

## Lessons From PTAB Decisions On Real Parties-In-Interest

*Law360, New York (January 28, 2014, 12:13 PM ET)* -- The America Invents Act created three new post-grant proceedings to challenge the validity of patents: inter partes review, post-grant review and covered business method review. For each of these proceedings, identification of every real party-in-interest is important because these proceedings impose various requirements and prohibitions on each real party-in-interest and their privies. (For a complete understanding of how real parties in interest are defined and identified, refer to our previous Law360 article, "How To ID Real Parties-In-Interest In Inter Partes Review.")

### Requirements and Prohibitions

Thus, in IPR proceedings, for example, the AIA provides that a petition may be considered only if it is accompanied by the necessary fee, identifies all real parties-in-interest, identifies each claim challenged, and satisfies other procedural requirements.[1] U.S. Patent and Trademark Office rules further require both the petitioner and the patent owner to file mandatory notices identifying each real party-in-interest.[2] Failure to properly identify each real party-in-interest at the time of filing may lead to a denial of the petition simply on procedural grounds.

Additionally, the AIA denies access to IPR proceedings based on certain activities of real parties-in-interest. For example, IPR proceedings are barred if a real party-in-interest has filed a civil action challenging the validity of the patent.[3]

An IPR proceeding cannot be instituted if the petition is filed more than one year after the real party-in-interest is served with a complaint alleging infringement of the patent.[4] Indeed, the Patent Trial and Appeal Board broadly interprets a "complaint" to include counterclaims alleging infringement.[5] Further, when an IPR proceeding results in a final written decision, the petitioner, real parties-in-interest, and privy of the petitioner are estopped from initiating any proceeding before the USPTO, a civil action or a U.S. International Trade Commission proceeding asserting invalidity on any ground that could have been raised during that IPR proceeding.[6]

### Board Decisions on Real Parties-in-Interest

While the USPTO has declined to define real parties-in-interest, it has provided some guidance by way of its Trial Practice Guide and, fortunately, the board's initial decisions are beginning to shed light on considerations for identifying the real parties-in-interest. Additionally, the board's decisions illustrate the strategic implications of real parties-in-interest with respect to the procedural requirements, statutory bars and estoppel provisions.

As noted above, an IPR petition must identify each real party-in-interest. In *Intellectual Ventures Management LLC v. Xilinx Inc.*, IPR2012-00018, Jan. 24, 2013, Paper No. 12, the board was not persuaded by Xilinx's argument that Intellectual Ventures failed to identify 63 entities contained in a certificate of interested entities in an unrelated district court proceeding as real parties-in-interest. The board acknowledged that the certificate identified parties that may have a financial interest in that proceeding, but declined to find those entities as real parties-in-interest to the IPR proceeding. Particularly, the board noted that the considerations for being an interested entity (e.g., a public corporation owning 10 percent or more of stock) were not the same as real parties-in-interest in IPR proceedings.

In *Innolux Corporation v. Semiconductor Energy Laboratory Co. Ltd.*, IPR2013-00038, March 21, 2013, Paper No. 12, Semiconductor Energy Laboratory ("SEL") asserted that Innolux failed to identify all real parties-in-interest by not listing co-defendants in a related litigation. Particularly, SEL argued that Innolux's co-defendants were real parties-in-interest based on their participation in filing a joint motion to stay the litigation in view of the IPR proceeding.

The board disagreed. The board stated that SEL had not shown that the co-defendants "necessarily co-authored the Petition or otherwise exerted control over its contents, or will exert control over the remaining portions of this proceeding" or "provided funding for the instant Petition." The board further stated that an agreement by co-defendants to be bound by a decision in an IPR does not dictate that they are real parties-in-interest.

