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PATENTS

The author discusses PTAB rulings on privity and real party-in-interest with advice for both petitioners and patent owners.

Identification of Cases in Comments to Proposed Rule Change Is Consistent With Prior Guidance in PTAB Practice Guide



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Privity and real party-in-interest (RPI) issues have become important, sometimes case determinative, for petitioners filing post-grant challenges such as inter partes reviews and covered business method reviews. The U.S. Patent and Trademark Office issued the Patent Trial and Appeal Board Practice Guide which addressed the PTO's determination of privity and RPI.¹ Based on feedback that the Office received during listening tours in 2014, the PTO published on Aug. 20, 2015, Proposed Amendments to the Rules of Practice

¹ Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (Aug. 14, 2012).

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for Trials before the Patent Trial and Appeal Board.² While several comments from the public suggested modifications in the practice of evaluating the RPI and privity determination, the Office declined to change the rules on that point. Instead, the Office referred to the *Practice Guide* and provided a list of cases which it described as providing helpful guidance.³

This paper addresses RPI and privity as described by the *Practice Guide* and the cases identified in the *Proposed Rules and Comments* about the issue to provide a useful summary of the current status of how the PTAB has reviewed RPI and privity issues. A review of the cases identified by the Office reveals certain factors which appear important, even central, to the PTAB decisions identified by the Office. Also, the decisions identify some other facts and factors that practitioners should consider when evaluating RPI and privity.

² Proposed Amendments to the Rules of Practice Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720 (Aug. 20, 2015).

³ See *Id.* at 50729-50730. The cases identified are: *Askeladden LLC v. Sean I. McGhie and Brian Buchheit*, IPR2015-00122, slip op. at 3-16 (P.T.A.B. Mar. 6, 2015) (Paper 30); *Zerto, Inc. v. EMC Corp.*, IPR2014-01254, slip op. at 6-15 (P.T.A.B. Mar. 3, 2015) (Paper 35); *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, IPR2014-01288, slip op. at 6-20 (P.T.A.B. Feb. 20, 2015); *Unified Patents, Inc. v. Dragon Intellectual Prop., LLC*, IPR2014-01252, slip op. at 8-13 (P.T.A.B. Feb. 12, 2015) (Paper 37); *GEA Process Eng'g, Inc. v. Steuben Foods, Inc.*, IPR2014-00041, slip op. at 3-26 (P.T.A.B. Dec. 23, 2014) (Paper 140); *Samsung Elecs. Co. v. Black Hills Media, LLC*, IPR2014-00737, slip op. at 3-4 (P.T.A.B. Nov. 4, 2014) (Paper 7); *First Data Corp. v. Cardsoft LLC*, IPR2014-00715 (P.T.A.B. Oct. 17, 2014); *RPX Corp. v. VirnetX Inc.*, IPR2014-00171, slip op. at 6-10 (P.T.A.B. July 14, 2014) (Paper 49); *Alcon Research, Ltd. v. Dr. Joseph Neev*, IPR2014-00217, slip op. at 6-7 (P.T.A.B. May 9, 2014) (Paper 21) and *Zoll Lifecor Corp. v. Philips Elecs. N. Am. Corp.*, IPR2013-00606, slip op. at 3-12 (P.T.A.B. Mar. 20, 2014) (Paper 13).

RPI and Privity Perspectives in the Practice Guide

The *Practice Guide* identifies that the core function of the RPI and privity requirement is to assist members of the PTAB in identifying conflicts and to assure proper application of the estoppel provision.⁴ Indeed, RPI and privity determinations arise often in connection with an evaluation of the statutory bar to filing an inter partes review (IPR).⁵ The statute reads, in relevant part, that an “IPR is barred if a petitioner, real party-in-interest or privity of the petitioner has been served with a complaint of infringement more than a year before the IPR is filed.”⁶ Thus, when filing a petition for inter partes review, a petitioner is required to name the petitioner and any real party-in-interest to that petition.⁷

The *Practice Guide* indicates that the PTAB applies common law principles and “parties will be well served to factor in these considerations [in the *Practice Guide*] when determining who to identify.”⁸ The determination of who is a real party-in-interest is handled on a “case-by-case” basis and the Office has avoided rigid definitions and recitation of necessary factors.⁹ While there is no rigid rule, the *Practice Guide* and nearly every decision from the PTAB regarding RPI includes a discussion of relevant “categories” from *Taylor v. Sturgell*, 553 U.S. 880, 892–93 (2008), as to when non-party preclusion should apply.

