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Paper 7
Date Entered: May 1, 2017

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FORD MOTOR COMPANY
Petitioner,

v.

VERSATA DEVELOPMENT GROUP, INC.
Patent Owner.

Case IPR2017-00146
Patent 5,825,651

Before KEVIN F. TURNER, JAMES B. ARPIN, and WILLIAM M. FINK, *Administrative Patent Judges.*

ARPIN, *Administrative Patent Judge.*

DECISION
Denying Institution of *Inter Partes* Review
37 C.F.R. § 42.108

I. INTRODUCTION

Ford Motor Company ("Petitioner") filed a Petition requesting an *inter partes* review of claims 1–14 and 60–72 of U.S. Patent No. 5,825,651 (Ex. 1101, "the '651 patent"). Paper 2 ("Pet."). Patent Owner, Versata Development Group, Inc., filed a Preliminary Response. Paper 6 ("Prelim. Resp."). We have jurisdiction under 35 U.S.C. § 314, which provides that an *inter partes* review may not be instituted "unless . . . the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."

The '651 patent is involved in *Ford Motor Co. v. Versata Software, Inc.*, No. 2:15-cv-10628-MFL-EAS (E.D. Mich.) ("the *Ford* action"), a declaratory judgment action filed on February 19, 2015. Pet. vii; Paper 4, 3. In the *Ford* action, infringement of the '651 patent was asserted in a counterclaim on October 28, 2015. Pet. vii; *see* Ex. 1130. Infringement of the '651 patent also was asserted in a lawsuit *Versata Dev. Grp., Inc. v. Ford Motor Co.*, No. 4:15-cv-00316-RC-CMC (E.D. Tex.) ("the *Versata* action"), filed on May 7, 2015. Pet. vii; Paper 4, 3.

We deny the Petition because it was "filed more than 1 year after the date on which the petitioner [was] served with a complaint alleging infringement of the ['651] patent." 35 U.S.C. § 315(b).

II. ANALYSIS

A.

The relevant facts regarding the timing of the related actions between Ford and Versata are largely undisputed. Ford filed a first action (i.e., the

Ford action) in the Eastern District of Michigan ("the Michigan court") on February 19, 2015, seeking a declaratory judgment of non-infringement of three Versata patents, including the '651 patent. Pet. vii; Prelim. Resp. 5; *see* Ex. 1129. In a later-filed Eastern District of Texas ("the Texas court") case (i.e., the *Versata* action), filed on May 7, 2015, Versata asserted infringement of the '651 patent by Ford. Pet. vii; Prelim. Resp. 5; Ex. 2001. Ford requested an extension of time to file an answer and acknowledged the service date of the complaint in the *Versata* action as May 7, 2015. Prelim. Resp. 5; Ex. 2007 ("Unopposed Application for Extension of Time to Answer Complaint").

On October 14, 2015, the Michigan court denied Versata's motion to dismiss or alternatively transfer the *Ford* action to the Eastern District of Texas. Ex. 1132, 2; Pet. 2; Prelim. Resp. 5–6. On October 28, 2015 (i.e., one year before Ford filed the instant Petition for *inter partes* review), Versata answered Ford's declaratory judgment complaint in Michigan and asserted the '651 patent by filing infringement counterclaims in the Ford action. Prelim. Resp. 6; Pet. 2; Ex. 1130 ("Defendant's Answer . . . [and] Counterclaims"). On November 5, 2015, the Texas court "ordered the parties to file notice of any good faith reasons that [the *Versata* lawsuit] should not be dismissed, without prejudice, so that the issues may [be] dealt with in the Michigan court." Pet. 2 (quoting Ex. 1132 (additional text added by Petitioner)). On December 3, 2015, noting that "neither party has provided arguments against dismissing the case," the Texas court "ORDERED that this case is DISMISSED *without prejudice to Plaintiff's ability to assert its claims in the Michigan court*." Ex. 1134 (emphasis added); Pet. 2; *see* Ex. 1133, 1.

