

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

BUNGIE, INC.,
Petitioner,

v.

WORLDS INC.,
Patent Owner.

Case IPR2015-01264, Patent 7,945,856 B2¹
Case IPR2015-01268, Patent 7,181,690 B1
Case IPR2015-01269, Patent 7,493,558 B2
Case IPR2015-01319, Patent 8,082,501 B2
Case IPR2015-01321, Patent 8,145,998 B2
Case IPR2015-01325, Patent 8,145,998 B2

Before KARL D. EASTHOM, KERRY BEGLEY, and JASON J. CHUNG,
Administrative Patent Judges.

EASTHOM, *Administrative Patent Judge.*

ORDER

Patent Owner's Motion for Routine or Additional Discovery
37 C.F.R. § 42.51

¹ This Decision is filed in each of the listed cases. The parties are not authorized to use this heading style. Paper and Exhibit numbers herein refer to Case IPR2015-01264, which is representative of the other cases for the issues addressed in this Decision.

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

Patent Owner (“Worlds”) filed a motion for routine or additional discovery in the instant proceedings (Paper 9, “Mot.” or “Motion”), and Petitioner (“Bungie”) filed an opposition (Paper 10, “Opp.” or “Opposition”).

In Patent Owner’s view, the requested discovery may lead to evidence showing that Activision Publishing, Inc. (“Activision”) is an unnamed real party-in-interest (“RPI”) in this proceeding—preventing institution of *inter partes* review (“IPR”) under 35 U.S.C. § 312(a)(2) and 35 U.S.C. § 315(b). Mot. 2–4. Patent Owner asserts that it filed a complaint alleging infringement of its patents by Activision (“Worlds/Activision Lawsuit”) over a year prior to the filing of the instant Petitions challenging the patents. *Id.* at 4.

Petitioner describes Activision as a software publisher and distributor that publishes third-party video games, including a videogame that Petitioner created, *Destiny*, pursuant to an “Agreement” (Ex. 2002) discussed further below. Opp. 3 (citing Ex. 2002, 9–10; Ex. 1031 ¶¶ 6–15). Petitioner describes itself as “a private, independent video game developer in the business of designing and creating video games.” Opp. 3 (citing Ex. 2002, 7–8). According to Petitioner, it has a duty to indemnify Activision only if a third party (such as Patent Owner) serves a complaint asserting that *Destiny* infringes a patent. *See* Opp. 7–8; Ex. 2002 §§ 15.1–15.2. Even in that instance, Petitioner asserts that it would be “solely responsible” for all costs of defense, and “has the right to assume control of any such defense, which

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

would encompass both invalidity and noninfringement defenses.” Opp. 7 (citing Ex. 2002, 21).²

The record indicates that Patent Owner wrote a letter (on November 13, 2014) to Activision’s counsel identifying Destiny as “an intended product-at-issue” in the Worlds/Activision lawsuit, and “[Petitioner]’s IPR petitions followed in 2015.” Mot. 4 (citing Ex. 2004). Petitioner counters that “[n]either Destiny nor any other [Petitioner] product has ever been added to that lawsuit.” Opp. 3 (emphasis omitted). Patent Owner and Petitioner, therefore, agree that Patent Owner did not serve a complaint alleging that Petitioner’s Destiny product infringes a patent (in the Worlds/Activision lawsuit or otherwise).

We deny the Motion for the reasons stated below.

BACKGROUND

According to Patent Owner:

On April 16, 2010, Activision Publishing, Inc. and [Petitioner] entered into a Software Development and Publishing Agreement (“Agreement”), under which [Petitioner] developed a game (Destiny) published by Activision. Ex. 2002. Under this Agreement, [Petitioner] is obligated to conduct “legal reviews of the Products to ensure that all Intellectual Property and other rights are fully cleared for use.” Mot. 2–3 (quoting Ex. 2002, 10, § 7A.15j).

In other words, Patent Owner contends that the Agreement obligates Petitioner to perform “legal reviews for IP clearance” that are subject to Activision’s “prior review and approval.” *Id.* (citing Ex. 2002 §§ 7A.15, 14.1.2). Patent Owner also contends that the Agreement shows that

² Page 21 of the Agreement, Exhibit 2002, includes the Indemnity provisions, §§ 15.1–15.3.

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

Petitioner and Activision agreed that Activision would advance payments to Petitioner to develop Petitioner's products, including "operations directly related to the development of the Products" and that "[t]hese operations include the legal reviews required under Sec. 7A.15(j)." Mot. 3 (quoting Ex. 2002 § 10.1). According to Patent Owner, "legal reviews" include the filing of the instant IPRs. Mot. 4–5.

Regarding the letter asserting infringement (Ex. 2004), Patent Owner contends that "after litigation counsel notified Activision that Destiny was an intended product-at-issue in the litigation, [Petitioner]'s obligation to conduct legal reviews was triggered. Further, there is no dispute that [Petitioner] possesses an indemnification obligation under the Agreement." *Id.* at 9. Patent Owner also contends that "[t]he Agreement conditions [Petitioner]'s indemnification of Activision on notice and an opportunity for [Petitioner] to control the litigation." *Id.* (citing Ex. 2002 § 15.3).

