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# *Federal Circuit Rules That One-Year Time Bar to File an IPR Begins on Date Complaint Served Regardless of Post-Service Activities*

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On August 16, 2018 in *Click-to-Call Technologies, LP v. Ingenio, Inc. et al.*, the U.S. Court of Appeals for the Federal Circuit overturned the Patent Trial and Appeals Board (PTAB), holding that service of a complaint that is later voluntarily dismissed without prejudice starts the one-year time period to file a petition for Inter Partes Review (IPR).<sup>1</sup> This portion of the decision was joined in a footnote by a majority of the *en banc* Court.<sup>2</sup> A dissent by Judges Dyke and Lourie would have upheld the PTAB's decision allowing the time bar to reset when a complaint is voluntarily dismissed without prejudice; Judge Taranto wrote a concurrence in the *en banc* decision disagreeing with the dissent. This decision may not be the last word on these issues because a petition for certiorari to the Supreme Court appears to be forthcoming.<sup>3</sup>

## **I. The America Invents Act, IPR Proceedings, and Real Party-in-Interest**

Congress passed the Leahy-Smith America Invents Act (AIA) in 2011, enacting the largest changes to the U.S. Patent System since the Patent Act of 1952.<sup>4</sup> Among other things, the AIA created *inter partes* review (IPR), which provides accused infringers another avenue to challenge the validity of a patent.<sup>5</sup> IPR offers a number of benefits to accused infringers. For instance, the PTAB must issue a final written decision within one year of instituting an IPR,<sup>6</sup> and discovery in IPRs is significantly circumscribed when compared with district court litigation.<sup>7</sup> Additionally, the statistics at the PTAB are favorable for petitioners. Between September 16, 2012, and July 21, 2018, the PTAB instituted an average of 70% of the IPR petitions filed.<sup>8</sup> Moreover, during the same time period, the PTAB found all or some of the claims invalid in 81% of IPRs that progressed to a final written decision.<sup>9</sup>

IPRs are not without their limits, however. For example, a petition for IPR “may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.”<sup>10</sup> Furthermore, the Federal Circuit recently expanded the definition of “real party in interest”, holding that control over the petition is not the sole determining factor.<sup>11</sup> The Federal Circuit explained 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.”<sup>12</sup> The Federal Circuit also concluded that the burden shifts to the petitioner when “a patent owner provides sufficient evidence prior to institution that reasonably brings into question the accuracy of a petitioner’s identification of [the real party in interest]...”<sup>13</sup> In other words, the scope of parties who

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could cause an IPR petition to be time-barred can extend beyond just the parties named as petitioner, and the burden shifts to the petitioner where a patent owner can show that an unnamed third-party may be a real party in interest who could cause the entire petition to be time barred.

## II. The Federal Circuit Decision in *Click-to-Call*:

### A. Background—Lawsuit, Voluntary Dismissal without Prejudice, and an IPR

The factual background of the *Click-to-Call* case is complex. In short, in 2001, patent owner Inforocket.com, Inc. filed a complaint against accused infringer Keen, Inc. alleging infringement of U.S. Patent No. 5,818,836 (the ‘836 Patent).<sup>14</sup> After filing an unsuccessful patent infringement suit in retaliation, Keen acquired Inforocket.com and in 2003 both complaints were voluntarily dismissed without prejudice as a condition of the merger. Keen later changed its name to Ingenio, Inc., and Ingenio requested ex parte reexamination of the ‘836 Patent. During ex parte reexamination, several claims of the ‘836 Patent were cancelled, others were amended, and new claims were added. Click-to-Call Technologies, LP (CTC) later acquired the ‘836 Patent and asserted it in 2012 against Ingenio and other parties.

Within one year after CTC served its complaint, Ingenio, along with other parties, filed an IPR petition. CTC argued the IPR was time barred under 35 U.S.C. §315(b). The PTAB instituted the IPR over CTC’s arguments based on the Federal Circuit’s prior precedent holding that voluntarily dismissal of a complaint without prejudice leaves the parties as though an action had never been brought and thus resets the one-year clock to file an IPR under § 315(b).<sup>15</sup> In a final written decision, the PTAB invalidated claims of the ‘836 Patent and CTC appealed to the Federal Circuit.

### B. The Panel Decision

Reviewing the administrative proceedings under the *Chevron* two-step analysis, the Federal Circuit concluded that the PTAB was incorrect to institute the IPR in question because it was time barred. The panel opinion by Judge O’Malley determined that § 315(b) is facially plain and unambiguous, because the text of the statute “clearly and unmistakably considers only the date on which the petitioner, its privy, or a real party in interest was properly served with a complaint.”<sup>16</sup> In footnote three to the panel

decision, the *en banc* Federal Circuit joined in this holding, but did not provide further elaboration about its reasoning.

