

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ZERTO, INC.,
Petitioner,
v.
EMC CORP.,
Patent Owner.

IPR2014-01254 (Patent 7,603,395 B1)
IPR2014-01295 (Patent 7,971,091 B1)
IPR2014-01329 (Patent 7,647,460 B1)
IPR2014-01332 (Patent 6,073,222)¹

Before KARL D. EASTHOM, MICHAEL R. ZECHER, and
GEORGIANNA W. BRADEN, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*.

37 C.F.R. § 42.51(b)(2)

ORDER

Granting-in-Part Patent Owner's Motion for Discovery

Pursuant to the panel's prior Order—Authorizing Motion for
Additional Discovery (Paper 6) (“Order”), Patent Owner, EMC Corp., filed
a Motion for Discovery (Paper 7) (“Motion”) and Petitioner, Zerto, Inc.,

¹ This Order will be entered in each proceeding listed in the caption (the
“four IPRs”). The parties are not authorized to employ this caption style.

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filed an Opposition (Paper 13) in the four IPRs.² Patent Owner has shown factual support for two of the discovery requests, which are limited sufficiently in scope. Accordingly, we grant the Motion in-part.

Background

As set forth in our previous Order³, Patent Owner seeks discovery from Petitioner in an effort to show that Zerto, Inc.'s parent entity, Zerto, Ltd., should have been listed as a real party-in-interest in the four IPRs:

Patent Owner assert[s] that Zerto, Inc. is a wholly owned subsidiary of Zerto, Ltd., and that Zerto, Ltd. exercises control over Zerto, Inc., in these proceedings. Zerto, Ltd. is not named as a real party-in-interest in the Petitions as 35 U.S.C. § 312(a)(2) would require under Patent Owner's assertions. Patent Owner also assert[s] that both entities have the same people forming the respective boards of directors and the same chief executive officer. Petitioner does not dispute this latter assertion, but maintains generally that Zero, Ltd. does not exercise control over Zerto, Inc. in these proceedings. In addition, Patent Owner asserts that, if the panel were to determine that Zerto, Ltd. is required to be named as a real party-in-interest in the Petitions under 35 U.S.C. § 312(a)(2), the Petitions should be accorded a new filing date and, as a result, they would be barred under 35 U.S.C. § 315(b).

Paper 6, 2.

² For clarity and expediency purposes, all citations are to IPR2014-01254.

³ The Order summarizes a conference call on November 5, 2014. Paper 6, 2. Petitioner provided a court reporter and filed a transcript of the call. Ex. 2008.

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In support of its contention that Zerto, Ltd. should have been named as a real party-in-interest in the four IPRs, Patent Owner seeks three discovery requests. The three discovery requests are listed as follows:

Document Request 1: “The specific ‘intercompany agreement’ that [Petitioner’s] counsel represented ‘lays out the obligations between the companies.’” Paper 7, 5.

Document Request 2: “[D]ocuments relating to whether [Zerto, Ltd.] approves the budget and/or corporate plans for [Zerto, Inc.] and/or contributes to funding of the IPRs.” *Id.* at 6.

Deposition of Ziv Kedem: Ziv Kedem is “the highest ranking official of both [Zerto, Ltd. and Zerto, Inc.]” *Id.*

Analysis

For the reasons discussed below, we grant Patent Owner’s motion for additional discovery with respect to Document Request 1 (Ex. 2001) and the Deposition of Ziv Kedem (Ex. 2002). We deny Patent Owner’s motion for additional discovery with respect to Document Request 2.

Additional discovery may be ordered at the PTAB if the party moving for the discovery shows “that such additional discovery is in the interests of justice.” 37 C.F.R. § 42.51(b)(2); *see also* 35 U.S.C. § 316(a)(5) (requiring discovery in *inter partes* review proceedings to be limited to “what is . . . necessary in the interest of justice”). We generally consider five factors (“the *Garmin* factors”) in determining whether additional discovery is in the interests of justice. *See Garmin Int’l, Inc. v. Cuozzo Speed Techs LLC*,

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Case IPR2012-00001, slip op. at 6–7 (PTAB Mar. 5, 2013) (Paper 26) (informative) (“*Garmin*”).

1. Whether Something Useful Will Be Found

The first *Garmin* factor is whether there exists more than a “mere possibility” or “mere allegation that something useful [to the proceeding] will be found.” *Garmin* 6. Under this first factor, a party should be in possession of evidence tending to show beyond speculation that something useful will be uncovered. *Id.* The discovery-seeking party must set forth a threshold amount of evidence tending to show that the discovery it seeks factually supports its contention. *See Garmin* 8–9.

