

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

KAPSCH TRAFFICCOM IVHS INC., KAPSCH TRAFFICCOM IVHS
HOLDING CORP., KAPSCH TRAFFICCOM IVHS TECHNOLOGIES
HOLDING CORP., KAPSCH TRAFFICCOM U.S. CORP., and
KAPSCH TRAFFICCOM HOLDING CORP.,
Petitioner,

v.

NEOLOGY, INC.,
Patent Owner.

Case IPR2015-00808 (Patent 6,229,443)
Case IPR2015-00814 (Patent 6,690,264)
Case IPR2015-00815 (Patent 8,587,436)
Case IPR2015-00818 (Patent 8,237,568)
Case IPR2015-00819 (Patent 8,325,044)
Case IPR2015-00823 (Patent 7,119,664)
Case IPR2015-00824 (Patent 7,119,664)¹

¹ This Decision addresses issues that are the same in all seven cases. We exercise our discretion to issue one Decision to be filed in each case. The parties are not authorized to use this style heading.

Before JUSTIN T. ARBES, GLENN J. PERRY, and
TREVOR M. JEFFERSON, *Administrative Patent Judges*.

PERRY, *Administrative Patent Judge*.

DENIAL OF MOTIONS TO VACATE
Real Party In Interest Under 35 U.S.C. § 312(a)(2)

I. INTRODUCTION

Petitions seeking *inter partes* reviews were filed in each of the captioned cases by Kapsch TrafficCom IVHS Inc. (“Kapsch TC IVHS”), Kapsch TrafficCom IVHS Holding Corp., Kapsch TrafficCom IVHS Technologies Holding Corp., Kapsch TrafficCom U.S. Corp., and Kapsch TrafficCom Holding Corp. (collectively “Petitioners”). Mot. 1. These Petitions challenge six patents owned by Neology, Inc. (“Neology”). Each Petition also names three additional corporate entities as real parties in interest (“RPI”): Kapsch TrafficCom Holding II US Corp.; Kapsch TrafficCom AG (“Kapsch TCAG”); and Kapsch TrafficCom, B.V. (“Kapsch TCBV”). Decisions regarding institution of trial are being issued in these cases.

Neology filed substantially identical motions to vacate² in each of its seven *inter partes* review matters challenging six different patents. These motions are based on Petitioners’ failure to name at least two additional

² IPR2015-00808, Paper 8 (“Mot.”); IPR2015-00814, Paper 8; IPR2015-00814, Paper 8; IPR2015-00818, Paper 8; IPR2015-00819, Paper 10; IPR2015-00823, Paper 8; IPR2015-00824, Paper 8;

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

corporate entities as RPIs: Kapsch-Group Beteiligungs GmbH (“Kapsch-Group”) and Kapsch Aktiengesellschaft (“Kapsch AG”). For simplicity, we discuss Neology’s motion made in IPR2015-00808, which is illustrative. Our conclusions apply to all seven *inter partes* reviews.

According to Neology, because the Petition in each case fails to identify all real parties in interest (“RPI”), it is not entitled to a filing date. *See* 35 U.S.C. § 312(a)(2) (a petition for *inter partes* review may be considered “only if” it meets certain statutory requirements, including identification of “all” real parties in interest); 37 C.F.R. § 42.106; Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) (“Trial Practice Guide”). It has been more than one year since the service on Petitioners of a complaint asserting the challenged patents against them. Consequently, 37 C.F.R. § 42.106, which affords Petitioners one month to correct a defective petition, is inapplicable, and if a new filing date were accorded, the Petitions would be time-barred under 35 U.S.C. § 315(b).

Neology’s motion attempts to demonstrate sufficient involvement of the unnamed corporate entities based on 1) events surrounding a settlement meeting, 2) statements made in Kapsch-Group public documents, and 3) “admissions” by Kapsch AG. Petitioners oppose the motion.³ For reasons stated below, we DENY Neology’s motion to vacate.

³ IPR2015-00808, Paper 9 (“Opp.”); IPR2015-00814, Paper 9; IPR2015-00814, Paper 9; IPR2015-00818, Paper 9; IPR2015-00819, Paper 11; IPR2015-00823, Paper 9; IPR2015-00824, Paper 9.

