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PTAB Continues Hard Line on Motions for Additional Discovery, Door Left Open for Some Limited Discovery

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August 28, 2014 – The PTAB continues to take a hard line on motions for additional discovery, but shows a willingness to grant some limited additional discovery, as the following four decisions illustrate:

[IPR2014-00312 – Square, Inc. v. REM Holdings 3, LLC \(Paper 20\)](#)

The Patent Owner’s motion for additional discovery relating to evidence of secondary considerations to overcome obviousness challenges was dismissed without prejudice. The Board ruled that the motion contained both unduly broad and burdensome requests and also requests for information that was publically available. However, the Board did leave the door open to granting a “limited amount of discovery” to the Patent Owner because the Patent Owner “made sufficient showing to entitle them to some information from Petitioner regarding sales figures.” Although the Patent Owner has to demonstrate “more than a possibility or mere allegation that something useful will be found” from its discovery request, “this does not mean that the requester must prove conclusively that they will win on the merits before any discovery will be granted.”

[CBM2014-00131, 00133, 00135, 00136, 00137 – TD Ameritrade Holding Corp., et al. v. Trading Technologies International, Inc. \(Paper 11\)](#)

In these cases, the Patent Owner filed a request for authorization to file a motion for additional discovery as to whether Petitioner, an entity called eSpeed, and other unnamed parties were real-parties-in-interest to the IPR. The motion authorization request was denied. Separately, the

Board provided guidance regarding how to ensure compliance with “routine discovery” requirements.

The principal support proffered for the motion was a 2005 memo authored by counsel for eSpeed and obtained by Petitioner in 2010 in response to a “request for prior art,” after Petitioner was sued by the Patent Owner. Petitioner cited the 2005 memo in its CBM Petition and stated that it might contain attorney work product.

Under 37 C.F.R. § 42.224, additional discovery may be granted upon “a showing of good cause as to why the discovery is needed.” The Board decided that Patent Owner’s rationale for this additional discovery did not meet this threshold but rather amounted to “mere speculation that [Patent Owner] will discover information regarding an alleged joint defense group between Petitioner, eSpeed, and other unnamed entities.”

The Patent Owner also alleged that Petitioner improperly failed to serve a document which contained statements inconsistent with its petition. Patent Owner sought guidance from the Board as to how it could enforce compliance with routine discovery rules. Without stating whether Petitioner should or should not have served the document on Patent Owner, the Board directed Patent Owner to the language of 37 C.F.R. § 42.51(b)(1)(iii) addressing “routine discovery.” The Board concluded that Patent Owner “was free to address the alleged inconsistent statements in its Preliminary Response or Patent Owner Response.” The Board quoted from its Decision in *Garmin* (IPR2012-00001, Paper 26): “Routine discovery under 37 C.F.R. § 42.51(b)(1)(iii) is narrowly directed to specific information *known to the responding party to be inconsistent* with a position advanced by that party in the proceeding, and not broadly directed to any subject area in general within which the requesting party hopes to discover such inconsistent information.”

IPR2014-00199 – Wavemarket Inc. d/b/a/ Location Labs v. Locationet Systems LTD (Paper 34)

Here, the Patent Owner filed a motion for additional discovery requesting production of documents, an answer to an interrogatory, and authorization to take a deposition, which the Board denied. Patent Owner’s purpose was to establish parties as real parties in interest to the IPR on the basis that they were accused of infringing the patent at issue in multiple related district court litigations, and because each has a “direct interest in the outcome of this proceeding and a relationship with Petitioner.”

Patent Owner sought discovery of various indemnification agreements and joint defense/common interest agreements, communications, payments or payment obligations between Petitioner and the other parties which Patent Owner alleged are relevant to show the other parties’ involvement in and/or funding of the current IPR.

The Board focused on two of the five factors from *Garmin* (IPR2012-00001, Paper 26) to determine whether the additional discovery requests satisfied the “necessary in the interest of justice” standard under 35 U.S.C. § 3126(a)(5) - whether the requests were overly burdensome to answer and whether more than a mere possibility and mere allegation existed that would lead to useful discovery. Although Patent Owner’s evidence of shared counsel and the existence of the

indemnification and defense/common interests might uncover the existence of something useful that would support a finding of privity with Petitioner (which is a more expansive notion), such evidence is not sufficient to support a finding that the parties were real-parties-in-interest. Therefore, Patent Owner's evidence did "not demonstrate *beyond speculation* that something useful will be uncovered regarding [the other parties'] funding, direction, control, or ability to exercise control of Petitioner's participation in this *inter parte* review."

Furthermore, the Board determined that the document requests were unduly burdensome because they sought all communications about indemnification and regarding the joint defense and/or common interest agreements between Petitioner and AT&T, T-Mobile, and Sprint "without providing any basis that the requested communications contain any useful information."

IPR2014-00367 – Schott Gemtron Corp. v. SSW Holding Co., Inc. (Paper 20)

In this case, the Patent Owner was seeking additional discovery "pertaining to its assertion of commercial success and copying as secondary considerations of nonobviousness." Specifically, Patent Owner sought documents sufficient to identify Petitioner's total annual sales of certain products. The Board focused on the factor from *Garmin* (IPR2012-00001, Paper 26) which states that something more than a mere possibility of finding something useful is necessary in the interest of justice. Commercial success usually is demonstrated with evidence of "significant sales in a relevant market." Patent Owner's evidence of Petitioner's sales figures for the product in question (hydrophobic spill proof shelves) for 2013 was not sufficient to show "beyond mere speculation or a mere possibility, that Petitioner's sales were significant enough in the relevant market to constitute commercial success and that the requested discovery would, therefore, return useful information."

Furthermore, Patent Owner failed to establish a proper nexus between the claimed invention and the commercial success of the product. This would require proof that commercial success was a direct result of the unique characteristics of the claimed invention, as opposed to an unclaimed feature of the invention or other unrelated commercial and economic factors unrelated to the quality of the patented invention. Royalty reports showing purchases of hydrophobic spill proof shelves do "not point out sufficient evidence of nexus between the claimed invention and Petitioner's product *with respect to Petitioner's sales*." A declaration testifying that Patent Owner's design was the reason a party bought shelves from the Patent Owner was "not indicative of reasons for buying from the Petitioner. Without evidence of a nexus regarding Petitioner's sales, Patent Owner could not demonstrate that its discovery requests would be likely to uncover something useful.

The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office's Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer weekly summaries of the board's significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.



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