

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ATLANTA GAS LIGHT COMPANY,
Petitioner,

v.

BENNETT REGULATOR GUARDS, INC.,
Patent Owner.

Case IPR2013-00453
Patent 5,810,029

Before JENNIFER S. BISK, JAMES B. ARPIN, and
PATRICK M. BOUCHER, *Administrative Patent Judges*.

BOUCHER, *Administrative Patent Judge*.

DECISION
Denying Request for Rehearing
37 C.F.R. § 42.71

In our order terminating this proceeding (Paper 88, “Termination Order” or “Term.”), we concluded that Petitioner bears the burden of showing that all real parties-in-interest have been identified in the Petition as required by 35 U.S.C. § 312(a)(2) and that Petitioner failed to identify at least AGL Resources, Inc.

(“AGLR”) as a real party-in-interest in its Petition. Petitioner requests rehearing (Paper 90, “Req. Reh’g”), arguing that (1) such allocation of the burden is an erroneous conclusion of law; and (2) the Board’s finding that AGLR is a real party-in-interest is erroneous as a matter of law. We address both contentions.

The burden of showing that our Termination Order should be modified lies with Petitioner, the party challenging the decision. *See* 37 C.F.R. § 42.71(d). In addition, “[t]he request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed.” *Id.*

I. BURDEN

In our Termination Order, we concluded that petitioners in *inter partes* review proceedings bear the burden of establishing that they have identified all real parties-in-interest under the statute governing such proceedings before the Patent Trial and Appeal Board. Term. 6–8. A petitioner enjoys a rebuttable presumption that its identification of real parties-in-interest in its petition is accurate, but “when . . . a patent owner provides sufficient rebuttal evidence that reasonably brings into question the accuracy of a petitioner’s identification of the real parties-in-interest, the burden remains with the petitioner to establish that it has complied with the statutory requirement.” *Id.* at 8.

Petitioner advances three contentions in arguing that this framework, particularly the allocation to Petitioner of the burden for showing that all real parties-in-interest were identified in its Petition, was an erroneous conclusion of law: (1) such allocation is inconsistent with Supreme Court authority as set forth in *Taylor v. Sturgell*, 553 U.S. 880 (2008) (Req. Reh’g 3–6); (2) such allocation is inconsistent with prior Patent Office decisions allocating the burden to Patent

Owner in real party-in-interest disputes (*id.* at 6–9); and (3) such allocation is inconsistent with earlier conduct during this proceeding (*id.* at 9–11).

A. Supreme Court Authority

Petitioner correctly observes that the Office Trial Practice Guide (77 Fed. Reg. 48,756–48,773 (Aug. 12, 2012), “Practice Guide”) directs parties to *Taylor v. Sturgell* for guidance on considerations that are applied in determining whether a party who is not a named participant in a given proceeding nonetheless constitutes a real party-in-interest. Req. Reh’g 3–4. *Taylor* involved two lawsuits filed in response to refusals by the Federal Aviation Administration to Freedom of Information Act requests for certain technical documents. *Taylor*, 553 U.S. at 885. The Supreme Court addressed the preclusive effect of a judgment in the first lawsuit on the second, concluding that the general rule against nonparty preclusion is subject to exceptions that the Court grouped into six categories. *Id.* at 894. The Practice Guide characterizes these six categories as “factors relevant to the question of whether a non-party may be recognized as a ‘real party-in-interest.’” Practice Guide at 48,759. Accordingly, our Termination Order included an analysis applying these factors to the facts developed during the trial for this proceeding. Term. 9–13.

Petitioner contends that our Termination Order “focused on the six *Taylor* factors, but did not address the Supreme Court’s guidance as to the proper burden of proof.” Req. Reh’g 4. As Petitioner notes, the Supreme Court in *Taylor* rejected the defendant’s argument that the plaintiff should bear the ultimate burden of proving that that the plaintiff was not acting as the third party’s agent, i.e. that none of the six categories of exceptions applied. *Id.* at 4 (citing *Taylor*, 553 U.S. at 906). Further, Petitioner correctly observes that the Supreme Court found that the

proper approach is to allow discovery, not to shift the burden, even though “it is unlikely an opposing party will have access to direct evidence of collusion.” *Id.* (citing *Taylor*, 553 U.S. at 907).

