

2015-1242

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CLICK-TO-CALL TECHNOLOGIES, LP,
Appellant,

v.

**ORACLE CORPORATION, ORACLE OTC SUBSIDIARY, LLC, INGENIO, INC.,
YELLOWPAGES.COM, LLC,**
Appellees,

ANDREI IANCU, Director of the United States Patent and Trademark Office,
Intervenor.

Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, No. IPR2013-00312.

SECOND SUPPLEMENTAL BRIEF FOR INTERVENOR

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March 5, 2018

RELEVANT STATUTORY PROVISION

35 U.S.C. § 315(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).

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INTRODUCTION

Following this Court's *Wi-Fi One* decision, the merits of Click-to-Call's challenge to the Board's decision to institute inter partes review are now before this Court. Click-to-Call has never contested the Board's decision that many of the challenged claims of its '836 patent are unpatentable. Click-to-Call instead believes that the Board should not have instituted review—and thus that the unpatentability decision must now be unwound—because a predecessor of one of the named petitioners was served with an infringement complaint, which was later dismissed without prejudice, more than one year before the petition was filed.

The Board determined that a complaint later dismissed without prejudice does not trigger 35 U.S.C. § 315(b)'s time bar for seeking an inter partes review. Following this Court's precedents on dismissals without prejudice, the Board concluded that the patent owner's voluntary dismissal of an earlier-filed complaint left the parties in precisely the position they would have been in had the complaint never been served. *See* A289 (citing *Graves v. Principi*, 294 F.3d 1350, 1356 (Fed. Cir. 2002); *Bonneville Assocs., Ltd. P'ship v. Barram*, 165 F.3d 1360, 1364 (Fed. Cir. 1999)). The Board made its institution decision precedential. *See* Precedential Opinions, <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/decisions-and-opinions/precedential> (last visited Feb. 24, 2018). Because the statute does not address the issue of a voluntary dismissal, and the Board's

decision was a reasonable reading of this statutory gap in light of congressional intent, the Board’s decision should be affirmed.

ARGUMENT

A. The Board’s authoritative interpretation of section 315(b) in a precedential decision is entitled to deference

Where “a statute leaves a gap or is ambiguous, [courts] typically interpret it as granting the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute.” *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2142 (2016) (marks omitted). Here, the statute leaves a gap: The time bar attaches a year after “the petitioner is served with a complaint,” but the statute and the legislative history do not directly address the effect of a later dismissal of that complaint without prejudice—a situation that courts have traditionally treated as restoring the status quo, as if the complaint had never been served.

Further, Congress gave the USPTO the authority to make rules to fill statutory gaps, through both regulation and adjudication. 35 U.S.C. §§ 6(b)(4), 316(a), 316(c). In adjudicating cases, the Board binds itself by issuing precedential decisions. Standard Operating Procedure 2 (Rev.9) III.E., <https://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf> (“A precedential opinion is binding authority.”). The agency has the option to choose between regulation and adjudication, depending on the circumstance. *NLRB v. Bell Aerospace Co. Div. of Textron*, 416 U.S. 267, 294 (1974) (“[T]he choice between rulemaking and

adjudication lies in the first instance within the [agency's] discretion.”); *SEC v. Chenery Corp.*, 332 U.S. 194, 202-03 (1947) (“[T]he choice made between proceeding by general rule or by individual, ad hoc litigation is one that lies primarily in the informed discretion of the administrative agency.”).

As the Supreme Court explained, “administrative implementation of a particular statutory provision qualifies for *Chevron* deference when it appears that Congress delegated authority to the agency generally to make rules carrying the force of law, and that the agency interpretation claiming deference was promulgated in the exercise of that authority.” *United States v. Mead*, 533 U.S. 218, 226-27 (2001). “Delegation of such authority may be shown in a variety of ways, as by an agency’s power to engage in adjudication or notice-and-comment rulemaking, or by some other indication of a comparable congressional intent.” *Id.* at 227.

If the USPTO could act with the force of law only when it used notice-and-comment rulemaking, that would “stultify the administrative process.” *Chenery*, 332 U.S. at 202. If the agency had to enact a general rule for every unforeseen situation that might arise, the system would be “inflexible and incapable of dealing with many of the specialized problems which arise. Not every principle essential to the effective administration of a statute can or should be cast immediately into the mold of a general rule.” *Id.*; *cf. Aqua Products v. Matal*, 872 F.3d 1290 (Fed. Cir.

