OCTOBER 15, 2019

PTAB Denies IPR as Redundant to Supplier IPR

In a continuing clamp-down on redundant petitions, a PTAB panel exercised its discretion under 35 U.S.C. § 314(a) and denied institution of a subsequent petition for *inter partes* review ("IPR") of selected claims of U.S. Patent No. 8,539,047. The PTAB considered the parties to be essentially the same petitioner, since the first petitioner, Ingenico, was the supplier of the allegedly infringing product to the second petitioner, PayPal, and there was an indemnity agreement. The PTAB also faulted the nearly one year delay between petitions. The PTAB relied on the factors listed in the precedential PTAB decision of *General Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19.

The *General Plastic* factors are:
1. whether the same petitioner previously filed a petition directed to the same claims of the same patent (the subsequent *Valve Corp.*[1] precedential decision held that a significant relationship between petitioners is sufficient);
2. whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
3. whether at the time of filing of the second petition the petitioner already received the patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition;
4. the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;
5. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
6. the finite resources of the Board; and
7. the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.

In addressing the first factor, the PTAB considered the relationship between the prior Petitioner, Ingenico, Inc., and PayPal. Ingenico had previously filed a petition and the PTAB instituted an IPR to challenge certain claims of the asserted patent. The PTAB held that there was a "significant relationship" between PayPal and Ingenico because Igenico supplies products accused of patent infringement in the lawsuit involving Paypal and has an indemnification agreement with PayPal. Despite the new petition challenging only a subset of claims of the previous Ingenico Petition, the parties being represented by different counsel, and the petitions being supported by different experts, the Board held the first *General Plastic* factor weighed in favor of the PTAB exercising its discretion to deny institution due to this "significant relationship."

As to the second factor, the PTAB considered PayPal's knowledge of the cited references at the time Ingenico filed its petition. For two cited references, the Patent Owner provided no evidence that Petitioner should have known about the references cited in the Petition. However, one of the three references cited in the Petition was cited on the face of a related patent. Therefore, the PTAB found the second factor weighed slightly against institution.

In addressing the third factor, the PTAB argued that at the time Petitioner filed its IPR, Patent Owner had not yet filed a preliminary response in the previous petition and thus Petitioner did not gain any tactical advantage from filing a subsequent Petition. The PTAB found this factor weighed against denying institution.

The PTAB addressed factors four and five together. The PTAB found that Petitioner waited nearly a year from when Petitioner knew or should have known of a primary reference to file a Petition. Petitioner argued that Patent Owner originally asserted 96 claims across three patents in the district court proceeding against PayPal and did not reduce the number of claims until less than 30 days prior to filing the Petition. However, the PTAB found that between both Petitions that all of the claims of the asserted patent were challenged, including claims that were never asserted by Patent Owner. Therefore, the PTAB did not find the Petitioner's delay in filing due to reduction of asserted claims as reasonable.

As to the final two *General Plastic* factors, the PTAB held that having multiple petitions challenging the same patent, especially when not filed at or around the same time is inefficient and tends to waste resources especially when there are approximately three months between the decisions on institution and the two review proceedings could not easily be consolidated.

On balance, the PTAB held that the factors weighed in favor of denying institution. The PTAB also stated that Petitioner failed to explain why the difference between the prior art references was material to justify multiple petitions. It would be helpful for parties to an indemnification agreement work together in challenging claims to the asserted patents and if different petitions are needed they should be filed concurrently.

---

[1] *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00062, -00063, -00084, Paper 11 (PTAB Apr. 2, 2019) (designated precedential).