Petitioner’s argument draws an inappropriate parallel, insufficiently accounting for relevant differences between the issue considered by the Supreme Court and the issue presented to us. Specifically, the Supreme Court explains that its conclusion of how to allocate the burden follows from the fact that “[c]laim preclusion, like issue preclusion, is an affirmative defense” and that it has never recognized claim preclusion as an exception to the general rule that it is incumbent on the defendant to plead and prove such a defense. *Taylor*, 553 U.S. at 907. The conclusions that Petitioner draws from its assertion that “the real party in interest analysis is grounded in assessing preclusion” are too sweeping. *See id.* at 4. Although the Supreme Court’s analysis of the six categories of exceptions to nonparty preclusion is relevant to a determination of when a nonparty may be a real party-in-interest, it does not follow that every procedural posture implicating such concerns demands identical treatment. Indeed, a critical distinction between the Supreme Court’s consideration of common-law preclusion and the issue before us is a controlling statute.¹

¹ Our Termination Order addresses this specific distinction in its discussion of *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751 (1st Cir. 1994). Similar to *Taylor*, the district court in *Gonzalez* concluded that “[t]he burden of persuasion ultimately rests with him who asserts that control (or the right to exercise it) existed to such a degree as would warrant invoking nonparty preclusion.” *Gonzalez* at 759. As we noted, “*Gonzalez* addressed real party in interest in the context of whether *issue preclusion* could be asserted against a non-party to a prior litigation,” and its discussion was, therefore, “not entirely applicable here.” Term. 12, n.7 (emphasis added).

“The starting point for a standing determination for a litigant before an administrative agency is . . . the statute that confers standing before that agency.” *Ritchie v. Simpson*, 170 F.3d 1092, 1095 (Fed. Cir. 1999). “As in any case of statutory construction, our analysis begins ‘with the language of the statute.’” *Hughes Aircraft Co. v. Jacobson*, 525 U.S. 432 (1999) (citations omitted). The statute setting forth the requirements of a petition for *inter partes* review unambiguously requires that “the petition identifies all real parties in interest.” 35 U.S.C. § 312(a)(2); *see* Term. 6. Thus, the identification of all real parties-in-interest is an essential element of a petitioner’s case and a patent owner’s presentation of evidence that reasonably calls the accuracy of that identification into question is a rebuttal to petitioner’s initial case, not an affirmative defense.² Petitioner has not identified persuasively any language in the controlling statute that identifies an affirmative defense.

Consequently, we disagree with Petitioner that the analysis presented in our Termination Order is inconsistent with Supreme Court authority.

² In our Termination Order, we remarked that allocating the burden to Petitioner “appropriately accounts for the fact that a petitioner is far more likely to be in possession of, or to have access to, evidence relevant to the issue than is a patent owner.” Term. 8. We note our disagreement with Petitioner that that remark is inconsistent with the Supreme Court’s rejection of burden shifting in *Taylor*. *See* Req. Reh’g 4. First, the framework we articulate invokes no shifting of the burden of persuasion, which always remains with Petitioner. Second, our remark is relevant in light of the differences in calibration of discovery in district-court litigation as compared with *inter partes* review proceedings. *See* Paper 40, 3 (“Consistent with Congressional intent that *inter partes* review be a quick and cost-effective alternative to litigation, discovery in *inter partes* review is less expansive than that typically available in district-court patent litigation”).

