

PTAB Guidance on the Statutory Time Bar to an Inter Partes Review

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INTRODUCTION

The Inter Partes Review (IPR) proceedings of the Patent Trial and Appeal Board (PTAB or Board) provide a mechanism to challenge validity of a patent. However, there is a statutory time bar against belatedly requesting an IPR. The Board has now rendered decisions, discussed below, clarifying when the statutory time bar exists.

APPLICABLE STATUTORY AND REGULATORY PROVISIONS

The following statutory section and regulatory sections govern statutory time bars in IPR proceedings.

35 USC 315(b) reads as follows:

(b) PATENT OWNER'S ACTION - An inter partes review 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 in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

37 CFR 42.101(b) reads as follows:

42.101 A person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent unless: ... (b) The petition requesting the proceeding is filed more than one year after the date on which the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner is served with a complaint alleging infringement of the patent....

37 CFR 42.122(b) reads as follows:

(b) Request for joinder. Joinder may be requested by a patent owner or petitioner. Any request for joinder must be filed, as a motion under § 42.22, no later than one month after the institution date of any inter partes review for which joinder is requested. The time period set forth in § 42.101(b) shall not apply when the petition is accompanied by a request for joinder.

The PTO provided comments during the rulemaking process promulgating the foregoing rules. Those comments were primarily directed to issues surrounding joinder and privy.² No PTO comment provided guidance on the meaning of the "served with a complaint" language.

"SERVED WITH A COMPLAINT"

The meaning of "served with a complaint" is the subject of two recent PTAB decisions: Motorola Mobility LLC v. Michael Arouse, Notice 20, IPR2013-00010 (PTAB 1/30/2013)(Opinion by Administrative Patent Judge (APJ) Chang, for a panel consisting of Lead APJ Tierney and APJs Chang and Bisk) and Macauto U.S.A. v. Bos GMBH & KG, Notice 18, IPR2012-00004 (PTAB 1/24/2013)(Opinion by APJ Giannetti, for a panel consisting of APJs Blankenship, Giannetti, and McNamara).

MOTOROLA MOBILITY LLC V. MICHAEL ARNOUSE, IPR2013-00010

In Motorola Mobility LLC v. Michael Arouse, Arouse, the patent owner, filed a preliminary response asserting the petition was barred by 315(b) and 42.101(b). APJ Chang authorized briefing on the statutory bar issue. Motorola Mobility LLC (Motorola) filed a brief. Arouse filed a reply. In Notice 20, the Board rendered

its decision.

FACTS

The IPR petition was accorded a filing date of October 2, 2013.³ According to Motorola Mobility LLC (Motorola):

On June 16, 2011 Patent Owner filed a complaint against Petitioner in the U.S. District Court for the District of Vermont. (Ex. 2003.) However, Patent Owner did not serve the complaint under Fed. Rule Civ. P. 4(c). Rather, Patent Owner faxed and overnighted a non-file-stamped "courtesy copy" of the complaint to Petitioner in an effort to discuss settlement. (Ex. 1020, p. 2.) Patent Owner never served this complaint. Instead, Patent Owner filed a first amended complaint accusing additional products of infringement. (Ex. 1007.) On October 4, 2011, Patent Owner served the first amended complaint on Petitioner and filed a Return of Service. (Ex. 1019.) On October 2, 2012, Petitioner filed a Petition for Inter Partes Review ("Petition").⁴

ARGUMENT

Motorola noted Supreme Court precedent construing analogous language in 28 USC 1446(b)⁵ in which the Court rejected the date a defendant first received a copy of a complaint as being a date starting a time bar period.⁶ Motorola argued, instead, that 315(b)'s "served with a complaint" should be construed to require service of process under Federal Rule of Civil Procedure (FRCP) 4. Motorola also argued that legislative history remarks by Senator Kyl supported its construction. In its reply, Arnouse argued that Motorola's construction was improper because it ignored "the specific context" of 315(b); that the legislative history did not support Motorola's construction; and that 315(b)'s "served with a complaint" was "clear" and had an "ordinary and plain meaning".⁷

DECISION, NOTICE 20

The Board stated the issue as "whether Motorola must be served with a summons and complaint before the time for filing an inter partes review petition begins to run." The Board concluded "that Motorola must be served with a summons before the one-year time period for filing an inter partes review petition is triggered." In its analysis, the Board rejected Arnouse's arguments. The Board noted that the word "served" was ambiguous and required construction; noted a legislative "intent to provide defendants sufficient time to analyze the patent claims so that they can decide whether to challenge the patentability of the claims in an inter partes review;" noted that Arnouse's construction would frustrate that intent; and concluded that "Congress [did not] intend[] to have the time period start before a petitioner is officially a defendant in a law suit."

