

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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DEPARTMENT OF JUSTICE,  
Petitioner,

v.

IRIS CORPORATION BERHAD,  
Patent Owner.

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Case IPR2016-00497  
Patent 6,111,506 B2

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Before DAVID C. McKONE, BARBARA A. PARVIS, and  
PATRICK M. BOUCHER, *Administrative Patent Judges*.

BOUCHER, *Administrative Patent Judge*.

DECISION  
Denying Request for Rehearing  
*37 C.F.R. § 42.71(d)*

I. BACKGROUND

After consideration of a Petition filed by the Department of Justice (“Petitioner”) and a Preliminary Response filed by IRIS Corporation Berhad (“Patent Owner”), we instituted an *inter partes* review of claims 1–7 of U.S.

Patent No. 6,111,506 (“the ’506 patent”). Paper 1 (Petition, “Pet.”); Paper 6 (Preliminary Response, “Prelim. Resp.”); Paper 7 (Institution Decision, “Inst. Dec.”)<sup>1</sup>. In its Preliminary Response, Patent Owner contended that the Petition was barred under 35 U.S.C. § 315(b), which prohibits institution of an *inter partes* review “if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” The Preliminary Response drew our attention to *IRIS Corporation Berhad v. Japan Airlines*, No. 06-cv-6336 (E.D.N.Y.) (“the JAL litigation”), and argued that the § 315(b) statutory bar attached to this proceeding because Petitioner was a real party in interest in the JAL litigation and was in privity with the defendant in the JAL litigation. Prelim. Resp. 7–9. At that time, Patent Owner supported its argument with evidence in the form of Petitioner’s Notice of Appearance in the JAL litigation. Ex. 2001. Patent Owner’s showing in its Preliminary Response was insufficient to support its argument, and we concluded, on the record as it existed at the time, that Petitioner was not time-barred. Inst. Dec. 7–9.

During the trial, Patent Owner filed a Response that elaborated on its preliminary arguments that this proceeding is statutorily barred because Petitioner “was in privity with JAL and was at all times the real party in

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<sup>1</sup> The Institution Decision was vacated by our Termination Decision. Paper 46, 14. Nevertheless, we cite to the Institution Decision below for the limited purpose of explaining the sequence of events and context within which we consider Petitioner’s Request for Rehearing.

interest in the 2006 IRIS v. JAL litigation.” Paper 30<sup>2</sup> (“PO Resp.”), 59. With its Response, Patent Owner also filed additional evidentiary support for its argument, including the following documents filed in the JAL litigation: the complaint by Patent Owner that Japan Airlines infringes the ’506 patent, a Statement of Interest of the United States, a Memorandum and Order by the Court addressing the defendant’s motion to dismiss for failure to state a claim, and a brief filed by the United States as *amicus curiae* on appeal to the Federal Circuit. Exs. 2037–2040. Some of these documents present positions taken by the United States on the scope of its sovereign immunity under the Tucker Act, i.e., 28 U.S.C. § 1498(a), and the interplay of certain infringement provisions of the Patent Act, i.e., 35 U.S.C. §§ 271(a), 271(g).

Petitioner filed a Reply to Patent Owner’s Response. Paper 26. The Reply did not address Patent Owner’s time-bar argument.

An oral hearing was held in the proceeding in which Patent Owner presented extensive argument regarding its time-bar position and responded to questioning about that position. Paper 45, 29:6–35:25. At the oral hearing, Petitioner confirmed that it had expressed no position on the time-bar issue in its briefing. *Id.* at 51:22–52:3.

Subsequent to the oral hearing, we terminated the proceeding after concluding that “Patent Owner sufficiently demonstrates that Petitioner and JAL were in privity at the time of the JAL litigation.” Paper 46 (“Term. Dec.”), 13. Petitioner requests rehearing of our Termination Decision, contending that the Decision “rested upon legally erroneous interpretations

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<sup>2</sup> Paper 30 is a redacted version of Patent Owner’s Response, an unredacted version of which was originally filed with restricted access as Paper 17. We previously expunged the unredacted version. *See* Paper 47.

and applications” of federal statutes, Supreme Court case law, the Restatement (Second) of Judgments, and the Board’s Trial Practice Guide. Paper 48 (“Req. Reh’g”), 1–2. In addition, Petitioner contends that we “improperly placed the burden on the Government as Petitioner to show a lack of privity, rather than requiring [Patent Owner] to show the existence of privity.” *Id.* at 2.