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

II. APPLICABLE LAW

A. Burden

We generally accept a petitioner's identification of real parties in interest at the time of filing the petition. *See* Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents; Final Rule, 77 Fed. Reg. 48,680, 48,695 (Aug. 14, 2012). A patent owner challenging a petitioner's RPI disclosure must provide sufficient evidence to show the disclosure is inadequate. *Intellectual Ventures Mgmt., LLC v. Xilinx, Inc.*, Case IPR2012-00018, slip op. at 3 (PTAB Jan. 24, 2013) (Paper 12). Prior to institution, when a patent owner provides sufficient evidence that reasonably brings into question the accuracy of a petitioner's identification of RPI, the overall burden remains with the petitioner to establish that it has complied with the statutory requirement of 35 U.S.C. § 312(a)(2) to identify all real parties in interest. *Zerto, Inc. v. EMC Corp.*, Case IPR2014-01254, slip op. at 6–7 (PTAB Feb 12, 2015) (Paper 32).

B. Considerations and Factors

As stated in the Trial Practice Guide, whether a party who is not a named participant in a given proceeding is a “real party-in-interest” to that proceeding “is a highly fact-dependent question.” 77 Fed. Reg. at 48,759 (citing *Taylor v. Sturgell*, 533 U.S. 880 (2008)). There is no “bright line test.” *Id.* In general, a “real party-in-interest” is “the party that desires review of the patent,” and “may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed.” *Id.* The Supreme Court in *Taylor* set forth a list of factors that might be relevant in a

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

particular case. 533 U.S. at 893–95. Although “rarely will one fact, standing alone, be determinative of the inquiry” (Trial Practice Guide, 77 Fed. Reg. at 48,760), “[a] common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding” (*id.* at 48,759 (citations omitted)); *see also Reflectix, Inc. v. Promethean Insulation Tech. LLC*, Case IPR2015-00039, slip op. at 12 (PTAB April 24, 2015) (Paper 18) (“The proper RPI analysis [] focuses on . . . the degree to which [the related non-named entity] exercised, or could have exercised, control over the Petitions.”).

Other considerations may include whether a non-party “funds and directs and controls” an IPR petition or proceeding; the non-party’s relationship with the petitioner; the non-party’s relationship to the petition itself, including the nature and/or degree of involvement in the filing; and the nature of the entity filing the petition. Trial Practice Guide, 77 Fed. Reg. at 48,760; *see also id.* at 48,759 (citing *Taylor*, 553 U.S. at 893–95 & n.6 (2008)). A party does not become a RPI merely through association with another party in an endeavor unrelated to the IPR proceeding. *Id.* at 48,760; *see also Denso Corp. v. Beacon Navigation GmbH*, Case IPR2013-00026, slip op. at 10–11 (PTAB Mar. 14, 2014) (Paper 34) (stating that the mere fact that parties are co-defendants or concurrent defendants in related litigation does not make them RPI).

When a patent owner asserts control as a basis for a non-party being a real party in interest, the non-party’s participation with the petitioner may be overt or covert, and the evidence may be direct or circumstantial, but the evidence as a whole must show that the non-party possessed effective

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

control over the IPR proceeding. *ZOLL Lifecor Corp. v. Philips Elec. N. Am. Corp.*, Case IPR2013-00609, slip op. at 10 (PTAB Mar. 20, 2014) (Paper 15). In this regard, we consider “the degree of control the nonparty could exert over the *inter partes* review.” *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, Case IPR2014-01288, slip op. at 11 (PTAB Feb. 20, 2015) (Paper 13).

We may consider whether a non-party “has the actual measure of control or opportunity to control that might reasonably be expected between two formal coparties.” Trial Practice Guide, 77 Fed. Reg. at 48,759 (quoting 18A Charles Alan Wright *et al.*, FEDERAL PRACTICE & PROCEDURE § 4451 (2d ed. 2011)) (internal quotations omitted). We also may consider whether a petitioner’s actions “have blurred sufficiently the lines of corporate separation with [an unnamed related entity], such that [the entity] could have controlled the filing and participation of the IPRs.” *ZOLL Lifecor Corp. v. Philips Elec. N. Am. Corp.*, Case IPR2013-00606, slip op. at 10 (PTAB Mar. 20, 2014) (Paper 13); *see also Galderma S.A. v. Allergan Industrie, SAS*, Case IPR2014-01422, slip op. at 12 (PTAB Mar. 5, 2015) (Paper 14) (same person serving as President and CEO of both parent and subsidiary determined to have “a significant degree of effective control over the present matter”).

