

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

DR. REDDY'S LABORATORIES, INC.,¹
Petitioner,

v.

HORIZON PHARMA USA, INC. and NUVO PHARMACEUTICALS
(IRELAND) DESIGNATED ACTIVITY COMPANY,
Patent Owners.

Case IPR2017-01995
Patent 9,220,698 B2

Before MICHELLE N. ANKENBRAND, *Acting Vice Chief Administrative Patent Judge*, TONI R. SCHEINER and DEBRA L. DENNETT, *Administrative Patent Judges*.

DENNETT, *Administrative Patent Judge*.

DECISION

Denying Dr. Reddy's Request for Rehearing
37 C.F.R. § 42.71

¹ Dr. Reddy's Laboratories, Inc. ("Dr. Reddy's"), the Petitioner in IPR2018-00894, was joined as a Petitioner in this proceeding. Paper 47, 6. The original Petitioner from this proceeding, Mylan Pharmaceuticals Inc. ("Mylan"), subsequently settled with Patent Owners (Paper 74), leaving Dr. Reddy's as the sole Petitioner. We modify the caption accordingly.

I. INTRODUCTION

On April 26, 2019, Mylan and Dr. Reddy's filed a Request for Rehearing (Paper 73, "Rehearing Request" or "Reh'g Req.") of our Decision vacating institution of an *inter partes* review (Paper 71, "Decision" or "Dec.") of claims 1–7 of U.S. Patent No. 9, 220,698 (Ex. 1001, "the '698 patent") and terminating the proceeding. In the Decision, we found that 35 U.S.C. § 315(a)(1) barred institution of an *inter partes* review based on actions Mylan had taken in a district court proceeding. Dec. 8–11. Subsequent to the Rehearing Request, Mylan settled with Patent Owners (Paper 74), leaving Dr. Reddy's as the sole Petitioner in this proceeding.²

We deny the Rehearing Request for the reasons set forth below.

II. STANDARD OF REVIEW

When considering a request for rehearing, we review the Decision for an abuse of discretion. 37 C.F.R. § 42.71(c). The party requesting rehearing bears the burden of showing that the Decision should be modified, and "[t]he request must specifically identify all matters the party believes [we] misapprehended or overlooked." 37 C.F.R. § 42.71(d).

III. ANALYSIS

Dr. Reddy's argues that we based our decision on an erroneous interpretation of the law regarding 35 U.S.C. § 315(a)(3). Req. Reh'g 1. More specifically, Dr. Reddy's argues that the statutory language of § 315(a)(3) is

² In its motion requesting joinder to this proceeding, Dr. Reddy's adopted the arguments and evidence Mylan put forth and agreed to take a passive role in the proceeding, becoming active only if Mylan ceased to participate. Paper 47, 6; *see also* IPR2018-00894, Paper 3, 6.

unambiguous in prohibiting the application of § 315(a)(1)'s statutory bar where a counterclaim challenges the validity of a patent that is later the subject of a petition for an *inter partes* review. Req. Reh'g 1. Dr. Reddy's, therefore, argues that we erred in our "conclusion that 35 U.S.C. § 315(a)(3) applies only to counterclaims filed *in response* to allegations of infringement of the *same patent*." *Id.*

Before addressing Dr. Reddy's argument, we briefly review the relevant facts of record in this case regarding the district court litigation between Mylan and Patent Owners involving the '698 patent. In response to Patent Owners' second amended complaint alleging infringement of other patents (DNJ Civil Action No. 15-cv-03322 ("Case II")), Mylan filed an Answer and Counterclaims ("Answer") on February 19, 2016, that included allegations that the '698 patent was invalid and not infringed. Ex. 2005. This was the first time the '698 patent was introduced into the district court litigation between Mylan and Patent Owners. In its Answer, Mylan denominated its allegation regarding the validity of the '698 patent as "Twelfth Counterclaim – Declaratory Judgement of Invalidity of U.S. Patent No. 9,220,698." *Id.* at 45. Patent Owners thereafter filed a claim asserting that Mylan infringes the '698 patent (DNJ Civil Action No. 16-cv-04921 ("Case III")). *See* Ex. 1047. By stipulation of the parties and order of the District Court, Mylan's allegations regarding the '698 patent in Case II were dismissed without prejudice. *Id.* at 2–3. The stipulation and order further specified that the dismissal did not apply to claims and counterclaims in Case III. *Id.*

