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WilmerHale attorneys review the PTAB body of law to date on obtaining real party-in-interest discovery in AIA post-grant proceedings.

Real Parties-in-Interest Discovery In Post-Grant Proceedings



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The America Invents Act of 2011 requires petitioners in post-grant proceedings—including in all inter partes reviews (IPRs) and covered business method (CBM) reviews—to identify each “real party-in-interest” (i.e., “the party or parties at whose behest the petition has been filed”). Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012). For example, “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.” *Id.* at 48,760.

Compliance with this threshold requirement is critical. If a post-grant proceeding petitioner fails to name a

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real party-in-interest, the Patent Trial and Appeal Board (PTAB) may dismiss the proceeding in its entirety. And if a patent owner faced with a post-grant proceeding can show that the petitioner is in privity with another party involved in a related litigation, the proceeding may be dismissed as time-barred. Given these dire consequences, it is not surprising that patent owners faced with an IPR or CBM proceeding frequently allege that the petitioner failed to name one or more real parties-in-interest.

In an effort to develop this defense, patent owners typically seek discovery directed to real party-in-interest issues. However, federal regulations only permit such discovery in an IPR when “necessary in the interests of justice” (*see* 37 C.F.R. § 42.51(b)(2)), or in a CBM review when there is “good cause” shown for the requested discovery (*see* 37 C.F.R. § 42.224(a)). This article summarizes the types of relationships and related facts that the PTAB has found meaningful when determining under these standards whether to grant real party-in-interest discovery.

I. The “More than a Mere Possibility and Mere Allegation” *Garmin* Factor

When considering whether a request for additional discovery is “necessary in the interests of justice” for IPRs, or satisfies the “good cause” standard for CBM proceedings, the PTAB considers five factors set forth in *Garmin Int’l Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001 (Mar. 5, 2013) (“*Garmin*”). *Id.* at 6-7 (applying the five factors in an IPR); *Bloomberg Inc. v. Markets-Alert Pty Ltd.*, CBM2013-00005 (May 29, 2013) (applying same *Garmin* factors in a CBM proceeding).

In the context of discovery requests related to real parties-in-interest, the *Garmin* factor most often in dispute is whether the request represents “more than a possibility and mere allegation.” According to this factor, the party requesting discovery should already be in

possession of a threshold amount of evidence or reasoning tending to show beyond speculation that something useful will be uncovered. As such, the mere possibility of finding something useful, and mere allegation that something useful will be found, are generally insufficient grounds to justify additional discovery. See *Garmin* at 6-7.

As detailed below, the PTAB's analysis with respect to this *Garmin* factor typically turns on a fact-driven inquiry into relationships between the petitioner and the one or more third parties at issue, and whether any such relationships have allowed the third party to exercise some form of meaningful control over (or to participate in) the petitioner's post-grant proceeding and/or a related litigation.

A. Parent/Subsidiary Relationships

The mere existence of a parent/subsidiary relationship between a petitioner and unnamed third-party entity is insufficient to justify real party-in-interest discovery into the activities of the third party. Instead, the PTAB typically requires proof that the third-party entity has some form of control over or role in the post-grant proceeding or in a related proceeding.

For example, in *CaptionCall, L.L.C. v. Ultratec, Inc.*, IPR2015-00636 (Feb. 23, 2016), the PTAB denied discovery regarding the parent company of a named real party-in-interest. Although the patent owner offered evidence that a parent/subsidiary relationship existed between the two companies and that the parent company had some financial control over the named petitioner, the PTAB found that evidence insufficient because it did not indicate the parent company had any actual control over the IPR proceedings. *Id.* at 11 (“[T]he [evidence] suggests [the parent company] may have some financial control but does not indicate persuasively that [the parent company] has operational control, much less control (or the ability to exert control) over these proceedings.”).

Similarly, in *Global Tel*Link Corp. v. Securus Techs. Inc.*, CBM2015-00145 (Sept. 22, 2015), the patent owner sought discovery targeting the parent company of a named real party-in-interest based on evidence that the two entities shared common directors and employees. Despite that overlap, the PTAB denied the request given the absence of evidence suggesting that the common individuals somehow controlled or otherwise participated directly in the relevant proceedings. *Id.* at 9 (“[T]he existence of common directors or employees between [the parent company] and Petitioner is insufficient to show a real party-in-interest issue unless the directors controlled or participated in the filing of the proceedings.”).