B. Prior Patent Office Decisions

Petitioner identifies several prior decisions by other panels of the Patent Trial and Appeal Board that it characterizes as “indicat[ing] that the patent owner bears the *burden of proof* on the real party in interest issue.”³ Req. Reh’g 6 (citing *TRW Automotive US LLC v. Magna Electronics, Inc.*, Case IPR2014-00293, slip op. at 13 (PTAB June 27, 2014) (Paper 18) (informative); *Chi Mei Innolux Corp. v. Semiconductor Energy Lab*, Case IPR2013-00028, slip op. at 9 (PTAB Mar. 21, 2013) (Paper 14); *Sipnet EU S.R.O. v. Straight Path IP Group, Inc.*, Case IPR2013-00246, slip op. at 11–12 (PTAB Oct. 9, 2014) (Paper 62)) (emphasis added). We have reviewed the earlier decisions cited by Petitioner. Although we acknowledge that those prior decisions include language that inferentially appears to assign a burden to patent owners to *prove* that petitioners’ identification of real parties-in-interest is inaccurate, we accord that inference relatively little weight: none of the decisions cited by Petitioner includes articulated analysis of allocation of the burden that provides reasoning for us to consider.⁴

Such prior decisions also can be reconciled within the framework we describe by noting (as in our Termination Order) the distinction between the ultimate *burden of persuasion*, which remains fixed, and an intermediate *burden of production*, which may shift. *See* Term. 8 (citing Fed. R. Evid. 301). As explained by the Supreme Court, a presumption that benefits one party (like the one afforded to petitioners that its identification of real parties-in-interest is accurate) results in

³ The Board has not designated any of the cited decisions as precedential.

⁴ *But see Zerto, Inc. v. EMC Corp.*, Case IPR2014-01329, slip op. at 6–7 (PTAB Feb. 20, 2015) (Paper 30) (concluding petitioner bears ultimate burden of establishing that it has identified all real parties-in-interest, and that petitioner is accorded initial presumption that its petition accurately identifies all real parties-in-interest).

allocation of an intermediate *burden of production* to the other party to rebut the presumption. *Texas Dept. of Cmty. Affairs v. Burdine*, 450 U.S. 248, 252–55 (1981). “It is important to note, however, that although the . . . presumption shifts the burden of *production* . . . , [t]he ultimate burden of persuading the trier of fact . . . remains at all times with the [original party].” *St. Mary’s Honor Center v. Hicks*, 509 U.S. 502 (1993) (citing *Burdine*, 450 U.S. at 253). We understand the prior Board decisions identified by Petitioner as addressing the sufficiency of patent owners’ satisfaction of the intermediate burden of production. We also understand the various reexamination decisions cited by Petitioner as consistent with this framework. *See* Req. Reh’g 7–9.

As noted above, the statute places the burden of identifying *all* real parties-in-interest squarely on the petitioner. 35 U.S.C. § 312(a)(2). Thus, after the petitioner has listed presumptively the real parties-in-interest in its petition, the burden of production of evidence that the petitioner has failed to identify *all* real parties-in-interest shifts to the patent owner. Nevertheless, as evidenced by the statutory requirement, the burden of persuasion or proof that the petitioner has named *all* real parties-in-interest remains with the petitioner. Consequently, we conclude that the analysis presented in our Termination Order is not inconsistent with any binding Board decision.

C. Earlier Conduct During this Proceeding

Petitioner asserts that “[t]he Board’s finding that petitioner bears the ultimate burden of proof on real party in interest is also in conflict with the conduct of this proceeding.” Req. Reh’g 9. Petitioner cites acknowledgment by Patent Owner that it assumed it had the ultimate burden of proof and asserts that “Patent Owner obtained surreply briefing to support its real party in interest arguments,

consistent with the patent owner having the burden of proof.” *Id.* at 10 (citing Paper 85, 1, n.1; Paper 86, 3, Paper 64, Paper 65).

Incorrect assumptions by the parties, even when shared, do not absolve us of our responsibility to give effect to the law as we interpret it. *See Capron v. Van Noorden*, 2 Cranch (6 U.S.) 126 (1804) (“Here it was the duty of the Court to see that they had jurisdiction, for the consent of the parties could not give it”).