The *Taylor* categories identifying which non-parties may be precluded may be briefly described as: 1) a person agrees to be bound by the determination, 2) a variety of “preexisting substantive legal relationships” such as preceding and succeeding owners, 3) in certain limited circumstances, when the party was adequately represented by someone with the same interests who was a party to the suit, 4) a non-party who assumed control of the litigation, 5) a party who is relitigating through a proxy and 6) as precluded by a special statutory scheme such as bankruptcy or probate.¹⁰ The *Practice Guide*, citing *Taylor*, says that there are many factors and the list is only to provide a framework and does not “establish a definitive taxonomy.”¹¹

Two recurring factors include considerations of who controlled (or could have controlled) the content of and who funded the petition and proceeding. For example, the *Practice Guide* states: “A common consideration is whether the non-party exercised or could have exercised control of a party’s participation in the proceeding.”¹² It should be enough, however that the non-party has the actual control or opportunity to control “that

might reasonably be expected of a co-party.”¹³ Additionally, the party who funds the IPR is a real party-in-interest.¹⁴ However, the *Practice Guide* articulates, and the cases reiterate, there is no bright line test for determining if a non-party is an RPI.

Decisions which Address RPI and Privity

Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc. provides a useful summary of one panel’s thinking on the concepts of RPI and privity. The decision describes the purpose of the statutory bar as helping ensure that the IPR process provides a quick and cost effective alternative to litigation and is not a tool for “gamesmanship.”¹⁵

Real Party-in-Interest

The *Azure* panel referred to the *Practice Guide* and identified that the real party-in-interest is the party who desires the review of the patent and “may be the petitioner itself and/or it may be the party or parties at whose behest the petition has been filed.”¹⁶ The panel noted that “the RPI is the relationship between the party and the *proceeding*; RPI does not describe the relationship between the parties.”¹⁷ Additionally, where a party is litigating through a proxy and has some ability to control the IPR, the focus “is on the degree of control a party has over the *inter partes* review, not the petitioner.” The panel, repeating the *Practice Guide*, summed what would constitute control sufficient to find that a non-party was an RPI this way: “In other words, if a nonparty can influence a petitioner’s actions in a proceeding before the Board, the degree that would be expected from a formal co-petitioner, that nonparty should be considered an RPI to the Proceeding.”¹⁸

In *GEA Process Engineering, Inc. v. SteubenFoods, Inc.*, the panel recognized that a common consideration when determining RPI status is whether the non-party exercised control or could have exercised control.¹⁹ The participation of the non-party may be “overt or covert” and “evidence of control may be direct or circumstantial—but the evidence as a whole must show that the nonparty possessed effective control from a practical standpoint.”²⁰

¹³ *Id.* Citing Charles Alan Wright, Arthur R. Miller, Mary Kay Kane, & Richard L. Marcus, *Federal Practice & Procedure Civil Section* (3rd ed. 2011).

¹⁴ *Id.* at 48760.

¹⁵ *Aruze* at 7, citing *Johnson Health Tech. Co. v. Icon Health and Fitness, Inc.* IPR2014-01242, paper 16, Feb. 11, 2015. The decision continues: “In this sense, § 315(b) is analogous to the common-law doctrines of claim preclusion and issue preclusion, which ‘preclude parties from contesting matters which they have had a full and fair opportunity to litigate,’ thereby ‘protect[ing] their adversaries from the expense and vexation of attending multiple lawsuits, conserve[ing] judicial resources, and foster[ing] reliance of judicial action by minimizing the possibility of inconsistent decisions.’” Citing *Montana v. United States*, 440 U.S. 147, 153-54 (1979).

¹⁶ *Aruze* at 10 citing *Practice Guide*, 77 Fed. Reg. at 48759.

¹⁷ *Id.* at 11. Emphasis in original.

¹⁸ *Id.* at 12.

¹⁹ *GEA Process Engineering, Inc. v. Stueben Foods, Inc.*, IPR2014-00041, paper 135, Dec. 23 2014, at 13, citing *Syndroleum Corp. v. Neste Oil Oyj*, IPR2014-00178, paper 22, Sept. 4, 2013, at 6.

²⁰ *Id.* at 14, citing *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994).

⁴ *Practice Guide* at 48759. The reason for the requirements include protecting patent owners from harassing filings, preventing a “second bite of the apple” and to protect the integrity of the Office and the PTAB. *Id.*

⁵ See 35 U.S.C. § 315(b).

⁶ *Id.*

⁷ See 35 U.S.C. § 312(a)(s) and 37 C.F.R. § 42.8(b)(1). The rule does not require that privity to the parties be identified.

⁸ *Practice Guide* at 48759.

⁹ *Id.*

¹⁰ *Taylor* at 894, 895. These categories are discussed in more detail in *Aruze Gaming Macau, LTD. v. MGT Gaming, Inc.*, IPR2014-01288, paper 13, Feb. 20, 2015, at 8, 9.

¹¹ *Practice Guide* at 48759, citing *Taylor* 893, n.6.

¹² *Id.*

Funding is also a key aspect of the inquiry regarding RPI. If a non-party funds the preparation of a petition, then the entity is more likely to be considered an RPI.²¹ Additionally, the inquiry into the control by the non-party extends into the “opportunity to control” that one may reasonably expect between two formal co-parties.²²

Privity

The *GEA Process* panel, noting the *Taylor* decision, describes “privity as a way to express the conclusion that a nonparty preclusion is appropriate on any ground [of the nonparty preclusion categories of *Taylor*].”²³ The panel noted that in contrast to the RPI inquiry, which focuses on a party’s relationship to a proceeding, the privity inquiry focuses on the *relationship between the parties*.²⁴ Additionally, parties may be in privity for some purposes but not others.

