

PTAB Offers Clarity On Real Parties In Interest In IPRs

By **Alex Yap and Jean Nguyen** (January 25, 2021, 2:25 PM EST)

A petitioner in Leahy-Smith America Invents Act proceedings must identify any privy or real party in interest, or RPI, who may benefit from the outcome. Since the creation of AIA trials in 2011, parties have frequently debated what constitutes an RPI or privy and when one must be identified.

On Dec. 4, 2020, the Patent Trial and Appeal Board addressed these issues in two precedential decisions: *SharkNinja Operating LLC v. iRobot Corp.* and *RPX Corp. v. Applications in Internet Time*.

Failure to name an RPI is not fatal unless a nonnamed RPI is estopped or otherwise barred.

Title 35 of the U.S. Code, Section 312(a)(2), requires that an AIA petition identify all real parties in interest. Before *SharkNinja v. iRobot Corp.*, the PTAB had denied many petitions for failure to properly name all RPIs.[1]

In *SharkNinja*, the petitioners' ultimate corporate parent was involved in litigation against the patent owner.[2] The patent owner urged the PTAB to deny institution of inter partes review based on the petitioners' failure to name their corporate parent as an RPI.[3]

After acknowledging Section 312(a)(2)'s requirements, however, the PTAB concluded that it did not need to address whether the nonnamed corporate parent was an RPI.[4] The PTAB reasoned that:

there [wa]s no allegation or evidence that [the nonnamed corporate parent was] barred or estopped from this proceeding, or that Petitioner[s] purposefully omitted [the nonnamed corporate parent] to gain some advantage.[5]

The PTAB also noted that the alleged failure to name an RPI could be corrected under the board's precedent.[6]

Post-*SharkNinja*, the failure to name an RPI should not be fatal, so long as the nonnamed RPI is not otherwise barred or estopped from filing the petition and the petitioner does not seek to gain some advantage by purposefully omitting the nonnamed RPI. Petitioners should be able to sleep a little better at night — particularly those who file petitions close to the one-year deadline under Section 315(b).



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The nature of the entity filing the petition may favor denial.

The PTAB's decision in *RPX v. Applications in Internet Time* makes an IPR petition brought by a member organization more vulnerable to losing RPI challenges, where one of its members is time-barred or estopped from filing the petition.

In its 2019 precedential decision *Ventex Co. Ltd. v. Columbia Sportswear North America Inc.*, the PTAB identified five factors for assessing whether a nonnamed party is an RPI, relying on the AIA Trial Practice Guide[7] for support:

1. Whether the nonnamed party exercised or could have exercised control over a petitioner in filing the petition and/or the proceedings;
2. The extent a nonnamed party funds a petition or proceeding;
3. The nonnamed party's relationship to the petitioner;
4. The nonnamed party's relationship to the petition itself, including the nature and/or degree of involvement in the filing; and
5. The nature of the entity filing the petition.[8]

Subsequent PTAB decisions emphasized the control factors 1-4 and gave short shrift to factor 5. Following the U.S. Court of Appeals for the Federal Circuit's remand based on the PTAB's failure to meaningfully examine all factors,[9] the PTAB addressed factor (5) more closely in *RPX*.[10]

The PTAB identified multiple subfactors for assessing factor 5 — specifically:

- The petitioner's business model;
- The petitioner's interest in the IPRs;
- Whether the petitioner took a particular nonnamed party's interest into account when filing the IPR petitions;
- The petitioner's relationship with the nonnamed party;
- The nonnamed party's interest in and benefit from the IPRs;
- Whether the petitioner is representing the nonnamed party's interest;
- Whether the nonnamed party actually desired review of the patent(s);
- The relevance of an overlapping board member; and
- Communications between the petitioner and the nonnamed party.[11]

These subfactors featured prominently in the PTAB's decision on remand in RPX. Although RPX is an organization composed of members, RPX did not identify a time-barred member as an RPI in its IPR petitions.

The PTAB denied institution, emphasizing RPX's lack of a standalone interest. It deduced that RPX must be representing its members' interests, as the bulk of its previous IPRs were related to district court litigation that involved its members, and for the IPRs at issue, RPX itself faced no risk of liability of patent infringement.[12]

The PTAB found that "the circumstances present here ... implicate[d] the abuse and strategic advantage concerns ... between two significantly related parties" that warranted denying institution.[13]

Post-RPX, it would be wise for member organizations to avoid making public pronouncements suggesting that IPR petitions only serve members' needs.

In RPX, the PTAB highlighted specific statements from RPX's annual report, U.S. Securities and Exchange Commission filings and website that it "acquire[s] patent assets that are being or may be asserted against [its] current and prospective clients ... to protect them from potential patent infringement assertions," "facilitat[es] ... challenges to patent validity ... [to] reduce expenses for [its] clients," and has "interests [that] are 100% aligned with those of [its] clients." [14]

An RPX executive also stated that RPX developed its guidelines for IPR petitions after studying decisions denying institution due to failure to name an RPI so as to avoid considering suggestions from or communicating with a nonnamed member.[15] Collectively, these statements casted doubt on RPX's motivations and indicated that RPX "intentionally operate[d] its business to circumvent the Board's RPI case law." [16]

Member organizations also should proactively file petitions before members are time-barred or otherwise estopped from doing so. The PTAB concluded that RPX must have been aware that the nonnamed member was time-barred in view of the timing of communications concerning the IPR filings, their overlapping board member and the nature of RPX's services.[17]

Conclusion

The recent precedential PTAB cases present a mixed bag for IPR petitioners. Although SharkNinja removes a procedural gotcha that had tripped up many petitioners, RPX makes it more difficult for member organizations to win RPI challenges when a member is time-barred or estopped.

RPX also injects uncertainty into the business model of defensive patent member organizations, as a member who is time-barred or estopped from filing a petition may affect another member's ability to do so.

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[1] See *SharkNinja v. iRobot Corp.*, IPR2020-00734, Paper 11 (P.T.A.B. Oct. 6, 2020).

[2] See *id.* at 16-17.

[3] See *id.*

[4] See *id.* at 18.

[5] *Id.* at 19.

[6] *Id.* at 18.

[7] United States Patent and Trademark Office Patent Trial and Appeal Board Trial Practice Guide, 48760 (Aug. 2012).

[8] See *Ventex Co., Ltd. v. Columbia Sportswear N. Am., Inc.*, IPR2017-00651, Paper 148 at 16 (P.T.A.B. Jan. 24, 2019) (precedential, Apr. 16, 2019).

[9] *Applications In Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1354-56 (Fed. Cir. 2018).

[10] See *RPX Corp. v. Applications In Internet Time, LLC*, IPR2015-01750, Paper 128 at 10; IPR2015-01751, Paper 128 at 10; IPR2015-01752, Paper 126 at 10 (P.T.A.B. Oct. 2, 2020) (precedential, Dec. 4, 2020).

[11] See *id.*

[12] See *id.* at 16-17.

[13] *Id.* at 39.

[14] *Id.* at 12-14 (internal citations omitted).

[15] See *id.* at 18-19.

[16] *Id.* at 18 (internal citation omitted).

[17] See *id.* at 22, 27-30.