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Don't Let Your Right To Inter Partes Review Slip Away

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The replacement of inter partes re-examination with inter partes review on Sept. 16, 2012, will have several important implications for patentees and patent challengers.¹ After this date, inter partes review will be the only United States Patent and Trademark Office mechanism for challenging a patent with third-party participation outside the initial nine-month post-grant review period.

While many have focused on the expansion of inter partes review to cover all patents — not just those filed on or after Nov. 29, 1999, as with inter partes re-examination — the new system contains an important, but often overlooked, one-year statute of limitations for seeking inter partes review after having been served with a complaint for patent infringement.

Under the new system, “[a]n 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.” 35 U.S.C. § 315(b). This statute of limitations is a significant factor distinguishing inter partes review from inter partes re-examination. Defendants often waited to file their inter partes re-examination request until years after a lawsuit was filed.

In fact, several inter partes re-examinations involved apparent last-ditch efforts by defendants who requested inter partes re-examination after being found by a jury to infringe patent claim(s) that the jury also refused to find invalid.² The new statute of limitations prevents these late-filed inter partes requests by requiring the petition for inter partes review to be filed during the one-year period after service of the complaint.

The USPTO has embraced this limitation in their final rules, stating that, along with the shorter time frame for inter partes review, it is anticipated to reduce “the current high level of duplication between litigation and reexamination.”³ By all indications, the one-year bar will be

¹ We have previously discussed some of the more important changes. See Hunton & Williams LLP, “Client Alert: Five Things You Should Know About The Replacement of Inter Partes Reexamination with Inter Partes Review on September 16, 2012” (July 2012).

² See e.g., *Sony Computer Entm't Am., Inc. v. Dudas*, 85 U.S.P.Q.2d 1594, 1596 (E.D. Va. 2006). (“On the very day that the California district court entered its order denying Sony’s post-verdict motions, Sony filed a request with the PTO for inter partes reexamination of the litigated claims of the “333 patent.”)

³ Final Rule, Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48680, 48721 (Aug. 14, 2012).

applied strictly in the USPTO even against petitions for review that are refiled after an initial petition is defeated by a patent owner's preliminary response.⁴

The final rule implementing § 315(b) repeats the statute and provides no further qualifications or limitations on the time bar.⁵ Under these circumstances, several situations exist in which a defendant who has been served with a complaint in litigation may be forced to file an inter partes review within one year even though doing so would seem premature, impractical and/or unfair.

Dismissed Litigation

A patent owner, for example, may serve its complaint for patent infringement but then voluntarily dismiss it under Fed. R. Civ. P. 41(a)(1) and then, at some point in the future, refile its complaint. Under these circumstances, the statute of limitations for the defendant to file for inter partes review runs from date of service of the original complaint, even though the dismissed complaint "generally is treated by the courts as if it had never been filed."⁶ If the patent owner refiles the complaint, the defendant may have lost its ability to petition for inter partes review due to the one-year statute of limitations running from service of the original, dismissed complaint.

Stayed Litigation

In many cases, defendants in litigation will petition for inter partes review and then move to stay the district court litigation pending the outcome of the USPTO proceeding. In that case, the one-year statute of limitations on petitioning for inter partes review will not be implicated since the request has already been granted and the proceedings commenced.

But litigation may be stayed for several other reasons that are outside the control of the defendant. For instance, a court may stay a case pending the outcome of another litigation or a re-examination filed by a different party.⁷ The defendant in such a stayed litigation may be forced to petition for inter partes review within one year from service of the complaint even though it would have put off challenging the patent were it not for the statute of limitations.

⁴ 77 Fed. Reg. at 48714 ("Where an inter partes review petition is filed close to the expiration of the one-year period set forth in 35 U.S.C. 315(b), as amended, a patent owner likely would be advantaged by filing a successful preliminary response.")

⁵ 77 Fed. Reg. at 48727 (37 C.F.R. § 41.100(b)).

⁶ *Nelson v. Napolitano*, 657 F.3d 586, 587 (7th Cir. 2011).

