

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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INTERNATIONAL BUSINESS MACHINES CORPORATION,  
Petitioner,

v.

INTELLECTUAL VENTURES II LLC,  
Patent Owner.

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Cases IPR2015-01322 and IPR2015-001323<sup>1</sup>  
Patent 6,314,409 B2

Before KRISTEN L. DROESCH, BARBARA A. PARVIS, and  
MATTHEW R. CLEMENTS, *Administrative Patent Judges*.

DROESCH, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Motion for Additional Discovery  
*37 C.F.R. §§ 42.51(b)(2)(i), 42.71(b)*

INTRODUCTION

Pursuant to authorization from the panel, Intellectual Ventures II  
("Patent Owner") filed a Motion for Additional Discovery (Paper 8,

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<sup>1</sup> This Decision addresses issues that are the same in both cases. Therefore, we exercise our discretion to issue one Decision to be filed in each case. The parties are not authorized to use this style heading.

IPR2015-001322 and IPR2015-001323  
Patent 6,314,409

“Motion” or “Mot.”), and International Business Machines Corporation (“Petitioner” or “IBM”) filed an Opposition (Paper 9, “Opp.”). Patent Owner seeks production of certain documents, and authorization to take a deposition of an IBM designee. Mot. 3–4. Patent Owner states J.P. Morgan Chase & Co. and two subsidiaries (“JPMC”) were served with a complaint in June 2013 alleging infringement of Patent No. 6,314,409, and four other Patents in *Intellectual Ventures II LLC v. JP Morgan Chase & Co.*, No 13-377 (S.D.N.Y) (“New York litigation”). *Id.* at 1 (citing Ex. 2002, Ex. 2003). Patent Owner asserts “[t]he requested discovery is needed in the interest of justice to determine whether IBM is in privity with JPMC with respect to the New York litigation, and therefore, whether this *inter partes* review is time-barred under 35 U.S.C. § 315 (b).” Mot. 4. For the reasons explained below, Patent Owner’s Motion is denied.

## REQUESTS

Patent Owner seeks the following documents from Petitioner:

Doc. Req. 1: Common-interest or joint-defense agreements to which IBM is a party that apply to any litigation involving claims of infringing the ’409 patent.

Doc. Req. 2: Agreements between IBM and JPMC under which IBM has a right, duty, or option to indemnify or defend (or control the defense of) JPMC from claims of infringing the ’409 patent as asserted in the New York litigation.

Doc. Req. 3: Agreements between IBM and JPMC under which JPMC notified IBM of, or demanded that IBM indemnify or defend (or control the defense of) JPMC from claims of infringing the ’409 patent as asserted in the New York litigation.

Doc. Req. 4: All notifications or demands by JPMC that IBM indemnify or defend (or control the defense of) the claims against JPMC of infringing the '409 patent as asserted in the New York litigation.

Mot. 3–4. Patent Owner also requests deposition testimony of an IBM designee regarding the substance of the documents requested, control or funding of JPMC defense in the New York litigation, and JPMC's notifications or demands that IBM indemnify or defend JPMC in the New York litigation. *Id.* at 4.

### ANALYSIS

Patent Owner asserts “[t]he requested discovery is needed in the interest of justice to determine whether IBM is in privity with JPMC with respect to the New York litigation, and therefore, whether this *inter partes* review is time-barred under 35 U.S.C. § 315 (b).” Mot. 4. Whether a non-party is a “privity” for purposes of an *inter partes* review proceeding is a “highly fact-dependent question” taking into account how courts generally have used the terms to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012). Privity depends on whether the relationship between a party and its alleged privity is “sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Id.* One consideration in the privity inquiry is “whether the non-party exercised or could have exercised control over a party’s participation in a proceeding.” *Id.*

Patent Owner asserts “[e]ach of the Garmin factors for additional discovery is satisfied here.” Mot. 4 (citing *Garmin Int’l, Inc. v. Cuozzo Speed Techs LLC*, IPR2012-00001, Paper 26 (Mar. 5, 2013)). A party

seeking additional discovery “must show that such additional discovery is in the interests of justice.” 37 C.F.R. § 42.51(b)(2)(i); *accord* 35 U.S.C. § 316(a)(5). The *Garmin* factors are instructive in the determination of whether additional discovery is necessary in the interest of justice. According to the first *Garmin* factor, a party should already be in possession of evidence tending to show beyond speculation that in fact something useful will be uncovered. *Garmin* at 6–7. Something “useful” does not mean merely “relevant,” but something favorable in substantive value to a contention of the party moving for discovery. *Id.* at 7–8. The discovery-seeking party needs to set forth only a threshold amount of evidence tending to show that the discovery it seeks factually supports its contention. *See id.* at 8–9. In applying the first *Garmin* factor to the issue of privity before us, Patent Owner should already be in possession of evidence tending to show beyond speculation that the requested discovery will uncover something favorable to showing that Petitioner controls, or has had the opportunity to control, JPMC’s participation in the New York litigation.

