

No Bright Line for Determining Real Parties in Interest

Tuesday, August 28, 2018

Addressing whether an *inter partes* review (IPR) petition was time barred under 35 USC § 315(b), the US Court of Appeals for the Federal Circuit vacated and remanded a finding by the Patent Trial and Appeal Board (PTAB) that the petitioner was not a real party in interest to the entity that had been served with an infringement complaint in district court more than one year earlier. *Applications in Internet Time, LLC v. RPX Corp.*, Case Nos. 17-1698, -1699, -1701 (Fed. Cir. July 9, 2018) (O'Malley, J) (Reyna, J, concurring).

Applications in Internet Time (AIT) sued Salesforce.com, a software company, for patent infringement. Salesforce was served with a copy of the complaint on November 20, 2013.

Salesforce is a client of RPX Corporation, which helps its clients extricate themselves from lawsuits filed by non-practicing entities. One way in which RPX assists its clients is assessing the validity of asserted or potentially asserted patents, and if warranted, filing IPRs on those patents. RPX has a set of best practices to “ensure that RPX is and will be deemed by the PTAB and district courts as the sole real party-in-interest in all validity challenges unless another real party-in-interest is expressly identified.”

On August 17, 2015—more than one year after Salesforce was served with a copy of ATI’s complaint—RPX filed three IPR petitions challenging the validity of the asserted patents. In each petition, only RPX was identified as the real party in interest. ATI objected to the timeliness of the petitions, alleging that Salesforce should have been listed as a real party in interest, and on that basis, that the petitions would have been untimely. The PTAB allowed discovery into the issue, but ultimately concluded that although Salesforce communicated with RPX about the district court litigation and payed membership fees to RPX, there was no evidence showing that Salesforce exerted control over or paid RPX to file these particular IPRs. After the PTAB’s final decisions invalidated the challenged patents, ATI appealed the PTAB’s determination that Salesforce was not a real party in interest to RPX’s petition.

The Federal Circuit vacated and remanded, finding that the PTAB applied an impermissibly narrow real-party-in-interest test, focused too intently on whether Salesforce had control over or a financial interest in the IPRs. It also found that the PTAB failed to adequately consider and account for all of the record evidence and misallocated the burden of proof. The Federal Circuit suggested a number of factual and legal theories that the PTAB should have considered, including a theory that RPX simply acted as a proxy for Salesforce.

Judge Reyna wrote separately to point out an independent ground for vacating the PTAB’s decision, namely that it failed to address whether RPX was also a “privity” of Salesforce. A petitioner is time barred under § 315(b) from filing a petition more than one year after the “petitioner, the real party in interest, or privity of the petitioner is served with a complaint.” Judge Reyna explained that a number of additional factors must be considered to determine privity, including whether a legal relationship exists between the parties or whether one party acted as a proxy/representative for the other party. In the case of RPX and Salesforce, a contractual relationship existed, and RPX may have been acting as Salesforce’s proxy. Therefore, Judge Reyna would have instructed the PTAB to also thoroughly review whether RPX and Salesforce were in privity in these circumstances.



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