

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

CONTINENTAL AUTOMOTIVE GMBH,
KIA MOTORS CORPORATION, AND
KIA MOTORS AMERICA, INC.,
Petitioner,

v.

NETLATCH, LLC,
Patent Owner¹.

Case IPR2015-00481
Patent 5,530,431

Before KEN B. BARRETT, JAMES P. CALVE, and
BART A. GERSTENBLITH, *Administrative Patent Judges*.

BARRETT, *Administrative Patent Judge*.

JUDGMENT AND FINAL WRITTEN DECISION²
Request for Adverse Judgment
35 U.S.C. § 318(a) and 37 C.F.R. § 42.73

¹ The use of labels, reflecting the originally-captioned status of the parties, to identify the parties is for purposes of convenience only.

² A similar decision is being filed concurrently in IPR2015-00473.

I. BACKGROUND

A. *Procedural Posture*

On December 23, 2014, Petitioners in IPR2015-00481, Continental Automotive GmbH, Kia Motors Corporation, and Kia Motors America, Inc. (collectively, “Continental”) filed a Petition (Paper 4, “Pet.”) for an *inter partes* review of U.S. Patent No. 5,530,431 B2 (“the ’431 patent”). The Petition challenged the patentability of claims 14, 17, 31, and 33 of the ’431 patent. Pet. 3–4. On the Petition’s caption, Continental named as patent owners “Netlatch LLC, Peter F. Wingard, The Bankruptcy Estate of Peter F. Wingard, and/or The Wingard Co.,” and indicated the following:

Netlatch, LLC is the assignee in the assignment most recently filed with the U.S. Patent and Trademark Office. (Ex. 1007 at 3-4.) But ownership of the 431 patent has been contested in litigation. (*E.g.*, Ex. 1008.) Out of an abundance of caution, all possible owners of record are named.

Pet. 1 n.1. According to the certificate of service, the Petition was served on the above-identified possible patent owners, including the Bankruptcy Trustee. Netlatch, LLC (“Netlatch”), filed a Power of Attorney in this matter indicating it is the “[a]ssignee of record of the entire interest” in the ’431 patent. Paper 5.

On July 15, 2015, we instituted an *inter partes* review of claims 14, 17, 31, and 33 of the ’431 patent. Paper 10. Netlatch filed a response to the Petition on October 28, 2015. Paper 15.

In an email on December 21, 2015 (2:53 PM), Continental requested, on behalf of all petitioners in this case, IPR2015-00481, and related case IPR2015-00473, a teleconference with the Board. Continental represented in that email that the Bankruptcy Court recently had decided the ownership

issue and that the ownership of the '431 patent had been assigned to Continental. By that email, a teleconference was requested "to discuss the issue and the best way to move forward with the IPRs in view of the present ownership status and ruling about the past ownership."

In a responsive email on December 21, 2015 (4:21 PM), Netlatch asserted that the Bankruptcy Court's Order did not change the ownership of the '431 patent, as recorded in the USPTO, and specifically that "the Bankruptcy Court only granted the motion 'to sell personal property of the Debtor [Mr. Peter Wingard][;]'[]" however, this did not deal with the proper assignment to Netlatch." Netlatch further stated in the email:

There is no court order reversing the assignment to Netlatch. The proper course of action by the Trustee should have been to file an adversary proceeding against Netlatch.³ The Trustee did not file an action against Netlatch. Accordingly, Netlatch, as shown by the assignment record is still the current owner pursuant to 35 U.S.C. 261. There has been no ruling against Netlatch as to its ownership of the patent and no ruling directing Netlatch to transfer the '431 patent. In fact, there has been a complete disregard for 35 U.S.C. 261 and no due process, adversary proceeding to deal with Netlatch's proper ownership of the '431 patent as properly recorded with the USPTO.

On January 13, 2016, a conference call was held between respective counsel for the parties to IPR2015-00473 and IPR2015-00481 and

³ Netlatch's current counsel in these subject IPRs proposed in certain district court litigations "to re-open Plaintiff's bankruptcy case to have the Bankruptcy Court explicitly consider the patent-at-issue to bring finality and certainty to the ownership of the patent-at-issue in the future in this and other cases." Ex. 1020, 1; *see also* Ex. 1026, 1 (motion to join Netlatch as co-plaintiff with Mr. Wingard and referencing the '431 patent).

Administrative Patent Judges Calve, Gerstenblith, and Barrett. During the conference call, the bankruptcy and ownership issues were explored and potential disposition of the two cases was discussed, with all parties being heard. The Board indicated that it would like briefing on the issues and an Order establishing a briefing schedule was issued. Paper 16. In due course, Continental filed its Statement Regarding the Ownership of U.S. Patent No. 5,530,431. Paper 18 (hereinafter Continental's Ownership Statement"). Netlatch did not file a paper to address the ownership issues, although it was authorized to do so. *See* Paper 16, 3.

