

ALERT

Federal Circuit Patent Bulletin: *Murata Mach. USA v. Daifuku Co.*

August 1, 2016

"[W]hen a district court denies a preliminary injunction motion, it must provide an adequate reason for its decision beyond merely noting that the case has been stayed."

On August 1, 2016, in *Murata Mach. USA v. Daifuku Co.*, the U.S. Court of Appeals for the Federal Circuit (Reyna, Stoll,* Chen) affirmed-in-part, vacated-in-part and remanded the district court's denial of Murata's motions to lift the stay of litigation pending an inter partes review and for a preliminary injunction involving U.S. Patents No. 7,165,927, No. 7,771,153, and No. 8,197,172, which related to automated material handling systems. The Federal Circuit stated:

The ability to stay cases is an exercise of a court's inherent power to manage its own docket. Thus, we review the district court's refusal to lift a stay pending IPR for an abuse of discretion. A court may lift a stay if the circumstances supporting the stay have changed such that the stay is no longer appropriate. District courts typically analyze stays under a three-factor test: "(i) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (ii) whether a stay will simplify the issues in question and trial of the case; and (iii) whether discovery is complete and whether a trial date has been set." . . .

"The Supreme Court has long recognized that district courts have broad discretion to manage their dockets, including the power to grant a stay of proceedings." Indeed, we have noted that with respect to a similar PTO post-grant proceeding, reexamination, the authorizing statute need not even grant district courts the power to stay related proceedings because "'such power already resides with the Court'[.], . . . including the authority to order a stay pending conclusion of a PTO reexamination." Attendant to the district court's inherent power to stay proceedings is the court's discretionary prerogative to balance considerations beyond those captured by the three-factor stay test. The burden litigation places on the court and the parties when IPR proceedings loom is one such consideration that district courts may rightfully choose to weigh. The AIA § 18(b)(1) requirement that district courts must consider the burden of litigation when faced with a CBM stay request does not bar courts from choosing to consider it in the IPR context. Indeed, legislative history confirms that "Congress's desire to enhance the role of the PTO and limit the burden of litigation on courts and parties was not limited to the CBM review context." As such, district courts might consider this factor relevant and therefore do not abuse their discretion by weighing it as part of an IPR-based stay determination. . . .

A preliminary injunction is a “drastic and extraordinary remedy” which, to obtain, a “moving party must demonstrate a reasonable likelihood of success on the merits, irreparable harm in the absence of a preliminary injunction, a balance of hardships tipping in its favor, and the injunction’s favorable impact on the public interest.” Rule 52(a)(2) of the Federal Rules of Civil Procedure specifically requires that “[i]n granting or refusing an interlocutory injunction, the court must . . . state the findings and conclusions that support its action.” This rule reflects the exigency and gravity underlying a motion for preliminary injunction, as it departs from Federal Rule of Civil Procedure 52(a)(3)’s more general rule that “[t]he court is not required to state findings or conclusions when ruling on a motion under Rule 12 or 56 or, unless these rules provide otherwise, on any other motion.” . . .

Here, the sum and substance of the district court’s decision regarding Murata’s preliminary injunction motion is found in a single paragraph, which concluded: “Because the court has now declined to lift the stay, the Motion for Preliminary Injunction is denied without prejudice to renew at a later date, if appropriate.” This cursory treatment of Murata’s preliminary injunction motion does not satisfy the Rule 52(a)(2) requirement that the deciding court must state factual findings and legal conclusions supporting its action. . . . We hold that when a district court denies a preliminary injunction motion, it must provide an adequate reason for its decision beyond merely noting that the case has been stayed. In so holding, we maintain our view that “[a] preliminary injunction should not be granted if there is a substantial issue of patent validity.” Likewise, we recognize that “both a preliminary injunction and a stay ordinarily should not be granted at the same time.” We do not ask, nor do the Federal Rules of Civil Procedure require, that the district court conduct a preliminary injunction hearing, or even request a responsive brief from Daifuku. Indeed, a “limited analysis may support a trial court’s denial of a preliminary injunction” so long as the district court concludes that some of the requisite preliminary injunction factors disfavor the movant.