

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ACETO AGRICULTURAL CHEMICALS CORP.,
Petitioner,

v.
GOWAN CO.,
Patent Owner.

Case IPR2015-01016
Patent 8,791,049 B2

Before SHERIDAN K. SNEDDEN, KRISTINA M. KALAN, and
CHRISTOPHER G. PAULRAJ, *Administrative Patent Judges*.

PAULRAJ, *Administrative Patent Judge*.

DECISION

Denying Institution of *Inter Partes* Review
35 U.S.C. § 212(a) and 37 C.F.R. § 42.8(b)(1)

I. INTRODUCTION

Aceto Agricultural Chemicals Corp. (“Petitioner”) filed a Petition requesting an *inter partes* review of claims 6–14 of U.S. Patent No. 8,791,049 B2 (Ex. 1001, “the ’049 patent”). Paper 1 (“Pet.”). Gowan Co. (“Patent Owner”) filed a Preliminary Response to the Petition. Paper 13 (“Prelim. Resp.”). We have jurisdiction under 35 U.S.C. § 314.

Upon consideration of the briefing and evidence presented by Patent Owner, we determine that Petitioner has not satisfied its burden of establishing that all real parties-in-interest (“RPIs”) have been properly named in this proceeding. Accordingly, we may not consider the Petition under 35 U.S.C. § 312(a)(2), and cannot institute an *inter partes* review of the challenged claims.

II. DISCUSSION

A. *Legal Framework*

A petition for *inter partes* review may be considered “only if” it identifies all RPIs. 35 U.S.C. § 312(a)(2) (“A petition filed under section 311 may be considered only if . . . the petition identifies all real parties in interest . . .”). That statutory requirement, thus, defines a “threshold issue” for substantive review of the merits of the challenges presented in the petition. *See ZOLL Lifecor Corp. v. Philips Elec. N. Am. Corp.*, Case IPR2013-00606, slip op. at 8 (PTAB Mar. 20, 2014) (Paper 13). The identification of RPIs must be made as part of a petitioner’s mandatory notices, which are required to be filed as a part of the petition. 37 C.F.R. § 42.8(a)(1).

In the context of an *inter partes* review, an RPI is generally one that “desires review” of the patent at issue and “may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been

filed.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (August 14, 2012). The Office Trial Practice Guide refers to the Office’s application of similar principles established in the context of *inter partes* reexamination, specifically noting *In re Guan*, *Inter Partes* Reexamination Proceeding, Control No. 95/001,045, Decision Vacating Filing Date (Aug. 25, 2008). *Id.*

In *Guan*, the Office explained that, generally, in *inter partes* reexamination proceedings, it “will not look beyond the required statement identifying the real party in interest,” but that exploration is appropriate when “the statement related to the real party-in-interest is not facially accurate, or is ambiguous.” *Guan* at 7. Similarly, in *inter partes* review proceedings, the Board “generally accepts the petitioner’s identification [of real parties-in-interest] at the time of filing the petition.” *Zoll*, Paper 13, slip op. at 7 (citing Office Patent Trial Practice Guide, 77 Fed. Reg. at 48695).

As in *Guan*, a petitioner’s identification of RPIs establishes a rebuttable presumption that the listing is complete and correct. “[T]he party against whom a presumption is directed has the burden of producing evidence to rebut the presumption. But this rule does not shift the burden of persuasion, which remains on the party who had it originally.” Fed. R. Evid. 301.¹ Thus, when, a patent owner provides sufficient rebuttal evidence that reasonably brings into question the accuracy of the petitioner’s identification of the RPIs, the burden remains with the petitioner to establish that it has complied with the statutory requirement to identify all RPIs. *Galderma S.A.*

¹ The Board has adopted the Federal Rules of Evidence as applying to *inter partes* review proceedings. 37 C.F.R. § 42.62(a).

v. Allergan Industrie, SAS, Case IPR2014-01422, slip op. at 6–7 (PTAB March 5, 2015) (Paper 14).

Whether a party who is not a named participant in a given proceeding nonetheless constitutes a RPI is a “highly fact-dependent question.” Office Patent Trial Practice Guide, 77 Fed. Reg. at 48759 (citing *Taylor v. Sturgell*, 553 U.S. 880 (2008)). The Supreme Court in *Taylor* sets forth a list of factors, in the context of the related issue of privity, that might be relevant in a particular case. 553 U.S. at 893–95. Although “rarely will one fact, standing alone, be determinative of the inquiry,” it is nonetheless the case that “[a] common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding.” Office Patent Trial Practice Guide, 77 Fed. Reg. at 48760, 48761 (citations omitted).

