

THE PTAB REVIEW

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Voluntary Dismissal, Real Party in Interest, and Privity—A Trap for the Unwary

An *inter partes* review is time barred, and may not be instituted, if a petitioner was served with a complaint alleging infringement of the patent more than one year before the filing of the petition.¹ The Patent Trial and Appeal Board (PTAB) had interpreted that requirement as not applying to a complaint that had been voluntarily dismissed, reasoning that dismissal leaves the parties as if the action had never been brought.² The U.S. Court of Appeals for the Federal Circuit rejected that reasoning in *Click-to-Call Technologies*.³ In an en banc footnote, the Federal Circuit held that the time bar applies if a petitioner had been served with a complaint for infringement more than one year before the filing date of the petition even if the complaint was later voluntarily dismissed.⁴ Thus, under *Click-to-Call Technologies*, voluntary dismissal of a complaint no longer provides an exception to the one-year bar and the PTAB lacks jurisdiction to institute such a proceeding.

This holding creates a trap for the unwary. As Judge Dyk noted in dissent,⁵ “[w]hen an action is filed and then later voluntarily dismissed, the accused infringer is led to think the controversy has dissipated.”⁶ Absent a case or controversy between the parties, a petitioner may be denied appellate review of an adverse final written decision in an *inter partes* review (IPR).⁷ This, and the desire to address only pressing controversies, may lead a reasonable stakeholder to choose not to request IPR of the patent after voluntary dismissal. According to Judge Dyk, patentees now have a reason to file an infringement action that is then dismissed without prejudice in order to preclude a future IPR challenge.⁸ Although not mentioned by Judge Dyk, patentees also have a reason to assert many patents in that infringement complaint to shield as many patents as feasible from possible later IPR. Thus, it is critical for all stakeholders to be aware that, under the Federal Circuit’s interpretation of the time bar, patentees may attempt to use litigation tactics to inoculate their patents against IPR.

Another issue that arises under the scope of the time bar is that the time bar applies to the asserted patent rather than the asserted claims. That is, the time bar does not apply claim by claim, but attaches to the patent itself.⁹ Even if the complaint alleged infringement of a single claim of a patent, the one-year bar attaches to all of the claims of that patent based on the date of service of the complaint. Thus, a defendant receiving a complaint must look beyond the claims expressly identified as asserted to all of the claims in the patent and assess whether the unidentified claims might later be asserted against it when exploring the possibility of filing an IPR.

There is also an additional, significant wrinkle that needs to be considered. The time bar applies not only to the accused infringer who was served with the complaint, but applies also if a real party in interest or a privy of a petitioner was served with a complaint.¹⁰ Before *Wi-Fi One*,¹¹ in which the Federal Circuit determined that time bar determinations of the PTAB are appealable, the PTAB tended to focus on who had control and who financed the proceedings when determining who may be a real party in interest.¹² In *Applications in Internet Time*,¹³ the Federal Circuit reiterated that the PTAB must consider “real-party-in-interest” questions consistent with the term’s common-law meaning,

In This Issue

Voluntary Dismissal, Real Party in Interest, and Privity—A Trap for the Unwary Page 1

Not So Fast..... Page 2

Discretionary Denials—When Filing “Timely” Is Too Late for Institution Page 3

¹ 35 U.S.C. §315(b).

² See, e.g., *Oracle v. Click-to-call*, Case IPR2013-00312, slip op. at 17 (PTAB Oct. 30, 2013) (Paper 26); *Macauto U.S.A. v. Bos GmbH & KG*, Case IPR2012-00004, slip op. at 15 (PTAB Jan. 24, 2013) (Paper 18) (citing *Graves v. Principi*, 294 F.3d 1350, 1356 (Fed. Cir. 2002); *Bonneville Assocs., Ltd. P’ship v. Baram*, 165 F.3d 1360, 1364 (Fed. Cir. 1999)).