III. ANALYSIS

A. Summary of Neology Arguments

Neology argues that a settlement meeting held on February 23, 2015 demonstrates that Kapsch-Group and/or Kapsch AG control this IPR proceeding. Mot. 10. Neology further argues that statements made in public

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

documents establish that Kapsch-Group controls or has the ability to control Petitioners, either directly or through Kapsch TCAG. *Id.* at 12. Neology further argues that “admissions” by Kapsch AG establish that it controls Kapsch TCAG and Petitioners. *Id.* at 14.

B. Settlement Meeting of February 23, 2015

Neology argues that a settlement meeting held on February 23, 2015 demonstrates that Kapsch-Group and/or Kapsch AG control this IPR proceeding and therefore should have been named as a real party in interest. Mot. 10–12.

1. Events Leading Up to Settlement Meeting

In March 2013, Neology’s parent company, Smartrac N.V. (“Smartrac”), and Petitioner Kapsch TrafficCom Holding Corp. discussed and evaluated a potential acquisition. Opp. 3–4 (citing Ex. 1023). A confidentiality agreement executed in connection with that effort listed Petitioner Kapsch TrafficCom IVHS Inc. and Kapsch TCAG as “Affiliates” of Kapsch TrafficCom Holding Corp., and did not mention Kapsch-Group or Kapsch AG. *Id.* at 4. The agreement was signed by Smartrac’s Chairman and CFO Christian Uhl and Kapsch TrafficCom Holding Corp.’s Chairman Gerhard Plaschka and CFO Michael Hofer. *Id.* No acquisition occurred. *Id.*

On February 28, 2014, Neology sued the Petitioner entities for patent infringement. Neither the first nor second amended complaint mentioned any involvement by Kapsch-Group or Kapsch AG, the two alleged unnamed real parties in interest. *Id.*; *see* Ex. 2001.

In September, 2014, Joerg Zirener of One Equity Partners, the majority shareholder of Smartrac, requested a meeting with Dr. Franz

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

Semmernegg, Chairman of Kapsch TCAG's supervisory board, to discuss Neology's lawsuit. Opp. 4 (citing Ex. 1024 ¶ 9). According to Petitioners, Mr. Zirener knew Dr. Semmernegg from prior business discussions and told Dr. Semmernegg that he felt there was too much emotion involving the parties in the U.S. and proposed working to a solution in Europe. *Id.* at 4 (citing Ex. 1024 ¶¶ 9, 10). Dr. Semmernegg passed along the request to Kapsch TrafficCom Holding Corp.'s Chairman, Dr. Plaschka, who instructed Dr. Semmernegg to decline the request. *Id.* at 4 (citing Ex. 1024 ¶ 11).

In January 2015, Dr. Plaschka requested that Dr. Semmernegg reach out to Mr. Zirener to set up a meeting because the two knew each other and because Mr. Zirener had contacted him several months earlier. *Id.* (citing Ex. 1024 ¶ 12). According to Petitioners, Dr. Semmernegg's only role at this meeting was to deliver Petitioners' settlement proposal. *Id.* at 5 (citing Ex. 1024 ¶ 14).

According to Neology, on January 16, 2015, Dr. Semmernegg called Mr. Zirener and suggested a meeting to discuss resolution of the dispute between Petitioners and Neology. Mot. 4 (citing Ex. 2007).

Dr. Semmernegg's confirmation email included a signature line identifying himself as "Chairman of the Board" of Kapsch BusinessCom AG. *Id.* (citing Ex. 2008). Petitioners do not dispute this.

Discussions ensued among litigation counsel, during which Petitioners raised the specter of an inequitable conduct counterclaim to Neology's infringement claim. *Id.* As a result of these discussions, Dr. Semmernegg and Mr. Zirener agreed that a meeting would happen "at the parent level

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

between folks in Stuttgart on your [Neology parent] end and Vienna on mine from Kapsch AG.” Mot. 4–5 (citing Ex. 2009) (emphasis omitted).

Neology argues that these preliminary communications establish that Dr. Semmernegg would be negotiating as an executive of Kapsch-Group and/or Kapsch AG and that the Kapsch executives at the meeting would come from “Kapsch AG.” Mot. 10 (citing Exs. 2009, 2010). Neology further argues that if the meeting did not result in the resolution of the district court case, the defendants indicated that they would file *inter partes* review petitions challenging the patents. *Id.* (citing Exhibits 2010–14).