Patent Owner asserts “[p]ublicly available information demonstrates a *high probability* that useful information will be uncovered—evidence showing that IBM had, at minimum, the contractual right to control JPMC’s defense in the New York litigation.” Mot. 5 (emphasis added). Patent Owner directs our attention to the “IBM Client Relationship Agreement,” (Ex. 2008) and “IBM Customer Agreement” (Ex. 2009) (“Agreements”) available on Petitioner’s website. *Id.*; *see also id.* at 2 (citing Ex. 2007). Patent Owner asserts that it is Petitioner’s “standard practice is to give itself the right, if not the duty, to ‘control [the] defense and settlement’ of infringement claims made against its customers for using [Petitioner’s]

IPR2015-001322 and IPR2015-001323  
Patent 6,314,409

products.” *Id.* (citing Ex. 2008, 3; Ex. 2009 § 19.1). Patent Owner further contends Petitioner’s “right to control is triggered when a customer ‘notifies IBM in writing of the claim.’” Mot. 5.

Patent Owner asserts “it *appears* that Petitioner had this understanding with JPMC” and “also *appears* that JPMC’s notices resulted in IBM having at least the opportunity to control the New York litigation,” based on statements made by counsel for JPMC during proceedings in the New York litigation. Mot. 5 (emphases added) (citing Ex. 2005, 6–8). In this regard, Patent Owner contends “JPMC stated that IBM had contractual ‘duties’ or ‘rights’ to ‘take over a lawsuit or indemnify’ JPMC, and that JPMC sent two notice letters to IBM because it was ‘trying to coordinate [to] figure out [if] they [will] want to step in and take over the defense.’” *Id.* (citing Ex. 2005, 6–8). Patent Owner also directs attention to evidence indicating the existence of a common interest agreement between Petitioner, JPMC, and others accused of infringing the ’409 Patent. *Id.* at 2–3, 5–6 (citing Ex. 2010).

Petitioner argues Patent Owner’s discovery requests are not in the interest of justice, asserting the evidence that Patent Owner seeks, even if it exists, will not show Petitioner is in privity with others as to the ’409 Patent. Opp. 1. Petitioner argues that Patent Owner offers no evidence, beyond mere speculation, that any such agreements exist. *Id.* at 2, 5–6. Moreover, Petitioner asserts that Patent Owner offers no evidence “that any such agreement contains the same indemnification clause in the so-called ‘standard’ agreements.” Opp. 5–6. Petitioner further contends “[e]ven if such an agreement exists . . . [Patent Owner] has offered no evidence that

IPR2015-001322 and IPR2015-001323  
Patent 6,314,409

JPMC allowed IBM to control the defense of the case as to the '409 Patent.”  
*Id.* at 6.

Regarding Patent Owner’s contentions based on statements made by JPMC’s counsel in the New York litigation, Petitioner argues that Patent Owner “attempts to cherry-pick words and phrases from the transcript to tie together its other evidence.” Opp. 4. Petitioner contends that JPMC’s counsel merely states that JPMC sent out about two dozen notice to third parties in a five patent case. *Id.* (citing Ex. 2005, 6, l. 19–7, l. 2). Petitioner asserts that neither IBM nor the '409 Patent are mentioned in the cited transcript portions relied upon by Patent Owner for arguing: (1) IBM owes JPMC and indemnity obligation, and (2) JPMC was trying to coordinate with IBM to step in and take over its defense based on IBM’s indemnity obligations. Opp. 5 (citing Mot. 2; Ex. 2005, 7–8). With respect to the common interest agreements, Petitioner argues that the existence of such agreements do not establish that IBM had a full and fair opportunity to litigate the validity of the '409 Patent in any case asserting the '409 Patent. *Id.* at 2.

We agree that Patent Owner does not offer persuasive evidence that an agreement exists between JPMC and IBM. Even assuming there is such an agreement, we are not persuaded that it has an indemnification clause similar to the exemplary clauses in the Agreements (Ex. 2008, Ex. 2009) available on Petitioner’s website. *See* Opp. 5–6. Further, Patent Owner’s assertion that Petitioner has a standard practice of having the right to control the defense and settlement of infringement claims as triggered by customer notification is not supported sufficiently by the evidence. *See* Mot. 5 (citing Ex. 2008, Ex. 2009).