³ *Click-to-Call Technologies, LP, v. Ingenio, Inc.*, 899 F.3d 1321 (Fed. Cir. 2018).

⁴ *Click-to-Call Technologies*, 899 F.3d at 1328 n.3 (en banc). The opinion of the en banc court appears solely within this footnote, complete with a concurrence and dissent. The time bar also applies if a complaint was involuntarily dismissed without prejudice. See also *Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co.*, 905 F.3d 1311, 1315 (Fed. Cir. 2018).

⁵ Judge Lourie joined in the dissent.

⁶ *Click-to-Call Technologies*, 899 F.3d at 1354.

⁷ *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1260-61 (Fed. Cir. 2014).⁸ IPR2014-00171, Paper 49 at 4-9 (Jun. 5, 2014).

⁹ 35 U.S.C. §315(b).

¹⁰ *Id.*

¹¹ *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1367 (Fed. Cir. 2018) (en banc).

¹² See, e.g., *Atlanta Gaslight Co. v. Bennett Regulator Guards, Inc.*, IPR2013-00453, Paper 88 (Jan. 6, 2015).

¹³ *Applications in Internet Time, LLC, v. RPX Corp.*, 897 F.3d 1336, 1351 (Fed. Cir. 2018).

(continued on page 2)

finding fault with that panel of the PTAB for focusing too narrowly on control.¹⁴ The court rejected a bright-line control rule for determining whether a non-party is a real party in interest, noting that the inquiry may be satisfied in the absence of control, such as in situations where the petitioner is a proxy.¹⁵ The court stated that the real-party-in-interest analysis “demands a flexible approach that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner.”¹⁶ Under this broad formulation, a non-party who may not have been served must evaluate whether the petitioner has a clearly established relationship with anyone who will benefit from cancelling the challenged claims and whether that relationship makes that non-party a real party in interest in a particular IPR.

Even if a time-barred entity is not a real party in interest, it may still be a roadblock to institution if the time-barred entity is a privy of the petitioner. The Federal Circuit has also held that privity should be accorded its common-law meaning.¹⁷ According to the Federal Circuit, the privity analysis is flexible, and focuses on “whether the relationship between the purported ‘privy’ and the relevant other party is sufficiently close such that both should be bound by the trial outcome and related estoppels.”¹⁸ The Federal Circuit did caution, however, that privity cannot extend beyond the limits of due process.¹⁹ Thus, no time-bar evaluation is complete until time-barred entities with a connection to the petitioner have been evaluated as being in privity with the petitioner and as being a real party in interest to the petition.

In summary, understanding the effect of the one-year bar is critical for both patentees and potential petitioners. The time runs from the *service* of the complaint and is not restarted by dismissal of the complaint. The time bar attaches to the patent, not just to the claims asserted in the complaint. In addition, to the extent that a petitioner has an established relationship with an entity that was served with a complaint and has an interest in cancellation of the claims of a patent being challenged, the one-year time bar may apply if that entity is deemed a real party in interest in the IPR or a privy of the petitioner. It is therefore vital for a potential petitioner to assess whether it may ever wish to petition for IPR against any claim of a patent asserted in an infringement complaint even if that complaint is dismissed or some of the claims are not asserted. That assessment should not only take into account current developments and products, but also future products because the time bar attaches to the patent, not just to the asserted claims or with respect to the accused products. Of course, each of these considerations should also be carefully considered by patentees to ensure that any petitions that fail to comply with the statutory one-year bar requirements are denied institution.

