

How To ID Real Parties-In-Interest In Inter Partes Review

Law360, New York (December 04, 2013, 1:19 PM ET) -- This is fourth article in WilmerHale's series of inter partes review-focused analyses. Previous articles include "What We've Learned From PTAB Decisions On Institution," "How PTAB Applies 'Interests Of Justice' Discovery Standard," and "The Intersection Of District Court And Inter Partes Review."

Identifying Real Parties-in-Interest

Under the America Invents Act, the Patent Trial and Appeal Board will not institute an inter partes review (IPR) unless the petition includes an identification of "each real party-in-interest" for the petition.[1] This requirement is important because final written decisions in IPRs act to estop the real parties-in-interest, as well as the privies of the petitioner, from asserting claims the "petitioner raised or reasonably could have raised during that inter partes review," both in proceedings before the United States Patent and Trademark Office[2] and in civil actions and other proceedings.[3]

Who Is a "Real Party-in-Interest"?

At a minimum, a real party-in-interest is "the party or parties at whose behest the petition has been filed." [4] In its Office Patent Trial Practice Guide, however, the USPTO cautions that whether a party is a real party-in-interest is a "highly fact-dependent question." [5] To determine whether a party is a real party-in-interest, the USPTO applies traditional common law principles with the goals of "identifying potential conflicts" and "assur[ing] proper application of the statutory estoppel provisions." [6]

Although determining the real parties-in-interest is highly fact-specific, the practice guide and related decisions provide some helpful guidance.

Funding and Control

Where a party funds and directly controls an IPR, it is likely that the party would be found to be a real party-in-interest. [7] The practice guide states that "a party that funds and directs and controls an IPR or PGR petition or proceeding constitutes a 'real party-in-interest,' even if that party is not a 'privy' of the petitioner." [8]

The practice guide also cites *In re Guan Inter Partes Reexamination Proceeding*, in which the Board of Patent Appeals and Interferences (BPAI) (the predecessor to the PTAB) found that an entity known as "Troll Busters," whose primary function was "filing requests in their name to maintain the anonymous nature of a party or parties," failed to identify the party that funded and controlled the petition as a real party-in-interest. [9] The BPAI reasoned that "Troll Busters cannot act as a 'shill' in an inter partes

reexamination request to shield the identity of the real party or parties in interest.”[10] Although this case relates to inter partes re-examinations rather than IPRs, the fact that it is cited in the practice guide suggests that the same reasoning would apply in the IPR context.

Membership in a Joint Defense Group (JDG)

Mere participation in a JDG is unlikely to make a defendant a real party-in-interest.[11] Rather, the PTAB will consider factors such as a party’s relationship to the petitioner, a party’s relationship to the petition itself, the nature and/or degree of involvement in the filing, and the nature of the entity filing the petition to make the fact-specific determination whether the party is a real party-in-interest.[12]

The practice guide cites *Taylor v. Sturgell*, in which the U.S. Supreme Court gave a nonexhaustive list of circumstances in which a nonparty to a lawsuit can be bound by a judgment in that suit.[13] The six Taylor examples are:

- agreement to be bound by a judgment;
- “substantive legal relationships” such as “preceding and succeeding owners of property, bailee and bailor, and assignee and assignor”;
- a non-party was adequately represented in a “representative suits” such as “properly conducted class actions ... and suits brought by trustees, guardians, and other fiduciaries”;
- a nonparty that “assumed control over the litigation in which that judgment was rendered” even though it was not formally represented in the litigation;
- “a person who did not participate in a litigation later brings suit as the designated representative of a person who was a party to the prior adjudication”; and
- statutory preclusion, such as in bankruptcy or probate proceedings, as long as the statute is “consistent with due process.”[14]

In addition, *In re Arviv Reexamination Proceeding*, the BPAI stated: “The common interest among litigation defendants seeking to invalidate or defend against enforcement of a patent ... does not translate ipso facto into each defendant being a real party in interest where a request for reexamination is filed by only one of the defendants in the litigation.”[15]

Drawing a line between participation in a re-examination and defending against a litigation suit, the BPAI stated that “even a search for prior art, review of possibly useful prior art with respect to the patent claims, preparation of an invalidity defense based on found and evaluated prior art to support a litigation defense, and financial support to carry out a litigation defense — do not amount to participation in a request for reexamination based on such activities, where the activities were conducted with only an intent to defend the litigation suit.”[16] In order to qualify as a real party-in-interest, the BPAI found that “a party must participate in some manner in the request for reexamination.”[17]

Although neither *Taylor* nor *In re Arviv* related to an IPR proceeding, the citation of these cases in the practice guide suggests that the PTAB would apply the same reasoning in an IPR.

Given potential estoppel issues, if members of a JDG are considering an IPR, members who do not want to participate in the IPR should be careful to avoid certain interactions with other members that could create an estoppel. To reduce estoppel risk, defendants should avoid reviewing or commenting on any draft IPR petitions, directly or indirectly contributing to the funding of the IPR, or communicating with

other members of the JDG concerning the IPR petition or IPR process.