Even assuming the agreement contains indemnification clauses similar to those in the Agreements available on Petitioner’s website, we still would not be persuaded that Petitioner *actually* has control, or had the opportunity to control, the New York litigation because the Agreements include additional conditions, besides notification in writing, that must be met before IBM could assume control over litigation involving its client or customer (Ex. 2008, 3, Ex. 2009, 5, § 1.9.1). Patent Owner presents no evidence that those additional conditions were satisfied. For example, an additional condition present in both Agreements requires the client or customer to allow IBM to control the defense and settlement.<sup>2</sup> *Id.* As pointed out by Petitioner, Patent Owner does not offer evidence that JPMC allowed IBM to control the defense of the case as to the ’409 Patent in the New York litigation. Opp. 6.

Patent Owner’s assertion that IBM owes JPMC an indemnity obligation and assertion that JPMC tried to coordinate with IBM to take over its defense based on indemnity obligations are not supported sufficiently by the cited transcript portions from the New York litigation. *See* Opp. 5 (citing Mot. 8, 2–3, Ex. 2005, 7–8). As pointed out by Petitioner, neither IBM nor the ’409 Patent are mentioned in the cited transcript portions relied upon by Patent Owner. *Id.* (citing Ex. 2005, 7–8). A careful review of the transcript reveals that it is not clear which party(ies) counsel for JPMC is referring to when stating “we are trying to coordinate with them and figure

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<sup>2</sup> One of the Agreements requires a client to promptly supply requested information, and reasonable cooperation in the defense and settlement, and the other requires a customer to cooperate in the defense and settlement, and to be and remain in compliance with the product license terms and customer obligations. Ex. 2008, 3; Ex. 2009, 5, § 1.9.1.

out they are going to want to step in and take over the defense of some of these claims.” Ex. 2005, 7, ll. 9–12. Counsel for JPMC utilizes Cisco as an example when discussing potential indemnification obligations of third parties. Ex. 2005, 7, ll. 21–8, l. 12. In addition, counsel for JPMC references third party vendors generally when discussing whether agreements with the vendors include either duties or rights to indemnify JPMC. Ex. 2005, 8, l. 15–9, l. 3. In sum, careful review of the New York litigation transcripts reveals only that JPMC sent out notice letters to potential third parties—about two dozen companies, including IBM. Ex. 2005, 6–7.

Upon consideration of: (1) the non-executed Agreements available on Petitioner’s website, each including several conditions that must be satisfied prior to indemnification by IBM (Ex. 2007–2009), (2) JPMC’s counsel representation that JPMC sent out notice letters to two dozen companies including IBM (Ex. 2005, 6–7), and (3) the existence of a common interest agreement between IBM and JPMC and at least ten other parties (Ex. 2010), Patent Owner’s evidence does not meet the threshold amount of evidence tending to show that the requested discovery factually supports its contention—i.e., that Petitioner has control, or had the opportunity to control JPMC’s participation in the New York litigation. For example, it remains speculative whether any agreements between IBM and JPMC that would be produced according to document requests 2 and 3, or any related deposition testimony, would show that Petitioner has control, or had the opportunity to control, JPMC’s participation in the New York litigation. Accordingly, we are not persuaded that Patent Owner has set forth any more than a possibility and allegation that something useful will be found.

Patent Owner also contends briefly that requested discovery satisfies the remaining *Garmin* factors. Mot. 6–7. Petitioner argues the requested discovery is overly burdensome for several reasons. Opp. 6–7 (citing Mot. 3–4, Ex. 1016). We agree with Petitioner that the some of the document requests are overly burdensome as overbroad, and agree that deposition of an IBM designee would require expenditure of significant financial and human resources. *See* Opp. 6–7. In consideration of Patent Owner’s additional arguments addressing the remaining *Garmin* factors, we are not persuaded that any of these factors alone, or together, outweigh the deficiency of Patent Owner’s discovery request with respect to the first *Garmin* factor.

#### CONCLUSION

In consideration of the contentions of the parties, and supporting evidence, we are not persuaded that Patent Owner’s requested discovery is in the interest of justice.

#### ORDER

Accordingly,

it is ORDERED that Patent Owner’s Motion for Additional Discovery is DENIED.

IPR2015-001322 and IPR2015-001323  
Patent 6,314,409

PETITIONER:

Kenneth R. Adamo  
Eugene Goryunov  
Brent Ray  
Joel Merkin  
KIRKLAND & ELLIS LLP  
kenneth.adamo@kirkland.com  
eugene.goryunov@kirkland.com  
brent.ray@kirkland.com  
jmerkin@kirkland.com

PATENT OWNER:

Lori A. Gordon  
Jonathan M Strang  
Byron L. Pickard  
STERNE, KESSLER, GOLDSTEIN & FOX PLLC  
lgordon-PTAB@skgf.com  
jstrang-PTAB@skgf.com  
bpickard-PTAB@skgf.com