## II. ANALYSIS

Petitioner asserts, and we agree, that “[t]he issue of where the burden belongs on the privity . . . question is a significant one.” Req. Reh’g 15. Nevertheless, as Petitioner observes, neither the Federal Circuit nor any relevant precedential Board decision directly addresses the issue. *Id.*

Although not precedential, *Aruze Gaming Macau, Ltd. v. MGT Gaming, Inc.*, Case IPR2014-01288, slip op. at 7–16 (PTAB Feb. 20, 2015) (Paper 13) provides a comprehensive legal analysis of the statutory bar set forth in 35 U.S.C. § 315(b), addressing both the real-party-in-interest and privity prongs of the statute. *See* Term. Dec. 8–11 (citing *Aruze Gaming*). In *Aruze Gaming*, the Board concluded that “[w]hen determining whether to institute a trial, the relevant standard is set by statute,” and did not reach the question of which party bears the burden of demonstrating privity and real party in interest *after* an *inter partes* review trial has been instituted. *Aruze Gaming* at 6. In doing so, *Aruze Gaming* couched the relevant standard as one requiring that “[t]he record . . . must demonstrate that there is a reasonable likelihood that [the petitioner] is not barred.” *Id.* at 6–7. That is, guided by the language Congress provided in the statutory framework, *Aruze Gaming* determined that, at least before institution of an *inter partes* review, the relevant inquiry is whether a petitioner is “not barred,” rather than

whether a petitioner is “barred.” The reasoning of *Aruze Gaming*, with which we agree, thus confirms that a petitioner must establish all statutory requirements to have a petition for institution of an *inter partes* review granted. The real-party-in-interest and privity requirements are components of a petitioner’s case in chief; establishing a failure to meet those requirements is not an affirmative defense on which a patent owner bears the burden.

There is insufficient meaningful difference between *determining whether to institute a trial* and *determining whether a trial was properly instituted* to warrant application of a different standard after institution. The differences that exist before and after institution are reflected in the development of the record to which the standard is applied, not in the standard itself. Furthermore, although the Federal Circuit has not directly addressed the issue of which party bears the burden with respect to privity, it has provided various clarifications since *Aruze Gaming* that inform the issue because they bear on the structure of *inter partes* review proceedings and the allocation of burdens among the parties.

In *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375 (Fed. Cir. 2015), the Federal Circuit considered which party bears the burden with respect to the issue of whether a prior-art reference is entitled to the filing date of a provisional application to which the reference claims priority. The Court agreed that “the Board did not err in placing the burden on . . . the petitioner in the *inter partes* review, to prove that the prior art . . . patent was entitled to the filing date of the provisional application.” *Dynamic Drinkware*, 800 F.3d at 1378. To clarify the relative burdens, the Court began “with the established concept that there are two distinct burdens

of proof: a burden of persuasion and a burden of production.” *Id.* (citing *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1326–27 (Fed. Cir. 2008)).

“The burden of persuasion ‘is the ultimate burden assigned to a party who must prove something to a specified degree of certainty.’” *Id.* (quoting *Tech. Licensing Corp.*, 545 F.3d at 1326). “Failure to prove the matter as required by the applicable standard means that the party with the burden of persuasion loses on that point—thus, if the trier of the issue is left uncertain, the party with the burden loses.” *Id.* at 1378–79 (quoting *Tech. Licensing Corp.*, 545 F.3d at 1327). “A second and distinct burden, the burden of production, or the burden of going forward with evidence, is a shifting burden, ‘the allocation of which depends on where in the process of trial the issue arises.’” *Id.* at 1379 (quoting *Tech. Licensing Corp.*, 545 F.3d at 1327). Because the petitioner in *Dynamic Drinkware* bore the ultimate burden of establishing unpatentability of the claims it challenged, the Federal Circuit concluded that the petitioner also bore the burden of persuasion with respect to the effective filing date of the prior-art reference. *Id.* at 1381 (“Thus, the Board did not err in concluding that [the petitioner] had the further burden to prove that [the prior-art reference] was entitled to claim the benefit of the filing date of its provisional application.”). The burden of persuasion never shifts. *Id.* at 1378.