Privity

The practice guide states that the “notion of ‘privity’ is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a ‘real party-in-interest,’” and depends on whether, applying equitable considerations established under federal case law, the “relationship between the purported ‘privity’ and the relevant other party is sufficiently close such that both should be bound by the trial outcome and estoppels.”[18]

The practice guide also notes that “the legislative history of the AIA [] indicates that Congress included ‘privies’ within the parties subject to the statutory estoppel provisions in an effort to capture ‘the doctrine’s practical and equitable nature,’ in a manner akin to collateral estoppel.”[19] Because the real party-in-interest and privity analyses draw on collateral estoppel principles which are issues of regional circuit law, [20] attorneys should carefully study the law regarding collateral estoppel in the court where the litigation is pending.

Challenging the Identification of Real Parties-in-Interest

Although the PTAB will generally accept the petitioner’s identification of the real parties-in-interest,[21] the patent owner may challenge the identification by providing objective evidence that the petitioner failed to properly identify each real party-in-interest.[22] Where the patent owner raises sufficient concerns regarding the petitioner’s certifications, the PTAB may authorize additional discovery related to the challenge.[23] The PTAB is unlikely, however, to grant additional discovery based on “mere allegation and speculation.”[24] Rather, the patent owner must provide evidence that there is something additional to discover.[25]

Challenges to a petitioner’s identification of the real parties-in-interest should be submitted before or with the filing of the patent owner’s preliminary response.[26] Bringing such challenges earlier can increase the likelihood that the PTAB will allow the patent owner to take pertinent discovery.[27]

After the patent owner’s preliminary response, the PTAB is less likely to authorize additional discovery because the PTAB must determine whether to institute the review within three months of the preliminary response.[28] For example, in *Apple v. Achates Reference Publishing*, the PTAB found that “Achates’s delay in requesting additional discovery weighs against granting the motion,” noting that the patent owner “waited until nearly three months after Apple’s petitions were filed and one week prior to the due date for its preliminary responses to make its request.”[29]

Conclusions

Although the determination of whether a party is a real party-in-interest is a highly fact-specific inquiry, the USPTO’s practice guide and related decisions identify several important considerations. In particular, a party that funds and directly controls an IPR or “participate[s] in some manner” in the IPR is more likely to be found to be a real party-in-interest. In addition, when challenging a petitioner’s identification of the real parties-in-interest, the patent owner can increase the likelihood of prevailing by providing objective evidence that the petitioner has failed to identify a party that funds, directly controls, or participates in the IPR, and can increase the likelihood of obtaining additional discovery to prove that failure by bringing the challenge as soon as possible based on evidence and not mere allegation and speculation.

The next article in the series will discuss Real Parties-in-Interest and the Federal District Court.

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[1] 37 CFR § 42.8(b)(1).

[2] With regard to proceedings before the Office, 35 U.S.C. § 315 (e)(1) provides: “The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review”; see also 37 CFR § 42.73(d).

[3] With regard to civil actions and other proceedings, 35 U.S.C. § 315(e)(2) provides: “The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”

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

[5] Id.

[6] Id.

[7] Id. at 48760.

[8] Id.

[9] In re Guan Inter Partes Reexamination Proceeding, Control No. 95/001,045, Decision Vacating Filing Date at 6-9 (Aug. 25, 2008).

[10] Id.

[11] Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48760 (Aug. 14, 2012).

[12] Id.

[13] Taylor v. Sturgell, 553 U.S. 880, 894 (2008).

[14] Id. at 893-895.

[15] In re Arviv Reexamination Proceeding, Control No. 95/001,526, Decision Dismissing section 1.182 and section 1.183 Petitions at 5 (Apr. 18, 2011).

[16] Id.

[17] Id.

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

[19] Id. (emphasis added).

[20] See Applied Med. Res. Corp. v. U.S. Surgical Corp., 435 F.3d 1356, 1360 (Fed. Cir. 2006).

[21] Changes to Implement Inter Parties Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, Final Rule, 77 Fed. Reg. 48680, 48685 (Aug. 14, 2012).

[22] Id.

[23] Id.

[24] Apple v. Achates Reference Publishing, Cases IPR2013-00080 and -00081 Decision on Achates Motion for Additional Discovery at 7 (April 3, 2013) (“The evidence and argument presented by Achates amount to only a mere allegation and speculation that one or more of the co-defendants are real parties-in-interest or privies of Apple, and do not convince us that the requested additional discovery is likely to uncover information useful to the instant proceedings. Achates therefore has not met its burden to demonstrate that additional discovery is in the interests of justice.”)

[25] See id. Additionally, if a patent is also asserted in a district court litigation, a party may be able to obtain discovery related to the identification of real parties-in-interest through the district court. See, e.g., Bortex Industry Co., Ltd. v. Fiber Optic Designs, Inc., Docket No. 12-4228 (E.D. Penn. 2013) (allowing discovery relating to the financial contributions of a party toward a post grant proceeding prepared and filed by another party).

[26] Changes to Implement Inter Parties Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, Final Rule, 77 Fed. Reg. 48680, 48685 (Aug. 14, 2012).

[27] Id.

[28] Id.

[29] Apple v. Achates Reference Publishing, Cases IPR2013-00080 and -00081, Decision on Achates Motion for Additional Discovery at 7 (April 3, 2013).
