

## **District of New Jersey Decision Helps Clarify Standards for Lifting Federal Litigation Stay Based on Concurrent PTAB Proceedings**

April 19, 2021

*Source: New Jersey Federal Practice Alert*

In a recent decision, Judge Brian R. Martinotti affirmed Magistrate Judge Douglas E. Arpert's order denying plaintiffs' motion for leave to amend its complaint. Plaintiffs were attempting to remove their patent infringement claims and related allegations from the complaint after the Patent Trial and Appeal Board ("PTAB") found plaintiffs' patents-in-suit invalid in separate proceedings before the PTAB, so that the federal litigation could move forward concerning only their trade secret misappropriation claims, but Judge Arpert determined that the pending stay should not be lifted and thus the motion must be denied. Judge Martinotti then affirmed Judge Arpert's ruling on appeal.

In this case, plaintiffs Nasdaq, Inc., Nasdaq ISE, LLC, and FTEN, Inc. initially filed a complaint in federal court against defendants Miami International Holdings, Inc., Miami International Securities Exchange, LLC, MIAX Pearl, LLC, and Miami International Technologies, LLC, alleging multiple claims of patent infringement and trade secret misappropriation. A few months later, defendants filed petitions for Covered Business Method Patent Review ("CBMR") of the patents-in-suit with the PTAB. Defendants then filed a series of motions seeking the stay of the federal litigation pending the PTAB proceedings. Although the Court first denied those requests because the PTAB had not yet instituted a review of the challenged petitions, it eventually granted the final motion to stay after the PTAB had instituted the CBMR on all patents-in-suit.

The PTAB ultimately determined that the patents-in-suit were invalid, although those decisions were subject to motion practice seeking reconsideration and appellate remedies. Thus, the Court denied plaintiffs' request to lift the stay in order to proceed with their trade secret claims.

Plaintiffs then filed a subsequent motion seeking leave to file an amended complaint which would remove all the patent infringement claims and related allegations from the pleadings, leaving only their trade secret claims. Judge Arpert denied that motion and declined to lift the stay to consider plaintiffs' motion for leave to amend, concluding that no circumstance had changed that would warrant the lifting of the stay. Plaintiffs appealed that decision to the district court.

On review, Judge Martinotti considered whether there was a significant change in circumstances such that the reasons for imposing the stay no longer exist or are inappropriate. If so, the court would reevaluate the four factors in section 18(b)(1) of the Leahy-Smith America Invents Act that are weighed to determine whether to stay litigation pending CMBR:

- Whether a stay, or denial thereof, will simplify the issues in question and streamline the trial;
- Whether discovery is complete and whether a trial date has been set;
- Whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and
- Whether a stay, or the denial thereof, will reduce the burden of litigation of the parties and on the court.

Plaintiffs argued that Judge Arpert did not consider plaintiffs' desire to dismiss all of their patent claims with prejudice, and that this should have been considered a change in circumstances warranting the lifting of the stay. On appeal, Judge Martinotti observed that a voluntary dismissal of a patent infringement claim with prejudice can be a change of circumstance that warrants lifting a stay. However, in this matter he found that the pending PTAB proceedings on the patents-in-suit might still impact the remaining trade secret claims.

Specifically, Judge Martinotti noted that discovery concerning the trade secret and patent claims significantly overlaps because the two sets of claims involve the same areas of technology, the same accused products, and overlapping witnesses. Judge Martinotti then reasoned that, if the stay is lifted and discovery proceeds on the trade secret claims, plaintiffs might discover infringing actions or instrumentalities not identified in their complaint, allowing them to raise new infringement claims that were not precluded by their proposed dismissal with prejudice. Therefore, the PTAB proceedings might still simplify the issues of the case as to potential new claims, which would not be barred by plaintiffs' voluntary dismissal. Finally, Judge Martinotti noted that plaintiffs had not agreed to not bring up any new claims or defenses based on the patents-in-suit, and thus it was not clear error that Judge Arpert did not consider plaintiffs' voluntary dismissal as a change of circumstances that justified lifting the stay.

(Judge Martinotti also indicated that the Court would not consider the grant of certiorari by the Supreme Court in *Arthrex* to be a change in circumstances, as the issue was not presented to Judge Arpert, and that Judge Arpert's decision was not an error of law.)

Notwithstanding his ruling in this specific matter, Judge Martinotti's decision seems to provide a roadmap to plaintiffs and other parties seeking to lift a stay based on concurrent PTAB proceedings to pursue other claims. Specifically, the District Court opinion appears to suggest that, if plaintiffs had stipulated that they would not bring up *any* new claims or defenses based on the patent-in-suit – rather than simply dismiss the specifically asserted claims with prejudice – it might have been clear error to deny lifting the stay.

A copy of Magistrate Judge Arpert's original decision may be accessed through the attached link below.

A copy of Judge Martinotti's decision, found at *Nasdaq, Inc. v. Miami International Holdings, Inc.*, 2021 U.S. Dist. LEXIS 47238 (D.N.J. Mar. 10, 2021), may be accessed through the attached link below.