

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ZTE (USA) INC.,
Petitioner,

v.

FUNDAMENTAL INNOVATION SYSTEMS INTERNATIONAL LLC,
Patent Owner.

Case IPR2018-00425
Patent 7,893,655 B2

Before LYNNE E. PETTIGREW, JO-ANNE M. KOKOSKI, and
PAUL J. KORNICZKY, *Administrative Patent Judges*.

KORNICZKY, *Administrative Patent Judge*.

DECISION
Granting Petitioner's Motion to
Add a Real Party in Interest Retroactively
37 C.F.R. §§ 42.5, 42.8

I. INTRODUCTION

Fundamental Innovation Systems International LLC (“Patent Owner”) asserts, in part, that this proceeding should be terminated under 35 U.S.C. § 312 because ZTE (USA) Inc. (“Petitioner”) failed to name ZTE (TX) Inc., a sister company of Petitioner and a co-defendant in a patent infringement suit, as a real party in interest. Paper 22, 23–26 (“PO Resp.”); *see* Paper 27 (“Opp.”). In response to Patent Owner’s argument, as well as the Federal Circuit’s decision in *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018) (“*AIT*”), Petitioner filed a motion requesting permission to file an updated mandatory notice to identify ZTE (TX) Inc. as a real party in interest while maintaining the original filing date of its Petition. Paper 25 (“Mot.”). For the reasons below, under 37 C.F.R. §§ 42.5 and 42.8, Petitioner’s motion is granted.

II. BACKGROUND

On February 23, 2017, Samsung Electronics Co., Ltd. and Samsung Electronics America, Inc. were served with a complaint alleging infringement of US 7,893,655 B2 (“the ’655 patent”).¹ Opp. 3 (citing Exs. 2028–2029). Before they settled their dispute with Patent Owner and were dismissed from this proceeding (*see* Paper 15), these two Samsung companies were co-petitioners and identified as real parties in interest with Petitioner in this proceeding. *See* Paper 1, 1 (“Pet.”).

¹ Based on this lawsuit, Patent Owner asserts that the statutory deadline under 35 U.S.C. § 315(b) was February 23, 2018. Opp. 3.

On May 12, 2017, Patent Owner served an Amended Complaint² on co-defendants ZTE Corporation, ZTE (USA) Inc., and ZTE (TX) Inc. asserting, in part, infringement of the '655 patent. Ex. 2016 (Amended Complaint filed in *Fundamental Innovation Systems International LLC v. ZTE Corporation, ZTE (USA) Inc. and ZTE (TX) Inc.*, Case No. 2:17-cv-00124, Dkt. 25 (E.D. Tex. May 12, 2017)).

On January 5, 2018, Petitioner timely filed the present Petition. Pet. 1. As part of its mandatory notice, Petitioner identified ZTE Corporation, ZTE (USA) Inc., Samsung Electronics Co., Ltd., and Samsung Electronics America, Inc. as the real parties in interest. *Id.* Petitioner did not identify ZTE (TX) Inc. as a real party in interest. Petitioner's mandatory notice also identified the related patent infringement suit: *Fundamental Innovation Systems International LLC v. ZTE Corporation, ZTE (USA) Inc., and ZTE (TX) Inc.*, Case No. 3:17-cv-01827-N (N.D. Tex.) (originally filed as *Fundamental Innovation Systems International LLC v. ZTE Corporation et al.*, Case No. 2:17-cv-00124 (E.D. Tex.), and later transferred to the Northern District of Texas). *Id.* (identifying Case No. 3:17-cv-01827-N).

On October 16, 2018, Patent Owner filed its Patent Owner Response asserting, in part, that this proceeding should be terminated under 35 U.S.C. § 312(a)(2) because Petitioner failed to name ZTE (TX) Inc. as a real party in interest as required by 35 U.S.C. § 312(a)(2). PO Resp. 23–26. On December 10, 2018, with Board permission (Paper 24), Petitioner filed the present Motion and Petitioner's Updated Mandatory Notice (Paper 26). Patent Owner filed an

² The original complaint, filed on February 13, 2017, did not assert infringement of the '655 patent. *Fundamental Innovation Systems International LLC v. ZTE Corporation, ZTE (USA) Inc. and ZTE (TX) Inc.*, Case No. 2:17-cv-00124, Dkt. 1 (E.D. Tex. Feb.13, 2017).

Opposition (Paper 27, “Opp.”) and Petitioner filed a Reply (Paper 29, “Reply”).