2017) (en banc) (requiring rulemaking for the frequently arising question of burdens when a patentee files a motion to amend).

Thus, when the Board renders a legal interpretation through a precedential Board decision, that decision is due the same deference as rulemaking would be. *Christensen v. Harris County*, 529 U.S. 576, 587 (2000) (interpretation contained in “a formal adjudication” would “warrant *Chevron*-style deference”).

Aqua Products did not undo this settled concept. There, the Court determined that the combination of an existing USPTO rule about motions (37 C.F.R. § 42.20(c)) and two Board decisions (only one of which was precedential, where the precedential decision only served to clarify a portion of the other decision unrelated to the rule) failed to provide a cohesive interpretation of the statute to which the court owed deference. 872 F.3d at 1318-19. Thus, in *Aqua Products*, the Board’s interpretation was two steps removed from the statute, and the court declined to extend *Chevron* deference “where an agency has not actually addressed the issue it purports to be within its discretion to address.” *Id.* at 1318. By contrast, here, the Board has given a direct statutory interpretation of the question presented in two precedential board decisions that are binding on later panels. A284-290; *LG Electronics v. Mondis Tech.*, No. IPR2015-00937, 2015 WL 9699396, *3-4 (PTAB Sept. 17, 2015) (both precedential).

Click-to-Call asserts “a growing apprehension over *Chevron* deference to agency interpretations.” Click-to-Call 2d Supp. Br. (ECF No. 103) 2. But as Click-to-Call does not dispute, the Supreme Court unanimously granted deference to the USPTO’s reasonable interpretation of the Patent Act less than two years ago in *Cuozzo*.

Click-to-Call misunderstands the operation of *Chevron* principles in arguing that the USPTO lacks expertise when it comes to the time bar. Click-to-Call 2d Supp. Br. (ECF No. 103) 3, 8-9. *Chevron* reflects the common-sense recognition that where Congress authorizes an agency to speak with the force of law in interpreting a statute, Congress intends that the agency, rather than courts, should decide how gaps or ambiguities in the statutory scheme should be resolved. *Chevron USA, Inc. v. NRDC*, 467 U.S. 837, 843 (1984). Here, again, § 315(b) leaves a gap. And the Board issued not one, but two precedential decisions that fill that gap, explaining that under § 315(b)’s time bar a dismissal without prejudice nullifies the effect of service of the complaint. A284-290; *LG Electronics*, No. IPR2015-00937, 2015 WL 9699396 at *3-4. That interpretation is reasonable and entitled to deference. *See Bonneville*, 165 F.3d at 1364-65 (deferring to an agency’s interpretation of the effect of without-prejudice dismissal on its operating procedures, where the agency adopted the courts’ rule).

B. The Board’s interpretation of section 315(b) is reasonable and correct as a matter of law

The Board’s decision interpreting the statutory time bar is reasonable. Indeed, it is the most reasonable interpretation of the statute. Section 315(b) states that 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 . . . is served with a complaint alleging infringement of the patent.” Here, a predecessor to one of the petitioners was served with a complaint in 2001, but that complaint was withdrawn when the plaintiff and defendant consolidated and voluntarily dismissed the action without prejudice.

The situation in which a complaint is dismissed without prejudice has been addressed by the courts, including this Court. This Court has interpreted the effect of dismissals without prejudice as leaving the parties as though the action had never been brought. *See Graves*, 294 F.3d at 1356; *Bonneville*, 165 F.3d at 1364 (“The 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.” (quotation marks omitted)); *Biomedical Patent Mgmt. Corp. v. California, Dep’t of Health Servs.*, 505 F.3d 1328, 1334 (Fed. Cir. 2007) (explaining that, in light of the same principle, waiver of sovereign immunity does not carry over into new suit); *see also* 9 Wright, Miller, et al., *FEDERAL PRAC. AND 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.”). Thus, although Click-to-Call asserts that “there is only one form of service under the Federal Rules” (Click-to-Call 2d Supp. Br. (ECF No. 103) 5), and thus no ambiguity in the statute, the cases are clear that the effect of that service is nullified after a dismissal without prejudice.

