

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

FIRST DATA CORPORATION,
Petitioner,

v.

CARDSOFT (ASSIGNMENT FOR THE
BENEFIT OF CREDITORS), LLC,
Patent Owner.

Case IPR2014-00715
Patent 6,934,945 B1

Before SALLY C. MEDLEY, MEREDITH C. PETRAVICK, and
JAMES P. CALVE, *Administrative Patent Judges*.

PER CURIAM.

DECISION
Denying Institution of *Inter Partes* Review
37 C.F.R. § 42.108

I. INTRODUCTION

First Data Corporation (“Petitioner”) filed a Petition (“Pet.”) seeking *inter partes* review (“IPR”) of claims 1–17 of U.S. Patent No. 6,934,945 B1 (“the ’945 patent”) pursuant to 35 U.S.C. §§ 311–319 on April 30, 2014.¹ Paper 1. Petitioner filed a Corrected Petition (“Corr. Pet.”) on May 20, 2014.² Paper 5. Cardsoft (Assignment for the Benefit of Creditors), LLC (“Patent Owner”) filed a Preliminary Response (“Prelim. Resp.”) on August 7, 2014. Paper 8. We have jurisdiction under 35 U.S.C. § 314.

Upon consideration of the Petition, we determine that a third party, VeriFone, Inc. (“VeriFone”), is a real party-in-interest that was served with a complaint alleging infringement of the ’945 patent more than one year before the filing of this Petition. The Petition is, therefore, untimely under 35 U.S.C. § 315(b). Moreover, because the Petition does not identify VeriFone as a real party-in-interest, the Petition fails to identify “all the real parties in interest,” as required by 35 U.S.C. § 312(a). Accordingly, the Petition is denied.

A. *Related Proceedings*

Petitioner identifies the following related district court proceedings that involve the ’945 patent: *Cardsoft (Assignment for the Benefit of Creditors) LLC v. First Data Corp.*, Civil Action No. 2:13-cv-290 (E.D.

¹ Petition for *Inter Partes* Review Under 35 U.S.C. §§ 311–319 and 37 C.F.R. § 42.100 *et. seq.* Paper 1. All references to Petition and citations to “Pet.” are to the initial petition that was filed on April 30, 2014, as Paper 1.

² Corrected Petition for *Inter Partes* Review Under 35 U.S.C. §§ 311–319 and 37 C.F.R. § 42.100 *et. seq.* Paper 5. All references to Corrected Petition and citations to “Corr. Pet.” are to the Corrected Petition, filed on May 20, 2014, as Paper 5.

Tex.) (“the 2013 Litigation”) and *Cardsoft, Inc. v. VeriFone Systems, Inc.*, Civil Action No. 2:08-cv-00098 (E.D. Tex.) (“the 2008 Litigation”). Corr. Pet. 5–6.

B. Real Party-in-Interest

Patent Owner argues that VeriFone is a real party-in-interest to this proceeding, and because the Petition was filed more than one year after the date on which VeriFone was served with a complaint alleging infringement of the patent, an *inter partes* review may not be instituted due to the time limitation set forth in 35 U.S.C. § 315(b). Prelim. Resp. 7.

Facts

Patent Owner initiated the 2008 Litigation by filing and serving a complaint in 2008 accusing VeriFone, VeriFone Systems, Inc., and others of infringing the ’945 patent. Corr. Pet. 5–6; Prelim. Resp. 7. On June 8, 2012, a jury rendered a verdict that the ’945 patent was valid and infringed by VeriFone and others. Ex. 1007 ¶ 8. VeriFone has appealed that decision to the U.S. Court of Appeals for the Federal Circuit. *See* Ex. 2004.

Patent Owner initiated the 2013 Litigation by filing a complaint in the Eastern District of Texas and serving the complaint on Petitioner on May 2, 2013. Exs. 1006, 1007. Patent Owner alleged that Petitioner and First Data Merchant Services Corporation infringed the ’945 patent. Ex. 1007 ¶ 7; Corr. Pet. 5. Patent Owner alleged that Petitioner infringed the ’945 patent by selling Petitioner’s products. Ex. 1007 ¶ 7. Patent Owner also alleged that Petitioner willfully infringed the ’945 patent by continuing to sell VeriFone products that were found to infringe the ’945 patent in the 2008 litigation. *Id.* ¶ 9. Patent Owner sought enhanced damages and associated attorneys’ fees and costs. *Id.*

VeriFone is indemnifying Petitioner regarding certain claims in the 2013 Litigation. Ex. 1011, 1. As part of the indemnification, VeriFone can choose counsel to defend Petitioner. *Id.*, 3. Petitioner is represented in the 2013 Litigation by the same counsel who represented VeriFone in the 2008 Litigation, first the law firm of Jones Day and later the law firm of Orrick, Herrington & Sutcliffe. Exs. 2002, 2005, 2006. Counsel representing Petitioner in this proceeding are registered practitioners from the law firm of Kilpatrick Townsend & Stockton. Corr. Pet. 2, 51.