Not So Fast

One of the advantages of patent reviews at the Patent Trial and Appeal Board (PTAB) is that they are supposed to be quick. It is common knowledge that the PTAB must decide whether to institute a trial within six months from the petition filing date and must finish the trial within one year of institution (with an extra six months available for good cause).²⁰ But is this always true? Certainly an appeal followed by a remand to the PTAB can add a year or more to the timeline. The PTAB has also found ways to stretch its own time lines. For example, the six-month period before the institution decision is actually three periods. The PTAB has three months from the patent owner’s preliminary response to enter its institution decision.²¹ The patent owner has three months from the docketing date to file its preliminary response,²² but this time is set by rule and thus can be modified by order.²³ The third period—from the date the petition is filed to the date the petition is docketed—is not covered by any rule or statute. In some cases, petitions filed on the same day have been docketed two months apart (with the latter happening three months after the filing date). Thus, any petition-filing strategy should look beyond the idealized timelines the U.S. Patent and Trademark Office publishes and consider what the effects of an initial delay of up to three months (added to an 18-month timeline) might be.

Another exception the PTAB has created comes with petitioner from other parties trying to join the proceeding. The PTAB has placed a deadline (one month after the institution decision) for filing joinder motions to avoid undue delay.²⁴ The PTAB also routinely conditions the grant of such motions on maintaining the existing schedule without alteration for the joining party. Yet a recent PTAB decision asserted that joinder frees the PTAB from having any deadline to produce its final written decision.²⁵ The panel cited a PTAB rule permitting the PTAB to “adjust” the schedule in case of joinder, but the panel interpreted this rule as meaning they “are not under any statutory deadlines.”²⁶ Again, a party needing a resolution within 18 months might be disappointed if another party joins, while a party seeking delay might welcome the company for the delay it might bring. Stakeholders should keep in mind the timing nuances discussed above when making strategic plans involving American Invents Act (AIA) reviews.

¹⁴ *Id.* at 1344, 1354-1357.

¹⁵ *Id.*

¹⁶ *Id.* at 1351.

¹⁷ *WesternGeco LLC v. Ion Geophysical Corp.*, 889 F.3d 1308, 1317 (2018).

¹⁸ *Id.* at 1318 (quoting Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012)).

¹⁹ *Id.* at 1319.

²⁰ 35 U.S.C. §§316(a)(11) & 326(a)(11).

²¹ 35 U.S.C. §§314(b) & 324(b).

²² 35 U.S.C. §§313, 314(b); 37 CFR §42.107(b) & §42.207(b).

²³ 37 CFR §42.5(c)(1).

²⁴ 37 CFR §42.122(b) & §42.222(b).

²⁵ *Mylan Pharmaceuticals Inc. v. St. Regis Mohawk Tribe*, IPR2016-01127, Paper 144 at 5 n.4 (2018).²⁶ 37 CFR §42.5(c)(1).

²⁶ *Id.* (citing 37 C.F.R. § 42.100(c)); *see also* §§316(a)(11) & 326(a)(11) (permitting the Director to prescribe regulations adjusting the time periods in the case of joinder).

(continued on page 3)

Discretionary Denials—When Filing “Timely” Is Too Late for Institution

The timing of filing an *inter partes* review (IPR) petition has always presented an interesting conundrum. If petitioners file too early, they risk foregoing better prior art that may be discovered later on.²⁷ If petitioners file too late, they then risk being accused of using prior PTAB decisions or patent owner arguments as a roadmap in crafting invalidity positions.²⁸ Now, petitioners can add the district court’s trial schedule to the ever-growing list of issues that must be accounted for.

The district court’s trial schedule was mentioned in both *Netapp Inc., v. Realtime Data LLC*, IPR2017-01195, and *Netapp Inc., v. Realtime Data LLC*, IPR2017-01354. In those two cases, the PTAB’s decision to deny institution seemed to be primarily based on the petitioner’s unexplained delay for filing the petition, that similar petitions were filed earlier by other parties, and that the petitioner’s behavior indicated that it was monitoring activity in those earlier petitions.²⁹ In both cases though, the PTAB also explained that, under factors six and seven of *General Plastic*,³⁰ institution would “be a significant waste of the PTAB’s resources” because “any final written decision in this proceeding would not issue until well after the scheduled trial date in the [district court litigation].”³¹