Patent Owner reasons that the Agreement, letter, and other evidence show that Petitioner must provide routine or additional discovery because Activision has "the ability to exercise control over the IPR proceedings"; and therefore, Petitioner's RPI assertions are inconsistent with the record, and/or the record shows that there is "more than a possibility" that discovery will lead to evidence of actual "exercise of control." *See* Mot. 8.

Accordingly, Patent Owner identifies five discovery categories, which it summarizes as

discovery directed toward Activision's *actual exercise of control* over [Petitioner]'s legal reviews and IPR petitions by way of correspondence about [Petitioner]'s legal reviews of [Patent Owner's] patents, [Petitioner]'s preparation of the IPR petitions, [Petitioner]'s direct or indirect use of Activision's Development Advances, and Activision's demand for

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

indemnification by [Petitioner]. Each of these categories indicates actual control, and is inconsistent with [Petitioner]'s position that it is the sole RPI (i.e. the sole party having opportunity or actual control of the IPR petitions)

Id. at 5.

Based on its showing, Patent Owner lists the following requests for production ("RFP"):

RFP NO. 1 - Documents identifying the [Petitioner] account(s) from which payment was tendered for all legal reviews associated with [Patent Owner's] Patent(s), including legal analysis of [Patent Owner's] Patent(s), drafting the [Petitioner] IPR petitions, and paying the USPTO filing fees for the IPRs.

RFP NO. 2 - Documents identifying all [Petitioner] account(s) into which Activision's Development Advances are or were held or deposited, directly or indirectly, for the purpose of developing the Destiny Products.

RFP NO. 3 - Documents showing that funds received from Activision were used, directly or indirectly, to pay for, or commingled with funds used to pay for [Petitioner]'s legal review(s) relating to any [of Patent Owner's] Patent(s).

RFP NO. 4 - Communications between [Petitioner] and Activision concerning legal review of any [of Patent Owner's] Patent(s), including Activision's review or approval, or opportunity to review or approve [Petitioner]'s legal reviews of any [of Patent Owner's] Patent(s) or any version(s) of an IPR Petition associated with any of [Patent Owner's] Patent(s).

RFP NO. 5 - Communications between [Petitioner] and Activision related to [Petitioner]'s indemnification of or obligation to indemnify Activision based on any of [Patent Owner's] Patent(s).

RFP NO. 6 - For all Communications/Documents responsive to RFPs Nos. 1-5 but withheld on privilege, a privilege log

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

identifying the Communication/Document being withheld, the author or sender, recipient(s), subject matter, date, and the RFP to which the Communication/Document is responsive.
Id. at 1–2.

By way of summary, the first three requests seek discovery involving account and payment information for legal reviews and/or the development of Destiny products. The fourth request seeks discovery concerning legal review of any of Patent Owner’s patents,” the fifth request seeks discovery related to indemnification based on the patents, and the last request seeks privilege logs related to the first five requests.

Petitioner acknowledges that it “is responsible for defense of intellectual property claims against Destiny,” but contends that Destiny was never added to the Worlds/Activision Lawsuit. *Opp.* 1. Petitioner also asserts that the Agreement does not “allow[] any other party other than [Petitioner] to control these IPR proceedings” and that Petitioner “is solely responsible for the cost and control of the IPRs.” *Id.* at 1–2.

Petitioner also contends that Patent Owner’s motion “is premised on a faulty assumption, namely that this IPR is a ‘legal review’ under Section 7A.15(j) of the . . . Agreement.” *Id.* at 6. According to Petitioner, “the subject of these IPRs is P[atent] O[wner]’s patents, not any *Destiny product*.” *Id.* at 7. As noted above, Petitioner also asserts that absent a complaint asserting infringement by the Destiny product, Petitioner has no indemnity obligation, and even if it did, the Agreement makes Petitioner solely responsible for costs and control of any defense. *See id.*

The record shows Petitioner’s position is more persuasive than Patent Owner’s—Patent Owner has not met its burden on the Motion. As Petitioner contends, Patent Owner’s theory hinges on the assertion that the

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

Agreement allows Activision to control the IPRs, because “legal reviews for IP clearance” and a “warranty of non-infringement,” as set forth in the Agreement, include the filing of IPRs. *See* Mot. 4. As Petitioner also contends, Section 7A.15(j) of the Agreement specifies that Patent Owner may review Petitioner’s “legal reviews of the *Products* to ensure that all Intellectual Property and other rights are fully cleared for use.” Ex. 2002 (emphasis added); Opp. 7.

A legal review of a “Product” under the Agreement and other provisions do not specify, require, or necessarily include filing an IPR against a patent. In addition, Patent Owner did not file a complaint asserting that Destiny infringes its patents; therefore, even if the indemnity provisions (§§ 15.1–15.3) somehow relate to the legal review provisions (§ 7A.15) of the Agreement, Patent Owner fails to explain persuasively how the Agreement requires either indemnity or the filing of IPRs. In other words, that the Agreement requires Petitioner to conduct legal reviews to ensure that Destiny does not infringe a patent, trademark, copyright, and the other listed intellectual property rights in Section 6.1 of the Agreement, does not rise to more than a mere possibility that such a legal review includes filing IPRs that Activision could or does control.