WAIVER OF SERVICE

Arnouse had also argued that construing 315(b) to require service of process was inconsistent with waiver of service provisions.⁸ The Board responded to this argument noting that the federal rules construed a filed waiver of service to be tantamount to service of process. Specifically, the Board stated that:

As to Arnouse's argument that interpreting 35 U.S.C. § 315(b) as requiring service of process would create an open-ended process when the defendant waives service of process (PR 14-15), we are not convinced. A patent owner who files a lawsuit in a Federal court and a petitioner who chooses to waive service of a summons are required to comply with the Federal Rules of Civil Procedure in the infringement action. Rule 4(d)(4) of the Federal Rules of Civil Procedure provides that "[w]hen the plaintiff files a waiver, proof of service is not required and these rules apply as if a summons and complaint had been served at the time of filing the waiver" (emphasis added). Therefore, in the situation where the petitioner waives service of a summons, the one-year time period begins on the date on which such a waiver is filed.

The Board decision in Macauto U.S.A. v. Bos GMBH & KG, discussed below, dealt with a waiver fact pattern.

MACAUTO U.S.A. V. BOS GMBH & KG, IPR2012-00004

FACTS

In Macauto U.S.A. v. Bos GMBH & KG, the IPR petition was accorded a filing date of September 16, 2012. The patent owner, Bos, filed a patent owner preliminary response in which Bos asserted that 315(b) time barred the IPR. Bos alleged that: "a complaint charging infringement of the ... [subject] patent was served on Macauto Taiwan ... on or by May 13, 2011"; that Macauto Taiwan was the "Petitioner's parent"; and that "Macauto Taiwan (not Macauto US) is the real party in interest ... [and] a privy of Petitioner." Exhibit 2004 is a form "Waiver of Service of Summons." The waiver is signed and dated by the signor May 13, 2011. The signature does not specify the title or authority of the signor.

DECISION, NOTICE 18

In Notice 18, the Board instituted an IPR review, disagreeing with Bos on the existence of a time bar. The Board concluding that Bos had not established that the service date of the complaint was more than a year before the petition was filed. The Board's conclusion relied upon the fact that the infringement suit had been voluntarily dismissed without prejudice, and in the alternative relied upon the lack of evidence that the waiver of service had been filed in the District Court action. The Board reasoned as follows:

As to the requirement of service, the Board notes that the infringement suit against Macauto Taiwan was voluntarily dismissed without prejudice under Fed.R.Civ.P. 41(a), pursuant to a joint stipulation. EX 2016. The Federal Circuit has consistently interpreted the effect of such dismissals as leaving the parties as though the action had never been brought. Graves v. Principi, 294 F.3d 1350, 1356 (Fed. Cir. 2002) ("The dismissal of an action without prejudice leaves the parties as though the action had never been brought"); Bonneville Associates, Ltd. Partnership v. Baram, 165 F.3d 1360, 1364 (Fed. Cir. 1999) ("The rule in the federal courts is that '[t]he effect of a voluntary dismissal without prejudice pursuant to Rule 41(a) is to render the proceedings a nullity and leave the parties as if the action had never been brought.'") (Citations and internal quotes omitted.) Accord, Wright, Miller, Kane, and Marcus, 9 Federal Prac. & Proc. Civ. § 2367 (3d. ed.) ("[A]s numerous federal courts have made clear, a voluntary dismissal without prejudice under Rule 41(a) leaves the situation as if the action never had been filed.") (footnote omitted). Accordingly, the dismissal of the earlier action against Macauto Taiwan nullifies the effect of the alleged service of the complaint on Petitioner.

As to the date of the alleged service, Macauto apparently signed and returned a waiver of service under Fed.R.Civ.P. 4(d). EX 2004. Under subdivision (d)(4) of that Rule, to establish a service date the waiver or proof of service must be filed. There is no evidence in the record or otherwise that Patent Owner has done so. [Footnote 4 omitted.] As explained in the Advisory Committee Note to Rule 4(d), "Paragraph (4) clarifies the effective date of service when service is waived; the provision is needed to resolve an issue arising when applicable law requires service to toll the statute of limitations." Advisory Committee Note to 1993 Amendment to Rule 4(d) (citations omitted). The Advisory Committee Note further makes it clear that the act of waiving service under Rule 4(d) was not intended to effect service: "It is hoped that, since transmission of the notice and waiver forms is a private nonjudicial act, does not purport to effect service, and is not accompanied by any summons or directive from a court, use of the procedure will not offend foreign sovereignties ..." As Patent Owner has not demonstrated that a service waiver (EX 2004) or other proof of service was ever filed, we conclude that it has not established a service date under the statute.

