

315(B) TIME-BAR: SERVICE IS SERVICE ENOUGH

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In a footnote joining the holding of a three-judge panel opinion, the Federal Circuit held en banc that 35 U.S.C. § 315(b) bars the institution of an Inter Partes Review (“IPR”) “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.”¹ The dissent reached the opposite conclusion by construing a facially unambiguous statutory term in light of a background judicial principle. This Note identifies fundamental flaws of dissent’s application of statutory interpretation doctrines, which are not noted by the panel or concurrence. Although the en banc decision may negatively implicate future alleged infringers in their decisions on IPR filings, such policy balancing belongs to Congress.

The procedural history of *Click-to-Call* is, as the court put it, “long-marooned.”² The simplified and relevant facts are as follows: Company A was the exclusive licensee of U.S. Patent No. 5,818,836 (“the ’836 patent”). It filed a patent infringement action against Company B in district court in 2001. Two years later, Company B acquired Company A. Subject to the terms of the merger, Company A voluntarily dismissed the suit without prejudice. Company B subsequently changed its name a few times, and was acquired and sold in various transactions. Meanwhile, Click-to-Call Technologies, LP (“CTC”) acquired the ’836 patent. In 2012, CTC asserted patent infringement claims of that patent against several parties, Company B included. The defendants filed a single IPR petition challenging the claims of the ’836 patent. CTC responded, among other things, that 35 U.S.C. § 315(b) barred the institution of IPR proceedings and that Company B lacked standing because it was served with a complaint alleging infringement of the ’836 patent back in 2001.³ Section 315(b), titled “Patent Owner’s Action,” provides that an 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

¹ *Click-To-Call Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321, 1328 n.3 (Fed. Cir. 2018) [hereinafter *Click-To-Call*].

² *Id.* at 1324.

³ *Id.* at 1325–28.

in interest, or privity of the petitioner is served with a complaint alleging infringement of the patent.”⁴

In its final decision addressing this issue, the Patent Trial and Appeal Board (“Board”) concluded that Company B was not barred from filing an IPR petition. The Board reasoned that “because [the 2001 Action] was dismissed without prejudice, Federal Circuit precedent interprets such a dismissal as leaving the parties in the same legal position as if the underlying complaint had never been served.”⁵ The Board cited two Federal Circuit cases as the precedent standing for the proposition that voluntary dismissals without prejudice have the effect of “leaving the parties as though the action had never been brought.”⁶ In *Click-to-Call*, the Federal Circuit reviewed this decision of the Board.

The Federal Circuit vacated the Board’s decision and remanded the case to be dismissed. It did not state its rationale for its en banc holding in the footnote that § 315(b) bars the institution of an IPR even if the case for which the petition was served with a complaint more than a year before IPR petition was voluntarily dismissed without prejudice. However, the panel reached its conclusion by reviewing the Board’s interpretation of a statute under *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).⁷ Writing for the panel, Judge O’Malley found Congress had directly spoken to the precise question of whether Company B was served with a complaint pursuant to § 315(b), ending the inquiry after *Chevron* Step One.⁸ After consulting dictionary definitions of “serve” and “complaint,” Judge O’Malley concluded that the plain and ordinary meaning of “served with a complaint” is “presented with a complaint” or “delivered a complaint in a manner prescribed by law.”⁹ Noting that the statute contains no enumerated exceptions, O’Malley found § 315(b)’s language unambiguous in precluding the institution of

⁴ 35 U.S.C. § 315(b).

⁵ Final Written Decision, 2014 Pat. App. LEXIS 8333 at *13–14.

⁶ *Id.*

⁷ *Chevron* Step One requires that a court reviewing an agency’s statutory construction first discern “whether Congress has directly spoken to the precise question at issue.” 467 U.S. at 842. If the answer is yes, the inquiry ends, and the reviewing court must give effect to Congress’s unambiguous intent. *Id.* at 842–43.

⁸ *Click-To-Call*, 899 F.3d at 1332.

