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Know how to stay

When a stay can save money **Interviewed by Curt Harler**

A stay can be a potent legal tool when used in the right place and at the right time. A stay, in legal terms, is a temporary halt to a legal proceeding until the occurrence of some future event.

"In complex cases, courts stay a case when a pending motion or other proceeding could impact the case," explains Jamil N. Alibhai, shareholder and attorney in the litigation section at Munck Butrus Carter, P.C. For example, in securities litigation cases, the filing of a motion to dismiss "stays" the case and precludes the parties from engaging in time-consuming and expensive discovery in a situation where the court may end up dismissing the case in its entirety.

Aren't stays frequently used in an administrative re-examination of a patent or the like?

The United States Patent and Trademark Office (PTO) has established a procedure by which any person at any time may file a request for re-examination of any claim of a patent. Basically, an individual or a company can ask the PTO to review a patent and determine whether it is valid. When a defendant in a patent case seeks re-examination in the PTO of the patent asserted against it in the litigation, a defendant will often ask for a stay of the proceeding pending the re-examination.

Re-examination permits efficient resolution of questions about the validity of issued patents without expensive and sometimes lengthy litigation. Courts have the inherent power to issue stays as part of their control of the disposition of their dockets. The inherent power to stay proceedings specifically applies to patent cases while the PTO re-examines a patent at issue in the litigation.

When will the courts allow a stay?

Courts usually consider three factors in deciding whether to stay litigation pending re-examination:

(1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party;

(2) whether the re-examination will simplify the issues in question and trial of the case; and,



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(3) the status of discovery and whether a trial date has been set.

Courts first look at whether all of the claims asserted in the action are under re-examination. If the re-examination does not cover all of the patent claims asserted in the litigation, a court will not be inclined to stay a case because the court will still need to consider the validity and infringement issues regarding patent claims not under re-examination.

Courts also prefer to grant stays that are requested early in the lawsuit and before the parties have engaged in discovery and claim construction proceedings.

What are the advantages of obtaining a stay?

If the court grants a stay, the parties can wait for the conclusion of the re-examination. The stay allows the parties to save the time and money that otherwise would be spent on discovery and claim construction proceedings.

An advantage of the re-examination process is that it allows the validity of a patent to be tested in the PTO by a Central Re-examination Unit made up of highly qualified examiners. If a re-examination

proceeding results in cancellation of the asserted patent claims, the suit likely will be dismissed. In over 70 percent of all granted re-examinations, the patent claims are canceled or amended.

If claims survive the re-examination proceeding, re-examination may facilitate a trial because the court will have been provided with the expert view of the PTO regarding the validity of the patent.

How much time is allotted for a stay?

Most courts will stay the case pending the outcome of the re-examination proceeding. According to federal patent law, re-examination proceedings are conducted with 'special dispatch.' Depending on the type of patent involved, the first office action by the PTO can be as quick as three to six months.

Can't stays be used to drag out an issue to the detriment of one party or the other?

A plaintiff facing a motion for stay pending re-examination will often claim that the re-examination is a stall tactic. A court will have to compare the patent claims in re-examination versus the patent claims asserted in the litigation to determine whether a stay is warranted. If a party can make a showing of harm or prejudice, a court will not likely stay the case.

What should be accomplished during the stay?

During the stay, the PTO will re-examine the patent and determine whether it is valid. The patent owner will respond to office actions from the PTO and has the opportunity to amend claims in the patent. The defendant should keep track of the proceedings in the PTO, and both parties should also keep the court apprised of the status of the re-examination proceeding. <<

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