Patent Owner points to, among other things, Zerto’s website (Ex. 2009) and alleges that Zerto, Inc. and Zerto, Ltd. hold themselves out as “Zerto,” a single entity that is “dual-headquartered in Israel and the United States.” Paper 7, 2 (quoting Ex. 2009). Patent Owner also relies on a Wall Street Journal article in which Ziv Kedem, the Chief Executive Officer (“CEO”) of Zerto, Inc. and Zerto, Ltd., “repeatedly refers to the U.S. entity [Zerto, Inc.] as ‘our[s].’” *Id.* (referencing Ex. 2005). As an example, the article quotes Ziv Kedem as stating that “we wanted to open an office where we had access to both customers as well as top talent for *our sales and marketing teams*. Boston provided the ideal location for *our* U.S. headquarters.” Ex. 2005 (emphases added). Patent Owner also points out that the “Zerto website identifies a single ‘Management Team’ that

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includes individuals who work in Israel (LTD) and Boston (INC).” Paper 7, 2 (citing Ex. 2012); *see also* Ex. 2005 (quoted in previous sentence).

Petitioner’s Opposition does not dispute the assertions that tend to show that Zerto, Inc. and Zerto, Ltd. hold themselves out as a single entity. *See* Paper 13. To further support its request, Patent Owner cites *Copperweld Corp. v. Indep. Tube Corp.*, 467 U.S. 752, 772 (1984) (“A parent and its wholly owned subsidiary have a complete unity of interest. Their objectives are common, not disparate; their general corporate actions are guided or determined not by two separate corporate consciousnesses, but one.”); *Zoll Lifecor Corp. v. Philips Elecs. N. Am. Corp.*, Case IPR2013-00609 (PTAB Mar. 20, 2014) (Paper 15) (holding that a parent is a real party-in-interest of its subsidiary); and, the Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) (“TPG”) (“Courts invoke the term[] ‘real party-in-interest’ . . . to describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.”) Paper 7, 2–4.

On this record, Zerto generally holds itself out as a single entity, which includes Zerto, Inc. and Zerto, Ltd., on the “Zerto” website and in other contexts, as outlined above and further in Patent Owner’s Motion. *See* Paper 7. According to Patent Owner, Zerto, Inc. sells Zerto, Ltd.’s products in the United States. Paper 7, 1–2. In *Mars Inc. v. Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 618 (Fed. Cir. 1995), under similar facts and following principles of estoppel and claim preclusion, the court held that

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“claim preclusion may be invoked by a corporate parent following a final judgment against its wholly owned subsidiary.” The court made the following observations and findings:

The district court found the relationship between Nippon Conlux and Conlux USA, with respect to the conduct at issue here, to be so close as to justify barring Mars from bringing a successive action against Nippon Conlux after proceeding to final judgment against Conlux USA. We agree. Conlux USA is a wholly owned subsidiary of Nippon Conlux. As Mars acknowledges, Nippon Conlux exercises complete control over Conlux USA. With respect to the machines at issue in this case, Conlux USA served as the intermediary between Nippon Conlux and the ultimate purchasers. And Nippon Conlux both financed and controlled the defense of the action that Mars brought against Conlux USA.

Id. at 619.

Turning to the specific discovery requests and applying the first *Garmin* factor, Petitioner does not oppose Document Request 1 with particularity. *See* Paper 13 (“EMC’s Requests 2–4, and its deposition notice, are inappropriately broad and vague, and thus inconsistent with the requirement that additional discovery, which is generally disfavored, be narrow and targeted.”) As Patent Owner argues, Petitioner raised the “intercompany agreement” during the conference call, stating “there’s an intercompany agreement that lays out all those--the obligations between the companies.” Paper 7, 5 (citing Ex. 2008, 22:19–21). Under these circumstances, Patent Owner has shown that there is more than a mere possibility that something useful will be found—the agreement should shed

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light on the relationship, including relative control, between Zerto, Ltd. and Zerto, Inc.

Petitioner opposes Document Request 2 as generally lacking in specificity and as “unfocused.” *See* Paper 13, 6–7. This request calls for producing documents demonstrating that Zerto Ltd. approves the budget and corporate plan of Zerto, Inc. According to Petitioner, it would be burdensome to “search for every paper and electronic file, and every email, for something that EMC might say would ‘demonstrate[] Zerto Ltd. approves the budget for Zerto, Inc.’” Paper 13, 6 (bracket by Petitioner).

