UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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MICROSOFT CORPORATION
Petitioner

v.

PROXYCONN, INC.,
Patent Owner

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Case IPR2017-00261
Patent 6,757,717 B1

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Filed: March 25, 2017

REPLY OF PETITIONER MICROSOFT TO THE TIME BAR ARGUMENTS IN THE PATENT OWNER PRELIMINARY RESPONSE
[PUBLIC REDACTED VERSION]

TABLE OF AUTHORITIES

Cases

Rules

Statutes

Pursuant to the Board Order of March 15, 2017 (Paper 9), Petitioner Microsoft Corporation submits this Reply to the Section 315(b) time bar arguments raised in the Patent Owner Preliminary Response ("POPR") (Paper 7).

Board precedent makes clear that a dismissal without prejudice "nullifies the effect of the service of the complaint and, as a consequence, does not bar [a party] from pursuing an *inter partes* review." *Oracle Corp. v. Click-to-Call Techs. LP*, IPR2013-00312, Paper 26 at 17 (PTAB Oct. 30, 2013) (precedential) ("The Federal Circuit consistently has interpreted the effect of such dismissals as leaving the parties as though the action had never been brought."); *see also ResMed Ltd. v. Fisher & Paykel Healthcare Ltd.*, IPR2016-01723, Paper 11 at 7-8 (PTAB Mar. 9, 2017) (holding that a case dismissed without prejudice "cannot give rise to a statutory bar under 35 U.S.C. § 315(a)(1)" (internal quotations omitted)).

Proxyconn dismissed its first action *without prejudice*, then waited over three years before filing a second action, asserting only patent claims not asserted in the first action. The Petition challenges those newly-asserted claims. The POPR alleges the Petition is time-barred, raising two arguments for an exception to Board precedent. Each argument fails and the time bar does not apply to this proceeding.

I. The Time Bar Does Not Apply Because The Original Complaint Was Dismissed Without Prejudice, In Its Entirety

The POPR first relies on an interlocutory district court order to argue that the 2011 complaint "was dismissed both with prejudice and without prejudice," thus

triggering the time bar. (POPR, 8 (citing interlocutory order, Exhibit 2004).)

This argument fails because the dismissal without prejudice nullified the prior action, including the interlocutory order. *McMillan v. Lowe's Home Centers, LLC*, 2016 WL 232319, at *5 (E.D. Cal. 2016) ("[A] voluntary dismissal under Rule 41(a) 'carries down with it previous proceedings and orders in the action…'") (quoting *In re Piper Aircraft Distrib. Sys. Antitrust Litig.*, 551 F.2d 213, 219 (8th Cir. 1977)); *see also Bonneville Assoc., Ltd. Partnership v. Baram*, 165 F.3d 1360, 1364 (Fed. Cir. 1999) ("The rule in the federal courts is that the effect of a voluntary dismissal without prejudice pursuant to Rule 41(a) is to render the proceedings a nullity and leave the parties as if the action had never been brought.") (quotations omitted).

The stipulation recites an unconditional dismissal without prejudice of the "action": "[The Parties] hereby jointly stipulate by and through their respective attorneys to dismiss without prejudice the above-titled action, pursuant to Fed. R. Civ. P. 41(a)(1)(A)(ii)." (*Id.*) The dismissal does not mention the interlocutory order, purport to dismiss anything with prejudice, or incorporate any private agreement between the parties. (Ex. 1012 at 3.) Thus, just as service of the complaint is a nullity, the interlocutory order (Exhibit 2004) also is a nullity. *See Bonneville*, 165 F.3d at 1364; *McMillan*, 2016 WL 232319, at *5; *cf. St. Paul Fire & Marine Ins. Co. v. F.H.*, 55 F.3d 1420, 1425 (9th Cir. 1995) (finding "a partial

summary judgment" not preclusive in later action since "it could not have been appealed" and "was subject to reconsideration on proper motion"). Section 315(b) does not bar this IPR. *See Oracle*, IPR2013-00312, Paper 26 at 17.

II. The Time Bar Does Not Apply Because The Parties' Private Agreement Cannot Transform The Dismissal Without Prejudice Into A "Stay"

The POPR also argues that a private agreement between the parties ("Agreement," Ex. 2005) – never seen, much less endorsed by the court – somehow transformed the dismissal into a "stay." (POPR, 8-9.) The Board has rejected near-identical arguments, holding that a private agreement between parties cannot alter the legal effect of a dismissal without prejudice. *Microsoft Corp. v. Parallel Networks Lic., LLC*, IPR2015-483, Paper 10 at 13 (PTAB July 15, 2015). The Board should also reject the same argument here, for at least three reasons.

First, the Board should not even consider the Agreement, which the parties agreed [redacted] (Ex. 2005, ¶ 15.)

Second, the private Agreement cannot change the effect of the dismissal. Regardless of whether the parties sought to "achieve the effects of a stay through their tolling agreement," as alleged by Proxyconn (POPR, 9), "the voluntary dismissal without prejudice … renders the prior action a nullity," *Parallel Networks*, IPR2015-0483, Paper 10 at 13 (finding no time bar, "even if … the parties [had] intended to give 'ongoing legal effect' to the dismissed actions"). The

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