VeriFone sought unsuccessfully to invalidate the '945 patent in the 2008 Litigation. Ex. 1007 ¶ 8; *see* Corr. Pet. 2. VeriFone provided copies of prior art from the 2008 Litigation to Petitioner for this IPR and consulted with Petitioner's counsel about prior art that may invalidate the '945 patent. Corr. Pet. 2.

VeriFone agreed to fund this IPR. *Id.* at 1; Ex. 1011, 1. VeriFone's funding covers attorney's fees and costs associated with this IPR. Ex. 1011, 1.

The Petition is fifty-one pages in length and includes thirteen exhibits. Pet. The exhibits to the Petition include lengthy prior art references and declarations of Stephen Gray and Lawrence Forsely. Exs. 1002–1004, 1009, 1010, 1012, 1013.

On April 28, 2014, Petitioner and VeriFone signed a letter agreement. Ex. 1011 (“the Letter Addendum”). The Letter Addendum states that VeriFone currently is indemnifying Petitioner in relation to certain claims

asserted in the 2013 Litigation per a “Master Engagement Agreement.”³
The Letter Addendum describes that VeriFone has agreed to indemnify Petitioner for the attorney’s fees and costs associated with this IPR, citing a provision of the Master Engagement Agreement, that VeriFone “shall have the right at its expense to employ counsel . . . to defend against Claims that VeriFone is responsible for . . . and to compromise, settle and otherwise dispose of such claims.” Ex. 1011, 1. The Letter Addendum also states that:

While VeriFone has agreed to this associated indemnification as to the IPR, the purpose of this Letter Addendum is to clarify that notwithstanding any language contained in the Agreement or elsewhere concerning VeriFone and First Data’s rights and obligations pursuant to any provision providing for indemnification, First Data shall have the exclusive and sole right to control any and all actions taken in connection with or related to the IPR, including but not in any way limited to the choice of counsel for preparing any IPR, and that VeriFone shall have no such right of control.

Id. The Letter Addendum bears the signature of VeriFone’s Executive Vice President of Corporate Development and General Counsel, and a Senior Counsel of Petitioner. *Id.*

On April 30, 2014, two days after the Letter Addendum was executed, Petitioner filed the Petition for this IPR and identified itself as the sole real party-in-interest. Pet. 1; Paper 4.

³ Sections of the Master Engagement Agreement are attached to, and are part of, the Exhibit 1011 Letter Addendum. *Id.* at 2–4.

Principles of Law

Section 315(b) of Title 35 of the United States Code provides:

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted 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 time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

“Whether a party who is not a named participant in a given proceeding nonetheless constitutes a ‘real party-in-interest’ . . . to that proceeding is a highly fact-dependent question.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (2012) (citations omitted).

[T]he spirit of that formulation as to IPR . . . proceedings means that, at a general level, the ‘real party-in-interest’ is the party that *desires review* of the patent. Thus, the ‘real party-in-interest’ may be the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed.

Id. (emphasis added).

Multiple factors are relevant to the issue of whether a non-party may be recognized as a “real party-in-interest” or “privy.” *Id.* (citing *Taylor v. Sturgell*, 553 U.S. 880, 893–895, 893 n.6 (2008)). A common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding. *Id.* (citing *Taylor*, 553 U.S. at 895). The concept of control generally means that “it should be enough that the nonparty has the actual measure of control or opportunity to control that might reasonably be expected between two formal coparties.” *Id.* (citation omitted). The non-party’s participation may be overt or covert, and evidence of that participation may be direct or circumstantial, but the evidence as a whole must show that the non-party possessed effective

control from a practical standpoint. *Gonzalez v. Banco Cent. Corp.*, 27 F.3d 751, 759 (1st Cir. 1994). The inquiry is not based on isolated facts, but rather must consider the totality of the circumstances. *Id.*

Analysis

After considering the evidence presented by Petitioner and Patent Owner, we are persuaded that VeriFone is a real party-in-interest. The evidence demonstrates that VeriFone desires an *inter partes* review of the '945 patent and has controlled, and/or has had an opportunity to control, the events leading up to the filing of the Petition. Petitioner acknowledges that "VeriFone, per an indemnity with [Petitioner], is providing the funding for this petition." Corr. Pet. 1. Per the Letter Addendum, we understand this "funding" to include Petitioner's attorney fees and at least the nearly \$24,000 petition fees associated with filing the Petition. Ex. 1011, 1; Master Engagement Agreement, Section 6.1. We find that per this same indemnity agreement VeriFone had an opportunity to control all of the events leading up to the filing of the Petition. In particular, Section 6.1.3 of the Master Engagement Agreement indicates that VeriFone "shall have the right at its expense to employ counsel . . . to defend against Claims that VeriFone is responsible for . . . and to compromise, settle and otherwise dispose of such Claims." *Id.*, 3. The Letter Addendum indicates that "VeriFone has agreed to this associated indemnification as to the IPR." *Id.*, 1. Thus, up to April 28, 2014 (i.e., two days prior to the Petition being filed), VeriFone had every opportunity and right, per the indemnification agreement, to control the filing of the Petition and pursue an *inter partes* review of the challenged patent. That the opportunity to control ended just two days prior to filing the Petition, does not negate the control or opportunity to control the events

