

# Client Alert

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## Arbitration Proceedings Do Not Trigger the One-Year Bar Period for IPR

By Matthew Kreeger and Whitney McCollum

Although an *inter partes* review (IPR) can be a powerful weapon to challenge a patent, it comes with a key limitation: a petition for IPR cannot be filed more than one year after the requester has been "served with a complaint alleging infringement of a patent." Several cases have raised the question: What if a party is served with an arbitration demand alleging infringement? Does that trigger the one year time limit for filing an IPR petition? The Patent Trial and Appeals Board (PTAB) recently gave us an answer: "No."

### INTER PARTES REVIEW

IPR is a procedure created by the America Invents Act (AIA) that allows a third party to challenge the patentability of one or more patent claims based on prior art patents or printed publications. IPRs were first made available on September 16, 2012, and apply to any patent issued before, on, or after that date.

IPRs are not available to any party that has filed a civil action challenging the validity of a patent, such as by filing an action for declaratory judgment of invalidity.

### ONE-YEAR BAR ON FILING AN IPR

Under 35 U.S.C. § 315(b), "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 bar thus hinges on service of a "complaint." A prior open question about IPRs was the definition of a "complaint" that triggers the one-year period. After the PTAB's decision last week, it is clear that an arbitration demand does not trigger the bar.

### THE PTAB'S DECISION

In IPR2013-00242, Amkor Technology Inc. requested review of Tessera Inc.'s U.S. Patent No. 6,046,076. In 1996, Tessera and Amkor entered into a 15-year license agreement that gave Amkor the rights to practice the technology claimed in the '076 patent. The license agreement had an arbitration clause that was invoked in 2009 when a dispute arose over the payment of royalties. During that arbitration, Tessera served Amkor with a counterclaim alleging infringement of the '076 patent. The tribunal issued its award on the parties' claims in July 2012, determining that certain Amkor products required royalties under the '076 patent and that Tessera terminated the license agreement as of February 17, 2011.

The day after the tribunal issued its award, Tessera filed a complaint for infringement of the '076 patent against Amkor in the U.S. District Court for the District of Delaware. Amkor filed a request for IPR of the '076 patent in April 2013, less than one year after it was served with the district court complaint, but over three years after Tessera asserted its counterclaim for patent infringement in the arbitration.

## Client Alert

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Tessera argued that the service of its infringement counterclaim in arbitration triggered the one-year bar. Tessera argued that the one-year bar "includes all federally-permitted procedures to adjudicate patent-infringement allegations, including arbitrations." Amkor countered that the counterclaim in arbitration did not trigger the one-year bar because the counterclaim was for breach of a license agreement in an arbitration proceeding and not for patent infringement in a civil action.

The PTAB agreed with Amkor, finding that "within the context of section 315(b), the phrase 'served with a complaint alleging infringement of the patent' means a complaint in a civil action for patent infringement. What matters is that the complaint pleads a cause of action for patent infringement and is served lawfully on the accused infringer in a civil action."

The PTAB stated, "[a]s a basic premise, an arbitration is not, as Tessera would have us believe, a litigation; rather, it is an alternative dispute resolution." It opined that treating arbitration as litigation undermines "the very purposes of arbitration" to provide a "quick, efficient and informal means of *private* dispute resolution."

### ITC PROCEEDINGS AS A TRIGGER FOR THE ONE-YEAR BAR?

The PTAB's rationale also sheds light on the similar question of whether the one-year bar is triggered by proceedings instituted before the International Trade Commission (ITC).

Tessera sought a broad interpretation of section 315(b), arguing that the term "complaint" in the statute encompasses any forum for adjudicating infringement, including "federal court, the ITC, and arbitrations." The PTAB disagreed, pointing out that section 315(b) omits any reference to arbitral or administrative proceedings which is in "stark contrast to other parts of the patent statute that use the term 'proceeding' when referencing non-judicial remedies." As support, it points to section 315(e) where the term "proceeding" is used to refer to administrative remedies before the Patent Office or ITC and where "action" is used to reference a judicial remedy.

The PTAB concluded that "Congress expressly identified arbitration and ITC proceedings in certain provisions of the AIA, yet omitted words that might have invoked such forums in the context of section 315(b)." Therefore, "the time bar is limited to being triggered by the service of a complaint in a civil action." The PTAB's reasoning thus provides a strong signal that, as with arbitrations, it will not consider the one-year bar triggered by the institution of an ITC proceeding. This result would also be consistent with the nature of an ITC proceeding: an investigation the government decides to undertake, rather than a wholly private civil action.

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