Petitioners argue that the email exchange does not establish that Dr. Semmernegg would be participating “as an executive of Kapsch-Group and/or Kapsch AG.” Opp. 12. According to Petitioners, “Kapsch AG” was used as shorthand for “Kapsch TrafficCom AG” to distinguish it from the five Petitioners that also have “Kapsch TrafficCom” in their names. Opp. 12 (citing Ex. 1025 ¶ 8). Similarly, use of “at the parent level” by Petitioners’ counsel refers again to Kapsch TCAG, a parent of the Petitioner entities, and Neology’s parent Smartrac. *Id.* (citing Ex. 1025 ¶ 9). Petitioners’ counsel was not referring to either Kapsch AG (which is not a parent of Petitioners) or Kapsch-Group. *Id.* And nothing in the emails suggests that “Kapsch AG” controlled whether the *inter partes* review petitions would be filed. *Id.*

We find Petitioners’ interpretation of events leading up to the settlement meeting to be plausible and supported by evidence in the record. Dr. Semmernegg states in his declaration that he communicated the settlement proposal, and told Mr. Uhl that he had “no power to negotiate a settlement.” Ex. 1024 ¶¶ 13–16. We agree with Neology that Dr.

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

Semmernegg delivered the settlement proposal on behalf of the “defendants.” *See id.* Petitioners are the defendants in the district court case; Kapsch-Group and Kapsch AG are not named as defendants. Dr. Semmernegg wears multiple hats within the Kapsch Family and likely was engaged by the defendants as a capable resource to present the settlement proposal on behalf of the “defendants.” The engagement of Dr. Semmernegg under these circumstances does not compel a conclusion that either Kapsch-Group or Kapsch AG controlled conduct of the IPRs.

2. *Settlement Meeting of February 23, 2015*

Neology argues that the “settlement” meeting held on February 23, 2015 in Vienna among Dr. Semmernegg and Messrs. Uhl (Smartrac CEO) and Zirener shows that Kapsch-Group and Kapsch AG control the IPRs. At that meeting, Dr. Semmernegg tendered a business card (Ex. 2006) identifying himself as “Member of the Board” of Kapsch-Group. Mot. 10.

Neology argues that Dr. Semmernegg’s presence on behalf of Kapsch-Group suggests that Kapsch-Group and Kapsch AG “controlled the decisions regarding Petitioners’ activities.” *Id.*

Kapsch disagrees and argues that Dr. Semmernegg’s presence and actions at the February 23 meeting do not suggest that Kapsch-Group and Kapsch AG “controlled the decisions regarding Petitioners’ activities.” Opp. 13. Dr. Semmernegg, Chairman of the Kapsch TCAG Supervisory Board, represented Petitioners at the meeting. *Id.* (citing Ex. 1024). Mr. Uhl admits that Dr. Semmernegg stated that he made the proposal on behalf of Kapsch TrafficCom Holding Corp. Ex. 2005 ¶ 6. The settlement offer came from Petitioners. *Id.* Dr. Semmernegg relayed that offer to Messrs.

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

Uhl and Zirener, and made clear that he did not have authority to settle and would have to relate back Neology's counterproposal to Petitioners. *Id.* Petitioners further argue that Neology identifies no requirement that someone who appears at a negotiation must have "legal authority" to settle it then and there. *Id.*

Petitioners further argue that Dr. Semmernegg's business card does not indicate he was appearing in his role at Kapsch-Group. *Id.* Dr. Semmernegg has responsibilities in multiple companies, including companies that Neology does not suggest are RPIs. *Id.* at 13–14 (citing Ex. 2008 (signature block)). As explained above, Dr. Semmernegg merely relayed Petitioners' proposal and has no involvement in these proceedings or the district court case according to Petitioners. *Id.*

Mr. Uhl admits that Dr. Semmernegg stated that "he made this proposal on behalf of Kapsch TrafficCom." Ex. 2005 ¶ 6. Mr. Uhl responded that Neology's settlement proposal was for Kapsch TrafficCom Holding Corp. to acquire Neology. Ex. 1024 ¶ 15. Further, according to Petitioners, following the meeting, Dr. Semmernegg has had no involvement with this proceeding or the district court case. Opp. 14. Based on these facts, we are not persuaded that Dr. Semmernegg's presence at the settlement meeting or his business card demonstrate that either Kapsch-Group or Kapsch AG controlled the *inter partes* reviews.