Following this Court’s precedent, the Board concluded that a dismissal without prejudice in the context of § 315(b) “nullifies the effect of the service of the complaint and, as a consequence, does not bar Ingenio, LLC or any of the other Petitioners from pursuing an inter partes review of the ’836 patent.” A289. Click-to-Call argues that the courts have recently established a “no tolling” rule, which counteracts the line of cases that hold that dismissal without prejudice nullifies the effect of service. Click-to-Call 2d Supp. Br. (ECF No. 103) 9-11. Click-to-Call’s cited cases actually support the USPTO’s position. Those cases are about tolling a statute of limitations, which would delay a plaintiff’s deadline to file a suit. The issue here is the *effect* of filing suit. Click-to-Call’s cited cases explain that a plaintiff must meet its original filing deadline in filing a second suit even though the plaintiff had filed an earlier suit and dismissed it without prejudice. In other words, the earlier filing is not *effective* if the suit is later dismissed without prejudice, because the law treats an earlier suit that has been dismissed without prejudice as never having been filed. That is precisely the USPTO’s point here.

There are certainly circumstances in which dismissing a complaint without prejudice could have ongoing legal consequences because, for example, the notice turns a defendant's unwitting actions into intentional ones.¹ See Click-to-Call 2d Supp. Br. (ECF No. 103) 13-15. That logic, however, is not relevant here. Contrary to Click-to-Call's suggestion (*id.* at 2, 13-14), notice is not the congressional purpose behind section 315(b)'s time bar. Indeed, patentees often notify competitors of their patents and infringement allegations without serving a complaint.² No one suggests that a letter alleging infringement of a patent triggers section 315(b). Congress instead provided that section 315(b) would be triggered by a patentee's actually initiating suit. The purpose of the provision was to ensure that inter-partes-review proceedings do not hold up or undercut ongoing district court litigation long after that litigation is underway. It is a way of achieving finality for patent owners who are in the midst of ongoing litigation. But litigation that has been dismissed without prejudice is not ongoing and—unlike dismissals with prejudice—has no ongoing effects on the parties.

¹ Click-to-Call admits, however, that it did not cite any cases that “involved an earlier dismissal with[out] prejudice.” Click-to-Call 2d Supp. Br. (ECF No. 103) 14.

² And Congress showed that it knows how to use broader language to denote notice of allegations of infringement, as it stated for covered business method patent review that the proceeding is limited to petitioners who have been sued or charged with infringement. America Invents Act, Pub. L. 112–29, 125 Stat. 284, § 18(a)(1)(B) (2011).

The legislative history, likewise, speaks not to notice, but to an intent that the time bar of section 315(b) ensure that inter partes review is not used as a “tool[] for harassment” by “repeated litigation and administrative attacks.” H.R. Rep. No. 112-98 at 48, *reprinted in* 2011 U.S.C.C.A.N. at 78. Click-to-Call worries that it has been subject to that “serial harassment . . . by the same entity.” Click-to-Call 2d Supp. Br. (ECF No. 103) 19-20. But when a suit is dismissed without prejudice, it must be based on the motion of the plaintiff who served the complaint—the patentee (or in this case, the exclusive licensee). Fed. R. Civ. P. 41(a)(1). That is not something the defendant—a potential inter-partes-review requester—can play games with. It is thus not something the petitioner can control and use as a tool for harassing the patent owner. This case illustrates that point vividly, as the exclusive licensee who started the 2001 litigation is now on the other side of the “v.” in this case, asserting the patent’s invalidity against a patent owner who did not own the patent until after the 2001 litigation had ended.

Congress sought a balance between giving a patentee in litigation a sense of finality in its freedom from inter-partes-review proceedings, on one hand, and giving accused infringers time to understand the infringement litigation against them, on the other hand. Congress thus explained that it intended the one-year time bar to be long enough that it kicks in only after the defendant knows “which claims will be

relevant and how those claims are alleged to read on the defendant's products.”
157 Cong. Rec. S5429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl).

In the 2001 litigation, the two parties joined forces and became a single entity, and all of the claims then changed in scope because of an intervening reexamination (*compare* A67 with A69-70). Thus, that 2001 suit could never have given those two parties an understanding of the infringement litigation that would later be brought against them by a separate third party on a reexamined patent with a different scope.³

The patentee's exclusive control over dismissal without prejudice is also why the Board appropriately determined, for purposes of the time bar of section 315(b), that a patentee voluntarily dismissing a suit without prejudice leaves the parties in the same situation they were in before the complaint was served. Petitioners just cannot exploit a tool—dismissal without prejudice—that belongs exclusively to the patentee.

