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Federal Circuit Clarifies Burden of Proof on Challenges to Identification of Real Parties-in-Interest in IPR Proceedings

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In 2012, Patent Owner Worlds, Inc. had asserted several U.S. patents related to computer-generated avatar displays against Activision Publishing, Inc. ("Activision"), a company that develops and distributes video games. Patent Owner informed Activision that it planned to add a game developed by Petitioner (an independent developer) as an accused product. Approximately six months later (more than a year after suit was filed), Petitioner, who was not a party to the litigation, filed six IPR petitions challenging Patent Owner's patents.

During the IPR proceedings, Patent Owner located an agreement between Activision and Petitioner that suggested that Activision required Petitioner to take certain actions with respect to intellectual property (the "Agreement"). Based on the Agreement, Patent Owner sought discovery about the relationship between Activision and Petitioner in support of its argument that Petitioner should have named Activision as an RPI. According to Patent Owner, Petitioner's IPRs were time barred because: (1) the Agreement suggested that Petitioner was acting at the behest of Activision by filing the IPR petitions, (2) Activision was actually an RPI, and (3) the petition was filed more than a year after Patent Owner had sued Activision. The Board rejected Patent Owner's arguments, concluding that Patent Owner had not demonstrated that Activision was an unnamed RPI. Patent Owner appealed the Board's Final Written Decisions, arguing that the Board incorrectly placed the burden of persuasion on Patent Owner to show the petitions were time barred.

The Federal Circuit first explained that a petitioner always bears the ultimate burden of persuasion to show that the petition is not time barred. The petitioner is the party requesting

agency action, and the petitioner has better access to the evidence related to identification of RPIs. A petitioner meets its initial burden by identifying the RPIs in the petition. This does not create a presumption that the RPIs are correctly named, but does require a patent owner who challenges the RPI designation to present some evidence that a particular third party should have been named as an RPI. Here, the Federal Circuit was concerned that the Board had shifted the ultimate burden to the Patent Owner. The court was also concerned that the Board had relied only on attorney argument from Petitioner stating that Activision was not an RPI, even though Patent Owner had cited actual evidence (the Agreement). The Federal Circuit remanded for further consideration of the RPI issue in light of its concerns. The court also instructed the Board to consider, in the first instance, whether there was an issue of collateral estoppel based on three related IPRs that Patent Owner had not appealed.

Worlds Inc. v. Bungie, Inc., Nos. 2017-1481, 2017-1546, 2017-1583 (Fed. Cir. Sept. 7, 2018)

Practice Tip: When an RPI dispute arises, Petitioners should submit, where possible, actual evidence in support of the initial RPI disclosure. This is especially true when Patent Owner comes forward with any evidence that the entities Petitioner identified are not correct.

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