

How Increased Stays Pending IPR May Affect Venue Choice

By **Forrest McClellan, Douglas Wilson and Michelle Armond** (November 15, 2019)

One year after the U.S. Supreme Court's decision in *SAS Institute Inc. v. Iancu*, a trend is emerging on stays of litigation pending IPR proceedings in the district courts. The data show a statistically significant 5% increase in stays granted following *SAS Institute* compared to pre-*SAS Institute* stay rates.[1]

The Supreme Court's recent decision in *TC Heartland LLC v. Kraft Foods Group Brand LLC* appears to have amplified *SAS Institute*'s impact by redistributing cases to courts that are more likely to grant stays. These trends are likely to significantly influence litigants' choice of venue in patent cases.

Background

Inter partes review is a U.S. Patent and Trademark Office proceeding that allows parties to litigate patent validity quickly and inexpensively compared to litigation in the district courts. Since IPRs became available in 2013, patent litigation defendants have sought stays from district courts in favor of co-pending IPR proceedings. District courts granted around 72% of motions for stays pending IPR between 2013 and 2017.

On April 24, 2018, the Supreme Court decided *SAS Institute*[2] and overruled prior Patent Trial and Appeal Board practice allowing partial institution of IPR proceedings on fewer than all challenged claims or grounds. Partial institution on fewer than all challenged claims reduced the likelihood of a stay because, whatever the outcome of the IPR proceeding, some asserted claims would remain for the district court to decide. When *SAS Institute* ended partial institution, some commentators predicted district courts would grant more stays in view of IPR proceedings.[3]

The Supreme Court's 2017 decision in *TC Heartland* has also impacted patent litigation.[4] *TC Heartland* significantly narrowed the venues in which defendants could be sued for patent infringement, thereby shifting the distribution of patent litigation nationwide.[5]

Findings

In the approximately 18 months after *SAS Institute*, the percentage of stays granted increased from 72% to 77% across all district courts. This 5% increase is statistically significant.



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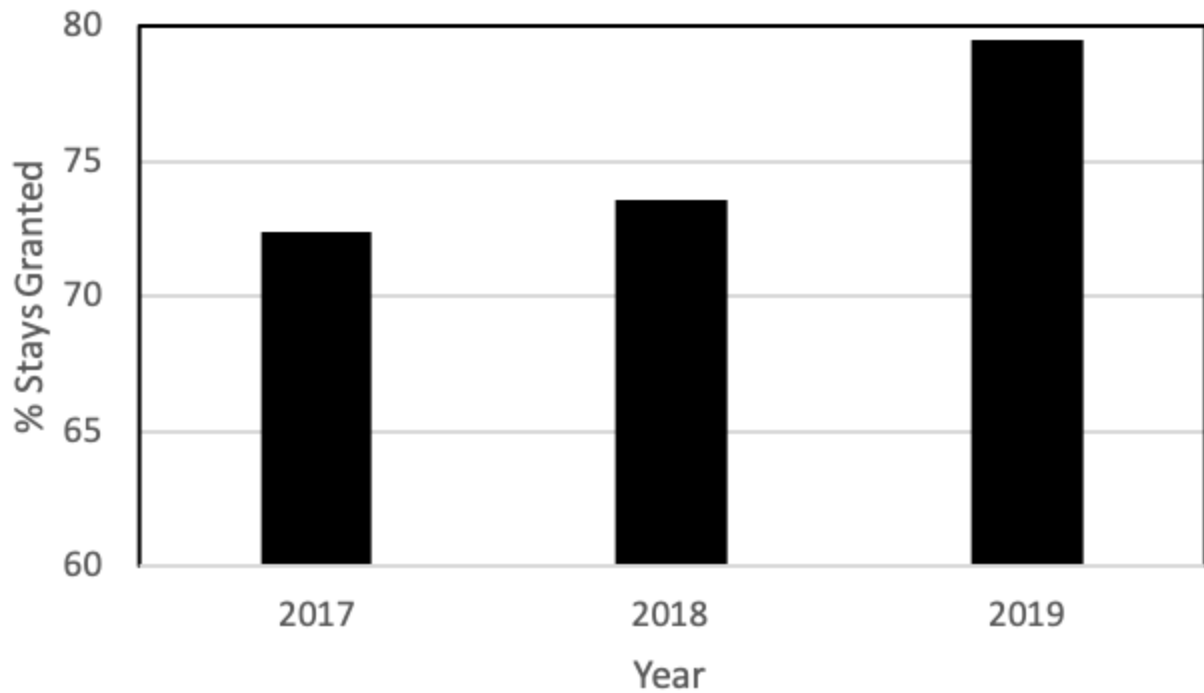


