

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

JOHN'S LONE STAR DISTRIBUTION, INC.,
Petitioner,

v.

THERMOLIFE INTERNATIONAL, LLC,
Patent Owner.

Case IPR2014-01201
Patent 8,455,531 B2

Before JACQUELINE WRIGHT BONILLA, SHERIDAN K. SNEDDEN,
and ZHENYU YANG, *Administrative Patent Judges*.

BONILLA, *Administrative Patent Judge*.

ORDER

Granting-in-Part Patent Owner's Motion for Additional Discovery
Regarding Real Party-In-Interest
37 C.F.R. § 42.51(b)(2)

I. INTRODUCTION

Upon authorization from the panel (Paper 17), ThermoLife International, LLC, (“Patent Owner”) filed a Motion for Additional Discovery from John’s Lone Star Distribution, Inc. (“Petitioner”) regarding whether Purus Labs, Inc., (“Purus”) should have been identified in the Petition as a real party-in-interest. Paper 19 (“Mot.”).¹ Petitioner opposes Patent Owner’s Motion. Paper 22 (“Opp.”)

In its Motion, Patent Owner seeks production of three sets of documents:

(1) “showing the corporate and management structure of Purus Labs, including any Lone Star personnel who participate in the management or corporate decision-making of Purus Labs,”

(2) “identifying the persons who provided direction to, or had the authority to provide direction to, Lone Star’s counsel in this IPR, including the persons who reviewed, or were given the opportunity to review, the papers filed in this IPR,” and

(3) “showing communications by or to directors, officers, or executives of Purus Labs and Lone Star regarding this IPR, including any Purus Labs Board minutes regarding such communications.”

¹ Patent Owner’s Motion, by relying on attached “Appendix A,” violates the page limit set out in our Order authorizing the Motion. Paper 17 (authorizing a 15-page motion); Paper 19 (providing a 12-page motion and a 5-page “Appendix A”). In this instance, we waive the page limit requirement. 37 C.F.R. §42.24(a)(v), § 42.5(b). We caution both parties, however, that we may expunge any future paper that does not adhere to required page limits, or alternatively, we may decline to consider any argument or information contained in pages exceeding a designated page limit.

Mot., App. A, 4. Patent Owner also seeks the deposition of John Hoffmann and/or Charles Letchman, who both act as executives or officers of both Petitioner and Purus. *Id.*

II. ANALYSIS

Certain discovery is available in *inter partes* review proceedings. 35 U.S.C. § 316(a)(5); 37 C.F.R. §§ 42.51–53. Such discovery, however, is less than what is normally available in district court patent litigation, as Congress intended *inter partes* review to be a quick and cost-effective alternative to litigation. *See* H. Rep. No. 112-98, at 45–48 (2011). A party seeking discovery beyond what is expressly permitted by rule must do so by motion, and must show that such additional discovery is “necessary in the interest of justice.” 35 U.S.C. § 316(a)(5); 37 C.F.R. § 42.51(b)(2)(i). The legislative history of relevant statutes clarifies that additional discovery should be confined to “particular limited situations, such as minor discovery that PTO finds to be routinely useful, or to discovery that is justified by the special circumstances of the case.” 154 Cong. Rec. S9988 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl). In light of this, and given the statutory deadlines required by Congress for *inter partes* review proceedings, we are conservative in authorizing additional discovery.

We consider various factors in determining whether additional discovery in an *inter partes* review proceeding is necessary in the interest of justice, including:

1. More Than A Possibility And Mere Allegation—The mere possibility of finding something useful, and mere allegation that something useful will be found, are insufficient to demonstrate that the requested discovery is necessary in the interest of justice. The party requesting discovery should already be in

possession of evidence tending to show beyond speculation that in fact something useful will be uncovered. . . .

5. Requests Not Overly Burdensome To Answer—The requests must not be overly burdensome to answer, given the expedited nature of *Inter Partes* Review. The burden includes financial burden, burden on human resources, and burden on meeting the time schedule of *Inter Partes* Review. Requests should be sensible and responsibly tailored according to a genuine need.

Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC, Case IPR2012-00001, slip op. at 6–7 (PTAB Mar. 5, 2013) (Paper 26). “Useful” in the context of the first factor means “favorable in substantive value to a contention of the party moving for discovery,” not just “relevant” or “admissible.” *Id.* at 7.

A. *Background*

As noted in Patent Owner’s Motion, Purus is a manufacturer of sports nutrition supplements, such as “nitrate containing amino acid products,” and Petitioner is a distributor of such supplements, including those manufactured by Purus. Mot. 2. Patent Owner points to evidence indicating that John Hoffmann acts as Petitioner’s “President, CEO, Founder,” and Charles Letchman acts as Petitioner’s “Chief Financial Officer, Partner,” along with two other management officials. *Id.* (citing Ex. 2007); Ex. 2006. Patent Owner also states, citing “Texas Secretary of State” documents, that “Purus’s state registration, in turn, identifies Hoffmann and Letchman as two of the company’s three named Directors.” *Id.* (citing Ex. 2005). Thus, evidence indicates that Petitioner and Purus share overlapping management personnel, with two out of the three corporate managers of Purus acting in top management positions for Petitioner.

