

BANNER&WITCOFF

PTAB HIGHLIGHTS

New developments in post-issuance proceedings

bannerwitcoff.com

To Stay or Not to Stay...

By Katie L. Becker

October 10, 2014 — The Federal Circuit recently decided its second case¹ on the issue of staying a district court patent infringement litigation pending Covered Business Method (CBM) review. In *Benefit Funding Systems v. Advance America Cash*, Case No. 2014-1122 (Fed Cir. Sept. 25, 2014), the Federal Circuit affirmed the district court's order staying the litigation.

[Case No. 2014-1122 – Benefit Funding Systems v. Advance America Cash \(Fed Cir. Sept. 25, 2014\)](#)

The technology at issue relates to a “system and method for enabling beneficiaries of retirement benefits to convert future benefits into current resources to meet current financial and other needs and objectives.” Roughly 10 months after Benefit Funding Systems LLC and Retirement Capital Access Management Company LLC filed its complaint in the District of Delaware for patent infringement against Advance America Cash Advance Centers, Inc., Regions Financial Corporation, CNU Online Holdings, and U.S. Bancorp, U.S. Bancorp filed a petition with the PTAB for CBM review. All defendants then filed motions to stay the litigation pending review, which the court subsequently denied.

Following denial of the motions to stay by the district court, the PTAB instituted CBM review on the sole basis of subject matter eligibility under 35 U.S.C. § 101. The defendants renewed their motions to stay, which the district court granted. The patent owner then filed an interlocutory appeal. The patent owner's argument on appeal rests on the ground that the PTAB is not authorized to conduct CBM review based on § 101 grounds and thus the district court would not

¹ The first Federal Circuit case on this issue was *VirtualAgility, Inc. v. Salesforce.com, Inc. et al.*, Case No. 2014-1232 (Fed. Cir. July 10, 2014). The Court reversed the district court's order denying a stay pending the outcome of CBM review.

be bound by the results of the review². The Federal Circuit disagreed that such an argument would be a proper basis for denying a stay.

In its decision authored by Chief Judge Prost, the Court concludes that the district court properly considered and analyzed the four factors set forth in AIA § 18(b)(1) to determine whether a stay is appropriate: (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. The Court went on to find that that “the argument that §101 cannot support CBM review is a collateral attack similar to ones that we have recently held impermissible” and further concluded that “[t]he stay determination is not the time or the place to review the PTAB’s decisions to institute a CBM proceeding.” *Citing* 2014 WL 3360606 at *5. The Court similarly found that challenging the PTAB’s authority to conduct the CBM review in disputing an order staying litigation is also an impermissible collateral attack.

Lastly, the Court found that in the context of this case, the patent owner provided no basis for challenging the district court’s conclusion with respect to the second and third factors and found that “where the only real argument against a stay concerns the authority of the PTAB to conduct the CBM review, those circumstances are sufficient for the district court to conclude that the first and fourth factors favor staying the case.”

The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office’s Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer weekly summaries of the board’s significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.



www.bannerwitcoff.com

© Copyright 2014 Banner & Witcoff, Ltd. All Rights Reserved. The opinions expressed in this publication are for the purpose of fostering productive discussions of legal issues and do not constitute the rendering of legal counseling or other professional services. No attorney-client relationship is created, nor is there any offer to provide legal services, by the publication and distribution of this edition of PTAB Highlights.

² The patent owner also raised this argument at the district court.