

Fed. Circ. Time-Bar Case Puts Pressure On Patent Defendants

By Ryan Davis

Law360 (August 22, 2018, 8:35 PM EDT) -- The Federal Circuit's recent decision that patent suits that are voluntarily dismissed trigger the one-year window for filing an inter partes review petition ramps up pressure on accused infringers to challenge patents and will restrict settlement options, attorneys say.

In an Aug. 16 holding by the full court, the Federal Circuit rejected the Patent Trial and Appeal Board's long-standing position that when a patent is suit voluntarily dismissed without prejudice, the clock does not start on the America Invents Act's one-year time limit for the accused infringer to challenge the patent.

The appeals court held instead that the time-bar window begins when the suit is filed, regardless of what happens later. The change will reshape strategic considerations for accused infringers, who no longer have the luxury of putting off filing an inter partes review petition after a complaint is dismissed, and may decide they still must challenge the patent.

"Now defendants need to think about whether they need to move forward and file an IPR when they ordinarily wouldn't," said John Alemanni of Kilpatrick Townsend & Stockton LLP.

Prior to the ruling, which involved YellowPages.com LLC's challenge to a Click-To-Call Technologies LP patent, a suit that was voluntarily dismissed by the patentee might essentially fall off the accused infringer's radar screen. There was no longer active litigation, and the company knew that if they were sued again, the AIA time-bar clock would restart and they would have a year to challenge the patent at the PTAB.

That is no longer the case, so companies may in some situations decide it is in their interest to challenge the patent at issue in the suit despite the dismissal, and that they need to get the petition in before the one-year window closes.

"The defendant has to really decide whether it has future exposure and if so, whether to invest the resources in bringing an IPR, even though there's no ongoing litigation," said Byron Pickard of Sterne Kessler Goldstein & Fox PLLC.

There are several scenarios where a dismissed suit may not make the threat of future infringement liability go away. The case might have some kind of jurisdictional issue that the patent owner could rectify and file again. Or the accused infringer could have potentially infringing products that weren't at

issue in the suit, but could be the subject of future litigation.

For instance, the accused infringer could present a strong noninfringement defense for the products at issue in the complaint, spurring the patent owner to dismiss. But at the same time, the accused infringer may know it has other products in development for which its noninfringement defense might not be as clear if they were targeted in the future.

"That's a situation where you might think about bringing an IPR. Companies don't know the direction their products will take even five years out," Pickard said.

That type of situation is sometimes contemplated in "limited settlements" reached by parties in patent cases that cover only some products. That option may no longer be available as a result of the Federal Circuit's ruling, Alemanni said.

In a limited settlement, the patent owner and the accused infringer strike a deal to voluntarily dismiss the infringement dispute with regard to only some of the defendant's products, but not others, an arrangement that may be easier for the parties to reach than a global resolution.

Prior to the Federal Circuit's ruling, accused infringers that reached such settlements knew that if they were sued over products not covered by the deal in the future, they "could still file an IPR and would still have that arrow in their quiver," Alemanni said.

"Now as soon as the complaint is filed, defendants are on the clock," he said. "They don't have the flexibility to enter into limited settlements."

The Federal Circuit's shift on the time-bar issue is going to change how patent owners and accused infringers approach the resolution of infringement cases.

As a result of the decision, accused infringers may be more reluctant to accept offers from patentees to dismiss an infringement suit without prejudice, said Karin Hessler of Wiley Rein LLP.

"Accused infringers should try to obtain a dismissal with prejudice if possible, and should start preparation for any IPRs early," she said, given that the additional window of time for voluntary dismissals without prejudice is no longer available.

The reasons a company may have for deciding to file an IPR petition likely won't change due to the Federal Circuit's ruling, but it will make the timing of the petition more of a concern.

"I don't know that it changes the analysis overall, but it increases the urgency of it," Alemanni said.

The Federal Circuit's holding may not be the last word on the issue, given the somewhat unusual posture of the decision. It was issued by a three-judge panel of the court, but the full court decided the time-bar issue en banc on its own motion, rendering its 10-2 holding as a brief footnote to the panel opinion.

That could raise the possibility of a request for en banc rehearing in order to get a more thorough opinion of the full court, or an appeal to the U.S. Supreme Court.

Since the Federal Circuit's holding departed significantly from how the PTAB interpreted the time-bar in

the past, the decision is also likely to spur further litigation about how broadly it should be read, Hessler said.

Patent owners will likely use the ruling to argue that pending inter partes reviews based on petitions filed over a year after the filing of a complaint should be dismissed as time-barred, while petitioners will argue that they reasonably relied on the PTAB's prior holdings that a dismissal without prejudice doesn't trigger the time-bar.

"I expect we will see lot of disputes going forward about how this decision is applied to petitions that were already in existence," Hessler said.

The case is Click-To-Call Technologies LP v. Ingenio Inc. et al., case number 15-1242, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Pamela Wilkinson and Aaron Pelc.