The concept of control generally means that “the nonparty has the actual measure of control or opportunity to control that might reasonably be expected between two formal parties.” *Id.* at 48759 (citations omitted). There is no brightline test for “determining the necessary quantity or degree of participation to qualify as a ‘real party-in-interest’ . . . based on the control concept.” *Id.* (citing *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994). Evidence that a non-party wields “substantial control” in a matter “may be overt or covert, and the evidence of it may be direct or circumstantial—so long as the evidence as a whole shows that the nonparty possessed effective control over a party’s conduct . . . as measured from a practical, as opposed to a purely theoretical, standpoint.” *Gonzalez*, 27 F.3d at 759.

While *per se* rules are inappropriate in the RPI context due to its fact-dependent nature, prior decisions of the Board are instructive as examples of

situations in which a party should be considered an RPI. Although the Board has not found that the existence of a parent-subsidary relationship *alone* is sufficient to justify a parent corporation's status as an RPI, *see Compass Bank v. Intellectual Ventures II LLC*, Case IPR2014-00724, slip op. at 10–11 (PTAB Nov. 6, 2014) (Paper 12)), we have found that “an involved and controlling parent corporation” may indeed be an RPI. *Zoll*, Paper 13, slip op. at 10. In this regard, the Board has on several occasions held that the petitioner's parent corporation should have been named as an RPI where “the relationship between a nonparty parent corporation and the subsidiary petitioner blurred the lines of corporate separation such that the parent could control conduct of the *inter partes* review.” *See Reflectix, Inc. v. Promethean Insulation Tech. LLC*, Case IPR2015-00039, slip op. at 9 (PTAB Apr. 24, 2015) (Paper 18); *see also Galderma*, Paper 14, slip op. at 9–13; *Zerto, Inc. v. EMC Corp.*, Case IPR2014-01254, slip op. at 10–14 (PTAB Feb. 12, 2015) (Paper 32); *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, Case IPR2013-00453, slip op. at 2–6 (PTAB Jan. 6, 2015) (Paper 88); *Zoll*, Paper 13, slip op. at 8–11.

In its Preliminary Response, Patent Owner asserts that the Petition does not identify all RPIs, as required by statute; namely, Patent Owner asserts that Petitioner's parent corporation, Aceto Corp., should have been included as an RPI. *See* Prelim. Resp. 45–49; 35 U.S.C. § 312(a)(2). Despite being aware of the issue since before the Preliminary Response was filed (Ex. 2018), Petitioner never sought leave to file a reply to address Patent Owner's RPI arguments. Patent Owner alleges, specifically, that Petitioner's parent company, Aceto Corp., is an RPI based on the blurring of corporate boundaries. In light of the evidence presented by Patent Owner,

we consider whether Petitioner has met its burden of establishing that all RPIs have been properly named in this proceeding.

B. Factual Background

Petitioner is a wholly-owned subsidiary of Aceto Corp. Ex. 2011. Salvatore Guccione has been identified in public documents as Petitioner's Chief Executive Officer (CEO) as well as the CEO, President, and Chief Operating Officer of Aceto Corp. Ex. 2012; Ex. 2013. Other officers of Petitioner have also been identified as holding high ranking positions in Aceto Corp. For example, Steven Rodgers, who is Petitioner's President, has also been identified as Senior Vice President, General Counsel, and Corporate Secretary of Aceto Corp. Ex. 2014, 5; Ex. 2013. Douglas Roth, who is the Secretary and Treasurer of Petitioner, also purportedly holds the position of Senior Vice President and Chief Financial Officer (CFO) of Aceto Corp. Ex. 2015, 4; Ex. 2013. In a Credit Agreement among Aceto Corp. and its subsidiaries, Mr. Roth signed the document on behalf of both Aceto Corp. (as its CFO) and Petitioner (as its Secretary/Treasurer). Ex. 2015, 4. Furthermore, Terry Kippley, who signed the Power of Attorney document for Petitioner in this proceeding, holds the positions of both Senior Vice President for Agricultural Protection Products at Aceto Corp. and Senior Vice President for Petitioner. Ex. 1013; Ex. 2013. Mr. Kippley has been identified as a "key employee" of Aceto Corp. in a filing with the Securities and Exchange Commission (SEC). Ex. 2017, 1.

