



Defendant's Non-Party Status to IPRs Dooms Stay Request, Despite Agreement to Be Bound by IPR Estoppel

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The Western District of Texas recently denied a defendant's motion to stay pending *inter partes* review based in part on the defendant's status as a non-party in the IPR proceedings. In doing so, the district court focused on how the defendant's inability to participate in the IPRs limited the scope of estoppel, and therefore diminished any potential simplification of issues.

The plaintiff asserted four patents in separate proceedings against three entities—Zebra Technologies Corporation, Honeywell International Inc. and Bluebird Inc., the defendant in this matter. In response, Zebra filed four petitions for *inter partes* review challenging each of the asserted patents, and the PTAB instituted all four petitions. But Bluebird did not join these IPRs.

Shortly after the PTAB instituted review, Bluebird moved to stay its case pending final resolution of the IPR proceedings. Zebra also moved to stay its respective matter in light of the instituted IPRs. The district court granted Zebra's motion to stay but denied Bluebird's.

In its analysis the court first determined that staying the Bluebird matter would likely inflict undue prejudice on plaintiff because of potential loss of evidence. The court further noted that the proceeding had reached an advanced stage of discovery. Thus, the first two factors slightly weighed against granting a stay. Regarding the third factor, the court recognized there could be a simplification of issues by staying the Bluebird matter until resolution of the IPRs, particularly because Bluebird agreed to be bound by the estoppel provisions under 35 U.S.C. § 315(e)(2). Therefore, this factor weighed slightly in favor of granting a stay.

Nevertheless, the district court determined that Bluebird's lack of participation in the IPR proceedings undercuts any potential simplification of the issues, and the court denied Bluebird's stay request. The court reasoned that, as a non-party, Bluebird had no ability to prevent early termination of the Zebra IPRs. If Zebra and the plaintiff were to settle their dispute and the Zebra IPRs were terminated before the PTAB reached a final written decision, no estoppel would attach to Bluebird. Thus, despite granting the requested stay in the Zebra matter, the court concluded that Bluebird's status as a non-party to the IPRs diminished the likelihood that resolution of the IPRs would simplify the Bluebird matter and declined to stay the case.

Practice Tip: Although agreeing to be bound by estoppel provisions of 35 U.S.C. § 315(e)(2) often weighs in favor of granting a stay pending IPR resolution, the true scope of estoppel may be limited when a party does not participate in the IPR proceeding. This potential for a party to escape estoppel could tilt the stay analysis toward denying a stay. Parties on both sides of a stay request should be mindful of this interplay between the scope of estoppel and the simplification factor of a stay analysis, particularly when the party requesting a stay is not a party to the IPR proceeding.

Lone Star SCM Systems, Ltd. v. Bluebird Inc., 6-21-cv-00844 (WDTX Aug. 1, 2023) (Judge Albright)

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