C. Public Statements

Neology argues that statements made in public documents establish that Kapsch-Group controls or has the ability to control Petitioners, either directly or through Kapsch TCAG. Mot. 12.

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

1. The Statements

Neology argues that Kapsch-Group’s public documents indicate its control over Petitioners. Chief among these documents is a Kapsch-Group Annual Report (Ex. 2002) that (1)⁴ refers to “consolidated” subsidiaries of Kapsch-Group, which Kapsch-Group has the power to govern. Mot. 3, 12 (citing Ex. 2002, 96–97, 104). Additional statements noted by Neology (Mot. 12–13) include statements that: (2) Kapsch-Group owns 61.92% of the voting shares of Kapsch TCAG (Ex. 2002, 67, 95); (3) Kapsch TCAG is the parent of Kapsch TCBV (a named RPI), which operates through yet more subsidiaries, including Petitioners (Ex. 2002, 26–27, 96–97); (4) Georg Kapsch is the CEO of both Kapsch-Group and Kapsch TCAG (Ex. 2002, 11, 52, 55); (5) Kapsch-Group manages the intellectual property rights in intelligent transportation systems, through which it monitors claims of infringement (Ex. 2002, 84); (6) Kapsch-Group and Kapsch TCAG list the identical address and phone number (Ex. 2015, 1–2); and (7) in disclosing that it has 5,484 employees worldwide, Kapsch-Group includes the employees of all subsidiaries, including Kapsch TCAG and Petitioners (Ex. 2002, 4, 14, 16). Similarly, Kapsch TCAG’s annual report discloses that Kapsch-Group provides services to Kapsch TCAG on group consolidation and legal advice (Ex. 2016, 83).

2. Petitioners’ Explanations for the Public Statements

Petitioners respond to the above-numbered statements as follows. For convenience, we correlate specific responses using the same numbers assigned to the various statements above.

⁴ The numbers of these statements are used for reference below.

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

(1) Petitioners argue that the annual report reflects that Kapsch-Group's subsidiaries are "consolidated" for purposes of disclosing Kapsch-Group's "Consolidated Financial Statements," but does not demonstrate that Kapsch-Group controls Petitioners in this proceeding. Opp. 9 (citing Ex. 2002, 7, 90–97).

(2) Petitioners argue that although Kapsch-Group owns 61.92% of the voting shares of Kapsch TCAG (Ex. 2002, 67, 95), "[t]here is a presumption of corporate separateness that must be overcome by clear evidence that the parent in fact controls the activities of the subsidiary." Opp. 8 (citing *Negrón-Torres v. Verizon Commc'ns, Inc.*, 478 F.3d 19, 27 (1st Cir. 2007)). Petitioners argue (Opp. 8) that the Board repeatedly has rejected assertions that a traditional parent/subsidiary relationship alone makes a parent a RPI. See *Sony Computer Entm't Am. LLC v. Game Controller Tech. LLC*, Case IPR2013-00634, slip op. at 7–8 (PTAB Apr. 2, 2015) (Paper 31); *Compass Bank v. Intellectual Ventures*, Case IPR2014-00786, slip op. at 6 (PTAB Sept. 24, 2014) (Paper 10).

(3) Petitioners argue that under U.S. law, Petitioners' "regulatory structure . . . treats the corporate family as a unified enterprise for at least some purposes," such as financial reporting; and "absent some compelling reason to disregard entity separateness, in the typical case courts should treat the various members of the corporate group as the separate corporations they are." Opp. 8–9 (citing *In re Teleglobe Commc'ns Corp.*, 493 F.3d 345, 371, 372 (3d Cir. 2007)).

(4) Petitioners acknowledge that Georg Kapsch is CEO of Kapsch-Group, Kapsch AG, and Kapsch TCAG. Opp. 9. However, Petitioners

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

point out that they do not share any executives with Kapsch-Group or Kapsch AG. *Id.* Further, that Kapsch TCAG shares certain corporate officers with other entities does not establish that either Kapsch-Group or Kapsch AG controls Petitioners in this proceeding. *Id.* (citing *Gillig v. Nike, Inc.*, 602 F.3d 1354, 1362 (Fed. Cir. 2010)). In addition, there are other unaffiliated executives, and each executive, including Mr. Kapsch, owes a fiduciary duty to act in Kapsch TCAG's best interest without influence from the controlling shareholder, i.e., Kapsch-Group. *Id.*

(5) Kapsch argues that this statement merely describes what occurs generally in the group (of which Kapsch TCAG and its subsidiaries are members). *Id.* It does not suggest that Kapsch-Group controls any litigation, let alone these proceedings. *Id.* at 9–10. Further, Kapsch TCAG's annual report shows that Kapsch TCAG is the entity that has implemented this IP management. *Id.* at 10 (citing Ex. 1021 at 69).