The board also denied SEL's motion for additional discovery to support its contention. (See *Innolux Corp. v. SEL*, IPR2013-00038, May 21, 2013, Paper No. 25.) The board concluded that SEL had not demonstrated that the requested additional discovery was likely to uncover useful information and was thus not in the interest of justice. The board also noted that Innolux had certified that it was the only real party-in-interest and was under an ongoing obligation to disclose any conflicting information.

The board considered whether certain contractual agreements gave rise to a real party-in-interest relationship in *Apple Inc. v. Achates Reference Publishing Inc.*, IPR2013-0080, June 3, 2013, Paper No. 22. The board disagreed with Achates' argument that Apple's co-defendants in a related litigation were real parties-in-interest based largely on a software development agreement.

The board noted that the agreement did not give the co-defendants the right to intervene or control the petitioner's defense for patent infringement. The board also noted that the petitioner and its co-defendants had distinct interests in the related litigation. Accordingly, the board found that the petitioner would still be exposed to an adverse judgment in the related litigation based on its own actions, even if a judgment was obtained against one of the co-defendants.

The board rejected an argument that a petitioner should be statutorily barred from filing a petition in *Chi Mei Innolux Corp. v. Semiconductor Energy Laboratory Co. Ltd.*, IPR2013-00028, March 21, 2013, Paper No. 14. The board disagreed with SEL that Chi Mei Innolux's ("CMI") petition was barred because its co-defendants were served with a complaint more than one year before filing.

The board concluded that CMI's co-defendants were not real parties-in-interest because there had been no showing that the co-defendants had any control over the content of the petition. The board stated that simply accusing parties together of separate infringements of a single patent does not join such parties as real parties-in-interest. The board reiterated that additional factors such as control and/or funding must be established.

These initial decisions, consistent with the Trial Practice Guide, suggest that the board will consider many factors when determining whether a nonparty is a real party-in-interest but will primarily focus on control and funding. The board will also require a moving party to present strong evidence to support any argument that the ongoing disclosure obligation of the other party is not being satisfied. Further, the board appears unlikely to grant motions for additional discovery to determine whether a party did indeed fail to disclose all real parties-in-interest.

### **Practical Considerations and Concluding Observations**

Potential petitioners must carefully consider the type and closeness of relationships with third parties well before preparing a petition, to determine whether those parties may qualify as real parties-in-interest. Petitioners should consider any contractual agreements (e.g., customer/supplier and licensee/licensor), participation in related litigation (e.g., joint defendants/joint defense agreements), involvement in the preparation of the petition, control over the petition, and any funding of the petition by the third party.

Based on this analysis, petitioners must prepare not only for the procedural requirements of identifying the real parties-in-interest but must also contemplate whether the activities of a real party-in-interest may statutorily bar or estop the proceeding.

Over the first year, the board has repeatedly instituted IPR proceedings over objections relating to the real party-in-interest disclosure requirement and the statutory bar provisions. However, these provisions should not be discounted as they can still raise strong defenses to institution given the correct circumstances.

This article is the fifth in our series on IPR-related issues. Previous articles include "How To ID Real Parties-In-Interest In Inter Partes Review," "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." The final piece in this series will discuss objections to evidence.

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[1] See 35 U.S.C. § 312(a); Covered Business Method and Post Grant Review proceedings have similar requirements

[2] See 37 CFR § 42.8

[3] See 35 U.S.C. § 315(a)(1); Covered Business Method petitions may only be filed when the petitioner (or real party in interest or privy) has been sued or charged with infringement (See AIA § 18(a)(1)(B); 37 CFR § 42.302)

[4] See 35 U.S.C. § 315(b); the one year time bar does not apply to Covered Business Method and Post Grant Review proceedings

[5] St. Jude Medical, Cardiology Division Inc. v. Volcano Corp., IPR2013-00258, Oct. 16, 2013, Paper 29

[6] See 35 U.S.C. § 315(e); the estoppel provision for Covered Business Method proceedings in district court or ITC actions is limited to grounds actually raised during the proceedings (See AIA § 18(a)(1)(D))