The panel distinguished the Federal Circuit precedent that the PTAB had cited in support of its contrary conclusion: *Graves v. Principi*, 294 F.3d 1350 (Fed. Cir. 2002) and *Bonneville Associates, Ltd. Partnership v. Barram*, 165 F.3d 1360 (Fed. Cir. 1999). Whereas *Bonneville* and *Graves* held that a party’s voluntary dismissal of a complaint without prejudice did not toll the statute of limitations for the same party’s appeal of the decision below, the panel said the issue before the Federal Circuit in the present case was whether dismissal of a civil action without prejudice after service of the complaint triggers an administrative time bar for the party served with the complaint.<sup>17</sup> The Federal Circuit criticized the PTAB for ignoring the plain text of the statute based on cases the Court said were inapposite to the question at issue, and for “turning [these precedents] on their head.” Further, the panel found that *Graves* and *Bonneville* do not stand for an absolute rule, and emphasized that service of a complaint can have legal effect even after the complaint has been dismissed without prejudice, such as on a motion for costs and fees, issue and claim preclusion, establishing a basis for a declaratory judgment action, or providing the foundation for claims of willful infringement in a later patent infringement suit.<sup>18</sup>

Finally, the Federal Circuit refuted two arguments that the petitioner made in support of the decision to institute the IPR. First, the court found reexamination of the ‘836 patent did not render the claims of infringement in the 2013 complaint materially different from the claims in the 2001 complaint. Second, citing to PTAB precedent concerning covered business method (CBM) reviews,<sup>19</sup> the court concluded that exertion of substantial control over the single IPR petition by the time-barred petitioner taints the petition for all the non-time-barred parties named as petitioner.<sup>20</sup> In other words, the one-year IPR time bar applies on a petition-by-petitioner basis, not on a petitioner-by-petitioner basis.

### C. The *En Banc* Dissent

Judges Dyk and Lourie dissented from the *en banc* portion of the decision for several reasons. First, the dissenters argued that § 315(b) is ambiguous because the statute should not be interpreted based on the text alone. To support this argument, the dissent compared the language of § 315(b) to the statute at issue in *Kasten v. Saint-Gobain Performance Plastics, Corp.*, 563 U.S. 1 (2011), where the U.S. Supreme Court found that the language “filing any complaint” created an ambiguity as to whether oral complaints were sufficient to trigger a permanent bar to benefits.<sup>21</sup> Next, the dissent noted that Congress is presumed to legislate with background legal principles in mind, and

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argued that § 315(b) was drafted under the basic assumption that dismissal of a complaint without prejudice always leaves the parties as though the action had never been brought.<sup>22</sup> The dissent claimed that the 1-year deadline to file an IPR does not begin to run after voluntary dismissal of a complaint without prejudice because the text of the statute and legislative history of § 315(b) do not demonstrate intent to depart from this background legal principle. Lastly, the dissent argued that voluntary dismissal of a complaint without prejudice nullifies notice to the defendant and would encourage bad behavior on the part of patent owners.<sup>23</sup> Judge Dyk and Lourie insisted that the *en banc* majority's decision incentivizes patent owners to serve a potential infringer with a complaint and later dismiss that complaint without prejudice, because the patent owner may refile his infringement claim, avoid an IPR, and obtain increased damages for willful infringement once one year has passed from the original date of service.

## D. The *En Banc* Concurrence

Judge Taranto fully joined the panel opinion, and concurred in the *en banc* portion of the decision for the purpose of addressing arguments made in the *en banc* dissent. Adding that the plain meaning of the statute requires no resort to extra-textual means of interpretation, the concurrence points out that the PTAB's broad application of narrow precedent is uncalled for because the position of the parties, the claims, and the forum are distinguishable from those in *Graves* and *Bonneville*.<sup>24</sup> Furthermore, the concurrence highlighted a logical flaw in the dissent's argument concerning the mindset of a defendant served with a complaint that is later voluntarily dismissed without prejudice. Although the dissent contended that a defendant faced with an opposing-party's decision to voluntarily dismiss a complaint without prejudice would be led to believe that the infringement action has been laid to rest, Judge Taranto stressed that the opposite is in fact the case. Namely, the purpose of dismissing a complaint without prejudice is to give the plaintiff the opportunity to refile at a later date. Therefore, Judge Taranto reasoned a prudent defendant should weigh the option of filing a petition for IPR in view of the uncertainty of facing litigation at a later point in time.<sup>25</sup>