⁹ *Id.* at 1330.

an IPR more than one year after the IPR petitioner is served with a civil complaint, “irrespective of subsequent events.”¹⁰

Judge Taranto concurred in the en banc decision. Taranto saw no basis strong enough to justify the proposed contrary-to-text result urged by the Board and the dissent. Further, he did not perceive the potential negative practical impacts of concern to the dissent to be so “absurd” as to hold otherwise.¹¹

Judge Dyk, joined by Judge Lourie, dissented in the en banc holding. Dyk analogized § 315(b)’s phrase, “served with a complaint” with the phrase “filed any complaint” at issue in *Kasten v. Saint-Gobain Performance Plastics Corp.*¹² In *Kasten*, the Supreme Court held it necessary to look beyond the language, to the context and purpose of the statute in interpreting whether an oral complaint fit within the language “filed any complaint.”¹³

This analogy is tenuous at best. Whether an oral complaint is a complaint for the purpose of the statute-in-question in *Kasten* is facially ambiguous. After all, “oral complaint” contains the word complaint. At least colloquially, it appears to be a subspecies of a complaint on its face. Thus the Court concluded it must look further to consider the context of the statute. Section 315(b) is different. Whether a party with a complaint delivered to it was “served with a complaint” is not ambiguous on its face, even if the case was later voluntarily dismissed without prejudice. Section 315(b) does not cross the ambiguity threshold to trigger the closer examination in *Kasten*.

The phrase “served with a complaint” becomes ambiguous only when one takes into account the background judicial principle that voluntary dismissals without prejudice are typically treated as restoring the parties to the situation that existed before the case had ever been brought. The dissent and the Board took the approach of assessing the statutory language in the light of background judicial principles.¹⁴ The

¹⁰ *Id.*

¹¹ *Id.* at 1343.

¹² 563 U.S. 1, 7 (2011).

¹³ *Id.* at 7.

¹⁴ There is “an ongoing debate over what background principles a court should embrace when constructing a constitutional provision in relation to a statutory text.” Brian Taylor Goldman, *The Classical Avoidance Canon as a*

dissent supports its approach by citing to *Keene Corp. v. United States*.¹⁵ There, the statute provides that “the Court of Federal Claims ‘shall not have jurisdiction’ over a claim, ‘for or in respect to which’ the plaintiff ‘has [a suit or process] pending’ in any other court.”¹⁶ This statute, 28 U.S.C. § 1500, is ambiguous on its face as to which time point a court should use to determine co-pendency of a case. To resolve this overt ambiguity, the Court applied a longstanding background principle that “the jurisdiction of the Court depends upon the state of things at the time of the action brought.”¹⁷ Unlike the statute in *Keene*, § 315(b) is not overtly ambiguous before applying the background principle. Therefore, it does not cross *Keene*’s threshold for the background principles to even be considered. Additionally, the background principle in *Click-to-Call* may not be as longstanding as that used in *Keene*. O’Malley’s panel opinion and Taranto’s concurrence cast doubt on how well-established the principle is and its applicability in the context of § 315(b). Even assuming the background principle is well-established and applicable to the particular context of § 315(b), it seems unrealistic to presume that Congress was both aware of both the background principle itself and wished the statute to be interpreted in the light of that background principle.

The central objective of statutory construction is to give effect to the intent of Congress,¹⁸ but chances are that Congress never in fact contemplated the effect of voluntary dismissal without prejudice on § 315(b). The dissent was correct that the en banc ruling could have serious negative practical impacts. There is one scenario that commentators are particularly worried about: the accused infringer presents a strong non-infringement defense for the products at issue in the complaint, spurring the patent owner to dismiss.¹⁹ The accused infringer may nevertheless be compelled to file an IPR to protect other, related products still in development. The en banc decision pressures the accused infringer to weigh the probability of being sued over the same patent in the future

Principle of Good-Faith Construction, 43 J. Legis. 170, 171 (2016), available at: <http://scholarship.law.nd.edu/jleg/vol43/iss2/1>.

¹⁵ 508 U.S. 200 (1993).

¹⁶ *Id.* at 207 (alteration in original) (quoting 28 U.S.C. § 1500).

¹⁷ *Id.*

¹⁸ *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1390 (2013).

¹⁹ Ryan Davis, *Fed. Circ. Time-Bar Case Puts Pressure On Patent Defendants*, LAW360 (August 22, 2018).

against the high cost of filing for an IPR now.²⁰ This decision is particularly difficult for smaller companies. However, as O'Malley reminds everyone, "whether the Board's interpretation of § 315(b) results in good policy, 'who should win that debate isn't [the court's] call to make.'"²¹ Ultimately, it is Congress that should weigh and enact policies. ■

²⁰ Estimated to be between \$300K to \$600K. RPX, *IPRs: Balancing Effectiveness vs. Cost* (June 17, 2016), <https://www.rpxcorp.com/intelligence/blog/iprs-balancing-effectiveness-vs-cost/> (last accessed Sept. 19, 2018).

²¹ *Click-To-Call*, 899 F.3d at 1331 (quoting *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018)).