

Ban On IPR Time-Bar Tricks Will Spur New Strategies

By Ryan Davis

Law360 (March 20, 2020, 8:23 PM EDT) -- A Federal Circuit decision barring techniques that permitted inter partes reviews that would otherwise be time-barred will force petitioners to either mount broader challenges or push district courts to require patent holders to quickly narrow infringement cases, attorneys say.

In a Wednesday opinion, the appeals court ruled that the Patent Trial and Appeal Board was wrong to let Facebook join its later IPR petition to one it filed earlier, and to use the later petition to challenge additional claims of network security patents owned by Windy City Innovations LLC.

Facebook and other petitioners had used those methods to challenge patent claims even after the America Invents Act's one-year deadline to file petitions had passed. However, the Federal Circuit said the tactics went against "clear and unambiguous" language in the AIA that parties cannot join their own petitions or use later petitions to add new issues.

Inter partes review petitions must be filed within a year of when a petitioner is served with a complaint, so the joinder techniques were usually used when the claims alleged to be infringed had not been identified by that time. Without those options, petitioners will need to rethink their strategy to ensure they file the most effective IPR petitions, attorneys say.

One option is to simply petition for review of every claim in the patent, to avoid the risk of later being accused of infringing some claims after the deadline, when an IPR is no longer an option.

"The best practice would be to challenge all the claims where possible," Danielle Vincenti Tully of Cadwalader Wickersham & Taft LLP said. "It's definitely costly for a defendant, but where good prior art has been identified early in litigation, it is possible to do something like that."

However, challenging numerous claims in an inter partes review comes with additional fees that could become cost-prohibitive, or just completely unwieldy. The four Windy City patents at issue in the Facebook case, for instance, have a combined total of 830 claims.

Therefore, petitioners might do the best they can to identify the claims that are most likely to be asserted and only challenge those, although that is far from an exact science.

"Litigants can evaluate the claims where even under an aggressive read there would be an infringement

issue and select those" to challenge in an IPR, Michael Hawkins of Fish & Richardson PC said.

When there is an "absolute, black-and-white noninfringement position" such that some claims couldn't be asserted in good faith, "you can cull those out, and instead challenge in your IPR only the ones where there is a gray area," he said.

The Federal Circuit noted those options in its opinion and pointed out that accused infringers are "not obligated to challenge every, or any, claim in an IPR," and can still argue in district court that any ultimately asserted claim is invalid.

The court also said parties that do want to seek inter partes review can "make different strategy choices in federal court so as to force an earlier narrowing or identification of asserted claims." Accused infringers are likely to latch on to that going forward, but it will be up to individual judges to decide whether such narrowing is necessary.

"You need an identification of asserted claims early, so you can decide which claims to challenge," Scott McBride of McAndrews Held & Malloy Ltd. said.

An accused infringer could argue to a judge that based on the Windy City ruling, it will not be able to challenge claims identified after the one-year deadline, so the patent owner should be required to identify the claims at issue well in advance.

McBride noted that many courts already have local rules that require infringement contentions to be made early in a case, which should help that happen, and in other courts, arguments that accused infringers should identify the allegedly infringed claims early "may very well resonate with judges."

"There is already some narrowing that happens, so this decision could become the language that's put in front of court to argue that the one-year bar is approaching and we want to exercise the IPR option," Pauline Pelletier of Sterne Kessler Goldstein & Fox PLLC said. "It will be interesting over the next year whether those types of arguments are made and how they fare. It depends on the jurisdiction and it depends on the judge."

Accused infringers already had an incentive to press patent holders to identify the asserted claims quickly, but "this decision will give petitioners another arrow in quiver as far as arguments they might make to a district court to attempt to force patent owners to declare the claims," said James Hall of Cabello Hall Zinda PLLC.

Nevertheless, "all the petitioner can do in district court is make the argument and try to force the issue: They cannot control what the judge is going to do," he said.

Judges in some jurisdictions may decide that the deadline to file an inter partes review petition shouldn't have any bearing on when the patent owner must identify infringement contentions. Patent holders could seek to use that to their advantage, according to Hall.

"It may encourage some behavior by patent owners to act in a way that will prevent petitioners from understanding which claims are being asserted, and try to put petitioners in a bind," he said.

The PTAB's Precedential Opinion Panel noted that concern in a decision last year, unrelated to the Facebook case, which allowed parties to join their own decisions and add issues. The panel said if the

practice were not permitted, plaintiffs "might strategically wait to alter or add late-asserted claims in an attempt to wait out the one-year bar."

But accused infringers can challenge later-added claims in district court, so that "should mitigate against any kind of gamesmanship," Tully said, adding that accused infringers "have additional options in district court that you wouldn't have in an IPR," such as patent eligibility challenges.

Since the Precedential Opinion Panel — which includes the director of the U.S. Patent and Trademark Office and other top agency officials — ruled on the joinder issue, much of the briefing in the Facebook case had to do with whether the panel's decisions are entitled to Chevron deference on appeal.

Under Chevron, the courts defer to a federal agency's interpretation of ambiguous statute, but the Federal Circuit said the AIA provision governing joinder was not ambiguous, so there was no need to address the issue. Nevertheless, the court filed 15 pages of "additional views" stating that if it had reached the issue, it would hold that POP opinions do not get Chevron deference.

Chevron applies only when Congress didn't give an agency the authority to interpret the law, and the PTAB and the POP do not have that power, the court held. Only USPTO regulations that go through the traditional rulemaking process will get deference, it said.

That part of the decision is essentially dicta without legal weight, yet it sends a clear signal that while POP decisions will remain binding on other PTAB panels, the Federal Circuit is not inclined to defer to them on appeal.

"This is a communication directly to the office that if it wants deference, it's going to need to promulgate formal regulations," Pelletier said.

That process is "more cumbersome, but for important things where the office does want to guarantee that it's going to get that deference, perhaps it's worthwhile," she added.

Despite being presented as "additional views," the part of the opinion on deference "at least gives practitioners clear guidance on what the Federal Circuit is thinking on the issue, so if it does come up again, this is something that could certainly be cited to as persuasive," Tully said.

The case is Facebook Inc. v. Windy City Innovations LLC, case number 18-1400, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Breda Lund.