In view of our conclusion that for two separate, independent reasons there was no effective service date of the prior complaint on Petitioner, we do not reach the issues relating to real party in interest

or privity raised by Patent Owner.

The Board's analysis of the voluntary dismissal theory failed to address Bos's assertions relating to why the parties agreed to dismiss the Illinois action. Specifically, Bos only agreed to dismiss the Illinois action after "Macauto Taiwan ... conceded that both it and its subsidiaries could be sued in the U.S. District Court for the Western District of New York," after which Bos refiled its complaint in the New York Court.⁹ In fact, the FRCP 41(a) dismissal, EX2016, contains the language:

The parties further stipulate that *Macauto Industrial Co. Ltd. and related Macauto Industrial Co. Ltd. entities, including its subsidiaries, will waive service of process pursuant to Fed. R. Civ. P. 4(d)*, while preserving and expressly not waiving any and all objections and defenses, including that there is no factual basis for naming Macauto Industrial Co. Ltd. as a defendant, in any future action involving U.S. Patent No. 6,422,291 that is initiated in the U.S. District Court for the Western District of New York. [Italics supplied for emphasis.]

Thus, the parties were not "as though the action had never been brought." The Board decision did not address this fact in concluding that the dismissal "nullifies the effect of the alleged service."

Note that the Board decision had no reason to address whether inclusion of the waiver of future service in a different District, in the joint stipulation of voluntary dismissal, was tantamount to waiver of service. This is because the date of the joint stipulation was within one year of the filing date accorded the IPR petition.

Note that FRCP 41(a)(1)(B) indicates that the effect of stipulated dismissal is without prejudice, *unless* the stipulation "states otherwise." Bos could have pushed for the stipulated dismissal to expressly "state otherwise" regarding 315(b). Patent owners in situations similar to that of Bos may want to push for stipulated dismissals which expressly "state otherwise" regarding 315(b).

The Board's second rationale follows logically from its conclusion in Motorola Mobility LLC v. Michael Arnouse regarding the requirement to file a waiver of service to start the 315(b) one year period. Bos alleged that it "delivered the complaint in the Illinois action to Macauto Taiwan no later than May 13, 2011, as acknowledged by Macauto Taiwan's waiver of service of process. Ex. 2004." Ex 2004 appears to show by a preponderance of the evidence that Macauto Taiwan received the complaint and waived service. Yet Bos failed to file that waiver in the district court action. It was that failure to "demonstrate[]" that a service waiver (EX 2004) or other proof of service was ever filed" that led to the Board's conclusion that Macauto had not been "served with a complaint."

"REAL PARTY IN INTEREST"

315(b) limits the one year time bar to the "petitioner, real party in interest, or privy of the petitioner." However, the same "real party in interest" phrase appears in additional statutory sections relating to IPRs. 35 USC 315(a)(1) precludes an IPR if the "petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent." 35 USC 312(a)(2) also states that an IPR petition "may be considered only if ... (2) the petition identifies all real parties in interest." 315(e) also provides for estoppel against the "real party in interest." 35 USC 317 provides that estoppel does not attach if the IPR proceeding is terminated in response to a timely joint request by the petitioner and the patent owner.

INTELLECTUAL VENTURES MANAGEMENT, LLC V. XILINX, INC., IPR2012-00018

A board decision in Intellectual Ventures Management, LLC v. Xilinx, Inc., IPR2012-00018 provides some guidance on what constitutes a real party in interest in an IPR proceeding.

FACTS

Intellectual Ventures Management, LLC (IVM) listed the real party in interest for its IPR petition as "Intellectual Ventures Management, LLC."¹⁰ The patent owner, Xilinx, Inc. (Xilinx) argued that the petition should be denied because it failed to name all real parties in interest.¹¹ Xilinx alleged that: "little information ... is publicly available about IVM's financial and management structure"; that IVM's FRCP 7.1 Certificate of Interest Entities in a

District Court litigation listed "63 entities ... as have an interest in IVM or one of its associated defendants"; and that several "IVM and various other, similarly named entities ...share all of their counsel—and have no separate counsel."

