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IP Newsflash



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FEDERAL CIRCUIT CASES

FRCP 19(a) Cannot Be Used to Involuntarily Join an Unwilling Patent Co-Owner to Infringement Litigation

On June 6, 2014, the Federal Circuit affirmed a decision by the District of New Mexico granting summary judgment for lack of standing due to the plaintiff's failure to join all co-owners of the patent at issue. In 2010, STC.UNM (STC) filed suit against Intel Corp for infringing U.S. Patent No. 6,042,998 ('998 patent) titled "Method and Apparatus for Extending Spatial Frequencies in Photolithography Images." During the course of the litigation, in an unsuccessful attempt to fend off summary judgment, STC assigned an undivided interest in the '998 patent to Sandia Corp (2011 Assignment). (The '998 patent was a continuation-in-part of U.S. Patent No. 5,705,321 ('321 patent); it was undisputed that Sandia co-owned the '321 patent). Despite STC's actions, Intel moved for partial summary judgment on the basis that the '998 patent was unenforceable because Sandia was not a co-owner when a terminal disclaimer was filed to protect the '998 patent application from rejection during the prosecution process. (During the prosecution of the '998 patent application, the PTO rejected it twice for double patenting over the '321 patent. To overcome the rejections, STC's predecessor-in-interest filed a terminal disclaimer stating that the '321 and '998 patents were commonly owned, which was not correct.) STC's attempt to cure the terminal disclaimer's co-ownership problem with the 2011 Assignment did not work. The district court granted summary judgment finding that Sandia did not have an ownership interest in the '998 patent prior to the execution of the 2011 Assignment.

Following the summary judgment ruling, STC and Intel cross-moved on the issue of standing concerning Sandia's post-2011 Assignment ownership of the '998 patent. Unfortunately for STC, Sandia's refusal to join the lawsuit resulted in dismissal for lack of standing under the holding in *Ethicon, Inc. v. United States Surgical Corp.*, 135 F.3d 1456 (Fed. Cir. 1998) ("as a matter of substantive patent law, all co-owners must ordinarily consent to join as plaintiffs in an infringement suit" and "one co-owner has the right to impede the other co-owner's ability to sue infringers by refusing to voluntarily join in such a suit"). On appeal, STC argued that it should have been allowed to join Sandia involuntarily under Federal Rule of Civil Procedure 19(a) because the holding in *Ethicon* does not address or preclude Rule 19(a) joinder. The Federal Circuit emphatically disagreed stating: "To remove any doubt, this court holds that the right of a patent co-owner to impede an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule of involuntary joinder under Rule 19(a)."

STC.UNM v. Intel Corp., 2013-1241 (Fed Cir. June 6, 2014) [Rader (opinion), Newman (dissenting), Dyk]

- Author: [Melanie Goins Cowart](#)

PATENT TRIAL AND APPEAL BOARD

Patent Trial and Appeal Board Finds No Privity Where Co-Defendant Possibly Owed the Petitioner an Indemnification Obligation

On June 2, 2014, a panel of Administrative Patent Judges of the Patent Trial and Appeals Board (the "Board") issued a final written decision, and rejected the patent owner's argument that the petitioner was time-barred under 35 U.S.C. § 315(b) based on privity. Specifically, the patent owner argued that one of the petitioner's co-defendants in a case pending in the United States District Court for the Eastern District of Texas was served with a complaint alleging infringement of the patent more than one year before the petitioner filed the petition, and that the co-defendant and the petitioner were in privity because the co-defendant may have agreed to indemnify the petitioner for infringement claims involving the accused instrumentality. Noting that "whether a non-party is a 'privity' for purposes of an *inter partes* review is a 'highly fact-dependent question,'" the Board found that the patent owner provided no evidence that the co-defendant had any role in the filing or funding of the Petition. The Board also found that there was no evidence the co-defendant exercised, or could have exercised, control over the petitioner's participation in the proceeding. The patent owner's sole evidence that a privity relationship existed was indemnification language in a Software Development Kit (SDK) agreement that the petitioner allegedly enters into with iPhone developers. Even assuming that the specific indemnification provision of the SDK agreement applied to the petitioner's co-defendant (and the Board found that the patent owner had not shown that it applied), the Board was not persuaded that the provision was indicative of the co-defendant being a privity of the petitioner. In its final written decision, the Board found that 15 claims of the challenged patent were unpatentable under 35 U.S.C. §102 and 35 U.S.C. §103.

Apple Inc. v. Achatos Reference Publishing, Inc., IPR2013-00080 (PTAB June 2, 2014) [Arbes (opinion); Anderson; Blankenship]

- Author: [David Vondle](#)

Patent Trial and Appeal Board Determines IPR Petition is Not Time-Barred Due to Privity with Co-Defendant

On June 2, 2014, the Patent Trial and Appeal Board denied the patent owner's request to dismiss a petition for *inter partes* review as time-barred under 35 U.S.C. §315(b). Under 35 U.S.C §315(b), a petition for *inter partes* review is time-barred if "filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent." The patent owner asserted the petitioner was a "privy" of its co-defendant who was served with a complaint alleging patent infringement more than one year before the filing date of the petition. In support of its "privy" argument, the patent owner pointed to the co-defendant's agreement to indemnify the petitioner for claims of patent infringement of "the same accused functionality." The patent owner argued that the co-defendant and petitioner had a pre-existing legal relationship and thus were "privies." The Board rejected the patent owner's arguments for primarily three reasons. First, relying on the Patent Office Trial Practice Guide, the court noted there was no evidence that the co-defendant "exercised or could have exercised control over a party's participation in a proceeding," or that the co-defendant was responsible for funding or directing the IPR. Second, the Board determined that the indemnity agreement did not provide the co-defendant any right to intervene or control petitioner's defense to patent infringement. Third, the Board followed Supreme Court precedent that indemnification is not a "substantive legal relationship" justifying preclusion based on privity. Based on these facts, the Board determined the petitioner and co-defendant were not "privies" and held the petition was not time-barred.

Apple Inc. v. Achatas Reference Publishing, Inc., IPR2013-00080 (PTAB June 2, 2014) [Arbes (opinion); Blankenship; Anderson]

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