Additional evidence presented by Patent Owner indicates the “intertwined nature” of Petitioner’s and Aceto Corp.’s operations, making it “difficult for both insiders and outsiders to determine precisely where one ends and the other begins.” Prelim. Resp. 47 (citing *Reflectix*, Paper 18, slip op. at 11). In a 10-Q filing with the SEC, Aceto Corp. stated:

The Company [Aceto Corp.] and its subsidiaries are subject to various claims which have arisen in the normal course of business. The Company provides for costs related to contingencies when a loss from such claims is probable and the amount is reasonably determinable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, the Company reviews and evaluates its litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If the Company determines an unfavorable outcome is not probable or reasonably estimable, the Company does not accrue for a potential litigation loss. While the Company has determined that there is a reasonable possibility that a loss has been incurred, no amounts have been recognized in the financial statements, other than what has been discussed below, because the amount of the liability cannot be reasonably estimated at this time.

Ex. 2016, 11.

Furthermore, Patent Owner has submitted documents showing that Aceto Corp. is applying for registration with the Environmental Protection Agency (EPA) under the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. § 136, for an herbicidal product containing halosulfuron (67%) and thifensulfuron (8%), a combination that arguably may be covered by claims challenged in this proceeding. Ex. 2007; Ex. 2009. Specifically, independent claim 6 of the ’049 Patent is directed to “compositions compris[ing] synergistically effective amounts of both halosulfuron and thifensulfuron.” Ex. 1001, 18:51–55. Finally, documents submitted by

Patent Owner indicate that Petitioner appears to share the same corporate address (4 Tri Harbor Court, Port Washington, New York, 11050) as Aceto Corp. Ex. 2007; Ex. 2012.

C. Analysis

Based on the evidence made of record, we determine that Petitioner has not met its burden of identifying all RPIs, as required by 35 U.S.C. § 312(a)(2). We determine that Patent Owner has provided sufficient rebuttal evidence that reasonably calls into question the accuracy of the Petition's identification of Aceto Agricultural Chemicals Corp. as the only RPI in this proceeding.

We find it particularly relevant to the RPI inquiry that Aceto Corp. appears to have its own vested interest in challenging the validity of the claims of the '049 patent. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. at 48759 (“[A]t a general level, the ‘real party-in-interest’ is the party that desires review of the patent.”). We have recognized that a parent corporation might not be an RPI if it was merely a holding company with no business operations of its own, but that does not appear to be the case here. *Cf. Amneal Pharms., LLC v. Jazz Pharms., Inc.*, Case IPR2015-00545, slip op. at 12–18 (PTAB July 29, 2015) (Paper 25). Rather, Aceto Corp., in its own name, has sought registration of an herbicidal product combining halosulfuron and thifensulfuron, i.e., the very combination discussed and claimed in the '049 patent. *See* Ex. 2007 (letter from Aceto Corp. to Canyon Group LLC regarding application for EPA registration and offer to pay for its reliance on certain information previously submitted to the EPA); Ex. 2009, 1 (Aceto Corp.'s “Submission of Product Chemistry and Toxicity Data in Support of the Application for Registration of Halomax Plus Herbicide”). As alleged by Patent Owner, “[s]hould Gowan prevail in this

IPR, it could block Aceto Corp.’s manufacture, marketing, and sale of its infringing product,” and “[t]hus, Aceto Corp. has a substantial stake in this IPR.” Prelim. Resp. 48. Even assuming that the registration was for the benefit of a product marketed and sold by Petitioner, Aceto Corp.’s actions in this regard suggest “an involved and controlling parent corporation representing the unified interests of itself and Petitioner.” *Zoll*, Paper 13, slip op. at 10.

