

Precedential: IPR ‘Real Party in Interest’ Should Be Interpreted Broadly and Expansively

DECEMBER 16, 2020

RPX Corporation v. Applications In Internet Time, LLC, IPR2015-01750, 1751, 1752 (October 2, 2020).

Before: Boalick, Bonilla, Weidenfeller

In a trio of related opinions, the PTAB terminated IPR petitions brought by RPX because the petitions did not name Salesforce as a real party in interest (RPI) and because Salesforce was time barred under 35 U.S.C. § 315(b) from filing.

History: RPX filed IPR petitions alleging that patents assigned to Applications in Internet Time (AIT) were unpatentable. AIT had previously sued Salesforce, an RPX member, asserting these patents more than one year before RPX filed the IPR petitions. In response to the IPR petitions, AIT filed preliminary responses arguing that the petitions should be rejected for failing to name Salesforce as an RPI and because Salesforce was time barred from filing. The PTAB disagreed, instituted proceedings, and ultimately issued final written decisions finding certain claims unpatentable. AIT appealed the RPI and unpatentability findings.

The Federal Circuit rejected the RPI findings and remanded for further reconsideration. In analyzing the issue, the Federal Circuit stated that the term “real party in interest” should be interpreted broadly and expansively. The Federal Circuit continued:

Determining whether a non-party is a “real party in interest” demands a flexible approach that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner. Indeed, the Trial Practice Guide . . . suggests that the agency understands the “fact-dependent” nature of this inquiry, explaining that the two questions lying at its heart are whether a non-party “desires review of the patent” and whether a petition has been filed at a nonparty’s “behest.”

The Federal Circuit noted that the purposes of the RPI identification is to protect patent holders from multiple petitions.

Upon remand, the PTAB, following a suggestion from the Federal Circuit, authorized additional discovery to determine whether Salesforce is a RPI or a privy of RPX for purposes of § 315(b). Briefing was filed and an oral

hearing was held. Further, as noted by the PTAB: the cases were repaneled to “the most senior administrative patent judges available” in view of “the significant and broad implications” at issue.

The PTAB first noted that IPR petitioners have the burden to show the petition is not time barred under §315(b). Thus, here, RPX had the burden. The PTAB then noted that the RPI determination is a “highly fact-dependent question”. To make that determination, the PTAB considered two questions:

- “who, from a ‘practical and equitable’ standpoint, will benefit from the redress” that the IPR might provide; and
- “whether RPX can be said to be representing [Salesforce’s] interest after examining its relationship with Salesforce.”

To answer those questions the PTAB considered the following factors:

1. “RPX’s business model,” including “the nature of RPX as an entity”;
2. “RPX’s explanation of its own interest in the IPRs”;
3. “whether, and under what circumstances, RPX takes a particular client’s interests into account when determining whether to file IPR petitions”;
4. Salesforce’s relationship with RPX;
5. Salesforce’s “interest in” and “benefit from” the IPRs;
6. “whether RPX can be said to be representing that interest”;
7. “whether Salesforce actually ‘desire[d] review of the patent[s]’”; and
8. the relevance of “the fact that Salesforce and RPX had overlapping Board members.

Here, consideration of those factors, and communications between Salesforce and RPX, resulted in a finding that Salesforce should have been named as an RPI.

For the first factor, the PTAB found that RPX’s core business involves “patent aggregation, licensing, and filing IPRs to protect its clients work together to protect its members from the threat of patent litigation.” Therefore, the model indicates that RPX filed the IPR to benefit its member (Salesforce) and this the factor weighed in favor of finding Salesforce as an RPI.

For the second factor, RPX had argued that it had an interest in filing IPRs for “reputational benefits” and to enhance “RPX’s leverage in negotiating reasonable acquisition fees with” non-practicing entities. The PTAB agreed with this argument, yet found that RPX also has an interest to challenge patents “to reduce risk to existing clients” like Salesforce. Therefore, this factor also favored finding Salesforce as an RPI.