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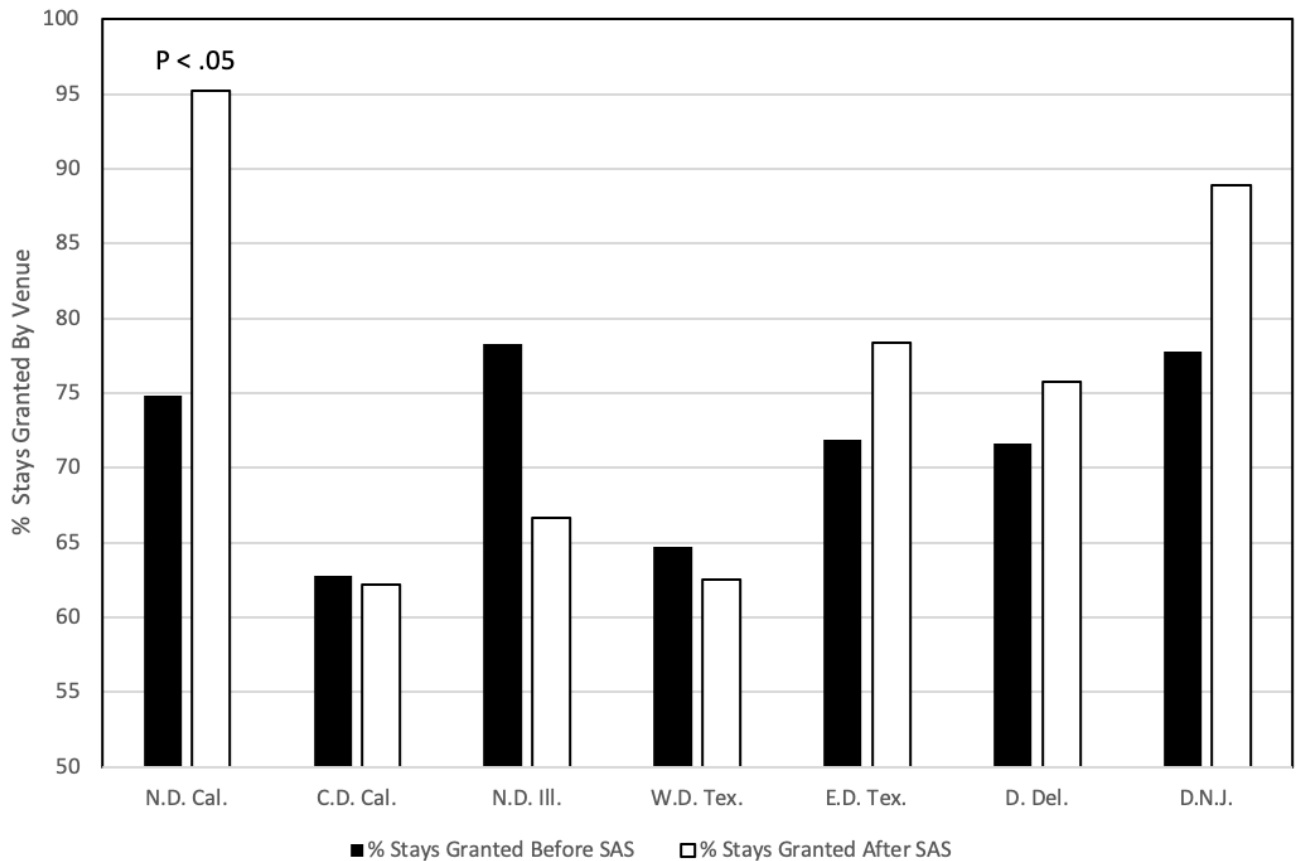
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Stays Pending IPR In All Courts



The changes in individual district courts varied widely. The following chart shows the success rate of motions to stay in seven popular patent venues before and after SAS Institute. These venues account for more than half of all motions to stay filed each year. As shown below, the U.S. District Courts for the Northern District of California, District of New Jersey, Eastern District of Texas and District of Delaware all increased the fraction of motions to stay granted following SAS Institute.

Stays Pending IPR By Venue



The largest jump was seen in the Northern District of California, where the grant rate jumped 20% from 75% to 95%, meaning that nearly all motions to stay are successful post-SAS Institute. This 20% increase is statistically significant.

Some courts granted motions to stay at reduced rates post-SAS Institute. The U.S. District Courts for the Central District of California and the Western District of Texas exhibited slight decreases in grant rate, leading to an approximately 40% disparity in grant rate between those courts and the Northern District of California.

