

VIRTUALAGILITY INC. v. SALESFORCE.COM, INC., Appeal No. 2014-1232 (Fed. Cir. July 10, 2014). Before Newman, Moore, and Chen. Appealed from E.D. Tex. (Judge Gilstrap).

Background:

Virtualagility (VA) sued Salesforce.com (Sales) alleging infringement of one of its patents. Sales subsequently filed a petition with the Patent Trial and Appeal Board (PTAB) for post-grant review of all of the claims of VA's patent under the Transitional Program for Covered Business Methods Patents (CBM). After the PTAB granted Sales' petition, Sales filed a motion to stay the litigation in the District Court pending the outcome of the CBM review.

The District Court, after weighing the relevant factors, denied Sales' motion to stay the litigation because the District Court was not convinced that the PTAB's cancellation of some or all of the claims was probable. Sales appealed.

Issue/Holding:

Did the District Court err in denying Sales' motion to stay the litigation pending the outcome of the CBM review? Yes, reversed.

Discussion:

Section 18(b)(1) of the AIA provides four relevant factors to consider when deciding to grant a stay: (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.

As an initial matter, the Federal Circuit found that the District Court's decision was improperly based on its conclusion that cancellation of some or all of the claims during CBM review was unlikely, concluding that this was an improper collateral attack on the PTAB's decision to grant CBM review in the first place. Next, the Federal Circuit weighed each individual factor.

The Federal Circuit found that factors (A) and (D) weighed heavily in favor of a stay because all claims of the asserted patent were being reviewed by the PTAB, and the PTAB's standard for granting CBM review is that it is "more likely than not" one or more claims of the patent is invalid. The Federal Circuit found that, under this standard, the PTAB has concluded that it is "more likely than not" that it will invalidate all of the claims of VA's patent, which would eliminate all the issues at trial (i.e., reduce the burden of litigation to none).

Regarding factor (B), the Federal Circuit found that, at the time the motion to stay was filed, no trial date had been set, and discovery had not yet begun. By the time the PTAB granted CBM review, there remained eight months left in the discovery phase, and jury selection was a year away. Therefore, factor (B) also weighed in favor of a stay.

For factor (C), the Federal Circuit found that VA would not be unduly prejudiced by granting a stay, and the granting of a stay provided no clear tactical advantage to Sales. Therefore, factor (C) also weighed in favor of granting a stay.

Judge Newman dissented, arguing that the majority should have deferred to the District Court's analysis regarding the four factors, and that the four factors weighed in favor of denying a stay. She contended that under majority's analysis, a system of "automatic stays" is essentially created, which is contrary to congressional intent.