

PTAB Overruled: A New Analysis For Real Party In Interest

By **Derrick Carman** (July 7, 2023)

On May 22, the U.S. Patent and Trademark Office Director Kathi Vidal vacated in part a final written decision of the Patent Trial and Appeal Board in *Unified Patents LLC v. MemoryWeb LLC*. Vidal held that the board erred by determining that third parties Samsung Electronics Co. Ltd. and Apple Inc. were real parties in interest even though that determination had no impact on the inter partes review.[1]



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Vidal held that it is improper for the board to make a real party in interest determination where "that determination was not necessary to resolve the proceeding." [2] This decision likely has implications for the disclosure of real parties in interest in future proceedings for both patent challengers and patent owners.

Background and PTAB Decision

Under Title 35 of the U.S. Code, Section 312, a petition for inter partes review "may only be considered if ... the petition identifies all real parties in interest." On Sept. 3, 2021, Unified Patents petitioned the board to institute inter partes review of MemoryWeb's U.S. Patent No. 10,621,228. In the petition, Unified Patents certified that it was the only real party in interest and no other party exercised control or could exercise control over their participation in the proceeding, filing of the petition, or conduct in any ensuing trial.[3]

MemoryWeb argued in its preliminary response that Apple and Samsung were also real parties in interest and should have been identified as such.[4] The board granted Unified leave to file a reply on that issue. At institution, the board declined to resolve the question of whether Samsung and Apple are real parties in interest because no time bar or estoppel provisions under Title 35 of the U.S. Code, Section 315 were implicated at the time and the issue was still without a fully developed factual record.[5]

After institution, MemoryWeb raised the issue again, asking the board to estop Apple and Samsung from challenging the validity of the patent in separate IPR proceedings (IPR2022-00031 and IPR2022-00222).[6]

On March 8, 2023, and based on the full factual record, the board reversed course and issued an order identifying Apple and Samsung as real parties in interest and instructing Unified to update their mandatory notices to be consistent with the order.[7]

The board ruled that determining if Apple and Samsung were real parties in interest in this IPR was a "necessary precursor" to determining whether they would be estopped in a subsequent proceeding.[8]

Unified's Petition to the Director

Unified petitioned for director review of the IPR with respect to the determination of whether Apple and Samsung were real parties in interest because doing so "violated [Apple's and Samsung's] due process rights, contravened this Board's precedential *SharkNinja* decision, and created a procedural morass." [9]

Unified asserted that the board's decision was inconsistent with the board's precedential

decision in *SharkNinja Operating LLC v. iRobot Corp.* "because here was no allegation that any party would be 'barred or estopped from this proceeding.'"[10] Unified characterized the board's decision as a "non-binding advisory opinion that prejudices non-parties to this proceeding." [11]

Additionally, Unified noted that the board's decision shifted the burden of proving that Apple and Samsung are real parties in interest away from MemoryWeb in their individual related cases.[12] Instead, Unified argued that it would have the burden of "proving a negative" in showing that Apple and Samsung are not real parties in interest.[13] Unified also pointed out that the board's decision would create a number of discovery issues because Apple and Samsung were not parties to the IPR.[14]

Unified's petition for director review further characterized the board's decision as a nonbinding advisory opinion, and Vidal's decision notes this position.[15] Neither Apple nor Samsung were parties to the proceeding, nor were they given the opportunity to participate. Thus, denying Apple and Samsung the opportunity to participate, where their ability to later seek relief before the board is at issue, may pose certain due process concerns.

However, while it is true that federal courts would not allow an advisory opinion due to the Constitution's case-or-controversy requirement,[16] the board is not an Article III court. As an Article I court, the board is under no obligation to avoid advisory opinions. Federal agencies often do provide advisory opinions to expedite further litigation and avoid unnecessary relitigating of issues before their boards and courts.[17]

The Director's Decision

Vidal granted Unified's petition for director review. Vidal largely agreed with Unified, citing the precedential *SharkNinja* decision, holding that "it best serves the Office's interests in cost and efficiency to not resolve a [real party in interest] issue when 'it would not create a time bar or estoppel under 35 U.S.C. § 315' in that proceeding." [18]

The director acknowledged that the board does have the power to determine real parties in interest, but only where that determination may impact the proceeding in which the challenge is made.[19]

The director ordered that the board's real party in interest determination of Apple and Samsung in the final written decision be vacated.[20]

Implications for the Future of RPI Determinations

Vidal's decision will likely make it more difficult for patent owners to challenge the real party in interest status of a patent challenger. Specifically, patent owners may now be forced to wait until a subsequent proceeding to determine whether the patent challenger should have been named as a real party in interest in a prior proceeding.