DECISION, NOTICE 12

In Intellectual Ventures Management, LLC v. Xilinx, Inc., Notice 12, IPR2012-00018 (PTAB 1/24/2013)(Decision by Medley, APJ, for a panel consisting of APJs Medley; Easthom; and Arbes), the Board disagreed with Xilinx. The Board initially noted that its Trial Practice Guide specified factors it will consider in determining if an entity is a real party in interest:

A petition for inter partes review may be considered only if, among other requirements, the petition identifies all real parties in interest. 35 U.S.C. § 312(a)(2). The Trial Practice Guide provides guidance regarding factors to consider in determining whether a party is a real party in interest. Considerations may include whether a non-party exercises control over a petitioner's participation in a proceeding. Other considerations may include whether a non-party is funding the proceeding or directing the proceeding.

The Board noted that:

Xilinx has not demonstrated that the considerations of whether a non-party is a real party in interest for an inter partes review proceeding are the same or even similar to those considerations or requirements of Civil Local Rule 3-16 and Federal Rule of Civil Procedure 7.1. ... The Board will not assume, as Xilinx seems to suggest, that the 63 listed entities (which includes Xilinx itself) and five other "similarly named" defendants in the district court proceeding should be named as real parties in interest for Petitioner. ... IVM has disclosed their real party in interest. Xilinx challenges that disclosure and as such must come forward with sufficient evidence to demonstrate that IVM's disclosure is inadequate. That Xilinx has failed to do.

This passage provides some useful information. First, it indicates that entities listed in FRCP 7.1 certificate filed in civil litigation unrelated to an IPR petition fail to show that those entities are real parties in interest in the IPR petition. In addition, the Board specified a test for a real party in interest challenge (or any challenge to facts pertaining to standing stated in a petition): "sufficient evidence to demonstrate that [petitioner's] disclosure is inadequate." Second, the Board's criteria for real party in interest determinations are specified in its Trial Guide.¹²

Note that Xilinx had insufficient evidence to demonstrate that IVM's real party in interest assertion was inadequate, but it certainly had grounds to be suspicious! Given evidence supporting that suspicion, Xilinx could have requested additional discovery on that issue.¹³ It did not. Yet, additional discovery regarding standing is the one example identified by the PTO as suitable for discovery in support of a preliminary response.¹⁴ Patent owners faced with similar situations should consider requesting additional discovery on standing issues.¹⁵

While Intellectual Ventures Management, LLC v. Xilinx, Inc provides some general guidance, expect decisions in the near future further clarifying the Board's determination of real party in interest.¹⁶

CONCLUSION

The Board concluded that "Congress [did not] intend[] to have the [315(b) one year] time period start before a petitioner is officially a defendant in a law suit." Consequently, the Board indicated that the one year period begins when the petitioner has received the complaint and been served with a summons, and when the patent owner files the waiver of service. Patent owners should consider the impact of timing of service and timing of filing of a waiver of service in a patent infringement action on a 315(b) time bar. It may be more favorable to serve or file a waiver of service, and then request from the Court extensions of time for negotiations, than holding off to provide time for negotiations.

The Board also concluded that a FRCP 41(a) dismissal will annul a running 315(b) bar. Thus, another factor for parties contemplating a FRCP 41(a) dismissal of a patent infringement action is whether the dismissal should state otherwise regarding annulment of the 315(b) time bar.

The Board also provided general guidance for challenging a "real party in interest" or other standing assertion. Patent owners should be mindful that standing challenges are fair game for additional discovery in support of a preliminary response.

1. I can be reached via telephone at 1-703-415-0012 or via Neifeld.com. I thank Daniel Sachs and Bruce Margulies for helpful comments.

2. See "Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents," 77 FR 48680 (2012) at 48683.

At 48688, the PTO commented that "the time limitation set forth in 35 U.S.C. 315(b), as amended, does not apply to a request for joinder under 35 U.S.C. 315(c), as amended." At 48690, the PTO commented that "The rule follows the statutory language of 35 U.S.C. 315(b), as amended, which provides a one-year time limit after date of service of complaint." At 48694, the PTO commented that "Under § 42.122(b), a patent owner or petitioner may request joinder, but such a request must be filed no later than one month after institution. Further, the time period set forth in § 42.101(b) shall not apply when the petition is accompanied by a request for joinder. This is consistent with the last sentence of 35 U.S.C. 315(b), as amended."