These data may overestimate the Western District of Texas' grant rate following the recent appointment of U.S. District Judge Alan Albright, who has denied two of the three motions for stay pending IPR that he has decided.[6] The U.S. District Court for the Northern District of Illinois exhibited a large but statistically insignificant decrease in grant rate, the large magnitude of which is likely an artifact of a small post-SAS Institute sample size.

The differences among the district courts are exemplified by recent decisions reaching different outcomes on staying district court litigation pending resolution of instituted IPR proceedings under similar facts. These differences do not appear to be impacted by differences in articulated legal standards. Both the Eastern District of Texas and the Northern District of California consider the same three factors when deciding whether to grant a stay pending IPR, specifically: (1) whether a stay would simplify issues; (2) whether

a stay would cause undue prejudice; and (3) the stage of the proceedings.[7]

In *Peloton Interactive Inc. v. Flywheel Sports Inc.*, currently pending in the Eastern District of Texas, the defendant sought a stay after the PTAB had instituted review of three of four litigated patents in a single family (with a decision pending on the fourth), the parties were competitors, and jury selection would likely occur before the PTAB issued all final written decisions.[8] The Texas court refused to stay the case.

By contrast, in *J & K IP Assets LLC v. Armaspec Inc.*, pending in the Northern District of California, the defendant moved to stay where the PTAB had instituted IPR on the asserted patent, the parties were competitors, and trial was scheduled to begin before the PTAB would likely issue a final written decision.[9]

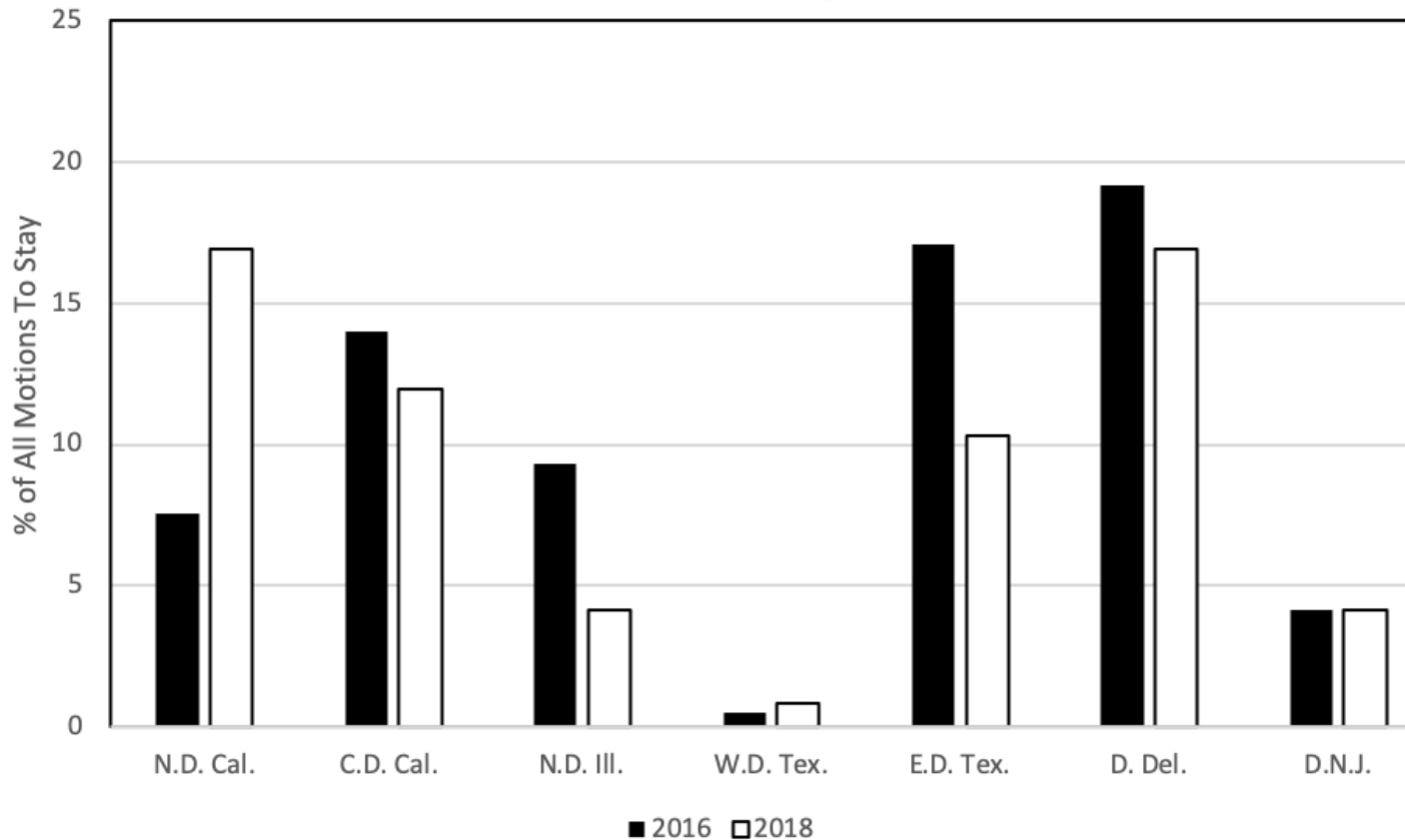
In *Anza Technology Inc. v. Toshiba America Electronic Components Inc.*, also pending before the Northern District of California, the defendant moved to stay where the PTAB had not yet instituted IPR on the challenged patents.[10] The Northern District of California courts stayed both cases pending resolution of the IPR proceedings.

