

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

NESTLÉ HEALTHCARE NUTRITION, INC.,
Petitioner,

v.

STEUBEN FOODS, INC.,
Patent Owner.

Case IPR2015-00195 (Patent 6,475,435)
Case IPR2015-00249 (Patent 6,481,468)¹

Before MICHAEL P. TIERNEY, PHILLIP J. KAUFFMAN,
RAMA G. ELLURU, BEVERLY M. BUNTING, and
CHRISTOPHER G. PAULRAJ, *Administrative Patent Judges*.

KAUFFMAN, *Administrative Patent Judge*

DECISION
Patent Owner's Motion for Discovery
37 C.F.R. § 42.51

¹ This order addresses issues that are the same in both cases. We exercise our discretion to issue one order to be filed in each case. The parties, however, are not authorized to use this style heading in subsequent papers. The panels assigned to these cases varies and is not altered by this order.

I. PATENT OWNER'S REQUEST

On December 22, 2015, a conference call was held with the parties at Patent Owner's request, in which we authorized Patent Owner to file a Motion for Discovery. Paper 54. Accordingly, Patent Owner filed similar Motions for Discovery in IPR2015-00195 and IPR2015-00249. Paper 61 ("Mot.").² Petitioner filed an opposition in each proceeding. Paper 65 ("Opp."). In its Motion, Patent Owner seeks discovery of certain sales agreement(s). Mot. 1.

For context, it is helpful to understand that Petitioner purchased seven bottling machines from GEA Process Engineering, Inc. ("GEA") and GEA's predecessor, Procomac SpA. Opp. 2. These seven machines we purchased in three groupings: (1) lines 1–5, (2) line 6/7, and (3) line 8.³ *Id.*

Throughout this proceeding, Patent Owner has maintained that GEA was served with complaints alleging infringement of each respective patent that is the subject of these *inter partes* reviews more than a year before the Petitions at hand were filed, and because GEA is a privy of Petitioner, the Petitions at hand are time barred under 35 U.S.C. § 315(b). Paper 9, 3–31. In Patent Owner's Preliminary Response, this argument was based primarily on the agreement to purchase the line 8 equipment ("the line 8 agreement"). *Id.* In Patent Owner's Response, Patent Owner expanded this argument to assert that Petitioner is obligated to indemnify GEA for infringement resulting from the sale of lines 1–5 and 6/7. Mot. 1; Paper 42, 48–49.

² Unless otherwise stated, we reference the papers of IPR2015-00249. Similar papers are filed in IPR2015-00195.

³ Patent Owner explains that lines 1–6 actually refers to lines 1–5 and 7. *See* Mot. 3–4. That is, line 7 is sometimes referred to as line 6 and sometimes as line 7. To avoid confusion we refer to it as "line 6/7".

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Patent Owner contends that the sales agreement(s) it seeks pertain to lines 1–5 and 6/7, and will likely establish that Petitioner had the right to control the GEA litigation. Mot. 1.

Patent Owner contends that Exhibits 2072 and 2073 are supplements to Exhibits 1031–1033 regarding line 8.⁴ Mot. 3. Specifically, Patent Owner contends that Exhibit 2072 is a GEA quote that includes technical specifications provided by Petitioner to GEA. Mot. 2–4. Patent Owner contends that Exhibit 2072 repeatedly states that some technical specifications for line 8 are the same as line 6/7. *Id.* at 4. Based on this, Patent Owner asserts that Petitioner provided technical specifications for line 6/7. According to Patent Owner, because Petitioner provided these specifications, the California Commercial Code requires Petitioner to defend GEA, should it be necessary to do so, and thus Petitioner would control the GEA litigation, demonstrating that Petitioner is in privity with GEA. Mot. 1; *see also* Paper 42, 48–50 (longer explanation of privity argument).

Regarding lines 1–5, Patent Owner contends that because these were similar machines furnished by the same supplier (GEA), it is beyond mere speculation that similar specifications were provided by Petitioner to GEA for the purchase. Mot. 4. Patent Owner makes three other supporting assertions. First, Patent Owner contends that GEA’s website states that it “designs and manufactures complete customized bottling plants.” Mot. 5 (quoting with emphasis Ex. 2064). Second, Patent Owner contends that Exhibits 1031–1033 expressly refer to the contract providing the machine specifications, which suggests that such is the default or standard practice

⁴ Patent Owner’s only reliance on Exhibit 2073 is to state that it is a draft of the specifications of Exhibit 2072. Mot. 2.