Recent PTAB decisions have placed even more emphasis on the district court’s trial schedule when denying institution. For example, in *NHK Spring Co., Ltd., v. Intri-Plex Tech. Inc.*, IPR2018-00752, the PTAB first established that the proceeding was “distinguishable from the facts in *General Plastic*.”³² Then, the PTAB compared the district court schedule with a PTAB schedule, if instituted, and explained that “a 5-day jury trial [is] set to begin on March 25, 2019” in the district court litigation, and “[a] trial before us on the same asserted prior art will not conclude until September 2019.”³³ Given the “advanced stage of the district court proceeding,” denial of institution under 35 U.S.C. § 314(a) was warranted.³⁴

A similar analysis was conducted recently in *Thermo Fisher Scientific Inc. v. The Regents of the University of California*, IPR2018-01370. There, although the petition was timely filed within the statutory deadline, the patent owner argued that the “[P]etitioner delayed filing its Petition until the eve of the statutory deadline though fully aware that the district court had already scheduled the May 14, 2019 trial date.”³⁵ The PTAB credited the patent owner’s argument that, if an IPR was instituted, a final written decision would not be reached until six to eight months after the district court litigation had already been resolved.³⁶ Much like in *NHK Spring*, “the advanced stage of the pending district court proceeding” was cited as grounds for denying institution under § 314(a).³⁷

As another recent example, the PTAB’s analysis of § 314(a) in *ZTE (USA), Inc., v. Fractus, S.A.*, IPR2018-01457, focused exclusively on the advanced stage of the district court litigation.³⁸ Specifically, “the Texas District Court case between the parties contesting the validity of the ’069 patent claims appears likely to conclude before the completion of an inter partes review.”³⁹

These recent PTAB decisions indicate that petitioners will have to carefully consider the district court’s trial schedule when deciding when to file an IPR petition. Simply complying with the requirement under 35 U.S.C. § 325(b) to file within one year of being served with a complaint may no longer be enough to make a petition “timely.” Indeed, if a district court proceeding will conclude earlier than the requested IPR, this alone can be an independent ground for denying institution.

²⁷ *E.g. Praxair Distribution, Inc. v. Ino Therapeutics LLC*, IPR2016-00781, Paper 10 at 12-13 (denying institution of a subsequent petition where the petitioner “should have been aware of the newly-cited . . . references when it filed the earlier Petition”); *One World Tech. v. The Chamberlin Group, Inc.*, IPR2017-01546, Paper 10 at 7-9 (finding unpersuasive that a newly cited reference could not have been identified earlier and denying institution).

²⁸ *E.g. Shenzhen Silver Star Intelligent Tech. Co., Ltd., v. iRobot Corp.*, IPR2018-00761, Paper 15 at 9-15 (explaining that although previous petitions were filed by co-defendants in the district court proceeding, and not the instant petitioner, the *General Plastic* factors nonetheless supported denial because it appeared that petitioner crafted their arguments based on positions taken by the patent owner in the earlier filed petition).

²⁹ IPR2017-01195, Paper 9 at 9-13; IPR2017-01354, Paper 16 at 10-13.

³⁰ Factors six and seven are “the finite resources of the PTAB” and “the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.” *General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 at 9-10.

³¹ IPR2017-01195, Paper 9 at 13; *see also* IPR2017-01354, Paper 16 at 13 (“Instituting now the *inter partes* review . . . would be a significant waste of the Board’s resources . . . There clearly can be no offsetting conservation of the Eastern District of Texas’ judicial resources because the January 2018 trial will occur almost a year ahead of any final written decision in this proceeding.”).

³² IPR2018-00752, Paper 8 at 20.

³³ *Id.* at 20.³⁴ 35 U.S.C. §§314(b) & 324(b).

³⁴ *Id.*

³⁵ IPR2018-01370, Paper 11 at 26.

³⁶ *Id.*

³⁷ *Id.* at 27.

³⁸ IPR2018-01457, Paper 10 at 15-16.

³⁹ *Id.* at 16. Institution was also denied under 35 U.S.C. § 325(d).

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