The Federal Circuit later extended the reasoning of *Dynamic Drinkware* by explicitly rejecting the proposition that the act of instituting an *inter partes* review operates to shift the burden of production to the patent owner on an issue that forms part of the petitioner’s case in chief. *In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364 (Fed. Cir. 2016). The court

explained that such a “notion of burden-shifting is inapposite because the patentee’s position is that the patent challenger failed to meet *its* burden.” *Id.* at 1376. In doing so, the court drew a distinction between those elements of a petitioner’s case in chief and what is “effectively an affirmative defense.” *Id.* Accordingly, the mere demonstration by a petitioner of a reasonable likelihood of success based on the preliminary, incomplete record does not, by itself, result in a shift in the burden of production to a patent owner. *See id.* at 1374–1376.

Although the Board has had limited occasion to apply this burden framework with respect to privity issues, it has done so frequently when considering real parties in interest. *See, e.g., Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, Case IPR2013-00453, slip op. at 6–8 (PTAB Jan. 6, 2015) (Paper 88) (“the burden remains with the petitioner to establish that it has complied with the statutory requirement to identify all the real parties in interest”); *Zerto, Inc. v. EMC Corp.*, Case IPR2014-01254, slip op. at 6–15 (PTAB Feb. 12, 2015) (Paper 32) (same); *Aceto Agricultural Chemicals Corp. v. Gowan Co.*, Case IPR2015-01015, slip op. at 2–11 (PTAB Oct. 2, 2015) (Paper 15) (“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.”); *Zhejiang Yankon Group, Ltd. v. Cordelia Lighting, Inc.*, Case IPR2015-01420, slip op. at 8–19 (PTAB Nov. 25, 2015) (Paper 9) (“we are not persuaded that [the petitioner] has satisfied its burden of identifying all real parties-in-interest in the Petition”). Similar to cases in which the Board has considered real-party-in-interest issues under 35 U.S.C. § 312(b), “a critical distinction between the Supreme Court’s consideration of common-law

preclusion [in *Taylor v. Sturgell*, 553 U.S. 880, 907 (2008)] and the issue before us is a controlling statute,” namely 35 U.S.C. § 315(b). *Atlanta Gas*, Paper 91 at 4 (footnote omitted). The Board’s application of “traditional common-law principles” in evaluating whether parties are real parties in interest or privies does not usurp the burden allocation that flows from the statutory framework. *See* Office Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012).

Petitioner draws our attention to a single case that it characterizes as “Board precedent that assigns that burden to the party in [Patent Owner’s] position, not Petitioner.” Req. Reh’g 14 (citing *Interactive Brokers LLC v. Chart Trading Dev., LLC*, CBM2016-00038 (PTAB Aug. 23, 2016), 2016 WL 5371557). But *Interactive Brokers* has not been designated as precedential by the Board, and Petitioner overstates the degree to which it conflicts with the framework described above. Specifically, Petitioner quotes a sentence from *Interactive Brokers* that “[t]he burden of proof is on Patent Owner to show that an un-named party is a real party-in-interest.” *Interactive Brokers*, slip op. at 3 (Paper 14). *Interactive Brokers* refers to a “burden of proof” without distinguishing between the burdens of persuasion and production, and is therefore consistent with a intermediate burden of *production* on the patent owner once the petitioner has satisfied its own initial burden of production. *See Atlanta Gas Light Co. v. Bennett Regulator Guards*, Case IPR2013-00453, slip op. at 6 (PTAB Feb. 23, 2015) (Paper 91) (“Such prior decisions also can be reconciled within the framework we describe by noting . . . the distinction between the ultimate *burden of persuasion*, which remains fixed, and an intermediate *burden of production*, which may shift.”).