As a result, evidence may be lost to time, and patent owners that survive an inter partes review may be left with an unclear picture of precisely which parties are estopped from later asserting invalidity theories that were or could have been raised in the earlier proceeding.

Going forward, patent owners may only be able to raise real party in interest challenges when they have a clear argument that the determination will be dispositive of the currently pending proceeding. The fact that the alleged real parties in interest may be estopped in the future, or even in concurrently pending, but separate, proceedings may be insufficient to raise a real party in interest question in a given proceeding.

On the other hand, Vidal's decision may maintain the cost-effectiveness and efficiency of the inter partes review proceeding. The inter partes review process was designed — at least in theory — to be a streamlined and expedited alternative to litigation for addressing patent validity disputes. If the panel were to have to investigate potential real parties in interest that are not directly consequential for the outcome, it would risk lengthening the process with unnecessary delays and associated costs.

Devoting more of the process to determinations that are inconsequential to the outcome of the pending proceeding may make the inter partes review process less attractive as a viable alternative to district court litigation.

However, there may be valid arguments and policy concerns that determining the real parties in interest in the initial inter partes review proceeding could actually be the more efficient option. A patent owner may be rightfully concerned that the patent challenger's inadequate disclosure of the real parties in interest could unnecessarily subject the patent owner to future proceedings that could be avoided if the board were to simply make the determination now. Relitigating these issues in the future may defeat the efficiency and fairness-related purposes of forcing petitioners to have to disclose real parties in interest at the outset of the proceeding.

Additionally, there may be fears that the relevant documents and other discovery items related to the relationships between the petitioner and any other RPIs may be lost or unclear by the time that the patent owner would need to challenge a party's status as a real party in interest.

Finally, there is arguably a question of whether Vidal's decision comports with Title 35 of the U.S. Code, Section 312. Section 312 provides that the board may only consider a petition for inter partes review if it identifies the real parties in interest. Thus, if a petition fails to identify a real party in interest, then it arguably cannot statutorily be considered by the board.

The board has previously permitted parties to update their identification of real parties in interest during a proceeding (both pre- and post-institution), and found that such practice comports with Section 312. But Vidal's decision may result in situations where a proceeding concludes with a final written decision, and the correct real parties in interest are never identified in that proceeding. It remains unclear what the practical impact would be in such a situation, both on the efficacy of the final written decision in the earlier proceeding and the impact on future proceedings.

Real party in interest determinations pose critical issues for both patent challengers and patent owners. Balancing the interests of each is proving to be precarious for the USPTO. As a result, patent challengers and patent owners would do well to assess their positions and arguments regarding real parties in interest early and often in a proceeding to ensure that they are making the proper arguments at the proper time in the light of the evolving law before the board.

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[1] Unified Patents, LLC v. MemoryWeb, LLC, No. IPR2021-01413, Paper 76 at 5 (P.T.A.B. May 22, 2023) [hereinafter Decision Granting Director Review].

[2] Id.

[3] Unified Patents, LLC v. MemoryWeb, LLC, No. IPR2021-01413, Paper 67 at 3 (P.T.A.B. Apr. 5, 2023) [hereinafter Final Written Decision].

[4] Id.

[5] Id. at 4.

[6] Unified Patents, LLC v. MemoryWeb, LLC, No. IPR2021-01413, Ex. 1030 at 24 (June 14, 2022).

[7] Final Written Decision at 5.

[8] Id. at 5.

[9] Unified Patents, LLC v. MemoryWeb, LLC, No. IPR2021-01413, Ex. 1045 at 8 (Apr. 13, 2023) [hereinafter Director Review Request].

[10] Id. at 9-10 (citing SharkNinja Operating LLC v. iRobot Corp., IPR2020-00734, Paper 11 at 18 (PTAB, Oct. 6, 2020)) (emphasis in original).

[11] Id. at 10.

[12] Id.

[13] Id. at 11.

[14] Id. at 11.

[15] Id.

[16] U.S. Const. art. III, § 2, cl. 1.

[17] See Justin D. Simon & Jodi Trulove, Reliance on Government Advice to Preclude Criminal Enforcement Actions Under the Health Insurance Portability and Accountability Act, 51 Admin. L. Rev. 237, 243 (1999).

[18] Decision Granting Director Review at 4 (citing SharkNinja Operating LLC v. iRobot Corp., IPR2020-00734, Paper 11 at 18 (PTAB, Oct. 6, 2020)).

[19] Id. at 5.

[20] Id.