III. DISCUSSION

The parties agree that ZTE (TX) Inc. is a real party in interest in this proceeding. *See, e.g.*, PO Resp. 23; Mot. 1. Patent Owner, however, asserts that Petitioner’s Updated Mandatory Notice (Paper 26) adding ZTE (TX) Inc. as a real party in interest is improper and untimely. Patent Owner argues that accepting Petitioner’s Updated Mandatory Notice requires that the Petition be given a filing date of December 10, 2018, long after the February 23, 2018 filing deadline under 35 U.S.C. § 315(b), and that the Board does not have the discretion to back-date Petitioner’s Updated Mandatory Notice to the initial Petition filing date of January 5, 2018. *See, e.g.*, Opp. 1–3.

Patent Owner’s argument is not persuasive. The Board has discretion, under 35 U.S.C. § 312(a), to accept updated mandatory notices as long as the petition would not have been time-barred under 35 U.S.C. § 315(b) if it had included the real party in interest. As the U.S. Court of Appeals for the Federal Circuit has noted, it “is incorrect” to “conflate[] ‘real party in interest’ as used in § 312(a)(2) and § 315(b), and claim[] that ‘§ 312(a)(2) is part and parcel of the timeliness inquiry under § 315.’” *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1374 n.9 (Fed. Cir. 2018) (en banc). “For example, if a petition fails to identify all real parties in interest under § 312(a)(2), the Director can, and does, allow the petitioner to add a real party in interest.” *Id.* “In contrast, if a petition is not filed within a year after a real party in interest, or privy of the petitioner is served with a complaint, it is time-barred by § 315(b), and the petition cannot be rectified and in no event can IPR be instituted.” *Id.*

Patent Owner argues that some early Board decisions “consistently found that any Petition corrected to disclose additional RPIs must be given a new filing date.” Opp. 14 (citing *Corning Optical Communications RF, LLC v. PPC Broadband, Inc.*, IPR2014-00440, Paper 18, 23–24 (PTAB Aug. 18, 2015) (collecting cases)). Recent Board decisions, however, have determined that the requirements of § 312(a)(2) are not jurisdictional, and disclosing additional real parties in interest via an updated mandatory notice does not mandate a change in the petition filing date.³ See *Lumentum Holdings, Inc. et al. v. Capella Photonics, Inc.*, IPR2015-00739, 2016 WL 2736005 at *3 (PTAB Mar. 4, 2016) (precedential); *Tesco Offshore Services, Inc. v. Weatherford Tech. Holdings, LLC*, IPR2018-01308, Paper 19, 10–11 (PTAB Dec. 10, 2018); *Merck Sharp & Dohme Corp. v. Mayne Pharma Int’l Pty Ltd.*, IPR2016-01186, Paper 70, 3–6 (PTAB Dec.

³ We note that naming ZTE (TX) Inc. in updated disclosures also corresponds with the way the courts approach the issue of real parties in interest. See Brief for Intervenor, Andrei Iancu, Director of the United States Patent and Trademark Office at 16–17, *Mayne Pharma Int’l Pty, Ltd. v. Merck Sharp & Dohme Corp.*, No. 18-1593, ECF No. 46 (Fed. Cir. Aug. 30, 2018). Similar to 35 U.S.C. § 312(a)(2), Rule 17(a) of the Federal Rules of Civil Procedure requires that every “action must be prosecuted in the name of the real party in interest.” Fed. R. Civ. P. 17(a)(1). Like the Board, the courts’ requirement to name the real party in interest is designed to provide for appropriate estoppels. See Fed. R. Civ. P. 17(a) Advisory Committee’s Note to the 1966 Amendment (requirement is designed “to protect the defendant against a subsequent action by the party actually entitled to recover, and to insure generally that the judgment will have its proper effect as res judicata”). Nevertheless, despite that mandate, if the plaintiff in district court litigation fails to name the real party in interest, he is given “a reasonable time” to fix the disclosure. Fed. R. Civ. P. 17(a)(3). And the filing and service dates are not affected by fixing the disclosure; “the action proceeds as if it had been originally commenced by the real party in interest.” *Id.*; see *Cortlandt Street Recovery Corp. v. Hellas Telecommunications, S.A.R.L.*, 790 F.3d 411, 421 (2d Cir. 2015) (if successfully joined or substituted, “the claim of the real party in interest . . . dates back to the filing of the complaint”).

13, 2017); *Intel Corp. v. Alacritech, Inc.*, IPR2017-01392, 2017 WL 6209219 at *10 (PTAB Nov. 30, 2017); *Elekta, Inc. v. Varian Medical Systems*, IPR2015-01401, 2015 WL9898990 at *3–6 (PTAB Dec. 31, 2015). As one judge of the Federal Circuit has noted, “Section 312(a)(2) is akin to a pleading requirement that can be corrected.” *AIT*, 897 F.3d at 1364 (Reyna, J., concurring).