(6) Neology relies on Kapsch-Group, Kapsch AG, and Kapsch TCAG sharing an address and phone number and on Kapsch-Group including Petitioners' employees in its employee headcount. Mot. 13, 15. But according to Petitioners, Neology identifies no authority supporting its claim that a shared address or phone number makes a party an RPI. *Id.*

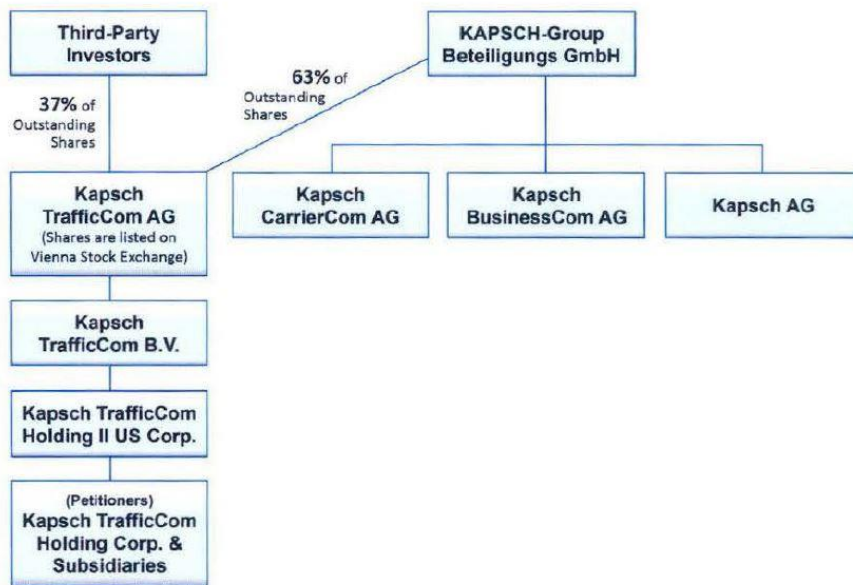
(7) Petitioners argue that it is unsurprising—and, in fact, to be expected—that Kapsch-Group includes Kapsch TCAG's employees in its headcount. *Id.* A basic purpose of a consolidated financial report of a parent entity is to report on the business as a whole including all subsidiaries, but that does not mean that the parent controls a subsidiary's participation in an IPR proceeding. *Id.*

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

Petitioners' explanations for each of the statements identified by Neology are supported by evidence in the record and are persuasive.

3. Kapsch Family

Dr. Semmernegg identifies in his declaration testimony various Kapsch corporate entities that are related as shown in the figure below. Opp. 3 (citing Ex. 1024 ¶ 7).



We collectively refer to these entities as the “Kapsch Family.” Kapsch-Group is based in Austria. *Id.* at 2. The five Petitioner entities are represented by a single block at the lower left of this figure. Petitioners’ parent (Kapsch TrafficCom Holding II US Corp.), grand-parent (Kapsch TrafficCom, B.V. (“Kapsch TCBV”)), and great-grandparent (Kapsch TrafficCom AG (“Kapsch TCAG”)) were identified by Petitioners as RPIs. These companies are represented by the three entities directly above the Petitioner box at the left side of the figure.

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

Kapsch-Group owns about 62% of the shares of Kapsch TCAG, which operates the “traffic” business responsible for the RFID technology at issue in the IPR proceedings. Opp. 2–3.

