

Risks of waiting to file an IPR following *Click-to-Call*

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The U.S. Court of Appeals for the Federal Circuit held in a recent en banc decision that the one-year time limit that an accused infringer has to request an inter partes review, or IPR, of a patent does not restart when the lawsuit asserting the challenged patent is voluntarily dismissed “without prejudice.”

In doing so, the court reversed the Patent Trial and Appeal Board’s more than half-a-decade-long practice of treating such a dismissal as resetting the one-year time limit.

The Federal Circuit’s decision places increased pressure on defendants to file IPR petitions in scenarios where they previously would not have and reduces the options available for resolving patent infringement lawsuits early and inexpensively.

THE DECISION

In *Click-to-Call Technologies LP v. Ingenio Inc.*, 899 F.3d 1321 (Fed. Cir. 2018), the Federal Circuit considered for the first time the meaning of the statutory time limit or “time bar” set forth in Section 315(b) of the Patent Act, 35 U.S.C.A. § 315(b).

Before *Click-to-Call*, it was not uncommon for the parties to a patent lawsuit to agree to dismiss a lawsuit without prejudice in exchange for either a small amount of money or some other form of consideration.

That section provides that an IPR proceeding may not be instituted “if the petition requesting the proceeding is filed more than one year after the date on which the petitioner ... is served with a complaint alleging infringement of the patent.”

Prior to *Click-to-Call*, the board had held that a lawsuit dismissed without prejudice reset the one-year time bar of Section 315(b).¹

In other words, while service of the complaint started the one-year clock, the clock stopped and the time bar was reset if the lawsuit was later dismissed without prejudice.

The facts

Click-to-Call involved an IPR petition that Ingenio filed in 2013 against claims of a Click-to-Call patent. Ingenio filed its IPR petition less than a year after Click-to-Call served it with a complaint for infringement in 2012.

After reviewing Ingenio’s petition, the PTAB instituted an IPR trial against the challenged claims and ultimately found the claims unpatentable.

Throughout the IPR proceeding, Click-to-Call argued that Ingenio was time-barred from requesting the IPR proceeding because Ingenio had been previously served with a complaint alleging infringement of the challenged patent.

That prior service occurred in 2001 — more than a decade before the second lawsuit was served in 2012 — when a prior owner of Click-to-Call’s patent had sued Ingenio for infringement. That prior lawsuit, however, was dismissed without prejudice in 2003.

Consistent with its then-standard practice, the PTAB rejected Click-to-Call’s argument, finding that the dismissal of the prior lawsuit without prejudice nullified the original service, reset the clock on the statutory time bar and freed Ingenio to request an IPR proceeding in 2013.

Click-to-Call focused its Federal Circuit appeal on whether the board’s practice of resetting the one-year clock when a complaint was dismissed without prejudice was consistent with Section 315(b).²

Initially, Click-to-Call’s appeal was twice dismissed because the Federal Circuit held that it lacked jurisdiction to review the PTAB’s interpretation of Section 315(b).

At the time of the prior dismissals, Federal Circuit precedent held that it was barred from reviewing a board determination to institute IPR proceedings and that such a bar included a bar on reviewing whether the PTAB properly applied Section 315(b).³

That changed, however, when the court issued its en banc decision in *Wi-Fi One LLC v. Broadcom Corp.*, 837 F.3d 1329 (Fed. Cir. 2016), which held that judicial review is available for a patent owner to challenge the PTAB’s determination that a petition was not subject to the time bar requirement of Section 315(b).

Following *Wi-Fi One*, the court agreed to rehear Click-to-Call’s appeal and address — for the first time — whether the board’s treatment of dismissals without prejudice was consistent with the language of Section 315(b).

The Federal Circuit’s analysis

The *Click-to-Call* decision issued as a three-judge panel opinion with 10 out of the 12 members of the full en banc court joining footnote 3 of the panel’s opinion.

That footnote succinctly held that the Section 315(b) “time bar applies to bar institution when an IPR petitioner was served with a complaint for patent infringement more than one year before filing its petition, but the district court action in which the petitioner was so served was voluntarily dismissed without prejudice.”

The panel opinion’s analysis — which the full court did not necessarily embrace because the en banc nature of the opinion was limited to footnote 3 — largely began and ended with the language of the statute.

The panel found that the statutory language was unambiguous and that its plain terms mandated that the “time bar is implicated once a party receives notice through official delivery of a complaint in a civil action, irrespective of subsequent events,” such as a dismissal without prejudice.

The panel said that even if the statute was not clear, Federal Circuit cases on which the PTAB relied would not help Ingenio.

Those cases included language suggesting that dismissal of an appeal without prejudice essentially means the appeal was never filed.

But the panel explained that those cases only meant that appeals dismissed without prejudice would not operate to toll any other deadlines, and that Ingenio was citing them for the opposite principle that it would.

