

## Pending Petition for CBM Review Results in Litigation Stay

The stay provisions of America Invents Act § 18(b) related to covered business method patent review<sup>1</sup> (“CBM review”) were recently applied in *Market-Alerts Pty. Ltd. v. Bloomberg Fin. L.P. et al.*, C.A. No. 12-780-GMS (D. Del.). On February 5, Judge Sleet granted defendants’ motion to stay litigation in light of a pending petition for CBM review. This advisory addresses the key takeaways from the Court’s opinion—one of the first to grant a stay under AIA § 18—of which litigants and potential litigants should be mindful.

On June 20, 2012, Market-Alerts filed six patent-infringement lawsuits against multiple defendants. On October 15, several defendants filed a petition for CBM review of the asserted patent. Shortly thereafter, a subset of defendants filed a motion to stay litigation under AIA § 18(b)(1), which states:

If a party seeks a stay of a civil action alleging infringement of a patent under section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on—

- (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.

### Timing of the Motion

As a preliminary matter, the Court addressed whether the timing of the motion to stay was appropriate—namely, whether the statutory stay analysis of § 18(b) is triggered upon the filing of a petition or upon the Patent Trial and Appeal Board’s (“PTAB”) decision to institute review. In deciding that the stay provisions apply when the petition is filed, the Court noted that § 18(b) is framed on the existence of a “transitional proceeding for [a] patent”<sup>2</sup> and that PTO statements recognize that “proceedings begin with the filing of a petition”.<sup>3</sup> Thus, the Court found it need not wait for the PTAB to institute CBM review before acting on the motion to stay.<sup>4</sup>

### The CBM Petition’s Likelihood of Success

In analyzing the first factor of § 18(b)—whether a stay will simplify the issues—the Court made some preliminary findings on both the likelihood that CBM review would be instituted, and the likelihood that CBM review would be successful in invalidating the claims or resulting in their amendment. In opposing the defendants’ motion, Market-Alerts argued that because its invention satisfied the “technological exception” of § 18(d)(1), the PTAB would likely reject the petition.<sup>5</sup> Market-Alerts also argued that even if CBM review were instituted, it would be unsuccessful. But the Court disagreed on both counts. After analyzing the merits of the petition and Market-Alerts’

<sup>1</sup> For a primer on covered business method patents and CBM review, see <http://www.skgf.com/media/pnc/1/media.1741.pdf>.

<sup>2</sup> “[T]he court shall decide whether to enter a stay based on [the four enumerated factors]” whenever “a party seeks a stay of a civil action alleging infringement of a patent ... relating to a transitional proceeding for that patent.” § 18(b)(1) (emphasis added)

<sup>3</sup> Office Patent Trial Practice Guide, 77 Fed. Reg. 48757 (Aug. 14, 2012).

<sup>4</sup> Opinion at n.5.

<sup>5</sup> AIA § 18(d)(1) defines the term “covered business method patent” as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” (emphasis added)

arguments, as well as the AIA's legislative history, the Court found not only that the petition would likely be granted, but also that "there is at least a reasonable chance that the PTAB will ultimately invalidate or cause Market-Alerts to amend some or all of the claims."<sup>6</sup>

### Burden of Litigation

With respect to the fourth factor of § 18(b)—whether a stay will reduce the burden of litigation on the parties and the court—the Court turned to the legislative history to determine Congress's intent for this factor. Among the statements quoted in the opinion is one by Senator Charles Schumer indicating "that the intent of the fourth stay factor was to 'place[] a very heavy thumb on the scale in favor of a stay being granted.'"<sup>7</sup> From this perspective, the Court found that factor four weighed in favor of a stay, despite Market-Alerts' argument that granting the motion may increase the burden on the parties and the Court because not every defendant in the six related lawsuits joined in the motion. While the Court appreciated Market-Alerts' argument, it circumvented the issue by *sua sponte* using its inherent power to manage its docket to stay the other related lawsuits in the interests of judicial economy.<sup>8</sup>

### Conclusion

The AIA not only redefined and expanded Patent Office Litigation, but also expressly contoured the interplay between Patent Office Litigation and District Court Litigation in some scenarios. As courts continue to interpret AIA provisions, litigants and potential litigants should be mindful of the guidance provided by the courts' opinions, such as the stay guidance in this case.

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<sup>6</sup> Opinion at 11-12.

<sup>7</sup> Opinion at n.4, 14.

<sup>8</sup> The Court pointed out that even though some non-moving defendants had not joined in the motion, they were not opposed to a stay.

