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Bar to File IPR Triggered by Declaratory Judgment Action, Even if Complaint Was Dismissed Without Prejudice

Feb 21, 2019

Reading Time : **4 min**

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Petitioner Ruiz Food Products, Inc. identified FourKites, Inc. ("FourKites") as a real party-in-interest in two *inter partes* review (IPR) petitions and disclosed that FourKites had previously filed an action for declaratory judgment of invalidity against the patents-at-issue. Despite the previously filed declaratory judgment action, Petitioner argued that 35 U.S.C. § 315(a)(1) did not bar institution of the IPR proceedings because FourKites' declaratory judgment complaint had been dismissed without prejudice. In support of this argument, Petitioner relied on prior Federal Circuit and PTAB precedent for the proposition that dismissal without prejudice of a declaratory judgment action nullified the effect of service of that complaint and, therefore, could not act as a time bar under § 315(a)(1). *See Graves v. Principi*, 294 F.3d 1350, 1356 (Fed. Cir. 2002); *Oracle Corp. et al. v. Click-to-Call Tech. LP*, Case IPR2013-00312, slip op. at 17 (PTAB Oct. 30, 2013) (Paper 26) (precedential).

After the IPR proceedings were instituted, the Federal Circuit issued an opinion distinguishing *Graves* and vacating the PTAB's final written decision in *Oracle Corp*. Specifically, in *Click-to-Call Techs., LP v. Ingenio, Inc.*, the Federal Circuit held that service of a complaint in a patent infringement action can trigger the time-bar provision of 35 U.S.C. § 315(b) even if the complaint was later dismissed without prejudice. 899 F.3d 1321, 1325, 1334-35 (Fed. Cir. 2018) (*en banc* in relevant part). In light of the Federal Circuit's decision in *Click-to-Call* with respect to § 315(b), Patent Owner MacroPoint LLC moved to dismiss the IPR proceedings and averred that the holding of *Click-to-Call* applied equally to § 315(a)(1) and, therefore, the IPR proceedings were time-barred. Petitioner, in response, argued that the Federal Circuit's

decision in *Click-to-Call* was cabined to § 315(b) and that a dismissal without prejudice still renders an action as if it had never been filed for purposes of § 315(a)(1).

Section 315 contains two provisions addressing time bars based on civil actions. The first provision, set forth as § 315(a)(1), governs actions brought by a petitioner or a real party-in-interest. Under § 315(a)(1), the PTAB may not institute IPR proceedings if a petitioner or real party-in-interest filed a civil action challenging the validity of a patent claim before the petition's filing date. The second provision, set forth as § 315(b), governs actions brought by a patent owner. Unlike § 315(a)(1), which establishes a bar on the date that the petitioner or real party-in-interest filed an action challenging patent validity, the time bar under § 315(b) is triggered one year from the date a patent owner served a patent infringement complaint.

In determining whether the IPR proceedings were time-barred, the PTAB turned to the statutory language of 35 U.S.C. § 315. The PTAB explained that nothing in § 315(a)(1) provides any exceptions for complaints that are filed before an IPR petition but later dismissed. Moreover, as the Federal Circuit previously discerned in *Click-to-Call* regarding § 315(b), the PTAB concluded that Congress could have—but did not—include an exception in § 315(a)(1) for actions that were filed but later dismissed without prejudice. Just as the Federal Circuit in *Click-to-Call* found the language of § 315(b) to be plain and unambiguous, the PTAB held the same for § 315(a)(1). According to the PTAB, the plain and unambiguous text set forth in § 315(a)(1) did not include any exception regarding dismissals.

Next, the PTAB considered Petitioner's argument that § 315(a)(1) is inapplicable to the present circumstances because of background legal principles concerning dismissals. The background legal principle on which Petitioner relied was the same as that considered in *Click-to-Call*—*i.e.*, that a dismissal without prejudice leaves the parties in the same legal position as if the complaint was never filed. In *Click-to-Call*, however, the Federal Circuit found such principle to be "anything but unequivocal." Relying on the Federal Circuit's reasoning, the PTAB rejected Petitioner's argument and concluded that Petitioner's proffered background legal principle cannot justify applying a dismissal exception to the plain, unambiguous statutory language of § 315(a)(1).

The PTAB then considered and rejected Petitioner's three alternative arguments for why FourKites' complaint should not trigger the time bar of § 315(a)(1). First, the PTAB dismissed Petitioner's argument that FourKites' complaint did not implicate § 315(a)(1) because it was a counterclaim, not a complaint. While § 315(a)(3) provides that a counterclaim of invalidity does

not constitute a "civil action" to trigger the time bar of § 315(a)(1), the PTAB explained that there was no ambiguity in the statutory language that could justify interpreting "counterclaim" from § 315(a)(3) to include FourKites' declaratory judgment action. Second, despite Petitioner's attempts to argue otherwise, the PTAB held that Patent Owner did not waive any objection to institution under § 315(a)(1) by failing to object prior to institution of the IPR proceedings because this is a jurisdictional issue that cannot be waived. Third, the PTAB considered Petitioner's argument that FourKites' complaint should not constitute a "civil action" because the complaint was dismissed for lack of subject matter jurisdiction. Without addressing how this issue may be decided after *Click-to-Call*, the PTAB found Petitioner's argument unavailing because the district court did not actually dismiss FourKites' complaint for lack of subject matter jurisdiction.

Accordingly, the PTAB held that institution of the IPR petitions was time-barred by 35 U.S.C. § 315(a)(1). It therefore lacked jurisdiction over the IPR proceedings.

Practice Tip:
A potential IPR petitioner must not only avoid filing a declaratory judgment action of invalidity, but must also ensure that no such action has been filed by a real party-in-interest. A declaratory judgment action of invalidity—even if dismissed without prejudice—triggers the bar provision of § 315(a)(1) and forecloses the filing of an IPR.

Ruiz Food Products, Inc. v. MacroPoint LLC, Case IPR2017-02016 & IPR2017-02018, Paper 22 (Feb. 14, 2019).

Categories

Patent Trial & Appeal Board | 35 U.S.C. § 315(b) | Inter Partes Review