

# Hung up

## THE CASE:

*Surf Waves, Ltd v Pacific Surf Designs*

*Other various cases*

Court of Appeal for the Federal Circuit

Troutman Sanders' **Charan Brahma, Timothy Heaton** and **Gerald Porter** consider the practical conditions of the section 315(b) *inter partes* review time-bar

**Inter partes review (IPR) proceedings have been touted as vehicles for more efficiently evaluating the patentability or validity of patent claims than district court patent litigation.** Consistent with that rationale, 35 USC section 315(b) requires defendants to file IPR petitions relatively early in the litigation process by barring an IPR "if the petition requesting the proceeding is filed more than one year after the date on which the petitioner ... is served with a complaint alleging infringement of the patent."<sup>1</sup> Despite its seemingly straightforward language, the interpretation of this one-year time-bar has recently been the subject of multiple, tortuous Federal Circuit appeals and related issues will soon be taken up by the Supreme Court of the US.

At the heart of the dispute is the Patent Trial and Appeal Board's (PTAB's) nuanced interpretation of the one-year time-bar as not triggered when the "complaint" in question is dismissed without prejudice.<sup>2</sup> After all, when a complaint is dismissed without prejudice, the alleged infringer has little incentive to aggressively pursue an IPR despite the possibility that the plaintiff-patent owner may later reassert its patent. In prior appeals raising the one-year time-bar, such as in *Achates*, the Federal Circuit had refused to address the issue (and thereby effectively endorsed the PTAB's nuanced approach) on the grounds that timeliness fell within the scope of the PTAB's institution decision, which was unappealable under 35 USC section 314(d).<sup>3</sup> But in two recent decisions, the Federal Circuit reversed course. In its *en banc* decision in *Wi-Fi One II*, the Federal Circuit explicitly overruled *Achates* and held that PTAB timeliness rulings were reviewable on appeal because the time-bar determination was a "condition precedent to the [USPTO] Director's authority to act".<sup>4</sup> The decision sidestepped section 314(d) and the Supreme Court's earlier pronouncement in *Cuozzo* that the PTAB's institution decision and closely related determinations were

unappealable.<sup>5</sup> Then in *Click-to-Call*, the Federal Circuit held in an *en banc* footnote that the section 315(b) time-bar is triggered whenever a complaint for infringement is served, regardless of whether that complaint is later dismissed.<sup>6</sup>

**"The Federal Circuit's treatment of the section 315(b) time-bar as non-jurisdictional has wide-ranging implications for litigants and increases the possibility of manipulation by patent owners unless dealt with upfront."**

### The effect on petitioners who filed "late" IPR petitions

The Federal Circuit's change of course in interpreting the time-bar raised the spectre of inequitably nullifying any IPR decision-cancelling patent claims based on petitions filed more than one year after the service of a complaint – petitions filed (and paid for) in reliance upon the PTAB's more nuanced interpretation of the time-bar. But more recent decisions from the Federal Circuit at least implicitly assure that few petitioners will face such harsh consequences from the Federal Circuit's about-face because the decisions suggest that the time-bar is non-jurisdictional and, therefore, tollable and waivable as a defence if not timely raised.

In *Hamilton Beach*, the patentee argued

that the underlying IPR petition was time-barred as an "alternative ground" for affirming a favourable PTAB decision.<sup>7</sup> The patentee had previously raised its section 315(b) argument in the PTAB proceedings below, but the PTAB refused to bar the petition on the grounds that the patentee lacked standing when it filed its initial complaint. On appeal and after the Federal Circuit issued its *Click-to-Call* decision, the patentee re-raised the section 315(b) time-bar in a supplemental brief. But, the Federal Circuit did not reach that argument, because applying the time-bar would require vacatur of the PTAB's decision – "a reversal or modification of the judgment rather than an affirmance" – and, therefore, the patentee should have advanced its timeliness argument via a cross-appeal.<sup>8</sup> Although not expressly addressed in *Hamilton Beach*, the clear implication is that the section 315(b) time-bar is non-jurisdictional; otherwise, the court would have been required to address *sua sponte* the applicability of the time-bar regardless of whether it was properly raised by a party.

More recently, in *Surf Waves, Ltd v Pacific Surf Designs, Inc* the Federal Circuit summarily affirmed<sup>9</sup> a PTAB decision invalidating a patent and, in turn, quietly resolved whether the section 315(b) time-bar is jurisdictional *and* the time-bar defence waivable. If jurisdictional and nonwaivable, vacatur of the PTAB's decision would have been required, regardless of the substantive merits, because the petition had been filed outside the one-year period. While the summary affirmance in petitioner's favour cannot shed light on how the Federal Circuit reached its conclusion that the time-bar was non-jurisdictional, the implications of the decision are clear: by not vacating the PTAB decision, the court necessarily viewed the time-bar as non-jurisdictional and deemed the patent owner to have waived the defence by not raising it either at the PTAB or during appeal briefing.