Patent Owner argues that with respect to these documents, “[t]hese are the only factors considered in *Zoll* and the TPG that are missing from the public record.” Paper 7, 6 (citing *Zoll*, IPR2013-00609, Paper 15). To support this request, Patent Owner asserts that “[g]iven the public evidence of LTD’s complete control over INC, and that LTD is the accused product INC sells, there is more than a mere possibility that documents exist, and they unquestionably would be useful.” *Id.*

Notwithstanding Patent Owner’s assertion, if the public record shows that Zerto, Ltd. has complete control over Zerto, Inc., it is not clear how showing that Zerto, Ltd. approves the “budget” and “corporate plan” of Zerto, Inc. would be useful. In addition, merely because such documents played a role in the *Zoll* case does not establish that they exist in regards to Zerto, Ltd. and Zerto, Inc., or have an equally important role in these four IPRs. In other words, Patent Owner fails to show beyond speculation that

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the requests would lead to something useful. Therefore, we deny Patent Owner's request for additional discovery with respect to Document Request 2.

Petitioner also opposes Patent Owner's request to depose Ziv Kedem. Paper 13, 7. Petitioner maintains that the deposition of Ziv Kedem would be overly burdensome, because Ziv Kedem "just recently sat for two days . . . of deposition in the Delaware [District Court] case." *Id.* To alleviate that burden, Patent Owner proposes, as a substitute, using the deposition from the related District Court case. Paper 7, 7. This proposal seems to be a reasonable compromise. Petitioner counters, however, that use of the deposition transcript from the related District Court case would violate the protective order in that proceeding, thus, Petitioner invites Patent Owner to seek permission from the District Court judge. Paper 13, 2.

On this record, deposing Ziv Kedem would not be overly burdensome. Nevertheless, to alleviate the burden of another deposition on Ziv Kedem, the parties are encouraged to work out an agreement to produce the previous deposition transcript, in whole or in part, from the District Court case without violating the protective order in that proceeding.⁴ In the event that the parties cannot arrive at an agreement to produce the deposition transcript

⁴ According to Patent Owner, the District Court protective order prohibits Patent Owner, and not Petitioner, from releasing discovery from the District Court. Petitioner does not dispute this characterization. *Compare* Paper 7, 2, *with* Paper 13, 2.

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of Ziv Kedem, in whole or in part, from the related District Court case, we grant Patent Owner's motion to depose Ziv Kedem in these proceedings. To minimize the impact of another deposition on Ziv Kedem, the deposition in these proceedings will be limited as follows: Patent Owner will have three hours first to question Ziv Kedem, Petitioner then will have one hour of cross-examination, and, finally, Patent Owner will have one-half of an hour of re-direct examination limited solely to topics addressed during Petitioner's cross-examination. Patent Owner will be limited to one deposition usable in all four IPRs.

2. *Remaining Garmen Factors*

With respect to both Document Request 1 and the deposition of Ziv Kedem, the record shows that Patent Owner does not seek litigation positions, the deposition instructions are easy to understand, and the requests do not appear to be overly burdensome. *See* Paper 7, 7; Ex. 2001; Ex. 2002. Also, there is no indication in the record before us that Patent Owner has the ability to generate the requested information by other means.

Further as to Patent Owner's Document Request 2, as noted above, Petitioner maintains that the vague nature of the request renders producing documents purportedly showing approval by Zerto, Ltd. of Zerto, Inc.'s corporate plan and budget burdensome. *See* Paper 13, 6–7. The speculative nature also impacts the first *Garmin* factor, because it is not clear, on this record, what useful information, if any, these documents might produce.

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Summary

In view of the arguments from the parties (at the teleconference and in the Motion and Opposition), the limited record shows that Zerto holds itself out as a single entity. As we explained previously, a single entity implicitly has control over its actions. On balance, considering the *Garmin* factors, Patent Owner shows that it is in the interests of justice to produce the inter-company agreement between Zerto, Inc. and Zerto, Ltd. and, if necessary, confine the deposition of Ziv Kedem to the narrowly tailored topics outlined in its discovery request (Ex. 2002). The inter-company agreement is expected to show the extent of agreed-upon control between Zerto, Ltd. and Zerto, Inc. In addition, as CEO of Zerto, Inc. and Zerto, Ltd., Ziv Kedem is expected to have knowledge of any control by Zerto, Ltd. over these four IPRs.

In consideration of the foregoing, it is

ORDERED that Patent Owner's Motion for Additional Discovery is GRANTED as to Document Request 1 and the deposition of Ziv Kedem;

FURTHER ORDERED that Petitioner shall produce and serve Document Request 1 within a week from the date of this Order; and, if necessary, the parties shall work out an agreed-upon date and further details for the deposition of Ziv Kedem, with the date scheduled for deposition not to exceed one month from the date of this Order; and

FURTHER ORDERED that Patent Owner's Motion for Additional Discovery is DENIED as to all other requests.

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