

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

JOHNSON HEALTH TECH CO. LTD. and
JOHNSON HEALTH TECH NORTH AMERICA, INC.,
Petitioners,

v.

ICON HEALTH & FITNESS, INC.,
Patent Owner.

Case IPR2014-01242
Patent 6,193,631 B1

Before JOSIAH C. COCKS, BRIAN J. McNAMARA, and
CARL M. DEFRANCO, *Administrative Patent Judges*.

DEFRANCO, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
37 C.F.R. § 42.108

I. INTRODUCTION

Petitioners, Johnson Health Tech Co. Ltd. (“JHT”) and Johnson Health Tech North America, Inc. (“JHTNA”) filed a Petition (“Pet.”) on August 4, 2014, requesting *inter partes* review of claims 6–10 and 14–22 of U.S. Patent No. 6,193,631 B1 (“the ’631 patent”). Pet. 9. Patent Owner, Icon Health & Fitness, Inc. (“Icon”), filed a Preliminary Response arguing, *inter alia*, that Petitioners lack standing because the Petition is time-barred under 35 U.S.C. § 315(b). Petitioners sought, and received, authorization to file a Reply addressing the standing issue (“Reply”). We have jurisdiction under 35 U.S.C. § 314(a).

After considering the parties’ submissions, we determine that JHTNA was served with a complaint alleging infringement of the ’631 patent more than one year before the filing date of the Petition, and, thus, lacks standing under § 315(b) to file the Petition. In addition, because JHT is a privy of JHTNA, we find that JHT also lacks standing to file the Petition. Accordingly, the Petition is *denied*.

II. BACKGROUND

A. *Related Infringement Action*

The ’631 patent is the subject of an ongoing lawsuit, *Icon Health & Fitness, Inc. v. Johnson Health Tech North America, Inc.*, Civil Action No. 1:10-cv-00209, currently pending in the U.S. District Court for the District of Utah (“the Utah Action”). Pet. 1; Prelim. Resp. 5. Icon served the original complaint in the Utah Action on December 27, 2010, naming only JHTNA as a defendant. Prelim. Resp. 5 (citing Exs. 2001, 2002). The complaint does not name JHT as a party in the Utah Action, although JHT is disclosed as the parent company of JHTNA. Ex. 2004 (“Rule 7.1 Disclosure Statement of Johnson Health Tech North America, Inc.”).

B. Related Reexam Proceeding

Shortly after the Utah Action began, JHT filed a request for *ex parte* reexamination (“reexam”) of the ’631 patent on April 19, 2011. Ex. 2007 at 2 (identifying JHT, the parent of JHTNA, as the requestor). In the reexam request, JHT is identified as the real party in interest, while JHTNA is listed as the named defendant in the related Utah Action. *Id.* at 2–3. Once JHT requested reexam, JHTNA moved to have the Utah Action stayed, informing the federal district court that “it filed” the reexam request. Ex. 2008 at 2. On September 19, 2011, the Utah Action was stayed pending the outcome of the reexam. Ex. 2003 at 2–3. A reexam certificate issued for the ’631 patent on June 19, 2012. Ex. 1002. As a result of reexam, claims 1–5 and 11–13 of the ’631 patent were cancelled, claims 6–10 were amended, and new claims 14–22 were added. *Id.* The stay of the Utah Action was subsequently lifted on May 22, 2013. Ex. 2003 at 2–3.

II. ANALYSIS

A. 315(b) – Complaint Alleging Infringement

Icon disputes that Petitioners timely filed their Petition for *inter partes* review. Prelim. Resp. 3–23. Pursuant to 35 U.S.C. § 315(b), a party may not file a petition for *inter partes* review more than one-year after being served with a complaint alleging infringement of the patent. The one-year deadline helps to ensure that *inter partes* review provides a quick and cost effective alternative to litigation, and is not used as a tool for harassment or litigation gamesmanship. H.R. REP. NO. 112-98 at 48, *as reprinted in* 2011 U.S.C.C.A.N. at 78.