B.

Pursuant to 37 C.F.R. § 42.104(a), "[t]he petitioner must certify that the patent for which review is sought is available for *inter partes* review and that the petitioner is not barred or estopped from requesting an *inter partes* review challenging the patent claims on the grounds identified in the petition." *See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77 Fed. Reg. 48,680, 48,688 (Aug. 14, 2012) (Setting a strict standard for demonstrating standing and noting that "[f]acially improper standing will be a basis for denying the petition without proceeding to the merits of the petition.").

According to Petitioner, the Petition is timely under 35 U.S.C. § 315(b) because October 28, 2015, the date of service of the infringement counterclaim in the *Ford* action, is exactly one year prior to the filing of the instant Petition, on October 28, 2016. Pet. 1. Petitioner contends this counterclaim complaint is the complaint for purposes of 35 U.S.C. § 315(b). Pet. 1–2; *see* Ex. 1132. Petitioner argues that the *Versata* action in Texas is "irrelevant for purposes of § 315(b)," because "[t]he dismissal of an action without prejudice leaves the parties as though the action had never been brought." *Id.* at 2–3 (quoting *Oracle Corp. v. Click-To-Call Techs. LP*, Case IPR2013-00312, slip op. at 15–18 (PTAB Oct. 30, 2013) (Paper 26) (precedential in relevant part)).

On this record, we disagree with Petitioner's assessment of the effect of the dismissal of the *Versata* action. As an initial matter, it is undisputed that the complaint in the *Versata* action, served on Ford on May 7, 2015 (*see* Ex. 2007), is "a complaint alleging infringement of the patent," and that "the

petition requesting the proceeding [was] filed more than one year after the date on which the petitioner . . . [was] served." 35 U.S.C. § 315(b). Thus, according to the statutory language, the Petition filed by Ford here is time barred. The question is whether Ford is correct that the situation here fits within a judicial exception for a class of cases that were dismissed *without prejudice* as though the action had never been filed, as was the case in the Board's precedential *Oracle* decision. In considering this argument, our consideration also is informed by the Board's decisions in *Apple, Inc. v. Rensselaer Polytechnic Inst.*, Case IPR2014-00319 (PTAB June 12, 2014) (Paper 12) ("*Apple I*"), *reh'g denied* (Paper 14) ("*Apple II*") (collectively, "*Apple*"), and similar cases, where the Board did not apply the exception for dismissals without prejudice. Because the circumstances here align with *Apple* and differ in critical respects from *Oracle* and related cases, we determine the exception is not applicable.

In *Oracle*, the Board addressed whether a 2001 infringement case, filed against the petitioner Ingenio's predecessor, and subsequently dismissed by joint stipulation in 2003, barred Ingenio under § 315(b) from filing its petition for *inter partes* review in 2013. *Oracle*, slip op. at 15–16. In determining that there was no bar based on the 2001 complaint, the Board observed that the case was voluntarily dismissed without prejudice under Fed. R. Civ. P. 41(a), and that "such dismissals" have been consistently interpreted as leaving the parties as though the action had never been brought:

> [T]he infringement suit brought by Inforocket against Keen—now Ingenio, LLC—was *dismissed voluntarily without prejudice on March 21, 2003, pursuant to a joint stipulation under Fed. R. Civ. P. 41(a)*. The Federal Circuit consistently has interpreted

> the effect of *such dismissals* as leaving the parties as though the action had never been brought.

Id. at 17 (emphasis added) (internal record citations omitted). In reaching that conclusion, the Board relied on two Federal Circuit cases, *Graves v. Principi*, 294 F.3d 1350 (Fed. Cir. 2002) and *Bonneville Assocs., Ltd. Partnership v. Baram*, 165 F.3d 1360, 1364 (Fed. Cir. 1999). *Oracle*, slip op. at 17.