At 48695, the PTO responded that "Because 'real party-in interest' and 'privy' disputes involve highly fact-dependent issues, the Office believes that the case-by-case approach is the best way to resolve these disputes. The Board will make the determination based on controlling case law and the particular facts of each case as suggested by several of the comments. The Office Patent Trial Practice Guide provides further discussion to assist parties in identifying 'real parties in interest' and 'privies.'" At 48695, the PTO also responded that "a party's membership in a Joint Defense Agreement with the petitioner does not, standing alone, make the party a 'real party in interest' or 'privy' of the petitioner, but the fact is relevant to those inquiries. Of particular relevance is the party's level of participation in, and control over, the requested trial."

3. Motorola Mobility LLC v. Michael Arrouse, Notice 5, IPR2013-00010 (PTAB 10/5/2012).

4. Motorola Mobility LLC v. Michael Arrouse, Motion 18, page 1, IPR2013-00010 (PTAB 2013).

5. 28 USC 1446(b) reads:

(b) Requirements; Generally.—

(1) The notice of removal of a civil action or proceeding shall be filed within 30 days after the receipt by the defendant, through service or otherwise, of a copy of the initial pleading setting forth the claim for relief upon which such action or proceeding is based, or within 30 days after the service of summons upon the defendant if such initial pleading has then been filed in court and is not required to be served on the defendant, whichever period is shorter.

(2) (A) When a civil action is removed solely under section 1441(a), all defendants who have been properly joined and served must join in or consent to the removal of the action.

(B) Each defendant shall have 30 days after receipt by or service on that defendant of the initial pleading or summons described in paragraph (1) to file the notice of removal. (C) If defendants are served at different times, and a later-served defendant files a notice of removal, any earlier-served defendant may consent to the removal even though that earlier-served defendant did not previously initiate or consent to removal.

(3) Except as provided in subsection (c), if the case stated by the initial pleading is not removable, a notice of removal may be filed within thirty days after receipt by the defendant, through service or otherwise, of a copy of an amended pleading, motion, order or other paper from which it may first be ascertained that the case is one which is or has become removable.

6. Murphy Brothers, Inc. v. Michetti Pipe Stringing, Inc., 526 US 344 (1999). There the Court held that:

We read Congress' provisions for removal in light of a bedrock principle: An individual or entity

named as a defendant is not obliged to engage in litigation unless notified of the action, and brought under a court's authority, by formal process. Accordingly, we hold that a named defendant's time to remove is triggered by simultaneous service of the summons and complaint, or receipt of the complaint, "through service or otherwise," after and apart from service of the summons, but not by mere receipt of the complaint unattended by any formal service.

7. Motorola Mobility LLC v. Michael Arnouse, Reply 19, IPR2013-00010 (PTAB 2013).

8. Specifically, Arnouse argued that "Petitioner also completely ignores the anomalous result its interpretation creates when service of process is waived, and supports its position by citing communications between the parties, communications of private parties that are completely irrelevant to a question of statutory construction and were made before the passage of the AIA." *Id.* at 1.

9. Macauto U.S.A. v. Bos GMBH & KG, Patent Owner's Preliminary Response, Document 17, at pages 4-5, IPR2012-00004 (PTAB 12/26/2013).

10. Intellectual Ventures Management, LLC v. Xilinx, Inc., Document 3, IPR2012-00018 (PTAB 9/17/2012).

11. Intellectual Ventures Management, LLC v. Xilinx, Inc., preliminary response 10, IPR2012-00018 (PTAB 12/18/2012).

12. See "Office Patent Trial Practice Guide," 77 FR 48756 (2012), at 48759-60.

13. Xilinx submitted identical arguments on identical facts in three other preliminary responses to three other petitions filed by IVM. There is no indication that Xilinx requested discovery in support of its preliminary response in any of those proceedings.

14. See "Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents," 77 FR (2012) at 48689:

In certain instances, however, a patent owner may be granted additional discovery before filing its preliminary response and submit any testimonial evidence obtained through the discovery. For example, additional discovery may be authorized where patent owner raises sufficient concerns regarding the petitioner's certification of standing.

15. See Neifeld, "Additional Discovery Before the PTAB," *Intellectual Property Today* (April, 2013) for analysis of the requirements for grant of a motion for additional discovery.

16. A substantial real party in interest challenge appears in the patent owner's preliminary response in CHI Meinnolux Corporation v. Semiconductor Energy Laboratory Co., Ltd., preliminary response 11, IPR2013-00028 (PTAB 1/25/2013), awaiting decision.