In a Preliminary Proceeding,¹ the petitioner bears the burden of showing compliance with the threshold requirement of § 315(b). Specifically, in order to show “standing” to file a petition, the petitioner “must certify . . . that the petitioner is *not barred or estopped* from requesting an *inter partes* review” 37 C.F.R. § 42.104(a) (first emphasis added). As grounds for standing, Petitioners purport that the claims challenged in the Petition were not added to the Utah Action until August 5, 2013, when Icon filed an amended complaint alleging infringement of the ’631 patent after completion of reexam and lifting of the stay. Pet. 1–2.

Icon responds that it served JHTNA with an original complaint alleging infringement of the ’631 patent on December 27, 2010, well before the August 4, 2014 filing date of the Petition. Prelim. Resp. 5 (citing Ex. 2002). Undisputed, however, is that the original complaint underwent a series of amendments after reexam of the ’631 patent, with Icon filing a first-amended complaint on August 5, 2013, a second-amended complaint on November 22, 2013, and a third-amended complaint on May 14, 2014.² Ex. 2003 at 3–4. While the original complaint was served on JHTNA more than one-year before the filing date of the Petition, the amended complaints came less than one-year before the filing date. Icon argues that none of the amended complaints reset the clock for purposes of time bar of § 315(b). Prelim. Resp. 14, 22–23.

Petitioners reply that the Petition is not time-barred because the original complaint purportedly was “dismissed without prejudice” and the one-year limit

¹ A “Preliminary Proceeding,” as defined by our rules, “begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted.” 37 C.F.R. § 42.2.

² Icon’s first-amended complaint was subsequently stricken for failure to comply with the court’s order granting leave to amend, but Icon was permitted to file the second-amended complaint in order to correct the non-compliant aspects of the first-amended complaint.

for filing the Petition “did not start to run until May 14, 2014” when Icon was “allowed to re-file its ’631 Patent action by amending the complaint.” Reply 1–2. Although Petitioners acknowledge service of the original complaint on December 27, 2010, they argue, in effect, that the district court’s grant of partial summary judgment nullified the original complaint, leaving the parties “in the same legal position with respect to the ’631 Patent as if the infringement action had never been filed.” *Id.* at 7. According to Petitioners, the district court held on summary judgment that Icon’s cause of action for infringement of the ’631 patent was “barred by [a] 2009 Settlement Agreement *and thus should never have been brought.*”³ *Id.* at 4 (citing Ex. 2015 at 2, 43).

We are not persuaded by Petitioners’ attempt to portray the district court’s grant of summary judgment as a dismissal without prejudice. Contrary to Petitioners’ assertion, the procedural posture in the Utah Action was based on summary judgment under Fed. R. Civ. P. 56, not dismissal under Fed. R. Civ. P. 41(a). Summary judgment does not leave the parties as though the action had never been brought. *Cf. Graves v. Principi*, 294 F.3d 1350, 1356 (Fed. Cir. 2002) (holding that the effect of a voluntary dismissal under Fed. R. Civ. P. 41(a) leaves the parties as though the action had never been brought). Rather, the district court’s grant of partial summary judgment operated as an adjudication on the merits of Icon’s cause of action for infringement as averred in the original complaint.

³ Although Petitioners reference reexam of the ’631 patent, they do not argue that the reexam reset the clock for purposes of § 315(b). Pet. 1; Reply 9. Nor could they. Reexamination does not result in a new patent. Because § 315(b) speaks to *the patent*, not the challenged claims, nothing that occurs during reexamination of the claims can erase service of the complaint alleging infringement of the patent. *See BioDelivery Science Int’l, Inc. v. MonoSol, LLC*, IPR2013-00315 (PTAB Nov. 13, 2013),

Indeed, the district court framed the issue on summary judgment as “whether the accused JHT devices are Covered Products in the context of the ’631 patent.” Ex. 2007 at 37. In considering that question, the district court undertook an extensive analysis of claims 6, 7, 8, and 10 of the ’631 patent as applied to “the LS devices” that Icon accused of infringement in the original complaint. *Id.* at 11–16, 40–42. Rendering judgment in favor of JHTNA, the district court ruled that “claims 6, 7, 8 and 10 [of] Icon’s ’631 Patent (original or as amended) . . . do not cover the accused technologies in the LS Devices.” *Id.* at 41. That ruling is tantamount to an adjudication on the merits, not a dismissal without prejudice. Specifically, it made clear that the JHTNA products accused of infringement in the original complaint fall outside the scope of the ’631 patent. In other words, the district court decided the merits of Icon’s infringement claim with respect to some of the accused devices. Thus, the parties were not left as though the action had never been brought.