Patent Owner has demonstrated that Petitioner and its parent corporation, Aceto Corp., have “blurred the lines of corporate separation such that the parent could control conduct of the *inter partes* review.” *Reflectix*, Paper 18, slip op. at 9. We find the significant overlap in corporate leadership between Petitioner and Aceto Corp. to also be relevant in this regard. Indeed, as noted above, Petitioner and Aceto Corp. not only appear to share the same CEO,² but also several other high-ranking corporate leaders. The point at which these individuals have stopped acting for Petitioner and have started acting on behalf of Aceto Corp. is unclear. Indeed, at least one “key employee” of Aceto Corp., Mr. Kippley, signed the Power of Attorney document on behalf of Petitioner in this proceeding. Ex. 1013; Ex. 2013; Ex. 2017. Although not dispositive, under similar circumstances, we have found shared corporate leadership and the blurring of corporate roles to be factors that tend to show that a petitioner’s parent

² Although, in correspondence with Patent Owner’s counsel, Petitioner’s counsel asserted that “Mr. Guccione is not the CEO of [Ppetitioner]” (Ex. 2018), Petitioner never sought to substantiate that assertion with evidence in this proceeding. To the contrary, the document relied upon by Patent Owner plainly identifies “Salvatore Goccione” [sic] as the CEO of Petitioner. Ex. 2012.

company should have been named an RPI. *See, e.g., Reflectix*, Paper 18, slip op. at 11 (finding that parent corporation should have been named an RPI where “all but two corporate officers of Reflectix have high-ranking (Vice President or higher) positions within SAC-US and/or SAC”).

Patent Owner also has pointed to statements in Aceto Corp.’s SEC filing indicating that Aceto Corp. may subsidize the litigation losses of its subsidiaries. *See* Ex. 2016, 1 (“The Company provides for costs related to contingencies when a loss from such claims is probable and the amount is reasonably determinable.”). To be sure, Patent Owner has not pointed to any “smoking gun” document showing that Aceto Corp. is funding or controlling this particular *inter partes* review proceeding. Patent Owner, however, does not bear the burden of proving funding by Aceto Corp; nor is proof of funding necessarily required for us to find that Aceto Corp. should have been named an RPI. Petitioner does bear the burden of proof on this issue, and taking into account that Petitioner is in the best position to provide evidence relevant to the issue of funding, we determine that Petitioner has failed to meet its burden. *See Zerto*, Paper 32, slip op. at 12 (“Although Zerto, Inc. is in the best position to provide evidence relevant to the issue of funding, it did not produce receipts or statements showing clearly that Zerto, Inc.—not Zerto, Ltd.—paid the filing fees and legal expenses associated with this proceeding.”).

We find it also relevant that, despite having the ultimate burden of proving that all RPIs have been properly named, Petitioner did not seek to respond to the arguments and evidence presented by Patent Owner on this issue. Indeed, Petitioner has remained silent before the Board even though Patent Owner’s counsel raised RPI concerns with Petitioner’s counsel *before* filing the Preliminary Response. Ex. 2018. Rather, Petitioner responded to

Patent Owner that “we do not see any issue with the currently identified real party-in-interest.” *Id.* We note that Petitioner could have sought leave from the Board to file a reply brief and/or serve supplemental evidence if it disputed Patent Owner’s assertions. The Board has granted such leave when requested in prior cases. *See, e.g., Reflectix*, Paper 12 (Feb. 17, 2015); *Galderma*, Paper 11 (Jan. 30, 2015).³

In sum, the evidence tends to show that Aceto Corp., through its shared corporate leadership, public statement regarding funding of Petitioner, and its activities in registering an herbicidal product arguably covered by the patent at issue, at least had the opportunity and incentive to control this proceeding. When this evidence is taken as a whole, we conclude that, at best, it is unclear whether Aceto Corp. and Petitioner operate as separate and distinct entities, or whether they have blurred the corporate lines such that they effectively operate as a single entity.

III. CONCLUSION

Based on the evidence presented, we conclude that Petitioner has not met its burden of establishing compliance with the statutory requirement to identify all RPis. In view of our conclusion, we cannot consider the merits of the patentability challenges presented in the Petition.

We note that the parties do not identify any related litigation matters. *See* Pet. 1; Paper 10, 1. As such, unlike in certain other cases involving RPI challenges, there does not appear to be a statutory bar under 35 U.S.C. § 315(b) that would preclude Petitioner from refiling the Petition with all

³ While the Board may have done so on other occasions, we are not required to issue a *sua sponte* order authorizing further briefing from a petitioner every time the patent owner raises an RPI issue in the preliminary response.

RPIs properly named. Nonetheless, the prerequisite to name all RPIs in order for the Petition to be considered is based on an independent statutory requirement. *See* 35 U.S.C. § 312(a)(2). Accordingly, we deny institution of *inter partes* review based on the Petition, as filed.

IV. ORDER

After due consideration of the record before us, it is
ORDERED that the Petition is denied and no trial is instituted.

IPR2015-01016
Patent 8,791,049 B2

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