Thus, based on the plain language of the statute, the Federal Circuit reversed the board’s long-standing practice of treating complaints dismissed without prejudice, for purposes of the Section 315(b) time bar, as if they were never filed.

The ramifications of this decision are significant.

WHAT CLICK-TO-CALL MEANS FOR LITIGANTS

By mandating that the clock for the Section 315(b) time bar begins upon service of a complaint and cannot be reset, the Federal Circuit has substantially narrowed the mechanisms available for parties to inexpensively extract themselves from litigation through mutually agreed-upon (and often mutually beneficial) voluntary dismissals without prejudice.

Before *Click-to-Call*, it was not uncommon for the parties to a patent lawsuit to agree to dismiss a lawsuit without prejudice in exchange for either a small amount of money or some other form of consideration, such as a promise from the defendant not to request an IPR proceeding against the asserted patent unless a second suit was filed.

Such dismissals without prejudice typically occurred early in a case and were the result of early recognition by the parties that the suit as then constituted did not merit litigation.

For example, the plaintiff might not have known that the defendant had a strong noninfringement position for its current products or that the sales associated with the accused product did not warrant the costs of the litigation.

Similarly, a defendant might believe it has a strong defense but also recognize that the cost of pursuing such a defense substantially outweighs the low settlement value the plaintiff is willing to accept for a simple dismissal without prejudice.

In these scenarios, dismissing the lawsuit without prejudice was beneficial to both parties. It reduced ongoing litigation costs and allowed each to live to fight another day.

Click-to-Call makes it impossible for parties to have cases dismissed without prejudice in a mutually beneficial way.

Now, defendants must seriously consider requesting IPR proceedings even in situations where they previously would have agreed to a dismissal without prejudice.

For example, before *Click-to-Call* a defendant might have accepted a dismissal without prejudice because its then-available accused products were not significant sources of revenue but its future products would be.

Click-to-Call makes it impossible for parties to have cases dismissed without prejudice in a mutually beneficial way.

In that scenario, removing the threat of the lawsuit through a dismissal without prejudice made sense as the defendant could always file an IPR proceeding later if the plaintiff refiled the suit and named the future products.

Following *Click-to-Call*, such a defendant would seriously need to consider requesting the IPR proceeding after being served with the first complaint even though that defendant’s future products might not yet be available (and perhaps would not be available for years).

A defendant that fails to do so forever loses its opportunity to avail itself of the IPR process.

The threat of such follow-on litigation is real, and *Click-to-Call* now provides additional incentives to plaintiffs to strategically file lawsuits and then dismiss them with prejudice early on.

While, as the *Click-to-Call* concurrence noted, a plaintiff might face questions (and possible sanctions) from a district court if it simply refiles the exact same lawsuit a year after voluntarily dismissing without prejudice its first lawsuit, the more likely scenario is the one outlined above in which the plaintiff files a “new” suit that asserts the same patent against the same defendant (or its successor-in-interest) but against a different, and perhaps more profitable, set of products.

Such a suit is much less likely to be viewed as sanctionable, especially if the new suit could not have been brought because the different set of products were not previously available. But such a suit is highly valuable to the plaintiff as the asserted patent would no longer be subject to an IPR

proceeding thus reducing both the likelihood of a stay and pretrial invalidation of the patent.

Plaintiffs, too, must recalibrate their strategies.

Filing a suit and offering to dismiss it while the parties negotiate a settlement no longer resets the clock for when the defendant must request an IPR proceeding, and so defendants will often still feel compelled to seek an IPR in all cases.

Plaintiffs will thus want to think twice before provoking an otherwise reluctant defendant into requesting an IPR proceeding.

While much attention has focused on *Click-to-Call*'s impact on the use of voluntary dismissals without prejudice, such dismissals can also occur as the result of contested motion practice.

For example, a defendant may move to dismiss a complaint for, among other things, lack of personal jurisdiction or improper venue. If the defendant prevails, the result is often that the complaint is dismissed without prejudice.

Thus, following *Click-to-Call*, a prevailing defendant may find itself in the difficult position of having successfully moved to dismiss the lawsuit but not knowing whether the plaintiff will fix the issues that led to the dismissal and refile the suit.

If there is a chance that the plaintiff will refile the complaint, in light of *Click-to-Call* the prevailing defendant would be wise to prepare a request for an IPR proceeding.

In sum, *Click-to-Call* will likely increase the cost of patent litigation.

Defendants now may need to petition for a review of all claims of a patent asserted in a complaint that could later be dismissed without prejudice, whereas before they may have waited to see whether the plaintiff refiles the lawsuit.

Plaintiffs may find defendants unwilling to prolong negotiations once a complaint is served, leading to litigation that may have previously been avoidable.

JUST THE LATEST UPHEAVAL TO PENDING IPRS

Click-to-Call is also notable for its potential impact on pending IPRs.

