



WDTX Magistrate Judge Grants Stay Pending IPR Despite Alleged Delay Tactics by Defendant in Pre-Suit Negotiations

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The Western District of Texas granted a motion to stay a patent infringement lawsuit pending *inter partes* review not only because doing so would simplify the issues in the still-early litigation and reduce the burden on the parties, but also because the non-moving party failed to diligently file its lawsuit despite a protracted negotiations period.

Plaintiff brought a patent infringement lawsuit against defendant for allegedly infringing two inflatable paddle board patents. Before filing its answer, defendant filed IPRs against both patents. Defendant then submitted a motion to stay the infringement proceeding pending the IPRs. The motion was referred to a magistrate judge.

Before addressing the motion on its merits, the magistrate first determined whether she had authority, as a magistrate, to decide the motion and enter an order ruling on the motion. Under the Federal Magistrates Act, if a motion is “dispositive,” a magistrate judge can only issue a report and recommendation, which would be subject to *de novo* review by the referring district judge. On the other hand, if a motion is “nondispositive,” the magistrate judge can rule on the motion and the district judge can only set aside the order on appeal if the ruling was “clearly erroneous or contrary to law.” Specifically articulated dispositive motions in civil cases under 28 U.S.C. § 636(b)(1)(A) include motions for injunctive relief, to dismiss for failure to state a claim, for judgment on the pleadings, for summary judgment, to involuntarily dismiss a case, and to certify or decertify a class action. While motions to stay are not listed, unlisted motions may still be dispositive if they are the “functional equivalent” of a listed motion.

The court determined that a motion to stay pending an IPR is not the “functional equivalent” of any of the listed motions. The closest analogues to a motion to stay pending an IPR are an involuntary dismissal and a motion for injunctive relief, but the court distinguished both. Unlike an involuntary dismissal, the stay would not terminate the matter in court nor foreclose review on the merits by the federal court, as a party dissatisfied with the final written decision could still appeal to the Federal Circuit. Furthermore, unlike a motion for injunctive relief, which as a key factor examines likelihood of success on the merits, a motion to stay pending an IPR does not address the merits of the injunctive relief. Therefore, the court concluded that staying a case pending an IPR is a nondispositive matter and it thus had the authority to decide the present motion.

Turning to the merits, the court applied the four factors typically considered when determining whether to stay litigation pending an IPR: 1) whether the stay will simplify the issues raised in the litigation; 2) the status of the litigation at the time the stay is requested; 3) whether the stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; and 4) whether a stay will reduce the burden of litigation on the parties and the court. The court concluded that the stay would simplify the issues, as the Patent Trial and Appeal Board (PTAB) could find some or all claims unpatentable. At the time of the stay request, no discovery had taken place and no infringement or invalidity contentions had been served. And the court recognized that if it denied a stay, the parties would have to expend significant resources in exchanging contentions and engaging in claim construction. Therefore, the first, second and fourth factors favored a stay.

On the other hand, the court found that the third factor was neutral. Plaintiff alleged that defendant took unfair advantage of the parties’ pre-suit negotiations by initially expressing an interest in settlement while it was in fact preparing IPR petitions, and that but for this delay, plaintiff would have brought the lawsuit sooner, so defendant should not be rewarded for its delay tactics. The court emphasized that delay alone does not usually constitute undue prejudice, and the proper inquiry should focus on the patentee’s need for an expeditious resolution of its claim, with any tactics on the part of the movant being relevant. Here, plaintiff did not move for a preliminary injunction, which weighed against undue prejudice. And while it did attempt to engage in good-faith negotiations prior to filing suit, the court noted that these negotiations took place sporadically across a six-year time period, with at least a year-long if not a potentially four-year gap in the interim where plaintiff could have filed suit against defendant. Furthermore, the evidence did not suggest a dilatory motive on

the part of the defendant. Together with the other factors, the court concluded that the case should be stayed pending resolution of the IPRs and granted defendant's motion.

Practice Tip: A party aiming to overcome a motion to stay pending an IPR should be careful during the pre-suit negotiations process to act timely and avoid needless delays, which could weigh against a finding of undue prejudice. In turn, a party seeking a stay should be mindful of its actions which could be understood to have a dilatory motive. Evidence supporting either position, such as documents indicating ongoing diligence during the negotiations process or communications that demonstrate good-faith efforts to negotiate should be presented where available.

Twitch LLC v. Bote, LLC, No. WA-24-CV-00233-KC (W.D. Tex. Aug. 21, 2024) (A. Berton)

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