

Patent Litigation and Counseling

Federal Circuit Strictly Applies §315(b) IPR One-year Time-Bar

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In its March 18, 2020, opinion in *Facebook, Inc. v. Windy City Innovations, LLC*, the Federal Circuit strictly enforced the one-year statutory deadline for filing a petition for inter partes review. In that case, the appellate court reversed the PTAB's decision to allow the petitioner to challenge new claims in an IPR filed beyond the one-year deadline through joinder with an existing IPR. This decision further establishes the finality of the one-year bar and emphasizes the need for defendants in infringement actions to take steps to ensure their ability to timely file IPR petitions.

A slow start in the district court delayed identification of asserted claims.

Windy City served a complaint against Facebook on June 3, 2015, in the Western District of North Carolina.^[1] The complaint alleged infringement of four patents with a collective 830 claims. Windy City's service of the complaint started 35 U.S.C. § 315(b)'s one-year deadline for Facebook to file a petition for inter partes review.

Facebook moved to dismiss on July 24, 2015, arguing that the complaint failed to provide adequate notice of the infringement allegations because it did not identify which of the 830 claims were alleged to be infringed. On August 25, 2015, Facebook moved to transfer its case to the Northern District of California. Over six months later, in March 2016, the North Carolina court granted the motion to transfer. On April 6, 2016, the California court issued a scheduling order setting a July 21, 2016 deadline for Windy City to identify its asserted claims, which was after the § 315(b) time limit would expire. Faced with a pending IPR deadline without notice of which of the 830 claims were asserted, Facebook moved the court to require Windy City to identify its asserted claims by May 16, specifically referencing the upcoming deadline for filing an IPR petition.^[2] The district court rejected Facebook's motion the next day.

The PTAB allows Facebook to “join itself” and challenge new claims.

On June 3, 2016—the last day of the one-year window—Facebook filed IPR petitions challenging 117 of the 830 claims. The PTAB instituted trial on all but two claims. Over four months later, on October 19, 2016, Windy City identified the claims it was asserting, including several claims that had not been challenged in Facebook's IPR petitions.

Facebook prepared two new IPR petitions to challenge the remaining asserted claims, along with a motion seeking joinder under 35 U.S.C. § 315(c). The PTAB accepted Facebook's argument that Windy City's complaint could not realistically be read as asserting all 830 claims and that Facebook could not have known what claims would be asserted against it until after the § 315(b) deadline. In light of this, the PTAB found good cause for joinder and joined the new IPRs with the corresponding instituted IPRs.

The PTAB issued final written decisions on each of the four challenged patents where it determined that several patent claims—including claims added by the joined petitions—were invalid as obvious.

The Federal Circuit holds that neither same-party joinder nor joinder of proceedings is permitted beyond the § 315(b) deadline.

On appeal, the Federal Circuit addressed whether joinder of the late-filed petitions was appropriate. The Federal Circuit noted that the statute states that the Director “may join as a party any person who properly files a petition,” and that “any person” must be capable of being joined “as a party.” Because a

person who is already a party cannot be joined as a party, the Federal Circuit determined that the statute's plain language prevented same-party joinder. Thus, Facebook was not allowed to join its own pre-existing petition.

Furthermore, the Federal Circuit questioned the premise that the PTAB had joined Facebook's later *proceedings* to its earlier *proceedings*, which addressed whether § 315(c) allowed a joined party to bring new issues into an existing proceeding when those new issues would otherwise be time-barred. Relying on § 315(d), which allows consolidation of related IPRs, the court determined that Congress had distinguished between joinder of parties and consolidation of proceedings, and for proceedings to be consolidated they must be instituted (and therefore timely). Thus, § 315(c), which addresses party joinder, could not be interpreted as allowing the consolidation of new, untimely issues.

The Federal Circuit offered advice to infringement defendants.

On appeal, Facebook had argued that the unique facts of the case made joinder appropriate and that reversing the PTAB's decision would encourage plaintiffs to "run out the clock" by withholding infringement contentions until after the one-year bar.

The court acknowledged that "the result in this particular case may seem in tension with one of the AIA's objectives for IPRs" and cause an accused infringer to waste resources challenging un-asserted claims in IPRs. Nevertheless, the court had little sympathy for accused infringers, who it described as "not without options." Those "options" included (1) "filing petitions challenging hundreds of claims"; (2) challenging the validity of claims in district court instead; and (3) "mak[ing] different strategy choices in federal court so as to force an earlier narrowing or identification of asserted claims."

Defendants should identify strategies to allow timely and informed IPR petitions.

The Federal Circuit's *Facebook* decision continues the general trend that the Federal Circuit views the § 315(b) deadline as absolute. See *Click-to-Call Technologies, LP v. Ingenio, Inc.* 899 F.3d 1321 (Fed. Cir. 2018) (voluntarily-dismissed complaint still triggered § 315(b) deadline). No matter the procedural detours a case takes, it is becoming clear that a defendant must strictly abide by the one-year window to file an IPR petition starting on the day it was served a complaint. As a result, defendants must determine how they can utilize IPR proceedings when they have not received notice of which patent claims are being asserted.

The first two options advanced by the Federal Circuit—to file IPRs on all possible claims or to litigate validity in the district court—reduce the efficiency advantages promoted by the AIA and could prejudice the party's overall infringement defense. In many cases, it is prohibitive for a defendant to address all claims of a patent in an IPR. If the defendant limits its IPR to the claims most likely to be asserted, the defendant may give the plaintiff a clue as to which claims the defendant believes have the strongest infringement argument while alternatively allowing the plaintiff to assert unchallenged claims. And while a defendant *can* address the validity of any remaining claims in district court, this strategy negates the efficiency benefits of IPR, weakens the benefits of IPR estoppel, and allows the plaintiff to defend validity after testing evidence and argument before the PTAB.

As a result, defendants are left with enacting a strategy to ensure (or try to ensure) that they receive the list of asserted claims before the one-year time bar for filing an IPR; however, the variables at play in the "different strategy choices" contemplated by the Federal Circuit are vast. Litigants must be familiar with the trends of individual district courts—or even particular district court judges—to determine whether a routine motion might cause the case to stall for half a year and risk identification of asserted claims to arrive too late to be useful in IPR proceedings. The result could be foregoing a valid motion to transfer or other motions that may cause schedule delays for the identification of asserted claims. And while some plaintiffs might be receptive to negotiate terms resulting in earlier disclosure of asserted claims if the parties experience excessive schedule delays, there is no guarantee that the litigants will be able to reach an agreement.^[3] To ensure that a plaintiff identifies its asserted claims within one year of serving its complaint, a defendant will have to carefully weigh these and other factors and will likely be required to make difficult compromises or tradeoffs so that it does not face the challenges encountered by Facebook when seeking inter partes review.

[1] *Windy City Innovations, LLC v. Facebook, Inc.*, No. 1:15-cv-00102 (W.D.N.C. June 2, 2015)

[2] See *Windy City Innovations, LLC v. Facebook, Inc.*, No. 4:16-cv-01730-YGR (N.D. Cal. May 4, 2016) (Dkt. 46)

[3] In Facebook's case, Windy City rejected an offer to condition early claim disclosure on uncontested access to Facebook's source code, instead demanding that Facebook make extreme concessions regarding the scope of prior art it would assert. See *Windy City Innovations, LLC v. Facebook, Inc.*, No. 4:16-cv-01730-YGR (N.D. Cal. May 4, 2016) (Dkt. 46)

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