Also according to Petitioners, each of the Petitioner entities has its own board of directors and officers, appointed by the board, who supervise, direct, and control the business. *Id.* at 3. The commencement of any legal proceeding also requires the board’s approval. *Id.* (citing Ex. 2017 at 29). Accordingly, the Petitioners’ boards signed the powers of attorney in these proceedings. Paper 2. None of Petitioners’ officers or directors have positions with Kapsch TCAG, Kapsch AG, or Kapsch-Group. *Id.*

According to Petitioners, Kapsch TCAG is a publicly-traded company on the Vienna Stock Exchange, with almost 40% of its shares owned by third-parties. *Id.* at 2–3 (citing Ex. 1021, 34). It has an executive board that directs the company’s business and a supervisory board that appoints and supervises the executive board. *Id.* Kapsch TCAG complies with the Austrian Code of Corporate Governance, which requires the executive board to make decisions without being influenced by the interests of any controlling shareholder. *Id.* (citing Ex. 1024 ¶ 7) (emphasis omitted).

Neology points out that Kapsch-Group is managed by an Executive Board consisting of Georg Kapsch (CEO), Kari Kapsch (COO), and Dr. Franz Semmernegg (CFO). Mot. 3. These executives hold the same titles at Kapsch AG. *Id.* Georg Kapsch also serves as CEO of Kapsch TCAG, and Dr. Semmernegg is chairman of the Supervisory Board of Kapsch TCAG. *Id.* Kapsch TCAG’s Executive Board “is responsible for directing the business and represents the company in dealings with third parties.” *Id.*

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

(citing Ex. 2003, 2) (emphasis omitted). The Supervisory Board “is responsible for appointing and dismissing the members of the executive board and supervision of the business conducted by the executive board,” but “does not actively manage the company.” *Id.* at 3–4 (citing Ex. 2002, 11, 52, 55, 153; Ex. 2003, 2) (emphasis omitted).

D. Kapsch AG “Admissions”

Neology argues that “admissions” by Kapsch AG establish that it controls Kapsch TCAG and Petitioners. Mot. 14–15.

Neology argues that Kapsch AG provides management and consulting services to Kapsch TCAG and its subsidiaries, including Petitioners. Mot. 14 (citing Ex. 2016, 83). Kapsch TCAG shares its CEO, Georg Kapsch, with Kapsch AG, and Georg Kapsch’s work at Kapsch TCAG includes “management and consulting services provided by Kapsch AG.” *Id.* (citing Ex. 2003, 3–5). Kapsch AG buys insurance on behalf of Kapsch TCAG and Petitioners, and carries out corporate development, public relations, and marketing activities for Kapsch TCAG and Petitioners. *Id.* (citing Ex. 2016, 83). Kapsch AG also was the applicant for, and is the owner of, the trademark “KAPSCH TRAFFICCOM,” registered with the USPTO and the Austrian Patent Office. *Id.* at 14–15 (citing Ex. 2018, 1–2, 12–20). Georg Kapsch signed the Power of Attorney and Designation of Domestic Representative on behalf of Kapsch AG when it applied for the mark in the U.S. *Id.* at 15 (citing Ex. 2018, 9, 11). Further, the mark is used as a trade name to identify Kapsch AG. *Id.* (citing Ex. 2019, 1). Finally, Kapsch AG and Kapsch TCAG (together with Kapsch-Group) share the same address, phone number, and fax number. *Id.* (citing Ex. 2015, 1–2; Ex. 2020). Thus,

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

Neology argues Kapsch AG should have been named as a real party in interest.

Petitioners disagree with Neology's conclusions with respect to Kapsch AG. Kapsch AG is not a parent of Kapsch TCAG. Opp. 8 (citing Ex. 1024 ¶ 5). Rather, Kapsch AG merely provides support services for several Kapsch companies, including Kapsch TCAG, for which Kapsch TCAG pays. *Id.* Although Kapsch-Group is a majority shareholder in Kapsch TCAG, that is not evidence Kapsch-Group controls or has the ability to control Petitioners or these IPR proceedings according to Petitioners. *Id.* Petitioners note that none of the Petitioner entities share any executives with Kapsch AG. *Id.* at 9. According to Petitioners, Neology overlooks the other unaffiliated executives, as well as the fiduciary duty that each executive, including Mr. Kapsch, has to act in Kapsch TCAG's best interest without influence from the controlling shareholder, i.e., Kapsch-Group. *Id.*

Petitioners acknowledge that Kapsch-Group, Kapsch AG, and Kapsch TCAG share an address and phone number and that the Kapsch AG headcount is included in the consolidated financial report of Kapsch-Group, but argue that these facts are insignificant, as explained above. Opp. 10; *see supra* Section III.C.2.

