



Patent Infringement Suit Against Indemnatee Forecloses IPR Petition by Indemnitor

May 29, 2024

Reading Time : **3 min**

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The Patent Trial and Appeal Board denied institution of a petition for *inter partes* review under 35 U.S.C. § 315(b) because the petition was filed more than one year after patent owner had served a complaint for patent infringement against a seller of accused lighting products. The PTAB concluded that the seller was a real party in interest (RPI) to petitioner based on an indemnification relationship between the two entities. Therefore, institution of the petition was time-barred because petitioner filed the petition more than a year after an RPI had been served with a complaint.

Petitioner and seller were parties to an agreement whereby petitioner agreed to indemnify seller against claims of patent infringement arising from seller's use, sale, or offering for sale of goods provided by petitioner. In August 2022, patent owner filed a complaint alleging that seller's importation, offering for sale, and selling the accused products infringed claims of six of patent owner's patents. In October 2022, seller filed a third-party complaint against petitioner seeking indemnification. In its answer, petitioner filed crossclaims against patent owner seeking declaratory judgments of noninfringement and invalidity for each of the asserted patents. In October 2023, petitioner filed a petition for IPR against one of the asserted patents.

Patent owner argued, and the PTAB ultimately agreed, that seller was an RPI to petitioner because the IPR petition was filed at the behest of seller. In this regard, the board noted that seller made multiple demands for indemnification and petitioner acknowledged that it was liable for a portion of seller's expenses and costs in the litigation. Petitioner also responded to seller's demand for indemnification by seeking a declaration from the district court that the claims of the challenged patent were invalid. As further indication that petitioner's and

seller's interests aligned, the PTAB observed that the invalidity grounds and prior art references set forth in the IPR petition largely overlapped with the invalidity contentions that seller and petitioner jointly served in the district court litigation. Further, the PTAB stated that seller stood to benefit from a favorable decision on the IPR petition as that would relieve seller from any liability for infringement.

The board rejected petitioner's arguments that seller was not an RPI to the proceeding. Petitioner argued that its interests were not aligned with seller's because petitioner was potentially liable to many more sellers of accused products, and a holding in favor of seller or a settlement between seller and patent owner would not necessarily apply to petitioner and its other customers. The PTAB stated that the objective of the RPI analysis was not to probe petitioner's interest, but to assess the mutual interests of petitioner and seller. Petitioner also argued that it did not coordinate with seller in filing the IPR petition. The board noted that in the district court proceeding, petitioner and seller had communicated about indemnification through public court filings and coordinated on invalidity positions. The board distinguished this proceeding from cases in which an indemnification agreement alone, without something more, was insufficient to establish an RPI relationship.

Because seller was an RPI to the proceeding, petitioner's IPR petition was time-barred under § 315(b) by patent owner's filing of the infringement action against seller more than one year prior. In view of seller being an RPI, the board did not reach the question of whether seller was a "privy of the petitioner" under § 315(b).

Practice Tip: A determination of whether a party is an RPI requires both practical and equitable considerations with a focus on preexisting relationships with the petitioner to which the non-party benefits. A coordinated invalidity strategy between parties to an indemnification agreement and repeated demands by the non-party for indemnity may support a finding of RPI. Therefore, a party to an indemnification agreement wishing to file an IPR proceeding in view of an indemnity demand by a counterparty should carefully and promptly consider whether that party could be deemed to be an RPI. Delays in filing an IPR in this circumstance may risk the petition being time-barred under § 315(b).

Luminex Int'l Co. v. Signify Holdings B.V., IPR2024-00101, Paper 10 (P.T.A.B. May 9, 2024).

Categories

Inter Partes Review

35 U.S.C. § 315(b)

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