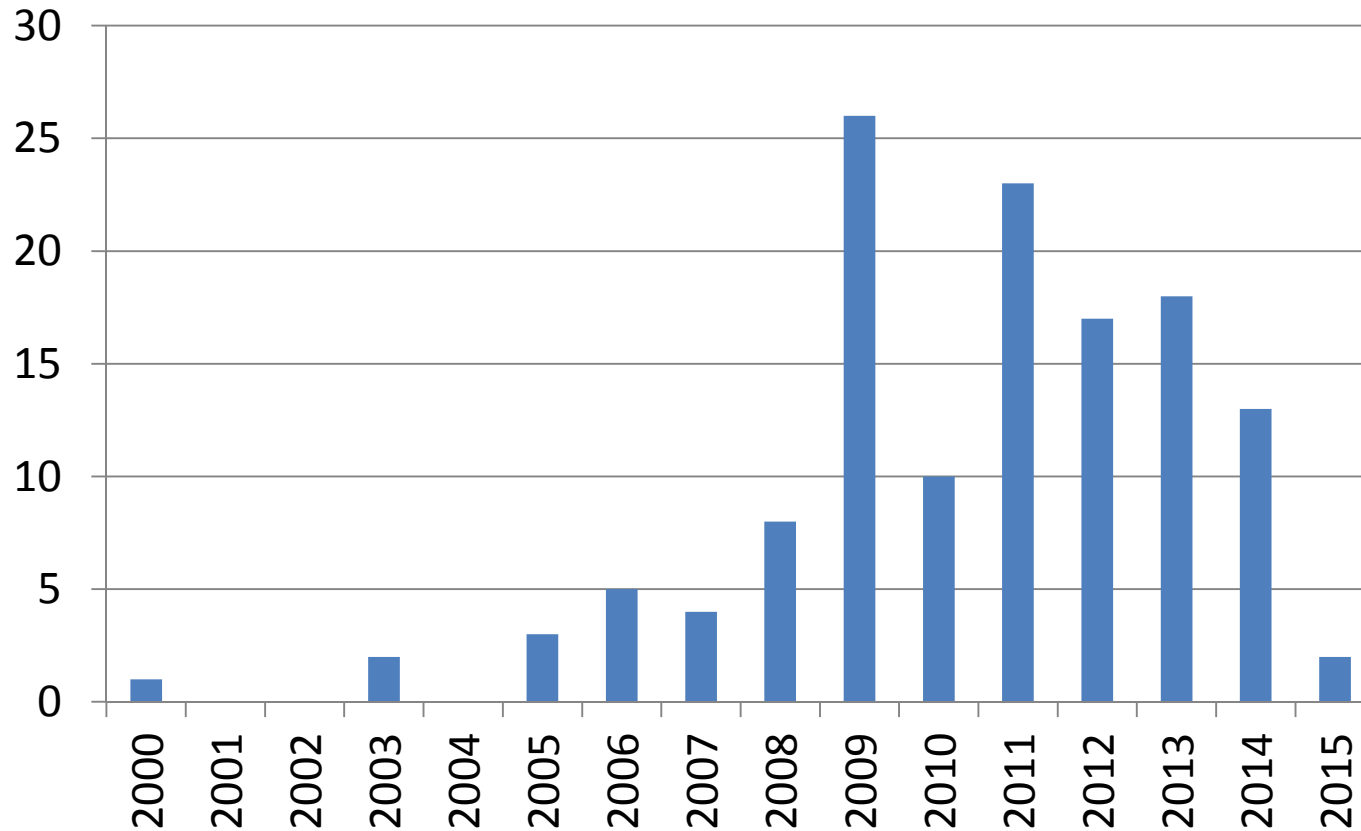
Federal Circuit decisions including “mandamus” and “motion to transfer”



Source: Westlaw search (February 19, 2015)

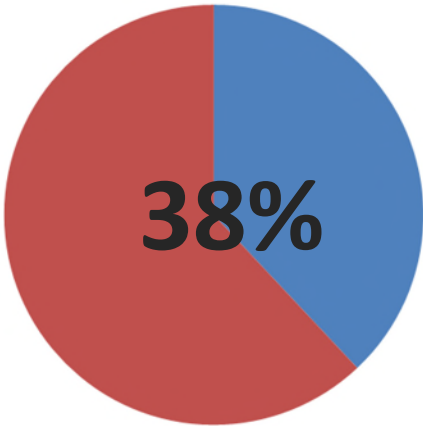
Not Quite as Many Transfer Decisions in Recent Years