## III. Recent Decisions Applying *Click-to-Call*

The Federal Circuit issued two recent opinions that apply *Click-to-Call*: *Luminara Worldwide, LLC v. Iancu*,<sup>26</sup> and *Bennet Regulator Guards, Inc. v. Atlanta Gas Light Co.*<sup>27</sup>

*Luminara* makes clear that some of a petitioner's petitions can be time bared, while others may not be. In *Luminara*, accused infringer Liown was served with a first complaint asserting one patent in 2012, but that case was voluntarily dismissed without prejudice.<sup>28</sup> Two years later in 2014, Liown was served with a second complaint asserting the same patent from the 2012 case and two new patents.<sup>29</sup> Liown filed IPRs against all three patents within one year of being served with the 2014 complaint. Patent owner argued that Liown's petition against the patent asserted in the 2012 case was time bared under § 315(b), but the PTAB rejected this argument and eventually found certain claims from all three patents to be invalid.<sup>30</sup> On appeal, the Federal Circuit reversed the PTAB's decision relating to the patent first asserted in the 2012 because that IPR was time barred under *Click-to-Call* given that Liown had been served with the complaint asserting that patent more than one year before Liown filed its IPR against that patent, but Federal Circuit went on to affirm PTAB's decision that claims from the two patents first asserted in the second complaint filed in 2014 were invalid.<sup>31</sup>

*Bennett* expands application of *Click-to-Call* to cases where the complaint was involuntarily dismissed without prejudice (e.g., where an accused infringer wins a motion to dismiss).<sup>32</sup> The patent owner in *Bennett* served accused infringer Atlanta Gas Light (AGL) with a patent infringement complaint in 2012. After some litigation, the district court granted AGL's motion to dismiss the complaint without prejudice for lack of personal jurisdiction.<sup>33</sup> About three years later in 2015, AGL filed an IPR against the patent asserted in the 2012 case. The PTAB found that the district court's dismissal of the complaint without prejudice nullified service; therefore, the petition was not time-barred under § 315 (b). On appeal, the Federal Circuit overturned the PTAB citing *Click-to-Call*, and the court determined the difference between a voluntarily and involuntarily dismissal is irrelevant for purposes of applying § 315 (b).<sup>34</sup>

## IV. Discussion

*Click-to-Call* appears to establish a bright-line rule: an accused infringer served with a complaint for patent infringement on a patent must file an IPR petition within one-year from the date of service of the complaint asserting that patent to take advantage of IPR proceedings. Despite the petitioner-favorable trend evident in the PTAB statistics cited above, these recent Federal Circuit cases following *Click-to-Call* show a clear path available to patent owners fighting to keep their patents out of IPRs, at least where there was prior litigation and may be a time bar. Patent owners, however, should still keep the PTAB statistics in mind and ensure that they are prepared to combat institution of an IPR before filing suit

because, although the *en banc* dissent in *Click-to-Call* proposes an interesting litigation strategy that could put increased damages for willful infringement on the table, an accused infringer could still file a petition for IPR before the time limit expires.

These new decisions also create new pitfalls that may come up in indirect ways and may not be anticipated by businesses defending against patent assertions. The differences between the facts in *Click-to-Call* and *Bennett* provide an example. The time-barred petitioner in *Bennett* was also the defendant named in the first complaint.<sup>35</sup> Thus, it is straight forward to identify the party who was served with the complaint and determine when the one-year deadline for filing an IPR expires. In contrast, in *Click-to-Call*, the time-bar arose because a predecessor in interest to one of the named defendants had been served with a complaint many years ago, and that predecessor had changed its name because of a merger.<sup>36</sup> It is not difficult to imagine a situation where a growth-stage company is sued for patent infringement on revision one of a product, reaches a settlement, is eventually acquired by a private equity firm, and is merged into a second company for synergy reasons and then sold to a large, publicly traded company to further expand the product line. If the large acquiring company is sued later on the expanded product line, the time-bar that attached to the startup company may end up applying to the large acquiring company. Much more complex variations of this acquisition, merger, name-change, divestiture, etc. process are also likely to occur. This serves to highlight that companies involved in acquisitions and mergers

should carefully analyze whether the transaction could raise IPR time-bar issues.

