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When an Indemnifying Party Can Be Considered a "Real Party in Interest"

By Patrick T. Muffo

When filing an Inter Partes Review (IPR) petition, the petitioner must identify the "real party in interest" to the proceeding. The "real party in interest" is not clearly defined by statute, but the PTAB Trial Guide defines this party as "the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed." *See* 77 Fed. Reg. 48,759 (Aug. 14, 2012). Identifying this party is important because, under 35 U.S.C. §§ 315(e) and 325(e), the real party in interest may be estopped from asserting the same invalidity arguments in corresponding litigation. Also, if the real party in interest is not identified in the original petition, the petition may lose its filing date and a renewed petition may be filed after the one year deadline for filing an IPR petition (i.e., one year after being served with a complaint for patent infringement).

In the case of *IBM Corporation v. Intellectual Ventures II LLC*, (Motion for Additional Discovery denied) IPR2015-01322, (September 24, 2015), Intellectual Ventures II (IV) requested further discovery "to determine whether IBM is in privity with JPMC [JP Morgan Chase] with respect to [related litigation], and therefore, whether this *inter partes* review is time-barred under 35 U.S.C. § 315(b)." In essence, IV believed IBM indemnified JP Morgan Chase and filed the IPR petition at JP Morgan Chase's behest. The petition was filed more than one year after JP Morgan Chase was served with a lawsuit, however, so the petition would be time-barred if JP Morgan Chase was considered a "real party in interest" to the IPR filed by IBM. IV requested documents in its motion, for example, common interest agreements, indemnity agreements, and communications between IBM and JP Morgan Chase related to any indemnification. IV also requested to depose an IBM designee.

The decision turned on whether JP Morgan Chase was in privity with IBM:

> Privity depends on whether the relationship between a party and its alleged privy is "sufficiently close such that both should be bound by the trial outcome and related estoppels." *Id.* [citing Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012)]. One consideration in the privity inquiry is "whether the non-party exercised or could have exercised control over a party's participation in a proceeding." *Id.*

Applying the *Garmin* factors, IV alleged "[p]ublicly available information demonstrates a *high probability* that useful information will be uncovered." (Emphasis in decision). In particular, IV alleged the IBM Client Relationship Agreement on the IBM website suggested IBM would control the related litigation as the indemnitor. In its motion, IV used less than definitive language to allege that such an agreement exists, e.g., "it *appears* that Petitioner had this understanding with JPMC." (Emphasis in decision).

The PTAB found the evidence too specious and denied the motion for additional discovery. Specifically, the PTAB found IV's claims too speculative, and held that any agreement between IV and JP Morgan Chase would not necessarily grant IBM control over the litigation and IPR proceeding. Rather, several other conditions would need to be met, for example, notification in writing.

Takeaway

Indemnification agreements are commonplace in patent litigation. Many agreements require the indemnitee to promptly notify the indemnitor of any allegations of patent infringement or complaints served on the indemnitee. This case illustrates the importance of prompt notification and coordination with the indemnifying party, for example, to meet the one year time limit for filing an IPR petition once served with a complaint. This decision also illustrates the need to craft indemnification agreements that avoid the "control over a party's participation in a proceeding" that would render the indemnitor a real party in interest with the indemnitee.

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