Privity and RPI are determined based on flexible and equitable considerations. Some of the factors that have been considered when determining privity include control of the proceeding as a key inquiry, though *actual* control is not needed for a finding of privity.²⁵ Moreover, control of a party to a litigation through stock ownership or corporate officership is not enough to create privity.²⁶

Another consideration is whether the party respected the corporate form: If the evidence shows that the corporate form was respected, the privity of one corporate entity will not be attributed to another corporate entity.²⁷ In contrast, when there is evidence that the parties held themselves out as a single entity, it is more likely that the Board will consider the parties as real parties-in-interest.²⁸

Common counsel, without more, does not prove substantial control for a privity determination.²⁹ Common counsel, though, has sometimes been a factor in the determination for both privity and RPI. In *GEA Process Engineering*, the Board noted that the petitioner and the non-party alleged an RPI were represented by the same law firm.³⁰ The common counsel was also considered in the determination of a real party-in-interest in *RPX*

*Corp. v. VirnetX, Inc.*³¹ In *Zoll Lifecore Corp. v. Philips Electronics North America Corp.*, the Board noted that “what Petitioner does not state affirmatively is telling, that neither [name], who by admission provides legal counsel to both [the nonparty] and Petitioner, nor counsel for the nonparty provided input into the preparation of the IPRs.”³² Thus, common counsel, while not determinative, should be considered carefully during an analysis of whether a non-party should be considered a real party-in-interest. Also, simply having a customer/supplier relationship does not establish a privity determination.³³

Timing for Challenging RPI Identification

The timing of the challenge to the identification of an RPI has also been addressed in the *Proposed Rules and Comments*.³⁴ Interestingly, the *Practice Guide* did not address any limits on the timing of when a Patent Owner could raise the issue of whether the petitioner identified all the RPIs in a petition.

Several comments in the *Proposed Rules and Comments* indicated a desire to be able to challenge the RPI status of a non-party throughout the proceeding while others wanted the Office to require a patent owner to identify an RPI challenge by the preliminary response and certainly by the issuance of the decision on institution. The Office responded that it “recognizes that it is important to resolve the real party in interest and privity issues as early as possible.” But the Office will, “to balance efficiency with fairness” permit the patent owner to raise a challenge regarding RPI and privity throughout a proceeding.³⁵

Takeaways

Key takeaways about RPI from the *Proposed Rules and Comments* and cited cases:

- The cited cases often refer back to the *Practice Guide* for support.
- Most panels continue to apply control and funding considerations to their determination of who should be an RPI. Special attention should be given to those considerations as one determines RPI issues.
- Evaluate all relevant relationships between a non-party and the prior litigation (or proceeding) for RPI and the relationship between the non-parties and the petitioner for privity.
- Often, the decisions reflect similar considerations of factors for RPI and privity.
- For petitioners, the time to evaluate RPI and to understand the PTAB’s prior decisions is before a petition is filed. For patent owners, the evaluation and pursuit of RPI issues early can sometimes lead to a speedy and inexpensive conclusion to the proceeding.

²¹ See generally *id.* at 14-16.

²² *Id.* at 19.

²³ *Aruze at 12*. *Aruze* also cites the Legislative History of the AIA that states “Privity is essentially a shorthand statement that collateral estoppel is to be applied in a given case.” 154 Cong. Rec. S9987 (daily ed. Sept. 27, 2008) (Statement of Senator Kyl).

²⁴ *Id.* at 13.

²⁵ *Aruze at 19*.

²⁶ *Aruze at 13*, citing *Gillig v. Nike, Inc.* 602 F.3d 1354, 1362, 94 U.S.P.Q.2d 1742 (Fed. Cir. 2010) (79 PTCJ 805, 4/23/10).

²⁷ *Aruze at 19*.

²⁸ *Zerto, Inc. v. EMC Corp.*, IPR2014-01254, paper 35, March 3, 2015, at 10. In this case the PTAB considered that the same person was CEO of both entities, the members of the Boards of Directors were identical and the website did not differentiate between the entities. The entities did not demonstrate that they had separate board meetings. Control and funding of the proceeding was indistinguishable and there was “evidence of the pervasive nature of the corporate blurring between the entities. *Zerto at 13*.”

²⁹ *Aruze at 19*.

³⁰ *GEA Process Engineering at 20*.

³¹ *RPX Corp. v. VirnetX, Inc.*, IPR2014-00171, Paper 49, June 5, 2015, at 6.

³² *Zoll Lifecore Corp. v. Philips Elecs. N. Am. Corp.*, IPR2013-00606, paper 13, March 20, 2014, at 10.

³³ *Aruze at 19*.

³⁴ *Proposed Rules and Comments at 50728-50729*.

³⁵ *Id.* at 50729.