Click-to-Call argues that Congress could have explicitly limited section 315(b) by adding language saying it was not effective if a complaint had been dismissed without prejudice. Click-to-Call 2d Supp. Br. (ECF No. 103) 11-12.

³ This is not to say that the USPTO believes an intervening “reexamination tolls the § 315(b) time bar” (Click-to-Call 2d Supp. Br. (ECF No. 103) 16). Nor does the USPTO agree with Appellees that a reexamined patent is a different patent. Appellee 2d Supp. Br. (ECF No. 106) 5. It is the dismissal of the complaint without prejudice that meant that the time bar was not invoked in this case until the 2012 complaint, particularly in light of the circumstances of this case.

While that is certainly true, Congress did account for the development of unforeseen situations that might arise in inter-partes-review proceedings: Congress gave the agency broad discretion to fill statutory gaps. 35 U.S.C. §§ 6(b)(4), 316(a), 316(c).

Click-to-Call also argues that the USPTO's amendment of 37 C.F.R. § 42.3 from its proposed rule to its final rule indicates that the agency intended to constrain its own discretion to interpret the time-bar provision in the way it did. Click-to-Call 2d Supp. Br. (ECF No. 103) 6-7. Just the opposite is true. The USPTO's proposed rule required a petition to be filed "in a timely manner," while the final rule requires it to be filed "consistent with any time period required by statute." *Id.* The final rule is broader and gives the agency more discretion. As a creature of statute, the agency must *always* act "consistent with any time period required by statute." But, by not implementing a rule requiring a petition also to be filed "in a timely manner," the agency did not further constrain the timing of the petition. Thus, the agency's actions in enacting Rule 42.3 certainly do not indicate a narrowing of the time bar.

Thus, the Board's interpretation is a reasonable reading of section 315(b) and is correct as a matter of law.

C. If the Court disagrees with the Board's statutory interpretation, a remand is warranted

Appellees argue that the Court can affirm the Board's decision on the alternative ground that other petitioners were independently proper petitioners. Appellee 2d Supp. Br. (ECF No. 106) 5-11. We disagree that this Court should

affirm on an alternative ground. If the Court determines that Ingenio was time-barred, the USPTO deserves the chance to address in the first instance whether a petition that included both proper and improper petitioners can be fixed by excluding the improper petitioners. It is not a question of whether “further fact-finding is required” (*id.* at 9) but a question of whether the agency has had a chance to weigh in on the issue given the agency’s rules of joinder (*id.* at 6-9), its prior decisions (*id.*), and its broad discretion to determine how related inter partes review proceedings should proceed in each case (35 U.S.C. §§ 315(c), (d)).⁴

And while the USPTO agrees with Appellees that the USPTO’s institution decision should not be unwound by a “minor statutory technicality related to its preliminary decision to institute inter partes review” (Appellee 2d Supp. Br. (ECF No. 106) 10-11 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016))), that is because the USPTO believes Congress intended to make those institution decisions “final and nonappealable.” 35 U.S.C. § 314(d).

⁴ An inter-partes-review panel denied a petition in a similar situation, as Appellees point out. *See PNC Bank, N.A. v. Maxim Integrated Products, Inc.*, Case No. CBM2014-00041 (PTAB June 3, 2014) (Paper 19). But that nonprecedential decision is not binding agency policy on the matter, and the agency should have the chance to address the issue in this case in the first instance.

CONCLUSION

This Court should affirm the decision to institute inter partes review of the '836 patent.

Dated: March 5, 2018

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I certify that the foregoing SECOND SUPPLEMENTAL BRIEF FOR INTERVENOR contains 2,959 words as measured by the word-processing software used to prepare this brief.

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CERTIFICATE OF SERVICE

I hereby certify that on March 5, 2018, I electronically filed the foregoing SECOND SUPPLEMENTAL BRIEF FOR INTERVENOR with the Court's CM/ECF filing system, which constitutes service, pursuant to Fed. R. App. P. 25(c)(2) and Fed. Cir. R. 25(e)(1).

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