Application of the framework for burden allocation is evident from the history of the instant proceeding. As part of its Petition, Petitioner met its initial burden of production by asserting that “Petitioner is not barred or estopped from requesting an inter partes review challenging the ’506 Patent on the grounds identified in the present petition.” Pet. 5. Patent Owner did not carry the then-shifted burden of production with its Preliminary Response, and “on the record before us [at that time], we conclude[d] that the Petition is not time-barred.” Inst. Dec. 9.

After institution of the trial, Patent Owner augmented its Response with additional argument and evidence. *See Genzyme Therapeutic Products Ltd. P’ship v. Biomarin Pharmaceutical Inc.*, 825 F.3d 1360 (Fed. Cir. 2016) (“The purpose of the trial in an *inter partes* review proceeding is to give the parties an opportunity to build a record by introducing evidence—not simply to weigh evidence of which the Board is already aware.”). Although Petitioner was thus provided with adequate notice that Patent Owner continued to challenge the sufficiency of Petitioner’s position that it was not barred under 35 U.S.C. § 315(b), Petitioner took *no* steps to address Patent Owner’s additional evidence and argument. Petitioner’s Reply, in particular, does not address the issue, as confirmed by Petitioner at the oral hearing. Paper 45, 51:22–52:3.

Our Termination Decision is properly understood as concluding that (1) Patent Owner satisfied the shifted burden of production on the privity issue, and (2) Petitioner failed to satisfy that burden when shifted back to Petitioner and thereby failed to satisfy its ultimate burden of persuasion. *See* Term. Dec. 13 (“Petitioner does not dispute these allegations, offer any other characterization of the evidence, or provide any legal support or arguments

for a contrary position. [¶] We conclude that Patent Owner sufficiently demonstrates that Petitioner and JAL were in privity at the time of the JAL litigation . . . .”).<sup>3</sup>

Only now, after the proceeding has been terminated, does Petitioner come forward with arguments to address Patent Owner’s complete position on privity, including its own characterization of the factual background and its own interpretation of relevant statutory and case law. Req. Reh’g 3–5, 6–13. Petitioner’s arguments may or may not have merit, but they come too late for us to consider them. As we acknowledged when terminating the proceeding, we recognize that “the law of privity with a sovereign entity is complex, particularly when intertwined with shifting assertions of sovereign immunity, as in the history that underlies this proceeding.” Term. Dec. 13–14. But a request for rehearing filed by a party dissatisfied with a decision “must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” 37 C.F.R. § 42.71(d). Petitioner does not satisfy this requirement—nor can it, after conceding at the oral hearing that it “has expressed no position on the 315(b) issue” “in briefing.” Paper 45, 51:22–24. We cannot have misapprehended or overlooked arguments that Petitioner did not previously make.

In this context, we are therefore unpersuaded by Petitioner’s policy argument that our Termination Decision “has far-reaching ramifications that

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<sup>3</sup> We agree with Petitioner’s assertion that it “was not silent” on the privity issue. *See* Req. Reh’g 13–14 n.5. But the Petition’s conclusory statement that Petitioner is not barred and Petitioner’s response at the oral hearing to the issue when raised by the panel are insufficient to carry Petitioner’s ultimate burden.

adversely impact the Government's ability to avail itself of Congress' IPR scheme and runs counter to Congress' purpose in enacting statutes unrelated to the AIA (i.e., 28 U.S.C. § 517 and 28 U.S.C. § 1498)." Req. Reh'g 1. Nothing in our decision prevents Petitioner from making its privity arguments at the appropriate time in another proceeding so that they may properly be evaluated. Had Petitioner presented those arguments in its Reply, for example, the Board would have been in a position to explore those arguments at the oral hearing and to hear from Patent Owner regarding them.

In consideration of the foregoing, it is

ORDERED that Petitioner's Request for Rehearing is *denied*.

IPR2016-00497  
Patent 6,111,506

PETITIONER:

David Ruddy  
david.ruddy@usdoj.gov

Gary Hausken  
gary.hausken@usdoj.gov

Nathan Grebasch  
nathan.grebasch@hq.dhs.gov

Joel Lofgren  
joel.lofgren@hq.dhs.gov

PATENT OWNER:

Paul Bianco  
pbianco@fggbb.com

Gary Winer  
gwiner@fggbb.com