Patent owners that have argued throughout an IPR proceeding that prior service of a complaint barred the petitioner from requesting the IPR proceeding in the first instance have likely preserved the argument and may now ask the board to dismiss the pending proceedings.

Relying on the PTAB's prior precedent, patent owners that did not raise the argument previously will likely point to application of the time bar as a jurisdictional issue and argue that a party cannot waive limits to the board's jurisdiction.

In either scenario, pending IPR proceedings are likely to be dismissed, and many challenged claims that were on the doorstep of invalidation will be saved.

Click-to-Call is just the latest event to create new complexities for IPR proceedings.

Earlier this spring, the Supreme Court's decision in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), overturned the board's partial institution practice — that is, its practice of instituting on only some claims challenged in a IPR petition.

If there is a chance that the plaintiff will refile the complaint, in light of *Click-to-Call* the prevailing defendant would be wise to prepare a request for an IPR proceeding.

The Supreme Court in *SAS* held that the PTAB must institute an IPR proceeding against all challenged claims so long as the petitioner meets its burden of demonstrating it has a reasonable likelihood of succeeding against one challenged claim.

As a consequence, the PTAB has retroactively expanded many pending IPR proceedings to include claims and additional arguments on which patent owners thought that they had already prevailed.⁴

Even more recently, the PTO announced that it was considering a regulation that would change the claim construction standard applied in an IPR proceeding from the "broadest reasonable interpretation" that the board has been using to the "plain and ordinary meaning" that district courts apply.⁵

Notably, the PTO indicated that it planned to apply the new regulation to all future and pending IPR proceedings, raising questions about how the board should implement that in IPR proceedings where the parties have largely litigated the case already under the "broadest reasonable interpretation" standard.

IPR proceedings are becoming more complex, and recent changes in what was believed to be settled law have only added to that complexity.

Though IPR proceedings have existed for over six years, and thousands have been litigated in that time, parties should not take anything for granted.

WATCH FOR FURTHER CHANGES

Click-to-Call lays the responsibility for its result at Congress' feet: Congress wrote the law, and the court sees itself as merely carrying out Congress' choices.

As the decision explained, quoting *SAS*, "It is Congress' job to enact policy and it is th[e] court's job to follow the policy Congress has prescribed."

Given the popularity of IPR, and given the difficult situation that defendants now face when a lawsuit is dismissed without prejudice, a congressional amendment to the statute would not be surprising.

An amendment is also likely because many influential industry groups, including those representing software and technology companies, strongly support IPR proceedings.

Questions left to be answered

Although the *Click-to-Call* decision articulated the general rule that dismissal without prejudice does not reset the one-year time bar, the decision left open the possibility that the rule would not apply in other situations.

For example, the decision raised the possibility that a reissue of a patent, which results in a new patent with new claims, would effectively reset the one-year time period, because that new patent would not have been previously asserted.

The court contrasted reissuing a patent with a re-examination, which did occur in this case but does not result in a new patent and thus falls within the general rule.

Notably, the court concluded that re-examinations would not reset the one-year limitations period even where a re-examination substantially changes the scope of the claims.

The decision also acknowledged the possibility that where multiple defendants are sued and some of them are outside the one-year window, those defendants may be able to pursue an IPR while shielding the barred defendant from the decision-making process.

Whether that would work turns on whether the barred defendant is a “real party-in-interest,” which is a fact-specific question that can depend on who funds and controls the IPR petition.

Decision shapes strategies

Click-to-Call changes how parties should shape their strategies. For patent owners and accused infringers alike, the options are now more limited, which will likely increase the cost of patent litigation.

Although *Click-to-Call* is the latest change to the status quo of IPR proceedings, its final implications are not yet known. Congress, the PTO and the courts still have questions to answer.

As always, parties in an IPR proceeding cannot take anything for granted.

NOTES

¹ See, e.g., *Universal Remote Control Inc. v. Universal Elecs. Inc.*, No. IPR2013-168, 2013 WL 5947708 (P.T.A.B. Aug. 26, 2013).

² *Click-to-Call Techs. LP v. Oracle Corp.*, 622 F. App’x 907 (Fed. Cir. 2015); *Click-to-Call Techs. LP v. Oracle Corp.*, No. 2015-1242, 2016 WL 6803054 (Fed. Cir. Nov. 17, 2016).

³ *Achates Reference Publ’g v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015).

⁴ U.S. Patent & Trademark Office, Guidance on the Impact of SAS on AIA Trial Proceedings (Apr. 26, 2018), <https://bit.ly/2HWMp1I>.

⁵ CHANGES TO THE CLAIM CONSTRUCTION STANDARD FOR INTERPRETING CLAIMS IN TRIAL PROCEEDINGS BEFORE THE PATENT TRIAL AND APPEAL BOARD, 83 Fed. Reg. 21 (May 9, 2018).

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