In *Bonneville*, the Federal Circuit addressed the voluntary dismissal without prejudice of an appeal from the General Services Administration Board of Contract Appeals. 165 F.3d at 1364. The court analogized the basis of voluntary dismissal there to a Rule 41(a) dismissal, stating that effect of such a dismissal without prejudice is to render the proceedings a nullity. *Id.* Based on this reasoning, the court affirmed the Board of Contract Appeals' decision finding that a subsequent appeal, filed after the filing deadline for appealing the decision, did not act to reinstate the dismissed appeal, but was barred as not timely. *Id.* at 1364–66.

Similarly, in *Graves*, the only Federal Circuit case cited by Petitioner, the court addressed the effect of a voluntary dismissal under Rule 42 of the Court of Appeals for Veterans Claims Rules of Practice and Procedure. 294 F.3d at 1356. In holding that this dismissal put the appellant in the position in which he would have been, had he never filed a notice of appeal, the court compared the circumstances to the voluntary dismissal in *Bonneville*, in which the "nullifying effect of a voluntary dismissal in accordance with Fed. R. Civ. P. 41(a)(1) was applied." *Id.* Accordingly, the court determined that the appellant was time-barred from filing a new appeal after the 120-day period for filing a notice of appeal had lapsed. *Id.*

Here, unlike in *Oracle*, *Bonneville*, and *Graves*, the dismissal without prejudice was *not* pursuant to Rule 41(a), was *not* "voluntary," and, most importantly, did *not* leave the parties as though the action had never been brought. Petitioner, citing Exhibit 1134 ("Order of Dismissal"), incorrectly characterizes the *Versata* action dismissal as under Rule 41(a)(2). Pet. 2 ("The Texas court then dismissed the *Versata* lawsuit, as permitted by Fed. R. Civ. P. 41(a)(2)."). However, the court's order does not state its reliance on Rule 41(a)(2). *See* Ex. 1134. Moreover, the circumstances there were not appropriate to Rule 41(a)(2), because there is no cited evidence that the plaintiff, Versata, requested the dismissal. *See id.*; Fed. R. Civ. P. 41(a)(2) (stating that "an action may be dismissed *at the plaintiff's request* only by court order, on terms the court considers proper" (emphasis added)).

Instead, the cited evidence strongly suggests that the Texas court dismissed the *Versata* action in favor of the *Ford* action under the "first-to-file rule." Ex. 2011, 3:16–21 ("[O]ne of the issues that's going to come up is this first-to-file rule."), 11:5–8 ("I'm also faced with the practical problem of in the Fifth Circuit under the first-to-file rule, I'm supposed to give deference to [Eastern District of Michigan] Judge Leitman and what he decides."). Indeed, less than a month following the Michigan's court denial of "Versata's Motion to Dismiss, or Alternatively to Transfer to the Eastern District of Texas," the Texas court instructed "*[a]s the first-filed court has retained jurisdiction*, it is ORDERED that . . . the parties shall file notice of any good faith reasons that this case should not be dismissed, without prejudice, so that the issues may [be] dealt with in the Michigan court." Ex. 1131 (emphasis added). In addition, although Versata responded in the negative (Ex. 1133), and Ford elected not to respond at all, to the Texas

court's instruction to file any good faith reasons why the Texas court should maintain the case (Ex. 1134 ("Only Plaintiff responded, stating that it was not opposed to dismissal.")), this does not suggest the dismissal was voluntary, but merely that, confronted with the Texas court's instruction to file "good faith reason[s]," Versata lacked any "good faith reasons" for maintaining the case.