Eastern District of Texas decisions including
“motion to transfer” and “patent” and “public” and “private”

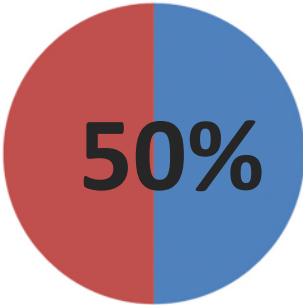


Source: Westlaw search (February 20, 2015)

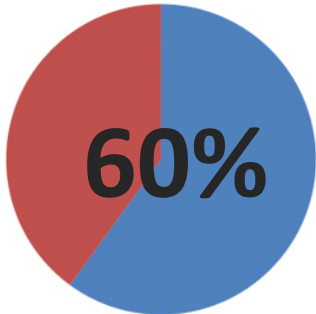
Transfer Success Rate Varies By District



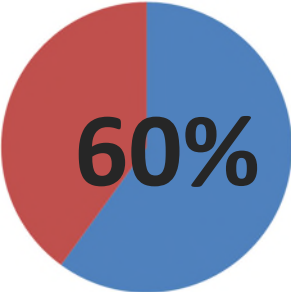
Eastern District of Texas (570)



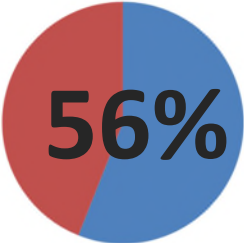
Delaware (293)



Eastern District of Virginia (259)



Northern District of Illinois (258)



Central District of California (183)

Source: LegalMetric (Nov. 14, 2014)

The Federal Circuit's Mandamus Cases

In re Apple, Inc., 581 Fed. Appx. 886 (Fed. Cir. 2014)

- EON Corp. sued Apple in the Eastern District of Texas.
- EON is headquartered in Texas, with one employee in Texas. “It exists to file lawsuits and presumably to engage in licensing activities throughout the United States.”
- Apple identified 14 relevant witnesses or entities in the Northern District of California. Neither party identified any relevant witnesses in the Eastern District of Texas.
- Co-pending cases in the district, and the Court had already construed claims several times.

The Federal Circuit's Mandamus Cases

In re Apple, Inc., 581 Fed. Appx. 886 (Fed. Cir. 2014)

The Federal Circuit determined the district court had erred by:

- overlooking evidence showing third party witnesses in the transferee district, and, as a result, not weighing compulsory process factor appropriately;
- not weighing the convenience of the witnesses factor correctly (8 witnesses vs. 0 witnesses); and
- attributing too much weight to judicial economy by overlooking mitigating evidence of the availability of MDL and the familiarity of the transferee district with the patents too.

The Federal Circuit's Mandamus Cases

In re Asus Computer Int'l., 573 Fed. Appx. 928 (Fed. Cir. 2014)

- EON Corp. sued Asus in the Eastern District of Texas.
- Asus identified three potential employee witnesses in the Northern District of California and one non-party witness.
- Court pointed to the co-pending cases in the district, and its familiarity with the patents, as weighing against transfer.

The Federal Circuit's Mandamus Cases

In re Asus Computer Int'l., 573 Fed. Appx. 928 (Fed. Cir. 2014)

“In exercising its discretion in deciding a transfer motion, a district court may, based on a case-specific assessment, conclude that **transfer would not promote the interest of justice even if the transferee venue would be slightly more convenient for the parties.** The clear abuse of discretion standard means that the district court has a ‘range of choice’ and that its decision will be upheld as long as it stays within reason.”

The Federal Circuit's Mandamus Cases

In re EMC Corp., 501 Fed. Appx. 973 (Fed. Cir. 2013)

“Petitioners are correct that the district court could not properly rely on judicial economy involved in retaining the very cases that were the subject of the transfer motion. **Motions to transfer venue are to be decided based on the situation which existed when suit was instituted.** Any subsequent familiarity gained by the district court is therefore irrelevant

While considerations of judicial economy arising after the filing of a suit do not weigh against transfer, **a district court may properly consider any judicial economy benefits which would have been apparent at the time the suit was filed.”**

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