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Reflections on the § 315(a) Bar in Light of New PTAB Precedent

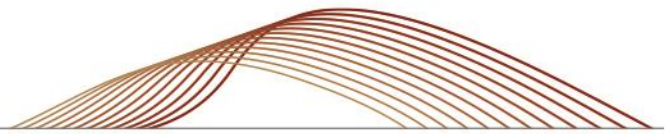
By [Michael A. Stramiello, Ph.D.](#)

Last week, the U.S. Patent and Trademark Office (“USPTO”) designated as precedential its decision in *Cisco Systems, Inc. v. Chrimar Systems, Inc.*, IPR2018-01511, Paper 11 (PTAB Jan. 31, 2019), the latest installment in a series of efforts to alleviate “concerns about consistent guidance for practice” before the Patent Trial and Appeal Board (“PTAB”). See Remarks by USPTO Director Iancu at the AIPLA Annual Meeting, Oct. 25, 2018. *Cisco* confirms that 35 U.S.C. § 315(a) bars institution of *inter partes* review (“IPR”) if the petitioner previously filed a civil action challenging the patent’s validity—even if that action was voluntarily dismissed without prejudice. Though this new precedent brings some closure to that issue, petitioners and patent owners alike should be mindful of its boundaries.

First, *Cisco* does not force patent challengers to choose between an IPR and a declaratory judgment of invalidity—so long as their petition for IPR is filed *on or before* the date on which they file an action in district court. In contrast to the one-year bar of § 315(b), the civil-action bar of § 315(a) does not provide an exception for petitioners seeking joinder under § 315(c). See *Colas Sols. v. Blacklidge Emulsions, Inc.*, IPR2018-00242, Paper 9 at 6, 9 (PTAB Feb. 27, 2018) (informative); see also *HTC Corp. v. AGIS Software Dev.*, IPR2019-00485, Paper 9 at 9–11 (PTAB July 1, 2019).

Second, *Cisco* does not preclude IPR if the petitioner raised its prior validity challenge as a *counterclaim*. See § 315(a)(3). To prevent misuse of this carveout, the PTAB has refused to extend its protection to counterclaims that challenge the validity of patents not already asserted against the declaratory-judgment defendant. See, e.g., *Mylan Pharms. Inc. v. Horizon Pharma USA, Inc.*, IPR2017-01995, Paper 71 at 8–11 (PTAB Mar. 27, 2019); *Dr. Reddy’s Labs., Inc. v. Horizon Pharma USA, Inc.*, IPR2017-01995, Paper 77 at 5 (PTAB Aug. 12, 2019) (“[W]e interpret § 315(a)(3) as exempting counterclaims that do not survive dismissal of the main case (compulsory counterclaims), but not declaratory judgment actions merely characterized as ‘counterclaims.’”) (footnote omitted).

Third, *Cisco*’s effect is limited to civil actions challenging *validity*, which means would-be patent challengers may still petition for IPR after filing a complaint for declaratory judgment of *non-infringement*. Consequently, declaratory judgment plaintiffs attempting to preserve the possibility of later filing IPRs might try to hold back their invalidity positions until after the patentee has counterclaimed for infringement. Notably, the PTAB has rejected arguments that amending a complaint to remove invalidity challenges can cure a § 315(a) bar. See, e.g., *HTC*, IPR2019-00485, Paper 9 at 9–11; *ZTE (USA), Inc. v. AGIS Software Dev.*, IPR2019-00487, Paper 9 at 5 (PTAB July 30, 2019).



Despite these limitations, *Cisco* offers at least some assurance to patent owners who have already seen challenges to their rights raised and dismissed in district court. This is especially true for patent owners whose settlement terms include provisions intended to preclude future IPRs (e.g., no-challenge and forum-selection clauses), given that the PTAB has repeatedly rejected contractual estoppel as an affirmative defense. *See, e.g., Esselte Corp. v. Dymo*, Case IPR2015-00779, Paper 13 at 4–7 (PTAB Aug. 28, 2015); *Dot Hill Sys. Corp. v. Crossroads Sys., Inc.*, IPR2015-00822, Paper 18 at 9 (PTAB Sept. 17, 2015); *Bally Gaming, Inc. v. New Vision Gaming & Dev., Inc.*, CBM2018-00005, Paper 50 at 8 (PTAB June 19, 2019).

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