Patent Owner also alleges discovery would show that Petitioner “commingled” or used some of its advances from Activision to “pay for [Petitioner]’s legal reviews related to [Patent Owner’s] Patents(s)” with funds for development of Destiny. Mot. 2. Patent Owner reasons that because the Agreement obligates “financial support from Activision to [Petitioner] for development of Destiny,” this “development” includes “legal reviews” under § 7A.15j of the Agreement.

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

Patent Owner's theory for discovery to show control by Activision of the IPRs makes several assumptions under the Agreement: 1) Petitioner treated the filing of IPRs as legal reviews subject to Activision's review; 2) Petitioner treated legal reviews as product development funded by advances from Activision; 3) the letter by Patent Owner to Activision's counsel discussing *Destiny* (Ex. 2004) triggered the indemnity provisions; and 4) indemnity somehow relates to control by Activision of the IPRs. Based on the foregoing discussion, there is insufficient or no evidence on this record to support any of the assumptions. In addition, Patent Owner characterizes advances by Activision as "co-mingled" by Petitioner, and at the same time, characterizes the Agreements as requiring Activision to make the advances to Petitioner for legal reviews as product development. *See* Mot. 2–3. Both cannot be correct, and it is not clear how product development includes legal reviews under the Agreement. For its part, Petitioner counters that "development advances to [Petitioner] funded the development of the *Destiny* videogame, not these IPRs." Opp. 8.

It follows that Patent Owner has not shown more than a mere allegation that something useful will be found or that Petitioner's RPI positions are inconsistent with record evidence that would justify additional or routine discovery on this record. *See Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, Case IPR2012-00001, slip op. at 6–7 (PTAB Mar. 5, 2013) (Paper 26) (informative) (explaining that "[t]he 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"). We are not persuaded that Patent Owner has shown that Petitioner failed to comply with "routine discovery" under 37 C.F.R.

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

§ 41.51(b)(1), or that the requested discovery is “in the interests of justice,” as required for additional discovery under 37.C.F.R. § 42.51(b)(2)(i).

According to long-standing persuasive precedent, *Bros, Inc. v. W.E. Grace Mfg. Co.*, 261 F.2d 428, 429 (5th Cir. 1958), when a patent holder sues a dealer, seller, or distributor of an accused product, as is the case with Activision (i.e., the World/Activision lawsuit), indemnity payments and minor participation in a trial are not sufficient to bind (by estoppel) a non-party manufacturer of the accused device:

While the mere payment of counsel fees or participation in a trial by one not a named party to it would not alone be sufficient, *cf. I.T.S. Rubber Co. v. Essex Co.*, [] 272 U.S. 429 [(1926)]. . . Restatement, Judgment § 84, comment e (1942), the extent and nature of that participation may completely alter the consequences. This is particularly so in patent infringement cases in which, from tactical or strategic considerations relating to venue, desirability of a particular forum and the like, such cases are so often filed and tried against a dealer, a seller, a distributor, or a user of the accused device manufactured by another. If the manufacturer stands aloof, he risks a judgment adverse to his interest resulting perhaps from inadequate or incompetent defense by one who has a secondary interest. *Such judgment, to be sure, would normall[y] not be binding by estoppel or res judicata*, but it would take its place in the jurisprudence where its practical effect as stare decisis might be as decisive. The alternative, of course, is to jump in and give the case full and active defense as though the manufacturer were the real named party. This assures that the issues will be presented and contested in a way deemed most effective by the nominally remote, but practically immediate, party at interest.

261 F.2d at 429 (emphasis added); cited with approval by *Emerson Elec. Co. v. Black and Decker Mfg. Co.*, 606 F.2d 234, 242, n. 20 (8th Cir. 1979) (“If Emerson does control the Maryland suit, the outcome will be binding on, or inure to the benefit of, Emerson under principles of res judicata.”); *see also*

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

United States v. Webber, 396 F.2d 381, 387 (3d Cir.1968) (finding that appellants were “privies” because of their “control over and interest in the earlier litigation”).

In contrast to the manufacturer and distributor relationship as described *supra* in *Bros, Inc.*, Destiny is not an accused product in any litigation Patent Owner identifies. Even if Activision has an interest in the IPR outcome, the Worlds/Activision lawsuit shows that Activision distributes multiple software products, including Destiny. The evidence asserted does not arise to more than a mere allegation that something useful to establishing that Activision controlled or even could have controlled the IPRs that Petitioner filed.

ORDER

Accordingly, the Motion is *denied*.

IPR2015-01264, -01268, -01269,
-01319, -01321, and -01325

PETITIONER:

Michael Rosato
mrosato@wsgr.com

Matthew Argenti
margenti@wsgr.com

PATENT OWNER:

Wayne Helge
whelge@dbjg.com

Michael Casey
mcasey@dbjg.com