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and provides for Petitioner to further customize the bottle fillers after it has provided the original specifications. *Id.* (citing Ex. 1032 ¶¶ 4, 6, 25, 30).

Third, Patent Owner contends that Exhibit 1033 provides that GEA is not guaranteeing compliance with emissions regulations or providing any warranty that the machines do not infringe third party patents, which suggests that Petitioner provided the relevant design specifications for each filling machine. *Id.* (citing Ex. 1033 ¶¶ 1, 8).

Patent Owner presents two arguments that the sales agreement(s) should be provided as routine discovery and in the alternative, argues that the sales agreement(s) should be the subject of additional discovery.

Regarding routine discovery, Patent Owner contends that Exhibits 1031–1033 are only part of the sales agreements⁵, and because Petitioner has referred to part of that agreement, Petitioner must provide the entire agreement. Mot. 6 (citing 37 C.F.R. § 42.51(b)(1)(i), and *Baby Trend, Inc. v. Wonderland Nurserygoods Co., Ltd.*, Case IPR2015-00842 (PTAB Sept. 28, 2015) (Paper 24)).

Patent Owner also contends that Petitioner is obligated to produce the requested agreement(s) as routine discovery because it is inconsistent information under 37 C.F.R. § 42.51(b)(iii). Specifically, Patent Owner reasons that the sales agreement(s) will show that the lines were custom made and built to Petitioner's specifications, which is inconsistent with Petitioner's denial of such. Mot. 6–7 (citing Petitioner's denial at Paper 46, 21).

Regarding additional discovery, Patent Owner contends that: (1) there is more than a possibility and mere allegation that the bottle filling machines

⁵ We refer to agreements, because of Petitioner's groupings.

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were built to Petitioner's specifications, (2) the information sought is non-privileged information which cannot be effectively obtained by other means, (3) the materials sought are readily identifiable, and (4) production of the agreement(s) sought will not be burdensome. Mot. 7.

II. ANALYSIS

As the moving party, it is Patent Owner's burden to demonstrate they are entitled to the relief requested. 37 C.F.R. §§ 42.20, 22.

A. *Lines 1–5 Do Not Fit Patent Owner's Privity Theory*

Lines 1–5 were purchased in 2006 from Procomac SpA, an Italian company. Opp. 2. (citing Ex. 1032 ¶ 73; Ex. 1031 ¶ 73; Ex. 1037). Based on the record presented, Patent Owner has failed to demonstrate that regardless of which jurisdiction's law applies to the purchase, Petitioner would be required to defend GEA. Consequently, any sales agreement(s) related to lines 1–5 does not fit Patent Owner's privity argument based on indemnity.

B. *Line 6/7*

1. *Patent Owner's Actions Are Not Timely*

Patent Owner contends that Petitioner initially refused to allow Patent Owner to refer to what are now Exhibits 2072 and 2073⁶, and only when Patent Owner brought a motion in the District Court seeking relief from the protective order did Petitioner agree, on January 4, 2016, that Patent Owner may refer to those documents. Mot. 1–2. It is important to distinguish that

⁶ These Exhibits have been entered as “parties and board only.”

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Patent Owner does not assert that Exhibits 2072 and 2073 were served on, or otherwise obtained by, Patent Owner on January 4, 2016. Rather, it was on that date that relief from the District Court protective order in the form of agreement by Petitioner permitted Patent Owner to refer to those documents in these proceedings. Consistent with that interpretation, Petitioner contends that Exhibits 2072 and 2073 were provided by GEA to Patent Owner on December 13, 2013. Opp. 1. Further, according to Petitioner, Patent Owner produced Exhibits 2072 and 2073 to Petitioner on September 22, 2015. *Id.*

In the call seeking authorization for this Motion, Patent Owner stated that it first learned that Exhibits 1031–1033 related to lines 1–5 and 6/7 in Petitioner’s Reply on December 4, 2015. *See* Ex. 2070 (transcript of call), 41:10–13. To the contrary, Petitioner informed Patent Owner those Exhibits related to lines 1–5 and 6/7 on May 22, 2015. *See* IPR2014-01235, Paper 44 (Petitioner’s Reply), Ex. 1027–1029.⁷

Consequently, Patent Owner had both the information in Exhibits 1031–1033 and that in Exhibits 2072–2073 since at least May 22, 2015, but did not seek discovery of the sales agreement(s) until late December 2015. This is particularly troublesome given the advanced state of the proceedings. Patent Owner’s Response was submitted on September 9, 2015, Petitioner’s Reply was submitted on December 4, 2015, and oral argument is scheduled for January 27, 2016. *See* Papers 42, 46, 67.