*Click-to-Call* also highlights the importance of conducting due diligence before joining a single IPR petition with a group of co-defendants. If one of the parties to the petition is time-barred (e.g., due to a prior acquisition), the entire petition is time barred. In a portion of the *Click-to-Call* opinion that was not decided by the full *en banc* panel of the court, the Federal Circuit stated that non-time-barred petitioners were still barred because “[t]hese four entities declared themselves as ‘the Petitioner’ in their sole IPR petition...”<sup>37</sup> Thus, the Court treated the four petitioners as a unitary entity for the purposes of § 315 (b), holding that if one entity is time-barred, all are time-barred. Going forward, an accused infringer would be wise to carefully research his co-defendants before deciding to join a single IPR petition. Likewise, patent owners will want to carefully research the corporate history of the IPR petitioners to determine if a time-bar may exist. The Federal Circuit’s more expansive view of who could potentially qualify as a real party in interest should also be considered, because if a time-barred third party is found to be a real party in interest, this could be used to defeat the entire petition under § 315(b).

Finally, although 35 U.S.C. § 315(a) was not at issue in *Click-to-Call*, IPR petitioners who previously filed and voluntarily dismissed without prejudice a civil suit challenging validity of a patent, should carefully consider whether they are now barred from filing an IPR under § 315(a). The logic of *Click-to-Call* appears to apply equally to § 315(a), but, for now at least, this remains an open issue.

1. *Click-to-Call Technologies, LP v. Ingenio, Inc.*, 899 F.3d 1321, 1328 (Fed. Cir. 2018).
2. *Id.* at 1328 n.3.
3. Dex Media, Inc., the successor to Petitioner Ingenio, received an extension to December 14, 2018 to file a petition for certiorari. See *Dex Media, Inc. v. Click-to-Call Technologies, LP*, no. 18A485 (S. Ct.).
4. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 302, as amended.
5. 35 U.S.C. § 311 et seq.
6. It typically takes about 18 months from the time a petition is filed until the final written decision is issued, but the PTAB may extend the proceedings and such extensions have been very rare. See 35 U.S.C. § 316 (a) (11) (the Director of the USPTO may grant an extension, however, extensions are limited to six months, and are only granted for good cause).
7. 35 U.S.C. § 316 (a) (5).
8. United States Patent and Trademark Office, *Trial Statistics: IPR, PGR, CBM; Patent Trial and Appeal Board*, July 2018 (available at: [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20180731.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180731.pdf)). Please note, however, that the institution rate has been steadily falling over the last few fiscal years, such that the rate of institution for FY2018 is 60%.
9. *Id.*
10. 35 U.S.C. § 315 (b).
11. *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1356 (Fed. Cir. 2018).
12. *Id.* at 1351.
13. *Id.* 15 1356, quoting, *Zerto, Inc. v. EMC Corp.*, Case IPR2014-01294, 2015 Pat. App. LEXIS 1895, slip op. at 6-7 (PTAB Mar. 3, 2015).
14. *Click-to-Call*, 899 F.3d at 1325-28.
15. *Id.* at 1326-27.
16. *Id.* at 1332.
17. *Id.* at 1333-37.
18. *Id.* at 1335.

19. CBMs are a specific type of post-grant proceeding where a party accused of infringement may challenge “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service...” 37 C.F.R. § 42.301.
20. According to § 315 (b) and the implementing regulations, an IPR is interpreted as having a single, indivisible petitioner. Multiple parties, however, may be named as “petitioner” within a single petition. See *e.g.*, *Click-to-Call*, 899 F.3d at 1338.
21. *Id.* at 1350 (Dyk, J. and Lourie, A., dissenting).
22. *Id.* at 1351-53 (Dyk, J. and Lourie, A., dissenting).
23. *Id.* at 1353-55 (Dyk, J. and Lourie, A., dissenting).
24. *Id.* at 1343-47 (Dyk, J. and Lourie, A., dissenting).
25. *Id.* at 1348-49 (Taranto, J., concurring).
26. *Luminara Worldwide, LLC v. Iancu*, 899 F.3d 1303 (Fed. Cir. 2018).
27. *Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co.*, No. 2017-1555, 2017-1626, 2018 U.S. App. LEXIS 27666, 2018 WL 4653673 (Fed. Cir. Sep. 28, 2018).
28. *Luminara*, 899 F.3d at 1305.
29. *Id.*
30. Patent owner did not argue that the two newly asserted patents were time-barred, but did challenge the PTAB’s determination that claims in the two newly asserted patents were invalid as obvious.
31. *Id.* at 1306-08.
32. *Bennett Regulator Guards, Inc.*, 2018 U.S. App. LEXIS 27666.
33. *Id.*
34. *Id.*
35. *Id.* at \* 2.
36. *Click-to-Call*, 899 F.3d at 1325-26 (AT&T, Inc. purchased Ingenio after the first complaint was served. AT&T later divested itself of both YellowPages.com and Ingenio).
37. *Id.* at 1337.

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