

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Cyanotech Corporation
Petitioner

v.

The Board of Trustees of the University of Illinois
Patent Owner

Cases: IPR2013-00401 (filed June 28, 2013)
IPR2013-00404 (filed June 29, 2013)

Patent No.: 5,527,533

PRELIMINARY RESPONSE OF PATENT OWNER
THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

Patent owner the Board of Trustees of the University of Illinois (“University”) submits this preliminary response in opposition to petitions IPR2013-00401 and IPR2013-00402 filed by Cyanotech Corporation (“Cyanotech”).

Cyanotech’s petitions for *inter partes* review of U.S. Pat. No. 5,527, 533 (“Tso patent”) must be denied as barred by 35 U.S.C. § 315(a)(1). Cyanotech filed a civil action challenging the validity of all claims of the Tso patent in the District of Hawaii on June 20, 2012—well before it filed the instant petitions. Thus Cyanotech is barred from seeking *inter partes* review.

I. PROCEDURAL BACKGROUND

This patent dispute began on June 20, 2012, when Cyanotech filed a declaratory judgment action challenging the validity of the Tso patent in the District of Hawaii under 35 U.S.C. §§ 102 and 103. (Haw. Compl., No. 12-cv-352 (D. Haw. June 20, 2012), ECF No. 1 (attached hereto as Ex. 2001) (hereinafter “Hawaii Action”).) The Hawaii Action named both U.S. Nutraceuticals LLC, d/b/a Valensa International (“Valensa”)—Cyanotech’s direct competitor and the exclusive licensee of the Tso patent—and the University as defendants. Nine days later, on June 29, 2012, Valensa and the University filed an action for infringement of the Tso patent in the Middle District of Florida against Cyanotech and its wholly-owned subsidiary, Nutrex Hawaii LLC. (Fl. Compl., No. 12-cv-366 (M.D. Fla. June 29, 2012), ECF No. 1 (hereinafter “Florida Action”).) That same day, Cyanotech served the Complaint in the Hawaii Action.

On July 30, 2012, Valensa and the University moved to dismiss Cyanotech’s Hawaii Action for lack of personal jurisdiction and under the doctrine of sovereign immunity. (Haw. Mot. Dismiss, ECF No. 10.) Cyanotech opposed the motion and also took jurisdictional discovery. (Haw. Mot. For Leave to Conduct Limited Discovery and for an Extension of Time to Respond to Defs. Mot. Dismiss, ECF No. 28; Plfs.’ Haw. Opp. to Defs.’ Mot. Dismiss, ECF No. 37.) On February 7, 2013, the Hawaii Action was dismissed as barred by the University’s sovereign

immunity. (Haw. Order Granting Defs.’ Mot. Dismiss at 2, ECF No. 49.)

On March 29, 2013, the Florida court denied Cyanotech’s motion to dismiss and/or transfer the Florida Action. (Fl. Order Den. Mot. Transfer and Dismiss, ECF No. 37.) Cyanotech then filed an Answer and Counterclaims, seeking *inter alia*, declarations of non-infringement and invalidity. (Defs.’ Fl. Answer and Countercl. at ¶¶ 46–49, ECF No. 38.) The parties also agreed to a scheduling order and began substantively litigating the Florida Action, including serving and responding to written discovery, exchanging infringement contentions, and negotiating a protective order and electronic discovery protocol.

On June 28 and 29, 2013, long after Cyanotech filed the Hawaii Action, Cyanotech filed the instant two petitions seeking *inter partes* review of the Tso patent. The second petition was filed exactly one year from the date Valensa and the University filed the Florida Action. Meanwhile, the parties continue to litigate the merits of the Florida Action.¹

¹ For approximately two months (July 2013 and August 2013), Cyanotech refused to produce documents or participate further in written discovery in view of its filed (but not-yet-decided) Motion to Stay. (*See* Pls.’ Fl. Am. Resp. at 6 and Ex. 14, ECF No. 53.) However, Cyanotech has recently indicated that it apparently intends to re-engage in substantive litigation of the Florida Action.

II. ARGUMENT

Section 315 of the America Invents Act (“AIA”), Public Law 112-29, sets out a clear statutory bar limiting access to *inter partes* review:

(a) Infringer’s Civil Action.

(1) *Inter partes* review barred by civil action.— An *inter partes* review may not be instituted 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.

35 U.S.C. § 315(a)(1). The plain language bars a party who has “filed a civil action challenging the validity of a claim of the patent” from thereafter petitioning for *inter partes* review. Here the petitioner, Cyanotech, has done exactly that. On June 20, 2012—long before the present petitions were filed—Cyanotech filed a civil action in the District of Hawaii seeking a declaration that the Tso patent was invalid under, *inter alia*, 35 U.S.C. §§ 102 and 103. (Ex. 2001 at ¶¶ 8, 22.)

Cyanotech’s petitions are barred by statute.

A. Section 315(a)(1) Is Unambiguous and the Board Must Apply It as Written

Cyanotech urges the Board to ignore the statute’s plain language. But the Supreme Court has repeatedly and consistently held that, where a statute is unambiguous, it must be applied as written. *E.g. Bd. of Governors of Fed. Res. Sys. v. Dimension Fin. Corp.*, 474 U.S. 361, 368 (1986) (“If the statute is clear and unambiguous that is the end of the matter, for the court, as well as the agency, must

give effect to the unambiguously expressed intent of Congress.”) (*quoting Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842–43 (1984)); *see also Carciari v. Salazar*, 555 U.S. 379, 387 (2009) (“[If] the statutory text is plain and unambiguous [then] we must apply the statute according to its terms.”) (collecting and citing cases). Here, § 315(a)(1) is clear on its face—the operative event is “fil[ing]” a civil action. The ultimate disposition of that civil action is not relevant. There is no ambiguity in the statute, and Cyanotech has not even tried to point to one. The only federal court to address § 315(a)(1) thus far has found it to be unambiguous: “The language of the statute is clear and it contains no exceptions or qualifications. The operative event is the filing of the civil action, not its ultimate disposition.” *P&G v. Team Techs., Inc.*, No. 12-cv-552, 2013 U.S. Dist. LEXIS 128949, at *7 (S.D. Ohio Sept. 10, 2013).

Nevertheless, Cyanotech argues that when Congress said “filed a civil action challenging the validity of a claim of the patent,” Congress actually meant “filed a civil action challenging the validity of a claim of the patent [*that resulted in adjudication on the merits*].” (See Cyanotech 1st Pet. at 3, IPR2013-00401; Cyanotech 2d Pet. at 3, IPR2013-00404 (arguing in both petitions that because there was “no adjudication on the merits” of the Hawaii Action, it cannot bar *inter partes* review).) But that is not the law. Rather, the Board must presume that when Congress said “filed,” it meant “filed.” *Conn. Nat’l Bank v. Germain*, 503

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