Patent Owner further contends that Petitioner and Purus “share a common business address—11370 Pagemill Road, Dallas, Texas 75243-8306”—and Mr. Hoffmann, “not Lone Star or Purus, is the registered owner of that commercial property.” Mot. 2–3. In addition, Petitioner points to evidence indicating that the two companies share a common Texas attorney as their registered agent, an attorney who also acts as Petitioner’s general counsel. *Id.* at 3 (citing Exs. 2005, 2006, 2008). Petitioner cites court documents indicating that the two companies have used common counsel in district court actions involving the patent challenged in this proceeding. *Id.* (citing Exs. 2009, 2010, 2011).

In its Opposition, Petitioner asserts that Patent Owner’s Motion lacks “evidence that Purus did or could control the IPR,” and states that control of this proceeding “rested solely with Lone Star,” i.e., Petitioner. Opp. 1–2. Petitioner does not dispute that Petitioner “is owned by John Hoffmann, Chuck Letchman, Frank Fenimore, Jr. and Frank Fenimore, Sr.,” nor that Purus “has Brandon Smith as its president and CEO, with John Hoffmann and Chuck Letchman as directors.” *Id.* at 2. Petitioner contends, however, that “[w]hile Brandon Smith ‘calls the shots’ at Purus, he has no involvement with or control over the management of Lone Star,” and “[l]ikewise, while John Hoffmann ‘calls the shots’ at Lone Star, notwithstanding being a director, he does not control nor can he control Purus.” *Id.*

Petitioner does not dispute that the two companies “share office space in Dallas,” but contends that Petitioner “has many other facilities not shared with Purus,” and that “Purus does not lease the Dallas office space from Lone Star but rather from a sublessee of Lone Star.” *Id.* at 2–3. Petitioner

also does not dispute that Petitioner and Purus “have used the same counsel in the past,” but Petitioner further contends that the same attorneys represented other defendants in the district court cases. *Id.* at 3. Based on the above, Petitioner contends that “Patent Owner is thus left with its ‘common counsel’ argument,” which Petitioner asserts is insufficient, by itself, to establish a real party-in-interest. *Id.* at 4–5.

When making the assertions discussed above, the Opposition relies on a Declaration of John Hoffmann (Ex. 1029), stating that the Declaration “IS DISPOSITIVE ON THE ISSUE OF REAL PARTY-IN-INTEREST,” and “undermines any argument that if additional discovery is permitted something useful will be uncovered.” *Id.* at 6. Notably, after filing its Opposition, Petitioner indicated during a recent conference call that it would not make Mr. Hoffman available for cross-examination by deposition, despite our indication to the parties that such cross-examination constitutes routine discovery under 37 C.F.R. § 51(b)(1)(ii). Paper 25, 2.

By Order (Paper 25), we authorized Patent Owner to file a Motion to Strike Mr. Hoffman’s Declaration (Ex. 1029), and Patent Owner filed its Motion to Strike (Paper 24) on the same day. In a concurrent paper, in view of the facts before us, we grant Patent Owner’s Motion to Strike, and order that Mr. Hoffman’s Declaration (Ex. 1029) be expunged from the record of this proceeding. Paper 31.

In view of the contentions of both parties, including stipulated facts regarding the two companies, as well as the evidence before us, we are persuaded that Patent Owner has set forth a threshold amount of evidence sufficient to deem that the discovery of certain requested documents is necessary in the interest of justice, as discussed in more detail below.

Assuming both parties agree, however, in lieu of some or all discovery discussed below, Petitioner may stipulate to relevant facts or information, as both parties see fit.

In addition, to the extent that Petitioner withholds production of any authorized discovery on the basis of attorney-client privilege, attorney work product, and/or any other privilege or immunity, Petitioner shall provide a privilege log in compliance with Federal Rule of Civil Procedure 26(b)(5)(A), and provide information such as the date, type of document, author(s), recipient(s), general subject-matter of the document, and the privilege being claimed (e.g., attorney-client).

B. Patent Owner's Discovery Request (1)

The corporate and management structure of Purus is relevant to an inquiry regarding the company's status as a real party-in-interest, as the structure may provide information regarding the relationship of Purus management to the Petition. *See ZOLL Lifecor Corp. v. Philips Elec. N. Am. Corp.*, Case IPR2013-00606, slip op. at 8 (PTAB Mar. 10, 2014) (Paper 13) (indicating that relevant factors regarding real party-in-interest include a non-party's relationship with petitioner; the non-party's relationship to the petition itself, including nature and/or degree of involvement in filing; and nature of the entity filing petition) (citing Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,760 (Aug. 14, 2012)); *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, Case IPR2013-00453, slip op. at 11 (PTAB Jan. 6, 2015) (Paper 88) (determining that "[r]ather than maintaining well-defined corporate boundaries, [the parent and its subsidiaries] are so intertwined that it is difficult for both insiders and outsiders to determine precisely where one ends and another begins").