B. The Bankruptcy Proceedings

The named-inventor of the '431 patent is Peter F. Wingard. Ex. 1001, [76]. In June of 2010, Mr. Wingard filed for Chapter 7 bankruptcy. Ex. 1018, 4.⁴ Mr. Wingard purportedly assigned the '431 patent to the Wingard Company in November 2007 and prior to the bankruptcy filing. *See id.* at 3–4. At some point thereafter, the Wingard Company purportedly assigned the patent back to Mr. Wingard, who then purportedly assigned the patent to Netlatch in exchange for a sixty percent interest in Netlatch. *See* Paper 5 (listing the alleged chain of title); *see also* Ex. 1007, 3 (assignment to Netlatch). Netlatch's ownership claim in the '431 patent rests on the existence of the purported assignment from Mr. Wingard to the Wingard Company in November 2007. *See* Ex. 1018, 3–

⁴ Exhibit 1018 is the transcript of a telephonic ruling by the Bankruptcy Court on the Trustee's motion for authorization to sell the '431 patent. The Court's findings of fact and conclusions of law were placed on the record during that ruling. Exhibit 1028 is the Bankruptcy Court's Order granting the motion for the reasons stated during the telephonic hearing.

4. Before the Bankruptcy Court, Mr. Wingard was unable to produce the assignment that allegedly occurred in November 2007. *Id.* at 6.

On August 4, 2015, the Bankruptcy Trustee filed a motion in the Bankruptcy Court for authorization to sell the '431 patent. *See id.* at 2; Ex. 1027 (motion). In the bankruptcy proceedings, counsel for Netlatch entered an appearance as counsel of record for “the third parties, James H. Muhl Jr. and NetLatch LLC.” Ex. 1025. Additionally, Netlatch filed an objection to the Trustee’s proposed sale (Ex. 1022), and a witness and exhibit list (Ex. 1019). A full evidentiary hearing was conducted by the Bankruptcy Court to determine whether the Wingard Company or Mr. Wingard held title to the '431 patent at the time of the bankruptcy filing. *See* Ex. 1018, 2. In ruling on the motion, the Bankruptcy Court summarized the key issue as follows:

Mr. Muhl formed the Netlatch Company in 2014, and the 431 patent[] was assigned to him on July 28, 2014, but *if the Court finds that Mr. Wingard owned the patent [at the time of the bankruptcy filing], that assignment is totally void* because he [Mr. Muhl and Netlatch] couldn’t have gotten it from the [Wingard] company since it was owned by Mr. Wingard.

Id. at 8 (emphasis added). The Court evaluated the circumstantial evidence and the credibility of Mr. Wingard regarding the alleged November 2007 assignment, and found that neither weighed in favor of Mr. Wingard. *Id.* at 9–10. The Court ultimately found, “at the time of the [bankruptcy] filing, that the patent was owned by Mr. Wingard personally, and, therefore, became part of the [Bankruptcy] Estate,” and the Court granted the Trustee’s motion to sell the patent. *Id.* at 10, 11; *see also* Ex. 1020 (Order granting the motion). The time to appeal the order has expired and no appeal was sought. Ex. 1017, 2 (citing Fed. R. Bankr. P. 8002).

In an assignment dated December 17, 2015, the Bankruptcy Trustee assigned to Continental the entire right, title, and interest in the '431 patent. Ex. 1017. An assignment from the Trustee to Continental Automotive GmbH is recorded in the USPTO at Reel/Frame 37329/544. Ex. 3001.

II. ANALYSIS

In light of the Bankruptcy Court's Order and the authorized sale of the '431 patent, we recognize Continental as the current owner of the '431 patent for purposes of this *inter partes* review proceeding. Continental asserts: "because Continental is now the patent owner and has represented that the 431 patent claims are invalid, the claims should be found unpatentable either by way of a final determination or in response to a request for adverse judgment." Continental's Ownership Statement 5.⁵ Continental also indicates that the same request for relief applies in the related case, IPR2015-00473. *Id.* at 5 n.4.

A party may request judgment against itself at any time during a proceeding. 37 C.F.R. § 42.73(b). Pursuant to 37 C.F.R. § 42.73(b)(3), "[c]oncession of unpatentability" may be construed as a request for adverse judgment.

⁵ Continental also asserts that Netlatch should be dismissed as a party and that all papers filed by Netlatch expunged. Continental's Ownership Statement 5. Continental does not persuade us that those steps are necessary. *See* 37 C.F.R. § 41.14 ("The record of a proceeding, including documents and things, shall be made available to the public, except as otherwise ordered."); *Office Patent Trial Practice Guide*, 77 Fed. Reg. 48,756, 48,760 (Aug. 14, 2012) (referring to "the public's interest in maintaining a complete and understandable file history").

We understand Continental to expressly request entry of adverse judgment against itself as the current patent owner. Continental's Ownership Statement 5. Additionally, we treat Continental's concession that the challenged claims are unpatentable (*id.* at 5; *see* Pet. 3–4) as a request for adverse judgment. 37 C.F.R. § 42.73(b)(3). Under these circumstances, entry of judgment adverse to Patent Owner Continental is appropriate.

III. ORDER

In consideration of the foregoing, it is
ORDERED that, for purposes of this proceeding, Continental is recognized as the Patent Owner;

FURTHER ORDERED that Patent Owner Continental's request for adverse judgment under 37 C.F.R. § 42.73(b) with respect to claims 14, 17, 31, and 33 of U.S. Patent No. 5,530,431 B2 is *granted*; and

FURTHER ORDERED that, because this is a Final Written Decision, parties to the proceeding seeking judicial review of this Decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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