leading up to the filing of the Petition. By Petitioner's own admission, and during the period leading up to the filing of the Petition, counsel for VeriFone communicated with counsel for Petitioner about initiating an IPR, including discussing what prior art to assert. Corr. Pet. 2. Moreover, VeriFone agreed to, and did, pay for all costs associated with the filing of the Petition. We have considered Petitioner's arguments that it alone decided to use different prior art for this proceeding compared to the prior art that VeriFone asserted in the 2008 Litigation. *See id.* Petitioner, however, does not provide sufficient evidence that would support this assertion, and in any event, even if true, that alone would not outweigh the other evidence of record that tends to show that VeriFone controlled and/or had the opportunity to control the filing of the Petition.

Moreover, we find that VeriFone has an interest in the review of the '945 patent in this proceeding. VeriFone was found to have infringed the '945 patent in the 2008 Litigation and was unable to invalidate the '945 patent in that proceeding. *See* Ex. 1007 ¶ 8. VeriFone also must defend and indemnify Petitioner in the 2013 Litigation for Petitioner's alleged willful infringement of the '945 patent from the sale of VeriFone products that were found to have infringed the '945 patent in the 2008 Litigation. Invalidity of the '945 patent has been asserted in the 2013 Litigation that VeriFone is defending under its indemnity agreement with First Data Merchant Services. Ex. 2003, 3 (second affirmative defense). VeriFone has an interest in an *inter partes* review of the '945 patent at least equal to that of Petitioner. The record evidence establishes, however, that VeriFone could not have pursued an *inter partes* review on its own or in

conjunction with the Petitioner, because VeriFone would have been barred from doing so pursuant to 35 U.S.C. § 315(b).

We also have considered Petitioner’s argument that “sole and exclusive control over this petition rests entirely with [Petitioner].” Pet. 1. In support of that argument, however, Petitioner refers to the April 28, 2014 Letter Addendum. Per the Letter Addendum, the indemnification (pursuant to the Master Engagement Agreement) from VeriFone to Petitioner gave VeriFone full opportunity to control all aspects of preparing the Petition prior to April 28, 2014—just two days prior to the actual filing of the Petition. By then, presumably, most of the work had been done by both Petitioner and VeriFone in preparation of the 51-page Petition, assemblance of prior art, and gathering of witnesses and their declarations, and Petitioner does not indicate otherwise. That Petitioner and VeriFone agreed that Petitioner would have total control after April 28, 2014 is of no moment. A petition is a petitioner’s main brief in an *inter partes* review, on which a petitioner relies to persuade us to institute an *inter partes* review and eventually to make a final written decision regarding the patentability of challenged claims. See 35 U.S.C. §§ 311, 314, 316. Petitioner, as a party who controlled or had the opportunity to control what went into the Petition, is a real party-in-interest despite turning over the reins to another party after all of the work has been done. For all of the above reasons, we conclude that VeriFone participated in, controlled, and/or had the opportunity to control the filing of the Petition in material respects and is a real party-in-interest to this proceeding. Because VeriFone is a real party-in-interest and was served with a complaint alleging infringement of the ’683 patent in the

2008 Litigation more than one year before the filing of the Petition, the Petition is untimely under 35 U.S.C. § 315(b).

Moreover, because VeriFone is a real party-in-interest, the Petition does not identify “all real parties in interest” as required by 35 U.S.C. § 312(a). As a result, the Board determines that the Petition is incomplete.

Section 42.106(b) of Title 37 of the Code of Federal Regulations provides:

(b) *Incomplete petition.* Where a party files an incomplete petition, no filing date will be accorded, and the Office will dismiss the petition if the deficiency in the petition is not corrected within one month from the notice of an incomplete petition.

Ordinarily, because the Petition is incomplete, the Board would give Petitioner one month from the date of this decision to correct the deficiency and list VeriFone as a real party-in-interest. In this instance, however, curing the omission of VeriFone as a real party-in-interest would be futile because, even if corrected, the earliest filing date that could be accorded to the Petition that identifies VeriFone as a real party-in-interest would not fall within the one-year period specified by 35 U.S.C. § 315(b).⁴

II. CONCLUSION

The Board denies the Petition because it was not filed within the time imposed by 35 U.S.C. § 315(b) and does not comply with 35 U.S.C. § 312(a).

⁴ Petitioner was served with a complaint alleging infringement of the '945 patent on May 2, 2013. Thus, the one-year period during which Petitioner could file a Petition expired on May 2, 2014. *See* 35 U.S.C. § 21(b).

III. ORDER

Accordingly, it is

ORDERED that the Petition is *denied* and no trial is instituted.

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