⁷ For example, the patent infringement actions brought by Traffic Information LLC, against various defendants in the Eastern District of Texas were stayed based, in part, on nonparty Google Inc.'s declaratory judgment action and ex parte reexamination challenging the asserted patent. See Order, *Traffic Info. LLC v. Flixter, Inc.*, No. 11- 420 (E.D. Tex. May 30, 2012), ECF No. 140.

Multiple Lawsuits Based on Different Products

The lack of any qualifications in the statute of limitations may also become apparent when a defendant has been subject to successive lawsuits for infringement of the same patent. This can happen when products that continue to evolve are launched over a period of time and are accused of infringing the same patent multiple times through successive litigations.

If the defendant did not petition for inter partes review within a year of service of the original complaint for patent infringement, the statute of limitations would apparently preclude an inter partes review petition filed within the year following service of any subsequent complaint for patent infringement. This rather harsh application of the statute of limitations would preclude inter partes review even if the defendant successfully obtained a judgment of noninfringement in the first action and only wished to challenge the patent's validity in a subsequent litigation involving the same patent.

Settlement Negotiations

The lack of any tolling provision or qualification in the inter partes review statute of limitations also injects an element of inflexibility into the settlement process and related procedures for promoting settlement. Sometimes parties, in an attempt to settle litigation or to avoid incurring the costs of litigation, enter into a tolling agreement under which the plaintiff will voluntarily dismiss or stay the lawsuit in return for the defendant tolling the six-year limitation on collecting damages and agreeing to take no affirmative action during the tolling period.

The statute of limitations for inter partes review apparently provides for no such flexibility and, in fact, appears to be a jurisdictional element that cannot be waived. Whether a tolling agreement that expressly addresses § 315(b) would be honored by the USPTO remains to be seen. Thus, regardless of the parties' wishes or intent, or the existence of a tolling agreement, the defendant must petition for inter partes review within a year of service of the original complaint or risk losing its ability to conduct an inter partes review.

Real Party in Interest or Privy of Defendant in Prior Litigation

The one-year statute of limitations applies to any "real party in interest or privy" of the petitioner in the earlier litigation. Application of the statute of limitations to real parties in interest or privies of a defendant in prior litigation is fraught with uncertainty. For example, when a company's customers are sued for patent infringement, the company may be required by agreement to indemnify the customers. However, the company may not be aware of the lawsuit or the need to indemnify the customer until after the one-year statute of limitations on inter partes review has passed.

For example, the complaint could be unclear on which products or services are accused of infringement and therefore whether an indemnification obligation exists. Or the customer simply fails to inform the company on a timely basis of the lawsuit and the indemnification obligation. In any case, if a company that is required to indemnify its customers for patent infringement is a "real party in interest or privy" of its customers, it must petition for inter partes review within one year of service of the complaint on its customers or risk its right to conduct inter partes review.

Conclusion

It is uncertain whether defendants who petition for inter partes review more than one year after being served with a complaint for patent infringement will be able to find creative ways around the statute of limitations. The doctrine of equitable tolling, for example, is generally limited to situations in which “despite all due diligence [a party] is unable to obtain vital information bearing on the existence of his claim.”⁸

Moreover, in the context of tort law, courts have refused to interpret statutes of limitations as being tolled during the period between a voluntary dismissal under Fed. R. Civ. P. 41(a)(1) and refile of the complaint absent express statutory tolling provisions.⁹ The scope and application of the statute of limitations are likely to be contentious issues in inter partes review proceedings involving litigated patents, and certainty regarding the effect of this provision may be years away. In the meantime, defendants in litigation and related parties will need to remain vigilant to ensure their right to petition for inter partes review does not slip away.

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⁸ Cada v. Baxter Healthcare Corp., 920 F.2d 446, 451 (7th Cir. 1990); see also New Castle Cnty. v. Halliburton NUS Corp., 111 F.3d 1116, 1125 (3d Cir. 1997). (“To invoke equitable tolling, New Castle must show that it exercised reasonable diligence in investigating and bringing its claims.”)

⁹ See e.g., Nelson, 657 F.3d at 590. (“The instant case is governed by a federal statute of limitations, however, so that exception [provided by tolling rule of state statute of limitations for Illinois] does not help the plaintiffs here. In federal cases, the limitations period continues to run after the case is dismissed without prejudice.”)