These differing outcomes may reflect disagreement among district courts regarding the significance of PTAB institution decisions following *SAS Institute*. In *Peloton*, the Eastern District of Texas court reasoned that a stay was unlikely to simplify the issues because “[w]hen the PTAB decides to institute review after SAS, it must institute review for all challenged claims even if the PTAB concludes at the petition stage that the petitioner did not show a reasonable likelihood that it would prevail for some challenged claims.”[11]

In *J & K*, by contrast, the Northern District of California court concluded that “[a] ruling from the PTAB could simplify the issues before me.”[12] The court concluded that the potential for simplification of issues by an IPR merited staying the district court litigation. The *Anza* court likewise stated, “staying the case pending the resolution of the petitions and the IPRs, if instituted, could simplify the case.”[13]

Another recent Supreme Court case, *TC Heartland*, may have amplified *SAS Institute*’s effect on stay rates because of its effect on patent venue. As shown below, motions to stay pending IPR are distributed differently among district courts before and after *TC Heartland*.

Where Motions To Stay Are Filed




After TC Heartland, parties appear increasingly to be filing motions to stay in courts that are more likely to grant stays. For instance, the Northern District of California's share of motions to stay increased by around 10% from 2016 to 2018. The Northern District of Illinois and the Eastern District of Texas, both of which have lower post-SAS Institute stay rates than the Northern District of California, each lost around 5% of their share of motions to stay.

The data confirm earlier predictions that SAS Institute would increase stays pending IPR proceedings. However, the disparities among district court grant rates may influence new patent filings toward district courts with lower grant rates, such as the Central District of California and the Western District of Texas. Similarly, defendants facing patent infringement claims are likely to seek venues with high grant rates, such as the Northern District of California.


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[1] The authors gathered data from Docket Navigator®. Partial stays were treated as denials of motions to stay.


[2] SAS Institute Inc. v. Iancu , 138 S. Ct. 1348 (2018).

[3] See, e.g., Scott McKeown, New SAS Reality Impacts Motion to Stay Analysis, Patents Post-Grant (May 30, 2018) <https://www.patentspostgrant.com/sas-reality-strikes-motion-stay-analysis/>; Matthew Bultman, Checking In On SAS Institute 6 Months Later, Law360 (Nov. 30, 2018) <https://www.law360.com/articles/1106616/checking-in-on-sas-institute-6-months-later>.

[4] TC Heartland LLC v. Kraft Foods Group Brands LLC , 137 S. Ct. 1514 (2017).


[5] Matthew Bultman, Patent Landscape Readjusts One Year After TC Heartland, Law360 (May 18, 2018) <https://www.law360.com/articles/1044824/patent-landscape-readjusts-one-year-after-tc-heartland>.

[6] See also U.S. District Court W.D. Tex., Order Governing Proceedings – Patent Case available at <https://www.txwd.uscourts.gov/judges-information/standing-orders/index.html> (suggesting Judge Albright plans rapid treatment of patent cases).

[7] See Peloton Interactive, Inc. v. Flywheel Sports, Inc. , No. 18-cv-00390, 2019 WL 3826051 (E.D. Tex. Aug. 14, 2019); J & K IP Assets, LLC v. Armaspec, Inc., No. 17-cv-07308 (Dkt. 56), ___ WL ___ (N.D. Cal. Sept. 12, 2019).

[8] Peloton, 2019 WL 3826051 at *2-3.

[9] J & K, No. 17-cv-07308 (Dkt. 56) at 1-2.

[10] Anza Technology, Inc. v. Toshiba America Electronic Components Inc. , No. 17-cv-07289, 2018 WL 4859167 (N.D. Cal. Sept. 28, 2018).

[11] Peloton, 2019 WL 3826051 at *2.

[12] J & K, No. 17-cv-07308 (Dkt. 56) at 2.

[13] Anza, 2018 WL 4859167 at *2.