Here, Petitioner was not time-barred from filing its Petition under § 315(b). The Petition was timely filed on January 5, 2018, within one year from the February 23, 2017 filing date of the Samsung complaint. Pet. 1. We agree with Petitioner that it can update its mandatory notice to identify ZTE (TX) Inc. as a real party in interest without resetting the filing date of the Petition.

Patent Owner further argues that Petitioner should not be permitted to update its mandatory notice to identify ZTE (TX) Inc. as a real party in interest because it prejudices Patent Owner and encourages gamesmanship. *See* Opp. 9–14. According to Patent Owner, Patent Owner would be prejudiced because it “had to spend resources investigating the RPI issue and divert space in [its Patent Owner’s Response] to discuss the RPI issue that could have been used on technical matters.” *Id.* at 10. Patent Owner also argues that gamesmanship would be encouraged because Petitioner’s ability to update its mandatory notice and preview Patent Owner’s patentability arguments gives Petitioner “a material advantage and Patent Owner suffers a corresponding material harm.” *Id.*

Patent Owner’s claims of prejudice and gamesmanship are not persuasive. Naming ZTE (TX) Inc. as a real party in interest in an updated notice under § 312(a)(2) promotes the core functions of the real party-in-interest requirement — identifying potential conflicts of interest and estoppel — and serves the interest of justice. *Merck*, IPR2018-01186, Paper 70, 4 (the names of the real parties in interest should be provided to assist members of the Board in identifying potential

conflicts and to assure proper application of statutory estoppel) (citing Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012 (updated Aug. 13, 2018)) (“Trial Practice Guide”)). We note that Petitioner’s mandatory notice in the Petition identified the district court litigation in which ZTE (TX) Inc. is a defendant. Pet. 1. This disclosure reasonably alerted the Board of potential conflicts. *See Merck*, IPR2016-01186, Paper 70, 5. Naming ZTE (TX) Inc. in an updated mandatory notice also limits ZTE (TX) Inc.’s ability to file future petitions against Patent Owner and assures proper application of the statutory estoppel provisions under § 315(a), (b), and (e). *See AIT*, 897 F.3d at 1348–49; Trial Practice Guide, 77 Fed. Reg. at 48,759.

In addition, Patent Owner cannot reasonably assert that it was surprised by Petitioner’s identification of ZTE (TX) Inc. as a real party in interest because Patent Owner sued this same party for patent infringement of the ’655 patent, and, as noted, the mandatory notice in the Petition disclosed that ZTE (TX) Inc. is a defendant in the district court litigation. It is not prejudiced by the delay because, had the original petition named ZTE (TX) Inc. as a real party in interest, Patent Owner would have had to present its patentability positions, and the Petition would have been timely with respect to both ZTE (USA) Inc. and ZTE (TX) Inc. Moreover, Patent Owner allocated four pages in its 76-page Response to address the real party-in-interest issue. *See* Paper 22, 23–26. We do not consider such limited briefing to be an undue prejudice to Patent Owner, or a material advantage to Petitioner. The evidence of record does not indicate intentional concealment, bad faith, an attempt to circumvent estoppel rules, or any other material benefit to ZTE (USA) Inc. based on the delay in naming ZTE (TX) Inc. as a real party in interest.

On the whole, we find it in the interest of justice to allow Petitioner to update its mandatory notices, while maintaining this proceeding's original filing date.⁴ Doing so furthers the purpose of 35 U.S.C. § 312(a)(2) and avoids significant prejudice to Petitioner (i.e., dismissal of its Petition), without undue prejudice to Patent Owner.

ORDER

In view of the foregoing, it is

ORDERED that Petitioner's Motion to Add a Real Party in Interest Retroactively (Paper 25) is *granted*; and

FURTHER ORDERED that Petitioner may file an updated mandatory notice identifying ZTE (TX) Inc., Samsung Electronics Co., Ltd., and Samsung Electronics America, Inc. as real parties in interest within one week of the filing date of this Decision.

⁴ Patent Owner asserts that Samsung Electronics Co., Ltd. and Samsung Electronics America, Inc. are real parties in interest. Opp. 3. Petitioner notes that these two companies were terminated from this proceeding due to a settlement with Patent Owner, but indicates it will identify these companies as real parties in interest in its updated mandatory notice to avoid confusion. Reply 2 n.1.

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