Petitioners argue that although Kapsch AG provides specialized services (e.g., insurance, management, and consulting services) to other Kapsch Family entities, Kapsch TCAG reimburses Kapsch AG for these services. Opp. 10–11 (citing Ex. 1021, 132). Neology's argument that Kapsch AG controls Kapsch TCAG because it applied for and owns the "Kapsch TrafficCom" trademark overlooks certain facts according to

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

Petitioners. *Id.* at 11. Specifically, Kapsch AG applied for this trademark in 2002. *Id.* (citing Ex. 2018, 1). Kapsch TCAG was not formed until 2002, and did not become a public company until 2007. *Id.* (citing Ex. 1021, 18–19). Petitioners contend that Kapsch AG holds trademarks for its parent company and all the other Kapsch subsidiaries and licenses the trademarks to them, and that Kapsch TCAG and Petitioners own the trademarks for the specific products they sell and the patents relating to those products. *Id.* (citing Exs. 1021, 1026, 1027). Again, Petitioners’ arguments are supported by evidence in the record and are persuasive.

Finally, Petitioners argue that the relationship between Kapsch-Group and Kapsch TCAG is “nowhere near the level of intertwining and control found in the cases cited by Neology in which the Board found that unnamed entities were RPIs.” Opp. 13–14. In those cases, according to Petitioners, the petitioner and the unnamed entities effectively were indistinguishable. *See, e.g., Galderma S.A. v. Allergan Indus.*, Case IPR2014-01422, slip op. at 11–12 (PTAB Mar. 5, 2015) (Paper 14) (finding “pattern of intertwined control” between Galderma and Nestlé and “Nestlé made good on its promise to operate Galderma ‘as the pharmaceutical arm of Nestlé Skin Health S.A.’”); *Atlanta Gas Light Co. v. Bennet Regulator Guards, Inc.*, Case IPR2013-00453, slip op. at 11 (PTAB Jan. 6, 2015) (Paper 88) (“Rather than maintaining well-defined corporate boundaries, AGLR, Petitioner, and AGLS are so intertwined that it is difficult . . . to determine precisely where one ends and another begins.”); *ZOLL Lifecor Corp. v. Philips Elecs. N.A. Corp.*, Case IPR2013-00609, slip op. at 15 (PTAB Mar. 20, 2014) (Paper 15) (“Petitioner and Zoll Medical repeatedly held

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824 Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and 7,119,664

themselves out to the District Court . . . as a single entity.”). We agree with Petitioners that the corporate boundaries between Petitioners, Kapsch-Group, and Kapsch AG are clear, and that the various companies are distinguishable, unlike the situations in the cases cited by Neology.

E. Conclusions

We are not persuaded that the cited public statements, or the corporate relationship among Kapsch-Group, Kapsch AG, and Petitioners, demonstrate that Kapsch-Group or Kapsch AG are real parties in interest in these proceedings. Importantly, Petitioners have submitted evidence that the Petitions were authorized by Petitioners’ boards of directors alone, and that Kapsch-Group and Kapsch AG have not paid any filing or legal fees in connection with the proceedings. *See* Opp. 7 (citing Ex. 1024 ¶ 8). Funding of a petition for *inter partes* review can be an important factor in determining whether a non-party is a real party in interest. *See* Trial Practice Guide, 77 Fed. Reg. at 48,760.

Further, we agree with Petitioners’ arguments that there are clearly delineated boundaries between Kapsch-Group, Kapsch AG, and the other entities in the Kapsch Family, and that Neology’s evidence does not show control or the opportunity to control by Kapsch-Group or Kapsch AG over Petitioners in these proceedings.

Viewing the entirety of the facts and circumstances set forth in the Motion and Opposition and the accompanying exhibits, we are not persuaded that Kapsch-Group and/or Kapsch AG should have been named as real parties in interest.

Case IPR2015-00808, -00814, -00815, -00818, -00819, -00823, and -00824
Patents 6,229,443; 6,690,264; 8,587,436; 8,237,568; 8,325,044; and
7,119,664

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that Neology's Motion to Vacate is DENIED.

PETITIONER:

Gregg F. LoCascio, Gregg.locasio@kirkland.com
Nathan Mammen, Nathan.mammen@kirkland.com
KIRKLAND & ELLIS LLP

PATENT OWNER:

Noel C. Gillespie, noel.gillespie@procopio.com
Victor M. Felix, victor.felix@procopio.com
PROCOPIO, CORY, HARGREAVES & SAVITCH LLP