⁷ Exhibits 1027–1029 of IPR2014-01235 are entered as Exhibits 1031–1033 in IPR2015-00249.

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2. Patent Owner Has Not Demonstrated More than a Possibility Something Useful Will Be Found

Line 6/7 was purchased in 2008, and that agreement disclaims CISG to adopt California law. Opp. 2; Ex. 1033, 1–2.⁸

Patent Owner contends that Exhibit 2072 indicates that some of the conditions of line 8 were to be the same as line 7. Mot. 3. For example, Patent Owner identifies that for section 1.2.4.2, *Sterilization Requirements*, “[s]imilar bottle conditions in line 7 will be acceptable for line 8.” *Id.* at 4; Ex. 2072, 10, 1.2.4.2, UR.S052, *Initial Bioburden of the caps*. Patent Owner has not persuasively explained why the fact that line 8 has some of the same conditions as line 6/7 indicates that Petitioner provided specifications to GEA so that line 6/7 was custom built to those specifications.

These proceedings already contain argument and evidence regarding indemnification under the line 8 agreement, and having considered this argument and evidence, the Board determined that Patent Owner has not provided a sufficient factual basis upon which to conclude that Petitioner and GEA are privies. *See* Paper 25, 7–19; *see also* IPR2015-01235, Paper 63 (final written decision of a related case between these parties with similar evidence and outcome). Patent Owner’s assertions in this Motion regarding line 6/7, even if true, do not support any more of a privity relationship between GEA and Petitioner than what is already reflected in the record.

3. Patent Owner’s Request is Overly Burdensome

Patent Owner provides the following proposed discovery request:

The complete sales agreements referred to at page 24 of Petitioner’s reply brief (Paper 46), including any contract(s) to

⁸ Exhibit 1033 replaces section 72 and 73 of Exhibit 1031. Ex. 1033, 1–2, ¶¶ 3, 4; Ex. 1031, 8.

which Exs. 1031-33 were attached and any associated technical specifications or annexes.

Mot. 1; Ex. 2071, 4.

Patent Owner's theory is that line 6/7 was custom made and built to Petitioner's specifications, yet Patent Owner's request is not limited to documents that demonstrate specifications were provided by Petitioner. Rather, Patent Owner seeks the entire agreement(s) to conclude "any" associated technical specifications (not just those provided by Petitioner) and "any" annexes.

C. Conclusion

Patent Owner waited too long (i.e., 7 months) to make this request once it became aware of its existence. Further, the proceedings are at an advanced state. These reasons alone are sufficient to deny Patent Owner's request.

With regard to lines 1–5, Patent Owner has failed to demonstrate that the sales agreement(s) require Petitioner to indemnify GEA.

Regarding line 6/7, Petitioner did not cite a sales agreement(s) for line 6/7, and therefore 37 C.F.R. § 42.51(b)(1)(i) does not require production of any such agreement as routine discovery. Nor is the case at hand analogous to *Baby Trend* as patent Owner contends. See Mot. 6 (citing *Baby Trend, Inc. v. Wonderland Nurserygoods Co., Ltd.*, Case IPR2015-00842 (PTAB Sept. 28, 2015) (Paper 24)). There, the Board held that when part of a transcript is cited, the entire transcript must in fairness, be provided. *Baby Trend* at 5. Here, a sales agreement is comprised of a variety of elements, and Patent Owner has not persuasively explained viewing some of those parts in isolation is misleading or otherwise unfair.

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Patent Owner has not persuasively demonstrated that the sales agreement(s) are inconsistent with Petitioner's assertion that line 6/7 was not custom built to Petitioner's specifications. *See* 37 C.F.R. § 42.51(b)(iii).

Regarding additional discovery, as noted above, Patent Owner's request is not timely and it is late in the proceedings. Patent Owner's contention that Petitioner must have provided specifications for line 6/7 is not persuasive. Further, given that the information sought, even if true, does not suggest any more of a privity relationship than what is in the record, Patent Owner has not persuaded us that the information sought would be useful. Beyond this, Patent Owner's request is overly burdensome. For at least these reasons, Patent Owner has not demonstrated that granting this motion would be in the interests of justice. *See* 37 C.F.R. §§ 42.20, 22, 51(b)(2).

III. ORDER

In consideration of the foregoing, it is:
ORDERED that Patent Owner's Motion for Discovery is *denied*.

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