Although Icon’s cause of action for infringement of the ’631 patent was amended several times, there is no evidence that the district court ever dismissed it, with or without prejudice. In contrast, the district court expressly dismissed “with prejudice” Icon’s cause of action for infringement of another patent after Icon failed to submit infringement contentions. Ex. 2003 at 3. In similar fashion, the district court expressly dismissed “without prejudice” Icon’s cause of action for unfair competition for failing to specify sufficient facts. *Id.* Thus, had the district court intended the grant of partial summary judgment to have the effect of a dismissal without prejudice, it likely would have stated so expressly. It did not. Because Petitioners have not identified any place in the record where Icon’s cause of action for infringement of the ’631 patent was “dismissed without prejudice,” we will not read those terms into the district court’s ruling on summary judgment.

Finally, Petitioners contend that, with the third-amended complaint, Icon was allowed to “re-file” its infringement action on August and thereby “added the ’631 Patent action back into the case.” Reply 1, 7. We are not persuaded. Notably, the record shows that a summons under Fed. R. Civ. P. 4 was issued only with respect to the original complaint. Ex. 2002; Ex. 2009. From our review of the record, we discern no other summons that would indicate re-filing of the action. *See* Ex. 2009 (Docket Sheet). Moreover, the district court expressly rejected the notion that its grant of partial summary judgment amounted to a “final judgment” of Icon’s infringement claim. Ex. 2014 at 2–4. Thus, contrary to Petitioners’ assertion, Icon’s infringement claim was still alive, albeit somewhat deflated, after the court’s ruling on summary judgment. In fact, before Icon filed the third-amended complaint, the district court stated that “Icon’s first cause of action for infringement of the ’631 Patent *remains a viable cause of action* in this case.”⁴ *Id.* at 4 (emphasis added).

In sum, we are not persuaded that the district court’s ruling on partial summary judgment should be treated as a dismissal without prejudice nullifying Icon’s original complaint. As such, JHTNA has not demonstrated standing by filing the Petition within one-year of being served with Icon’s original complaint alleging infringement of the ’631 patent.

⁴ Icon pled that “first cause of action” in its *second-amended complaint*, and it is undisputed that the infringement cause of action in the second-amended complaint mirrors the infringement cause of action from the original complaint. *See* Ex. 2003 at 3–4. Although Petitioners contend that the district court was referring to the yet-unfiled third-amended complaint, Petitioners do not point to any evidence in making this contention. *See* Reply 6 n.1.

B. § 315(b) – Privy of the Petitioner

Having decided that JHTNA is barred from filing the Petition, we turn to the issue of whether JHT is a “privy” of JHTNA for purposes of § 315(b).

Specifically, § 315(b) includes within its reach any party that qualifies as a “privy of the petitioner.” In determining whether JHT is a privy of JHTNA, we consider the nature of the relationship between the parties at the time the statutorily-relevant complaint was served, i.e., December 27, 2010. *See Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (“A person who was not a party to a suit generally has not had a ‘full and fair opportunity to litigate’ the claims and issues settled in that suit.”). Ultimately, our analysis “seeks to determine whether the relationship between the purported ‘privy’ and the relevant other party is sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Office Patent Trial Practice Guide*, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012).

Here, Petitioners acknowledge that JHTNA is a subsidiary of JHT, but say little else about their corporate relationship. Pet. 1. Icon, on the other hand, identifies myriad facts supporting its contention that “JHT is a privy of JHTNA.” Prelim. Resp. 6–10. After being afforded the opportunity to rebut Icon’s evidence of privy, Petitioners do not come forward with any evidence in rebuttal. *See* Reply 1–10 (focusing exclusively on the event that triggered the time-bar rather than privy).