By contrast, the PTAB has authorized additional real party-in-interest discovery when lines between a parent company and its subsidiary are blurred such that the two entities are inextricably intertwined. For instance, in *Zerto, Inc. v. EMC Corp.*, IPR2014-01254 (Nov. 25, 2014), the PTAB authorized additional real party-in-interest discovery into the activities of the petitioner's parent company where: (1) the petitioner and its parent company operated a joint website in which they held themselves out as “a single entity” having joint headquarters and “a single ‘Management Team,’” (2) both companies had the same CEO, who had publicly referred to both companies as acting together to open offices and hire talent, and (3) the patent owner alleged

that the parent company sold the subsidiary company's accused products in the United States. *Id.* at 4-5.

The PTAB has also authorized real party-in-interest discovery when a subsidiary appears to have a role in directing, controlling, or funding a parent company's actions in a post-grant proceeding. That was the case in *Cox Commc'ns, Inc. v. AT&T Intellectual Prop. I, L.P.*, IPR2015-01187 (Feb. 2, 2016), where the petition named Cox Communications Inc. as the sole real party-in-interest, but did not name CoxCom LLC, Cox's subsidiary. The patent owner provided evidence that (i) CoxCom had been named as a real party-in-interest in other inter partes reviews involving Cox, (ii) the same counsel represented both Cox and CoxCom, and (iii) that joint counsel had circulated a draft stipulation indicating CoxCom “directs the action of other defendants” in the underlying litigation. Patent Owner's Mot., IPR2015-01187 (Paper 17 – Redacted) at 7-8; Order (Paper 26) at 6. Based on this evidence, the PTAB found that “AT&T [had] provide[d] evidence that would support discovery of potentially useful information regarding CoxCom, LLC,” and authorized several discovery requests regarding CoxCom. *Id.* at 7.

In sum, although the mere existence of a parent/subsidiary relationship is not dispositive, the PTAB may authorize additional real party-in-interest discovery if the petitioner and third-party entity do not maintain clear corporate boundaries, and/or if there is reason to believe the entity is directing, controlling, funding, or otherwise participating in the pending post-grant proceeding.

B. Investor/Shareholder Relationships

The PTAB has held that the mere existence of an investor-investee relationship is insufficient to justify real party-in-interest discovery. Instead, when addressing discovery directed to investors in the petitioner, the PTAB's analysis has centered largely around whether the investor maintains control over or has some meaningful involvement in the post-grant proceeding.

In *Mangrove Partners Master Fund, Ltd. v. VirnetX Inc.*, IPR2015-01046 (Dec. 21, 2015), the PTAB denied the patent owner's discovery requests regarding various investors in the petitioner—even though the patent owner offered evidence allegedly showing that the investors had “‘complete discretion’ to control the investments of . . . Petitioner.” *Id.* at 2. The PTAB found that evidence insufficient to warrant additional discovery because it did not show “that Mangrove Partners hedge fund also has ‘complete discretion’ and control over the preparation or filing of the Petition.” *Id.* (emphasis added). The PTAB further explained that a mere allegation that “funds from . . . investors were used for this proceeding” also was insufficient: “Patent Owner's theory, carried to its logical limit, incorrectly would capture as a real party-in-interest every major (or relatively minor) shareholder who invests in a corporation or fund.” *Id.* at 3-4.

Conversely, in *Coal. for Affordable Drugs II LLC v. NPS Pharms., Inc.*, IPR2015-00990 (July 2, 2015), the patent owner sought discovery directed to several entities that had invested in the petitioner and shared common offices, officers, and management with the petitioner. See *id.*, Patent Owner Reply at 2-3 (Paper 13). The patent owner made clear that it was not suggesting a *per se* rule that investors (or management) must always be named as real parties-in-interest, and instead

argued that hedge funds are different because they are “created for precisely targeted purposes, investors’ control and capital commitments are individually negotiated, management is not according to a mandated structure, and the details of this are kept from the public.” *Id.* at 4. Based on these allegations, the PTAB authorized limited discovery regarding agreements relating to potential control by the investors over any aspect of the IPR. Order (Paper 14) at 7.