Consistent with the evidence before us, neither party disputes that Mr. Hoffmann acts as Petitioner's "President, CEO, Founder," and Mr. Letchman acts as Petitioner's "Chief Financial Officer, Partner," along with two other management officials for Petitioner, Frank Fenimore, Jr. and Frank Fenimore, Sr. Ex. 2007. In addition, neither party disputes that management at Purus includes both Mr. Hoffmann and Mr. Letchman, who act as Directors, along with Brandon Smith, who acts as a Director and President of the company. Ex. 2005.

As noted above, Petitioner contends that Mr. Hoffmann "calls the shots" for Petitioner, but "does not control nor can he control Purus," and further contends that Mr. Smith "calls the shots" at Purus, but "has no involvement with or control over the management of Lone Star." Opp. 2. Petitioner cites Mr. Hoffman's Declaration, now expunged from the record, as the only evidentiary support for its contentions in this regard, however. Thus, we are left with attorney argument as to Purus's relationship to Petitioner and possible control over the Petition in this proceeding.

Whether a party who is not a named participant in a given proceeding nonetheless constitutes a real party-in-interest is a "highly fact-dependent question." 77 Fed. Reg. at 48,759 (citing *Taylor v. Sturgell*, 533 U.S. 880 (2008)). In view of the above, we authorize additional discovery from Petitioner in relation to non-redundant documents in Petitioner's possession showing the corporate and management structure of Purus, including documents that specify the duties of the President and Directors of Purus. By "non-redundant documents," we refer to documents that provide information beyond that already presented in Ex. 2005 and previously stipulated by the parties. Specifically, we refer to documents that indicate a

corporate structure that differs from that presented in Ex. 2005 (if that is the case), as well as documents that indicate the duties and responsibilities of the President and Directors of Purus, as of the Petition filing date of July 23, 2014.

C. Patent Owner's Discovery Request (2)

In view of the above and below, we authorize Patent Owner's Request (2) in-part. Specifically, we authorize discovery in the form of a list, to be prepared by Petitioner, identifying persons who provided direction to, or had the authority to provide direction to, Petitioner or its counsel in relation to this proceeding, including persons who reviewed, or were given the opportunity to review, papers filed in this proceeding.

D. Patent Owner's Discovery Request (3)

In view of the above, we also authorize discovery in relation to documents in Petitioner's possession showing communications between (i) John Hoffmann, Chuck Letchman, Frank Fenimore, Jr., Frank Fenimore, other employees of Petitioner, or Petitioner's counsel, and (ii) Mr. Brandon Smith and/or any other Directors, officers, or executives of Purus other than Mr. Hoffman and Mr. Letchman, regarding the current proceeding.

E. Request for Deposition of Mr. Hoffmann or Mr. Letchman

Patent Owner requests a deposition of Mr. Hoffmann and/or Mr. Letchman regarding their role "in governing Lone Star and Purus Labs as well as their participation in the corporate decisions made as to the initiation, maintenance, and funding of this IPR." Mot. App. A, 4. Aspects of this deposition request appear overly broad and/or unnecessary in view of evidence already of record and/or other authorized discovery requests. For example, the record already clarifies that Mr. Hoffmann and Mr. Letchman

function as corporate management for Petitioner itself, and, therefore, likely participated “in the corporate decisions made as to the initiation, maintenance, and funding of this IPR” in that capacity. *Id.*

In addition, as noted above, Petitioner relied on a Declaration by Mr. Hoffman in its Opposition to Patent Owner’s Motion for Additional Discovery, but declined to make Mr. Hoffman available for cross-examination by deposition. At this time, we will not compel Petitioner to produce Mr. Hoffman or Mr. Letchman as a witness, but strike Mr. Hoffman’s Declaration from the record. Paper 31. We point out to the parties that we will likely give little to no weight to mere attorney argument pertaining to the real party-in-interest issue, especially given the “highly fact-dependent” nature of the inquiry. 77 Fed. Reg. at 48,759.

III. CONCLUSION

In view of the above, we grant Patent Owner certain discovery from Petitioner, as discussed above, which Petitioner shall produce within one week from the date of this Order or by a date agreed upon by the parties. Within one week thereafter, e.g., two weeks from the date of this Order, Patent Owner may, if it wishes, request authorization to file a motion to dismiss the Petition for failure to name all real parties-in-interest.

It is:

ORDERED that Patent Owner’s Motion for Additional Discovery is GRANTED-IN-PART as to Requests (1), (2), and (3), as discussed above;

FURTHER ORDERED that Petitioner shall produce and serve the above-mentioned documents within a week from the date of this Order or by a date agreed upon by the parties;

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

FURTHER ORDERED that the Scheduling Order is revised such that DUE DATE 1 is June 3, 2015, DUE DATE 2 is August 19, 2015, DUE DATE 3 is September 9, 2015, and DUE DATE 4 is September 23, 2015.

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PETITIONER:

John Rollins
jfr@burchdallmann.com

Andrew Dallmann
asd@burchdallmann.com

PATENT OWNER:

Joseph Lucci
jlucci@bakerlaw.com

William Smith
wsmith@bakerlaw.com

David Farsiou
dfarsiou@bakerlaw.com