After considering the evidence, we find that it shows sufficiently that JHT is a privy of JHTNA. Specifically, in addition to their corporate structure as parent and subsidiary, it is undisputed that JHT and JHTNA share a close and significant business relationship. For example, the evidence shows that JHT oversees manufacturing of the fitness equipment that Icon accuses of infringement, while JHTNA, as a subsidiary, handles sales and distribution of the fitness equipment in

North America. Prelim. Resp. 7 (citing Exs. 2005, 2006). In other words, JHTNA is simply an intermediary between JHT and the ultimate purchasers of the fitness equipment. This type of relationship has been held to be so close as to justify a finding of privity. *See Mars Inc. v. Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 619 (Fed. Cir. 1995) (finding privity between an overseas parent-manufacturer and a U.S. subsidiary-distributor so as to justify barring an infringement claim against the parent following final judgment against the subsidiary).

Also, there is a high degree of overlap between the interests of JHT and JHTNA with respect to the Petition and the Utah Action. Where two entities act in concert during litigation, it may be equitable to treat both entities as “bound by the trial outcome and related estoppels,” even though one entity is not a named party. *See Trial Practice Guide* at 48,759. Here, the record shows that, as the unnamed party, JHT had its interests adequately represented in the Utah Action. Perhaps most telling, shortly after JHTNA was served with the complaint in the Utah Action, JHT, who was not named as a party, requested reexam of the '631 patent. Ex. 2007. But when it came time to notify the district court of the reexam, JHTNA represented that it had requested the reexam when, in fact, JHT had done so. Ex. 2008. Likewise, when JHTNA asked the district court for a stay of the Utah Action, JHTNA again represented that it, not JHT, had requested the reexam. Ex. 2010. This conduct shows that JHT and JHTNA acted together in coordinating the reexam and the Utah Action.

JHT's control over JHTNA is further evidenced by the fact that the same attorneys representing JHTNA in the Utah Action also represented JHT in the reexam and currently represent both JHT and JHTNA in this *inter partes* review. *See* Pet. 2; Ex. 2007 at 8; Ex. 2008 (identifying the same firm as legal counsel in

all three cases). While common counsel alone is not dispositive of control, we are persuaded that the actions of JHT and JHTNA in the Utah Action and the reexam have blurred sufficiently the lines of corporate separation, such that JHT exercises control, or could have exercised control, over the business matters of JHTNA.

The totality of the evidence shows that JHT and JHTNA have enjoyed a close parent-subsidary relationship that is not just a mere collaboration between two separate and distinct entities. It is undisputed that this close relationship has existed since at least December 27, 2010, when the original complaint alleging infringement of the '631 patent was served in the Utah Action. Prelim. Resp. 7; Reply Br. 1–10. Indeed, JHTNA acknowledges as much in its corporate disclosure statement filed with the district court at the outset of the Utah Action. Ex. 2004 (“JHTNA’s parent corporation is Johnson Health Tech Co., Ltd.”). That JHT and JHTNA acted in concert to stay the Utah Action while reexam was pending indicates that JHT had an interest in the Utah Action while overseeing reexam of the '631 patent. This conduct by JHT and JHTNA is not indicative of separate and distinct entities. To set aside the history of involvement of JHT in the business and legal affairs of JHTNA would contradict the fact-based analysis of what constitutes sufficient control for a party to be recognized as a privy.

In sum, we conclude that JHT is a privy of JHTNA for purposes of § 315(b). Because JHT is a privy of JHTNA, who was served with a complaint alleging infringement of the '631 patent more than one year before filing of the Petition on August 4, 2014, the Petition is untimely under § 315(b).

III. CONCLUSION

The Petition was not filed within the time limit imposed by 35 U.S.C. § 315(b).

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IV. ORDER

Accordingly, it is

ORDERED that the Petition is *denied* and no trial is instituted.

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