C. Industry Association Relationships

Patent owners faced with a post-grant proceeding petition also should consider whether the petitioner’s involvement in any relevant industry associations might give rise to a need for real party-in-interest discovery. For example, in *Am. Sinmental v. Leachman Cattle*, PGR2015-00003 (Sept. 4, 2015), the patent owner provided evidence showing that (1) the petitioner was one of at least a dozen member associations of a collaboration called International Genetic Solutions (IGS), (2) IGS and the petitioner had jointly developed and launched a product that the patent owner alleged was copied from and competed with the patent owner’s product, (3) the petitioner’s director was “also a representative of IGS for the competing product”; and (4) the petitioner admitted receiving “industry support” for its dispute against the patent owner. *Id.* at 3. Based on this evidence, the PTAB granted additional real party-in-interest discovery into “the possible funding or control of the Proceedings by others.” *Id.* at 4 (“[T]his evidence . . . suggests the possibility that others . . . have more significant involvement than mere moral support in producing the competing product, which is implicated in the Proceedings.”).

D. Indemnity Relationships

The PTAB has found that the existence of an indemnity relationship between the petitioner and a third party is not sufficient to justify real party-in-interest discovery unless combined with other pertinent evidence—such as evidence showing that the third party has some control over the petitioner’s conduct and/or has other meaningful involvement in the post-grant proceeding or related litigation.

For instance, in *Apple Inc. v. Achatos Reference Publishing, Inc.*, IPR2013-00080 (Apr. 3, 2013), the PTAB denied a request for additional real party-in-interest discovery based on an agreement that, according to the patent owner, required co-defendants to indemnify Apple (the petitioner) in a related litigation. The PTAB rejected that discovery request after finding that “even assuming that the indemnification provision . . . applies . . . [t]he agreement does not give the developer the right to intervene or control Apple’s defense to any charge of patent infringement.” *Id.* at 5. Similarly, in *Broadcom Corp. v. Telefonaktiebolaget LM Ericsson*, IPR2013-00601 (Jan. 24, 2014), the PTAB held that “in-

demnity payments and minor participation in a trial are not sufficient to establish privity,” *id.* at 7, and that “[p]aying for trial expenses pursuant to indemnity normally does not establish privity or control,” *id.* at 11.

Conversely, the PTAB relied on allegations of an indemnity relationship when granting additional real party-in-interest discovery in *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, IPR2013-00453 (Apr. 23, 2014). In that proceeding, the patent owner alleged that the petitioner was in privity with a third party involved in related litigation. The patent owner based its allegations on a declaration that the petitioner had submitted in support of its petition stating that a “dispute” existed concerning whether the third party had an obligation to indemnify the petitioner in the related lawsuit. Finding that the declaration satisfied the patent owner’s burden to provide “evidence tending to show beyond speculation that in fact something useful will be uncovered,” the PTAB granted the patent owner’s request for “[d]ocuments or things containing communications between [petitioner] and [third party] regarding the dispute referred to [in the] declaration.” *Id.* at 2, 6. Notably, the PTAB denied other discovery requests regarding matters outside the scope of the declaration, including those involving “the preparation, filing, or funding of the Petition” and “control or funding of the Proceeding.” *Id.* at 8-9.

The PTAB also granted discovery based on an alleged indemnity relationship in *Samsung Elecs Co. v. Black Hills Media, LLC*, IPR2014-00735 (Oct. 2, 2014). There, the PTAB found that the patent owner was entitled to additional real party-in-interest discovery based on (1) a distribution agreement that contained an indemnification provision under which Google, if properly notified, would have full control and authority over the defense of an infringement claim against petitioner, (2) evidence that the petitioner, in another lawsuit, had initially denied seeking indemnification from Google, but Google later revealed that it had, in fact, been indemnifying the petitioner, and (3) a prior determination by the International Trade Commission that Google had a “[c]ompelling interest in the investigation because its software is accused.” *Id.* at 6.

II. Conclusion

The PTAB has started to develop a body of law addressing the circumstances under which patent owners can obtain additional real party-in-interest discovery in post-grant proceedings. Although these decisions reflect a fact-driven analysis likely to turn on the specific evidence at issue in each proceeding, they also reveal certain types of relationships and evidence that the PTAB has found persuasive. As this area of the law continues to develop, petitioners and patent owners should continue to appreciate the fact-intensive nature of the “threshold amount of evidence” inquiry and adjust their evidence accordingly.