Petitioner’s characterization of the record in this proceeding is selective. Although Patent Owner assumed it bore the ultimate burden of persuasion, our order authorizing Patent Owner’s filing of a surreply on the issues of real party-in-interest and privity did not confirm that assumption, stating only that “[u]pon consideration of the specific facts in this proceeding, the panel concluded that a sur-reply on these issues would be helpful.” Paper 64, 3. Indeed, in our order granting oral hearing (Paper 75), we rejected Patent Owner’s specific request that it “be permitted to discuss these issues [real party-in-interest and privity] *first* while being permitted to reserve such rebuttal time on these issues as it deems appropriate.” Paper 74, 2–3 (emphasis added). Such rejection is consistent with allocation of the burden to Petitioner, not to Patent Owner.

Consequently, we disagree with Petitioner that the analysis presented in our Termination Order is inconsistent with earlier conduct in this proceeding.⁵

II. FINDING THAT AGLR IS A REAL PARTY IN INTEREST

⁵ Petitioner suggests that allocation of the burden to prove the correct identification of real party-in-interest to petitioners would require petitioners “to anticipate all potential nonparties and prove that they are not real parties in interest at the petition stage.” Req. Reh’g. 10–11. Petitioner’s suggestion overdramatizes the impact of the framework we articulate because it insufficiently accounts for the benefit of the presumption afforded petitioners and of the gatekeeping effect of requiring patent owners to satisfy their intermediate burdens of production.

Petitioner contends that, even under the standard articulated in our Termination Order, “Patent Owner has not presented sufficient ‘rebuttal evidence’ to justify shifting the burden of proof back to [Petitioner] on this issue.” Req. Reh’g 11. Petitioner attacks individual considerations as insufficient to rebut the presumption that it accurately identified only itself as a real party-in-interest: “mere ‘involvement’ of personnel who serve dual roles . . . does not establish that the *other* entities controlled the petition”; “a discussion regarding indemnity that included the petitioner and other entities does not establish that the *other* entities controlled the Petition”; “use of a shorthand phrase that includes the petitioner and other entities does not establish that the *other* entities controlled the Petition”; “a ‘lack of clarity’ on funding of the petition does not establish funding by a nonparty.” *Id.* at 12–15. Such considerations are addressed in our Termination Order, and Petitioner’s arguments do not identify matters Petitioner believes the Board misapprehended or overlooked. Nevertheless, Petitioner’s attack of individual considerations is not persuasive. Our Termination Order

emphasize[s] that our determination that AGLR possessed sufficient control over the proceeding to conclude—in combination with application of other *Taylor* factors—that it is a real party in interest does not hinge on any particular, isolated fact. Rather, our determination results from consideration of the entire circumstance of AGLR’s involvement in this proceeding, including the demonstrated participation of officers and employees of AGLR and [AGL Services Company] and the lack of clarity over who actually financed filing fees and attorney costs.

Term. 12.

Petitioner has persuaded us neither that we misapprehended or overlooked its arguments regarding its identification of real parties-in-interest nor that our findings require alteration.

III. ORDER TO SHOW CAUSE

Petitioner argues that “the Board should issue a show cause order or otherwise allow [Petitioner] the opportunity to submit additional proof.” Req. Reh’g 15. We decline to do so at this late stage. Petitioner was afforded numerous opportunities during the trial to present its evidence on the issue. Indeed, throughout the trial, Petitioner vigorously opposed Patent Owner’s efforts to obtain the information that it now appears to wish to provide. *See* Paper 87, 46:6–9 (“The problem that we have, and you will remember, we had to fight like tooth and nail to get these documents. At every turn there was an objection to producing documents related to the real party in interest issue or the privity issue”).

IV. ORDER

In consideration of the foregoing, it is
ORDERED that Petitioner’s Request for Rehearing is *denied*.

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