Petitioner argues that whether the dismissal here was voluntary or not should not matter, because "[t]his rule applies regardless of the basis for the dismissal without prejudice." Pet. 3 (citing *Gordon Howard Assocs., Inc. v. Lunareye, Inc.*, Case IPR2014-01213, slip op. at 13–15 (PTAB Feb. 3, 2015) (Paper 11) ("*Lunareye*"); *Nautique Boats Co. v. Malibu Boats, LLC*, Case IPR2014-01045, slip op. at 10 (PTAB Nov. 26, 2014) (Paper 13)). The cited portion of *Lunareye* addressed the applicability of the § 315(a) bar, not the § 315(b) bar at issue here, in the situation of a dismissal without prejudice for lack of personal jurisdiction. *See Lunareye*, slip op. at 14. There, the Board determined that, regardless of how the dismissal was characterized, a dismissal for lack of personal jurisdiction left the parties in the position they were in had the original action not been filed, despite Lunareye's arguments to the contrary.[1] *See id.* at 12, 14. In *Nautique Boats*, again addressing the § 315(a) bar, the Board found that the dismissal of the declaratory judgment action at issue, whether voluntary or not, left the parties in the position they

[1] We note that Petitioner also contends that the complaint in the *Versata* action was a "nullity" because the Eastern District of Texas lacked personal jurisdiction over Ford. Pet. 1–2. However, Petitioner has not provided evidence or further developed this argument, and there is no cited evidence that the Texas court found this argument persuasive.

were in had the declaratory action not been filed. *See Nautique Boats*, slip op. at 10–11 ("Patent Owner has not shown persuasively that the dismissal . . . would bar Petitioner from re-filing a declaratory judgment action, in Florida or elsewhere.").

However, even if we disregard the voluntariness of the dismissal here, the circumstances nonetheless differ from both *Lunareye* and *Nautique Boats*, as well as from *Oracle*, in additional key respects. First, the dismissal of the *Versata* action did not "leave the parties as if the action had never been brought." *Bonneville*, 165 F.3d at 1364. Rather, as the evidence makes abundantly clear, it was the presence of the first-filed *Ford* action in Michigan that *caused* the Texas court to dismiss the *Versata* action ("so that the issues may be dealt with in the Michigan court" (Ex. 1134; *see* Ex. 1131)), after Versata already had served its infringement counterclaims in the *Ford* action (Ex. 1130). In fact, the order dismissing the *Versata* action specifically states the dismissal is "without prejudice *to [Versata's] ability to assert its claims in the Michigan court.*" Ex. 1134 (emphasis added). Unlike the cases discussed above, there is no evidence suggesting that the parties could have refiled the action in the Texas court as if the *Versata* action had never occurred, given the case was dismissed, so that the parties could continue in the Michigan court.

Second, the continuation of the dismissed *Versata* action in Michigan further distinguishes this case from *Oracle*, in which there was roughly a "nine-year hiatus" (Prelim. Resp. 10) between the action dismissed in 2003 and the second action initiated in 2012. *See Oracle*, slip op. at 15. Indeed, Petitioner does not cite any cases in which the Board applied the exception to the § 315(b) bar for a dismissal where, as here, there was a continuous

chain of assertion of the involved patent going back *more than one year*. Prelim. Resp. 7–8, 10. In both *Graves* and *Bonneville*, the issue was that dismissed appeals could not be reinstated by later time-barred appeals. Similarly, in both *Lunareye* and *Nautique Boats*, there is no discussion of existing assertions of the patent at issue. Instead, as discussed above, both the *Lunareye* and *Nautique Boats* decisions suggested the possibility of refiling at a later time. *See, e.g.*, *Lunareye*, slip op. at 12 (finding no preclusive effect); *Nautique Boats*, slip op. at 10–11.

On the other hand, as Patent Owner points out (Prelim. Resp. 9–12), where earlier actions were dismissed without prejudice in favor of a co-pending action, the Board consistently has held that the dismissed complaint "cannot be treated as if it never existed" for purposes of § 315(b). *Apple I*, slip op. at 4–7; *see Histologics, LLC v. CDx Diagnostics, Inc.*, IPR2014-00779, slip op. at 5 (PTAB Sept. 12, 2014) (Paper 6); *eBay, Inc. v. Adv. Auctions LLC*, Case IPR2014-00806, slip op. at 6–8 (PTAB Sept. 25, 2014)) (Paper 14). For example, in *Apple I*, the Board determined that the complaint in an earlier-filed case was operative for purposes of § 315(b), even though it was dismissed without prejudice and consolidated into a later-filed case. *Apple I*, slip op. at 6–7.