These decisions are consistent with the

Federal Circuit's and Supreme Court's prior jurisprudence on similar time-bar statutes. There is a "high bar to establish that a statute of limitations is jurisdictional" and "absent ... a clear statement [of Congress], 'courts should treat [a] restriction as nonjurisdictional.'"<sup>10</sup> In cases of non-jurisdictional time-bars, "as a general background rule, courts lack the authority to raise or resolve nonjurisdictional timeliness defences *sua sponte*."<sup>11</sup>

### The Supreme Court's impending review

Against that backdrop, the Supreme Court recently agreed to wade into the questions raised by *Click-to-Call* when it granted *certiorari* to review one of two questions posed by defendant-appellee Dex Media.<sup>12</sup> But the grant is perhaps more notable for what the court chose not to review. Dex Media's petition sought Supreme Court review of two questions: (1) Whether 35 USC section 314(d) permits appeal of the PTAB's decision to institute an [IPR] upon finding that section 315(b)'s time-bar did not apply; and (2) whether 35 USC section 315(b) bars institution of an [IPR] when the previously served patent infringement complaint, filed more than one year before the IPR petition, had been dismissed without prejudice.<sup>13</sup> The Supreme Court granted *certiorari* only as to the first question – addressing head-on the applicability of *Cuozzo* to timeliness under section 315(b). But by choosing not to address the proper interpretation of section 315(b), the Supreme Court may be foreshadowing its view that the PTAB's timeliness decision is unreviewable, and that consequently, neither the Federal Circuit nor the Supreme Court has a proper basis to interpret that statute in this appeal.

### Mitigating the effect on future petitioners

The Federal Circuit's treatment of the section 315(b) time-bar as non-jurisdictional has wide-ranging implications for litigants and increases the possibility of manipulation by patent owners unless dealt with upfront. In cases where a plaintiff-patent owner files, and then dismisses without prejudice, a patent infringement complaint, the accused infringer must assume that the patent owner will assert the time-bar as a defence to any late-filed IPR petition. Therefore, absent other factors, a defendant must file its petition within one year of the service of the complaint even if the dispute appears to have been resolved under the assumption that the patent owner would waive the time-bar defence to a belatedly filed IPR petition. If the time-bar is indeed non-jurisdictional, however, one way for parties to

avoid seemingly unnecessary or premature IPR filings is for the court or the parties to explicitly condition dismissal of the complaint on entry into a tolling agreement or waiver of the time-bar defence.

And, in light of the Supreme Court's pending review of the appealability of the section 315(b) time-bar, future petitioners will be well-served to consider these conditional dismissals and tolling agreements until there is more clarity on whether the Federal Circuit's interpretation of the time-bar will stand. Currently, there are three possible pathways stemming from a Supreme Court decision:

- If the Supreme Court affirms the appealability of the PTAB's section 315(b) time-bar determination in *Click-to-Call* (thereby also affirming *WiFi One II*) the Federal Circuit's strict interpretation of the one-year time-bar as applying to even dismissed complaints will control, as the Federal Circuit's interpretation of the statute is not up for review by the Supreme Court;
- On the other hand, if the Supreme Court reverses the appealability of the section 315(b) time-bar, the determination of the proper interpretation will fall to the PTAB, whose interpretation of its own jurisdiction is given great deference. In turn, the PTAB could default to its pre-Federal Circuit *Click-to-Call* interpretation allowing dismissals without prejudice (option 2) or;
- Now formally adopting the Federal Circuit's strict analysis as addressed in *Click-to-Call* (option 3).

Regardless of whether the Federal Circuit's strict interpretation of the time-bar applies, the time-bar should be viewed as tollable or waivable, as evidenced in *Hamilton Beach* and *Surf Waves*. Therefore, future petitioners may wish to negotiate tolling of the one-year period or waiver under section 315(b) as a condition of dismissal of any complaint.

#### Footnotes

1. 35 USC section 315(b) (emphasis added).
2. *Microsoft Corp v Parallel Networks Licensing, LLC*, IPR2015-00483 (PTAB, 15 July 2015).
3. *Achates Reference Publishing, Inc v Apple Inc*, 803 F.3d 652, 658-659 (Fed Cir 2015), overruled by *Wi-Fi One, LLC v Broadcom Corp.*, 878 F.3d 1364, 1374 (Fed Cir 2018) ("*Wi-Fi One II*").
4. *Wi-Fi One II*, 878 F.3d at 1374.
5. *Cuozzo Speed Technologies, LLC v Lee*, 136 S Ct 2131 (2016).
6. *Click-To-Call Techs, LP v Ingenio, Inc, YellowPages.com, LLC*, 899 F.3d 1321, 1328 n.3 (Fed Cir 2018).
7. *Hamilton Beach Brands, Inc v f'real Foods, LLC*, 908 F.3d 1328 (Fed Cir 2018).
8. *Id* at 1337.

9. Judgment, *Surf Waves Ltd v Pacific Surf Designs, Inc*, No 18-1680, (Fed Cir 17 May 2019), ECF No 74.
10. *Ford Motor Co v United States*, 811 F.3d 1371, 1376 (Fed Cir 2016); see also *Henderson v Shinseki*, 562 US 428, 431 (2011) (holding that "claim-processing rules" including "[f]iling deadlines" typically "should not be described as jurisdictional" unless "there is any 'clear' indication that Congress wanted the rule to be 'jurisdictional'").
11. *Dixon v McDonald*, 815 F.3d 799, 802 (Fed Cir 2016) (citing *John R Sand & Gravel Co v United States*, 552 US 130, 133 (2008)).
12. Petition for *certiorari*, *Dex Media, Inc v Click-to-Call Technologies, LP*, No 18-916, 2019 WL 211480 (US 8 Jan 2019).
13. *Certiorari* granted in part, *Dex Media*, 2019 WL 234884 (US 24 June 2019).

### Authors



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