We instituted an *inter partes* review of the '698 patent on March 8, 2018. Paper 18. Under precedent existing at that time, we did not determine whether 35 U.S.C. § 315(a)(1) applied to bar the Petition because we treated the dismissed-without-prejudice district court invalidity claim as if the claim had never been filed. *Id.* at 13–14. Subsequently, however, the Federal Circuit held in *Click-to-*

Call Technologies, LP v. Ingenio, Inc., 899 F.3d 1321 (Fed. Cir. 2018), that dismissal without prejudice of claims does not avoid the time bar of 35 U.S.C. § 315(b). In our order vacating institution, we reasoned that the Federal Circuit’s holding in *Click-to-Call*, that a voluntary, without prejudice dismissal of claims does not nullify an administrative time bar, applies to § 315(a). Paper 71, 7. We further determined that Mylan’s invalidity counterclaim on the ’698 patent constituted “a civil action challenging the validity of a claim of a patent” under § 315(a)(1) and that the Petition, which was filed more than one year after the counterclaim, was time-barred. *Id.* at 8–11. In view of those determinations, we vacated institution of *inter partes* review of the ’698 patent and terminated the proceeding. *Id.* at 12–14.³

Dr. Reddy’s asserts on rehearing that we erred in interpreting § 315(a)(3) as applying *only* to the patent(s) that a defendant is charged with infringing, and not to *any* patent that a defendant alleges is invalid, even if the patent has not been asserted against the defendant. Reh’g Req. 1.

Section 315(a) concerns an infringer’s civil action. 35 U.S.C. § 315(a). Section 315(a)(1) bars institution of an *inter partes* review “if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.” *Id.* Section 315(a)(3) states: “[a] counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.” *Id.*

³ Because Dr. Reddy’s would have been barred absent our grant of its joinder motion, we terminated the entire proceeding rather than terminating the proceeding only as to Mylan.

Dr. Reddy’s argues that the language of § 315(a)(3) is clear on its face. Reh’g Req. 6. Specifically, Dr. Reddy’s contends that any claim denominated a “counterclaim” is exempted from the bar of § 315(a)(1). *Id.* at 10. We disagree. A declaratory judgment action, even though denominated a “counterclaim” by a litigant, survives dismissal of the main case. *See* Federal Rule of Civil Procedure (“FRCP”) 41(a)(2). For the same reasons we provided in our Decision vacating institution and terminating the proceeding, *see* Decision 8–11, we interpret § 315(a)(3) as exempting counterclaims that do not survive dismissal of the main case (compulsory counterclaims),⁴ but not declaratory judgment actions merely characterized as “counterclaims.”

Mylan’s Answer in Case II included what Mylan called “Counterclaim—Declaratory Judgment” claims of either invalidity or noninfringement against the five patents that Patent Owners asserted in the second amended complaint, as well as against the ’698 patent. Ex. 2005, 35–45. The counterclaims of invalidity and noninfringement against the five patents identified in the second amended complaint were compulsory counterclaims. *See* FRCP 13(a). However, Mylan, not Patent Owners, elected to introduce the ’698 patent into Case II, in what Mylan characterized as a “Sixth Counterclaim—Declaratory Judgment of Noninfringement” of the ’698 patent and a “Twelfth Counterclaim—Declaratory Judgment of Invalidity” of the ’698 patent (*id.* at 40, 45). As Patent Owners had

⁴ A compulsory counterclaim is one “that must be asserted to be cognizable, usu[ally] because it relates to the opposing party’s claim and arises out of the same subject matter. If a defendant fails to assert a compulsory counterclaim in the original action, that claim may not be brought in a later, separate action” *Compulsory counterclaim*, Black’s Law Dictionary (11th ed. 2019) (citing Federal Rule of Civil Procedure (“FRCP”) 13(a)).

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