For the third factor, RPX argued that it had followed its “Best Practices Guide” (BPG) before filing the IPR. Under the BPG, RPX would not discuss validity challenges with a member who would not agree to be named as an RPI, take suggestions from the member whether to file, or otherwise allow the member to exercise control over the IPR. The PTAB, however, was not swayed and stated: “intentionally avoiding discussion about a forthcoming IPR against its client for the sole purpose of avoiding having to name the client as an RPI, yet challenging patents asserted against its client, suggests a ‘willful blindness’ strategy.” Therefore, this factor favored finding Salesforce as an RPI.

For the fourth factor, RPX argued that Salesforce subscribed solely to RPX’s patent aggregation services and not for insurance services or validity challenges. Once again, the PTAB was not swayed. The PTAB found that one of the “most important benefits of Salesforce’s membership . . . is for RPX to assist Salesforce with obtaining or clearing patent rights.” Also, the evidence showed that RPX and Salesforce had communicated about the asserted patents. Therefore, this factor favored finding Salesforce as an RPI.

For the fifth factor, the PTAB stated that “because of the pending litigation, the invalidation of the challenged patents would provide a benefit to Salesforce, supporting a conclusion that Salesforce is an RPI in these proceedings.”

For the sixth factor, the PTAB stated that the fact that RPX is a “member organization [that] exists in part to file IPR petitions against patents being asserted or threatened to be asserted against its members is indicative of an RPI relationship between the organization and its members.”

For the seventh factor, the PTAB noted that, while there was no direct evidence of whether Salesforce actually desired RPX to file an IPR petition, the fact that the patents were asserted against Salesforce, an RPX member, and Salesforce had recently failed to obtain institution of other petitions against the same patents, weighed in favor of finding Salesforce an RPI.

For the eighth factor, the PTAB considered the fact that RPX and Salesforce had an overlapping “outside and independent director”, but ultimately found that there is no evidence supporting a theory that this director could exert significant and hidden control over the proceeding. Thus, this factor did not weigh in favor of finding Salesforce as an RPI.

In applying these factors, the PTAB specifically noted: “arrangements in which an entity would benefit from having another entity file a petition on its behalf—or on the behalf of it and other similarly situated entities—is [not] impermissible . . . [but] all such entities should be named as

RPIs to ensure that pertinent statutory time bars and estoppels apply.” Also, the PTAB reiterated: “the RPI inquiry sweeps more broadly than requiring explicit evidence of request, funding, or control [and] instead require[es] consideration of the factors discussed above.”

Finally, the PTAB further noted that the original panel could have exercised its discretion to deny institution based on the reasoning in *Valve Corporation v. Electronic Scripting Products, Inc.*, IPR2019-00062, Paper 11 (PTAB April 2, 2019) (precedential) and *General Plastic Industries Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 at 15–16 (PTAB Sept. 6, 2017) (precedential). Here, RPX’s petitions are “follow-on petitions challenging the same claims of the same patents [as Salesforce’s original petition], they are filed by a party with a significant relationship to the original petitioner [Salesforce], [RPX] had the benefit of reviewing the original petitions and original Patent Owner preliminary responses, and [RPX] did not provide an adequate explanation for the extended period of time to file” the petitions.

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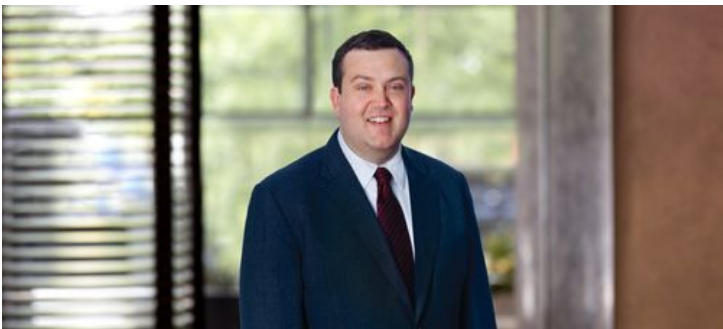
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