Both *Histologics* and *eBay* are similar to *Apple* in relevant respects. In *eBay*, the Board determined a first, dismissed action controlled for purposes of § 315(b), noting that "[f]rom the day [eBay] was served with the complaint in the First Action to the present, [eBay] has been involved in litigation regarding its alleged infringement of the '000 patent." *eBay*, slip op. at 7. Likewise, in *Histologics*, the Board determined that the § 315(b) bar applied to an earlier dismissed action, noting that "the parties remain

engaged in a dispute first raised in the complaint of the ’612 action, a dispute that has been pending continuously since that complaint was filed.” *Histologics*, slip op. at 6.

Petitioner acknowledges the holdings in *Apple*, *eBay*, and *Histologics*, but contends those cases are distinguishable because, unlike here, they involved a consolidation of the dismissed case with the continued case under Fed. R. Civ. P. 42. *See* Pet. 3–4. We are not persuaded the outcome here should turn on whether the cases were consolidated under Rule 42(a). *See Apple II*, slip op. at 3 (denying request for rehearing; “[W]hether or not the dismissal could occur under Fed. R. Civ. P. 42 would not change the result of the Decision.”).

In the first place, as Petitioner observes, the *Versata* action and the *Ford* action could not have been consolidated under Rule 42(a) because they were pending in different courts. Pet. 3; *see* Fed. R. Civ. P. 42(a). Second, despite the absence of nominal consolidation, it is indisputable that the Texas court dismissed the *Versata* action “without prejudice *to [Versata’s] ability to assert its claims in the Michigan court.*” Ex. 1134 (emphasis added); Ex. 1131 (instructing the parties to provide good faith reasons why the *Versata* action should not be dismissed, “so that the issues may [be] dealt with in the Michigan court”). Similarly, as Patent Owner points out, in denying Ford’s motion for a stay of the *Ford* action, the Michigan court pointed out that it kept the case in Michigan *at Ford’s request*, and, therefore, “[w]hy isn’t it fair for Versata to say Ford wanted it here, we were concerned about timing, at least try to keep it like the Eastern District of Texas would?” Ex. 2010, 40:8–10.

Essentially, in resolving the forum dispute in favor of the Michigan court, the respective courts treated the cases as if they were a single proceeding at least in terms of ability to assert claims and recognition of timing. Consequently, we agree that the relevant factor in determining whether the earlier complaint in the *Versata* action is operative for purposes of § 315(b) is the continuous assertion of the patent against Ford, not whether the case was formally consolidated. *See* Prelim. Resp. 9. This is consistent with *Apple II*, where, in addressing Petitioner's request for rehearing, the Board emphasized that the "relevant fact" was that the earlier-filed case was immediately continued in the later-filed case and that "there was no interval during which no action was pending." *Apple II*, slip op. at 4–5.

For the foregoing reasons, we find the circumstances here do not warrant a departure from the statutory language of § 315(b) in favor of extending the exception for voluntary dismissals without prejudice to a case where the dismissal without prejudice was *not* voluntary and did *not* leave the parties in the position they were in had the action never been filed. Accordingly, we find the complaint in the *Versata* action bars institution of *inter partes* review.

III. CONCLUSION

The Board denies institution of *inter partes* review because the Petition was not filed within the time limit imposed by 35 U.S.C. § 315(b).

IV. ORDER

In consideration of the foregoing, it is

ORDERED that Petitioner's request for institution of *inter partes* review is *denied*.

FURTHER ORDERED that no *inter partes* review will be instituted pursuant to 35 U.S.C. § 314(a) with respect to any of the challenged claims of the '651 patent on the ground of unpatentability asserted in the Petition.

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