

Shared Interest in Invalidating Asserted Claims can Create Privity in RPI

McDermott
Will & Emery

Article By

[Brian A. Jones](#)

[McDermott Will & Emery](#)

[IP Update](#)

- [Intellectual Property](#)
- [Litigation / Trial Practice](#)
- [All Federal](#)

Friday, March 29, 2019

Addressing the impact of *Applications in Internet Time* ([IP Update, Vol. 21, No. 8](#)) in an *inter partes* review (IPR) proceeding, the Patent Trial and Appeal Board (PTAB) determined that a petition was time barred because an unnamed real-party-in-interest (RPI) and privity of the petitioner had been served with a complaint more than one year earlier. *Ventex Co., Ltd. v. Columbia Sportswear North America, Inc.*, Case No. IPR2017-00651 (PTAB Jan. 24, 2019) (Cocks, APJ). The PTAB determined that structured, pre-existing, contractual and well-established business dealings between entities can create an RPI relationship and made the unnamed party a privity of the petitioner.

Ventex manufactures a special “Heatwave” fabric, and Seirus creates consumer products using Ventex’s fabric. Columbia Sportswear filed a district court infringement action against Seirus’s products that used the Heatwave fabric supplied by Ventex. More than one year after Seirus was served with a complaint for infringement, Ventex filed an IPR challenging certain claims of Columbia’s patent. The PTAB instituted a trial. After oral argument—but before a final decision—the PTAB asked for additional briefing on how the US Court of Appeals for the Federal Circuit’s intervening decision in *Applications in Internet Time* affected whether Seirus should have been named in the petition as an RPI or privity of Ventex.

After reviewing the relationship between Ventex and Seirus, the PTAB determined that the totality of circumstances showed that Seirus was an RPI and privy of Ventex. The parties had done business together since 2103 under a supplier agreement that turned into an exclusive supply agreement in 2016. The agreement also required Ventex to indemnify Seirus. The PTAB found that Seirus was a clear beneficiary of Ventex's IPR because the Ventex-supplied fabric was the very reason Seirus's products had been accused of infringement. Combined with the parties' long-standing and exclusive relationship, this meant that the parties shared a mutual interest in one another's financial success and, therefore, the outcome of the IPR. As a result, it was reasonable to conclude that Ventex filed the IPR, at least in part, to benefit Seirus. Other evidence supported the PTAB's finding. In particular, Ventex admitted that the IPR was filed to aid "its customers" and "prospective buyers" of its Heatwave fabric, who felt threatened by Columbia's assertion of its patent.

The PTAB rejected petitioner's argument that because the set of claims challenged in the IPR was not the same set asserted in district court, Ventex's IPR did not represent Seirus's interests. Although there was not perfect overlap between the sets of claims, Seirus would benefit from Ventex's IPR for the subset of claims that did overlap.

Not only did the PTAB conclude that Seirus was an RPI, it also determined that Seirus was a privy of Ventex. In addition to the relationship discussed above, the PTAB cited to various payments Seirus made to Ventex. The PTAB found that the timing, structure and amounts of the payments suggested a correlation with the legal fees incurred by Ventex in connection with the dates associated with the preparation and filing of the IPR. As such, the PTAB found that Ventex was acting as proxy for Seirus and was therefore Ventex's privy. Having found that Seirus was a privy and RPI of Ventex, the PTAB vacated its institution decision because the petition was time-barred under § 315(b).

Practice Note: A subsequent IPR panel interpreted *Applications in Internet Time* as maintaining the general rule that, absent other factors, a parent need not be named as an RPI in a subsidiary's IPR. *Puzhen Life USA, LLC v. ESIP Series 2, LLC*, Case No. IPR2017-02197 (PTAB Feb. 27, 2019) (Kaiser, APJ). The decision recognized, however, the lack of a bright line test. The inquiry must determine whether the non-party is a clear beneficiary with a pre-existing relationship with the petitioner, where the relationship results in benefits that flow from the petitioner's decision to file an IPR.

© 2020 McDermott Will & Emery

Source URL: <https://www.natlawreview.com/article/shared-interest-invalidating-asserted-claims-can-create-privy-rpi>